

# PASCHIA AMBIENTE

OUR COMMITMENT TO SOCIAL RESPONSIBILITY



SOCIO-ENVIRONMENTAL REPORT 2001

BANCA MONTE DEI PASCHI DI SIENA



TABLE OF CONTENTS

	1	Introduction
	3	Message from the Chairman
	5	Summary
	6	Summary of Bank's Performance
	7	Principles Relative to the Collection and Reporting of the Data
	8	The Bank and its Stakeholder
	10	Corporate Identity
	11	Strategies and Business Plan
	13	Organization Structure
	14	The Bank and its Network
<hr/>		
	17	<b>GOVERNANCE</b>
	18	Values
	19	Mission
	20	Policies and Conduct with Reference to Socio-Environmental Matters
	22	Organizational Structure and Functions
	23	Environmental Policies Unit
	24	Advisory Board
	26	Principal Management Systems and Process
	29	Collaboration and Dialogue with Organizations Active in Corporate Social Responsibility
<hr/>		
	33	<b>PERFORMANCE</b>
	35	<b>ENVIRONMENTAL PERFORMANCE</b>
	37	Bank's Positioning
	38	Energy
	40	Paper
	41	Water
	42	Waste
	43	Emissions to Air
	45	<b>ECONOMIC PERFORMANCE</b>
	47	Key Financial Data
	48	Statement of Value Added
	49	Breakdown of Value Added
	51	<b>SOCIAL PERFORMANCE</b>
	52	Interaction with Stakeholders
	53	Human Resources
	61	Customers
	67	Shareholders
	70	Community
	76	Government Institutions and Local Authorities
	78	Suppliers
	79	<b>PRODUCTS AND SERVICES</b>
	83	Socio-Environmental Purpose Credit Facilities
	83	Equity Investments
	86	Important Socio-Environmental Products of other Companies of the MPS Group
	89	<b>OBJECTIVES ACHIEVED AND FUTURE TARGETS</b>
	90	Objectives Achieved
	94	Future Targets
<hr/>		
	97	<b>ACCREDITATION OF DATA</b>
	98	Deloitte & Touche's Statement
	99	Evaluation of the 2000 Social Report and the 2000 Environmental Report
<hr/>		
	102	Glossary <i>Evaluation of the Socio-Environmental Report 2001</i>
	I	<b>CORPORATE OFFICERS, SENIOR MANAGEMENT AND AUDITORS</b>
	II	<b>MONTE DEI PASCHI DI SIENA BANKING GROUP</b>

# CORPORATE OFFICERS, SENIOR MANAGEMENT AND AUDITORS

## **BOARD OF DIRECTORS**

### *Chairman*

Pier Luigi Fabrizi

### *Vice Chairman*

Mauro Faneschi

### *Directors*

Antonio Silvano Andriani

Stefano Bellaveglia

Francesco Saverio Carpinelli

Giuseppe Catturi

Carlo Querci

Ivano Sacchetti

Antonio Sclavi

Giovanni Semeraro

Alessandro Vercelli

## **BOARD OF STATUTORY AUDITORS**

### *Chairman*

Giuseppe Vittimberga

### *Acting Auditors*

Pietro Fabretti

Luciana Granai De Robertis

### *Alternate Auditors*

Angiola Lippi

Duccio Neri

## **SENIOR MANAGEMENT**

### *Chief Executive Officer*

Vincenzo De Bustis

### *Deputy Chief Executive Officer*

Pier Giorgio Primavera

### *Assistants Chief Executive Officer*

Antonio Vigni

Pier Luigi Corsi



## INTRODUCTION

For the second consecutive year, Banca Monte dei Paschi di Siena, the parent company of the MPS Banking Group, has drawn up a summary report on the subject of sustainable development, the level of development which can satisfy present needs without compromising the ability of future generations to satisfy their needs. This year's statement is entitled the 2001 Socio-Environmental Report. Attention to the social impact of its actions and initiatives to safeguard environment have long represented the foundations of the Bank's social responsibility, and in recent years, it has become increasingly evident how embracing a culture amenable to sustainable development can positively influence the behaviour of companies and the capacity to create value.

A major step in the development of this culture within the Bank was realized in 1998 with the signing of the Statement by Banks on the Environment and Sustainable Development promoted by the United Nations Environmental Programme (UNEP). Thereafter, the Bank moved in several directions, inaugurating various projects for the promotion of social and environmental issues.

This document has been planned and published in order to give a clear view of the Bank's strategies in relation to the current challenges in the socio-environmental area and so as to develop a dialogue with internal and external "stakeholders" – specifically, all of the parties who have an interest in the Bank's activity, or who are involved or have a relationship with it. The emphasis on communicating with stakeholders is based on the conviction that sharing ideas is an indispensable premise for guaranteeing the ongoing continuity and growth of the Bank's business.

This document also has the purpose of clarifying the Bank's social values and culture, and of highlighting qualitative and quantitative factors which are often not included in the Bank's Annual Report. The document thus strives to illustrate how the Bank's day-to-day activity is guided by fundamental ethical principles which are consistent with the legitimate expectations of the stakeholders. In applying the integrated "Triple Bottom Line" method, the report spells out the activities carried out and the results achieved in relation to three principal issues: the commitment to safeguarding the environment, the creation of value, and the activities with social repercussions.

The report is subdivided into four principal sections:

- an explanation of the Bank's commitment and of the involvement of Bank executives with regard to the management of sustainability, with a brief description of the history of the Bank and the MPS Group, the 2002-2005 Business Plan and the identity of the principal stakeholders;
- an overview of the governance structure, including: the Bank's principles and mission, the business units dedicated to socio-environmental issues and management systems, and the processes and projects activated within this scope;



- a direct account of the Bank's environmental, economic and social performance, the products and services supplied, and a summary of the achievement of objectives set in the 2000 Socio-Environmental Report along with the definition of future targets to be met as part of an effort to achieve further improvement in the Bank's performance;
- the certification of the data by Deloitte & Touche S.p.A. and a review of the feedback received from a questionnaire returned by the readers evaluating the previous edition of this report.

The financial statement data included in the report refer to Banca Monte dei Paschi di Siena S.p.A. for the year of 2001; in some cases, prior-year data have been provided for comparison purposes. Some of the qualitative information has been extended to include developments in the first four months of 2002. Finally, in order to round out the reporting on activity in the social-environmental area, certain initiatives of companies of the MPS Group have also been described.

A questionnaire is provided at the end of the document. Readers are invited to fill out the questionnaire and return it to the Bank, providing any observations or feedback on the report's presentation or content. The comments received will be taken into account in the preparation of future editions.



## MESSAGE FROM THE CHAIRMAN

While the year of 2001 presented many challenges in terms of the performance of the economy and the trend of the financial markets, Banca Monte dei Paschi di Siena and the Monte dei Paschi di Siena Group were successful in pursuing the expansion of operations and the improvement of results. Similarly, in 2001, the Bank and the Group re-affirmed and renewed their interest and commitment in decisively moving ahead with their efforts to promote sustainability and social responsibility. The publication of the Socio-Environmental Report is testimony to this commitment and an account of the actions realized to date.

This is the second year which we have undertaken this project. In comparison to last year when we presented two distinct reports (the Social Report and the Environmental Report), we opted to come up with a single document for 2001. This change was made in order to combine all reporting of corporate events with respect to environmental, economic and social issues, the three core aspects of sustainability.

In 2001, the Bank and the Group embraced a unique approach to the process of managing a business, with actions carried out strictly for the purpose of achieving business objectives being flanked by a keen awareness of the interests of internal and external stakeholders. In taking this approach, the Bank and the Group aim to realize, in an integrated and synergistic manner, their economic objectives, social commitment and efforts to safeguard the environment.

The innovation, in any case, is not limited to the structure of the Report presented, but is extended to the content of the action undertaken.

The principal objectives achieved in 2001 include the full-scale implementation of the programs provided by the Business Plan and the start-up of initiatives in support of sustainable development at all levels of the organization.

Some of the more noteworthy events during the year include the creation of the Advisory Board, a committee of internationally acclaimed experts which will provide consultation to the Bank's management; the establishment of a permanent unit within the Corporate Center to plan and guide the MPS Group's actions with respect to environmental, ethical and social issues; and the designation of MPS BancaVerde as an excellence center in the environmental sector for the purpose of supporting initiatives for sustainable economic development and for agriculture and food processing.

The results achieved and the initiatives undertaken are reflective of the efficacy and the influence of the Bank's social and environmental policies and the consistency of action in relation to the values and principles for sustainable development that have long been declared and pursued.

Pursuing sustainability - in other words, acting in respect of the environment, the quality of life and, more in general, the centrality of the person - is a never-ending process. Accordingly, we cannot afford to stop with the results achieved thus far; we must look ahead.



The Bank has defined the strategies which it intends to realize and the objectives which it intends to achieve in future in order to continue to make its contribution to building an environmentally, socially and economically sustainable society. The Bank has developed these strategies and objectives with an awareness of its role and responsibility and with the firm conviction of being able to pair business logic with the traditional values that have long inspired the actions of the Bank and of the companies of the Group.

The success of the strategies undertaken will require the collaboration of all stakeholders, a strong commitment of the Board of Directors and Management, and the active participation of the employees of the Bank. With this sort of framework, everyone involved, in compliance with the roles played, will be poised to contribute to the broad-based development of the Bank's business not only in professional terms, but also in ethical and social terms as well.

Pier Luigi Fabrizio

## SUMMARY

Established in 1472, Banca Monte dei Paschi di Siena S.p.A. has a long history attesting to its interest and involvement in servicing to the needs of the community at large. With its expansion over the years, the Bank has become ever more aware of its social responsibility, and has increasingly focused on the ethical and social aspects of its activity as well as environmental-related issues, elements which are today critical to the success of any business.

The fundamental developments in managing sustainability issues in 2001 include: the definition of a system of principles and values to serve as the cornerstone of the Bank's policies and strategies with respect to its social and environmental responsibility; and the creation of an environmental policies unit which is charged with the planning and execution of the policies and strategies and which operates with the support of an external Advisory Board consisting of international experts.

As part of its promotion of sustainable development, the Bank has defined specific environmental, social and economic objectives. Quantitative performance indicators are used from year to year to determine the extent to which these objectives are met, and to monitor and measure the Bank's commitment.

Key accomplishments in 2001 in relation to such objectives include:

- with reference to environmental issues, the creation of the above-mentioned unit and the completion of a staff training program addressing environmental themes;
- with reference to economic issues, improvements in the MPS Group's profitability, operating standards, innovation and leading role;
- with reference to social issues, additional progress in developing a safer and more secure work environment, and enhancements to the Bank's role as an intermediary between businesses, households and the market, in line with increased emphasis on more personalized relationships.

In comparison with a peer group of banks, the Bank produced an environmental track record for 2001 which was better than average or on par with the average in the areas of waste management, CO<sub>2</sub> emissions, and the consumption of thermal energy, electric energy and paper; the consumption of water was the only borderline element when measured against the average results for the peer group as a whole.

With the aim of achieving further performance improvements in these areas, the Bank has inaugurated the development of an environmental management system which complies with the requisites of the ISO 14001 standard.

Likewise, the Bank is aware of its capacity of indirectly influencing the behaviour of other businesses through the development and the promotion of socio-environmental products and services.

Turning to economic performance, the Bank reported further improvement in earnings and financial aggregates in 2001, despite the instability which characterized the markets throughout the year. Net profit, ROE and the interest margin all expanded during the period, thereby generating incremental value added for distribution to stakeholders.

In terms of social responsibility, highlights for the year include the qualitative and quantitative interchange with each of the following groups of stakeholders:

- human resources
- customers
- shareholders

- the community
- government institutions and local authorities
- suppliers.

The Bank's main future objectives in the area of social responsibility regard:

- improvement in the management of environmental issues and in stimulating greater awareness by stakeholders with regard to such issues;
- improvement in earnings results to be pursued also through the Bank's internal and external growth;
- the involvement of stakeholders in the Bank's social-responsibility strategies.

## SUMMARY OF BANK'S PERFORMANCE

ENVIRONMENTAL INDICATORS	2001	2000
Electric energy: consumption per employee (kWh)	4,528	4,667
Thermal energy: consumption per square meter (kWh/square meter)	36	43
Paper: consumption per employee (kg)	122	127
Paper: consumption of A4/A3 sheets per day per employee (n. of sheets)	48	44
Waste: production per employee (kg)	172	158
CO <sub>2</sub> emissions per employee (kg)	3,601	3,700
Business travel by automobile (km per employee)	2,077	1,693
Water: daily consumption per employee (liters)	125	n.d.

ECONOMIC INDICATORS	(amounts in EUR mn as of 31 December)	
Aggregate customer funding	101,223	95,625
Product placement flow:		
• Mutual funds (direct customers - net flow)	390	844
• Life policies/pension funds	2,069	1,444
• Innovative financial products	2,037	392
Customer loans	36,410	36,631
Shareholders' equity	5,809	5,401
Gross operating profit	1,375	1,226
Pre-tax profit	1,197	859
Net profit *	717	508
R.O.E. ** (%)	12.8	12.5
Customer portfolio (number)	2,486,721	2,348,521
Electronic banking services (number of accounts)	349,774	241,861
Branches (Italy and abroad) (including Representative Offices)	975	943

SOCIAL INDICATORS	2001	2000
Number of employees	14,133	13,942
including:		
• banking employees in Italy and abroad	13,061	12,805
• tax collection employees	1,072	1,137
Days of training	42,582	37,000
Accidents in the workplace	45	49
Accidents outside of the workplace	69	53
Number of labor disputes promoted by employees	120	109
Number of customer complaints/number of customers (%)	0.10	0.11
Number of treasury and cash services for the account of public entities	1,460	1,333
Dividends distributed (in EUR 000's)	269,381	243,748
Gross aggregate value added (in EUR 000's)	2,314,116	1,867,921
• inclusive of value added distributed to the public at large (in EUR 000's)	179,747	163,829

\* The increase is due to the change in the criteria used to account for dividends from subsidiary companies. Moreover, the Bank prepared proforma financial statements which show "net earnings from operations" of EUR 506 million in 2000 and EUR 555 million in 2001 as calculated with the same criteria used in 2000.

\*\* Calculated with respect to net earnings from operations.

## PRINCIPLES RELATIVE TO THE COLLECTION AND REPORTING OF THE DATA

This Socio-Environmental Report is the outcome of a project incorporating precise methods for collecting and analyzing data. Such methods are based on the principles of the significance, the clarity, the reliability and the verifiability of the information supplied.

### GUIDELINES USED

With the aim of providing the most complete integrated reporting possible, various national and international guidelines of reference were used in the preparation and processing of the data. Bank-specific factors were also taken into account. The main guidelines for the report were:

- the “*Social Responsibility Reporting Model for Banks*” prepared by a group of banks, including Banca Monte dei Paschi di Siena S.p.A., and coordinated by the European Institute for the Social Report and by the Italian Banking Association;
- the “*Sustainability Reporting Guidelines*” of the Global Reporting Initiative.

Other guidelines and documents which influenced the content and structure of some sections of the document include: the “*CERES Report Financial Services Form*”, “*EPI-Finance 2000: Environmental Performance Indicators for the Financial Industry*”, “*SPI-Finance 2002: Social Performance Indicators for the Financial Industry*”, and the “*Deloitte & Touche Sustainability Reporting Scorecard*”.

### DEFINITION OF CONTENT

The first step in the preparation of the document is the identification of the indicators and the data which are considered significant to each group of stakeholders. This puts the priority on the information needs of the respective stakeholders, thereby rendering the most effective communication possible.

The identification and collection of the data were based on the use of checklists, set up on the basis of the guidelines followed for the drafting of the document and the best practices at the national and international level. The checklists were also used for supplying a useful

support to the individual areas collaborating in the preparation of a correct socio-environmental accounting system.

### DATA CHARACTERISTICS

The data refer to Banca Monte dei Paschi di Siena, except in cases where the reference is specifically made to the MPS Group. The socio-environmental information and data have been obtained from various sources and from reports received from the areas involved in extracting the data. The economic data come from the Bank's accounting system and from the annual financial statements certified by the independent auditors.

Where appropriate, the data are presented with reference to 2001 and prior years in order to facilitate the tracking of trends. Certain indicators are presented in both absolute and relative terms so as to allow for a broader assessment of the same. In addition, the report includes certain “multi-dimensional” indicators that help to provide an integrated picture of the Bank's performance in relation to sustainable development issues.

### LIMITATIONS ON THE COLLECTION OF DATA

**Accuracy:** Even though the work of gathering and processing the data is considered accurate, there is the possibility of a certain margin of error in the methods used for calculating some of the information relative to environmental issues, and in the measurement and estimation of certain aggregates.

**Comparability:** A change in the structure of this report versus the version presented last year also involved the modification of certain specific indicators and the addition of new indicators for which there are no comparative figures. Certain data are the output of the environmental accounting system recently introduced in the Bank.

### COMPLIANCE

In order to guarantee the validity and the reliability of the Socio-Environmental Report, the Bank has commissioned an independent third party, the professional accounting firm, Deloitte & Touche, to audit the information and the data contained herein.



## THE BANK AND ITS STAKEHOLDERS

Every firm is called upon to assume social responsibility with respect to all of its stakeholders, namely, employees, shareholders, customers, suppliers, the government and public-sector entities, and the community. Stakeholders have an interest in the life of a firm because they may be directly or indirectly affected by the firm's choices, and directly or indirectly the recipients of the firm's value added.

The Bank believes it is fundamentally important to communicate and to interact with its internal and external stakeholders. By pursuing this sort of dialogue, the Bank is able to undertake actions that are consistent with the expectations of stakeholders, and to follow through on the conviction that joining forces in action is an indispensable premise for guaranteeing the continuity of growth, including in the interest of future generations.

### SHAREHOLDERS

The Monte dei Paschi di Siena Foundation holds 65.74 percent of the ordinary shares; the remaining ordinary capital is owned by a broad base of shareholders in Italy and abroad. Most of the Bank's employees are also shareholders of the Bank.

### HUMAN RESOURCES

Operating with the conviction that the staff represents a critical element of business success, the Bank intensified efforts in 2001 to reward its personnel, activating a system of performance-based incentives at all levels.



### THE COMMUNITY

The Bank intends to serve as a cornerstone to community activity, assisting the public at large in the territory in which it operates. By promoting and sustaining socially responsible initiatives and activity, the Bank aspires to provide the community with opportunities for growth and well-being over the long term.

The internal stakeholders include: the employees, the key component of the Bank's identity; the shareholders and customers who have placed their confidence in the Bank and supported its operating strategies and business orientation; and the suppliers and free-lance professionals who provide products and services that contribute to the overall improvement of qualitative standards of the Bank's services.

The external stakeholders include government institutions and the public at large who share in the Bank's commitment to social growth.

By focusing the attention on the persons with whom it maintains relationships, the Bank intends to create a stable and transparent framework through which all of its actions can be measured. This framework also serves to highlight the Bank's awareness of its responsibility to the community, as well as the consistency with which the Bank applies its fundamental ethical values to its overall business. The commitment of the Bank is addressed to persons who have an interest in its activity and management, and who are also direct beneficiaries of the value which the Bank creates - value which has been distributed in various forms over the centuries.

### **CUSTOMERS**

The "customer as the priority" has long been a dominant value for the Bank and the MPS Group. The success of the application of this principle is evidenced by the significant development of the customer base, which, in the case of Banca MPS, includes around 2.5 million active relationships.

### **SUPPLIERS**

The Bank strives to develop collaborative relationships with suppliers which are both mutually beneficial and aimed at generating improvements in order to create value. Other critical variables in this regard include: the capacity in optimizing costs and resources, and the flexibility and speed in responding to the continuous changes and demands within the marketplace.

### **GOVERNMENT, INSTITUTIONS AND LOCAL AUTHORITIES**

With its considerable experience in working with the public sector, the Bank has taken on an ever greater role in supplying treasury and cash services to territorial and local authorities, consortiums and schools. As a result, the Bank has cultivated relationships with public-sector entities which are significant from both an operational and economic perspective.

## CORPORATE IDENTITY

2000

Acquisition of the controlling interest in Banca 121 (formerly known as Banca del Salento).

1999

Stock market listing on 25 June.

1995

Transformation of the Bank into two entities: the Fondazione Monte dei Paschi di Siena, a public law institute, and Banca Monte dei Paschi di Siena S.p.A., a joint-stock company.

1992  
2000

Expansion into the northern and central regions of Italy through the acquisition of Cassa di Risparmio di Prato, Banca Agricola Mantovana, and Banca Steinhauslin and investments in other banks.

1990  
1992

Acquisition of interests in foreign banks: BMP Belgio, MP Banque S.A., BMP Suisse.

1983  
1989

A move beyond the national borders: New York, Singapore, Frankfurt, and London.

1936

Transformation into a public law credit institution.

1929

Participation in the establishment of Banca Toscana.

1907

A move beyond the borders of the two traditional provincial areas served: the opening of a branch in Empoli.

1883

Participation in the start-up of the National Fund for the Insurance of Accidents in the Workplace (currently known as "I.N.A.I.L.").

1865  
1896

Expansion within the traditional marketplace, the Provinces of Siena and Grosseto.

1472

The institution of "Monte di Pietà" by the General Council of the City of Siena for the purpose of granting credit to the needy: 27 February.

# STORIA

## STRATEGIES AND BUSINESS PLAN

In recognition of the major changes taking place in the business environment and in the financial markets, the Bank has adjusted its operating strategies and developed a new organizational structure consisting of new functional areas of responsibility set up as divisions. Aimed at ensuring a better focus and efficient governance of the operating units, the changes include the streamlining of reporting structures and the introduction of new management mechanisms based on individual involvement and responsibility. This framework is also designed to generate a greater commitment of the staff.

Thus, in 2001, the efforts of the Bank and of the Group were again oriented toward the objectives of value creation and growth. The priority went to the implementation of the 2001-2004 **Business Plan** which called for adjusting the Group's organization so as to bring it into line with the actual structure resulting from the rapid and intense external growth realized in 1999 and in 2000.

The specific mission involved transforming the MPS Group from a financial services conglomerate into an integrated and coordinated structure organized along lines of specialization and focused on four areas of business (Commercial Banking, Private Banking, Personal Financial Services and New Initiatives, with a particular focus on e-business). The key concepts inherent to the new divisional organization are coordination, specialization, product and process innovation, and operational efficiency and effectiveness.

Once the new structure had been put into place, the Bank felt the need to look ahead further, especially in light of the very intense speed and magnitude of the changes occurring in the marketplace. Starting from this vantage point, the Bank opted to adjust the Group's structure to the reality of a rapidly growing market, and this led to the drafting and publication of the MPS Group 2002-2005 Business Plan, which was approved by the Board of Directors on 10 January 2002.



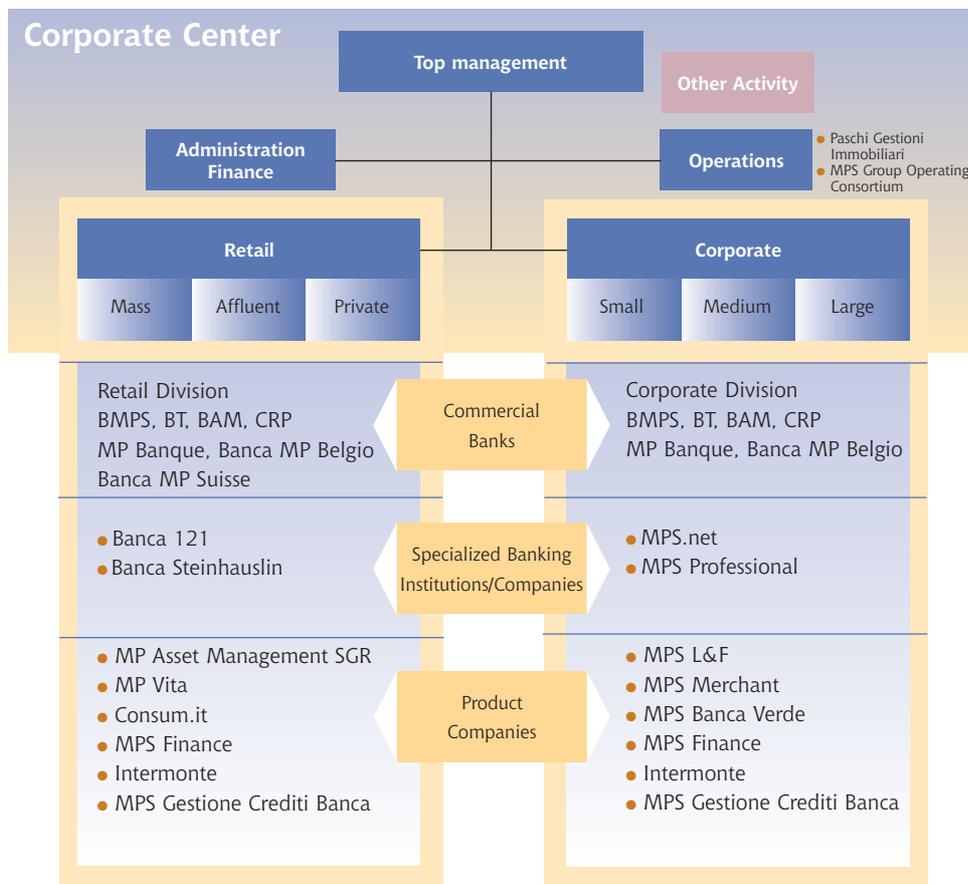


The new plan is based on the same strategies outlined in the previous plan, with the growth objectives updated in light of the changes in the macroeconomic scenario and developments in the financial markets. The plan is balanced in terms of its focus on tradition and accent on innovation, and its emphasis on safeguarding the Bank's and the Group's culture and value system. Though reflecting the current outlook for earnings prospects, market trends and expectations and the ongoing development of principal competitors, the plan also has enough flexibility to be adapted to various external growth scenarios.

Specifically, the plan calls for maximizing customer relationships with service models and product portfolios specialized by customer segment and with product companies that will have a very integrated presence in the distribution networks. This approach also contemplates focusing on local market presence and the value of the brands of the banks of the Group.

In order to facilitate the implementation of the strategies, the Group will shift away from an integrated model with multiple areas of specialization to a **divisional model focused on multiple markets**. This means a divisional reconfiguration of the Corporate Center and of the commercial banks of the Group, with specialized platforms for serving retail and corporate customers.

### DIVISIONAL MODEL FOCUSED ON MULTIPLE MARKETS



## ORGANIZATION STRUCTURE

In 2001, Banca Monte dei Paschi di Siena completed a restructuring process based on separating the functions of coordinating the activity of the MPS Group from the traditional banking activity; the two activities were respectively organized in the Corporate Center and the Banca Monte dei Paschi di Siena Division. On the one hand, the start-up of operation of the two units will allow for efficient coordination of the activities and governance of the entire Group; on the other hand, it will enhance the potential for improving market penetration and strengthening customer relationships.

Thus, in compliance with the changes in the competitive scenario and as part of the implementation of the strategies defined in the 2002-2005 Business Plan, the Bank has been structured in two distinct organizational units:

- the **Corporate Center**, which has the authority for managing, coordinating and controlling all activity of the Group, in accordance with the general guidelines defined by Board of Directors;
- the **Commercial Bank Division**, which is charged with defending market share and developing customer relationships.

With the aim of optimizing the Group's transformation from an organizational perspective, the reorganization of the parent company was flanked by the definition of an operating governance system (MPS Group Governance Rules) that was approved by all of the companies of the Group. The governance rules define the structure of the MPS Group and the role of the different entities within the Group; the mechanisms for governance and infragroup relationships; and the units having responsibilities for the Group overall.



**B**anca Monte dei Paschi di Siena operates nationwide in Italy and in the leading financial markets abroad. The Italian network is mostly concentrated in the central regions of the country, and mainly serves retail customers and small- and mid-sized businesses.

Attempting to identify and to anticipate the needs of its clientele, the Bank offers a wide array of financial and insurance products and services, either directly or through other companies of the MPS Group. The Bank's product portfolio embraces virtually all types of financial services available in the marketplace, including very sophisticated services, such as: deposit-taking, short- and long-term lending, ordinary and specialized credit (including factoring and leasing), collection and payment services, the custody and administration of securities, funds management, bancassurance, securities brokerage, corporate finance and tax collection.

In early 2002, the number of regional main branches in the network came to 20, with the reclassification of the reporting structure for certain branches: the branches reporting to Prato and Pistoia, for example, were grouped with those reporting to the regional main branch in Florence, whereas the branches reporting to Pisa were transferred to the Lucca regional main branch, and the branches reporting to Cagliari to the Rome regional main branch.

## THE BANK AND ITS NETWORK

### Situation as of 31 December 2001

Total branches in Italy  
**962**  
Market share as measured by branches  
**3.29 %**

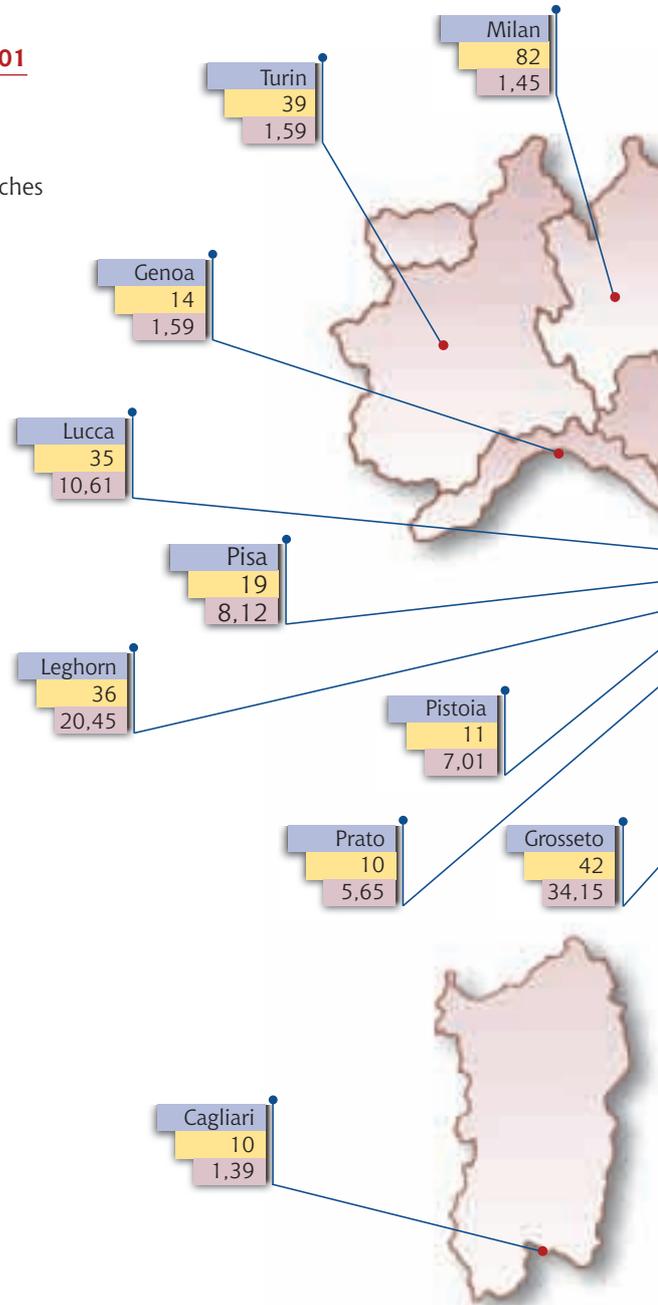
### Foreign branches

Frankfurt  
London  
Madrid  
New York  
Cayman Islands  
Hong Kong  
Singapore

### Representative offices

Istanbul  
Cairo  
Tunis  
Moscow  
Beijing  
Shanghai

On 14 June 2002, the Bank inaugurated **branch n. 1,000** at Castelfranco Veneto.



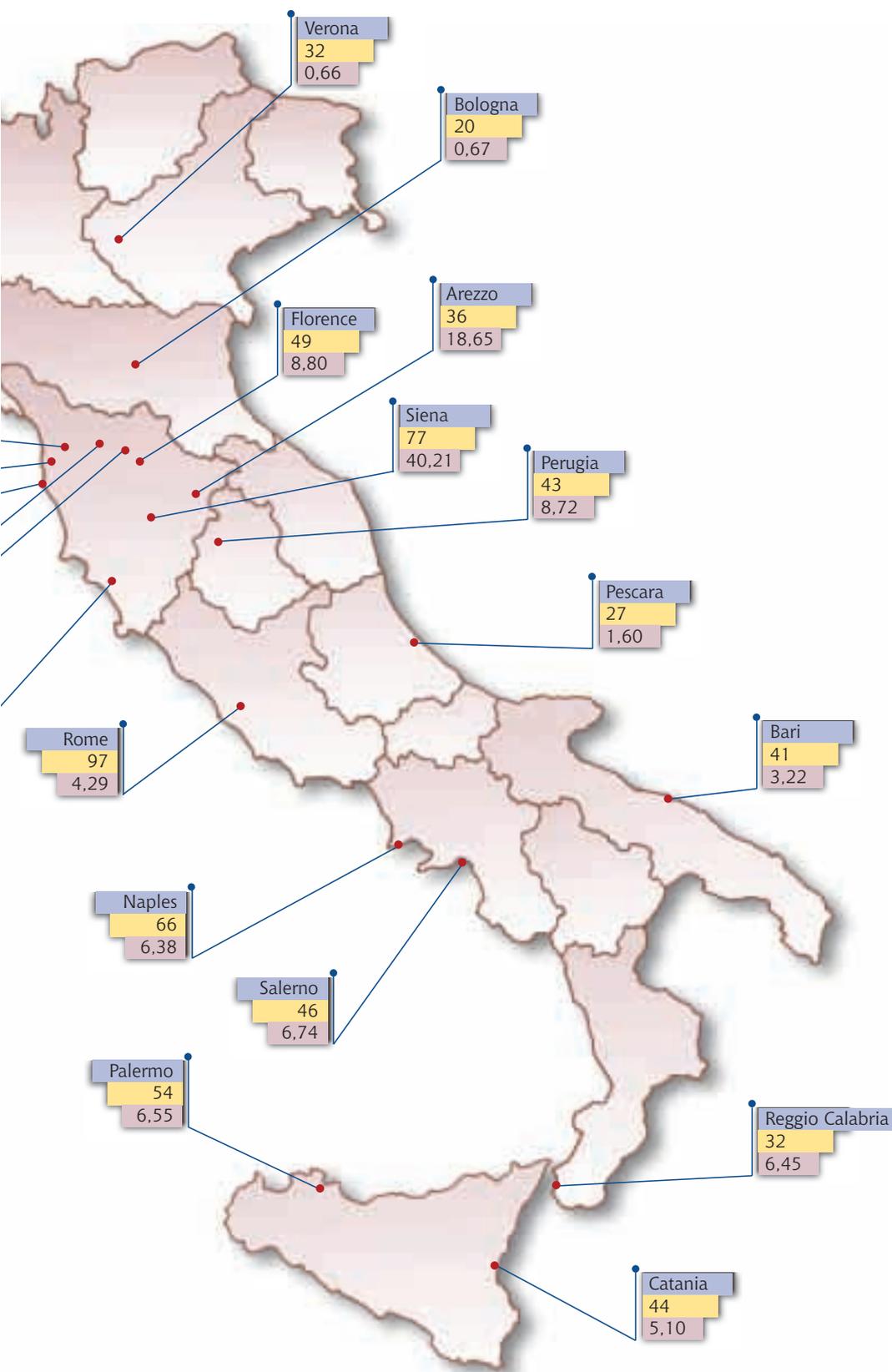
### Legenda

- Parent Company
- Number of branches of the Group
- Market share as measured by branches

## MARKETING INNOVATIONS

In 2001, the marketing policies of the Bank were further revised in order to support the new service models specified in the business plans. As a result of the changes, the Bank's marketing is based on (i) the offer of specialized products and services by customer segment (Base, Affluent and Private in the retail market; Small Businesses, SMEs, large Corporates, public-sector entities and financial institutions in the corporate market); (ii) dedicated operating platforms to flank each segment; and (iii) strong integration with product companies. Structuring the marketing approach in this manner allows for better responding to the demands of the customers.

During the year, the Bank gradually implemented a Customer Relationship Management (CRM) model which places the customer at the center of a process aimed at consolidating the Bank-customer relationship. This model is considered essential to the installation of stable, long-lasting and mutually satisfying relationships between the Bank and its customers.







# GOVERNANCE





## VALUES

Nowadays, with increasing sensitivity to environmental and social issues, there are new economic models emerging which recognize the need for matching the traditional objectives of growth, employment, monetary stability and external equilibrium, with provisions for safeguarding the environment and for respecting the fundamental principles of social sustainability.

As to their repercussions on corporate behavior, these models imply the opportunity for companies to leverage involvement in social issues and the respect of the environment as competitive factors.

In consideration of this scenario, the Bank opted to formulate its own socio-environmental policy, with the first fundamental step thereof being the definition of a “Statement of Values”.

### VALUES

Values represent everything in which we believe and the totality of the principles influencing the Bank’s behavior.

The concrete expression of these values is thus seen in the Bank’s projects, platforms and marketing models, in the development of its business models, and in the integration between all units of the MPS Group. Most importantly, it is the **personnel** of the Bank and their specific actions to convey the system of values.

#### CONSCIENTIOUSNESS

To ensure conscientious behavior at all times, and namely, the commitment to a constant orientation to service, to integrity and transparency, to correctness in business, to the safeguarding of the environment and to the respect of the individual.

#### CUSTOMER ORIENTATION

To develop listening skills and thus attention to relationships with both internal and external customers, thereby improving the quality of services supplied and the level of customer satisfaction. This means constant attention to the efficiency and efficacy of the production and the distribution of services.

#### FOCUS ON CHANGE

To cultivate a vision of the future, an openness to innovation and a sense of flexibility in one's own work, while simultaneously enhancing the value of the strengths of tradition.

#### ENTREPRENEURIAL AND PROACTIVE APPROACH

To adopt an entrepreneurial approach at every level of responsibility, anticipating problems, advancing proposals and solutions and assuming accountability appropriate to one's own professional rank.

#### PASSION FOR PROFESSIONALISM

To act as a model of reference through the development of best practices and a professional image oriented to training and to self-development of key skills, for both the individual and the organization.

#### TEAM SPIRIT AND COOPERATION

To communicate in order to maintain and develop team spirit, thereby promoting cooperation, the sharing of responsibility and the capacity to help others. The objective is to be responsible individuals, so as to facilitate BMPS' success in the respect of its stated ethical values.



## MISSION

### THE MISSION

The mission of Banca Monte dei Paschi di Siena (BMPS) is to create value for shareholders, over the short term and the long term, thereby placing the priority on customer satisfaction, the professional development of the employees and the interests of all stakeholders.

BMPS seeks to establish itself solidly as a principal force within the ever-changing Italian banking panorama, and as the parent company of one of the top financial services groups in Italy oriented to serving the European market as a whole.

BMPS intends to promote unity within the MPS Group, while simultaneously acknowledging the value of cultural differences between the various components of the Group and ensuring the maintenance of strong local roots in the areas where the Group companies operate.



## POLICIES AND CONDUCT WITH REFERENCE TO SOCIO-ENVIRONMENTAL MATTERS

### **BASIC PRINCIPLES OF BANCA MONTE DEI PASCHI DI SIENA'S ENVIRONMENTAL AND SOCIAL POLICY**

**WE BELIEVE** that the Bank can provide, together with other economic sectors, an important contribution to sustainable development.

**WE ARE COMMITTED** to considering environmental needs in all of our activities across all markets, and to developing a dialogue with all stakeholders.

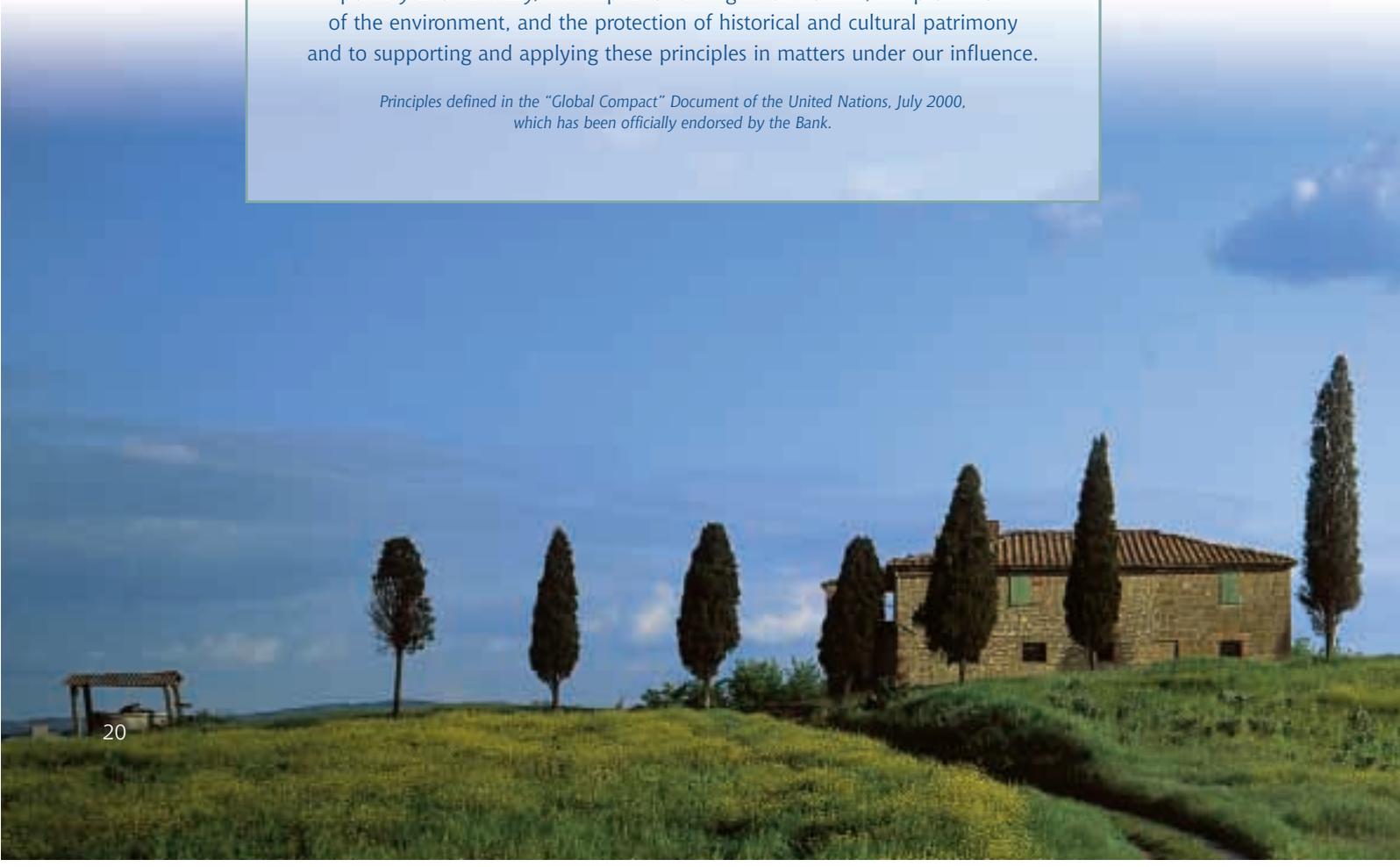
**WE AIM** to embrace the best methods of environmental governance, including efficient use of energy, recycling, and waste reduction, and to develop business relationships with partners, suppliers and companies on the basis of high environmental standards.

**WE ENCOURAGE** the development of products and services for safeguarding the environment.

*Principles defined in the "UNEP Statement by Financial Institutions on the Environment and Sustainable Development", which has been officially endorsed by the Bank.*

**WE ARE COMMITTED** to the defense of human rights, the fight against poverty and illiteracy, the respect of the rights of workers, the protection of the environment, and the protection of historical and cultural patrimony and to supporting and applying these principles in matters under our influence.

*Principles defined in the "Global Compact" Document of the United Nations, July 2000, which has been officially endorsed by the Bank.*



## CODE OF CONDUCT

With its resolution of 11 April 1996, the Board of Directors of the Bank approved the adoption of the “Code of Conduct for the Banking and Financial Services Industry” promoted by the Italian Banking Association.

The general principles of the code are applicable to all activity carried out by the Bank in relation to customers, and involve the commitment:

- to carry out the Bank’s activity with transparency, diligence and professionalism;
- to inform customers of the economic conditions applicable to the products/services offered, including with reference to the various elements of the fees and of the accessory fiscal charges;
- to supply customers with the assistance needed for better utilizing and better understanding the Bank’s products/services and any products/services offered by the Bank for the account of third parties;
- to guarantee confidentiality in the handling and processing of past and current customer data, in compliance with the obligations of the law and with the provisions of specific agreements between the parties;
- to guarantee the security of the processing of data by Bank personnel, through reliable systems and technologies;
- to ascertain, in accordance with the terms and conditions established by the law, the identity of the persons transacting business through the Bank;
- to seek the customer’s collaboration in allowing the Bank to better know the customer, in the interest of the customer and of the Bank, and in order to prevent the improper use of the banking and financial system;
- to define the conditions for access to physical facilities and for confidentiality with reference to business transacted;
- to distribute the Code to the Bank’s employees and to free-lance professionals working on a regular basis with the Bank so that such persons may acquire a knowledge thereof and may respect the relative principles.

### **DISENGAGEMENT OF BANCA MPS FROM THE ARMS BUSINESS**

For some years, the Bank has pursued a policy of not providing any financial services to the arms industry, as stipulated by Law n. 185/90. In line with its Statement of Values, the Bank felt it was necessary to take action to remove itself from any possible involvement in financing the production or the trade of arms.

As of August 2000, Banca MPS provided precise instructions to all of its branches to avoid any transactions linked to the production or trade of arms, once the pre-existing multi-year transactions had been cleared from their books. The instructions were made with reference to Law n. 185 /90.

In November 2001, this policy was adopted by all of the other banks of the MPS Group.

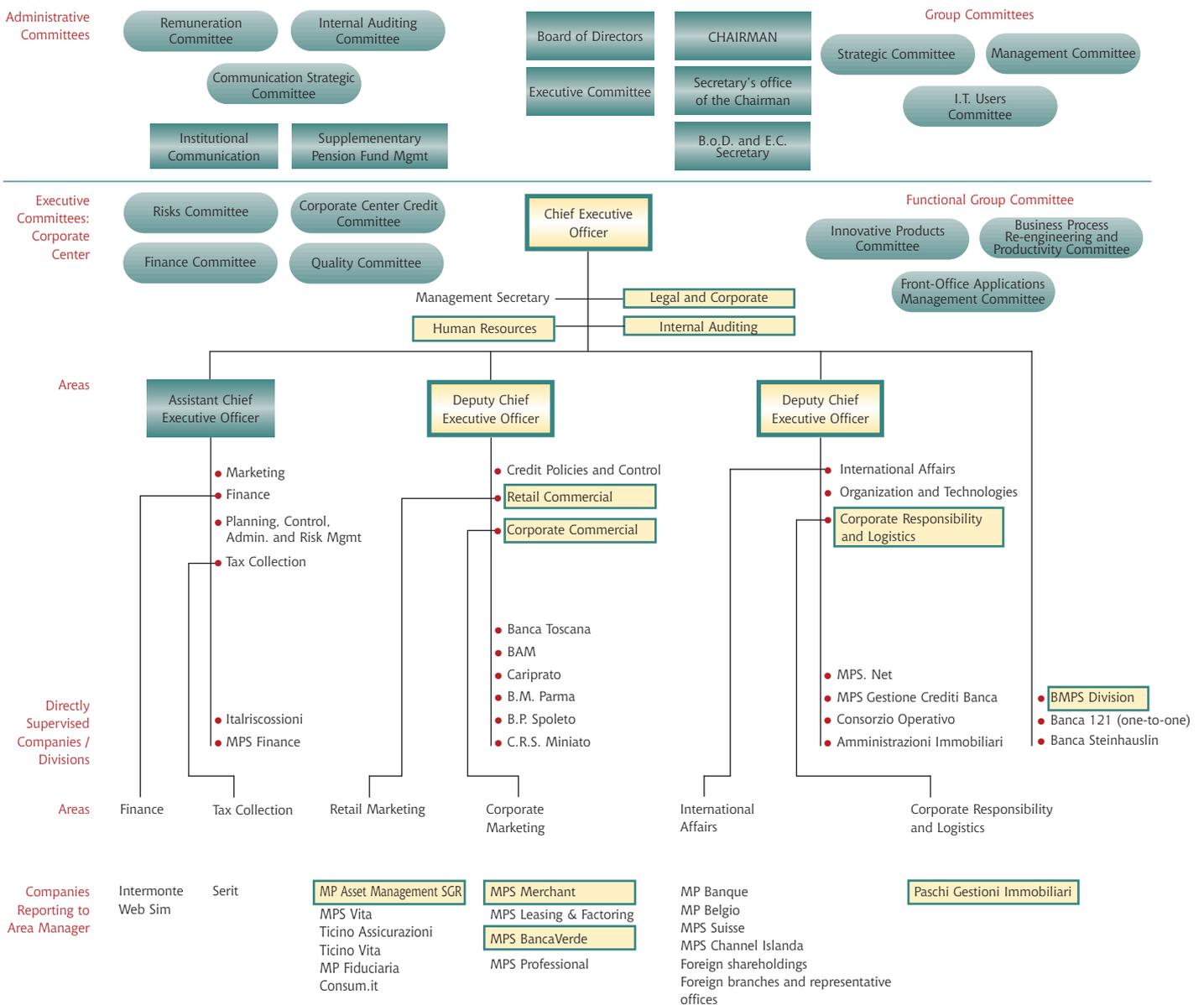


# ORGANIZATIONAL STRUCTURE AND FUNCTIONS

The organizational chart below highlights the areas of the parent company, the excellence centers and the specialized companies of the MPS Group having the greatest involvement in implementing and controlling the socio-environmental policies defined by the Board of Directors of the Bank.

## PARENT COMPANY - ORGANIZATION CHART

### GOVERNANCE COMMITTEES AND RESPONSIBILITIES OF SENIOR MANAGEMENT



The year of 2001 was an important one in terms of choosing the Bank's objectives for social responsibility.

From an organizational perspective, two permanent units were established: the Environmental Policies Unit (which is part of the Environmental, Safety, Security and Privacy Department of the Corporate Center) which will be responsible for the planning of environmental and ethical-social issues for the entire MPS Group, and an external Advisory Board, which will provide consultative input on socio-environmental questions.

## ENVIRONMENTAL POLICIES UNIT

In February 2001, the Board of Directors of the Bank approved the creation of an environmental policies unit with the aim of inaugurating an active policy to manage socio-environmental issues. The unit has been given the responsibility of defining and managing of the Bank's and the Group's strategies with reference to the questions of sustainable development and the protection of the environment.

The new unit is involved in various initiatives, including:

- the implementation of an environmental management system aimed at optimizing the use of internal resources, with the ultimate objective of securing ISO 14001 certification and EMAS registration;
- a training program which appears to be one of the most crucial mechanisms for internally disseminating and sharing knowledge about social responsibility and protection of the environment.

This unit is also responsible for the drafting and publication of the Socio-Environmental Report.





## ADVISORY BOARD

The Advisory Board is a permanent committee consisting of international economic and scientific experts. One of the priority tasks of the board is to supply the environmental policies unit with information regarding both new developments in relation to economic, social and cultural trends taking shape in the principal international areas of interest.

The Board normally holds an annual meeting to promote discussion and debate on socio-environmental issues and to verify that the policies and strategies approved by the Bank's Board of Directors and major committees with respect to those issues are actually being implemented.

### MEMBERS OF THE ADVISORY BOARD

#### **Jacqueline Aloisi de Lardere**

Director of the Division of Technology, Industry and Economics of the United Nations Environment Programme (UNEP).

#### **Umberto Colombo**

Chairman of the Scientific Committee of the ENI Enrico Mattei Foundation. Member of the Board of Directors of ENI, ERICSSON, UTET and SNIA, and former chairman of ENEA, ENI and CNEN.

#### **Meghnad Desai**

Director of the Centre for the Study of Global Governance of the London School of Economics, London.  
Member of the House of the Lords.

#### **Geoffrey Heal**

Finance and Economics Professor, Graduate School of Business of the Columbia University, New York.  
Academic director of the Executive MBA program of the Columbia Business School.

#### **Michael Kelly**

UK Head of Environmental Management.  
Former co-ordinator of the UNEP Financial Institutions Initiative, Geneva.

#### **Donato Masciandaro**

Ordinary professor of Monetary Economics, Paolo Baffi Center, Bocconi University, Milan, and professor at the Economic, Mathematical and Statistical Sciences Department, Economics Faculty, University of Lecce.

#### **Ignazio Musu**

Department of Economic Sciences, University of Venice, member of the Scientific Committee of the ENI Enrico Mattei Foundation. Formerly Vice Chairman of the European Association of Economic and Environmental Resources.

#### **Charles Perrings**

Director of the Environmental Economics Department, University of York (UK), and member of the European Association of Economic and Environmental Resources.

#### **Amartya Sen**

1998 Nobel Prize in Economics "for his contributions to welfare economics".  
Professor of Economics and Philosophy, Harvard University.  
Master, Trinity College, Cambridge.

#### **Robert Solow**

1987 Nobel Prize in Economics "for his contributions to the theory of economic growth"  
Economics Department, M.I.T., Massachusetts.

## CONFERENCE ON “FINANCE, SUSTAINABLE DEVELOPMENT AND CORPORATE RESPONSIBILITY”

The conference was held in Siena on 22 November 2001, on the occasion of the official investiture of the Advisory Board. Alessandro Vercelli, a professor of environmental economy at the University of Siena and a member of the Board of Directors of the Bank, coordinated the round table.

Excerpts from the discussion:

Donato Masciandaro

*“Each bank has an explicit and implicit value system. The value system may belong to at least one of three categories: utilitarian ethics, market ethics or meta-economical ethics. The strongest form of market ethics is sustainable market ethics...”*

Ignazio Musu

*“...to have argued just a few years ago that companies or banks or financial institutions should have been involved with the environment would have seemed like an interference in economic principles of management. Today, this is no longer the case: it is society as a whole to demand companies and the financial world get seriously involved in environmental issues, to punish the companies who do not respond and to reward those who do...”*

Charles Perrings

*“Legal liability for environmental damage is limited by statute. ...legal compliance is a minimum commitment of all the signatories of the UNEP declaration. But BMPS, like many other environmentally concerned financial institutions, is committed to going beyond legal compliance...”*

Robert Solow

*“...no company can be compelled to carry out actions in favor of the environment and equitable development. It must be done in a way that these initiatives become profitable, that it is useful to invest in socially responsible activity. Much depends on governments, on their policies. Unfortunately, very often, government decisions are made only with a short-term view, while socially responsible investments have longer term effects. A series of short-term minded decisions may lead to negative results in the long term...”*

Alessandro Vercelli

*“...looking at the trend of the stock market, it is possible to note that the performance of companies focusing on sustainable development and social responsibility is better, with the shares of such companies rising by 128 percent since 1993, versus the overall average gain of 80 percent...”*



## PRINCIPAL MANAGEMENT SYSTEMS AND PROCESSES

In order to properly deal with topics underlying Social Responsibility (e.g. the environment, security, business ethics and the quality of products and services supplied), the Bank has developed several projects within the framework of an Integrated Management System. These projects have to be integrated into the operating procedures of the Bank's business, while new projects are being reviewed, also with reference to publicly recognized international standards.

### ENVIRONMENTAL MANAGEMENT SYSTEM

Convinced of the need to implement responsible environmental policies, the Bank inaugurated the development of an environmental management system in conformity with the requisites of the ISO 14001 international standards.

The adoption of the system aims at the reduction of waste and of energy and water consumption, the containment of the polluting emissions, and the rationalization of the use of hazardous and non-hazardous materials, while also contributing to promoting an "environmental culture" within the Bank.

The environmental management system will be initially brought on stream at the Corporate Center where it will be used for "process ecology" management, namely, the management of all of those activities whose environmental impact is directly associated with the Bank's operations: consumption of materials, planning and maintenance of buildings, energy and water consumption, production of waste, and transportation.

The system will then be introduced with respect to indirect environmental aspects, so as to support the development of investments aimed at the efficient and responsible management of the Bank's business, and at the definition of new financial products and sustainability initiatives.

### QUALITY MANAGEMENT SYSTEM

The ISO 9000 standards represent an international standard and establish a series of actions which are based on a sequence of processes in which the customer commands the central role. These actions are aimed at the pursuit of continuous improvement, and require the definition of quantitative objectives for measuring the efficacy of the procedures followed and of customer satisfaction.

The Bank was one of the first credit institutions in Italy to have designed, developed and implemented a quality management system, obtaining ISO 9001:2000 certification in February 2002 relative to:

- the development and disbursement of retail mortgage loans through the branch network;
- the planning and rendering of information-reporting services (PaschiHome, PaschiInAzienda, PaschiInRete, PaschiInTel, PaschiInsieme) via telephone, mobile telephone (WAP and GSM technologies) and the Internet.



The achievement of the certification naturally does not imply that the Bank has accomplished all objectives in quality management, but it does mean a fundamental step toward the improvement of the services and organizational processes. Fulfilling the goals in quality management involves ongoing monitoring of performance indicators, the reporting of anomalies and the identification and activation of measures for prevention, correction and improvement.

### SAFETY AND SECURITY

In accordance with the provisions of prevailing legislation (Legislative Decree n. 626/94 and related laws), the Bank has increasingly taken an interest in ensuring safety and security for employees in the workplace. From this standpoint, the prevention and protection unit of the Environmental, Safety, Security and Privacy Department is responsible for defining preventive and protective measures, and the relative control systems, identifying professional risks and assessing them in relation to organizational and productive changes and to changes in technology.

### SOCIAL ACCOUNTABILITY 8000

As the leading international standard for social responsibility, SA 8000 establishes a series of requisites which a socially responsible firm must meet. These requisites mainly concern behaviors in labor relationships and the freedom of association of workers.

While internally meeting these requisites, the Bank aims to involve all of its stakeholders in social responsibility strategies; in particular, the Bank is committed to requesting that current and future suppliers satisfy the SA 8000 requisites, thereby triggering the development of a beneficial process across the entire chain of suppliers, with the awareness that the image of a firm can be damaged by the practices of its partners.





## KNOWLEDGE MANAGEMENT AND TRAINING

The knowledge management and training unit performs a key role in assuring effective operation of the systems presented thus far. This unit works toward developing the capacities and skills within the organization, with the attention placed on supporting the activities of the MPS Group as a whole.

The training process is therefore driven by initiatives aimed at knowledge enhancement, with the intellectual property of the overall organization considered as one of the Bank's main assets. Knowledge enhancement occurs by taking the expertise available and transforming it into skills.



## COLLABORATION AND DIALOGUE WITH ORGANIZATIONS ACTIVE IN CORPORATE SOCIAL RESPONSIBILITY

The Bank is involved in a series of initiatives aimed at promoting economic development which is respectful of society and of the environment, and in this regard, the Bank has become a participant in the following organizations and programs:



### UNEP - UNITED NATIONS ENVIRONMENT PROGRAMME

This institution manages the United Nations' environmental program. Its numerous projects include the Financial Services Initiative, which was launched at the UN Conference on Environment and Development held in Rio de Janeiro in 1992 and which is aimed at favoring the proactive involvement of the financial services industry in questions related to sustainable development.

In February 1998, the Bank became the first Italian credit institution to have signed the UNEP Statement by Banks on the Environment and Sustainable Development (UNEP-FI). In becoming a signatory to the document, the Bank agreed, as did the other signatories, to consider in its business activity the aspects having an impact on the environment.



### WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

Operating from its head office in Geneva, the WBCSD is active in the area of corporate social responsibility at an international level, and counts roughly 160 multinational companies and principal European banks as its members. The organization is dedicated to cultivating and promoting the concepts of sustainable development, eco-efficiency, innovation and social responsibility among firms, governments and government agencies. This is achieved through members participating in projects sustained by the WBCSD. In recent years, the growing interest of public opinion in the financial services industry has prompted the WBCSD to explore correlations existing between the financial services industry and the promotion of sustainable development.

The Bank has contributed to this effort by participating along with other international banks and insurance companies in the specific initiative for the financial services industry known as "Sustainability in the Financial Sector".



### CSR EUROPE

The Business Network for Corporate Social Responsibility Europe (based in Brussels) was set up in 1995 by more than 50 multinational companies and is aimed at assisting firms to achieve profitability while also pursuing sustainable development and human progress, making corporate social responsibility one of their principal business practices. The Network operates in close contact with the European Union and collaborates with 15 partner organizations in 12 countries. The partners are charged with promoting corporate social responsibility in their various markets, reaching more than 1,000 companies all over Europe. The activities of the Network are designed to benefit the member companies, mainly for the purpose of facilitating communication and dialogue with their stakeholders through the planning and realization of particular initiatives.



### CITTADINANZATTIVA (ACTIVE CITIZENSHIP)

This civic participation movement operates for the promotion and protection of the rights of citizens in Italy, in other European countries and in other locations of the world. Since its founding in 1978 under the name of Federative Democratic Movement, the organization has directed its efforts to ensuring citizens recognize their rights, duties, powers and responsibilities so as to become an active part of the democratic process alongside the other persons who take part in democratic decision-making. With the pursuit of these objectives, the organization has achieved important results in consumer protection, improvement of the public administration and of public services, training, security, health care, access to legal services, and the promotion of civic awareness.



### SODALITAS

Set up in 1995 at the initiative of Assolombarda (Association of Industrialists of Lombardy), this organization has the purpose of promoting a modern corporate culture based on concepts such as sustainable development, community citizenship, and the integration of social responsibility toward stakeholders, all of which are considered essential components of business excellence.

As the Italian partner of CSR Europe, Sodalitas counts on a membership of roughly 50 Italian corporations, some of which are important banks.

**L**et us choose the power of markets with the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.

**Kofi Annan**  
Secretary General of the United Nations

### THE PRINCE OF WALES'S BUSINESS & THE ENVIRONMENTAL PROGRAMME

*Launched in England in 1994 by the Industry Programme of the University of Cambridge, the initiative was extended to Europe in 1997 and to the United States in 2001. The program was created so as to provide a forum for the world's largest companies.*

*The Bank is a participant at the annual meetings which are held for reviewing and debating various issues relative to sustainable development.*

### GLOBAL COMPACT

*A voluntary initiative of the United Nations, Global Compact was launched in July 2000 with strong personal backing of UN Secretary General Kofi Annan. Global Compact is helping organizations around the world to redefine their strategies and activities so that all human beings, and not only those in the rich countries, can enjoy the benefits of the process of globalization.*

*A principal aim is to encourage businesses to bring their policies and actions into line with the universally recognized values with regard to human rights, fair labor practices, and protection of the environment and to pursue objectives which extend the global market and make it more stable.*



## AGENDA 21

Agenda 21 is a global action program launched by the United Nations Conference on the Environment and Development, held in Rio de Janeiro in June 1992. The principal objective of the program is to encourage national and local authorities to prepare themselves to face the principal challenges of the twenty-first century (e.g. the fight against poverty, the change in production and consumption models, the conservation and management of natural resources, and the protection of the atmosphere), and to work toward this objective within the framework of sustainable development.

The achievement of these objectives requires involvement of the public at large and a strengthened role of local authorities. This is clearly stated in Paragraph 28 of Agenda 21, which requires public authorities to adopt a local Agenda 21, thereby “opening a dialogue with the local community, with local associations, and with private-sector enterprise”.

Given its strong roots in the economic and social fabric of the territories it serves, the Bank participates in several local forums, including one for the City of Siena, where it is active in a project focused on territorial planning and cultural heritage.





# PERFORMANCE

When viewed from within a firm, the initiatives in support of sustainable development may sometimes appear very distant from day-to-day reality and therefore, difficult to actualize. Thus, in the absence of standard parameters of reference, it is essential for any organization to dedicate initial action to defining clearly and unequivocally the aspects on which the firm will concentrate and where it will channel its efforts for improvement.

In operational terms, this means that the firm must first pinpoint **performance indicators** which quantify certain specific objectives and make those objectives measurable.

There are three practical uses for such indicators. They are used internally for determining general strategies; they are used externally by stakeholders in assessing an organization; and finally, some of them are used for analytical purposes in order to compare our performance with a group of peers.

In light of these reasons, the indicators must not only be specific and measurable, they must also be reflective of the reality that the firm seeks to represent and consistent over time. It is also important that the indicators be concise and easy to interpret, including by people who are not experts.

The Bank has chosen to present its performance by subdividing the indicators in three distinct classes:

- environmental performance indicators, relative to direct environmental aspects;
- economic performance indicators, with the distribution of value added;
- social performance indicators, responding to the need for transparency and for dialogue with stakeholders.

The definition of the indicators has taken into account specific guidelines for the sector and the international experience of other similar banks.

The presentation of performance data is followed by a description of the activities carried out in the previously indicated areas in relation to the objectives which the Bank had set for the year of 2001.

The Bank is satisfied overall with the results achieved, and is thus outlining plans for the future.



# ENVIRONMENTAL PERFORMANCE

In order to understand fully how the Bank's activity impacts the environment, both internal (direct) and external (indirect) environmental aspects need to be considered. Internal aspects refer to operating processes (*process ecology*) and thus, all of the activity over which the Bank has direct control. External aspects instead regard the Bank's potential to influence the environmental responsibility of customers and suppliers with reference to various products and services (*product ecology*).

With regard to each of the numerous productive units of the Bank, direct aspects have only a limited environmental impact but, when these units are taken as a whole, their impact is considerable.

#### BIO-BUILDING AT MONTE DEI PASCHI

##### "The Ecological Branch"

The Bank put together a package of bio-building criteria in order to design a new branch in the Municipality of Castelnuovo Berardenga in the Province of Siena. The branch will occupy a renovated building previously used in farming. The project will pair the operational needs of a bank branch with environmental well-being parameters, focusing on:

- **setting up a structure in respect of the surrounding environment** and the architectural peculiarities of the historic center of the town;
- **reducing electric energy consumption** through careful planning and intelligent management of lighting;
- **reducing energy consumption** through the use of the latest generation heat pump;
- **reinforcing factors to prevent loss of heat**, thereby producing additional energy savings;
- **using bio-compatible** and totally recyclable materials;
- **ecological waste water treatment** before its immission into in the external environment;
- **ensuring a safe work environment**, through measures to prevent excess relative humidity, the presence of radon gas and undesired magnetic fields.

The building complex will be designed with a certain degree of flexibility so as to allow for improved environmental performance with the adoption of technologies and precautionary devices that may not be currently available or if available, are difficult to realize.

Internally, the principal activities impacting the environment include: energy, water and paper consumption; the production of waste; and emissions to air. Aware that sound environmental management within an organization can produce benefits in terms of earnings, the Bank has committed to analyzing the environmental aspects of the projects, regarding the planning of both physical facilities and the organizational structures.

It is difficult to quantify the extent to which the Bank's activity indirectly impacts the environment, as this measure is influenced by lending policy, investment policy and other activity. Given such limitations, the indirect effect is analyzed from a qualitative perspective only.

In measuring the Bank's internal environmental performance, indicators were used which are in line with the principles reported in the following documents:

- "*EPI-Finance 2000 - Environmental Performance Indicators for the Financial Industry*", a project developed by a group of financial institutions, for the definition of environmental performance indicators specific to the sector;
- "*Time to Act Environmental Management in Financial Institutions*", a manual for environmental management and reporting at banks and insurance companies, drawn up by the German association VfU (*Verein für Umweltmanagement in Banken, Sparkassen und Versicherungen* – Association for Environment Management in Banks, Savings Banks and Insurance Companies).

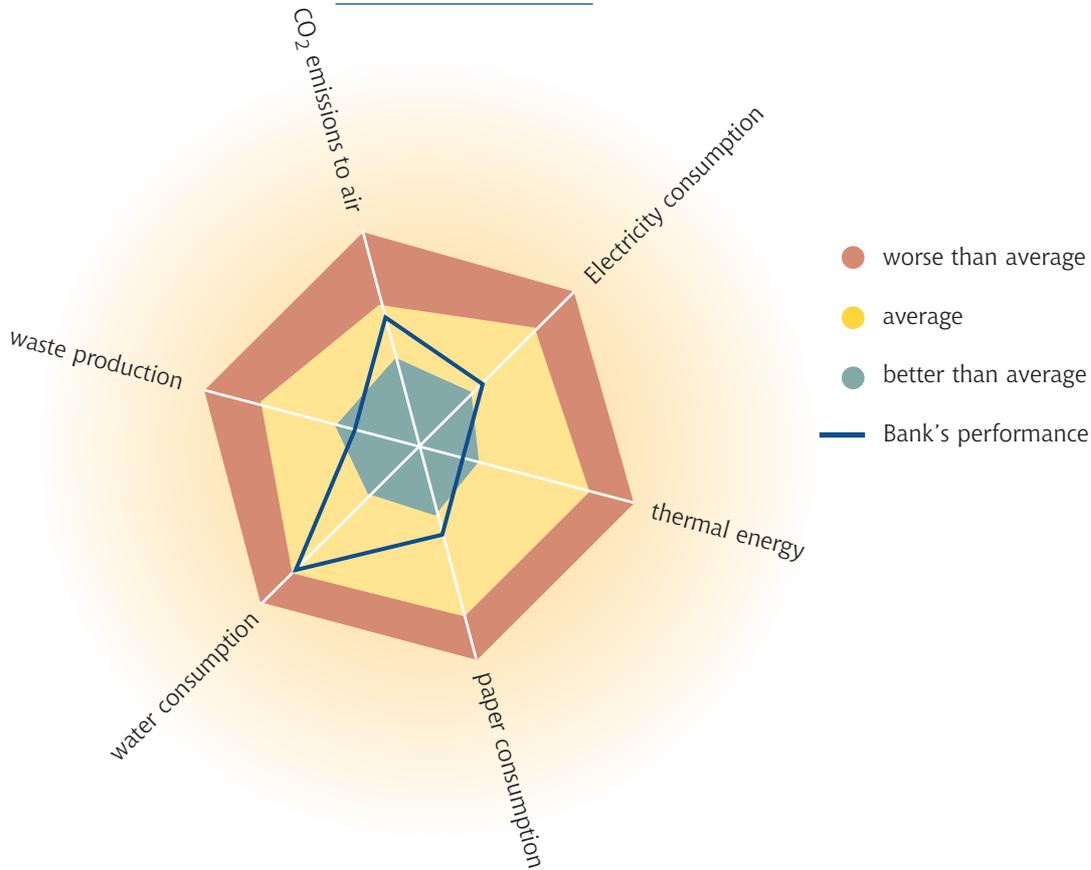
In order to assess performance, similar data for other European banks and insurance companies published in recent socio-environmental reports were used (\*).

(\*) Rabobank, Barclays, Unicredito, Swiss Re, Credit Suisse, UBS, Deutsche Bank, Sarasin, KfW Bank.

In comparison with the average performance of the banks and insurance companies mentioned above, the Bank was:

- better with regard to waste production and thermal energy consumption;
- in line with the average values for electric energy and paper consumption, as well as for CO<sub>2</sub> emissions;
- just under the average for water consumption.

**BANK'S POSITIONING**

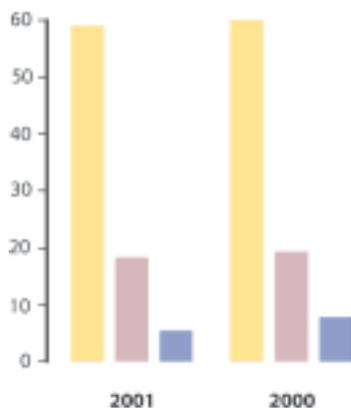


ENVIRONMENTAL PERFORMANCE	2001	2000
<b>Consumption</b>		
• electric energy per employee (kWh)	4,528	4,667
• thermal energy per square meter of floor space (kWh/m <sup>2</sup> )	36	43
• paper per employee (kg)	112	116
• water per employee per day (liters)	125	--
Waste production per employee (kg)	172	158
CO <sub>2</sub> emissions per employee (kg)	3,601	3,700
<b>General data</b>		
Employees (n.) *	11,961	11,720
Floor space occupied (m <sup>2</sup> ) **	651,568	633,785

\* In tracking consumption, the measures were taken, in some cases, from a significant number of productive units. The aggregate consumption of the Bank was then determined by figuring consumption per employee for the units measured and multiplying the result by the number of employees operating in both banking services in Italy (excluding employees on assignment with other companies or employees of other companies on assignment at the Bank) and tax collection services: 11,961 for 2001 and 11,720 for 2000.  
 \*\* The data refer to the floor space for buildings used as offices, whether owned by the Bank or rented.

## ENERGY

**Energy consumption**  
(kWh mn)



■ electric energy  
■ thermal energy from natural gas  
■ thermal energy from diesel fuel

The production of electric and thermal energy used by the Bank has two principal effects on the environment: the consumption of scarcely renewable natural resources and greenhouse gas emissions (CO<sub>2</sub>). Efficient energy management, the monitoring of activity and related consumption, and the use of appropriate indicators can contribute to greater control over the environmental impact of electric and thermal energy.

Energy consumption (kWh)	2001	2000
Total energy	82,724,377	87,063,889
Electric energy *	59,000,000	60,000,000
Thermal energy	23,724,377	27,063,889
• Natural gas	18,313,333	19,260,889
• Diesel fuel	5,411,043	7,803,000

\* The data are based on the measurement of electric energy consumption in a sample of productive units with employees representing about 70 percent of the work force.

In 2001, the aggregate consumption of energy was 82,724,377 kWh, with 71 percent of the total represented by electric energy.

The significant decrease with respect to the previous year is partially attributable to the transfer of various business units to other companies of the MPS Group (MPS Group Operating Consortium, etc.) and the transfer of the related energy consumption. The considerable reduction (roughly 30 percent) of diesel fuel consumption is partly the result of ongoing work to convert thermal power plants to plants running on natural gas.

Environmental performance indicators	2001	2000
Electric energy per employee (kWh)	4,528	4,667
Thermal energy per square meter of floor space (kWh/m <sup>2</sup> )	36	43

The Bank recently became a member of the Consorzio Idroenergia (Waterpower Consortium) for the purchase of hydroelectric power. Hydroelectric energy is produced from renewable sources and is thus considered “clean” with respect to its impact on the environment. The initiative will allow the Bank to benefit in terms of the reduction of costs and CO<sub>2</sub> emissions, and it will also contribute to optimizing the “energy balance” within the framework of the Bank’s broader-based efforts to contain consumption. Such efforts include the Bank’s recent participation in the “Green Light Programme” promoted by the European Union.



### THE GREEN LIGHT PROGRAMME

On 23 November 2001, the Bank became a participant in the **voluntary GreenLight Programme** for energy savings. The Programme was launched by the **European Commission** with the objectives of:

- improving lighting in buildings;
- achieving cost savings through the reduction of the cost of operating lighting systems;
- improving the quality of lighting in work environments;
- contributing to the reduction of greenhouse gases and other pollutants.

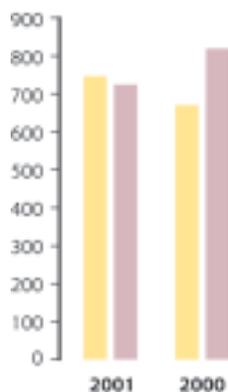
The Programme aims to facilitate the use of more efficient lighting in the services sector, requiring the participants to make a series of significant commitments, including: the commitment to improve, where economically convenient, lighting systems in at least 50 percent of existing facilities, or to reduce total electricity consumption from lighting by at least 30 percent.

In activating this Programme, the Bank has identified around 300 facilities whose lighting will be modified during the 2002-2006 five-year period. The first step is a pilot project to be executed in a building used by the Rome branch; the restructuring of this facility's lighting in 2002 will involve total floor space of around 3,000 square meters.

## PAPER

**Paper consumption**

(tons)



■ A4/A3 sheets (t)  
■ Other paper

The negative environmental impacts of paper are seen with respect to both production (destruction of forests, consumption of water, waste water, etc.) and disposal (waste). The Bank consumes large quantities of paper products. The separate reporting of such quantities allows for identifying possible critical elements in relation thereto, and for establishing the appropriate actions for improvement (including the adoption of procedures for limiting the production of account statements, other mailings, etc.).

One way of curbing the environmental impact of the production of paper is the use of recycled paper, even though its characteristics are not appropriate for some purposes. Even so, the Bank has additional capacity for increasing the use of recycled paper.

<b>Paper consumption (t) *</b>	<b>2001</b>	<b>2000</b>
<b>total paper</b>	1,471	1,489
• A4/A3 sheets	747	670
• Other paper	724	819

<b>Environmental performance indicators</b>	<b>2001</b>	<b>2000</b>
Paper consumption per employee (kg)	122	127
Paper consumption of A4/A3 paper sheets per day per employee (n. of sheets) **	48	44

\* Data do not include consumption by the Tax Collection Service area.

\*\* The average number of business days per annum (250) was used in calculating these data.

In 2001, the Bank had total paper consumption of around 1,471 tons, with A4/A3 sheets accounting for roughly 50 percent of the total.



## WATER

**W**ater is used by the Bank primarily for hygienic-sanitary purposes, and only to a limited extent for the operation and cooling of thermal power plants (where it would be difficult to realize any reduction of consumption).

Water is sourced almost exclusively through water supply network, with groundwater being used in a limited number of cases.

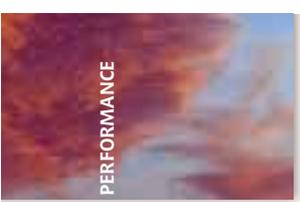
<b>Water consumption (cubic meters)</b>	<b>2001</b>
Total consumption *	407,145

\* The figure is based on the measurement of water consumption in a sample of productive units with employees representing about 10 percent of the workforce.

<b>Environmental performance indicators</b>	<b>2001</b>
Daily water consumption per employee (liters) *	125

\* The average number of business days per annum (250) was used in calculating this figure.

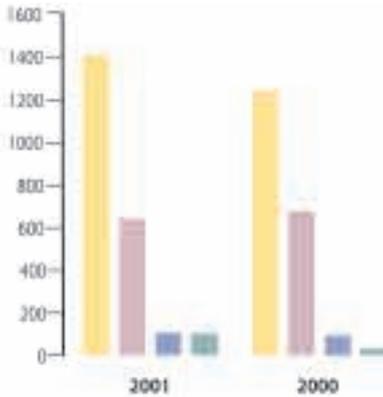




## WASTE

### Waste production

(tons)



- paper and paperboard
- packaging
- obsolete equipment
- other

The waste produced by the Bank is still usable for the most part. If separated in an appropriate manner and by type, this material can serve as raw material for new production processes. The correct identification and the quantification of waste products are thus often the basis for profitable waste management.

The Bank manages waste in conformity with prevailing laws, preparing the required documentation concerning waste to be sent to companies handling the treatment, recovery and disposal of the same. The data presented in the following table have been taken from such documents.

PRODUCTION OF "SPECIAL" WASTE (t) *	2001	2000
Total waste	2,239	2,026
• paper and paperboard	1,403	1,237
• packaging	638	672
• obsolete equipment	101	89
• other	98	28

\* The data are based on the measurement of "special" waste produced in a sample of productive units with employees representing about 52 percent of the work force.

In 2001, the "special" waste produced by the Bank came to 2,239 tons, with 62.60 percent of the total represented by paper and paperboard, which are classified as non-hazardous waste under Legislative Decree n. 22/97 (the so-called "Ronchi Decree"). In comparison with 2000, the figure was 10 percent higher, with a peak increase of 13.40 percent in the case of paper waste due to the streamlining and transfer of peripheral files to external storage facilities.

Roughly 80 percent of total waste (inclusive of hazardous waste) was sent to treatment and recovery facilities. Hazardous waste (lead batteries, fluorescent lamps and asbestos) represented only a negligible percent of the total.

Urban and similar waste is handled by cleaning companies who transfer the waste to the Municipal Refuse Service for disposal. No reporting has been presented for this category since the waste produced per employee is equivalent to only a few waste bins per productive unit per day.

Environmental performance indicators	2001	2000
Waste: production per employee (kg)	172	158

## EMISSIONS TO AIR

**T**he methodology and conversion factors applied in calculating CO<sub>2</sub> emissions are those proposed in the 2000 edition of “The GHG Indicator: UNEP Guidelines for Calculating GreenHouse Gas Emissions for Businesses and Non-Commercial Organizations”. In the case of the CO<sub>2</sub> emissions associated with electric energy consumption, the calculation was made according to the conversion factor published by the Italian electric energy company, ENEL, in that such factor is reflective of the actual energy mix for the production of electricity in Italy.

**A**t the level of individual operating units, the emissions to air causing pollution in local communities are limited. Considering, however, the high number of operating units, the aggregate emissions to air can reach significant volumes. This is a particularly valid observation with regard to the production of CO<sub>2</sub>, the main substance responsible for global warming (the so-called “greenhouse effect”).

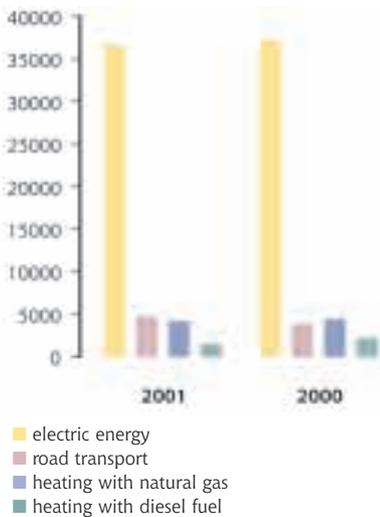
The greenhouse effect constitutes one of the most important environmental questions which the world population is facing. The objectives of reducing and controlling greenhouse gas emissions which were established by the Kyoto Protocol are thus an impetus to all economic sectors to equip themselves with appropriate systems for tracking such emissions.

In the case of the Bank, the main sources of gas emissions are HVAC (Heating-Ventilation and Air-Conditioning) systems and the production of electric energy consumed. CO<sub>2</sub> emissions also come from the use of automobiles, which is significant in the case of the Bank’s activity (with a large part of the personnel using automobiles to get to and from work or as part of their work).

CO <sub>2</sub> EMISSIONS (t)	2001	2000
Total emissions	46,938	47,567
• from electric energy	36,521	37,140
• from road transport *	4,690	3,814
• from heating	5,727	6,613
• natural gas	4,222	4,442
• diesel fuel	1,505	2,171

\* The data refer to the use of company cars and employees’ own automobiles for business purpose.

CO<sub>2</sub> emissions (tons)



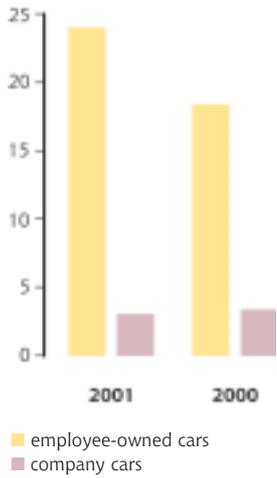


In 2001, the aggregate CO<sub>2</sub> emissions came to 46,938 tons, with some 77.8 percent due to the production of the electric energy consumed.

The slight 1.3-percent decrease with respect to 2000 is due both to reduced energy consumption and to the ongoing substitution of diesel fuel in thermal energy plants with other energy sources, such as natural gas, which entail a lower level of CO<sub>2</sub> emissions.

Travel by automobile was significantly higher in 2001, mainly as a result of employees using their own cars for business trips (84.7 percent of the total distances traveled). In order to lower the dependence on automobiles, the Bank's strategy is to encourage the use of public transport.

**Business travel by car**  
(in millions of km)



<b>Business travel by car (km)</b>	<b>2001</b>	<b>2000</b>
Total distance traveled	27,081,805	21,759,983
• with company cars	3,063,289	3,379,295
• with employee-owned cars	24,018,516	18,380,688

<b>Environmental performance indicators</b>	<b>2001</b>	<b>2000</b>
CO <sub>2</sub> emissions per employee (kg)	3,601	3,700
Business travel per employee (km)	2,077	1,693



# ECONOMIC PERFORMANCE

This section of the report presents the Bank's principal results in terms of earnings and financial position and a statement of the calculation and distribution of value added in accordance with the format recommended by the Italian Banking Association.

The statement of value added provides for the calculation of gross value added, which is the difference between gross production and total consumption. The statement also shows the allocation of value added to various stakeholders.

The calculations in the statement of value added have been made with the use and reclassification of the profit-and-loss statement accounts contained in the annual report. The annual report has been used as a reference in that it was drawn up in accordance with the requirements of the Italian Civil Code and its data were verified by the Bank's Board of Directors and certified by the independent auditors; such circumstances ensure the reliability of the data, and facilitate the procurement and reporting of the same.

The methodology itself has some limitations which are worth noting.

The statement of value added quantifies the value produced by the Bank: the aim of a socio-environmental report is, instead, to quantify the extent to which a firm's activity contributes to the well-being of its stakeholders. It should thus be noted that the value added is an aggregate representing only one part of the benefits produced and transferred outside of the firm. This explanation is not aimed at minimizing the importance of the "value added" aggregate, but rather at specifying its limits for the purpose of a correct assessment of the data.

## KEY FINANCIAL DATA

BANCA MPS

## Key data on operations

2001

2000

1999

(in EUR 000's)

## RECLASSIFIED PROFIT AND LOSS STATEMENT

Interest margin	1,227,601	1,158,774	1,118,646
Commissions and financial income, net and from services	1,615,000	1,421,940	1,193,015
Total banking income	2,842,601	2,580,714	2,311,661
Administrative expenses	1,467,750	1,355,192	1,253,441
Gross operating profit	1,374,851	1,225,522	1,058,220
Provisions, adjustments and recoveries	417,356	436,121	457,666
Profit from ordinary operations	957,495	789,401	600,554
Profit before taxes	1,197,446	858,736	849,526
Net profit	717,469	507,529	403,117

## RECLASSIFIED BALANCE SHEET

Cash and cash on deposit with central banks and post offices	391,813	220,690	179,098
Total loans and advances	50,059,178	52,709,486	45,798,886
Trading account securities	4,794,025	5,737,428	6,645,812
Non-current assets	2,333,786	1,996,977	1,504,863
Other assets	17,335,354	13,779,005	13,145,095
Total assets	74,914,155	74,443,586	67,273,754
Payables	56,679,367	60,306,684	55,199,629
Reserves for specific use	1,246,015	1,254,447	1,000,277
Other liabilities	7,810,273	5,417,641	5,487,669
Subordinated debt	2,950,048	1,644,641	1,033,557
Shareholders' equity *	5,808,572	5,400,572	4,132,743
Total liabilities and shareholders' equity	74,914,155	74,443,586	67,273,754

## STAFF EFFICIENCY INDICATORS

Customer loans (**) / Average number of banking employees	2,776	2,926	2,683
Aggregate customer funding (***) / Average number of banking employees	7,583	7,224	6,714
Personnel expense / Total banking income	29.5%	30.2%	33.0%
Total banking income / Average number of total employees	203	188	171
Gross profit / Average number of total employees	98	89	78
Direct customer funding / Average number of banking employees	3,725	3,520	3,246
Average number of total employees	14,028	13,722	13,490
Average number of banking employees (****)	12,923	12,558	12,288

## CAPITAL RATIOS

Shareholders' equity / Gross loans	15.79%	14.29%	12.35%
Shareholders' equity / Aggregate Customer funding (***)	5.93%	5.95%	5.01%

## PROFITABILITY INDICATORS

ROE (Return on Equity) (*****)	12.8%	12.5%	11.6%
ROA (Return on Assets)	2.3%	2.1%	2.0%

\* including earnings to be distributed

\*\* prior to write downs and net of securities lent

\*\*\* excluding repurchase agreements and securities lending transactions

\*\*\*\* excluding tax collection activity

\*\*\*\*\* the figure for 2001 refers to earnings presented in the proforma financial statements which were calculated with the use of the accounting criteria applied in 2000.

## BANCA MPS

Statement of value added	2001	2000	1999
(in EUR 000's)			
<b>REVENUES</b>			
Interest income, commissions earned and other revenues	5,698,520	5,164,461	4,457,099
<b>1 TOTAL GROSS PRODUCTION</b>	<b>5,698,520</b>	<b>5,164,461</b>	<b>4,457,099</b>
<b>CONSUMPTION</b>			
Interest expense, commissions expense and other expenses	2,437,914	2,291,783	1,875,947
Other administrative expenses	530,281	486,827	363,023
Valuation adjustments / recoveries and other provisions	685,882	665,366	654,125
<b>2 TOTAL CONSUMPTION</b>	<b>3,654,077</b>	<b>3,443,975</b>	<b>2,893,096</b>
<b>3 GROSS VALUE ADDED FROM ORDINARY OPERATIONS</b>	<b>2,044,443</b>	<b>1,720,484</b>	<b>1,564,003</b>
Extraordinary items (net)	269,673	147,437	275,287
<b>4 AGGREGATE GROSS VALUE ADDED</b>	<b>2,314,116</b>	<b>1,867,921</b>	<b>1,839,290</b>
Depreciation and amortization	99,559	76,848	80,609
<b>5 AGGREGATE NET VALUE ADDED</b>	<b>2,214,557</b>	<b>1,791,073</b>	<b>1,758,680</b>
Cost of labour	918,332	843,967	825,214
Donations and disbursements	2,328	2,484	2,272
Indirect taxes and taxes on shareholders' equity	96,451	85,887	81,668
<b>6 PROFIT BEFORE TAXES</b>	<b>1,197,446</b>	<b>858,736</b>	<b>849,526</b>
Change in reserve for general banking risks	-	-	(154,976)
Income taxes	479,977	351,207	291,433
<b>7 NET PROFIT</b>	<b>717,469</b>	<b>507,529</b>	<b>403,117</b>
<b>4 AGGREGATE GROSS VALUE ADDED distributed to:</b>			
<b>SHAREHOLDERS</b>	<b>91,963</b>	<b>82,403</b>	<b>48,250</b>
Dividends to shareholders (except dividends to the MPS Foundation)	91,963	83,403	48,250
<b>HUMAN RESOURCES</b>	<b>918,332</b>	<b>843,967</b>	<b>825,214</b>
Cost of labour			
● direct *	737,640	671,603	656,526
● indirect (social welfare charges)	180,691	172,364	168,689
<b>LOCAL COMMUNITIES</b>	<b>179,747</b>	<b>163,829</b>	<b>132,612</b>
Donations and disbursements	2,328	2,484	2,272
Dividends to the MPS Foundation, for social affairs	177,418	161,345	130,339
<b>GOVERNMENT AND GOVERNMENT AGENCIES</b>	<b>576,429</b>	<b>437,094</b>	<b>373,101</b>
Indirect taxes and taxes on shareholders' equity **	96,451	85,887	81,668
Income taxes and retained earnings	479,977	351,207	291,433
<b>REINVESTMENT – FUTURE GENERATIONS</b>	<b>547,646</b>	<b>340,629</b>	<b>460,114</b>
Provisions-adjustments to non-current assets	99,559	76,848	80,609
Reserves and retained earnings	448,087	263,781	379,504
<b>AGGREGATE GROSS VALUE ADDED</b>	<b>2,314,116</b>	<b>1,867,921</b>	<b>1,839,290</b>

\* The figure for 2001 is significantly affected by the acquisition of a business unit from Banca 121.

\*\* Inclusive of the stamp duty recovered from the customers.

Note:

In 1999 and 2000 the value of consumption is changed over the one shown in the previous social-responsibility report, since valuation adjustments / recoveries on long-term investments and depreciation & amortization of the goods under leasing have been reclassified as consumption. The aggregate gross value added was modified accordingly.

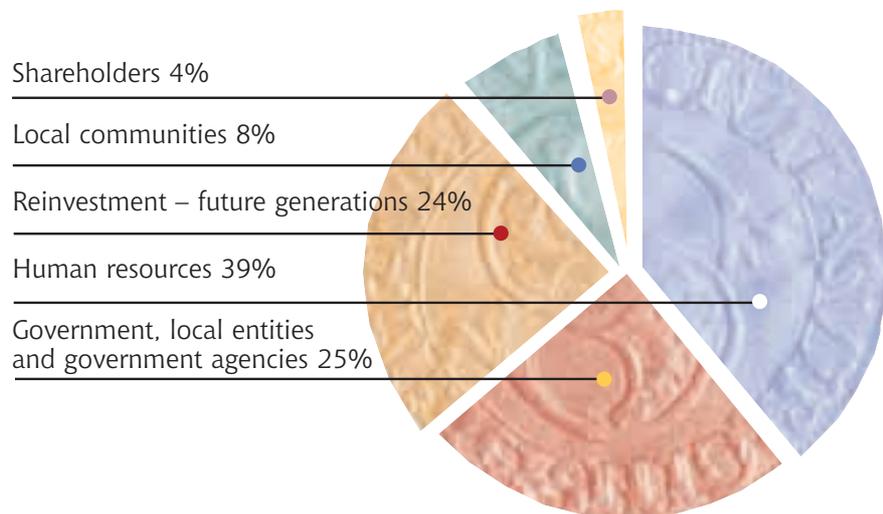
Although the market scenario has been dominated by instability and uncertainty, the Bank has continued to log improvements in its economic performance, securing positive results in terms of both margins and volumes.

During 2001, the Bank realized increases in net profit (+41.36 percent), ROE (which went from 12.5 percent to 12.8 percent) and the interest margin (+5.93 percent). In line with such results, the value added grew by more than 23 percent over 2000.

The graph below provides a breakdown of the allocation of the value added to the various stakeholders:

- 39 percent to human resources in the form of wages and salaries, social-welfare charges, staff severance indemnity reserve, pension funds, and similar obligations;
- 24 percent to reinvestment – future generations;
- 25 percent to the government, local entities and government agencies in the form of direct and indirect taxes;
- 8 percent to local communities through donations and disbursements, and dividends paid to the MPS Foundation, the last of which are included in this aggregate in consideration of the Foundation’s mission to carry out social work in favor of the community at large;
- 4 percent to the shareholders (excluding the Foundation) in the form of dividends.

**BREAKDOWN OF VALUE ADDED (2001)**



The data relative to the breakdown of the value added show that the absolute increases in value added in the past three years have translated into corresponding increases in the amounts allocated to all categories of stakeholders, with the sole exception of 2000 when the amount reserved for reinvestment – future generations was reduced.

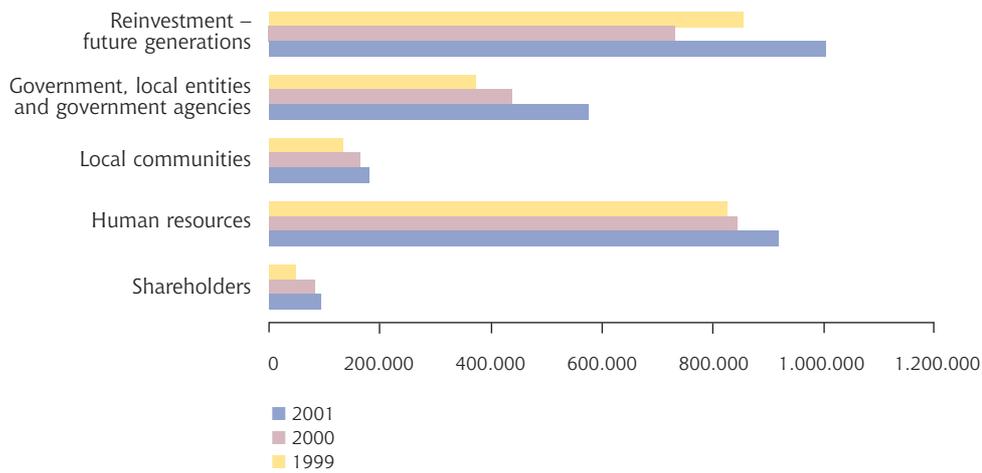


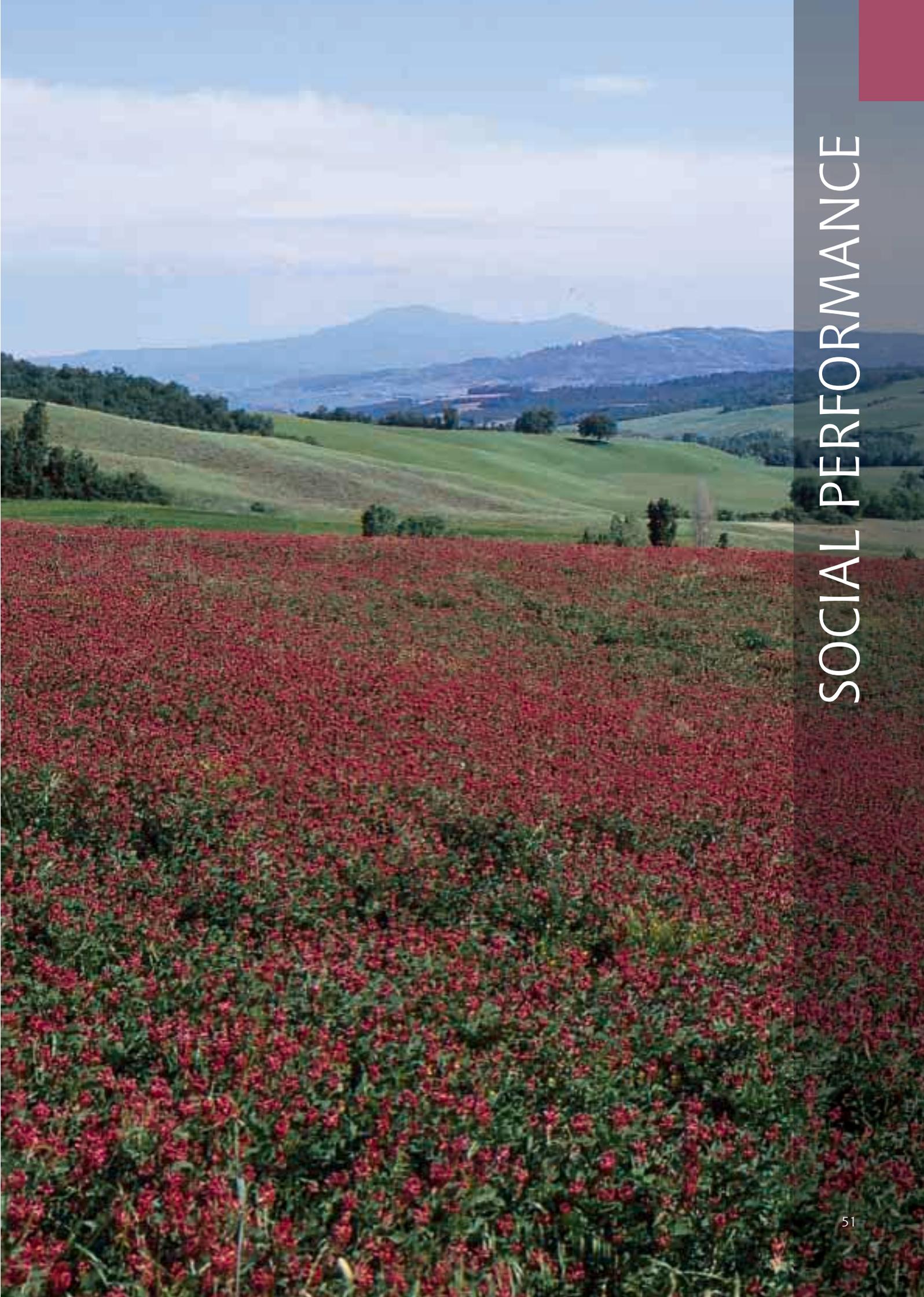
Even so, the amount allocated to reinvestment remained high in absolute and relative terms partly due to the provisions, reserves and earnings not distributed to shareholders. The aim is to consolidate the Bank's capital and thus to create the premises for responsible development over the long term, with the benefits thereof also accruing to future generations.

A total of EUR 179,747,000 was allocated to the local community; this represents an increase of 9.7 percent over the amount set aside for this purpose in 2000 which, in turn, was 35.5 percent higher than the amount distributed in 1999.

### Breakdown of value added over the last three years

(in EUR 000's)





# SOCIAL PERFORMANCE

## INTERACTION WITH STAKEHOLDERS

Nowadays all firms are called upon to assume social responsibility with respect to their stakeholders, establishing the appropriate balance between the legitimate interests of each stakeholder group. This assumption is based on the conviction that an open and constant dialogue, and the search for common courses of action represent an indispensable process for maintaining high rates of efficiency and growth over time.

This section of the report reviews the flows of resources and services between the Bank and the following groups of stakeholders:

- **human resources**, the stakeholders who have primary responsibility for the achievement of the Bank's objectives;
- **customers**, whose demands and requirements the Bank aims to satisfy through a portfolio of products and services;
- **shareholders**, who have placed their confidence in the Bank;
- **local communities**, whose welfare is of the utmost interest to the Bank;
- **government and government agencies**, with whom the Bank has always maintained long-standing collaboration;
- **suppliers**, who feed the productive processes and who contribute to the quality of the same.

The valuation criteria used for tracking and reporting the activity carried out and the results achieved are mainly based on the guidelines for the Social Responsibility Reporting Model for Banks prepared by the Italian Banking Association, and on the recommendations of the SPI-Finance 2002 Project, Social Performance Indicators for the Financial Industry, a project put together by a group of financial institutions from various markets worldwide which developed social indicators specific to the financial sector.



## HUMAN RESOURCES

The corporate culture and climate, the level of satisfaction and involvement of the personnel, the attitude towards dialogue and the quality of internal communications are all factors which can be used for calculating a firm's capacity to create value, just like cash flow and customer satisfaction.

It is for this reason that the Bank considers its employees as principal stakeholders, placing particular attention on the management of the same.

### TOTAL WORK FORCE (as of 31 December 2001)

Banking services in Italy *	12.869
Tax collection service	1.072
<b>Total employees in Italy</b>	<b>13.941</b>
Foreign branches	192
<b>Total work force</b>	<b>14.133</b>

\* Including part-time cleaning staff and excluding employees called for National Service

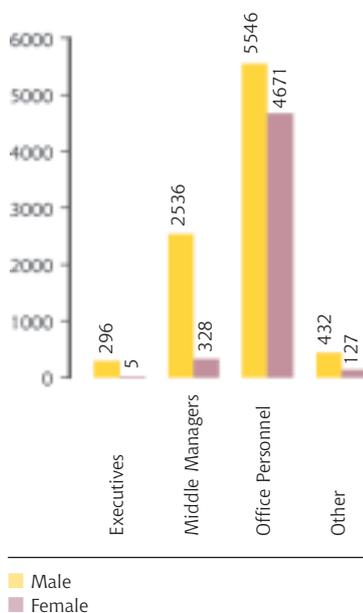
The Bank's work force in Italy stood at 13,941 at the end of 2001, incorporating the addition of 143 jobs since the end of 2000; the total is inclusive of the personnel employed by the tax collection service (1,072 people at the end of 2001).

The "real" work force dedicated to banking services in Italy embraced 11,961 employees as of the end of 2001, and is calculated by considering both employees of the Bank on assignment with other MPS Group companies and employees of other MPS Group companies on assignment with the bank.

With the objective of avoiding any lengthy description and in line with the approach adopted for the Bank's annual report, the analysis and information reported hereunder have been put together exclusively with reference to the personnel in banking services in Italy, and thus do not take into account the tax collection service (whose staff accounts for about 7.7 percent of the total work force) or the personnel employed by the foreign network.

The process of staff turnover and consolidation is still under way. While 405 employees left the Bank as a result of normal and early retirement, some 634 young people were recruited during the year (most of whom were university graduates with strong scholastic standing). The Bank also hired other professionals with very specialized skills. The staffing was

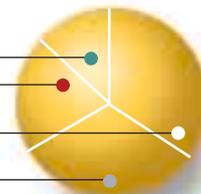
Breakdown of personnel by job title (\*)



(\*) with reference to the total workforce in Italy

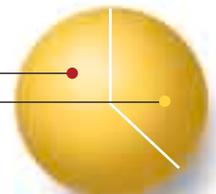
### Breakdown of personnel by age

Under 30 years old **13%**  
 Over 51 years old **20%**  
 Between 41 and 50 years old **34%**  
 Between 31 and 40 years old **32%**



### Breakdown of personnel by gender

Male **63%**  
 Female **37%**



reinforced in the various areas of the branch network (commercial front-line positions), as a result of the opening of a large number of branches and the development of the operations of the Call Center.

The data relative to the composition of the workforce highlight the following:

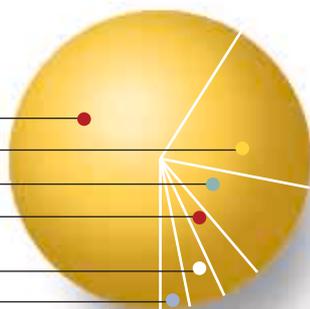
- the relatively young age of the employees, a relatively low average length of service (about 60 percent having spent less than 20 years at the Bank) and a large percentage of women (37 percent);
- a large percentage of university graduates (20 percent), in particular in the case of executives (43.6 percent).

**BREAKDOWN OF STAFF BY ACADEMIC BACKGROUND**

	Executives		Middle Managers		Office Personnel		Other		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
University degree	125	5	623	98	802	883	1	0	2,537
High school	168	0	1,701	179	3,664	3,196	12	3	8,923
Other	0	0	28	24	495	373	372	117	1,409
	293	5	2,352	301	4,961	4,452	385	120	12,869

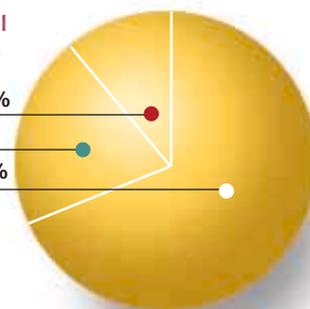
**Breakdown of the university graduates by type of degree**

- Economics and banking **59%**
- Law **19%**
- Political sciences **11%**
- Literature, languages, philosophy **4%**
- Engineering, information technology, mathematics **4%**
- Other fields of study **3%**



**Breakdown of personnel by academic credentials**

- Italian Middle school **11%**
- University degree **20%**
- High school diploma **69%**



**PROTECTED CATEGORIES**

In relation to the provisions of prevailing laws, the protected categories include:

CATEGORY	EMPLOYEES
Handicapped	540
War Orphans- Widows	213
Refugees	35
<b>Total</b>	<b>788</b>

**ABSENCES**

In 2001, total absences amounted to 187,345 business days (excluding the absences for tax collection service employees); this corresponds to roughly 15 days per employee. These figures do not include a total of 50,964 days of absence which were recorded for maternity leave.

### AVERAGE ANNUAL PRE-TAX SALARIES

The development of bonus compensation plans has been focused on the introduction of performance evaluations and value-based incentives for all staff members. Compensation thus consists of a fixed amount and a variable amount which is linked to performance.

CATEGORY	Average annual gross salary in 2001 (in EUR)
Executives	117,054
Middle managers	53,095
Other personnel	30,173

Gross annual compensation includes monthly salary and wages, the payment of a thirteenth month of wage pursuant to labour contracts in effect and a contractual bonus; the figures exclude any per diem allowances for business trips, expense reimbursements and productivity premiums.

### INCENTIVE SYSTEMS

The variable component of compensation rose as a percentage of total compensation in 2001. The increase is reflective of the Bank's higher net earnings and of the extension of the incentive-based compensation to clerical personnel. A stock granting plan is among the incentives adopted, and in 2001, this plan entailed the issue of 11,472,551 shares of Banca Monte dei Paschi di Siena S.p.A. to employees of the Bank and several subsidiary companies. In addition, a proposal has been drawn up containing guidelines for the adoption of various stock option plans to serve as incentives for medium- and long-term performance. Finally, the Bank started up a "Management by Objectives" (MBO) project in 2001. The project, which involves all staff of the Bank, involves the setting of specific quantitative and qualitative objectives and balancing the targets relative to individual performance with those regarding the MPS Group results, as planned through a value-based management system.

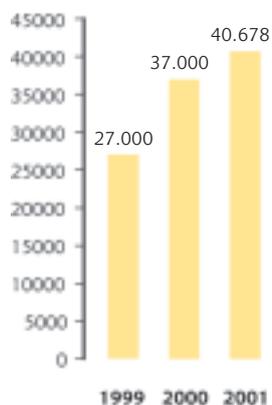
### TRAINING

Training represents an instrument to support maintenance and development of the skills base, and it thus represents a principle tool for the realization of the strategies mapped out in the 2002-2005 Business Plan.

During 2001, the Bank carried out a series of programs which involved some 40,678 training days. Many of these programs were aimed at supporting the Bank's marketing efforts; others were channeled toward the professional development of middle managers, with the aim of increasing their capacity to manage human resources and to develop and promote team work as part of improving the quality of customer service.

The Bank also focused significant attention on various types of computer training for all staff categories (with some 2,200 Bank employees participating in seminars amounting to 3,780 training days). Intense efforts were furthermore made to support the reorganization of the branch network along the lines indicated in the Paschi Valore model (3,300 people for a total of 9,700 training days).

Total training days



Ratios	2001	2000	1999
Employees trained (%)	76	50	61
Average term	1.64	2.85	1.69
Per-capita training days	2.94	3.09	2.36

**Employees trained (%)**

represents the percentage of employees which were trained at least once over the period (excluding the Tax Collection Service).

**Average term**

accounts for the average term of the training sessions (in terms of days).

**Per capita days**

the average number of per capita training days.

Alongside the training sessions held at Bank facilities, the Bank inaugurated **off-site training** via the Intranet in the second half of the year, with plans to develop this activity further in 2002. In 2001, some 5,208 employees participated in the off-site training, investing a total of 15,624 hours. This new form of training has been set up so as to capitalize on structured e-learning activity (which is extremely flexible) and the PEGASUS information platform used for personalizing the training activity.

The Bank has also provided all employees with their own portable personal computers. Using this equipment, employees can access a virtual library and take advantage of online courses, including a course on employee safety and security and another on the issue of privacy.

**“Business-Oriented Model” Project**

This project involves the revision of the models used for managing and developing human resources, and revolves around the definition of an integrated model based on distinct business orientation skills, with training playing a fundamental role.

**“Le rotte del cambiamento” (The Path to Change Project)**

Currently in the process of development, this project is aimed at providing all employees an understanding of the strategic vision of the business plan.

This means ensuring employees have a clear comprehension of:  
the fundamental aspects of the Bank’s ethical values

(such as the Statement of Values), the Corporate Center structure and mission; the MPS Group’s reorganization along divisional lines and the Paschi Valore model; the importance of team work; and the central role of the customer in the Customer Relationship Management (CRM) and Personal Finance and Retirement Planning projects.



## INTERNAL COMMUNICATIONS

Filo Diretto, an in-house publication distributed to all employees of the MPS Group, is the main vehicle for the Bank's communications to employees. With the activation on the internal electronic mail system, the Bank also began publishing "Montepaschi News", a newsletter prepared and sent out entirely in an electronic format.

## CORPORATE CONTRIBUTIONS IN FAVOUR OF EMPLOYEES

All employees are participants in a Bank-sponsored pension fund. The Bank's provision for 2001 came to EUR 9,952,000.

In addition, the Bank covers other types of services and contributions as detailed below:

TYPE OF CONTRIBUTIONS	AMOUNT (EUR)
Insurance policies *	6,322,443
Accident policies **	2,316,070
Services bonuses ***	1,636,000
Benefits to children of employees (students)	521,612
Recreational and cultural activity	367,797
<b>TOTAL</b>	<b>11,163,922</b>

\* For medical visits, testing and hospital expenses (with coverage to retirees included).

\*\* Employee accidents in the workplace and outside of the workplace.

\*\*\* Average one-off gross monthly payment to the employees who have reached their 25th year of service.

### *Employee Credit Facilities*

In 2001, the Bank made some EUR 82,000,000 of credit facilities available to employees, including:

- 413 first-home mortgages with subsidized interest rate for an aggregate amount of EUR 39,664,000;
- 2,280 loans totaling EUR 40,216,000 to fund specific needs of employees' families;
- 124 credit facilities in the aggregate amount of EUR 2,142,000 for the funding of purchase and restructuring of real property.

### *Mutual Assistance Association for Personnel of Monte dei Paschi di Siena*

This initiative provides moral and material support to employees and their families through the granting of subsidies, loans and other types of assistance. In 2001, the Bank made contributions to the Association fund in the amount of EUR 356,952.

## BANK-SPONSORED LEISURE-TIME ACTIVITY

The Bank encourages employee involvement in recreation associations ("CRAL") set up for promoting the wholesome leisure-time activity, for implementing social services for educational purposes, and for pursuing activity in the arts, sports and tourism. As of the end of 2001, 56 CRAL associations were active in Italy, with a total of 9,830 members (8,233 employees and 1,597 retirees). The contributions made by the Bank to the CRAL associations in 2001 came to EUR 253,601.

## UNION RELATIONS

The negotiation of the renewal of a bank-specific labor contract supplementing the national labor contract was brought to a conclusion in 2001, and culminated with a particularly innovative settlement linked to the new contract signed at the national level. Given the peculiarity and the complexity of the negotiations, the parties agreed to return to the bargaining table to finalize the practical implementation of some of the more significant aspects of the contract, including: incentive systems, professional development, training and performance evaluation.

Within this framework, the parties agreed to set up a "Corporate Observatory" aimed at monitoring the means through which the personnel within all of the various operating units interact. The observatory will also have the scope of proposing types of communications and reporting between all levels of employees. Finally, the observatory will be charged with promoting better relationships in the work environment, with an accent on the individual personality, and with generally maintaining a high quality-of-life standard within the Bank.

## EMPLOYEE DISPUTES

As of 31 December 2001, there were 120 claims involving 185 employees pending before the Provincial Labour Administration and the Labour Court. These claims, most of which are related to compensation, were filed in prior years and have not yet been settled in the various jurisdictions involved. Many of the claims are related to the process of incorporating the smaller subsidiary banks in southern Italy.

## MANAGEMENT OF EMPLOYEE SECURITY AND SAFETY

The security and safety of the workplace continue to be priority objectives of the Bank. For some years, the Bank has had an internal prevention and protection system in place. Over time, the system has been upgraded in order to accommodate changes in the size and composition of the nationwide branch network.

The general protection measures are concentrated on:

- preventive assessment of risks;
- respect of ergonomics principles;
- priority in the adoption of measures to benefit all workers or groups of workers over measures for individuals;
- correct planning of the work processes;
- regular maintenance and cleaning of equipment, machinery, plants and premises;
- information and training given to the workers.

In 2001, the Bank continued with its activity of verifying and monitoring various risk factors, including noise pollution, electromagnetic pollution, asbestos, luminance, sound, and air quality.

A special program, "MPSafe", has been planned and implemented in order to facilitate the procurement of information needed for a better understanding of risks across the entire organization, and to allow for the monitoring and management of issues related to safety



"I understand that others have the right not to inhale the smoke from my cigarette" Banca Monte dei Paschi di Siena has joined the campaign to prevent damage from passive smoke in the environment, and has thus instituted a policy of NO SMOKING on Bank premises. Thank you for your cooperation.

in the workplace. This program also entails the dissemination of rules and regulations on the issues of safety and security, the verification of compliance, and the planning and control of any maintenance work needed.

The effort to keep workers informed of the various security and safety questions also led to the preparation and dissemination of a manual addressing issues such as "Security in the workplace", "Emergency plan" and "First aid".

The Bank has also opted to implement a non-smoking policy both to reduce the risk related to tobacco smoke, and to improve the overall quality of the work environment.

As shown by the table below, the Bank has witnessed a decrease in the number of **accidents** occurring on Bank premises in the past three years. Instead, accidents outside of the Bank have risen mostly due to car collisions occurring while employees are on business travel or while employees are travelling between their homes and offices.

ACCIDENT STATISTICS

	2001	2000	1999
Number of employees	12,869	12,661	12,169
Total number of accidents in the workplace	45	49	53
Total number of accidents involving employees outside of the workplace	69	53	23
<b>Total</b>	<b>114</b>	<b>102</b>	<b>76</b>

As of 2001, the Bank initiated a survey to identify employees at the head office and at the branches who could be classified as "video terminal operators" with the objective of requiring such staff to undergo a special medical examination. Even though the program is still ongoing, part of the employees involved have already been examined and have received additional information and training in relation to their specific jobs. In addition, all Call Center employees are to be screened in consideration of the fact that the use of video terminals is an integral part of their day-to-day work. To date, the Bank has classified some 1,800 employees as video terminal operators.



## SECURITY

As of September 2001, the theft- and robbery-prevention efforts are managed, through the MPS Group's Purchasing Dept. (Support Services), by the Corporate Responsibility and Logistics Area of the Corporate Center.

The need and importance of protecting employees and customers from criminal actions and ensuring safe custody of the Bank's assets are constant priorities. In 2001, the Bank expended EUR 34,094,419 on robbery-prevention systems and vaults, maintenance, security and emergency services and insurance.

A major effort has gone into defining new standards for adjusting the security systems to technological changes, with the consequent testing and activation of new equipment deemed most suitable. Many of the changes affect safes and video recording systems. The plans for the design and construction of a new centralized alarm system were also further developed in 2001.

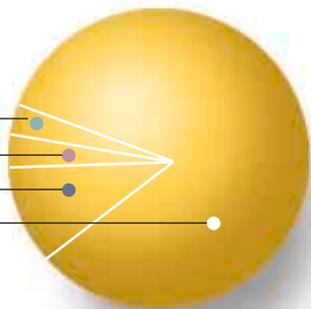
### Breakdown of theft- and robbery- prevention expenses

Insurance **3%**

Maintenance **3%**

Robbery-prevention systems and vaults **10%**

Security and emergency services **84%**



## CUSTOMERS

Number of Customers (000's)

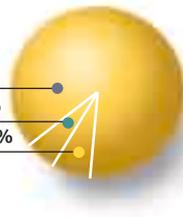


As of the end of 2001, the Bank had a customer portfolio incorporating 2,486,721 relationships. This figure represented an increase of 5.9 percent over the total number of customers at the end of 2000 which, in turn, was 8.2 percent higher than the comparable total for 1999. These data attest to the effectiveness of the Bank's marketing and product policies, while also highlighting the Bank's capacity in appropriately identifying and meeting the needs of the clientele.

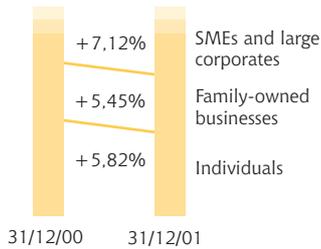
The graph below provides a breakdown of the mix of the customer portfolio, with 87 percent of the relationships stemming from individual customers, 6 percent from family-owned businesses and 7 percent from SMEs and large corporates. As the data confirm, the Bank has a significant base of retail customers.

### Breakdown of customer portfolio

Individuals **87%**  
 Family-owned businesses **6%**  
 SMEs and large corporates **7%**



Growth of customer portfolio in 2001



As shown by a review of the trend by individual segments, the biggest percentage increase in business in 2001 was seen in the number of corporate customers; the number of customers in this segment rose by 7.12 percent compared with an overall increase of 5.9 percent.

### "PASCHI VALORE" PROJECT

The implementation of the "Paschi Valore" project was completed across the entire front line of the Bank. As a result, the distribution structure has been completely revised and is now based on divisions specializing in serving the retail and corporate segments. The changes have also involved a re-distribution of resources in favor of the sales network, the development of greater integration with the product companies, and enhancements to the customer assistance units.

### "PASCHI VALORE" ORGANIZATION STRUCTURE WITH RESPECT TO THE BRANCHES



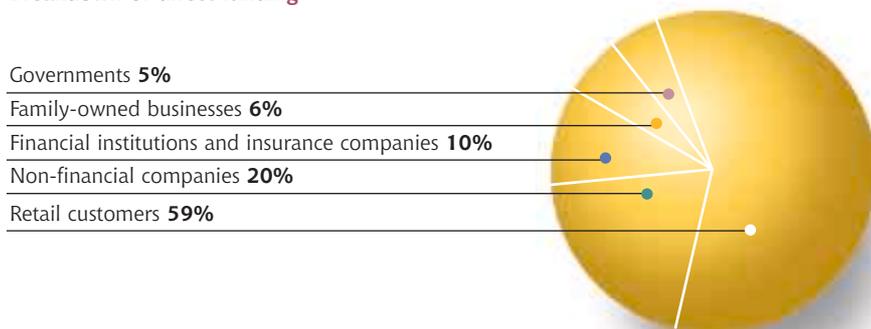
During the year, the Bank launched a project to promote certain marketing tools and tools for interacting with the clientele (marketing data warehouse, electronic agenda, etc.); these efforts were carried out with the aim of standardizing the marketing information platform.

## FUNDING

As of 31 December 2001, aggregate customer funding topped EUR 101 billion, with the annual growth rate thereof equal to 5.9 percent. The expansion of the funding base is a confirmation of effective customer-relationship management which helped to increase the clientele's preference for Banca MPS, even in a difficult year.

The direct funding component rose to more than EUR 48.139 billion at the end of 2001. The breakdown of the aggregate shows the funding base mainly consists of deposits of retail customers, the customer segment assuming the central role in the Bank's development of new products and services.

### Breakdown of direct funding



## LOANS

The Bank's lending policy emphasizes the objectives of credit quality, improvements in pricing, and the containment of capital absorption (including through a change in the mix of loans in the portfolio). Loans at the end of 2001 amounted to EUR 36.410 billion. The balance was virtually stable in comparison with the prior year, partly due to the effects of securitization transactions completed in 2001 (EUR 2.1 billion) and to the efforts to reduce and reposition the outstandings of the foreign branches. Net of such transactions, the loan portfolio expanded by 6.3 percent.

The Bank has basically oriented the development of its lending business toward borrowers showing adequate growth potential (in particular, small- and medium-sized enterprises where the Bank is poised to take on a principal role as a supplier of all types of financial services). The lending activity is also selectively managed with respect to geographic areas and productive segments.

## BREAKDOWN BY SECTOR OF ECONOMIC ACTIVITY

The data in the table below provide a summary of the distribution of loans between various sectors of activity:

LOANS TO ORDINARY RESIDENT CUSTOMERS (DOMESTIC BRANCHES)		
(EUR million)		
Sector	31/12/01	% change Dec.01/Dec.00
Governments	4,123	5.3
Financial institutions and insurance companies	2,963	12.6
Loans for production purposes	19,881	6.4
• non-financial companies	17,527	5.4
• family-owned businesses	2,354	14.9
• artisans	516	13.3
• other family-owned businesses	1,838	15.4
Retail loans	5,977	8.0
Other	222	17.7
<b>Total</b>	<b>33,166</b>	<b>7.2</b>

Loans for production purposes represent the largest component of the portfolio, with outstandings at EUR 19.881 billion at the end of 2001 (6.4 percent increase year on year). The breakdown of this component by economic activity confirms the traditional, broad-based distribution of the portfolio consequent to the specific marketing policies employed.

## INNOVATIVE CHANNELS

During 2001, the Bank continued in actively pursuing the development of an integrated, multiple-channel distribution network. The priority objective of this effort is to enhance the range of products and services offered to retail customers, and thus, to increase the tools available to customers for managing the relationships with the Bank.

Major strides were made in the development of innovative distribution channels, with the number of customers using electronic banking services climbing by 44 percent over the level registered in 2000. In 2001, transactions effected by customers through electronic channels amounted to around 20 percent of total banking transactions.

It was furthermore determined that 47 percent of customers who have signed up for services through multiple distribution channels actually prefer to use multimedia services, relying less and less on the branches. This preference stems from the ease of use and the flexibility of the innovative channels, as well as from the broad range of products and services available through the channels.

The activity of the Call Center has increasingly taken on a marketing emphasis in supporting the Bank's overall distribution policies. The move in this direction is aimed at the following objectives:

- enhanced operation of the innovative channels in order to reduce the flow of routine transactions through the branches, thereby allowing the networks to dedicate more time to the activities of selling and advising;

## ELECTRONIC BANKING CHANNELS

Channel	Number of customers	
	31.12.01	31.12.00
PaschiHome	180,883	109,521
PaschiIntel	122,760	92,734
PaschiInrete	10,719	7,541
PaschiinCommerce	211	94
PaschiinAzienda	1,648	-
Paschi Video	21,429	17,127
Other	12,124	14,844
<b>Total</b>	<b>349,774</b>	<b>241,861</b>

- education of the clientele in greater use of new channels, with a consequent decrease in the costs associated with transactions having low value added.

In October 2001, the Bank began marketing "PaschiInAzienda", a new Internet-based banking service providing corporate clients with direct access to a wide range of options for securing information and effecting payment and collection transactions. The Bank's Internet site has also continued to feature a broad range of new and innovative services.

#### PROJECT FOR PREVENTION OF MONEY LAUNDERING

In another project launched in October 2001, the Bank embarked on an overall assessment of the organizational and information-processing solutions adopted by the MPS Group companies in order to mitigate the risk of involvement in money-laundering operations. An interrelated objective is the development of a modular mechanism for identifying and continuously monitoring this risk at a group level.

#### MANAGEMENT OF PERSONAL DATA

Considering the growing use of the Internet and its applications, as well as the development of promotional activity linked to trend of the new economy, the Bank has published a Privacy Policy on its Internet site. This policy contains precise information to persons using the site and supplying their personal data in relation to the various services featured. The disclosure of the policy allows users to familiarize themselves with the rules to which the Bank adheres, including those relative to the processing of personal data collected online. As of 31 December 2001, the Bank had obtained the consent of some 1,079,000 customers for the processing of their personal data, an increase of almost 20 percent over the comparable figure for 2000. In any event, since the enactment of the Italian Privacy Law (Law 675/96), the Bank has regularly carried out all formalities required with respect to persons opening account relationships. The Bank's position with respect to persons who were already customers upon the enactment of the Privacy Law and who never manifested their consent to the processing of their personal data is about to be "normalized" as a result of the passage of Legislative Decree n. 467/01; this legislation has also simplified the cases in which the customer's consent to the processing is obligatory. With ongoing efforts to increase the staff's awareness of the issue of privacy (especially with

regard to the correct handling of the data), the Bank has experienced a drastic reduction in the number of requests for data access submitted in accordance to Article 13 of the Privacy Law. Similarly, with the Bank enhancing communications and intensified relationships with the customers in order to allow for increasingly more direct contact and the immediate satisfaction of needs, any interested customer can, without any formality, telephone or e-mail the offices indicated in the information forms sent out pursuant to Art.10 of Law 675/96. Operating in the interest of the customers and with the aim of safeguarding the right to privacy, the Bank has placed special attention on training staff in the handling of personal data. In 2001, a manual distributed to all employees spelled out the regulations relative to the confidentiality of personal data, the security measures to be adopted in order to limit the risks of the destruction or loss of the data, and the unauthorized, prohibited or inappropriate use thereof; the manual also provides a series of indications regarding the standards for normal operations.

### VIDEO SURVEILLANCE

The installation of video surveillance systems is one of the most efficient means for preventing criminal activity, and is one of the actions which the Bank has taken to protect its customers, staff and facilities. Video surveillance systems have been installed in virtually all of the Bank's branches; the systems are activated only in the midst of specific circumstances. In this manner, the images are handled properly from a legal perspective and without any damage to the fundamental right of privacy.

While awaiting specific legislation on the issue, the Bank has defined internal regulations covering the terms and conditions for the recording, processing and use of the images. Such regulations incorporate the guidelines provided by the Regulatory Authorities in relation to the protection of personal data.

### CUSTOMER SATISFACTION

The Bank has begun monitoring levels of customer satisfaction for the purpose of improving the product portfolio. In other words, the Bank is attempting to determine the level of quality perceived in the services and products offered.



In 2001, two customer satisfaction surveys were carried out:

- the first with regard to the “Direct Bank” services;
- the second with regard to mortgage loans for retail customers.

The results of the surveys were analyzed and used for the purpose of implementing the Quality Management System, but they also provided valuable feedback for modifying products and services in order to provide better service to the customer.

The Bank has also gradually implemented a CRM (Customer Relationship Management) project in the network. This business strategy emphasizes the priority role of the customer, and the need to better know the customer in order to establish stable, long-lasting and mutually beneficial relationships with the same.

### ISO 9001 CERTIFICATION AND “EBTRUST” RECOGNITION

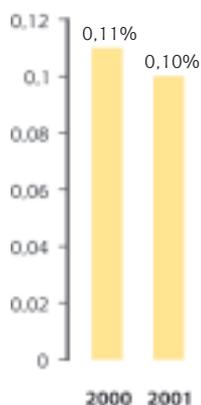
The improvement of the product portfolio also represented the principal motive underlying the Bank’s effort to secure the ISO 9001:2000 certification in 2001 (as explained on page 26). Similarly, the Bank was awarded the “EBTrust” mark by the Det Norske Veritas (DNV). This recognition attests to the credibility, reliability and capacity of the Bank to conduct business through the Internet. The Bank is active in e-business both through its Web site ([www.mps.it](http://www.mps.it)) and through WAP technology.

### CUSTOMER COMPLAINTS

The Bank has a special Quality-Control and Complaints Unit which carefully reviews all customer feedback, viewing and managing the same as an opportunity to improve service. This posture is consistent with the approach contemplated by the Rules for Complaints Offices of Banks and the Banking Ombudsman (Interbank Agreement of 15/4/1993).

At 2,604, the number of complaints in 2001 was slightly above the 2,578 recorded in 2000. Even so, the ratio between the number of complaints and the number of customers showed a decrease.

**Complaints** (number per customer)



## SHAREHOLDERS

The Monte dei Paschi di Siena Foundation owns 65.74 percent of the Bank's ordinary shares; the remaining ordinary capital is owned by a broad base of shareholders in Italy and abroad. Most of the Bank's employees are also shareholders of the Bank.

Breakdown of Share Capital	as at 31.12.2001
No. ordinary shares	2,598,557,169
No. savings shares	9,432,170
<b>Total</b>	<b>2,607,989,339</b>
<i>Par value</i>	<i>Eur 0.52</i>
Shareholders	around 128,000

### MONTE DEI PASCHI DI SIENA FOUNDATION

The Monte dei Paschi di Siena Foundation is a private-sector entity with full operational and statutory autonomy. The Foundation's activity is inspired by the concepts and principles of quality, support, solidarity and sustainability; the principal objective of the Foundation is to back the development of the territory it serves, with involvement in initiatives in Italy and abroad.

In 2002, the Bank paid the Foundation dividends in the amount of EUR 177,418,000 in relation to profits earned in 2001.

### SHAREHOLDER COMMUNICATIONS

Since the date of the listing of its ordinary shares, the Bank has aimed to establish a balanced relationship with the shareholders and, in particular, with the institutional investors. As part of this objective, two special units were set up to handle shareholder communications:

- Investor Relations: which is part of the Planning, Control and Cost Management Dept.;
- Corporate Affairs: which is part of the General Secretary Dept..

In general, all documents on file with the Bank's head office and drawn up for the purpose of regulatory compliance (annual, semi-annual and quarterly reports, etc.) are available for inspection by the public, thereby guaranteeing information, transparency and balance from the market's perspective.

Communications to shareholders and to the public occur through press releases which are also available in the Investor Relations section of the Bank's Internet site, along with a dedicated e-mail address.

## INVESTOR RELATIONS

## INVESTOR RELATIONS

The Investor Relations unit has organized various types of shareholder communications, including individual meetings and participation in international banking conferences promoted by brokers. The individual meetings are mainly held with fund managers and financial analysts. In 2001, some 100 one-to-one meetings were held, while three conference calls were planned and carried out upon the publication of the annual results for 2000 and the results for the first-half of 2001.

The Investor Relations section of the Bank's Internet site provides general business and financial information on the Bank and the MPS Group, as well as the most recent press releases. It is also possible to contact the Investor Relations personnel via the Internet to request additional information on various subjects.

In January 2002, the Bank staged a series of presentations to fund managers and analysts in major financial cities in Europe in order to illustrate the content of its new Business Plan. In addition, the Investor Relations staff organized two conference calls with the financial community in 2002 in order to communicate 2001 Group results and the results for the first quarter of 2002.

### CORPORATE GOVERNANCE

On 1 March 2001, the Bank's Board of Directors voted to adopt the Self-Discipline Code for Quoted Companies (the "Code"). This was done to reassure investors that the Bank is operating with a clear and well-defined organizational structure and a correct balance between operations and controls.

The adoption of the Code led to a more specific definition of the responsibilities of the Board of Directors and a more precise structuring of the Bank's head office. For example, the creation of the Corporate Center, with its specific management, control and coordination functions for the entire MPS Group, is a direct response to the need to reinforce governance policies.

Within the framework of the Code, the members of the **Board of Directors** are to be considered as "independent" directors since none of them has any economic relationship with the Bank which would condition his independent judgment with respect to the Bank, its subsidiaries, or shareholder or group of shareholders controlling the Bank. In addition, the directors do not own directly or indirectly quantities of shares in the Bank which would allow them to exercise control over the Bank or to participate in shareholder agreements for the purpose of controlling the Bank.

Although the Bank's By-Laws do not stipulate any list voting or other specific procedures for the presentation of candidates for the position of **director**, the shareholders may deposit with the Bank's head office, at least ten days prior to a shareholders' meeting, lists of candidates for the position of director, along with exhaustive information on the candidates' personal and professional credentials.

The Bank's By-Laws provide for the nomination of **statutory auditors** by means of list voting. In this case, too, shareholders who represent at least one percent of the shares with voting rights at an ordinary shareholders' meeting may deposit with the Bank's head office, at least ten days prior to a shareholders' meeting, lists of candidates for the position of statutory auditor, along with the information on the candidates' credentials.

The Board of Directors has appointed three directors to a "**Compensation Committee**" which proposes remuneration for directors vested with special powers and for senior executives. The Board of Directors has also appointed three directors to an "**Internal Controls Committee**" established for the purpose of evaluating the adequacy of the

internal controls system.

According to the provisions of the Regulatory Authorities, the Bank has set up an internal controls system along the lines recommended by the Self-Discipline Code. The Internal Controls Area is organized on the basis of the MPS Group structure so as to ensure that the control system changes in line with the provisions from the Regulatory Authorities. This Area reports directly to the Chief Executive Officer.

#### DEBT RATINGS

During 2001, the principal rating agencies re-affirmed the ratings in effect as of the end of 2000:

<b>Agencies</b>	<b>Short-Term Debt Rating as of 31.12.01</b>	<b>Medium-/Long-Term Debt Rating as of 31.12.01</b>
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch Ibc	F-1	A+

## COMMUNITY

The Bank's relationship with the local community embraces different types of activity. The main categories of activity are summarized in the tables below, which also show the financial commitment for the principal initiatives in each category:

### PRINCIPAL CONTRIBUTIONS, DISBURSEMENTS AND DONATIONS FOR PROJECTS WITH SOCIAL REPERCUSSIONS

	Amount (EUR)
Universities and schools	916,708
Cultural associations and entities	1,367,000
Scientific research foundations and institutes	72,304
Artistic and publishing activity	1,182,000

### PRINCIPAL SPONSORSHIPS OF PROJECTS WITH SOCIAL REPERCUSSIONS

	Amount (EUR)
Cultural activities (artistic and musical)	4,311,000
Meetings and trade events in the area of economics	903,424
Scientific meetings	374,839
Social meetings	1,027,000
Sports	5,420,437
Other	244,852

As indicated, the Bank is involved in various types of initiatives, with the most prevalent being sponsorships of special events, sports activity and cultural programs.



Following is a review of the principal initiatives within the various categories.

#### RELATIONSHIPS WITH UNIVERSITIES, RESEARCH INSTITUTES AND OTHER ACADEMIC INSTITUTIONS

The Bank's collaboration with academic institutions includes contributions in favour of:

- the University Center in Arezzo which was set up with funding from the Bank and from public- and private-sector entities in the City and Province of Arezzo;
- the University Center in Grosseto; in this case, the funding allowed for the creation of a new degree in environmental economics and sustainable tourism;
- the Richard Goodwin Library of the Department of Economics of the University of Siena, for the conservation and modernization of the library and support materials.

In addition, the Bank again collaborated in 2001 with the University of Siena and other institutions in designing and developing post-graduate study programs. All of the programs run for one year and provide for mandatory internship periods in a company, some of which are completed in the Bank.

As a result of these relationships, the Bank has also developed an attractive mechanism for sourcing qualified human resources.



## POST-GRADUATE STUDY PROGRAMS

Master	Description	Contribution of the Bank (in 2001)
<b>Master in Economics and Banking (MEBS)</b> University of Siena	This program, the first to be sponsored by the Bank, celebrated its fourth anniversary with the start of the 2001-2002 academic year. The annual program is available to university graduates with high academic standing who are interested in advanced studies in economics and banking. The curriculum also provides for an internship in research with a university or financial institution in Italy or abroad.	The total contribution was EUR 211.747.
<b>Master in Financial Institutions Management and New Information Technologies</b> University of Siena	The program is aimed at satisfying the growing demand within the financial services industry for individuals trained in both technology and business economics.	The contribution, paid through the MPS Group's Operating Consortium, amounted to EUR 193.671.
<b>Master in Digital Economics and e-Business</b> University of Siena	The program aims to train highly qualified professionals who are able to meet the needs of the digital economy.	The initiative has been promoted by the University of Siena and the Bank, the latter of which has awarded scholarships and underwrites operating expenses. The aggregate contribution was EUR 175.595.
<b>Master in Economics and Environmental Management (MEMA)</b> Bocconi University of Milan	The program has been set up for the training of qualified professionals who will be capable of working in various areas of environmental management.	A scholarship of EUR 7,746 to cover tuition and fees.
<b>Master in Environmental Management and Control</b> Sant'Anna School, Pisa	The one-year advanced post-graduate study program is designed to develop professionals who will be involved in strategies, actions and assessment across the entire spectrum of environmental management.	A scholarship of EUR 6,197 to cover tuition and fees.
<b>Master of Laws</b> University College of London <b>Magister Juris</b> University of Oxford	Underwritten in 1998 by the Bank and the law schools at the Universities of Siena, Oxford and London, this is an exchange program for graduates and students of the participating universities.	Total funding of EUR 65,590 to cover tuition and housing for the students.

## CONTRIBUTIONS TO FOUNDATIONS

In 2001, the Bank made contributions to the following foundations for which it is a founding or sustaining member:

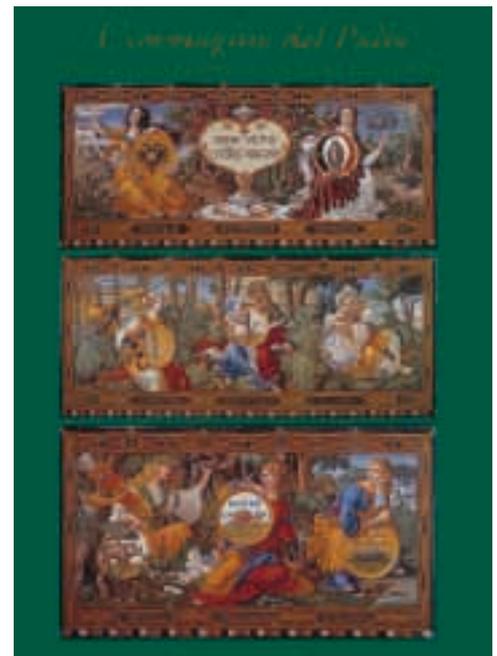
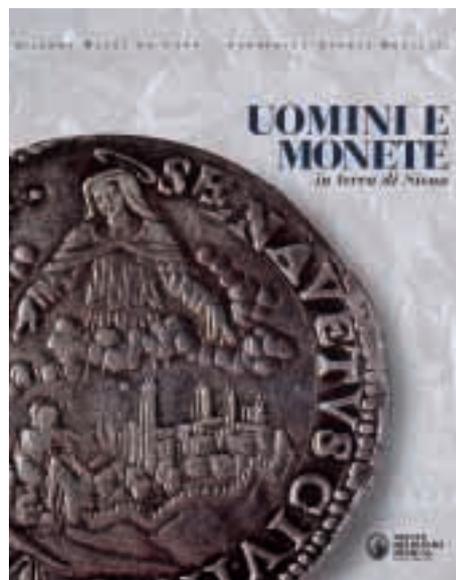
- **“Italy in Japan 2001” Foundation:** the foundation was set up by the Italian Ministry of Foreign Affairs and the Italian Association of Friendship with Japan, with the Bank as the promoting member; the foundation promoted an exhibition, “The Art and Culture of Siena from 1300 to 1800”, which travelled to four Japanese museums from 5 October 2001 to 5 June 2002.
- **Teatro San Carlo di Napoli Foundation;**
- **Teatro del Maggio Musicale Fiorentino Foundation.**

## PUBLICATIONS

The Bank regularly publishes books of artistic, cultural and historic interest. These prestigious volumes, whose average edition includes around 50,000 copies, are given as gifts to customers and sold at cost to employees.

The principal volume for 2001 was entitled “Image of the Palio of Siena - Culture and Representation of a Rite”, and dealt with one of the City of Siena’s longest traditions. Another volume entitled “Men and Coins in Siena” was dedicated to the Bank’s collection of antique coins, and also focused on the social relationships underlying the economy, namely, the network of relationships and transactions which give rise to economic activity and, consequently, to banking.

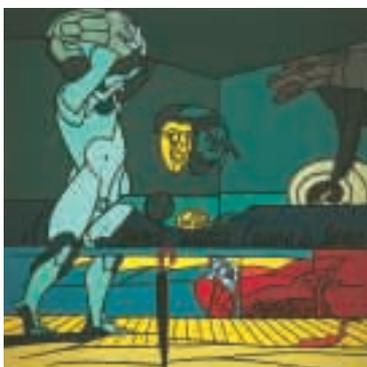
The Bank’s publishing activity in the field of economics embraces two periodicals: “Economic Notes – Review of Banking, Finance and Monetary Economics”, which is



published in English and distributed by Blackwell of Oxford, and “Studi e Note di Economia”, which is produced in collaboration with Banca Toscana. The English-language four-monthly publication features articles on banking, finance and monetary policy; the objective of the publication is to facilitate dialogue between the academic and business worlds, at both a managerial and policy-making level. With circulation of around 6,000 copies, the Italian publication is mainly sent to research institutes, university libraries, scholars and professionals; in 2001, a special supplement to the publication included a catalogue of the volumes in the Library of Bonaldo Stringher (an illustrious Governor of the Bank of Italy), which is now owned by the Bank.

### ART COLLECTION

The Bank’s art collection dates back hundreds of years, with the first work, *Madonna della Misericordia*, completed by Benvenuto di Giovanni of Guasta in 1481. By commissioning or purchasing the works of various artists over the years, the Bank has built a splendid and significant collection, with many of the paintings executed by artists of the Sienese school between the fourteenth to the nineteenth centuries. Many of the works from the Bank’s collection are on display at the Palazzo Salimbeni, the building which has long served as the Bank’s head office.



*Allegory of the origin of Monte dei Paschi*  
by **Valerio Adami**

The panel is an emblematic sketch of the activity of Monte dei Paschi di Siena. On the left, a telamon raises a large stone with the Monte logo, while the blue façade bears the inscription, “Monte banishes usury from Siena”. An antique coin and a euro coin depicted in the center are representative of the bank’s financial activity.

The newest work, which was commissioned for the opening of the new Management Center in Viale Mazzini-Siena, was painted by Valerio Adami, and is entitled the “Allegory of the origin of Monte dei Paschi”. Also worth noting are the holdings kept in the premises of the Fondazione Accademia Musicale Chigiana, a collection acquired by the Bank in 1959.

### CULTURAL ACTIVITY

The Bank continued to finance and organize exhibitions and other cultural initiatives in 2001. The main events are listed below:

- **“Charlemagne in Rome”**: an exhibit set up in the new rooms of the Vatican Museums for the celebration of the twelve-hundredth anniversary of the coronation of Emperor Charlemagne;
- **“The Genius and the Passions: Leonardo and the Last Supper”**: an exhibit in Milan of the drawings of Leonardo da Vinci taken from various collections;
- **“Nabucco”**: the staging of the grand lyric opera at the Piazza del Campo in the City of Siena to celebrate the centenary of the death of Giuseppe Verdi;
- **“Sienese Biccherne - Art and Finance and the Dawn of the Modern Economy”**: a traveling exhibition dedicated to the “biccherne”, precious paintings on wood which served as the covers of the accounting records of the City of Siena from the fourteenth century to the sixteenth century.



## MEETINGS AND TRADE EVENTS

In 2001, the Bank organized and conducted numerous meetings with the business players in the communities across the nation. Often developed with the contribution of the companies of the Group, the meetings were mainly focused on the introduction of the euro and on a broad array of financial instruments and opportunities for companies, especially for small- and mid-sized firms.

The principal initiatives during 2001 are summarized as follows:

- a conference on small- and medium-sized businesses held in Rome, at the prestigious Horti Sallustiani, with presentations given by the Director General of Business for the EU and the Director General of Simest (Italian Financial Institution for the Promotion of Italian Business abroad);
- a conference promoted in collaboration with Confindustria and held in Prato for the purpose of officially presenting the insert prepared by the magazine, "L'Imprenditore", which is entirely dedicated to Banca MPS' services for small- and medium-sized firms;
- a conference on funds management held in Bologna, with presentations by MPS Finance, Monte Paschi Asset Management SGR, Montepaschi Vita.

## SPORTS

In the world of sports, the Bank has acted as a sponsor of:

- Mens Sana Basket of Siena;
- the Football Association of Siena;
- the "Piazza di Siena International Horse Show", a highly acclaimed international event organized against the beautiful backdrop of Villa Borghese in Rome;
- "La Bagnaia" Horse Show, a competition which has brought together riding enthusiasts for the past 12 years; the 2001 show featured the finals of the Italian championship of Steeplechase;
- Artemio Franchi Siena Prize, a sporting event continuing the tradition and commitment of the renowned former President of the Union of European Football Associations.

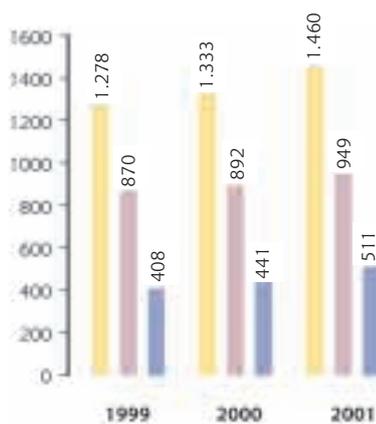
## HUMANITARIAN PROJECTS

The Bank has traditionally been very active in supporting specific humanitarian projects. Significant projects funded in 2001 include:

- "Siena League for the Prevention of Cancer": the funding goes to support the activity of the League and to promote a campaign of prevention targeted to the local community and to members.
- "Pavarotti & Friends" and "Pavarotti International Horse Show": the proceeds of the two events were made available to Afghan refugees in Pakistan.
- UNICEF: the funding in 2001 supported a concert to raise money for needy children around the world. The Bank has committed to supporting the UNICEF vaccination program, contributing directly to the program and raising funds from customers.

## GOVERNMENT, INSTITUTIONS AND LOCAL AUTHORITIES

### Treasury and cash services



■ total  
■ cash services  
■ treasury services

### TREASURY AND CASH SERVICES

The Bank provides treasury and cash services for some 1,460 entities employing more than 172,000 people. Specifically, the Bank manages treasury services for four regions of Italy (Tuscany, Umbria, Latium and the Marches), three provinces (Siena, Grosseto and Perugia) and 226 municipalities, including the cities of Rome, Salerno, Siena, Grosseto, Latina and Caltanissetta. These services are provided either directly or in joint venture with other companies (Associazione Temporanea di Imprese).

The number of local entities served has shown a strong increase, rising by 9.5 percent in 2001.

### RELATIONSHIPS WITH LOCAL ADMINISTRATIONS

The Local Administrations in Italy have shown an increasing need for better management of revenues and containment of costs.

In addressing this new scenario, the Bank has worked with the product companies of the MPS Group to develop the special services as detailed below:

- advisory services relative to the innovative management of existing debt;
- the issue and placement of debt securities;
- advisory services relative to privatization processes;
- the activity of arranger of securitization transactions;
- consultation on the sale of property assets;
- project-financing for particular public utility investments.

The Bank has achieved a significant market position in funding loans to support investment in public works such as roads, schools, hospitals and airports.

### FINANCING OF PUBLIC WORKS

Entities	Number of transactions outstanding as of 31/12/01	Amount (in EUR mn)
State	50	536
Regions	56	2,018
Provinces	130	116
Municipalities	1,111	1,180
Other entities	130	352
<b>Total</b>	<b>1,477 *</b>	<b>4,202 *</b>

\* including 709 transactions for EUR 1,711 million funded in 2000 and 2001.

### TAX COLLECTION SERVICE



Very active in tax collection since the twenties, the MPS Group is today one of the largest tax collection agents nationwide. The Bank directly manages revenue collection for five provinces (Rome, Siena, Grosseto, Leghorn and Latina). As of the end of 2001, the Bank had a total of 1,072 employees dedicated to tax collection.

Other companies of the MPS Group handle tax collection for the nine provinces of Sicily, and the provinces of L'Aquila and Piacenza.

[www.paschiriscossione.it](http://www.paschiriscossione.it)

### RELATIONS WITH THE PREFECTURES

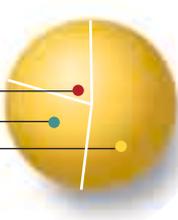
The Bank maintains a meaningful dialogue with the Prefectures and the Police for the purpose of crime prevention. The Bank participates in periodic meetings on the subject of crime prevention which are organized by the Prefectures.



## SUPPLIERS

### Geographical breakdown of supplier locations

Southern regions / Sicily / Sardinia **21%**  
Northern regions **27%**  
Central regions **52%**



The Bank works mostly with service companies (companies providing electric energy, transportation, etc.) and suppliers of technology (software, rentals, etc.), furnishings and equipment. The suppliers are selected from among the market leaders in terms of quality and efficiency, though the Bank has also increasingly focused on the commitment of its suppliers to the environment and safety. In this regard, the Bank has recently promoted several initiatives:

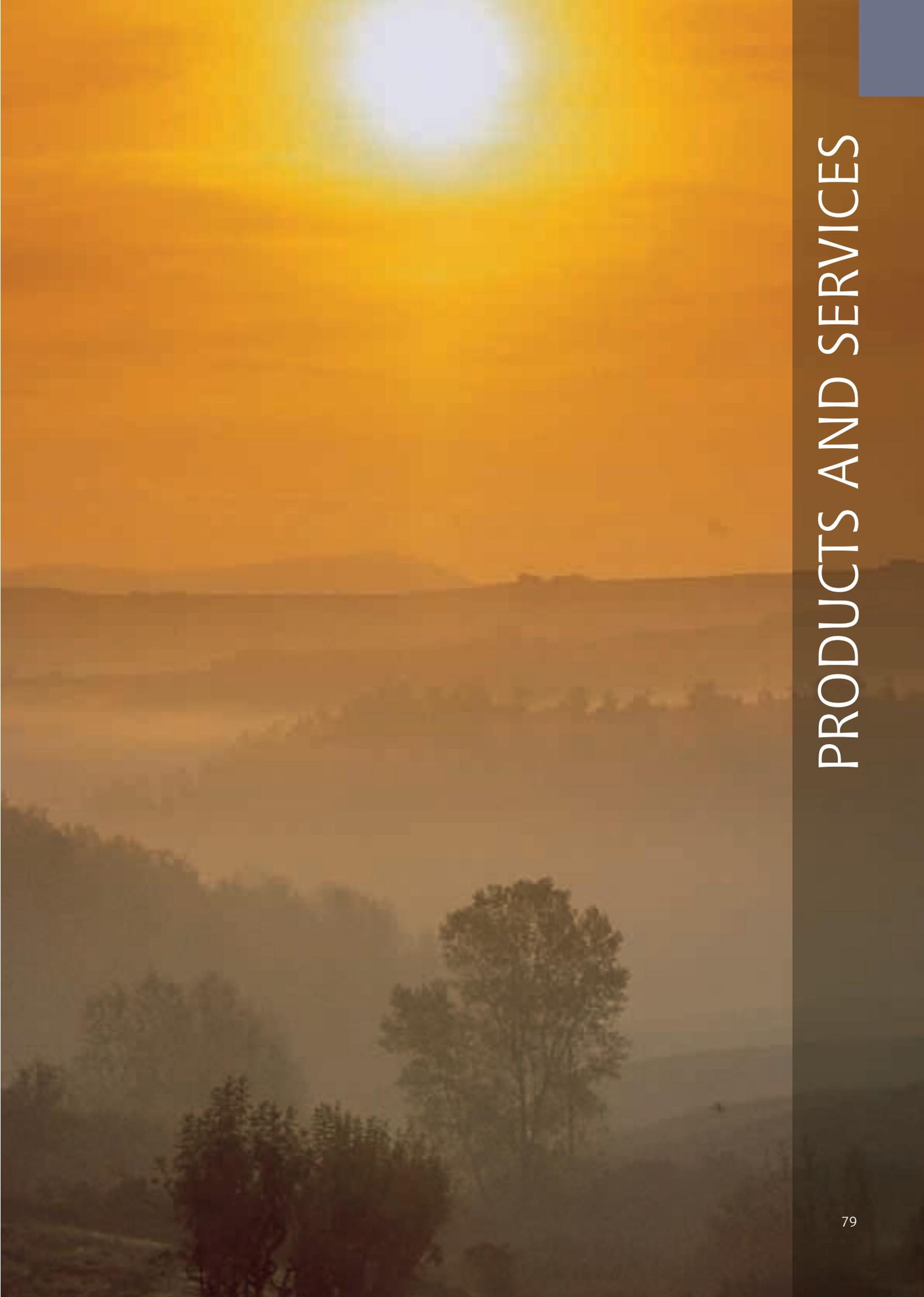
- the adoption of new selection criteria based on product and eco-compatibility certificates;
- the eco-diesel cars purchase for the Bank's automobile fleet;
- accords with electronics suppliers covering disposal of obsolete products in accordance with the law.

With a push toward streamlining and optimizing internal operations, the Bank has increased its commitment to outsourcing and has dedicated greater attention to management of inventories.

In 2001, the suppliers providing the Bank with goods and services in excess of EUR 50,000 numbered 453, with total billings therefor amounting to EUR 365,950,000.

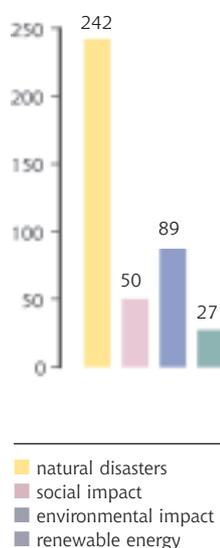
The Bank's achievement of UNI EN ISO 9001:2000 certification is an important development with respect to the Bank's policy for working with suppliers. With the emphasis on ongoing improvement in the overall performance of the certified firms, the ISO 9001:2000 regulations put the accent on mutual collaboration with the suppliers since the quality of the services offered by the certified firms is also a function of the qualitative standards of the goods and services supplied. On the basis of this logic, the Bank has come up with a list of approved suppliers selected according to a basket of reference based on certain well defined criteria (technical reliability, solvency, visibility on the market, level of assistance provided, price-quality ratio, and so forth); once defined, such criteria will be periodically checked. The Bank informs the suppliers that they are included in the approved list and keeps them updated of any changes made in relation thereto (renewal of qualification, cancellation, intensification of controls).

Finally, the Bank's ethical commitment in endorsing the SA 8000 regulations is also worth noting; as indicated on page 27, this commitment also spills over to current and future suppliers.



# PRODUCTS AND SERVICES

**Socio-environmental purpose credit facilities as of 31-12-2001**  
(in EUR mn)



The Bank recognizes that its social responsibility may also be made explicit through its potential to affect the behaviour of other economic agents. This section of the report deals with several credit products and services which can favour the sustainable development and the environment to a varying degree. Some of these products and services are provided by companies of the MPS Group.

### SOCIO-ENVIRONMENTAL PURPOSE CREDIT FACILITIES

The Bank's lending policy has a certain preference for loans to persons investing in the design, construction and management of projects with significant socio-environmental repercussions. As of the end of 2001, the Bank had EUR 407,466,459 of outstanding loans which were funding such projects. Fifty-nine percent of this amount had been directed toward projects to remedy damages caused by natural disasters (activity to reconstruct areas destroyed by earthquakes, support to areas affected by extreme climatic conditions). As to the "environmental impact" category, the credit facilities have been extended to fund the development and management of activities focused on the disposal of waste and used oil, the waste water treatment, and the production of energy from refuses derived fuel. The financing of the promotion of social activity has also been significant, and in particular, covers loans to businesses owned and operated by women, loans for the development of retirement homes, and loans to associations which are involved in the rehabilitation of substance abusers and to labor cooperatives of unemployed workers. Finally, some seven percent of the total has been channeled into projects for the construction and management of facilities to produce energy from renewable sources (eolic, hydroelectric, biomass and co-generation plants).

### FOCUS AMBIENTE

This is a loan package especially devised to help businesses support the costs associated with environmental certification and adherence to EMAS and ISO 14001. The credit facility consists of the opening of a short-term line available during the first phase of the certification process, with the option of paying down any amounts used and withdrawing again. The facility can be subsequently converted into a medium-term line once certification is procured.

### LOANS GUARANTEED BY THE EUROPEAN INVESTMENT FUND

On the basis of a special guarantee agreement, the Bank serves as a financial intermediary for the European Investment Fund's "Growth and Environment" pilot project. Under the terms of the agreement, the Bank has a certain guarantee allowance made available by the EIF in order to back loans to small- and medium-sized businesses which make new investment in projects with direct and/or indirect environmental benefits for the businesses' production activity.

The EIF releases guarantees without charge for the account of both the Bank and the customer for an amount of up to 50 percent of any loan disbursed for such purposes. During 2001, the Bank's financing of these projects amounted to EUR 6,510,000.

### PERSONAL LOANS

With a program begun in 1958, the Bank became one of the first institutions in Italy to make unsecured personal loans available to certain categories of individuals who were unable to secure bank financing because of their inability to pledge collateral or offer the personal guarantee of third parties. The development of this program has been significant over the years, and as of the end of 2001, unsecured personal loans accounted for 1.9 percent (or EUR 680,000,000) of the Bank's total loans.

### FIRST-HOME MORTGAGES

The Bank is one of Italy's main lenders when it comes to the financing of the purchases of first homes. In 2001, the Bank funded 9,436 such mortgages, for aggregate disbursements of EUR 701,000,000.

The Bank recently launched the "Mutuo Leggero" product, a loan to fund the purchase or restructuring of residential property for which the customer has the option of selecting the amount of the installment payments. The installments are set on the basis of the customer's needs and earnings capacity, thereby also providing more flexibility as far as the overall term is concerned. "Mutuo Leggero" is targeted to families, and in particular, young employed persons with limited income who are willing to undertake a commitment over a loan term which is longer than that for other types of mortgages.



### LOANS TO BUSINESSES OWNED AND OPERATED BY WOMEN

On 9 July 2001, the Region of Tuscany signed an agreement with a certain number of credit institutions, including Banca MPS, to support subsidized loans to companies owned and operated by women in accordance with Law 215/92. The commitment undertaken by the Bank amounts to EUR 4,854,695.

### EU-SPONSORED EQUAL PROGRAM

EQUAL is an integral part of the "European Strategy for Employment", adopted by the European Union for the purpose of creating more and better quality jobs. Financed by the European Social Fund, the EQUAL initiative will allow for testing new methods to combat the discrimination and inequality which may adversely affect both employed and unemployed persons. The program will provide a forum for testing new ideas which are capable of modifying future policies and practices in the areas of employment and training. The EQUAL initiative will bring together the main players in a given sector and given geographic area. Governments, non-government organizations, unions and businesses (particularly SMEs) will work together as partners and combine their different expertise and skills. These development partnerships will agree on a strategy for testing new ways of tackling the problems of discrimination and inequality which they will have pinpointed.

The Bank became active in a series of programs as a second-level partner and is involved with an aggregate value of around EUR 2,000,000. One of the projects has particularly interesting environmental implications. Known as "Protected Areas - Professional Retraining of Agricultural Workers", the project was presented by the Italian Federation of Parks and Natural Reserves. Acknowledging the presence of an enormous wealth of natural resources and bio-diversity in Italy, the Federation spelled out an interesting project to ensure sustainable development of environmentally sensitive areas and to respect the economic needs of farms operating within the protected areas.



## EMERGING MARKETS

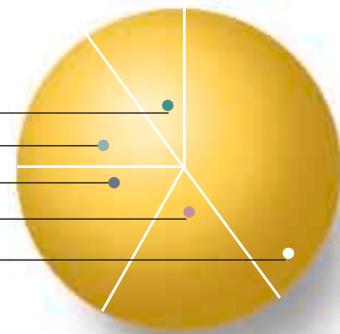
As of 31 December 2001, the Bank's exposure to borrowers in emerging markets came to EUR 3,008,700,000, inclusive of guarantees received.

The Bank supplies the Ministry for Foreign Affairs with advisory services relative to the financing of aid and to the plan for cancellation of debt to developing countries.

In addition, the Bank is the Agent on three financial aid packages (two to Tunisia and one to Algeria) in the aggregate amount of EUR 87,000,000.

### Breakdown of loans to emerging markets as of 31-12-2001

Africa	<b>10%</b>
Near East	<b>15%</b>
Latin America	<b>17%</b>
Eastern Europe and the Balkans	<b>18%</b>
Australasia	<b>40%</b>



## COMMUNITY SUPPORT INITIATIVES

In placing the priority on the customer, the Bank also attempts to assist individuals who cannot secure bank financing because they are not in a position to provide collateral or the guarantee of third parties. In addition, the Bank provides assistance to minorities who often face disadvantages in accessing credit.

The Bank has accordingly activated a series of initiatives aimed at supporting some of the weaker classes of society via the supply of its services.

### LOANS FOR THE PREVENTION OF USURY PRACTICES

In pursuing the objective of preventing usury practices, the Bank entered into an agreement in 1996 with the Arciconfraternita di Misericordia e Istituzioni Riunite, a Siena-based volunteer association. On the basis of this agreement, the Bank disburses loans to individuals, families and small businesses in the Province of Siena who are unable to secure ordinary bank financing for various reasons, even though the respective financial standing of the borrowers would justify their taking on new financial commitments.

The loans are partially secured by a "guarantee reserve" provided by the Misericordia, which was initially funded through a EUR 250,000 donation from the MPS Foundation.

## LOANS GRANTED BY THE BANK

	2001	2000	1999
Number	82	98	88
<b>Amount (in EUR 000's)</b>	<b>1,093</b>	<b>1,243</b>	<b>1,034</b>

The reserve balance was later increased, with part of the new funding provided by the Italian government under Law n. 108 of 7 March 1996. As a result, the availability of the reserve was extended to borrowers throughout Tuscany.

Given these developments, the "Confraternita" organizations in all of the other leading cities within the Tuscany Region became parties to the original agreement, and working with the Siena-based organization, agreed to set up centers to assist persons in need of help in preparing loan applications. At the same time, other banks committed to making loans available through the program, and provided additional donations to the "Misericordia" of Siena. At present, all loan applications are channeled through the Siena organization for the decisions in relation to the release of guarantees. The program is also now subject to the regulations of the Tuscany region.

The amount of non-performing loans related to this initiative is limited, partly due to the preliminary screening and services offered by the assistance centers.

IMMIGRATI PASCHI SENZA FRONTIERE (IMMIGRANTS PASCHI WITHOUT BORDERS)

The "Immigrati Paschi Senza Frontiere" package is a commercial initiative launched in 2001, addressed to immigrants who are lawful residents of Italy. The package offers special terms and conditions for the following bank products: current accounts, savings deposits, consumer installment loans, modular mortgages for first-home purchase, bank transfers and guarantees to substitute security deposits for leased property.

As of the end of 2001, a total of 494 accounts had been opened.



## EQUITY INVESTMENTS

The Bank's commitment to the achievement of a "clean environment" has also been pursued through direct investments in companies which are active in the drive for continuous improvement in sustainable development. Such investments include:

### **Idroenergia S.c.r.l.:**

Set up in November 1998, upon the initiative of the Regional Council of Valle D'Aosta, by 40 local businesses, this Consortium is active in the production and supply of hydroelectric energy, with the output sold to its members at competitive prices.

In November 2001 the Bank purchased an interest in the company with the aim of reducing its own energy costs, and more importantly, to facilitate the purchase of hydroelectric energy, a clean type of energy produced from renewable sources.

### **Società Toscana Ambiente (STA):**

The company was set up in August 1999 for the purpose of constructing and managing plants for the disposal of urban, industrial, toxic and hazardous waste. The Bank owns 15 percent of the company.

*Other investments held:*

### LOCAL PROMOTION AND DEVELOPMENT

- Società Promozione Area Sud Basilicata SpA**, Latronico (PZ)
- Colle Promozione SpA**, Colle Val d'Elsa (SI)
- Patto Territ-Area Metropolitana Bari SpA**, Bari
- Lucandocks SpA**, Potenza
- Sviluppo Sele Tanagro SpA**, Oliveto Citra (SA)
- Ag. Occup. e Svil. Area Nord Barese srl**, Barletta (BA)

### LOGISTICS AND TRANSPORT

- CEPIM - Centro Padano Interscambio Merci SpA**, Fontevivo (PR)
- Trasporti Ferroviari Casentino srl**, Ponte a Poppi (AR)
- Porto Industriale di Livorno SpA**, Leghorn
- Interporto Bologna SpA**, Bologna
- Siena Parcheggi SpA**, Siena
- Firenze Parcheggi SpA**, Florence

### OTHER

- Foligno Nuova SpA.**, Foligno (PG)
- Centro Agro-Alimentare Napoli sspa**, Naples
- STB - Soc. delle Terme e del Benessere SpA**, Prato
- Centro Agro-Alimentare Bologna sspa**, Bologna

### MULTI-UTILITIES

- AGES - Azienda Gas, Energia, Servizi SpA**, Pisa
- Consorzio Intesa Aretina**, Milan

## IMPORTANT SOCIO-ENVIRONMENTAL PRODUCTS OF OTHER COMPANIES OF THE MPS GROUP

### ETHICAL AND ENVIRONMENTAL INVESTMENT FUNDS

In 2001, Monte Paschi Asset Management SGR S.p.A. debuted two new investment funds which are managed with special ethical and environmental protection criteria: “Ducato Ambiente” and “Ducato Civita”.

The first of the two is an equity fund which invests in securities traded on various markets worldwide; the fund invests in companies which stand out for their significant commitment to the environment and their respect of ethical and social principles. The selection of investments is made on the basis of inclusion (positive) criteria and exclusion (negative) criteria.

The positive criteria embrace:

- ecological performance that is above average for the sector in which the company operates (eco-leaders);
- the production of high-technology goods and services, through activity that is future-oriented and based on innovative ideas (eco-innovators).

Investments are excluded in the case of companies active in gaming, arms, the production or sale of tobacco, nuclear energy and the biotechnology of agricultural products.

The second fund is an open, flexible fund investing in stocks and bonds traded on markets around the world; investments are made in companies with activity which is not in contrast with human rights and the safeguarding of the environment. The fund takes its name from CIVITA, an association that has been active for 15 years in the protection, enhancement and use of historical, artistic and environmental treasures. The fund sets aside part of its management revenues for initiatives promoted by CIVITA.



Revenues transferred to CIVITA for the first ten months of the fund's operation were used for the renovation of the lighting system in the dome of the Church of Sant'Andrea della Valle in Rome, and the staging of an exhibition in Naples of the works of the painter Giovanni Lanfranco.

## FINANCING AND ADVISORY SERVICES FOR AGRO-ENVIRONMENTAL INITIATIVES

The Bank's product portfolio includes various advisory services and financial instruments especially designed to support sustainable economic development in the agricultural and food processing industries. These instruments are developed and managed by MPS BancaVerde, the MPS Group's specialized company active in the environmental sector.

The advisory services rendered include: "Certiambiente", regarding environmental certification; "Training" regarding training and information services; and "Quality" regarding quality certification.

The financial products are subdivided among agricultural loans, loans for food processing and environmental loans. The last category includes the "Certihabitat" products, which are loans to cover all internal and external expenses sustained to secure certification of the environmental management systems in accordance with EMAS and/or ISO 14001 regulations; another product is "Energia Pulita" (Clean Energy), a loan package supporting the design and construction of plants producing energy from renewable sources.

On 24 October 2001, MPS BancaVerde signed an agreement with the Italian Ministry of the Environment and Territory for the purpose of promoting environmental qualification by companies, including through financial assistance; the agreement makes particular reference to farms and food processing firms. As part of this agreement, the Bank has made available an aggregate amount of EUR 50,000,000, which will be used for making loans to SMEs (especially firms operating in farming, and food processing) at better-than-market conditions in order to support expenditures for environmental qualification and investments in relation thereto.

## PROJECT FINANCING

The Bank is active in project financing generally in the area of public works. Projects are developed with the injection of private capital of the sponsors of the projects and with the use of institutional funds (typically from banks). Typically, it is the future cash flow generated from the developed project to serve as the source of debt repayment and the return on equity capital. MPS Merchant, Banca per le Piccole e Medie Imprese S.p.A., is the MPS Group's specialized company involved in innovative finance and project financing. Project financing may have significant socio-environmental implications, and may assist countries in the development and completion of major infrastructure works that could otherwise not be realized due to budget constraints. While there are many areas of economic activity suited for project financing, the most common applications are found in: public utilities (water, gas), energy, environment (the entire waste cycle), health care, and tourist port activity.

MPS Merchant's principal project financing initiatives in 2001 were relative to the following areas:

**Production of energy based on renewable sources**

- a fluidized-bed combustor fed by waste-derived fuel for the production of electric energy, constructed in the Municipality of Corteolona (PV);
- 11 electricity generators operated by wind turbines, constructed in the Municipality of Agrigento.

**Environmental sector**

- environmental clean-up and recovery of a solid urban waste dump in the Municipality of Latina;
- waste water treatment plant in the Municipality of Maltignano (AP).

In relation to the water sector, Banca MPS Merchant owns interests in two companies which will respectively manage 30-year concessions for integrated water service in the Optimal Territorial Area n. 4 (Southern Latium - Latina) and in the Optimal Territorial Area n. 3 (Alto Valdarno).

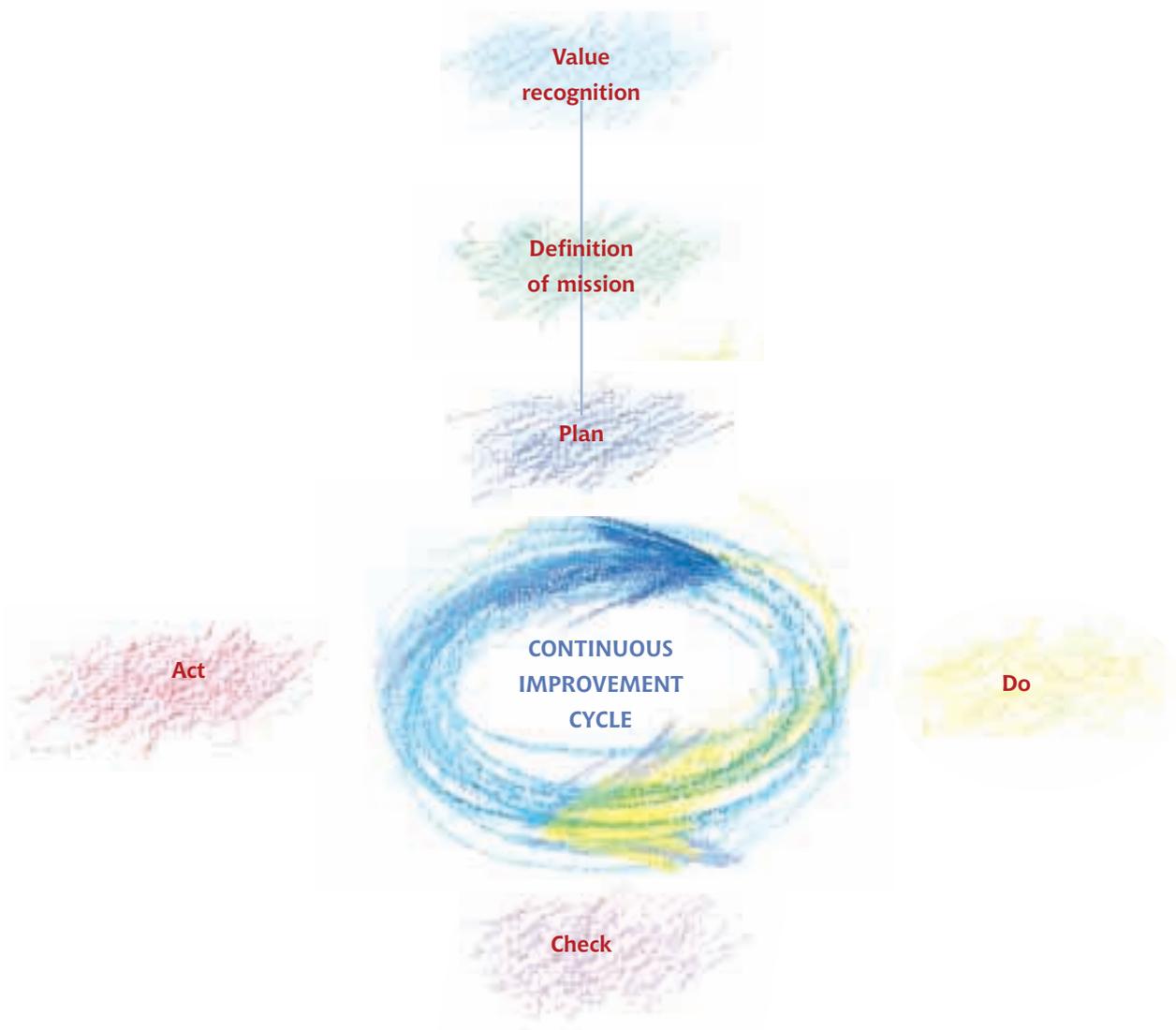


# OBJECTIVES ACHIEVED AND FUTURE TARGETS

## OBJECTIVES ACHIEVED

**W**ith the aim of achieving ongoing improvement in its social, environmental and economic performance, the Bank worked with Deloitte & Touche S.p.A. in order to verify the degree of achievement of the objectives defined in the 2000 Social Report and 2000 Environmental Report.

The Bank conducted this evaluation on the basis of the Deming Cycle (P.D.C.A.): after having defined the priority objectives (PLAN) and after having begun to work towards the achievement of the same (DO), it becomes crucial and necessary to control and evaluate (CHECK) the efficacy of the various actions undertaken and of the results achieved. On the basis of this evaluation, the Bank identified and defined new priorities (ACT) from the standpoint of realizing ongoing improvement in the progression toward the sustainable development. The Bank also set the new objectives necessary in order to remain consistent with its policies, principles and values.





Following is a summary of the Bank's performance in 2001.

**ENVIRONMENTAL OBJECTIVES**

DECLARED OBJECTIVES		ACTIONS TAKEN AND RESULTS	Status versus objective
 <p><b>Status versus objective</b>                      ☆ ☆ in the process of realization                      ☆ ☆ ☆ achieved</p>	Establishment of Advisory Board for the purpose of promoting socio-environmental issues.	<ul style="list-style-type: none"> <li>Investiture of the Advisory Board and conference on "Finance, Corporate Responsibility and Sustainable Development" in Siena in November 2001.</li> </ul>	☆ ☆ ☆
	Creation of a unit dedicated to the management of socio-environmental issues.	<ul style="list-style-type: none"> <li>Establishment of Environmental Policies Unit.</li> </ul>	☆ ☆ ☆
	Activation of an environmental management system, with the objective of procuring ISO 14001 certification and/or EMAS registration in a two-year period.	<ul style="list-style-type: none"> <li>The environmental management system was inaugurated, with the consequent management of significant environmental risks. The procurement of the ISO 14001 certification is anticipated for late 2002 or early 2003.</li> </ul>	☆ ☆ ☆
	Personnel training aimed at involving the staff in the development of an environmental culture.	<ul style="list-style-type: none"> <li>The program entitled "Le rotte del cambiamento" ("The path to change"), initiated in early 2002, is a training activity involving all employees and includes training on social and environmental issues.</li> </ul>	☆ ☆
	Use of materials which are suitable from both a technological and environmental standpoint.	<ul style="list-style-type: none"> <li>Renewal of the Bank's automobile fleet, with the substitution of 82 vehicles, each of which was registered prior to 1989 and had traveled more than 125,000 kilometers.</li> <li>Planning of new branch for Castelnuovo Berardenga (Siena) in accordance with bio-building principles.</li> </ul>	☆ ☆
	Elimination of all ozone-damaging gases, including Freon 12 and Halon, and substitution with inert gases.	<ul style="list-style-type: none"> <li>Virtually all ozone-damaging gases have been substituted.</li> </ul>	☆ ☆ ☆

ECONOMIC OBJECTIVES

	DECLARED OBJECTIVES	ACTIONS TAKEN AND RESULTS	Status versus objective
 <p><b>Status versus objective</b>                      ☆ ☆ in the process of realization                      ☆ ☆ ☆ achieved</p>	Development of the MPS Group in terms of profitability, operating excellence and innovation.	<ul style="list-style-type: none"> <li>• Increase in consolidated net profit.</li> <li>• Increase in ROE.</li> <li>• Enhancements to product portfolio, with an accent on innovation and on personalization of relationships.</li> </ul>	☆☆☆
	Maximization of the value of human resources Training, development of specialized skills and professional career paths.	<ul style="list-style-type: none"> <li>• Reinforcement of the MPS Group's position as one of the top financial services groups in Italy oriented to serving the European market as a whole.</li> <li>• Increase of MPS Group's market share Growth of direct funding in excess of the average growth for the banking system as a whole.</li> </ul>	☆☆☆
	Implementation of core programs in the business plan through the creation of an integrated group with multiple areas of specialization.	<ul style="list-style-type: none"> <li>• Streamlining of the head offices of the commercial banks of the MPS Group.</li> <li>• Restructuring of the Group.</li> <li>• Value based management system.</li> <li>• Reorganization of distribution system.</li> </ul>	☆☆
	Enhancement of presence in insurance and retirement plan businesses.	<ul style="list-style-type: none"> <li>• Growth of premiums earned by life insurance subsidiaries (Monte Paschi Vita, Ticino Vita, Grow Life and Quadrifoglio Vita).</li> <li>• Placement of insurance products at significantly high levels.</li> </ul>	☆☆☆
	Improvement of the quality of the loan portfolio.	<ul style="list-style-type: none"> <li>• Development of various initiatives for the implementation of programs to improve efficiency in credit assessment and to secure a better risk-return ratio.</li> </ul>	☆☆☆
	Growth of funding.	<ul style="list-style-type: none"> <li>• Growth of aggregate funding from customers.</li> </ul>	☆☆☆



SOCIAL OBJECTIVES

	DECLARED OBJECTIVES	ACTIONS TAKEN AND RESULTS	Status versus objective
	<p>Enhancements to the Bank's workforce.</p>	<ul style="list-style-type: none"> <li>Recruitment of 600 young people with significant career potential (most of whom were university graduates with strong scholastic standing).</li> </ul>	<p>☆☆☆</p>
<p><b>Status versus objective</b>                  ☆☆ in the process of realization                  ☆☆☆ achieved</p>	<p>Introduction of value-based mechanisms for assessment and incentives at all levels.</p>	<ul style="list-style-type: none"> <li>Start-up of the Management-by-Objectives program and general outline for stock options plans to be used as a form of incentives for medium-/long-term performance.</li> </ul>	<p>☆☆</p>
	<p>Enhancements to the Bank's role as an intermediary between businesses, households and the market, in line with increased emphasis on more personalized relationships.</p>	<ul style="list-style-type: none"> <li>Development of specialized products and services with reference to base, affluent and private customers in the retail market, and SMEs, large corporations, public-sector entities and financial institutions in the corporate market.</li> </ul>	<p>☆☆☆</p>
	<p>Security and safety of employees; improvements in the workplace.</p>	<ul style="list-style-type: none"> <li>Publication of a safety manual ("Primo Soccorso") for distribution to the operating units.</li> <li>Preparation of "Documents for the evaluation of company risks" for all companies of the MPS Group.</li> <li>Completion of distribution of "Register for activities subject to fire prevention certification".</li> </ul>	<p>☆☆☆</p>
	<p>More intense efforts to ensure optimization of customer/supplier relationship.</p>	<ul style="list-style-type: none"> <li>Development of a list of approved suppliers (not yet completed) in order to identify the qualifying aspects of supply and to allow for the reciprocal exchange of information.</li> </ul>	<p>☆☆</p>
	<p>Involvement of various stakeholders in the preparation of the Socio-Environmental Report 2001.</p>	<ul style="list-style-type: none"> <li>Distribution to stakeholders of a questionnaire in order to secure feedback on the 2000 Social Report and 2000 Environmental Report.</li> </ul>	<p>☆☆</p>

## FUTURE TARGETS

The drive to achieve further improvement in the Bank's environmental, social and economic performance continues on the basis of new objectives and targets defined as follows:

Obiettivi  
Obiettivi

### ENVIRONMENTAL OBJECTIVES

- Increased sensitivity to environmental issues on the part of internal and external stakeholders.
- Improvement in the management of environmental aspects within the Bank, as provided by the ISO 14001 standard.
- Reduction of energy consumption.

ambientali



### ECONOMIC OBJECTIVES

- Improvement of earnings results.
- Internal growth.
- External growth.
- Increase in the volumes of funding and loans handled directly and indirectly.

economici

### SOCIAL OBJECTIVES

- Involvement of stakeholders in corporate social responsibility strategies.
- Professional development of human resources.
- Inclusion among companies with a high degree of social responsibility in the principal sustainability indices, such as the Dow Jones Sustainability Index and the FTSE4Good Index.
- Increased commitment to “micro lending” activity and to the offer of financial products especially designed for individuals and SMEs.

sociali





# ACCREDITATION OF THE DATA



# Deloitte & Touche

## PURPOSE OF THE ENGAGEMENT

In order to reinforce its commitment to the transparency and completeness of the Socio-Environmental Report, the Bank commissioned Deloitte & Touche SpA to audit the information and the data contained herein.

Since the term "audit" may take on various meanings and is not professionally defined within this context, the Bank agreed with Deloitte & Touche S.p.A. on the audit objectives and procedures.

The purposes of the engagement are various, though they are all basically aimed at securing certification from a qualified, independent party.

The certification is intended to affirm the authoritativeness of the Socio-Environmental Report, and regards the reliability of the data as well as the completeness and intelligibility of the same.

Given the international experience of Deloitte & Touche S.p.A. in social and environmental reporting, the methodological support supplied during the audit and the firm's opinion contribute to identifying possible margins for improvement when the Bank's performance is compared to that of its peers.

## DELOITTE & TOUCHE'S STATEMENT

### INTRODUCTION

As part of Banca Monte dei Paschi di Siena S.p.A. (BMPS) approach to sustainable development, which implies a gradual involvement of the whole Group, this second BMPS Environmental and Social Report of 2001, is an important means of communicating BMPS's commitment, activities and results in this area. The Report is the responsibility of and has been approved by the BMPS Board of Directors.

### OBJECTIVES

We were engaged to express an independent statement with regard to:

- Data accuracy and presentation of information included in the BMPS Environmental and Social Report of 2001;
- Data collection procedures used, at corporate level, to collect data from sectors and departments;
- Consideration of international best practice and sector guidelines.

### PROCEDURES

The scope of our work and the procedures we performed were agreed with the management of the BMPS.

We based our approach on emerging best practice and principles within international standards for assurance-related engagements. In particular:

- We interviewed corporate officials at BMPS headquarters as well as employees at sector levels and analysed samples of documentation and information prepared for the Report, as presented to us.
- We studied the Report and assessed whether its preparation process corresponded to that described in the "Introduction". We assessed whether the structure and content, as stated, were based on emerging international best practice for such Reports by financial institutions, and whether "Modello di redazione Bilancio Sociale per il settore del credito" and the GRI "Sustainability Reporting Guidelines" had been applied as stated.
- We analysed the procedures applied at corporate level for the collection of 2001 environmental and social data on the basis outlined in the "Principles relative to the collection and reporting of the data". We assessed whether the figures collected in this way were appropriately reflected in the Report.

- We studied the Report and, on a test basis, we compared the information with the supporting documentation presented to us.
- We compared the information in the Report to corresponding information in the BMPS's Financial Statement for 2001.

The work performed does not constitute a full audit according to professional standards applied by the accountancy profession; this reflects on our independent statement, which must be considered related only to the procedures effectively performed.

### FINDINGS

Based on our work, we find that BMPS, when preparing the Environmental and Social Report of 2001, took into account emerging international best practice for such Reports amongst financial institutions, and applied the "Modello di redazione Bilancio Sociale per il settore del credito" and the GRI "Sustainability Reporting Guidelines" as stated in the section "Principles relative to the collection and reporting of the data".

We find that BMPS has applied detailed and systematic data collection procedures, as outlined in "Accounting Principles and Data Collection", for the purpose of collecting figures for inclusion in the Environmental and Social Report of 2001; and that the collected and reported figures for the year 2001, in accordance with these data collection procedures, are appropriately reflected in the Report.

We find that the information included in the Report is consistent with the documentation supplied to us and with the corresponding information in the BMPS Financial Statement for 2001.

Andrea Ruggeri  
Partner, Assurance  
and advisory

Preben J. Soerensen  
Partner, Environment  
& Sustainability

Florence, June 30 2002  
DELOITTE & TOUCHE

## EVALUATION OF THE 2000 SOCIAL REPORT AND THE 2000 ENVIRONMENTAL REPORT

In a drive to optimize the orientation of future decisions in the socio-environmental area, the Bank decided to gather feedback and opinions from various stakeholders for the purpose of ascertaining (i) the level of consensus to the activities carried out and (ii) any expectations indicated. The feedback and opinions will also contribute to improving future communications with stakeholders, and to involving the greatest number of stakeholders possible in socio-environmental themes.

The method deemed most effective was a questionnaire distributed to a representative group of stakeholders.

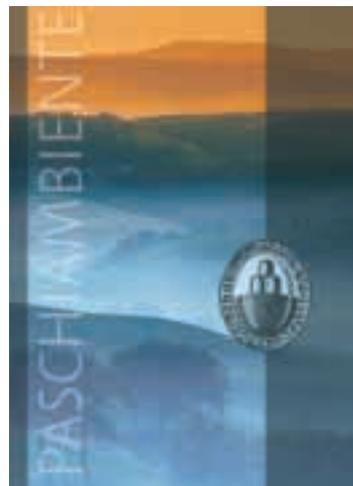
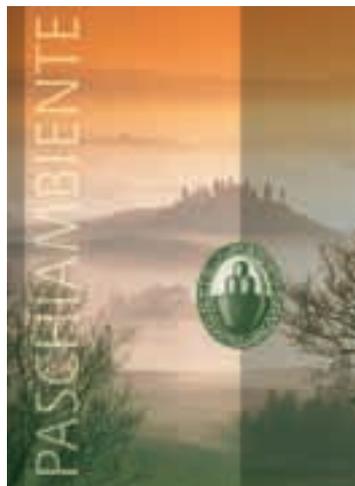
The stakeholders involved included the following:

- **Human resources** (employees of the Corporate Center and of the branch network);
- **Customers** (from both the retail and corporate segments);
- **Shareholders** (with both majority and minority holdings);
- **Local communities** (non-government organizations, non-profit organizations, members of the economic and scientific communities);
- **Government and government entities** (both local and national);
- **Suppliers** (considered by size and location).

In order to make the communications with the various stakeholders the most effective, the questionnaire and the accompanying letter of presentation were distributed with various means: through direct meetings with the respondents, by mail following telephone contact, and through electronic delivery.

In the case of customers, a random sample was chosen considering the various categories of the clientele, with the only limitation being the selection of customers who had given their consent to the processing of their personal data (Law 675/96).

The means for delivering questionnaires and collecting them upon completion were such as to guarantee absolute anonymity of the respondents - an indispensable condition to allow for the maximum freedom of expression and reliability of the opinions given and considerations made.





### STRUCTURE AND RESULTS

Most respondents indicated they had read the entire text of both documents. In the case of the customers surveyed, a high percentage of the respondents (a good 42 percent) indicated that they had scanned the documents, stopping only to read the parts which they deemed interesting.

The main part of the questionnaire, which was dedicated to an assessment of the documents, required the respondents to indicate the issues of greatest interest and to express an overall judgment on the same.

The processing of the results (summarized in the graph below) show that readers were on average equally interested in environmental issues and ethical-social issues (42 percent).

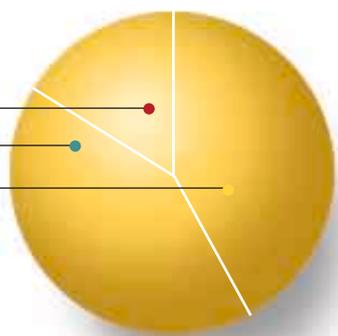
The other graph entitled "Assessment of the 2000 Report" summarizes the evaluation in relation to the principal qualitative aspects, such as innovativeness of the contents, the interest generated by the report, and the completeness, the reliability and intelligibility of the data and information reported.

#### Issues of greatest interest

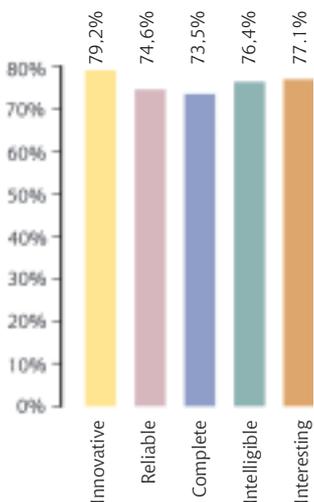
Economic 16%

Environmental 42%

Ethical-social 42%



#### Assessment of the 2000 report



In general, the respondents had a good opinion of each aspect considered, with the feedback being particularly positive in relation to the innovativeness and intelligibility of the documents.

A more in-depth analysis of the results points to opinions which are generally the same, even though the questionnaire involved various types of stakeholders. The absence of any excessive dispersion of results serves to underscore the uniformity of the views and interests about the Bank.

## OPPORTUNITIES FOR IMPROVEMENT

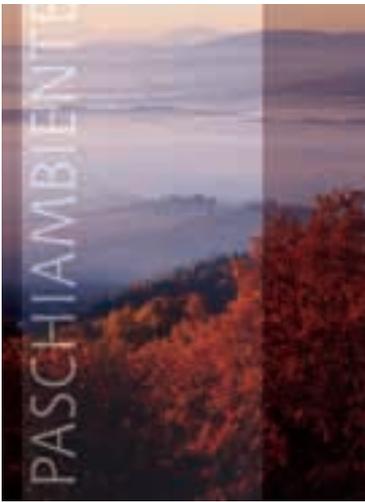
In preparing and publishing the Socio-Environmental Report 2001, the Bank took into consideration the observations and indications made by the stakeholders involved in assessing the documents relative to 2000.

In this regard, some of the principal changes include:

- enhanced discussion and review of the environmental issues covered;
- statements relative to areas deemed of particular interest;
- the use of integrated indicators.

## QUESTIONNAIRE ON THE 2001 REPORT

The Bank also intends to interview the various categories of stakeholders in relation to this year's report. As part of this process, a questionnaire has been prepared and is included at the end of the report. The questionnaire also ensures anonymity in order to guarantee the maximum freedom of expression in providing opinions and any suggestions. The readers of the report are asked to complete the questionnaire also for the purpose of indicating any specific information needs, thereby actively contributing to the improvement of the Bank's reporting on socio-environmental issues.



## GLOSSARY

### **ABI**

Italian Banking Association.

### **Agenda 21**

A detailed action plan for sustainable development of the planet in the twenty-first century.

### **Asset Management**

Activity of managing financial investments.

### **Brand**

Production logo or mark. Emblem or name which distinguishes a company.

### **Carbon dioxide (CO2)**

A natural gas present in the atmosphere which is formed by the respiration and decomposition of animals and plants, by volcanic activity and by the combustion of organic material (natural gas, oil, wood, paper, etc.).

### **Cogeneration**

Combined production of electric energy and steam, which may be used in both industrial and civil applications (remotely controlled heating systems).

### **Corporate Center**

A structure of the Bank which is charged with managing, coordinating and controlling the general strategies for the MPS Group as defined by the Board of Directors of the Bank.

### **Corporate governance**

A term indicating the corporate structure and rules for governing a company, and addressing such issues as voting rights, rank and so forth.

### **Corporate social responsibility**

Voluntary integration of social and ecological concerns into the commercial operations of a company and into the company's relationships with its stakeholders.

### **Corporate**

Corporate activity is activity inherent to the management of relationships with companies.

### **CSR Europe**

Network bringing together more than 50 European companies whose main objective is to support companies in achieving profitability while also ensuring sustainable development and human progress and placing social responsibility at the center of business strategies.

### **Customer Relationship Management (CRM)**

A range of strategies for managing relationships with the clientele.

### **Customer satisfaction**

A parameter used for measuring the worth of a specific service offered to the public in relative terms.

### **Direct Bank**

Term used for identifying the traditional banking services supplied through innovative channels such as PaschiHome (Internet banking) and PaschiIntel (telephone banking).

### **EMAS (Eco Management and Audit Scheme)**

A scheme set up pursuant to the European Community Regulations No. 761/01. Such Regulations set out the rules for the voluntary adoption of environmental management systems (similar to the ISO 14001 standard) and for the preparation of the Environmental Statement.

### **Environmental aspect**

An element of an activity, product or service of an organization which may interact with the environment.

### **Environmental impact**

Any change of the environment, whether positive, negative, total or partial, which is the result of the activity, products or services of a firm

### **Environmental Management System (EMS)**

Part of the management system which embraces the organization structure, the activity of planning, the responsibilities, practices, procedures, processes and resources for processing, making operative, verifying and correcting environmental policy.

### **Environmental rating**

Process of assessing the environmental risk associated with the economic activity of companies.

### **Front line**

Offices or employees dealing directly with the public.

### **Global Compact**

A voluntary initiative launched by the United Nations in July 2000 and based on principles embracing human rights, fair labor practices, and environmental issues.

### **GRI (Global Reporting Initiative)**

The Global Reporting Initiative is an international long-term commitment involving the objective to develop and to disseminate guidelines which may be adopted on a voluntary basis for the realization of reports on economic, environmental and social aspects of a company's activity.

**Hazardous/non-hazardous waste**

Pursuant to Legislative Decree n. 22/97, waste is any substance or matter which the holder has broken down, or intends to or must break down. Hazardous waste materials have, by definition, at least one of 14 dangerous characteristics as defined in relation to risks for humans and the environment, by regulations of the European Union.

**IBS**

European Institute for Social Responsibility Reporting.

**Internet Banking**

A service for carrying out banking transactions (buying/selling of securities, transfers of funds, etc.) and for accessing information relative to current accounts and securities portfolios, including through a personal computer; the service allows for securing online information in relation to the trend of principal markets or individual securities.

**Merchant bank**

A financial institution aimed at developing the activity of buying and restructuring other Italian and foreign companies, in order to favor earnings and business development as well as financial solidity.

**MPSafe**

A monitoring system within the Bank ensuring the reporting of data pursuant to Legislative Decree no.626/94 regarding the adequacy of security, micro-climatic conditions, and systems/equipment maintenance in the workplace.

**Personal Financial Services (PFS)**

Services which the Bank is able to make available to individual customers for financial management.

**Private banking**

Services for the management of the financial needs of high net worth individuals.

**Retail**

A broadly based banking activity directed toward serving individual customers.

**ROA (Return on Assets)**

Ratio of the profitability of the capital invested in a company's assets, regardless of the source of financing. The ratio, expressed as a percentage, is calculated by dividing total assets into earnings before interest and financial charges.

**ROE (Return on Equity)**

Profitability indicator which is the ratio between net profit and shareholders' equity.

**Share**

One of the units of share capital.

**Stakeholders**

All categories of persons who may influence, be influenced by, or have an interest in, the activity of a firm or bank, including employees, shareholders, customers, the local community, the national community and the Government, suppliers, and future generations.

**Stock granting**

Program whereby shares are assigned gratis to employees.

**Sustainable development**

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Triple Bottom Line:**

An integrated approach taken within the framework of sustainable development, which jointly considers economic, financial, social and environmental aspects.

**Turnover**

Term indicating rate at which staff changes within a firm.

**UNEP (United Nations Environment Programme)**

A United Nations program aimed at promoting sustainable development on the part of businesses and individuals.

**UNI EN ISO 14001 Regulations**

Italian regulations relative to "Requisites and Guide for the Use of Environmental Management Systems", published in November 1996. Such regulations are the Italian-language acknowledgement of the European regulations EN ISO 14001, which, in turn, acknowledge fully the international ISO 14001 regulations of 1996.

**Value added**

From the perspective of social responsibility reporting, value added reflects the socially significant results achieved by a firm in terms of the wealth it produces and distributes.

**WBCSD (World Business Council of Sustainable Development)**

An international organization dedicated to cultivating and promoting the concepts of sustainable development, eco-efficiency, innovation and social responsibility among firms, governments and government agencies.

*“Essere sempre orientati al servizio,  
all’integrità e alla trasparenza,  
alla correttezza negli affari,  
alla salvaguardia dell’ambiente  
e al rispetto di tutte le persone”*

*Carta dei Valori, Gruppo MPS*



## EVALUATION OF THE SOCIO-ENVIRONMENTAL REPORT 2001

The readers of Banca Monte dei Paschi di Siena's Socio-Environmental Report 2001 are asked to spend a few minutes completing the following questionnaire evaluating the report: the questions will provide valuable feedback to the Bank for identifying critical areas and improving future editions.

The questionnaire may be completed and submitted through the Bank's Internet site:

**www.paschiambiente.it** or sent by mail or fax to:

Environmental, Safety, Security and Privacy Department - Corporate Center -

Banca Monte dei Paschi di Siena SpA, Via Camollia, 85 - 53100 Siena ITALY

Fax: +39-0577-296367

### Quality and transparency

	Quality of the report										Bank's conduct				
	Significance <i>Is the information complete?</i>					Intelligibility <i>Is the information presented in a clear manner?</i>					<i>How do you judge the commitment of the Bank and the results on the basis of the information reported?</i>				
	1 Poor	2	3	4	5 Excellent	1 Poor	2	3	4	5 Excellent	1 Poor	2	3	4	5 Excellent
Corporate identity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Environmental performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Objectives achieved and future targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Which aspects interested you the most?

- Environmental \_\_\_\_\_
- Ethical-social \_\_\_\_\_
- Economic \_\_\_\_\_

### Credibility

Based on your own personal knowledge, do you believe the information and data reported are reliable?

Not at all	Not completely	Only to a limited extent	Partially	Totally
<input type="checkbox"/>				

### Comments and suggestions

### Category

- Employee    Shareholder    Customer    Supplier    Community
- Government / Local authority

This document has been prepared by the Environmental, Safety, Security and Privacy Department of Banca Monte dei Paschi di Siena with the collaboration of the other areas of the Bank's Corporate Center.

This is a translation of the Italian original and has been prepared solely for the convenience of the reader.

The Italian version prevails.

For additional information on the Socio-Environmental Report 2001, which is also available in Italian and through the Internet site "www.paschiambiente.it.", contact:

BANCA MONTE DEI PASCHI DI SIENA  
Environmental, Safety, Security and Privacy  
Department - Corporate Center  
Via Camollia, 85  
53100 Siena, Italy  
Tel.: (+39) 0577 - 294316 - 299657/6/4 - 296405  
Fax: (+39) 0577 - 296367  
e-mail: environment@banca.mps.it

*Contacts:*

Luciano Pivetta  
Fabio Leonini  
Roberto Polizzy  
Michela Marrucci  
Francesco Mereu

*Graphics:* Maruska Pradelli Rossi  
*Photos:* Bruno Bruchi, Andrea e Fabio Lensini,  
Eugenio Puglia

This report is printed on certified  
ecological paper

50% recycled fibre



50% bleached  
without chlorine

