MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Principles for Responsible Banking

Report 2023

Introduction

In September 2019, Banca Monte dei Paschi di Siena became one of the first 130 banks worldwide to join the launch of the **Principles for Responsible Banking (PRB)**, the financial initiative of the United Nations Environment Programme Financial Institute (UNEP FI), with the aim of strengthening its commitment to adopt strategies and practices that contribute to the creation of a sustainable banking system and generate a positive impact on society and the environment.

Adherence to the Principles for Responsible Banking **confirms the Group's commitment** to pursuing ambitious **sustainable development** and **climate change** goals. This includes aligning its activities and objectives with the 2030 Agenda for Sustainable Development Goals (SDGs) and the Paris Agreement and promoting the measurement of the impact of banking activities on people and the planet.

This commitment represents one of the key milestones in the sustainable growth journey long pursued by the MPS Group, driven by an awareness of the importance of acting in support of an inclusive society, based on human dignity, equality and the sustainable use of natural resources, in which consumers, customers, businesses and society can thrive.

As part of the Group's sustainable development journey, in 2022 it also joined the **Net Zero Banking Alliance (NZBA)**, another United Nations initiative that aims to accelerate the transition of the international banking sector to a net zero economy by 2050, aligning its lending and investment portfolios to achieve net zero emissions by 2050, in accordance with the goals of the Paris Climate Agreement.

The MPS Group has also **integrated ESG** (Environmental, Social, Governance) dimensions **into its strategy**, and within the 2022-2026 Business Plan, A Clear and Simple Commercial Bank, it has set clear objectives, actions and cross-cutting initiatives to support its sustainable development path, with a view to creating shared and sustainable value.

This report has been prepared in accordance with the guidelines published by UNEP in September 2022 and the findings of the self-assessment analysis. It was also reviewed and approved by the Group's Board of Directors at its meeting on 6 August 2024 and published on the Group's website at the link: UNEP - Financial Initiative

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Founded in 1472 by **Banca Monte dei Paschi di Siena** for sustainable purposes, the Montepaschi Group is one of Italy's leading banks and plays an important role in the Italian economy, providing a wide range of predominantly traditional services to retail and commercial banking customers.

Today, the MPS Group is present in all Italian regions with a network of 1,362 branches, 127 specialised SME, Family Office and Private centres and 109 financial promotion desks. It also has an operational branch in Shanghai, 8 representative offices in Europe, North Africa and China, and the subsidiary MPS Banque, which operates mainly in France.

The Group is present in all major market segments through subsidiaries or joint ventures:

- Retail Banking
- Corporate & Investment Banking
- Leasing
- Factoring
- Consumer Credit
- Wealth Management & Insurance
- Wealth Management

The insurance and pension segment is covered by a strategic partnership with AXA, while the asset management business is based on offering investment products from independent third-party providers.

Links and references

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2022-2026 Business Plan

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The Group combines traditional services provided through its network of branches and specialist centres with an innovative system of self-banking and digital banking services, enriched by the expertise of the Widiba network of financial advisers.

The breakdown of revenues by market segment in 2023 is as follows:
51.4% related to Retail Banking, which includes the Value and Premium segments of Banca MPS and all the activities of Banca Widiba SpA (Financial Advisor Network and Self Channel);
40.4% related to Corporate Banking, which includes Business customers (SME, Corporate Client and Small Business segments), foreign branches, the subsidiary MPS Leasing & Factoring (merged with Banca MPS in 2023) and the foreign bank MP Banque.;
6.2% related to Large Corporate and Investment Banking, which includes Large Group and Large Corporate customers;
4.8% related to Wealth Management, which includes Private Customers (Private and Family Office segments) and the subsidiary MPS Fiduciaria;

The breakdown of revenue for each of the MPS Group's operating segments is shown below:

Key business sectors	Retail banking	Corporate banking	Large Corporate & Investiment Banking	Wealth Management
Percentage of total commercial revenues	51.4%	40.4%	6.2%	4.8%

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes ☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights

☒ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: ECB Supervisory expectations relating to risk management and disclosure, Net-Zero Banking Alliance, Global Reporting Initiative (GRI), LEGISLATIVE DECREE Dec. 30, 2016, No. 254, Disclosure to the Public Pillar 3

☒ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Global Reporting Initiative (GRI), LEGISLATIVE DECREE Dec. 30, 2016, No. 254.

☐ None of the above

The Monte dei Paschi di Siena Group was founded in 1472 by Banca Monte dei Paschi di Siena for sustainable purposes. Originally named "Monte Pio", it was established at the behest of the magistrates of the Republic of Siena to assist the poorer sections of the population during a difficult period for the local economy and to combat the phenomenon of usury.

Banca Monte dei Paschi di Siena, as the Parent Company, has maintained its sustainable vocation, which has evolved over time in line with the context in which it operates and regulatory developments, by integrating sustainability into its business model, decision-making processes and strategy.

Links and references

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The MPS Group has adopted a business model that aims to make a positive contribution to sustainable development and to progressively integrate sustainability principles, in a perspective of continuous transformation and in line with current and future challenges, directing its actions towards the creation of long-term value, balancing business development and financial solidity with social, environmental and governance sustainability. The MPS Group, aware of its role within the banking system, has incorporated sustainability principles into its corporate strategy, in line with its historical vocation to act in the interests of all stakeholders. The Group has defined a strategy to support the transition and decarbonisation of its loan portfolio, in line with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement, as well as national and regional frameworks, and has equipped itself with tools to manage its exposure to climate and environmental risks. The Bank has also strengthened its corporate strategy by publishing targets on the three ESG dimension in the "2022-2026 Business Plan –A Clear and Simple Commercial Bank", identifying governance initiatives that will generate shared value in line with the defined targets. The integration of these commitments and ESG criteria into the corporate strategy and the commitment to align with them have been formalised in an internal regulatory document, the "Sustainability and ESG Guidelines" of the MPS Group, which defines the Group's ESG commitment areas and the roles and responsibilities of the functions involved in managing and implementing the activities necessary to achieve these commitments. With regard to lending activities, the MPS Group applies a credit assessment process based on strategies and standards that integrate ESG criteria, defines lending guidelines based on an assessment of the client's sustainability profile and the risk elements related to ESG factors, and monitors loans in accordance with these guidelines. In this context, the Group: 1. integrates the assessment of financability, based on prospective solvency criteria, with the assessment of the sustainability profile in the credit-granting process; 2. Defines general phase-out rules based on minimum sustainability criteria (general screening criteria). In its credit granting activities, the MPS Group analyses counterparties according to ESG criteria, adopting an approach aimed at identifying and assessing the customer's ESG profile, including potential ESG risks (climate and environmental, reputational, operational, etc.).	Links and references *2022 Consolidated Non-Financial Statement* *2023 Consolidated Non-Financial Statement* *2022-2026 Business Plan* *Group Sustainability and ESG Directive*

The Group directs its ESG policy towards all sectors of economic activity, categorising them into high emitting sectors, other climate-relevant sectors and sectors with high social impact. It integrates the assessment of financability based on prospective solvency criteria with the assessment of the sustainability profile. In addition, the Group has established general phase-out rules based on minimum sustainability criteria (general screening criteria), along with phase-out guidelines and enhanced due diligence for counterparties in high emitting and controversial sectors, in line with national and international objectives. The same guidelines are also applied to investment and funding activities. These objectives have been further detailed in the Sustainability Plan, which has led to the launch of a specific project called the "ESG Programme". The project focuses on implementing the initiatives identified within the four areas of the ESG framework ("Strategy and Governance", "Business Model", "Risk and Regulation", and "Reporting and Communication"). They represent a further step in the integration process, solidifying the Group's commitment to sustainable change. The Programme is divided into eight distinct project areas, with activities monitored by a Project Manager Officer (PMO). The aim of the Programme is to implement initiatives that also align with the international commitments signed by the Group. The actions and measures implemented by the Montepaschi Group to promote sustainable business models are reflected in the improved ratings from the ESG rating agencies. Furthermore, by joining the UN's "Principles for Responsible Banking (PRB)" and "Net-Zero Banking Alliance (NZBA)", the Group has reaffirmed its commitment – already confirmed in the 2022-26 Business Plan – to align its strategy with sustainable development goals and to accelerate the transition to net-zero emissions by 2050. This includes setting additional targets, detailed in the following sections, and promoting transparency in measuring the impact of its banking activities on people and the planet.	

Principle 2:
Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[1] and fulfil the following requirements/elements (a-d)[2] :

a) *Scope:* What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

In 2020, as part of the Materiality Analysis 2020 process, the Group conducted an initial impact analysis, based on external and internal stakeholder engagement activities, to assess the positive and negative impacts that the Group generates (or can generate) in relation to its activities, the so-called Internal Dimension. In this context, two impact areas have emerged, Climate Stability and Diversity & Inclusion, relating respectively to the environmental impacts associated with the management of its real estate and resources.

Subsequently, in line with the development of its sustainability path based on the progressive integration of ESG factors into the management of all the Group's activities, the Group carried out a further analysis of its loan portfolio in 2022 and 2023 to identify the areas with the most significant impacts, both negative and positive, also taking into account its own loan portfolio and the context in which it operates. This analysis is monitored and updated periodically as part of the Group's normal operations.

The MPS Group's loan portfolio is almost exclusively Italian and is largely attributable to the exposures of the parent company, Banca Monte dei Paschi di Siena. Approximately 51% of the Group's revenues are derived

Links and references

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[1] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

[2] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

<table>
<tr><td>from retail activities and approximately 46% from corporate activities. For this reason, the Impact Analysis (hereinafter also referred to as "the Analysis") was carried out with exclusive reference to Banca MPS' Italian loan portfolio, taking into account both the Retail and Corporate portfolios.
The scope of the impact analysis in percentage terms was as follows:
- Retail banking portfolio (consumer customers), for which approximately 90% of the products and services offered to Retail customers were analysed;
- Corporate Banking portfolio (corporate customers), for which 100% of the exposures to corporate customers and all market segments were analysed.
Over time, the composition of both portfolios was re-analysed and no significant changes were found.</td><td></td></tr>
<tr><td colspan="2">b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries[3] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.
If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</td></tr>
<tr><td>Based on the scope defined in the previous point, the impact analysis related to Retail Portfolio activities was conducted with the support of the UNEP FI Consumer and Institutional Tools for the following products, services and indicators:
Current accounts (with and without payment services)); Savings accounts; Certificates of Deposit; Mortgages; Personal loans; Credit cards.

Three indicators were analysed for these products: Number of customers; Number of products; Volumes.

The analysis also detailed customer characteristics in terms of: Income; Gender; Age; Residence (urban or rural).

The composition of the Retail portfolio in terms of products and services and customer characteristics is summarised in the table below:</td><td>Links and references

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[3] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Products (top 3)	% of portfolio analysed
Current accounts with payment services	43%
Mortgages	40%
Consumer credit	3%

Income	% of portfolio analysed
Low-income population (annual income of €12,000 or less)	14%
Middle income population (annual income between €12,000 and €36,000)	39%
Middle income population (annual income between €12,000 and €36,000)	13%
Income not specified	34%

Customer type	% of portfolio analysed
Men	50%
Women	50%

Customer residence	% of portfolio analysed
Urban area (residence in a high-density area)	54%
Rural area (residence in a medium/low-density area)	45%
Residence not specified	1%

Age	% of portfolio analysed
18-30	8%
30-60	53%
60+	38%

Source: CRM data as at 31 12 2022

In order to analyse the **Corporate Portfolio**, the monetary value of the total loans to corporate customers as at 30 September 2022 was used, based on the scope defined in the previous point.

The composition of the Corporate Portfolio in terms of financial exposures by business segment, according to the NACE sector classification, is summarised in the table below:

NACE Sector	%
A AGRICULTURE, FORESTRY AND FISHING	2%
B MINING AND QUARRYING	0%
C MANUFACTURING	29%
D ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	2%
E WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION	2%
F CONSTRUCTION	8%
G WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES	17%
H TRANSPORTATION AND STORAGE	3%
I ACCOMMODATION AND FOOD SERVICE	3%
J INFORMATION AND COMMUNICATION	2%
K FINANCIAL AND INSURANCE ACTIVITIES	0%
L REAL ESTATE ACTIVITIES	6%
M PROFESSIONAL, SCIENTIFIC AND TECHNICAL	3%
N ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	2%
O PUBLIC ADMINISTRATION AND DEFENCE	0%
P EDUCATION	0%
Q HUMAN HEALTH AND SOCIAL WORK	1%
R ARTS, ENTERTAINMENT AND RECREATION	0%
S OTHER SERVICE ACTIVITIES	0%
Other	17%
Total	*100%*

Source: Finrep data – 30 09 2022

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[4] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.	
The analysis of the context and the Retail and Corporate portfolio was conducted to identify their characteristics in relation to the main challenges and priorities for the sustainable development of Italy. This analysis considered: • Italy's current priorities and objectives as set out in national planning and in the National Recovery and Resilience Plan (PNRR), which is part of the broader Next Generation EU (NGEU) programme established by the European Union. This programme aims to resume a path of sustainable and lasting economic growth by removing the obstacles that have hindered Italian growth in recent decades; • The expectations of internal and external stakeholders, which emerged from the stakeholder engagement process with regard to the identification of sustainability issues and the main impacts that the Bank can have on the economy, the environment and people. Stakeholder engagement activities are carried out regularly by the Group through one-on-one interviews and focus groups with the aim of defining and updating its ESG objectives and Sustainability Plan. The results of these activities also guide the prioritisation of material ESG issues for the preparation of the Bank's Consolidated Non-Financial Statement (in accordance with Legislative Decree 254/2016). The impact analysis, conducted with the support of the UNEP FI Context Tool and reported in the Consolidated Non-Financial Statement documents approved by the Board of Directors, highlighted a wide range of socio-economic and environmental issues as priorities. Based on the characteristics of the portfolio and the country's needs, the following areas emerged as most relevant, listed in order of priority: - Availability, accessibility, affordability and quality of resources and services (Financial Health and Inclusion) - Climate stability - Biodiversity and healthy ecosystems	**Links and references** *2022 Consolidated Non-Financial Statement* *2023 Consolidated Non-Financial Statement*

[4] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

- Circularity - Gender equality The areas of impact considered most significant are linked to the following 2030 Agenda Goals (SGDs) 1. Zero poverty, 7. Clean and affordable energy, 8. Decent work and economic growth; 9. Industry, innovation and infrastructure 10. Reducing inequalities 12. Responsible consumption and production, 13. Climate action	
Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[5]? Please disclose.	
As a result of the impact analysis carried out by the MPS Group in relation to the Group's external activities, **two significant impact areas have been identified:** • **Climate Stability** for the **Corporate Portfolio** • **Financial Health and Inclusion for the Retail Portfolio** The **Climate Stability** impact area confirms the priority that has also emerged from the MPS Group's periodic materiality analysis, which highlights "Sustainable Finance and Climate Change" as a key issue. This commitment, also reflected in the 2022-2026 Business Plan, demonstrates the Group's active role in transforming the economic and social context by promoting the transition towards sustainable and inclusive business development models and contributing to the development of a low-emission economy. Furthermore, this choice also takes into account the expectations of the regulators, particularly the European Central Bank	Links and references *2023 Consolidated Non-Financial Statement*

[5] To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

(ECB), as set out in the "Guide to Climate and Environmental Risks" published in November 2020, which requires each bank to define and implement a climate adaptation strategy appropriate to its operating context. The actions defined are included in the 2022-2026 Business Plan. In January 2022, the MPS Group reinforced this priority and commitment by joining the United Nations' Net Zero Banking Alliance initiative for the financial sector, which aims to accelerate the transition to a net-zero emissions economy by 2050 through the financial sector. By joining this initiative, the Group committed to setting interim targets for reducing financed emissions in its loan portfolio and, in this context, it undertook the following actions: *1)* A further analysis of the emissions profile of counterparties in the most emission-intensive sectors of the corporate portfolio, establishing the 2022 baseline for financed emissions according to the PCAF (Partnership for Carbon Accounting Financials) standard); *2)* Identified high emitting sectors and simulated the emissions profile of its counterparties using NGFS climate scenarios; *3)* Identified three priority sectors for which it set interim emission reduction targets for reducing financed emissions in line with NZBA guidelines: *4)* Communicated its decarbonisation targets to the market and UNEP. The Group has identified a further priority impact area, Financial Health and Inclusion, and has set a specific target for the Retail Portfolio. This decision is in line not only with the findings of the impact analysis, but also with the materiality analysis process, which identified 'Customer relations and links to the local area' as a priority, given the Group's strong presence in the territory and its historical mission to support customers and communities in accessing financial services and improving their financial literacy. In particular, the Group has decided to focus on its retail customers in order to: • Facilitate initial access to investment services/products for younger customers who typically have lower savings capacity and greater insecurity in terms of employment and income capacity.; • Contribute in a concrete and sustainable way to building financial assets over the medium to long term, aiming to improve the level of financial well-being. In addition, the Group continues to pursue the objectives set in 2021, which relate to the internal impact dimension.	

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d) *For these (min. two prioritized impact areas)*: ***Performance measurement***: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

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Regarding the **Climate Stability** impact area, the Group intends to continue to align its Loan portfolio with the goal of NET Zero by 2050. In August 2023, it set interim targets for the reduction of absolute financed CO2 emissions by 2030 compared to the 2022 Baseline for the three most emission-intensive priority sectors in its Corporate Portfolio: Oil & Gas, Power generation and Iron & Steel.

These sectors were identified based on specific metrics, in line with NZBA guidelines, and taking into account the availability of appropriate technologies to support the transition. Achieving these financed emission reduction targets will also facilitate the transition of other sectors that use the output and/or green technologies developed in the meantime, contributing to the decarbonisation of the Group's credit exposures in the other high environmental impact sectors, which the Bank remains committed to.

Specifically:

- The Oil & Gas sector, along with coal, underpins global energy production and is a major source of greenhouse gas emissions. The scope companies included in this sector include extraction, refining, transportation and the sale of derivatives.
- Steel and iron production are structurally high-emitting sectors (today, 75% of the energy consumed in steel production comes from coal, and a simple switch to other fossil sources would lead to marginal emission savings). Significant decarbonisation depends heavily on technological advancements in production processes.
- The power generation sector has a high transition risk, but it is also the sector with the greatest potential for conversion to renewable energy sources. Consequently, it will undergo in-depth restructuring to follow the Net-Zero path.

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Links and references

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Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[6]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☒ Yes	☐ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, financial health & inclusion.

How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication

☐ Up to 12 months prior to publication

☒ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

[6] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets[7] have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) *Alignment*: which international, regional or national policy frameworks to align your bank's portfolio with[8] have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Climate Stability	Links and references
Regarding the priority of **climate stability**, the Montepaschi Group has joined the Net Zero Banking Alliance (NZBA), which represents a significant commitment by the banking sector to environmental sustainability. Established on the basis of voluntary commitments, the NZBA requires its members to progressively set decarbonisation targets for their portfolios in high-emitting sectors. The goal is to contribute to limiting global warming to 1.5°C above pre-industrial levels, in line with the objectives of the Paris Agreement. Based on the available data, the metric of absolute financed emissions has been chosen as it allows for a direct measurement of the portfolio-related emission levels against the 2050 target of zero emissions. The interim decarbonisation targets up to 2030 were established based on the latest Net Zero 2050 scenario published by the Network for Greening the Financial System (NGFS) in June 2022. This scenario outlines an orderly transition path with net zero CO_2 emissions by around 2050, which is necessary to limit global warming to 1.5°C above pre-industrial levels. This ambitious transition is required across all sectors of the economy. The climate stability goals will be in line with the NZBA targets (maximum temperature increase of 1.5°C above pre-industrial levels by 2100, equivalent to achieving zero emissions by 2050).	*2023 Consolidated Non-Financial Statement*

Financial Health and Inclusion In defining the target for the Financial Health and Inclusion impact area, the Group has decided to focus its objective on a segment of customers that stands to benefit the most from financial planning initiatives. This is aimed at improving their financial resilience and well-being, taking also into account the unique characteristics of the labour market, the traits of Generation Z, and the Italian context. In fact, studies and evidence from both national and European sources show that this segment has a greater need for support in financial planning in order to become more resilient over time to potential financial shocks (such as job loss or increased reliance on temporary/part-time employment contracts) and/or to help them make significant investment decisions and improve their financial well-being, such as purchasing real estate. This objective is in line with one or more of the directly related SDGs. **Climate stability** (internal dimension): compared to baseline the emissions of Scope 1 GHG emissions is equal to 14,464.34 in which emissions related to the consumption of natural gas accounted for a significant share of 72%. **Gender parity** (internal dimension): the baseline of 12/31/2021 is equal to 31%.	
b) *Baseline:* Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. *You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.* *A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.*	

[7] Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.
[8] Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

1. OPERATIONAL SMART TARGET – Climate Stability (Corporate portfolio):

Below is the metric used and the baseline for 31 December 2022 for each sector in terms of absolute financed emissions expressed in Mgl tCO2e for each priority high emitting sector.

Sector and Scope	Metrics:	Baseline 31.12.2022
Oil & Gas (scope 1,2,3)	Mgl tCO2e	656
Power Generation (scope 1,2)	Mgl tCO2e	196
Iron & Steel (scope 1,2)	Mgl tCO2e	1,067

The scope of the analysis and the baseline were defined with the aim of ensuring the widest possible coverage of total financed emissions and the highest emitting sectors based on NACE codes. The choice of the scope was based on the available technologies and the quality of the data at the time.

Each NZBA sector was assigned the NACE codes of the economic activities related to the entire value chain, including those related to upstream and downstream activities. In order to define the baseline date, the GHG emissions financed using the PCAF methodology were calculated for each counterparty within the scope of the economic activities of the NZBA sectors using the value of the financing, the financial values of the companies and the emissions at the baseline date of 31 December 2022. The PCAF asset classes included in the analysis are limited to business loans.

Based on the available data, the metric of absolute financed emissions was chosen as it allows for a direct measurement of the level of portfolio-related emissions against the 2050 target of zero emissions. The Scope 1, 2, 3 emissions data of the counterparties are of two types: actual, if the counterparty publishes its emissions data in public company documents; and estimated, if the counterparty does not calculate or publish its emissions data. The estimation of the emissions profile was carried out using the NGFS Net Zero 2050 climate scenarios, which are consistent with keeping the maximum temperature increase below 1.5°C by 2100 compared to pre-industrial levels. This metric was used to prioritise the sectors to be targeted, combined with an assessment of intensity per turnover. The Group reserves the right to redefine these targets in line with technical advancements that facilitate the transition for high emitting sectors and the availability of more precise data.

Links and references

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2. OPERATIONAL SMART TARGET – Financial Health and Inclusion

The objective was defined based on an analysis of the characteristics of Retail customers by age group as at 31 May 2024, and considering the external context, with a particular focus on the labour market, economic outlook and savings propensity. The customer cluster selected is aged between 18 and 35.

Studies and evidence from both national and European sources show that this segment of customers has a greater need for support in financial planning in order to become more resilient over time to potential financial shocks (such as job loss or non-renewal of temporary contracts) and/or to help them make significant investment decisions and improve their financial well-being, such as purchasing real estate.

The identified cluster represents approximately 13% of Banca MPS's total Retail customers. Internal data shows that this segment has a lower penetration in terms of savings products compared to the overall average for the Retail Portfolio.

The cluster is represented by Retail Customers within the following service models, as shown by the Group's internal databases at the end of May 2024:

- Valore: individuals and sole proprietorships with total deposits (less than 75,000)
- Premium: individuals and sole proprietorships with total deposits (joint ventures) between €75,000 and €500,000

As a result, the Group has set a target to increase the penetration (ownership) of accumulation and pension plans among its retail customers aged 18-35 by 1.2 percent, or from 6.2 percent to 7.4 percent.

With regard to internal metrics, the following targets were defined and published for 2021:

3. OPERATIONAL SMART TARGET – Climate Stability (internal metric):

For target setting purposes, Scope 1 GHG emissions of 14,464.34 at the end of 2017 were analyzed in which emissions related to natural gas consumption accounted for a significant share of 72%. Therefore, it was identified to reduce the impact of emissions related to natural gas consumption.

4. OPERATIONAL SMART TARGET – Gender Equality (internal metric):

For the purpose of target setting, the distribution of responsibility roles at the end of 2021 was analyzed, which showed 31 percent of responsibility roles were held by the least represented gender (women) in responsibility roles and was adopted as the baseline.

c) SMART targets (incl. key performance indicators (KPIs)[9]: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

1. OPERATIONAL SMART TARGET – Climate Stability (Corporate portfolio):

The following table details, for each sector, the metrics applied, the Baseline as at 31.12.2022, and the 2030 targets in terms of absolute financed emissions. The emission profile was estimated using the NGFS Net Zero 2050 climate scenarios.

Sector and Scope	Metrics	Baseline 31.12.2022	Target (2030)
Oil & Gas (scope 1,2,3)	Mgl tCO_2e	656	391 (-40%)
Power Generation (scope 1,2)	Mgl tCO_2e	196	45 (-77%)
Iron & Steel (scope 1,2)	Mgl tCO_2e	1,067	762 (-29%)

The decarbonisation targets for the first three emission-intensive sectors were approved by the Top Corporate Bodies on 4 August 2023 and communicated to UNEP.

2. OPERATIONAL SMART TARGET – Financial Health and Inclusion (Retail Portfolio):

Increase ownership of financial and pension savings plans among retail customers aged 18-35 by 1.2% by the end of 2027.

In addition, the Group remains committed to the Smart targets already defined in 2021, with reference to its own activities (so-called Internal Dimension):

3. **OPERATIONAL SMART TARGET - Climate Stability (own activities):** Achieve a 60 percent offset of Scope 1 emissions related to natural gas use in 2025, compared to the 2017 baseline.

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[9] Key performance indicators are indicators chosen by the bank for the purpose of monitoring progress toward goals..

4. OPERATIONAL SMART TARGET - GENDER EQUALITY (own activities): Achieve 35 per cent of leadership positions held by the least represented gender by 2023.	
d) *Action plan:* which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.	
1. OPERATIONAL SMART TARGET - Climate Stability (Corporate Portfolio) The Group's objectives are to: - pursue the decarbonisation of its loan portfolio and its customers, in line with its commitments to the NZBA, and gradually align with the guidelines of the European Environmental Taxonomy; - finance counterparties and projects whose activities contribute to generating benefits/positive impacts for society and, in this context, limit loans to customers whose operations, for example, do not guarantee the protection of human and labour rights and/or are in the so-called Controversial Sectors with high social impact.; - increase the offering of green products and services to support the transition of its customers. In 2023, ESG criteria were integrated into credit strategies to direct financing to companies. Operational tools were introduced to assess the ESG profile of companies and help managers identify solutions that meet the real needs of customers. Specific training was provided to managers and specific methods were developed for customer engagement, with a particular focus on customers with high emission intensity per unit of exposure. In addition, the Group is expanding its initiatives to include trade associations and institutions to promote a holistic and structured approach, define partnerships, and establish organisational frameworks to develop specialised services in support of customers committed to the transition process. 2. OPERATIONAL SMART TARGET – Financial Health and Inclusion (Retail Portfolio): The Group will develop appropriate commercial actions to directly involve the target customer group and propose facilitated solutions in terms of pricing.	Links and references *2023 Consolidated Non-Financial Statement*

In relation to the new S.M.A.R.T. Financial Health & Inclusion targets, the Group will develop appropriate commercial actions to directly engage the target customer group and propose facilitated solutions in terms of pricing. 3. OPERATIONAL SMART TARGET - Climate Stability (own activities): The Group aims to reduce its direct environmental impact through initiatives that promote the efficient and socially responsible use of energy. In this context, it has implemented structural monitoring of energy consumption and environmental parameters, which allow it to identify further thermal and energy efficiency initiatives. These measures aim to gradually reduce overall consumption, while also significantly lowering operating costs in recent years by implementing adopting dynamic portfolio management strategies for purchasing. The Group also aims to reduce its emissions, in particular by reducing Scope 1 emissions related to the use of natural gas by 60% compared to 2017 levels, including through the purchase of carbon offsetting credits to compensate for emissions from natural gas use. This objective is also confirmed in the broader goal withing the 2022-26 Business Plan, which aims for a 60% reduction in Scope 1 emissions compared to 2017. The energy policy is overseen by an Energy Manager, who is an expert in Energy Management qualified in accordance with UNI-CEI 11339. The current organisational model ensures compliance with the relevant regulatory obligations and follows the processes defined by the best international standards. 4. OPERATIONAL SMART TARGET - GENDER EQUALITY (own activities): Regarding the Smart Target on gender equality, the Montepaschi Group has implemented a three-year Diversity & Inclusion (D&I) plan with the following objectives: - Promote a climate that legitimises the expression of differences, with actions that support and enhance People; - Spread awareness and culture on diversity topics from an inclusive perspective by publishing Inclusion Guidelines and a Gender Equality Policy, as well a providing specific training to all Bank empoyees; - Establish a committee comprising all HR functions to review the percentage and list of applications received for positions of responsibility on a quarterly basis; - Obtain gender equality certification in accordance with the UNI/PdR 125:2022 reference practice, also included as a strategic objective in the 2022-2026 Business Plan "A clear and simple commercial bank.	

The Bank, consistent with regulatory developments in the field of sustainability, (with reference, for example, to the materiality analysis required by CSRD) has analyzed the potential indirect impacts of the goals set, and with respect to the other areas and objectives of sustainable development is refining its procedures and methodologies in order to and mitigate any negative impacts.	

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	Prima area degli impatti più significativi: *Climate Stability*	Seconda area degli impatti più significativi: *Financial Inclusion*
Alignment	☒ Yes ☐ In Progress ☐ No	☒ Yes ☐ In Progress ☐ No
Baseline	☒ Yes ☐ In Progress ☐ No	☒ Yes ☐ In Progress ☐No
SMART targets	☒ Yes ☐ In Progress ☐ No	☒ Yes ☐ In Progress ☐ No
Action plan	☒ Yes ☐ In Progress ☐ No	☒ Yes ☐ In Progress ☐No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The operational Smart targets mentioned in the previous section are regularly monitored within the Group and brought to the attention of the Top Corporate Bodies as part of ESG initiative monitoring activities. This is done in accordance with the Sustainability Directive and the Gender Equality Policy.

The progress is also reported annually in the Sustainability Report, which is published on the Parent Company's website, as well as in the PRB Report, which is also published on the website. The details are summarised below:

In particular:

1. OPERATIONAL SMART TARGET - Climate Stability (Corporate Portfolio)

Regarding the **Climate Stability - Corporate Portfolio** target, the Group reaffirms its commitment to reducing the climate impact of its portfolio and supporting its customers in their decarbonisation efforts.

To this end, it has defined and adopted credit strategies to align its credit portfolio with the emission reduction trajectories outlined in the Net Zero scenarios and is in the process of developing commercial products to support this initiative. The effects of these activities will be visible from the end of 2024.

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2. OPERATIONAL SMART TARGET – Financial Health and Inclusions (Retail Portfolio): Increase ownership of financial and pension savings plans among retail customers aged 18-35 by 1.2% by the end of 2027. With regard to the **Financial Health and Inclusion** target (Retail Portfolio), the Group reaffirms its ambition to increase the penetration percentage on the identified customer cluster and its commitment to activate the planned actions from the second half of 2024, along with the relevant monitoring. The effects of these activities will therefore be visible from 2025 onwards. 3. OPERATIONAL SMART TARGET - Climate Stability (own activities): - **Objective:** Achieve a 60 percent offset of Scope 1 emissions related to natural gas use in 2025, compared to the 2017 baseline. - **Actions planned**: Reduce emissions from natural gas use through the use of carbon credits and energy efficiency initiatives. - **Results**: For 2023, the Group also offset its Scope 1 emissions from the use of 2 million Smc of natural gas, which is **more than 60% of its total natural gas consumption**, by purchasing VER credits associated with its participation in the Vishnuprayag Hydro-electric Project (VHEP) of Jaiprakash Power Ventures Ltd. The VHEP project involved the construction of a hydroelectric power plant to supply renewable energy to India's electricity grid, which is powered by a mix of hydro, nuclear and fossil fuel plants. The construction of this plant reduced anthropogenic greenhouse gas (GHG) emissions that would otherwise have been generated to supply energy to the grid using fossil fuels (over 70% of the energy in India's northern power grid is derived from fossil fuels). The verification standard adopted for the project is Verra's VCS (Verified Carbon Standard), a global leader in supporting measurable climate action and sustainable development outcomes by driving large-scale investment in activities that reduce emissions, improve livelihoods and protect nature.	

4. OPERATIONAL SMART TARGET - GENDER EQUALITY (own activities):

- **Objective**: Achieve 35 per cent of leadership positions held by the least represented gender by 2023.

- **Actions planned:** Implement actions to support the achievement of this objective in with the "Rules on Inclusion", which has been issued and distributed within the Group since 2023, and in accordance with the Reference Practice UNI/PdR 125:2022 on Gender Equality Certification, which the Group obtained in 2023.

- **Results**: The target was already achieved at the end of 2022, with 35.9% of leadership roles held by the least represented gender, and was confirmed and exceeded at the end of 2023, with 37.0%.

- **Actions taken/Future commitments**: As the Group considers this area a priority, it remains committed to achieving the target of 40% by 2026, as outlined in the 2022-26 Business Plan. In addition, the Gender Equality Policy, which is also available on the Group's website, has been published and distributed throughout the Group, formalising the commitments in terms of valuing diversity and inclusion, equity and equality at all stages of an individual's professional life. To ensure the principles in this document are applied, a set of indicators dedicated to gender equality and D&I issues has been defined and is monitored on a monthly basis. These indicators, which are already disclosed, include the percentage of positions of responsibility, the analysis of the evolution of positions of responsibility and their distribution by gender in the following areas: turnover analysis, salary reviews, professional classifications, performance appraisals, external selection candidates/winners, and training provided.

Principle 3:
Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers[10] in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[11]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

The Group has established a dialogue with its customers and communities through its extensive network of branches, enabling it to identify customers' needs and create specific products aimed at supporting the local economy. Banca MPS has drawn up its own "Group Sustainability and ESG Directive", which defines the organisational model adopted by the Monte dei Paschi di Siena Group to guide the implementation of commitments, models and codes of conduct in accordance with the Code of Ethics, external regulations, Italian and international guidelines and the standards and initiatives to which the Group has voluntarily subscribed in the field of sustainability and ESG.	**Links and references** [2023 Consolidated Non-Financial Statement] [Group Sustainability and ESG Directive]

The MPS Group has therefore established policies and processes that integrate ESG aspects and aim to promote sustainable practices among its customers. In addition to defining roles and responsibilities for managing client relationships and identifying new ESG needs, the ESG Directive introduces ESG lending guidelines and certain phase-out criteria. For high environmental impact sectors, the ESG Directive describes the actions, lending strategies and ESG commercial offerings to support the transition to sustainable and green practices. In addition, the General Screening Criteria have been introduced into the credit processes and standards, applicable to all counterparties and projects, in order to assess their compliance with minimum sustainability criteria deemed essential by the Group and reflected in the Code of Ethics, in line with international, European and national conventions on the subject (ILO). In 2023, the ESG questionnaire for all corporate customers was updated, a tool considered essential for assessing the customer's ESG profile. With this Directive, the Group also aims to promote the culture of Sustainability and increase the level of awareness of the potential impacts these aspects can have on the Group's operational processes. In the area of 'Sustainable Finance', the MPS Group is committed to operating in line with the latest developments in sustainable finance in order to reduce the indirect environmental impacts related to financial activities, taking into account the sustainability profiles of customers, investors and business partners in its financial decisions. Specifically, the Group supports the transition of companies towards sustainable models through products and services with high environmental and social added value, and the gradual introduction of ESG products in the Group's commercial offering. In this context, the MPS Group is committed to not providing financing to counterparties and projects which, during the assessment phase, are found to have a negative impact on: - World Heritage Sites (UNESCO); - Wetlands as defined by the Ramsar Convention; - Protected or sensitive areas for the conservation of biodiversity (IUCN Category I-VI areas).	

[10] A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
[11] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

The Group also commits to not financing companies and projects if, during the due diligence process, there is evidence of legal proceedings relating to:

- Violations of human rights and health and safety regulations;
- Violations of fundamental labour rights, including child labour and forced labour;
- Fraud in financial and non-financial reporting, money laundering, corruption or the financing of terrorism.

In addition to the progressive definition of decarbonisation targets, the Group has established phase-out and/or specific due diligence criteria for the following high environmental impact sectors: "Coal Mining", "Power Generation, Marketing and Distribution" and "Oil and Gas".

Specifically, there is a plan for the phase-out of companies and project financing operating in the following sectors:

- Coal mining
- Marketing and distribution of electricity, if they have plans to build new coal-fired power plants, have more than 30% of energy production from coal, and lack transition plans to achieve 40% renewable energy production by 2030;
- Oil and gas extraction, if they plan to build or expand unconventional oil and gas exploration and production sites (fracking, tar sands, etc.) or generate more than 20% of revenues from activities related to the extraction and transport of unconventional oil and gas, and if they plan to search for and/or build new oil fields and related infrastructure.
-

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

In its role as an active participant and driving force in the transformation of its economic and social environment, the Group is committed to developing and promoting its products and services with environmental and sustainability features. A gradual rollout is planned during 2024. As part of the Sustainability Directive, the Group has defined the characteristics of its ESG commercial offering to expand its range of ESG products, i.e., loans, financing and lines of credited granted to companies and individuals committed to sustainable practices. The ESG products can be categorised into three types, depending on their purpose, requirements and reporting methodology: - Sustainability Linked Loan: any type of financial product that incentivises the customer to achieve ambitious and pre-determined sustainability performance targets; - Green/social Loan: any type of loan exclusively designed to finance or refinance, in whole or in part, new and/or existing "green" projects or projects with a social purpose; - Taxonomy Aligned Loan: a specific type of green loan aligned with the principles and technical requirements of the European Taxonomy; - Ad hoc products in line with national Green/ESG (Sace New Green Deal; Consap Mortgages; Facilitated Loans for Calamity Events, anti-usury credit, etc.). In the first half of 2024, the first Sustainability Linked Loan and the ECO Presto product were made available to the network, adding to the Group's green products, which accounted for 17% of new disbursements in 2023, as reported in the NFS. In addition, to strengthen the commercial offering supporting the sustainable transition of businesses, the issuance of EUR 2.5 billion in green and social bonds is planned by 2026. Of this amount EUR 750 million was issued in the form of Social Covered Bonds in July 2024 (*Banca MPS: successful issuance of the first Social European covered bond (premium) for EUR 750 million and with a 6-year maturity - Banca MPS (gruppomps.it)*).	Links and references *2023 Consolidated Non-Financial Statement*

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders[12] (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

The Bank has always considered it essential to listen to its stakeholders. In 2022, as a result of the evolving concept of sustainability and the growing interest of other stakeholders, our list of stakeholders was updated and expanded. This list is constantly monitored, updated and engaged with in various forms and frequencies. Specifically, the MPS Group's stakeholders have been identified as customers, shareholders, employees, institutions, trade associations, academic representatives, suppliers, analysts, investors and media representatives. During 2022, also in line with the new GRI requirements, an activity was carried out to directly involve qualified stakeholder representatives and sustainability opinion leaders through one-on-one interviews and focus groups.	**Links and references** *2023 Consolidated Non-Financial Statement*

[12] Such as regulators, investors, governments, suppliers, customers and clients, universities, civil society institutions, communities, representatives of indigenous people, and nonprofit organizations

These interviews allowed us to delve into the latest industry trends, understand ESG expectations, assess the material impacts related to the Group's activities, and gather perceptions on sustainability risks and opportunities for financial institutions and the MPS Group in particular. The results of these interviews were shared with the Top Corporate Bodies and taken into account when defining and refining the Group's ESG strategies and objectives. The Group continuously listens to its stakeholders through different channels and frequencies.	

Principle 5: Governance & Cultura

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as•
 remuneration practices linked to sustainability targets.

The **Montepaschi Group's sustainability governance** has been strengthened in line with the evolving concept of sustainability in the external and regulatory context, in which the values of sustainability are increasingly integrated into corporate strategies and activities, supporting the development of business models and policies capable of creating value in the long term.

The shareholders' resolution of 15 September 2022 introduced an **explicit reference to sustainability** directly into the **By-Laws**, reaffirming the Montepaschi Group's commitment to adopting a sustainable development model. Furthermore, in 2022 the Group revised its sustainability governance with the publication of the "**Group Sustainability and ESG Directive**", which defines the MPS Group's areas of commitment in terms of Environmental, Social and Governance Sustainability, and formalises the roles and responsibilities of the

Links and references

[Group Sustainability and ESG Directive]

[2023 Consolidated Non-Financial Statement]

different Corporate Bodies and Functions involved in managing and implementing the processes to achieve the commitments themselves. The Group has embraced the global objectives identified by international bodies to preserve the planet, the community and the interests of future generations (e.g. PRB, NZBA). It has voluntarily subscribed to various sustainability initiatives, incorporating them into its areas of commitment governed by the Sustainability and ESG Directive. The Directive also defines the organisational model adopted by the Monte dei Paschi di Siena Group in order to integrate the principles of sustainability – environmental, social and governance (ESG) – into its strategy, business model, and corporate policies. It identifies sustainable commitment areas according to four directions: strategy, actions and policies, management of risk factors, monitoring and reporting, specifying roles for each function. The **Board of Directors**, as the strategic oversight body, is committed to the pursuit of 'sustainable success' and directs and approves sustainability and ESG strategies, policies, plans and guidelines, as well as the participation in national and supranational sustainability initiatives and the definition of sustainability and ESG goals, including those aligned with the PRB commitments, the publication of relevant annual reports and NZBA targets. The Board also ensures the achievement of objectives and the implementation of strategies, including corrective actions, through regular monitoring. It annually approves the Remuneration Policy, which as of 2023, includes ESG KPIs for determining variable remuneration. It also assesses and approves sustainability reports and ensures their implementation. Furthermore, it ensures that the internal control and risk management framework incorporates the oversight of ESG factors. The BoD is supported by the **Risk and Sustainability Committee – a Board sub-Committee –** in monitoring, evaluating and making decisions on sustainability-related matters, including the definition of targets for PRB purposes. The committee has preparatory, proposal-making and advisory functions, monitoring the Group's performance and positioning in ESG matters. The CEO oversees the sustainability-related activities and measures to be implemented, ensuring and monitoring the achievement of defined objectives. The **Parent Company's Executive Committee**, through the specific ESG and Sustainability session of its meetings, supports the CEO in ensuring strategic and cross-functional guidance by proposing, coordinating activities and resolving critical issues identified in the implementation and monitoring of the strategic framework. The **Chief Financial Officer**, as **Head of Sustainability and ESG,** along with the **Sustainability and ESG Staff Unit** reporting to the CFO, promote the integration of ESG principles in the Group's strategy. They ensure that all	

initiatives undertaken by the various stakeholders are in line with the Group's ESG strategy and are Responsible for drafting and monitoring the Sustainability Plan and ESG objectives, including the PRB and NZBA, as well as all the official Sustainability reports. They also promote a culture of sustainable development within the company and propose participation in emerging initiatives as they arise. According to their respective areas of competence, the Corporate Control Functions develop risk assessment, measurement and management methodologies, in line with the Sustainability strategies and actions included in the Sustainability Plan. The Corporate Functions of the Parent Company and of the Group Companies implement the relevant Sustainability Plan actions and contribute to their monitoring; contribute to the development of a Sustainability-driven culture, the definition of Sustainability strategies and policies, the Sustainability Plan and the NFS; supervise the Sustainability risks falling under their competence; promote the integration of ESG principles in processes, procedures, and IT systems. The Permanent Sustainability Workgroup, consisting of Sustainability representatives from each of the Bank's Divisions, fosters dialogue with corporate structures and oversees the implementation of the ESG programme. It proposes, manages and executes initiatives aimed at achieving Sustainability goals, and helps gather essential information for reporting on the policies implemented and the results achieved, including for Sustainability reporting purposes.	

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

In 2023, **ESG topics were integrated** into the **Performance & Talent Management** assessment system and **Skill Gap Analyses** for all employees in order to identify ESG-related training needs, including ESG risks, and to provide **"customised" training** based on the gaps identified and the roles of the employees. In this context, in 2023, specialised ESG training was centralised in the CHCO department to optimising and standardise the content, in line with the gradual integration of ESG topics in all processes, including the performance assessment process and the definition of training needs (Skill Gap Analysis). In line with the strategy of integrating ESG factors, the Group continued to promote the dissemination of ESG knowledge in 2023. In fact, ESG training was characterised by the introduction of dynamic and customised	Links and references *2023 Consolidated Non-Financial Statement* *2023 Report on the remuneration policy and on compensation paid*

training courses on the MPS Academy platform, the Group's permanent training school. The training was based on roles and skill gap analysis and included the provision of dedicated Learning Cards as well as courses on sustainable finance and investments. These initiatives involved 16,000 resources. Key initiatives included: - Customised ESG training related to skill gap analyses in **Credit and AML/CFT**. Two online courses were offered, with over 10,500 participants enrolled and delivering more than 3,600 hours of training. - Two online workshops on Operational Insights for around 175 credit chain resources. - A Certification programme for **Private banking roles** for 19 people, organised in collaboration with prestigious institutions. The Programme was coordinated by the Italian Association of Private Bankers and saw the participation of university professors, researchers in the field and other representatives of the academic world. - A course for **Auditors** on ESG risk management. - Courses on "Finance and Sustainability: The sustainable investment advisory process" and 'Risks and returns in the world of sustainable investments' as part of the **Mifid 2023 certification**, attended by more than 9,800 people; - participation in workshops and seminars organised by prestigious institutions (ABI, CETIF, KPMG, AIIA, ISPER, AICOM, etc.) for 114 people, delivering more than 650 hours of training. Initiatives, ESG goals and their achievement are also communicated through internal channels. The Group has also enhanced its **remuneration** policy – which is already grounded in the principles of equity and inclusion as a commitment to creating a work environment that values the objective contribution, professional skills and personal qualities of each individual, regardless of gender, age and/or other personal characteristics – by incorporating ESG KPIs to determine variable remuneration for its employees. In particular, the design of the incentive **system** incorporates pre-defined quantitative and qualitative objectives, both financial and non-financial, related to corporate social responsibility. This includes ESG parameters that ensure a continuous link between long-term sustainability, risk-adjusted performance, compliance and remuneration.	

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[13] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Given the growing importance of **ESG risk factors** in the external context, regulations, government policies, stakeholder awareness, and specific initiatives promoted by the ECB – in particular the ECB Guidelines on Climate-related and Environmental Risks (C&E Risks) – the Montepaschi Group is implementing as part of a broader multifunctional ESG programme, the "E-Risk ECB Action Plan". Launched in 2021, this is a multi-year programme of activities, aimed at identifying and measuring climate and environmental risk factors and gradually integrating them into the **Risk Management Framework**. The MPS Group has established a rigorous process for identifying, assessing the materiality and relevance of C&E risks, and defining its **Risk Appetite Statement**. This process explicitly considers climate-related risk factors through the lens of "transmission channel", according to which such risks are significant if they impact traditional financial risks (credit, operational, market and liquidity) already known and addressed in the Group's risk management framework. The approach implemented in 2023 extended the materiality analysis from a single horizon (short-term) to include medium and long-term horizons. This led to the identification of C&E risks as material to the Montepaschi, particularly in the areas of **Credit and Operational risks** (broadly including reputational risks). This is consistent with the findings from the 2022 short-term analyses. For risks deemed material and at least of “medium” relevance, indicators of credit portfolio exposure to environmental/climate factors were defined and included in the Group's Risk Appetite Framework as **Key Risk Indicators** (KRIs) and used in the ICAAP and ILAAP assessments (2023 and 2024). Based on the appetite levels for these indicators and using impact analyses from adverse scenario stress tests conducted in institutional and internal stress testing programmes, a relative tolerance range is determined. Within this range, an operational risk exposure limit is defined and	**Links and references** *2023 Consolidated Non-Financial Statement*

[13] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

assigned to the relevant commercial structures, with the aim of both **containing risk** and **guiding the business** towards **risk reduction and mitigation** through coordinated **commercial and credit initiatives**. When ESG risk limits are exceeded, as with any other managed risk, an escalation process to the top corporate bodies is activated to define tactical or strategic response actions. These actions are designed for a return to within the established limits or at least not to increase the monitored exposure.	

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ SYes ☐ In progress ☐ No

Principle 6:
Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

The information contained in this report refers to the 2023 Consolidated Non-Financial Statement and the Sustainability and ESG Policy of the MontePaschi Group.	**Links and references** *2023 Consolidated Non-Financial Statement* *Group Sustainability and ESG Directive*

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI

☐ SASB

☐ CDP

☐ IFRS Sustainability Disclosure Standards (to be published)

☐ TCFD

☐ Other: ....

The Group prepares an annual Consolidated Non-Financial statement in accordance with GRI standards and Italian and European legislation on sustainability reporting.	Links and references *2023 Consolidated Non-Financial Statement*

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[14], target setting[15] and governance structure for implementing the PRB)? Please describe briefly.

Over the next two years, the Group will work towards achieving its sustainable development objectives by defining lending policies that take these targets into account and by expanding its range of products and services that support our customers in developing sustainable models. As part of the Bank's management activities, the results of the impact analysis will be regularly reviewed to ensure they are consistent with current business and regulatory developments.	Links and references

[14] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
[15] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Embedding PRB oversight into governance

☐ Gaining or maintaining momentum in the bank

☐ Getting started: where to start and what to focus on in the beginning

☐ Conducting an impact analysis

☐ Assessing negative environmental and social impacts

☐ Choosing the right performance measurement methodology/ies

☒ Setting targets

☐ Other: ...

☒ Customer engagement

☐ Stakeholder engagement

☒ Data availability

☒ Data quality

☐ Access to resources

☒ Reporting

☒ Assurance

☐ Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Certifications

INDEPENDENT PRACTITIONER'S REPORT ON LIMITED ASSURANCE OF SELECTED DISCLOSURES REPORTED IN THE PRINCIPLE FOR RESPONSIBLE BANKING REPORT OF THE MONTE DEI PASCHI DI SIENA GROUP FOR THE YEAR ENDED 31 DECEMBER 2023

To the Board of Directors of Banca Monte dei Paschi di Siena SpA

We have undertaken a limited assurance engagement on sections "2.1 Impact Analysis", "2.2 Target Setting", "2.3 Target implementation and monitoring", "5.1 Governance Structure for Implementation of the Principles" (hereinafter also the "Subject Matter") included in the Principle for Responsible Banking Report (hereinafter also the "PRB Report") of the Monte dei Paschi di Siena Group (hereinafter also the "Group") for the year ended 31 December 2023, approved by the Board of Directors of Banca Monte dei Paschi di Siena SpA (the "Bank") on 5 August 2024.

The Subject Matter has been prepared in accordance with the requirements of the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by the United Nations Environment Programme Finance Initiative ("UNEP FI"), as described in the "Introduction" of the PRB Report.

Responsibilities of the Directors

The Directors of Banca Monte dei Paschi di Siena SpA are responsible for the preparation of the Principle for Responsible Banking Report in compliance with the "Principles for Responsible Banking" and with the "Principle for Responsible Banking – Guidance Document" issued by UNEP FI.
The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Principle for Responsible Banking Report that is free from material misstatement, whether due to fraud or error.

Independence of our firm and quality management

We have complied with the independence and other ethical principles of the Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 (ISQM Italia 1), which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm's responsibility

Our responsibility is to express a limited assurance conclusion regarding the compliance of the Subject Matter "2.1 Impact Analysis", "2.2 Target Setting", "2.3 Target implementation and monitoring", "5.1 Governance Structure for Implementation of the Principles" with the requirements of the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by UNEP FI, based on the procedures we have performed. We conducted our work in accordance with "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" (hereinafter also "ISAE 3000 *Revised*") issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. That standard requires that we plan and perform procedures to obtain limited assurance about whether the Subject Matter is free from material misstatement.

The procedures performed were based on our professional judgement and included inquiries, mainly with the Bank personnel responsible for the preparation of the Subject Matter, inspection of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1) Understanding of the internal rules underlying the preparation of the Subject Matter through acquisition and analysis of the relevant internal documentation (policies, procedures, process guides and methodologies);
2) interviews and discussions with the Bank's management to gather information on the reporting and technology systems used in preparing the Subject Matter and on the processes underlying the generation, collection and management of significant qualitative and quantitative information included in the Subject Matter;
3) sample-based analysis of documentation supporting the preparation of the Subject Matter to obtain evidence of the application of the processes put in place to prepare the data and information presented therein;
4) meetings and interviews with the management personnel of the Bank and we performed limited analyses of documentary evidence on the procedures supporting the collection, aggregation, processing and submission of non-financial information to the function responsible for the preparation of the Subject Matter;
5) analysis of the consistency of the information reported in the Subject Matter with the relevant disclosures reported in the 2023 Consolidated Non-Financial Statement approved by the Bank's Board of Directors on 29 February 2024.

Finally, we have obtained a representation letter from management on the compliance of the Subject Matter with the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by UNEP FI and on the reliability and completeness of the information and data contained therein.

The procedures performed were less in extent than those performed in a reasonable assurance engagement conducted in accordance with ISAE 3000 Revised and, consequently, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that sections "2.1 Impact Analysis", "2.2 Target Setting", "2.3 Target implementation and monitoring", "5.1 Governance Structure for Implementation of the Principles" included in the Principle for Responsible Banking Report of the Monte dei Paschi di Siena Group for the year ended 31 December 2023 are not prepared, in all material respects, in accordance with the requirements of the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by UNEP FI.

Florence, 6 August 2024

PricewaterhouseCoopers Business Services Srl

Paolo Bersani

(Partner)