

The artworks depicted in these pages were created by the artist Emilio Tadini and are part of the Farmafactoring Foundation's contemporary art collection.

The entire collection of about 250 works from the post-war period to the early 2000s created by artists such as Valerio Adami, Enrico Baj, Alberto Burri, Hsiao Chin, Mario Schifano, Arnaldo Pomodoro and Joe Tilson is permanently exhibited at BFF's Italian offices in Milan and Rome.

In 2020, BFF and Skira edited the volume *"Art Factor. The Pop Legacy in Post-War Italian Art"* that narrates an Italian path to Pop Art through the works of Valerio Adami, Franco Angeli, Enrico Baj, Lucio Del Pezzo, Gianfranco Pardi, Mario Schifano and Emilio Tadini. From the mid-sixties these artists addressed a long-standing iconographic tradition, revising and transcending the avant-gardes and stylistic techniques of the past, making use of a rich variety of resources that are often put to the service of a social and cultural activism. Indeed, this catalogue and the collection itself tell the same story: the desire to be activists, not spectators of those initiatives that create value for society.

The art volume, which will be distributed from spring 2021, represents the first phase of a broader project that will promote the collection abroad in a travelling exhibition in Europe in 2021-2022.

**Banca Farmafactoring S.p.A.**

Parent Company of the "Banca Farmafactoring" Banking Group

Registered Office in Milan - Via Domenichino 5

Share Capital €131,400,994.34 (fully paid-in)

Milan Company Register no.,

Tax Code and VAT no. 07960110158

Consolidated  
non-financial disclosure

2020



Italian Legislative Decree 254/2016 – enacting Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, as regards disclosure of non-financial and diversity information by certain large undertakings and groups – has introduced the obligation in Italy to produce a non-financial disclosure on “environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters”.

BFF Banking Group (the “BFF Group” or the “Group”) prepares the second edition of its Consolidated Non-Financial Disclosure (“NFD” or “Disclosure”) pursuant to Article 4 of Italian Legislative Decree 254 of December 30, 2016.

Last year, although it is not yet subject to the size-related requirements set out in Article 2 of the Decree, it prepared its first Consolidated Non-Financial Disclosure on a voluntary basis pursuant to Art. 7 of Italian Legislative Decree no. 254/16.

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# Introduction

## By Elio Borgonovi

*Senior Professor of Economics and Public Administration Management at Bocconi University in Milan*

As the document is complete and exhaustive, the contents are not summarised here, as readers may consult them directly. We hope some reflections made, in the context of the latest business and management theories, will provide food for thought. In fact, regulations on non-financial disclosure are part of more general developments in reflections concerning the reporting, transparency and awareness of corporate improvement processes. Reporting means accepting that you being evaluated by external parties and being responsible for what you have done with everyone that puts their trust in the company, whether employees, investors or businesses. Transparency means acting in an “open information” dimension that generates opportunities for growth through the exchange of knowledge. Continual improvement is a guarantee of long-term sustainability and may be achieved by involving all people and by sharing the corporate vision, mission and strategies.

BFF decided to adopt non-financial disclosure in 2019, although not formally required, because it is aware that the modern concept of performance considers results along with the processes used to attain them. Financial information reports on results. Non-financial disclosure focusses on the processes used to achieve these results.

Financial disclosure is based on data measured by market values and provides information on impact in terms of wealth generated and distributed by the company.

Non-financial disclosure makes it possible to supplement this information, highlighting both internal conditions that enabled results to be achieved (the contribution of internal stakeholders), and the impact on external stakeholders.

The Statement prepared by BFF provides disclosure to the economic system and society in general on how it performs as a specialty finance operator and on its productive use to make real economy processes more flexible.

Analysis of the financial results, referred to in the first part of the document, shows clearly the role of an institution that has not let itself be blinkered by an aggressive, speculative type of finance. The group’s consolidated results show how its growth strategy has been - and in perspective is - to disseminate high standards of expertise and knowledge, gained over decades of activity, in European countries.

Without any frills or window dressing, the logic that has guided the preparation of the Statement has been to assist the reader in understanding what the company takes from the environment it works in, and what it gives back. A virtuous exchange which, in the case of BFF, concerns, for example, the impact on health and more in general on public services for citizens. Giving all companies that operate in these sectors greater flexibility means contributing indirectly but not less significantly to the welfare of hundreds of thousands of people. To better clarify BFF’s role, 5 main aspects can be considered.

The first is closely related to typical processes and concerns preventing the risk of money laundering and various types of financial crime. To make an organization impermeable, structured rules are necessary, but also a continual alignment of supporting technologies. Only in this way is it possible to put up barriers against the popular saying “every law (and internal controls) has a loophole” and take action against attempts at unlawful influences. Of the many types of “warfare” spoken about today, cyber attacks are some of the most insidious BFF has to protect itself against. Not only does it have to protect its operations, but also information that is significant for the company.



The second concerns the robustness of internal governance, based on a well-balanced system of controls that avoid pointless, excess formalities. Besides legal requirements, the controls system meets internal needs. Translating individual values into the shared values of an organization means promoting a climate of reciprocal trust. The governance system therefore has the function of preventing possible behaviour that is not consistent with company values, rather than administering sanctions for any non-conforming behaviour. In this case as well, the principle of "prevention is better than the cure" is adopted.

The third area is people-centric. Quantitative information on personnel development, and qualitative information on gender distribution, training and professional development support a company concept based on the work *of* people, *with* people, *for* people. Organizational wellbeing is a value in itself, as well as a condition for even higher levels of performance. The theories of "human relations" proposed in the nineteen thirties, were mainly geared towards achieving higher productivity levels. While financial results take into account greater efficiency, the non-financial disclosure focuses on organizational wellbeing as an independent dimension of the company's aims. Generating value also means contributing to a better work/life balance of staff, achieved directly or indirectly through ongoing engagement and, over these years, studies and cultural events organized by the Farmafactoring Foundation as part of the "A Long Life" project.

The fourth area concerns the business model. BFF's Non-Financial Disclosure includes recent declarations and documents that go beyond the manifesto of a free market, summed up by *M. Friedman's* statement that "*The business of business is business*". Reference is made to the *Shared Value Initiative* proposed in 2012 by *M. Porter* and *M. Kramer*, to the manifesto signed in August 2019 by 181 CEOs of major companies taking part in the *Business Round Table* in which the multidimensional sphere of profit is recognised (responsibility to stakeholders) and the letter, sent in mid January 2020, by the Chairman of the *Black Rock* investment fund to investors concerning the importance of

sustainable investments. We know it is important not only to recognise that companies are accountable to society, in a way that is far wider ranging and more complex than simply increasing wealth in economic terms, but it is even more important to follow up statements with facts. And facts are more credible than words, so we would like everyone who reads this Statement to help the BFF group increasingly become an example to other sector operators.

The fifth area is about time. Many factors have contributed over the last two decades to overwhelming short-term disclosure, with quarterly or four-monthly reports that affect share prices, or operating results that are influenced by managers' bonus targets. Instead, non-financial disclosure must be used to reaffirm that the sustainability of businesses, economic systems and society depends on the ability to have a medium/long-term vision. Some years ago, the CEO of a large company declared that "in the future there will be only two types of businesses - the quick and the dead". Perhaps his line of thought could be completed by saying that there might be another two types of businesses: those that, in order to be quick, have destroyed the environment, economic wealth and human capital, and those that, because they do not have a medium/long-term focus, have ended up in a position they cannot get themselves out of. BFF has shown, also through its non-financial disclosure, that it does not run the risks of a business that is quick, but not focussed. BFF has proved it is quick in seeking new opportunities in Europe, but at the same time has a clear vision of long-term sustainability.

Having said this, I hope you enjoy reading the Statement.

# Letter to Stakeholders



Salvatore Messina

The serious pandemic that developed during 2020, and will most likely affect all of 2021, was tackled by our Group with the priority of safeguarding human resources - the Company's most significant asset - and adequately developing the most appropriate levels of resilience, suitable for enabling the Group to consolidate, get stronger and increase its characteristic functions.

The Consolidated Non-Financial Disclosure in the pages that follow aims to report on the constraints and opportunities arising from the crisis we are experiencing.

The acquisition and merger by absorption of Depobank-Banca Depositaria Italiana S.p.A. with Banca Farmafactoring is tangible evidence of the gradual process of the Company's expansion, which is in clear contrast with the current economic crisis caused by the pandemic, that has led to a situation of a general recession.

The Group's "transition" from the current 500 employees to approximately 900 employees, shows the extent of the huge commitment made by the Director and Senior Management in deploying their best strategies, with intelligence and a focus on costs.

The Company – established in 1985 – was authorised by the Bank of Italy in July 2013 to carry out banking activities. It has been listed on the Milan Stock Exchange (MTA) since April 2017, and has successfully begun a process of continual expansion, operating so far in twelve countries of the European Union.

BFF adopts a traditional administration and control model, comprising a Board of Directors and Board of Statutory Auditors, and a scrupulous risk management and control system, in full compliance with applicable regulations.

The Company operates on the market in order to create long-term sustainable wealth for its stakeholders and for all countries where it carries out its activities, generating a total economic value in 2020 equal to €234 million, of which 97% redistributed to its stakeholders.

To achieve its institutional aims, the Group strictly observes principles of lawfulness, integrity and transparency, and has put in place a “Group Code of Ethics” which is continually updated, and an advanced “Code of Conduct” which applies to all people who work for the Bank, adopting as a basic rule of conduct constant oversight to combat money laundering and terrorist financing.

The Company’s commitment to giving its customers high-quality services, in line with market needs and developments, is fundamental. This is achieved through continually striving to meet customer needs, as well as integrating and implementing action plans and strategies, in light of results from customer satisfaction activities.

As for privacy, the Company has put in place strict technical and organizational measures, to guarantee data processing in compliance with Regulation (EU) 2016/679 on data protection (GDPR - General Data Protection Regulation). As regards cyber security, it considers information managed and the information governance system an integral part of its own assets, and safeguarding the security of its own information system and protecting the confidentiality and integrity of the information it has to be a priority.

In fact, technological innovation is key to how the Group operates, constantly connected with a steady, continual focus on the process to further consolidate Research and Development.

All the above is taken on board by the Group, with its keen focus on Human Resources - an issue which is addressed in full in the Statement - and to whom the Company is hugely dedicated, with the goal of developing expertise, leveraging skills and abilities, ensuring regulatory alignment applicable to the business and various sector trends.

It is on the "Personnel Area" that the Company - respecting Human Rights - focuses its Gender Policies. In fact, in 2019 women already accounted for 54% of employees, and besides quality, the number of women gradually taking on senior management positions is increasing.

Along with its focus on gender policies, the Group is fully committed to empowering human capital, in its widest meaning. This commitment - as specifically described in the Statement - ranges from a careful recruitment policy to considerable attention paid to implementing broad-ranging training cycles for resources, based on a programme that is continually updated and culminates in the "BFF Academy" - "the physical and virtual place where knowledge, skills, techniques and ideas are shared", to increase the human and professional dimension of employees and thus guarantee the Company's growth.

This is achieved in a regulatory and functional context designed to ensure all employees can benefit from a work environment that guarantees optimal health and safety, through a careful adoption of appropriate policies and initiatives.

The Group's strong social responsibility stems from these bases, developed by scientific research and cultural initiatives, of which the purpose is to explore current topics assisted by experts from different sectors, to trial training and information for employees and customers, develop interdisciplinary research centres with associations and universities, as well as cultural and arts' events, with results that benefit the entire community.

This sensitivity is exemplified by the "Farmafactoring Foundation", set up in 2004, in order to promote and empower cultural and research activities previously undertaken by the Company, to contribute to analysing management and control models for the public administration, and the facilities, subsidiarity and governance of health systems in Italy and Europe.

In this framework, the Foundation publishes specific studies each year on economic, sociological and healthcare topics, and since 2020 has also expanded its focus to various health systems in countries where the BFF Banking Group operates, with its publications "Quaderni di Fondazione Farmafactoring".

Lastly, in line with sector trends, the Company has a steady focus on identifying and observing main direct and indirect impacts on the environment, arising from business activities and caused by energy consumption and emissions.

In the Statement, you will find detailed information about the matters mentioned here, that give a full picture of the Company's strategies, that are gradually being further developed and geared towards making BFF Banking Group a dynamic, relevant and stimulating business at European level.

Innovation and Sustainability are two terms in which the Company's creative and functional actions are summed up and developed, with an economic and protective development process underlying its activities that harmonises the use of available resources with an informed respect for environmental conditions and compatibilities. To meet the needs of this generation - without compromising the chances of future generations achieving their own needs.

I hope you enjoy reading the document.

**Salvatore Messina**

Chairman of the Board of Directors  
of Banca Farmafactoring S.p.A.

# Methodological Note

The reporting scope of this Disclosure encompasses the Parent Company Banca Farmafactoring S.p.A. (hereinafter also referred to as “BFF” or the “Bank”), which includes its branches in Portugal, Spain, Poland and Greece, and fully-consolidated subsidiaries at December 31, 2020:

- BFF Polska S.A. (hereinafter also referred to as “BFF Polska”);
- BFF MEDfinance S.A. (hereinafter also referred to as “BFF MEDFinance”);
- BFF Česká Republika s.r.o. (hereinafter also referred to as “BFF Ceska Republika”);
- BFF Central Europe s.r.o. (hereinafter also referred to as “BFF Central Europe”);
- BFF Finance Iberia S.A.U. (hereinafter also referred to as “BFF Finance Iberia”).

Furthermore, information relating to Farmafactoring Foundation, an entity not included in the Group’s scope of consolidation, constitutes a qualitative aspect useful for understanding our focus on the social context.

This Disclosure contains non-financial information that was deemed relevant to the Group, the business model and the methods through which the Group itself creates value.

In preparing this Disclosure, reliance was made on the “GRI Sustainability Reporting Standards” published in 2016, and subsequent versions, by the “GRI Global Reporting Initiative”.

Most notably, reliance was made on the reporting principles relating to *Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness* with reference to content, and on the reporting principles relating to *Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness* with regard to quality.

This document is based on these standards using the GRI-referenced claims. With reference to the correlation table between the chapters of this Disclosure and the GRI reference indicators, reference should be made to the GRI Content Index provided at the end of this Disclosure.

In the course of 2019, the standard GRI 207: Tax was introduced; in this regard, BFF Banking Group, which includes Companies with registered office in other European countries, aware of the importance of the matter of tax transparency, will be working throughout 2021 to develop a structured process to proceed with reporting aligned with the requirements of the GRI Standard starting with the 2021 NFD.

Please also note that following the update of the indicators relating to occupational health and safety (GRI 403) and relating to water and effluents (GRI 303) published by the GRI in 2019, BFF aligned its disclosure of such aspects according to the requirements established.

This NFD sets out to provide an insight into the organizational model, activities, main risks and indicators that concern the Group’s performance with regard to environmental, social and employee-related issues as well as matters pertaining to respect for human rights and the fight against active and passive corruption, which are deemed as relevant based on the Group’s activities and characteristics during the reporting year (01/01/2020 – 12/31/2020). Where available, data and information with reference to FY2018 and FY2019 will be provided for comparative purposes. The Group plans to disclose its non-financial performance on an annual basis. For reporting purposes, “region” was defined as the individual country in which the Group operates. As a result, the information referring to the Spanish branch was included in the information relating to Spain; the information referring to the Portuguese branch was included in the information relating to Portugal; the information referring to the Polish branch was included in the information relating to Poland; and, lastly, the information referring to the Greek branch was included in the information relating to Greece. With specific reference to the collection of the data and information covered by this Disclosure, once the materiality analysis process was completed, the working group responsible for preparing the document (the “**Working Group**”) arranged for data collection forms to be used by, and delivered for completion to, the representatives of the corporate functions involved. The data concerning Italy was provided by the Parent Company’s

functions; the data relating to Spain, Portugal, Poland and Greece was collected under the responsibility of the respective country representatives. It should be noted that specific limitations are reflected in the document with respect to certain types of data and information explicitly mentioned in the relevant sections.

For the purpose of ensuring accurate reporting on the scope of “Accountability to people”, the following professional categorization was defined: (i) Senior Executives/Executives (hereinafter also referred to as “Top Management”); (ii) Managers/Middle Managers/ Coordinators (hereinafter also referred to as “Middle Management”); (iii) Specialists/Professionals (hereinafter also referred to as “Staff”).

Please note that with reference to the new Greek branch, for the purposes of this Disclosure, data relating to energy, water and paper consumption and the correlated emissions were not considered, as they were unavailable and in any event deemed of little relevance. In general, any scope omissions were appropriately reported in this document and included in the “GRI Content Index” section.

The main calculation methods used are shown below:

- ▶ the Lost Day Rate was calculated by dividing the number of days lost due to accidents (at work and while commuting) by the hours worked multiplied by 1000;
- ▶ the injury rate (relating to recordable work-related injuries) was calculated by dividing the number of accidents (at work) by the hours worked multiplied by 1,000,000;
- ▶ The boundary of Scope 1<sup>1</sup> emissions is limited to Italy. For the purpose of calculating Scope 1 emissions, reference was made to the guidelines of ABI (Italian Banking Association), of which the Group is a member;
- ▶ with regard to the calculation of CO<sub>2</sub> emissions pertaining to Scope 2<sup>2</sup> (location-based) resulting from electricity consumption, reliance was made on the conversion factors published by Terna, with reference to the emissions of foreign countries, respectively Terna 2018 for data of the current year and the Terna 2016 conversion factors for the data from the years 2018 and 2019. As to emissions relating to BFF S.p.A., reliance was made on the conversion factors provided by the Italian Institute for Environmental Protection and Research (ISPRA) – Atmospheric emission factors of greenhouse gases and other pollutants from the power sector from 2020 for FY2020 and 2018 for FY2018 and FY2019.
- ▶ With regard to the calculation of CO<sub>2</sub> emissions pertaining to Scope 2 (location-based) resulting from thermal energy relating to the office of the Polish companies, reliance was made on the conversion factors published by Defra (Department for Environment, Food & Rural Affairs) from 2020 for FY2020 and 2018 for FY2018 and FY2019.
- ▶ To calculate Scope 3<sup>3</sup> emissions, reliance was made on the conversion factors issued by EPA – Emission Factors for Greenhouse Gas Inventories (at 2018).

For clarifications, further details and queries regarding the information contained in the Consolidated Non-Financial Disclosure of BFF Group, please contact [sostenibilita@bff.com](mailto:sostenibilita@bff.com).

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- 1 Scope 1 emissions mean direct greenhouse gas emissions from sources owned or controlled by the company, such as those resulting from combustion within owned or controlled plants, boilers, furnaces or owned vehicles, etc. or from emissions caused by processing of chemicals within owned or controlled plants.
  - 2 Scope 2 takes into account greenhouse gas emissions resulting from electric power purchased and used by the company. Scope 2 emissions actually occur in the plant used for the generation of electric power subsequently used.
  - 3 Scope 3 is an optional reporting category encompassing all other indirect emissions. Some examples include the extraction and processing of third-party raw materials, the transport of purchased fuels and the use of sold products and services.









# 01

Group  
Overview

## Profile

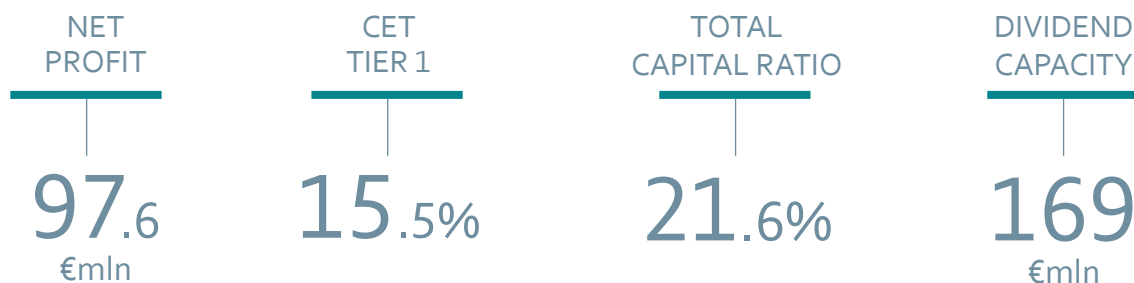
BFF is the leading European financial services provider to Healthcare and Public Administration suppliers.

The Group operates in this business in nine countries – Italy, Croatia, France, Greece, Portugal, Poland, the Czech Republic, Slovakia and Spain – and, precisely thanks to a consistent and disciplined internationalization strategy, today it is one of the top three Italian banks in terms of foreign branches<sup>4</sup>.

It is geographical diversification which has guaranteed further growth, making a significant contribution to commercial activities which are increasingly on the rise, with expanding volumes.

The Group remains positioned for good profitability and growth while retaining dividend generation capabilities, with a solid capital base and a low level of risk.

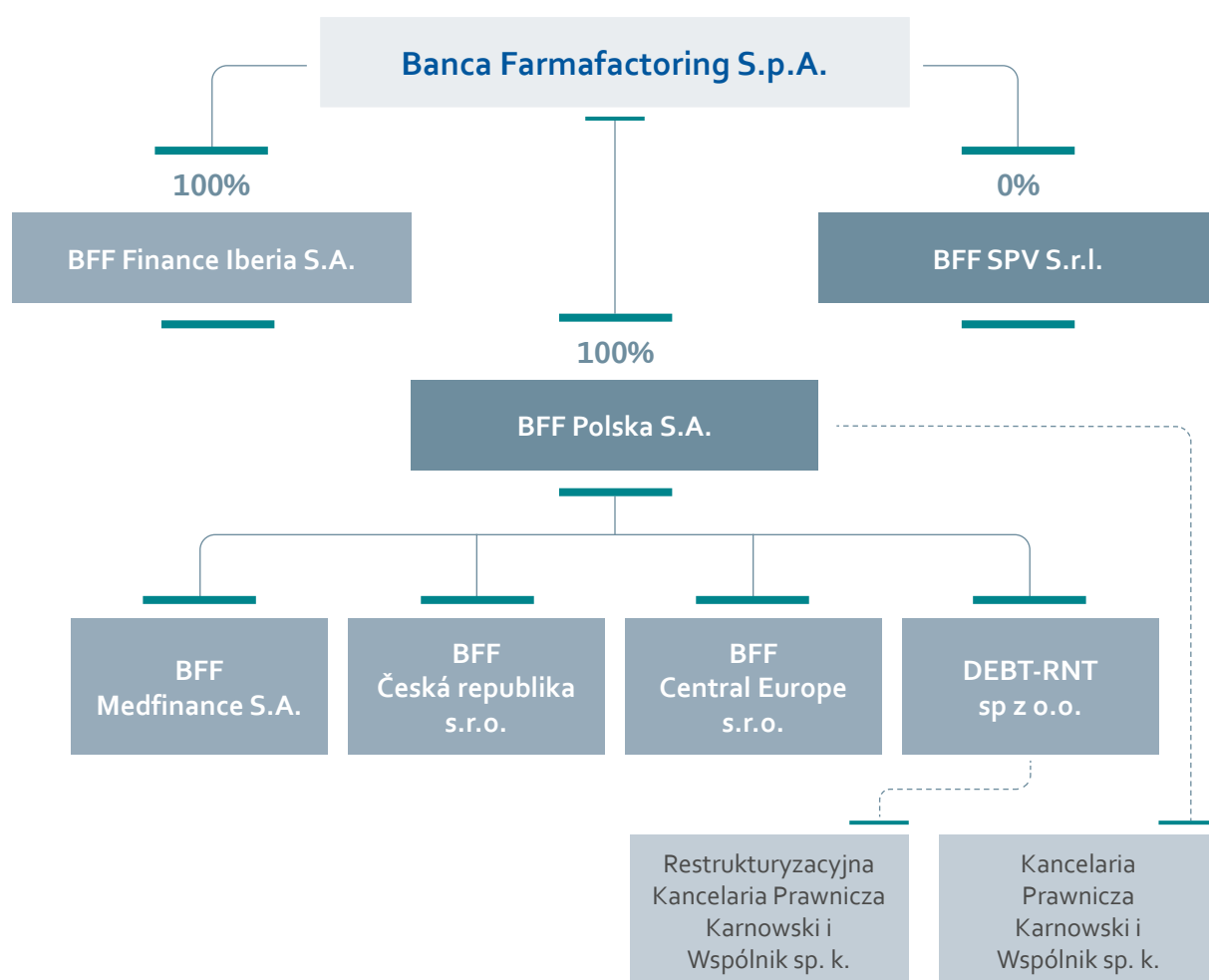
In 2020, its consolidated and adjusted net profit came in at €97.6 million, with a Group Common Equity Tier 1 (“CET1”) ratio at 12/31/2020 of 15.5% and a Total Capital Ratio standing at 21.6%, net of the dividend capacity of €169 million.<sup>5</sup>



<sup>4</sup> Banca Farmafactoring is tied for third place with Mediobanca – Banca di Credito Finanziario SpA. Intesa Sanpaolo SpA is first by number of branches, followed by Unicredit Spa. Source: Bank of Italy, 2020.

<sup>5</sup> Dividends accrued in 2019 and 2020, ready to be paid and not included in the capital ratios. Pending Bank of Italy clarifications as regards timing.

## Group structure as of 12.31.2020



## Group's History

Founded in **Italy** in 1985 at the initiative of a consortium of companies active in the pharmaceutical and biomedical industry for the management of Italian National Health Service trade receivables, the Group has grown to become the leader in the management and disposal of trade receivables due from Public Administrations in Europe.

The Group's internationalization began in 2010 with **Spain**, followed by **Portugal** (2014) and then **Poland**, the **Czech Republic** and **Slovakia**, by acquiring the leading operator in public sector financing (2016).

Geographical diversification continued throughout the years by opening branches in Portugal (2018) and **Greece** (2020), where the Group already operated through cross-border activities. In the two-year period, **Croatia** (2018) and **France** (2019) were also added, in order to support customers within an increasingly broad scope, and the leadership position in Spain continued to be strengthened through the acquisition of IOS Finance, one of the competitors in that country.

The acquisitions continued in line with the "BFF 2023" strategic plan, and in 2020 came the announcement of



the acquisition of **DEPObank**, an independent leader in Italy in the securities services and banking payment services businesses, serving more than 400 customers including investment funds, banks, payment and e-money institutions, large corporate and Public Administrations.

The transaction, which will give rise to the largest independent Specialty Finance operator in Italy, provides significant opportunities for value creation, on one hand guaranteeing a further drive for the activities of DEPObank and on the other hand providing access to a broad funding and capital base, which will enable BFF to serve its traditional customers even better.

## 35 years serving Public Administration and healthcare suppliers in Europe

### 2020 ▶ EUROPEAN LEADER

BFF is the only pan-European platform, with a presence in 9 countries, specialized in the management and non-recourse acquisition of receivables from the Public Administration and national healthcare systems.

### 2014-2019 ▶ STRONGER AS A BANK, LISTING AND INTERNATIONAL GROWTH

BFF becomes a Bank (2013), is listed on the Italian Stock Exchange (2017) and grows, in Central and Eastern Europe, through an important acquisition in Poland (2016).

The international offer is also present in Portugal, Greece, Croatia and France. The business in Spain is consolidated with the acquisition of IOS Finance (2019).

### 2010-2013 ▶ RESILIENT DURING THE CRISIS, THE INTERNATIONALIZATION PROCESS BEGINS

Expansion begins in new European countries (2010 operations in Spain).

The BFF offer is extended to all suppliers of public agencies (National Health System and Public Administration), always aligned with the needs of its customers.

### 1985 ▶ BFF IS BORN

Founded by a group of pharmaceutical companies to meet their requirements surrounding the management and collection of receivables from the healthcare system. BFF immediately became a leader in the reference market.

## Business Model

The Group operates in Italy, Croatia, France, Greece, Spain and Portugal, where it engages in non-recourse factoring and credit management activities. It also has operations in Poland, the Czech Republic and Slovakia, offering a diversified range of financial services designed for ensuring access to credit as well as providing liquidity and solvency support to the private system of companies that interface with the Public Administration.

In this regard, the Group provides its customers with support services in interpreting and responding to changes in the legal context and the economic/financial situation of local Public Administration institutions, while also guaranteeing the security of commercial processes.

The Group's organizational model requires that the value chain core components, which are underpinned by a highly technological information system which is always evolving, to guarantee the highest standards to its customers, be integrated with the funding activity underlying the factoring and lending services.

## VALUE PROPOSITION

THE VALUE PROPOSITION CONSISTS OF MANAGING OPERATIONAL COMPLEXITY AND ELIMINATING RISKS FOR CUSTOMERS, THROUGH THE FOLLOWING ACTIONS:

### 01

**Support for liquidity** and the management of working capital of private businesses

### 02

**Improvement in financial statement ratios**, thanks to the possibility of definitively deconsolidating exposure to public agencies

### 03

**Planning and maintenance** of a target DSO irrespective of Public Administration payment timing

### 04

**Reduction in operating costs**, thanks to revolving agreements for the assignment of receivables and/or a tailor-made service for credit management

In addition to the activities described above, as part of its business model the Group offers fixed-rate online term deposit accounts designed for both retail and corporate resident customers. This product is available in Italy ("Conto Facto"), Spain ("Cuenta Facto") and Poland ("Lokata Facto"). Cuenta Facto is also extended to non-resident customers through a third-party online platform (Raisin GmbH).

The business model described above is based on core values, such as:

- ▶ honesty,
- ▶ transparency,
- ▶ respect for people,
- ▶ enhancement of resources,

ensuring leadership in innovation and execution in its target market.

05

—  
**Reduction of public risk exposure**  
 for specific countries

06

—  
 In the case of public tenders, **possibility of providing non-binding offers** that enable customers to estimate factoring transaction costs and include them in the offer

07

—  
**Support** to international customers in markets in which they operate through distributors

08

—  
 In the case of M&As, the customer obtaining a **higher ROI** through lower financial leverage

# Mission

Be the leaders in innovation, customer service and execution in our reference markets, with a low risk profile and high operational efficiency, aligned with the best corporate governance practices for public companies.

# Vision

Be a leader in specialty finance niches in Europe, leveraging on our leadership position in financial services to the suppliers of the Public Administrations.

# Values

The core values of the Group, which are also set out in the Code of Ethics, can be summarized as follows:



## People

We value our people and invest in them, favouring merit and inclusion.



## Integrity

We operate with honesty and transparency.



## Excellence

We ensure timely execution and completion to our clients.



## Our strategy<sup>7</sup>

Thanks to its leading position among operators specialized in credit management, non-recourse factoring and lending services for the Healthcare and Public Administration sectors, and by leveraging the competitive advantages outlined above as well as the diversification and continuous expansion of funding sources, the Group intends to pursue its business along the strategic lines briefly summarized here:

- ▶ **Develop current core business and further improve its operating efficiency:**
  - *further strengthen the leadership position in Italy;*
  - *expand the business in Southern Europe;*
  - *capture the growth potential of BFF Polska's business in Central and Eastern Europe;*
  - *strengthen the relationships with clients' headquarters and increase cross-border deals;*
  - *expand into other geographies;*
  - *expand the target client base to smaller suppliers, leveraging on digital platforms;*
  - *widen the product offering to segments / business lines adjacent to current operations.*
- ▶ **Continue in the process of optimising funding and capital.**
- ▶ **Consolidate existing business and/or expand into other underserved markets via M&A.**

In this respect, on 13 May 2020, BFF signed a binding agreement for the acquisition of DEPObank, and its subsequent merger by incorporation into BFF, with a view to creating the top independent specialty finance operator in Italy, further developing DEPObank's business and improving access to funding and capital to serve BFF's traditional clients.
- ▶ **Strengthen the path of economically and socially sustainable growth,** through governance aligned with best market practices, offering socially responsible products/services, inclusion and diversity.

These strategies are reflected in the actions taken with the discipline and agility that distinguished the Group in 2020 as well. Simply consider the opening of the Greek branch, the review of all processes in the lending and credit management area following the entry into force of the EBA guidelines on the application of the definition of default pursuant to Art. 178 of EU Regulation No. 575/2013 and the process of acquiring DEPOBank, managed entirely remotely, as well as the path of inclusion and diversity along which the Group continues to progress and which is reflected in the enhancement of new and different points of view, to guarantee growth that is consistently aligned with sector best practices.

<sup>7</sup> For further details on the Group's strategy, reference should be made to the document called – "BFF 2023" - Strategic Plan – available at on the website in the Investors section.



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# 02

## Governance and Risk Management

## Governance

BFF adopts a traditional governance and control model, based on two corporate bodies appointed by the Shareholders' Meeting:

- ▶ the *Board of Directors*, acting as the body entrusted with the strategic supervision of the company, and
- ▶ the *Board of Statutory Auditors*, acting as the body entrusted with control functions.

Corporate governance also requires the Board of Directors to appoint a Chief Executive Officer from among its members to be entrusted with company management.

Consistent with the terms outlined in the "2020 Report on Corporate Governance and Ownership Structure", the Bank complies with the Corporate Governance Code for Listed Companies (formerly the Code of Conduct)<sup>8</sup> approved in March 2006 by the Corporate Governance Committee established by business associations (ABI, ANIA, ASSONIME, CONFINDUSTRIA), Borsa Italiana S.p.A. and the professional investors association (ASSOGESTIONI) in January 2020 (the "**Corporate Governance Code**").

The Board of Directors of the Bank also resolved to establish (i) a Supervisory Body under Italian Legislative Decree 231/2001 (the "**Supervisory Body**"), and, pursuant to the Provisions on Corporate Governance contained in Bank of Italy Circular No. 285 of December 17, 2013, as amended (the "**Supervisory Provisions for Banks**"), and further consistent with the provisions of the Corporate Governance Code, (ii) the following internal board committees for the discharge of fact-finding, proposing and advisory tasks for the Board of Directors and, to a limited extent as regards the Remuneration Committee, the Chief Executive Officer<sup>9</sup>:

- ▶ the Remuneration Committee;
- ▶ the Nominations Committee;
- ▶ the Control and Risks Committee.

All three Committees mentioned above consist of two independent directors and one non-executive director, appointed by the Board of Directors.

Specifically with reference to the Control and Risks Committee, in 2020 the Board of Directors assigned the following Environment, Social and Governance ("ESG") responsibilities:

- ▶ fact-finding, proposing and advisory functions and, more generally, support to the Board of Directors on topics concerning sustainability (with regard to ESG parameters) and, in particular, with regard to the NFD, as of when its preparation will become compulsory for the Company;
- ▶ the periodic review of updates on the performance of sustainability-related actions and, as of when its preparation will become compulsory for the Company, the ensuing impacts on the NFD.

<sup>8</sup> The *Corporate Governance Code* is available on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020>

<sup>9</sup> For more information, reference should be made to chapters 4 and 14 of the 2020 Report on Corporate Governance and Ownership Structure, available at [www.bff.com](http://www.bff.com) (under *Investors > Group overview > Governance > Shareholder's Meeting Documentation*).

The Board of Directors also set up the Related Party Transactions Committee (the “**RPT Committee**”), consisting of three independent directors as pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance and Article 2 of the Corporate Governance Code, with a view to ensuring an efficient information and advisory system enabling the Board of Directors to better assess transactions with related parties, in accordance with the provisions set forth in the Regulations governing transactions with related parties issued by CONSOB (the National Commission for Listed Companies and the Stock Exchange) with Resolution No. 17221 of 2010, as amended from time to time, and Bank of Italy Circular No. 285 of December 17, 2013, as amended from time to time (the “*New regulations for the prudential supervision of banks*”).

In order to oversee the risk that proximity of such parties, if any, to the Bank's decision-making centre, which could compromise the objectivity and impartiality of the decisions taken on transactions involving those parties and with possible distortions in the resource allocation process the exposure of the Bank to risks not adequately measured or supervised, and any potential damage for Shareholders and stakeholders, the Board of Directors approved the “*Regulation of the Banca Farmafactoring Banking Group for the Management of Transactions with persons in conflict of interest*” (the “**RPT Regulation**”).

The Board of Directors also approved the “*Policy on Internal on Internal Controls adopted by the Banca Farmafactoring Banking Group for the management of Conflicts of interest*” (the “**RPT Policy**”), the purpose being to establish guidelines to ensure that BFF Group's organizational structure and the Internal Control System guarantee constant compliance with the prudential limits and decision-making procedures laid down by the applicable regulations.

PricewaterhouseCoopers S.p.A. were retained as independent auditors. (“**PwC**”).

In its capacity as the Parent Company of BFF Group, the Bank discharges management and coordination duties while performing bank-wide control over Subsidiaries BFF Finance Iberia and BFF Polska<sup>10</sup>. To this end, the Board of Directors also approved:

- ▶ The “*Intragroup Regulation*”, outlining the organizational architecture, objectives and content of management, control and coordination activities. The purpose of these Regulations is to ensure the deployment of the group-wide entrepreneurial concept together with business development by having the Parent Company play its governance role over its Subsidiaries, ensuring their management, coordination and control. As part of this activity, BFF promotes the empowerment of the individual subsidiaries and of the Group as a whole, gearing development policies and management based on objectives that pursue operational efficiency and sustainable profitability over time. The management of the subsidiaries contributes in point of fact to the achievement of the Group's objectives;
- ▶ The “*Group Regulation on the management of Internal Regulation*”, which govern the regulatory sources within the Bank and its subsidiaries, defining the hierarchy and methods for adopting and updating such sources.

Each Subsidiary of BFF Group has its own Corporate Bylaws, where the corporate organizational model is defined. If required by local regulations, a Subsidiary may adopt a business model other than the traditional one adopted by the Parent Company. However, subsidiaries must:

- ▶ Follow the guidelines and instructions of the Parent Company;
- ▶ Provide the Parent Company with timely information on events of any kind that could have a negative impact on the Group;
- ▶ Comply with the provisions set forth in Group regulations.

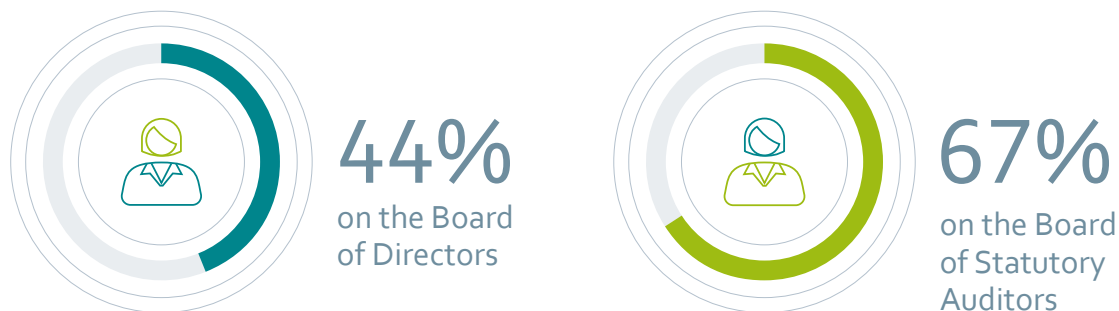
<sup>10</sup> Pursuant to the provisions of Part 1, Title I, Chapter 2, Section II, of Circular No. 285 issued by the Bank of Italy regarding supervisory provisions applicable to banks.



The regulations defined by the Parent Company consist of the “Governance Regulation Documents”, which are designed to govern the corporate guidelines and general rules that fall within the scope of action of each of the Group companies, and the Operating Regulations, which govern company processes and operations. The following documents are included among the Parent Company's guidelines:

- ▶ Code of Ethics, which sets out the Group's ethical principles and values;
- ▶ Policies, which provide guidelines based on the Code of Ethics;
- ▶ Regulations, which govern specific business areas, defining roles and responsibilities;
- ▶ Other Board documents, subject to approval by the Board of Directors, drafted in accordance with law provisions governing various areas related to the business<sup>11</sup>.

## PRESENCE OF WOMEN



The composition of BFF's Board of Directors meets the diversity and gender criteria recommended by the *Corporate Governance Code* as set out in the Corporate Bylaws the *Board of Directors' Regulations* and the *Board of Directors' Diversity Policy* approved by the Board of Directors most recently on December 22, 2020. This Policy defines the ideal characteristics of the composition of the Board of Directors, covering aspects such as age, gender composition, education and professional background, so that the Board of Directors may effectively carry out its duties, making its decisions on the basis of a different, qualified and diverse point of view. Such Policy is subject to review and, if necessary, updated at least on an annual basis, including with the help of external professionals, based on the proposal of the Appointments Committee. Revisions comply with the outcome of the self-assessment process which is carried out on an annual basis consistent with the Supervisory Provisions for Banks (the “**Self-Assessment**”) and are designed to reflect and introduce in advance changes in the Company, so that the identification of the requirements for Board composition is consistent with the abovementioned outcome.

The Self-Assessment concerns aspects related to the composition and functioning of the Board and its internal Committees, taking into account, among other, the qualitative and quantitative composition, size, degree of diversity and professional expertise of its members, presence of non-executive and independent members, and the adequacy of the appointment process and selection criteria in order to verify and guarantee the most correct functioning over time and the consequent effectiveness of the body with strategic supervision function and the board committees, as well as to guarantee the effectiveness of governance that is duly based on the principles of sound and prudent management<sup>12</sup>.

<sup>11</sup> Some examples include the RAF Framework for the Prevention of Money Laundering and the ICAAP Internal Capital Adequacy Assessment Process.

<sup>12</sup> For more information, reference should be made to chapter 4, paragraph 4.3.3 of the 2020 Report on Corporate Governance and Ownership Structure, available on the website in the section devoted to Shareholders' Meeting Documentation.

At present, the diversity Policy is applied only to the Parent Company<sup>13</sup>.

The Board of Directors in office consists of nine members (4 women and 5 men), of whom one holding an executive position and 6 independent; of these, 4 are resident in Italy, 3 are resident in non-European countries and 2 are resident in other European countries. Of the 9 members of the Board of Directors, 3 have been in office for 3 years, 2 for 5 years, and the remaining members for 14, 10, 7 and 1 year, respectively.

#### BOARD OF DIRECTORS' COMPOSITION

BFF S.p.A.	UoM	12/ 31/2020			12/31/2019			12/31/2018		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
30-50	no.	1	2	3	1	2	3	-	3	3
50-60	no.	2	1	3	2	1	3	2	1	3
>60	no.	1	2	3	1	2	3	1	2	3
<b>Total</b>	<b>no.</b>	<b>4</b>	<b>5</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>9</b>	<b>3</b>	<b>6</b>	<b>9</b>

The Board of Statutory Auditors, consisting of 3 auditors (two women and one man), also adopted its own diversity policy, in accordance with the provisions of Article 5.C.1 of the Corporate Governance Code and Article 123-bis, paragraph 2, letter d-bis) of the Consolidated Law on Finance, with account being taken, inter alia, of the outcome of the 2020 self-assessment process. This policy describes the optimal characteristics of the sufficient composition of the supervisory body including aspects such as age, gender composition, and educational and professional background so that it may exercise its supervisory duties in the most effective way, making decisions that can, in point of fact, benefit from the contribution of different qualified and diverse points of view, making it possible to consider the issues under discussion from different perspectives.

The Board of Statutory Auditors undergoes a periodic self-assessment process regarding its size, composition and functioning, as well as the eligibility of its members for the performance of their duties, in compliance with the provisions of the Supervisory Provisions for Banks, which require that *"the body discharging control duties also conducts a self-assessment regarding its composition and functioning, based on the purposes listed above and according to criteria and methods consistent with its characteristics"*. This process, therefore: (i) pertains to the adequacy of the body as a whole and the contribution that individual members make to its proceedings, as well as the eligibility of its members; (ii) is carried out at least annually; (iii) is conducted by the staff identified by the Chair of the Board of Statutory Auditors.

#### BOARD OF STATUTORY AUDITORS' COMPOSITION

BFF S.p.A.	UoM	12/ 31/2020			12/31/2019			12/31/2018		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
30-50	no.	1	-	1	1	-	1	1	-	1
>60	no.	1	1	2	1	1	2	1	1	2
<b>Total</b>	<b>no.</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>

<sup>13</sup> For more information, reference should be made to paragraphs 4.2.1 and 14.1 of the 2020 Report on Corporate Governance and Ownership Structure - available on the website in the section devoted to Shareholders' Meeting Documentation.

## The Risk Management System

BFF Group's Internal Control and Risk Management System is based on the provisions of the Prudential Supervisory Regulations, which are mainly governed by the Bank of Italy Circular Letters and in compliance with European Community regulations. It is structured in such a way as to ensure the effectiveness, efficiency and appropriateness of business processes, as well as compliance with the regulations themselves<sup>15</sup>.

The organizational structure of the Group's Internal Control System is based on three levels of control:

1. **first-level controls** (line controls) aim to ensure that transactions are carried out correctly, and are performed also with the support of IT procedures and constant monitoring by the heads of such functions;
2. **second-level controls** aim to ensure the correct implementation of the risk management process and compliance with the regulatory framework, including the risk of money laundering and terrorism financing. They are entrusted to the Risk Management Function and the Compliance and AML Function of the Parent Company;
3. **third-level controls** consist of internal audit activities carried out by the Group's Internal Audit Function, directly reporting to the Board of Directors. The Internal Audit Function assesses the overall functioning of the Internal Control System, underscoring any areas for improvement, with particular reference to the Risk Appetite Framework ("RAF") and the risk measurement and control management process. The Head of the Internal Audit function has the necessary autonomy and is independent of the operating structures, in compliance with Bank of Italy's regulation on internal controls, the Governance Code and internal regulations, and is vested with the organizational powers to monitor company processes.

For the year 2020, the Internal Audit Function carried out the testing activities that were established in the Group's multi-year 2019--2021 Audit Plan, subject to annual updating, by carrying out follow-up activities and reporting on the results of its testing on a quarterly basis to the Bank's governance and control bodies as well as performing independent controls for BFF Finance Iberia and BFF Polska and its Subsidiaries.

In accordance with prudential supervisory provisions, BFF, in its capacity as Parent Company, has prepared the "ICAAP/ILAAP Report" on internal processes for determining adequacy of capital and liquidity risk governance and management systems. This report identifies the scope of the risks whose significance is to be assessed, the assessment itself and the definition of the relevant risk map. To identify the relevant risks, the Risk Management Function carries out an analysis that takes into account at least the risks set out in Annex A of Circular Letter No 285, Part One, Title III, i.e., credit and counterparty risk, market risk, operational risk, concentration risk, interest rate risk, excessive leverage risk, country risk, strategic risk, reputational risk, residual risk, securitization risk, transfer risk and base risk.

<sup>15</sup> For more information on the Internal Control and Risk Management System, reference should be made to chapter 11 of the 2020 Report on Corporate Governance and Ownership Structure, available on the website in the section devoted to Shareholders' Meeting Documentation.



**Operational risks** include:

- ▶ Legal risk, i.e., the risk of loss resulting from violations of laws or regulations, liability in tort or liability in contract or other disputes;
- ▶ Non-compliance risk, i.e., the risk of incurring legal and administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory provisions (laws, regulations) or internal regulations (e.g., bylaws, codes of conduct, corporate governance codes);
- ▶ Risk of money laundering and terrorism financing;
- ▶ ICT risk, i.e., the risk of incurring financial, reputational and market share losses in relation to the use of Information and Communication Technology (ICT);
- ▶ Model risk, which, considering that the Group does not calculate the capital requirements through internal models approved by the Supervisory Authority, is reflected in the risk of losses relating to the development, implementation or improper use of other models for the decision-making process;
- ▶ Conduct risk, i.e., the risk of loss due to the inadequate supply of financial services, including cases of wilful misconduct or negligence.

The Group also carried out an analysis of risk events considered as relevant for reputational purposes, involving the heads of all the functions concerned. Reputational risk is a risk that can be defined as consequential, since it is generated by other types of risk that have or could have an impact on the Group's reputation. The main source of this risk, within the financial sector, is operational risk. Similarly, the financial impact of reputational risk is caused indirectly through other types of risk (liquidity risk, credit risk, etc.). Reputational risk for BFF Group does not show particularly critical areas, given the existing controls in place, which are considered as adequate or satisfactory at all times.

Pursuant to Italian Legislative Decree No. 254/16, the Group identified the potential risks associated with the issues referred to in the aforementioned Decree, including in the light of the results of the risk analysis contained in Annex A of Circular No. 285, Part One, Title II issued by the Bank of Italy, for the purposes of the ICAAP process implementation.

The table below shows the main risks identified in relation to the Group’s non-financial issues and the related management methods.

**CORRELATION TABLE UNDER LEGISLATIVE DECREE NO. 254/16, BFF GROUP ISSUES, RISKS AND MANAGEMENT METHODS**

Areas under Legislative Decree No. 254/16  
**ANTI-CORRUPTION**

Material issues	NFD Sections	Risks identified	Risk management methods
<b>BUSINESS ETHICS</b>	<b>ETHICS AND INTEGRITY</b>	Risks linked to corruption, money laundering and terrorist financing.	Corruption risks are managed and mitigated by: <ul style="list-style-type: none"> <li>- Adopting the Organization, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001;</li> <li>- Relying on the Code of Ethics;</li> <li>- The Whistleblowing channel;</li> <li>- Delivering training and awareness-raising activities for employees;</li> <li>- Implementing dedicated control measures, in accordance with the regulations in force.</li> </ul> <i>For further information about how this issue is managed, reference should be made to the "Ethics and Integrity" chapter.</i>

Areas under Legislative Decree No. 254/16  
**ISSUES PERTAINING TO EMPLOYEES AND HUMAN RIGHTS**

Material issues	NFD Sections	Risks identified	Risk management methods
<b>GROUP WORKFORCE MIX AND DIVERSITY</b>	<b>ACCOUNTABILITY TO PEOPLE</b>	Risk of non-compliance with the regulations concerning Diversity for the governance bodies.	This risk is monitored and mitigated by adopting the Diversity Policy for governance bodies, such as the Board of Directors, the Board of Statutory Auditors and the Supervisory Body. <i>For further information about how this issue is managed, reference should be made to the "Governance" chapter.</i>
<b>PROFESSIONAL DEVELOPMENT OF HUMAN CAPITAL</b>	<b>ACCOUNTABILITY TO PEOPLE</b>	Risk of being unable to fill vacancies both internally, due to lack of specific skills, and externally, due to difficulties in finding suitable talent for the position being sought.	The Group manages and mitigates this risk through: <ul style="list-style-type: none"> <li>- The implementation of an internal coverage project consisting of succession plans;</li> <li>- Specific training activities;</li> <li>- Remuneration policy;</li> <li>- Corporate welfare system.</li> </ul> <i>For further information about how this issue is managed, reference should be made to the "Accountability to People" chapter.</i>
<b>HEALTH AND SAFETY AT WORK</b>	<b>ACCOUNTABILITY TO PEOPLE</b>	Risks related to the possibility for employees to be injured in the workplace and suffer from occupational diseases, as well as damage arising from inadequate safety and/or health conditions of workplaces or work equipment	The Group mitigates the risks relating to employees’ health and safety by ensuring compliance with the applicable laws in every country in which it operates. With specific reference to the Parent Company, the following measures are relied upon: <ul style="list-style-type: none"> <li>- Risk Assessment Document in accordance with Italian Legislative Decree 81/08 and related activities for the mitigation of the risks that have been identified;</li> <li>- Health and Safety Management System Policy in compliance with the requirements of Standard OHSAS 18001.</li> </ul> <i>For further information about how this issue is managed in the countries where the Group operates, reference should be made to the "Workers' Health and Safety" chapter.</i>

(CONT'D)

CORRELATION TABLE UNDER LEGISLATIVE DECREE NO. 254/16, BFF GROUP ISSUES, RISKS AND MANAGEMENT METHODS

Areas under Legislative Decree No. 254/16 ISSUES PERTAINING TO EMPLOYEES AND HUMAN RIGHTS			
Material issues	NFD Sections	Risks identified	Risk management methods
RESPECT FOR HUMAN RIGHTS	ACCOUNTABILITY TO PEOPLE	Reputational risk and risk of non-compliance with the regulations.	<p>The Group mitigates this risk through:</p> <ul style="list-style-type: none"> <li>- Compliance with current legislation governing child and forced labour;</li> <li>- The Whistleblowing channel;</li> <li>- Compliance with the Group Code of Ethics by both employees and suppliers (contractors, for certain specific activities, are required to follow a specific procedure and comply with the provisions of the Code of Ethics and the Organization, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001).</li> </ul> <p><i>For further information about how this issue is managed, reference should be made to the "Ethics and Integrity", "Accountability to People" and "Responsible Supply Chain Management" chapters.</i></p>
Areas under Legislative Decree No. 254/16 SOCIAL ISSUES			
Material issues	NFD Sections	Risks identified	Risk management methods
SOCIAL IMPACT OF OPERATIONS	SOCIAL RESPONSIBILITY	Reputational risk related to Farmafactoring Foundation operations.	<p>This risk, which can be considered as moderate, is managed and mitigated by:</p> <ul style="list-style-type: none"> <li>- Having the Board of Directors select and approve research projects and grant scholarships on topics of scientific relevance;</li> <li>- Ensuring the establishment of a Scientific Committee which also includes authoritative academic individuals to oversee research projects entrusted to prestigious universities;</li> <li>- Administering self-assessment questionnaires.</li> </ul> <p><i>For further information about how this issue is managed, reference should be made to the "Social Responsibility" chapter.</i></p>

(CONT'D)

## CORRELATION TABLE UNDER LEGISLATIVE DECREE NO. 254/16, BFF GROUP ISSUES, RISKS AND MANAGEMENT METHODS

Areas under Legislative Decree No. 254/16 ENVIRONMENTAL ISSUES			
Material issues	NFD Sections	Risks identified	Risk management methods
RESPONSIBLE MANAGEMENT OF ENVIRONMENTAL IMPACTS	ENVIRONMENTAL RESPONSIBILITY	Risk of non-compliance with environmental regulations and risk of acceptance of receivables and invoices from customers who do not comply with certain standards related to environmental regulations, with the consequent risk of not being paid by the public.	At present, the Group does not have any environmental risk management procedure or policy in place.  <i>For further information about how this issue is managed, reference should be made to the "Environmental Responsibility" chapter.</i>
Areas under Legislative Decree No. 254/16 CROSS-CUTTING TOPIC			
Material issues	NFD Sections	Risks identified	Risk management methods
RESPONSIBLE SUPPLY CHAIN MANAGEMENT	RESPONSIBLE SUPPLY CHAIN MANAGEMENT	Risk of disclosure of confidential information and personal data. Supplier restructuring risk. Risk of the contract executed with the supplier becoming partially or totally null and void. Reputational risk associated with the supplier's business. Anti-corruption risk.	Mitigation of supply chain management risks is managed by: - Defining specific clauses within the contract; - Relying on the Code of Ethics; - Adopting the Organization, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001; - Ensuring compliance with the regulations of listed companies.  <i>For further information about how this issue is managed, reference should be made to the "Ethics and Integrity" and "Responsible Supply Chain Management" chapters.</i>
QUALITY OF SERVICE	QUALITY OF SERVICE AND TRUST-BASED RELATIONS	Reputational risk related to the possibility of losing customers due to dissatisfaction with the quality of the service delivered	The reputational risk related to the quality of service is mitigated by: - Deploying assignor and debtor assessment mechanisms; - Implementing action plans related to Customer Satisfaction results.  <i>For further information about how this issue is managed, reference should be made to the "Quality of Service and Trust-based Relations" chapter.</i>

(CONT'D)

CORRELATION TABLE UNDER LEGISLATIVE DECREE NO. 254/16, BFF GROUP ISSUES, RISKS AND MANAGEMENT METHODS

Areas under Legislative Decree No. 254/16 CROSS-CUTTING TOPIC			
Material issues	NFD Sections	Risks identified	Risk management methods
TRUST AND TRANSPARENCY IN THE RELATION WITH CUSTOMERS	QUALITY OF SERVICE AND TRUST-BASED RELATIONS	Risk of non-compliance with the conditions laid down for the lawfulness of data processing and privacy.	<p>This risk is managed by:</p> <ul style="list-style-type: none"> <li>- Adopting a group-wide privacy policy in accordance with the GDPR provisions (Regulation EU 2016/679);</li> <li>- Updating personal data processing disclosure and, where necessary, consent collection forms;</li> <li>- Implementing procedures for the destruction of documents.</li> </ul> <p><i>For further information about how this issue is managed, reference should be made to the "Quality of Service and Trust-based Relations" chapter.</i></p>
CYBER SECURITY AND TECHNOLOGICAL INNOVATION	QUALITY OF SERVICE AND TRUST-BASED RELATIONS	ICT risk, i.e., the risk of incurring financial losses, loss of customers' personal data, reputational and market share losses in relation to the use of Information and Communication Technology (ICT).	<p>In order to ensure constant compliance with law provisions and corporate privacy and security policies, the Parent Company requires that an annual risk analysis of the company's information system be conducted to assess depending on regulatory, organizational and system changes as well as technological advances the level of residual risk of company data and assets.</p> <p>The purpose of risk analysis activities is, most notably, to identify and consider possible events that could lead to business process disruption. These events are identified starting from the risk scenarios defined in Bank of Italy Circular No. 285.</p> <p><i>For further information about how this issue is managed, reference should be made to the "Cyber Security and Technological Innovation" chapter.</i></p>



# 03

Stakeholders  
and Materiality



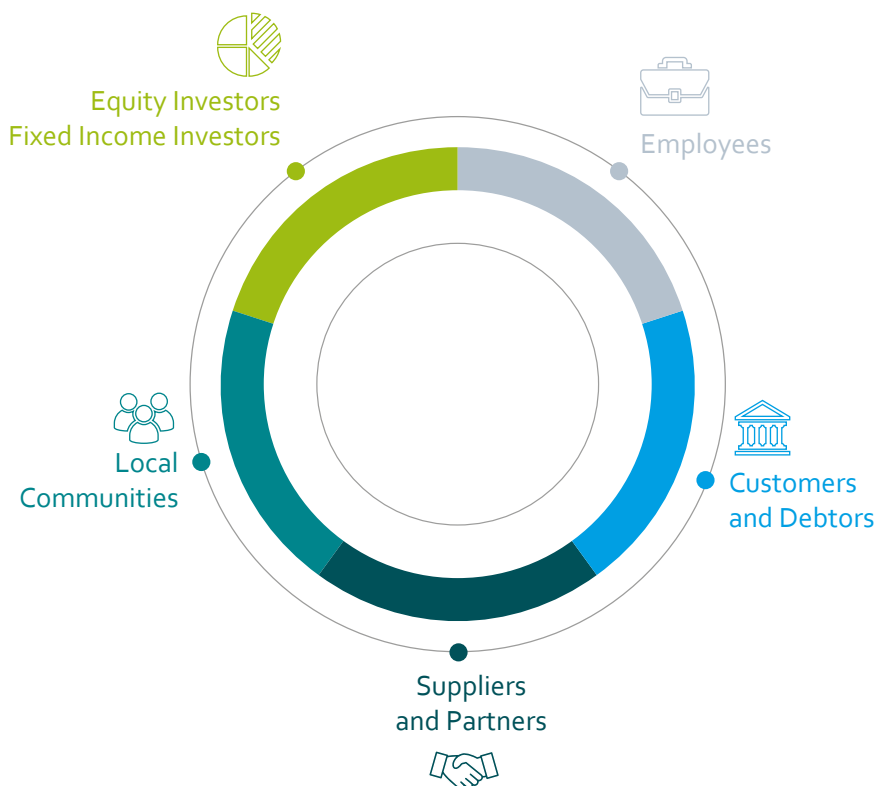


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## Main stakeholders of BFF Group

In line with the GRI Standards, an organization is required to consider the importance of its stakeholders' expectations. The dialogue with stakeholders in their capacity as representatives of interests whose opinions or decisions, attitudes or behaviours can objectively have an impact on the achievement of a specific objective of the organization plays a key role in achieving company goals. Having a dialogue with these parties allows us to understand their needs and expectations, enabling BFF to respond to their needs and create shared value over time.

In light of the above, the Group has identified the main stakeholders by engaging the Working Group with specific interviews and a benchmark analysis conducted on industry peers and competitors, based on the GRI Standards guidelines, the minimum information referred to in Italian Legislative Decree No. 254/2016 and BFF Group's public documentation.





STAKEHOLDERS	WAYS OF ENGAGEMENT
<b>Equity Investors</b> <b>Fixed Income Investors</b>	<p>The Group's investors are constantly kept up to date through conference calls, analyst presentations and various discussions, including on ESG issues. In addition, investors send out questionnaires that the Group is required to complete in order to provide feedback on specific issues. BFF also engages its investors through independent surveys intended to analyse the financial community's perception of the comprehensiveness and effectiveness of financial documentation as well as the Bank's engagement in the ESG realm.</p>
<b>Employees</b>	<p>The Group aligns and constantly engages its employees with various opportunities for listening and dialogue throughout the year, repeated at least every quarter. Surveys are also given on a bi-yearly basis to measure the inclusion and engagement of all resources, and gather tips that they deem useful for improving company performance and strategic objectives.</p>
<b>Customers and Debtors</b>	<p>It is an integral part of the company's mission to work to ensure a consistently high level of customer service, which inevitably encompasses listening to customers and engaging in continuous dialogue, including with debtors. Also to this end, the Group performs dedicated customer satisfaction surveys annually to establish the degree of customer satisfaction and define the relevant action plans for its improvement. Now carried out in Italy, Spain and Portugal, the total number of customers and the scope has been expanded, and as of 2020 has also includes several questions linked to ESG issues. The Group aims to progressively involve all its subsidiaries in this type of analysis in order to gain the broadest possible point of view of its customers.</p>
<b>Suppliers and Partners</b>	<p>Suppliers and Partners are engaged by the Group through participation in events organized or promoted by the Company at local level.</p>
<b>Local Communities</b>	<p>The Group is always attentive to the communities in which it operates, which it listens to indirectly through its employees. When possible, it carries out initiatives intended to encourage constructive debate through scientific research as well as through cultural initiatives, as also demonstrated by the commitment of the Farnafactoring Foundation, active in this area since its creation in 2004.</p>

With reference to the category of “Equity Investors” Stakeholders, please note that in the course of 2020 BFF was one of the few “public companies” in Italy with a “free float” of around 88%, following the progressive monetization of the equity share held by the former major shareholder, the Centerbridge private equity fund.

As this Non-Financial Disclosure is being published, due to the complete exit of the former major shareholder Centerbridge, the acquisition by the Chief Executive Officer of BFF through a reverse accelerated book building of additional shares of the Company and his exercise of the call option with respect to Centerbridge with physical delivery pursuant to a “Lock up and Option Agreement”, the free float is around 93.88%, while the capital held by the Chief Executive Officer of BFF and other individuals belonging to the top management amounts to around 6.12%.

BFF, aware of the importance of constant alignment between the Bank and its investors, as well as an active commitment to the latter and analysts, encourages and cultivates as much as possible transparent, constructive dialogue both during institutional events as well as at other meetings, with a view to constant improvement.

In 2020, BFF launched an independent, personalized and confidential audit on the perception of investors, engaging an advisor to perform a survey (“Investor Perception Audit”) to analyse the perception of the financial community (investors and analysts) of the comprehensiveness and comprehensibility of financial documentation, the effectiveness and availability of the management in financial communications, as well as the Bank’s engagement in the ESG realm.

The investors and analysts interviewed were able to express an objective opinion which, after being anonymized by the advisor, constituted a valid instrument for the BFF management to understand areas for improvement and make the communications subject to the survey more effective. The decision was made to conduct the analysis during this particular historical moment of the Group’s growth, to ensure even more effective and transparent communications with its stakeholders.

Constant dialogue with shareholders is crucial for the Group, not only to communicate company dynamics, medium-term development outlooks and the strategic plan, but also to receive feedback from them which makes it possible to improve communications and keep any requirements in mind when making business decisions.

Shareholder and investor engagement is presented below, which in 2020 was also altered as a result of Covid-19, preventing participation in recurring events. Furthermore, in 2019 the Business Plan was presented, entailing many dedicated meetings.

## SHAREHOLDER PARTICIPATION

Shareholders' Meeting - **APRIL 2, 2020**

**243** shareholders attended representing, either on their own behalf or by proxy, 102,693,308 shares



**60.19%**

of the share capital with voting rights, of which 21.809% pertaining to BFF Luxembourg

Shareholders' Meeting - **MARCH 28, 2019**

**153** shareholders attended representing, either on their own behalf or by proxy, 121,891,429 shares



**71.65%**

of the share capital with voting rights, of which 32% pertaining to BFF Luxembourg

Shareholders' Meeting - **APRIL 5, 2018**

**168** shareholders attended representing, either on their own behalf or by proxy, 115,706,026 shares



**68.01%**

of the share capital with voting rights, of which 45% pertaining to BFF Luxembourg

## RELATIONS WITH INVESTORS



**~180**

Investors met during roadshows and conferences in **2020**



**~261**

Investors met during roadshows and conferences in **2019**



**~130**

Investors met during roadshows and conferences in **2018**

## Materiality analysis of BFF Group

For the purposes of preparing the 2020 Consolidated Non-Financial Disclosure, the Group started a materiality analysis process to identify the sustainability issues deemed as most relevant to its business. Material issues are those that (i) can reasonably be considered as important in reflecting the organization’s economic, environmental and social impacts, or (ii) affect stakeholders’ decisions. Following a survey of the issues considered as relevant by the main players of the sector in which the Group operates, a whole range of potentially material issues was identified.

Subsequently, these issues were evaluated by Top Management with a view to assigning a priority level to each of them.

This evaluation process required a questionnaire to be administered, so that a priority may be assigned to each topic based on significance. More specifically, Top Management was called upon to assess the issues with a view to relevance to the Group and relevance of each issue to stakeholders.

The analysis of this assessment made it possible to build the materiality matrix of BFF Group.

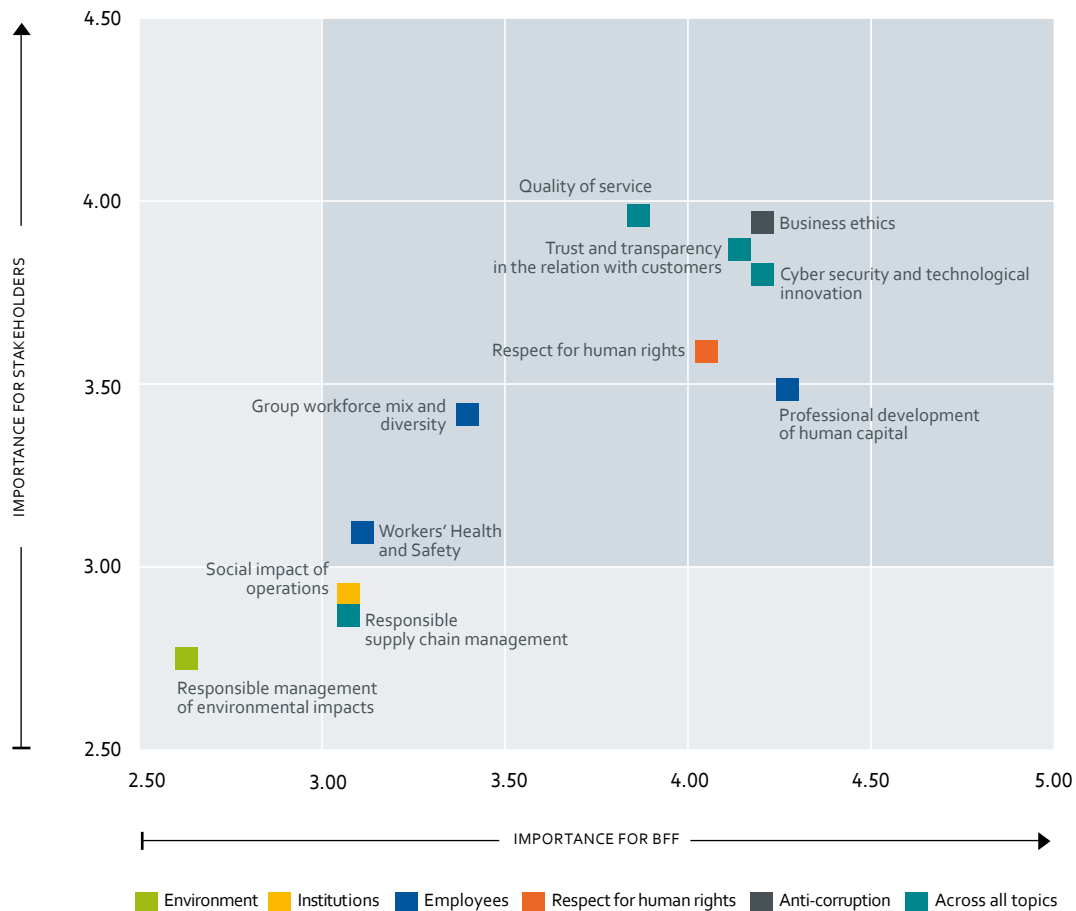
In order to further check the results of the analyses carried out with the Top Management in creating the materiality matrix and as confirmation of the importance that the Group attributes to relationships with customers, in the course of 2020 – making good use of the annual customer satisfaction survey – questions were included intending to investigate if there was correspondence between the key matrix topics and the perception that Group customers have of them. The objective for the future is to progressively involve an increasingly broad audience in order to guarantee the utmost efficiency and consistency of the matrix.

The matrix, consisting of two Cartesian axes where the x-axes represent the significance of the issue to the Group, and the ordinates represent the significance of the issues to stakeholders, defines relevance in terms of (actual and potential) impacts that each issue involves with respect to the Group’s ability to create value over the long term.

The issues shown in the cluster are those deemed material. The following issues are excluded from the cluster: “Social impact of operations”, “Responsible supply chain management” and “Responsible management of environmental impacts”. Although they are not particularly relevant to the type of business of the Group, these issues will be reported in this document insofar as they are of interest to investors and are expressly referred to in Italian Legislative Decree No. 254/16. In line with the GRI Standards guidelines, the entire document was prepared based on the relevance of the issues within the matrix.

At the beginning of each chapter, the subject matter being disclosed is shown, followed by its description. The purpose of the recommended GRI Standards indicators is to provide further insight into the above issues, from both a qualitative and quantitative perspective.

## 2020 MATERIALITY MATRIX



**ETHICS AND INTEGRITY**  
 ■ Business ethics

**RESPONSIBLE SUPPLY CHAIN MANAGEMENT**  
 ■ Responsible supply chain management

**SOCIAL RESPONSIBILITY**  
 ■ Social impact of operations

**ACCOUNTABILITY TO PEOPLE**  
 ■ Group workforce mix and diversity  
 ■ Professional development of human capital  
 ■ Workers' Health and Safety  
 ■ Respect for human rights

**QUALITY OF SERVICE AND TRUST-BASED RELATIONS**  
 ■ Quality of service  
 ■ Trust and transparency in the relation with customers  
 ■ Cyber security and technological innovation

**ENVIRONMENTAL RESPONSIBILITY**  
 ■ Responsible management of environmental impacts

# 04

## Sustainable Performance





## Financial stability

In a difficult year for our societies and economies, BFF continued to achieve positive results.

BFF was able to post good profitability, consolidate strong relationships with customers without eroding the customer base and confirm volume growth, excellent credit quality and good discipline on the cost front. BFF has extensive excess funding, with a declining cost of funding and extremely solid capital ratios, confirming the capacity of its ordinary activities to organically generate capital.

### 2020 Highlights<sup>16</sup>

#### SOLID FUNDING BASE AND LIQUIDITY POSITION

Extensive liquidity with €0.6 billion of unused funding and no reliance on TLTROs (“Targeted Longer-Term Refinancing Operations”) or other extraordinary liquidity measures of the ECB.

Solid liquidity ratios with LCR (“Liquidity Coverage Ratio”) standing at 635.4%.

#### STRONG CAPITAL POSITION AND LOW RISK PROFILE

Total Capital Ratio and CET1 (“Common Equity Tier 1”) ratio stood at 21.6% and 15.5%, respectively (excluding the dividend capacity), well above the SREP (“Supervisory Review and Evaluation Process”) requirements.

The total portfolio of Italian government securities was further reduced and the HTC (“Held-To-Collect”) share accounted for 100%.

Net non-performing loans/net credits stood at 1.6%, of which 96% related to municipalities in financial distress.

Cost of risk at 8 basis points, corresponding to 6 basis points excluding writedowns related to factoring transactions with run-off SMEs of BFF Polska and Italian municipalities in financial distress.

<sup>16</sup> For further details on the highlights see the document FY2020 Results available at [www.bff.com](http://www.bff.com) (under *Investors > PR & Presentation > Presentations and Audio recordings*).

## Economic value created and distributed

BFF Banking Group operates in the market to create long-term sustainable wealth for its stakeholders and for all the countries where it has operations. The table below shows that the value created by the Group in 2020 totals €234 million, 97% of which was redistributed to its stakeholders.

The remaining 3% was retained by the Group. It consists of the amounts relating to deferred tax assets and liabilities and depreciation and amortization for the year, totalling around €7.6 million.

(amounts shown in €)

	2020	2019	2018
<b>A. Total Economic Value Created</b>	<b>234,048,788</b>	<b>221,665,328</b>	<b>210,484,628</b>
190 b) Other administrative expenses	45,060,913	39,426,625	35,578,874
net of indirect taxes and duties	(5,335,055)	(5,000,537)	(4,882,988)
net of donations	(667,236)	(575,424)	(548,524)
<b>Economic Value Distributed to Suppliers</b>	<b>39,058,621</b>	<b>33,850,664</b>	<b>30,147,362</b>
190 a) Personnel costs	41,352,616	40,098,036	32,577,445
<b>Economic Value Distributed to Employees and Associates (pre-tax)</b>	<b>41,352,616</b>	<b>40,098,036</b>	<b>32,577,445</b>
Interest expense on our PCA bonds	18,401,710	15,370,229	14,847,863
Dividend Capacity <sup>17</sup>	97,632,021	70,874,784	91,753,234
<b>Economic Value Distributed to Fixed Income Investors and Equity Investors</b>	<b>116,033,732</b>	<b>86,245,013</b>	<b>106,601,097</b>
300. Income taxes for the year on current operations (for the portion relating to current taxes, the change in current taxes for previous years and the reduction in current taxes for the year)	24,017,599	25,592,243	22,908,448
190 b) Other administrative expenses (indirect taxes and duties)	5,335,055	5,000,537	4,882,988
<b>Economic Value Distributed to Central and Local PA</b>	<b>29,352,654</b>	<b>30,592,780</b>	<b>27,791,436</b>
190 b) Other administrative expenses (entertainment expenses and donations)	667,236	575,424	548,524
<b>Economic Value Distributed to Community</b>	<b>667,236</b>	<b>575,424</b>	<b>548,524</b>
<b>B. Total Economic Value Distributed</b>	<b>226,464,859</b>	<b>191,361,917</b>	<b>197,665,864</b>
<b>C. Total Economic Value Retained</b>	<b>7,583,929</b>	<b>30,303,411</b>	<b>12,818,764</b>

For the purposes of better reporting and greater comparability with previous years, it should be noted that the amount of the item "Dividend Capacity" was allocated as accrued for the year. Please note that, pending decisions by the Supervisory Authority, the dividends relating to 2019 and 2020 have not yet been distributed.

Furthermore, as BFF Banking Group's activities entail purchasing non-recourse receivables and extending loans, there is an increase in efficiency in the circulation of liquidity within the system. In 2020, BFF Banking Group reports €5,786 million of receivables purchased and loans disbursed, up 9% over 2019.

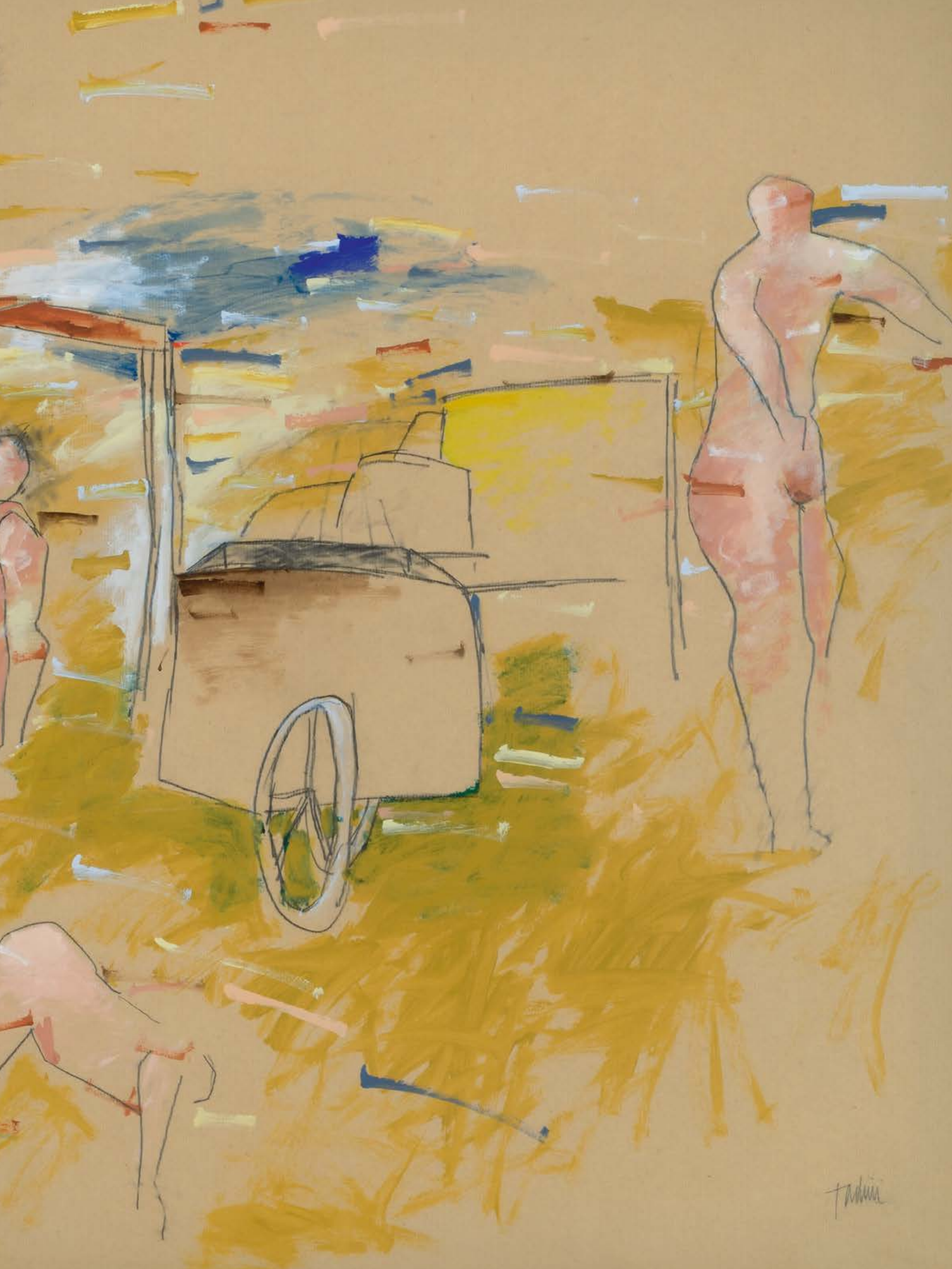
<sup>17</sup> Dividends accrued in 2019 and 2020, ready to be paid and not included in the capital ratios. Pending Bank of Italy clarifications as regards timing.



# 05

Ethics and Integrity





T. Miller

## Business ethics

Aware of the need to ensure conditions of lawfulness, fairness and transparency in the conduct of its business and company operations, and further with a view to protecting its position and image, shareholders' expectations and employees' jobs, the Board of Directors of the Parent Company approved the "Group Code of Ethics", as amended from time to time. The Code applies to (i) all individuals holding whether within the Bank or in any other Group company, in all countries where the Group operates a representative, administrative or management role or exercising governance and control of the relevant legal entity, (ii) all employees, with no exception, and (iii) associates. The above-mentioned Code, as part of a broader project aimed at giving the Group an ethical identity, sets out the values that must be reflected and pursued in all the behaviours displayed by its recipients.

The Bank also adopted a "Code of Conduct", which applies to all individuals who establish a continuous or occasional employment relationship with the Bank.

The Code of Conduct, in particular, forms an integral part of the individual employment contract or, where applicable, contract for work, and aims to ensure that work is carried out under appropriate conditions, in the interest of the Bank and its employees, guaranteeing a high level of professional conduct.

**"Managing our business responsibly in accordance with the principles of integrity, including the fight against corruption."**

In 2015, the Bank adopted a procedure which, in compliance with the applicable legislation and with a view to strengthening the process for identifying events of various kinds related to non-compliance with Group regulations, defines the principles for reporting irregularities and violations (Whistleblowing) within the Bank.

In accordance with the provisions set forth in the procedure, the Board of Directors of the Bank appointed a person in charge of the internal Whistleblowing system who is responsible for managing consistent with the principle of proportionality receiving, reviewing and evaluating concerns. The Head of the Internal Audit Function was, in relation to his independent hierarchical position, appointed as the head of the internal Whistleblowing system, such individual being therefore required to receive and evaluate individual whistleblowing reports and provide a report on them to the Corporate Bodies.

The Bank guarantees the confidentiality and protection of the personal data and the identity of the complainants and the alleged perpetrator of a violation. This protection, which is guaranteed by the procedure being referred to, is not valid in respect of reports that do not fall within the scope of the complaint. This procedure is made available to all personnel and the annual Whistleblowing report is published on the company intranet.

A similar Whistleblowing procedure is in place at BFF Finance Iberia and BFF Polska S.A. and its subsidiaries.

During 2020, no critical issues were identified in these areas.

## ANTI-CORRUPTION

In addition to the Group Code of Ethics mentioned above, the Bank adopted an “Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001” (hereinafter also referred to as “**Law 231 Model**”), applicable to the Bank itself, including overseas branches. Law 231 Model sets out to:

- ▶ Identify the potential risks, i.e., in which sectors or business areas and in what manner events that could prove detrimental to the objectives set out in the aforementioned Decree might occur;
- ▶ Define a system of rules and procedures aimed at preventing, to the extent as reasonably possible, the perpetration of offences;
- ▶ Prohibit conduct that may constitute one or more types of offence;
- ▶ Make all recipients of Law 231 Model aware of the consequences that may arise from any conduct that does not comply with certain rules and procedures and, in particular, clarify that any violation of Italian Legislative Decree 231/2001, the provisions contained in Law 231 Model and the principles set out in the Group Code of Ethics may cause sanctions to be inflicted, including against the Bank;
- ▶ Prevent and/or counter the perpetration of offences with timeliness, including by relying on a constant monitoring of the appropriate implementation of the internal control system.

Law 231 Model, therefore, is designed to make all recipients aware of compliance with the rules of law, the regulations defined by the Bank and reflected in the Model itself and in the Group's Code of Ethics, as well as compliance with company rules and procedures, gearing their behaviour towards fairness and transparency.

Established under Article 6, paragraph 1, letter b) of Italian Legislative Decree 231/2001, the Supervisory Body is responsible for supervising the functioning and compliance with Law 231 Model, as well as updating it, discharging its duties by virtue of independent powers of initiative and control, consistent with the provisions of the aforementioned Decree.

With regard to the Bank's overseas subsidiaries, BFF Finance Iberia adopted a compliance program pursuant to Article 31-bis of the Spanish Criminal Code, while BFF Polska S.A. approved a document containing guidelines on corporate criminal liability, also applicable to its subsidiaries.

The Bank also adopted the “*Group Promotional Initiative Policy*”, which defines the operational provisions to be followed with reference to the following activities: i) freebies; ii) business expenses; iii) donation to third parties, in compliance with the principles of transparency, verifiability, traceability, reasonableness and cost-effectiveness.

As part of the aforementioned Policy, the Group requires all staff to refrain from adopting any conduct that is incompatible with the obligations connected with their relationship with the Group and is in contrast with the Code of Ethics.

No cases of corruption were identified during 2020.



During 2020, the organization's anti-corruption policies and procedures were notified to 100% of the Group's employees, in line with previous years, as shown in the tables below.

#### NOTIFICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES AS AT 12/31/2020

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.		GREECE	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Senior Executives/Executives	25	100%	19	100%	1	100%	0	N/A	5	100%	0	N/A	0	N/A	0	N/A
Managers/Middle Managers/ Coordinators	102	100%	41	100%	17	100%	2	100%	36	100%	3	100%	0	N/A	3	100%
Professionals/Specialists	408	100%	186	100%	38	100%	8	100%	157	100%	13	100%	3	100%	3	100%
<b>Total</b>	<b>535</b>	<b>100%</b>	<b>246</b>	<b>100%</b>	<b>56</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>198</b>	<b>100%</b>	<b>16</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>6</b>	<b>100%</b>

#### NOTIFICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES AS AT 12/31/2019

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Senior Executives/Executives	25	100%	18	100%	1	100%	-	N/A	6	100%	-	N/A	-	N/A
Managers/Middle Managers/ Coordinators	97	100%	37	100%	17	100%	2	100%	36	100%	5	100%	-	N/A
Professionals/Specialists	395	100%	180	100%	40	100%	6	100%	153	100%	12	100%	4	100%
<b>Total</b>	<b>517</b>	<b>100%</b>	<b>235</b>	<b>100%</b>	<b>58</b>	<b>100%</b>	<b>8</b>	<b>100%</b>	<b>195</b>	<b>100%</b>	<b>17</b>	<b>100%</b>	<b>4</b>	<b>100%</b>

#### NOTIFICATION OF ANTI-CORRUPTION POLICIES AND PROCEDURES AS AT 12/31/2018

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Senior Executives/Executives	21	100%	15	100%	1	100%	-	N/A	5	100%	-	N/A	-	N/A
Managers/Middle Managers/ Coordinators	61	100%	20	100%	9	100%	1	100%	29	100%	2	100%	-	N/A
Professionals/Specialists	370	100%	182	100%	25	100%	2	100%	145	100%	12	100%	4	100%
<b>Total</b>	<b>452</b>	<b>100%</b>	<b>217</b>	<b>100%</b>	<b>35</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>179</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>4</b>	<b>100%</b>

With reference to training on corruption issues, in 2020 the Group delivered ad hoc courses to 96% of the entire workforce. Most notably, to 100% of the *Senior Executives/Executives* category, 97% of the *Managers/Middle Managers/Coordinators* category, and 96% of the *Specialists/Professionals* category, totalling 515 employees out of 535.

#### ANTI-CORRUPTION TRAINING AS AT 12/31/2020

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.		GREECE	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
<i>Senior Executives/Executives</i>	25	100%	19	100%	1	100%	0	N/A	5	100%	0	N/A	0	N/A	0	N/A
<i>Managers/Middle Managers/Coordinators</i>	99	97%	41	100%	16	94%	2	100%	34	94%	3	100%	0	N/A	3	100%
<i>Professionals/Specialists</i>	391	96%	178	96%	33	87%	8	100%	157	100%	10	77%	2	67%	3	100%
<b>Total</b>	<b>515</b>	<b>96%</b>	<b>238</b>	<b>97%</b>	<b>50</b>	<b>89%</b>	<b>10</b>	<b>100%</b>	<b>196</b>	<b>99%</b>	<b>13</b>	<b>81%</b>	<b>2</b>	<b>67%</b>	<b>6</b>	<b>100%</b>

#### ANTI-CORRUPTION TRAINING AS AT 12/31/2019

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
<i>Senior Executives/Executives</i>	16	64%	15	83%	1	100%	-	N/A	-	N/A	-	N/A	-	N/A
<i>Managers/Middle Managers/Coordinators</i>	73	75%	35	95%	12	71%	2	100%	22	61%	2	40%	-	N/A
<i>Professionals/Specialists</i>	307	78%	169	94%	25	63%	5	83%	100	65%	8	67%	-	N/A
<b>Total</b>	<b>396</b>	<b>77%</b>	<b>219</b>	<b>93%</b>	<b>38</b>	<b>66%</b>	<b>7</b>	<b>88%</b>	<b>122</b>	<b>63%</b>	<b>10</b>	<b>59%</b>	<b>-</b>	<b>N/A</b>

#### ANTI-CORRUPTION TRAINING AS AT 12/31/2018

Professional category	BFF GROUP		ITALY		SPAIN		PORTUGAL		POLAND		SLOVAKIA		CZECH REP.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
<i>Senior Executives/Executives</i>	16	76%	15	100%	1	100%	-	N/A	-	N/A	-	N/A	-	N/A
<i>Managers/Middle Managers/Coordinators</i>	35	57%	18	100%	6	67%	1	100%	9	31%	1	50%	-	N/A
<i>Professionals/Specialists</i>	298	81%	162	88%	20	80%	2	100%	103	71%	8	67%	3	75%
<b>Total</b>	<b>349</b>	<b>77%</b>	<b>195</b>	<b>90%</b>	<b>27</b>	<b>77%</b>	<b>3</b>	<b>100%</b>	<b>112</b>	<b>63%</b>	<b>9</b>	<b>64%</b>	<b>3</b>	<b>75%</b>

## ANTI-MONEY LAUNDERING

The Group is aware of the importance of fighting money laundering and terrorism financing.

The Bank is responsible for managing the risk of money laundering and terrorism financing at a group level, according to a “decentralized” approach where, given the different business models and types of clientele of the various entities, each company has primary responsibility for monitoring internally the risk of money laundering and terrorism financing, in compliance with the standards of the “Host Member State”, in relation to which the rules applicable to overseas organizations are those of the country in which the branch/subsidiary is established.

In this regard, the Bank has adopted an Anti-Money Laundering Anti-Terrorism Policy, which takes into account the peculiarities of the different components of the Group and the risk inherent in the activities carried out, in accordance with the principle of proportionality and the actual exposure to the risk of money laundering.

This Policy takes into account the peculiarities and complexities associated with the operations of the Bank and other Group companies, the products and services offered, the type of customers, the distribution channels used for the sale of products and services and foreseeable developments in these areas.

Based on these principles, the Policy governs:

- ▶ The general principles of the anti-money laundering and terrorism financing risk management model and related strategic guidelines which the Bank deemed apposite to adopt and which, without prejudice to the peculiarities arising from local regulations, if more stringent, must also be implemented and observed group-wide;
- ▶ The responsibilities and tasks of corporate bodies and corporate functions;
- ▶ The operational methods for managing the risk of money laundering and terrorism financing.

In particular, the Policy aims to:

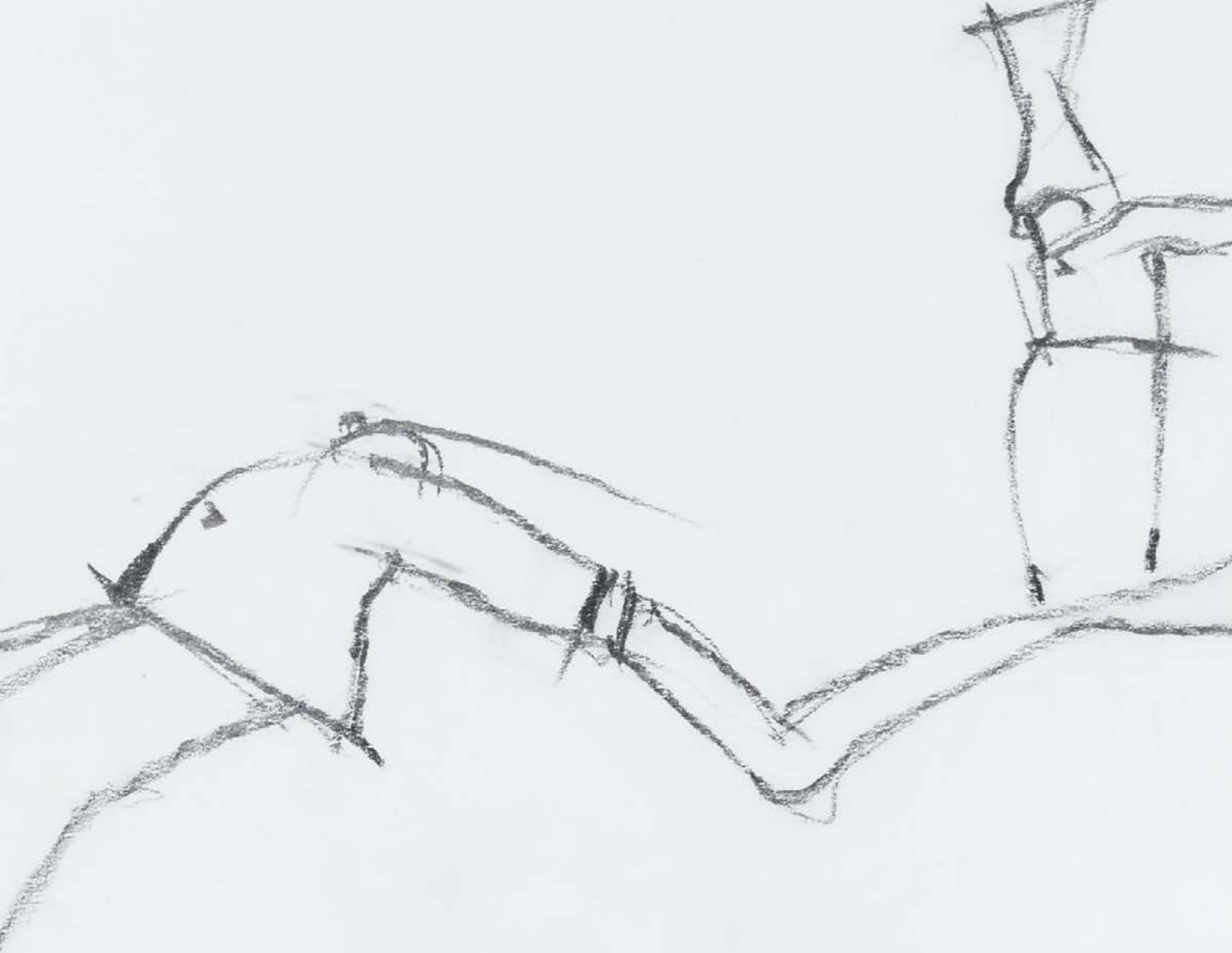
- Make all Group staff accountable;
- Define clearly, at the different organizational levels, the roles, tasks and responsibilities in this area;

Require specific information flows to be provided regarding control activities carried out in this area.

The Policy is approved by the Board of Directors of the Bank, is sent to all Group entities in order to be implemented by them and is constantly updated by the Compliance and AML Function of the Parent Company and made available to all Group staff. More specifically, the Compliance and AML Function of the Parent Company takes steps to ensure that amendments to the Policy are presented during the training courses planned for the financial year in question.

Each Group entity has its own internal rules (procedures, manuals, etc.), which are based on the Policy and reflect the principles set out therein and the regulatory provisions applicable at a local level.





# 06

Quality of Service  
and Trust-based Relations



## A responsible product for superior quality

Today, businesses and stakeholders are increasingly seeking out a responsible offering which is fully integrated with the company's strategy and operations, with the creation of an inclusive, informed workforce to guarantee a full transition towards an often uncertain future, as we have seen in the course of 2020 due to the Covid-19 pandemic.

It was precisely in this context of significant uncertainty that the investment – made in the course of over 35 years of work – in the creation of a responsible product range and a quality service has come to light, in compliance with the distribution strategy previously defined, through which the Bank guarantees the constant adequacy of its product marketing methods based on the characteristics of the target market and the products themselves, as set forth in the "Policy addressing governance of and control over retail banking products". Furthermore, in this regard, in order to further incentivize the sales force as well as guarantee that a responsible product with increasing quality over time is offered, the Bank also has a dedicated "Remuneration policy for relevant persons, personnel responsible for processing complaints and the personnel responsible for credit ratings", as described in more detail in the Accountability to people section.

Continuous dialogue with customers and the relationship of trust established over the years therefore made it possible, for example, to conclude an agreement in just over three weeks for the non-recourse disposal of receivables to cover financial requirements for the procurement of medical devices intended to increase intensive care and sub-intensive care beds in Italian hospitals that were dealing with the initial phase of the Covid-19 health emergency in Italy.

Such a rapid response was possible only thanks to constant dialogue with customers and regular training consistently aligned with best practices, inside the company and via external and specialized channels, as also takes place through participation in organizations like Cergas, Centre for Research on Health and Social Care Management, and the AGICI Observatory, Business Finance, which performs an important utilities sector analysis. This enables the sales force not only to be updated on trends in the sectors in which the Company's customers operate, but to also best understand needs and quickly propose the most innovative solutions.

BFF guarantees speedy actions supporting customer requirements also thanks to the efficiency and timeliness with which the Bank is capable of designing a highly inclusive and responsible product, through flexible internal processes oriented towards meeting business financial and operational needs, which can also guarantee a reduced risk profile for the Group.

Indeed, the product development process is subject to a risk assessment phase by the second-level control functions, which make it possible to verify, with high-level, punctual expertise, that the product is constantly aligned with the Group's Risk Appetite Framework.

In order to regularly improve reactivity to bank customer requirements, the customer satisfaction survey and the associated plans complement the relationship of trust and transparency which is an integral part of the Bank's mission and, as such, a responsibility not only of the management, but also of every employee, to guarantee.

## Quality of service

The Group's commitment to providing its customers with the best product on the market is reflected in the quality of the service and the trust-based relationship that BFF establishes with them.



The Group's offer is based on the geographical areas in which the Group operates, inasmuch as local regulations have a strong impact on the sector.

### ITALY

The products intended for the Italian market are developed through three business lines.

#### 1. Non-Recourse Factoring

**Non-recourse** factoring services offered by BFF Banking Group are intended for companies with trade receivables from the National Health Service and central and local Public Administrations. These services have the following characteristics:

- ▶ The method of purchasing receivables without recourse is compatible with international accounting standards (IAS and US GAAP compliant);
- ▶ No ceilings are set for the debtor;
- ▶ BFF manages the entire process of recovering the assigned receivables: the assignor is not required to discharge any management-related formality;
- ▶ The receivables assigned to the BFF Banking Group are managed professionally, protecting the supplier's reputation and respecting the commercial relationship between supplier and customer;

The Bank also has operations in Portugal and Greece, through a branch, and in *France and Croatia*, under freedom to provide services, through the supply of non-recourse factoring services.

**“Ensuring high standards of services for BFF’s customers, in line with market needs and developments.”**



The following products complete the non-recourse factoring offer:

**Dynamic Discount:** a technological solution which combines Supply Chain Finance and Fintech to guarantee customers optimized credit and liquidity management of the entire production chain. Indeed, this service allows customers to make advance payment through a special online platform against a supplier discount on the invoice amount, commensurate with the advance payment days and agreed upon dynamically, for each transaction.

Dynamic discount is an instrument with widespread use abroad. The Group was the first to further innovate the service offered, by also extending it to the typical characteristics of factoring.

**Capex release:** makes it possible to transfer receivables deriving from investments in infrastructure technological upgrades and energy efficiency.

The offer, born in 2018 thanks to close collaboration with a customer, makes it possible to deconsolidate the investment that utilities face for the production and installation of network infrastructure for local administrations and also to make advance payments, over time, in respect of receivables from the provision of services and maintenance.

**Purchase of tax claims:** BFF is the leading Italian player in the non-recourse purchase of direct and indirect tax claims companies are entitled to claim from the Inland Revenue.

The assignment of claims without recourse allows suppliers to reduce the risk of non-payment by debtors, to be certain about the cost of claim assignment, improve balance sheet ratios and plan cash flows and collection.

The assessment of debtors' invoices submitted by the customer is supplemented with proprietary historical information and information obtained from public sources or provided by the customer itself, allowing a tailor-made business proposal to be made.

With regard to the development of new products and/or entry into new markets, the Parent Company has developed a "Policy for entry into new sectors or the introduction of new products" and a "Policy addressing governance of and control over retail banking products".

## 2. Credit Management

The credit management service is designed for companies that provide services to the National Health System and Public Administration as well as for companies in the drug supply chain that need a solution to the problem of debt collection. It includes:

Electronic billing	Electronic order and (legally compliant) electronic storage	Certification on MEF platform	Training and refresher meetings	Reports and information	Reconciliation and collection
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The service offered by BFF Banking Group closely follows the entire credit lifecycle, ensuring:

- Reduction of internal costs,
- Shorter collection timeframes,
- Ongoing monitoring of claim performance,
- High expertise,
- Reliance on a single partner for the entire Public Administration system and Healthcare sector,
- Cooperation with debtors and respect for the supplier-agency relationship,
- Operating solutions on disputed claims,
- Better management conditions thanks to the specific knowledge acquired regarding debtors engaging with the PA and the Health sector.

Service efficiency and quality are guaranteed by internal operating processes.

- ▶ **SIMPLIFIED DOCUMENT UPLOADS:** with Excel files or through a digital platform.
- ▶ **INTEGRATED MANAGEMENT:** information is gathered through the SDI/MEF platform in Italy, EDI in Spain for example.
- ▶ **ANALYSIS:** detailed invoice classification by status and with operational indications that simplify and boost the efficiency of management.
- ▶ **COLLECTION:** direct management of the public debtor collection process, for a speedy and effective recovery of capital.
- ▶ **REPORTING:** through online portals and monthly reports created based on customer requirements.

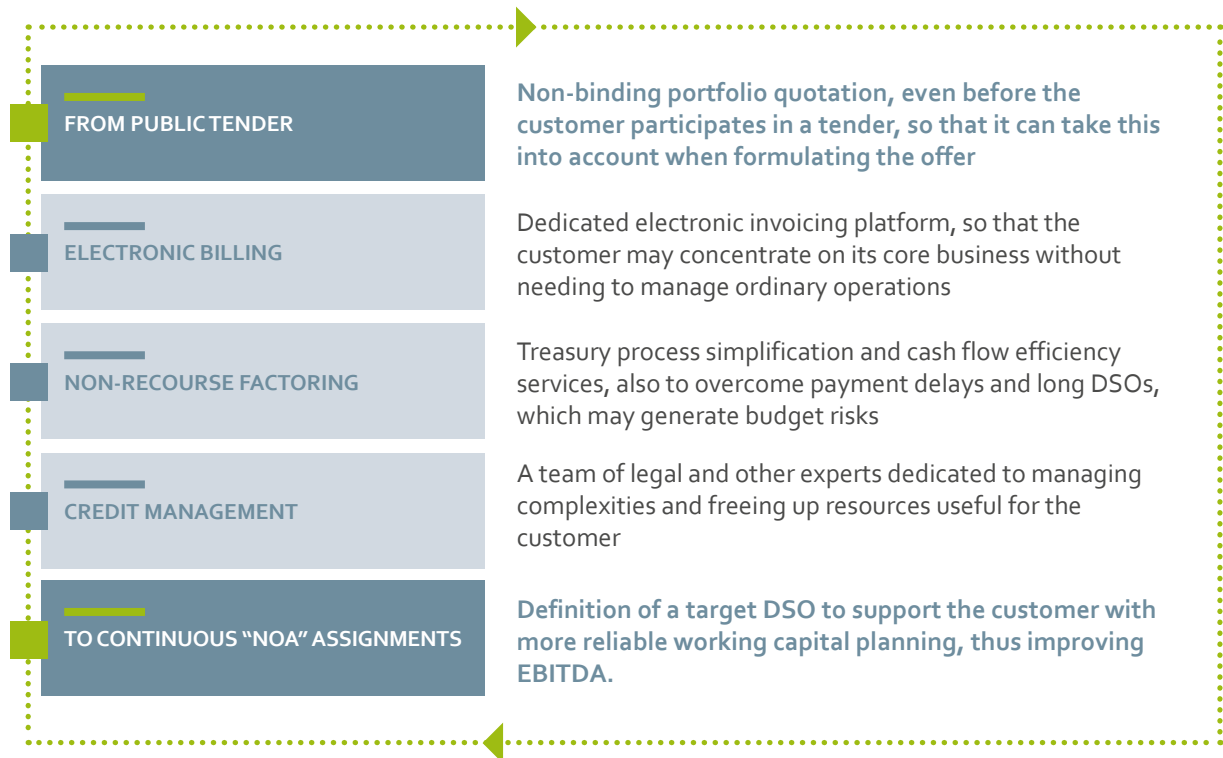
The following services supplement the credit management offer:

**Full outsourcing of credit management:** A modular credit management service delivered on a full outsourcing basis for the entire supply chain of Public Administration and National Health System suppliers.

**Electronic billing:** The service allows invoices to be transmitted to the Interchange System (locally known as SDI) and to the relevant PA office, managing the relationship with the agencies. It can be integrated with the (legally compliant) electronic storage service.

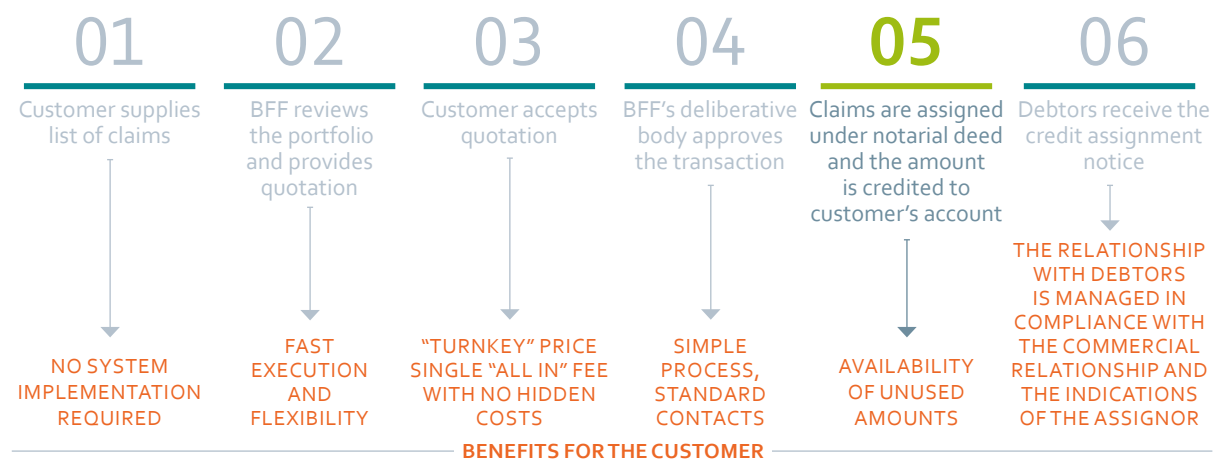
**Legal support:** The credit management service offered by BFF Banking Group includes legal support for legal proceedings for recovery of the debt.

Therefore, these varied services make it possible to accompany customers throughout all phases and in the complexities typical of relationships with public entities:



These are therefore end-to-end financial solutions, created based on customer requirements, in order to manage the entire assigned receivable collection activity based on a solid operational process, supporting the customer from the very first steps.

### OPERATING PROCESS



### 3. Deposit Account

This is an asset management product intended for retail and corporate customers, whereby a sum of money is deposited (on a time or demand basis) with the Bank against payment of an interest rate on the sums so deposited. Unlike a current account, a deposit account can only be used for incoming and outgoing wire transfers to and from a limited number of predefined current accounts maintained with third-party banks.

## SPAIN

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The products intended for the Spanish market are developed on three business lines.

### 1. Non-Recourse Factoring

Non-Recourse Factoring, in respect of which the following two types of agreements are entered into:

- ▶ **Punctual:** BFF Finance Iberia will buy all invoices issued prior to the contract execution date, as defined within the contract itself.
- ▶ **Revolving:** BFF Finance Iberia will enter into a contract whereby it undertakes to purchase all invoices that will be issued by a predefined number of debtors in the 12 months following contract execution, such debtors being specified in the contract itself.

### 2. Credit Management

### 3. Online Deposit Account

The product, known as Cuenta Facto, is offered by the Spanish Branch also in [Germany](#), [Ireland](#) and [The Netherlands](#).

In the course of 2020, an online platform was launched in Spain, which combines non-recourse factoring services with electronic invoicing, with a significant simplification in terms of timing and operating methods.

The service, which aims to support businesses in liquidity management – especially at times when payment timing and spending on goods and services by the Public Administration increase – is active 24/7 and, with just a few clicks, makes it possible to automate the entire purchasing process, starting from the order phase through to invoicing, in addition to credit management.

The following pages contain a more detailed description of the range of products offered, broken down based on each Central and Eastern European country in which the Group operates, in accordance with the Financing, Non-Recourse Factoring and Deposit Account business lines.

## POLAND

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Following the acquisition of the current BFF Polska in 2016, BFF is present in the Polish market with an offer of customized services designed for Public Administration and Healthcare suppliers; specifically, these are suppliers of public hospitals and public agencies (supply of: drugs, specialized medical materials, medical technologies, medical software, construction works, etc.) as well as public hospitals.

With reference to the latter, BFF offers lending products in Poland in order to support investments as well as debt restructuring.

The details of the main products offered, broken down by category, are provided below:

- ▶ **Loans and Subrogation:** Commercial loans are used to provide hospitals or local government agencies with liquidity to purchase specialized goods and services.
- ▶ **Overdraft:** This is a short-term revolving loan granted to public agencies.
- ▶ **Bonds:** BFF Polska acts as Bondholder of municipal bonds (coupon bonds) issued by local government agencies or municipal enterprises as part of a non-public offering. The product is an alternative to commercial loans for which, in the case of local authorities, a public procurement procedure is required.
- ▶ **Equity Financing:** This product aims to extend loans to Local Government Units (LGUs) to cover investment needs through an SPV (city-owned enterprise).
- ▶ **Bill of Exchange:** The debtor (customer) issues a bill of exchange for a defined amount (to be paid by the debtor) and a defined payment timeframe. At the same time, a separate agreement is entered into (between BFF Polska and the debtor), setting out the amount that BFF Polska pays to the debtor's account and the payment deadline.
- ▶ **Stand-by Contract:** It is a contractual promise made to the contracting party, whereby BFF Polska is obliged to finance the relevant project if the conditions set out in the contract are met. The company will charge a fee for its willingness to finance the project.
- ▶ **Factoring-like Products:** Fiduciary Factoring and Subparticipation products fall into this category.
- ▶ **Financing of Delivery:** This type of product is designed for sales through loans paid out in instalments: the company sells medical equipment to the debtor according to a repayment schedule (such equipment being owned by the company itself and previously purchased according to the debtor's specifications).
- ▶ **Lease:** The offer covering this product includes financial and operating leases.

Since 2019, instead, following the creation of a new Branch in Poland, BFF has offered a specific product named **Lokata Facto**, proposed as a deposit product (an online deposit account) analogous to that distributed in Italy, Spain, Germany, Ireland and the Netherlands.

## SLOVAKIA

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Also in 2016, with the acquisition of BFF Polska, BFF was able to extend its offering of services to the Slovak market as well, through factoring and lending products; the latter for the direct financing of new technologies and hospitals. Both types of products are customized and also designed for Public Administration and Healthcare suppliers.

The details of the main products offered, broken down by category, are provided below:

- ▶ **Lending Products:** Same offer as the one described for other countries.
- ▶ **Non-Recourse Factoring:** Non-recourse factoring is intended for companies that have trade receivables from the National Health Service and central and local Public Administrations.
- ▶ **Financing Delivery:** This is a specific form of financing consisting of a contractual partnership between the supplier and BFF Central Europe to ensure a joint presence in the purchase/delivery process (on the basis of a public tender, direct award or other legally compliant process) of movable or non-movable goods within the Local Government Unit or in the health sector.
- ▶ **Guarantee:** BFF Slovakia jointly and severally undertakes to fulfil the customer's obligation under the guarantee if the customer fails to fulfil the creditor's obligation in good time. BFF Slovakia may arrange for the guarantee provided to its customer to be notified to the creditor.

## CZECH REPUBLIC

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Lastly, also through the above-mentioned acquisition of BFF Polska, BFF was able to extend its offering of services to the Czech market as well, through factoring and lending products; the latter for the direct financing of new technologies and hospitals. Both types of products are customized and also designed for Public Administration and Healthcare suppliers.

The details of the main products offered, broken down by category, are provided below:

- ▶ **Lending Products:** BFF Ceska Republika provides hospitals or local government agencies with liquidity to purchase specialized goods and services by granting them commercial loans.
- ▶ **Factoring – overdue & undue receivables:** This type of product entails transferring a package of overdue receivables from the original creditor (customer, mostly PA supplier) to BFF Ceska Republika based on an agreement between the parties.

## CUSTOMER SATISFACTION

The Group constantly strives for customer satisfaction, completing and implementing action plans and strategies on the basis of the results arising from customer satisfaction efforts. It is essential for the Group that 100% of its customers are fully satisfied. In addition, customer satisfaction results are part and parcel of the variable compensation of some employees.

Italy, Spain and, since 2018, the branch in Portugal<sup>18</sup> send out an annual survey to a representative panel of customers/companies covering various topics with a view to gaining an understanding of the level of client satisfaction, from operations to processes, with the aim of promoting external recognition drivers while championing the Bank's values, consistent with business and customer monitoring endeavours.

In Italy, the survey is conducted annually by administering a questionnaire and an open interview on a panel representing the Bank's customers in terms of size, product (without recourse, credit management) and sector (Public Administration and National Health Service).

Each year, new customers are added to existing customers, the latter being kept to ensure sample continuity in line with the objective of monitoring the business and expanding the panel.<sup>19</sup>

The survey carried out through the administration of questionnaires includes the analysis of two dimensions: the level of satisfaction measured according to the SERVQUAL method<sup>20</sup> and, since 2017, the Net Promoter Score (NPS).<sup>21</sup> Following the results arising from the survey, action plans are prepared to improve service delivery and the ways the company's offering is communicated externally.

CUSTOMER SATISFACTION	UoM	2020	2019	2018
Total number of customers who were administered the questionnaire	no.	45	42	33
Total number of satisfied customers who were administered the questionnaire	no.	45	41	30
Percentage of satisfied customers who were administered the questionnaire	%	100%	98%	91%

The table shows that the panel identified is satisfied with the service offered.

The total number of satisfied customers is the sum of "promoters" and "neutral" customers analysed with the NPS index.

In Italy, in 2020 this index is equal to 68.18, 50 in 2019 and 39.13 in 2018; in Spain, in 2020 it is equal to 58.33, perfectly aligned with 2019, in 2018, instead, this index was 28.57; Lastly, in Portugal, in 2020 it was 55.56, in 2019 50 and in 2018 33.36.

18 It should be noted that no disclosure is provided in the document about the first survey conducted in Portugal in 2018, as the data collected was not significant (only 3 customers were interviewed). The final outcome, however, proved to be positive from a Net Promoter Score (NPS) perspective: two customers defined themselves as promoters (66.67% of respondents).

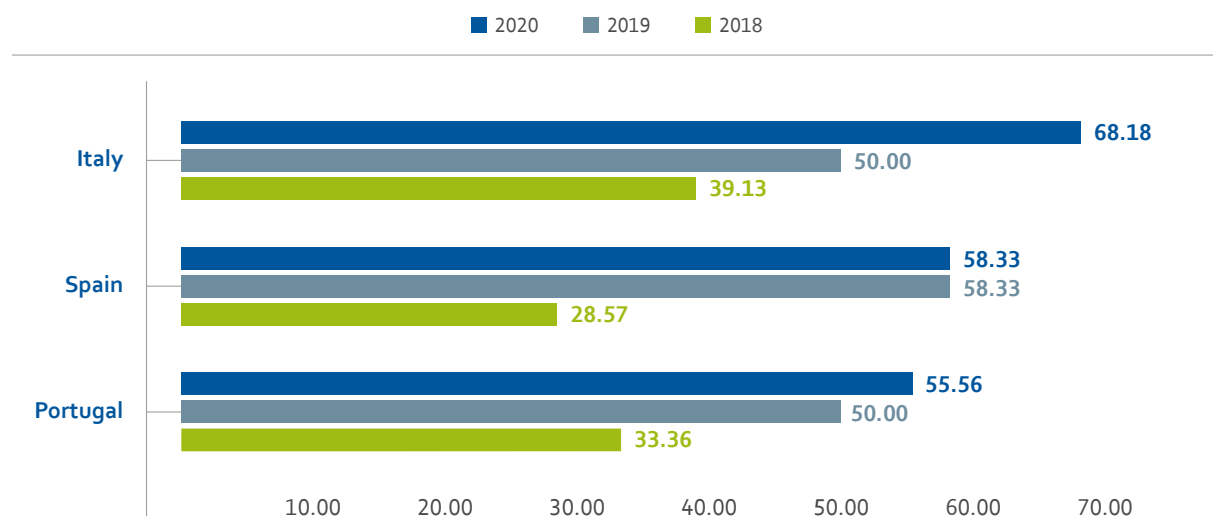
19 One-shot customers showing no continuity in their relationship with BFF are not considered for inclusion in the panel.

20 This model makes it possible to measure the quality of service provided by a given firm by benchmarking expectations against perceptions.

21 A management tool that can be used to assess loyalty in a business-to-customer relationship, based on the assumption that customers can be divided into "promoters", "neutral" and "detractors" depending on their propensity to reuse or recommend the Bank's services.

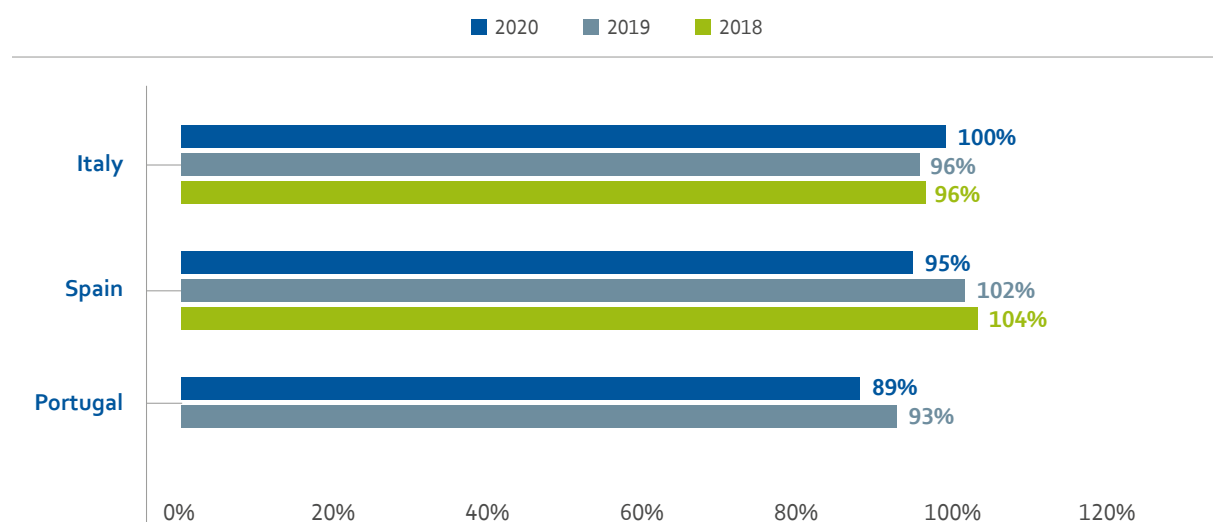


## NET PROMOTER SCORE (NPS)



Instead, with reference to the level of satisfaction, the figure below shows the specific results emerging from the surveys carried out in the 2018-2020 three-year period by individual country.

## DEGREE OF SATISFACTION (%)



The survey establishes whether the company's distinctive traits are visible and the BFF Group's core values are understood, and also gains an insight into the level of customer satisfaction with the product and service offering. In addition, it assesses customers' opinions on major changes such as international development, publications, etc.

## Trust and transparency in relations with customers

The management of customer relationships is central for BFF, which undertakes to always perform this duty effectively and proactively, as also shown by the results of the surveys and level of retention.

The Group's long-standing experience contributes to boosting customers' financial performance and supporting the liquidity of businesses operating within the scope of complex dynamics linked to providing supplies to public administrations.

Also for these reasons, the Group is continuously committed to efficiently managing any customer complaints and facilitating the process of managing reports by clearly defining:

- ▶ Interactions between the function responsible for handling complaints and the other functions involved in the complaint handling process;
- ▶ The company measure which guarantees timely and exhaustive answers to customers;
- ▶ The frequency, methods and recipients of the relevant reports.

In addition, BFF is supervised by the Bank of Italy and must meet the transparency requirements laid down by the regulations in force. In this connection, the Bank has special transparency procedures in place to govern the contents of product disclosures, as well as procedures for making contracts, forms and/or documentation available to the public in accordance with current legislation.

BFF's Subsidiaries and Branches adopt the Parent Company's guidelines and implement the provisions of the Group Code of Ethics.

As proof of the Group's compliance with the law and full disclosure transparency, in the course of 2020, no complaints were filed in relation to cases of false advertising or misleading marketing practices.

**“Consolidating relationships based on transparency and trust, with special emphasis on the continuity and stability of customers businesses and transactions between market players.”**

## PRIVACY

Following the entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 (hereinafter referred to as the “General Data Protection Regulation” or “GDPR”), the Bank has implemented appropriate technical and organizational measures to ensure, and be able to prove, that processing is carried out in accordance with the GDPR. All the activities carried out and the related documentation prepared were presented to the Board of Directors of the Bank on May 23, 2018.

In the course of 2018, an independent Data Protection Officer was appointed.

The Privacy Coordinators (Head of the Human Resources and Organizational Development Function, Head of the ICT OU, Head of Corporate Affairs Secretary, Head of Legal & Litigation) provide adequate guarantees to implement proper technical and organizational measures to ensure the processing of personal data is carried out in compliance with the requirements of the GDPR while guaranteeing the protection of the rights of the interested party.

The Privacy Coordinators also provide adequate information, to the extent as lying within their area of competence, on any critical issues, implementation difficulties, incidents occurred during the reporting period.

It should be noted that, during 2020, no significant data protection concerns were identified.

Please also note that BFF has a Privacy Policy published on its website, which informs data subjects about browsing data while consulting the website. In particular, Banca Farmafactoring provides a disclosure on the type of data processed (browsing data), cookies used, links to other websites, data processing, sharing, communication and dissemination methods, rights of data subjects and the right to submit a complaint.

Banca Farmafactoring S.p.A. has also published disclosures on its website on data processing for customers, suppliers and debtors pursuant to Article 13 of EU Regulation 2016/679 (<https://it.bff.com/privacy>, <https://it.bff.com/informativa-trattamenti>).

Banca Farmafactoring S.p.A. has adopted internal policies approved by the Board of Directors and updated on a periodic basis in compliance with the requirements of EU Regulation 2016/679:

- ▶ **Group Policy on the exercise of the right to the Portability of Personal data:** the Policy governs the right to the portability of personal data pursuant to Art. 20 of Regulation (EU) 2016/679, which constitutes a supplement to the right of access as an instrument whereby the “data subject” manages and reuses the personal data fully autonomously. It facilitates the circulation, copying or transfer of personal data from one IT environment to another with no impediment while promoting innovation and the sharing of personal data between the Parent Company and/or the Subsidiaries and other data controllers with full security and under the control of the “data subject”.
- ▶ **Group Privacy by Design-Default Policy:** the Policy regards the implementation of adequate technical and organizational measures to protect personal data starting from the design phase (privacy by design) and also throughout the data lifecycle as a predefined setting (privacy by default).

- ▶ **Group Policy for exercising the rights of data subjects:** the Policy governs rights on the personal data provided - set forth by Regulation (EU) 2016/679 - which consist of:
  - right of access,
  - right of rectification,
  - right to erasure or “right to be forgotten”,
  - right to limit processing,
  - right to personal data portability,
  - right to object.

The Group has drafted a management system for the exercise of the rights of data subjects which enables the Data Controller or its Delegate to provide a timely, accurate and transparent response, without undue delay, justifying any intention not to accept such requests.

- ▶ **Group Policy for the management of data breaches:** the security policy adopted by the Group establishes that adequate technical and organizational measures are put into place to guarantee and demonstrate that personal data processing is performed in compliance with the General Data Protection Regulation - Regulation (EU) 2016/679. When however, despite such measures, a data breach takes place, the Parent Company and/or the Branches / Subsidiaries must respond promptly in order to guarantee respect for the four security objectives:
  - **availability:** guaranteeing access to information and network services to responsible personnel in relation to work requirements and the rights and fundamental freedoms of the data subjects,
  - **confidentiality:** guaranteeing the prevention of abusive or unauthorized access to information, services and systems,
  - **integrity:** guaranteeing that information has not been altered by incidents or abuses,
  - **resilience:** a system’s capacity to adapt to changes.

# Cyber security and technological innovation

## INFORMATION SECURITY

Safeguarding the security of its information system and protecting the confidentiality, integrity and availability of the information produced, collected or otherwise processed, from any intentional or accidental threat, whether internal or external, is a top priority for BFF.

In this regard:

- ▶ **Confidentiality** means ensuring that certain information is preserved from improper access and is used exclusively by authorized persons;
- ▶ **Integrity** means ensuring that all information (i) is actually the information originally entered into the computer system, (ii) has been legitimately modified by authorized persons and (iii) remains traceable;
- ▶ **Availability** means ensuring that the information is available in relation to the need for service delivery continuity and compliance with the rules that require safe retention of such information;
- ▶ **Authenticity** means ensuring that the information received corresponds to that generated by the person or entity that transmitted it.

A suitable risk analysis of all the assets that make up the information management system is crucial for the information protection policy, the aim being to understand vulnerabilities, assess possible threats and prepare countermeasures as necessary.

As absolute security cannot be achieved either in the IT industry or, for that matter, in nature it follows that the purpose of the information security policy is to manage risk at an acceptable level by designing, implementing and maintaining an "Information Security Management System" (ISMS) in line with the propensity for IT risk defined corporate-wide according to the Risk Management Regulations.

## TECHNOLOGICAL INNOVATION

In view of the growth guidelines outlined in the "BFF 2023" business plan and with specific reference to the strategic objective linked to the growth of the target customer base, leveraging digital platforms, the Group has embarked on a number of endeavours with a view to harmonizing the degree of automation of the operations of its legal entities, as listed below:

- ▶ Investments in information systems and process redesigning in order to (i) upgrade the Bank's application infrastructure, (ii) migrate part of the front office operations to digital platforms capable of supporting the expansion of the target customer base towards SMEs, (iii) further automate operational activities, with special reference to the BFF Polska Group's perimeter;
- ▶ Centralization of the Group's hardware infrastructure.

Furthermore, thanks to the agreement with one of the largest local technological service providers, BFF has introduced an advanced electronic signature system for all employees in Poland. The service makes it possible to sign remote contracts, using any device, on one hand reducing the time required to enter into a contract and on the other making it possible to immediately verify signatory identity with certainty. Aside from security and operational efficiency matters, the objective of the agreement was to further reduce the use of paper in commercial transactions, while also improving quality of work for employees.

## RESEARCH AND DEVELOPMENT

Since 2018, the Bank has been benefiting from tax credits relating to research and development endeavours pursuant to Italian Law Decree No. 145/2013, written, as amended, into Law No. 9/2014.

In this context, in the second half of 2020, various initiatives were implemented to increase the market share where the Group has a presence and to make internal processes and IT systems more efficient.

More specifically, the following main projects are noted:

- ▶ Improvement of operations relating to the purchase of non-recourse receivables in Greece by the Bank, by opening a new branch (in September 2020);
- ▶ Completion of the development of the online platform to provide the non-recourse service in the Spanish market and service launch (on July 9, 2020);
- ▶ Boosting the efficiency of the software systems supporting the Group's core business, including the legal system and the system for the out-of-court management and recovery of receivables, as well as the development of new technological solutions to manage the regulatory obligations required of all Group Companies.







# 07

Accountability  
to People

Tadman

## Accountability to people

The Group constantly invests in the development of its resources and is committed to creating a positive working environment, geared towards maximum mutual collaboration, teamwork and goal sharing, where everyone feels free to express their potential. Owning the company's objectives and creating a system of communication between stakeholders based on principles of truthfulness and fairness constitute some of the useful characteristics for working at BFF.

At the Parent Company, commitment and results are rewarded through a structured and sustainable incentive system, based on merit and indicators such as risk-adjusted EBITDA, which represents an efficient parameter of sustainability over time, as it provides an indication of the economic results achieved, attenuating them of the effect of risk linked not only to the quality but also the growth of the assets generating these results. This system is defined in the following documentation:

- ▶ remuneration policy and the relative Group Remuneration and Incentive Policy;
- ▶ Performance Management procedure, which describes how to apply an effective performance management system in line with the requirements of current legislation, based on objectively measurable KPIs to guarantee an objective, non-discretionary assessment that rewards merit, and the objectives of which are:
  - a) Encourage sharing and steer all employees towards achieving the company's objectives;
  - b) Gear organizational behaviour towards corporate values and actions designed to underpin medium/ long-term objectives;
  - c) Encourage dialogue between each manager and his/her staff, the development of resources, teamwork, integration and cooperation between functions;
- ▶ A long-term stock option plan that favours talent retention within the Group;
- ▶ A remuneration policy for relevant persons, personnel responsible for processing complaints and the personnel responsible for credit ratings.

**“Defining professional growth and talent management paths for the Group’s employees, including benefits and compensation.”**

Locally, subsidiaries operate in accordance with the guidelines of the Parent Company, however organizing initiatives intended for local employees thanks to the current body of procedures. Poland, for example, has the following documents:

- ▶ Organizational regulations, which define the relationships within the organization, the organizational structure and the scope of responsibilities within each O.U.;
- ▶ Labour regulations, i.e., statutory local regulations, which define the most important working rules;
- ▶ Remuneration policy;
- ▶ Regulation governing the granting of financial aids to employees;
- ▶ Performance management;
- ▶ Remuneration regulations;
- ▶ Recruitment procedure;
- ▶ Training procedure;
- ▶ Onboarding process (at a Parent Company level);
- ▶ Extraordinary education.

The Spanish subsidiary relies on the following body of procedures:

- ▶ Resignation or dismissal policy – This policy requires the HR department to complete a checklist when employment with the company is terminated;
- ▶ Remuneration policy It defines the internal bodies and committees that take part in the remuneration decision-making process. The remuneration package is linked to staff grading.

## Group workforce mix and diversity

Aware of the importance of an Executive Team that is capable of successfully handling extraordinary difficulties, such as 2020 and the Covid-19 pandemic, thinking strategically and, at the same time, bringing concrete results in the immediate term, over the years BFF has invested in the creation of **an inclusive, international team that can provide contributions and useful perspectives to colleagues and for the organization's involvement in shared objectives.**

### Chief Executive Officer

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Massimiliano Belingeri

### Vice Presidents

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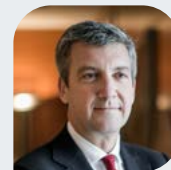
Michele Antognoli  
International Markets



Piergiorgio Bicci  
Finance & Administration



Roberto Castiglioni  
Factoring



Egisto Franceschi  
Operations

An Executive Team which requires the right balance of experience, innovation and cultures represented, to think strategically, act concretely and effectively and engage others to obtain lasting success, anticipating market developments, working with discipline and speed and always remaining open to learning new things, as also demonstrated by the training process presented in more detail in the dedicated section relating to “Managerial/leadership training” on the following pages.

## Country Heads



**Marek Duban**  
Slovakia,  
Czech Republic



**Nuno Francisco**  
Portugal



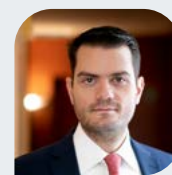
**Krzysztof Kawalec**  
Poland



**Javier Molinero**  
Spain



**Mariya Terzieva**  
Croatia, France



**Christos Theodossiou**  
Greece

## Directors



**Alessia Barrera**  
Communications  
& Institutional Relations



**Marina Corsi**  
Internal Audit



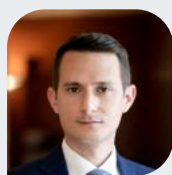
**Caterina Della Mora**  
Investor Relations,  
Strategy and M&A



**Mario Gustato**  
Compliance & AML



**Alessandro Mayer**  
Chief of Staff



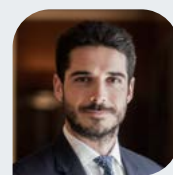
**Marco Piero**  
Risk Management



**Alessandra Rizzi**  
HR & Organizational  
Development



**Andrea Russo**  
General Counsel



**Enrico Tadiotto**  
Integration



**Carlo Zanni**  
Planning,  
Administration  
& Control



In 2020, the Group employed a total of 535 resources, an increase of 3% over 2019, of whom 298 women and 237 men. Out of the total workforce, about 46% is employed in Italy, about 37% in Poland and the remaining 17% in the other countries where the Group operates.

89% of the staff are employed based on permanent contracts, about 56% being women.

#### STAFF EMPLOYED BASED ON A PERMANENT CONTRACT

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	124	112	236	123	110	233	111	100	211
Poland	58	100	158	60	93	153	49	80	129
Spain	26	28	54	27	28	55	20	15	35
Slovakia	5	6	11	5	5	10	2	3	5
Portugal	6	4	10	6	2	8	3	-	3
Czech Rep.	0	2	2	-	2	2	1	2	3
Greece	3	2	5						
<b>Total BFF Group</b>	<b>222</b>	<b>254</b>	<b>476</b>	<b>221</b>	<b>240</b>	<b>461</b>	<b>186</b>	<b>200</b>	<b>386</b>

#### STAFF EMPLOYED BASED ON A FIXED-TERM CONTRACT

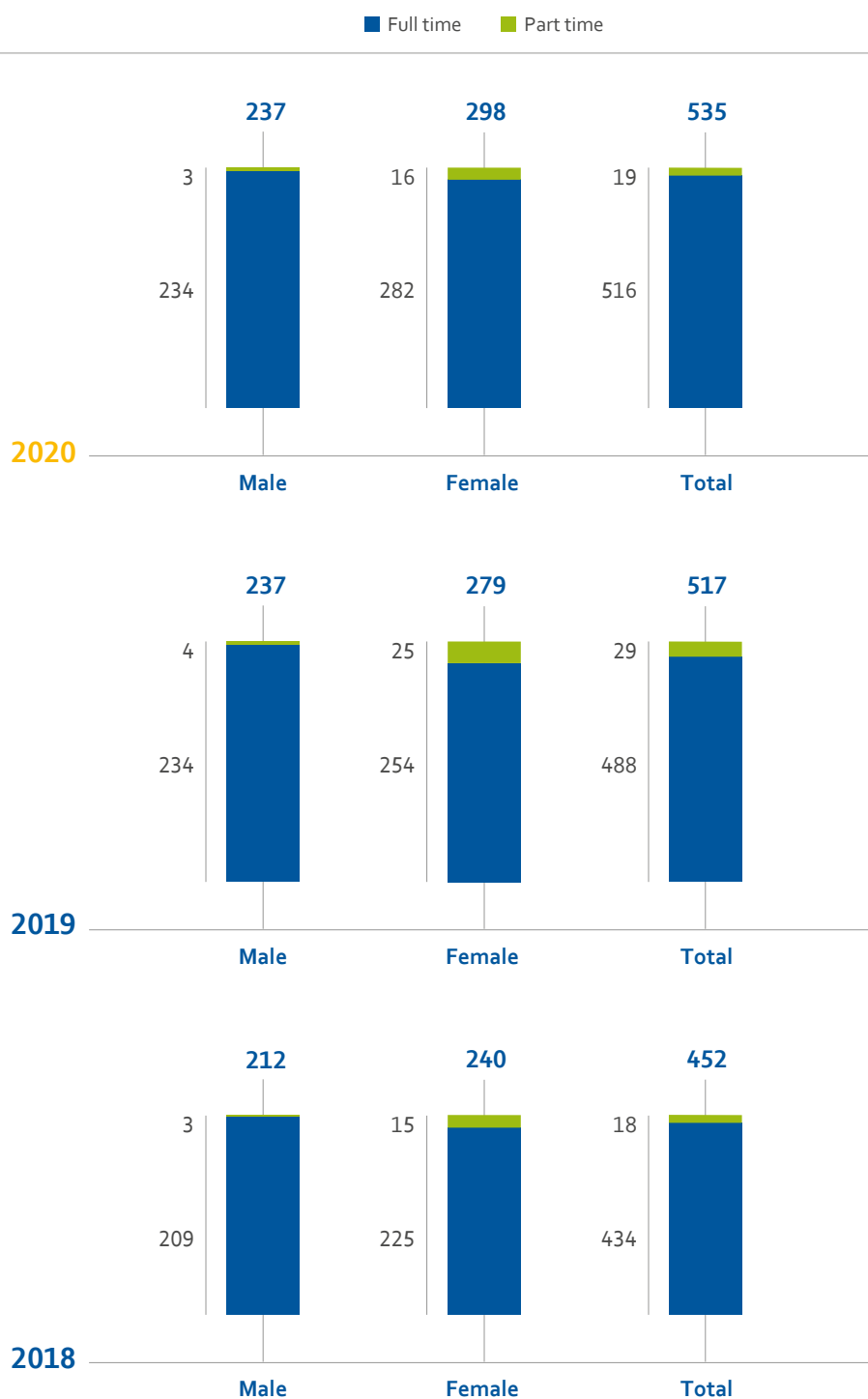
COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	2	8	10	1	1	2	2	4	6
Poland	10	30	40	13	29	42	20	30	50
Spain	1	1	2	1	2	3	-	-	-
Slovakia	1	4	5	2	5	7	3	6	9
Portugal	0	0	0	-	-	-	-	-	-
Czech Rep.	0	1	1	-	2	2	1	-	1
Greece	1	0	1						
<b>Total BFF Group</b>	<b>15</b>	<b>44</b>	<b>59</b>	<b>17</b>	<b>39</b>	<b>56</b>	<b>26</b>	<b>40</b>	<b>66</b>

With reference to the type of employment, in 2020 only about 4% of all employees were employed based on a part-time contract. More specifically, 6 employees were hired on a part-time basis in Italy, 5 in Spain and 8 in Poland.

In addition to the Group's employees, in 2020 the headcount included 8 workers, i.e., 3 temporary workers and 5 interns.

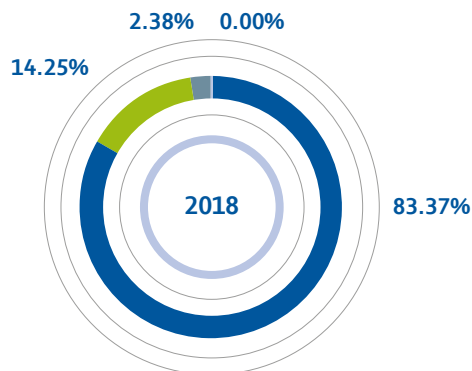
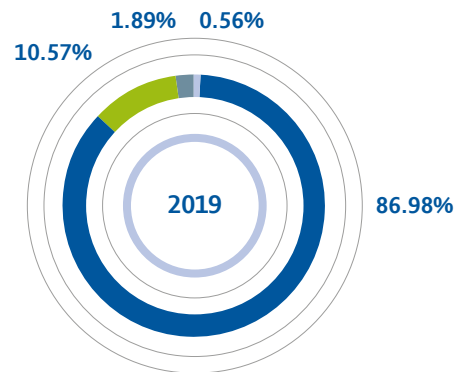
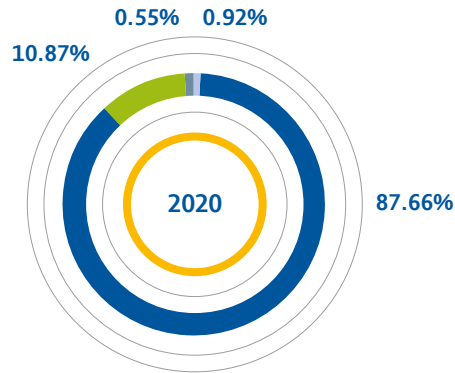


## GROUP EMPLOYEES BY TYPE OF CONTRACT (FULL-TIME/PART-TIME)



## TYPES OF EMPLOYEES OF BFF GROUP

■ Permanent ■ Fixed-term ■ Agency workers ■ Others



As can be seen from the table below, in 2020 women accounted for approximately 56% of employees, two percentage points more than in previous years. Approximately 74% of the company's population belongs to the 30-50 age group, showing an increase of approximately 4% compared to 2019, with an average age of Group employees of 39 years old.

With specific reference to professional categories, about 5% belonged to Top Management (women accounting for 16%), about 19% of employees were part of Middle Management (women accounting for 42%, up by 5 percentage points compared to 2019), while the remaining 76% consisted of Staff.

#### COMPOSITION OF THE GROUP'S WORKFORCE BY PROFESSIONAL CATEGORY, GENDER AND AGE GROUP 2020

PROFESSIONAL CATEGORY	Male					Female					Totals				
	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY
Senior Executives/Executives	0	15	6	21	84%	0	2	2	4	16%	0	17	8	25	5%
Managers/Middle Managers/ Coordinators	0	51	8	59	58%	0	42	1	43	42%	0	93	9	102	19%
Specialists/Professionals	23	115	19	157	38%	56	172	23	251	62%	79	287	42	408	76%
<b>Total</b>	<b>23</b>	<b>181</b>	<b>33</b>	<b>237</b>	<b>44%</b>	<b>56</b>	<b>216</b>	<b>26</b>	<b>298</b>	<b>56%</b>	<b>79</b>	<b>397</b>	<b>59</b>	<b>535</b>	<b>100%</b>

#### COMPOSITION OF THE GROUP'S WORKFORCE BY PROFESSIONAL CATEGORY, GENDER AND AGE GROUP 2019

PROFESSIONAL CATEGORY	Male					Female					Totals				
	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY
Senior Executives/Executives	-	16	5	21	84%	-	3	1	4	16%	-	19	6	25	5%
Managers/Middle Managers/ Coordinators	2	49	10	61	63%	1	34	1	36	37%	3	83	11	97	19%
Specialists/Professionals	30	107	19	156	39%	61	154	24	239	61%	91	261	43	395	76%
<b>Total</b>	<b>32</b>	<b>172</b>	<b>34</b>	<b>238</b>	<b>46%</b>	<b>62</b>	<b>191</b>	<b>26</b>	<b>279</b>	<b>54%</b>	<b>94</b>	<b>363</b>	<b>60</b>	<b>517</b>	<b>100%</b>

#### COMPOSITION OF THE GROUP'S WORKFORCE BY PROFESSIONAL CATEGORY, GENDER AND AGE GROUP 2018

PROFESSIONAL CATEGORY	Male					Female					Totals				
	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY	<30	30-50	>50	TOT.	% ON TOTAL CATEGORY
Senior Executives/Executives	-	13	6	19	90%	-	1	1	2	10%	-	14	7	21	5%
Managers/Middle Managers/ Coordinators	1	37	4	42	69%	-	18	1	19	31%	1	55	5	61	13%
Specialists/Professionals	28	101	22	151	41%	60	137	22	219	59%	88	238	44	370	82%
<b>Total</b>	<b>29</b>	<b>151</b>	<b>32</b>	<b>212</b>	<b>47%</b>	<b>60</b>	<b>156</b>	<b>24</b>	<b>240</b>	<b>53%</b>	<b>89</b>	<b>307</b>	<b>56</b>	<b>452</b>	<b>100%</b>

All employees are covered by collective labour agreements, with the exception of Poland, Slovakia and the Czech Republic, where these types of contracts are not set forth in local legislation.

The Group considers the creation and maintenance of a positive working environment as a priority, with a view to encouraging maximum mutual collaboration, teamwork and the achievement of common goals. The workplace is the place where everyone can express their potential. Therefore, the Group considers it essential to:

- ▶ Promote harmony at all levels of business, encouraging behaviour based on mutual fairness and expressly prohibiting any conduct that could generate resentment or discontent, or imply an abuse of one's position of authority;
- ▶ Ensure that everyone is clearly and transparently informed about the tasks to be carried out and the objectives to be pursued;
- ▶ Drive each employee towards the achievement of the objectives assigned, consistency with the objectives of their team and company assets and motivate them to consider common objectives as their own;
- ▶ Encourage communication processes and flows based on principles of truthfulness and accuracy not only within the Group but also with all the Bank's stakeholders;
- ▶ Ensure the physical, cultural and moral integrity of people, providing an open and safe environment.

The Group Code of Ethics requires that the working environment be free from acts involving racism, discrimination and abuse. The Code of Ethics, together with the Code of Conduct and the Group's recruitment and management policy, provides guidelines on corporate policies and the values of transparency, fairness and integrity shared by all Group employees:

- ▶ People-centric approach, resulting in protection of human dignity, equal opportunities, safeguarding employees' safety, respect for the values of interrelation with others;
- ▶ Safeguarding and promoting diversity, fostering dialogue within the organization;
- ▶ Diligence, professional attitude and promotion of human resources through professional empowerment;
- ▶ Moral integrity, legality and honesty.

With regard to diversity and equal opportunities, the Group is consistent with its Code of Ethics and regulations, as it:

- ▶ Ensures that the employment relationship is based on the equal dignity of the parties and respect for the rights of others and the legitimate expectations of employees;
- ▶ Values and respects diversity, at all stages of the employment relationship, avoiding any form of discrimination based on gender, sexual orientation, age, nationality, health status, political opinions, race and religious beliefs;
- ▶ Promotes a culture based on mutual respect, transparency and clear communication, through an open and clear exchange of views;
- ▶ Avoids all forms of discrimination or favouritism both at the recruitment stage and in the management of the employment relationship.

During the recruitment process, the assessment of potential employees is carried out by matching the candidates' profiles and specific skills with the company's expectations and needs resulting from the request submitted by the requesting function and always respecting equal opportunities for all parties concerned.

In Poland, diversity and equal opportunities are strictly governed by local labour law. In particular, equal treatment with regard to employment is based on the following assumptions:

- ▶ Regardless of the type and terms of employment, employees must be treated equally with respect to gender, age, disability, race, religion, nationality, political opinions, ethnic origin, religious beliefs, sexual orientation;
- ▶ Equal treatment in employment means not discriminating in any way, directly or indirectly, against the worker's life within the organization, including his or her professional development until employment terminates.

BFF Group offers, on a gender-neutral basis, remuneration in line with the market, benefits and additional incentive schemes designed both to improve people's quality of life and value their performance based on merit.

As to legally protected groups, the workforce in Italy includes 5 employees subject to local regulations in force, one of whom belongs to Middle Management and 4 to Staff<sup>22</sup>.

Overall, the Group recorded 103 entries and 85 exits during 2020, with an outgoing turnover of 16% in 2020 and an incoming turnover of 19%, down compared to 2019 and 2018.

In 2020, BFF continued its process of growth in size following the business development in Italy and in new markets. With regard to exits, these related to the needs expressed by the resources in terms of: new opportunities for professional growth, pursuit of a different work-life balance and, in some cases, the need to get closer to the family unit.

#### EMPLOYEES WHO JOINED BFF GROUP BY GENDER

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	19	19	38	21	17	38	16	13	29
Poland	5	8	13	7	4	11	6	3	9
Spain	-	2	2	3	2	5	3	-	3
Slovakia	13	24	37	15	31	46	23	37	60
Portugal	1	5	6	4	6	10	2	5	7
Czech Rep.	-	1	1	-	2	2	-	1	1
Greece	4	2	6	-	-	-	-	-	-
<b>Total BFF Group</b>	<b>42</b>	<b>61</b>	<b>103</b>	<b>50</b>	<b>62</b>	<b>112</b>	<b>50</b>	<b>59</b>	<b>109</b>

<sup>22</sup> It is not possible to compare this figure with other countries as the definition of "legally protected groups" varies according to local legislation.

#### TURNOVER RATES OF EMPLOYEES WHO JOINED BFF GROUP BY GENDER

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	15%	16%	15%	17%	15%	16%	14%	13%	13%
Poland	19%	28%	23%	25%	13%	19%	30%	20%	26%
Spain	0%	50%	20%	50%	100%	63%	100%	N/A	100%
Slovakia	19%	18%	19%	21%	25%	24%	33%	34%	34%
Portugal	17%	50%	38%	57%	60%	59%	40%	56%	50%
Czech Rep.	N/A	33%	33%	N/A	50%	50%	-	50%	25%
Greece	100%	100%	100%						
<b>Total BFF Group</b>	<b>18%</b>	<b>20%</b>	<b>19%</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>	<b>24%</b>	<b>25%</b>	<b>24%</b>

#### EMPLOYEES WHO JOINED BFF GROUP BY AGE GROUP

COUNTRY	12/31/2020				12/31/2019				12/31/2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	9	28	1	38	8	29	1	38	5	24	-	29
Poland	2	11	-	13	1	9	1	11	-	9	-	9
Spain	1	1	-	2	2	3	-	5	-	3	-	3
Slovakia	20	17	-	37	30	14	2	46	34	26	-	60
Portugal	1	5	-	6	1	9	-	10	1	6	-	7
Czech Rep.	-	1	-	1	-	2	-	2	1	-	-	1
Greece	-	6	-	6								
<b>Total BFF Group</b>	<b>33</b>	<b>69</b>	<b>1</b>	<b>103</b>	<b>42</b>	<b>66</b>	<b>4</b>	<b>112</b>	<b>41</b>	<b>68</b>	<b>-</b>	<b>109</b>

#### TURNOVER RATES OF EMPLOYEES WHO JOINED BFF GROUP BY AGE GROUP

COUNTRY	12/31/2020				12/31/2019				12/31/2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	56%	15%	2%	15%	38%	17%	2%	16%	23%	17%	0%	13%
Poland	67%	24%	0%	23%	50%	18%	17%	19%	0%	29%	0%	26%
Spain	50%	13%	N/A	20%	100%	50%	N/A	63%	N/A	100%	N/A	100%
Slovakia	35%	13%	0%	19%	44%	12%	33%	24%	52%	23%	0%	34%
Portugal	100%	36%	0%	38%	100%	60%	0%	59%	N/A	43%	N/A	50%
Czech Rep.	N/A	33%	N/A	33%	N/A	50%	N/A	50%	N/A	0%	N/A	25%
Greece	N/A	100%	N/A	100%								
<b>Total BFF Group</b>	<b>42%</b>	<b>17%</b>	<b>2%</b>	<b>19%</b>	<b>45%</b>	<b>18%</b>	<b>7%</b>	<b>22%</b>	<b>46%</b>	<b>22%</b>	<b>0%</b>	<b>24%</b>

#### EMPLOYEES WHO LEFT BFF GROUP BY GENDER

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	16	11	27	11	8	19	8	6	14
Poland	6	9	15	6	2	8	4	4	8
Spain	-	-	-	-	-	-	-	-	-
Slovakia	18	16	34	11	19	30	19	25	44
Portugal	2	5	7	2	5	7	3	3	6
Czech Rep.	-	2	2	2	-	2	1	1	2
Greece	-	-	-	-	-	-	-	-	-
<b>Total BFF Group</b>	<b>42</b>	<b>43</b>	<b>85</b>	<b>32</b>	<b>34</b>	<b>66</b>	<b>35</b>	<b>39</b>	<b>74</b>

#### TURNOVER RATES OF EMPLOYEES WHO LEFT BFF GROUP BY GENDER

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	13%	9%	11%	9%	7%	8%	7%	6%	6%
Poland	22%	31%	27%	21%	7%	14%	20%	27%	23%
Spain	0%	0%	0%	0%	0%	0%	0%	N/A	0%
Slovakia	26%	12%	17%	15%	16%	15%	28%	23%	25%
Portugal	33%	50%	44%	29%	50%	41%	60%	33%	43%
Czech Rep.	N/A	67%	67%	N/A	0%	50%	50%	50%	50%
Greece	0%	0%	0%	-	-	-	-	-	-
<b>Total BFF Group</b>	<b>18%</b>	<b>14%</b>	<b>16%</b>	<b>13%</b>	<b>12%</b>	<b>13%</b>	<b>17%</b>	<b>16%</b>	<b>16%</b>

#### EMPLOYEES WHO LEFT BFF GROUP BY AGE GROUP

COUNTRY	12/31/2020				12/31/2019				12/31/2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	1	18	8	27	3	11	5	19	2	10	2	14
Poland	1	13	1	15	-	8	-	8	1	6	1	8
Spain	-	-	-	-	-	-	-	-	-	-	-	-
Slovakia	19	14	1	34	12	18	-	30	18	24	2	44
Portugal	1	6	-	7	-	7	-	7	-	6	-	6
Czech Rep.	-	2	-	2	-	2	-	2	1	1	-	2
Greece	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total BFF Group</b>	<b>22</b>	<b>53</b>	<b>10</b>	<b>85</b>	<b>15</b>	<b>46</b>	<b>5</b>	<b>66</b>	<b>22</b>	<b>47</b>	<b>5</b>	<b>74</b>



### TURNOVER RATES OF EMPLOYEES WHO LEFT BFF GROUP BY AGE GROUP

COUNTRY	12/31/2020				12/31/2019				12/31/2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	6%	10%	18%	11%	14%	7%	11%	8%	9%	7%	4%	6%
Poland	33%	28%	14%	27%	0%	16%	0%	14%	50%	19%	50%	23%
Spain	0%	0%	N/A	0%	0%	0%	N/A	0%	N/A	0%	N/A	0%
Slovakia	33%	10%	17%	17%	18%	15%	0%	15%	28%	21%	100%	25%
Portugal	100%	43%	0%	44%	0%	47%	0%	41%	N/A	43%	N/A	43%
Czech Rep.	N/A	67%	N/A	67%	N/A	50%	N/A	50%	N/A	25%	N/A	50%
Greece	N/A	0%	N/A	0%								
<b>Total BFF Group</b>	<b>28%</b>	<b>13%</b>	<b>17%</b>	<b>16%</b>	<b>16%</b>	<b>13%</b>	<b>8%</b>	<b>13%</b>	<b>25%</b>	<b>15%</b>	<b>9%</b>	<b>16%</b>

## Professional development of human capital

The Group provides training to its staff in order to develop their abilities, talent and skills and ensure regulatory compliance in line with business and industry trends.

BFF Academy is the physical and virtual place where knowledge, crafts, techniques and ideas are shared and developed to help people's growth and as a result and drive company growth.

The training offer of BFF Academy is delivered with a view to creating a common and distinctive knowledge of the BFF Group identity which, combined with the transfer of knowledge, aims at expediting execution results, placing major emphasis on the meaning of and why certain internal practices are adopted. Such an assumption gives rise to the following pay-off: "Common Behaviours + Knowledge Transfer = Fast Business Results".

To achieve this goal, BFF Group decided to focus on a training and development path that has made it possible to:

- ▶ Define a Group approach (BFF Group Academy);
- ▶ Align the training plan with the BFF Group strategy;
- ▶ Integrate the personal development plan with the training plan;
- ▶ Provide greater support to the development of each professional role;
- ▶ Optimize costs;
- ▶ Organize a streamlined and more consistent governance of training processes;
- ▶ Launch the first group-wide LMS (Learning Management System).

The Academy's paramount goal is, therefore, to guarantee the professional development of human capital and to pass on the various professional skills through projects, content and diversified training methods.

To achieve this goal, BFF Academy has set up a:

**A. Linear and complete Training Architecture** consisting of four macro-areas into which all training is categorized and organized, at parent company as well as local level, or customized for each individual country.

The four macro-areas making up the Academy's architecture are described below:

1. **On-boarding Journey:** this process interacts effectively with the company's aims, having as its primary objective to make new recruits and others aware of the products and services offered by the Group and the BFF Value Chain. In line with the Group's strategy, an additional onboarding journey and customized and cross-cutting induction path was introduced in 2019, based on specific professional skills intended for all new hires. In line with the assumption that "much of what we learn, we learn thanks to others", this induction path includes on the job training alongside a specialist to illustrate the organizational context and the people within it, with the aim of welcoming, facilitating and speeding up the new employee's entry into the company, as well as the assimilation of the corporate culture and the purpose of the specific job.
2. **Business Area:** it seems essential to provide employees not only with a general overview of all the specialized factoring, credit management and financial services provided by BFF Group to Healthcare and Public Administration suppliers, but also with more in-depth knowledge of the regulations that underpin the Group's business. Therefore, specific training has been developed concerning the Business macro-area, within which significant space is given to courses covering specific topics depending on the business area or activity, such as budgeting, bond and derivative trading, internal audit, credit risk, corporate governance and legal, financial and administrative training.
3. **Cross Tool & Processes:** The plan plays a role in life skills related to both general work tools as well as work processes specific to BFF Group which are indispensable to drive efficiency and productivity, such as Project Management, the Office suite, technical updating on cross-cutting tools and processes, etc., as well as studying and perfecting foreign languages. This macro-area also includes:
  - 3.a) **Mandatory training**  
This cluster includes for the most part compliance issues, focusing mainly on privacy, conflict of interest management, banking transparency, code of ethics and whistleblowing, anti-money laundering and anti-terrorism, insider trading, as well as Information Technology issues such as personal data processing, following the introduction of the GDPR, as well as cyber security.
  - 3.b) **Training regarding health and safety at work**  
Information in the provision of training and the relative attestations on occupational health and safety reflect the professional roles required by regulations in force: (i) employees, managers and supervisors; (ii) risk prevention and protection service (RSPP) heads and staff; (iii) employers.
4. **Soft skills:** this training aims to ensure an adequate understanding of the role that such skills play in the working life of each individual employee. Actions also include the spreading of the Group's core values, such as teamwork value, in the belief that a fair working climate, where generational diversity is also valued, will have a positive impact on the discharge of all work-related tasks and on the process for the integration of all employees. Soft skills training covers a variety of topics, such as negotiation skills, time and stress management, public speaking and team building. Furthermore, this macro-area also includes managerial training.

## B. Diversified training methods within the various training paths and geographies:

1. **Online** - includes initiatives, webinars and Open training courses, available throughout the entire BFF Group, as well as local courses specific to each country provided in e-learning mode;
2. **Classroom Based** - standard training method involving in person interaction between the employee and the instructor;
3. **Virtual Classroom** - virtual training paths through relationship and interaction activities, employing multimedia and interactive approaches, with a view to creating an educational path mediated by technological support;
4. **Blended** - integrates traditional classroom training with online training.

## C. Training type divided between:

1. **Internal Training** - includes courses transversal to the entire BFF Group and local courses in each country, the design, organization, management and provision of which is handled by the Group’s Human Resources and Organizational Development Function and the local Human Resources organizational units, always aligned with the business strategy.
2. **External Training** - includes training courses proposed by BFF Group employees, requested from outside the training offer and the standard courses available in each country. This category may also include participation in professional training courses, seminars, conventions and business workshops.
3. **Personal Training** - includes training organized outside the BFF Group and financed by the employee. This category may also include participation in master’s degree courses.
4. **Individual Training** - includes training courses taken individually (“one to one”). This category may also include language or technical courses.
5. **Group Training** - includes training courses taken by uniform groups in terms of their baseline level (such as Office) and training needs and objectives.

## MANAGERIAL/LEADERSHIP TRAINING

In 2020 the Human Resources and Organizational Development Group Function launched a management training course called **Action Learning@BFF** at the BFF Academy.

This is a leadership development path dedicated to individuals reporting directly to the Group's Chief Executive Officer as well as second-level staff.

The assumption underlying the training strategy of Action Learning@BFF is that, in order to continue to improve efficiency and achieve excellence in all the countries where the Group operates, it is appropriate to develop both certain individual behaviours (including managing relationships through active listening and negotiating with customers, both internal and external), as well as specific organizational and people management practices (including the development of a cross-functional culture in team management).

In planning Action Learning@BFF, the concept of "traditional training" was replaced with "action", which encompasses the idea of learning and development with a view to preparing to manage the increasing complexity implicit in business development, given the rapid evolution of the market as well as competition. The approach was therefore to create a programme tailored to the Group's needs, as identified during an evaluation process shared with the Group's CEO.

A new model was tested, also considering the restrictions imposed by the Covid-19 pandemic: instead of going to Business Schools, the Business Schools came to us (virtually). For this reason a partnership was established with Harvard Business Review Academy, permitting the involvement of top international experts in order to provide a panorama and spur debate regarding various theories and alternative points of view, as well as to be discussed and consolidated within a single BFF recap and solution.

Immediately after this learning phase (webinar with international experts and scholars), the Action Phase was organized (virtual classroom with a senior coach) for in-depth analysis of selected learning content, through its concrete implementation and with the development of: (i) the distinctive Building Blocks of BFF and (ii) a personal development plan (through the Peer Coaching methodology).

During Action Learning@BFF several in-depth materials were sent (readings, articles, videos, etc.) in order to formalize and analyse the main topics addressed in the webinar sessions.

The program lasted 50 hours and was provided to 24 employees, of whom 13 individuals reporting directly to the CEO and 11 second-level staff members.

The final questionnaire regarding satisfaction with the course shows a maximum score of 4 out of 5.

BFF intends to extend this course to all Managers as well.

During 2020, the Group delivered a total of 25,535 hours of training to its employees, of which about 13,558 to women and about 11,977 to men, with an average of around 48 hours per employee.

In 2019, roughly 20,461 hours of training were delivered, of which around 11,817 to women and around 8,644 to men, with an average of approximately 40 hours per employee. In 2018, 30,223 hours of training were delivered, of which 15,965 to women and 14,258 to men, with an average of around 48 hours per employee.

The 25% increase in total training hours provided between the years 2020 and 2019 can first and foremost be considered a direct consequence of the alignment of internal processes made necessary especially during the remote working period, which indeed required an increase in internal training courses; in the second place, the increase also reflects the transformation into e-learning mode of all statutory courses as well as the delivery of soft skills “training snippets”.

Below are the tables containing the figures by gender and professional category for 2020, 2019 and 2018.

#### AVERAGE TRAINING HOURS OF BFF BANKING GROUP BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<i>Senior Executives/Executives</i>	45	46	45	12	28	15	50	26	48
<i>Managers/Middle Managers/ Coordinators</i>	85	42	67	37	95	58	96	82	91
<i>Specialists/Professionals</i>	38	46	43	39	35	37	62	66	64
<b>Total</b>	<b>51</b>	<b>45</b>	<b>48</b>	<b>36</b>	<b>42</b>	<b>40</b>	<b>67</b>	<b>67</b>	<b>67</b>

Poland, Slovakia and the Czech Republic rely on a training procedure that describes the activities aimed at defining the training needs of employees, planning the training expenses included in the human resources budget, implementing the training policy, organizing internal and external training, executing a training funding contract, defining training costs, assessing and recording training efforts. This procedure is only implemented locally in Poland, Slovakia and the Czech Republic.

Employees in the above countries also benefit from group-wide training courses. In addition, the amount of training hours delivered is the starting point for potential internal professional growth.

As regards Spain, in the absence of a procedure, training courses were provided in line with the Parent Company’s training plan. However, please note that in 2020 BFF drafted a procedure defining the guidelines and shared rules for all Group companies.

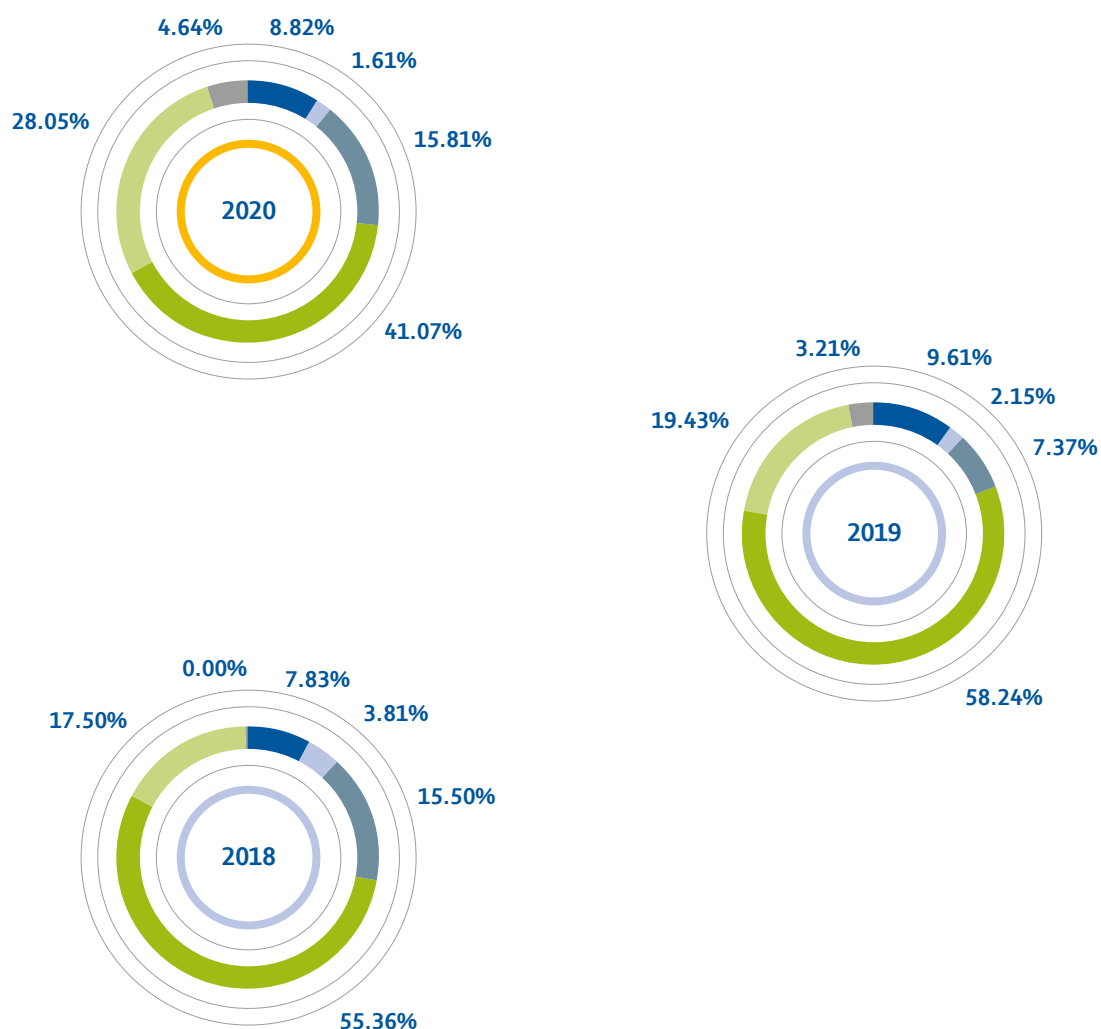
This procedure will enter into force starting in the first quarter of 2021.

23 Figures relating to 2018 do not include training hours delivered in Portugal, as the branch had only been established recently and, therefore, such figures were not significant. With reference to Poland, figures pertaining to training hours delivered in 2018 were calculated using estimates based on time sheets, since no information systems were available at the time.

In general, training is divided into 4 separate categories by subject area, as described above. For more detail in the presentation of data relating to training, the data set forth below are broken down into the following categories: Mandatory Training and Health and Safety, Soft Skills, Cross Tool & Processes, Business, On boarding.

**PERCENTAGE OF GROUP-WIDE TRAINING AREAS 2020**

■ Mandatory training ■ Health and safety ■ Soft Skills ■ Cross Tool & Processes ■ Business ■ On boarding



In general, in terms of training provided in the course of 2020, the greatest increase compared to 2019 was seen in the Business and Soft Skills categories.

## 1. Onboarding training

In line with the Group's strategy, an additional training category, onboarding journey, was planned already in 2019. As compared to the past, it now includes a customized and cross-cutting induction path based on specific professional skills and is intended for all new hires. This induction entails on-the-job training, providing support to the job specialist, the aim being to facilitate integration into the company through the company culture assimilation process. In the course of 2020, 1,185 training hours were provided compared to 656 hours in 2019, an increase of 81%.

PROFESSIONAL CATEGORY	12/31/2020			12/31/2019		
	Male	Female	Total	Male	Female	Total
<i>Senior Executives/Executives</i>	22	-	22	30	30	60
<i>Managers/Middle Managers/Coordinators</i>	90	71	161	15	15	30
<i>Specialists/Professionals</i>	390	613	1,002	300	266	566
<b>Total</b>	<b>502</b>	<b>684</b>	<b>1,185</b>	<b>345</b>	<b>311</b>	<b>656</b>

## 2. Specific training with regard to the business area

This training category covers specific topics linked to the reference area or activity, such as basic factoring, corporate governance, credit risk management and "workout" budget analysis.

At a Group level, approximately 7,162 hours were delivered in 2020 and around 3,976 hours in 2019, marking an increase of 80%.

### HOURS OF BUSINESS AREA SPECIFIC TRAINING DELIVERED BROKEN DOWN BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020				12/31/2019				12/31/2018			
	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours
<i>Senior Executives/Executives</i>	26	13	39	2	47	24	71	3	183	16	199	9
<i>Managers/Middle Managers/Coordinators</i>	2,939	148	3,087	30	438	552	990	10	684	345	1,029	17
<i>Specialists/Professionals</i>	1,277	2,759	4,036	10	1,040	1,876	2,915	7	1,430	2,615	4,045	11
<b>Total</b>	<b>4,242</b>	<b>2,920</b>	<b>7,162</b>	<b>13</b>	<b>1,524</b>	<b>2,452</b>	<b>3,976</b>	<b>8</b>	<b>2,297</b>	<b>2,976</b>	<b>5,273</b>	<b>12</b>



### 3. Cross-cutting processes and tools

This training covers various areas, such as studying and improving knowledge of other languages, project management and the Microsoft Office suite.

At Group level, 10,488 hours were delivered in 2020, down 12% compared to 2019, when approximately 11,916 hours of training were provided on cross-cutting tools and processes.

#### HOURS OF TRAINING DELIVERED ON CROSS-CUTTING TOOLS AND PROCESSES BROKEN DOWN BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020				12/31/2019				12/31/2018			
	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours
<i>Senior Executives/Executives</i>	139	6	144	6	19	5	23	1	317	-	317	15
<i>Managers/Middle Managers/Coordinators</i>	1,365	1,287	2,653	26	1,323	2,566	3,889	40	2,132	877	3,008	49
<i>Specialists/Professionals</i>	2,762	4,929	7,690	19	3,497	4,507	8,004	20	5,320	8,086	13,406	36
<b>Total</b>	<b>4,266</b>	<b>6,222</b>	<b>10,488</b>	<b>20</b>	<b>4,838</b>	<b>7,078</b>	<b>11,916</b>	<b>23</b>	<b>7,768</b>	<b>8,962</b>	<b>16,730</b>	<b>37</b>

#### 3 a) Mandatory training

Compliance topics were dealt with for the most part. In the course of 2020, courses were provided in relation to: i) privacy, ii) conflict of interest management, iii) transparency, complaints and usury, iv) market abuse, v) internal dealing, vi) administrative liability of entities, vii) code of ethics and whistleblowing, viii) anti-money laundering and anti-terrorism and ix) Information Technology issues such as personal data processing, following the introduction of the GDPR.

At a Group level, approximately 2,252 hours were delivered in 2020 and around 1,967 hours in 2019.

#### MANDATORY TRAINING HOURS DELIVERED BY BFF BANKING GROUP BROKEN DOWN BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020				12/31/2019				12/31/2018			
	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours
<i>Senior Executives/Executives</i>	94	18	112	4	62	21	83	3	52	12	63	3
<i>Managers/Middle Managers/Coordinators</i>	268	178	446	4	269	124	393	4	260	89	349	6
<i>Specialists/Professionals</i>	700	994	1,694	4	602	891	1,492	4	790	1,164	1,954	5
<b>Total</b>	<b>1,062</b>	<b>1,191</b>	<b>2,252</b>	<b>4</b>	<b>932</b>	<b>1,035</b>	<b>1,967</b>	<b>4</b>	<b>1,101</b>	<b>1,265</b>	<b>2,366</b>	<b>5</b>

### 3 b) Health and safety at work

Training on health and safety at work is provided through the “Company Safe Course”, which is held in all the Group’s subsidiaries. At a Group level, approximately 410 hours were delivered in 2020 and 439 hours in 2019. This difference is due to the cyclical nature of the five-yearly update required by the legislation.

#### HEALTH AND SAFETY TRAINING HOURS DELIVERED BY BFF BANKING GROUP BROKEN DOWN BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020				12/31/2019				12/31/2018			
	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours
Senior Executives/Executives	40	6	46	2	1	8	9	0	43	-	43	2
Managers/Middle Managers/Coordinators	49	17	66	1	29	30	59	1	107	46	153	3
Specialists/Professionals	106	192	298	1	125	246	371	1	469	489	958	3
<b>Total</b>	<b>195</b>	<b>215</b>	<b>410</b>	<b>1</b>	<b>155</b>	<b>284</b>	<b>439</b>	<b>1</b>	<b>618</b>	<b>535</b>	<b>1,153</b>	<b>3</b>

### 4. Soft skills

Soft skills training covers a variety of topics, such as negotiation skills, time and stress management, effective communication and cross cultural integration.

At a Group level, 4,038 hours were delivered in 2020 and around 1,508 hours in 2019. The difference can be ascribed, as already noted, to the delivery of soft skills “training snippets” as well as the provision of courses in the virtual classroom during the Covid-19 emergency.

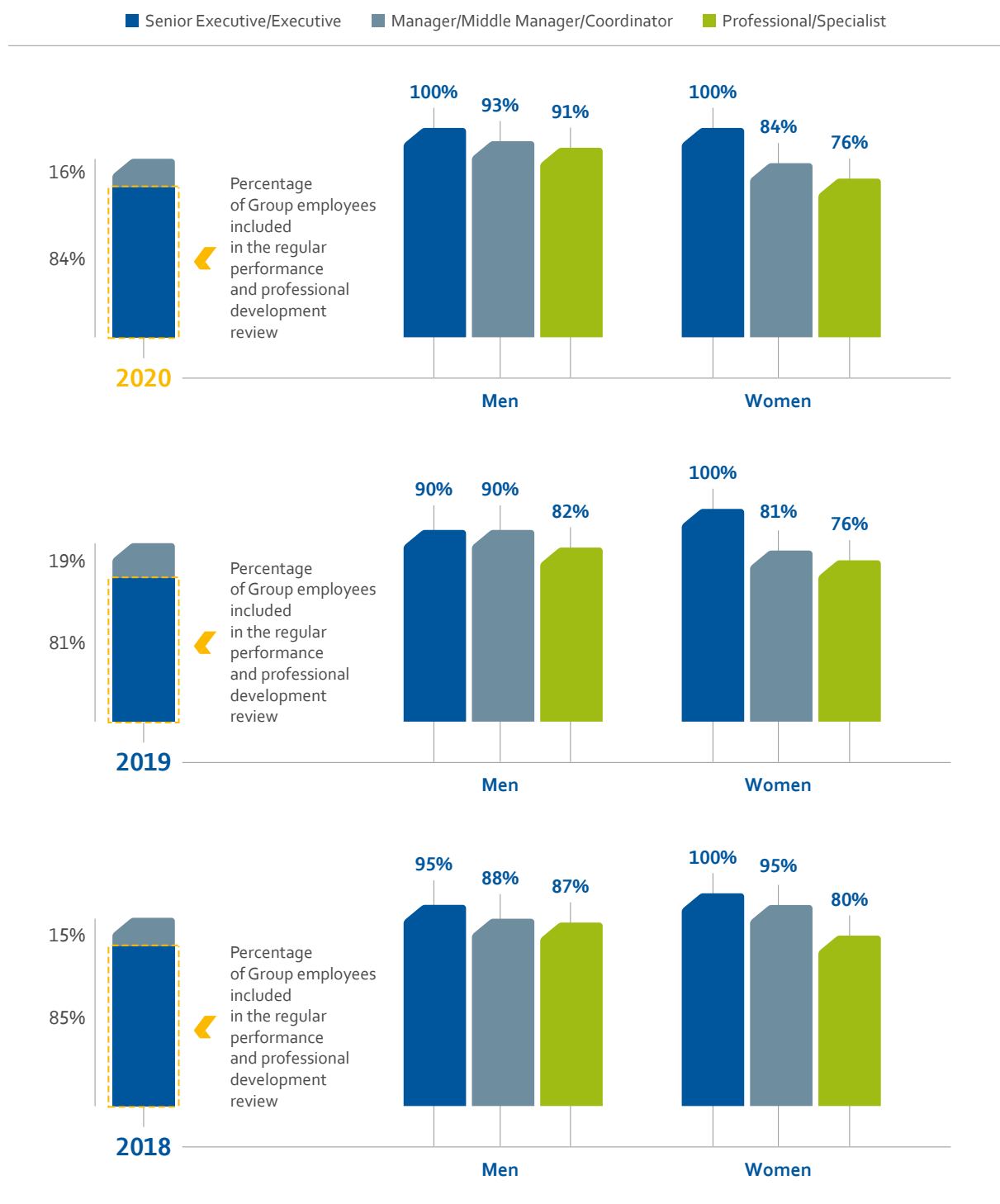
#### HOURS OF TRAINING DELIVERED ON SOFT SKILLS BROKEN DOWN BY GENDER AND PROFESSIONAL CATEGORY (IN HOURS)

PROFESSIONAL CATEGORY	12/31/2020				12/31/2019				12/31/2018			
	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours	Male	Female	Total	Avg. hours
Senior Executives/Executives	632	141	773	31	96	24	120	5	360	24	384	18
Managers/Middle Managers/Coordinators	330	89	420	4	177	130	307	3	831	204	1,035	17
Specialists/Professionals	750	2,096	2,846	7	577	504	1,081	3	1,284	1,999	3,283	9
<b>Total</b>	<b>1,712</b>	<b>2,326</b>	<b>4,038</b>	<b>8</b>	<b>850</b>	<b>658</b>	<b>1,508</b>	<b>3</b>	<b>2,475</b>	<b>2,227</b>	<b>4,702</b>	<b>10</b>

### The performance management process

The assessment process is monitored centrally through a management system used by the Parent Company. To be eligible for assessment, **employees must have been employed for at least six months**. The entire eligible company population within the Group is assessed both on the basis of performance and compliance with organizational behaviour. As can be seen from the chart below, in 2020, 84% of employees received a regular review of their performance and professional development; the remaining 16% did not undergo any review process because they had been with the company for less than six months.

## PERCENTAGE OF EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND PROFESSIONAL DEVELOPMENT REVIEW



## Group endeavours designed for its employees

### CORPORATE WELFARE

The Bank believes the welfare of its employees to be significant for the purpose of achieving the Group's objectives. In this regard, welfare plans have been developed in the various countries, consistent with the different needs of employees. Efforts being made in Italy in this area include:

- ▶ Supplementary contributions to pension funds;
- ▶ Meal vouchers;
- ▶ Healthcare coverage schemes accessible to family members;
- ▶ A flexible benefit to be used for a variety of needs, such as in relation to:
  - Reimbursement of education expenses for staff's children;
  - Reimbursement of expenses incurred for the care of children, the elderly and dependent persons, in respect of both home care and care facility fees;
  - Deductions for costs incurred for season tickets providing access to local, regional and interregional public transport services;
  - Provision of welfare ticket vouchers and vouchers for accessing services related to sport, culture, wellness, entertainment, travel, food and fuel at affiliated facilities.

The following endeavours are in place in Portugal, Slovakia and Spain:

- ▶ Meal vouchers;
- ▶ Healthcare coverage. With regard to the latter, the package includes dental care, vaccinations and other tests.

Finally, extensive healthcare coverage is available in Poland, including both compulsory medical check-ups and additional checks. The package includes dental care, vaccinations and other tests.

### CRAL (Employees' Recreational Facility)

In line with Banca Farmafactoring's constant focus on the welfare of its employees, emphasis is placed on the social contribution that the Bank pays annually to the "Culture, Recreational and Sports Club for the employees of Farmafactoring S.p.A." The Club, in conjunction with the Bank's desire to stimulate and better interpret the aspirations of its employees, ensuring a wider and more rational satisfaction of its employees, develops initiatives for its own members in a whole range of fields, including culture, sport, tourism, entertainment and leisure, for the purpose of promoting social and cultural training through a healthy and profitable use of free time.

In the course of 2020, the CRAL made a number of donations in favour of charitable associations operating throughout the country: PEBA Onlus Association, which supports actions to break down architectural barriers in public buildings, for the delivery of 175 panettones to Opera di San Francesco; Make-a-Wish Italia Onlus Association, which makes the wishes of children and young people suffering from serious illnesses come true, to enable a seriously ill little girl to achieve her dream of seeing Paris; Opera Pia San Francesco Association, which provides meals to people living in conditions of poverty, to subsidize the Christmas lunch for more than 1,000 needy people; Home for Mistreated Women, which combats the mistreatment of women and femicide.

Furthermore, to handle the Covid-19 emergency, the CRAL supported fundraising for the Lombardy Region, intended to aid the efforts of healthcare personnel working on the front lines in hospitals.

## Town Halls and Other events

BFF's internal communications run along three lines, aiming to guarantee sustainable and inclusive performance:



Always keeping in mind the importance of continuous dialogue with its employees, the Company organizes a number of moments for sharing and alignment throughout the year.

Plenary meetings, generally held in person, on a quarterly basis when financial data are being approved or at the time of specific events, if there are particular occasions for communication, are carried out with all employees to share the results achieved during the period and look together at future aspirations.

In the course of 2020, despite the pandemic which prevented in person events, in the months of February, May, August and November online sessions were held in any event, with the possibility to take part, ask questions and discuss the main topics emerging on those occasions, with an average presence of 450 participants (roughly 84% of the company population). Sessions dedicated to questions and debate have an average duration of 30 minutes, with roughly 40 questions per event.

Furthermore, in February 2020 an event was organized dedicated to all employees in Poland, who had just started the year in the new Lodz offices. Aside from the institutional event, which involved the media and local community representatives, it was important for the company to provide a moment of shared celebration with employees, the local management and the Group Chief Executive Officer.

The Covid-19 pandemic instead precluded the organization of other regular in person events such as Family Day, a day devoted to the families of employees, especially the little ones.

These activities are managed by the Human Resources and Organizational Development Function and the Communications and Institutional Relations Function, in order to guarantee increasingly higher levels of engagement, alignment and agility.

## Workers' Health and Safety

BFF Group is aware of the importance of health and safety at work and is committed to spreading safety culture as set out in its Code of Ethics to all personnel and to all those who, in whatsoever capacity, may be involved or have an interest in the Group's activities.

Since 2015, the Parent Company has had in place a Health and Safety Policy through which it has established its commitment to a healthy and safe workplace. To this end, a Workers' Health and Safety Management System has been adopted in compliance with Standard OHSAS 18001:2007 for the discharge of all the duties lying within its area of competence, providing human, technical, practical and financial resources to pursue goals aimed at improving health and safety at work.

In 2018, through auditor Certiquality, the above certification was renewed. Thanks to the Management System adopted, BFF complies with the provisions of Italian Legislative Decree 81/08 and follows a constant monitoring process. The monitoring and control process is entrusted to the General Services, whose chief officer has been appointed in charge of the Management System. At present, given the different approaches adopted by the countries with respect to Health and Safety issues, the policy and the system cover only Italy.

In light of the activity carried out, the risk related to video terminal operators has become a major focus of attention with regard to risk assessment. BFF has appointed a Head of Prevention and Protection ("RSPP") to comply with the provisions of current legislation. His duties include preparing, in conjunction with the Employers, the Risk Assessment Documents for each property occupied in Italy.

With specific reference to Poland, each employer (BFF Polska S.A. and BFF MEDFinance S.A.) is required to protect the life and health of its employees. To this end, it must ensure safe working conditions. The employer's basic occupational health and safety duties are governed by Chapter X of the Labour Code and the relevant implementing acts.

Below are the documents and standards in force regarding health and safety at work:

Risk Assessment Document	Safe working instructions	Record of injuries at work and post-injury documentation	Register of occupational diseases	Lighting measurements	Resistance to tactile measurements	Fire-fighting equipment gauging reports	Fire instructions	Evacuation report
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**“Ensuring a working environment that provides an adequate level of health and safety for employees, with specially developed policies and initiatives”.**

With specific reference to Spain, the company guarantees a safe working environment for employees by relying on the services of an external supplier (Prevencontrol), with the support of whom it promotes and takes care of every health and safety issue within the premises in accordance with legal requirements. However, no formal policies or procedures are in place with regard to this topic.

During 2020 the Group did not report any accidents.

As can be seen from the table below, in 2020 the Group's Lost Day Rate<sup>24</sup> stood at 0.04, with a total of 33 days of work lost, but ascribable to commuting accidents recorded in 2019 which entailed a recovery period between 2019 and 2020.

Furthermore, in 2020 the injury rate<sup>25</sup> was 0 and the hours worked by Group employees amounted to 837,847.

During 2019, the Group recorded a total of 5 injuries, 3 of which being commuting injuries, for a total of 761,832 hours worked and an injury rate of 2.63. In Italy, both injuries qualified as commuting injuries and involved a man and a woman; in Poland, a commuting injury and an injury at work occurred involving a man and a woman, respectively. In Spain, an injury at work occurred involving a woman.

In 2019 the Group's Lost Day Rate stood at 0.33, with a total of 250 days of work lost.

With regard to 2018, the Group recorded a total of 6 injuries, 4 of which were commuting injuries involving 3 women in Italy and 1 in Poland, and 2 injuries at work, one involving a man in Poland and one involving a woman in Spain. The lost day rate was 0.26, while the injury rate was 2.84. A total of 704,415 hours were worked during 2018.

Please note that over the three-year period, there were no injuries with serious consequences<sup>26</sup>.

#### LOST DAY RATE

COUNTRY	12/31/2020			12/31/2019			12/31/2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	-	0.19	0.09	0.02	0.35	0.17	-	0.33	0.15
Poland	-	-	-	-	0.31	0.13	-	1.54	0.66
Spain	-	-	-	-	-	-	-	N/A	-
Slovakia	-	-	-	1.46	0.01	0.60	0.28	0.10	0.18
Portugal	-	-	-	-	-	-	-	-	-
Czech Rep.	N/A	-	-	-	-	-	-	-	-
Group index	-	0.08	0.04	0.49	0.17	0.33	0.09	0.44	0.26

<sup>24</sup> The Lost Day Rate was calculated by dividing the number of days lost due to the accident by the hours worked multiplied by 1000.

<sup>25</sup> The injury rate (relating to recordable work-related injuries) was calculated by dividing the number of accidents (at work) by the hours worked multiplied by 1,000,000.

<sup>26</sup> Injury with serious consequences refers to an injury at work after which the employee cannot, or it is feared that the employee cannot, fully recover his or her pre-injury health conditions within 6 months of the event date.



The Covid-19 emergency gave rise to new, sudden challenges that tested the reaction capacity of many companies and brought to light the qualities of the most resilient ones. In the case of BFF, it can be affirmed that 2020 certainly highlighted the entire Group's ability to act quickly and with discipline.

An Emergency Safety Committee was formed - consisting of all central staff functions and members of the ICT governance and security team - which was responsible for deciding on the actions required to combat the emergency, from the very start of the pandemic, and met on a weekly basis throughout 2020.

Demonstrating its extremely agile structure, with flexibility and a very short decision-making chain which, especially in emergencies, helps it to make rapid and effective actions, BFF was capable of providing the entire company population with laptop computers and instruments within just over one week, enabling them to easily work from home, thus also contributing to concretely limiting the risks of Covid-19 infection, for employees as well as their families and local communities.

Management through the Safety Committee made it possible to act ahead of time in all European countries where the Group is present, not only in Italy, where the pandemic first arose.

Alongside providing laptops, there was an acceleration in the process of rolling out Microsoft Teams, as an important collaboration tool - already in the testing phase at BFF prior to February 2020 - which later turned out to be fundamental as a tool for interaction and sharing, which everyone got to know also thanks to its full integration within the Microsoft Office suite.

In the subsequent weeks employees were also provided with high-end ergonomic Bluetooth headsets with noise cancelling technology and directional microphones. This concretely facilitated the use of remote collaboration tools, based on video and conference calls.

The agreement with mobile telephony operators was updated in order to increase the data traffic available on company smartphones. Furthermore, employees were provided with USB modems with data traffic included to guarantee appropriate connections without impacting home internet connections, which were not always adequate.

In order to ensure that the remote connection of all employees did not trigger infrastructure slowdowns, the ICT team worked constantly in the background to optimize connections and operativity.

Internet connectivity was boosted 10x, from 100 MB to 1 GB, and the firewall was refreshed and fully and substantially upgraded, also to protect from increased risks of cyber attacks.

In this last regard, the ICT Governance & Security team raised the Security Operation Centre monitoring level. The IT security alert level was increased through daily monitoring of Cyber Emergency Response Team ("CERT") bulletins.

In order to raise the awareness of all personnel regarding information security topics:

- ▶ a fully digital course was launched on IT security, which all employees were required to take on the Group's new LMS platform, within the BFF Academy.
- ▶ Awareness-raising campaigns were held on cyber attacks, particularly on the security of email communications and phishing attacks. Lastly, the security infrastructure was further strengthened by replacing the antimalware and antispam programs. The selection process resulted in the selection, in both cases, of a market leader platform based on machine learning and artificial intelligence technologies: the solutions implemented reduce cyber security risks and further boost the company's protection, providing coverage from advanced attacks.

While these actions were being rolled out on the ICT front, the Human Resources & Organizational Development Function, with the support of the Facilities Management team, implemented a number of measures to manage the emergency.

A company Covid-19 Protocol was drafted with the ratification of the Safety Committee and the approval and/or acknowledgement of bodies such as the Board of Directors, the Board of Statutory Auditors, the Supervisory Body and the new Covid-19 Committee, made compulsory by reference legislation as of April 2020.

This protocol, which evolved over time as required to adapt to legislation in force, was adopted Group-wide, always taking into account the specific requirements of different local regulations.

The Protocol, which, inter alia, outlined the rules for working in person in the office, has always been purposely more restrictive than regulations: this was to further safeguard employee health by minimizing risk. In particular, for the majority of the year 2020, BFF incentivized remote work, limiting as much as possible any returns to the office which - except for during a brief period when it seemed that the health emergency was improving - were always voluntary.

In accordance with the Protocol, the simultaneous return of more than 50% of the company population was never permitted. Using public transport to reach the office was also prohibited and alternatives were provided to employees by making car parks available within the company's structures or by providing reimbursement when it is necessary to use external facilities.

An electronic workstation and parking space booking system was also implemented, which can be used from a computer or through a smartphone app, making it possible to track and guarantee orderly flows consistent with the Protocol, according to which the buildings were continuously sanitised, infrared temperature checks were required on entry and sanitizing gel dispensers were provided in potentially more critical areas, such as entrances, exits, near photocopiers and other shared instruments, in addition to all necessary instructions and signage, in all countries, to continuously ensure responsible behaviour.

People’s health was BFF’s main objective right from the very start. The Human Resources & Organizational Development Function always guaranteed a communication channel in every country with personnel who had come into direct/indirect contact with Covid-19, in order to provide all of the necessary support.

In Italy, inter alia, given the difficulties identified in several specific areas, including Lombardy, and therefore Milan, of being able to receive the flu vaccine, even privately, BFF worked to guarantee the possibility for all employees to receive it free of charge.

Indeed, although recommended, the emergency situation at the time made it difficult to obtain for individuals who were not included in the guaranteed categories. Therefore, once again, in order to ensure the necessary protection of employee health, the company identified a healthcare facility where it would be possible to administer the vaccine to those who requested it and covered all related costs.

The process of monitoring contagion trends on a weekly basis and the creation of the Safety Committee guaranteed extreme speed, flexibility and agility in Group decisions, indeed making it possible to adopt local solutions within an international framework.

Measures were immediately adopted to encourage prudent conduct, which the company combined with specific arrangements such as continuing to provide restaurant vouchers, when applicable, even during entirely remote working phases. The capacity to maintain their spending power gave employees some much-needed peace of mind within the highly uncertain context generated by the pandemic.

Phases of massive recourse to remote working alternated with partial returns to the office, when possible, with a significant focus on respect for proper conduct: specifically, the Group’s organizational units were broken down into two cohorts which worked in person in the office on an alternating basis. This solution allowed for operational collaboration between different offices, while also safeguarding people’s health. This alternation made it possible to return to the office with full safety while prudently limiting contagion risks.

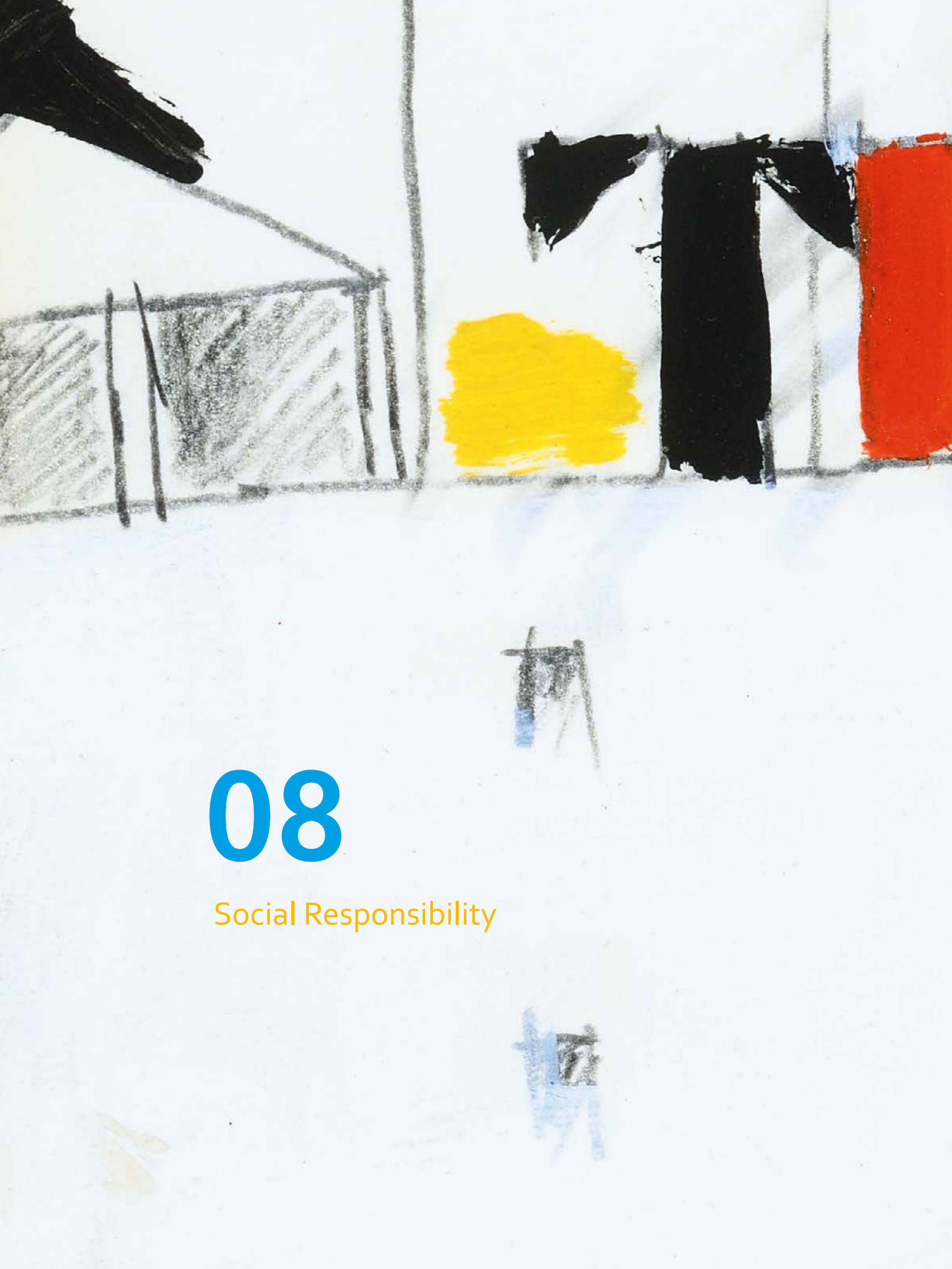
The response of BFF’s personnel was one of great commitment and responsibility: there was a reduction of absenteeism, and everyone demonstrated a high degree of willingness to take on new working methods as quickly as possible, especially considering that smart working was not an arrangement previously present in the company’s culture or operations.

Training investments turned out to be decisive. Mandatory training never stopped. On the contrary, staff skills were further developed: here again, technology played a decisive role, allowing for the creation of virtual classrooms and blended learning.

## Respect for Human Rights

The Group has always had a strong focus on respect for human rights. Respect for personality and dignity is considered as fundamental for the development of the working environment. Therefore, in 2018, 2019 and 2020, no cases of violations of human rights were reported.

Furthermore, the Group prohibits engaging in practices that can be linked to child and forced labour, both within its own companies and across the supply chain.



# 08

## Social Responsibility





## Social responsibility

Throughout its history, the Group has always promoted scientific research and cultural initiatives to discuss trending topics that inevitably affect public-private relationships: from studies carried out with the help of experts in the sector to training sessions for customers and professionals, as well as think-tanks with associations and universities and cultural and arts events for the benefit of the entire community.

### DIGITAL EVENTS

During the year, a number of events took place, all digital due to the Covid-19 pandemic, which played a central role in public-private dialogue in the countries in which the Group operates.

In June 2020, for example, as the expiry neared in Italy of the extension for the application of the Split Payment mechanism, which entered into force in 2015 and was extended in 2017 as a tool to combat, *inter alia*, tax evasion, the Bank organized an event intended to analyse - including through ad hoc studies carried out in this specific case by I-com, Institute for Competitiveness - impacts for businesses, effects on the public accounts and the consequences of any additional derogation. It was precisely during this event, in which a representative from the Ministry of Finance also took part, that the desire was made public, and the ensuing request to the EU was made, to extend the Split Payment mechanism to 2023, launching a dialogue/debate which continued during the immediately subsequent period, through the media and associations as well as in the Italian and European political realm.

Indeed, for the Group, each event represents a further tool of transparency, sharing and dialogue on relevant topics for our customers and stakeholders, useful for improving existing practices and maintaining the role of bridge and facilitator in commercial relations between the public and private spheres, not only through our services, therefore directly by acquiring and managing trade receivables due from public agencies, but also and especially by facilitating understanding and contributing when possible to greater system efficiency.

**“Scientific research and the promotion of culture and arts as engines for the growth and development of our society”.**



In the same manner, also in other countries, thematic deep-dives took place: in Poland, for example, as concerns events, also all digital, topics were analysed and shared to provide appropriate solutions to local governments to manage costs and long-term investments within the context of the health emergency, promote dialogue on changes in public supplies following the introduction of electronic invoicing and share an analysis of proposals to boost efficiency in investments in medical devices for the relative manufacturers.

In Croatia, there was an in-depth analysis of the use of sustainable policies that businesses, especially in the healthcare sector, are able to adopt, also within the context of the economic crisis triggered by the pandemic. In this sense, BFF organized an event on the role of specialty finance in supporting Public Administration suppliers, particularly with regard to the Croatian healthcare system.

As part of these events, local or European institutions were also involved, aside from trade association representatives, of which the Group is often a member, again with a view to striving to guarantee a broad scope of dialogue with customers and others as well. Also in 2020, BFF confirmed its participation in the AGICI Observatory, Business Finance, which carries out an important analysis of the utilities sector with special reference to the dynamics taking place in the Italian and European markets by conducting studies on business alliances and combinations as well as on the strategies of industry leading companies. The Observatory's work always results in numerous studies and analyses, today more important than ever, also in light of the Recovery and Resilience Facility.

BFF also participates in the Supply Chain Finance Observatory of the School of Management of the Milan Polytechnic through the trade association Assifact. A direct member until 2019, BFF has now decided to take part and contribute through the Association, taking into account the importance and role of the Association, within which studies and initiatives in favour of Supply Chain Finance are largely taken into consideration. Like for Italy, BFF is active in trade associations in other countries as well through its foreign branches. Its presence in various countries and relationships with them is also strengthened by active participation in the networks of numerous Italian and foreign chambers of commerce.

## STUDIES AND RESEARCH

The studies and research reports published by BFF may be consulted free of charge, like many other materials produced by the Group, on the website in English and, when available, in the local language.

Furthermore, following publication, BFF shares them directly with its customers and other relevant stakeholders.

Continuing with one of the best practices of IOS Finance before its acquisition by BFF, in the course of 2020 the Group undertook to produce a quarterly study on a continuous basis performed by a Spanish analyst – the *Quarterly Report on macro perspectives on Spain and its regional governments' finances* – intended to lay out the macroeconomic trends, also in light of the effects generated by the Covid-19 emergency, impacting the central government and the Autonomous Communities, not only for those companies that are founded and operate in Spain, but also for foreign businesses that may need to obtain more detailed knowledge of the Spanish market.

In Greece, when the branch was opened, a study was commissioned to present the country's economic situation and, specifically, the role of factoring. Also in this case, the Report was written in English, to guarantee a broader dissemination of the analysis to all stakeholders concerned, and debated with

economists, journalists and experts during a specially designed digital event.

Last but not least is the publication of the second edition of the Healthcare Report: “Challenges to European healthcare systems at a glance - A comparative analysis of 9 EU countries in times of Covid-19”. This is a study, commissioned by BFF, for the first time in 2019 in Poland, intended to compare the Polish healthcare system with that of the countries in which the Group operates.

In the course of 2020, also given the feedback and interest expressed by international customers and BFF’s primary stakeholders, the decision was made to continue this study, expanding the contribution of external experts, while also looking at the management and impacts generated on European healthcare systems by the first wave of Covid-19, and commissioning the research activity to the Farmafactoring Foundation. This decision made it possible to further elevate the level of analysis, thanks to the extensive experience and skills of the Foundation on economic and healthcare matters. The Report aims to highlight shared challenges in contrast to the specific characteristics of the healthcare systems of the European Union countries in which BFF operates, which have different economic conditions and social views on income redistribution, the role of institutions and the function of the state in providing healthcare.

The collaboration with Ca’ Foscari University of Venice Foundation and the relative scope of analysis were also transferred in 2020 to the Foundation, which already in the past (2019) had prepared an interesting Research Report in the “Quaderni di Fondazione Farmafactoring” series relating to “*Critical issues in Italian Municipalities: a reconstructive analysis*”.

The collaboration makes it possible to annually update a textual database created in previous years and accessible to the public on the procedures addressing conservatorship and recovery of Italian municipalities. Over time, this platform has been developed with new functions through the periodical collection of the relevant documentation available at the Central Directorate for Local Finance of the Ministry of the Interior, also integrated with other information published online.

The working path undertaken with the Ca’ Foscari University of Venice Foundation involves specific professionals in the fields of statistics, public accounting, financial and banking organization and, last but not least, in the legal area, also in order to provide useful elements to reform Title VIII of the Consolidated Law on Local Agencies (“TUEL”) “Local agencies in deficit or financial difficulty”.

## Farmafactoring Foundation

The Farmafactoring Foundation was set up in 2004 in order to promote and empower cultural and scientific research activities previously undertaken by the Company, primarily to contribute to analysing management models, structures and the governance of the healthcare systems in Italy and Europe, and in general of the Public Administration.

### GOVERNANCE

The Farmafactoring Foundation is managed by a Board of Directors that selects and approves the annual plan of social and scientific research activities in the economic and healthcare field, as well as defining the budget. For the coordination and definition of research activities, the Board relies on a Scientific Committee composed of the President of the Foundation, the Scientific Director and authoritative members from university and research circles.

The Foundation also has an Organizational Model and a Supervisory Body. The latter oversees operations and compliance with the provisions of the Model by the recipients, the actual effectiveness and effective ability of the Model itself to prevent crimes from being committed and the monitoring of the appropriate use of the Foundation's funds.

The Corporate Bylaws also contemplate the appointment of an auditor to supervise and audit the financial statements.

### RESEARCH ACTIVITIES

Every year, the Foundation publishes specific studies in the economic, healthcare and sociological fields, with different focuses depending on the topics to be addressed. The direction of the work is defined and coordinated by the Scientific Committee, which relies on the contribution of top-level experts in the world of research both in Italy and abroad, aside from the collaboration of a number of researchers and contributors, including from prestigious Italian universities like Bocconi University, in this case CERGAS, Centre for Research on Health and Social Care Management, alongside Censis, Centre for the Study of Social Investments, one of the country's most important institutions for sociological analysis.

The results of this research are shared directly with the Foundation's main stakeholders, representatives of central and regional institutions, as well as with health professionals, often the main contributors to the analyses performed by the Foundation which – over the course of many years of activity – has become a point of reference for many players in the Italian healthcare, social and economic sectors.

Since 2020 the scope of the research has expanded to also analyse the various healthcare systems of the countries in which BFF Banking Group operates. This is what happened, for example, with the "Healthcare Report", referred to in the previous chapter, or again with two research reports from the "I Quaderni di Fondazione Farmafactoring" series, which turned a lens on France and Poland, respectively. In the first case, the analysis regarded the challenges and opportunities of the French healthcare system, while the second focused on socioeconomic determinants relating to health conditions in Poland.

I Quaderni di Ricerca were written in English and translated into French and Polish, respectively, also thanks to the contribution of BFF which this year made a further commitment to promoting the Foundation’s activities and the moments of debate ensuing from them, including at local level.

The evolution of the Covid-19 pandemic was necessarily part of the reflections of the research work in the Annual Report dedicated to the Italian healthcare system: a detailed work of analysis, performed in collaboration with CERGIS and CENSIS, which will continue in 2021 as well and is dedicated to the different phases of the emergency and the management of the pandemic in Italy.

Also with reference to Italy, two additional research reports were published in the “I Quaderni di Fondazione Farmafactoring” series, one of which contains a summary of the 2019 Report, as usual, and the other providing a descriptive analysis of the intergenerational transmission of health in Italy.

Finally, the Foundation has for many years now supported young researchers through the Farmafactoring Foundation-AIES, Associazione Italiana di Economia Sanitaria [Italian Health Economics Association] Prize. Again in 2020, the recognition was awarded to some young researchers who had written the publication “Does fiscal decentralization affect regional disparities in health? Quasi-experimental evidence from Italy”.

## CONTEMPORARY ART COLLECTION AND CULTURAL INITIATIVES

The Farmafactoring Foundation also owns a contemporary art collection from the second half of the twentieth century, which includes roughly 250 works ranging from the initial years post World War II and the early 2000s, created by artists such as Valerio Adami, Enrico Baj, Alberto Burri, Hsiao Chin, Mario Schifano, Arnaldo Pomodoro and Joe Tilson.

The collection, displayed at the Group’s Italian offices in Milan and Rome, was subject to significant reconditioning, cataloguing and digitalization work in the course of 2020. This last activity in particular was held with the intent of guaranteeing more effective protection and conservation of our artistic heritage, better monitoring and therefore care and promotion for the future.

Also in 2020, in collaboration and with the contribution of BFF, a catalogue was produced in English, published by Skira: *Art Factor. The Pop Legacy in Post-War Italian Art*. The catalogue presents a selection of works of Italian artists from the Foundation’s collection and tells the story of the Italian path towards Pop Art through the works of Valerio Adami, Franco Angeli, Enrico Baj, Lucio Del Pezzo, Gianfranco Pardi, Mario Schifano and Emilio Tadini. In the mid-1960s, these artists began to grapple with a longstanding iconographic tradition, revising the cutting-edge methods and stylistic techniques of the past by relying on a broad variety of resources, often with a view to social and cultural activism.

The catalogue and the collection itself tell a common story: the desire to be activists, not only spectators of those initiatives that generate value for society.

The art volume, which will be distributed starting in spring 2021, represents the first step in a more extensive project involving the promotion of the collection abroad, in a travelling exhibit throughout Europe planned for 2021-2022.

## Charitable initiatives

In 2020, BFF confirmed its daily commitment to sustainable development in the communities and countries in which it operates. Even more so when, in March, the Covid-19 emergency exploded.

With Italy and Spain in first place in Europe by number of infections, BFF decided to take prompt action, moreover in line with the many requests of its employees, who wanted to personally contribute to combatting the health emergency.

The intervention was therefore both direct, through donations from the Group, and indirect, with fundraising that also involved the participation of Group employees. The total amount donated came to Euro 225,000, of which Euro 134,000 from the Bank and Euro 91,000 from 62 donors (amounting to roughly 12% of the Group's employees).

These donations benefitted:

- ▶ the Lombardy Region, which had opened a current account intended to aid the efforts of healthcare personnel working on the front lines against the emergency. Specifically, BFF's donation helped to acquire electrical-instrumental materials for new intensive and sub-intensive care units;
- ▶ the Municipality of Madrid, which had activated the "*Programa Ayuda a Madrid Covid-19*", allocating funds to the needs deemed most urgent by the administration in dealing with the pandemic;
- ▶ the Generalitat de Catalunya, which had launched the "*Donacions per fer front a la pandèmia de la Covid-19*" fundraising initiative.

Also in 2020, at Christmas time, the amounts usually set aside in past years for company gifts were instead used to make donations. The sums were for the most part employed as donations to combat the first wave of the Covid-19 emergency; however, at year end the Group made a donation to Central Clinic Hospital in Lodz, Poland, to support the purchase of medical devices for the rehabilitation and cardiology departments and a donation in favour of *Fudacja Gajusz* which supports ill children and their families in the region of Lodz, to contribute to the development of the "*Cukinia Centrum Terapii*" project, a treatment and accommodation centre for orphan children.

During the year, BFF also supported other social initiatives in Poland by participating, inter alia, in a charitable event organized by the Polish Mother's Memorial Hospital, intended to raise funds to purchase life-saving devices for hospitalized patients.





The page features a minimalist, abstract design. On the left, a white rectangular area is partially obscured by a black, wavy shape. Below this, a large, dark blue, textured shape extends across the bottom. On the right, a large, solid red number '1' is positioned vertically. The text '09' is centered in the upper half, and 'Responsible Supply Chain Management' is centered below it.

09

Responsible  
Supply Chain  
Management

1

## Responsible supply chain management

The Group's suppliers are strictly related to supplies necessary for the Bank's core business. According to the Group's Code of Ethics, relations with suppliers are managed by each Organizational Unit (i) to the extent as lying within their competence, (ii) within the limits of the expenses allocated when defining the annual budget, (iii) in compliance with the principles of lawfulness, fairness and impartiality, and (iv) in compliance with internal procedures and delegated powers.

The risks associated with the management of a responsible supply chain are mitigated by the Group by ensuring that the Code of Ethics and the Organization, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001 is signed by suppliers, as well as by defining specific clauses within the contract. With specific reference to contracts entered into with suppliers that are not related to the Group's core business, a process is in place for the selection of suppliers enjoying a stable market position. The signing of contracts is governed by specific delegations of powers.

Suppliers are selected exclusively on the basis of the assessment of professional skills, financial and market aspects, giving priority to counterparties that can guarantee the best value for money. In particular, situations of conflict of interest must be carefully assessed and selection based on criteria of transparency and objectivity must be guaranteed.

All suppliers may rest assured that the Group will:

- ▶ Implement clear and transparent selection procedures ensuring equal information and equal access to the offer;
- ▶ Provide conditions of fair competition in the conduct of negotiations, including by preventing and countering any form of conflict of interest and the pursuit of interests other than those pursued by the Group;
- ▶ Adopt all necessary measures to guarantee lawfulness and fairness in payments, with special reference to payments due to entities other than those that sell goods or provide services, or due to foreign entities, or to be settled on cash current accounts open at foreign banks;
- ▶ A constant and meaningful dialogue to identify areas for improvement, with specific reference to transparency and compliance with contractual terms, and to encourage greater social and environmental responsibility throughout the supply chain.



All suppliers are required to comply with the laws, regulations and professional ethics of the Group. In the event that a supplier engages in conduct contrary to the above criteria, the Group shall have the right to take measures that may go as far as contract termination and temporary or definitive exclusion of further business relations, in addition to seeking compensation for any damages suffered.

BFF Group entities (affiliates and branches) all rely on a specific procurement procedure, where the selection and evaluation of suppliers and the required authorization processes are described.

BFF Group's suppliers can be divided into two categories:

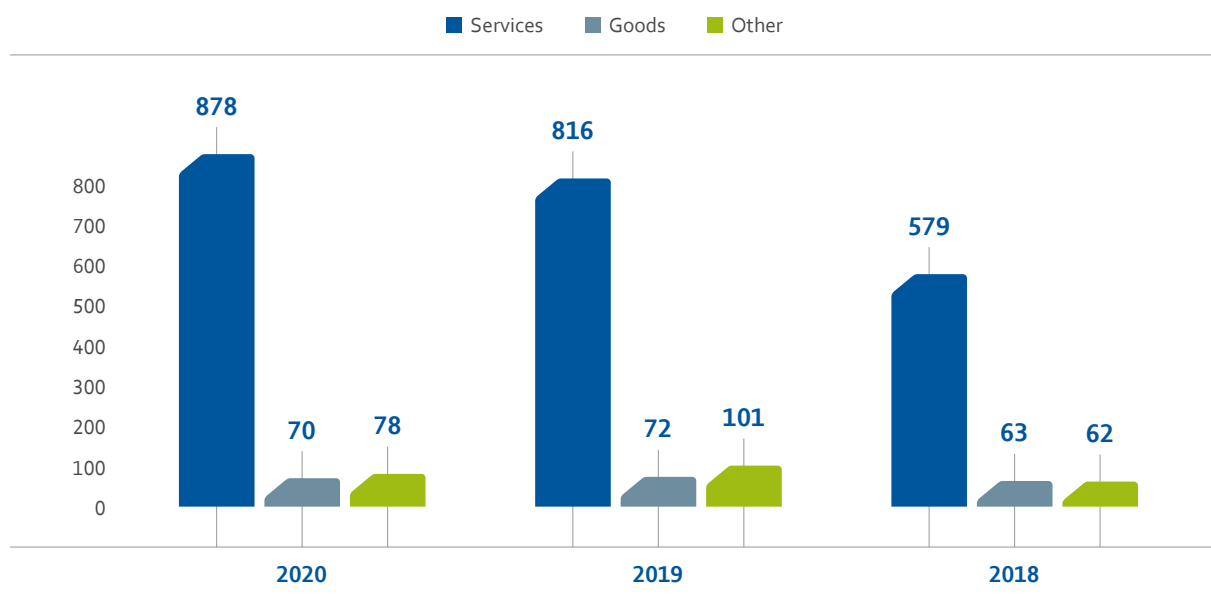
- ▶ Suppliers with whom contracts are entered into in respect of activities directly related to the business, such as contracts with IT suppliers, auditing and consulting services, suppliers offering access to financial information regarding customers and suppliers, insurance contracts;
- ▶ Suppliers with whom contracts are entered into in respect of activities indirectly related to the business, such as cleaning service, communication services, organization of events for customers or employees.

These types of suppliers are further categorized according to the service being offered, such as the supply of services or goods. As shown in the table below, suppliers providing both services and goods are grouped under "Other".

**“Evaluate and select suppliers based on environmental and social sustainability criteria.”**

In 2020, the Group entered into contracts with a total of 1026 suppliers (989 in 2019), of which 878 for the supply of services (816 in 2019), 70 for the supply of goods (72 in 2019) and 78 suppliers for a combination of goods and services (23 fewer than in 2019)<sup>27</sup>.

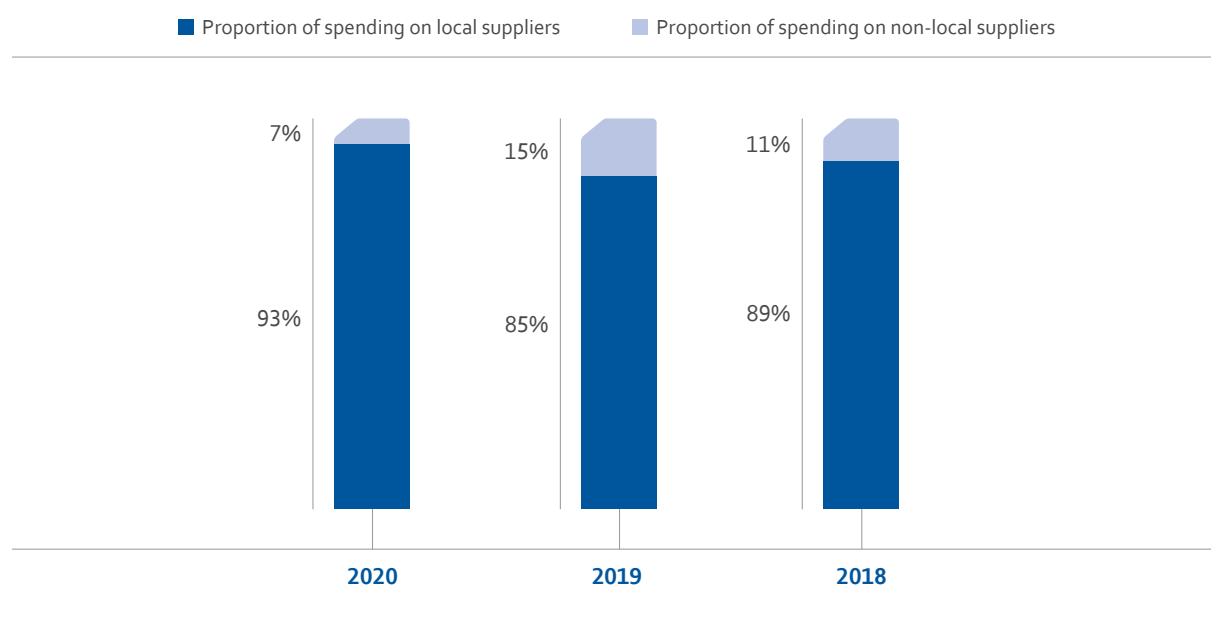
### GROUP SUPPLIERS BY TYPE



The Group considers as “local” all those suppliers of goods and services that operate in the area of reference.

<sup>27</sup> Figures relating to 2018 are not available for Slovakia.

## PERCENTAGE OF GROUP-WIDE SPENDING ON LOCAL SUPPLIERS



In 2020, 93% of BFF Group's suppliers consisted of local suppliers, as can be seen from the table below.

### PROPORTION OF SPENDING ON LOCAL SUPPLIERS

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	94%	85%	89%
Poland	88%	89%	94%
Spain	84%	81%	77%
Slovakia	100%	100%	100%
Portugal	100%	100%	N/A <sup>28</sup>
Czech Rep.	100%	100%	100%
Greece	84%	N/A	N/A
<b>Total BFF Group</b>	<b>93%</b>	<b>85%</b>	<b>89%</b>

<sup>28</sup> Figures relating to 2018 are not available







# 10

Environmental  
Responsibility

## Environmental responsibility

In line with industry trends, responsible management of environmental impacts is also relevant to the business in which BFF engages.

Although the Group is not exposed to significant environmental risks, it monitors certain indicators relating to its environmental impact with respect to the use of resources, namely, paper, electricity, gas and water for office use, and consumption linked to travel, such as business trips, and car fleet.

The Group does not have a formal policy in place with regard to environmental issues, but is committed to managing resources through the promotion of initiatives designed to reduce consumption, such as increasing the efficiency of the lighting system and initiatives aimed at reducing the use of paper. Furthermore, in addition to disposal, the company's asset management procedure also contemplates the disposal of laptops and phones by donating them to third parties.

Continuing in the direction of adopting sustainable policies also based on the selection of the Group's offices – after the move to offices with a reduced environmental impact already completed in 2019 in Rome, Italy and in Lodz, Poland (a building which received the **LEED Gold Core & Shell** certification) – a new office was opened in Madrid at Paseo de la Castellana 81.

The building hosting the new offices, located in the capital's financial district, received the **LEED Platin Core & Shell** certifications due to its extremely high sustainability standards, Gold WELL Building Standard as the first in Spain and fifth in Europe in the Core & Shell category and 5/5 stars in the DIGA certification for accessibility and respect for diversity. With these two relocations, roughly 45% of the Group's employees work in LEED Gold or higher buildings.

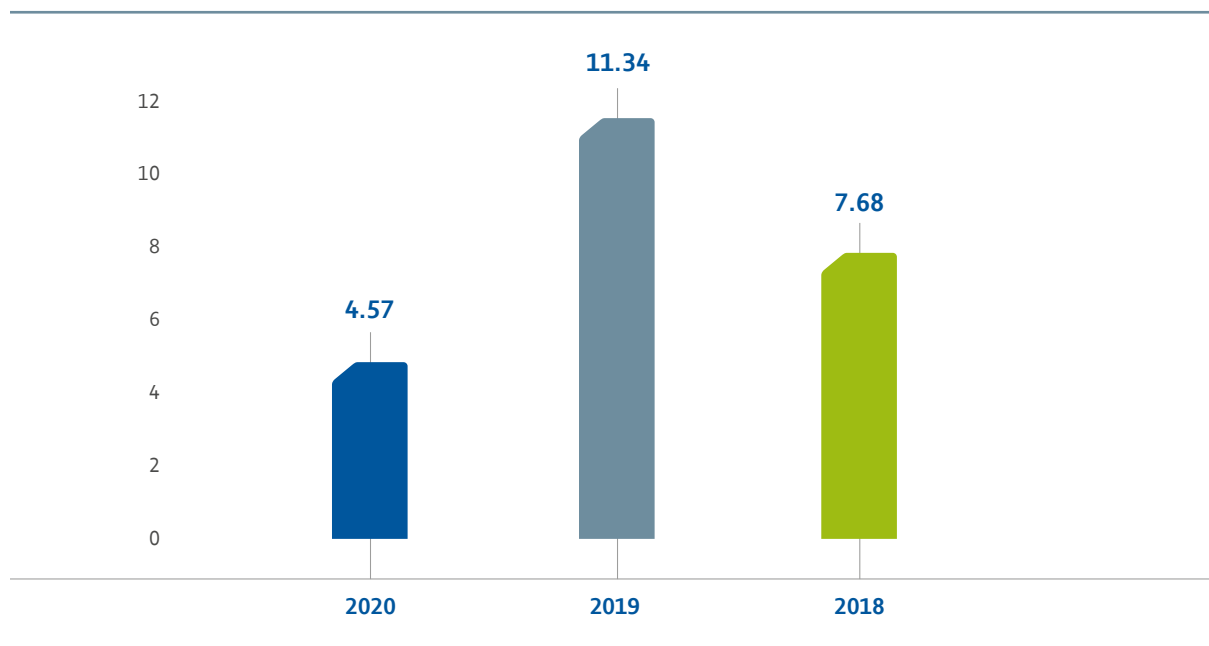
**“Identifying and monitoring the main direct and indirect impacts on the environment due to business operations, office energy consumption and business trips”**

## Resource management

The use of paper group-wide is limited to office activities and customer communications. While no formal paper management procedure is in place, in the second half of 2019, as already announced in the last Non-Financial Disclosure, the Group began a digitization process starting with the Milan office.

This project aimed to boost the efficiency of the use of paper by reducing the availability of printers and replacing them with more efficient machines with a printing system with recognition, thereby cutting down on paper and electricity consumption.

### PAPER CONSUMPTION (T)



It should be noted that as compared to 2019 consumption, tons of paper<sup>29</sup> used decreased by around 60%, this being due to the reduced physical presence in the offices, justified by the adoption of remote working.

This working method allowed for the introduction of digitalized processes that the Group intends to adopt even when the Covid-19 emergency is behind us.

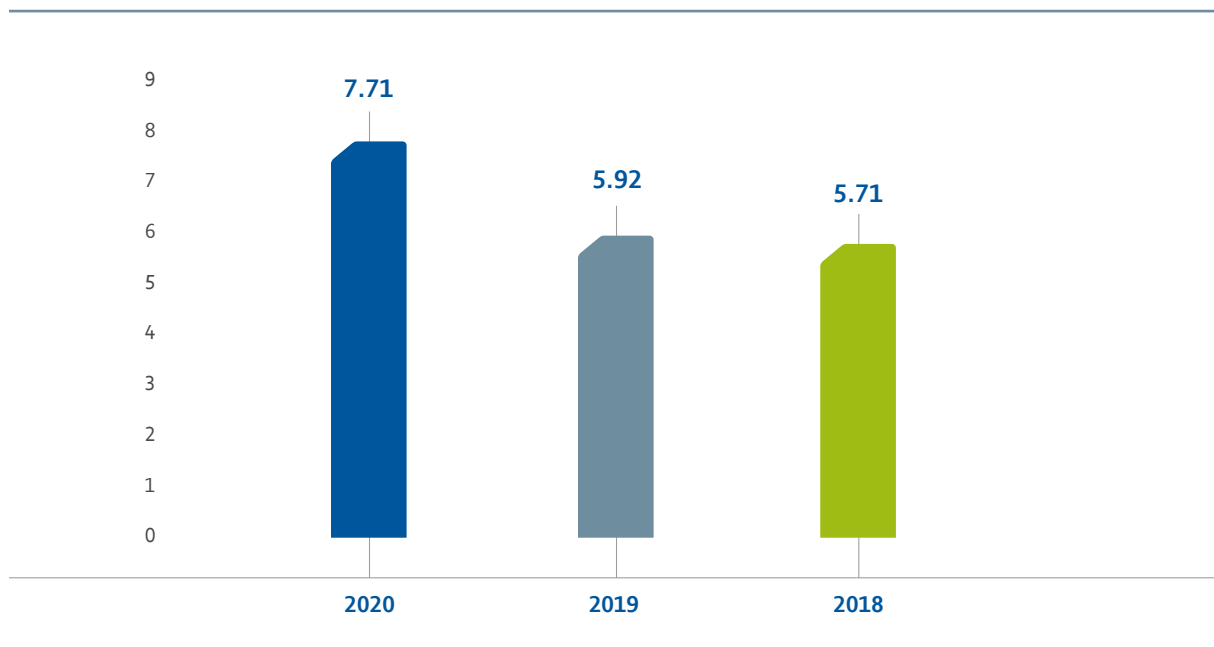
<sup>29</sup> The figures relating to paper consumption were calculated based on operating costs and suppliers' invoices. The figures relating to paper consumption in Italy were estimated based on the quantity of reams (Navigator 80, five 500-sheet A4-format reams) ordered, multiplied by the average weight of one ream.



Water consumed is for office use.

In 2020, the Group drew a total of 7.71 cubic meters of water<sup>30</sup> from the water network, of which 7.12 in Italy and 0.59 in the other countries. Please also note that for 2020, only 0.31 ML was drawn from areas subject to water stress (the Rome and Madrid offices)<sup>31</sup>. The use of water in the Group is limited only to civil uses and the only source of water withdrawal is municipal. The sustainable use of water resources, especially in areas subject to water stress, is highly incentivized.

### WATER CONSUMPTION (ML)



The 61% increase in water consumption (ML) in Italy can be ascribed to the need to perform extraordinary maintenance work on the air conditioning systems, taking advantage of remote working periods and the ensuing absence of employees at the Milan head office; these activities were fundamental to guarantee the proper future functioning of the systems and correct air circulation in the offices in order to minimize the risk of Covid-19 infection.

30 With regard to the Milan-based office located in Via Mosè Bianchi and the old Polish office (Forum 76), water consumption was calculated using estimates on the basis of thousandths occupied, while for the Spanish office it was calculated on the basis of the average cost per m<sup>3</sup>.

31 To identify areas with water stress, the World Resources Institute's Aqueduct Water Risk Atlas was used in accordance with the GRI Standard guidelines.

## Consumption and emissions

With regard to energy, the Group uses natural gas and thermal energy for heating, and draws electricity from the grid.

With reference to the Milan-based office located in via Domenichino, the Bank replaced the lighting system with LED technology, while a low consumption lighting system is installed in the Spanish office. Despite the above efforts, the Group saw an increase in electricity consumption resulting from greater use of energy serving the air conditioning system. In 2020, the Group consumed 662,203 kWh of electricity drawn from the grid. With regard to natural gas consumption, it should be noted that Italy is the only country in which the Group operates that uses this energy source. In the Polish offices, thermal energy consumption stood at 346.88 GJ.

With reference to the other countries of Central and Eastern Europe, heating is provided through district technologies using fan coils. The following table shows the Group's natural gas and electricity consumption for 2020, 2019 and 2018:

### NATURAL GAS CONSUMPTION IN M<sup>3</sup> PER COUNTRY (BUILDING)

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	43,964	40,120	30,198
<b>Total BFF Group</b>	<b>43,964</b>	<b>40,120</b>	<b>30,198</b>

### ELECTRICITY DRAWN FROM THE GRID IN KWH PER COUNTRY (BUILDING)

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	527,957	699,812	397,178
Poland	44,984	68,564	11,925
Spain	14,013	14,294	6,551
Slovakia	67,423	110,940	113,940
Portugal	6,376	6,467	5,054
Czech Rep.	1,450	1,490	1,444
<b>Total BFF Group</b>	<b>662,203</b>	<b>901,567</b>	<b>536,092</b>

#### ELECTRICITY DRAWN FROM THE GRID IN KWH PER COUNTRY (BUILDING)

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	3,633	4,100	2,620
Poland	162	247	43
Spain	50	51	24
Slovakia	590	530	410
Portugal	23	23	18
Czech Rep.	5	5	5
<b>Total BFF Group</b>	<b>4,463</b>	<b>4,957</b>	<b>3,120</b>

The Group's total energy consumption amounted to 4,463 GJ.

With regard to Scope 1 emissions, direct emissions, in 2020 the Bank emitted 87 tons of CO<sub>2</sub> from the consumption of natural gas for office heating purposes, 9% more as compared to the 79 tons emitted in 2019.

#### EMISSIONS FROM NATURAL GAS IN TCO<sub>2</sub>E BY COUNTRY (BUILDING)

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	87	79	60
<b>Total BFF Group</b>	<b>87</b>	<b>79</b>	<b>60</b>

#### EMISSIONS FROM ELECTRICITY DRAWN FROM THE GRID IN TCO<sub>2</sub>E

COUNTRY	12/31/2020	12/31/2019	12/31/2018
Italy	149	223	126
Poland	11	17	3
Spain	5	5	2
Slovakia	69	93	89
Portugal	1	1	1
Czech Rep.	1	1	1
<b>Total BFF Group</b>	<b>235</b>	<b>340</b>	<b>220</b>

With regard to Scope 2 emissions, indirect emissions linked to electricity consumption calculated using the Location-Based method, which takes into account the national energy mix, in 2020 the Group emitted a total of approximately 235 tons of CO<sub>2</sub>, decreasing the quantity emitted in 2019 by about 31%.

The Group's Scope 3 emissions, other indirect emissions, derived mainly from business trips by air by Group employees.

More specifically, air trips by Group employees produced around 33 tons of CO<sub>2</sub> in 2020 and around 176 tons of CO<sub>2</sub> in 2019.

The reduction of 81 percentage points between 2019 and 2020 is certainly due to the reduction in the number of air trips caused by the restrictions imposed by governments in response to the Covid-19 emergency in the countries where the Group operates.

An abstract, painterly background featuring a large, textured yellow paper sheet in the center. A red arrow points from the bottom left towards the text. The background is composed of various colors including green, brown, orange, and black, with visible brushstrokes and textures.

**11**

ESG goals  
for 2021





## ESG goals for 2021

The table below sets out to illustrate the status of the goals being pursued with respect to ESG issues. These goals also aim to respond to the desire to improve the management thereof within BFF Banking Group’s corporate context with a view to ensuring an increasingly accurate drafting of the Group’s NFD.

**(G)** Group Goals - **(B)** Bank Goals

Key:  100%  75%  50%  25%  0%

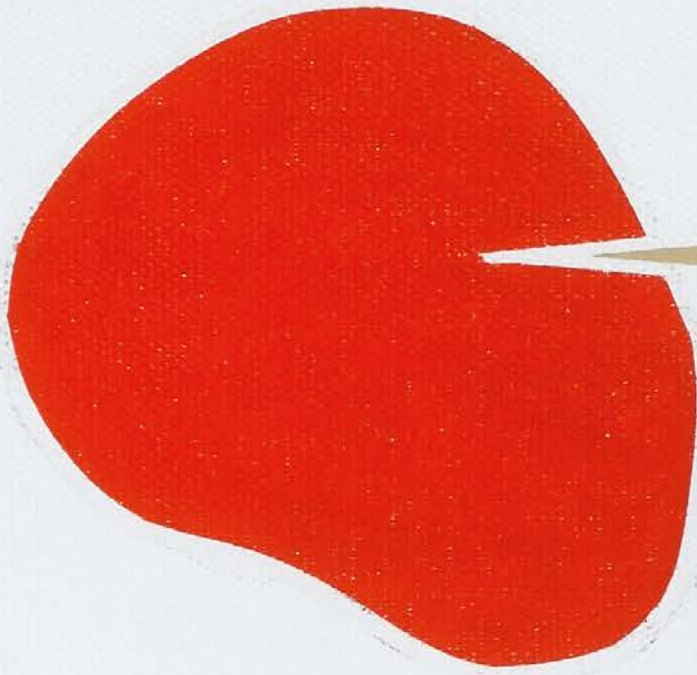
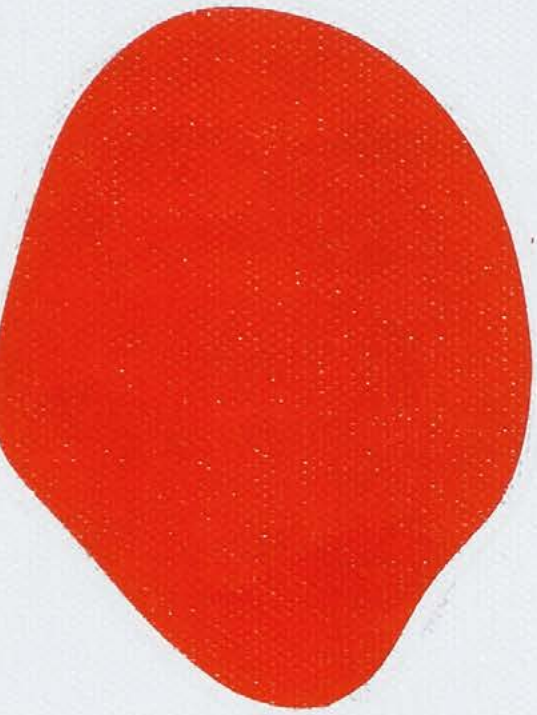
TOPIC	%	GOALS	NFD
GOVERNANCE	<input type="checkbox"/>	Update of the Three-year plan of the new Combined Entity (which will include DEPOBank).	2021
	<input checked="" type="checkbox"/>	Allocation of responsibilities to existing committees on sustainability issues. <b>(B)</b>	2020
	<input checked="" type="checkbox"/>	Preparation of statutory non-financial disclosure. <b>(G)</b>	2020
	<input checked="" type="checkbox"/>	Raising indicators reported within the Non-Financial Disclosure (core and reference). <b>(B)</b> <sup>32</sup>	2020 2021
	<input checked="" type="checkbox"/>	Setting up a sustainability management working group. Considering the Covid-19 emergency, this goal was replanned for 2021. In 2020, specific calls were held to deploy a Working Group in 2021.	2021
FINANCIAL MARKET GOVERNANCE	<input checked="" type="checkbox"/>	Developing relations with new investors, making financial reporting more effective and direct, improving engagement.	2020
	<input type="checkbox"/>	Obtaining a CORErating - ESG.	2021
	<input type="checkbox"/>	Improving communication with ESG rating agencies The achievement of this goal was launched in 2020. It is an ongoing goal.	2021
	<input type="checkbox"/>	Adopting a consistent, transparent communications strategy with the rating agencies compliant with the ESG initiatives that the Group is undertaking.	2021

<sup>32</sup> Goal postponed to 2021.

TOPIC	%	GOALS	NFD
ACCOUNTABILITY TO PEOPLE	<input type="checkbox"/>	Performing employee surveys on a bi-annual basis – ongoing goal.	2021
	<input type="checkbox"/>	Including specific incentive drivers with a “diversity” focus in the Performance Management process.	2021 2022
QUALITY OF SERVICE AND TRUST-BASED RELATIONS	<input checked="" type="checkbox"/>	<p>Increasing and carrying out customer listening activities on a regular basis by administering the Survey also in other countries where the Group operates. <b>(G)</b></p> <p>In 2020, the scope was expanded to customers present in multiple countries.</p> <p>For 2021, the scope is expected to be expanded to Poland and Greece as well.</p>	2020 2021
SOCIAL RESPONSIBILITY	<input type="checkbox"/>	Guaranteeing beneficial initiatives to support local communities.	2021
	<input checked="" type="checkbox"/>	Further development of the foundation’s activities abroad – ongoing goal.	2021
ENVIRONMENTAL RESPONSIBILITY	<input checked="" type="checkbox"/>	Maintenance of low levels of paper consumption – ongoing goal.	2021
	<input checked="" type="checkbox"/>	Relocating offices in green buildings. <sup>33</sup>	2020
	<input type="checkbox"/>	Starting employee awareness raising endeavours on energy saving, waste sorting and the reuse of materials. Considering the Covid-19 emergency, this goal was replanned for 2021.	2020 2021
	<input type="checkbox"/>	Developing appropriate procedures regarding environmental risk, e.g., waste disposal procedures on hold. Considering the Covid-19 emergency, this goal was replanned for 2021.	2020 2021

33 This goal was reached in 2019 for the Polish office and in 2020 for the Spanish office.

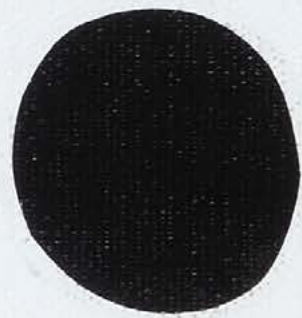




12

GRI Content Index

10170



# GRI Content Index

GRI-Referenced Topic-Specific Disclosure	Page	Scope Omissions
<b>Reference chapter/paragraph: Letter to Stakeholders</b>		
GRI 102-14: Statement from senior decision-maker	Full disclosure	8-11
<b>Reference chapter/paragraph: Methodological Note</b>		
GRI 102-1: Name of the organization	Full disclosure	12-13
GRI 102-45: Entities included in the consolidated financial statements	Full disclosure	12-13
GRI 102-46: Defining report content and topic boundaries	Full disclosure	12-13
GRI 102-50: Reporting period	Full disclosure	12-13
GRI 102-51: Date of the most recent report	Full disclosure	12-13
GRI 102-52: Reporting cycle	Full disclosure	12-13
GRI 102-53: Contact point for questions regarding the report	Full disclosure	12-13
<b>Reference chapter/paragraph: Group Overview</b>		
GRI 102-2: Activities, brands, products and services	Full disclosure	16
GRI 102-3: Location of headquarters	Full disclosure	16
GRI 102-4: Location of operations	Full disclosure	16
GRI 102-5: Ownership and legal form	Full disclosure	17
GRI 102-6: Markets served	Full disclosure	20
GRI 102-7: Scale of the organization	Full disclosure	16
GRI 102-16: Values, principles, standards and norms of behavior	Full disclosure	22
<b>Reference chapter/paragraph: Governance and Risk Management – Governance</b>		
GRI 102-18: Governance structure	Full disclosure	26-29
GRI 102-22: Composition of the highest governance body and its committees	Full disclosure	26-29
GRI 405-1 a): Diversity of governance bodies and employees	Disclosure relating to the number of members of the governance bodies by gender and age group	28-29
<b>Reference chapter/paragraph: Governance and Risk Management – The Risk Management System</b>		
GRI 102-15: Key impacts, risks and opportunities	Full disclosure	30-35
<b>Reference chapter/paragraph: Main Stakeholders and Materiality Analysis</b>		
GRI 102-40: List of stakeholder groups	Full disclosure	38
GRI 102-42: Identifying and selecting stakeholders	Full disclosure	38
GRI 102-43: Approach to stakeholder engagement	Disclosure relating to stakeholder type and the relative method of engagement.	39
GRI 102-47: List of material topics	Full disclosure	42-43
<b>Reference chapter/paragraph: Sustainable performance</b>		
GRI 103-1; GRI 103-2	Full disclosure	46-47
GRI 201-1: Direct economic value generated and distributed	Disclosure relating to point a)	47

GRI-Referenced Topic-Specific Disclosure		Page	Scope Omissions
<b>Reference chapter/paragraph: Ethics and integrity</b>			
GRI 103-1; GRI 103-2	Full disclosure	50-55	
GRI 102-17: Mechanisms for advice and concerns about ethics	Full disclosure	50-55	
GRI 205-1: Operations assessed for risks related to corruption	Full disclosure	52	
GRI 205-2: Communication and training about anti-corruption policies and procedures	Disclosure relating to points b) and e).	53-54	
GRI 205-3: Confirmed incidents of corruption and actions taken	Full disclosure	52	
<b>Reference chapter/paragraph: Quality of service and trust-based relations - Quality of service</b>			
GRI 103-1; GRI 103-2	Full disclosure	58-68	
GRI 102-43: Approach to stakeholder engagement	Full disclosure relating to the degree of customer satisfaction	66-67	
<b>Reference chapter/paragraph: Quality of service and trust-based relations - Trust and transparency in the relation with customers</b>			
GRI 103-1; GRI 103-2	Full disclosure	68	
GRI 102-44: Key topics and concerns raised	Full disclosure	68	
GRI 417-3: Incidents of non-compliance concerning marketing communications	Full disclosure	68	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Full disclosure	68	
<b>Reference chapter/paragraph: Accountability to people – Group workforce mix and diversity</b>			
GRI 103-1; GRI 103-2	Full disclosure	76-88	
GRI 102-8: Information on employees and other workers	Disclosure relating to points a), c), d) and e)	78-83	
GRI 102-41: Collective bargaining agreements	Full disclosure	84	
GRI 401-1: New employee hires and employee turnover	Full disclosure	85-88	
GRI 405-1 b): Diversity of governance bodies and employees	Full disclosure	83-85	
GRI 406-1: Incidents of discrimination and corrective actions taken	Disclosure relating to point a).	84	
<b>Reference chapter/paragraph: Accountability to people – Professional development of human capital</b>			
GRI 103-1; GRI 103-2	Full disclosure	88-97	
GRI 404-1: Average hours of training per year per employee	Full disclosure	88-96	
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	Full disclosure	97	
<b>Reference chapter/paragraph: Accountability to people – Workers' Health and Safety</b>			
GRI 103-1; GRI 103-2	Full disclosure	100-102	
GRI 403-1: Occupational health and safety management system	Disclosure relating to employees	100-102	
GRI 403-2: Hazard identification, risk assessment, and incident investigation	Disclosure relating to point a) with reference to employees	100-102	
GRI 403-5: Worker training on occupational health and safety	Disclosure relating to employees	96	
GRI 403-6: Promotion of worker health	Disclosure relating to employees	100-102	
GRI 403-9: Work-related injuries	Disclosure relating to point a)	101	



GRI-Referenced Topic-Specific Disclosure		Page	Scope Omissions
<b>Reference chapter/paragraph: Accountability to people – Respect for Human Rights</b>			
GRI 103-1; GRI 103-2	Full disclosure	105	
GRI 412-1: Operations that have been subject to human rights reviews or impact assessments	Full disclosure	105	
<b>Reference chapter/paragraph: Social Responsibility - The Foundation and charitable initiatives</b>			
GRI 103-1; GRI 103-2	Full disclosure	108-113	
GRI 413-1: Operations with local community engagement, impact assessments, and development programs	Full disclosure	108-113	
<b>Reference chapter/paragraph: Responsible supply chain management – Responsible supply chain management</b>			
GRI 103-1; GRI 103-2	Full disclosure	116-119	
GRI 102-9: Supply chain	Full disclosure	116-119	
GRI 204-1: Proportion of spending on local suppliers	Full disclosure	118-119	
<b>Reference chapter/paragraph: Environmental responsibility – Resource management</b>			
GRI 103-1; GRI 103-2	Full disclosure	122-124	Please note that with respect to the consumption of materials and water withdrawals, the reporting scope does not include data relating to the Greek branch as it was unavailable.
GRI 301-1: Materials used by weight or volume	Full disclosure	122-124	
GRI 303-1: Interaction with water as a shared resource	Disclosure relating to point a)	124	
GRI 303-3: Water withdrawal	Disclosure relating to points a), b) and d)	124	
<b>Reference chapter/paragraph: Environmental responsibility – Consumption and emissions</b>			
GRI 103-1; GRI 103-2	Full disclosure	124-127	Please note that with respect to the consumption of energy within the organization and the relative direct and indirect remissions, the reporting scope does not include data relating to the Greek branch as it was unavailable.
GRI 302-1: Energy consumption within the organization	Full disclosure	125-127	
GRI 305-1: Direct (Scope 1) GHG emissions	Disclosure relating to points a) and g)	126	
GRI 305-2: Energy indirect (Scope 2) GHG emissions	Disclosure relating to points a) and b)	126	
GRI 305-3: Other indirect (Scope 3) GHG emissions	Disclosure relating to points a) and g)	127	

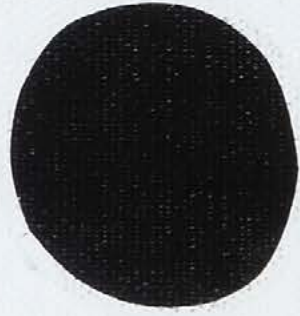




# 13

Independent  
Auditors' Report







## ***Independent auditor's report on the consolidated non-financial statement***

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018*

To the Board of Directors of Banca Farmafactoring SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Banca Farmafactoring SpA and its subsidiaries (hereafter the "Group" or "BFF Banking Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 17 February 2021 (hereafter the "NFS").

### ***Responsibility of Management and those charged with Governance for the NFS***

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), indicated at paragraph "Methodological Note" of the NFS, identified by them as the reporting standards, with reference to a selection of GRI Standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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### **Auditor's Independence and Quality Control**

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### **Auditor's responsibilities**

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in the BFF Banking Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;



- policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
- main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Banca Farmafactoring SpA and with the personnel of BFF Finance Iberia SAU and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for Banca Farmafactoring SpA and BFF Finance Iberia SAU, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out call conferences during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of BFF Banking Group as of 31 December 2020 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to the selection of GRI Standards included in the NFS at paragraph "Methodological Note".



**Other aspects**

Comparative data presented in the NFS with reference to the year ended on 31 December 2018 was not subjected to assurance procedures.

Milan, 4 March 2021

PricewaterhouseCoopers SpA

*Signed by*

Giovanni Ferraioli  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.*

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**Emilio Tadini, Untitled, 1990**  
*20x15 cm, Mixed media on paper*  
*Farmafactoring Foundation Collection*