

**Policy for preventing Money Laundering and
Terrorist Financing
of BFF Bank S.p.A. and BFF Banking Group
Abstract**

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Attachments:

ML/FT risks self-assessment methodology

High risk factors and application of enhanced due diligence measures

3. Objective of the policy

The Provision regarding Organization requires the obligation, for the Corporate Bodies of each obliged entity (including the Bank), to define and approve a motivated policy that indicates the choices made by the obliged entity in terms of organizational structures, procedures and internal controls, customer due diligence and conservation of data.

In order to comply with the provisions of the legislation in force from time to time, the management body of the Parent Company has defined this Policy, which takes into account the specificities of the various components of the Group and of the inherent risk in the activities carried out, in accordance with the principle of proportionality and with the actual exposure to the risk of money laundering, of terrorism financing and the risk related to embargoes, financial sanctions and restrictive measures management ¹ (hereafter "FC risk").

The Policy is approved by the Board of Directors of BFF Bank S.p.A. and is constantly updated by the Anti-Money Laundering Function of the Parent Company.

It is also sent to all Group Entities so that it can be implemented by them and made easily accessible to all Group staff.

With the adoption of the Policy, it is therefore also intended as formalized the Group's procedures, which include:

- a) the Group's methodology for the assessment of money laundering risks in compliance with current regulatory provisions;
- b) the activities and flows necessary for the coordination and sharing of relevant information among the Group Entities;
- c) the general standards adopted on customer due diligence, record keeping and the identification and reporting of suspicious transactions;
- d) anti-money laundering control procedures at Group level.

The principles included in the Policy are declined at an operational level in the AML Organizational Models of the Bank and of the foreign Entities, approved respectively by the following bodies:

- i) For the Bank, by the Board of Directors
- ii) For the subsidiaries, by the respective Board of Directors/ Management Board, in conjunction with the Group AML Function
- iii) For the branches, by the local Branch Manager, in conjunction with the Group AML Function – following sharing with the Member responsible for AML - and by the Group GCEO/GGM.

The Policy also takes into account the specificities and complexity connected to the activities of the Bank and other Group companies, the products and services offered, the type of

¹ Intended in its broadest sense

customer, the distribution channels used for the sale of products and services and the foreseeable developments in these areas.

Based on these principles, the present Policy regulates:

- a) general principles of the FC risk management model and related strategic guidelines which the Bank intended to adopt, and which must also be acknowledged and observed at Group level, without prejudice to the specificities provided by local regulations, where they are more stringent;
- b) responsibilities and duties of the Governing Bodies and business structures;
- c) operating procedures for FC risk management

In particular, it aims at:

- empowering all the personnel of the Group;
- clearly defining, at various organizational levels, roles, tasks and responsibilities in this regard;
- describing an architecture of internal control functions to be coordinated into its components, also through appropriate information flows, which is to be also in line with the structure, the complexity, the dimension of the Group, the types of services and products offered as well as the amount of risk associated with the characteristics of customers with whom the Group operates;
- setting out adequate flows of information on the monitoring activities carried out in the topic.

The Policy and its attachments may be directly modified and/or integrated by the GCEO/GGM, subject to verification of compliance by the Anti-Money Laundering Function, if it is necessary:

- i. to update and/or integrate individual sections of the Policy and/or related attachments following changes in the laws or regulations;
- ii. following specific requests from the Supervisory Authorities;
- iii. implement changes of a formal and non-substantial nature.

6.1 Obligations

The Group, pursuant to the current laws and regulations, observes specific obligations relating to:

- periodical execution of the FC risk self-assessment following the methodology defined by the Parent Company (attached to this Policy);
- customer due diligence (so called “*Know Your Customer*”);
- conservation of data collected and, if requested, registered in special archives designed and managed by means of IT systems;
- reporting of Anti-Money Laundering Notifications, in the jurisdictions where this obligation is requested on the base of the products offered, and reporting of suspicious transactions to the respective Supervisory Authorities in the manner set out in the local regulation;
- adoption of measures aimed at ensuring confidentiality of the identity of subjects that send the Report of suspicious transaction, taking into consideration any information obligations requested in the individual jurisdictions in which the Group Entities operate;
- continuous training activities for all the staff guaranteed by the Group to all company levels; the training plan is an integral part of the Plan of activities prepared by the Compliance & AML Function and approved by the Board of Directors.

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In order to ensure the proper fulfillment of obligations to combat money laundering and terrorist financing, the Group:

- adopts suitable processes, tools and controls that allow for full respect of the principles contained in this Policy;
- ensures adequate, complete and timely information flows to and from the Governing Bodies, control and operational structures;
- provides training and educational programs aimed at the constant updating of the personnel;
- enforces internal organizational safeguards for the prevention of crimes which impact the administrative liability of entities. In this context, the prohibitions and cautions provided by the Group's Code of Ethics shall be integrally considered, with regard to relations with subjects in relation to which there is reasonable suspicion that they are involved in illegal activities;
- adopts an approach of shared risk between the different Entities.

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The following specific anti-money laundering controls are implemented at Group level:

- support activities to corporate functions in the interpretation of regulatory provisions (internal and external) and for their application with respect to corporate operations;
- continuous control through the issuance of opinions by the Anti-Money Laundering Function necessary for the authorization of the transaction or the opening/continuation of

the relationship in all cases of enhanced due diligence; the approach is also extended to foreign entities, which also obtain the opinion of the Anti-Money Laundering Function;

- *ad hoc* controls through the implementation of ex post verifications at least once a year and defined in the Anti-Money Laundering Function's annual plan of activities;
- audit activities carried out by the Internal Audit Function on both the Parent Company and the foreign Entities;
- periodic reporting by the local AML Officers/Referents to the Head of AML Function on the deficiencies found in the anti-money laundering controls and the consequent corrective actions, as well as on the significant events considered pertinent in the performance of the activity.

Abstract

7. Roles and responsibilities of the structures of the Parent Company

The subjects involved in the process of combating money laundering and terrorist financing of the Parent Company are:

- the Board of Directors (body with strategic supervision function), as the body which supervises the internal control system of the Bank and periodically approves and re-examines the strategic guidelines and policies governing the risk related to financial crime.

...

- The Group Chief Executive Officer/ Group General Manager (body with management function), required to take care of the implementation of the strategic guidelines and policies for the management of FC risk defined by the Board of Directors, as well as being responsible for the adoption of all the measures necessary to ensure the effectiveness of the organization and the anti-money laundering control system.

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The GCEO/GGM defines and handles the implementation of an internal controls system functional to the prompt detection and management of the FC risk and ensures its effectiveness over time, in line with the results coming from the risk self-assessment exercise; the GCEO/GG; ensures that the operational procedures and the information systems allow the correct fulfillment of the obligations of Customer due diligence and the storage of documents and information. With regard to the Reports of suspicious transactions, the GCEO/GGM defines and handles the realization of an adequate procedure based on the specificity of the activity, the size and complexity of the Bank, according to the principle of proportionality and in light of the risk-based approach.

...

The GCEO/GGM defines and handles the realization of the initiatives and the necessary procedures to ensure the timely fulfillment of the communication obligations to the authorities provided by the legislation on anti-money laundering.

...

- The Board Member responsible for AML constitutes the main point of contact between the Head of AML Function and the bodies with strategic supervision and management functions, and ensures that the latter have the necessary information to fully understand the significance of the money laundering risks to which the recipient is exposed, for the purpose of exercising their respective powers.

...

- The Board of Statutory Auditors (body with the control function) monitors the compliance with the regulations and the completeness, functionality and adequacy of anti-money laundering control systems.

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The Board of Directors of the Parent Company has established the Anti-Money Laundering Function, as part of the corporate functions of the second level control, which was located within the Compliance & AML Function.

The Anti-Money Laundering Function: (i) is independent and equipped with resources qualitatively and quantitatively adequate for the tasks to be performed, which can also be activated independently; (ii) hierarchically reports to the Board of Directors and functionally to the GCEO/GGM and has access to all the Bank's activities as well as any relevant information for the performance of its duties.

...

The person appointed to the role of Head of Anti-Money Laundering of the Parent Company is appointed by the Board of Directors, after consultation with the Board of Statutory Auditors; in the appointment and continuously, the person is verified to have met the requirements of independence, authority, professionalism and integrity.

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The Anti-Money Laundering Officer reports directly to the corporate bodies, is placed in an adequate hierarchical-functional position, has no direct responsibility for operating areas nor is hierarchically dependent on subjects responsible for these areas.

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With the aim of ensuring the proper independence of the reporting party as well as the possession of appropriate professionalism and integrity requirements, the Board of Directors, after the opinion of the Board of Statutory Auditors, has attributed – with regard to the Bank – to the Head of AML Function also the responsibility for the evaluation and transmission to the FIU of the Report of suspicious transaction (the “**SAR Manager**”).

...

The Internal Audit Function continuously verifies the degree of adequacy of the corporate organizational structure and its compliance with the reference discipline and monitors the functionality of the overall internal control system.

7.8 The structure of the AML Function in the Group

The management of the Anti-Money Laundering Function within the BFF Banking Group involves different organizational solutions depending on the nature, size and complexity of the activities carried out by individual Branches or Subsidiaries. Therefore, the decision to establish a "local" function within the Branch or Subsidiary, rather than identifying a local contact person – without prejudice to compliance with the applicable regulatory provisions in the countries in which the branch or subsidiary operates – is assessed on a case-by-case basis.

In any case, for all Group entities, regardless of whether an Officer or Local Referent is appointed, the designated person must comply with the requirements of current Italian legislation as described in the "Regulations of the Compliance and AML Function of BFF Bank S.p.A.".

The appointment of the Local AML Officer or Referent follows the organisational principles described below.

For each Entity it is expected to identify a:

- Local AML Officer - in case of the establishment of a function or organizational unit dedicated to this purpose - or a local AML Referent - in the absence of an autonomous function or organizational unit - who, working in close functional coordination with the Head of AML Function, and in accordance with the guidelines provided by him, oversees the processes related to legislation on anti-money laundering within its respective jurisdiction.

The Local AML Officer or the Local AML Referent shall:

- monitor the way of fulfilling the obligations of combatting money laundering, terrorist financing, highlighting to respective Governing Bodies, Head of Anti-Money Laundering at the Parent Company and the competent structures any detected anomalies in the conduct of its activity;
- inform, in a complete and timely manner, the Head of AML Function of the Parent Company, for matters of specific interest, the results of the control activities carried out at the foreign Entities by the Supervisory Authorities, as well as any significant occurrence.

Depending on the cases, the Local Anti-Money Laundering Officer or the Local Anti-Money Laundering Referent, in compliance with the provisions requested by the local applicable law, can be entrusted with the responsibility of the Reports of suspicious transaction for anti-money laundering / anti-terrorism purposes and the consequent evaluation and decision to send the report to the relevant Supervisory Authorities, in accordance with the local legislation. In this context, such subject informs in advance the Head of AML Function of the Parent Company of the evaluations carried out to share the outcome of the evaluation. This in order to guarantee, within the Group, the maximum homogeneity and consistency of the evaluation criteria and methodologies used. Subsequently, the Local Anti-Money Laundering Officer / Referent sends the Head of AML Function a copy of the reports sent to the competent Supervisory Authority, including the reasons for this decision, already shared during the evaluation phase. The Head

of AML Function, for further study of abnormal transactions and relationships in the Group, can also make use of the collaboration of other functions of the foreign Entities of the Group.

The Local Anti-Money Laundering Officer or the local Anti-Money Laundering Referent is also required to provide the Head of the Anti-Money Laundering Function of the Parent Company information flows.

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