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SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

BFF Banking Group
29 September 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Social Debt Instruments
Relevant standards	▪ Social Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2023) ▪ Final Report on Social Taxonomy (February 2022)
Scope of verification	▪ BFF Banking Group's Social Bond Framework (as of September 18, 2023) ▪ BFF Banking Group's Eligibility Criteria (as of September 18, 2023)
Lifecycle	▪ Pre-issuance verification
Validity	▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

BFF Banking Group ("the Issuer", "the Bank", or "BFF") commissioned ISS Corporate Solutions (ICS) to assist with its Social Debt Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. BFF Banking Group's Social Bond Framework (as of September 18, 2023) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBP).
2. The Eligibility Criteria – whether the project category contributes positively to the United Nations Sustainable Development Goals (UN SDGs) and how that performs against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The Alignment with the EU Social Taxonomy on a best effort basis[1] - whether the nominated project category is eligible to be aligned with the EU Social Taxonomy for the associated substantial contributions as included in the Final Report for Social Taxonomy (February 2022).
4. Linking the transaction(s) to BFF Banking Group's overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) category.

BFF BANKING GROUP BUSINESS OVERVIEW

BFF Bank S.p.A. (BFF) purchases and manages non-recourse receivables due from Public Administration and national health systems. Additionally, the company provides securities and payment services to more than 400 clients in Italy. The company operates in Italy, Spain, Portugal, Greece, Poland, the Czech Republic, and Slovakia. As of 31st December 2022, the company had a non-recourse factoring and lending volume of € 7,364 million.

[1] Whilst the Final Report of Social Taxonomy was published in February 2022, the report only intends to propose a structure and the final methodology is still under development. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best effort basis".

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[2]
Part 1: **Alignment with SBP**	The Issuer has defined a formal concept for its Social Debt Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles.	**Aligned**
Part 2: **Sustainability quality of the Eligibility Criteria**	The Social Debt Instruments will (re)finance[3] the eligible social asset category: Access to Essential Services - Healthcare. Product and/or service-related use of proceeds category[4] individually contributes to one or more of the following SDGs:  The social risks associated with that use of proceeds category are managed.	**Positive**
Part 3: **Alignment with the Final Report on Social Taxonomy**	The economic activities of the eligible project category have been assessed with the relevant social objectives outlined in the Final Report on Social Taxonomy, on a best effort basis. For the following activities, the category financed under the Framework has been deemed eligible to be EU Social Taxonomy-aligned: ▪ Access to Essential Services – Healthcare The description of the UoP category is **eligible to be aligned** with the substantial contribution mapping proposed in the Final Report on EU social taxonomy on 'Adequate Living Standards and well-being for end-users'.	
Part 4: **Linking the transaction(s) to BFF's ESG profile**	The key sustainability objectives and the rationale for issuing Social Debt Instruments are clearly described by the Issuer. The project category considered is in line with the sustainability objectives of the Issuer. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	**Consistent with Issuer's sustainability strategy**

[2] The evaluation is based on the BFF's Social Bond Framework (September 18 version), on the analysed Eligibility Criteria as received on the September 18, 2023, and on the Indicative Corporate Rating applicable at the SPO delivery date.
[3] Due to the nature of BFF's business, the activity of financing is mainly to be considered as a purchase of assets.
[4] Access to Essential Services - Healthcare

SPO ASSESSMENT

PART I: ALIGNMENT WITH SOCIAL BOND PRINCIPLES

This section evaluates the alignment of the BFF's Social Bond Framework (as of September 18, 2023) with the ICMA's Social Bond Principles.

SOCIAL BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by BFF's Social Bond Framework is **aligned** with the Social Bond Principles. The Issuer's social category aligns with the project categories as proposed by the Social Bond Principles. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category will be provided at pre-issuance and social benefits are described and quantified. The Issuer defines exclusion criteria for the harmful projects category, in line with best market practice.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by BFF's Social Bond Framework is **aligned** with the Social Bond Principles. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project category are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer as well as the intended benefit to the relevant population. The Issuer clearly involves various stakeholders in the process for project evaluation and selection, defines responsibilities and is transparent about it, which is in line with best market practices.

3. Management of Proceeds	✓	The Management of Proceeds provided by BFF's Social Bond Framework is **aligned** with the Social Bond Principles. The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Social Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. The Issuer discloses ESG criteria and/or the nature of temporary investments, in line with best market practices. The allocation period is 12 months, in line with best market practice.
4. Reporting	✓	The allocation and impact reporting provided by BFF's Social Bond Framework is **aligned** with the Social Bond Principles. The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. BFF explains that the level of expected reporting will be at eligible category level of the portfolio and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures. The Issuer is transparent on the level of impact reporting and the information reported, defining the scope and duration, in line with best market practices.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SOCIAL DEBT INSTRUMENTS TO THE UN SDGs[5]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

1. Products and services

The assessment of the UoP category for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of the UoP category for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):

Obstruction	**No Net Impact**	**Contribution**

The Social Debt Instruments' Use of Proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Access to essential service - Healthcare[6] *Factoring to Public Sector Suppliers (focused on National Healthcare Systems) and lending to Public Sector healthcare facilities, to finance infrastructure, services and the access to products and projects supporting the development or delivery of the following:* ▪ *Medical infrastructure like the construction/renovation of clinics, dispensaries, and hospitals* ▪ *Medical equipment, such as surgical devices, diagnostic equipment, assistive devices, ambulances, syringes, personal protective equipment.* ▪ *Pharmaceutical products such as OTC*[7] *supplies, vaccines*	**Contribution**	3 GOOD HEALTH AND WELL-BEING

[5] The impact of the UoP category on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.
[6] The assessment is limited to the examples of projects listed in the Framework.
[7] Over-the-counter medicines.

Access to essential service - Healthcare *Factoring to Public Sector Suppliers (focused on National Healthcare Systems) and lending to Public Sector healthcare facilities, to finance infrastructure, services and the access to products and projects supporting the development or delivery of the following:* *Training of hospital staff and welfare workers*	Contribution	4 QUALITY EDUCATION
Access to essential service - Healthcare *Factoring to Public Sector Suppliers (focused on National Healthcare Systems) and lending to Public Sector healthcare facilities, to finance infrastructure, services and the access to products and projects supporting the development or delivery of the following:* *General operations of healthcare facilities*	Contribution	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBLITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Italy, Croatia, France, Greece, Spain, Portugal, Poland, the Czech Republic and Slovakia.

ASSESSMENT AGAINST KPIs
ESG guidelines into financing/lending process
The Issuer is active in the management and acquisition of debts owed to suppliers by public-sector bodies operating in the healthcare sector. BFF engages in non-recourse factoring, credit management activities and factoring-like products in Italy, Croatia, France, Greece, Spain and Portugal. In Poland, the Czech Republic and Slovakia, it offers a diversified range of financial services to access credit and providing liquidity and solvency support to private companies that interface with public-sector bodies. Bank's counterparties are operators of the public national healthcare sector. Pursuant to Italian Legislative Decree No. 254/16, BFF identifies and discloses ESG risks and their corresponding mitigation actions (when available) into the Non-financial Disclosure (p. 43)[8]. The main risks identified by the Bank in relation to its non-financial issues are anti-corruption, staff and respect for human rights, employees and human rights, environmental issues, and social issues., While BFF does not currently have a dedicated ESG risk management policy, it adheres to the provisions of the Bank of Italy regarding ESG risks. The Bank of Italy has 12 provisions regarding the management of ESG risks, these 12 provisions aim at outlining the behavior that should be implemented by banks and financial intermediaries to integrate, identify, and manage ESG risks. These previsions are non-binding and entail that each subject applies the most relevant directions. BFF has formalized the provision in a three-year action plan to ensure adaptation with internal policies. The Bank of Italy engages in discussion with the banks and intermediaries that apply its provisions to ensure the correct application. Furthermore, in its 2028 Industrial Plan[9], BFF commits to adopt an environmental risk management policy at Group level to cover the 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. Apart from a relatively small percentage of the portfolio which provides loans to the Polish healthcare sector, BFF's core business does not address specific project financing. Factoring services allow its counterparties (who in this case are operators of the public national healthcare sector) to continue their day-to-day business, thereby guaranteeing a continuity of their services. Therefore, BFF lending process applies to the entire set of borrowers/debtors for all the assets underlying this transaction (e.g., project finance).

[8] BFF, Consolidated Non-Financial Disclosure, 2022, https://www.bff.com/sustainability
[9] BFF, 2028 Industrial Plan, https://investor.bff.com/documents/2212197/0/2023.06.27_BFF+2028+Strategy+-+Ever+more+a+bank+like+no+other.pdf/d7a91987-2e6d-a6af-63a3-0cd8ae9c3408

Labor, Health and Safety	
✓	All assets financed will be located in countries where high health & safety and labor standards are ensured by the relevant national legislation, the European Union mandatory social standards and the Equator Principles.
Inclusion	
✓	All projects financed will be located in the European Union which promotes free access to public national healthcare services with no discrimination. In accordance with the EU Charter of Fundamental Rights, "everyone has the right of access to preventive healthcare and the right to benefit from medical treatment under the conditions established by national laws and practices." In accordance with Council Directive 2000/43/EC of 29 June 2000, implementing the principle of equal treatment between persons irrespective of racial or ethnic origin, the access to healthcare services within the European Union does not discriminate against sex, age, disability, religion or belief, socioeconomic conditions, race or ethnic origin, sexual orientation, etc. In the case of BFF, the target population (beneficiaries of the healthcare services) is the general population: BFF business has a relevant social impact on the general public, also including disadvantaged and vulnerable population, since it addresses exclusively the public national healthcare sector, i.e., a service that is accessible and affordable to all. BFF operates in EU countries that guarantee the access to the national healthcare system to all individuals.
Responsible treatment of customers with debt repayment problems	
-	According to the Issuer, this risk is not fully relevant to the extent that a vast majority of the Bank's activity concerns factoring to Public Actors of the National Healthcare System. BFF's Code of Ethics defines the Bank's requirements for clients' relationships. Towards Counterparts, behaviors are in line with the provisions of the Italian law and EU regulations regarding commercial transactions. Operators must provide information about economic terms and conditions of products and services offered, in order for the Counterparts (Clients and/or Debtors) to be able to make informed choices. Information requests coming from Clients and/or Debtors are timely addressed and constantly monitored via an internal factoring system and a monitoring lending system to public hospitals, which includes Early Warning Indicators for receivables management, credit collateral and commercialization risk assessment to prevent deterioration of the exposure. The Bank has also a process in place to help debtors in case of late payment, based on the Bank's IT preventive system to inform debtors of missing payments, debt counselling between the Bank's credit managers and the debtors, as well as

supporting measures (i.e., settlement agreements, interest discounts[10] or extensions) and sanctions in case of breaches of contractual covenants. However, given the scope of work of the Bank under this framework, focusing on merely deferral of payments, and the specific nature of the debtors of the National Healthcare Systems, debt restructuring is not relevant.

Exclusion criteria

The Bank opposes any corruptive practice and, accordingly, imposes on each and all persons acting in its name and on its behalf the obligation to ensure that all commercial transactions with third parties, either public or private, are managed with integrity and transparency, in compliance with the applicable provisions of laws and regulations. The Bank is responsible for managing the risk of money laundering and terrorism financing at a group level, according to a "decentralized" approach where, given the different business models and types of clientele of the various entities, each company has primary responsibility for monitoring internally the risk of money laundering and terrorism financing, in compliance with the standards of the "Host Member State", in relation to which the rules applicable to overseas organizations are those of the country in which the branch/subsidiary is established. In this regard, the Bank has adopted an Anti-Money Laundering Anti-Terrorism Policy. 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 regard, 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.

At company level there is commitment to exclude the following categories: Gambling, Weapons/ammunitions, GMO (Genetically Modified Organisms). However, the Bank has expanded the list of excluded counterparts within the Framework's scope to: Gambling, Weapons/ammunitions, GMO (Genetically Modified Organisms), Tobacco, Alcohol, Sex trade.

[10] This relates to the nominal value of Late Payment Interest and recovery costs rights.

PART III: INDICATIVE ASSESSMENT OF THE UOP CATEGORY AGAINST FINAL REPORT ON SOCIAL TAXONOMY

An assessment of the alignment of the eligible project category with the relevant social objective is provided and outlined in the Final Report on Social Taxonomy (February 2022). Since the technical screening criteria do not exist yet, this assessment is only indicative, and is thus done at a high level based on: the non-exhaustive list of sub-objectives and types of substantial contribution. Please note that as indicated in the Final Report on Social Taxonomy, the 'Do no Significant Harm' (DNSH) criteria and minimum safeguards are still under development, hence there currently is no sufficient information to conduct an assessment on the eligible project category alignment with DNSH and minimum safeguards.

The description of the UoP category is eligible to be aligned with the substantial contribution mapping proposed in the Final Report on EU social taxonomy on 'Adequate Living Standards and well-being for end-users'.

The assessment including a high-level mapping of the eligible UoP category with the social objective, sub-objective and type of substantial contribution can be found below.

1. Healthcare

UOP CATEGORIES	ACCESS TO ESSENTIAL SERVICES
Purpose/Description	Issuer defines the purposes of this category as factoring to public sector healthcare suppliers of medications, utilities, diagnostics and services and lending to public sector healthcare facilities allowing the general population, without any discrimination, to have affordable access to healthcare and medical treatment and services.
Social Objective(s)	**Adequate living standards and well-being for end-users**
Sub-Objective(s)[11]	Ensuring access to quality healthcare products and services
Selection of sectors	Healthcare
Type of substantial contribution	**Enhancing positive impact inherent in economic activity**
Substantial contribution	The issuer confirms that the financing and/or refinancing of this eligible category through non-recourse factoring[12] and loans to the healthcare sector will enhance the positive impact inherent in an economic activity, in line with the Availability, Accessibility, Acceptability and Quality (AAAQ)

[11] Please note that this is based on the non-exhaustive list of sub-objectives proposed in Final Report on Social Taxonomy.
[12] BFF's factoring under the Framework involves the financing of current and future owed to suppliers by entities of the national healthcare systems.

	concept. More specifically, the (re)financing of the eligible assets will allow to: i) improve the availability of medical treatment, for example by allowing healthcare facilities to construct/renovate medical infrastructure; (ii) improve economic affordability and physical accessibility to healthcare, for example by ensuring that healthcare facilities will continue their day-to-day operations with no interruptions caused by liquidity issues; (iii) ensure the acceptability of the services offered[13] and (iv) improve the quality of the services offered by healthcare facilities, for example by allowing healthcare facilities to purchase safe medical equipment or to distribute new pharmaceutical products that meet internationally recognized quality standards. All these activities will contribute to the well-being of the overall population. It is also important to note that, by providing various financing solutions to healthcare suppliers (e.g., non-recourse factoring, short-term and long-term loans to healthcare facilities), BFF helps addressing the liquidity gaps faced by providers mainly due to the timing difference between when their expenses occur and when they actually get paid by public actors. In this way, factoring represents a key activity for the healthcare sector as, through the provision of funding, it enables to provide access to healthcare services and products.

[13] Ensuring access to healthcare is in line with the Acceptability requirement of AAAQ, as the healthcare service is ethically and culturally appropriate by definition.

PART IV: LINKING THE TRANSACTION(S) TO BFF'S ESG PROFILE

A. CONSISTENCY OF SOCIAL DEBT INSTRUMENTS WITH BFF'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Since 2019, BFF has incorporated sustainability topics into its business model, by defining targets for each of the ESG pillars:

- To mitigate climate change, the Group plans to achieve net zero emissions by 2026 for scope 1 and 2 emissions. BFF has not disclosed at this stage how it plans to mitigate emissions coming from scope 3 and has not shared long term targets. However, the bank is committed to work on it in the upcoming years, as soon as more clear guidelines for its specific sector will be available.

  BFF wants to achieve net zero by 2026 for scope 1 and 2 by implementing, for example, the following measures:

  a. Locating its offices in green buildings (BFF aims to have at least 80% of its employees in LEED certified buildings by 2026).
  b. Investing in efficient technologies by 2026. BFF commits to quantify this target in the upcoming years.

- In order to have healthy economies and societal progress, the Group is committed to ensuring a safe and inclusive work environment at all levels, to securing equality of opportunity and remuneration, and finally contributing to societal welfare. BFF plans to accomplish those commitments by implementing, for example, the following measures:

  a. Aiming to place 69% of their employees in WELL certified buildings to ensure their health and well-being by 2026.
  b. Prioritizing community integration and focusing on people from 2025 by, among the others, creating a building which is people-centered, integrated with the city, that gives the area a sense of community; the project's unerring focus on open spaces is also reflected in the open area by the subway system, which will be transformed into an Agora, a shared space that will become a super-urban place of aggregation, celebrating a renewed sense of urbanism.
  c. Support the FastForward Foundation's new purpose of promoting sustainable and inclusive welfare transformation by sustaining the execution of the strategy and increase the contributions.
  d. Moreover, BFF Organic Loans Growth between 2022 and 2026 is planned to be >10% which will represent a 5% annual compound annual growth (CAGR) of organic loans, mainly driven by a growth of total public investments and public expenditures.

- In order to ensure good corporate governance, the Group is committed to align with current regulations on governance and to respond to the evolution of the market expectations. BFF has measures and policies in place to ensure a succession plan for the CEO and chairman and to prevent any form of corruption. Moreover, BFF has established measures to ensure gender diversity in the composition of the Board. Finally, the issuer is committed to strengthen its policies regarding compensation. These targets are not specified or quantified.

BFF annually reports non-financial information into a Non-Financial Disclosure report[14], in line with the Global Reporting Initiative (GRI) standards. Currently BFF is not aligned to Task Force on Climate-Related Financial Disclosures (TCFD) standards but is committed to start the alignment by 2024 and be completely aligned to TCFD by 2026. Furthermore, there is no information on whether BFF is a signatory of any relevant industry alliance nor collective commitment.

The Bank tracks the progress of its ESG targets annually in the Consolidated non-financial Disclosure. BFF reports on short-term targets, nonetheless, medium and long ESG targets are currently not publicly disclosed nor Science-based verified (i.e., SBTi, SBTN).

BFF has created an ESG committee which offers guidance and expertise on sustainability matters to the CEO and is responsible to identify and mitigate any ESG risks.

Finally, the Bank will use the Social Bond Framework to issue its first Social Bond.

Rationale for issuance

The first Social Bond Framework that BFF designed, aims at supporting societal welfare by ensuring and improving the access to quality healthcare products and services. BFF is already active in the sector, specifically in the management and acquisition of debts owed to suppliers by public-sector bodies operating in the healthcare sector. Therefore, this Framework allows BFF to improve its social impact within the healthcare industry.

Opinion: *The key sustainability objectives and the rationale for issuing Social Debt Instruments are clearly described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

[14] Consolidated Non-Financial Disclosure, 2022, https://www.bff.com/sustainability

B. BFF'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Specialized Finance, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Labor standards and working conditions
Products and services with social and environmental benefits

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths and points of attention[15] have been identified:

STRENGTHS	POINTS OF ATTENTION
The company has a health and safety management system in place. Further, the company has disclosed information on employees with permanent and temporary contracts.	The company has not reported information on measures to prevent mental health issues of its employees. Further, it remains unclear if the company offers workplace flexibility and working time reduction options to its employees. The company offers basic support for dependent care to its employees. However, it remains unclear if the company provides special leave for education, family, or personal reasons.
The company has implemented various elements of the information security management system that includes risk assessments, training, and information security incident management.	The company has not disclosed its policy or commitment to responsible marketing, transparency in pricing, and product risks. There is no clear evidence of commitment to responsible sales practices such as refraining from commission payments, setting sales targets, staff training, and practicing ethical bonus payments.

[15] Please note that BFF Bank is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Specialized Finance sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

	Further, no details are available on procedures to ensure responsible treatment of clients with debt repayment problems.
	The company has disclosed limited information on the integration of environmental and social aspects in investment due diligence and decision-making. Further, measures to integrate sustainability aspects into investment due diligence and decision-making such as policies, guidelines, and responsibilities are missing. The company has disclosed no information pertaining to environmental and social guidelines for its own investments (i.e., deposits, loans to banks, etc.) covering positive and negative screening criteria. Further, details on application procedures of environmental and social guidelines for own investments (i.e., responsibilities and portfolio monitoring) are also missing.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part IV.A of the report.

Social impact of product portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF PROFIT[16]	DIRECTION OF IMPACT	UN SDGS
Factoring of healthcare provision	43.5 %	CONTRIBUTION	3 GOOD HEALTH AND WELL-BEING

Environmental impact of the product portfolio:

BFF Bank (BFF) purchases and manages non-recourse receivables due from Public Administration and national health systems. The products and services of this company have neither positive nor negative contributions to environmental sustainability objectives. Hence, the impact of the overall product portfolio of the company on the environmental Sustainable Development Goals is considered to be neutral.

[16] Percentages presented in this table are not cumulative.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Specialized Finance industry are as follows: Layoffs, Strike action, Anti-competitive behavior and Failure to mitigate climate change impacts.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit: https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf

ANNEX 2: Quality Management Processes

SCOPE

BFF commissioned ISS ESG to compile a Social Debt Instruments SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the Social Bond Principles and the Final Report on Social Taxonomy and to assess the sustainability credentials of its Social Debt Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Social Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Final Report on Social Taxonomy (February 2022)

ISSUER'S RESPONSIBILITY

BFF's responsibility was to provide information and documentation on:

- Framework
- Eligibility Criteria
- Documentation of ESG risks management at project category

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Social Debt Instruments to be issued by BFF has been conducted based on a proprietary methodology and in line with the ICMA Social Bond Principles.

The engagement with BFF took place from July to September 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

Project team

Project lead	Project support	Project support	Project supervision
Marika Peressoni Analyst ESG Consultant	Vittoria Favarolo Analyst ESG Consultant	Clara Schouler Analyst ESG Consultant	Marie-Bénédicte Beaudoin Associate Director Head of ISS ESG SPO Operations