

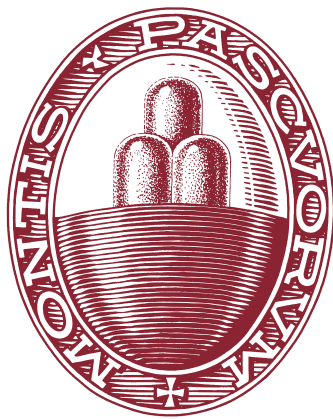
# Non Financial Statement

2018



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472





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# **Letter to stakeholders**

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*For all of us at Monte dei Paschi di Siena, the presentation of the Non-Financial Statement is much more than simply a legal obligation. Rather, we feel it is our duty, grounded in the awareness that without the deep social roots in local markets that has always set us apart, our Bank would have barely survived crises (big and small, old and more recent) that have inevitably marked its centuries-old history.*

*Contributing to a model of sustainable development for all of society, building the present while looking to the future, have always been priorities for us that are inseparable from the company's short-term objectives. This is yet another reason that our Group has published its social responsibility report since 2000.*

*The "Paschi" in our name refers to the pastures in Maremma: the idea that the economic success of our company is closely tied to our ability to create value over time for everyone around us, our "stakeholders", is a concept that we have carved into our business brand. From 1472 to today, it may sometimes have been undervalued, but it has certainly never been forgotten.*

*Today, at the end of a year in which we have engaged in a difficult but fruitful process of restructuring and relaunching, the document is meant to reaffirm the values on which we were founded. Values whose importance is increasingly recognised and shared at all levels: economic, social, political.*

*Businesses are now being asked to do more than just create jobs or distribute profits to shareholders. We are being asked to achieve these and other (socially desirable) results, contributing to the general well-being of society, adopting responsible behaviours in all areas in which we operate, and promoting sustainable development models over time.*

*This document is a summary of what we have accomplished in 2018.*

*We understand that we - like everyone else - are in the midst of a long journey. Thus, our Non-Financial Statement is not a celebratory text.*

*Rather, it should be considered a formal commitment to increasingly putting our skills, our experience, and our resources at the service of all of society. To do so as effectively as possible, the Board of Directors has decided to formally support the establishment of a working group consisting of representatives from all business functions who have been charged with promoting and managing sustainable development policies in all business areas.*

*One of the issues we are most actively working on is innovation. This is a decisive element in ensuring that our work will continue for the long*



*term, but also to support the balanced growth of society. For this reason, in the spring of last year we launched an initiative called “Officina MPS”, whose very name suggests its role as a bridge between the past and the future. This is a process by which we select and support ideas with a high technology content to accelerate the evolution (digital, but not solely) of the Group and promote generational turnover of the country’s entrepreneurial community.*

*But there are many other areas that you will find described in the following pages in which we are working with ever more energy and understanding. With regard to customers, in addition to trying to provide increasingly efficient services, we want to ensure that no one is left behind, therefore, we have established various initiatives to spread digital culture and promote financial education. Furthermore, we have always sought to develop our colleagues through numerous training and growth initiatives, with the aim of increasing skills, promoting meritocracy and equal opportunities, fostering the fusion of professional skills, and enhancing the ability to create value both inside and outside of the Group. We could continue discussing the large and small goals achieved by citing our contribution to protecting the environment through the exclusive use of renewable energy or our commitment to social inclusion through promoting the Microcredito di Solidarietà business. But as we noted, we believe this document is, above all, a summary of our starting point, not our end goal. It is with this spirit that we invite you to read it, and we remain eager to listen to your suggestions.*

*Thank you for your attention.*

Stefania Bariatti  
Chairperson



Marco Morelli  
CEO



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# **Methodological note**





MPS Group seeks to contribute to sustainable development and the creation of long-term value by defining and implementing a robust business model that upholds the interests of its multiple stakeholders.

Cognizant of the increasing importance of social, environmental, and governance issues, we prepare each year the Non-Financial Statement (NFS), pursuant to arts. 3 and 4 of Italian Legislative Decree no. 254/2016, pertaining to the communication of non-financial information useful in understanding business performance, results, and the positive and negative impacts of the activities.

The awareness of our role and the impact that our business activities and our policies may have both inside and outside the organisation have characterised our Corporate Social Responsibility activities since 2000.

From 2000, MPS Group annually published the “Sustainability Report”. This report demonstrates how environmental and social issues and the focus on stakeholders have always been an important legacy for the Bank, which has sought to link its business activities to the principles ratified in the Code of Ethics, the cornerstone document that summarises the essence of our values and formalises the behavioural models we endorse.

In accordance with these values, the Group has supported the UN Global Compact and its 10 principles since 2002, with the aim of promoting sustainable growth in the interests of all stakeholders.

In 2018, the Board of Directors approved a project aimed at establishing a specific internal procedure, in order to define roles, responsibilities, activities, controls, as well as management and coordination policies related to the process of drafting the NFS. This procedure led to the creation of a Sustainability Working Group, which includes delegates from all Group departments and companies, with the aim of communicating the reporting process and developing sustainability policies.

The NFS reports the most important issues, as described in the materiality matrix developed in 2017 and validated in 2018 through procedures of obtaining feedback from all relevant stakeholders.

The report refers to the period from 1 January 2018 to 31 December 2018. For comparison purposes, it includes data of previous years, as required by Italian Legislative Decree 254/16, to better understand trends in the Group’s activities. The reporting scope, unless otherwise specified, corresponds to the accounting consolidation. The reporting standard adopted to draft the DNF are the GRI Sustainability Reporting Standards, published in 2016 by the GRI - Global Reporting Initiative; in particular, in accordance with the GRI Standard 101: Foundation, paragraph 3, in this document reference has been made to the GRI Reporting Standards listed in the “Table of correlation to the GRI Standards and SDG’s” of this document (“GRI-referenced”).

With regard to the non-GRI theme “Support to SMEs”, reporting criteria based on the survey of loan disbursements for 2018 were used to support the economic fabric and businesses, aggregated for all service models (Corporate, SME, Corporate Top and Institutions).

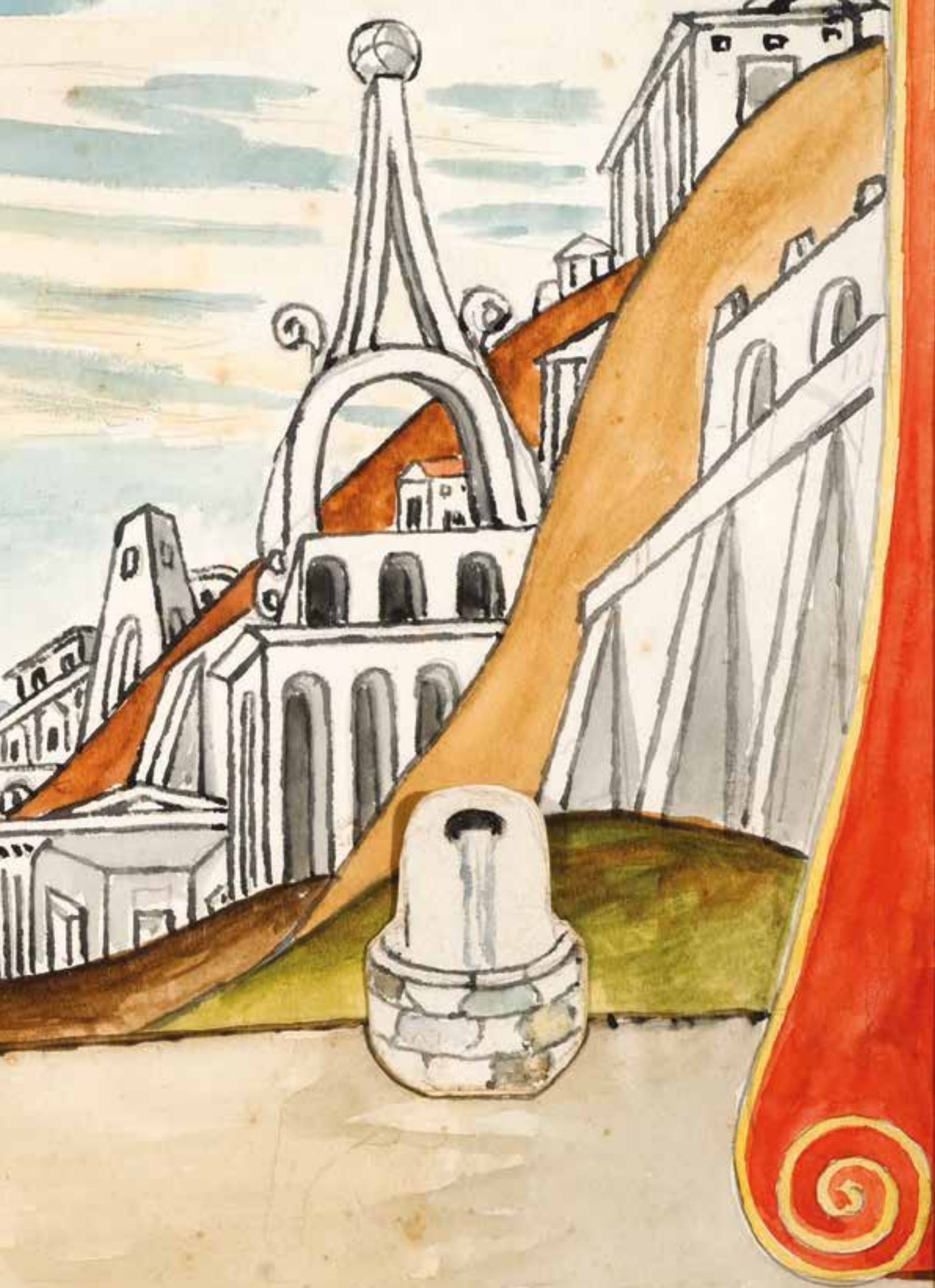
Through feedback and sharing sessions with management and employees, we have been able to define the list of our stakeholders, which is constantly monitored and updated.

MPS Group’s stakeholders have been identified as customers, shareholders, employees, institutions, trade associations, representatives in academia, suppliers, analysts, investors, as well as representatives in the media.

This document has been submitted to a limited audit by EY S.p.A. Findings of the audits carried out pursuant to Article 3, par. 10 of Legislative Decree 254/16 and Consob Regulation 20267 can be found in the report of the independent auditors at the end of this document. The audit is carried out according to the procedures indicated in the “Independent Auditors’ Report”, included in this document - “limited assurance engagement” according to the criteria indicated in the ISAE 3000 Revised standard.

Further information can be requested using the email address [sostenibilita@mps.it](mailto:sostenibilita@mps.it) or by writing to our registered office: Piazza Salimbeni 3, Siena.





# MPS Group

MPS Group is the banking hub led by Banca Monte dei Paschi di Siena, which does business primarily in Italy, mainly providing traditional retail & commercial banking services.

The Group is also active through its specialised product companies in business areas such as leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the

offer of investment products of independent third parties. The Group combines traditional services offered through the network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the Banca Widiba financial advisor network. Foreign banking operations are focused on supporting the globalisation processes of corporate clients in all major foreign financial markets.



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472

Banca Monte dei Paschi di Siena and its subsidiaries operate in the different segments of the banking and financial industry, with activities ranging from traditional banking to special purpose loans, assets under management, bancassurance and investment banking. The Bank performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors in compliance with the instructions provided by the Bank of Italy in the interest of the Banking Group's stability.



**MPS**  
FIDUCIARIA

Monte Paschi Fiduciaria aims to satisfy the needs of individuals and legal entities wishing to have their assets managed with the utmost confidentiality. Monte Paschi Fiduciaria may take on the custody of assets in its capacity as a trustee and act as a protector in trusts.



**MPS**  
CAPITAL SERVICES

MPS Capital Services Banca per le Imprese provides customers with solutions to financial and credit issues, focusing its business on medium-long term credit facilities, special-purpose loans, corporate finance, capital markets and structured finance.



**MPS**  
LEASING & FACTORING

MPS Leasing & Factoring is the Group bank specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals.



**widiba**

Widiba (Wise-DIalog-Banking) is the Group's direct bank that integrates a self-service offer with the competencies of MPS's financial advisor network.



**MPS**  
CONSORZIO OPERATIVO

Consorzio Operativo is the centre for the development and management of ICT and telecommunication systems.



**MONTE  
PASCHI  
BANQUE**

Monte Paschi Banque SA and Banca Monte Paschi Belgio SA are the Group's banks that support commercial trade and investments of Italian companies abroad.



**BANCA  
MONTE  
PASCHI  
BELGIO**



For Monte Paschi Belgio S.A., negotiations have concluded for its disposal. On 5 October 2018, the Parent Company reached an agreement with an investee of the funds managed by Warburg Pincus for the sale of Banca Monte Paschi Belgio, as set forth in the Commitments of the Restructuring Plan. The sale is subject to the approval of the supervisory authorities. For Monte Paschi Banque S.A., the Parent Company has decided to launch the orderly winding-down process by drafting a plan in compliance with what is

specified in Commitment no. 14 “Disposal of participations and businesses”, i.e., (i) progressive deleveraging of the current loan portfolio, (ii) acceptance of deposits only from existing customers, (iii) interruption of business development activities, (iv) no new initiative in new segments or markets, as well as other regulatory restrictions in place.



## 3.1

# *Corporate governance*

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MPS Group's corporate governance takes into account the objective of creating a system of coordinated rules and structures capable of guaranteeing transparent and accurate management of relations with shareholders as well as between them and the directors and top management.

The Bank's bodies work so as to pursue the overall proper functioning of the business.

The Bank's fair and transparent corporate governance system and shared Code of Ethics provide it with rules to ensure that the legitimate expectations of all stakeholders are incorporated within corporate objectives.

The overall corporate governance system makes reference to banking and financial supervision regulations in force and

the Corporate Governance Code of listed companies issued by the Italian Stock Exchange to ensure a clear delineation of roles and responsibilities, the appropriate separation of powers, balanced composition of the corporate bodies, effective controls, monitoring of business risks, adequacy of information flows and the company's social responsibility. In particular, the administration and control system includes the following: the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. In addition, there is the CEO, who is also General Manager, and four Board committees.

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## Diversity criteria

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The By-laws, as amended, most recently by the Extraordinary and Ordinary Shareholders' Meeting of 18 December 2017, envisage specific diversity criteria that enable the composition of a diverse Board of Directors in terms of gender, age, and managerial and professional skills. In practice, the application of diversity criteria adopted for defining corporate bodies that is considered optimal in compliance with statutory and regulatory provisions, as regards corporate governance and voluntary rules to which the Bank adheres, ensures:

- a gender balance ensuring a level of representation on average higher than that required by primary and supervisory legislation and in line with the average level of other listed Italian companies: of the 14 directors, 5 belong to the less represented gender (including the Chairman of the Board of Directors), or 35.71%; in the Board of Statutory Auditors, there are two women out of three members (66.6%);
- a diverse age for directors that ranges from a minimum of 48 years to a maximum of 74 (and an average age of 57), which also takes into account the maximum age limits indicated in the By-laws for specific roles (as Chairman and Chief Executive Officer);
- eligibility requirements for assuming a role (education, professional experience, independent judgement, available time) that are periodically assessed both for individuals as well as for the overall structure of the Board of Directors. These requirements provide for the best possible composition of the Board of Directors, as a function of the business situation and objectives, including strategic, of the Bank. The qualitative-quantitative criteria relating to the ideal composition of the Board of Directors are communicated to shareholders as a preliminary step before the Board of Directors is renewed.



## Self-assessment

In line with international best practices and the provisions of the Corporate Governance Code, supervisory provisions for banks concerning corporate governance, as well as its own regulations and the regulation on the self-assessment process, the Board of Directors annually conducts an assessment of the Board and its committees, in order to carry out a structured review of the size, composition and functioning of the Board and to identify any opportunities for further improvement.

In accordance with the Supervisory Provisions for Banks (Bank of Italy Circular no. 285) and its own regulations, the Board of Statutory Auditors also performs the self-assessment process annually.

For the 2018 self-assessment (“2018 Board Review”), both the Board of Directors and the Board of Statutory Auditors were supported in their efforts by an independent consulting

firm, Management Search Srl, specialising in corporate governance and board effectiveness.

The self-assessment was conducted by compiling specific questionnaires as well as through direct interviews with directors and statutory auditors carried out by the consulting firm. The results, both for the Board of Directors and the Board of Statutory Auditors, were presented in specific documents prepared by the consulting firm submitted to the respective bodies (Board of Directors - Appointments Committee and Board of Statutory Auditors).

Further information about governance, including as regards the concept of diversity in the corporate bodies, is provided in the “Report on Corporate Governance and Ownership Structure”, available on the Bank’s website (<https://www.gruppompis.it/corporate-governance/relazioni-corporate-governance.html>).

## 3.2 Board of Directors and Committees

The Board of Directors represents the ultimate expression of the Group’s management and coordination with regard to controls. In order to develop an appropriate internal control system, the Board of Directors:

- approves strategic guidelines, risk management policies, and the organisational structure;
- verifies that senior management has defined the structure of internal controls consistent with the pre-determined risk appetite;
- checks that the structure of the business control functions is defined in accordance with the proportionality principle and strategic guidelines, and that these functions are provided with qualitatively and quantitatively adequate resources;
- describes the essential elements of the internal control system in the corporate governance report;
- continuously ensures the functionality, effectiveness, and efficiency of IT systems and the control system, adopting - if necessary - timely corrective measures.

The Board of Directors has appointed the following internal committees to provide support and assistance to the Board, assigning them the functions envisaged by the Corporate Governance Code for listed companies, regulations on transactions with related parties, and Bank of Italy’s supervisory provisions:

- Risk Committee;
- Appointments Committee;
- Remuneration Committee;
- Related-Party Transactions Committee.

Furthermore, one of the established Management Committees is the Function Coordination Committee, which has control responsibilities and coordinates, among other things, project initiatives related to the internal control system, communicates the “areas for improvement” resulting from all functions with control tasks and from supervisory authorities, and performs a summary assessment on the adequacy of the internal control and risk management system. In compliance with the provisions of Italian Legislative Decree no. 231/2001, the Bank has also established a 231 Supervisory Body entrusted with the task of supervising the functioning and observance of the 231 Model, as well as managing its updating.

The Bank decided to assign the role of the 231 Supervisory Body to an ad hoc collegial structure separate from the Board of Statutory Auditors, which is “mixed” in nature and consists of three members, including two outside professionals and a director qualified as independent based on the requirements set forth in the Corporate Governance Code of listed companies (for more detailed information, please refer to the section on the 231 Model).

### 3.3

## Organisational structure

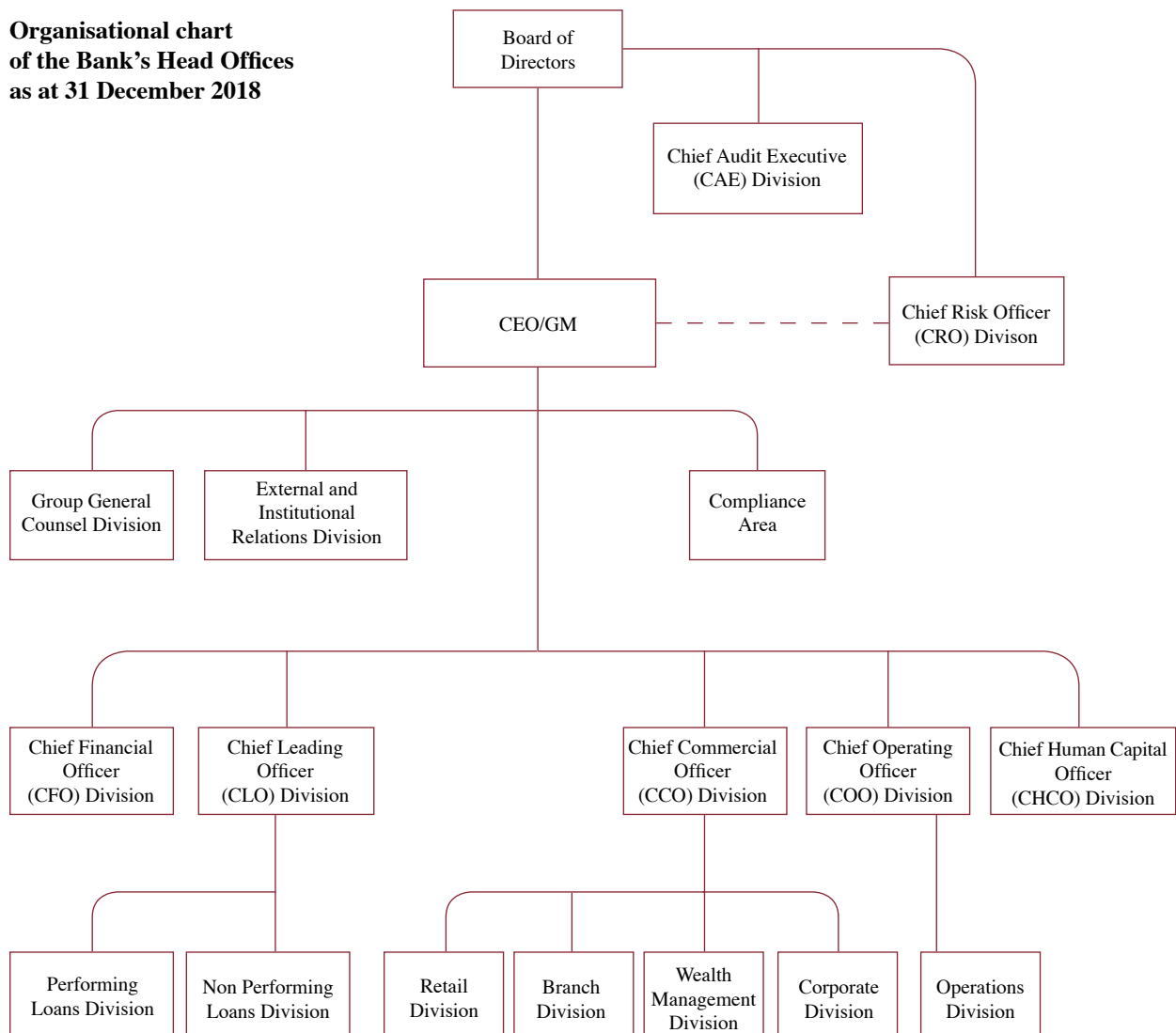
Through its Head Office, Banca Monte dei Paschi di Siena performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors and in the interest of the Group's stability.

The organisational developments in 2018 were characterised by the completion of initiatives to redefine scopes of responsibility, delineated by the new Regional Area organisational model approved by the Board of Directors in the 4th quarter of 2017 and several revision and streamlining activities intended to facilitate the implementation of the Bank's Restructuring Plan agreed upon with the competent Authorities.

With respect to Network processes, actions continued to improve the quality of work, free up more time to be dedicated to sales activities and increase customer service quality, while reducing service response/provision times by streamlining/centralising residual "administrative" activities and document management costs, heavily oriented toward increasing digitalisation of processes.

For more detailed information on reorganisation initiatives, please refer to the 2018 Consolidated Financial Statements.

**Organisational chart  
of the Bank's Head Offices  
as at 31 December 2018**



## 3.4

# Numbers for the MPS network

The Group operates with a view to developing and rationalising its distribution network, combining local

presence with the enhancement of innovative channels. For precise figures, please refer to the 2018 Financial Statements.

1.529

Branches

200

Specialist Centres

Broken down into: 83 SMEs, 9 Corporates, 5 Private Tops, 49 Privates, 54 Institutions.

2.794

ATM

1246 with “cash in” function.

567

Financial Advisors

The Group has an international presence with a Foreign Network distributed, geographically speaking, in some of the major financial and economic markets and in several emerging countries with the highest rates of growth and/or key relations with Italy, currently structured as follows:

- **1 operational branch** in Shanghai. In line with the provisions of the Commitments of the Restructuring Plan, final activities are under way to close the branches in London, New York and Hong Kong, which discontinued all banking activities on 31 December 2018;

- **10 representative offices** (in target areas of the EU, Central-Eastern Europe, North Africa, India and China);
- **2 banks under foreign law**, i.e., Monte Paschi Belgio S.A. and Monte Paschi Banque S.A. With respect to Monte Paschi Belgio S.A.

## 3.5

# Strategic plan and business model

The strength of our business model is the ability to combine the needs of the Restructuring Plan<sup>1</sup> with the distinctive characteristics of a Relaunch Plan that is capable of creating sustainable value over the long term through dialogue and leveraging all stakeholders who contribute, directly or indirectly, to create value for the MPS Group. In order

to better serve our customers, we rely on the skills and behaviours of our people who work in the local markets, including with respect for existing natural resources and the United Nations' Sustainable Development Goals.

### Restructuring

### Relaunch

### Customers, People Territories and Natural Resources

With reference to the Restructuring Plan, the Bank is continuing the process of relaunching its commercial business and implementing the various operational guidelines.

In the Retail sector, the evolution of distribution, commercial and operational models continues to consolidate and strengthen a new business model that confirms the Bank as a reference partner for Private and Small Business customers, establishing the relationship with the customer increasingly aiming at finding a “solution by need” throughout the life cycle. The maximisation of the value proposition is aimed at satisfying and intercepting the investment, protection and credit needs of customers, with a simple offer for ordinary needs and a personalised one for advanced needs. At the same time, the evolution of digital platforms continues, with a multi-channel approach in which the ‘manager-centric’ model is enriched by the opportunities offered by new technologies, to transform a physical relationship into a digital one through remote collaboration tools that offer continuously updated solutions and to meet customer expectations, both in the Private and Small Business markets. The growing focus on private clients is confirmed, on the basis of which the development of new relationships and the recovery of existing ones is expected through:

- the enhancement of the consulting approach, through the activation of a dedicated advisory centre, in order to identify high value investment solutions, thanks to a wide and diversified range of solutions and services in open architecture;
- the development of synergies with other segments (i.e. Cross Selling Private Corporates) to expand the customer base and mass growth;

- the evolution of the service model through a plan to revise the territorial footprint (which took place in the first quarter), to attract customers in order to recover the referentiality of the Bank's multi-touch logic with the customer and a technological adjustment of sale processes.

Enhancing the contribution of Widiba as a vehicle for digitization and innovation continues, by extending technological solutions and automation of certain processes to the Group resulting in, when fully operational, an overall reduction in cost-to-serve; this context includes both the transfer of approximately 46 thousand retail customers from BMPS in 2017, characterised by a behavioural profile with a high propensity for self-banking and compatibility of the already owned product range with the Bank's current and prospective offer, and the further transfer, which took place in October, of approximately 106 thousand customers. This second tranche, in addition to the order of magnitude greater than the first, is also characterised by greater articulation in terms of products and relationships held by customers, with particular reference to the credit and investment sectors. In the corporate segment, activities continue to be carried out aimed at rationalising the network, simplifying service models to optimise cost-to-serve, maximising profitability from the relationship by concentrating a coverage team of specialists from the product factories around the manager/customer, extending the value proposition with tools and services that also reduce capital absorption, and increasing the level of digitization of the manager's tools and front-end and internet banking platforms.

<sup>1</sup>The Restructuring Plan is subject to formal monitoring by the European Commission, through a Monitoring Trustee (the Bank has confirmed Degroof Petercam Finance, with the favourable opinion of DG Comp). The fifth monitoring is in progress with reference to the data as at 30 September 2018, specifying that, with regard to the verification of compliance with the commitments, it assumes formal relevance only at the time of specific deadlines agreed upon with the European Commission.

<sup>2</sup>For further details regarding the strategy and the restructuring plan progress please refer to the 2018 Consolidated Financial Statements

## 3.6

# Sustainability governance

Providing the Group with sustainability governance became strategically important in 2018 in order to facilitate, over time, sustainable and transparent business decisions. The objective is to develop an integrated business strategy, which makes decisions based not on capital and financial results, but also in terms of human, social, relational and environmental capital. In the medium term, this approach will allow the Group to assess the impact on important central issues for the main reference stakeholders, including through the contribution from achieving Sustainable Development Goals (SDGs) promoted by the member states of the United Nations.

In this perspective, the role of the Board of Directors takes on particular relevance as the body that is ultimately responsible in relation to the supervisory authority, CONSOB, for the accuracy of the information contained in the Non-Financial Statement and, therefore, for the handling of sustainability risks. Furthermore, the Board plays a key driving role in promoting the definition of a strategy characterised by medium/long-term objectives pertaining to the implementation of a path of cultural change.

In 2018, the Board of Directors, with the strong leadership of the Chairman and the Chief Executive Officer and aware of the growing importance of the ESG issues, decided to establish a permanent Working Group (WG) on sustainability. This Working Group is made up of representatives from all business Departments, appointed

by the Management Committee, and is coordinated by the External and Institutional Relations Department.

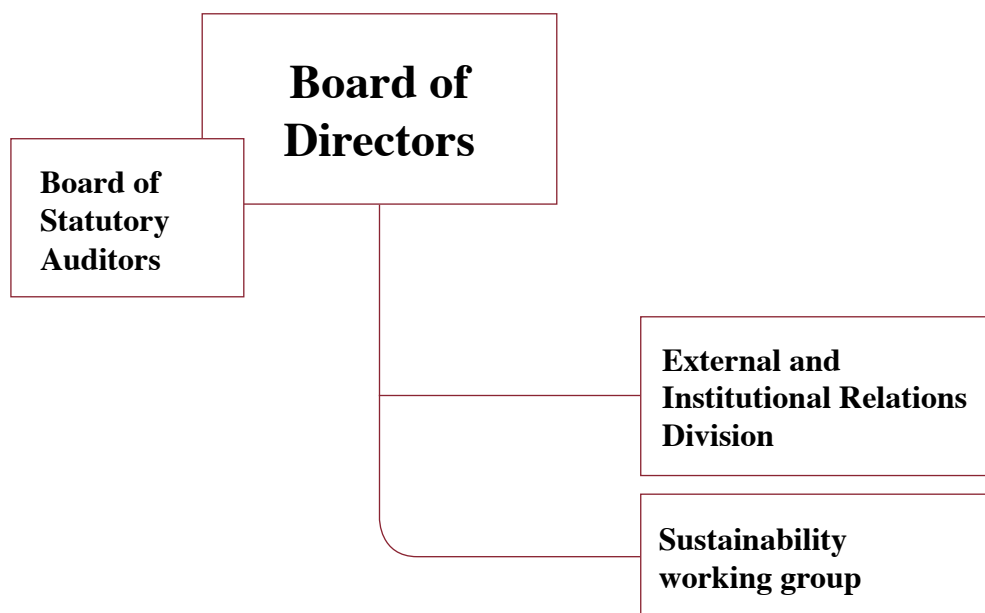
The WG is responsible for:

- proposing, promoting, and monitoring sustainability policies within the Group;
- encouraging the integration of sustainability in business decisions;
- gathering useful elements to report in the NFS the policies implemented and the results achieved in the area of sustainability.

In 2018, the newly established WG laid the foundations for sharing processes and methodologies, aimed at defining an effective organisation of MPS Group's sustainability policies, as well as establishing a process of dialogue with all business structures to create awareness on matters of sustainability and fostering integration with business objectives.

In 2019, the decisions taken by the Board of Directors will result in a change to business regulations, designed, on one hand, to set out the roles of each Department, and therefore of its delegates, within the Sustainability WG and, on the other, to specifically define the requirements for preparing Montepaschi Group's NFS.

The Board of Statutory Auditors is responsible for reviewing the NFS prior to final approval by the Board of Directors together with the Consolidated Financial Statements.





## 3.7

# Contribution to SDGs

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MPS Group, in addition to providing specific banking services for the most disadvantaged groups, is a founding member of Microcredito di Solidarietà Spa, active since 2006 in disbursing low-cost loans to fight poverty.



All employees and their family members are covered by an insurance policy that includes preventive medicine. The internal Health and Safety policies are constantly updated and specific training courses are provided in relation to them.



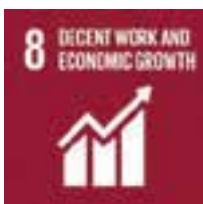
The Group commits to continuously train its personnel to upgrade technical and professional skills. It also undertakes specific training programmes for young people, through internships, work placement, and professional apprenticeship contracts.



All business policies, including those regarding employment, welfare, development and remuneration, are aimed at non-discrimination and promoting equal opportunities by encouraging the cultural change necessary for their full implementation.



100% of the electricity used by the Group is from renewable sources and the Group supports, through specific lending policies, the development of the objectives for energy transition.



The Group promotes the improvement of economic productivity level by financing technology development and innovation. It is also committed to supporting high-tech ideas and businesses. Internal policies ensure dignified work and equality for all employees without any form of discrimination. The Group is also committed to various financial education activities aimed at all sectors of the population.



The Group promotes access to financial services and supports research and innovation for small and medium-sized enterprises.



Personnel are recruited and hired based on objective criteria, skills and professional integrity, guaranteeing equal opportunities for entry and promotion based on merit. Each hiring, promotion, career progression, and salary increase is implemented in observance of merit and equal opportunity policies. A positive working environment is facilitated, including through dialogue with trade unions, which places value on individuality, interpersonal relationships, contributing to achieve participation, sense of belonging, and a team spirit.



The Group participates in the protection and enrichment of the cultural and artistic heritage of reference communities.



The Group contributes and commits to reducing the environmental impact of its consumption by monitoring and evaluating its own environmental performance and that of suppliers. It is committed to developing products for customers designed to mitigate negative environmental impacts.



The Group does not tolerate corruption and commits to comply with the relevant laws and to implement all measures necessary to combat corruption, including through participation in national bodies and international organisations.

## 3.8

# Materiality assessments

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The Non-Financial Statement of MPS Group, in accordance with Italian Legislative Decree no. 254/2016, addresses social, environmental, and human resources issues, as well as respect for human rights and anti-corruption measures, which are considered most relevant to the activities of the Group's companies. For the purposes of 2018 reporting, it was decided to validate the issues identified in 2017, through specific activities aimed at obtaining feedback from management and stakeholders.

In particular, a questionnaire to validate materiality was presented to all colleagues who hold senior positions in the Group: CEO, Heads of Banca MPS Departments and Areas; Head of Cassa Mutua; GM and Heads of Consortium Areas; GMs of MPSBanque, MPSBelgio, Magazzini Generali Fiduciari, MPS Fiduciaria, and Microcredito di Solidarietà; GM and Heads of Departments of MPS Capital Services and MPS Leasing & Factoring, CEO and Heads of Widiba Departments.

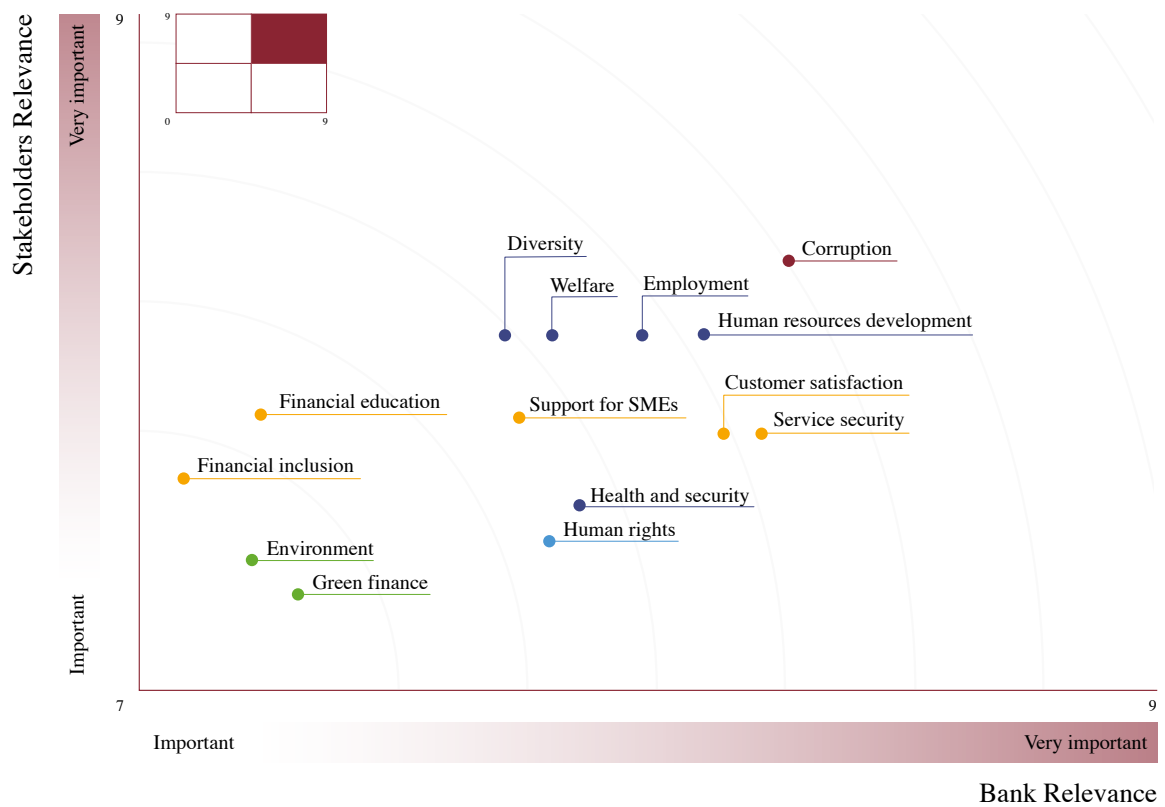
In parallel with the administration of the questionnaire, individual interviews were held with top management (members of the Management Committee), in order to have a general overview as well as specific information, related to their areas, on the perception and management

of ESG issues within the Group. The meetings offered the opportunity to address the issues in the NFS in order both to increase the ability of our business to interact with society and the environment, as well as to reflect on the processes for creating shared values activated by the Group in the context of the relationships that link us with the main reference stakeholders.

The stakeholder analysis was initially based on studies and research on the principal economic, demographic, social and environmental trends and their correlations with activities in the financial sector; it then proceeded to a direct feedback stage, carried out by means of a questionnaire on material issues presented to a diverse sample of stakeholders, made up of customers, opinion leaders, representatives of institutions, service sector associations, journalists, analysts, investors and suppliers.

The analysis of the results of the various feedback activities made it possible to assess the strategic relevance of issues related to sustainable development as regards the expectations of our reference context. The interviews and questionnaires also highlighted the importance of issues related to human rights, respect for the environment, and employee health and safety, which were added to the materiality matrix.





## Legend

- Combating corruption
- Relationship with costumers and community
- Personnel policies
- Commitment to the environment
- Human rights





# **Compliance and risk management**



## 4.1

# Internal control system

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The internal control system adopted by the Group is designed to ensure that risks are identified, measured, managed and monitored in such a way so as to enable sound, proper business management in line with pre-established objectives.

In June 2018, the Group policy on the internal control system was updated, a document that represents the reference framework on the matter, which sets forth the principles and guidelines that must provide direction in the design, operation, and evolution of a complete, adequate, functional and reliable control system.

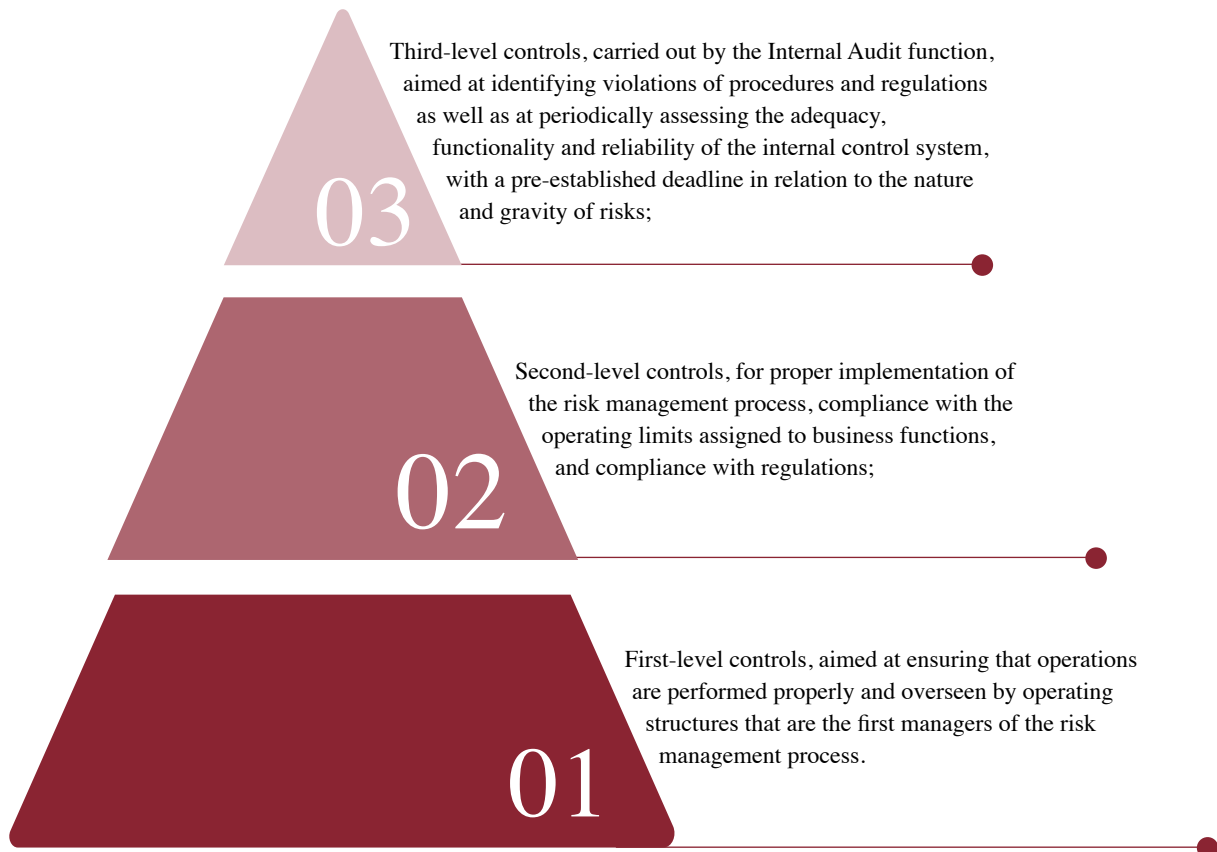
The internal control system adopted consists of the set of rules, functions, structures, resources, processes, and procedures that ensure sound and prudent management of the business and consistency with the pre-determined objectives for performance, improvement, protection, information, and compliance.



It plays a central role in the business organisation: it represents a key element of knowledge for corporate bodies - in order to ensure full awareness of the situation and an effective monitoring of business risks and their interrelations - and promotes the spread of an appropriate culture of risks, legality and corporate values. For these characteristics, the internal control system plays a

strategic role for the Group and the culture of control holds a prominent position in the scale of corporate values, involving the entire organisation in developing and applying logical and systematic methods to identify, measure, communicate and manage risks.

The following types of control are classified within the internal control system:



Moreover, the Group has developed advanced risk management models with the adoption of organisational systems aimed at integrating strategic/governance processes

and management/control processes, based on the “Risk Appetite Framework” (RAF) defined by the competent corporate bodies.

## 4.2 Internal Audit function

The Parent Company has established an independent and effective Internal Audit function. Its neutrality and independence are guaranteed by its placement within organisation. The Head is hierarchically positioned as a direct report to the body responsible for strategic supervision and is not directly responsible for operating areas subject to control, nor hierarchically a subordinate to the Heads of these areas.

The activities carried out by the function are designed to verify that operations are running smoothly and the

manner in which risks are evolving, as well as assessing the completeness, adequacy, functionality and reliability of the organisational structure, the internal control system, and the external regulatory framework, in order to improve the organisation’s effectiveness and efficiency.

In carrying out its duties, the Internal Audit function observes the provisions of the international auditing standards, which are set out in the Group’s internal audit standards and the related Code of Ethics for the function. The professional development of resources is also

encouraged, for the attainment of professional certifications and qualifications such as “Certified Internal Auditors” (CIA), the only global recognition, which clearly identifies a professional in the field.

In accordance with a risk-based approach, the function draws the attention of corporate bodies to possible improvements, with particular reference to the RAF, the risk management process, and tools for risk measurement and control.

The activities, defined in the annual audit plan, are identified according to a risk-based approach, in consideration of the

SREP/SSM (Supervisory Review and Evaluation Process/ Single Supervisory Mechanism) objectives, the requests of senior management bodies, obligations deriving from external regulation and supervisory bodies (e.g., ILAAP, ICAAP, privacy/GDPR, data security, 231 Organisational Model). The annual audit plan is part of a broader, long-term audit plan submitted for the approval of the Board of Directors (BoD).

## 4.3 Compliance

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The Compliance function oversees, using a risk-based approach, management of the risk of non-compliance with regard to all business activities, verifying that internal procedures are adequate to prevent this risk. With the exclusion of fulfilling the duties envisaged by specific regulations, all regulatory areas for which monitoring of non-compliance risks is ensured by another business control function, or by control functions established pursuant to primary legislation (“231 Supervisory Body” and “Financial Reporting Officer” referred to in Legislative Decree 231/2001 and Law 262/2005, respectively), are excluded from the Compliance function’s scope of responsibility. Within this context, if the functions listed above perform first-level operations in business processes with implications for Group compliance, with particular regard to customer relations, the Compliance function may perform second-level controls.

Given these principles, the Compliance function is directly responsible for managing non-compliance risk for all regulations that fall within the scope of activities of the Parent Company and the Italian subsidiaries of the Banking Group, including the Group’s Consorzio Operativo. The exceptions are the regulatory areas of “Workplace Health and Safety and Environmental Protection” as well as “Tax Compliance”, for which the Group and the individual Group companies established specialised forms of oversight for managing non-compliance risk, in observance of supervisory provisions. With regard to the latter two regulatory areas, the Compliance function adjusts its duties in relation to results

of assessments on the adequacy of specialised controls to manage the non-compliance risk profiles. In any case, the Compliance function is responsible, in collaboration with the Workplace Health and Safety and Tax Compliance functions, for defining the methods and procedures for assessing the risk of non-compliance. It also periodically verifies the assessment procedures, in order to determine their ability to prevent the risk of non-compliance.

The main responsibilities of the Compliance function include:

- continuous identification of the rules applicable to the Bank and the measurement/assessment of their impact on business processes and procedures;
- develop proposals for organisational and procedural measures that ensure adequate oversight of non-compliance risks, verifying their effectiveness over time;
- ex ante assessment of compliance with applicable regulations for all innovative projects that the Bank seeks to develop, also intervening in preventing and managing conflicts of interest both among the various activities performed by the Bank as well as in reference to employees and company representatives;
- consultancy and support to corporate bodies on matters for which the non-compliance risk is relevant; collaboration in training activities pertaining to the function, including in order to spread a corporate culture based on the principles of honesty and fairness.



## 4.4

# Risk culture and risks associated with material issues

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Montepaschi Group, in defining the model and organisational structure, envisages that all business structures are responsible for demonstrating the behaviours of ethical principles for decisions and the culture of control, encouraging the daily practice of a culture based on ethics and responsibility and ensuring the promotion of a corporate culture based on respect for the law and the Code of Ethics. In these terms, the adoption of a clear “tone at the top” brings with it positive effects in risk management and in promoting the risk culture at all business levels, including through the joint action of governance functions, encouraging sustainability for stakeholders.

Montepaschi Group dedicates the utmost attention to the process of identifying, monitoring, measuring, controlling and mitigating risks. Risk governance strategies are defined in line with the Group business model, medium-term Restructuring Plan objectives and external regulatory and legal requirements.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group’s overall risk appetite, in line with the annual budget and multi-year projections.

The Parent Company’s Board of Directors defines the overall Risk Appetite Framework (RAF) for the Group and approves the “Group Risk Appetite Statement” (RAS) at least once per year. The Risk Control Department is specifically assigned the task of conducting the quarterly monitoring of indicators, drawing up a periodic report for the Board of Directors and implementing the escalation/authorisation processes in the event that limits are exceeded. The RAS represents an essential element in defining the Group’s risk strategy. The risk objectives/restrictions are identified and the indicators are broken down by Business Unit/Legal Entity (known as “cascading down” of the Risk Appetite). The objective is to increase the Group’s Risk Culture and fully instil accountability in all relevant Business Units with regard to respect and pursuit of the risk appetite objectives, as required by the regulations and recommended by best practices.

The Risk Appetite Process is structured so as to ensure consistency with ICAAP (internal capital adequacy assessment process) and ILAAP (internal liquidity adequacy assessment process), as well as with Planning and Budget

and Recovery processes, in terms of governance, roles, responsibilities, metrics, stress testing methods and monitoring of key risk indicators. Group risk governance is provided centrally by the Parent Company’s Board of Directors, which also supervises and is responsible for the updating and issue of internal policies and regulations in order to promote and guarantee a continuously broader and more widespread risk culture at all levels of the organisation. Awareness of risks and the correct knowledge and application of the internal processes and models governing those risks - especially for those validated for regulatory purposes - are fundamental requirements for effective, sound and prudent business management.

The incorporation of macro risk and risk-adjusted performance indicators, consistent with the RAF, within staff remuneration and incentive policies represents an additional tool to promote awareness of the conduct of all resources and the cultivation of a healthy risk culture.

During 2018, internal initiatives were carried out to ensure continued compliance with national and international regulatory provisions. With regard to risk management, the Group has prepared a Directive on Model Risk Management and updated internal regulations on Product Oversight and Governance, Credit Risk Management, RAS processes and Recovery.

In addition, the ICAAP and ILAAP packages were sent to the Regulator in accordance with the ECB’s regulatory prescriptions regarding the “Technical implementation of the EBA Guidelines on ICAAP/ILAAP information for SREP Purposes”.

In addition, initiatives continued in order to strengthen Group governance over risk reporting, in light of the instructions of the Basel Committee on Banking Supervision (BCBS Paper no. 239).

In reference to the Group’s Risk Culture, in addition to pursuing initiatives regarding corporate bodies (board induction cycles on specific issues) as well as general training programmes (on-line courses) for all personnel in the areas of risk management and mitigation and other classroom training sessions, in 2018 a “pilot” induction programme was carried out for the main business functions supporting the understanding of risk appetite objectives specified by the Board of Directors in the RAS and the relative monitoring reporting.



The main types of risks incurred by the Montepaschi Group in its day-to-day operations can be summarily described as follows:

- Credit risk;
- Market risk;
- Operational risk;
- Banking book interest rate risk;
- Counterparty risk;
- Real estate risk;
- Issuer risk;
- Concentration risk;

- Equity investment portfolio risk;
- Business/Strategic risk;
- Liquidity risk;
- Reputational risk.

All of the types of risk mentioned above are included in the quantification of the Overall Internal Capital, with the exception of liquidity and reputational risk that, instead, are mitigated through organisational policies and processes. Each risk factor corresponds to a model developed and used internally for management or regulatory purposes.

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## Reputational risk management

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Reputational risk is defined as the current or forward-looking risk of a reduction in profits or capital resulting from a negative perception of the Bank's image by customers, counterparties, bank shareholders, investors or supervisory authorities. This is a "second-level" risk, that is, it is triggered by other types of risk typical of banking activities, mainly operational, strategic, legal and compliance risks, or is generated by external events or negative news regarding the Bank or the banking industry.

The governance model for the Group's reputational risks, consistent with the overall risk governance process, assigns the role of strategic supervision to the Board of Directors while the CRO Department is responsible for governance of reputational risk processes. Given the pervasive and cross-functional nature of this risk, each business function, in reference to its activities, is involved in the process of protecting the image and monitoring the corporate reputation, in order to identify reputational risks and related organisational controls.

A preliminary assessment of reputational risk is also envisaged when new products, sales initiatives, and any unilateral actions are launched, and a verification is performed to ensure that the Bank does not finance business activities that are inconsistent with the social-ethical-environmental objectives of the Code of Ethics.

In fact, the Group has a Code of Ethics which indicates the guiding principles that must drive the conduct of each employee in continuity and consistency with the core business values: ethics of responsibility, focus on the

customer, attention to change, entrepreneurship and being pro-active, passion for professional skills, team spirit and cooperation. Furthermore, the level of satisfaction with services provided to customers is also monitored, as is the perception of the brand image through external surveys of customers and non-customers, the main issues in which the Group is involved in the media, and attitudes expressed in online media. Special processes were developed to manage internal and external communication and structured authorisation processes that certify the quality and accuracy of information provided outside the organisation, in accordance with their nature and relevance.

If a reputational crisis should be triggered, there is an escalation process to limit impacts and to rapidly manage the messages to be conveyed both inside and outside the Group, to all stakeholders. The business regulations assign the control function for this type of risk to the Reputational Risk and Business Model Service, within the Operating Risk Officer Area of the Parent Company's Chief Risk Officer Department.

In addition, with reference to reputational impacts, the Group monitors risks considered to be primary (credit risk, operational risk, risk related to investment products, market, legal, strategic and compliance) and is active in developing a risk culture that is spread throughout the internal organisation in specific training courses for employees focused on the main banking risks.

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## Operational risk management

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In reference to operational risk management, the Group has adopted an integrated management system, i.e. an internal framework built around a governance model that involves all Group companies. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

The management system consists of a structured process to identify, assess, and control, and is defined in the Group Directive on Operational Risk Governance and Management. The business regulations assign the control function to the Operational Risk Service within CRO.



## Management of risks inherent in investment products/services

The Bank also gives particular attention to monitoring risks inherent in investment products/services for the Group's customers, to protect the customer and prevent any potential operational or reputational repercussions. This monitoring, which is part of the Group's integrated risk management responsibilities, is assigned at a centralised level to the Wealth Risk Management Service, within CRO. "Wealth risk management" focuses on the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment products and portfolios offered to - or in any case held by - customers.

The investment products (of the Group and of third parties), whether or not included in the overall offering to the Group's customers, are mapped for risk on the basis of quantitative measurements of market and credit risk factors; liquidity

and complexity assessments are also conducted on these products. Product mapping is one of the guiding criteria for carrying out investment adequacy checks as part of the consulting service offered.

A special focus is given by the Group to the monitoring and prevention of potential financial and reputational risks which investment services, particularly in contexts of financial crisis, may generate as a consequence of increased market volatility. The fast-moving and not always predictable market trends may result in rapid changes in product risks and generate potential financial losses, as well as prompting a changing attitude by customers towards their own financial investments.

Customers have regularly been informed of changes in the risk of financial instruments held, so as to ensure timely disclosure transparency and facilitate possible decisions aimed at rebalancing the risk profile of their investments.

## Identification of risks associated with material issues

With reference to Corporate Social Responsibility (CSR) activities, special attention is given to aspects concerning reputational risk and primary risks, such as credit risk, operational risk and the risk inherent in investment products/services intended for customers, in consideration of the

consequent nature of reputational risk, related to the following relevant topics (ESG) that are handled in the NFS: The following table gives an overview of the main risks potentially taken and generated and of the possible impacts related to the related issues.

# Identification of mains risks which are are potentially run into and generated and any likely impacts linked to material issues

Issue	Origin	Run into risks (by the bank)	
		Tipology	Description
1. Employment	Activities outsourcing and structural staff reduction processes.	Operational Reputational	Difficulties in ensuring adequate coverage of roles and business continuity of certain activities. Disputes with employees. Employee satisfaction.
2. Human Resources development 3. Diversity 4. Welfare	Training gaps Remuneration and incentive criteria Assessment criteria and growth paths	Operational/ Compliance	Disputeswith employees, e.g.: gender discrimination. Gaps in compliance with the law, authority regulations, contractual requirements.
		Reputational	Employer branding strategy weakness. Employee satisfaction.
		Other risks	Inadequate coverage of the necessary internal skills (in a context of profound changes in business models), due to training gaps, if any, and critical issues in the implementation of growth paths.
5. Customer experience (customer satisfaction)	Closing of branches. Incorrect compliance procedure application. Service Level gap.	Wealth/Operational	Customer complaints/claims; loss of customers.
		Operational	The organizational nature is the most likely, i.e. the gap in operational processes and precise responsibilities that may not only fail to hit the "time-to-market" target but also not make effective the actions thought of. An updated customer database is also necessary, especially on certain key information such as: know your client (in view of a strengthened anti-money laundering), privacy consents, identity documents, mobile and email addresses.
		Reputational	Customer satisfaction and bad referral. Loss of customers and long-term effects caused by impacts on the brand reputation.
6. Service security	IT system working gap. "Cyber crime" cases. Customer data loss.	Operational	Temporary suspensions of certain activities
		Operational/ Compliance	Customer complaints/claims
		Reputational	Customer satisfaction

	Generated risks (for the Stakeholder)	Impacts (on the public)
<p><b>Assessment and management procedures</b></p> <p>These risks are managed on a preventive basis through preliminary impact analyses, negotiations with the trade unions (in compliance with the law and the contract) as well as mitigation actions aimed at ensuring business continuity, reducing cases of litigation, avoiding downgrading, etc.</p>	<p>Social Information asymmetry, customer awareness.</p>	<p>Social Employment levels in the regions with highest presence. This is a key issue because of the related chances of:</p> <ul style="list-style-type: none"> <li>strengthening and consolidating the link with the territories of reference;</li> <li>enriching the points of view by intergenerational exchange;</li> <li>increasing attraction and retention of both internal and external stakeholders.</li> </ul>
<p>Monitoring of disputes with employees.</p> <p>Qualitative assessments aimed at directing management measures towards corrective and/or risk mitigation purposes. Preventive management through qualitative analyses of employee satisfaction, use of risk-adjusted performance indicators in personnel remuneration/incentive policies. The involvement, enhancement and motivation of employees are the key success factors on which the Group is based.</p> <p>Approach to risk-based training on specific topics (e.g. anti-money laundering) through skill gap analysis on individual positions in the network and training courses on the main risks. All the risk aspects inherent in the issues are also verified through specific joint commissions with the trade unions.</p>	<p>Social Growth and economic and social success of employees. Growth and economic and social success of female employees.</p>	<p>Social Gender equality Welfare state</p>
<p>Monitoring of customer portfolios to ensure consistency between risk profiles of customers and risk characteristics of products and portfolios offered/hold in order to prevent potential negative impacts in terms of operational and reputational risks.</p> <p>To monitor customer disputes, the Group has long been committed to:</p> <ul style="list-style-type: none"> <li>develop awareness in the network, so that every contact with the customers in the branch may supplement missing information;</li> <li>exploit IT systems (e.g. migration to the new digital banking system) to “tie” processes to a necessary retrieval of certain key information;</li> <li>obtain data from certified external sources, in full compliance with legal and compliance constraints, to supplement personal data of active customers, selected according to cost-benefit criteria.</li> </ul>	<p>Social economic losses for the customers, loss of data.</p> <p>Disruptions</p>	
<p>Qualitative evaluations aimed at directing management actions towards corrective and/or risk mitigation purposes (customer satisfaction surveys to monitor customer satisfaction with regard to products and services, multi-channel supply methods and existing relationships, media monitoring activities, provision of opinions for assessing reputational risk in the release of new projects and products, monitoring of indicators such as quantities).</p>	<p>Service level quality decline</p>	<p>Social</p>
<p>“Cyber crime insurance cover.” Interception and contrast through specific systems of prevention and protection allowing safe use of the service. The scope of these systems is commensurate with the company’s general propensity to risk (Risk Appetite Framework) and their implementation is carried out in close collaboration with the police. Main criticalities largely lie in the characteristics of the customers’ personal IT equipment (which is not always adequate in the setting up of the protection systems) and in the behaviour adopted in their use. To this purpose, customer awareness campaigns are carried out on the dangers inherent in certain viral phenomena, such as spamming and phishing, and on the related countermeasures.</p>	<p>Social Disruptions, customer economic losses.</p>	<p>Social Use of personal data for illicit purposes.</p>
<p>In order to protect personal data, additional security and control measures are ensured which, also in implementation of the regulatory measures laid down by the Privacy Guarantor, allow, among other things, full traceability of banking operations carried out by employees and the activation of alerting procedures for all Group companies in cases of potentially unauthorised access.</p>		<p>“Environmental Environmental impacts of the financed activities, decarbonisation of the productive and civil economy, smart cities, circular economy”.</p>
<p>Monitoring through customer satisfaction surveys on products and services, multi-channel delivery methods (security level, service availability...).</p>		



# Identification of mains risks which are are potentially run into and generated and any likely impacts linked to material issues

Issue	Origin	Run into risks (by the bank)	
		Typology	Description
7. Corruption	Cases of bribery/extortion in business	Compliance	Disputes with employees. Legal proceedings for legal actions as defendant.
		Reputational	Long-term effects caused by impacts on brand reputation.
8. Support for SMEs	Failed/partial repayment of disbursed loans	Credit	Deterioration rates and non-performing loans.
		Reputational	Poor brand awareness of the real bank in local contexts.
9. Green Finance	Failed/partial repayment of disbursed loans Delays in training and adjustments to related regulatory changes.	Credit	Deterioration rates and non-performing loans
		Compliance	Partial and/or untimely compliance with new regulations.
		Reputational	Poor brand awareness of socially responsible bank. Inconsistency with the Code of Ethics.
10. Financial inclusion	Failed/partial repayment of disbursed loans	Credit	Deterioration rates and non-performing loans
		Reputational	Poor brand awareness of socially responsible bank. Inconsistency with the Code of Ethics.
11. Financial education	Lack of participation in pursuing institutional targets on the issue. Inaccurate application of compliance procedures.	Compliance	Customer complaints/claims on transparency and communication to customers (preparation of pre-contractual and informative documentation not taking into account the levels of financial education of the different target customers for which the products are intended).
		Reputational	Poor brand awareness of socially responsible bank. Inconsistency with the Code of Ethics.
12. Health and security	Unsafe and unhealthy working conditions and environments.	Operational/ Reputational	Risk of non-compliance with standards and possible accidents at work with resulting disputes.
13. Environment	Environmental impacts resulting from the activity.	Reputational	Poor brand awareness of real bank in local contexts.
14. Human rights	Risks related to the failed monitoring of employee protections may result in the incorrect selection of a supplier who, by charging prices not in line with the market, operates according to internal behavioural guidelines in contrast with the overall regulatory framework.	Reputational	Damage to the image resulting from the conduct of suppliers.

	Generated risks (for the Stakeholder)	Impacts (on the public)
<b>Assessment and management procedures</b>		
Monitoring, checks, training and other mitigation steps according to 231 Model.	Customer economic losses	Social Black economy, illegality, organised crime.
Support for specific reputational risk events in crisis management and communication to stakeholders.	Social	
Credit Risk Management models	Social Bank credit accessibility.	Social Impacts on the real economy.
Monitoring of customer satisfaction surveys by SME segment and qualitative analysis of main findings.		
Environmental risks are assessed in different ways for each market segment. Special focus and specific management models are implemented by the subsidiaries Mps Capital Services and Mps Leasing&Factoring in their respective business areas.	Social Bank credit accessibility	“Environmental Environmental impacts of the financed activities, decarbonisation of the productive and civil economy, smart cities, circular economy”.
Environmental policy		
Policies that pursue the objective of managing their impact on the environment in an organised and increasingly efficient manner (e.g. paperless; environmental risk assessment of financing; relations with suppliers).		
Microcredito di Solidarietà aims at building a relationship of trust with the customer and applies sound but practicable creditworthiness assessments (so-called Ethical Agreement).	Social Bank credit accessibility	Social Exclusion
Develop financial inclusion solutions widening the commercial offer with products for the weaker sections of the population (e.g.: Basic Current Account, Retirement Account, ISEE Account).		Limit to the conscious use of money by citizens and the overall sustainable economic development of the country.
Assessment, functionality and adequacy of compliance controls in banking transparency; definition of general standards on information documents and communications; activation of validation processes for information documentation in order to ensure the comprehensibility of the contents with respect to the target customers of the product.	Social Information asymmetry, customer awareness.	Social Basic financial culture, participation of weaker sections of the population in the economic system of the country.
Supporting financial education projects to spread financial culture.		
Identification of possible factors of danger for the safety and health of workers and consequent planning of measures and steps to eliminate or reduce the risks taken aiming at directing company resolutions to steadily improve working conditions, taking into account continuous technical progress.	Social	Social Health conditions protection
Efficient and socially responsible use of energy is particularly significant to control the Group's overall impact on the environment, is a driver of operating costs containment and has also brought about the reduction in related operating risks.	Social	Social Fighting climate change
Selection of suppliers providing guarantees as to worker protection; the Bank pays great attention to the adequacy of the prices charged during the tender/selection phase with the possibility of excluding a supplier from the list of potential tenderers in the case of prices charged below union minimums or market practices.	Social	Social Better working conditions, human rights respect. Inequality reduction.



# Combating corruption

## 5.1

# 231 Organisational Model

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Montepaschi Group considers a “legality” culture as a value to be promoted internally and believes that the adoption of the organisation, management and control model (231 Organisational Model) constitutes a valid tool for heightening awareness so that correct and consistent behaviours are followed in carrying out business activities, in order to prevent the risk of committing the crimes contained in Italian Legislative Decree 231/2001 “Regulation on the administrative responsibility of legal entities, companies, and associations, including those devoid of legal status”.

The principles that inspired the 231 Organisational Model include the aspects that the Group considers essential to maintain and improve the business value over time: compliance with laws, industry regulations, and the principles of ethics and Corporate Social Responsibility. In fact, the Group has clarified the social responsibility commitments through the “Charter of Values”, which envisages, firstly, all the “responsibility ethics”, that is to say, guidance for the Group’s personnel on service, integrity and transparency, fairness in business, environmental protection and respect for individuals. Principles that are captured, reiterated, and developed in the Group’s Code of Ethics.

The purpose of the 231 Organisational Model is to prepare a structured and coherent system of procedures and control activities (ex-ante and ex-post) to reduce the risk of committing offences, by identifying sensitive activities. Therefore, the principles contained in the 231 Organisational Model must lead to, on one hand, the full awareness of the potential offender that an offence is being committed (whose commission is strongly condemned and contrary to the interests of the company, even when there is an apparent benefit to it); on the other, as a result of constant monitoring of activities, it must enable the company to prevent or immediately react to the commission or attempted commission of the offence itself, giving rise to, where appropriate, penalties against those committing offences or reporting of the illicit act to judicial and administrative authorities.

The 231 Organisational Model is updated periodically, or upon the occurrence of an event, determined based on pre-established cases of necessity, such as finding that the model is not suitable to prevent offences included in Italian Legislative Decree 231/2001, or any significant changes in the organisational structure or processes, and/or the addition of new crimes within the decree’s scope. The next update is scheduled for 2019.

The 231 Organisational Model is comprised of the following documents:

- Risk Prevention Directive pursuant to Italian Legislative Decree 231/2001, which contains the general principles and behavioural guidelines for all members of the corporate bodies, employees, financial advisors, and external consultants, designed to achieve business behaviour that is fair and proper;
- Control protocols pursuant to art. 6 of Italian Legislative Decree 231/2001 which specify, for each organisational unit, the underlying crimes that could be theoretically committed, existing control oversights, behavioural principles to be followed in carrying out sensitive activities, and references to the internal business regulations governing the matter;
- The Group’s Code of Ethics, which sets out the principles, models and rules of conduct that the Group commits to follow in all activities, in internal relationships, in relations with the market and stakeholders and with regard to the environment. The Code of Ethics is an essential element of the 231 Model, as it supplements it in relation to the expression and communication of values, principles and rules of behaviour.

Furthermore, the 231 Organisational Model of Banca MPS ensures a business system that complies with the requirements set forth in art. 30 of Italian Legislative Decree 81/2008 (New Consolidated Law on workplace health and safety).

In addition, the companies of Montepaschi Group have, in turn, adopted their own Organisation, Management and Control Model for the prevention of offences pursuant to Italian Legislative Decree 231/01, in the belief that this constitutes a more effective means of prevention in relation to the risk of committing the offences envisaged by the reference regulations, in addition to being a valid tool to heighten awareness among all individuals who operate on behalf of the Group.

In terms of training, the Compliance function of Banca MPS performed regular checks on the use of the courses by the Bank’s personal and the relevant percentage of use.

In compliance with the provisions of Italian Legislative Decree 231/2001, each Group company established a 231 Supervisory Body entrusted with the task of supervising the functioning and observance of each Model. A disciplinary system was introduced that is suitable for sanctioning non-



compliance with the measures indicated in the 231 Model and control protocols were defined for each structure. Each 231 Supervisory Body receives periodic and event-based information flows from the business functions involved in accordance with Group policy.

In exercising their functions, the 231 Supervisory Bodies base their actions on principles of independence, autonomy and continuity; they have independent initiative and control powers, including the power to request and collect information from every operating level and sector of the Bank's companies, making use of the competent functions of the Group.

In performing their duties, the 231 Supervisory Body of each company, in particular:

- assesses the Model's adequacy, i.e., its essential capacity to prevent, in principle, behaviour that does not comply with the law;
- monitors the Model's effectiveness, verifying the consistency between the actual conduct and the Model, and reports violations of the provisions contained in the Model to the Board of Directors and the Board of Statutory Auditors;
- analyses the maintenance over time of the Model's requirements of soundness and functionality, in particular with specific reference to changes in the reference environment and to new types of risk of occurrence;
- updates the Model, submitting proposals for changes to the Board, and verifying the implementation and effective functionality of the solutions adopted;
- promotes initiatives for the circulation of knowledge and understanding about the Model by all staff, plans and monitors the related training activities after significant changes and/or additions to the Model adopted;
- prepares, each year, a programme of audit activities to be conducted with the support of the internal control functions, informing the Company's Board of Directors and Board of Statutory Auditors;
- reports to the Board of Directors, at least every six months, on the activities performed, allowing adequate time to review documentation for the approval of financial statements and the half-yearly financial report.

The Board of each Group company allocates financial resources annually to each 231 Supervisory Body necessary for procuring the services and consultancy useful for the conducting its institutional duties.

Pursuant to art. 6, paragraph 2, lett. d) of Italian Legislative Decree 231/2001, the 231 Supervisory Body receives the reports required by the Model, specifically with regard to reports of information relating to the commission or attempted commission of offences in the interest or to the benefit of the company indicated in the decree, as well as any violations of the rules of conduct established by the 231 Model. In order to protect its full autonomy and confidentiality, the reporting can be made directly to the 231 Supervisory Body, using the appropriate channel provided on the company's intranet portal.

Moreover, the Bank's 231 Supervisory Body directs the implementation and updating of the Models of Montepaschi Group companies and coordinates the related Supervisory Bodies. During the year, the Parent Company's 231 Supervisory Body received, from the 231 Supervisory Bodies of the various Group companies, the periodic reporting on control activities carried out in relation to the observance and compliance of their 231/2001 Organisational Models.

The 231 Organisational Model provides for oversights and controls to prevent the risk of corruption. The Bank has prepared this model through a risk self-assessment that evaluates the adequacy and suitability of oversights and controls for each of its business sectors in which there is a risk of corruption. With regard to this risk, the Bank also issued its own policy in 2018.

## 5.2

# Active and passive corruption and anti-corruption policy

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The Group considers compliance with laws, industry regulations, and the principles of ethics and social responsibility an essential condition for the maintenance and improvement of business value.

In particular, it is committed to combating all forms of corruption by adhering to the principles promoted by the United Nations Global Compact Programme and in coherent implementation of the relevant policy included in its Code of Ethics:

To strengthen this principle, on 27 June 2018 the Bank issued a policy directed to all personnel of Montepaschi Group aimed at preventing corruption offences.

The document constitutes the reference framework for preventing corruption risks and reinforces the anti-corruption policy previously established and implemented over time by the Group through the Code of Ethics, the 231 Organisational Model, and specific procedures for managing the exercise of powers of signature, the procurement cycle, expenditures, and supplier relationships.

The prevention of corruption is based on the following primary oversights:

- zero tolerance for corrupt conduct or behaviour;
- tracking of accounting transactions: the Group ensures that there are no accounts, provisions, assets or transactions that are secret or unregistered;
- monitoring of events that could, in theory, represent risk signals. In this regard, the main areas considered “at risk of corruption” are periodically identified, connected to substantially sensitive activities and, for these areas, structured processes are defined, i.e., supplementing existing processes with specific “anti-corruption” instructions. These activities include: assignment of work orders to suppliers; joint ventures, acquisitions and sales; gifts and entertainment; events and sponsorships; job offers; loan disbursement; management of the procurement cycle (expenditures); consulting; transactions in which the Bank is charged with a public service (subsidised financing); political contributions, donations, membership fees, non-profit organisations; management of services of a public nature.

The Group also commits to comply with an anti-corruption programme which includes the following activities:

- risk self-assessment to be submitted periodically to business functions with reference to the risks/oversights inherent in the respective processes;
- training and awareness plan for employees.

In line with the Code of Ethics, the Group denounces illegitimate or improper behaviour in order to achieve its economic objectives and does not tolerate corrupt practices in any form (direct or indirect, instigated, attempted, carried out). In addition to the penalties provided for by law, any violation of the anti-corruption provisions may result in disciplinary action against the responsible employee, up to the most severe penalty of termination of the employment relationship.

In this perspective, the Group pursues the objective of broadly promoting an anti-corruption culture, considering it a tool for ensuring sound and prudent business management, as well as preventing the risks of sanctions and damage to reputation that may also undermine the fiduciary relationship with its stakeholders.

In fact, acts of corruption may result in judicial authorities applying criminal sanctions against individuals who have undertaken them, as well as possibly causing administrative sanctions to be applied against the responsible company pursuant to Italian Legislative Decree 231/2001 in relation to its employees.

In addition, the Group’s personnel are invited to report any effective, attempted or instigated acts of corruption of which they are aware, regardless of whether they have been offered, given or received cash, gifts, or other benefits. For this purpose, the Group has set up channels for personnel to report potential illicit behaviour, known as “whistleblowing”, for violations of the 231 Organisational Model and the Code of Ethics.

To monitor the occurrence of corruption offences, in addition to the aforementioned 231 Model, the Code of Ethics and specific management procedures have been defined for exercising signature powers, in particular for expenditures, in the procurement cycle, which entails a spending authorisation system that is recorded and authorised in advance. As part of the updating of the 231 Organisational Model, an assessment will be carried out in 2019 to determine possible improvements to measures aimed at preventing corruption offences.

With particular reference to relations with the Public Administration, which is one of the areas in which risk of corruption can occur, MPS Group is prohibited from making political contributions or other disbursements, in cash or in kind, to support political causes.

In relations with the PA, the general principles and applicable rules can be summarised as follows:

- a system of powers has been defined that establishes the powers of management independence;
  - any individual who has formal relationships with public agencies must be authorised;
  - the various Bank functions must be involved in decisions concerning the participation in tenders issued by public agencies;
  - regular checks are scheduled for the approval of any contractually agreed economic contribution;
  - documentation relating to the agreements with the PA must be carefully archived;
  - relations with the PA must be conducted with transparency, diligence, and professional integrity, avoiding any situations of conflict of interest.
- Each aspect of the macro-process inherent in the procurement cycle of expenditures and supplier management is described in specific internal guidelines of the Bank.

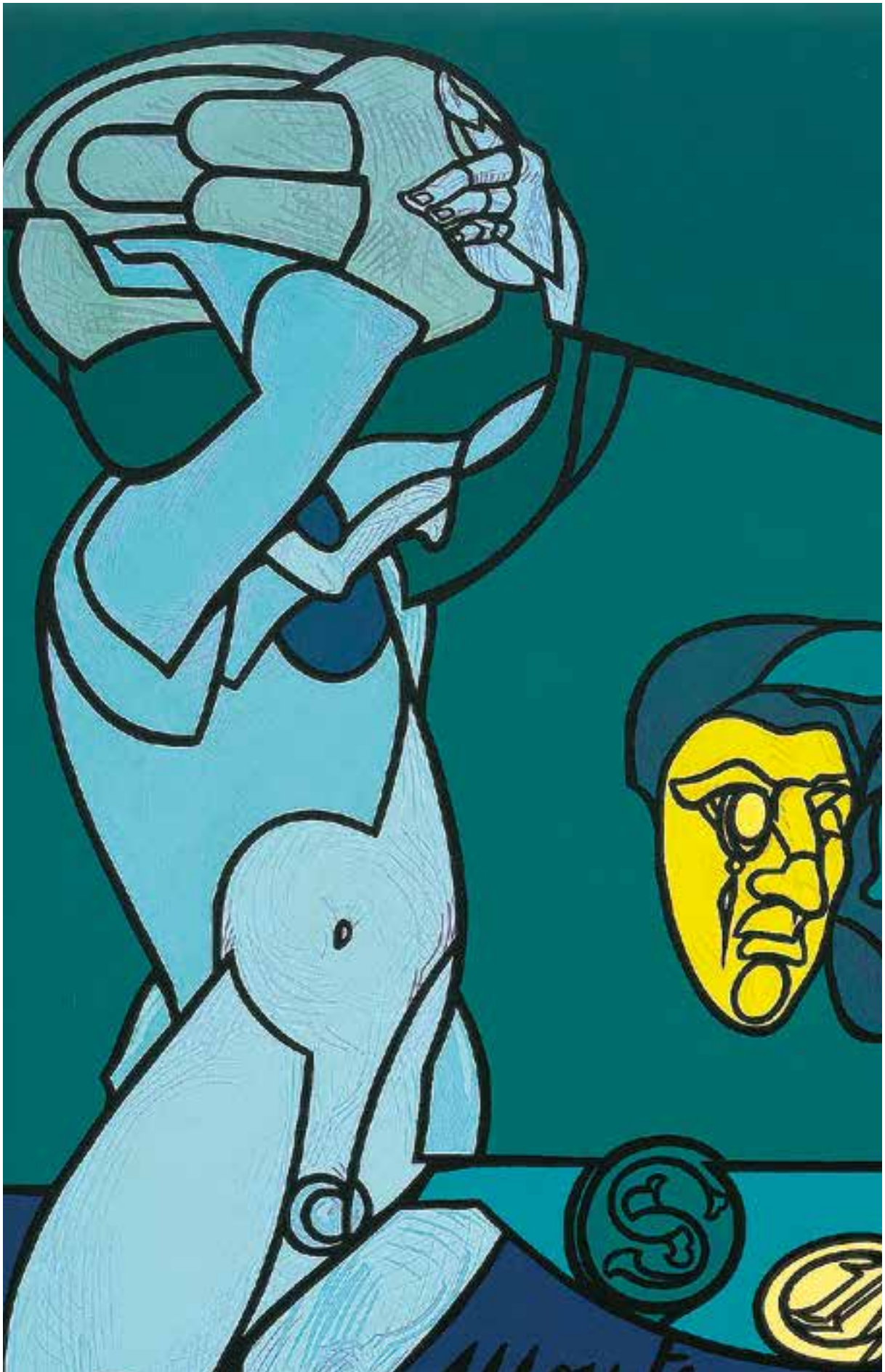
<b>Indicators Training Legislative decree 231/01</b>	<b>2018</b>	<b>% utilisation by the staff</b>	<b>2017</b>	<b>% utilisation by the staff</b>	<b>2016***</b>	<b>% utilisation by the staff</b>	<b>GRI Standards</b>
Participants*	1.630**	7,1%	20.254	88,8%	928	3,7%	Disclosure 205-2
Clerical staff	1.088	7,9%	11.815	86,3%	636	4,3%	Disclosure 205-2
Managers	531	6%	8.224	92,9%	267	2,7%	Disclosure 205-2
Executives	11	3,9%	215	81,7%	25	8,2%	Disclosure 205-2

<b>Indicators - Corruption</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>GRI Standards</b>
Internal reports of alleged cases of corruption (no.)	0	0	0	Disclosure 205-3
Cases of non-compliance (sanctioned or recalled by competent authorities) for violation of laws and voluntary codes relating to corruption (no.)	0	0	0	Disclosure 205-3

(\*)Legislative Decree no. 231/2001 relating to the administrative liability of the entity is an Italian law that does not apply to the other countries in which the Group operates. For this reason, the 231 Model - in its formulation protecting against the risks arising from the aforementioned regulatory provision - has an impact only on Group companies operating in Italy. In particular, the internal directive expressly states that the provisions contained therein are addressed to the Parent Company and to the following Group Companies: MPS Capital Services; MPS Leasing & Factoring; Widiba; MPS Fiduciaria; MPS Tenimenti; Magazzini Generali Fiduciari di Mantova; Perimetro Gestione Proprietà Immobiliari; Consorzio Operativo di Gruppo. Model 231 of the MPS Group is also composed of other documents, including the Code of Ethics, which are relevant for all Companies, including foreign ones. With specific reference to corruption, therefore, these documents constitute a common control for the entire Group, providing for general provisions that, obviously, each single Company operating abroad is called upon to supplement, taking into account further and/or different regulations on the subject in force in the countries in which they operate.

(\*\*)In 2017, the new course on 231, which was used by the majority of employees during the year, was delivered. The participants in 2018 were those who had not yet taken the course, with the addition of new participants (new recruits).

(\*\*\*) The courses taken in 2016 were in delivery from May 2014 (24797 resources trained in the period May-2014-2015).



## 5.3

# Whistleblowing

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The Group has adopted an organisational model to establish and monitor the criteria and rules for managing reports that personnel may make in relation to fraudulent conduct, as well as irregularities in business activities or violation of the rules governing banking activities.

Personnel can report negligent, illicit, irregular or improper situations or conduct regarding working activities - of which they have reasonable suspicion or become aware during the performance of their duties - in relation to:

- administrative irregularities and irregularities with regard to accounting and tax regulations;
- violations, potential or effective, of provisions to prevent money laundering and the financing of terrorism;
- market abuse (insider trading, manipulation) and other irregularities in investment services and activities;
- violations of data privacy regulations;
- violation of usury regulations;
- corruption;
- misappropriation and embezzlement (monetary and related to tangible and intangible assets);
- IT fraud;
- violations of MPS Group's Code of Ethics and violations of business regulations and internal procedures;
- other situations that may constitute a violation of the rules governing banking activities.

In addition to establishing that personnel can report, the Model defines:

- the perimeter of events and actions that may be subject to reporting;
- procedures and channels for submitting reports;
- main requirements in managing reports for the designated structures;
- protection for the person reporting and the person on whom the report is made.

The Bank protects the reporting party in good faith against retaliatory, discriminatory or otherwise unfair actions resulting from the report, which will not, therefore, have a prejudicial effect on the continuation of the employment relationship. In the event of a false report, characterised by

elements of wilful misconduct or gross negligence, the Bank reserves the right to undertake the necessary investigations against the reporting party and to take measures deemed appropriate.

The Bank ensures that the report is confidential and that the personal data of the reporting party and the person subject to reporting remain confidential, without prejudice to rules governing the investigations or proceedings launched by judicial authorities for the events that are the subject of the report and except when knowing the identity of the reporting party is required for the defence of the person on whom the report was made.

The head of internal reporting systems is identified within the Internal Audit function and corresponds to the Head of the Fraud Audit Service. According to the provisions of Bank of Italy's Circular no. 285 and the Group policy, the aforementioned Head provides an annual summary report to senior bodies on the proper functioning of systems and any reports received. The Board of Statutory Auditors is responsible for overall supervision of the entire system. The internal reporting system adopted is explained to personnel through the various channels available, including with the aim of encouraging its practical use and further promoting the culture of risk control and prevention at all levels.

In particular, in 2018: the Fraud Audit Service communicated, through the Montepaschi News channel on the company intranet, a new article that supports the one published in 2015 and which provides further detail on issues relating to protecting employees who report illicit behaviours; the online course was extended to all employees, and was taken by 2,846 employees and it will continue to be available throughout 2019; specific training sessions continued in classroom format, managed by the Head of internal reporting systems and personnel of the Fraud Audit Service. All of these efforts are undertaken to help people understand that honest people in the company are the best anti-fraud tool.

Overall, the internal reporting system adopted is characterised by reliability, efficiency, and effectiveness and operates properly, in accordance with the external and internal regulations currently in force.





# **Relationship with customers and the community**

## 6.1

# Support for economic development and SMEs

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In 2018, the Parent Company finalised a fundamental revision of the methodologies and standards for disbursing loans to the retail and corporate segments. This process involved all the Bank's functions, with the aim of creating greater value and efficiency.

In an economic context characterised by a high degree of volatility, it is essential to adopt processes and tools that can adequately support customers.

In market relationships, the Group commits to developing lending policies in support of initiatives that provide specific focus on their social repercussions and sustain and promote investments in environmental protection. For the corporate segment, the new credit analysis standards were also designed to respond to these challenges by combining historical data analysis with a careful forward-looking assessment of the counterparty. All of this stems from the awareness that a new credit culture is needed to reinforce the ability to support economic growth in an effective and sustainable manner. The revision of the analysis methodology was accompanied by new occasions for dialogue with customers aimed at greater clarity and timeliness.

For the retail segment, the new credit standards have resulted in creating "decision-making engines" designed not only to improve performance in the disbursement process, but also to identify adequate levels of indebtedness from a sustainability perspective.

With regard to the mortgage segment, Banca MPS has a complete offer that is highly oriented to customers' needs, in particular to support young people and families.

This attention and proximity to customers is confirmed by the high growth in mortgages disbursed in 2018 (EUR 1,400 mln against EUR 580 mln in 2017) for first-time home purchases.

In addition, the mortgage product backed by the CONSAP First Home Fund (MPS MIO Mortgage with CONSAP guarantee) grew, with EUR 1,568 mln disbursed in 2018 against EUR 617 mln in 2017.

This product gives priority to supporting customers who have fewer opportunities, that is, young couples (at least one of whom is not older than 35 and the couple has been a family unit for at least 2 years), single-parent families with minor children, tenants in units owned by the independent institutions providing public housing, and young people under the age of 35 with an unusual employment relationship, including through the 100% LTV version.

In a scenario in which the environmental regulatory system is becoming increasingly careful and strict, in order to

handle the greater need for transparency, monitoring, and control of resource management, Banca MPS has responded by showing considerable awareness in tackling this issue, becoming "eco-friendly".

With regard to large companies, loans are granted to the largest Italian producers of electricity from renewable sources. These lines provide financial support for current operations as well as additional investments in the field of production from renewable sources. There is an internal "Group Directive on the oversight of the environmental management model" policy, according to which, "In relationships with the market, the Group commits to develop credit policies that also take into account possible environmental impacts of customer companies and their projects".

In the financial documentation for pool or bilateral finance transactions, where relevant to business activities, there are commitments, for the borrowing party, to comply with environmental regulations, as well as specific declarations that all authorisations and certifications envisaged by the environmental laws have been obtained. In addition, for companies that do not operate specifically in sectors with significant environmental impacts, the financial documentation generally includes obligations to comply with the regulations, including, in certain cases, environmental law. In this regard, some specific informative evaluations are carried out within the framework of the qualitative analysis for assigning the rating through an electronic credit procedure.

The Parent Company has some products in the catalogue that encourage sustainable development, differentiated according to the customer type:

- **Mutuo Natura**, a mortgage loan to requalify energy in homes consistent with European guidelines on energy efficient mortgages (which the Group follows, in relation to the EEMAP Project - Energy Efficient Mortgages Action Plan).
- **Montepaschi Restart**, fan unsecured loan to support the interventions related to energy requalification of residential buildings;
- **Prestisole**, another unsecured loan to finance direct investments in the development of photovoltaic systems for the production of electrical power not less than 1 kW, to be carried out on owned properties.

With regard to small and medium-sized enterprises, support through medium/long-term loans can be understood as a function of both openness to global markets - which is

now essential for sustainable oversight of the market - and innovation.

In this sense, the Bank is trying to direct medium/long-term loans that improve the ability of companies to compete in a constantly evolving market, facilitating process and product innovations for the benefit of small, medium and large enterprises (EUR 2,508,623,000 in Corporate loans stipulated, to SMEs, Top Corporate and Institutions in 2018, compared with EUR 1,493,018,000 in 2017).

The extensive Banca MPS network allows to reach, in particular, small and medium-sized enterprises, for which we have also developed specific loan products. For SMEs, the following loans were launched at the end of 2018:

- **2018 MPS Corporate Industry 4.0:** medium/long-term loan backed by commercial covenants to support appropriately documented investments in operating assets and “digitalisation” assets, used in carrying out business activities and included in the scope of subsidised tax initiatives envisaged in the 2018 Stability Law.
- **MPS for the Organic sector:** set of loans consisting of short-, medium- and long-term products for organic sector operators who can thus take advantage of the resources needed to meet financial coverage requirements for investments, such as loans for companies in organic production or in conversion to organic production, as well as adaptation to or maintenance of organic production, etc.
- **Tranched-cover transaction with Banca del Mezzogiorno-Medio Credito Centrale:** agreement signed in December 2018 (Bank’s portion EUR 60 mln), to identify and pursue forms of joint intervention, with the aim of facilitating access to credit for deserving companies, in support, mainly, of the economy in southern Italy, including through the use of any guarantees/subsidised support instruments.

During 2018, some funds were also set up, with waived conditions, to finance specific regional needs (e.g., funds for agricultural businesses in the north-west and south, for tourism companies in Campania, for companies in the provinces of Trento and Bolzano), or to support businesses that have suffered damage from climate events (e.g., EUR 300 mln fund for companies affected by events at the end of October/beginning of November).

Actions were also undertaken to support the residents of Genoa following the collapse of the Morandi Bridge and for areas characterised by particularly intense atmospheric events, which resulted in victims and extensive damage to both households and companies. In these cases, as in the past in similar circumstances, the Bank has decided to establish a series of dedicated measures.

In particular, in 2018 Banca MPS set up the following instruments:

- Commercial ceiling of EUR 300 mln with loans under waived conditions, intended for structural remediation. Companies can draw on the fund by signing up for the following products:
  - Impresa Gestione: short-term loan (maximum duration of 18 months) for amounts between EUR 30,000.00 and EUR 300,000.00, at fixed or floating rates.
  - Opening of a current account loan: for advances on remediation work, to be repaid through a real estate SOV that may later be amortised/depreciated. Max duration of 12 months, up to EUR 15,000.00 disbursed.
- Suspension of instalments on outstanding loans: total suspension of the instalment or principal payment, based on the customer’s needs according to the available procedures.

As part of national conventions in which the Bank participates, activities relating to initiatives have continued, in agreement with ABI and Cassa Depositi e Prestiti (“CDP”), to support communities affected by earthquakes and other disasters:

- **“Plafond Sisma Centro Italia”** to support customers who suffered damages from the earthquakes in Central Italy in 2016;
- **“Plafond Eventi Calamitosi”** to support customers that suffered damages from the disasters that occurred in Italy in 2013;
- **“Plafond Moratoria Sisma Centro Italia - Tributi 2018”** to grant subsidised loans with CDP funds aimed at the recovery of tax collection in the territories of Central Italy affected by the 2016 earthquakes.

Overall, loans were disbursed for EUR 85.36 mln in 2018, supporting more than 560 households and businesses (250 corporate customers) in the difficult path of recovering production and reconstruction activities.

With regard to products dedicated to Private customers, Candriam<sup>3</sup> asset management company was made available for distribution in 2018, dedicated entirely to Environment Social and Governance (ESG) products.

This initiative resulted in funding in 2018 (end of November data) of EUR 12,458,341, of which nearly 25% in relation to Robotics.

The Group product company MPS Leasing & Factoring has a line dedicated to financing for businesses through the leasing of systems that produce energy from renewable sources (so-called Leasing Energy), with self-consumption or energy production as the main purpose of the activities. In 2018, the contracts signed amounted to EUR 9.8 mln, while the stock of loans was EUR 367.2 mln.

In addition, for all transactions with possible environmental impact, typically real estate or special plants, the leasing company uses an environmental risk assessment (ERA) model, according to which the riskiest transactions are subject to a specific due diligence process, before purchase,

<sup>3</sup> Candriam was not available in 2017, so the amounts were zero.

or in case of repossession, following the default by the lessee. In 2018, the entire non-performing real estate portfolio was evaluated. Regardless of the urban planning and cadastral system, and resulting transferability of the

properties purchased, where asbestos is detected, the transaction is carried out after its removal, with intervention financed by the Bank.

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## MPS Capital Services

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MPS Capital Services - as a company of Montepaschi Group and taking advantage of the constant support of the Parent Company's Prevention, Protection and Environment function - maintains the certification for its Environmental Management System (EMS), according to the UNI EN ISO 14001 international standard. This is a voluntary certification, valid for three years, issued by accredited certification bodies, which annually perform audits on the Bank's two systems.

MPS Capital Services has always made the assessment of environmental impacts of activities performed a central part of its operating processes in the lending area, including seeking to develop financial products and services that provide the utmost focus on developing the "Green Economy", which in our country is increasingly becoming a powerful stimulus for GDP growth.

In this regard, MPS Capital Services introduced several years ago a "scoring" system that summarises the assessment of the environmental component in the review of lending transactions, using a method that can now be considered to have become robust over time.

The procedures are formalised in an internal regulation of the Bank. The scoring is divided into 4 classes:

- A - low risk;
- B - medium risk;
- C - substantial risk;
- D- high risk.

It is determined by the product of weights associated with the EAB (Economic Activity Branch) risk profile and the class related to the transaction amount. The two decision elements are assigned different weights, higher in the case of the EAB risk profile, with the logic that, in determining the environmental risk of each transaction, the most critical factor is in relation to the activity of the party to which the loan is granted or in which the Bank invests.

If there is an ISO 14001 or EMAS environmental certification or if it is an "environmental improvement" project, the resulting decision class is reduced by one level. The decision resulting from this analytical assessment of environmental impacts becomes one of the elements used to support the creditworthiness analysis performed by loan officer.

MPS Capital Services operates based on an environmental policy specifically approved by the Bank's Board of Directors and whose objective is to constantly seek to gradually improve the performance of the organization. With the aim of the increasing involvement of MPS Capital Services' senior bodies in the continuous improvement process for environmental performance, the Board of

Directors is regularly informed on the "state of the art" of the Environmental Management System.

The Board of Directors of MPS Capital Services approves the "Environmental Policy" in line with the Group's principles.

The Management System is part of the 231 Organisational Model for risk prevention, as "environmental offences" (Italian Legislative Decree no. 121/2011) are included among the crimes to which the regulations on the administrative liability of companies apply, pursuant to Italian Legislative Decree no. 231/2001.

The transition plan to the new ISO 14001 standard included a detailed analysis of each environmental issue affected by the Bank's activity, with regard to: internal and external factors, environmental conditions, stakeholders and relative needs and expectations, compliance requirements, risks, and opportunities.

In particular, it introduces the concept of "Life Cycle", which requires the assessment of possible environmental impacts of projects financed, even following the end of the useful life of the transaction.

As is widely known, the adoption of a management system implies the search for constant and continuous improvement of performance applicable to the organisation. The environmental improvement programme is defined from year to year, with specific objectives.

For 2018, this entailed:

- a specific training activity for all business personnel and those that perform their activities under the direct control of the Bank, in order to create full and complete awareness of the implications of a lack of understanding or non-compliance with regulatory requirements for business environmental policy;
- involvement of all employees in the process to continuously improve the Bank's Management System; communication within the company of a shared culture on environmental policy, together with adequate information for MPSCS customers on environmental matters (performance and product offers) including through the internet portal;
- identifying improvement opportunities in environmental loan assessment activities and defining new credit products that encourage sustainable development;
- development of new initiatives and new products that target the "green economy" and designed to dominate and manage new and specific market opportunities.

During 2018, activities associated with achieving the objectives outlined above were carried out.



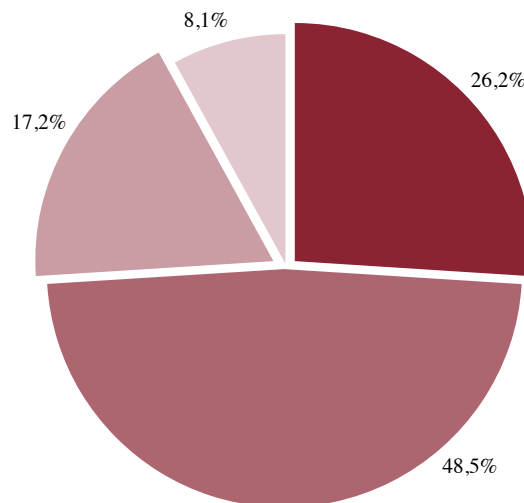
KPI	2018	2017	2016	Source/Methodology	GRI Standards
Monetary value of products and services with Environmental Scoring equal to A or to B (data in €/bn)	1,7	0,7	1,3	Transactions approved in the reference period	G4-FS8

*The presentation methodology changed from the prior year, putting emphasis on the amount of transactions that were approved and were characterised by a Positive Environmental Score (i.e., A or B) rather than limit the reporting to financial products with a specific environmental purpose.*



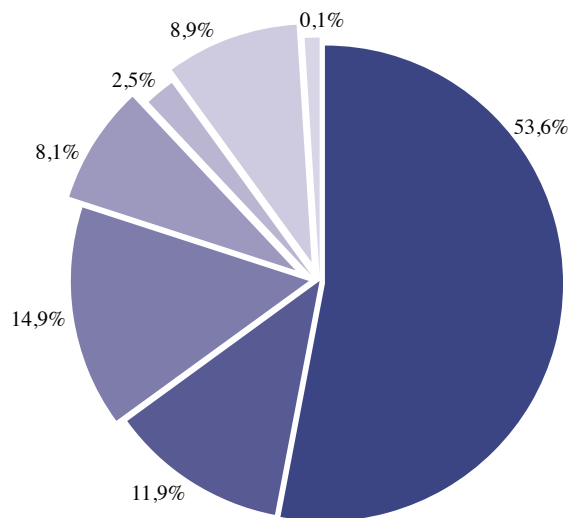
### Environmental scoring approved amount 2017

- A** 26,2% - Low Risk  
**B** 48,5% - Medium Risk  
**C** 17,2% - Significant Risk  
**D** 8,1% - High Risk



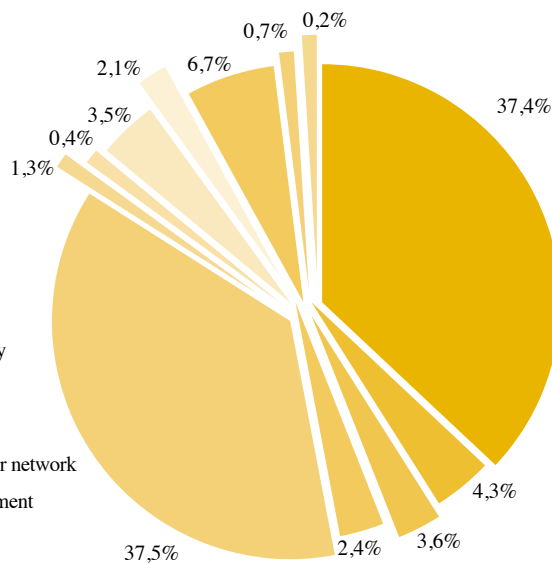
### Loans Approved 2017

- 53,6% - Acquisition Financing  
 11,9% - Project Financing  
 14,9% - Ordinary Financing in Euro  
 8,1% - Miscellaneous purposes  
 2,5% - Renewable Energy Sources - Photovoltaic  
 8,9% - Renewable Energy Sources - Eolian  
 0,1% - Renewable Energy Sources - Biogas

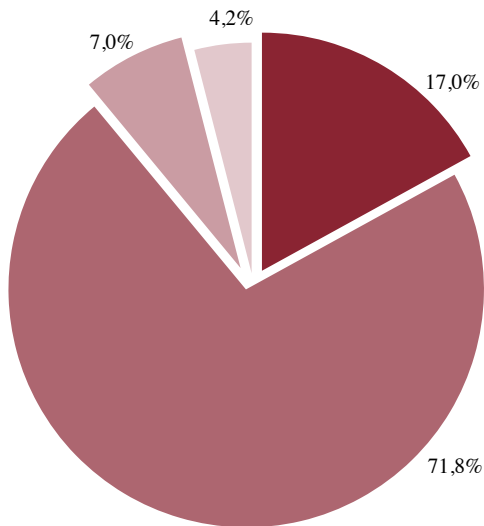


### Loan Stok Green Finance 2017

- 37,4% - Renewable Energy Sources - Photovoltaic  
 4,3% - Renewable Energy Sources - Biogas  
 3,6% - Renewable Energy Sources - Biomass  
 2,4% - Renewable Energy Sources - Hydroelectric  
 37,5% - Renewable Energy Sources - Eolian  
 1,3% - Renewable Energy Sources - Cogeneration  
 0,4% - Renewable Energy Sources - Energy efficiency  
 3,5% - Renewable Energy Sources - Waste to energy  
 2,1% - Renewable Energy Sources - Miscellanea  
 6,7% - Water - Modernisation and Rationalisation of water network  
 0,7% - Habitat - Environmental Protection Land Management  
 0,2% - Casa verde - Green Building Investments

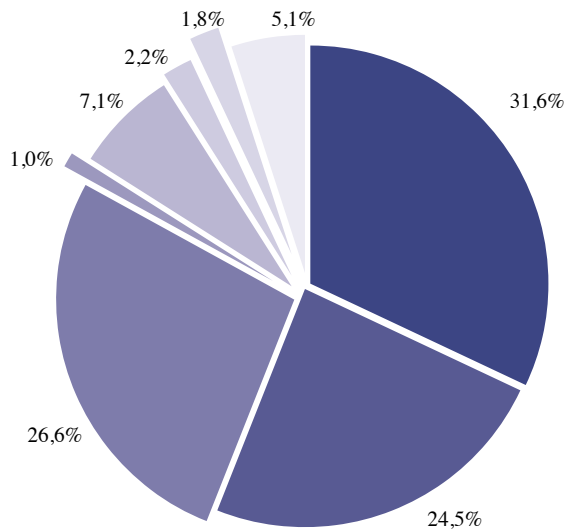


### Environmental scoring approved amount 2018



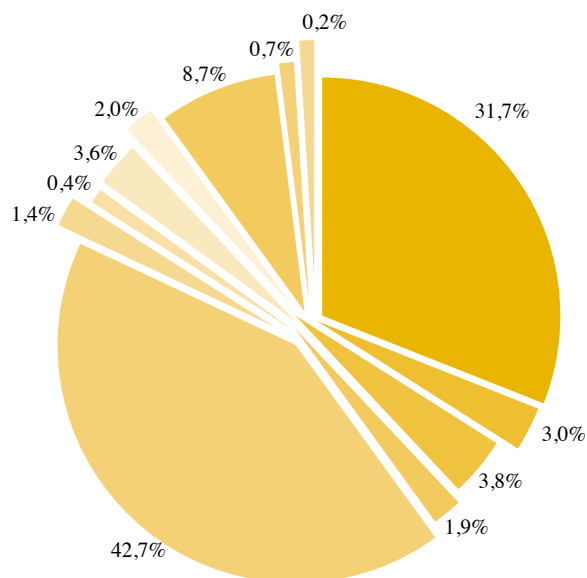
- A** 17,0% - Low Risk  
**B** 71,8% - Medium Risk  
**C** 7,0% - Significant Risk  
**D** 4,2% - High Risk

### Loans Approved 2018



- 31,6% - Acquisition Financing  
 24,5% - Project Financing  
 26,6% - Ordinary Financing in Euro  
 1,0% - Miscellaneous purposes  
 7,1% - Renewable Energy Sources - Photovoltaic  
 2,2% - Renewable Energy Sources - Eolian  
 1,8% - Renewable Energy Sources - Biomass  
 5,1% - Water - Modernisation and Rationalisation of water network

### Loan Stok Green Finance 2018



- 31,7% - Renewable Energy Sources - Photovoltaic  
 3,0% - Renewable Energy Sources - Biogas  
 3,8% - Renewable Energy Sources - Biomass  
 1,9% - Renewable Energy Sources - Hydroelectric  
 42,7% - Renewable Energy Sources - Aeolian  
 1,4% - Renewable Energy Sources - Cogeneration  
 0,4% - Renewable Energy Sources - Energy efficiency  
 3,6% - Renewable Energy Sources - Waste to energy  
 2,0% - Renewable Energy Sources - Miscellanea  
 8,7% - Water - Modernisation and Rationalisation of water network  
 0,7% - Habitat - Environmental Protection Land Management  
 0,2% - Casa verde - Green Building Investments

## Micro-credit

Microcredito di Solidarietà SpA was founded in Siena in 2006 as a result of the forward-looking approach to ethical finance by Banca MPS (40% of share capital), the city and province of Siena (15% each), Diocese of Siena and Montepulciano (5% each), other cities in the province (totalling 10%), and volunteer associations of Siena (10%) to address the financial needs of individuals and households that were unable to access ordinary bank lending channels, thus helping them to overcome temporary economic difficulties or start a new business.

Since 2013, to take advantage of the opportunities of regulatory provisions art. 111 of the Consolidated Law on Banking (introduced by Italian Legislative Decree 141/2010), the Company has begun to provide “production micro-credit”, by financing small businesses (including in the start-up phase) and training courses (both professional and university), hence modifying its By-laws.

To date in Italy, there are only 13 WTO members registered in the list pursuant to art. 111 of the Consolidated Law on Banking; moreover, unlike the other WTO members that broker micro-credit transactions, the Company disburses its own funds, from its initial shareholder capital (EUR 1,000,000) and the subsequent contributions from shareholders that the Company is not required to reimburse (EUR 400,000 from the voluntary associations of Siena).

Based on these funds, Microcredito di Solidarietà disburses both social micro-credit loans (Title II Ministerial Decree 176/2014) and production micro-credit for training and micro-enterprises (Title I Ministerial Decree 176/2014).

### Characteristics of the loans

These are the characteristics of the Microcredito di Solidarietà loans:

- duration: maximum 5 years;
- repayment frequency: monthly;
- principal repayment: first instalment on the same date of the month subsequent to disbursement;
- rate: fixed for the entire amortisation period.

Currently,

- 3% (2% until 31.12.2017) for social micro-credit and production micro-credit to individuals (training, VAT account, self-employed persons, businesses to be created);
  - 3.5% for production micro-credit to businesses (micro-enterprises in business for less than 5 years and in the start-up phase);
  - default rate: fixed rate plus 2 points, as envisaged in the loan contract. Therefore, 5% and 5.5%, respectively;
  - compensation for early repayment: exempt;
  - fees and credit processing fees: exempt;
  - stamp tax: borne by applicant;
  - maximum amount:
    - EUR 7,500 for social micro-credit and production micro-credit to individuals (training, VAT account, self-employed persons, businesses to be created);
    - EUR 12,000 for production micro-credit to businesses (micro-enterprises in business for less than 5 years and in the start-up phase);
- Loans are preferably targeted, in the sense that the Company makes a direct payment for the customer's needs; however, as envisaged by the By-laws, the loans may also be used to restore liquidity (financial emergency), but in this case for smaller amounts compared to the maximum amounts above;
- ancillary support and monitoring services:
    - carried out by the structures for social micro-credit and production micro-credit to individuals (training, VAT account, self-employed persons, businesses to be created);
    - carried out by the structures and/or our third-party partners, at the micro-enterprise's choice.

### Operational aspects

The Company operates in offices made available free of charge by Banca MPS in the Siena headquarters (which also provides free equipment), in 38 counselling centres primarily dispersed throughout the province of Siena, within voluntary associations, and at the offices of the founding shareholders, Misericordia, Pubblica Assistenza,

and Arci. There are also counselling centres in the province of Massa Carrara as a result of an agreement with the Diocese of Massa Carrara-Pontremoli.

As described above, the loans are disbursed at an essentially symbolic rate, without application fees, due to the work of many volunteers and staff seconded by Banca MPS and without logistics/IT costs and personnel costs, as the personnel remain employees of Banca MPS, and even directors and statutory auditors contribute by working for free.

#### **Social micro-credit**

In periods of economic crisis, such as the current one, the opportunity of obtaining credit for people in difficulty and for micro-enterprises that are not of interest to the banking system is an urgent and critical issue for the geographic areas in which the Company operates. In fact, for many people, indebtedness is the only way to pay back rent, utilities, or provide the necessities for their

children's education, to buy a used car: in general, daily necessities, which is exacerbated by increasing uncertainty in the employment market, with lay-offs, redundancies, and increasingly short-term contracts.

#### **Production micro-credit**

For micro-enterprises, Microcredito di Solidarietà Spa represents an opportunity to access subsidised loans made available to create small businesses and boost the activities of small companies, through this micro-credit tool. An initiative to promote entrepreneurship for people who have lost their jobs, young people, women, and foreigners, encouraging small entrepreneurial ideas, for all those who want to start and/or continue to work for themselves, without having to provide guarantees to the bank, or ask for help from family members. For production micro-credit, the Company provides loans to enrol in professional and university training courses.

**From the date of incorporation of the Company in 2006 to 31 December 2018, 2,394 loans were disbursed for a total of € 7,783,910. After 13 years of activity, Microcredito di Solidarietà Spa has therefore disbursed loans for about 5.6 times the capital paid in by the founding partners (1,400,000 euro), always closing its balance sheets in surplus.**

INDICATOR	2018	2017	2016	GRI Standards
Monetary value of products and services planned to offer social benefits (€/mln)	0,673 <sup>(1)</sup>	0,748	0,644	G4-FS7

<sup>(1)</sup> Unofficial: they will be approved by the Shareholders' Meeting in April 2019.



## 6.2 Customer Experience

### Digitalisation and CRM

The strategic programme of the Retail Department (“Banca Più”) strengthened the customer relationship policy in 2018. It evolved from a traditional approach, which viewed the customer as a passive subject of purely commercial actions, to a complete and satisfactory “experience” strategy, throughout the banking life cycle, which places the customer and his/her needs at the centre of every action.

A customer experience approach must activate all mechanisms necessary so that the customer is satisfied and loyal, and his/her needs are often anticipated.

To do so, the Group has been moving along several directions for some time:

- customer segmentation, in line with new service models, to better address the needs of different types of customers (e.g. digitalised, young people, businesses);
- IT tools for “contact management” that can capture events (real-time or otherwise) in an automated manner and respond to them with personalised, multi-channel contact experiences, that are both commercial and purely caring (e.g., birthday greetings, operating suggestions, encouraging the use of ATM also for deposits);
- introduction of omni-channel relationship platforms able to support the customer in his/her contact and transactional needs through digital tools (Digital Banking), telephone tools (Media Center and telephone banking), and physical tools (enhanced cash-in/cash-out ATMs);
- advanced statistical methodologies and techniques (advanced analytics) to analyse phenomena not visible to the naked eye and predict, with appropriate mathematical models, customers’ needs with the highest probability of occurrence (target customer lists typically used by contact campaigns);
- adoption of new privacy profiling consent, to prepare contact experiences connected to the individual, using marketing automation tools;
- enrichment of data for customer profiling: in addition to those relating to banking transactions and use of products and services, information on behavioural aspects found in digital channels and/or external sources;
- customer satisfaction surveys.

Starting from the three models of retail customer management (representing 98.1% of total customer assets) currently in place (Value, Premium, and Small Business), the Group is reviewing the approach by identifying four

differentiated segment types according to increasing complexity of needs (transactional or advisory). The segmentation is based not only on the customer type but also on quantitative measures (e.g., assets owned) and qualitative measures (propensity for the growth of assets, needs).

The new management model envisages an increasing cost-to-serve in proportion to the evolving needs of advisory services, achieving sustainability with respect to the value of each segment.

All management models assign a key role to the self omni-channel platform, which consists of:

- Digital Banking - information/instruction functions and online sales of standardised products, as a result of digital identity with Certified Electronic Mail and Remote Digital Signature (PasKey azienda-online for the Small Business segment).
- ATMs - a cash-in/cash-out machine in each branch;
- Media Center and Telephone Banking - inbound and outbound activities, in addition to reactive capabilities;
- inbound and operations.

#### The main results achieved thus far are:

##### ATMs:

- installation of an additional 300 cash-in ATMs, to expand the 900 already operational, that allow self-banking operations of withdrawals, deposits, and payment orders with coverage of 70% of the branches;
- replacement of more than 200 obsolete cash-in ATMs;
- migration of about 50% of the payment transactions and more than 90% of withdrawals from the branch desk to cash-in/out ATMs;
- launch of new multiple cheque deposit functionality to facilitate the use of cash-in ATMs for depositing cheques.

##### Digital Banking:

- consolidation and evolution of the digital banking platform;
- transfer to digital banking of more than 680 thousand customers who are already using PasKey integrated multi-channel;
- opening of 200 thousand new contracts;
- completion of the online sales platform and launch of sales of the MPS Mio Easy current account and the Montepaschi Mastercard debit card;
- activation of the digital post box for exchange of

- digitised documents between the customer and the Bank;
- activation of online mortgage calculator;

#### Digital contact information:

- enrichment of digital contacts - adding information for about 300 thousand digital contacts with enhanced privacy to be used for business contacts;
- branch technology infrastructure - replacing 80% of jobs with new hardware and overall upgrading the data transmission line to improve the system's operational performance;

The Parent Company annually conducts customer satisfaction activities: surveys are carried out with Retail, Private and Corporate customers and in the period January/February 2018 the surveys in relation to 2017 were conducted. A total of 21,750 questionnaires were collected

representing a universe of over 2.2 mln customers.

Preliminary activities are currently underway for carrying out the **customer satisfaction survey for 2018**, whose results are expected to be announced in May 2019. In 2016, no customer satisfaction surveys were performed.

The most appropriate indicator to represent customer satisfaction in relations with the Bank is the CPI (Customer Perception Index), a synthetic index calculated as a weighted average of the "satisfaction", "price/quality", "loyalty" and "word of mouth" components. All synthetic indexes are calculated based on 20-100 (20 = highly dissatisfied, 40 = dissatisfied, 60 = neutral, 80 = satisfied, 100 = highly satisfied).

		Satisfaction	Price/Quality	Loyalty	By word of mouth	CPI
Retail	2017	75,2	66,1	71,2	70,3	71,1
	2015	71,2	64,6	70,2	69,6	69,2
Private	2017	74	69,9	68,1	64,8	69,4
	2015	78,6	68,9	71,7	69,4	72,6
Corporate	2017	78,2	71,6	77,1	75,7	76,0
	2015	72,3	66,8	72,2	72,0	71,1

#### WIDIBA CRM

The customer experience has always been a differentiating element - in terms of market perception - both for the banking platform and for services offered. In the national banking scenario, the Widiba case history is unique. The bank involves customers in a decision-making process each day: people can rate products and services in a scale of 1 to 5, and have the opportunity to make comments or suggestions.

Customers who express a rating of 1 or 2 become the subjects of a telephone campaign to determine the reasons

for dissatisfaction. Furthermore, valid suggestions are analysed and transformed into improvements or new features for the customer, with monthly IT updates.

The rating system represents an "always-on user test": the information gathered becomes an asset that updates, through a structured process, the history with the customer (CRM). The analysis of ratings, in addition to having direct impacts on IT implementations, represents a way to transparently provide information to the customer.

Indicators - CUSTOMER EXPERIENCE	2018	2017	2016	GRI Standards
Indicators of customer satisfaction (WIDIBA)*	4,8	4,8	4,7	Disclosure 102-43

(\*) Data referring to Banca Widiba customers - measurement of customer satisfaction after completing each transaction on the Widiba platform, with a rating on a scale from 1 to 5 stars (in 2018 180,000 opinions were collected with an average score of 4.8/5).

<b>Indicators - CASES OF NON-COMPLIANCE</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>GRI Standards</b>
Cases of non-compliance (sanctioned or recalled by competent authorities) for violation of laws and voluntary codes on product and service information (no.)	2*	3	0	Disclosure 417-2
Cases of non-compliance (sanctioned or recalled by competent authorities) for violation of laws and voluntary codes on marketing and advertising (no.)	0	1	0	Disclosure 417-3

(\*) On 10 April 2018, Bank of Italy sent to the Widiba Board of Directors the audit report on bank transparency conducted between November 2017 and January 2018. The audit concluded with a “partially compliant” assessment, indicating 10 areas for improvement. On 29 May 2018, the Banca Widiba Board of Directors approved (i) the text of the response to Bank of Italy on the audit findings, and (ii) the “Remediation Plan - Provisions with respect to Bank of Italy’s findings on bank transparency”, containing corrective measures in relation to the supervisory authority’s findings.

On 19 October 2018, the Italian Anti-Trust Authority (AGCM), as part of its moral suasion activities pursuant to art. 4, para. 5 of the Regulation on investigative procedures in the area of consumer protection adopted with Resolution no. 25411 of 1 April 2015, requested that Widiba S.p.A. eliminate certain profiles that were deemed to entail unfair commercial practices in violation of consumer rights. The Bank provided the requested clarifications, as a result of which AGCM archived the case in its meeting of 16 January 2019.

## Service security

Security places fundamental importance on the correct provision of banking services to customers. In its role as a provider of innovative banking services, the Bank adopts all the necessary precautions to minimise the risks inherent in services offered by implementing and adopting the highest security standards, in addition to searching the market to identify the appropriate tools to protect the IT support structure and fight against IT fraud.

The guidelines for logical security are formalised within a specific framework document that provides the parameters, methodologies, and management standards for all Group companies. It is aligned with the highest quality and compliance requirements in relation to the various operational areas and risk sources:

- Information security (ISO/IEC 2700x);
- Operational continuity (ISO 27031:2011 and ISO 22301:2012);
- ICT security (ISO 13335:2004);
- Payment card data protection - PCI-DSS 3.2.1 - Payment Card Industry Data Security Standard

It also meets local and international legislative and regulatory requirements such as:

- GDPR – new European data privacy regulation
- EU PSD2 Directive 2015/2366 on payment services in the internal market
- Bank of Italy Directive 285
- NIS - Directive 2016/1148 on network and IT system security

IT security objectives designed to mitigate the risks inherent in the confidentiality, integrity, and availability of information are set out in a specific three-year strategic plan, submitted to the Board of Directors and included in ad hoc development programmes.

During 2018, there was a general improvement in the “Security Posture” of MPS Group, as a result of a series of organisational, procedural, and technological measures aimed at strengthening the governance of logical security for the entire Group.

The primary initiatives included the following:

- strengthening of Group governance by adding qualified resources and activating monitoring mechanisms;
- finalisation of certain projects included in development programmes designed to reinforce the technology infrastructure and increase the overall security and resilience of IT systems; introduction of a specific oversight to analyse and combat IT fraud;
- strengthening of collaborations with law enforcement agencies and other competent bodies: agreement with CNAIPIC (National Anti-Crime Centre for the Protection of Critical Infrastructures), to improve information sharing and relationship and collaboration aspects with Certfin (Italian financial certification agency) to improve the ability to fight IT fraud and other external threats at the system level;
- signing of an insurance policy to cover cyber risks;
- focusing on awareness programmes for personnel.

Indicators- SERVICES SECURITY	2018	2017	2016	GRI Standards
(Accepted) customer requests for privacy breaches and/or loss of personal data [°]	7*	5**	1	Disclosure 418-1
Security level of technological infrastructure (***)	720	680	620	

(\*) Relates to: (i) 5 customer complaints for violation of personal data (ii) 2 complaints by the Privacy Authority for the Protection of Personal Data submitted in 2015 (and still pending) related to behaviours of employees and/or financial advisors that could result in the imposition of administrative penalties;

(\*\*) Relates to: (i) 2 customer complaints for violation of personal data (ii) 2 complaints by the Privacy Authority for the Protection of Personal Data submitted in 2015 (and still pending) related to behaviours of employees and/or financial advisors that could result in the imposition of administrative penalties; (iii) 1 case of an anomaly in the functioning of the internet banking service dedicated to businesses, which occurred over a limited period of time (a few hours) and reported to the authority in accordance with current legislation.

(\*\*\*) Independent rating from BitSight Security Ratings (scale 250 - 900) <https://www.bitsighttech.com/security-ratings>  
the rating covers the following evaluations: a) presence of compromised systems; b) user behaviour; c) prevention systems; d) data loss

The high level of security required by innovative banking services requires constant attention from the Bank: this has resulted in the implementation of a new 2019–2021 strategic plan for IT security, which will soon be approved by the Board of Directors. This plan, starting from the

strong position that has been achieved, aims to continue the development of an even more robust defensive model to better address the evolution of threats and protect the confidentiality, integrity and availability of business information assets, thus raising levels of business security.



## 6.3

# Financial inclusion

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MPS Group's Code of Ethics envisages that, in relationships with customers, focus is given to the needs of the more vulnerable members of society, with the promotion of access to banking services. This principle was the subject of considerable attention in 2018 in relation to customers, both current and potential, suffering from diseases linked to visual impairments (blind and visually impaired) and incapacitated individuals (known as "totally locked-in") through relationships and collaboration with:

- UICI - Italian Association for the Blind and Visually Impaired. This project, conducted with the direct participation of members of the association and their programmers and developers, entailed an examination of the distinct characteristics of internet banking services, analysing the critical issues for the visually impaired and identifying areas for improvement. The joint project has led to changes in the service's design and development standards, in order to make it not only accessible and usable, but making general improvements that benefit all users;
- the company Liquidweb S.r.l., a participant in the first edition of the MPS Workshop initiative. In this area, analysis and development activities have made it possible for patients affected by total mobility paralysis to use digital banking. Through a digital interface controlled with the use of an ocular pointer, eye movements are read to allow the use of a keyboard from a dedicated device, thereby fully using all services on the platform.

Therefore, the inclusion objective was identified and implemented to make it possible for all users to independently use digital banking services.

It is important to emphasise that identifying specific needs and translating them into processes and development methods enables the expansion of the potential use of services and improves the fluidity and performance of the web and apps for the digital banking platform, maintaining the same characteristics and user experience for everyone. The requests received by specific customer categories, even if they are originally intended for a limited cluster, are addressed so that they become part of standard processes and methodologies for reviewing existing services and developing new functionalities.

At the end of 2018, access to and use of the platform are available for the categories of customers indicated:

- around 73% (of the primary functionalities collectively identified), for blind and visually impaired customers;
- 100%, for users of BrainControl technology with ocular mobility, developed and supplemented by Liquidweb S.r.l.



## 6.4 Financial education

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Banca Monte dei Paschi di Siena believes that the lack of a widespread and informed financial culture constitutes a social gap that is incompatible with the standards of inclusion and participation expected in modern democracies. The Bank is also convinced that this gap constitutes a

serious limitation for the country's economic development and hinders the informed use of money by the public. It is for these reasons that the Bank has taken action to work profitably with associations and agencies in projects and programs to support better understanding of financial issues.

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### Gen 30.0, Business Happy hours and Dinners

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“GEN30PointZero” is a series of events in 5 cities (Padua, Milan, Rome, Salerno, and Florence) focusing on digital disruption and its impact on everyday lives, from both a financial and non-financial perspective, as a result of the contribution of the project's partners.

In particular, it focuses on the customer-private banker relationship and how the latter, in an increasingly interconnected environment, can become a central point of reference for advisory.

In addition to training on certain issues (blockchain, big data, informed use of technology), the educational portion

is provided by the project's key message: technology must be governed and it is important to be an active part of the process in order to take advantage of the opportunities it offers.

Furthermore, in 2018, 21 happy hours and business dinners were organised throughout Italy. There were in total 1,600 participants involved in these initiatives, whose key objectives included providing information and training to guests: in fact, in a context of increasingly complex financial markets, customers' financial education plays a primary role in their ability to make informed decisions.

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### Digitalisation events

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The lack of a widespread digital culture is a gap that prevents individual citizens-consumers from benefiting from the advantages offered by digital products and services. In today's world, various services, including public services, require the use of information technology and tools that can meet the needs of these citizen-consumers. The need for appropriate “digital literacy” is now considered an essential element in order to take advantage of all available opportunities. A gap in this area constitutes a serious limit that hinders the sustainable economic development of a country. Therefore, these initiatives are an opportunity for the Group to highlight its identity as a socially responsible entity and consolidate brand awareness among the relevant public.

The Group, which has already undertaken specific initiatives in this area for some time, has strengthened its commitment throughout the year by directly involving its customers to promote Sustainable Development Goals and the culture of digitalisation as an innovation process, designed to bring different generations closer together leading to a more inclusive society.

Sustainability and digitalisation: ideas to improve everyday

life” is the name of the project that the Parent Company has organised in collaboration with the Santa Chiara Lab at the University of Siena, which seeks to promote the digital literacy of customers. This activity originated from the “2030 Agenda”, which is the ambitious action programme for individuals, the planet and prosperity signed in September 2015 by the governments of the 193 UN member countries and which includes 17 Sustainable Development Goals (SDGs).

The project was launched in May and 15 events were organised throughout Italy, which were held directly at Bank branches and attended by customers of all ages. During the meetings the contents of the 2030 Agenda were explained and the primary issues related to digital services, from banking to social networks, were discussed, including Banca MPS's social commitments.

The 15 events, lasting two hours each, involved almost a thousand customers who were extremely interested in the topics covered, confirming the appreciation for this form of dialogue that brings the Bank closer to local markets, representing an opportunity for feedback and direct exchanges with management.

## Widiba - roadshows on financial awareness

In the last months of 2018, Widiba organised two roadshows in Italy, open to the public, with the aim of promoting the culture of awareness in managing savings.

During “Financial Education Month” scheduled in October by the Ministry of Economy and Finance (MEF), the Bank carried out the first round of meetings known as “Towards financial education, making informed decisions today to live better tomorrow”.

The constantly changing market context, the ageing population, the wealth gap, and the new composition of families are just some of the elements that Widiba highlighted to help the public reflect on the importance of being aware of their financial needs as well as the management and planning of personal and family resources, with a long-term perspective. The events organised by Widiba throughout Italy are designed to meet this need. Similarly, the contents were developed for the second roadshow, focused on succession planning, which took place in November. “How to safeguard tomorrow’s wealth today” was the title of the 11 events that aimed to generate the public’s awareness and understanding of this issue in order to effectively plan the transfer of assets.

Once again in this case, Widiba determined that it was

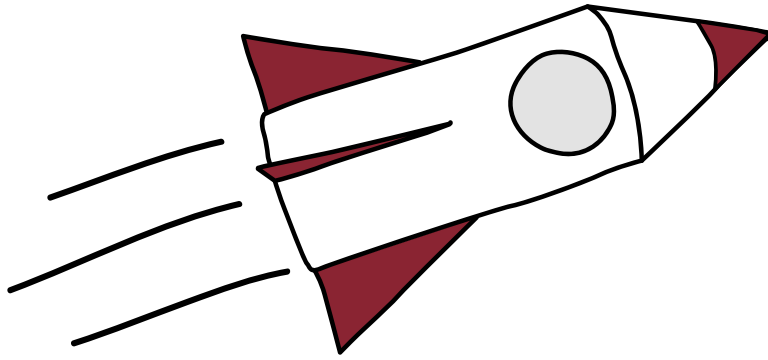
necessary to provide customers with a complete overview of all the variables that have a long-term impact on wealth and its transfer to future generations. Effective succession planning makes it possible to optimise the transfer of assets, avoid inheritance disputes, limit inheritance taxes, and leave savings to loved ones.

### Results

- 22 events
- +700 customers and prospective customers attending
- 1 million people reached on social networks
- 3 Facebook Live events to maximise visibility and communicate the message to a larger public

After the first two “trials”, the Bank intends to continue carrying out these financial communication initiatives in 2019 and, in particular, further examine issues such as behavioural finance or sustainable investments.





## 6.5 Officina MPS

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To support innovation, Banca Monte dei Paschi di Siena created “MPS Workshop, ideas for growth” in 2018, a project designed to promote the development of highly technological and innovative entrepreneurial businesses.

MPS Workshop is a contest aimed at start-ups and SMEs that have created project proposals to submit to Banca MPS. The winner received a contribution of EUR 25,000.

Launched on 1 February 2018 through the website [www.officina.mps.it](http://www.officina.mps.it), 230 innovative start-ups and SMEs from all over Italy participated in the initiative, involved in some priority challenges defined by the Bank: digitalisation of the customer experience, expansion of the offer, and business process improvement.

By developing projects with companies deemed most interesting to the Bank, 7 finalists were identified who worked individually side by side with selected MPS managers, in order to identify the best ways to implement their solutions.

The winning start-up (TrovaBando) was determined from the 7 finalists; moreover, the Bank’s management involved in the contest selected among the applications numerous innovative projects

from the submitted proposals that start-ups are developing in the company.

Thus, a virtuous collaboration has been developed, which represented an opportunity for growth for all the parties involved with a real fusion of ideas and professional skills.

The start-ups were able to test and verify the applicability of their projects in a real context, while management was able to increase their skills by collaborating directly with innovators, giving further impetus to the path of change that the Bank has already undertaken.

The success achieved, both in terms of projects presented as well as approach and empirical methods for optimisation, resulted in the Bank deciding to repeat the initiative.

Officina 2019 was launched last December with 220 start-ups submitting proposals. Candidates will be selected based on the applicability of their projects for individuals or small businesses, from which the finalists will be chosen. This year’s competitions will also award a final prize of EUR 25,000 to the winning start-up and a “Sustainable Innovation Award” will also be given to the project with the most distinct potential social impact.





## 6.6

# Training and jobs for new generations

In order to contribute to the social objective of training and preparing young people for professional careers, which should also yield results in terms of strengthening the roots in our communities and the corporate image, the Parent Company provided ample space for the activities of “MPS Orienta”: an organic approach to business activities, which the Group intends to deploy.

The most significant projects include:

- Apprenticeship for high-level training and research (AAFR) - each year, the Parent Company reserves for young students at the University of Siena a varying number of open-ended employment contracts in order to support them in obtaining their degrees, allowing direct experience with topics that they are studying in the professional environment. The individuals hired are all in highly specialised sectors and each new hire has a specific training programme divided into three areas: new hire training (on-the-job), technical-professional training (office, classroom and online courses consistent with the role assigned), and training in soft skills;
- school-work rotation - business track, both in head offices and regional areas, to favour the orientation of students in the last three years of upper secondary schools and leverage the education acquired in academic courses with additional skills that are applicable in the labour market. Each student was involved in targeted training activities, such as multimedia courses aimed at developing teamwork behaviours, effective communication, and participation in working groups;
- career day - participation in events organised by the University of Siena and specialised companies, to bring together employers and job seekers, and provide useful information to guide young people in their future choices;
- partnerships with schools and universities - participation in events, workshops and seminars dedicated to selecting a university, social reputation, career orientation, professional progression, and local development, in which business skills in the area of human resource management were shared;
- internships (curricular and extracurricular) - with the aim of encouraging the convergence of academic knowledge and business culture, each year the Parent Company offers, to a significant number of undergraduates and new graduates, periods of training, orientation and/or placement with specialised structures that are consistent with their studies;

MPS Orienta KPI Activities		2018	2017	2016
AAFR	Activated Contracts	16	5	9
ASL	Students in the company	73	41	2
Carreer Day	Interviewed students	300	350	400
Partnerships	Orientation meetings	16	15	1
Trainernships	Activated internships	109	66	24







## 6.7

# Protecting the artistic heritage

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Banca Monte dei Paschi di Siena's strategy in the area of culture has always been to preserve, protect and promote art in all its expressions. The Bank has made the enhancement of historical and artistic heritage a true "mission": cultural initiatives represent an important focal point of its activities and define its identity. In fact, actions to protect heritage go beyond the cultural dimension, as they are of vital importance for the economy, tourism, and the very existence of communities.



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## Collection

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We can establish that Monte dei Paschi di Siena's collection started in 1481, when the curators of Monte Pio commissioned a large wall painting from Benvenuto di Giovanni del Guasta, which is currently in the Chairman's Reception Hall, depicting the Madonna della Misericordia, to celebrate the founding of Monte di Pietà, which took place in 1472.

The focal point and most important in terms of the collection's historical/artistic significance consists of works by artists from the area around Siena, resulting from a meticulous acquisition strategy, and the Chigi Saracini Collection, conserved in building of the same name in Siena, which is made up of various kinds of works from different periods.

The Bank's art collection currently consists of approximately 30,900 works, worth approximately EUR 121 mln in the financial statements.

Mergers resulted in the acquisition of the Banca Toscana collection, with a focus on ancient works, and above all twentieth-century pieces, the Banca Agricola Mantovana collection, which includes an assortment of Gonzaga coins and medals, and the Banca Antonveneta collection, with the archaeological works at Palazzo Rondinini in Rome and the collection of paintings by artists from Veneto and Lombardia from the seventeenth and eighteenth centuries. Moreover, the collection contains works by Slovenian painters, ancient and contemporary ceramics from Banca Popolare di Faenza, and the collection of Villa Scammacca, which includes antique canvases and furniture, as well as a library collection.

There is a constant, ongoing relationship with the relevant trusts in geographic regions; this cooperation is necessary for

the proper conservation of the works, to obtain the required authorisations for restorations, loans, and exhibitions, and also to agree on strategic guidelines to enhance the heritage, in the most appropriate and effective terms.

The precautionary recapitalisation agreement signed by the MEF, the Bank, the European Commission, and the ECB identifies a series of commitments, one of which involves the artistic heritage and envisages, by the end of the restructuring plan (2021), the disposal of works not protected by "restrictions", in compliance with current Italian legislation.

The artistic collection can be described and broken down as follows:

- 2,412 works with appurtenant restrictions, for a total value of EUR 89.5 mln (74% of the total) and therefore cannot be moved from their current locations;
- 1,500 works with the restrictions pursuant to Italian Law 1089/39 (works older than 50 years that maintain the restriction resulting from the public legal entity status of the Bank until 1995) for a total value of EUR 5 mln;
- 26,931 works without any restrictions, for a total value of EUR 16 mln; among these, 86 works (corresponding to a value of EUR 6 mln) are being assessed for their historical artistic value by local trusts, which could result in a new restriction;
- collection of Gonzaga coins and medal (from the former BAM) with an explicit restriction: asset value of EUR 6 mln.

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## Conservation and restoration

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The works of art are constantly monitored from the perspective of security and conservation, with periodic restoration interventions entrusted to professionals with proven expertise. Each year the Bank carries out restorations on its works of art, with interventions sometimes agreed

with the competent trusts (in the case of works with explicit restrictions), or at the Bank's own initiative. These activities are necessary to adequately conserve and improve the assets. Between 2017 and 2018, 16 restorations were conducted.

## Loans

The Bank is typically open to lending works to national and international exhibitions (subject to authorisation by the competent trust), including but not limited to:

- Exhibition entitled “Primo Conti: a child prodigy at the dawn of the twentieth century. From his debut to the 1930s”, 9 July - 2 October 2016, Palazzo Mediceo in Seravezza, to which “The Two Sisters” by Primo Conti was loaned;
- Exhibition entitled “Piero della Francesca. Analysis of a legend”, 12 February – 26 June 2016, San Domenico museums in Forlì, “Women on the Staircase” by Antonio Donghi was loaned;
- Exhibition entitled “From Giotto to De Chirico”, 13 April 2016 - 10 January 2017, Salò Museum, “The Charlatan” by Bernardino Mei was loaned;
- Exhibition entitled “Eternal Beauty. Masterpieces of Italian art from the early twentieth century”, 20 February - 18 June 2017, MAFPRE Foundation in Madrid; 8 July - 5 November 2017, MART - Museum of Modern and Contemporary Art of Trento and Rovereto, “Women on the Staircase” by Antonio Donghi and “L’Équilibriste” by Gino Severini were loaned;
- Exhibition entitled “Art Deco. The roaring years”, 11 February - 18 June 2017; “La ciliegiera” by Libero Andreotti and “The Basque Bonnet” by Mario Tozzi were loaned;
- Exhibition entitled “Ecco il gran desco splende, in mille forme - the culture of the feast: pomp, theatrics, art and literature in the lives of European courts between the 16th and 18th centuries”, 22 April - 17 September 2017, Palazzo Ducale in Mantua, two still lifes by Maximilian Pfeiler were loaned;
- Exhibition entitled “Eyewitness Views. Making History in Eighteenth-Century Europe”, 9 May – 30 July 2017 in Los Angeles; 10 September – 31 December 2017 in Minneapolis; 25 February – 20 May 2018 in Cleveland, “The Palio Race in the Campo in Honour of Grand Duke Francis of Tuscany and Archduchess Maria Theresa of Austria” by Giuseppe Zocchi was loaned, requested by the J. Paul Getty Museum;
- Exhibition entitled “Magical Realism: Italian art between metaphysics and new objectivity, 1920 - 1930”, 1 December 2017 - 2 April 2018, MART of Rovereto; 1 May 2018 - 19 August 2018, Ateneum Art Museum in Helsinki; 27 September 2018 - 13 January 2019, Folkwang Museum in Essen; “Interior with Vase” by Antonio Donghi was loaned;
- Exhibition entitled “The Reality of Work”, 1 June - 31 October 2018, Palazzo Cucchiari in Carrara, “50 Years in the Mine” by Patrizio Fracassi was loaned.

### In 2018, the following loans were made:

- Exhibition entitled “Domenico Pesenti (1918-2018)”, Francesco Gonzaga Diocesan Museum in Mantua, 11 February - 13 May 2018. “Mantua at Night” by Vindizio Nodari Pesenti was loaned;
- Exhibition entitled “Magical Realism: Italian art between metaphysics and new objectivity, 1920 - 1930”, Ateneum Art Museum in Helsinki, 1 May - 19 August 2018. “Vase of Flowers” by Antonio Donghi was loaned;
- Exhibition entitled “Eyewitness Views”, Cleveland Museum of Art, 25 February - 20 May 2018. “The Palio Race in the Campo in Honour of Grand Duke Francis of Tuscany and Archduchess Maria Theresa of Austria” by Giuseppe Zocchi was loaned;
- Exhibition entitled “Massimo Vinattieri. Myths of ancient and contemporary abstractions”, Museo Archeologico del Chianti senese in Castellina in Chianti. “Portrait of a Friend” by Massimo Vinattieri was loaned;
- Exhibition entitled “The Reality of Work. Figurative art and labour in post-unified Italy”, Palazzo Cucchiari in Carrara, 1 June - 31 October 2018, “50 Years in the Mine” by Patrizio Fracassi was loaned;
- Exhibition entitled “Magical Realism: Italian art between metaphysics and new objectivity, 1920 - 1930”, Folkwang Museum of Essen, 27 September 2018 - 13 January 2019. “Vase of Flowers” by Antonio Donghi was loaned;
- Exhibition entitled “Osanna and Orsola. Art, history, and faith in the 17th century between Mantua and Monferrato”, Francesco Gonzaga Diocesan Museum in Mantua, 22 September 2018 - 6 January 2019. 2 coins from the Gonzaga collection were loaned;
- Exhibition entitled “Vesperbild. The origins of Michaelangelo’s Pietà”, Castello Sforzesco in Milan, 12 October 2018 - 13 January 2019. Work known as the Master of the Osservanza Triptych, “Pietà” was loaned;
- Documentary exhibition entitled “Voices from Paper. Racial laws in City of Siena documents”, Siena State Archives, 26 October 2018 - 31 January 2019. Loan of 6 envelopes of documents/archival units.

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## Cultural initiatives and consultations of historical archives

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Each year, on the occasion of the two Palios on 2 July and 16 August, the Bank's historic headquarters is open to the general public for free: visitors can admire not only the works of art included in the museum, but also the historic buildings themselves, which have been the Bank's headquarters from the beginning, and their subsequent renovations by the architects Giuseppe Partini (late 19th century) and Pierluigi Spadolini (20th century). The openings to the public are now highly anticipated, which has a strong impact on public opinion, especially in the local market. Instead, schools may request a guided tour of

the museum during business hours. For the 3 Palios held in 2018, there were a total of 2,355 visitors and 30 guided visits were organised for schools and museums.

Since 1974, the historical archives are open to scholars who submit a request. The Bank's historical archive preserves documents of historical interest produced or received as part of business activities. On 7 April 1997, the archives were declared of considerable historical interest, as communicated by the Ministry for Cultural and Environmental Heritage, and therefore subject to all ministerial requirements provided for by law. In 2018, 29 consultations were authorised.

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## Participation in cultural initiatives promoted by the Italian Banking Association (ABI)

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As one of the most important Italian banking institutions, the Bank has for several years participated in the ABI "Cultural Relations" working group; this group aims to identify cultural strategies common to all institutions, as well as coordinate collective initiatives and events.

The Bank typically participates in the cultural initiatives promoted each year by ABI, in particular:

- "Invitation to the Palazzo", an event that opens bank offices and buildings to the public. MPS has participated in this initiative since 2002, offering guided tours to the public in its main offices, with an increasing number of visitors and positive results for the Bank's

image. In 2017, 5 buildings were opened for 3,300 visitors; in 2018, 2 buildings were opened for 2,300 visitors.

- "Festival of creative culture", an event promoted since 2014 and in which the Bank participated until 2017, whose goal is to involve young people and bring them closer to the banking world, welcoming them into regional offices and creating educational workshops for them. In 2017, 500 young people from 8 schools took part. Once again in this case, there were positive impacts for the Bank's image.

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## Art sponsorships

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The Bank supports cultural initiatives in its local markets through sponsorships. The most recent include:

- In June 2018, Banca MPS and the Brera Academy of Fine Arts in Milan renewed their partnership in support of art, culture and young people, offering students from various schools in Milan the opportunity to exhibit or stage their creations at the Bank's headquarters in Via Santa Margherita in Milan, near Piazza della Scala. The Bank's premises served as an exceptional facilitator for the original projects conceived in the fields of painting, sculpture, scenic design, design and multimedia languages, involving professors and students through the end of the 2018/2019 academic year. At the same time, the Bank confirmed its support for "Open Academy", an initiative promoted by the academy to open its hidden corners, classrooms,

labs, and workshops to the public, granting them an unprecedented experience.

- From May to October 2018, Banca MPS supported the Mus.e Association, commissioned by the City of Florence to organise an exhibition for the artist Eliseo Mattiacci, held in the internal and external spaces of Forte di Belvedere, in the Tuscan capital. The retrospective entitled "Gong" featured the artist's monumental sculptures in weathering steel stretching from earth to sky, from the city centre to the Florentine hills. The exhibition, with 70 thousand visitors and more than 20 thousand views for the dedicated website, represented an extraordinary platform for visibility, supporting one of the most celebrated cultural events of 2018.



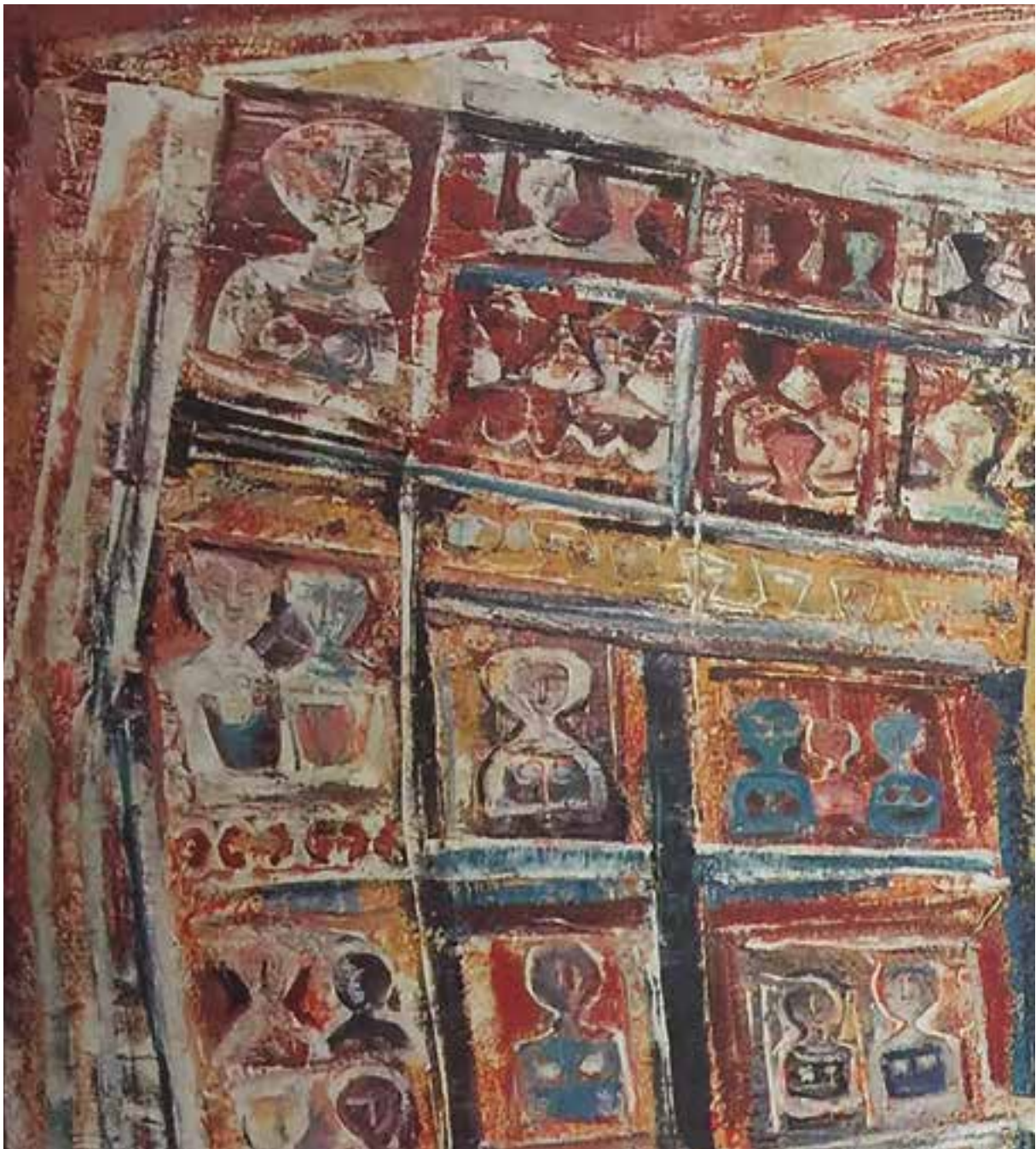
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## Website

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The concept of a virtual (or digital) museum was introduced as far back as the 1980s, in response to the need to consult and catalogue assets, as well as for administrative needs (restoration management, loans, etc.). The initial purpose was also to offer the user a simple simulation of the actual museum. With the rapid penetration of the internet, the scenario has changed since the mid-nineties, becoming even more complex with the advent of the interactive web, which necessitated a substantial rethinking of the now obsolete concept of a virtual museum. The idea has taken hold that the museum, in its broadest sense, has purposes that extend

beyond conservation, exhibition and promoting culture, but is also educational, aimed at an ever greater diversity of audiences of every age, class or social background. Therefore, the Bank, adapting to the new scenarios, is designing new communication services, by creating the website [www.mpsart.it](http://www.mpsart.it) which is entirely dedicated to the artistic collections and cultural initiatives of the Bank. The site enables visitors to access the collections and view works and data sheets freely enjoying an interesting and little-known part of the Italian artistic heritage.







# Personnel policies

## 7.1

# Employment and human resource development

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The MPS Group's 2017-2021 Restructuring Plan, approved by the European Commission as part of the Bank's Precautionary Recapitalisation process, also envisages that the number of personnel in all the Group's organisational structures will be downsized, mainly through exit support measures.

Consistent with the plan's objectives, the Group decided to achieve the goal of recovering efficiency in terms of staff with solutions that entail the least social impact, making recourse to the extraordinary benefits of the "Solidarity Fund for professional retraining and requalification, for the support of employment and the income of credit personnel" pursuant to art. 5, paragraph 1, letter b) of Interministerial Decree no. 83486 of 28 July 2014, on a voluntary basis.

With regard to personnel development, the objective of MPS Group is to offer employees initiatives aimed at the constant improvement of professional skills and "soft skills". This is accomplished by facilitating the staff's propensity for self-development, ensuring easier access to and usability of training by combining integrated tools (classroom, online, webinar, etc.) with different methods for use (protected time, "agile work", etc.). At the same time, internal opportunities for professional growth or relocation are being enhanced while respecting diversity and inclusion. Personnel development programmes play a key role in adapting skills to changed internal and external contexts, including in terms of requalification to strengthen sales and customer support activities.

Furthermore, development activities for role clusters (top management, management, middle management, and core) are diversified and customised to make the necessary optimisation and support initiatives more coherent.

The Group is committed to limiting the effects on employment and responsibly managing the restructuring of the workforce according to the following guiding principles:

- leverage the professional skills present in the business;
- take advantage of development opportunities for employees;
- favour volunteers for exits and greater proximity to pension age;
- facilitate generational renewal with the hiring of new resources (including those envisaged in governing national regulations);
- consider the aspirations and needs of the resources involved.

The personnel cost containment measures were identified by applying principles of social equity and attention to the lowest compensation levels.

In the area of Development, policies are inspired by the principles formulated in the Code of Ethics (in accordance with of the Collective Labour Agreement guidelines) and act to support the Group's business objectives and related organisational projects.

The policies were formalised in certain internal rules and, in particular, regard:

- training and continuous updating and reinforcing of skills, in line with changes in operating models;
- Talent & Performance Management;
- professional development, based on principles of transparency, participation, merit, and equal opportunities;
- involvement and leveraging of personnel through incentive policies, welfare, and internal communication.

The guiding principles on this issue for MPS Group are then consistently outlined in specific business policies and/or external communications, including:

- the Collective Labour Agreement, second-level negotiations, and trade union agreements;
- internal regulations regarding "Personnel selection and hiring policies";
- Group regulations concerning "Management of human resource recruitment";
- business welfare policies and system which, as part of second-level negotiations, also provide for the employment of family members of employees deceased during their service (extended to personnel participating in the Sector Solidarity Fund);
- human resource management policies.
- regulations on human resource development (Talent & Performance Management, managerial continuity plans, succession planning, and scouting).

The operational efficiency objectives of the 2017-2021 Restructuring Plan are pursued through a series of actions that safeguard employment levels to the extent possible. In particular, the Plan's goals to reduce the workforce were discussed with trade unions during meetings (pursuant to law and the contract, which concluded with specific agreements) for the joint examination of impacts on the personnel concerned.

The workforce reduction was carried out mainly using the Sector Solidarity Fund and was supported by management plans for territorial and/or professional mobility. In 2018,

the trade union agreement was signed for the exits of 650 resources as at 31 March 2019 through the use of the Sector Solidarity Fund (activated based on the volunteer criterion and greater proximity to pension age). The exits are in addition to the 1,800 carried out in 2017, again making use of the Solidarity Fund.

The measures envisaged to achieve the plan's efficiency objectives include:

- modulation of the mandatory (unpaid) days of absence that contributed to the Sector Solidarity Fund (solidarity days);
- extraordinary contribution of executives.

Furthermore, there is an integrated programme of measures and projects aimed at maximising the levels of personnel involvement and leveraging:

- MPS Sviluppa, which, based on the results of the Talent & Performance Management system, allows human resource development actions to be more finely tuned for the various clusters of characteristics and potential;
- MPS Academy, the permanent internal training school, whose programme is based on the people, business, compliance and safety strategies, supporting succession plans and adequate coverage of business roles, with the aim of accompanying each resource in the continuous development of all skills necessary for individual and professional growth;
- Other operating models and initiatives:
  - mechanisms to ensure the enhancement of internal skills, job rotation and turnover, with limited recourse to hiring from the external market. The hiring of resources into the structures is supported by an induction training programme, on-the-job training, and targeted interventions aimed at filling the initial skills gap;
  - professional and managerial development plans which, with a view to business continuity, guarantee suitable quality-quantity staff coverage levels, in line with the Talent & Performance Management system and with an approach based on results, sharing and self-development;
  - engagement initiatives and motivational leverage consistent with remuneration policies, the Welfare system and internal communications plans; In particular, the new Total Reward model envisages a weighting system for managerial positions, grouped according to the real impact in the

business organisation and to the responsibilities effectively carried out, to which specific compensation, career, and training packages are linked;

- recruiting policies meant to enhance the internal growth of resources, favour managerial renewal and integrate and strengthen skills;
- sharing experiences in the field and developing networks between resources/roles in the network and head offices, to increase the understanding of the different needs and interrelationships between strategic and operational approaches (Sinergicamente Project);
- LeaderShe - a diversity management project on female leadership.

In 2018, the pilot phase of the Sinergicamente Project concluded, which consisted of: initial training for 26 participants with 3 months of an operating internship at the host structure (network or head office), and the development of projects aimed at identifying improvements for network activities and general network-head office interaction; The initiative will become a method for continuously exchanging experiences between central and peripheral structures. The use of the WOO (We Open Opportunities) platform has been broadly expanded to cover internal positions through voluntary applications from employees. In 2017, 472 applications were handled and 46 positions were filled; in 2018, 1,318 applications were handled and 105 positions were filled. In addition, 2,281 Development Assessment Centres took place to identify and develop any skill gaps. In 2019, the objective of recovering efficiency with the simultaneous adoption of solutions to reduce the social impact will be advanced.

In reference to Development, activities will be reinforced that have the objective of:

- ensuring effective coverage of organisational positions;
- involving and motivating personnel;
- leveraging diversity;
- encouraging exchanges and synergies between the staff of the head office and the branch network.



Indicators - employment	2018	2017	2016	GRI Standards
<b>Total number of employees*</b>	<b>23.129</b>	<b>23.463</b>	<b>25.566</b>	<b>Disclosure 102-8</b>
M	11.565	11.795	13.282	
F	11.564	11.668	12.284	
Age groups				
Under 30 years	385	500	688	
From 31 a 40 years	4.875	5.597	6.187	
From 41 a 50 years	8.408	8.737	9.082	
Over 50 years	9.461	8.629	9.609	
Type of contract				
FullTime open-ended	20.787	21.154	23.153	
M	11.436	11.671	13.147	
F	9.351	9.483	10.006	
FullTime open-ended with expiring PartTime	2.097	2.049	2.106	
Open-ended PartTime	189	195	242	
Open-ended PartTime with FT temp. work hrs	32	30	26	
Temporary FullTime	23	30	29	
M	8	14	12	
F	15	16	17	
Full Time Apprenticeship	1	5	10	
FT	20.829	21.204	23.197	
M	11.453	11.696	13.170	
F	9.376	9.508	10.027	
PT	2.300	2.259	2.369	
M	112	99	112	
F	2.188	2.160	2.257	
<b>Number of recruits</b>	<b>108</b>	<b>134</b>	<b>195</b>	<b>Disclosure 401-1</b>
M	45	66	104	
F	63	68	91	
Age groups				
Under 30 years	45	62	97	
From 31 a 40 years	39	42	63	
From 41 a 50 years	17	27	27	
Over 50 years	7	3	8	
Type of contract				
Open-ended FullTime	81	114	138	
Temporary FullTime	27	15	48	
FullTime Apprenticeship	0	5	9	
FT	108	134	195	
PT	0	0	0	
<b>Terminations (no.)</b>	<b>-361</b>	<b>-2.246</b>	<b>-359</b>	<b>Disclosure 401-1</b>
<b>Other movements (no.)**</b>	<b>-81</b>	<b>9</b>	<b>-1</b>	
<b>Turnover (%)***</b>	<b>2,0%</b>	<b>10,1%</b>	<b>2,2%</b>	
<b>Turnover – voluntary resignation (%)</b>	<b>1,34%</b>	<b>1,61%</b>	<b>1,39%</b>	

(\*) Effective employees at companies included in the Montepaschi Group's scope of consolidation

(\*\*) Other changes are due to changes in qualifications (including de-qualifications) and in/out secondments with companies outside the scope of consolidation.

(\*\*\*) Based on an internal Group definition, in the past years turnover was calculated as the ratio between terminations that occurred during the year and personnel at the beginning of the year. Beginning this year, the former ratio was replaced (recalculating it for prior years) with that of GRI standards, or the ratio of the sum of the number of new hires and terminations (in absolute value) during the year and the personnel at the end of the year.

## 7.2 Training

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Training of resources is a key topic for MPS Group to ensure correct and effective implementation of business policies. The staff's preparation and professional skills must be increased in a context of increasing complexity and is also a requirement for compliance with the governing regulations and with principal international standards for Network personnel and many specialised Parent Company roles.

The 2017-2021 Restructuring Plan identifies training as a lever for strengthening and developing the business by growing internal skills, including as an element for distinguishing the Bank in relation to competitors.

MPS Academy, the Group's training platform<sup>4</sup>, develops and delivers, through innovative methodologies and channels, accessible training initiatives, in order to maximise effectiveness in terms of usability and flexibility of learning, thereby ensuring equal access to training for all resources. The training offer focuses on key competencies for the role covered (Credit, Finance, Anti-Money Laundering), which are supported by courses to develop managerial skills for coordination roles.

The use of multimedia channels, which are interactive and rapid, is the preferred choice obtaining new information in a constantly changing context and to maintain the focus on innovation and flexible engagement by promoting a proactive attitude.

MPS Academy plans the principal training activities on an annual basis, by formalising a plan presented to the Board of Directors and a dedicated trade union agreement developed within the Permanent Training Committee.

The main training processes managed by MPS Academy are also controlled in internal regulatory documents, which are updated and republished when there are changes in the scenario. During 2018, the principal projects were carried out with the aim of:

- boosting the level of personnel instruction and professionalism, also in line with European and national requirements (e.g., MiFID 2, IDD, Bank of Italy Directive on Real Estate Credit);
- spreading a fair and effective risk culture;

- guaranteeing the effective coverage of roles within the company.
- increasing the orientation toward self-development and continuous updating.

These include:

- training and development initiative required by the Consob Regulation on Intermediaries in application of the MiFid 2 Directive, which involved over 12,000 people (30 hours of training per person); the initiative has been made available on a dedicated platform that can also be accessed from mobiles;
- training dedicated to specific Bancassurance issues, to complete the IVASS professional updating, intended for 11,000 people involved in advisory and sale of insurance products;
- multimedia training on risk culture and governance provided to all personnel (90% of those enrolled completed the course);
- professional training courses (with a final certification) for auditors, CRO department specialists and anti-money laundering roles.
- redesign of the anti-money laundering training structure, with a risk assessment carried out to identify the main relevant risks to which the various roles are exposed; subsequent assessment of training gaps for more than 2,500 people, with ensuing classroom and online training provided based on the needs identified (classroom training for roughly 800 individuals and 3 multimedia courses made available to the Network as well as the Banking Parent Company).
- strengthening of training for updating related to main regulatory changes: GDPR (involved all personnel through dedicated multimedia training that was completed by 88% of the target), corporate administrative liability, and transparency;
- activation of the corporate platform to study English, English@MPS Academy, also open to employees' families and used by 5,000 people;
- dedicated training initiative for managers of branches with training classes (5 days) and final EQF certification.

<sup>4</sup> Excluding the foreign network.

Indicators – Training	2018	2017	2016	GRI Standards
<b>Total trained employees*</b>	<b>22.921</b>	<b>22.804</b>	<b>24.879</b>	<b>Disclosure 404-1</b>
<b>M</b>	11.464	11.449	12.920	
<b>F</b>	11.457	11.355	11.959	
<b>Clerical staff</b>				
<b>M</b>	5.570	5.564	6.255	
<b>F</b>	8.159	8.124	8.524	
<b>Managers</b>				
<b>M</b>	5.642	5.641	6.383	
<b>F</b>	3.269	3.212	3.413	
<b>Executives</b>				
<b>M</b>	252	244	282	
<b>F</b>	29	19	22	
<b>Total hours of training per capita</b>	<b>91.9</b>	<b>85.7</b>	<b>89.2</b>	<b>Disclosure 404-1</b>
<b>M</b>	45,1	41,8	43,2	
<b>F</b>	46,8	43,9	46,0	
<b>Clerical staff</b>				
<b>M</b>	37,1	35,3	39,5	
<b>F</b>	43,4	38,7	44,6	
<b>Managers</b>				
<b>M</b>	53,2	48,4	47,4	
<b>F</b>	55,5	50,3	49,4	
<b>Executives</b>				
<b>M</b>	37,6	37,5	27,6	
<b>F</b>	45,2	46,7	32,3	

(\*) Employees on the payrolls of BMPS, MPSCS, MPSLF, WDB and MPS Tenimenti with an “Italian” contract and employees on the payroll of AXA Vita, AXA Danni and AXA Assicurazioni who, even if they are not part of the Group’s scope of consolidation, can use the Academy platform.

During 2019, MPS Academy’s activities will seek to:

- diversify the training offer, focusing on customisation for role clusters (top management, management, middle management, and core), developing the identified training programmes on different levels, in relation to the needs of the specific position;
- design the training offer according to criteria related to risk assessment, aimed at identifying the exposure of the roles to the main risks that characterise banking activities (Credit and Anti-Money Laundering): starting

in 2019, all resources involved in these processes

will be asked to conduct a skill gap analysis to access training for the individual’s needs;

- strengthen access to training content through new collaborative tools (corporate Wiki);
- increase the visibility of the training package for each individual resource by introducing the new “Skill Badge” tool, including for purposes of access to the European Qualification Framework (EQF) certification.

## 7.3

# Diversity and inclusion

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MPS Group has developed a programme of initiatives dedicated to Diversity Management with the objectives of creating the climate and conditions that validate differences that emerge, by developing concrete actions to support and enhance resources and, at the same time, ensure awareness for all Group personnel in relation to the importance of diversity and inclusion. This is also in compliance with the Code of Ethics, which provides that “[...] each new hire, promotion, career progression, and increase in compensation is carried out in compliance with the policies of merit and equal opportunities. [...] No form of discrimination or harassment is tolerated”.

MPS Group has been a partner of the Valore D association since 2015, together with 180 other companies that are continually committed to gender balance and an inclusive culture in organisations. In September 2017, the “Manifesto for Female Employment” was signed, a 9-point policy document to enhance female talent in companies. The signatory companies commit themselves in various ways to guaranteeing gender equality and monitoring the presence of women at the various business levels, encouraging their professional growth. Specific attention is dedicated to managing parenting.

The Group was among the first banks to activate the Equal Opportunities Commission, a joint commission between the company and trade unions, which is responsible for providing data on female employment in the company and identifying initiatives and measures for the enhancing female resources, by defining appropriate policies.

The Commission’s activities, with reference to diversity, were strengthened as part of the negotiations for the second-level bargaining agreement of 31 December 2018, in order to identify, through constant dialogue, solutions and concrete actions that can optimise individuals in the various areas of diversity, particularly gender, considered a value and factor of social and cultural growth for the company.

As part of broader diversity management actions, the project dedicated to female leadership, called “LeaderShe”, was identified with the aim of facilitating the expression of female leadership by identifying and removing the organisational and cultural obstacles that hinder women from taking on managerial positions.

The project began with an important feedback phase: a questionnaire was submitted to all of MPS Group (responses from 8,115 participants equal to 34%) and focus groups were organised (142 resources involved, 90 of which from the Network, 30 from General Management, and 22 from Group companies) and World Cafè (50 resources from the Corporate segment).

The analysis phase launched in October 2017 allowed to collect ideas and action proposals to facilitate the expression of female leadership. In particular, the online questionnaire showed that 42% (LeaderShe Index) of respondents at Group level regard MPS as a company that supports and enhances women’s careers; the proposed actions were aimed at greater flexibility, more services to support employees with children, and the promotion of a value-based culture more focused on results achieved rather than on presence in the office.

The proposed actions that emerged were broken down into three macro-areas:

- Cultural, actions that overcome cultural and social prejudices and stereotypes regarding gender (e.g., combating gender stereotypes and prejudices and sensitising Group employees on the benefit to MPS from enhancing diversity and developing resources and potential);
- Organisational, actions that overcome structural barriers/obstacles for managerial growth of women at the organisational level (e.g., removing obstacles to female careers, intervening with additional welfare and job flexibility initiatives, and support for women with family needs);
- Individual, actions that help women become aware of their potential, learning to manage self-limiting behaviours (e.g., accompany women in their path of personal and professional growth, developing self-awareness in regard to potential, and facilitating the creation and development of an internal and external network).

A joint commission between the company and the trade unions is active, which has presented innovative projects aimed at a better reconciliation of work-life balance.

Among the main organisational and planning measures through which the Group takes action on this issue:

- flexibility of working schedules, short and long-term leave and relocations - each employee can adjust his/her daily work schedule with flexibility in both starting and ending times; various part-time solutions are provided, including for limited periods of time;
- training courses for staff returning to the workplace after maternity (and paternity) leave - developed by the company’s Equal Opportunities Commission, and including training initiatives, structured and on-the-job training, and customisable multimedia tools. The initiatives are based on the individual’s profile and requirements and promote organisational updating as well as the development of skills that can help to reconcile new needs (e.g., time management, effective

communications, stress management, teamwork and negotiation skills). The managers of the resources concerned also participate in the initiative through dedicated training events which aim to provide suggestions and points for reflection on how to promote work-life balance within their own organisational units.

Indicators - Diversity	2018	2017	2016	GRI Standards
<b>Female Staff (%)*</b>	<b>50%</b>	<b>49,7%</b>	<b>48%</b>	<b>Disclosure 405-1</b>
Age groups				
Under 30 years	198	246	328	
From 31 to 40 years	2.846	3.280	3.635	
From 41 to 50 years	4.716	4.794	4.845	
Over 50 anni	3.804	3.348	3.476	
<b>Male Staff (%)*</b>	<b>50%</b>	<b>50,3%</b>	<b>52,0%</b>	<b>Disclosure 405-1</b>
Age groups				
Under 30 years	187	254	360	
From 31 to 40 years	2.029	2.317	2.552	
From 41 to 50 years	3.692	3.943	4.237	
Over 50 anni	5.657	5.281	6.133	
<b>Women in positions of responsibility (%)**</b>	<b>29,5%</b>	<b>28,9%</b>	<b>26,9%</b>	<b>Disclosure 405-1</b>
<b>Female executives (%)</b>	<b>10,3%</b>	<b>8,2%</b>	<b>7,8%</b>	<b>Disclosure 405-1</b>
<b>Average remuneration ratio Female executives against male ones – fixed component (%)*</b>	<b>99,4%</b>	<b>97,9%</b>	<b>93,2%</b>	<b>Disclosure 405-2</b>
<b>Average remuneration ratio Female managers against male ones – fixed component (%)*</b>	<b>89,8%</b>	<b>89,6%</b>	<b>88,9%</b>	<b>Disclosure 405-2</b>
<b>Average remuneration ratio Female clerical staff against male ones – fixed component (%)*</b>	<b>95,2%</b>	<b>95,4%</b>	<b>94,5%</b>	<b>Disclosure 405-2</b>

(\*) Data refers to personnel on the payroll of: Parent Company, MPS Capital Services, MPS Leasing&Factoring, and Widiba

(\*\*)Until the 2017 NFS, roles of responsibility included not only those involving managing a team of resources, but in a broader sense, also those roles associated with decision-making responsibilities and authorities (e.g., as part of credit approval). This year, in order to standardise this criterion at all levels, it was decided to consider solely those roles of responsibility that entail directing a defined organisational structure and coordinating the related resources. As such, the data for previous years has been restated.



In 2019, the inter-institutional observatory on female participation in administrative and control bodies of Italian companies will have been operational for 5 years, established by a memorandum of understanding signed by the Equal Opportunities Department of the Office of the

Prime Minister, Consob and Bank of Italy. The Observatory was established as a centre for data collection, analysis and research in the field of equal opportunities that introduces gender balance requirements in decision-making roles.



## 7.4 Welfare

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The Group considers corporate welfare to be an important value for the well-being of employees. It is a key element of second-level negotiations and, despite the scenario of overall economic compatibility and sustainability, it has been continuously maintained and, in some respects, developed over time with a range of products and services to address the emerging needs of employees, retired staff and their relatives, which currently involves about 75 thousand people. Contributing to meeting the personal and social needs of employees is an opportunity for the Group to strengthen the sense of belonging, retention, and motivation in the workplace, with positive impacts on business performance. All aspects of risk and opportunities pertaining to this issue and to each initiative are also verified through a specific joint commission with trade unions. Management and operational policies (general and on individual components of the Welfare system) are set forth in the business agreements and in some internal rules aimed at ensuring standardisation of treatment, equal access to all beneficiaries, and to promote internal solidarity as a distinctive value.

At the organisational level, this issue is monitored by the Industrial Relations and Welfare Policies Service, within the Chief Human Capital Officer Department. It is the subject of continuous discussion with trade unions as part of the joint Welfare commission and is supported by specific training initiatives and the Internal Communication Unit.

Currently, the Bank Welfare system consists of a wide range of institutions and initiatives (economic and otherwise) focused on the principal social needs (traditional and new):

- health - programme to cover medical expenses (which may also be used by family members), accident policy and other initiatives; in particular, healthcare coverage is intended as a specific focus on “preventive medicine” and measures to support parents, with economic support to employees with minor children that have serious disabilities;
- pension plans - company pension plans to which Group companies allocate 2.5% of taxable salaries for the purposes of staff severance indemnity and for which they bear the management expenses;
- work-life balance - system of employment leave and time off, in particular to support parents, as well as smart working (agile work) mechanisms; Employees can work from home one day a week (maximum four per month). This measure, which is currently in the experimental phase, was progressively extended to all Bank structures (in the Network, it is limited to 1 day, predominantly for e-learning training initiatives);
- MPSolidale - an internal fund supported by donations from employees of paid leave or portions of their remuneration, to help their co-workers who face serious and verified personal and family needs, with priority afforded to childcare requirements;
- education - study permits for student employees, initiatives dedicated to the education of children (including scholarships for study experiences abroad), English course through the English@MPSAcademy business platform (tested for one year);
- income support - favourable terms and conditions on loans and bank services and products, meal vouchers, compensation for new hires or to help with specific needs (e.g., commuting), other types of support for household expenses through the Bank’s contribution to Cassa Mutua (grants for children’s educations, for family members with disabilities, for elderly who are not self-sufficient, etc.);
- free time - employee social organisations, which promote cultural activities, sport and individual hobbies.

In 2018, the data on the use of Welfare programmes linked to maternity and part-time work was as follows:

<b>Indicators - Welfare*</b>	<b>2018</b>	<b>Female</b>	<b>Male</b>	<b>2017</b>	<b>Female</b>	<b>Male</b>	<b>2016</b>	<b>Female</b>	<b>Male</b>	<b>GRI Standards</b>
Coverage of part-time and temporary employee benefits vs. full-time employees(%)	100%			100%			100%			Disclosure 401.2
Parental leave ** (no.)	1.690	1.625	65	1.733	1.712	21	1.679	1.666	13	Disclosure 401.3
Employees returning to service after parental leave (no.)	1.683	1.572	111	1.721	1.636	85	1.675	1.590	85	Disclosure 401.3
Employees returning to service after 12 months after return from parental leave	1.714	1.629	85	1.665	1.581	84	1.695	1.614	81	Disclosure 401.3
Rate of return to work after parental leave (%)	99,5%			99,3%			99,8%			Disclosure 401.3
Job retention rate after parental leave (%)	98,5%**			99,2%			99,1%			Disclosure 401.3

(\*) Data refers to personnel on the payroll of: Parent Company, MPS Capital Services, MPS Leasing&Factoring, and Widiba

(\*\*) Job retention upon re-entry from parental leave is 100% guaranteed by the Bank. Any deviation from this figure is due to voluntary resignations that are usually never linked to the timing of the maternity leave. Note that parental leave can be used up until the child reaches 12 years of age, pursuant to governing legislation.



## 7.5

# Workplace health and safety

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Consistent with the general guidelines established by the Code of Ethics, in accordance with legal requirements, and in compliance with the principles promoted by the United Nations Global Compact Programme, the Group has been committed for several years to implementing a policy on workplace health and safety. The policy was issued by the Parent Company's Board of Directors in 2008. Senior executives and management are responsible for its implementation, while its success depends on the constant commitment from everyone.



**The approved commitments are as follows:**

1. communicate to stakeholders the Corporate Safety Policy, its guiding principles, and its objectives through the most appropriate means;
2. comply with Italian and European legislation on workplace health and safety, considering technical rules and international standards where they are identified;
3. conduct prevention activities as part of workplace health and safety management focused on proactive and forward-looking capabilities for business risks, in order to avoid accidents on the job and the onset of occupational illnesses;
4. constantly identify residual risks present in the workplace, implementing the most appropriate measures to reduce them to an acceptable level, continuously innovating the methodologies and IT support that assess and analyse risks, as well as adopting the most effective tools and organisational structures;
5. improve human resources by developing specific skills and training activities, key elements of the corporate mission and characterising all decisions by MPS Group, with the aim of making workers aware of their responsibilities and of the need to operate in compliance with the current legislation and internal operating rules;
6. inform all those who access business environments (employees, suppliers, customers) regarding the organisation responsible for managing safety and emergencies, as well as on the risks present and the related prevention and protection rules adopted;
7. select suppliers considering aspects related to workplace health and safety and promote common initiatives to manage and resolve any risk situations through mutual collaboration, as well as adopt a purchasing policy that complies with principles to protect the health and safety of workers, the environment and people in general;
8. promote the involvement of workers in business objectives for workplace health and safety, including through their Safety Representatives;
9. pursue, using the necessary resources, continuous improvement by supporting, monitoring, and actively promoting the achievement of the objectives established in the SGSSL;
10. promote the integration of the principles of workplace health and safety in managing all business activities including the design and maintenance of buildings and plants;
11. guide and direct the companies of MPS Group to operate in compliance with the aforementioned principles, requiring them to adopt this Safety Policy and comply with the SGSSL.

# Risk Assessment Document

The RAD (Risk Assessment Document) describes all operations to assess risks for the health and safety of workers pursuant to art. 17, paragraph 1, lett. a) and art. 28 of Italian Legislative Decree 81/08.

Specifically, the risk assessment is based on identifying possible risk factors for the safety and health of workers and the resulting planning of measures and interventions aimed at eliminating or reducing the risks identified, with the aim of guiding business decisions to constantly improve working conditions, taking into account ongoing technical progress.

The document summarises the interventions and activities performed in relation to provisions of governing legislation on the matter and describes the organisational structure and methods for managing safety. In addition, it provides a report on the rules and measures adopted, in compliance with the provisions regarding the health and safety risks related to the business activities in general and for specific activities, explaining the organisational and management structure for prevention and protection measures, fire prevention, as well as emergency and first aid procedures adopted.

The RAD of each company of Montepaschi Group is periodically updated in relation to activities performed.

The Parent Company has implemented a Workplace Health and Safety Management System in compliance with the OHSAS 18001 Standard (Occupational Health and Safety Assessment Series), for precise monitoring of compliance with the law as well as the prevention of potential offences, with particular reference to those provided for by Italian Legislative Decree 231/01.

Together with Banca MPS, the Group's Consorzio Operativo (2008) and MPS Capital Services (2011) have implemented and certified a health and safety management system compliant with the OHSAS 18001 standard.

Each Group company has implemented the Parent Company's health and safety organisational model, in line with its individual characteristics and size; the certified companies cover 98% of the employees within the reporting scope.

Over the next year, activities for the transition of the systems to the new version of the Standard 18001 (ISO standard 45001:2018) will be launched.

The management systems, implemented by Group companies, govern the procedures for safety management, as well as the rules and measures adopted by companies to protect the health and safety of workers.

In particular, they are intended to achieve the following objectives:

- Contribute to improve workplace health and safety;
- Improve the organisation's internal and external image;
- Ensure that SSLL improvement objectives are achieved;
- Gradually rationalise the overall costs of SSLL.

At the head office level, the issue is coordinated by the Prevention, Protection and Environmental Service.

The health and safety management systems implemented require that the following responsibility roles are established:

- Senior Management Representative, who oversees the maintenance and improvement of the system;
- System Manager, who is responsible for systematically planning and implementing all actions necessary so that the system's requirements are defined, applied, and maintained in compliance with the OHSAS 18001 Standard.

In 2018, the following activities were performed:

## 1 - Information campaign

An initiative was launched to raise awareness of the culture of workplace health and safety through the dissemination of video-messages, flyers, leaflets and more detailed information that took place throughout 2018 and will continue during 2019.

The Health and Safety Campaign addressed four key issues: safety roles, workplace ergonomics, physical and mental energy, and anti-smoking initiatives.

## 2 - Work-related stress (WRS)

In 2018, the Employer BMPS and the Employers of the Group companies MPS Capital Services, MPS Leasing & Factoring, MPS Fiduciaria, Widiba and Consorzio Operativo introduced a preliminary WRS survey in compliance with the provisions of the Consolidated Law on Workplace Health and Safety (Italian Legislative Decree 81/08 and subsequent amendments) and the Ministry of Labour Circular of 18 November 2018.

The survey was conducted by identifying "verifiable objective indicators, such as context factors and content factors" in the 19 homogeneous groups identified in the Bank and companies.

The identification methods gave preference to collective meetings in the local markets of working groups composed of: - on an ongoing basis, the "experts" (Manager of Prevention, Protection and Environmental Service/Expert in the Prevention, Protection and Environmental Service, Company Doctor, Occupational Psychologist, MPS Human Resources function, and Workers' Safety Representative for the structure) with an average of 6 meetings

- management involved as necessary (Chief/Head of Department/Area Managers for the Parent Company and General Manager, local Safety and Security Managers, local managers of Retail, Private, and Corporate segments, Head of the Foreign Office and Head of Regional Coordination Office).

The general profile of the preliminary survey carried out within Montepaschi Group did not identify situations of exposure to WRS risk above the minimum level. Given the importance and complexity of this risk, work will continue under a monitoring approach to gather more information.

### 3 - Tobacco smoke and e-cigarettes

Banca Monte dei Paschi di Siena, by resolution of the Board of Directors on 7 October 2004, introduced a complete ban on smoking (No-Smoking Company) in all the premises of the Bank, in implementation of art. 51 paragraph 2 of Italian Law no. 3 of 16 January 2003 on the “protection of non-smokers’ health”. With the introduction of the new “e-cigarettes” on the market, the need arose to have to regulate this new phenomenon as well. In this regard, the company has updated the internal regulation document D506 “Protection of workplace health and safety”, extending the ban on smoking inside all the premises of the Bank and Montepaschi Group to e-cigarettes as well.

### 4 - EAD installation

External Automatic Defibrillators (EADs) have been installed in the Group’s main buildings (MPS CardioProtection Initiative): no. 19 Siena, no. 5 Milan, no. 1 Turin, no. 4 Mantua, no. 5 Florence, no. 5 Rome, no. 7 Padua, no. 1 Naples, no. 3 Lecce, no. 1 Bari, and no. 1 Palermo (next installation in January 2019).

### 5 - Training

The Group shares the importance that regulations place on training workers, as a tool that facilitates the development of a change in mentality and approach towards their own safety and that of others.

Training activities for workers on topics of health and safety, planned and conducted annually, are provided in part by external instructors and partly by internal staff, who are specially trained and qualified. Currently, these activities include:

- providing courses, through multimedia and paper-based support and tools;
- providing classroom training for newly hired personnel (specific training for new hires);
- training for emergency fire prevention experts;
- basic training to emergency first aid experts and planned re-training every three years on practical intervention topics;
- training of Workers’ Safety Representatives, with 5-day courses upon election and, subsequently, with 2-day annual training updates on topics decided upon with their input, based on needs they have identified;
- training of the Environmental and Safety Contacts, for whom a training course is planned in the area of environmental prevention and protection issues;
- training of executives, officers, and employees, both on general business risks, as well as specific ones (specific risks for cleaning personnel, electrical risks, etc.).

Furthermore, training activities are planned in relation to:

- Mothers upon returning to work;
- Radon gas: training for personnel who regularly work in buildings where continuous monitoring has detected concentration levels of the gas above the envisaged limits;
- BLS-D (Basic Life Support Defibrillation): training for personnel who have expressed willingness to use the defibrillators, limited to the sites where the external automatic defibrillators (EADs) are installed.

### 6 - Prevention, Protection and Environmental Service audits

Health and Safety audits were performed in more than 400 buildings in Area Offices and General Management offices, performed by the Prevention, Protection, and Environmental Service (ASPP).

### 7 - Radon

The rigorous detection activities carried out in all Bank offices in underground/basement areas enabled the company to ascertain that the concentration of radon gas, in most operating units, is less than 80% of the action level identified by Italian regulations, set at 500 Bq/m<sup>3</sup>, so that in all these situations, the company has no additional obligations other than continuing to take measurements if there are significant changes to working activities.

### 8 - Asbestos

Although there was limited asbestos risk, the “asbestos project” continued in 2018 in relation to clean-up and monitoring activities. An improvement programme was developed, implemented by the Real Estate function, which was based on the following criteria in order of priority:

- Removal of MCA (Materials Containing Asbestos) where technical conditions allow this option;
- Clean-up (Confinement/Encapsulation) where it is not possible to remove the MCA or removal is particularly complex (the most suitable type of clean-up has been identified case by case, always keeping the MCA safe as per regulatory instructions);
- Periodic monitoring to keep the reclaimed MCA safe, carried out through a control and maintenance plan, prepared and managed by the Asbestos Manager, including any periodic environmental surveys to identify air-dispersed fibres in cases prescribed by regulations.

### 9 - Noise

The noise risk assessment was updated in January 2018, according to the reference criterion of art. 189 of Italian Legislative Decree 81/08 and the specific UNI standards currently in force. This assessment is based on surveys conducted on a representative sample of sites (branches - agencies - offices) differentiated by location, type of business activity, and number of employees. The values obtained are considered representative of the situations present in all Banca MPS offices, which are similar to the sample examined in terms of working conditions.

These surveys, conducted in workplace environments during various phases of the production cycle, make it possible to affirm that, in all operating units, no work activity involves exposing workers, daily and weekly, to a noise level greater than the Lower Action Levels: respectively, LAeq = 80 dB(A) and Ppeak = 135 dB(C).

Therefore, the risk is assessed as NEGLIGIBLE and there are no specific obligations except to update the assessment periodically and in case of substantial changes to business activities or workplaces.

## 10 - Air quality

Activities to assess workplace air quality continued with analytical verification on a sample basis.

## 11 - Isolated workers

In the Bank, there are some entities in which, due to the unique characteristics of the service provided or hours worked, the employees are constantly working in solitude.

In order to be able to act if necessary, emergency devices have been distributed in these sites with emergency functions. The device, once activated directly by the worker or if it detects, based on information provided by its sensors, a potential emergency situation, the device places a call to a dedicated phone located inside the responsible branch (in some cases, it may be a specific office) and to the mobile phone of the branch manager.

Personnel who receive a phone call have been duly trained on the procedure to be adopted to alert emergency services and must travel to the workplace of the isolated worker to verify if there has been an incident and allow access to emergency responders.

During 2018, 21 of these devices were installed.

Health surveillance activities	2018	2017	2016
Periodic examinations	2.520	2.249	2.706
Examinations upon request	166	141	58
Medical inspections	1.451	1.549	1.327

*Data referring to the Parent Company, Montepaschi Group Consorzio Operativo, Monte Paschi Fiduciaria SpA, MPS Capital Services Banca per le Imprese S.p.A., MPS Leasing & Factoring S.p.A. and Widiba S.p.A. Data provided by the company doctors of the Healthcare and Management Monitoring Service.*





## 7.6

# Bank-unions joint committees

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In addition to the phases of dialogue with trade unions envisaged by second-level collective bargaining (national and corporate), joint commissions are particularly important, in the context of which the company and trade unions discuss specific issues in order to identify solutions and promote concrete initiatives with a view to growth and overall enhancement of value. The commissions are made up of a business structure and a trade union and are broken down into areas and topics for dialogue.

### **New Banking Model Commission**

Introduced in 2017, this commission shares information on issues concerning the new role of the banking system in economic growth in order to adapt the model to the new economic and social context, as well as, with regard to all of the projects that make up the Restructuring Plan, with the intention of analysing the impacts on the evolution of the distribution structure, service models, commercial policies, and operations, seeking to identify specific bargaining solutions.

### **Commercial Policies Commission**

Established with the Business Agreement on Commercial Policies of 26 February 2018, this Commission is the setting in which the parties address all issues related to commercial policies to monitor behaviour and actions to promote the development of sustainable commercial policies, which respect the dignity of workers and customers' needs. The releases inherent in the new commercial monitoring tools and all actions aimed at proper transmission of commercial guidelines designed to prevent improper behaviour and undue pressure are also discussed within the Commission.

### **Welfare Commission**

Established on 16 September 2015, the Welfare Commission pursues the objective of encouraging ongoing dialogue between the parties on the MPS Welfare system and related topics, as governed by current regulations and national and corporate contractual provisions, as well as on new issues of collective interest of a social nature or related to social security and welfare, encouraging feedback on topics that have an impact on the individual and domestic well-being of employees.

### **Corporate Observatory**

In line with the principles expressed in the "Protocol on sustainable and compatible development of the banking system of 16 June 2004", this observatory has the purpose of monitoring the ways in which personnel interact within all the different operating entities, proposing models for

communication and relations between colleagues at all levels, as well as improving relationships with a view to maintaining individuality and, in general, a high "quality of life" standard within the business. Considering the provisions of the current National Collective Labour Agreement, the Corporate Observatory must also perform specific monitoring of situations potentially damaging to the dignity of workers.

### **Equal Opportunities Commission**

Included in the National Collective Labour Agreement for the Sector (arts. 14 and 15), the Commission performs periodic analyses of the most important data pursuant to Italian Legislative Decree 198/06 "Code on equal opportunities for men and women", meeting regularly with the Corporate Observatory to monitor methods of interaction between personnel, identifying and reporting any factors limiting the beneficial inclusion and involvement of female staff for continuous feedback on the issue. The Commission was strengthened as part of the agreement of 31 December 2018, in order to share concrete actions that can optimise individuals in terms of diversity, considered a value and factor of social and cultural growth for the company.

### **Joint Training Committee**

Provided for by the National Collective Labour Agreement (art. 16), and promoted over time, it is the setting in which trade unions can obtain and provide information on training policies, which confirms the value of training as an essential tool to enhance the value of resources and their professional development.

### **Anti-Robbery Security Measures Commission**

The Commission examines the existing security measures in branches, any new security systems that can be developed for the sector, as well as any peculiarity of criminal acts and their circumstances.

### **Environmental Sustainability Working Group**

This Working Group reviews the implementation status of environmental policy commitments made by the company and/or resulting from specific regulatory provisions (such as, for example, on urban mobility from the Ministerial Decree of 27 March 1998 contained in art. 69 of the current National Collective Labour Agreement), defining a specific Protocol on the environmental sustainability of business initiatives.



# **Commitment to the environment**



## 8.1

# Energy, Water, Carbon Free

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Montepaschi Group is committed to pursuing continuous improvement of its energy efficiency in activities that have significant impact on the environment. The activities put in place involve:

- the Supply Chain of the energy market where, with advanced portfolio management models, electricity is supplied entirely from renewable hydroelectric sources;
- an advanced design for electrical and thermo-technical systems, selecting equipment and plants with performance and efficiency requirements at maximum levels for the market;
- continuous monitoring of energy consumption and environmental parameters, centralised in the Energy Management function, in the Group's 700 largest branches, which enables constant improvement of energy performance, ensuring environmental comfort in workplaces for employees and customers.

Consistent with the general guidelines established by the Code of Ethics, in accordance with legal requirements, and in compliance with the principles promoted by the United Nations Global Compact Programme, the Group has been committed for several years to implementing an Environmental Policy with the objective of gradually improving the environmental impact of operations. More specifically, energy policy guidelines have been followed, which include:

- analysis and thorough understanding of the energy impacts of business activities, including during design and/or purchase of plants;
- regulatory compliance and observance of any voluntary commitments;
- efficiency measures and containment of energy use;
- obtaining energy from renewable sources;
- monitoring consumption data.
- energy diagnoses on clustered properties.

The energy policy is governed by an Energy Manager who is an expert in this field, certified according to UNI-CEI 11339 standards (within the Chief Operating Officer Department). The current organisational model ensures compliance with regulatory requirements. A specific management system in compliance with the ISO 50001 standard will be developed in the next two years.

Over the last 2 years of operations, under the responsibility of the Energy Manager, an advanced "model" of energy consumption control has been implemented, which measures the "effectiveness" of energy consumption containment initiatives net of seasonal weather trends, year over year and month over month, to understand if the increasing or decreasing trend in consumption is attributable to weather trends (and to what extent) or to energy management actions carried out by the Bank.

The main activities in 2018 included:

- energy & facility management project - 2017-2019 three-year plan which envisages additional electricity savings of EUR 2.6 mln per year when fully operational;
- interventions for energy efficiency of the technical plants in 118 Parent Company sites, including branches and area offices;
- installation of automatic, centralised mechanisms to regulate energy for about 60 properties;
- installation of monitoring tools for energy consumption and environmental parameters on about 750 branches and 24 large properties, for centralised remote management of the main utility systems.

The 2018 indicators confirm the trend in containing energy consumption from the 2016 baseline. The consumption reductions of the last two years of operation are in line with the objectives of the long-term plan to contain energy costs.

Indicators – ENERGY USE	2018	2017	2016	GRI Standards
Electricity consumption (MWh) *	133.882	146.462	150.917	Disclosure 302-1
Share of electricity from renewable sources (%) * **	100%	100%	100%	Disclosure 302-1
Natural gas consumption (m3) * ***	4.763.449	5.214.664	5.229.265	Disclosure 302-1
Fuel oil consumption (litres) *	290.577	338.668	382.722	Disclosure 302-1

(\*) Data referring to: Parent Company, Consorzio Operativo, MPS Capital Services, Magazzini Fiduciari Generali di Mantova, Perimetro Gestione Proprietà Immobiliari, and WIDIBA.

(\*\*) Electricity purchased on the free market produced entirely from water sources; about 161 MWh were produced through photovoltaic installations and consumed locally.

(\*\*\*) Natural gas data for 2017 was adjusted due to the change in supplier and adjustment transactions that took place after publication of the 2017 NFS.

Changes in the energy market allow new implementations of current property management systems, which include specific energy management functions. By the end of the first half of 2019, the property management systems will be supplemented with new, specialised releases for the energy and utilities markets. The project's objectives are

to reduce operational risks and identify new opportunities for efficiency. The new release ensures a more accurate and strategic monitoring of water services, including through specific consumption and cost indicators, on the largest properties used for the Group's business activities.

## 8.2 Environmental management system

Starting in 2002, Banca MPS decided to adopt an Environmental Management System compliant with the UNI EN ISO 14001 and specifically certified (2003), aimed at ensuring compliance with environmental requirements, to pursue the mission set out in the Group's Environmental Policy, as well as preventing environmental offences pursuant to Italian Legislative Decree 121/2011 and Law 68/2011.

As part of the process of monitoring, measuring, analysing and evaluating the environmental performance of the Parent Company's Environmental Management System, it was decided in 2018 to launch the process of updating and monitoring GHG emissions (GHG - greenhouse gases) based on reports published in 2010 and 2014 and in light of new emission coefficients included in the latest version (December 2018) of the guidelines on applying the Global Reporting Initiative (GRI) Standards on environmental matters (ABI Lab) within the Bank.

Specifically, the GHG emission management and control strategy is contained within the Carbon Footprint Report. Companies are asked to report this type of emission, as the atmospheric concentration of greenhouse gases (GHG) is the main factor in global warming (IPCC, 2013). Among the main GHG gases, carbon dioxide (CO<sub>2</sub>) has a predominant role in terms of emissions and radiative forcing, the

parameter that expresses the change in the Earth's energy flows due to greenhouse gases. Therefore, reducing CO<sub>2</sub> emissions is the primary climate change mitigation strategy. The organisational perimeter of the reporting system classifies emissions in two areas: Property Management and Business Mobility. Under Property Management, the Bank indicates emissions resulting from the consumption of electricity, natural gas and diesel; under Business Mobility, emissions generated by business trips with company-owned cars, short-term rental cars and business trips that involve travel by train and airplane. In addition, the Carbon Footprint distinguishes, for each of the two areas, direct emissions and indirect emissions broken down by Scope (GRI Standards and ISO 14064) according to the reporting of the following topic-specific disclosures:

- Disclosure 305-1 Direct (Scope 1) GHG emissions, which includes all direct GHG emissions that originate from sources owned or controlled directly by the company (e.g., emissions due to combustion in boilers, vehicles and other cases);
- Disclosure 305-2 Indirect Energy (Scope 2) GHG emissions, which includes the indirect electricity GHG emissions, that is, all indirect emissions that are associated with generating electricity consumed or purchased by the company.



- Disclosure 305-3 Other Indirect (Scope 3) GHG emissions, which includes all emissions that do not originate from owned sources or from sources that are directly controlled by Banca MPS.

Specifically, the GHG Protocol published a Guide for the Reporting of GHG Emissions (Scope 2) on the two different reporting approaches:

- location-based considers GHG emissions from production of electricity in areas in which it is also consumed. (e.g., potential emissions);
- market-based, or based on the market in which the business operates. (e.g., electricity purchased from non-renewable sources).

Based on data provided by the Energy Manager who implements the energy policy in accordance with ISO 50001, in 2018, the Banking Group purchased electricity solely from renewable sources, in which case, using market-based reporting, the coefficient for the production of this purchased energy is zero.

The emissions calculation in certain cases is provided directly by the business function that owns the data, in other

cases it is calculated using appropriate coefficients provided by the Guidelines on applying GRI (Global Reporting Initiative) Standards in relation to the environment (ABI Lab) (December 2018 version) within the Bank as well as the JEC Well-to-Wheels Analysis Manual.

Conclusive data from the Monitoring and Control System are expressed in terms of equivalent CO<sub>2</sub> (CO<sub>2</sub>e), a standardised unit of measurement that takes into account the different potential effects on the climate of each type of greenhouse gas emission.

The analysis of 2018 results of the implemented Carbon Footprint is important not only to assess the environmental impact of the business numerically, but also to examine the *critical points*, which in turn will be the subject of *corrective measures for planning the following year* in terms of sustainable development, specifically the equilibrium of the three fundamental pillars: *Economy, Society and the Environment*.

Emissions indicators	2018	2017	2016	GRI Standards
Direct (Scope1) GHG emissions * (tCO <sub>2</sub> e)	13.054,31	14.245,25	14.577,24	Disclosure 305-1
Energy indirect (Scope2) GHG emissions ** (tCO <sub>2</sub> e)	0,00	0,00	0,00	Disclosure 305-2
Other indirect (Scope3) GHG emissions *** (tCO <sub>2</sub> e)	2.647,33	nd	nd	Disclosure 305-3

Data referring to the Parent Company, Montepaschi Group Consorzio Operativo, Monte Paschi Fiduciaria SpA, MPS Capital Services Banca per le Imprese S.p.A., MPS Leasing & Factoring S.p.A. and Widiba S.p.A.

The emission factors for the calculation of equivalent CO<sub>2</sub>, developed by BMPs, follow the instructions provided by the Guidelines on applying the GRI (Global Reporting Initiative) Standards in relation to the environment (ABI Lab - December 2018 version) within the Bank. (\*) GHG emissions due to direct consumption from the use of: natural gas, diesel, and company cars (business use and 70% for personal use). The Scope 1 emissions for 2016 and 2017 were recalculated using the new GRI Standards, hence the data do not correspond to the previous publications.

(\*\*) Market-based approach: for electricity purchased, the emission coefficient for production of this energy is zero, as it comes from renewable sources.

(\*\*\*) GHG emissions due to indirect consumption from the use of: natural gas, diesel, and company cars (business use and 70% for personal use), short-term car rental, train and airplane travel.

During 2019, a more detailed analysis of the Control, Monitoring and Management System for greenhouse gas

emissions is envisaged, in order to optimise the estimate of the environmental impact of the entire Banking Group.







# Human rights

## 9.1 Supply Chain

For the Group, sustainable management of the supply chain means purchasing products and services under competitive economic conditions, ensuring that, throughout the relative life cycles, environmental impacts are minimised and that suppliers comply with the principles of corporate social responsibility, particularly with regard to respect for the rights of individuals and workers and prevention of all forms of corruption and conflicts of interest. The Group commits to develop proper and transparent relationships with its suppliers.

Only those entities who state that they have read the Montepaschi Group Environmental Policy are entered in the Suppliers Register. The contracts/agreements that are signed with individual suppliers reference the environmental regulations and the supplier's environmental management system must be certified (UNI EN ISO14001) as a condition for specific contracts.

Reading and accepting in advance the Group's Code of Ethics is referenced both when entering the entity in the Suppliers Register and in contracts/agreements stipulated with individual suppliers. The sustainability policy in Montepaschi Group's supply chain was developed approximately ten years ago and approved by the Board in 2009. It is guided by the principles in the Code of Ethics and is aimed at involving suppliers in achieving long-term performance through mutual growth that generates added value for the Bank and the supplier.

The supply chain as a whole is monitored by the Group Purchasing and Supplier Management Service, both when contracts are awarded and negotiated, through the Contract & Vendor Management Sector, which is part of the Service. In 2018, an advanced monitoring system was launched for the Group's largest suppliers, which also verifies that the UNI EN ISO 14001 certification has been renewed. An advanced monitoring system has also been launched for the

Group's largest suppliers that allows the DURC renewal to be verified. In fact, as part of the process of completing the contractual documentation between the parties, the supplier/contractor must expressly accept the commitment to provide, at the time of invoicing, certification that the DURC (Single Document Certifying Contributions) is valid, an extract from the Single Labour Registry (or alternatively, a declaration that replaces the notary deed) acknowledging the application of national collective labour agreements and a substitute document for the notary deed in which the contractor states that he/she commits to paying compensation to employees involved in the activities for each contract order. This protects against the potential of jointly incurred liability with the contractor.

In addition to these contractual obligations, for specific product categories where the impacts on worker health and safety are highly relevant (e.g., general contractor/facility/cleaning/sanitisation activities), the Parent Company is strongly committed to seeking to fully understanding both the economic-financial situation of the supplier (including the status of payments with subcontractors in the supply chain), and the level of worker protections, by introducing appropriate forms during the process of qualifying for inclusion in the Suppliers Registry, designed to verify that the supplier has the authorisations and permits to perform the work/activities, has adopted the necessary prevention/safety measures, makes investments in specialised training, and has performed a suitable risk assessment.

All suppliers, during the phase of inclusion in the registry, are required to read and accept the principles on social responsibility (SA8000). Failure to accept these conditions will result in exclusion from the Suppliers Registry. In addition to this declaration, suppliers are asked if they are in possession of further specific certifications.

Supply Chain indicators	2018	2017	2016*	GRI Standards
Social Supplier performance evaluation	100%	100%	100%	Disclosure 414-1
Environmental Supplier performance evaluation	100%	100%	100%	Disclosure 308-1

SA8000 (Social responsibility)	2018	2017	2016
% Suppliers in the Register with certification	8%	7%	2%



<b>UNI EN ISO 14001 (Environment)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
% Suppliers in the Register with certification	24%	18%	7%

<b>OHSAS 18001 (Work safety)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
% Suppliers in the Register with certification	18%	14%	5%

<b>UNI EN ISO 9001 (Quality)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
% Suppliers in the Register with certification	65%	53%	25%
% Suppliers in the Register with no certification, stating to comply with ISO 9001 rules/principles	8%	5%	nd**

2016 data generated by the Ariba platform. 2017 and 2018 data generated by the new platform, known as Bravo Solution.

(\*) Until 2016, with the use of the Ariba platform, supplier screening in relation to social and environmental issues was conducted manually by users trained in these topics.

(\*\*) Figure not obtainable from the platform used through 2016.

During 2019, specific vendor lists will be set up for certain product categories (to be communicated to the relevant expenditure centres and to be maintained at least every six months by the Group Purchasing Service), through which

recurring suppliers to be engaged can be selected in advance, which will be prepared taking into account the elements described above in terms of certifications/significant distinctive elements of sustainability.

## GRI Content Index and SDGs

NFS GRI Standards	Relevant topics	NFS Section	SDGs
101 Foundations		Methodological note	
102 General information			
102.1 Name of organisation		Methodological note	
102.3 Location of headquarters		Methodological note	
102.4 Location of operations		MPS Group	
102.8 Information on employees and other workers (a,c)	Employment	Employment	8
102.13 Membership in associations		Methodological note	
102.14 Statements from the CEO and Chairman		Letter to Stakeholders	
102.15 Key impacts, risks and opportunities		Compliance and risk management	
102.16 Values, principles, standards and norms of behaviour		Code of Ethics	16
102.18 Governance structure		MPS Group	
102.21 Consultation with stakeholders on economic, environmental, and social issues		Materiality	16
102.32 Role of highest governance body in sustainability reporting		Sustainability governance	
102.40 List of stakeholder groups		Methodological note	
102.43 Approach to stakeholder involvement		Materiality	
102.47 List of material issues		Materiality	
102.50 Reporting scope		Methodological note	
102.52 Reporting frequency		Methodological note	
102.53 Contacts and addresses for requesting information on the report		Methodological note	
102.56 Review of report by external auditor		Methodological note	
205.2 Communication and training on anti-corruption policies and procedures	Combating corruption	Fight against corruption	16
205.3 Confirmed incidents of corruption and actions taken	Combating corruption	Fight against corruption	16
302.1 Energy consumption within the organisation	Environment	Commitment to the environment	7-8-11-12
305.1 Direct (Scope 1) GHG emissions	Environment	Commitment to the environment	3 -11-12
305.2 Indirect (Scope 2) GHG emissions	Environment	Commitment to the environment l'ambiente	3 -11-12

NFS GRI Standards	Relevant topics	NFS Section	SDGs
305.3 Other (Scope 3) GHG emissions	Environment	Commitment to the environment	3 -11-12
308.1 Suppliers screened using environmental criteria	Environment	Commitment to the environment	12
401.1 New employee hires and employee turnover (a)	Employment	Employment and human resource development	5 and 8
401.2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Welfare	Welfare	8
401.3 Parental leave	Welfare	Welfare	5 and 8
403.1 Occupational health and safety management system	Health & safety	Workplace health and safety	8
403.2 Hazard identification, risk assessment, and incident investigation	Health & safety	Workplace health and safety	3 and 8
403.3 Occupational health services	Health & safety	Workplace health and safety	8
403.5 Employee training on workplace health and safety	Health & safety	Training	8
404.1 Average annual training hours per employee	Human resource development	Training	4, 5 and 8
404.2 Programmes for upgrading employee skills and maintaining conditions for employment	Human resource development	Training	8
405.1 Diversity in governance bodies and in personnel (b <sup>5</sup> )	Diversity	Employment	5 and 8
405.2 Ratio of basic salary of women to men	Diversity	Employment and human resource development	5, 8 and 10
414.1 Screening of suppliers' social performance	Human rights	Human rights	8
417.2 Incidents of non-compliance concerning product and service labelling	Service security	Digitalisation and CRM	
417.3 Incidents of non-compliance concerning marketing communications	Service security	Digitalisation and CRM	
418.1 Documented complaints concerning breaches of customer privacy and losses of customer data	Service security	Digitalisation and CRM	
G4-FS7 Monetary value of products and services designated as making a beneficial social contribution (Sector disclosure)	Financial inclusion	Micro-credit	1 and 9
G4 - FS8 Monetary value of products and services designed for making a beneficial environmental contribution	Green Finance	MPS Capital Services	1 and 9
G4 - FS16 Initiatives for increasing financial education by type of beneficiary	Financial education	Financial education	1 and 9

<sup>5</sup> Data on diversity for all employees, not only professional levels, are reported

SUPERVISORY ACTIVITIES ON NON-FINANCIAL INFORMATION  
(LEGISLATIVE DECREE NO. 254/16)

The Board of Statutory Auditors acknowledges to have ascertained that, within the framework of the performance of the duties assigned to it by the law, the consolidated Non-financial Statement was drawn up in compliance with Articles 3 and 4 of the Legislative Decree no. 254/18 and with the Consob call for attention no. 1 of 28 February 2019. Said document was approved by the Board of Directors during the meeting of 28 February 2019.

THE BOARD OF STATUTORY AUDITORS

Elena Cenderelli  
Chairman

Raffaella Fatini  
Standing statutory auditor

Paolo Salvadori  
Standing statutory auditor

Siena, 15 March 2019





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The details of artworks shown in this Report are from the Collections of Banca Monte dei Paschi di Siena.

On the jacket, Mario Schifano, *Untitled*, oil on canvas

Page 6, Massimo Campigli, *Portrait of Olga Capogrossi*, oil on canvas, [1960]

Page 10, Carla Accardi, *Black white*, acrylic on canvas, 1993

Page 13, Piero Dorazio, *Abstract*, oil on canvas

Page 14, Giorgio de Chirico, *Man of the crowd*, pencil and watercolour on white paper glued on cardboard, 1942

Page 17, Giorgio de Chirico, *Man of the crowd*, pencil and watercolour on white paper glued on cardboard, 1942

Page 26, Giorgio de Chirico, *Woman of the crowd*, pencil and watercolour on white paper glued on cardboard, 1942

Page 28, Gino Severini, *Fleurs et masques. Enlèvement d'Europe*, tempera prochoir on paper, 1927-1930

Page 30, Renzo Vespignani, *Car on the beach*, oil on canvas paper, 1958

Page 36, Renzo Vespignani, *Car on the beach*, oil on canvas paper, 1958

Page 42, Carla Accardi, *Untitled*, acrylic on canvas, 1992

Page 48, Valerio Adami, *Allegory of Monte dei Paschi di Siena*, oil on canvas, 1998

Page 50, Arturo Tosi, *Predore*, oil on canvas, 1939

Page 66, Ardengo Soffici, *Marina*, watercolour on paper, 1927

Page 68, Ardengo Soffici, *Marina*, watercolour on paper, 1927

Page 70, Massimo Campigli, *Red theatre*, oil on canvas, 1960

Page 75, Filippo de Pisis, *The red curtain*, oil on canvas, 1931

Page 76, Mino Maccari, *Two girls*, oil on wood, 1950

Page 85, Mino Maccari, *Dance of Harlequins*, oil on canvas

Page 88, Giulio Turcato, *Itinerary*, oil on canvas

Page 94, Renato Guttuso, *Chair in the studio*, gouache and pencil on paper, 1955-1960

Page 96, Ardengo Soffici, *Pine trees*, oil on canvas, 1924

Page 102, Giorgio Morandi, *Still life*, oil on canvas, 1956

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This Report has been prepared by the External and Institutional Relations Division.

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