

Consolidated
Non-Financial Disclosure

2019

Banca Farmafactoring S.p.A.

Parent Company of the “Banca Farmafactoring” Banking Group
Registered Office in Milan - Via Domenichino 5

Share Capital €131,364,092.09 (fully paid-in)

Milan Company Register no.,

Tax Code and VAT no. 07960110158

Consolidated Non-Financial Disclosure

Italian Legislative Decree No. 254/2016 - which implemented Directive 2014/95/EU of the European Parliament and of the Council dated October, 22 2014, concerning the disclosure of non-financial and diversity information by certain large companies and groups - made it compulsory in Italy to prepare a non-financial disclosure concerning “environmental, social and employee-related issues as well as matters concerning the respect for human rights and the fight against active and passive corruption”.

Although it is not yet subject to the size-related requirements set out in Article 2 of the aforesaid Decree, BFF Banking Group (hereinafter also referred to as “BFF Group” or “Group”), as a Public Interest Entity, has prepared its first Consolidated Non-Financial Disclosure (hereinafter also referred to as “NFD” or “Disclosure”) on a voluntary basis pursuant to Article 7 of Italian Legislative Decree No. 254 dated December, 30 2016.



Letter to Stakeholders

The complexity and speed of changes affecting the way companies operate today require a long-term strategic approach with an increasingly greater focus on sustainability issues.

In the year just ended, our Group continued to pursue the consolidation of its leadership position in Italy and its growth in Europe, operating with discipline into ensuring high profitability and a strong control of risk, liquidity and capital. These efforts led to the presentation of the new 2023 Business Plan, whereby we aim to be a bank leader in specialty finance niches in Europe, by leveraging on our primary position in financial services to the suppliers to the Public Administration and Healthcare.

This new paradigm can only be achieved by operating with honesty and transparency, investing in our people, maintaining leadership in innovation, customer service and execution in our reference markets, with a low risk profile and high operational efficiency, and by being aligned with the best practices of corporate governance for public companies. There is a new awareness, which takes the form of continuous innovation benefiting the system in which we operate and our customers, to whom we are committed to offering increasingly comprehensive and effective solutions.

The balance between who we are and who we want to become will necessarily require the creation of shared values, and a transparent and responsible commitment, in which we are determined to invest as part of the strategic horizon of our new business objectives.

Salvatore Messina
Chairman

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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 and Poland, and fully-consolidated subsidiaries at December 31, 2019:

- 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”).

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

In preparing this Disclosure, reliance was made on the “GRI Sustainability Reporting Standards” published in 2016 by the “GRI - Global Reporting Initiative”. Most notably, reliance was made on the standards relating to *Stakeholder Inclusiveness*, *Sustainability Context*, *Materiality*, *Completeness* with reference to content, and on the standards relating to *Accuracy*, *Balance*, *Clarity*, *Comparability*, *Reliability* and *Timeliness* with regards 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.

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 (01/01/2019 – 12/31/2019). Where available, data and information with reference to FY2017 and FY2018 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, while the information referring to the Portuguese branch was included in the information relating to Portugal. 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, while the data relating to Spain, Portugal and Poland 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”).

It should be noted that, in view of the extraordinary acquisition and subsequent merger of IOS Finance S.A.U. into BFF Finance Iberia S.A.U., and for the purposes of this Disclosure, only information concerning the workforce of the merged company was considered. As a result, the following information was not included:

Methodological Note

- Training provided by the Group;
- Injuries and related injury rates;
- Supply chain;
- Paper, water and power consumption and related emissions.

The main calculation methods used are shown below:

- The Lost Day Rate was calculated by dividing the number of days lost due to injury by the hours worked multiplied by 1000.
- The boundary of Scope 1 emissions is limited to Italy. For the purpose of calculating Scope 1¹ 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 CO₂ emissions pertaining to Scope 2² (location-based) resulting from electricity consumption, reliance was made on the 2016 conversion factors published by Terna, with reference to the emissions of BFF Polska and BFF Finance Iberia. As to emissions relating to BFF, reliance was made on the conversion factors provided by the Italian Institute for Environmental Protection and Research (ISPRA) – 2018 Atmospheric emission factors of greenhouse gases and other pollutants from the power sector.
- With regard to the calculation of CO₂ emissions pertaining to Scope 2 (location-based) resulting from thermal energy relating to the new office of the Polish companies, reliance was made on the 2019 conversion factors published by Defra (Department for Environment, Food & Rural Affairs).
- To calculate Scope 3³ 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 Banking Group, please contact sustainability@bffgroup.com

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 and thermal 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.

Group Overview

BFF Banking Group is the leading European financial services provider to suppliers of the Public Administrations.

The Group is active in four main business lines – non-recourse factoring, financing to healthcare entities and local governments in Central and Eastern Europe, credit management and online term deposits. BFF Banking Group provides factoring, lending and credit management services in Italy, Croatia, Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain. It also offers online term deposits in Germany, Ireland, Italy, the Netherlands, Poland and Spain. Therefore, the Group's geographical reach extends to 12 countries across Europe.

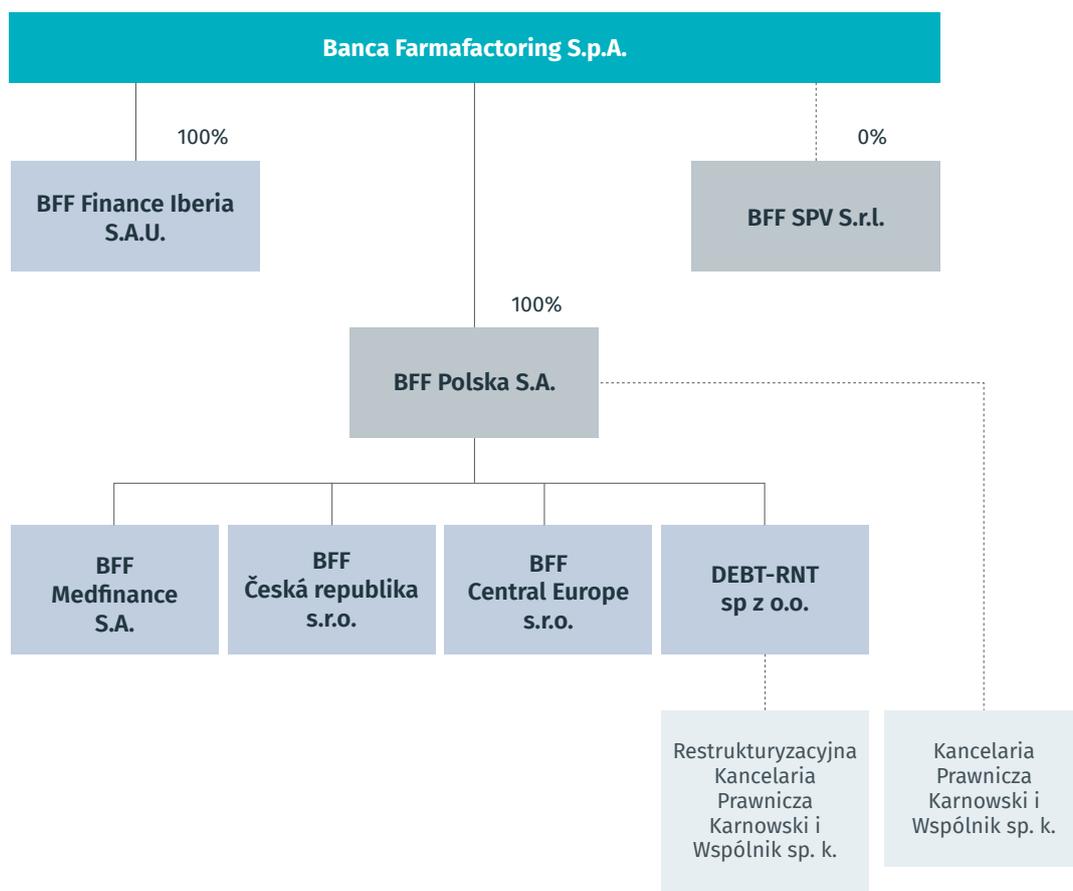
The Group's commercial activity is growing, with volumes expanding, underscoring the significant contribution to development made by geographical diversification.

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 2019, its consolidated and adjusted net profit came in at €98.8 million, with a Group Common Equity Tier 1 (“**CET1**”) ratio at 12/31/2019 of 10.9% and a Total Capital Ratio standing at 15%, excluding the expected total dividend payout⁴.

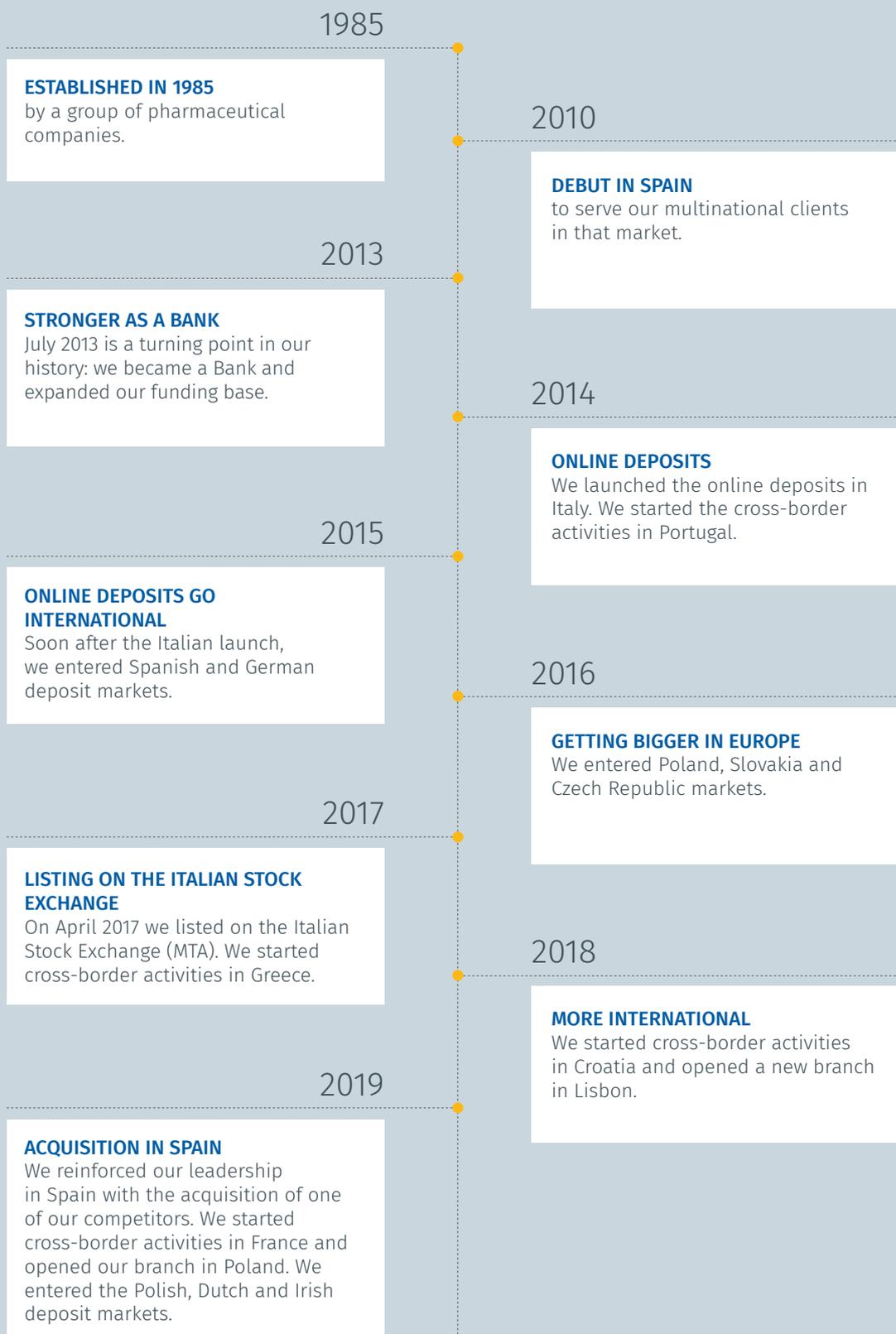
4. The distribution of the 2019 Expected Total Dividend Payout reflects (i) the proposal to allocate to the Shareholders part of Banca Farmafactoring S.p.A.'s individual profit for 2019 to the extent of €12,411,405 and (ii) the Board of Directors' commitment to take all the necessary steps to proceed - in compliance with the provisions of Article 2433-bis of the Italian Civil Code and subject to establishing compliance with the levels of individual regulatory capital ratios at the end of March 2020 - with the distribution of a further €58,463,379 as an interim dividend on the Bank's individual profits for Q1 2020, i.e., once the 2019 profits and reserves of subsidiaries BFF Finance Iberia S.A.U. and BFF Polska S.A. are accounted for in the separate financial statements of Banca Farmafactoring S.p.A. For further details, reference should be made to the document available at <https://investor.bffgroup.com/it/comunicati-stampa>.

Group Structure at 12/31/2019⁵



5. For further details on the Group's structure, reference should be made to the – 2019 Consolidated Financial Statements – available at <https://investor.bffgroup.com/en/financial-statements-and-reports>.

GROUP'S HISTORY



Business Model and Strategy

BUSINESS MODEL

The Group offers financial services and products to suppliers of Public Administration and Healthcare. In particular, 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. In this connection, the Group provides consultancy services to respond to changes in the legal context and the economic/financial situation of local Public Administration institutions, while 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, be integrated with the funding activity underlying the non-recourse factoring and lending businesses.

In addition to the above activities, the Group collects savings from the public through 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).

The business model described above is based on core values, such as honesty and transparency, respect for and enhancement of resources, ensuring leadership in innovation and execution in its target market.

OUR STRATEGY⁶

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 following strategic lines:

1. Continue to develop current core business and improve 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.

2. Continue to optimise funding and capital.

3. Consolidate existing business and/or expand into other underserved markets via M&A.

⁶ For further details on the Group's strategy, reference should be made to the document called – "BFF 2023" Strategy – available at <https://investor.bffgroup.com/en/presentations-and-conference-call-audios>.

Our 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.

Our 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.

Our 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



INTEGRITY

We operate with honesty and transparency



EXCELLENCE

We ensure timely execution and completion to our clients

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 "2019 Report on Corporate Governance and Ownership Structure", the Bank complies with the Corporate Governance Code for Listed Companies⁷ approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana, as amended in July 2018 (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 Officer⁸:

- Remuneration Committee, consisting of two independent directors and one non-executive director, appointed by the Board of Directors;
- Appointments Committee, consisting of three directors, all being non-executive and the majority being independent, appointed by the Board of Directors;
- Control and Risk Committee, consisting of three directors, all being non-executive and the majority being independent, appointed by the Board of Directors.

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 3 of the Corporate Governance Code, with a view to ensuring an efficient information

⁷ The Corporate Governance Code is available on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf>.

⁸ For more information, reference should be made to chapters 4 and 14 of the 2019 Report on Corporate Governance and Ownership Structure, available at <https://www.bffgroup.com/en/shareholders-meeting-documentation>.

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. 263 of December 27, 2006, 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. (“**PWC**”) were retained as independent auditors.

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 Polska⁹. 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.

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.¹⁰

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 on September 28, 2018, as amended on November 28, 2019. 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 management¹¹.

At present, the diversity policy is applied only to the Parent Company¹². The Board of Directors in office consists of nine members (4 women and 5 men) - one holding an executive position - of whom 4 are resident in Italy, 3 are resident in non-European countries and 2 are resident in other European countries¹³.

9. 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.

10. Some examples include the RAF - Framework for the Prevention of Money Laundering and the ICAAP - Internal Capital Adequacy Assessment Process.

11. For more information, reference should be made to chapter 4, paragraph 4.3.3 of the 2019 Report on Corporate Governance and Ownership Structure, available at <https://www.bffgroup.com/en/shareholders-meeting-documentation>.

12. For more information, reference should be made to paragraphs 4.2.1 and 14.1 of the 2019 Report on Corporate Governance and Ownership Structure, available at <https://www.bffgroup.com/en/shareholders-meeting-documentation>.

13. Residence-related information refers to the date of approval of this Disclosure.

Board of Directors' composition

BFF S.p.A.	12/31/2019			12/31/2018			12/31/2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
30-50	1	2	3	-	3	3	-	4	4
> 50	3	3	6	3	3	6	2	4	6
Total	4	5	9	3	6	9	2	8	10

Board of Statutory Auditors' composition

BFF S.p.A.	12/31/2019			12/31/2018			12/31/2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
30-50	1	-	1	1	-	1	1	-	1
> 50	1	1	2	1	1	2	1	1	2
Total	2	1	3	2	1	3	2	1	3

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 2018 self-assessment process. This policy describes the optimal characteristics of the 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, composi-

tion 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.

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 themselves¹⁴.

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

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.

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.

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 2019, 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 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.

14. For more information on the Internal Control and Risk Management System, reference should be made to chapter 11 of the 2019 Report on Corporate Governance and Ownership Structure, available at <https://www.bffgroup.com/en/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 willful misconduct or negligence.

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

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.

Correlation table under Legislative Decree No. 254/16, BFF Group issues, risks and management methods

Areas under Legislative Decree No. 254/16	Material issues	NFD Sections	Risks identified	Risk management methods
Anti-corruption 	Business ethics	Ethics and integrity	Risks related to corruption, money laundering and terrorism financing	Corruption risks are managed and mitigated by: <ul style="list-style-type: none"> - Adopting the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001; - Relying on the Code of Ethics; - Using the Whistleblowing channel; - Delivering training and awareness-raising activities for employees; - Implementing dedicated control measures, in accordance with the regulations in force. <p><i>For further information about how this issue is managed, reference should be made to the "Ethics and Integrity" chapter.</i></p>
Issues pertaining to employees and Human rights 	Group workforce mix and diversity	Accountability to people	Risk of non-compliance with the regulations governing diversity for governance bodies	This risk is monitored and mitigated by adopting the Diversity Policy for governance bodies, such as the Board of Directors and the Board of Statutory Auditors. <p><i>For further information about how this issue is managed, reference should be made to the "Governance" chapter.</i></p>
	Professional development of human capital Health and safety at work	Accountability to people	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"> - The implementation of an internal coverage project consisting of succession plans; - Specific training activities; - Remuneration policy; - Corporate welfare system. <p><i>For further information about how this issue is managed, reference should be made to the "Accountability to People" chapter.</i></p>

Areas under Legislative Decree No. 254/16	Material issues	NFD Sections	Risks identified	Risk management methods
<p>Issues pertaining to employees and Human rights</p> 	<p>Professional development of human capital</p> <p>Health and safety at work</p>	<p>Accountability to people</p>	<p>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</p>	<p>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:</p> <ul style="list-style-type: none"> - Risk Assessment Document in accordance with Italian Legislative Decree 81/08 and related activities for the mitigation of the risks that have been identified; - Health and Safety Management System Policy in compliance with the requirements of Standard OHSAS 18001. <p><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></p>
	<p>Respect for human rights</p>	<p>Accountability to people</p>	<p>Reputational risk and risk of non-compliance with the regulations</p>	<p>The Group mitigates this risk through:</p> <ul style="list-style-type: none"> - Compliance with current legislation governing child and forced labor; - The Whistleblowing channel; - 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 231/2001). <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	Material issues	NFD Sections	Risks identified	Risk management methods
<p>Social issues</p> 	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"> - Having the Board of Directors select and approve research projects and grant scholarships on topics of scientific relevance; - Ensuring that the Scientific Committee includes authoritative academic individuals who oversee research projects entrusted to prestigious universities; - Administering self-assessment questionnaires. <p><i>For further information about how this issue is managed, reference should be made to the "Social Responsibility" chapter.</i></p>
<p>Environmental issues</p> 	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	<p>At present, the Group does not have any environmental risk management procedure or policy in place.</p> <p><i>For further information about how this issue is managed, reference should be made to the "Environmental Responsibility" chapter.</i></p>
<p>Cross-cutting topic</p> 	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	<p>Mitigation of supply chain management risks is managed by:</p> <ul style="list-style-type: none"> - Defining specific clauses within the contract; - Relying on the Code of Ethics; - Adopting the Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001; - Ensuring compliance with the regulations of listed companies. <p><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></p>

Areas under Legislative Decree No. 254/16	Material issues	NFD Sections	Risks identified	Risk management methods
<p>Cross-cutting topic</p> 	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	<p>The reputational risk related to the quality of service is mitigated by:</p> <ul style="list-style-type: none"> - Deploying assignor and debtor assessment mechanisms; - Implementing action plans related to Customer Satisfaction results. <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>
	Trust and transparency in relations 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"> - Adopting a group-wide privacy policy in accordance with the GDPR provisions (Regulation EU 2016/679); - Updating personal data processing disclosure and, where necessary, consent collection forms; - Implementing procedures for the destruction of documents. <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>

Areas under Legislative Decree No. 254/16	Material issues	NFD Sections	Risks identified	Risk management methods
<p data-bbox="220 577 347 633">Cross-cutting topic</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. 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>

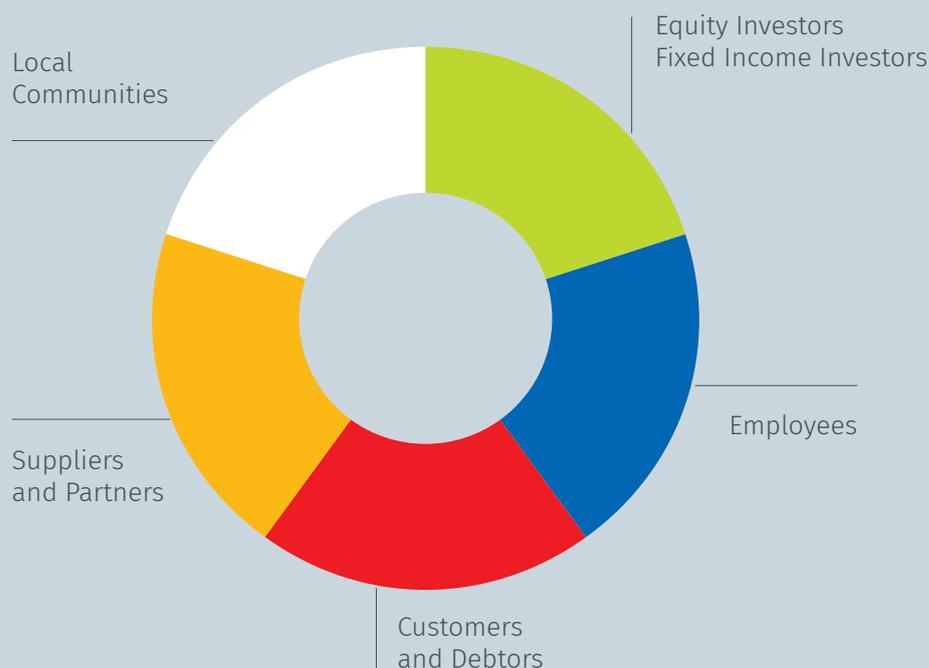
Main Stakeholders and Materiality Analysis

MAIN STAKEHOLDERS OF BFF BANKING GROUP

In line with the GRI Standards, an organization is required to consider the importance of stakeholders' expectations. The dialogue with stakeholders - in their capacity as representatives of interests whose opinions or decisions, attitudes or behaviors 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, ena-

bling the Group 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 Decree No. 254/2016 and BFF Group's public documentation.



Stakeholders

Ways of engagement

Equity Investors
Fixed Income Investors

The Group's investors are constantly kept up to date through conference calls, analyst presentations and various discussions on Environment, Social and Governance ("ESG") issues. In addition, investors send out questionnaires that the Group is required to complete in order to provide feedback to them on specific issues.

Employees

The Group organizes various internal initiatives in which employees are involved. In addition, employees are administered satisfaction questionnaires, through which internal satisfaction is measured.

Customers and Debtors

The Group is in constant pursuit of customer satisfaction through special customer satisfaction surveys conducted annually to establish the degree of customer satisfaction and define the relevant action plans for its improvement. Although so far surveys have only been administered by BFF and BFF Finance Iberia, the Group aims to involve all its subsidiaries in this type of analysis in order to gain the broadest possible point of view of all its customers.

Suppliers and Partners

Suppliers and Partners are engaged by the Group through participation in events organized or promoted by the Group itself.

Local Communities

The Farmafactoring Foundation - historically active across the territory for the engagement of local communities - stages events and meetings in local areas for the purpose of promoting and enhancing cultural and research endeavors.

An overview of shareholders' and investors' engagement is provided below:

Shareholders' Meeting



71.65%

of the share capital with voting rights, of which 32% 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



68.01%

of the share capital with voting rights, of which 45% 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

Relations with investors



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



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



Investors met during roadshows and conferences in **2017**

BFF Banking Group 2019 Materiality Matrix

For the purposes of preparing the 2019 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 to Top Management, 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.

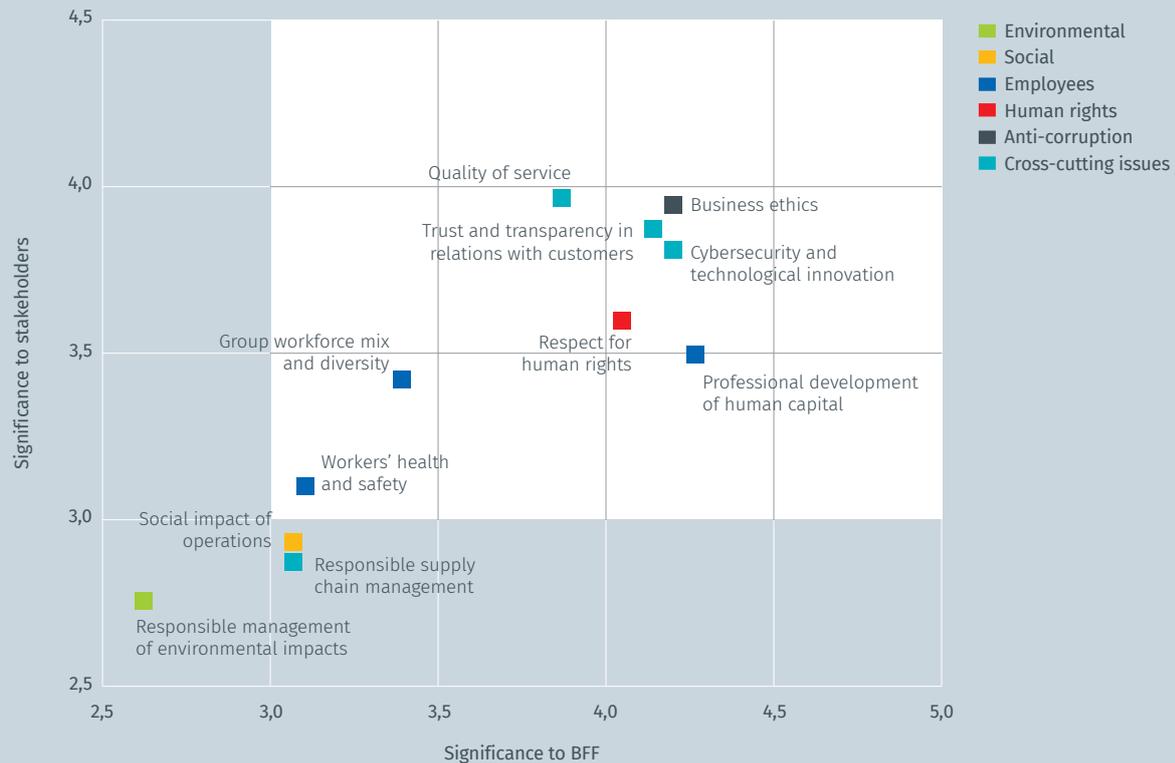
The analysis of this assessment made it possible to build the materiality matrix of BFF Group. The matrix, consisting of two Cartesian axes where the x-axes represent the significance of the issue to the Group, and the ordinates represent the significance of the issues to stakeholders, defines relevance 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 as most relevant for materiality matrix purposes. 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.

2019 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 relations with customers
- Cybersecurity and technological innovation



ENVIRONMENTAL RESPONSIBILITY

- Responsible management of environmental impacts

Sustainable performance

Financial stability

2019 Highlights¹⁵

Solid funding base and liquidity position

- Extensive liquidity with €0.4 billion of unused funding (out of €4.2 billion of available 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 476.9%.

Strong capital position and low risk profile

- Total Capital Ratio and CET1 (“Common Equity Tier 1”) ratio stood at 15% and 10.9%, respectively (excluding the expected total dividend payout of €70.9 million), 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 92%.
- Net non-performing loans/net credits stood at 1.5%, of which 93% related to municipalities in financial distress.
- Cost of risk at 6 basis points, corresponding to 3 basis points excluding write-downs related to factoring transactions with run-off SMEs of BFF Polska and Italian municipalities in financial distress.

15. For further details on the highlights, reference should be made to the document called – FY2019 Results – available at <https://investor.bffgroup.com/en/presentations-and-conference-call-audios>.

Economic value created and distributed

(amounts shown in €)

BFF Banking Group operates in the market to create long-term sustainable value for its stakeholders and for all the countries where it has operations. The table below shows that the value created by the Group in 2019 totals €221.7 million, 86% of which was redistrib-

uted to its stakeholders. The remaining 14% was retained by the Group. It consists of the amounts relating to deferred tax assets and liabilities, depreciation and amortization for the year and retained earnings, totaling €30.3 million.

	2019	2018	2017
A. Total Economic Value Created	221,665,328	210,484,628	210,410,703
190 b) Other administrative expenses <i>net of indirect taxes and duties</i>	39,426,625	35,578,874	34,379,769
<i>net of donations</i>	(5,000,537)	(4,882,988)	(5,170,789)
	(575,424)	(548,524)	(550,978)
Economic Value Distributed to Suppliers	33,850,664	30,147,362	28,658,002
190 a) Personnel costs	40,098,036	32,577,445	27,619,336
Economic Value Distributed to Employees and Associates	40,098,036	32,577,445	27,619,336
<i>Interest expense on our PCA bonds</i>	15,370,229	14,847,863	13,303,221
<i>Expected Total Dividend Payout¹⁶</i>	70,874,784	91,753,234	83,692,841
Economic Value Distributed to Fixed Income Investors and Equity Investors	86,245,013	106,601,097	96,996,062
300. <i>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)</i>	25,592,243	22,908,448	28,633,918
190 b) Other administrative expenses (indirect taxes and duties)	5,000,537	4,882,988	5,170,789
Economic Value Distributed to Central and Local PA	30,592,780	27,791,436	33,804,707
190 b) Other administrative expenses (entertainment expenses and donations)	575,424	548,524	550,978
Economic Value Distributed to Community	575,424	548,524	550,978
B. Total Economic Value Distributed	191,361,917	197,665,864	187,629,085
C. Total Economic Value Retained	30,303,411	12,818,764	22,781,618

For the purposes of better reporting and greater comparability with previous years, it should be noted that “Expected Total Dividend Payout” refers only to the current year and that the figure for previous years refers to the amount that was actually approved.

BFF Banking Group’s activities entail purchasing non-recourse receivables and extending loans. These activities result in a more efficient flow of liquidity into the system. In 2019, BFF Banking Group recognized €5.3 billion of receivables purchased and loans disbursed, up 13% over 2018.

16. The distribution of the 2019 Expected Total Dividend Payout reflects (i) the proposal to allocate to the Shareholders part of Banca Farmafactoring S.p.A.’s individual profit for 2019 to the extent of €12,411,405 and (ii) the Board of Directors’ commitment to take all the necessary steps to proceed - in compliance with the provisions of Article 2433-bis of the Italian Civil Code and subject to establishing compliance with the levels of individual regulatory capital ratios at the end of March 2020 - with the distribution of a further €58,463,379 as an interim dividend on the Bank’s individual profits for Q1 2020, i.e., once the 2019 profits and reserves of subsidiaries BFF Finance Iberia S.A.U. and BFF Polska S.A. are accounted for in the separate financial statements of Banca Farmafactoring S.p.A. For further details, reference should be made to the document available at <https://investor.bffgroup.com/it/comunicati-stampa>.

Ethics and integrity

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. It 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 in all the behaviors 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.

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 ir-

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

regularities and violations (Whistleblowing) within the Bank. In accordance with the provisions set forth therein, 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 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, will not be provided in respect of reports that do not fall within the scope of the complaint. A similar Whistleblowing procedure is in place at BFF Finance Iberia and BFF Polska and its subsidiaries.

During 2019, 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 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 behavior towards fairness and transparency.

Under Article 6, paragraph 1, letter b) of 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 approved a document containing guidelines on corporate criminal liability, also applicable to its subsidiaries.

The Bank also adopted the “*Promotional Initiative Policy*”, which defines the operational provisions to be followed with reference to the following activities:

- freebies
- entertainment expenses
- 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 2019.

In 2019, 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

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.
Specialists/Professionals	395	100%	180	100%	40	100%	6	100%	153	100%	12	100%	4	100%
Total	517	100%	235	100%	58	100%	8	100%	195	100%	17	100%	4	100%

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.
Specialists/Professionals	370	100%	182	100%	25	100%	2	100%	145	100%	12	100%	4	100%
Total	452	100%	217	100%	35	100%	3	100%	179	100%	14	100%	4	100%

at 12/31/2017

Professional category	BFF Group		Italy		Spain		Poland		Slovakia		Czech Rep.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Senior Executives/Executives	21	100%	15	100%	1	100%	5	100%	-	n.a.	-	n.a.
Managers/Middle Managers/ Coordinators	56	100%	19	100%	7	100%	28	100%	2	100%	-	n.a.
Specialists/Professionals	335	100%	167	100%	26	100%	130	100%	8	100%	4	100%
Total	412	100%	201	100%	34	100%	163	100%	10	100%	4	100%

Ethics and integrity

With reference to training on corruption issues, in 2019 the Group delivered ad hoc courses to 77% of the entire workforce. Most notably, to 64% of the *Senior Executives/Executives* category, 75% of the *Managers/Middle Managers/Coordinators* category, and 78% of the *Specialists/Professionals* category, totaling 396 employees out of 517.

Anti-corruption training

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	16	64%	15	83%	1	100%	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Managers/Middle Managers/Coordinators	73	75%	35	95%	12	71%	2	100%	22	61%	2	40%	-	n.a.
Specialists/Professionals	307	78%	169	94%	25	63%	5	83%	100	65%	8	67%	-	n.a.
Total	396	77%	219	93%	38	66%	7	88%	122	63%	10	59%	-	n.a.

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	16	76%	15	100%	1	100%	-	n.a.	-	n.a.	-	n.a.	-	n.a.
Managers/Middle Managers/Coordinators	37	61%	18	100%	6	67%	3	100%	9	31%	1	50%	-	n.a.
Specialists/Professionals	296	80%	162	88%	20	80%	-	n.a.	103	71%	8	67%	3	75%
Total	349	77%	195	90%	27	77%	3	100%	112	63%	9	64%	3	75%

at 12/31/2017

Professional category	BFF Group		Italy		Spain		Poland		Slovakia		Czech Rep.	
	no.	%	no.	%	no.	%	no.	%	no.	%	no.	%
Senior Executives/Executives	15	71%	14	93%	1	100%	-	n.a.	-	n.a.	-	n.a.
Managers/Middle Managers/Coordinators	38	68%	19	100%	7	100%	11	39%	1	50%	-	n.a.
Specialists/Professionals	230	69%	126	75%	20	77%	73	56%	8	100%	3	75%
Total	283	69%	159	79%	28	82%	84	52%	9	90%	3	75%

As was the case in previous years, BFF Banking Group did not identify any cases of corruption in 2019.

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 branches 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 appropriate 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;
- Describe an architecture of the corporate control functions that is coordinated across its components - including by deploying appropriate information flows - and is at the same time consistent with the organization set-up, the complexity and size of the Group, the type of services and products offered and the amount of risk that can be associated with the characteristics of the customers with whom the Group does business;
- 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. In particular, the Compliance and AML Function of the Parent Company takes steps to ensure that on the occasion of non-formal amendments to the Policy, an ad hoc training and refresher session is held in addition to the training courses already 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.

Quality of service and trust-based relations

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 its customers.

The Group's offer is based on the territorial subdivision, inasmuch as local regulations in the countries where the Group operates have a strong impact on the sector.

Italy

The products intended for the Italian market are developed on 3 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;
- The Bank 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 Bank are managed professionally, protecting the supplier's reputation

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

and respecting the commercial relationship between supplier and customer;

- BFF Banking Group offers its multinational customers coverage across 9 European countries.

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

The following products complete the non-recourse factoring offer:

Dynamic Discount - A technological solution that allows customers to make advance payment against a supplier discount on the invoice amount, commensurate with the advance payment days and agreed upon dynamically, through a special online platform for each transaction.

CAPEX release - The Bank intervenes to improve local government operating efficiency by:

- Financing the initial investment that utilities are required to make for the production and installation of the infrastructure;
- Making advance payments, over time, in respect of receivables from service supply, maintenance operations, etc.

Purchase of tax claims - BFF Banking Group 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 addressing entry into new markets, the introduction of new products and services, the start of new Group operations" and a "Policy addressing governance of and control over retail banking products".

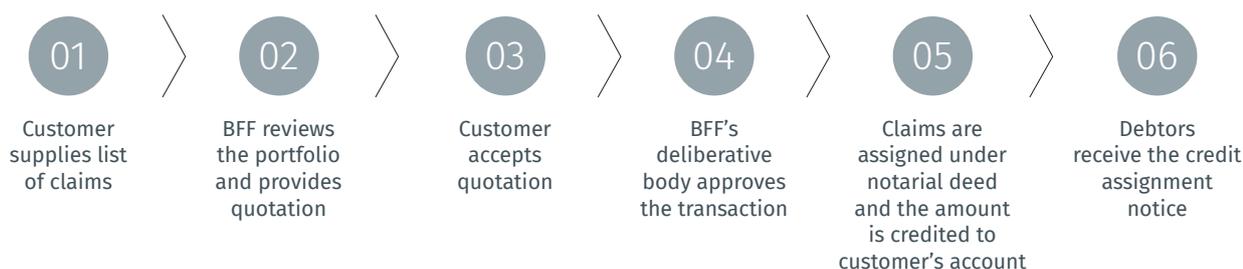
2. Credit Management

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

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.



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.

3. Deposit Account

This is a deposit 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

The products intended for the Spanish market are developed on 3 business lines:

1. Non-Recourse Factoring, in respect of which the following two types of agreements may be 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.

Below is 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. More specifically:

Poland

- **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.

- **Lokata Facto** - In Poland, an online deposit account, similar to the one distributed in Italy, Spain, Germany, Ireland and the Netherlands, is offered as a deposit product through the new branch of Banca Farmafactoring, which started operations in the second half of 2019.

Slovakia

- **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 Central Europe 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 Central Europe may arrange for the guarantee provided to its customer to be notified to the creditor.

Czech Republic

- **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 Portugal¹⁷ 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 endeavors.

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 regularly added to existing customers - the latter being kept to ensure sample continuity - in line with the objective of monitoring the business and expanding the panel¹⁸.

The survey carried out through the administration of questionnaires includes the analysis of two dimensions: the level of satisfaction measured according to the SERVQUAL¹⁹ method and, since 2017, the Net Promoter Score (NPS)²⁰. 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.

A review of the data pertaining to the three-year period²¹ shows that the representative panel consists of 14% of all customers in the countries where the survey was conducted (15% for BFF Finance Iberia and 19% for BFF). Of these, 98% were satisfied with the service provided.

With specific reference to Italy, the total number of satisfied customers is the sum of "promoters" and "neutral" customers analyzed with the NPS index. This

index scored 50 in 2019, 39.13 in 2018 and 32.00 in 2017 and the level of satisfaction stood at 96% in 2019, 96.3% in 2018 and 90.8% in 2017.

The survey sets out to establish whether the company's distinctive traits are visible and the BFF Group's core values are understood, as well as gaining 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.

17. 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).

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

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

20. 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.

21. The scope of the data pertaining to customer satisfaction is limited to Italy and Spain, since Poland does not conduct any customer satisfaction surveys.

	2019	2018	2017
Total number of customers (from countries where the survey was conducted)	306	297	268
Total number of customers who were administered the questionnaire	42	33	32
Total number of satisfied customers who were administered the questionnaire	41	30	30
Percentage of customers who were administered the questionnaire	14%	11%	12%
Percentage of satisfied customers who were administered the questionnaire	98%	91%	94%

Trust and transparency in the relation with customers

The Group manages customer relationships effectively, as shown by the results of the surveys and level of retention. To rely on BFF Group means engaging in complex interactions between Public Administrations and their suppliers. The Group's long-standing experience contributes to boosting customers' financial performance. For these reasons, the Group is committed to handling customer complaints more effectively and facilitating the management of reports by clearly defining:

- Interactions between the function responsible for handling complaints and the other functions involved in the complaint handling process;
- Measures implemented by the company to ensure 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.

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

As proof of the Group's compliance with the law and full disclosure transparency, no complaints were filed in 2019 in relation to cases of false advertising or misleading marketing practices.

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 Human Resources & Organizational Development, Head of ICT, 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 2019, no data protection concerns were identified.

Cybersecurity and Technological Innovation

INFORMATION SECURITY

Banca Farmafactoring considers the management system and the information managed as an integral part of its own assets. 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. 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.

Banca Farmafactoring bases its information protection policy on a suitable Risk Analysis of all the assets that

make up the information management system, 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, including smaller suppliers and leveraging digital platforms, the Group has embarked on a number of endeavors 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.

RESEARCH AND DEVELOPMENT

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

In 2019, various initiatives were implemented to develop the business in new markets, 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 were implemented in 2019:

Quality of service and trust-based relations

- start of operations relating to the purchase of non-recourse receivables in France by the Bank, based on the regulations under freedom of services;
- start of online deposits activities by the Bank in Poland through a new branch;
- start of online deposits activities in the Netherlands and Ireland through the Bank's Spanish branch, based on the regulations under freedom of services.

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, without any pressure or bias. This means that owning the company's objectives and creating a system of communication between stakeholders based on principles of truthfulness and fairness form the basis for working at BFF.

Consistent with the above approach, the Group prohibits engaging in practices that can be linked to child and forced labor, both within its own companies and across the supply chain.

At the Parent Company, commitment and results are rewarded through a structured incentive system, based on merit and defined by:

- An ad hoc group-wide remuneration policy;
- A performance management procedure, which describes how to apply an effective performance management system - in line with the requirements of current legislation - and sets out to:
 - a)** Encourage sharing and drive all employees towards achieving the company's objectives;
 - b)** Gear organizational behavior 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 Stock Option Plan.

“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, organizing initiatives intended for local employees by relying on appropriate rules and regulations. For example, Polish companies have the following regulations in place:

- Organizational regulations, which define the relationships within the organization, the organizational structure and the scope of responsibilities within each Organization Unit;
- Labor 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 policies:

- 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

In 2019, the Group employed a total of 517²² resources, an increase of 14% over 2018, of whom 238 men and 279 women. Out of the total workforce, about 45% is employed with the Parent Company, about 38% in Poland and the remaining 17% in the other countries where the Group operates.

“Implementing policies to fight discrimination and promote diversity among employees.”

89% of the staff are employed based on permanent contracts, about 52% being women.

Staff employed based on a permanent contract

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	123	110	233	111	100	211	104	89	193
Spain	27	28	55	20	15	35	19	15	34
Portugal	6	2	8	3	-	3	n.a.	n.a.	n.a.
Poland	60	93	153	49	80	129	52	83	135
Slovakia	5	5	10	2	3	5	2	1	3
Czech Republic	-	2	2	1	2	3	1	2	3
BFF Group total	221	240	461	186	200	386	178	190	368

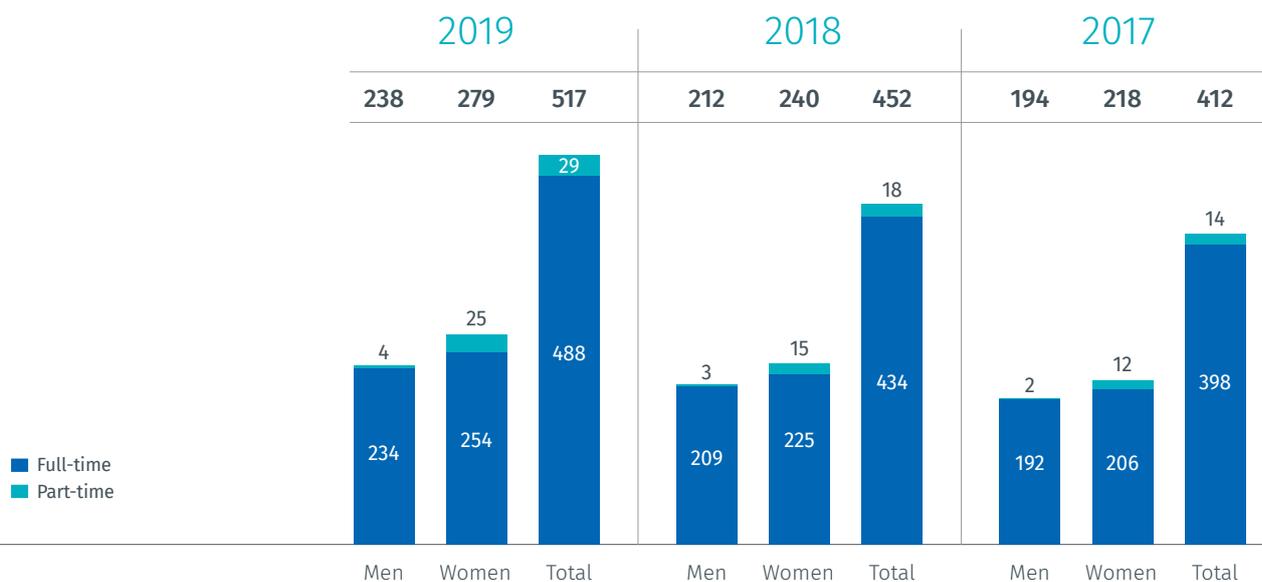
²² Including 19 people that were added to BFF Finance Iberia's workforce following the extraordinary transaction for the acquisition and later merger of IOS Finance S.A.U.

Staff employed based on a fixed-term contract

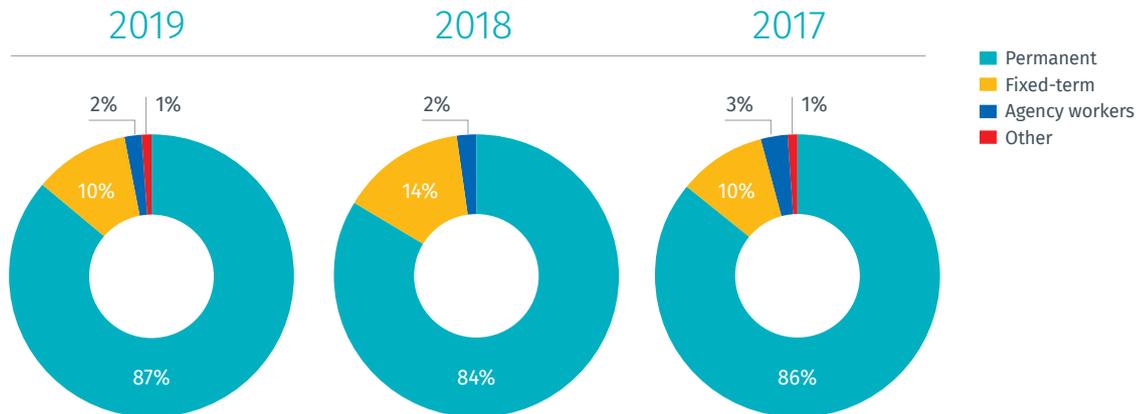
Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	1	1	2	2	4	6	1	7	8
Spain	1	2	3	-	-	-	-	-	-
Portugal	-	-	-	-	-	-	n.a.	n.a.	n.a.
Poland	13	29	42	20	30	50	12	16	28
Slovakia	2	5	7	3	6	9	3	4	7
Czech Republic	-	2	2	1	-	1	1	-	1
BFF Group total	17	39	56	26	40	66	17	27	44

With reference to the type of employment, in 2019 only 6% of all employees were employed based on a part-time contract. More specifically, 10 employees were hired on a part-time basis in Italy, 8 in Spain and 11 in Poland. In addition to the Group's employees, in 2019 the headcount included 13 workers, i.e., 10 temporary workers and 3 interns.

Group employees by type of contract (full-time/part-time)



Types of employees of BFF Group



As can be seen from the table below, in 2019 women accounted for approximately 54% of employees, one percentage point more than in previous years. Approximately 70% of the company's population belongs to the 30-50 age group, showing an increase of approximately 12% compared to 2018.

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 37%), while the remaining 76% consisted of Staff (women accounting for 61%, up 9% over 2018).

Composition of the Group's workforce by professional category, gender and age group

2019	Men					Women					Total				
	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	%
Professional 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%
Total	32	172	34	238	46%	62	191	26	279	54%	94	363	60	517	100%

2018	Men					Women					Total				
	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	%
Professional 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%
Total	29	151	32	212	47%	60	156	24	240	53%	89	307	56	452	100%

2017	Men					Women					Total				
	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	% su tot. cat.	<30	30-50	>50	Tot.	%
Professional category															
Senior Executives/Executives	-	13	7	20	95%	-	-	1	1	5%	-	13	8	21	5%
Managers/Middle Managers/ Coordinators	1	35	4	40	71%	-	13	3	16	29%	1	48	7	56	14%
Specialists/Professionals	20	101	14	135	40%	54	125	21	200	60%	74	226	35	335	81%
Total	21	149	25	195	47%	54	138	25	217	53%	75	287	50	412	100%

Almost all employees of the Group are employed under collective labor agreements, except for those working in countries where such agreements are not contemplated (Poland, Slovakia and Czech Republic).

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, free from conditioning or any form of intimidation. Therefore, the Group considers it essential to:

- Promote harmony at all levels of business, encouraging behavior 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 favoritism 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 labor 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 Staff²³.

Overall, the Group recorded 112 entries and 66 exits during 2019, with an outgoing turnover of 13% in 2019, down 3% over 2018, and an incoming turnover of 22%. In 2019, BFF continued its process of growth in size following the business development in Italy and in new markets as well as the acquisition of IOS Finance in Spain, which was subsequently merged into BFF Finance Iberia. 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.

The increase in new hires recruited by BFF Polska was also linked to the integration of activities relating to Credit Management, in respect of which an ad hoc structure was created for the performance of these tasks. To this end, a new organizational unit called the Data Processing Unit (DPU) was established within the Polish branch, allowing costs to be rationalized, the level of service to be improved, while further encouraging Group integration.

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

Employees who joined BFF Group by gender

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	21	17	38	16	13	29	11	8	19
Spain	7	4	11	6	3	9	1	2	3
Portugal	3	2	5	3	-	3	n.a.	n.a.	n.a.
Poland	15	31	46	23	37	60	16	20	36
Slovakia	4	6	10	2	5	7	3	5	8
Czech Republic	-	2	2	-	1	1	1	-	1
BFF Group total	50	62	112	50	59	109	32	35	67

Turnover rates of employees who joined BFF Group by gender

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	17%	15%	16%	14%	13%	13%	10%	8%	9%
Spain	25%	13%	19%	30%	20%	26%	5%	13%	9%
Portugal	50%	100%	63%	100%	n.a.	100%	n.a.	n.a.	n.a.
Poland	21%	25%	24%	33%	34%	34%	25%	20%	22%
Slovakia	57%	60%	59%	40%	56%	50%	60%	100%	80%
Czech Republic	n.a.	50%	50%	-	50%	25%	50%	-	25%
BFF Group total	21%	22%	22%	24%	25%	24%	16%	16%	16%

Employees who joined BFF Group by age group

Country	12/31/2019				12/31/2018				12/31/2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	8	29	1	38	5	24	-	29	3	16	-	19
Spain	1	9	1	11	-	9	-	9	1	2	-	3
Portugal	2	3	-	5	-	3	-	3	n.a.	n.a.	n.a.	n.a.
Poland	30	14	2	46	34	26	-	60	20	16	-	36
Slovakia	1	9	-	10	1	6	-	7	-	8	-	8
Czech Republic	-	2	-	2	1	-	-	1	-	1	-	1
BFF Group total	42	66	4	112	41	68	0	109	24	43	-	67

Turnover rates of employees who joined BFF Group by age group

Country	12/31/2019				12/31/2018				12/31/2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	38%	17%	2%	16%	23%	17%	-	13%	15%	12%	-	9%
Spain	50%	18%	17%	19%	-	29%	-	26%	25%	7%	-	9%
Portugal	100%	50%	n.a.	63%	n.a.	100%	n.a.	100%	-	-	-	-
Poland	44%	12%	33%	24%	52%	23%	-	34%	39%	15%	-	22%
Slovakia	100%	60%	-	59%	n.a.	43%	n.a.	50%	n.a.	80%	n.a.	80%
Czech Republic	n.a.	50%	n.a.	50%	n.a.	-	n.a.	25%	n.a.	25%	n.a.	25%
BFF Group total	45%	18%	7%	22%	46%	22%	-	24%	32%	15%	-	16%

Employees who left BFF Group by gender

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	11	8	19	8	6	14	7	4	11
Spain	6	2	8	4	4	8	5	3	8
Portugal	-	-	-	-	-	-	n.a.	n.a.	n.a.
Poland	11	19	30	19	25	44	17	30	47
Slovakia	2	5	7	3	3	6	1	7	8
Czech Republic	2	-	2	1	1	2	-	-	-
BFF Group total	32	34	66	35	39	74	30	44	74

Turnover rates of employees who left BFF Group by gender

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	9%	7%	8%	7%	6%	6%	7%	4%	5%
Spain	21%	7%	14%	20%	27%	23%	26%	20%	24%
Portugal	-	-	-	-	n.a.	-	n.a.	n.a.	n.a.
Poland	15%	16%	15%	28%	23%	25%	27%	30%	29%
Slovakia	29%	50%	41%	60%	33%	43%	20%	140%	80%
Czech Republic	n.a.	0%	50%	50%	50%	50%	-	-	-
BFF Group total	13%	12%	13%	17%	16%	16%	15%	20%	18%

Employees who left BFF Group by age group

Country	12/31/2019				12/31/2018				12/31/2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	3	11	5	19	2	10	2	14	-	10	1	11
Spain	-	8	-	8	1	6	1	8	-	8	-	8
Portugal	-	-	-	-	-	-	-	-	n.a.	n.a.	n.a.	n.a.
Poland	12	18	-	30	18	24	2	44	20	26	1	47
Slovakia	-	7	-	7	-	6	-	6	-	8	-	8
Czech Republic	-	2	-	2	1	1	-	2	-	-	-	-
BFF Group total	15	46	5	66	22	47	5	74	20	52	2	74

Turnover rates of employees who left BFF Group by age group

Country	12/31/2019				12/31/2018				12/31/2017			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Italy	14%	7%	11%	8%	9%	7%	4%	6%	-	7%	2%	5%
Spain	-	16%	-	14%	50%	19%	50%	23%	-	29%	-	24%
Portugal	-	-	n.a.	-	n.a.	-	n.a.	0%	n.a.	n.a.	n.a.	n.a.
Poland	18%	15%	-	15%	28%	21%	100%	25%	39%	24%	25%	29%
Slovakia	0%	47%	-	41%	n.a.	43%	n.a.	43%	n.a.	80%	n.a.	80%
Czech Republic	n.a.	50%	n.a.	50%	n.a.	25%	n.a.	50%	n.a.	-	n.a.	-
BFF Group total	16%	13%	8%	13%	25%	15%	9%	16%	27%	18%	4%	18%

Professional development of human capital

The Group provides training to its staff in order to develop their 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 increase talent and drive company growth.

Training, which is the foundation of BFF Academy, is delivered with a view to creating a common and distinctive knowledge of BFF identity which, combined with the transfer of knowledge, aims at expediting business 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 Behaviors + 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 global approach (BFF Group Academy);
- Integrate individual professional development with the BFF Group’s strategy;

- Define greater support for the development of each employee from a professional perspective;
- 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, contents and training methods diversified into four macro-areas that make up the Academy’s architecture itself:

- 1. Onboarding journey** - A path enabling employees to settle in and become acquainted with the organizational context and the people who are part of it, the purpose being to welcome all new hires and speed up the company culture assimilation process. This project interacts effectively with the company’s aims, having as its primary objective to make new recruits and others aware of the products/services offered by the Group and the BFF Value Chain;

2. Business - Knowledge and understanding of the company business, i.e., credit management and specialized financial services for suppliers engaging in the healthcare and public administration sectors. More specifically, it seems essential to provide employees, especially new hires, with a general overview of all the credit management services that characterize BFF Group and, moreover, a more in-depth knowledge of the regulations that underpin the company's business;

3. Cross Tools & Processes - Cross-cutting tools and processes, peculiar to the Group's business and essential to boosting efficiency and productivity. The plan plays a role in life skills related to both general work tools as well as work processes specific to BFF Group, such as Project Management, Corporate Governance, adjustment to new laws governing public finance, financial statement analysis, etc.;

4. Soft Skills - The plan aims to ensure an adequate understanding of the role that soft 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.

During 2019, the Group delivered a total of about 20,461 hours of training to its employees, of which about 11,817 to women and about 8,644 to men, with an average of 40 hours per employee. In 2018, about 30,223 hours of training were delivered²⁴, of which 15,965 to women and 14,258 to men, with an average of 48 hours per employee.

In 2017, 18,938²⁵ hours of training were delivered, of which 11,090 to women and 7,981 to men, with an average of 46 hours per employee.

The 32% decrease in the total number of training hours delivered in 2019, compared to 2018, is attributable to (i) training activities carried out not only on an individual basis but also group-wide, including locally, with the aim of promoting integration across all the companies belonging to the Group and (ii) a strategic Group decision in the definition of the training catalog.

Below are the tables containing the figures by gender and professional category for 2019, 2018 and 2017.

24. 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.

25. Figures relating to 2017, in addition to figures relating to the Spanish branch, do not include training hours delivered by BFF Finance Iberia, inasmuch as they were not traceable, except for statutory training hours. With reference to Poland, figures pertaining to training hours delivered in 2017 were calculated using estimates based on time sheets, since no information systems were available at the time.

Average training hours of BFF Banking Group by gender and professional category

Professional category	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior Executives/Executives	12	28	15	50	26	48	27	318	41
Managers/Middle Managers/ Coordinators	37	95	58	96	82	91	47	85	58
Specialists/Professionals	39	35	37	62	66	64	41	48	45
Total	36	42	40	67	67	67	41	52	47

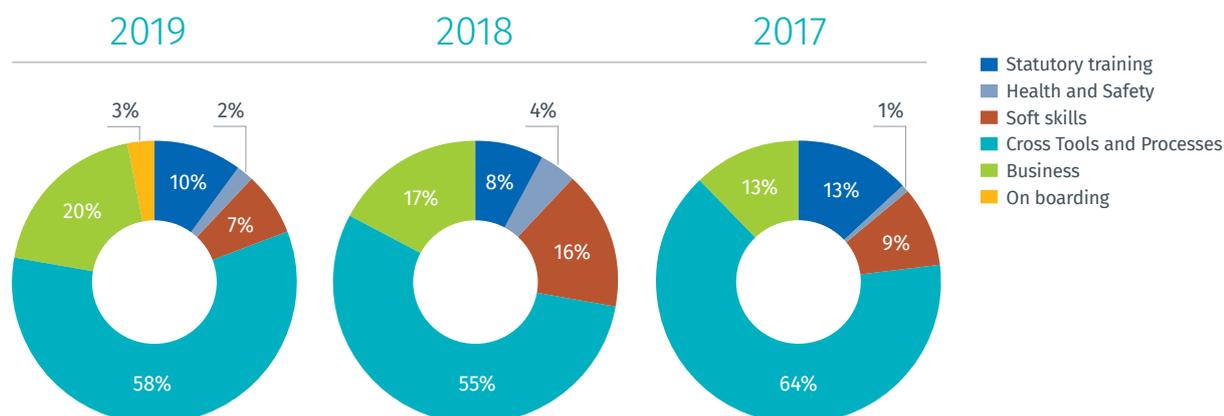
The Group companies operating in Poland, Slovakia and the Czech Republic rely on a training procedure that describes the activities aimed at defining the training needs of employees, planning the training expenses included in the human resources budget, implementing the training policy, organizing internal 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 are organized where necessary and on the basis of specific development plans. In Spain, training is also delivered to interns and apprentices.

In general, training is divided into 4 separate categories by subject area, as described above. Compared to 2017 and 2018, the Group introduced the “onboarding” category. In addition to these, other two categories were added in relation to: Statutory Training and Health and Safety.

Percentage of group-wide training areas



In general, training provided in 2019 on Cross Tools and Processes was the category showing the largest increase in hours compared to 2018.

1. Statutory training

Compliance issues are mostly addressed, focusing mainly on privacy, conflict of interest management, banking transparency, code of ethics and whistle-

blowing, 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.

At a Group level, approximately 1,967 hours were delivered in 2019 and 2,366 hours in 2018.

Statutory training hours delivered by BFF Banking Group broken down by gender and professional category

Professional category	12/31/2019				12/31/2018				12/31/2017			
	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.
Senior Executives/Executives	62	21	83	3	52	12	63	3	78	18	95	5
Managers/Middle Managers/Coordinators	269	124	393	4	260	89	349	6	248	132	379	7
Specialists/Professionals	602	891	1,492	4	790	1,164	1,954	5	760	1,289	2,049	6
Total	932	1,035	1,967	4	1,101	1,265	2,366	5	1,085	1,438	2,523	6

2. 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, approx-

imately 439 hours were delivered in 2019 and 1,153 hours in 2018. 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

Professional category	12/31/2019				12/31/2018				12/31/2017			
	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.
Senior Executives/Executives	1	8	9	0,3	43	-	43	2	3	-	3	0,1
Managers/Middle Managers/Coordinators	29	30	59	1	107	46	153	3	17	3	20	0,4
Specialists/Professionals	125	246	371	1	469	489	958	3	71	106	177	0,5
Total	155	284	439	1	618	535	1.153	3	90	109	199	0,5

3. Soft skills

Soft skills training covers a variety of topics, such as negotiation skills, time and stress management, public speaking and team building.

At a Group level, approximately 1,508 hours were delivered in 2019 and 4,702 hours in 2018. This difference is

due to a strategic decision made by the Group in the definition of the training catalog. In addition, delivery of some of the training courses in the soft skills area was postponed to the first quarter of 2020, in view of the effort some functions were required to make regarding the priority management of extraordinary operations during the year.

Hours of training delivered on soft skills broken down by gender and professional category

Professional category	12/31/2019				12/31/2018				12/31/2017			
	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.
Senior Executives/Executives	96	24	120	5	360	24	384	18	83	23	105	5
Managers/Middle Managers/ Coordinators	177	130	307	3	831	204	1,035	17	179	81	260	5
Specialists/Professionals	577	504	1,081	3	1,284	1,999	3,283	9	470	883	1,353	4
Total	850	658	1,508	3	2,475	2,227	4,702	10	732	986	1,718	4

4. Cross-cutting processes and tools

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

At a Group level, 11,916 hours were delivered in 2019, down 29% compared to 2018, when approximately 16,730 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

Professional category	12/31/2019				12/31/2018				12/31/2017			
	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.
Senior Executives/Executives	19	5	23	1	317	-	317	15	312	278	590	28
Managers/Middle Managers/ Coordinators	1,323	2,566	3,889	40	2,132	877	3,008	49	1,195	1,009	2,204	39
Specialists/Professionals	3,497	4,507	8,004	20	5,320	8,086	13,406	36	3,625	5,933	9,559	29
Total	4,838	7,078	11,916	23	7,768	8,962	16,730	37	5,133	7,221	12,354	30

5. Specific training in the business area

This training category covers specific topics depending on the business area or activity, such as budgeting, bond and derivative trading, internal audit, credit risk, corporate governance, legal, financial and administrative training.

At a Group level, approximately 3,976 hours were delivered in 2019 and 5,273 hours in 2018. Delivery of some of the training courses in the business area was postponed to the first quarter of 2020, in view of the effort some functions were required to make regarding the priority management of extraordinary operations during the year.

Hours of business area specific training delivered broken down by gender and professional category

Professional category	12/31/2019				12/31/2018				12/31/2017			
	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.	Men	Women	Total	Avg. h.
Senior Executives/Executives	47	24	71	3	183	16	199	9	63	-	63	3
Managers/Middle Managers/Coordinators	438	552	990	10	684	345	1,029	17	251	139	390	7
Specialists/Professionals	1,040	1,876	2,915	7	1,430	2,615	4,045	11	628	1,304	1,932	6
Total	1,524	2,452	3,976	8	2,297	2,976	5,273	12	942	1,443	2,385	6

6. Onboarding training

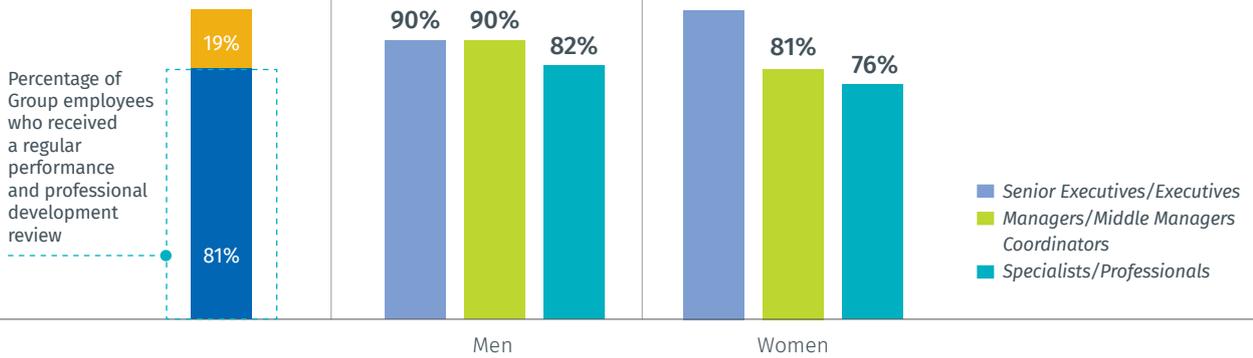
In line with the Group's strategy, an additional training category - onboarding journey - was planned in 2019. As compared to the past, it now includes a customized and cross-cutting induction path based on specific professional skills and is intended for all new hires. This induction entails on-the-job training, providing support to the job specialist, the aim being to facilitate integration into the company through the company culture assimilation process. During 2019, 656 training hours were delivered, i.e., an average of 15 hours per new hire. This new training effort was launched in Italy and Portugal.

The performance management process

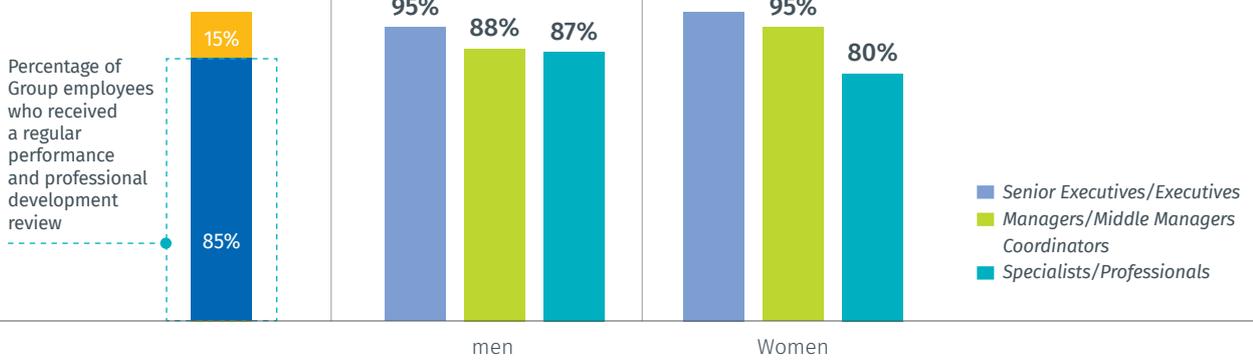
The assessment process is monitored centrally through a management system used by the Parent Company. To be eligible for assessment, employees must have been employed for at least six months. The entire eligible company population within the Group is assessed both on the basis of performance and compliance with organizational behavior. As can be seen from the chart below, in 2019, 81% of employees received a regular review of their performance and professional development; the remaining 19% 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

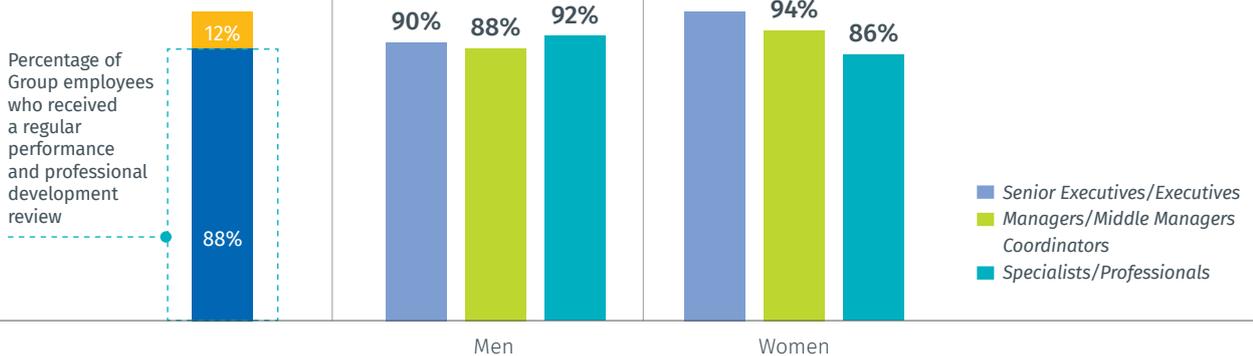
2019



2018



2017



Group endeavors 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 endeavors 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, leisure, for the purpose of promoting social and cultural training through a healthy and profitable use of free time.

FAMILY DAY

To underline the key role played by its people in the growth path that the Group has embarked on in recent years, BFF organizes a "Family Day" dedicated to employees' children. In 2019, it opened its offices in Milan to families for a day full of educational activities, where the main theme was *agility*. The children took part in "Lab&Play" activities, consisting of artistic, theater, technological and robotics workshops aimed at encouraging teamwork, the use and management of time and developing creativity. At the same time, they were involved in "Agility Games", i.e., outdoor challenges to stimulate problem solving, spirit of adaptation and collaboration.

Similar activities, again designed for children, were also carried out in Poland, at the offices located in Łódź.

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 2019, through auditor Certiquality, the above certification was renewed. Thanks to the Management System adopted, BFF complies with the provisions of Italian Legislative Decree 81/2008 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 an RSPP (Head of Prevention and Protection) 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 Labor Code and the relevant implementing acts.

“Ensuring a working environment that provides an adequate level of health and safety for employees, with *ad hoc* policies and initiatives”.

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.

With specific reference to Spain, the employer (BFF Finance Iberia S.A.) 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 2019, the Group recorded a total of five injuries, three of which being commuting injuries. 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.

As can be seen from the tables below, in 2019 the Group's Lost Day Rate²⁶ stood at 0.33, with a total of 250 days of work lost.

With regard to 2018, the Group recorded a total of six injuries, 4 of which were commuting injuries involving 3 women in Italy and 1 in Poland, and two injuries at work, one involving a man in Poland and one involving a woman in Spain.

In 2017, the Group recorded a total of three injuries, all being commuting injuries, involving one man (in Italy) and two women (one in Italy and one in Poland).

Lost Day Rate

Country	12/31/2019			12/31/2018			12/31/2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	0.02	0.35	0.17	-	0.33	0.15	0.01	0.03	0.02
Spain	-	0.31	0.13	-	1.54	0.66	-	-	-
Portugal	-	-	-	-	n.a.	16.14	n.a.	n.a.	n.a.
Poland	1.46	0.01	0.60	0.28	0.10	0.18	-	0.07	0.04
Slovakia	-	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-	-
BFF Group total	0.49	0.17	0.33	0.09	0.44	0.26	-	0.04	0.02

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 2017, 2018 and 2019, no cases of violations of human rights were reported.

26. The Lost Day Rate was calculated by dividing the number of days lost due to the accident by the hours worked multiplied by 1000.

Social responsibility

For educational purposes, throughout its Group history, BFF has always promoted conferences and studies to discuss trending topics that could affect the interactions between companies and Public Administration, to help positive debates and improvements: 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, for the benefit of the entire community.

In 2019, for example, electronic invoicing and order were introduced. With a view to illustrating completion, submission and management procedures and outlining the advantages and potential of such a system, BFF staged two seminars in Italy, and an event in Portugal. In Portugal, a seminar was also held on the decentralization of State competences and its impact on companies working with Public Administration. In all these cases, major partners or experts were involved at all times.

BFF is a member of the AGICI Observatory, 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 efforts of the Observatory resulted in an Annual Report presented in Milan to industry representatives.

BFF is also a member of the Supply Chain Finance Observatory of the School of Management of the Milan Polytechnic. The Observatory, which aims to create and share knowledge on the processes underlying the supply chain, has focused in particular on the search for specific solutions for the players operating in the Italian market.

“Creating strong relationships with local communities, through the activities of Farmafactoring Foundation.”

Deserving a special mention is the report called “Financing Healthcare and the Quality of the System for Patient. Diagnosis from Poland and other European Countries”. A study produced in Poland with the contribution of local experts from Italy, Greece, Portugal. The purpose of the Report, which was prepared in English and Polish, is to promote a broader and more meaningful debate on current issues in the healthcare sector. In other words, to compare Poland’s Healthcare System with that of the countries in which BFF operates.

Farmafactoring Foundation

At the beginning of the 1990s, following the development of several alternatives to the traditional economic model, BFF had already begun to contribute to research on management and control models for the Public Administration and on the structures, subsidiarity and governance of European Healthcare Systems. In 1993, a Working Group was set up to monitor the evolution of the reference market by observing the financial needs

of healthcare companies. In 2004, this evolved naturally in the establishment of Farmafactoring Foundation, whose aim was to promote and develop the cultural and research activities launched by the Working Group ten years earlier.

Specific studies are carried out in the economic, healthcare and sociological fields, with different focuses depending on the topics to be addressed. In order to carry out its research, the Foundation relies on external researchers from the most prestigious Italian universities, together with Censis, one of Italy's leading institutes engaging in sociological analysis. The results of this research are shared directly with representatives of the main central and regional institutions, as well as with local health professionals to whom the research may refer.

For years, the Foundation has also been promoting actions in support of university research for Under 35 individuals through:

- A themed competition, coordinated by the Scientific Director and evaluated by a Steering Committee composed of internationally renowned teachers;
- Prizes designed to support and promote the best papers produced by young researchers and published in Italian and international journals, awarded in collaboration with the Italian Health Economics Association (“AIES”) and the Italian Academy of Business Economics (“AIDEA”), two major associations engaging in economic research.

The Foundation is also active in promoting art and culture through the SanArtLAB project. In this context, the Foundation organized photographic exhibitions based on the research carried out. On the occasion of such exhibitions, it also financed the restoration of works of art related to the city that from time to time hosted the various exhibitions.

During 2019, the following endeavors were implemented and/or launched:

- Photographic exhibition called “The Long Life. New generations: ambitions put to test”, staged from April 4 to May 5 in Padua at the Cloister of the General – Pontifical Basilica of St. Anthony of Padua. This is the sec-

ond exhibition that is part of the three-year research project called “Health in the population's life cycle: current dynamics and future prospects” (the first exhibition was held in Palermo from November 2017 to January 2018, at the church of Pinta, which was reopened for the occasion, and returned to the citizens, after having been closed for years). On the occasion of the exhibition held in Padua, the Farmafactoring Foundation supported the restoration of St. Anthony statue by the sculptor Rinaldino di Francia (ca 1300), now permanently exhibited at the Antonian Museum;

- Two round tables in Rome and Milan, during which the 2019 report called “Healthcare Service and Complexity Management: sustainability, variety of platforms and their interactions” was presented;
- Three research workbooks of the series called “Farmafactoring Foundation Workbooks” were published:
 - 01/2019 “2018 Report Overview”;
 - 02/2019 “Healthcare system accounts: 2018 final data and future prospects”;
 - 03/2019 “Governance of innovation and sustainable development in healthcare environments”;
- During the year, the design phase started for the rollout of the third and final exhibition of the project called “Health in the life cycle of the population: current dynamics and future prospects”, which will be held in Milan in 2020.

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 two authoritative members from university and research circles.

The Foundation has a Compliance Model and a Supervisory Body that oversees (i) operations and compliance with the provisions of the Model by the recipients, (ii) the actual effectiveness and effective ability of the Model to prevent crimes from being committed and (iii) the monitoring of appropriate use of the Foundation's funds. The Corporate Bylaws also contemplate the appointment of an auditor to supervise and audit the financial statements.

Collaboration with Ca' Foscari University of Venice Foundation

For several years now, BFF and the Ca' Foscari University of Venice Foundation have been working together to create a textual database, 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.

Since 2018, collaboration has been further strengthened by staging - at BFF's headquarters in Milan - a number of training days for the Bank's staff dealing with activities connected with procedures addressing conservatorship and recovery of municipalities.

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.

Charitable initiatives

In 2019, BFF reinforced its daily commitment to sustainable development in the communities and regions in which it operates.

During last Christmas, for example, BFF donated to charity the amounts originally allocated to corporate gifts. Employees were part of the selection process, first suggesting and then voting for Associations, NGOs, Foundations and philanthropic initiatives to support.

The proposals submitted by each country were verified by the Compliance & AML Function and the Risk Management Function.

Below is a list of the beneficiaries of donations:

Sport Senza Frontiere Onlus (*Italy*)

Founded in 2009, it aims to guarantee the right to play sport, making it accessible to those who need it most and spreading its principles and values. BFF financed 1-year sport program for 10 children and teenagers in Milan and Rome suburbs.

SOS Children's Villages (*Greece*)

Founded in 1949, it aims to help children in need. Through SOS Villages, it takes care of orphaned and abandoned children, adopting a family-like approach.

Gajusz Foundation (*Poland*)

The Foundation provides relief, alleviation, and support to sick children and their families. BFF contributed to the development of the "Cukinia Centrum Terapii" project, a therapeutic center for orphaned children in the Lodz region.

Acreditar - Associação de Pais e Amigos de Crianças com Cancro (*Portugal*)

Established in 1994, it offers support to young people and families dealing with all stages of cancer in children.

BFF contributed to the growth of Acreditar's house in Lisbon, which is aimed to increase the building's capacity from 12 to 32 rooms dedicated to families.

Fund of the Clinic of Neurosurgery, St. Anna University Hospital in Brno (*Czech Republic*)

Established in 2015, it aims to provide support to the neurosurgery department of the St. Anna university hospital in Brno, improving the quality of patient care, hospitalization conditions and surgery procedures. BFF's donation covered part of the cost of a post-surgery back rehabilitation medical device.

Duchenne Parent Project Spain (*Spain*)

Founded in 2012, it is a non-profit association that focuses on finding a cure or treatments for Duchenne and Becker Muscular Dystrophy and improve the

Social responsibility

life-quality for children and their families through the promotion and financing of the research, physiological services, campaigning and educational programs. BFF provided support to the “Acogida tras el diagnóstico” project, aimed at offering assistance - in the first year after diagnosis - to families and children affected by muscular dystrophy.

During the year, BFF also supported other social initiatives in Italy and Poland.

In Italy, through a donation to Meta Cometa Onlus, for the second consecutive year BFF supported the “Casa Don Bosco” project in Osimo (Ancona), a residence for abandoned children and families in difficulty.

Thanks to this donation, Casa Don Bosco managed to rebuild the roof, the floor on the first floor and the sewerage system.

In Poland, BFF participated in charity events to support three entities working in the healthcare sector - the Polish Mother’s Memorial Hospital, the “Hearts for Hearts” Central Clinic Hospital in Łódź, the “Urtica for Kids” Foundation - and assisting pregnant women and children affected by cancer.

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 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

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

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 have transferred goods or provided services, or due to foreign entities, or payments to be settled on current accounts maintained with 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.

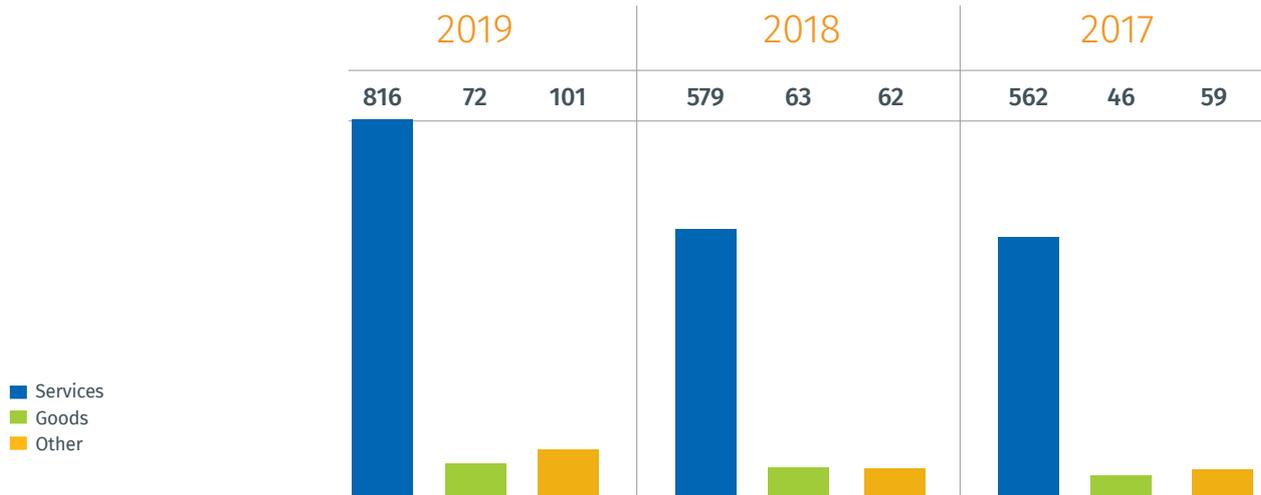
These types of suppliers are further categorized according to the service being offered, such as the supply of services or goods. As shown in the table below, suppliers providing both services and goods are grouped under "Other".

In 2019, the Group entered into contracts with a total of 989 suppliers (704 in 2018), of which 816 for the supply of services (579 in 2018), 72 for the supply of goods (63 in 2018) and 101 suppliers for a combination of goods and services (39 more than in 2018)²⁷.

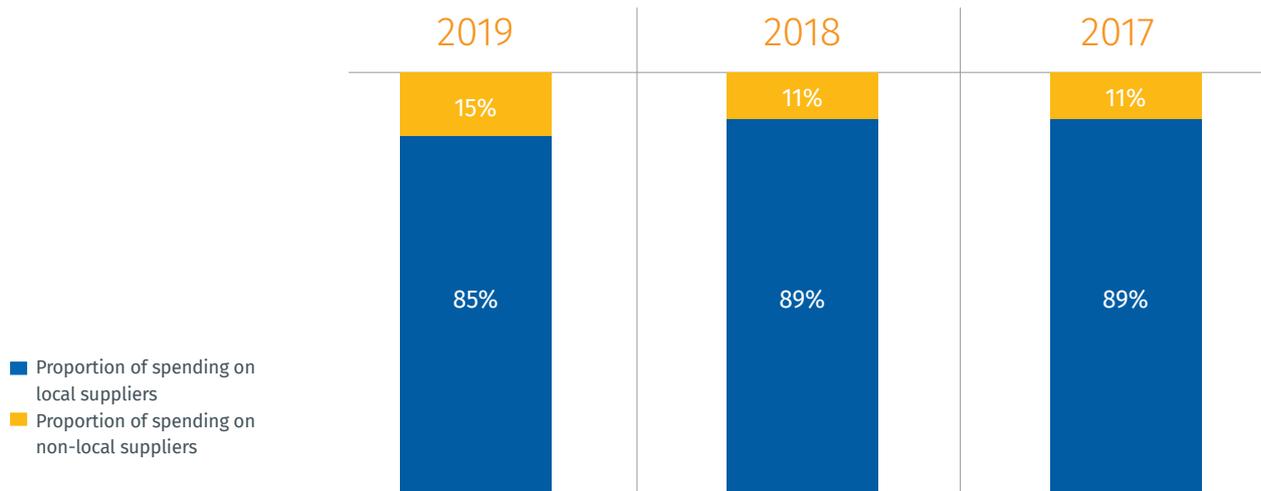
The 41% increase in the provision of services is due to the increase in tax and legal advisory services resulting from business growth and extraordinary transactions. The Group considers as "local" all those suppliers of goods and services that operate in the area of reference.

27. Figures relating to 2018 and 2017 are not available for Slovakia.

Group suppliers by type



Percentage of group-wide spending on local suppliers



Responsible supply chain management

In 2019, 85% of BFF Group's suppliers consisted of local suppliers, as can be seen from the table below.

Proportion of spending on local suppliers	12/31/2019	12/31/2018	12/31/2017
Italy	85%	89%	89%
Spain	89%	94%	90%
Portugal	81%	77%	-
Poland	100%	100%	100%
Slovakia	100%	n.a. ²⁸	n.a.
Czech Republic	100%	100%	100%

28. Figures relating to 2018 and 2017 are not available.

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. In addition to disposal, the company's asset management procedure also contemplates the disposal of laptops and phones by donating them to third parties.

In this context, BFF Banking Group has embarked on a journey for the upgrade of its offices with the aim of shaping a working environment fostering organization and productivity, with due account being taken, however, of the key role played by space for the wellbeing of workers and their impact on the environment. This journey began with the relocation of the Rome office to offices with a higher energy label classification, and continued with the relocation of the Polish offices (BFF Polska, BFF MEDFinance and branches) to the new complex in Lodz, Brama Miasta. The Brama Miasta complex features offices equipped with the latest technology, charging stations for electric cars and facilities for cyclists, so that employees can choose alternative means of transport with low environmental impact.

“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 the Group began a digitization process starting with the Milan office. This project aims to reduce the use of paper by using less equipment, replacing the latter with more technologically advanced machines, thereby cutting down on paper and electricity consumption.

Paper consumption



However, it should be noted that as compared to 2018 consumption, tons of paper²⁹ used increased by around 48%, this being due both to the expansion of the Group's operations and an increase in the Group's headcount.

29. 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 consumption



Water consumed is for office use. In 2019, the Group drew a total of 5,925 cubic meters of water³⁰ from the water network, of which 4,415 in Italy and 1,510 in the other countries.

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 m³.

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 the air-conditioning system.

In 2019, the Group consumed 901,567 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. Starting from the end of 2019, following the relocation of the Polish branch and subsidiaries to a new location, thermal energy consumption stood at 130.40GJ.

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 2019, 2018 and 2017:

Natural gas consumption in m³ per country (building)³¹

Country	12/31/2019	12/31/2018	12/31/2017
Italy	40,120	30,198	25,215
BFF Group total	40,120	30,198	25,215

Electricity drawn from the grid in kWh per country (building)

Country	12/31/2019	12/31/2018	12/31/2017
Italy	699,812	397,178	374,276
Spain	68,564	11,925	10,361
Portugal	14,294	6,551	-
Poland	110,940	113,940	93,358
Slovakia	6,467	5,054	3,250
Czech Republic	1,490	1,444	1,308
BFF Group total	901,567	536,092	482,553

31. Figures relating to gas consumption for the offices located in Via Mosè Bianchi, Milan, and Via di San Basilio, Rome, were calculated using estimates based on thousandths occupied.

Total energy consumption in GJ per country (building)

Country	12/31/2019	12/31/2018	12/31/2017
Italy	2,519	1,430	1,347
Spain	247	43	37
Portugal	51	24	-
Poland	399	410	336
Slovakia	23	18	12
Czech Republic	5	5	5
BFF Group total	3,246	1,930	1,737

The Group's total energy consumption including electric and thermal power amounted to 3,376 GJ. With regard to Scope 1 emissions, direct emissions, in 2019 the Bank emitted 79 tons of CO₂ from the consumption of natural gas for office heating purposes, 32% more as compared to the 60 tons emitted in 2018.

Emissions from natural gas in tCO₂e by country (building)

Country	12/31/2019	12/31/2018	12/31/2017
Italy	79	60	50
BFF Group total	79	60	50

Emissions from electricity drawn from the grid in tCO₂e

Country	12/31/2019	12/31/2018	12/31/2017
Italy	223	126	119
Spain	17	3	3
Portugal	5	2	-
Poland	93	89	73
Slovakia	1	1	1
Czech Republic	1	1	1
BFF Group total	340	220	196

With regard to Scope 2 emissions, indirect emissions linked to electric and thermal power consumption calculated using the Location-Based method, which takes into account the national energy mix, in 2019 the Group emitted a total of approximately 340 tons of CO₂, increasing the quantity emitted in 2018 by about 55%. This increase was due to: (i) an increase in the Group's headcount; (ii) the one-year reporting of the Portuguese Branch (operations in Portugal began in the second half of 2018); (iii) an adjustment to the reporting method, which led an increase in the number of offices included.

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 176 tons of CO₂ in 2019, 160 tons of CO₂ in 2018 and 149 tons in 2017. The 10% increase between 2018 and 2019 was due to an increase in air trips, reflecting the increase in hiring and the Group's internationalization strategy.

ESG goals for 2019 and 2020

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 objectives (B) Bank objectives

KEY:  100%  75%  50%  25%  0%

TOPIC	%	Goals	NFD
Governance		Drafting of 2020-2023 business plan (G)	2019
		Allocation of responsibilities to existing committees on sustainability issues (B)	2020
		Preparation of statutory non-financial disclosure (G)	2020
		Raising indicators reported within the Non-Financial Disclosure (core and reference) (B)	2020
		Setting up a sustainability management working group	2020
Financial market		Developing relations with new investors	2019 / 2020
		Obtaining a rating	2019
		Improving communication with ESG rating agencies	2020
Accountability to people		Conducting an employee survey (G)	2019
		Setting up a Learning Management System (G)	2019
		Improving the performance management process	2019
Quality of service and trust-based relations		Increasing and carrying out customer listening activities on a regular basis by administering the Survey also in other countries where the group operates (G)	2020
Social responsibility		Increasing charitable initiatives (G)	2019
		Further development of Farmafactoring Foundation's activities	2020
Environmental responsibility		Optimizing printer use and ensuing paper consumption (B)	2019
		Relocating offices in green buildings ³²	2020
		Starting employee awareness raising endeavors on energy saving and waste sorting	2020
		Developing appropriate procedures regarding environmental risk, e.g., waste disposal procedures	2020

32. This goal was reached in 2019 for the Polish office. The Group plans to relocate also the Spanish office in 2020.

GRI Content Index

Chapter/ Reference paragraph	GRI-Referenced Topic-Specific Disclosure		Page	Boundary Omissions
Letter to Stakeholders	GRI 102-14: Statement from senior decision-maker	Full disclosure	5	
Methodological Note	GRI 102-1: Name of the organization	Full disclosure	9-10	
	GRI 102-45: Entities included in the consolidated financial statements	Full disclosure	9-10	
	GRI 102-46: Defining report content and topic boundaries	Full disclosure	9-10	
	GRI 102-50: Reporting period	Full disclosure	9-10	
	GRI 102-51: Date of most recent report	Full disclosure	9-10	
	GRI 102-52: Reporting cycle	Full disclosure	9-10	
	GRI 102-53: Contact point for questions regarding the report	Full disclosure	9-10	
Group Overview	GRI 102-2: Activities, brands, products and services	Full disclosure	11	
	GRI 102-3: Location of headquarters	Full disclosure	12	
	GRI 102-4: Location of operations	Full disclosure	11	
	GRI 102-5: Ownership and legal form	Full disclosure	12	
	GRI 102-6: Markets served	Full disclosure	14	
	GRI 102-7: Scale of the organization	Full disclosure	11	
Governance and risk management – Governance	GRI 102-18: Governance structure	Full disclosure	17-20	
	GRI 102-22: Composition of the highest governance body and its committees	Full disclosure	17-20	
	GRI 405-1 a): Diversity of governance bodies and employees	Disclosure on the number of members of governing bodies by gender and age group	19-20	
Governance and risk management – Risk management system	GRI 102-15: Key impacts, risks and opportunities	Full disclosure	21-27	
Main stakeholders and materiality analysis	GRI 102-40: List of stakeholder groups	Full disclosure	29	
	GRI 102-42: Identifying and selecting stakeholders	Full disclosure	29	
	GRI 102-43: Approach to stakeholder engagement	Disclosure on the type of stakeholder and related engagement approach	30	
	GRI 102-47: List of material topics	Full disclosure	32-33	

GRI Content Index

Chapter/ Reference paragraph	GRI-Referenced Topic-Specific Disclosure		Page	Boundary Omissions
Sustainable performance	GRI 103-1; GRI 103-2	Full disclosure	35-37	
	GRI 201-1: Direct economic value generated and distributed	Disclosure on section (a)	36-37	
Ethics and integrity	GRI 103-1; GRI 103-2	Full disclosure	39-43	
	GRI 102-17: Mechanisms for advice and concerns about ethics	Full disclosure	39-43	
	GRI 205-2: Communication and training about anti-corruption policies and procedures	Disclosure on sections (b) and (e)	41-42	It should be noted that with regard to section (e), the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia S.A., insofar as such data was not available.
	GRI 205-3: Confirmed incidents of corruption and actions taken	Full disclosure	42	
Quality of service and trust-based relations – Quality of service	GRI 103-1; GRI 103-2	Full disclosure	45-50	
	GRI 102-43: Approach to stakeholder engagement	Full disclosure on the level of customer satisfaction	49-50	
Quality of service and trust-based relations – Trust and transparency in relations with customers	GRI 103-1; GRI 103-2	Full disclosure	50-51	
	GRI 102-44: Key topics and concerns raised	Full disclosure	51	
	GRI 417-3: Incidents of non-compliance concerning marketing communications	Full disclosure	50	
	GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Full disclosure	51	
Accountability to people – Group workforce mix and diversity	GRI 103-1; GRI 103-2	Full disclosure	53-62	
	GRI 102-8: Information on employees and other workers	Disclosure on sections (a), (c), (d) and (e)	54-56	
	GRI 102-41: Collective bargaining agreements	Full disclosure	58	
	GRI 401-1: New employee hires and employee turnover	Full disclosure	59-62	
	GRI 405-1 b): Diversity of governance bodies and employees	Full disclosure	57-59	
	GRI 406-1: Incidents of discrimination and corrective actions taken	Disclosure on section (a)	58	
Accountability to people – Professional development of human capital umano	GRI 103-1; GRI 103-2	Full disclosure	62-68	
	GRI 404-1: Average hours of training per year per employee	Full disclosure	62-67	It should be noted that the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia, insofar as such data was not available.
	GRI 404-3: Percentage of employees receiving regular performance and career development reviews	Full disclosure	67-68	

Chapter/ Reference paragraph	GRI-Referenced Topic-Specific Disclosure		Page	Boundary Omissions
Accountability to people – Workers' Health and Safety	GRI 103-1; GRI 103-2	Full disclosure	70-71	It should be noted that the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia, insofar as such data was not available.
	GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Disclosure on section (a) with reference to the number and types of injuries, lost days	70-71	
Social responsibility	GRI 103-1; GRI 103-2	Full disclosure	73-76	
	GRI 413-1: Operations with local community engagement, impact assessments, and development programs	Disclosure on operations with local community engagement and development programs	73-76	
Responsible supply chain management – Responsible supply chain management	GRI 103-1; GRI 103-2	Full disclosure	77-80	It should be noted that the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia, insofar as such data was not available.
	GRI 102-9: Supply chain	Full disclosure	77-80	
	GRI 204-1: Proportion of spending on local suppliers	Full disclosure	79-80	
Environmental responsibility – Resource management	GRI 103-1; GRI 103-2	Full disclosure	81-82	It should be noted that the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia, insofar as such data was not available.
	GRI 301-1: Materials used by weight or volume	Full disclosure	81-82	
	GRI 303-1: Interactions with water as a shared resource	Full disclosure	82	
Environmental responsibility – Consumption and emissions	GRI 103-1; GRI 103-2	Full disclosure	83-85	It should be noted that the scope of reporting does not include data relating to IOS Finance S.A.U. acquired and later merged into BFF Finance Iberia, insofar as such data was not available.
	GRI 302-1: Energy consumption within the organization	Full disclosure	83-85	
	GRI 305-1: Direct (Scope 1) GHG emissions	Disclosure on sections (a) and (g)	84	
	GRI 305-2: Energy indirect (Scope 2) GHG emissions	Disclosure on sections (a) and (b)	84-85	
	GRI 305-3: Other indirect (Scope 3) GHG emissions	Disclosure on sections (a) and (g)	85	

Independent Auditors' Report



BANCA FARMAFACTORING SPA

**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**

YEAR ENDED 31 DECEMBER 2019



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 2019, prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 25 February 2020 (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.

PricewaterhouseCoopers SpA

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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 Polska SA, BFF MEDFinance SA e 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 group 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 the following companies: Banca Farmafactoring SpA, BFF Polska SA, BFF MEDFinance SA 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 meetings and call conferences during which we discuss with 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 2019 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 and 31 December 2017, was not subjected to audit.

Milan, 12 March 2020

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 2019 translation.

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