

Organisation, Management and Control  
Model pursuant to art. 6 of Legislative  
Decree no. 231/2001

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## GENERAL SECTION

### DEFINITIONS

In this document, in the annexes and in the special sections, the following expressions have the meanings indicated below:

**“Activities posing a risk of criminal offences”**: the processes, transactions, actions or sets of transactions and actions that may expose the bank to the risk of criminal offences being committed.

**“Public Supervisory Authorities”**: Bank of Italy, Consob and other competent authorities.

**“Bank”**: Banca Farmafactoring S.p.A., parent company of the Group.

**“Branch”**: Banca Farmafactoring Sucursal en España, Banca Farmafactoring S.p.A Sucursal em Portugal and Banca Farmafactoring Spółka Akcyjna Oddział w Polsce. In accordance with art. 4, para. 1, point 17, of the Regulation (EU) 575/2013 (“CRR”), the term “branch” refers to a place of business that forms a legally dependant part of an institution and that carries out, directly, all or some of the transactions inherent in its business.

**“Board of Statutory Auditors”**: the Board of Statutory Auditors of the Bank.

**“Board of Directors”**: the board of directors of the Bank.

**“CCNL”**: the National Collective Labour Agreement applicable to employees; in this specific case, the National Collective Labour Agreement for the banking sector.

**“Code of Ethics”** or **“Code”**: the document adopted by the Board of Directors on 23 February 2004 and subsequently amended and updated (the last update dates back to 24 July 2014) in order to give the Group an ethical identity, explaining the values and conduct that must be observed at all times by all Recipients.

**“Legislative Decree no. 231/2001”** or **“Decree”**: Legislative Decree no. 231 of 8 June 2001, laying down the “Administrative liability of legal persons, companies and associations, including those without legal personality, in accordance with Article 11 of Law No. 300 dated 29 September 2000”, published in the Official Journal n. 140 of 19 June 2001, and subsequent modifications and integrations.

**“Legislative Decree no. 38/2017”**: Legislative Decree no. 38 of 15 March 2017 providing for the “Implementation of Council Framework Decision 2003/568/JHA of 22 July 2003 on fighting corruption in the private sector”.



**“Recipients”**: all those holding roles of representation, administration or management of the Bank or of one of its organisational units with financial and functional autonomy; all those who, de facto or otherwise, exercise the management and control of the Bank; all employees, without any exception; and the collaborators of the Bank (including its Branches) or of one of its organisational units with financial and functional autonomy; in all the countries in which it operates.

**“Department”**: a structure that reports hierarchically to the CEO.

**“Supervisory Provisions”**: the applicable provisions of the Bank of Italy, Consob and other public supervisory authorities.

**“Function”**: a staff structure that reports hierarchically to the Chief Executive Officer or to the Board of Directors.

**“Corporate Control Functions”**: collectively, the Compliance and AML, the Risk Management and the Internal Audit Functions, and other control structures, i.e. the set of corporate functions entrusted with control tasks under the law, articles of association, regulations or self-regulation rules.

**“Group”**: the Banca Farmafactoring SpA banking group.

**“Insider Information”**: pursuant to art. 7 of Regulation (EU) no. 596/2014, insider information is information of a precise nature, which has not been made public, relating, directly or indirectly, to the Bank or to one or more Financial Instruments and which, if made public, could have a significant effect on the prices of said Financial Instruments or of related derivative financial Instruments.

Information is “of a precise nature” when: (a) it indicates a set of circumstances which exists or may reasonably be expected to come into existence, or an event which has occurred or may reasonably be expected to do so, (b) if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or that event on the prices of Financial Instruments or of related derivative financial Instruments.

In the case of a protracted process intended to bring about a particular circumstance or to generate a particular event, said future circumstance or future event, as well as the intermediate steps of the process connected with bringing about the particular circumstance or generating the particular event, may be considered information of a precise nature.

“Information which, if made public, could have a significant effect on the prices, inter alia, of financial instruments or of related derivative financial Instruments” shall mean “information a reasonable investor would be likely to use as part of the basis of his investment decisions” (art. 7, para. 4, Reg. 596/2014).

For more information, see the “Internal procedure for the management and external communication of insider information”.



**“Law 167/2017”**: Law No. 167 of 20 November 2017 containing “Provisions for fulfilment of obligations deriving from Italy’s membership of the European Union” (published in issue No. 277 of the OJ of 27 November 2017 and entered into force on 12 December 2017), which introduced Art. 25-terdecies of Legislative Decree No. 231 of 2001 related to the offence of racism and xenophobia referred to in Art. 3, paragraph 3-bis of Law No. 654 of 13 October 1975.

**“Law 179/2017”**: Law No. 179 of 30 November 2017 on “Provisions for protecting the authors of reports of offences or irregularities they become aware of in a public or private employment contract” (published in issue No. 291 of the OJ of 14 December 2017 and entered into force on 29 December 2017), whose Art. 2 introduces in Art. 6 of Legislative Decree 231 of 2001 “Persons in senior position and the company's organisation models”, paragraphs 2-bis, 2-ter and 2-quater, related to protecting the employee who reports illegal activities noticed while carrying out his duties (so-called Whistleblowing).

**“Guidelines”**: the guidelines for drawing up organisation, management and control models under Legislative Decree no. 231/2001, published by the trade associations (ASSIFACT, ABI and CONFINDUSTRIA) and taken into account when drawing up and adopting the Model.

**“Matrix of activities posing a risk of criminal offences”**: mapping of activities posing a risk of criminal offences.

**“Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001”** or **“Model”**: the organisation, management and control model considered suitable, by the Governing Bodies, to prevent offences and therefore adopted by the Bank, pursuant to articles 6 and 7 of the Decree, in order to prevent the commission of offences by the Recipients, as described in this document and in the special sections.

**“Governing Bodies”**: the Board of Directors and/or the Board of Statutory Auditors of the Bank, depending on the context.

**“Supervisory Board”** or **“SB”**: a body with independent powers of initiative and control set up by the Bank pursuant to art. 6 of the Decree, and having the task of supervising the functioning, observance and updating of the Model.

**“Staff”**: the parties referred to in article 5, paragraph 1(b) of the Decree, namely all the members of staff who work under the direction or supervision of the Senior Staff.

**“Senior Staff”**: the parties referred to in article 5, paragraph 1(a) of the Decree, namely the parties holding roles of representation, administration or management of the Bank or of one of its organisational units with financial and functional autonomy, or who, de facto or otherwise, exercise its management and control.

**“Procedure”** or **“Procedures”** the internal organizational procedures introduced by the Bank to implement the Model required by law.



**“Whistleblowing Procedure”**: the Bank’s procedure PG 0401 on “Whistleblowing”

**“Protocols”**: the set of principles of conduct and control safeguards contained in specific documents drawn up pursuant to art. 6, paragraph 2, of the Decree.

**“Offences” or “offence”**: the set of offences or an individual offence referred to in the Decree and in point 2 below, forming the basis for the entities’ administrative liability.

**“Regulation (EU) no. 596/2014” or “MAR”**: “Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC”.

**“Supervisory Board”**: the recipient of whistleblowing reports indicated in paragraph 5.2.1 of the Model.

**“Disciplinary System”**: the set of penalties applicable in case of breach of the procedural and behavioural rules prescribed by the Model.

**“Subsidiary Companies”**: BFF Finance Iberia S.A., BFF Polska S.A. and the companies controlled by same, i.e. BFF Medfinance S.A., BFF Central Europe s.r.o. and BFF Czech Republic s.r.o..

**“Financial Instruments”**: the financial instruments referred to in article 4 paragraph 1(15) of Directive 2014/65/EU as well as in article 1, paragraph 2, of the Consolidated Law on Finance, issued by the Bank, which:

- i) are admitted or pending admission for trading on regulated markets;
- ii) are traded on a multilateral trading facility (“MTF”) or admitted or pending admission for trading on an MTF;
- iii) are traded on an organised trading facility (“OTF”);
- iv) although not covered by points (i), (ii) and (iii) above, have a price or value that depends on or affects the price or value of a financial instrument covered by the above points, such as, for example, credit default swaps and financial contracts for differences.

For more information, see the “Internal procedure for the management and external communication of insider information”.

**“Corporate Structures”**: the set of corporate structures at Group level, such as, for example the Departments, Functions, Organisational Units and Offices, as detailed in the “Bank's Corporate Structure Regulations”.

**“Consolidated Banking Law” or “T.U.B.”**: Legislative Decree no. 385 of 1 September 1993, as amended. **“Consolidated Law on Finance” or “T.U.F.”**: Legislative Decree no. 58 of 24 February 1998, as amended.



**BFF** BANKING  
GROUP

**“Organisational Unit”** or **“O.U.”**: a structure that depends on a Department or Function and that can in turn be constituted by multiple Organisational Units or Offices (structure dependant on a Department or Organisational Unit and characterised by specific areas of territorial jurisdiction) or Areas (this is not a corporate structure in the strict sense, but a subset of duties carried out within the framework of an Organisational Unit).



## 1. INTRODUCTION

This document, drawn up with the help and supervision of the Supervisory Body, describes the organisation, management and control model adopted by the Bank pursuant to art. 6 of the Decree, which, in partial implementation of enabling law no. 300 of 29 September 2000, governs the administrative liability of legal persons, companies and associations, including those without legal personality (entities).

In this framework, companies can be held liable, and therefore punishable, for certain offences committed by Senior Staff or Staff members in the interest or to the advantage of said company.

This is a criminal-administrative liability, since, while involving administrative penalties, it stems from an offence and may only be punished under criminal law.

Companies, however, can adopt organisational, management and control models such as to prevent the commission of crimes.

The Bank is fully aware, also at Group level, of the need to ensure conditions of lawfulness, correctness and transparency in conducting its business and corporate activities. Therefore, in order to protect its position and image, the expectations of its shareholders and the work of its employees, it has decided - in compliance with business practice - to adopt a Model, the first version of which was approved by the Board of Directors on 23 February 2004. The Bank has also appointed a specific Supervisory Body, independent of the corporate governing bodies and vested with independent powers, having the task of supervising the functioning, observance and updating of the Model.

This initiative, together with the adoption of the Group Code of Ethics, was pursued in the conviction that adopting the Model - over and beyond the requirements of the Decree, for which the adoption of an organisation and management model is not compulsory - is a valid means of raising the awareness of all Recipients and ensuring that, in carrying out their activities, they operate with integrity and transparency, so as to prevent the risk of committing offences. The Model has been drawn up by the Bank in compliance with the requirements of Legislative Decree no. 231/2001, but also with those of the Guidelines issued by ASSIFACT, ABI and CONFINDUSTRIA (as subsequently amended), in accordance with industry best practice.

This version of the Model, approved by the Board of Directors on 31 May 2018, transposes, inter alia:

- i) changes to the organisational structure of the Bank;
- ii) the modifications made due to entry into force of Law 179 of 2017, concerning protection of the employee who reports illegal activities noticed while carrying out his duties (so-called Whistleblowing);
- iii) extension of the offences, with the introduction of the offence of xenophobia and racism (Law 167/2017 and Art. 25-terdecies Legislative Decree no. 231/2001)

## 2. REGULATORY FRAMEWORK OF REFERENCE



As already anticipated, Legislative Decree no. 231/2001 introduces the liability of companies in relation to certain offences, specifically indicated therein, that are either committed or attempted in the interest and/or to the advantage of the company by:

- Natural persons in “senior” positions holding roles of representation, administration or management of an institute or of one of its organisational units with financial and functional independence, as well as by persons who, de facto or otherwise, exercise the management and control of said institute;
- Persons subject to the direction or supervision of a person in a “senior” position.

Therefore, the Bank is only liable in the case of Recipients committing one or more offences and the unlawful conduct being committed for the benefit or in the interest of the Bank itself.

From this it follows that the institute cannot be held liable if the natural person who committed the offence acted in his own exclusive interest or in that of third parties.

Moreover, the institute cannot be held liable if it is not culpable of “organisational liability”, as better explained in section 2.4 below.

In relation to attributable offences, the institute can be held administratively liable if there is evidence that the criminal conduct was made possible by failure on the part of senior staff to comply with obligations of direction or supervision. As in the case of crimes committed by senior staff, the institute is not held liable if, before the offence was committed, a suitable Model was adopted with a view to preventing the commission of offences, as better explained in section 2.4.

## **2.1. Offences**

The offences giving rise to the institute’s administrative liability are those expressly and compulsorily retrieved from Legislative Decree no. 231/2001.

## **2.2 Regulations governing offences committed abroad**

According to art. 4 of the Decree, the institute may be called upon to answer in Italy for offences committed abroad. The Illustrative Report on Legislative Decree 231/2001 stresses the need to avoid leaving unpunished a criminal situation which occurs frequently, also to

avoid easy evasion of the entire legislation in question.

The grounds (envisaged by the regulation or that may be inferred overall from Legislative Decree 231/2001) on which the institute’s responsibility for offences committed abroad is founded are as follows:

- i) The offence must be committed abroad by a subject who is functionally linked to the institute, pursuant to art 5, paragraph 1, of the Decree;
- ii) The institute shall have its headquarters, i.e. the actual offices where administration and direction is carried out (i.e. not necessarily those where the company or its registered office is located) in the territory of the Italian State;
- iii) The company can answer only in the cases and under the conditions contemplated by articles 7, 8, 9, 10 of the Italian Criminal Code (in cases where the law



contemplates that the guilty party - a natural person - must be punished at the request of the Minister of Justice, action is taken against the institute only if the Ministry also requests action to be taken against said institute).

- iv) If the cases and conditions provided for in the aforementioned articles of the Criminal Code exist, the institute is liable, unless it is prosecuted in the country where the offence was committed.

### **2.3. The penalties imposed by the Decree**

The following penalties are applied to institutes under Legislative Decree no. 231/2001 as a consequence of administrative liability arising from offences committed by same:

- fines;
- penalties of a prohibitory nature;
- confiscation;
- publication of judgement.

In particular, the penalties of a prohibitory nature - which can only be imposed where expressly provided for, also as a precautionary measure - are the following:

- Disqualification from conducting business;
- Suspension or revocation of authorisations, licences or concessions relating to the offence committed;
- Exclusion from contracts with public administrations;
- Exclusion from entitlement to public concessions, grants, contributions or subsidies and/or revocation of those granted;
- Prohibition on advertising goods or services;

The Decree also stipulates that, pursuant to article 15 of the Decree, instead of applying penalties of a prohibitory nature resulting in disqualification from conducting business, the judge can appoint a commissioner to conduct business for a period of time equal to the duration of the prohibitory penalty that would have been applied.

### **2.4. The hypothesis of exemption from liability**

If the offence is committed by senior staff, art. 6 of the Decree - in addition to introducing the aforementioned administrative liability provisions - also prescribes a specific form of exemption from liability whenever the institute can demonstrate that:

- i) before the offence was committed, the Board of Directors of the institute had adopted and effectively implemented appropriate organisation and management models designed to prevent the crimes considered;
- ii) the task of supervising the functioning, observance and updating of the Model was entrusted to a corporate body with independent powers of initiative and control;
- iii) the persons who committed the offences fraudulently eluded the aforementioned organisation and management models;
- iv) supervision by the body referred to in point ii) was neither omitted nor insufficient.



The Decree also prescribes that the models referred to in point (i) should meet the following requirements:

- i) Identify the activities within which context offences may be committed;
- ii) Devise specific protocols aimed at scheduling training and implementing the institute's decisions in relation to offences to be prevented;
- iii) Identify ways of managing financial resources such as to prevent the commission of such offences;
- iv) Introduce information obligations concerning the body appointed to oversee the functioning and compliance of the Model;
- v) Introduce an internal disciplinary system such as to punish non-compliance with the provisions of the Model.

For offences committed by staff, art. 7 of the Decree states that the institute is not held administratively liable if, before the offence was committed, a suitable organisation, management and control model was adopted with a view to preventing the commission of offences such as the ones committed. Based on the nature, extent and organisation of the activities carried out, said model must include appropriate measures to ensure the legal performance of said activities and to identify and remove any risky situations.

Art. 7, paragraph 4, of the Decree stipulates that the effective implementation of the models (pursuant to paragraph 2 of said article) requires:

- i) periodical verification of the Model and its amendment when significant violations of its regulations are discovered or when organisational and business changes occur;
- ii) an appropriate disciplinary system which punishes failure to comply with the regulations of the model.

### **3. THE BANK'S ORGANISATION, MANAGEMENT AND CONTROL MODEL**

The Bank is one of the leading Italian credit factoring institutes operating, in particular, in the Italian Public Administration and National Health Service, in Croatia, in Greece and in France, in the legal framework for the free provision of services in Portugal through the Portuguese Branch, in Spain, through the subsidiary BFF Finance Iberia S.A. and in Poland, the Czech Republic and Slovakia through the subsidiary BFF Polska S.A. and the companies controlled by same. The Bank operates, through the Branch, in the retail and corporate collection of funds, via Time Deposit Accounts in Italy, Spain, Ireland, Holland and Germany, through the Spanish Branch and in Poland through the Polish Branch.

The Bank is entered in the Register of Banks and in the Register of Banking Groups, and, as provided for by Article 4 of the Articles of association, its "purpose is the collection of savings and the provision of credit in its various forms, in Italy and abroad. The Bank may perform all financial, brokerage and investment transactions and services permitted by law, including funding and other transactions governed by special rules, as well as any other transaction instrumental to or connected with the achievement of the Bank's corporate purpose.



The Bank's purpose also includes: the organised and coordinated management of transactions aimed at facilitating the factoring, administration and collection of receivables from the National Health Service, providers of medical services, or the Public Administration; the "no recourse" and "with-recourse" purchase and sale of such credits, in any form and condition; undertaking the risk of non-payment, and the provision of guarantees of any kind; undertaking and granting to third parties of mandates for the collection of receivables. These activities will be carried out at the national and European level".

The Bank fully controls:

- BFF Finance Iberia S.A., Sociedad Unipersonal, a company founded in 2010 to develop the core business of Banca Farmafactoring S.p.A. ("BFF ES"),
- BFF Polska S.A. acquired in 2016, and operating in Poland, Slovakia and the Czech Republic ("BFF PL") and companies it controls, i.e. BFF Medfinance S.A., BFF Central Europe s.r.o. and BFF Czech Republic s.r.o..

Since 7 April 2017, the Bank's shares have been traded on the Main Market ("MTA") organised and managed by Borsa Italiana S.p.A. (the Italian Stock Exchange).

In its capacity as parent company and in exercising its direction and coordination activities, the Bank issues the Group companies with regulations pursuant to the T.U.B., also in accordance with the Supervisory Provisions and in the interest of the Group's stability.

### **3.1. Purposes of the Model**

Adopting a model specifically calibrated on the risks to which the Bank is exposed and aimed, through the establishment of rules of conduct, at preventing the commission of certain offences, is a measure of diligence defined by the legislator and represents - in consideration of its preventive function - the first and foremost safeguard of the institute's risk control system.

However, the simple adoption of the Model by the Board of Directors is not a sufficient means of ensuring the Bank's exemption from the administrative liability arising from crimes, as to this end it is imperative that the Model be efficient and effective.

In this regard, this Model aims to:

- identify potential risks, i.e. in what sectors or business areas and in what manner events may arise that are detrimental to the objectives indicated in the Decree;
- define a set of rules and procedures aimed at preventing, as far as is reasonably possible, the commission of offences;
- prohibit behaviours that may result in the commission of one or more types of offences;
- inform all Recipients, as defined in the general section of the Model, of the consequences that may arise from non-compliance with said rules and procedures and, in particular, raise awareness on the fact that violation of the Decree, of the provisions of the Model and of the principles of the Group Code of



Ethics may result in the application of disciplinary measures, not just to the offender but also to the Bank;

- prevent and/or promptly hinder the commission of offences, also through the continuous monitoring and correct implementation of the internal control system.

The Model, therefore, intends to raise awareness among all Recipients on the need to comply with legal

standards and with the Bank's regulations, as contained in said Model and in the Code of Ethics, and to observe the corporate rules and procedures, behaving at all times in accordance with the principles of integrity and transparency.

In this context, the Model, the Group Code of Ethics and the corporate rules and procedures form a comprehensive set of values, principles and internal rules aimed at creating an ethical Group identity, also through the dissemination of the values of honesty and lawfulness.

### **3.2. Criteria and reference elements of the Model**

The Bank has drawn up the Model in compliance with the provisions of art. 6 of the Decree. For the purposes of drafting same, the Bank first identified - on the basis of in force powers and authorisations - the Recipients of the model, the corporate processes "sensitive" to the commission of the offences referred to in the Decree, and the business areas within which said crimes might be committed.

In particular, the following tasks were carried out:

- Preliminary identification of the offences relevant to the Bank's context and, at the same time, of the organisational units which, in view of their tasks and responsibilities, could potentially be involved in the "activities posing a risk of criminal offences";
- Identification, for each organisational unit, of the possible ways of committing offences. This led to the creation of the "Matrix of activities posing a risk of criminal offences";
- Identification of control safeguards such as to mitigate the risk of the commission of offences and to formalise summary Protocols for each area at risk, the relating principles of conduct, and the control instruments already adopted by the Bank in order to prevent the offences, assessing any necessary adjustments;
- Definition of the Group Code of Ethics;
- Definition of the Disciplinary System;
- Establishment of a Supervisory Board, allocating specific tasks for supervising the effective implementation, application and updating of the Model;
- Implementation of awareness-raising and training activities on the contents of the Model.

In view of the activities currently carried out and of the consequent potential risk profiles, as emerged from an analysis of the institute's business activities, the Bank does not consider the following offences relevant to its context:



- Offences against the public faith and counterfeiting currency (art. 25-bis of the Decree);
- Crimes against industry and commerce (art. 25-bis.1 of the Decree);
- Practice of female genital mutilation art.25-quater.1 of the Decree);
- Offences against the individual (art. 25-quinquies of the Decree).

In any case, such offences are regulated by the behavioural rules contained in the General Section of the Model, in the Code of Ethics and in the Bank's system of internal controls.

### **3.3. Structure of the Model**

The Model consists of the following parts:

- This General Section, which includes a brief description of the contents of the Decree, the characteristics and essential elements of the Model, the role and powers of the Supervisory Body, the information flows and communications from/to the Supervisory Body, the disciplinary system against violations of the provisions of the Model, and reporting and staff training obligations under the Model.
- The Special Sections, which include:
  - Special Section I - Matrix of activities posing a risk of Criminal Offences, the aim of which is to identify, pursuant to the Decree, the offences that could potentially be committed in carrying out the Bank's business;
  - Special Section II - Protocols, which set out the reporting activities, controls and mechanisms such as to ensure compliance of the Bank's organisational and control systems with the provisions of the Decree. In particular, the Bank's internal control system, as set forth in the individual Protocols, is based on the following principles:
    - Ability to document decision-making and operational processes;
    - Authorisation levels and system of proxies and powers;
    - Segregation of duties;
    - Document traceability;
    - Existence of monitoring and control activities.
  - Special Section III - Information flows to the Supervisory Body, which governs information flows from the Corporate Structures to the Supervisory Board upon the occurrence of certain events. The document also identifies the roles responsible for sending information, and the frequency of such information.

### **3.4. Sensitive activities**

#### **3.4.1 Sensitive activities in relation to offences against the Public Administration (arts. 24 "Misappropriation of payments, fraud against the State or a public body or to obtain**



**public funds, and computer fraud against the state or a public body” and 25 “Bribery, undue influence to offer or promise benefits, and corruption” of the Decree)**

The activities considered sensitive to offences against the Public Administration, as emerged from an assessment of the institute’s business and as represented in the aforementioned “Matrix of Activities posing a risk of Criminal Offences”, are:

- Relations with representatives of Financial Administrations, Public Bodies, Public Supervisory Authorities, Social Security and Assistance Institutions (the Italian Data Protection Authority, Bank of Italy, Consob, INAIL, INPS, etc.);
- Relations with representatives of the Public Administration;
- Relations with Public Supervisory Authorities;
- Legal representation of the Bank;
- Representation in legal proceedings;
- Assigning tasks of trust;
- Granting and managing assignments to third party professionals;
- Invoicing of accounts receivable;
- Credit and collection management;
- External network management;
- Maintenance of the IT system;
- Personnel selection and recruitment;
- Application for and use of public funds;
- Managing incoming invoices;
- Managing payments and suppliers;
- Donation provisions with social, moral, scientific and cultural purposes;
- Management of sales contracts with local public administrations;
- Structuring agreements/transactions with the Public Administration;
- Structured finance transactions (e.g. transfer of assets);
- Managing contracts with external suppliers of IT products/services;
- Relations with the Bank of Italy with regard to the Governing Bodies;
- Managing litigation to which the Bank is a party (e.g. labour disputes);
- Relations with the authorities set forth in Legislative Decree no. 231/2007 (e.g. reports to the Financial Intelligence Unit, communications addressed to the Ministry of Economy and Finance concerning limitations to the use of cash, etc.);
- Management of corporate gifts and other donations received from or offered to third parties.

**3.4.2 Sensitive activities in relation to corporate offences, also with specific reference to the Offence of corruption between private parties and incitement to corruption among private parties (art. 25-ter “Corporate offences” of the Decree)**



The activities considered sensitive to corporate offences, as emerged from an assessment of the institute's business and as represented in the aforementioned "Matrix of Activities posing a risk of criminal offences", involve:

- Relations with entities to whom the law confers control activities;
- Drawing up of financial statements;
- Presentation of the financial statements to the Governing Bodies and drawing up of the relevant Explanatory Report;
- Approval of draft financial statements;
- Shareholders' meetings;
- Resolutions on corporate transactions;
- Supervisory reporting;
- Relations with the Bank of Italy with regard to the Governing Bodies and, in general, with Public Supervisory Authorities;
- Relations with the Public Supervisory Authorities;
- Relations with representatives of Financial Administrations, Ministries and Public Bodies in general, etc.;
- Revision of the ICAAP process;
- Approval of the ICAAP report;
- Passage from doubtful to non-performing debts;
- Management of mandatory accounting books (General Journal, Inventory Book, VAT register, etc.);
- Management of high profile relations with potential private clients, with investors and with financial analysts;
- Customer investigations and contract finalisation;
- Relations with private counterparties (e.g. rating agencies, foreign funds, etc.), with specific reference to potential corruption between private parties or incitement to corruption among private parties;
- Managing meetings with Governing Bodies;
- Relations with the authorities set forth in Legislative Decree no. 231/2007;
- Management of corporate gifts and other benefits received from or offered to third parties.

### 3.4.3 Other sensitive activities

Below are further sensitive activities pursuant to the Decree:

- In relation to the offences referred to in Article 24-bis ("Computer crimes and illicit data processing"), sensitive activities involve:
  - Use of tools and equipment;
  - Maintenance of the IT system;
  - Use of certified email in the context of financial investigations;
- In relation to the offences referred to in Article 24-ter ("Organised crime"), also included in the list of transnational offences, sensitive activities involve:
  - Relations with representatives of Financial Administrations, Public Bodies, Public Supervisory Authorities, Social Security and Assistance Institutions;



- Management of sales contracts with local public administrations (regional, provincial, municipal authorities);
- Relations with the Public Supervisory Authorities;
- Management of high profile relations with potential private clients and authorisation activities as part of customer investigations;
- Customer investigations and contract finalisation;
- Reporting suspicious transactions;
- Donation provisions with social, moral, scientific and cultural purposes;
- Granting and managing assignments to third party professionals;
- Managing contracts with external suppliers of IT products/services;
- Managing incoming invoices;
- Relations with the Bank of Italy with regard to the Governing Bodies;
- Adequate customer verification;
- Invoicing of accounts receivable;
- Credit and collection management;
- External network management;
- Structuring agreements/transactions with the Public Administration;
- Bank transfers to assignors;
- Application for and use of funds;
- Managing litigation to which the Bank is a party (labour disputes);
- Structured finance transactions (e.g. transfer of assets);
- Managing compliance with anti-money-laundering policies and procedures;
- Relations with the authorities set forth in Legislative Decree no. 231/2007;
- Relations with private counterparties (e.g. rating agencies, foreign funds, etc.);
- Management of corporate gifts and other donations received from or offered to third parties;
- In relation to the offences referred to in Article 25-quarter (“Crimes with the intent to terrorise and subvert the democratic order”), sensitive activities involve:
  - Customer investigations and contract finalisation;
  - Adequate customer verification;
  - Managing contracts with external suppliers of IT products/services;
  - Donation provisions with social, moral, scientific and cultural purposes;
  - Reporting suspicious transactions;
  - Managing compliance with anti-money-laundering policies and procedures;
- In relation to the offences referred to in Article 25-sexies (“Market abuse”) sensitive activities involve:
  - with reference to the abuse of insider information:
    - i) Managing external communications and information;
    - ii) Managing insider information;
    - iii) Managing extraordinary transactions and those involving the purchase/sale of Financial Instruments;
    - iv) Sale, purchase or other transactions involving Financial Instruments issued by the Bank;



- v) Communication of insider information to parties outside the business;
- vi) Recommendation or inducement by other parties to buy, sell or perform other transactions involving Financial Instruments issued by the Bank;
- with reference to market manipulation:
  - i) Implementation of market transactions that:
    - a) “are disclosed to the public, also by online or electronic means”;
    - b) involve the purchase or sale of Financial Instruments or derivative contracts;
    - c) could result in a “placement made as part of a public offering”;
  - ii) Dissemination of market information (not necessarily involving transactions) by means of communications, also via the Internet, or by any other means;
- In relation to the offences referred to in Article 25-septies (“Wrongful death and severe and debilitating wrongful injury committed in violation of rules on accident prevention and health and safety at work”), sensitive activities involve the correct implementation of legally required safeguards in the field of health and safety at work;
- In relation to the offences referred to in Article 25-octies (“Crimes relating to the receipt of stolen goods, the laundering and use of money, assets or profits of unlawful origin, and self-laundering”), sensitive activities involve:
  - Customer investigations and contract finalisation;
  - Adequate customer verification;
  - Managing contracts with external suppliers of IT products/services;
  - Bank transfers to assignors;
  - Reporting suspicious transactions;
  - Managing obligations for the purposes anti-money laundering;
  - Managing compliance with anti-money-laundering policies and procedures;
- In relation to the offences referred to in Article 25-novies (“Copyright violation crimes”), sensitive activities involve:
  - Download, installation and use of software;
  - Organisation of representation events and activities;
  - Managing licenses relating to programs, applications and software used;
- In relation to the offences referred to in Article 25-decies (“Inducement not to make statements or to make false statements to the Judicial Authorities”), also included in the list of transnational offences, sensitive activities involve:
  - Legal representation of the Bank/Representation in legal proceedings;
  - Managing prosecutions;
  - Managing litigation to which the Bank is a party (e.g. labour disputes);
- In relation to Transnational crimes (Law no. 146/2006)<sup>1</sup>, sensitive activities involve:

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<sup>1</sup> The definition of “transnational crimes” is set forth in art. 3 of Law no. 146/2006, “Ratification and implementation of the Convention and Protocols of the United Nations against transnational organised crime, adopted by the General Assembly on 15 November 2000 and 31 May 2001”, where said crimes are described as “an offence punishable by a maximum deprivation of liberty of at least four years if an organised criminal group is involved”, with the further proviso that at least one of the following apply:



- Legal representation of the Bank/Representation in legal proceedings;
- Managing prosecutions;
- Customer investigations and contract finalisation;
- In relation to the offences referred to in Article 25-undecies (“Environmental crimes”), sensitive activities involve:
  - Managing the disposal of special waste (construction and plants waste, electronic equipment, removable media);
  - Managing the disposal of hazardous waste (toner cartridges, nickel-cadmium, lithium, batteries, etc.);
  - Environmental disasters;
  - Environmental pollution;
- In relation to the offences referred to in Article 25-duodecies (“Employment of illegally staying third-country nationals”), sensitive activities, included merely for prudential purposes, involve:
  - Recruitment and management of non-EU staff with reference to the following activities:
    - i) Request and verification of residence permits;
    - ii) Monitoring and renewal of residence permits;
    - iii) Verification of age limits;
    - iv) Verification of working conditions.
  - in relation to the Offences referred to in Art. 25-terdecies (“Racism and xenophobia”), sensitive activities, added only as a precaution, are connected to the following tasks:
    - Handling payments and suppliers;
    - Customer investigation and contract finalisation;
    - Relations with counterparties in the private sector e.g. rating agencies, foreign funds, etc.;
    - Adequate check on customers;
    - Handling anti money-laundering functions;
    - Reporting suspicious transactions;
    - Personnel selection and hiring;
    - Granting assignments based on trust;

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a) the offence is committed in more than one State, or b) the offence is committed in a Member State, but a substantial part of its preparation, planning, direction or control takes place in another State, or c) the offence is committed in one State but involves an organised criminal group that engages in criminal activities in more than one State, or d) the offence is committed in one State but has substantial effects in another State.

The transnational crimes in relation to which art. 10 of the aforementioned Law no. 146/2006 provides the administrative liability of entities - in addition to the organised crimes referred to in Articles 416 (“Criminal association”) and 416-bis (“Mafia style criminal association”) of the Italian Criminal Code and the offences concerning “obstruction of justice” referred to in Articles 377-bis (“Inducement not to make statements or to make false statements to the Judicial Authorities) and 378 (“Aiding and abetting”) of the Italian Criminal Code - are: the organised crimes referred to in art. 291-quater of Italian Presidential Decree no. 43 of 23 January 1973 (“Criminal association aimed at smuggling foreign tobacco products”) and art. 74 of Italian Presidential Decree no. 309 of 9 October 1990 (“Criminal association aimed at the illegal trafficking of narcotic drugs or psychotropic substances”), as well as the offences concerning the “smuggling of migrants” referred to in art. 12, paragraphs 3, 3-bis, 3-ter and 5, of Legislative Decree no. 286 of 25 July 1998.



- Granting and handling assignments given to third-party professionals;
- Organisation of events and representation activities;
- Donation provisions with social, moral, scientific and cultural purposes;
- Management of corporate gifts and other benefits received from or offered to or by third parties.

### **3.5. Adopting and updating the Model**

The Board of Directors adopts the Model and updates same, with the support of the Supervisory Board, by introducing any additions and amendments required to ensure its adequacy, also as a result of changes in the Group's business activity. In particular, the Supervisory Body monitors and identifies those events, whether internal or external, that result in the need to update the Model. The Board of Directors resolves whether or not to approve the changes and/or additions to the Model.

In its capacity as parent company and in exercising its direction and coordination activities, the Bank informs the Branches and the subsidiaries that the Model has been adopted, specifying criteria and directives of a general nature which said companies will be called upon to follow in relation to the adoption of its safeguards, in order to guarantee a homogeneous adoption of same. This does not prejudice the independent responsibility of each individual company to adopt and effectively carry out their own safeguards, in compliance with their respective activities and in accordance with local laws.

Moreover, in its capacity as parent company, the Bank also promotes the principles of integrity and transparency in dealings with other Group companies. In this regard, direction and coordination take place by means of the Bank issuing provisions - in the interest of the Group and to execute any instructions issued by the Bank of Italy - which the subsidiaries shall follow.

## **4. CODE OF ETHICS OF THE BANCA FARMAFACTURING BANKING GROUP**

The Code of Ethics - the most important document with regard to the Group's ethics - lays down the founding values and ethical rules that the Group adopts and that it expects to be followed by all the stakeholders identified as Recipients of said Code.

While acting independently, the Group Code of Ethics also sets forth the ethical and behavioural principles required to prevent the unlawful behaviour referred to in the Decree, and therefore is also considered important for and complementary to the Model. The Bank undertakes to disseminate said behavioural rules at Group level, in order to ensure that its business is carried out in accordance with the ethical principles set forth in the Code.

The Group companies are forwarded a copy of the Group Code of Ethics adopted by the Bank so that they can adopt it in their turn, integrating it, if necessary, with the values and principles expressly related to their business scope and to their actual risk of exposure to the offences covered by Decree.



## 5. SUPERVISORY BOARD

### 5.1. Supervisory Board of Banca Farmafactoring S.p.A.

The Supervisory Board, pursuant to art. 6, paragraph 1b) of the Decree, supervises the functioning, observance and updating of the Model. The Supervisory Board exercises its functions by virtue of “independent powers of initiative and control” in agreement with the provisions of the Decree.

Therefore, the Supervisory Board is guaranteed the necessary independence, by virtue of its organisational placement in the organisational chart, which requires that it reports directly to the Bank’s Board of Directors.

In order to assist the definition and execution of its activities and allow maximum compliance with the requirements and duties under the law, the Supervisory Board may avail of the support of the Organisational Units and of any third parties it selects, having specific competences on the areas subject to analysis/verification.

Composition of the Supervisory Board

According to the regulations and the legislation, the Supervisory Board must be characterised by:

- Hierarchical independence from the parties under investigation;
- Independence of judgement and interests;
- Professionalism;
- Continuity of action;
- Independent powers of expenditure.

For the purposes of constituting, appointing members and assessing the operations of the Supervisory Body, the Bank’s Board of Directors assesses the existence of the following elements:

- Autonomy and independence of the Supervisory Body, understood as:
  - possession of independent powers of initiative and control;
  - the absence of operational tasks;
  - reporting directly to the Board of Directors;
  - possession on the part of every member of the Supervisory Board (as self-certified) of requirements that guarantee:
    - a) good repute: absence of causes of ineligibility and revocation that prevent the appointment, or remaining in office, of parties convicted by a judgement that has the force of *res judicata* (or plea deal) for the offences covered by the Decree or related thereto, or for administrative offences which may result in the possible administrative liability of the Bank, or of parties who, although not criminally guilty, may not be in a position of sufficient independence to be a member of the Supervisory Board;
    - b) absence of conflicts of interest;
    - c) absence of relationships of kinship with the governing bodies;
- professionalism of the Supervisory Body, understood as:



- possession of appropriate expertise;
- possession of special instruments and techniques in order to be able to conduct business activities, also availing of internal and/or external specialist collaborations;
- possession by individual members of the Supervisory Board of:
  - a) auditing and consulting competences;
  - b) knowledge of specific techniques such as to ensure the effectiveness of the powers of control and of initiative entrusted by the Decree to the Supervisory Board;
- Continuity of action of the Supervisory Body, it being dedicated exclusively to ensuring the effective and constant implementation of the Model and to supervising its compliance, and having adequate knowledge of the fields of operation of the Bank and the Group.

The Board of Directors ensures the autonomy and independence of the Supervisory Body as a collegial group, by:

- observing the appointment criteria outlined above;
- approving its annual expenditure budget;
- providing it with suitable instruments to be able to carry out its activities, also with the assistance of the Bank's Corporate Structures or of external consultants;
- granting access to all areas of the Bank - without the need for prior consent - in order to obtain any information or data deemed necessary for carrying out the tasks provided for by the Decree;
- prohibiting other corporate bodies or structures from criticising the activities carried out by the Supervisory Board, without prejudice to the Board of Directors' obligation to supervise the adequacy of the Supervisory Board's work (it being ultimately responsible for the operation - and effectiveness - of the Model).

Having regard to these requirements, the Board of Directors considers it consistent with the aforementioned indications to appoint a collegial Supervisory Board made up of three members, including two appointed from outside of the Company.

In order to allow the Supervisory Board to conduct meaningful control activities on the implementation of the Model and on its effectiveness and operation, and to respond to the need to keep said Model constantly updated, it is essential that the Supervisory Board be in a position to liaise with all areas of the Bank with ease.

To this end, the Board of Directors appoints the Heads of the various Departments/Functions/Organisational Units having the operational responsibility of the areas currently identified as at risk of the commission of the offences referred to in the Decree.

The Bank's Departments, Functions and Operating Units at risk of the commission of offences are:

- Finance and Administration Department;
- Factoring Department;
- International Markets Department;
- Deposit Account OU and the related Spanish Branch and Polish Branch;



- I.C.T O.U., Regulations and Processes OU, Project OU and General Services OU in the Operations Department OU;
- Personnel and Organisational Development OU;
- Internal Audit Function;
- Corporate Affairs Function, General Counsel Function, Executive Secretariat Function;
- Chief of Staff Function;
- Risk Management Function;
- Compliance and AML Function;
- Investor Relations, Strategy, M&A Function;
- Institutional Relations and Communications Function.

Moreover, the Director in charge of drafting the corporate accounting documents referred to in art. 154-bis of the T.U.F., has also been identified as a party exposed to the risk of crime.

Appointing the Heads of Departments/Functions/Organisational Units acts as a guarantee of a more concrete and hence effective implementation of the Model, as they constitute an operational and informational link between the Supervisory Board and the individual Departments, Functions and Organisational Units within which risk profiles have been identified.

The presence of the Heads of Departments/Functions/Organisational Units effectively achieves the obligation to implement the Model effectively, as they are in the best position to support the Supervisory Board in fulfilling its supervisory obligations, given that no one better than they understands the concrete operation and functioning of the activities at risk under their control.

#### **Appointment, term in office, revocation**

The Supervisory Board is appointed by the Board of Directors, which informs the selected members and collects their formal acceptance; the term in office of the members of the Supervisory Board is the same as that of the Board of Directors which appointed them. The Board of Directors shall exclusively be responsible for replacing members of the Supervisory Board in the event of their resignation, supervening incapacity, death or revocation, or in the event of disqualification of said Supervisory Body.

Members of the Supervisory Board may resign from the Board, informing the Chairman of the Supervisory Board and the Chairman of the Board of Directors in writing. In this case, the Board of Directors shall appoint new members, checking compliance with the aforementioned requirements.

#### **Duties and tasks of the Supervisory Board**

The Supervisory Board, which operates in agreement with the Board of Statutory Auditors and with the Corporate Control Functions in accordance with the provisions of art. 6, paragraph 1b) of the Decree, is entrusted with the task of supervising:



- the effective implementation of the Model on the part of the Recipients, and, within the limits provided for therein, on the part of all the collaborators and all the commercial and financial partners of the Bank;
- the real effectiveness and adequacy of the Model in relation to the corporate structure and the actual ability to prevent the offences referred to in Legislative Decree no. 231/2001;
- the updating of the Model (urging the competent bodies in this regard), whenever the need arises due to:
  - significant breaches of the provisions of the Model;
  - significant changes in the internal structure of the Bank and/or of Group companies, in the business activities, or in their methods of execution;
  - regulatory changes;
- compliance with anti-money-laundering policies and procedures, as provided by the applicable legislation.

In order to fulfil the first of the above tasks, the Supervisory Board is entrusted with the following duties:

- Execute procedures for the implementation of the control system. To this end, the Supervisory Board may propose and urge the enactment of internal provisions or service orders. However, the primary responsibility for checking management activities relating to areas at risk lies with the relevant Departments/Functions/Organisational Units of the Bank;
- Notify the Board of Directors of the budget for conducting the activities falling under the purview of the Supervisory Board and, in the event of special needs, submit to same a revised budget proposal;
- Prepare the half-yearly plan on the necessary checks to verify the adequacy and operation of the Model, and annex same to the Half-Yearly Report referred to below;
- Carry out ongoing checks, in the context of the half-yearly plan, on the activities or transactions identified in the areas at risk, coordinating them with those identified and entrusted to the Heads of the Departments/Functions/Organisational Units, in order to evaluate compliance with and operation of the Model;
- Carry out targeted checks on certain transactions or on specific actions implemented by the Bank, especially within the context of the areas at risk of crimes, the results of which must be summarised in a special report to the Board of Directors;
- Check that the elements prescribed for the implementation of the Model (adoption of standard clauses, execution of procedures, etc.) are still appropriate and relevant in order to comply with the Decree and, if not, arrange for said elements to be updated;
- Examine the reports of the Heads of the Functions/Departments/Organisational Units, in order to identify any shortcomings in the operation of the Model and/or possible violations of same;



- Collect, process and store information concerning observance of the Model; in particular, regulate the flow of information from the Heads of the Functions/Departments/Organisational Units;
- Set up a dedicated email address in order to receive from the Corporate Structures any requests for clarifications relating to doubtful or potentially difficult cases, as well as requests urging implementation of the Model;
- Promote appropriate training initiatives aimed at promoting knowledge and understanding of the Model;
- Assess reports on possible violations of and/or failures to comply with the Model;
- Conduct inquiries to investigate possible breaches of the provisions of the Model;
- Notify confirmed violations to the body responsible for initiating disciplinary proceedings and, in general, for adopting appropriate measures;
- Assess the need to update the Model, also with special meetings with the Functions involved on a case by case basis;
- Monitor the updating of the organisational chart, which details the Bank's overall organisation and its Functions/Departments/Organisational Units;
- Appoint and/or assign tasks of a technical nature to third parties possessing specific expertise for the best possible execution of the task.

With regard to updating the Model, pursuant to art. 6, paragraph 1a) of the Decree, the Board of Directors is responsible for approving any amendments thereto, with the support of the Supervisory Board.

To this end, the Supervisory Board carries out the following activities:

- Monitor the evolution of the reference legislation;
- Provide appropriate measures for the updated mapping of areas at risk in accordance with the rules and principles adopted under the Model and those identified by the Heads of the Functions/Departments/Organisational Units, regulating how such measures are communicated;
- Monitor the adequacy and updating of the Protocols with respect to the needs of crime prevention, and check that every part of the Model is and remains suitable for the purposes of said Model as identified by the Decree; to this end, the Supervisory Board avails of the information and cooperation of the Heads of the Functions/Departments/Organisational Units;
- Assess, in the case of actual commission of offences and significant violations of the Model, the need to introduce changes to said Model;
- Propose to the Board of Directors any changes to the Model;
- Verify the effectiveness and functionality of the changes to the Model adopted by the Board of Directors;
- Ensure the adequacy of the system of proxies and powers adopted by the Bank in order to ensure the continued effectiveness of the Model. The Supervisory Board must, therefore, also carry out cross-checks to ensure correspondence between the activities actually carried out by representatives of the Bank and the powers formally conferred through the existing proxies.



In order to ensure adequate updating of the Model, the Supervisory Board has full access to any corporate documentation required in order to check the correct operation of the Model.

The Supervisory Board also has the power/duty to liaise with the persons entitled by law to conduct control activities and to urge that existence be checked of legal elements for taking action for liability or for revocation for just cause.

The resources allocated to the following have been defined:

- Annual budget (financial resources) for carrying out the activities under the purview of the Supervisory Board;
- Powers to appoint and/or assign tasks of a merely technical nature to third parties possessing specific expertise for the best possible execution of the task.

### **Supervisory Board Reports**

On a half-yearly basis, the Supervisory Board reports to the Board of Directors and the Board of Statutory Auditors on the implementation of the Model and any relating critical issues, and sends the Board of Directors a report detailing the monitoring and control activities carried out on the adequacy and operation of the Model, and the outcome of same.

The Chairman of the Supervisory Body participates at least every six months in the meetings of the Board of Directors, on the occasion of submitting the half-yearly report and/or any updates to the Model.

If the Board of Directors deems it appropriate, a member of the Supervisory Board will take part in the meetings of the Board of Directors.

If the Supervisory Board becomes aware of particularly serious or significant circumstances concerning members of the Board of Directors or Senior Staff, it will promptly notify the Board of Statutory Auditors.

### **Confidentiality**

The Supervisory Board shall keep confidential any information acquired while exercising its duties, and shall ensure the confidentiality of information received as a result of reported alleged violations of the Model; moreover, it abstains from seeking and using confidential information for purposes other than those strictly related to its role, and in any case for purposes not falling within its purview.

Any information in the possession of the Supervisory Board is processed in accordance with the in-force privacy legislation.

A breach of this confidentiality obligation is considered a serious violation of the Model.

### **5.2. Information flows and reports to the Supervisory Body**

The Decree also outlines the information and documents that must be brought to the attention of the Supervisory Board, as also provided for by the Protocols. Reports to the Supervisory Board can be of various kinds and cover violations, suspected violations, and ordinary or extraordinary circumstances concerning the implementation and



effectiveness of the Model, in accordance, inter alia, with the provisions of the “Regulations of the Corporate Bodies, Control Functions and Information Flows” adopted by the Bank, also in its capacity as parent company of the Group, and for the purposes of and in compliance with the provisions of laws and regulations.

Reports of alleged violation

In the event of a breach or suspected breach of the Model, every Recipient and/or third party involved can report the event to the Supervisory Board without delay.

The Protocols outline a merely illustrative and not exhaustive list of cases of alleged violation of the Model.

The Supervisory Board must in any case be sent all the reports received by corporate structures relating to possible violations of the Model.

The reports must be detailed, based on precise and concordant factual elements and where possible submitted together with supporting records. In addition, reports must be made solely for safeguarding the integrity of the Bank.

The Supervisory Board shall act, as required by its role, in such a way as to protect those who make reports against any form of retaliation, discrimination or criminalisation and, in any case, shall ensure the confidentiality of their identity, without prejudice to the obligations of law and to the protection of the rights of the Bank or of persons wrongly accused and/or accused in bad faith (as described in detail in paragraph 6.2.7. of the Model).

Communications to the Supervisory Board may be sent to the following address:

**Supervisory Board of BANCA FARMAFACTORING S.P.A.  
Via Domenichino, 5 - 20149 Milan, Italy  
(confidential and personal)**

or emailed to

[OdV231@bffgroup.com](mailto:OdV231@bffgroup.com)

### **Extraordinary Reports**

The following should also be promptly notified to the Supervisory Board:

- Measures and/or information from the judicial police (e.g. access requests) or from any other authority, from which it is possible to deduce that criminal investigations are being conducted with respect to Recipients of the model;
- Reports submitted to the Bank by employees in the event of legal proceedings being initiated against them for one of the offences and connected with the exercise of their duties. No report is due from Recipients if they take on the role of “persons called upon to make statements before the judicial authorities (244-245 Code of Civil Procedure; 194-207, 362, 497-500 Code of Criminal Procedure), or persons required by the defender to make statements in the course of



investigations, or persons called upon as expert witnesses (221 Code of Criminal Procedure) or court-appointed consultants” within the meaning of art. 377 of the Criminal Code, or if, pursuant to art. 377 of the Code of Criminal Procedure, they receive a summons in their capacity as “informed witnesses”;

- Reports drawn up by the corporate structures within the scope of their control activities, stating critical circumstances, actions, events or omissions with respect to the rules of the Decree;
- Information relating to investigations initiated with a view to ascertaining and if necessary punishing non-compliance with the principles of conduct and internal procedures prescribed by the Model, as well as information on any penalties applied and on any investigations that have been closed, together with the reasons for doing so.

### Regular information flows

This section concerns information and data that allow the Supervisory Board to supervise the functioning and compliance of the Model, and to propose, where necessary, appropriate updates in order to render the Bank’s organisation and internal controls more effective.

To this end, the Heads of the Functions/Departments/Organisational Units are obliged to make regular reports to the Supervisory Board concerning:

- a) the results of regular monitoring carried out by same in implementing the Model;
- b) any faults or irregularities detected within the information available.

Details of the current information flow requirements are provided in Special Section III of the Model and in the reference Protocols.

### 5.3 Reporting system of violations regulated in the Bank's Whistleblowing Procedure

Notwithstanding the provisions regarding making reports to the SB in paragraph 5.2, with regard to the preparation procedures of the same, as set out in the Whistleblowing Procedures, Recipients may also send reports about an alleged violation of the Model and/or unlawful conduct, in accordance with Legislative Decree 231/2001, through the following channels:

ADDRESSEE	CHANNEL	ADDRESS
Supervisory Board - Internal Audit Function	electronic mail	<a href="mailto:segnalazioni@bffgroup.com">segnalazioni@bffgroup.com</a>
	postal service or	<b>Banca Farmafactoring S.p.A.</b> <i>attention: Supervisory Board, Internal Audit Function</i> Via Domenichino No. 5



ADDRESSEE	CHANNEL	ADDRESS
	internal mail	20149 Milan

It should be noted that the aforesaid electronic mail address is only accessible to the Supervisory Board.

Reports sent through the postal service or internal mail must be put in a closed envelope with “Strictly Confidential” written on it.

Any overlapping roles due to the presence of several persons responsible for receiving reports, for example as regards anti money-laundering and counter-terrorism financing matters, are managed jointly by such persons in compliance with confidentiality requirements and when necessary by ensuring the confidentiality of the identity of Recipients who made reports, as well as the persons reported.

These report preparation procedures help to bring factual circumstances and certain situations aimed at safeguarding the Bank’s integrity into the open, and at the same time help to protect the privacy of the Recipients who made reports, without prejudice to the obligations of law and the protection of persons wrongly accused and/or accused in bad faith.

The Supervisory Board immediately informs the SB about the reports received in accordance with this paragraph.



## **6. STRUCTURE OF THE PENALTY AND DISCIPLINARY SYSTEM**

### **6.1. Purpose of the disciplinary system**

Art. 6, paragraph 2e) and art. 7, paragraph 4b) of the Decree establish (with reference both to senior staff and subordinate employees) the need to set up a “suitable disciplinary system to punish non-compliance with the measures set forth in the Model” and - as specified in the Confindustria Guidelines - in the Group Code of Ethics.

The definition of penalties - which must be proportionate to the breach and have a deterrent capacity, and which are applicable after having heard the person concerned and in the event of violation of the minimum measures contained in the Model - aims to contribute: (i) to the effectiveness of the Model itself, and (ii) to the effectiveness of the Supervisory Board’s control activities.

Application of the disciplinary system is independent of any criminal proceedings initiated by the competent judicial authorities, and of their outcome. Indeed, the Model may only be considered effective if it implements a disciplinary system that penalises conduct that may give rise to an offence.

If this were not the case, we would have the mere duplication of the penalties imposed by legislation. Instead, it makes sense to adopt a disciplinary system if this acts as an internal safeguard in addition to the “external” penalties applied by the State.

In relation to employed staff, the Bank must observe the limits referred to in art. 7 of Law no. 300/1970 (hereinafter, the “Workers’ Statute”) and the provisions of the CCNL, both with regard to the penalties that may be imposed and the procedures for exercising disciplinary powers.

### **6.2. Description of the Disciplinary System - Violation of the Model**

For the purposes of complying with the Decree, below are some examples of possible violations of the Model:

- (i) Performing actions or behaviours that do not comply with the requirements of the Model, or omitting actions or behaviours prescribed by the Model, in executing activities posing a risk of criminal offences (so-called “Sensitive Processes”);
- (ii) Performing actions or behaviours that do not comply with the requirements of the Model, or omitting actions or behaviours prescribed by the Model, in executing activities connected with Sensitive Processes that:
  - a) expose the Bank or the Group to the objective risk of commission of one of the offences covered by the Decree; and/or
  - b) are clearly directed at fulfilling one or more offences; and/or
  - c) are such as to determine the application, against the Bank, of the penalties provided for by the Decree;
- (iii) Performing actions or behaviours that do not comply with the requirements of the Group Code of Ethics, or omitting actions or behaviours prescribed by same, in executing Sensitive Processes or activities connected with said processes;



- (iv) Breaches of the obligations arising from art. 20 of Legislative Decree no. 81/2008 on health and safety at work.

#### **6.2.1. Measures against Senior Staff**

In the event of Senior Staff allegedly violating the provisions of the Model, checking procedures will be initiated in order to verify the actual breach of obligations, determine the actual guilt of the party investigated, and ultimately decide on the penalty to be applied. In particular, if the Supervisory Board is notified of the potential commission of a violation by one of the aforementioned parties, said Board is responsible - if necessary in collaboration with the Internal Audit Function and with the Board of Directors and the Board of Statutory Auditors - for conducting any necessary checks.

Once the responsibility of the investigated or reported party has been ascertained, he or she will be subject to the penalties laid down by the Disciplinary System currently in force.

In cases where violations are characterised by gross negligence, i.e. when the Protocols set in place to prevent the risk of crime have been disregarded or when there has been a serious breach of labour legislation and/or due diligence such as to radically impair the Bank's trust in the member of Senior Staff, the Bank may proceed with early termination of the contract of employment or apply another penalty considered appropriate in relation to the seriousness of the circumstance.

In cases where violations are characterised by fraud, for example in the case of deception with regard to the Protocols, the Bank will proceed with early termination of the contract of employment without notice, pursuant to Article 2119 of the Civil Code and of the CCNL. This is because the circumstance is to be considered as having been conducted against the will of the Bank, in the interest or to the advantage of the member of Senior Staff and/or of third parties.

In any case, the Bank reserves the right to recourse to civil actions (for damages) and, if appropriate, to penalties for the protection of its rights.

#### **6.2.2. Measures against Staff**

In the event of a middle manager or employee of the Bank allegedly violating the provisions of the Model, checking procedures will be initiated in order to verify the actual breach of obligations, determine the actual guilt of the party investigated, and ultimately decide on the penalty to be applied. In particular, if the Supervisory Board is notified of the potential commission of a violation by one of the aforementioned parties, said Board is responsible - in collaboration with the Internal Audit Function and with the Corporate Structure concerned - for conducting any necessary checks.

Once the responsibility of the investigated party has been ascertained, the Bank will apply the penalties provided for by the disciplinary system of the National Collective Labour Agreement in force; in particular, these may be:

- (i) Disciplinary measures, i.e.:



1. Verbal reprimands<sup>2</sup>;
  2. Written reprimands<sup>3</sup>;
  3. Suspension from service and suspended salary for a period not exceeding 10 days<sup>4</sup>;
  4. Dismissal for justified reasons<sup>5</sup>;
  5. Dismissal for just cause<sup>6</sup>;
- (ii) Penalties, in accordance with the provisions of art. 7 of the Workers' Statute<sup>7</sup>.

In any case, the Bank reserves the right to recourse to civil actions (for damages) and, if appropriate, to penalties for the protection of its rights.

### **6.2.3. Measures against external collaborators and entities operating with a mandate from the Bank**

Any conduct carried out by collaborators, consultants or other third parties bound to the Bank by a contractual relationship other than employment, in conflict with the lines of conduct identified by the Model and/or the Group Code of Ethics, may result in termination of and/or withdrawal from the contractual relationship, as provided for by specific contractual clauses included in the letters of appointment or in negotiating agreements.

This does not prejudice the right of the Bank to seek compensation for any greater damage suffered as a result of the behaviour of the collaborator, consultant or third party, regardless of the termination of the contractual relationship.

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<sup>2</sup> Minor failure to comply with the rules of conduct laid down by the corporate Code of Ethics and internal regulations enacted pursuant to the Decree and/or the Model under Legislative Decree no. 231; tolerance of slight irregularities committed by subordinate employees or by other members of Staff within the meaning of the domestic legislation enacted pursuant to the Decree and/or to the Model under Legislative Decree no. 231.

<sup>3</sup> Recurrent shortcomings punishable with a verbal reprimand; non-serious failure to comply with the rules of conduct laid down by the corporate Code of Ethics and internal regulations enacted pursuant to the Decree and/or the Model under Legislative Decree no. 231; omitted reporting or tolerance of non-serious irregularities committed by subordinate employees or by other members of Staff within the meaning of the domestic legislation enacted pursuant to the Decree and/or to the Model under Legislative Decree no. 231; failure to comply with the plans of action and measures adopted by the Supervisory and Control Board within the meaning of the Decree and/or of the Model under Legislative Decree no. 231.

<sup>4</sup> Shortcomings punishable with lesser penalties - see (a) and (b) - which take on greater importance due to objective circumstances, specific consequences or recidivism; repeated or serious failure to comply with the rules of conduct laid down by the corporate Code of Ethics and internal regulations enacted pursuant to the Decree and/or the Model under Legislative Decree no. 231; omitted reporting or tolerance of serious irregularities committed by subordinate employees or by other members of Staff within the meaning of the Decree and/or of the Model under Legislative Decree no. 231; serious negligence or negligence having negative repercussions on the company or third parties, within the meaning of the Decree.

<sup>5</sup> Violation of the rules of conduct laid down by the Code of Ethics or of the duties inherent in the disciplinary system and in the company's directives on the prevention of the crimes foreseen by the Decree and/or the Model under Legislative Decree no. 231, such as to result - due to the particular nature of the violation or due to its recurrence - in a considerable infringement of obligations.

<sup>6</sup> Violation of internal regulations enacted pursuant to the Decree and/or the Model under Legislative Decree no. 231 of such gravity - either because the act was intentional, or on account of its criminal or monetary consequences, or for its repeated occurrence or its particular nature - as to impair the trust on which the employment relationship is based and prevent continuation of employment, even on a temporary basis; execution of undue actions or failure to perform due actions in accordance with the internal regulations enacted pursuant to the Decree and/or the Model under Legislative Decree no. 231, resulting - at the end of judicial proceedings - in the Bank being sentenced to fines and/or penalties of a prohibitory nature for having committed the offences covered by said Decree.

<sup>7</sup> The disciplinary rules concerning the penalties, the infringements to which they apply, and the procedures for disputing same, must be brought to the attention of employees by posting the information in places that are universally accessible; the employer may not take any disciplinary action against workers without informing them about the charges against them and without having heard their defence; severe disciplinary measures, over and above a verbal reprimand, cannot be applied before five days have elapsed from the time of raising the dispute in writing.



#### **6.2.4. Measures against Directors**

In the event of offences or breaches of the Code of Ethics, the Model and/or its Protocols allegedly committed by the Directors of the Bank, the Supervisory Board shall inform the entire Board of Directors and the Board of Statutory Auditors; these will take the appropriate measures (if necessary, and in any case where there is reasonable suspicion of the commission of an offence), and revoke, on a precautionary basis, any proxies and powers conferred on the Director concerned.

In the event of serious violations of the Model or Protocols by Directors of the Bank, this may be considered just cause for their dismissal.

A serious unjustified violation by the Directors of the Bank is the committing of offences or conduct aimed at committing same.

Where appropriate, the Bank will initiate legal proceedings for compensation for damages and/or any civil and criminal proceedings deemed appropriate and actionable.

#### **6.2.5. Measures against Auditors**

In the event of offences or breaches of the Code of Ethics and/or the Model allegedly committed by the Statutory Auditors of the Bank, the Supervisory Board shall inform the entire Board of Directors and Board of Statutory Auditors, which will take the appropriate measures. In the event of serious violations of the Model or Protocols by Statutory Auditors of the Bank, this may be considered just cause for their dismissal from the office of Statutory Auditor.

A serious unjustified violation by the Statutory Auditors of the Bank is the committing of offences or conduct aimed at committing same.

Where appropriate, the Bank will initiate legal proceedings for compensation for damages and/or any civil and criminal proceedings deemed appropriate and actionable.

#### **6.2.6. Measures against the Supervisory Board**

In the event of offences or breaches of the Code of Ethics and the Model by members of the Supervisory Board, the Board of Directors, having heard the opinion of the Board of Statutory Auditors, will take the appropriate measures based on the seriousness of the circumstances.

In the event of serious violations, this may be considered just cause for dismissal.

A serious unjustified violation is the committing of conduct aimed at committing offences and the breach of confidentiality agreements.

Where appropriate, the Bank will initiate legal proceedings for compensation for damages and/or any civil and criminal proceedings deemed appropriate and actionable.

#### **6.2.7. Measures concerning reporting an alleged violation**



The Bank does not tolerate any form of direct or indirect retaliation or discrimination against the person who made a report, in the manner envisaged in the foregoing paragraphs 5.2 and 5.2.1, or against anyone who cooperated with those checking for grounds for making the report.

The Bank reserves the right to take appropriate measures against anyone who takes steps or threatens to retaliate or discriminate against the person who made the report.

Retaliation or discrimination against the person who made the report can be reported to the office of the National Labour Inspector, for it to take the appropriate measures, not only by the person who made the report, but also by the trade union indicated by him or her.

Dismissal as retaliation or discrimination against the person who made the report is null and void. Also null and void are changing duties in the sense of Art. 2103 of the Italian Civil Code, and any other retaliatory or discriminatory measure taken against the person who made the report.

In case disputes arise connected to infliction of disciplinary sanctions or demotions, dismissals, transfers or subjecting the person who made the report to other organisational measures with direct or indirect negative effects on his or her working conditions after the report was made, the Bank is responsible for demonstrating that such measures are based on reasons unrelated to the report itself.

Sanctions against the person who made the report in bad faith or due to gross negligence that prove to be groundless are included in the measures outlined in the preceding paragraphs.

## **7. DISSEMINATING THE MODEL AND TRAINING**

### **7.1. Introduction**

The principles contained in the Model are widely disseminated, both inside and outside the Bank and the Group. The Bank undertakes to facilitate and promote understanding of the Model by Staff, with a varying degree of insight depending on the position and role.

In the event of introducing significant changes/integrations to the Model, suitable training and informative activities will be scheduled involving its Recipients.

All the documentation and Internal Regulations, including this document, will be disseminated (including, for example, authorisation powers, procedures, hierarchical levels, information flows and anything that contributes to the Bank's transparency in its daily operations).

Moreover, all Staff must be given the opportunity to access and consult the documentation making up the Model: to this end, the documentation, the internal regulations and this Model are placed at the disposal of the entire Bank through the corporate intranet (Qualiware).

Communication and training on the rules of the Decree and the content of the Model are promoted and supervised by the Supervisory Board, with the help of the Functions/Departments/Organisational Units and of external consultants.



## **7.2. Training and communication plan**

### **7.2.1. Communication to members of the Governing Bodies**

The Model is examined by the Bank's Board of Directors and Board of Statutory Auditors during the board meeting called to resolve upon its adoption and/or amendment.

### **7.2.2. Training of and communication to Senior Staff**

The principles and contents of the prevailing Model are communicated to Senior Staff through specific training days organised on a yearly basis. Participation in such training courses is mandatory for all Senior Staff, and attendance will be monitored.

Members of Senior Staff receive a copy of the Model and of any updated version thereof.

All the documentation and Internal Regulations, including this document, is also distributed to the entire Bank through the corporate intranet, Qualiware.

### **7.2.3. Training of and communication to Staff**

The principles and contents of the prevailing Model are communicated to all of the Bank's employees through specific training days organised on a yearly basis. Like for Senior Staff, participation in training courses is mandatory and attendance will be monitored.

All employees are provided with a copy of the Model and of any updated version thereof through the corporate intranet, Qualiware.

### **7.2.4. Communication to third parties**

In order to inform third parties who have dealings, in any capacity, with the Bank about the adoption of the Model, the Group Code of Ethics has been published on the Bank's website ([www.bffgroup.com](http://www.bffgroup.com)), along with information relating to the adoption of this Model.

Moreover, the Group Code of Ethics is annexed to contracts concluded by the Bank with third parties. At the time of signing a contract, third parties declare that they have read and are familiar with the Model and the Code of Ethics adopted and undertake to abide by the principles contained therein.

As already described in detail (point 6.2.3. of the Model), such contracts will contain specific termination and/or withdrawal clauses connected with breaches of the above obligations.

### **7.2.5 Intragroup relations**

Services carried out by the Bank in favour of Group companies and by Group companies in favour of the Bank, posing the risk of committing offences which may result in the administrative liability of the Bank under Legislative Decree no. 231/01, must be governed by a contract previously signed by the parties, stating:



- roles, responsibilities and any deadlines concerning the activities under the contract;
- the obligation on the part of the company receiving the service to certify the accuracy and completeness of the documentation or information communicated to the company providing the service;
- the obligation of adoption, by the company providing the service, of suitable measures to prevent the risk of committing offences which may result in the administrative liability of the Bank;
- the penalties to be imposed in the event of failure to comply with the obligations under the contract or in the event of reported cases of violation of Legislative Decree no. 231/01 and, more generally, of conduct contrary to the principles laid down in the Model.

Any violation of the above requirements must be communicated to the Bank's Supervisory Board by the party who detects the infringement.

## **SPECIAL SECTIONS**

Special Section I: Matrix of Activities posing a risk of Criminal Offences

Special Section II: Protocols.

Special Section III: Information flows to the Supervisory Body