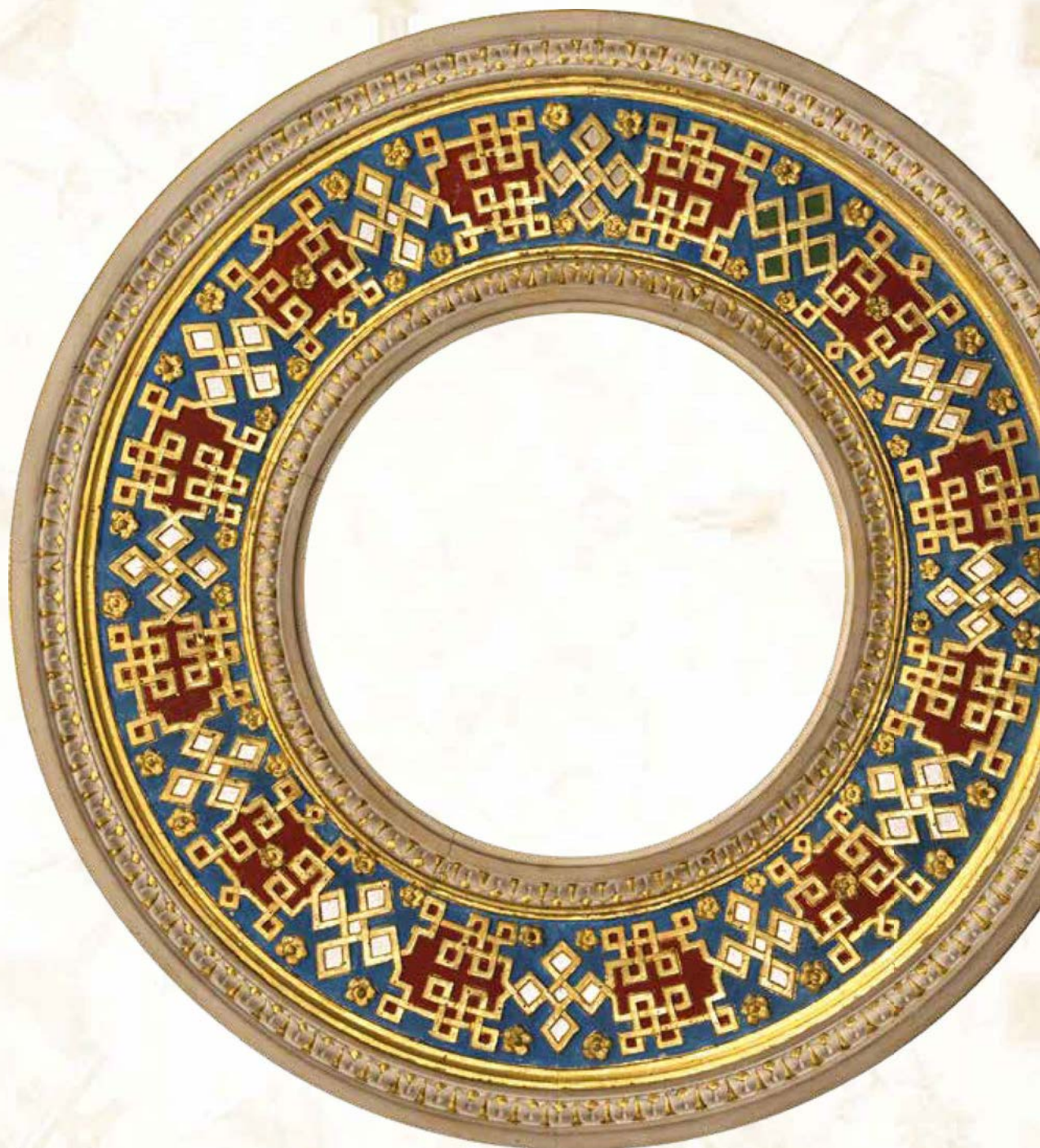
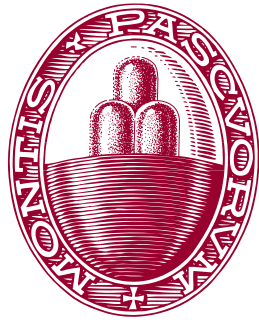




**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472



**Consolidated
Non-Financial
Statement
2019**



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1 Letter to the Stakeholder

Letter to the Stakeholders

For Monte dei Paschi di Siena 2019 was an essential year in its journey towards sustainability.

During the past 12 months we have made important choices and started on new significant avenues. It was the year when we decided to sign, among the first in the world, the Principles for Responsible Banking (PRB) by the United Nations Environment Programme (UNEP). In order to give substance to this commitment and increasingly make sustainability the leitmotiv of our company choices we have consolidated our Governance, also launching an extensive training program.

Joining the PRB was a fundamental step, a commitment we strongly believe in that has cast us inside an international scenario where we believe we can contribute, and from which we can draw further inspiration.

Aware of the profound changes we are experiencing and which our business model needs to anticipate, we have begun to apply this awareness within our practices and processes, starting from a Governance model able to guide our strategic decisions in an increasingly collective way regarding the development of new activities and new projects. An integral part of it has been the vast training program which, starting from the Board of Directors, has been extended to all of the Bank's executive branches by featuring specific courses on issues connected to sustainability.

The activities we have planned and implemented during this year aim at improving our ability to listen to our clients, at simplifying business and at enhancing the wealth of all our employees, in line with the new definition of our strategic identity. In this same perspective the Ethical Code has been reviewed, redefining the values to pursue and the principles, orientation and rules of conduct that the Group commits to in all of its activities. The entire Group contributed to its drafting, so that it would be the result of a collective effort, able to interpret all the different facets of our soul and go deeper within our complex reality.

In 2019 the MPS Group also increased its commitment to the territory, for instance by strengthening the commercial offer connected to farming and the food business, and establishing specific initiatives with the MPS Orienta program to concur in the social objective of preparing the younger generation to the work market with specific courses dedicated to university and college students.

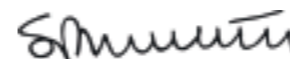
Although we strongly believe in our tradition, we wanted the new challenges related to economy, territory and technology to be increasingly a part of the way we think. Consequently two years ago we launched Officina MPS, an award for start-ups that has allowed us to discover and fund proposals aimed at finding advanced solutions to meet the banking needs of families and businesses. After engaging with over 500 start-ups in Italy, we have now made Officina MPS a structural initiative: a permanent laboratory to integrate the most innovative solutions into our processes and products.

And, as we have always tried to do in our history, we have put our stakes on people, on all the men and women who with unshakeable commitment have worked, and continue to work to relaunch our Bank.


Our Group has been publishing a Social Responsibility Report for almost 20 years, because we strongly believe that the value generated by the Group is represented by a set of factors influencing territories and the social context also in ways which are not strictly financial. This Non-Financial Statement wants to be more than a simple statement: it wants to be a commitment in front of everyone to carry on with this daily work. Knowing well that there are still many steps to be taken on the path towards a truly sustainable development. But they are essential to guarantee a future for ourselves and for everyone else.

Thank you for your time.

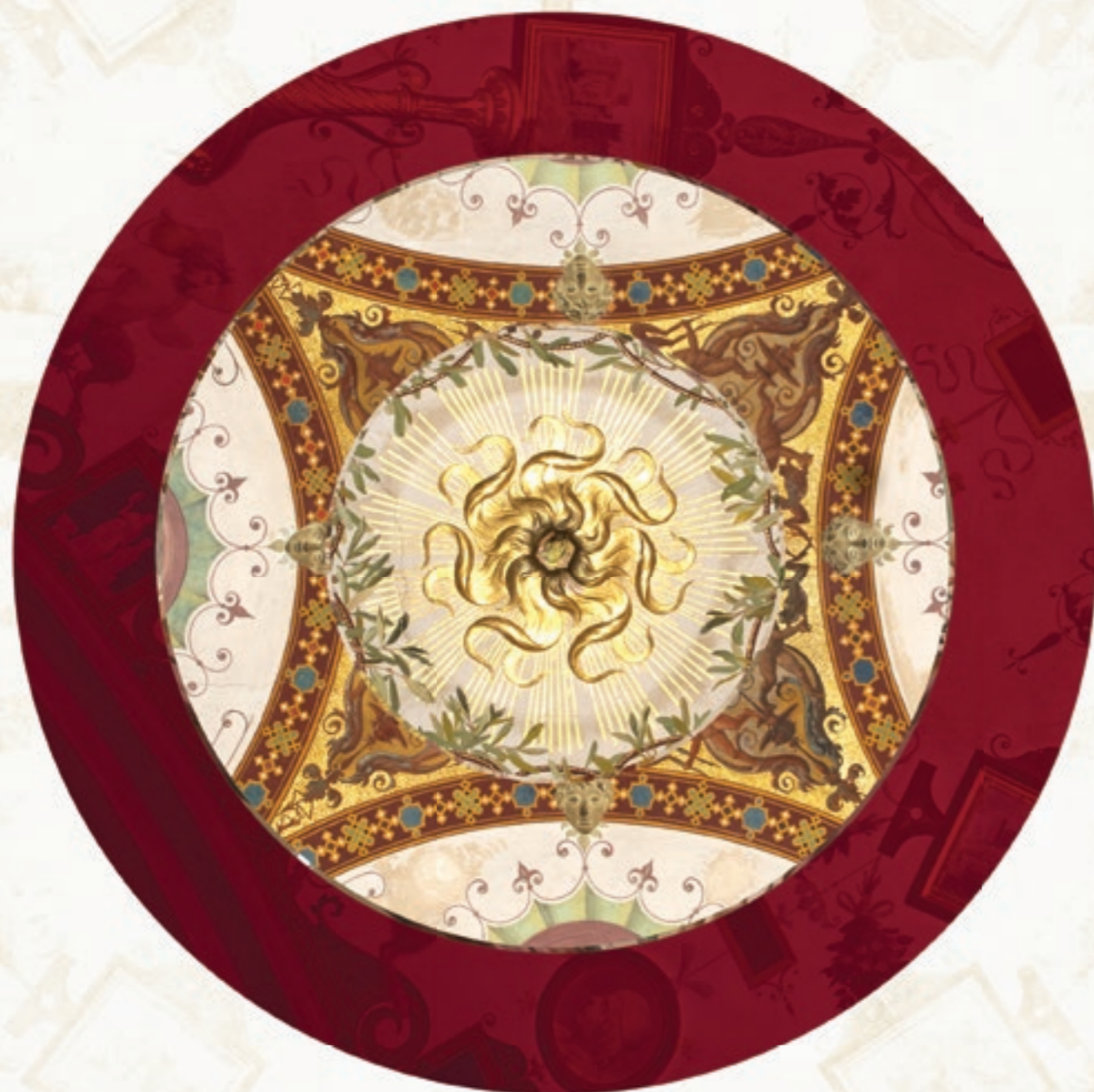
Stefania Bariatti
Chairperson



Marco Morelli
CEO



2 Methodological Note



Methodological Note

Every year the MPS Group draws up its "Non-Financial Statement" in accordance with art. 3 and 4 of D.Lgs. 254/2016 (previous report Non-Financial Statement 2018), to communicate non-financial information useful for ensuring an understanding of the company's performance, its achievements and the positive as well as negative impacts of its activities. The report refers to the period from January 1st 2019 to December 31st 2019. It reports data relative to the previous fiscal years for comparative purposes, as dictated by law, to allow a more comprehensive understanding of the trends of the Group's activities. The reporting standards used to draw up the Non-Financial Statement are the GRI's Sustainability Reporting Standards, published in 2016 by GRI – Global Reporting Initiative; specifically, as per Standard GRI 101: Foundation, paragraph 3, this document refers to the GRI Reporting Standards listed in the "Table of correlations between material issues, GRI Standards and SDGs" included in this document in accordance with the "Core" option. Regarding non-GRI topic "Digitization and Innovation" we opted for the results provided by independent rating "BitSight Security Ratings" relative to the technological infrastructure's security. Concerning information pertaining the use of water resources, we chose to exclude this information because it was not considered necessary to ensure an understanding of the Group's activities and impacts. Considering the limited relevance of dividing data by geographical areas we also decided to avoid this subdivision, despite it being required by some GRIs.

The Non-Financial Statement includes topics deemed relevant, as described in the materiality matrix defined and validated in 2019 through auditing practices by the Group's main stakeholders.

This document underwent limited reviewing by EY S.p.A. The results of the audits conducted in accordance with art. 3 subsection 10 of D.Lgs 254/16 and of Consob Regulation n. 20267 are included in the report by the reviewing body found at the bottom of this document. Verification was carried out according to the procedures listed in the "Report by the reviewing company", included in this document - "limited assurance engagement" according to the criteria listed in the ISAE 3000 Revised principle.

Further information may be requested at sostenibilita@mps.it or writing to our registered office: Piazza Salimbeni 3, 53100 Siena.

GRI 102.21
GRI 102.27
GRI 102.40
GRI 102.42
GRI 102.43
GRI 102.44
GRI 102.46
GRI 102.47
GRI 102.48
GRI 102.49
GRI 102.50
GRI 102.51
GRI 102.52
GRI 102.53
GRI 102.54
GRI 102.55
GRI 102.56

2.1 Stakeholder Mapping

Thanks to surveys and data sharing between management and employees we have been able to identify and list our stakeholders, and keep the list constantly monitored and updated. MPS

Group's stakeholders have been classified as clients, shareholders, employees, institutions, trade associations, academics, suppliers, analysts, investors, and media representatives.

2.2 Materiality Assessment and Materiality Matrix

The materiality assessment was conducted referring to the main national and international standards, and guidelines on non-financial reporting, specifically:

- Communication 2017/C 215/01 "Methodology for reporting non-financial information" by the European Commission (2017)
- Sustainability Reporting Standards by the Global Reporting Initiative (2016)
- AA1000 Stakeholder Engagement Standard (AA1000SES)

The topics' relevance for the Group was evaluated from two points of view – relevance for the company and relevance for the stakeholders – using engagement and survey activities aimed at key representatives, as suggested by the guidelines employed.

The methodology was organized in three phases:

- 1) Identifying potentially relevant topics
- 2) Prioritizing potentially relevant topics
- 3) Selecting relevant topics for the Non-Financial Statement

PHASE 1 - IDENTIFYING POTENTIALLY RELEVANT TOPICS

For the materiality assessment, potentially relevant topics from the previous year were taken into consideration and updated, starting from a benchmark analysis of material topics reported in 2018 by the main players of the Italian banking industry in relation with MPS' 2017-2021 reorganization Plan.

This activity made it possible to update the list of topics potentially relevant for the MPS Group which follows, in continuation with the previous financial year.

5 MACRO-CONTEXTS

SPECIFICALLY, TOPICS HAVE BEEN CLASSED IN FIVE MACRO-CONTEXTS AS FOLLOWS:

CLIENT AND COMMUNITY RELATIONS

- ✓ Customer experience
- ✓ Digitization and innovation
- ✓ Support for people and territories
- ✓ Financial inclusion
- ✓ Support for communities
- ✓ Financial education

THE COMMITMENT TO THE ENVIRONMENT

- ✓ Green banking
- ✓ Direct environmental impacts

STAFF POLICY

- ✓ Protection of human resources
- ✓ Development of human resources
- ✓ Diversity

HUMAN RIGHTS

- ✓ Responsible management of the supply chain

ANTICORRUPTION STRATEGY

- ✓ Integrity in company conduct and anticorruption strategy

POTENTIALLY RELEVANT TOPIC

2018



2019

EMPLOYMENT	PROTECTING HUMAN RESOURCES
PROTECTING WORKERS (HEALTH AND SAFETY)	
WELFARE	
DEVELOPMENT OF HUMAN RESOURCES	DEVELOPMENT OF HUMAN RESOURCES
DIVERSITY	DIVERSITY
CUSTOMER EXPERIENCE	QUALITY OF CLIENT RELATIONS
SECURITY OF SERVICES	
	DIGITIZATION AND INNOVATION *
SUPPORT FOR PMIs	SUPPORT FOR COMMUNITIES
FINANCIAL INCLUSION	SUPPORT FOR PEOPLE AND TERRITORIES
GREEN FINANCE	GREEN BANKING
FINANCIAL EDUCATION	FINANCIAL EDUCATION
THE FIGHT AGAINST CORRUPTION	INTEGRITY IN COMPANY CONDUCT AND ANTICORRUPTION STRATEGY
ENVIRONMENT	DIRECT ENVIRONMENTAL IMPACTS
HUMAN RIGHTS	RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

Topics modified after benchmark analysis

*Topic added in accordance with the MPS plan

PHASE 2 – PRIORITIZING POTENTIALLY RELEVANT TOPICS

In accordance with the above mentioned methodology, in order to prioritize potentially relevant topics and identify those to be included in the Non-Financial Statement 2019, engagement and survey activities were carried out with key stakeholders.

Stakeholder surveys were carried out in two stages: distribution of a survey aimed at 102Managers, with a 79% redemption rate, to determine the relevance of potentially relevant topics from an internal point of view; surveying external stakeholders within the multistakeholder Forum, to determine the relevance of the potentially relevant topics from an external point of view.

Engagement initiatives were then carried out to determine the overall relevance of the topics analyzed and to update the Group's materiality matrix.

During 2019 the MPS Group has intensified surveying activities aimed at external stakeholders by organizing the multistakeholder Forum with the objective of creating an opportunity for meeting and sharing with them. The event was attended by representatives of: institutions, the academic world, the media, suppliers, trade associations, clients and communities.

From this point of view participants were split into three groups according to the context of their activities: environment, community and people, territory and business.

Relevant topics for the Group were analyzed by each of them to establish:

- How much the topics were relevant for the stakeholders;
- How effectively MPS was overseeing a topic in the stakeholders' view;
- What activities the Group could implement to improve its supervision.

Participants were handed a questionnaire to evaluate material topics, with the possibility of assigning to each topic a score between 1

(scarcely relevant/no kind of coverage perceived) and 5 (extremely relevant/coverage evaluated as satisfying and complete).

PHASE 3 - SELECTING RELEVANT TOPICS FOR THE NON-FINANCIAL STATEMENT

Finally a workshop with members of the Bank's Executive Committee was organized in order to communicate the results of engagement activities, presenting the priorities of the Group's materiality matrix and the alignment with the requirements of the stakeholders. The materiality matrix that resulted from the activities described above approved by Top Management is the following



2.3 Area and methods of consolidation

GRI 102.45

SHAREHOLDING IN WHOLLY-OWNED SUBSIDIARIES

The following table lists shareholding in wholly-owned subsidiaries. For information on shareholding in partly-owned subsidiaries and where the Group

is the majority shareholder please refer to the Notes to Accounts of the Consolidated Statement 2019, Section 7, Part B – Information on the consolidated Balance Sheet.

	COMPANY NAME	Centre of Operations	Registered office	Type of relationship (*)	Shareholding relationship		Votes available % (**)
					Shareholder	Share %	
A	COMPANIES						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.a.	Siena	Siena				
	A.1 FULLY CONSOLIDATED						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1	A.0	100.000	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.000	
A.4	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.5	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETÀ AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.000	
A.6	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.7	AIACE REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.8	ENEA REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.9	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI S.c.p.a.	Siena	Siena	1	A.0	99.760	
					A.1	0.060	
					A.2	0.030	
					A.3	0.030	
					A.4	0.030	
						99.910	
A.10	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantova	Mantova	1	A0	100.000	

(*) Type of relationship:
1 = majority of voting rights in the ordinary meeting
4 = other forms of control
(**) Availability of votes in the ordinary meeting, distinguishing between actual and potential

	COMPANY NAME	Centre of Operations	Registered office	Type of relationship (*)	Shareholding relationship		Votes available % (**)
					Shareholder	Share %	
A.11	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
	11.1 MONTE PASCHI CONSEIL FRANCE SOCIÉTÉ PAR ACTIONS SEMPLIFIÉE	Paris	Paris		A.11	100.000	
	11.2 IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.11	100.000	
A.12	MONTEPASCHI LUXEMBOURG S.A. in liquidazione	Luxembourg	Luxembourg	1	A.0	99.200	
					A.11	0.800	
						100.000	
A.13	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.14	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.15	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.000	
A.16	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4	A.0	7.000	
A.17	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.18	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.19	SIENA LEASE 2016 2 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.20	SIENA PMI 2016 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	

(*) Type of relationship:
1 = majority of voting rights in the ordinary meeting
4 = other forms of control
(**) Availability of votes in the ordinary meeting, distinguishing between actual and potential



2.4 Reporting boundary

Variations of the consolidation boundary in relation to the situation on December 31st 2018 are all ascribable to the exit of a few subsidiaries. Details as follows.

EXIT DUE TO COMPANY MERGER

Incorporated company: Perimetro Gestione Proprietà Immobiliari S.p.A.
 Incorporating company: Banca Monte dei Paschi di Siena S.p.A.

EXIT DUE TO COMPANY LIQUIDATION

- Mps Preferred Capital I LLC;
- Mps Capital Trust I;
- Mps Capital Trust II;
- Mps Preferred Capital II LLC;
- Antonveneta Capital LLC I;
- Antonveneta Capital LLC II;
- Antonveneta Capital Trust I;
- Antonveneta Capital Trust II;
- Siena PMI 2015 S.r.l.;
- Siena Consumer 2015 S.r.l.;
- Siena Consumer S.r.l.;
- Consum.it Securitisation S.r.l.;

EXIT DUE TO COMPANY DIVESTITURE

Banca Monte Paschi Belgio S.A.

EXIT DUE TO SECURITIZATION REFUND

Casaforte S.r.l.



The reporting boundary of Gruppo Monte dei Paschi di Siena's Consolidated Non-Financial Statement 2019 includes the holding company and the other companies of the Group that are fully consolidated, excluding the international network and companies listed below. A total of 242 employees have been excluded by the reporting boundary, representing 1.1% of the Group's employees. Therefore this exclusion does not impact on the understanding of company activities. Any further limitations of the reporting boundary, related to single topics or specific GRI indicators, are explicitly mentioned in the document.

Specifically the boundary does not include:

- Monte Paschi Banque S.A. (and its subsidiaries Monte Paschi Conseil France Sociétée Par Actions Simplifiée and Immobiliere Victor Hugo S.C.I.);
- Montepaschi Luxembourg S.A., in liquidation;
- The operational branch in Shanghai;
- The 9 agencies in Algiers, Tunis, Cairo, Istanbul, Mumbai, Moscow, Shanghai, Beijing;
- MPS Tenimenti S.p.A.;
- Magazzini Generali Fiduciari di Mantova S.p.A.

Subsidiaries part of the Group that are not relevant for the statement because they lack an organized operational structure and have no employees of their own, will also be excluded. The companies are: G.IMM ASTOR S.r.l.; AICE REOCO S.r.l.; ENEA REOCO S.r.l.; Mps Covered Bond S.r.l.; MPS Covered Bond 2 S.r.l.; Cirene Finance; Consum.it Securitisation S.r.l.; Siena Mortgages 07-5 S.p.a., Siena Mortgages 09-6 S.r.l.; Siena Mortgages 10-7 S.r.l.; Siena Consumer S.r.l.; Siena Consumer 2015 S.r.l.; Siena PMI 2016.

A more accurate definition of the boundary has resulted in a more appropriate calculation of some of the data reported in the 2018 NFS.

3 Presentation of the Group

Presentation of the Group

Banca Monte dei Paschi di Siena S.p.A., based in Piazza Salimbeni 3 Siena, is a listed joint-stock company, tax code and registration number deposited with the Arezzo-Siena business register 00884060526, VAT grouping MPS-VAT number 01483500524. It is the holding company of the Monte dei Paschi di Siena Group, Bank code 1030.6-Group Code 1030.6, enrolled on Banca d'Italia's register as n.5274, member of Fondo Interbancario di Tutela dei Depositi (Translator's Note: an Italian deposit guarantee fund) and Fondo Nazionale di Garanzia (National Compensation Fund). Banca Monte dei Paschi di Siena S.p.A. is a bank with shares listed on the Electronic Stock Exchange organized and managed by Borsa Italiana S.p.A.

GRI 102.1

GRI 102.2

GRI 102.3

GRI 102.5

GRI 102.10

The Bank carries out its activities by collecting savings and providing credit in its different guises in Italy and abroad. It may carry out all the banking and financial operations and services allowed by current legislation, establish and manage complementary pension funds, and effect any other operation instrumental to or in anyway related to pursuing its business.

As a company listed on the stock exchange BMPS meets all legal requirements related to the issuing of shares within a regulated market; as a bank it is subject to all current legislation, regulations and security requirements applicable to banks and banking groups.

BMPS is a significant bank in terms of dimensions and operational complexity and subject to direct preemptive surveillance by the Central European Bank in accordance to the criteria listed in Security Regulations for banks on corporate governance (Communication n.285 Title IV Cap.1).

BMPS as Holding Company of the Montepaschi Group, heads, governs and unitarily steers the banking, financial and instrumental companies it controls, directing and coordinating the Group according to article 2497-bis of the Civil Code and art. 61, subsection 4 of D.Lgs.n.385/1993- Testo Unico Bancario (TUB) (TN – The Banking Act), and by issuing directives to the companies belonging to the Group, to carry out instructions imparted by the Watchdog in the interest of the stability of the banking Group itself.

As for ownership, according to communications received in accordance with current legislation, and based on other available information, including that found on the official Consob website, the subjects who on 31.12.2019 directly and/or indirectly owned ordinary shares exceeding in total 3% of the Bank's share capital and who do not qualify for exemption as per art. 119-bis of Consob's Issuing Regulations, are the following:

- The Ministry of Economy and Finance: 68.247% Majority Shareholder
- Assicurazioni Generali S.p.A. (*) 4.319%
- Banca Monte dei Paschi di Siena S.p.A. (**) 3.181%

Updated data regarding the Bank's main shareholders is available on <https://www.gruppomps.it/en/corporate-governance/shareholding-structure.html>. In 2019 no changes were made related to i) registered office, ii) Share capital structure including increases and decreases.

(*) Shares held through subsidiaries (Genertellife S.p.A. (0.519%); Alleanza Assicurazioni S.p.A. (1.734%) and Generali Italia S.p.A. (2.066%).

(**) Own shares held by the Montepaschi Group (Banca Monte dei Paschi di Siena S.p.A. (1.886%) and MPS Capital Services Banca for joint-stock companies (1.295%) after actions carried out to strengthen capital as per D.L. n. 237/2016 (as was later modified and ratified as law) and the D.M.s issued on 27/07/2017.

3.1 Corporate Governance

GRI 102.18
GRI 102.22
GRI 102.23
GRI 102.24
GRI 405.1
GRI 102.28

The overall system of company governance refers to current legislation, banking and financial surveillance and the Self-Discipline Code issued by Borsa Italiana, to ensure roles and responsibilities are clearly separated, powers and executive bodies are appropriately balanced, audits are effective, company risks are monitored, information flow is adequate and to guarantee Corporate Social Responsibility.

Specifically the administration and auditing system includes: Board of Directors, Board of Statutory Auditors, Shareholder's meetings. Also present: a CEO also acting as Managing Director, and four Committees within the Board: the Appointments Committee, Remuneration Committee, Risk Committee, and the Committee for transactions with related parties.

BOARD OF DIRECTORS

In conformity with the Supervisory Provisions for governance in banks, both in case of a renewal of the entire board, or in case co-optation is carried out due to the removal of members while serving their term, the Board of Directors activates the procedures necessary to pre-emptively identify the composition as seen best in quality and quantity by the board, by drawing up and justifying, with the support of the Appointments Committee, a theoretical profile of the candidates that meets the objectives set out in the aforementioned provisions. In the case of a renewal of the entire board, the Bank will publish on its website, and store within its registered office and the market management company, the results of evaluations on the quality and quantity of its own composition, and the theoretical profile of the candidates deemed most appropriate to its ends, in good time so the stakeholders may take it into account before choosing candidates. After the appointments have been made the Board will verify the correspondence between the quality and quantity of its composition as envisaged before the appointments, and resulting after the appointments or cooptation

process, as well as the qualifications and suitability of the candidates appointed.

The appointment of members of the Board occurs by voting a list of candidates put forward by the partners, according to the procedure laid out in art. 15 of the Statute, as illustrated below.

In each list at least two of the candidates specifically mentioned – or the only candidate or at least one third of the candidates listed if the list includes more than six of them – must have the independence requirements legally needed for statutory auditors, as well as the rest of independence requirements envisaged by the Self-Discipline Code. In a case where a third of the list does not result in a whole number, the result will be rounded up to the next integer.

In accordance with current legislation on gender balance¹, the lists must include candidates of different genders.

The lists may not include candidates who are 75 years old or older on the date of the meeting held to renew the body, and follow age limitation guidelines to be applied for the Chairman of the Board (70) and CEO (67).

The following must be handed in with the lists: (i) statements by each candidate accepting their nomination and attesting in good faith there are no causes making them unelectable or incompatible with the position, and possession of any requirements eventually held necessary for the position by current legislation and regulations; (ii) Statements by the candidates listed as independent, attesting they possess all the independence requirements needed; (iii) Each candidate's Curriculum Vitae describing their personal and professional characteristics and listing any other administrative or auditing positions held in other companies.

Every shareholder may present or be part of one sole list, and every candidate may be part of one sole list, or he/she will be considered ineligible.

Only partners who, alone or with other partners,

own at least 1% of the Bank's share capital, or possess voting rights in the Ordinary Meeting, that is, a different percentage applicable in accordance with current provisions, may present lists.

Lists presented without meeting statutory obligations may not be voted for.

Each voter may vote for one sole list.

In accordance with art. 15 of the Statute, the election of board members is carried out as follows:

- a) a number of trustees representing the total number to be elected minus three will be extracted from the list that obtains the majority of votes, in the same order as they are listed, that is, the smallest number of trustees exhausting all the candidates included in the list;
- b) remaining trustees are chosen from the other lists; to do so the number of votes obtained by the lists are successively divided by one, two, three, four, and so on according to the number of trustees still to be elected. The numbers obtained are progressively assigned to the candidates of each list, following the order respectively envisaged for them. The quotas thus assigned to the candidates of the different lists are then listed in decreasing order.

The candidates with the highest quotas are elected. In any case, also if as an exception to the above, at least one trustee will have to be chosen from the minority list that got the most votes and is not in any way connected, not even indirectly, to the subjects who have presented or voted for the list that obtained the highest number of votes.

To the ends of dividing the trustees to be elected, the Bank's Statute does not exclude the lists that have not obtained a percentage of votes at least equal to half of that required by the Statute in order to present the lists themselves (see art. 147-ter, subsection one, TUF – TN: DL n. 58, 24 February 1998), that is, at least 1% of the Bank's Share Capital with voting rights in the ordinary meeting.

If after the vote at least one third of the trustees in possession of the required independence features has not been elected, the necessary number of non-independent candidates who have come last among the elected will be replaced with the

independent candidates – taken from the same lists that included the candidates replaced – who have achieved the highest quota.

The candidate replaced to allow the appointment of the minimum number of independent trustees cannot be the trustee taken from the minority list that obtained the highest number of votes and which is in no way connected, even indirectly, with subjects who have presented or voted the list that achieved the majority of votes; in this case the non-independent candidate with the second from last quota will be replaced.

Moreover, if the application of the above procedures falls outside of what is permitted by current legislation on gender balance, the vote quota to be assigned to each candidate taken from the lists will be calculated dividing the number of votes obtained by each list by the progressive order number assigned to each candidate; the candidate belonging to the most represented gender with the lowest quota among the candidates taken from all the lists, will be replaced by the candidate belonging to the least represented gender who has achieved the highest quota taken from the same list of the replaced candidate. If candidates from different

(1) Following new legislation introduced by Law n.160/2019 (known as the financial statement law) the minority gender must reach a minimum share of 2 out of 5 members of the Board (rounded off by excess) and 2 out of 5 of the actual auditors (rounded off by defect)



lists have achieved the same quota, the candidate belonging to the list from which the highest number of trustees have been chosen will be replaced, alternatively, by the candidate taken from the list that has achieved the lowest number of votes, and if the number of votes is the same, by the candidate who receives less votes by the shareholders in an ad hoc vote.

If the application of the above procedures, because of a lack of independent replacement or a lack of replacements belonging to the minority gender, fails to appoint the minimum number of trustees necessary to achieve the minimum required number of independent trustees and trustees from the minority gender, the shareholders' assembly will elect the missing trustees with a simple majority vote based on candidacies presented at the time, prioritizing subjects who have presented the list from which the candidate or candidates to be replaced were taken.

To appoint trustees who for whatever reason could not be elected through the process described above, the shareholder's assembly may deliberate in accordance with legal majorities, and following all criteria pertaining to independent trustees and gender balance envisaged by current legislation and the Statute.

To replace trustees leaving their post during their term of office, legal obligations stand, in accordance with all criteria pertaining to independent trustees and gender balance envisaged by current legislation and the Statute.

INTERNAL BOARD COMMITTEES

In accordance with current relevant legislation, the Statute requires the establishment of committees within the Board with consultative and propositional functions, made up of 3 to 5 trustees, all non-executive, the majority of which independent; the presence of at least one trustee elected by minorities (if present) must be ensured in at least one committee.

Committee members are appointed by the Board which assigns to committees functions envisaged by the Statute and the Self-Discipline Code, all in accordance with the criterion of separation

of specialist functions as envisaged by current Supervisory Provisions for banks pertaining to company governance (which require three separate committees to be established specializing in appointments, remuneration and risk).

Regarding requisites required from members of committees, beyond independence and non executive status, as defined by the Statute and applicable legislation, further specific skills are required for at least one member of the Remuneration Committee (adequate knowledge and experience of finance or of remuneration policy, to be evaluated by the Board at the time of appointment) and for members of the Risk Committee all the knowledge, skills and experience necessary to fully understand and monitor the Bank's strategy and approach to risk, and for at least one Committee member, adequate experience in accounting and finance or risk management).

Each Committee appoints its own Chairman chosen among independent trustees, whose duty will be to call and chair meetings.

INTERNAL BOARD COMMITTEES

THE STATUTE REQUIRES:



- ✓ **the institution of committees with consultative and propositional functions (made up of 3 to 5 trustees, all non-executive, the majority of which independent)**
- ✓ **at least one trustee elected by minorities (if present) in at least one committee**



COMMITTEE MEMBERS ARE APPOINTED BY THE BOARD

REQUISITES REQUIRED FROM COMMITTEE MEMBERS ARE:



- ✓ **independence**
- ✓ **non executive status**
- ✓ **specific skills:**
 - adequate knowledge and experience of finance or of remuneration policy (from at least one member of the Remuneration Committee)
 - all the knowledge, skills and experience necessary to fully understand and monitor the Bank's strategy and approach to risk (for all members of the Risk Committee)
 - adequate experience in accounting and finance or risk management (for at least one member of the Risk Committee)



Each Committee appoints its own Chairman chosen among independent trustees, whose duty will be to call and chair meetings.

INTERNAL BOARD COMMITTEE COMPOSITION

**Current Committees are all made up of members of the board
(a part from the Risk Committee made up of five auditors)
all non executive, the majority of which independent**



APPOINTMENTS COMMITTEE

Currently includes:

- ✓ **Maria Elena Cappello** (Chairman, independent)
- ✓ **Stefania Petruccioli** (independent)
- ✓ **Salvatore Fernando Piazzolla**
- ✓ **Antonino Turicchi**
- ✓ **Giorgio Valerio** (independent)



REMUNERATION COMMITTEE

Currently includes:

- ✓ **Fiorella Kostoris** (Chairman, independent)
- ✓ **Maria Elena Cappello** (independent)
- ✓ **Marco Giorgino** (independent)
- ✓ **Roberto Lancellotti** (independent)
- ✓ **Nicola Maione** (independent)



RISK COMMITTEE

Currently includes:

- ✓ **Marco Giorgino** (Chairman, independent)
- ✓ **Roberta Casali** (independent)
- ✓ **Roberto Lancellotti** (independent)
- ✓ **Angelo Riccaboni** (independent)
- ✓ **Antonino Turicchi**



COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

Currently includes five trustees, all independent:

- ✓ **Angelo Riccaboni** (Chairman)
- ✓ **Fiorella Kostoris**
- ✓ **Nicola Maione**
- ✓ **Stefania Petruccioli**
- ✓ **Michele Santoro**

INTERNAL BOARD COMMITTEE COMPOSITION

APPOINTMENTS COMMITTEE

Currently the Appointments Committee is made up of five, non executive members of the Board, the majority independent: Maria Elena Cappello (Chairman, independent), Stefania Petruccioli, Salvatore Fernando Piazzolla, Antonino Turicchi and Giorgio Valerio (independent).

REMUNERATION COMMITTEE

Currently the Remuneration Committee is made up of five, independent, non executive members of the Board: Fiorella Kostoris (Chairman, independent), Maria Elena Cappello (independent), Marco Giorgino (independent), Roberto Lancellotti (independent) and Nicola Maione (independent).

RISK COMMITTEE

Currently the Risk Committee is made up of five, non executive members of the Board, the majority independent: Marco Giorgino (Chairman, independent), Roberta Casali (independent), Roberto Lancellotti (independent), Angelo Riccaboni (independent) and Antonino Turicchi.

COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

Currently the Committee for transactions with related parties is made up of five, independent, members of the Board: Angelo Riccaboni (Chairman), Fiorella Kostoris, Nicola Maione, Stefania Petruccioli, e Michele Santoro.

BMPS's Chairman of the Board has not received a management mandate from the Board, nor does he fulfil a specific role in developing company strategies; further, he is not the Chief Executive Officer, or the majority shareholder of BMPS.

As envisaged by Board of Directors Regulations the Chairman promotes the effective functioning of the company governance system and acts

as a representative with internal auditing bodies and committees. The Chairman of the Board also promotes internal communication and ensures powers are balanced, in accordance with the duties he is invested with by the Civil Code and the Statute. On December 17th 2019, the Board of Directors, on request by the independent trustees, has unanimously designated – the interested party having abstained from the vote – independent trustee Marco Giorgino, as the Bank's Lead Independent Director.

The acting Board of Directors, composed of 14 members, will be in office until the date of the meeting to approve the statement for the year up to 31 December 2019.

Here follows a list of the trustees in office on 31 December 2019:

- President **Stefania Bariatti**
- Vice President **Antonino Turicchi**
- CEO **Marco Morelli**
- Trustee **Maria Elena Cappello (*)**
- Trustee **Roberta Casali (*) (1)**
- Trustee **Marco Giorgino (*)**
- Trustee **Fiorella Kostoris (*)**
- Trustee **Roberto Lancellotti (*)**
- Trustee **Nicola Maione (*)**
- Trustee **Stefania Petruccioli (*)**
- Trustee **Salvatore Fernando Piazzolla**
- Trustee **Angelo Riccaboni (*)**
- Trustee **Michele Santoro (*)**
- Trustee **Giorgio Valerio (*)**

In accordance with Banca d'Italia's Supervisory Provisions only Dott. Marco Morelli, as CEO and Managing Director, is an executive trustee, all the other members of the Board are non-executive.

(*) Independent trustee in accordance with TUF and the Self-Discipline Code (art.15 of the Statute).

(1) Appointed by co-optation at the Board meeting held on 12 July 2018 and confirmed by the meeting held on 11 April 2019, to replace trustee Giuseppina Capaldo, stepping down as of 4 May 2018.

Of 14 trustees in office 10 are in possession of the independence requirements envisaged by the Bank's Statute⁽²⁾: Maria Elena Cappello (Chairman of the Appointments Committee); Roberta Casali; Marco Giorgino (Chairman of the Risk Committee and Lead Independent Director); Fiorella Kostoris (Chairman of the Remuneration Committee); Roberto Lancellotti; Nicola Maione; Stefania Petruccioli; Angelo Riccaboni (Chairman of the Committee for transactions with related parties); Michele Santoro and Giorgio Valerio. The Chairman of the Board Stefania Bariatti and Trustee Salvatore Fernando Piazzolla, in accordance with their own statements, have been deemed independent in accordance with the TUF, but not in accordance with the Self-Discipline Code so, in 2018 and 2019, have not been deemed independent in accordance with the Bank's Statute.

The Board of Directors in office proves then to be composed of a majority of independent trustees (10), a quota amply exceeding the minimum of one third envisaged both within the Self-Discipline Code for issuers listed in the FTSE-Mib index and the Statute. Results of the annual requirement verification will be reported within the Company Governance and proprietary assets report.

Regarding mandates, the Bank's Chief Executive Officer is invested with proposition and deliberation powers, in accordance with the Statute and what has been decided by the Board, as well as the power to execute decisions taken by the Board itself (for details please see Company Governance Report).

Other appointments within listed companies and significant engagements for each representative are listed as follows:



Name	Appointment in BMPS	Number of posts or activity
Stefania Bariatti	President	- n. 1 appointments in listed companies - Vice President of the Board of ABI - University Professor - Solicitor at Studio Legale Chiomenti
Antonino Turicchi	Vice President	n. 1 appointments in listed companies
Marco Morelli	CEO/Managing Director	- Member of the Board of Università Luiss di Roma - Member of the Board of ABI - Vice President of Fondazione Onlus Gino Rigoldi - University Professor
Maria Elena Cappello	Trustee	n.3 appointments in listed companies
Roberta Casali	Trustee	//
Marco Giorgino	Trustee	- n. 2 appointments in listed companies - University Professor
Fiorella Kostoris	Trustee	Specialized Courses Lecturer at Università Luiss
Roberto Lancellotti	Trustee	- n.1 appointments in listed companies. - Member of Comitato di Indirizzo della Fondazione Welfare Ambrosiano
Nicola Maione	Trustee	- n. 1 appointments in listed companies - Professional attorney. - Member of the Board of ABI
Stefania Petruccioli	Trustee	- n.3 appointments in listed companies - Member of the Board of ABI
Salvatore Fernando Piazzolla	Trustee	//
Angelo Riccaboni	Trustee	- Member of the Board of Università Milano Bicocca - University Professor - President of Fundacion PRIMA - President of Fondazione Sclavo - Member of the Board of Fondazione Smith Kline - Member of the Steering Committee of the Santa Chiara Lab Innovation Center at Università di Siena
Michele Santoro	Trustee	Professional notary
Giorgio Valerio	Trustee	n.1 appointments in listed companies

(2) Regarding independence requirements the Bank's Statute (art.15) refers to independence requirements envisaged for Statutory Auditors by the law, and to further independence requirements envisaged by the Self-Discipline Code.

Regarding the balance of powers, the level of representation is on average higher than that envisaged by primary and supervisory legislation, and in accordance with the average level in other

listed Italian companies: 5 out of 14 trustees are female, including the Chairman of the Board, with an inferior level of representation of 35.71%.

mainly the Board's structure and composition, also regarding the skills of the trustees; the Board's operation, including the number of meetings, their length and management; the completeness and promptness of delivery of information supplied to the Board to prepare its meetings; the internal climate of the Board, and the way meetings and decision-making are conducted; the role of the Chairman; the adequacy of the amount of time dedicated by the Board to discussing all the topics relevant to the Bank, including risk auditing and management, and long-term strategies; the functioning of Committees, including the definition of their mission, their autonomy and authority; the effectiveness of their activities supporting the Board; relations with top management and the knowledge of it by the trustees; the evaluation expressed by trustees of the work carried out by themselves within the Board and of their contribution to Board discussions and decision-making processes; the sensitivity of all the members of the Board to the topics and principles relating to correct governance. Within self-evaluation of the fiscal year 2019 the topic of sustainability was also addressed. The Board Review is conducted with the support of a questionnaire drawn up by the advisor in collaboration with the Bank's company administrative office and handed out to each trustee; the topics addressed in the questionnaire are then examined further through direct interviews conducted by the advisor with each Board member. Usually the advisor carries out a comparison (benchmark) on a national and international level with other listed banks. The comparison with banks takes as reference benchmarks regarding the composition of the different boards (more specifically the number, diversity, average age and professional activities of the trustees), the number of executive and non-executive trustees, the professional background of non-executive trustees and the conduction of their respective board reviews. At the end of the review the advisor compiles a report on the results achieved, highlighting the strengths and areas of improvement of the Board

of Directors, and puts forward possible actions to be implemented for the attention of the Board. Information on the self-evaluation process is available in the Company Governance and Proprietary Assets Report.

INDICATORS - DIVERSITY

GRI 405.1

Diversity in governance bodies and among employees	2019	2018	2017
FEMALE MEMBERS OF GOVERNANCE BODIES (n.5-35.7%)			
AGE GROUPS (% of the total number of trustees)			
Up to 30	0 (0%)	0 (0%)	0 (0%)
31 to 50	0 (0%)	1 (7%)	2 (14%)
Over 50	5 (36%)	4 (29%)	3 (22%)
MALE MEMBERS OF GOVERNANCE BODIES (n.9-64.3%)			
AGE GROUPS (% of the total number of trustees)			
Up to 30	0 (0%)	0 (0%)	0(0%)
31 to 50	2 (14%)	2 (14%)	2 (14%)
Over 50	7 (50%)	7 (50%)	7 (50%)

Out of 14 Trustees in office 10³ were put forward as candidates from the majority list presented by majority shareholder Ministry of Economy and Finance, and 3³ from the minority list presented by partner Generali Investments Europe S.p.A. – Savings Management Company, on behalf of shareholders Genertellife S.p.A., Alleanza Assicurazioni S.p.A. and Generali Italia S.p.A.. Ms. Casali was appointed trustee through co-optation as per art. 2386 c.c. and confirmed by the Assembly on 11 April 2019 following a proposal by the Board of Directors.

Every year the Board of Directors, in line with international best practice and obligations envisaged by the Self-Discipline Code, the Supervisory Provisions for banks regarding company governance, its own Regulations and the regulations pertaining to the process of self-evaluation, carries out its own self-evaluation and an evaluation of the Internal Board Committees,

regarding the previous fiscal year ("Board Review"), with the support of independent consultancy firms specializing in corporate governance and board effectiveness (hereinafter "advisor"). As also envisaged by its own "Self-Evaluation Process Regulations", the Chairman of the Board of Directors ensures the Self-Evaluation Process is carried out effectively; he/she also makes sure the manner the process is conducted is appropriate for the level of complexity of the Board's activities; he/she also ensures envisaged corrective measures are implemented to approach possible deficiencies identified during the self-evaluation process. The Appointments Committee also takes part in the process, both in selecting an external advisor and during the board review. The objective of the Board Review is to verify the overall operation and functioning of the Board and of the Committees to highlight strengths and weaknesses and possible areas of improvement. The topics subjected to the Board Review are

(3) Marco Morelli, Antonino Turicchi, Maria Elena Cappello, Stefania Bariatti, Salvatore Fernando Piazzolla, Nicola Maione, Roberto Lancellotti, Giuseppina Capaldo, Angelo Riccaboni, Michele Santoro and Fiorella Kostoris.
 (4) Marco Giorgino, Stefania Petruccioli e Giorgio Valerio.



3.2 Strategy and Identity

Broadly the strategy of the MPS Group must necessarily follow the strategy illustrated in the Reorganization Plan approved by the European Commission on July 4th 2017, and be formally monitored by the European Commission itself.

But in pursuing this strategy the Group is committed to combining the **necessities** of the Reorganization Plan with the **aspirations** of a relaunch plan able to balance the pursuit of the company's short-term objectives with the creation of value sustainable in the long term, through the resources, relations and actions which define the way it is and the way in which it operates.

The new Strategic Identity (SI), emerged from the need to build a possible identity coherent with the Bank's strategy, appropriate for current

perceptions and the expectations of its employees and of its external targets (clients, opinion makers, competitors,...), is a set of values drawing strength from the organization's deepest, most intangible, emotional and sentimental levels, which may be perceived through a plan made of clear actions, easily recognized by everyone. It is founded on four fundamental paradigms: Simplicity, Innovation, Wellbeing and Listening, accompanied by three key concepts: Beauty, Places and Sustainability.

THE NEW STRATEGIC IDENTITY (SI) IS FOUNDED ON FOUR PARADIGMS:



SEMPPLICITY



INNOVATION



WELLBEING



LISTENING

These are accompanied by three key concepts:



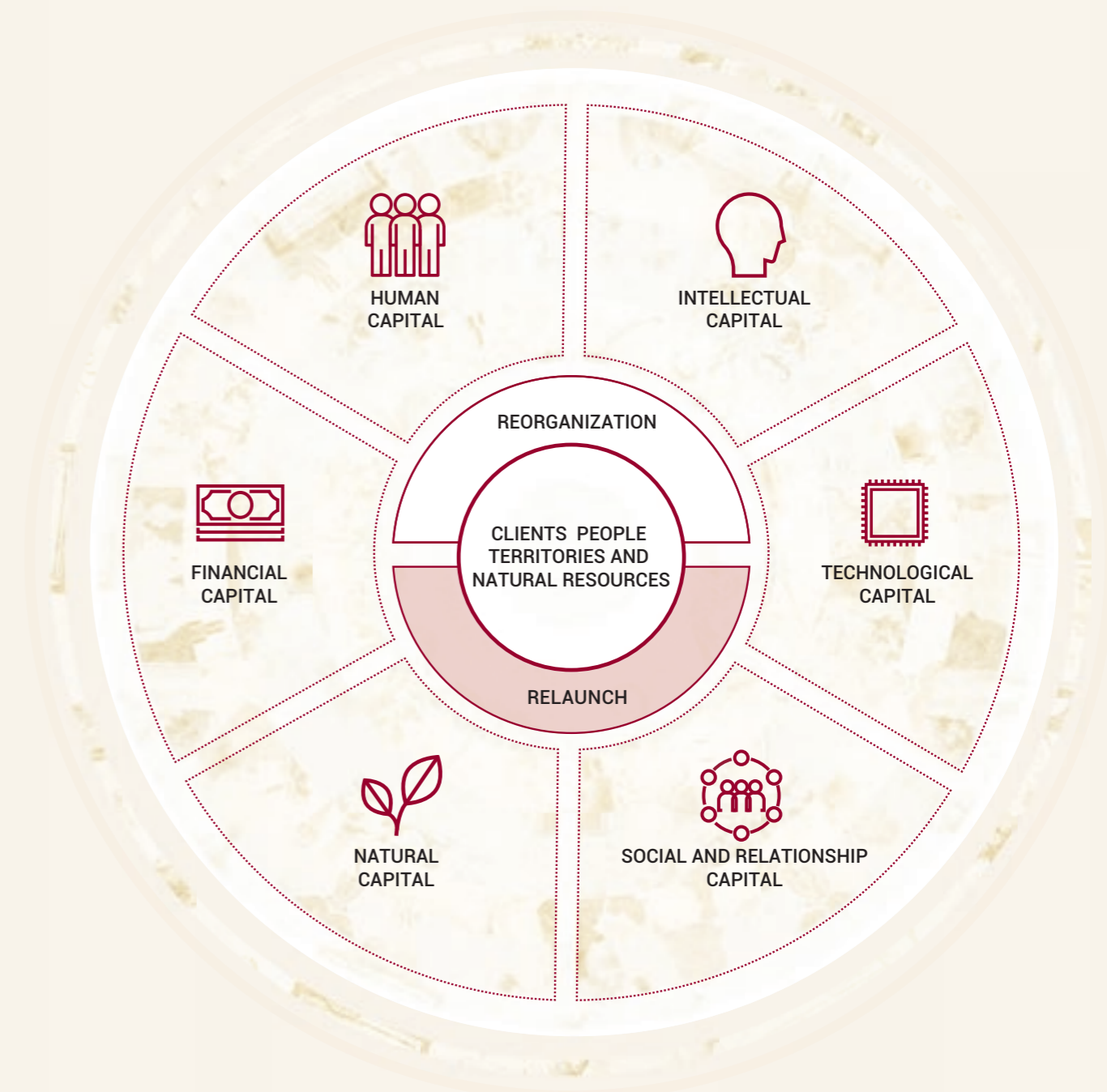
SUSTAINABILITY



BEAUTY



PLACES



3.3 Sustainability Governance and training

The projects carried out aim at improving our ability to listen to our clients, and simplifying the business and wellbeing of our people, by offering a tangible example of our strategic identity "in action". In this same perspective a process to improve governance is also ongoing, continuing from the important steps taken in 2018, which entailed a review of the Ethical Code, with new definitions of the values we pursue, and the principles, approaches and rules of conduct that the Group commits to follow in every activity.

Conscious mediation between necessity and aspiration has found in **innovation** a keystone element, useful to best serve our clients: we entrust ourselves to the skills and conduct of our people called to work within their reference territories respecting the existing natural resources, the UN's Objectives for Sustainable Development and the Principles for Responsible Banking.

In a framework of a sustainable relaunch these skills have been enhanced by a new awareness, through training activities on sustainability which involved the Board of Directors itself and all the Bank's Managers, with the aim of reaching all the company's employees.

From the point of view of commercial business, the relaunch process is moving through the initiatives of the "Pegasus Program" which started at the end of 2018 with a two-year deadline and which in 2019 has produced a significant renewal of the Holding Company's organizational model, focused on simplifying models and processes, listening to clients, implementing a digital transformation, supporting people and companies and reorganizing Human Resources.

The innovations achieved, and those still to come, emerge from the need to define a mediation between business and development and are founded on a newfound attention to the resources and relations which characterize the process of creating value. Pursuing the company's short-term objectives whilst preserving the creation of value in the long term requires a **plan for sustainable growth** able to combine reorganization and relaunch by leveraging and fuelling the resources and relations that make up the **Financial, Technological, Human, Intellectual, Social and Relationship, and Natural capital**, which is the foundation of the MPS Groups' business model. In 2019 the appreciation, use and valorization of these capitals allowed us to strengthen our awareness and the skills we share everyday with the Clients, People and Territories which define the social, economical and environmental context we are proud to operate in.



The Board of Directors keenly follows sustainability issues, which have become strategically relevant to promote sustainable and transparent business choices over time, to build an integrated company strategy that may pursue not only capital economic and financial aims but also human, social relational and environmental objectives.

Beyond expressing its views on sustainability issues every time it has to consider a proposal, the Board approves the Non-Financial Statement, so it is responsible for the accuracy of the information reported within it, including sustainability risk management. Regarding the issue of sustainability, the Board is supported by the Risk Committee who specifically follows the issue and examines documents beforehand. The Non-Financial Statement is checked by the Board of Statutory Auditors before it is definitively approved together with the Consolidated Balance by the Board of Directors. In November 2019 the Board assigned the management of all of MPS Group's sustainability issues and the task of drawing up the Non-Financial Statement to the Communications, Institutional Relations and Sustainability Department. In May 2019 internal regulation "Drafting the Non-Financial Statement" came into force to regulate all the activities aimed at redacting the Non-Financial statement. It specifies the roles of each directorship and its representatives within the Sustainability Workgroup and defines in detail tasks and supervision activities to be implemented in redacting the document.

Regarding diversity, this issue also impacts governance so in 2011 new legislation was introduced (law 120/2011 a.k.a. Legge Golfo Mosca or "legge sulle quote rosa") to ensure gender balance is respected in forming bodies within listed companies, to bring the number of those belonging to the minority gender to at least one third of the total number of members. These provisions had a time limit of three mandates so in 2019 new legislation on gender balance was approved (Law n.160/2019) establishing a higher minimum number, nominally

two fifths, that the minority gender must achieve within the composition of company bodies for at least six mandates.

As highlighted also by the Self-Discipline Code (July 2018 edition), gender diversity regulation has resulted in a significant increase in female representation within administrative and management bodies in listed companies, and has contributed to sensitizing issuers and their shareholders on the issue of "gender diversity" as a value to be promoted and safeguarded to ensure a more effective operation of the bodies themselves.


The Self Discipline Code recommends listed companies apply diversity criteria, also based on gender, in the composition of company bodies, "respecting the primary objective of ensuring adequate skills and the professional level of its members", indicating a minimum percentage of one third for the minority gender within the Board of Directors and the Board of Statutory Auditors, both at the time of their appointment and during their time in office, as to voluntarily pursue the preservation of the effects of the "Golfo-Mosca" law, through the instrument deemed as the most appropriate, that is, the statute and or political clauses regarding diversity and/or shareholder orientation.

The extension of regulations on gender diversity was also deemed positive by Consob who considers the extension may help to allow women who are gathering experience in the governance of listed companies, to achieve the professional skills necessary to access chief executive or representational roles.

Banca Monte dei Paschi di Siena S.p.A.'s current Corporate Bylaws contains specific provisions on gender diversity in art. 15 for the Board of Directors and in art. 25 for the Board of Statutory Auditors, essentially calling for the compliance to current applicable legislation⁵, both at the time of appointment, including supplementary criteria if the minimum percentage is not achieved by the list voting method, and during its time in office, in the case of replacements which have to be implemented in accordance with applicable legislation.

GRI 102.19
GRI 102.26
GRI 102.29
GRI 102.31
GRI 102.32
GRI 102.48
GRI 103.1

(5) Statutory clauses aimed at respecting gender balance, according to the principles sanctioned by Law 120/2011 (Legge Golfo-Mosca) and introduced in art. 147 - ter and 148 of the TUF, were applied for the first time on the occasion of the renewal of the Bank's company bodies decided by the Shareholders' Meeting held on 16 April 2015



TRAINING ON SUSTAINABILITY:

“THE INTEGRATION OF SUSTAINABILITY
IN BUSINESS OCCURS BY INVOLVING
PEOPLE”

In 2018 the MPS Group started to define its governance of sustainability by establishing a permanent Workgroup and updating top management on the main material ESG (Environmental Social and Governance) elements. This process continued in 2019 as a training programme called “The integration of sustainability in business occurs by involving people” began, with the intention of spreading awareness of ESG issues and including them in the Group’s activities.

During this first year people were trained to take up decision-making posts able to promote this integration, and at the same time to spread the acquired knowledge within the areas and sectors supervised.

The programme started in July with an induction aimed at the Bank’s Management Committee and continued in October with a Board induction aimed at members of the Board of Directors. At the same time workshops on sustainability started for Sector and Services supervisors. Specifically, 8 specialized training Workshops (involving a total of 133 people) were held, one for each department.

Aimed at the managers of the different departments these Workshops were carried out to examine in detail, for each business production chain, the opportunities offered by the integration of sustainability factors with the Bank’s Business and the identity-related KPIs useful for monitoring possible project development.

The workshops were conceived and differentiated based on the objectives of the departments and on their integration with ESG factors potential.

The workshops were attended by the Heads of all departments involved and colleagues from the Communication, Institutional Relations and Sustainability department to draw the attention of the entire management to the issue.

2020 brings the integration of ESG issues in mandatory training courses MIFID II and IVASS in order to spread awareness of these issues to all the Group’s employees and accelerate the integration of sustainability in business processes.

SPECIFICALLY:

- ✓ **Audit, Compliance, Group General Counsel (CAE, Compliance, GGC)**
 - Systems of governance: roles and tasks of company bodies (BoD, Internal Board Committees, etc)
- ✓ **Chief Risk Officer (CRO)**
 - Connections between materiality analyses and risk management systems
 - Integration of ESG factors within Rating models
- ✓ **Chief Financial Officer (CFO)**
 - The principles underlying the main reporting standards (GRI, Integrated Reporting)
 - Green Finance
 - Integration of ESG indicators and economic-financial performance
- ✓ **Chief Lending Officer (CLO)**
 - Credit allocation policy also based on ESG criteria
 - Rating and pricing systems, also based on qualitative and quantitative ESG variables
 - Introduction of incentive mechanisms for clients investing in innovation connected to the achievement of an ESG objective (i.e. process efficiency and the reduction of resources used or emissions, development of local communities)
- ✓ **Chief Commercial Officer (CCO)**
 - B2B and B2C listening processes (es. NPS), the definition of monitoring tools and close the loop mechanisms
 - Direct and indirect Engagement models and tools for economic districts/ecosystems to create local value
 - Co-planning of products and services also aimed at supporting environmental or social inclusion goals
 - Valorization of offices safeguarding client interests (i.e. Transparency, Complaints)
 - Communication of the shared value created
- ✓ **Chief Operating Officer/Chief Safety Officer (COO/CSO)**
 - Organizational models and tools for sustainable management of the processes and of the new operational models: lean office and its digital evolution to optimize resources, reducing waste and ongoing improvement of service quality
 - Processes and criteria to select suppliers also based on ESG
- ✓ **Chief Human Capital Officer (CHCO)**
 - Performance management systems: objectives, processes and detected dimensions (i.e. behaviours, evaluation of activity impact, etc) and tools (i.e. for ongoing feed-back)
 - Merit acknowledgement within the employee experience
 - Smart-working and flexible work
 - Skills / the professional roles of the future and reskilling
 - Diversity management policies (i.e. gender, age, ...)
 - Welfare
- ✓ **Communication, Institutional Relations and Sustainability (CRIS)**
 - Implications for the Non-Financial Statement
 - Integrating sustainability in Business
 - Impacts on company Communication
 - Stakeholder engagement processes

3.4 Participation to national and international programs

GRI 102.12

Banca Monte dei Paschi di Siena S.p.A. voluntarily adheres to the Self Discipline Code approved by the Italian Corporate Governance Committee (ed. July 2018 available to the public on Borsa Italiana's Italian Corporate Governance Committee's website and on the Bank's website, www.gruppompis.it – Corporate Governance – Governance Model⁽⁶⁾). The Self-Discipline Code includes principles and criteria which constitute a model of "best practice" for the organization and operation of Italian listed companies regarding corporate governance. The Code's recommendations are not binding but listed companies have to provide within their "Report on company governance and proprietary assets" as per art. 123 bis of the TUF, information on the application of the recommendations included in the Code.

The Code also deals with, among others, the issue of the composition of the Board of Directors stating the principle that the issuer should apply diversity criteria, including gender, in constituting the Board of Directors and the Board of Statutory Auditors, following the primary objective of ensuring the skill and professional ability of its members. The Code also expounds on the issue of sustainability issues connected with carrying out the company's activities and its dynamic interaction with all the stakeholders.

BMPS also adheres to the document "Women in banks: valorizing gender diversity" (the "Carta") promoted by ABI in June 2019.

The Carta's signatories commit, in line with their own characteristics including dimension and operation, to valorizing their own company policies inspired by the following principles for equal opportunities:

- a) to constantly promote an inclusive working environment, open to diversity including gender diversity;
- b) to strengthen selection and development processes that promote equal opportunities in

- c) to increase full and actual female participation with a special focus on the top positions, within a company environment featuring on every level equal opportunities for every role and equal treatment;
- d) to commit to promoting equal opportunities also outside of the bank to benefit the communities it works with;
- e) to create appropriate initiatives to steer and valorize company policy on gender equality - also thanks to testimony and activities promoting awareness of the motivations and expected benefits – under high level supervision.

The signatories make public their adhesion to ABI's "Carta" within the Non-Financial Statement or any other reporting tool publicly declared. A list of the Carta's signatories has been published on ABI's website.

In September 2017 the "Manifesto per l'occupazione Femminile" (TN – Manifesto for Female Employment) was signed, a document with a 9 point program aimed at valorizing female talent in companies. The signatory companies commit to ensuring gender equality and to monitoring female presence at different company levels, promoting the professional growth of women. Specific focus is given to parenthood management.

(6) On January 31st 2020 the new Self Discipline Code was published, now called "Corporate Governance Code". The Code's new version simplifies and strengthens the way its recommendations are formulated, introducing elements of flexibility based on the size of the company and its proprietary assets. The Code also assigns a new role to the Board of Directors in promoting sustainability strategies and in dialoguing with the market and relevant stakeholders.

The adhesion to "Principles for Responsible Banking by the UNEP - Financial Initiative"

On September 23 2019, Banca Monte dei Paschi di Siena officially adhered to the "Principles for Responsible Banking" by UNEP (United Nation Environment Program)'s Financial Initiative joining 130 banks worldwide as the first signatories.

The program was developed through an innovative partnership between banks from all over the world and the UN with the purpose of promoting initiatives to encourage the development of a sustainable banking sector in line with the objectives laid out in the UN's 2030 agenda and with those included in the Paris Climate Agreement reached in 2015.

Specifically the Principles aim at promoting the integration of sustainability in all banking business areas to create value for all the shareholders in the long term. Banks can play a key role in society, because as financial intermediaries they have the opportunity of contributing in a decisive way to steering the economy's development along a sustainable path.

Since 2002 the Group has also supported the UN's Global Compact and its 10 principles with the aim of promoting sustainable growth.

 <p>PRINCIPLE 1: ALIGNMENT</p> <p>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.</p>	 <p>PRINCIPLE 2: IMPACT & TARGET SETTING</p> <p>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.</p>	 <p>PRINCIPLE 3: CLIENTS & CUSTOMERS</p> <p>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.</p>
 <p>PRINCIPLE 4: STAKEHOLDERS</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>PRINCIPLE 5: GOVERNANCE & CULTURE</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY</p> <p>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.</p>

3.5 Association membership

GRI 102.13

The Bank is a member of Assonime (Associazione Italiana fra le Società per Azioni) and ABI (Associazione Bancaria Italiana). The Bank's President, Avv. Stefania Bariatti is a member of the Board of Assonime. Regarding ABI, on 31.12.2019 the Board included: BMPS President Prof. Avv. Stefania Bariatti as Vice President, and as members BMPS CEO/Managing Director Dott. Marco Morelli,

MPS Capital Services Vice President Dott. Angelo Barbarulo, BMPS trustees Avv. Nicola Maione and Dott.ssa Stefania Petruccioli. Prof. Avv. Bariatti is also Vice President of ABI's Executive Committee and a member of its Presidential Committee; Dott. Marco Morelli is also a member of ABI's Executive Committee.

3.6 Group overview

GRI 102.2

The Montepaschi 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 Widiba financial advisor network. Foreign banking operations⁷ are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

(7) On 14 June 2019, the sale of Monte Paschi Belgio S.A was concluded to an investee of funds managed by Warburg Pincus. The agreement had already been announced to the market in October 2018 and was concluded in June 2019 after the acquisition was approved by the European Central Bank. 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.

COMPANY

ACTIVITY



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.



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



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



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



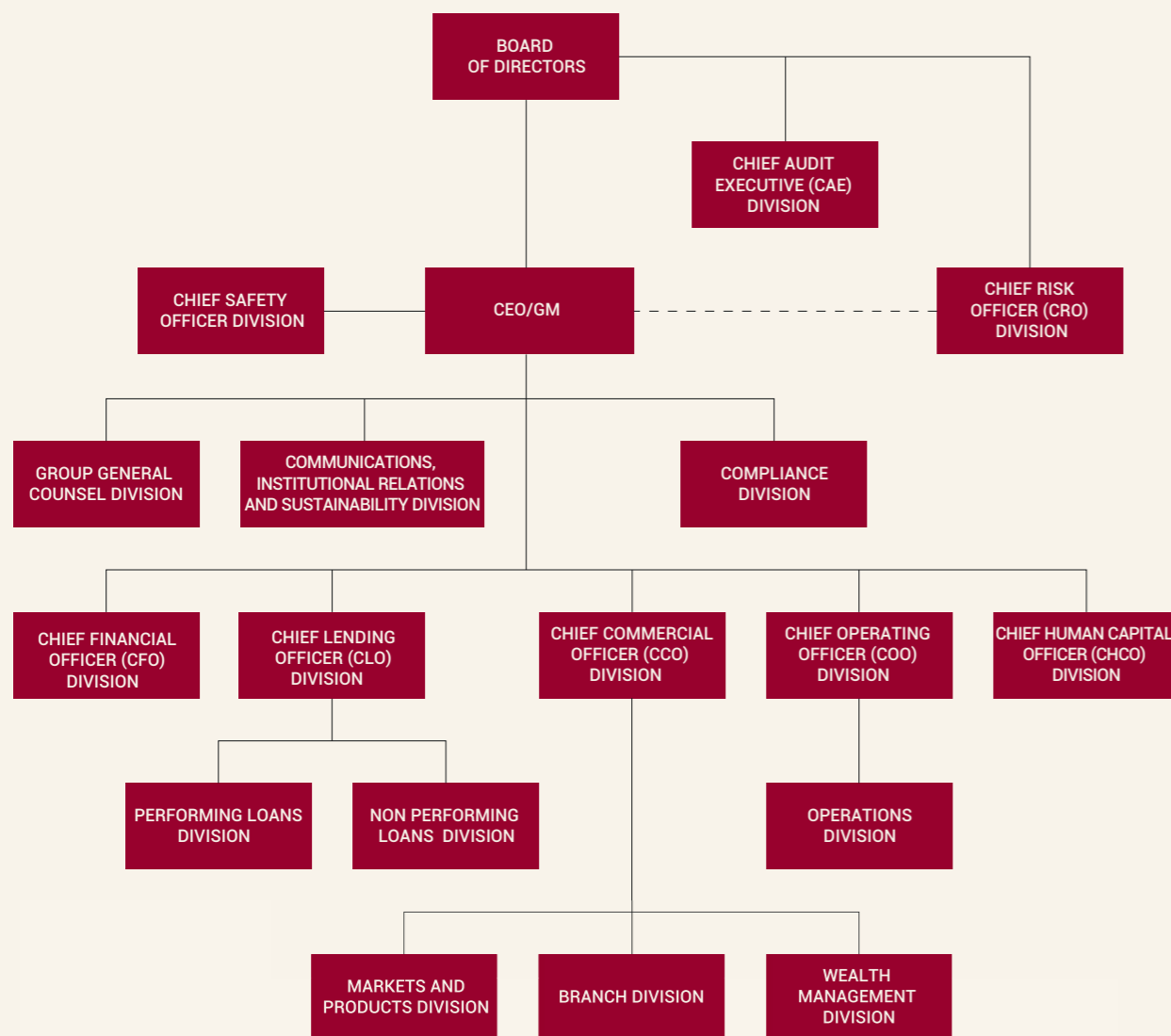
Monte Paschi Banque SA is the Group's bank that supports commercial trade and investments by Italian companies abroad.

In addition to the above, that is, the presence within the Group of a digital bank (Widiba), a bank for businesses (MPS Capital Services S.p.a.), a bank for financial services (MPS Leasing and Factoring S.p.a.) and a bank for fiduciary services (MPS Fiduciaria S.p.a.), there are companies operating in the viticulture (MPS Poggio Bonelli) and agricultural (Magazzini Generali) sectors.

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.

ORGANISATIONAL CHART

OF THE BANK'S HEAD OFFICES AS AT 31 DECEMBER 2019



The organisational developments in 2019 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 1st quarter of 2019 and several revision and streamlining activities intended to facilitate the implementation of the Bank's Restructuring Plan agreed upon with the competent Authorities.

In particular, the **revision of the Regional Area organisational model** was completed in April 2019, designed to orient the structures and processes towards sales objectives with a market-based specialisation by District that is crossed with Service Models by Market. At the same time, the number of Regional Retail Departments was increased (from 38 to 48) for a more widespread commercial presence. Moreover, the Hub and Spoke Network model was eliminated, with the return to the traditional organisational models (Paschi Value, Commercial Module, SPAV) for Hub and Spoke Branches. As regards the Specialised Centres, the Corporate Centres with a mixed SME/Top Corporate/Institutions model were closed, associating their customers with the SME Centres and Institution Centres.

In June 2019, the **organisational model of the Regional Credit Areas** was revised, which restructured the internal organisation to mirror the geographic specialisation and by Market of the Regional Commercial Areas, preserving the High Risk/Disbursement networks within the Credit Sectors.

In July 2019 the **Chief Safety Officer Department** was established, which reports to the "Employer for purposes of Protecting Health and Safety in the Workplace" (known as "Employer for safety purposes"), a role that, based on the provisions of the law and the Articles of Association⁸, in exercising his/her authorities and responsibilities, has independent powers extending over the entire corporate structure, in terms of organisational, decision-making and spending authority, for the best implementation of the obligations envisaged by law on workplace health and safety. This role was previously assigned to the General Manager (who remains "Employer for

employment law purposes"). The CSO Department reports structurally to the Chief Executive Officer, with the exception of the performance of the functions assigned by the Articles of Association to the "Employer for purposes of protecting health and safety in the workplace". In addition to the responsibilities for the health and safety of workers, the new department was also assigned responsibility for oversight of the Environmental Management model, previously assigned to the Chief Operating Officer Department.

In September 2019, the **Compliance Area was organisationally adjusted to the Compliance Department** to align with the hierarchical level recognised to Corporate Control Functions.

In November 2019, the **Chief Commercial Officer Department** was reorganised, involving the elimination of the Retail Department and the Corporate Department, merged into the new Markets and Products Department, and the Foreign Area and the Large Groups Area were transferred to the Network Department. This change was made to increase the effectiveness of commercial initiatives, ensuring clear strategies and behaviours, and to take advantage of the best synergies, eliminating overlapping responsibilities and rationalising structures.

During the year, the External and Institutional Relations Department was renamed the **Communication, Institutional Relations and Sustainability Department**, to focus more clearly also on sustainability issues. In particular, the oversight of these issues has been assigned to the Institutional Relations Service, in which three sectors have been created: "Sponsorships and Events", "Art Collection" and "Institutional Relations and Sustainability". The "Web and Social" staff was also created.

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 "administrative" activities and document management costs, heavily oriented toward increasing digitalisation of processes.

(8) The amendments to the Articles of Association concerning the inclusion of provisions relating to the "Employer for purposes of protecting health and safety in the workplace" were approved by the Shareholders' Meeting on 11 April 2019.

3.7 Markets served

GRI 102.4
GRI 102.6
GRI 102.10

The MPS Group operates on the entire national territory through traditional counters and specialized commercial centres following particular kinds of customers (PMIs, Private companies and Bodies).

The Montepaschi Group is active in the following sectors:

- Retail and commercial banking: includes credit intermediation services, traditional banking services, financial promotion and digital banking, the offer of banking and insurance products through a strategic partnership with AXA, asset management and the offer of investment schemes;
- Leasing and Factoring: includes the offer of integrated leasing and factoring products for businesses, artisans and professionals;
- Business finance: medium and long term credit, corporate finance, capital market and structured finance;
- Investment banking: trading and global market activities;
- Foreign banking: products and services supporting commercial expansion and investments by Italian businesses abroad.

The Group operates to develop and rationalize its own distribution network, combining its presence on the territory with the enhancement of innovative channels.

Traditional counters are flanked by specialized commercial centres maintaining relations with and managing particular types of clients (e.g. Small to medium-sized businesses, Private companies, Bodies, etc.) and by 536 Financial Consultants (567 on 31 December 2018), pursuing their activities in offices open to the public spread all over the country (currently there are 31 less than there were on 31 December 2018).

GRUPPO MONTEPASCHI - PRESENCE ON THE NATIONAL TERRITORY 31/12/2019

Region	Counters (*)	Inc	Specialized Centres (**)					Inc	Financial Promotion Agencies	Inc
			PMI	Family Office	Private	Bodies	Tot.			
Emilia Romagna	96	6.8%	5		6	1	12	8.6%	8	7.3%
Friuli Venezia Giulia	38	2.7%	3		1		4	2.9%	3	2.7%
Liguria	18	1.3%	1		1		2	1.4%	4	3.6%
Lombardia	198	13.9%	10	1	7	2	20	14.3%	10	9.1%
Piemonte	34	2.4%	2		1	1	4	2.9%	2	1.8%
Trentino Alto Adige	2	0.1%								
Valle d'Aosta	2	0.1%								
Veneto	184	12.9%	13	1	6	2	22	15.7%	5	4.5%
Northern Italy	572	40.2%	34	2	22	6	64	45.7%	32	29.1%
Abruzzo	27	1.9%	2		1		3	2.1%	3	2.7%
Lazio	122	8.6%	5	1	3	1	10	7.1%	12	10.9%
Marche	36	2.5%	4		1	1	6	4.3%	4	3.6%
Molise	4	0.3%							1	0.9%
Toscana	307	21.6%	11	1	8	2	22	15.7%	8	7.3%
Umbria	34	2.4%	2		2		4	2.9%	4	3.6%
Central Italy	530	37.3%	24	2	15	4	45	32.1%	32	29.1%
Basilicata	10	0.7%							2	1.8%
Calabria	39	2.7%	1			1	2	1.4%	2	1.8%
Campania	82	5.8%	4	1	3	1	9	6.4%	18	16.4%
Puglia	84	5.9%	6		4	1	11	7.9%	15	13.6%
Sardegna	10	0.7%	1		1		2	1.4%	2	1.8%
Sicilia	95	6.7%	3		3	1	7	5.0%	7	6.4%
Southern Italy and Islands	320	22.5%	15	1	11	4	31	22.1%	46	41.8%
TOTAL	1,422	100.0%	73	5	48	14	140	100.0%	110	100.0%

(*) Reports to Banca d'Italia's Surveillance Body

(**) Of which 9 reports to Banca d'Italia's Surveillance Body as partner with branches.

SECTORS



Retail e commercial banking



Leasing e Factoring



Investment banking



Business finance



Foreign banking



At the end of 2019 the **Italian Network** included **1,422 counters** known to the Supervisory Board, 107 less than on 31 December 2018 in accordance with the initiatives envisaged in the Reorganization Plan.

The Group also relies on **140 Specialized Centres** (60 less compared to 31 December 2018), 87 dedicated to businesses and Bodies, 48 dedicated to private clients and 5 Family Offices.

The Group owns **2,702 ATM machines** (92 less compared to 31 December 2018), 2,132 located in the same spaces as traditional counters (1,710 of them installed in premises with independent entrances that may be accessed outside of working hours), 570 installed in public spaces with high operation potential, and 113 inside company/Body premises. 1296 ATM machines feature "cash in" functions (890 located in Self Areas and 406 inside branches) 50 more compared to 31 December 2018, in line with the renewal project for the business Retail model aimed at increasing the use of remote channels and optimizing service lines.

The Group is present on the international scene with an International Network, geographically distributed on some of the major financial and economic markets and in some of the developing countries with the highest development index and/or entertaining the strongest connections with Italy, structured as follows:

- **n. 1 operative branch** in Shanghai.
- **n. 9 agencies** (in target areas in Central-Eastern Europe, North Africa, India and China). In line with the Commitments listed in the Reorganization plan, during 2019 branches in London, New York and Hong Kong were closed⁹;

- **n. 1 bank under foreign law**, Monte Paschi Banque S.A. now undergoing an orderly winding-down process as decided by the Board with a plan in accordance with Commitment n. 14 "Disposal of participations and businesses", that is, (i) progressive deleverage of the current credit portfolio, (ii) accepting deposits only from existing clients, (iii) interrupting business development activities, (iv) no new initiatives in new segments or markets or of other existing legal bonds.

The trend for fiscal year 2019 appears to be in line with the objectives listed in the aforementioned plan.

On 14 June 2019 Monte Paschi Belgio S.A was sold to a subsidiary with shares managed by Warburg Pincus. The agreement was made public on the market in October 2018 and was signed in June 2019 when the sale was approved by the Central European Bank.

Beyond its physical presence on the territory the Holding Company offers its clients online banking services with internet banking products for Retail and Corporate clients. On 31 December 2019 there were 1,053,978 active users (55,479 more compared to 31 December 2018). There were 916,671 active users within internet banking services dedicated to Retail clients; and 137,307 in those dedicated to Corporate clients.

(9) In line with the Commitments listed in the Reorganization Plan, on 31 December 2018 banking activities in the London, New York and Hong Kong branches have ceased. During 2019 banking licenses were definitively revoked in London and New York by the respective supervisory authorities. The Hong Kong licence will be handed back to HKMA on 14 February 2020.

3.8 Economic value generated and distributed by the Mps Group

The economic value generated is calculated according to instructions issued by the Italian Banking Association and in accordance with international standards. Calculations are carried out re-classifying the entries of the consolidated income statement included in the statements regulated by Banca d'Italia's Communication n. 262. The economic value generated, which in the fiscal year 2019 was of approximately 2.83 billion euros (in line with a value of 2.89 billion euros of the previous year), is represented by the net result of financial management – which also considers value adjustments due to credit deterioration and other financial activities – plus profit and losses incurred on shares, investments and other net management earnings. The amount of economic value generated expresses the value of produced wealth mainly distributed between the stakeholders the Group deals with in all its daily business. Specifically:

- employees and collaborators benefited from almost 58% of the economic value generated, for a total of 1.46 billion euros (1.62 billion in the previous fiscal year). The total amount includes, in addition to employees' wages, fees paid to the networks of financial consultants;

- suppliers benefited from approximately 33% of the economic value generated, for a total of 0.89 billion euros paid for the purchase of goods and services provided (0.91 billion in the previous fiscal year);
- the State, Bodies and institutions benefited from an influx of resources for a total of 0.21 billion euros, approximately 9% of the economic value generated ascribable for over 108 million euros to indirect levies and taxes, and for over 115 million euros to taxes related to the banking system, paid to the resolution board and as deposit insurance. In 2019 the Group also enjoyed reductions thanks to tax credits as per law n. 214/2011, so the total paid to the State was worked out minus the positive credit (approx. 7.6 million euros)

The remaining 0.36 billion euros (0.45 billion euros in 2018), was withheld by Sistema Impresa prevalently due to tax advances and instalments, amortization, risk funds and reservoirs and non-distributed profits.

GRI 102.7

GRI 201.1



Entries	31.12.2019	31.12.2018
10. Active interests and assimilated profits	2,105,830	2,327,413
20. Passive interests and assimilated duties	(615,476)	(608,683)
40. Active commissions	1,714,284	1,778,819
50. Partial Passive commissions (1)	(210,617)	(207,721)
70. Dividends and similar revenue	11,212	11,173
80. Net results of negotiation activities	86,970	30,374
90. Net results of collateral activities	(4,612)	(225)
100. Gains (losses) from sales or purchases of:	112,599	35,884
a) financial activities assessed by amortized costs	61,047	334
b) financial activities assessed by fair value with impact on overall profitability	52,450	25,079
c) financial liabilities	(898)	10,471
110. Net results of other activities and financial liabilities assessed by fair value impacting income statements	54,926	(85,480)
a) financial activities and liabilities designated at fair value	(11,201)	3,959
b) other financial activities mandatorily valued at fair value	66,127	(89,438)
130. Net adjustments/write-ups due to credit risk of:	(609,716)	(603,823)
a) financial activities valued at amortized cost	(603,335)	(607,017)
b) financial activities valued at fair value with an impact on overall profitability	(6,381)	3,194
140. Gains/losses due to contract modifications without cancelations	(4,272)	(12,699)
160. Net premiums	-	-
170. Balance for other profit/duties from insurance management	-	-
230. Other management duties/profits	204,335	246,360
250. Partial Gains (Losses) from shares (2)	(864)	1,217
280. Gains (Losses) from investment transfers	2,962	50,041
320. Gains (Losses) of ceased operation activities before tax	(18,060)	(65,658)
A TOTAL ECONOMIC VALUE GENERATED	2,829,501	2,896,992
190.b Partial b) other administrative expenses (3) (before indirect tax, donations and duties for resolution funds and deposit guarantees)	(837,268)	(908,466)
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	(837,268)	(908,466)
190.a a) staff expenses (4)	(1,462,926)	(1,621,555)
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	(1,462,926)	(1,621,555)
340. Operating Profit (Loss) by third party businesses	131	(89)
ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	131	(89)
350. Partial Operating Profit (Loss) by the holding company – Amount allocated to shareholders	-	-
350. Partial Operating Profit (Loss) by the holding company - Amount allocated to equity instrument holders	-	-
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS AND EQUITY INSTRUMENT HOLDERS	-	-
190.b Partial b) other administrative expenses: indirect duties and tax	(107,510)	(101,378)
190.b Partiale b) other administrative expenses: duties for resolution funds and deposit guarantees	(114,525)	(130,124)
300. Partial Taxes on business revenue (current taxes) (5)	19,446	315,557
ECONOMIC VALUE DISTRIBUTED TO THE STATE, BODIES AND INSTITUTIONS	(202,589)	84,055
190.b Partial b) other administrative expenses: donations (6)	-	-
350. Partial Operating Profit (Loss) by the holding company – Amount allocated to the charity fund	-	-
B TOTAL ECONOMIC VALUE DISTRIBUTED	(2,502,652)	(2,446,055)
C TOTAL ECONOMIC VALUE WITHHELD BY SISTEMA IMPRESA (6)	(326,849)	(450,937)



(1) Data differ from those from the income statement appearing in the balance sheet because fees paid to financial consultant networks are included in staff expenses.

(2) Data differ from those from the income statement appearing in the balance sheet because unachieved gains/losses listed as an independent entry in the Economic Value amount withheld by Sistema Impresa were not included.

(3) Data differ from those from the income statement appearing in the balance sheet because unachieved gains/losses listed as an independent entry in the distributed economic value amount were not included.

(4) Data differ from those from the income statement appearing in the balance sheet because they include fees paid to financial consultant networks listed among passive commissions in the financial report.

(5) Data differ from those from the income statement appearing in the balance sheet because tax advances/rates listed as an independent entry in the Economic Value amount withheld by Sistema Impresa were not included.

(6) Representing adjustments/net recovery value, tax advances and rates, and consolidated profits before the distribution of dividends by the holding company.

4 Risk management

4.1 Risk culture

The Montepaschi Group pays maximum attention to the process of identifying, monitoring, measuring, controlling and mitigating risk. Governance risk strategies are defined in accordance with the Group's business model, with the medium term objectives of the Reorganization Plan and external bonds due to legislation and regulations.

GRI 102.11

GRI 102.30

Policies regarding risk assumption, management, collateral, monitoring and control are defined by the Holding Company's Board of Directors. Specifically the Board periodically defines and approves strategic approaches regarding risk governance and quantitatively expresses the overall level of propensity to risk of the entire Group, in accordance with yearly budgets and multi-year projections.

for those validated for regulatory purposes – are a fundamental requirement for effective, healthy and cautious company management.

Incorporating macro risk and risk-adjusted performance indicators within staff remuneration and incentive policies, in accordance with the RAF, provides a further tool to promote awareness of the behaviour of all the resources and to spread a healthy risk culture.

The Holding company's Board defines the overall Risk Appetite Framework (RAF) for the entire Group and approves at least once a year the "Group Risk Appetite Statement" (RAS). The Risk Control function is invested with the duty of quarterly monitoring indicators, periodically reporting to the Board, and activating escalation processes if limits are infringed. The RAS is a fundamental moment for defining the Group's risk strategy. Risk objectives and indicators are identified also for the Business Unit/Legal Entity («cascading down» of the Risk Appetite). This is steering the Group towards expanding its risk culture and fully bringing all relevant Organizational Units to achieve and pursue risk propensity objectives, as required by legislation and as suggested by best practices.

To achieve the promotion of risk culture in the Group, initiatives aimed at bodies in the top echelons have continued (board induction lectures on specific topics), as well as general training initiatives (on-line courses), aimed at the entire workforce on the topic of risk assimilation and mitigation, and other focused classroom training initiatives.

During 2019, a training program for area managers to develop awareness of credit risk, wealth risk management and on anti-money laundering, with monthly meetings with rating agencies and supervisors of the CLO's (Chief Lending Officer) and CCO's (Chief Commercial Officer) territorial areas to constantly monitor risk credit of their respective portfolios. The CRO (Chief Risk Officer) department has also promoted, in collaboration with the (Chief Human Capital Officer) department a project aimed at the Group's entire staff on the topic of Risk Culture with a program of eLearning sessions dealing with the situations in the Bank's everyday operation which could generate specific risks.

The Risk Appetite process is organized to be in accordance with ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) processes, and with planning, budget and recovery processes, in terms of governance, roles, responsibilities, measures, stress test methods and key risk indicator monitoring. Group risk governance is guaranteed by the holding company's Board, and updates, policy issuing and internal regulations also fall under its supervision and responsibility, to promote and ensure risk culture is widespread at all levels of the organizational structure. Risk awareness, and the correct knowledge and application of processes and internal models supervising risk – especially

BMPS illustrated to all its staff the main aspects related to the world of risk in a simple and direct way with ten articles and 20 training units dedicated to risk culture. Topics included the risk of involvement in illegal activities to provide better tools to recognize it and report it, conduct and reputation risks, highlighting values and behaviours to implement in order to maintain and increase trust in the stakeholders with specific references to the Group's Ethical Code and its Non-Financial Statement. The

importance of taking on sustainable risks was stressed, in all areas of interest related to banking activities, from the supply of credit to the offering of investment services appropriate to the Client's risk profile, with a perfect synergy between business and auditing functions, so that commercial offers are effective and satisfying in a framework of full risk sustainability for both the clients and the Bank.

A certain degree of awareness has been developed that risk management activities are focused on risk sustainability in the medium to long term. In this sense the focus of risk auditing activities is not limited to the economic and financial sustainability of the business model but also to the non-financial one, proceeding towards an integration including environmental and social aspects. Intangible assets (human, intellectual, social and reputation-related capital) are a growingly relevant component for stakeholders, who consider sustainability an important element driving their choices as consumers, investors and service users, and increasingly for financing.

Assigning the appropriate consideration to ESG topics and carefully communicating the impact of activities allows sustainable development and strengthens reputation. Sustainability is increasingly relevant and has become an important driver of reputation, and within this context this year a framework was established to manage reputation risk aimed at monitoring, supervising and strengthening the relationship with each stakeholder, including aspects of sustainability and ensuring effective supervision. This framework is founded on attention to sustainability, on the culture of widespread risk, on supervising reputation and primary risks and on developing organizational and communication supervision.

Within the fulfilment of duties envisaged by the MiFID II directive and in accordance with transparency commitments aimed at better safeguarding investors, during 2019, the Bank sent to its clients an ex post communication on the costs and duties related to investment services and products.

In preparing this communication the aim was to provide clients with maximum awareness of their investment choices, allowing them to clearly and simply understand the total cost of investments and the overall effect on profits.

The work carried out by Banca Monte dei Paschi di Siena for the ex post communication was positively evaluated by ADUC (Associazione Diritti Utenti e Consumatori – Consumers Rights Association). The report produced was one of the best on all analyzed parameters and the Bank achieved top marks because the report on costs, duties and incentives clearly shows their bearing in absolute values and in percentages, clearly specifying how percentages and bearing on gross revenue are worked out.

Regarding the precautionary principle, the Group's Directive on Governance and Auditing Financial Products for Clients and the Group's Policy on Products within the Product Oversight & Governance (POG) process, approved by the Board, which envisage preventive evaluation of the different aspects of risk for the bank and for clients related to the process of planning, acquiring and marketing a new banking or financial product, or of relevant modifications of an existing listed product by the Risk Auditing Office. To guarantee correspondence between the Bank's offer and the clients' requirement and avoid instances of misselling, a product reference target market, is approved by the Risk Control office and periodically monitored to ensure the product continues to meet the objectives and interest of the clients it is aimed at over time.

In implementing a product aimed at clients, special attention is given to the clarity of communications to the clients (i.e. layouts and styles making it easy to read the communications, pre-contract information, contracts and regular reports; comparable cost-performance indicators, etc.). Specifically concerning banking products, documents must follow the principles contained in the "Guida alla redazione dei documenti di trasparenza" (Manual for creating transparency documents) included with the instructions on auditing banking transparency.

The Bank is participating to discussions carried out within the banking system on the evolution of regulations and where the subject's regulatory framework takes shape, and is planning to start a specific project in order to identify impacted areas within the consultancy process providing investment services.

This activity aims at integrating the Mifid profiling questionnaire with questions seeking to gather clients' ESG preferences and to identify sustainable finance objectives for clients, to ensure growing coherence between product offer and overall client requirements.

In carrying out the project, the target level of the survey's granularity will be evaluated in order to quantify the value assigned by clients to ESG issues, and in particular in relation to profit and investment portfolio diversification projections, of possible additional costs, of coherence between ESG preferences and medium to long term temporal horizons typical of such products, of the evolution of the safeguarding model in comparison to existing audits, or necessary requisites for communications with clients in terms of transparency and monitoring on the basis of ESG news.

The main types of risk the Montepaschi Group encounters in its everyday operation can be summarized as follows:

- Credit Risk;
- Market Risk;
- Operational Risk;
- the Banking Book's Interest Rate Risk;
- Counterparty Risk;
- Real Estate Risk;
- Issuer Risk;
- Concentration Risk;
- Stock Portfolio Risk;
- Business/Strategic Risk;
- Liquidity Risk
- Reputational Risk.

All the above types of risk concur to quantify Overall Internal Capital except liquidity risk and reputational risk, which are mitigated through policy and organizational processes.

Every risk factor has a model developed and used internally for management or regulatory purposes.

REPUTATIONAL RISK MANAGEMENT

The Group's Reputational Risk management model, in accordance with the overall risk management process, assigns to the Board a strategic supervising function and to the CRO office the responsibility of managing Reputational Risk processes.

In the Group's 2020-2022 Risk Appetite Framework, the reputational risk management framework was enhanced by entering useful indicators to "measure" the strength of relations with stakeholders (Clients, Employees, Institutions/Communities, Regulators, shareholders/Investors) which will undergo quarterly monitoring with escalation mechanisms envisaged if present values assigned to them are exceeded.

Due to the pervasive and all-encompassing nature of this risk, every company function, in relation to its own activities, is involved in safeguarding the company's image and in preserving its reputation, in order to identify reputational risks and related organizational roles.

A preliminary evaluation of reputational risk will be carried out before launching new products, commercial initiatives and possible unilateral manoeuvres, and a verification of non-financeability of company activities falling outside of the social, ethical and environmental objectives of the Ethical Code.

The level of satisfaction of services provided to clients, the perception of the brand's image through external surveys conducted among clients and non-clients, the main topics involving the Group on the media, and the sentiment manifested by online media are also monitored.

Specific processes are envisaged to manage internal and external communication and structured authorization processes certifying the quality and correctness of information flows towards the outside based on their nature and relevance.

If a reputational crisis should arise, a process of escalation to contain impact and to quickly manage messages to outside entities, and to stakeholders will be initiated. Company regulations assign the auditing of this type of risk to the Operational,

IT and Reputational Risk Services within the Operating Area of the Risk Officer under the Holding Company's Chief Risk Officer.

Regarding reputational fallout, the Group pursues supervision of what are considered primary risks (credit and operational risk, risk related to investment products, market, legal, strategic and compliance risks) and is actively developing a widespread risk culture within the organization through specific training programs for employees focusing on the main banking risks.

OPERATIONAL RISK MANAGEMENT

Regarding operational risk management, the Group has implemented an integrated management system, an internal framework built on a model of governance involving the Group's companies. The approach defines standards, methods and tools to evaluate risk exposure and the effects of mitigation for each business area.

The management system is a process structured for identification, evaluation and auditing, and is defined in the Group Directive on Governance and Operational Risk Management. Company regulations assign its supervisory function to Operational, IT and Reputational Risk Services under the CRO.

MANAGING RISKS RELATED TO INVESTMENT PRODUCTS/SERVICES

The Bank also pays special attention to controlling risks inherent in investment products and services aimed at the Group's clients both to safeguard the clients themselves and to prevent potential reputational and operational impacts. These auditing functions, included within the Group's integrated risk management responsibilities, are assigned as a whole to the Wealth Risk Management Service, within the CRO department.

Wealth risk management specifically concerns all operational and management processes, tools, measuring and monitoring methods aimed at ensuring overall coherence between the clients' risk profile and risk characteristics of products and investment portfolios offered to the clients or held by them.

Investment products (belonging to the Group and to third parties), whether or not part of the overall offer to the Group's clients, are specifically risk-mapped using quantitative measurements of the market and credit risk factors, and undertaking evaluations on liquidity and on the complexity of these products. Product mapping thus becomes one of the guiding criteria to verify the adequacy of investments within the consultancy services on offer.

The Bank pays special attention to monitoring and preventing potential financial and reputational risks that operating in investment services, especially in the context of a financial crisis, can generate due to increased market unpredictability. The markets' fast and at times unpredictable dynamics can, on the one side, result in product risk rapidly increasing and cause possible financial losses, and on the other, bring a change of clients' attitudes towards their own financial investments.

Clients receive regular updates on risk variations of their financial tools, to ensure the necessary transparency of information and to support possible decisions aimed at balancing the risk profile of their investments.

COMPLIANCE RISK

The definition of "compliance risk", according to Banca d'Italia's Supervisory Provisions, is the risk of incurring into legal or administrative sanctions, relevant financial losses or reputation damage due to the violation of laws and regulations, and/or of self-regulation (statutes, conduct codes, self-discipline codes).

Compliance risk has two components, one operational, and the other of a reputational nature, deriving from a negative perception of the company

by the outside world, caused by conduct contrary to regulations, that is, incoherent with the business model adopted and the principles the Group has committed to.

In this context, Compliance is the Company Function dedicated to overseeing compliance by identifying and managing related risks.

The Function's activity, beyond fulfilling specific legal requirements, works to enhance the company's reputation and image with clients, and contributes to the overall creation of value. It contributes to spreading on all levels of financial intermediaries, a company culture based on principles of propriety, honesty and formal as well as actual compliance to regulations.

Considering the central role of the Compliance Function within the Bank and the Group, and the delicate nature of the issue at stake, during 2019 the structure of the legal Compliance Function has been reviewed; in the meeting held on 11 July 2019 the Bank's Board of Directors approved the reorganization of the function establishing a new Compliance Office and a new Products and Markets Compliance Area.

The deed was carried out in accordance with Communication n. 285 – Precautionary supervisory provisions applicable to banks (Title IV – Chapter 1 "Company Governance" and Chapter 3 "The Internal Auditing System") and with Borsa Italiana's Self-Discipline Code, in particular with Article 7 – Internal auditing and risk management system.

This review also implemented the following actions:

- the role and responsibilities of the Compliance Function have been upgraded to first central level of the Holding Company;
- the hierarchical level acknowledged for Company Auditing Functions has been realigned.

Beyond rationalizing the Compliance Office structure this reorganization has pursued the following objectives:

- to definitively complete the centralization of the Compliance Function of the Group's Companies, eliminating the reference organizational structure of the Subsidiaries and assigning supervisory responsibility for compliance to each regulatory area of interest to the organizational structures which already ensured compliance for the Holding Company;
- to strengthen at Group level the overall Product Approval Governance process;
- to focus the new Products and Markets Compliance Area on maintaining conformity to regulations and supervisory dispositions by Banca d'Italia and Consob related to services and products;
- to establish a new organizational structure reporting to this new Function, dedicated to crossover regulatory areas;
- to create economies of scale at a Group level, valuing skills and contextually expanding the boundary of supervised regulations.
- In order to make the Board's indications operational the Compliance Function has:
- reviewed the "taxonomy of regulatory areas – common at Group level", further expanding its boundary and redefining areas of supervision for every branch of the Office;
- strengthened supervision of specialized structures identified within subsidiaries where "Tax Compliance" and "Health and safety in the workplace, and environmental protection" regulations are applicable, planning specific audits by Compliance also for each subsidiary.

In October Banca d'Italia started an inspection regarding Transparency and Propriety in customer relations which ended in January 2020, and regular, prompt reports were sent to the Bank's departments. A specific adjustment project has been planned in response to what has surfaced in discussions with the Inspection Team. The project will run during 2020 and solutions will be implemented also based on the final results of the inspection and surveys.

Finally, over the year further project initiatives have been implemented, especially relating to:

- review of the Group's Ethical Code and periodic update of model 231 ex D.lgs 231/01;
- adjustment of banking and investment governance processes to POG (Product Oversight Governance) regulations, in force as of 1/1/2019;
- adjustment of client relations to the new Supervisory Provisions on Transparency and propriety and to modifications issued by Banca d'Italia on 19 March related to: Claims; Payment Services; Remuneration;
- Transparency with the publication of the document on «Management of variations or cessation of market indexes», regarding Financial Benchmarks Regulation;
- Safeguarding personal data by completing remediation activities related to internal audits on the electronic signature (FEA);
- Investment Services by defining preparatory activities to meet deadlines related to planned and implemented measures aimed at complying to the new MIFID II regulations;
- usury, by consolidating IT auditing procedures on respecting rate limits, enhancing the efficiency of 1st and 2nd level checks;
- reviewing outsourcing contracts for the Compliance Function of Italian subsidiaries at the Holding Company, in reference to the coming into force (30.09.2019) of the new EBA guidelines on outsourcing.

Compliance is planning analyses on litigations including claims, judicial decisions and civil and penal litigations in order to promptly identify the causes of litigation and find solutions to reduce negative impacts on stakeholders.

On 22 January 2019 the Group Directive on the Governance and supervision of banking products for clients was published. The Directive defines the organizational model adopted by the Group for the "Governance and supervision of banking products for clients" process, referring to banking products and relative instrumental and/or accessory services, aimed at MPS Group's clients. This process is aimed at supervising planning and implementation

of new products and/or modifications of existing products, as well as monitoring over time different aspects of the products, from the distribution stage to delisting. For banking products aimed at retail clients the Directive takes into consideration the EBA's guidelines regarding:

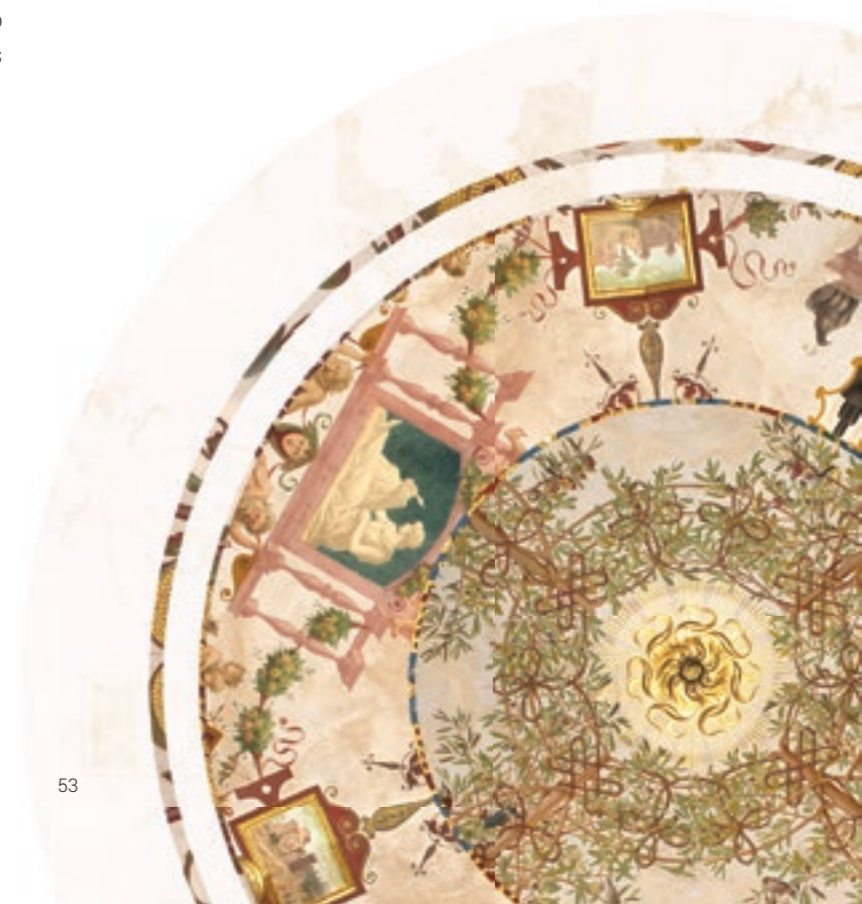
- governance and supervision of retail banking products, issued on 22 March 2016;
- internal governance, issued on 21 March 2018

On 1st July 2019 a new version of the Group Directive on the issue of Usury was published. The Directive defines the organizational model adopted by the Group (principles and responsibilities) for the process of "Managing prescriptive compliance regarding usury", in accordance with Law n. 108 of 7 March 1996 (and subsequent updates) defining the felony of usury and related sanctions. The model aims at regulating management of measures envisaged by anti-usury regulation, specifically referring to identifying responsibilities in the following activities: (i) governance of the usury issue and management of the adjustment to new regulations; (ii) updating rate limits, (iii) reporting to Banca d'Italia actual global medium rates (TEGM), (iv) checking interests above legal limits are not applied (v) remedial actions in case actual global rates above usury limits are detected. Among other modifications, the latest version also includes specifications on the CEO's and CCO's responsibilities.

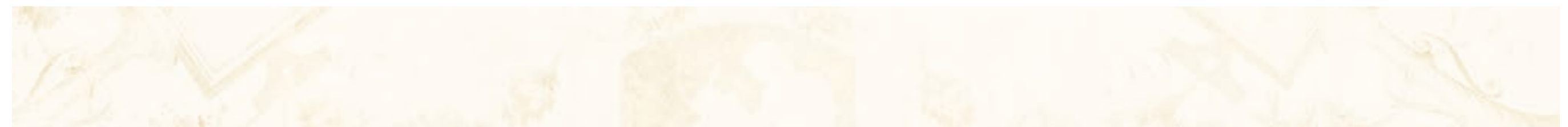
RISK AND OPPORTUNITY CONNECTED TO MATERIAL ISSUES

In reference to relevant issues central to the NFD, special attention is paid to reputational risk and primary risks, such as credit risk, operational risk and risks related to products and investment services for clients, because of their connection to reputational risk.

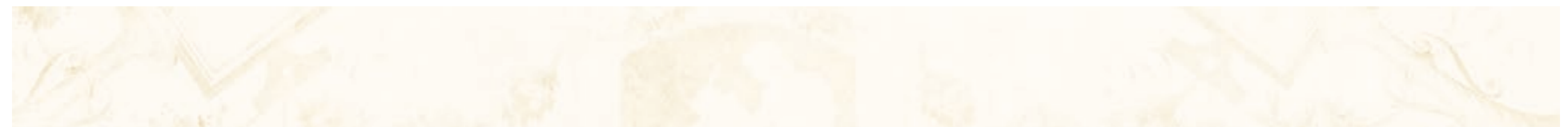
The following table describes the main risks and opportunities for the Group and connected stakeholders related to the topics discussed, and the approach adopted for their management considering internal company processes and current main trends on issues of sustainability.



	OUR APPROACH	OPPORTUNITIES		RISKS		CONTRIBUTION TO SDGs
		FOR MPS	FOR STAKEHOLDER	FOR MPS	FOR STAKEHOLDER	
<p>Protection and development of human resources:</p> <ul style="list-style-type: none"> • protection of human resources • development of human resources • diversity 	<ul style="list-style-type: none"> • preventive risk management through preliminary impact analyses, negotiation procedures with unions (in accordance with legislation and contracts), and mitigation actions aimed at ensuring operation continuity, reducing litigations and avoiding downgrading. • identifying possible factors endangering the workers' health and safety, and planning measures and actions aimed at eliminating or reducing the risks ascertained, with the objective of steering company choices towards constant improvement of working conditions, taking into account ongoing technical progress. • listening to people by surveying internal climate on all of the Group's personnel. • monitoring litigations with employees • risk-based training on specific topics (i.e. antimoney-laundering, Consumer protection) through skill gap analysis on single network positions and development of training programs dedicated to the main risks. • using risk-adjusted performance indicators in remuneration and staff incentive policies. 	<ul style="list-style-type: none"> • organization more efficient than resources • valorizing differences • Improved internal climate 	<ul style="list-style-type: none"> • improved balance between professional and private life • employee growth and economic-social success • satisfaction and engagement 	<ul style="list-style-type: none"> • inadequate ability to attract and hold onto talents • difficulty in adequately covering some roles and in guaranteeing the operational continuity of some activities due to restructuring, outsourcing or staff cuts • connected to health and safety in the workplace, including risk of non-compliance to related regulations and requirements • deterioration of internal competence in a context of profound change 	<ul style="list-style-type: none"> • employees treated differently • connected to health and safety in the workplace, including work-related stress 	3/4/5/8/10
<p>Responsibilities to the Client:</p> <ul style="list-style-type: none"> • customer experience • digitization and innovation 	<ul style="list-style-type: none"> • improve client experience by investing in new digital technologies, offering sustainable products and services in the interest of clients and for their welfare. • monitor litigations with clients. • monitor clients' portfolios to ensure coherence between client risk profiles and the risk characteristics of products and portfolios offered/held to prevent potential negative impacts in terms of operational and reputational risks. • listen to clients through customer satisfaction surveys to monitor appreciation and satisfaction related to products and services, multichannel issuing methods and relations with the bank, media monitoring activities, evaluation of reputational risks before launching new projects and products. • security and supervision tools to safeguard personal data that, whilst implementing regulatory provisions issued by the Data Protection Authority, allow total traceability of banking operations carried out by employees, and the activation of alerting procedures in all of the Group's companies in cases of potentially unauthorized access. • "cyber crime" insurance coverage, and intercepting and fighting hacker attacks through specific prevention and protection systems, allowing digital services to be used in complete safety, implemented in close collaboration with the police. • awareness campaigns aimed at clients on the dangers inherent in some viral phenomena such as spamming and phishing and on related actions to fight them. 	<ul style="list-style-type: none"> • enhancing client confidence in the Bank's ability to provide products and services meeting their actual requirements • increase competitiveness responding to digital challenges 	<ul style="list-style-type: none"> • increasingly efficient products and services thanks to new technologies • increased client satisfaction thanks to the fulfilment of actual needs and preference for ESG issues 	<ul style="list-style-type: none"> • loss of clients due to lack of trust and to the offer of products and services inadequate to fulfil client needs • loss of clients and revenue due to an uncompetitive, unsafe and inefficient digital offer • loss of direct contact with the client base 	<ul style="list-style-type: none"> • economic losses • personal data loss and violation • reduction in the quality of service and products, disservices 	8/9



	OUR APPROACH	OPPORTUNITIES		RISKS		CONTRIBUTION TO SDGs
		FOR MPS	FOR STAKEHOLDER	FOR MPS	FOR STAKEHOLDER	
<p>Responsibilities towards communities:</p> <ul style="list-style-type: none"> • support for communities • support for people and territories • financial education 	<ul style="list-style-type: none"> • promote the development of local communities through focused initiatives such as orienting the young in the work market (Talent Day) and the preservation of artistic heritage. • develop financial inclusion solutions enhancing the commercial offer with products for the weaker strata of the population (i.e. Basic Current Account, Pension Fund, ISEE account...) also through Microcredito di Solidarietà. • valorize the expansion of businesses with a high technological and innovative content (Progetto OfficinaMPS – MPSWorkshop Project) • support financial education projects to spread financial culture. 	<ul style="list-style-type: none"> • strengthen relations with people, communities and territories • benefit from a stronger push to strengthen and enhance the Bank's reputation 	<ul style="list-style-type: none"> • the possibility of relying on the support of a responsible Bank, pursuing economic and cultural growth and the wealth of a community 	<ul style="list-style-type: none"> • being considered like a Bank not committed enough to the economic and cultural development of communities and areas • being perceived as not attentive enough to the social repercussions of its activities 	<ul style="list-style-type: none"> • bank detached from people's needs • difficulty of accessing banking credit • increase in poverty and inequality 	1/4/8/9/10/11
<p>Responsibilities towards the environment:</p> <ul style="list-style-type: none"> • green banking • direct environmental impacts 	<ul style="list-style-type: none"> • develop products and services supporting our clients during the transition towards a sustainable economy • evaluate and manage environmental risks taking into account the different characteristics of each market segment • use energy efficiently and in a socially responsible way to control the Group's overall impact on the environment (Project Energy and Facility Management) • adopt a business continuity plan and implement actions to prevent physical damage to the Bank's material assets. • policies pursuing the objective of managing environmental impacts in an organized way and with growing efficiency (i.e. paperless; using renewable energy sources) 	<ul style="list-style-type: none"> • playing an important role in the transition to a low-carbon economy • contributing to reducing environmental risks 	<ul style="list-style-type: none"> • being supported in the transition to sustainability with dedicated products and services • the possibility of contributing more to protecting the environment 	<ul style="list-style-type: none"> • reputational risks connected to a perception of lacking commitment to the environment • material risks connected to possible damage to the Bank's infrastructure and any operational interruptions • transitional risks connected to possible sanctions due to non-compliance to new regulations • not keeping into due account ESG issues in credit processes • risks deriving from failure to implement energy efficiency improvements. 	<ul style="list-style-type: none"> • credit more difficult to access for sectors involving higher environmental and social impact • higher costs for some businesses 	9/11/12
<p>Ethics and Integrity:</p> <ul style="list-style-type: none"> • integrity in company conduct • responsible management of the supply chain 	<ul style="list-style-type: none"> • supervision, checks, training and other mitigation actions as per Model 231 • select suppliers who can guarantee appropriate worker protection, focusing during the bid/selection phase on the adequacy of proposed prices, and excluding suppliers from potential candidates if their prices are under minimum wage level or market average 	<ul style="list-style-type: none"> • strengthening stakeholder confidence • enhancing reputation 	<ul style="list-style-type: none"> • commitment to fight underground economy, illegality and organized crime • reducing inequality 	<ul style="list-style-type: none"> • non compliance to external regulations, agreements, standards and self-regulatory codes • damages to company image due to the conduct of suppliers 	<ul style="list-style-type: none"> • increase of the underground economy • human rights violations 	8/12/16



5 Anticorruption strategy



5.1 Integrity in company conduct and anticorruption strategy

The organizational model and set-up of the Montepaschi Group dictates that all company units are responsible for shaping conduct in accordance to ethical decision making and risk culture, promoting a company culture based on ethics, responsibility and lawfulness, in line with the Montepaschi Group's Ethical Code.

A culture of risk and lawfulness is widespread throughout all levels of the organizational structure, and in this sense the adoption of Organizational Model 231, of Anticorruption Policy, and a system of internal whistleblowing are valid awareness-raising tools to prevent instances of corruption.

Coordination and uniformity of activities aimed at fighting corruption are guaranteed for the Group as a whole by the "Centralized Compliance Model" which, after the reorganization occurred in 2019, has enforced an expansion of supervisory activities assigned to the Compliance Function. The planning of non-compliance risk management activities is based on a "risk based" approach, in consideration of the inherent level of risk and associated residues associated to each regulatory sector on 31/12/2018, of actions deriving from existing legal obligations envisaged for 2019 and the existence of gaps by the Audit and/or Surveillance Authority.

The "centralized model" of compliance adopted by the Bank dictates direct supervision by the Compliance Function on all regulatory areas within the Holding Company's boundaries of activity and the Group's Italian subsidiaries under surveillance, including Consorzio Operativo di Gruppo, and the supply to the same of services regarding the supervision of compliance to regulations with methods and procedures in accordance with provisions by the Surveillance Authority, and based on guidelines and principles established by the Holding Company regarding the Internal Auditing System, and outsourcing of company auditing functions.

The responsibilities of supervising non-compliance risks on each regulatory area applicable to the

Bank (and to the Group) are listed in detail in the Group's Rule Map. The Group's Rule Map aligns the taxonomies of all the Group's companies, organizing regulations and supervisory provisions in "regulatory areas" and "regulatory spheres". The taxonomy includes all external regulations – at a Group level – whose compliance is supervised by the Compliance office, on the basis of the process defined and regulated by current company rules. Applicability and relevance are evaluated for each area and regulatory sphere.

GRI 103.1
GRI 103.2

INTEGRITY IN COMPANY CONDUCT AND COMPLIANCE

IN THE MONTEPASCHI GROUP ALL COMPANY BODIES HAVE THE RESPONSIBILITY OF:



- ✓ **shaping conduct in accordance to ethical decision-making principles and risk culture**
- ✓ **promote a company culture based on ethics, responsibility and lawfulness, in line with the Montepaschi Group's Ethical Code**

THE MAIN TOOLS ADOPTED TO PREVENT CORRUPTION FELONIES ARE:



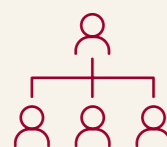
- ✓ **Organizational Model 231 and the Ethical Code**
- ✓ **a system of rules to prevent corruption**
- ✓ **an internal whistleblowing system**

Activities are coordinated thanks to the "Centralized Compliance Model", (with an expansion of the Compliance Function's supervisory boundaries introduced in 2019)



Activities are **planned** with a "risk based" approach, in consideration of the risk level inherent in each regulatory sphere (inherent and residual)

THE "CENTRALIZED COMPLIANCE MODEL" DICTATES DIRECT SUPERVISION OF THE COMPLIANCE FUNCTION ON ALL REGULATORY AREAS INHERENT TO THE ACTIVITIES OF



- ✓ **The Holding Company**
- ✓ **The Group's Italian subsidiaries**

Responsibilities in every area applicable to the Bank (and the Group) are detailed in the 'Rule Map'. Applicability and relevance are evaluated for every regulatory area and sphere

5.1.1 Organizational Model 231

GRI 102.16

The Montepaschi Group considers a culture of lawfulness as a value to be absorbed and spread, and believes that adopting this organizational, management and auditing model (Organizational Model 231) will provide a valid tool to raise awareness so that its activities will be carried out with proper and linear conduct so as to prevent the risk of committing felonies as per D.Lgs. 231/2001 "Administrative responsibility discipline for legal persons, companies and also of associations that are not legal entities".

The purpose of Organizational Model 231 is to set up a structured and organic system of procedures and auditing activities (preventive and ex-post) to reduce the risk of committing felonies, by identifying sensitive activities. Therefore the principles contained in Organizational Model 231 must, on the one hand, bring full awareness in the potential felon that he/she is committing a felony (which is strongly condemned and against the Company's interests also when it could apparently benefit from it); on the other, thanks to constant monitoring of the activity, it allows the Company to prevent or promptly react to the felony or the attempted felony also pursuing, where deemed appropriate, sanctions against the felons, or informing administrative and judicial authorities of the facts.

Organizational Model 231 calls for supervision and auditing to prevent the risk of corruption. The Bank has prepared this model thanks to a risk self assessment to evaluate the adequacy and effectiveness of legal supervision and auditing for all the activities where corruption may occur.

Organizational Model 231 is updated periodically or when certain events make it necessary, such as: (i) detection of the inadequacy of the model to prevent felonies as per D.Lgs. 231/2001, (ii) relevant modifications have been brought to organizational structures or processes (iii) new felonies are added to the scope of the legislation.

During 2019 the planned periodic, bi-yearly review of the Bank's Model 231 was carried out through:

- Carrying out a risk self assessment – executed both by the process owners and by the trustees for felonies that can be committed by administrators, in order to evaluate the Bank's supervisory bodies and auditing in reference to risks deriving from committing felonies listed in D. Lgs. n. 231/2001 where the Bank potentially has administrative responsibility;
- Drafting new Auditing Protocols that take into account variations of the organizational structure and new felonies falling under administrative responsibilities occurred between 2016 and 2019 (excluding tax felonies introduced on 24 December 2019 which are currently being analyzed);
- Approving the Montepaschi Ethical Code stating the Bank's values; supervisory bodies for 231 topics and anticorruption have also been strengthened;
- Approving the new "Group directive for the management of provision fulfilment regarding D.Lgs.231/2001 on administrative responsibility".

Risk self assessment allowed us to identify areas in need of strengthening within supervisory bodies and/or auditing activities related to company processes where 231 felonies may be committed. Mitigation actions to be adopted in 2020 are currently being shared with the entities owning these processes.

On 4 February 2020 an updated Model 231 was published and formalized both within the Bank's internal regulations and the institutional website, and a training plan aimed at all of the Bank's employees will be developed.

Organizational Model 231 includes the following documents:

- **Directive** for the prevention of risks as per ex D.Lgs. 231/2001 containing the general principles and conduct Guidelines for all social bodies, employees, financial consultants and external collaborators aimed at pursuing maximum propriety in company conduct;
- **Auditing protocols** ex art. 6 D.Lgs. 231/2001 listing for every company department the felonies theoretically possible, existing supervisory bodies, the principles guiding conduct in executing sensitive activities and referrals to the company's internal regulations on the matter;
- **Group Ethical Code**, listing the principles, models and rules of conduct the Group is committed to follow in every activity, internal relations, relations with the market, stakeholders and the environment. The Ethical Code is an essential element of Model 231 because it completes it in the expression and communication of values, principles and rules of conduct.

Furthermore, Banca MPS' Organizational Model 231 guarantees a company system in full compliance with art. 30 D.Lgs. 81/2008 (Nuovo Testo Unico, the new document on health and safety in the workplace).

Montepaschi Group's companies have also adopted their own Organization, Management and Auditing Model to prevent felonies as per D.Lgs.231/01 in the belief that, beyond being a valid tool to raise awareness in all those operating on the Group's behalf, this is a more effective preventative measure against the risk of committing felonies listed in related legislation.

Regarding training, Banca MPS' Compliance Function has periodically checked attendance by the Bank's personnel and its relative percentage. Training activities on the updated Model 231 are currently in planning in order to spread risk and lawfulness culture throughout the company, and will be running in 2020.

In accordance with D.Lgs. 231/2001, each of the Group's companies has nominated its own 231 Surveillance Body which will be ensuring the implementation of and compliance to each Model;

a disciplinary system has been introduced to penalize failure to comply with the measures listed in Model 231; Auditing Protocols have been defined and drafted for each Body. Every 231 Surveillance Body receives regular information flows from the company functions involved as per Group policy.

In carrying out their duties 231 SBs base their actions on principles of independence, autonomy and continuity; they have been invested with autonomous powers of initiative and control, including the power to request and acquire information from any level and operational sector of the Bank's companies, availing themselves of the competent functions of the Group's companies.

In carrying out its duties the 231 SB of every company specifically:

- Evaluates the Model's suitability, that is, its substantial ability to broadly prevent conduct in breach of regulations;
- Monitors the Model's effectiveness, verifying coherence between conduct and the model and informs the Board and the Board of Auditors of violations of the Model's provisions;
- Analyzes compliance over time to the Model's requisites of strength and functionality with specific reference to environmental changes and new risk factors;
- Updates the Model, presenting upgrade proposals to the Board and verifying the implementation and actual functionality of adopted solutions;
- Promotes initiatives to spread knowledge and understanding of the Model throughout the entire staff, plans and monitors related training activities following significant changes and/or updates of the adopted Model;
- Plans a yearly program of verification activities to be carried out availing itself of the support of internal auditing functions, informing the company's Board of Directors and Board of Auditors;
- At least every six months, it reports to the Board of Directors on its activities in time for the review of documentation drafted for the approval of the statement and biannual financial report.

Every year the Board of each of the Group's companies allocates to each 231 SB the financial resources necessary to acquire services and consultancies instrumental in the fulfilment of its duties.

As per art. 6, subsection 2, lett. d) of D.Lgs. 231/2001 the 231 SB must fulfill the information obligations listed in the Model, especially pertaining reports of felonies committed or attempted in the interest or benefit of the company, listed in the legislative decree, as well as instances of failure to observe the conduct rules listed in Model 231. To protect its full independence and confidential nature, reports can be made directly to the SB 231 using the specific channel hosted within the company's Intranet.

In accordance to art. 6, subsection 2 bis del D.lgs 231/01, the Montepaschi Group also has a reporting channel to the 231 Surveillance Body for events that may involve the Bank's responsibility as per D.lgs n. 231/2001 or for violations pertinent to its organization, management and auditing Model as per D.lgs n. 231/2001 or to its own ethical code, also accessible externally: every employee, company function manager, company body but also subjects outside the bank (that is, independent contractors, professionals, consultants, agents, suppliers and other terminals operating with the bank) can now send a written report, not anonymously but with guaranteed confidentiality, to the 231 SB.

231 SBs can be contacted in any way, through the post (at the following address: Organismo di Vigilanza 231/2001, Banca Monte dei Paschi di Siena spa, piazza Salimbeni 3, 53100 Siena),

and through electronic channels emailing organismovigilanza.231-2001@mps.it, the specific email address reserved to the 231 SB. The report's confidentiality is guaranteed as access to it is exclusively limited to Surveillance Body members, that is, employees and or third parties with specific authorization.

The Bank's 231 SB also steers the production and update of the Models of Montepaschi Group's companies, and coordinates their Surveillance Bodies.

Over the year the Holding Company's 231 SB received from the 231 SBs of each of the Group's companies regular reports on the auditing activities carried out following the dispositions of their own Organizational Model 231/2001.



ORGANIZATIONAL MODEL 231

Its **adoption** establishes a valid **awareness-raising tool** to ensure correct and linear conduct in carrying out activities, in order to prevent the risk of committing felonies listed in D.Lgs. 231/2001

The **objective** of Organizational Model 231 is to establish a suitable system of procedures and auditing activities to **reduce the risk of committing felonies listed in D.lgs 231/01**, by identifying sensitive activities

THE MODEL ALLOWS TO:



- ✓ **Bring about full awareness in potential felons that they are breaking the law**
- ✓ **Enable the Company to prevent or promptly react to felonies committed or attempted**
- ✓ **Carry out penalizing initiatives, where appropriate, against felons or report felonies to the Judicial Authority**

Organizational Model 231 was compiled through a risk self assessment to evaluate the adequacy and effectiveness of regulatory bodies and the auditing of every activity where felonies listed in D.lgs 231/01 may potentially be committed

Organizational Model 231 is **regularly updated every two years** or when necessary

Organizational Model 231 also ensures compliance to the Testo Unico on **preservng health and safety in the workplace**

EACH COMPANY OF THE MONTEPASCHI GROUP HAS ADOPTED ITS OWN MODEL 231 AND APPOINTED ITS OWN 231 SURVEILLANCE BODY



The Montepaschi Group has a **reporting channel** to every 231 Surveillance Body for events that may make the Companies responsible as per D.lgs n. 231/2001: every employee, company function manager, company body, but also external subjects may send a written report, not anonymously but in complete confidentiality, regarding violations of D.lgs 231/2001 or of the 231 Model adopted by each company

ETHICAL CODE

During 2019 the Group worked towards the approval of its new Ethical Code which represents the Bank's ethical values and calls the entire staff to fully comply to the principle of lawfulness, specifically focusing on issues related to corruption. An inter-functional workgroup was established, coordinated by the Compliance function, to review and complete the Code in order to update it or adapt it to the most recent regulations and company policies, to inform stakeholders that the Montepaschi Group has joined initiatives pursuing sustainability and an anticorruption strategy, and also to improve it in terms of transparency and intelligibility. The Code also expressly forbids unfair competition and restrictive agreements.

The Montepaschi Group's Ethical Code contains the principles, directions and conduct rules the Group commits to follow in all its activities, in internal relations, market relations, relations with stakeholders and towards the environment, and is part of the larger Organization and Management Model to prevent responsibilities of legal entities (D.Lgs.231/2001).

The review resulted in a document where the main innovations are:

- the introduction and strengthening of themed content such as: strategic identity, diversity and inclusion, non-financial statement, remuneration policies, sustainability;
- improved definition of some issues like the anticorruption strategy; a special focus on conduct rules, relations with stakeholders and the violation reporting system.

On 20 January 2020 the new Ethical Code was published and formally added to the Bank's internal regulations and to its official website, and training programs aimed at all of the Bank's employees will be developed.

5.1.2 Anticorruption policy

GRI 205.2
GRI 205.3

The Group considers compliance to legislation, sector regulations and to the principles of ethical and social responsibility an essential condition to preserve and improve the value of the company. Specifically it is committed to fighting all forms of corruption in accordance to the principles promoted by the UN's Global Compact Program and consequently implementing the related policy included in its own Ethical Code.

To strengthen this principle, the Bank has issued a policy aimed at the entire staff of the Montepaschi Group containing guidelines to prevent instances of corruption.

This document acts as a point of reference on preventing the risk of corruption and reinforces anticorruption policies already defined and implemented by the Group with its Ethical Code, 231 Organizational Model and the introduction of specific management procedures in exercising signatory power, of the passive cycle, expenses and relations with suppliers.

Prevention of corruption felonies is based on the following:

- Zero tolerance of corrupt conduct and activities;
- Traceability of accounting operations: the Group guarantees the absence of secret or unregistered accounts, funds, assets or operations;
- Monitoring events that could represent abstract risk indicators. The main areas considered "at risk of corruption" connected to significantly sensitive areas are regularly identified, and for these, structured processes have been defined, that is, the enhancement of existing ones with specific "anticorruption" indications. These activities are: contracting suppliers, joint ventures, acquisitions and divestitures; gifts and entertainment; events and sponsorship; job offers; credit concessions; management of the passive cycle (expenses); consultancies; operations where the Bank is providing public services (soft financing); political contributions, donations, membership dues, no profit; management of promotional services.

The Group also commits to following an anticorruption program including the following activities:

- risk self assessment to be regularly submitted to Company Functions in relation to risks inherent in their respective processes;
- a training and awareness-raising plan for employees.

In accordance with the Ethical Code, the Group denounces the recourse to illegal or irregular conduct to achieve its economic aims and does not tolerate corrupt practices in any shape or form (direct or indirect, public or private, external or internal to the organization, instigated, attempted or carried out). In addition to the penalties envisaged by regulations, all violations of anticorruption provisions may bring disciplinary action against the employee(s) responsible, including the most severe, dismissal.

In this perspective the Group pursues the objective of widely spreading anticorruption culture, considering it a tool to ensure healthy and cautious company management, and the prevention of penalties and reputational risks that could undermine the relationship of trust with its stakeholders.

Instances of corruption result in penalties inflicted by the Judicial Authority against the subjects committing them, and may also result in administrative sanctions against the company because of its responsibility for employees as per D.Lgs. 231/2001.

The Group's staff is also encouraged to report any actual, attempted or instigated instance of corruption it may come to know about, regardless whether it has been offered, or has given or received money, gifts or any other type of donation. To this end the Group has established for its staff reporting channels devoted to potentially illegal conduct: "whistleblowing", for violations of the 231 Organizational Model and of the Ethical Code.

Within the review of the Bank's 231 Model a risk

self assessment was also carried out on the bodies and auditing procedures adopted by the Bank to prevent corruption felonies between private subjects, corruption in relations with the Public Administration, trafficking of undue influence and instigation to corruption. Training activities on the new Ethical Code and on Model 231 are in a stage of planning and will be implemented during 2020.

Finally, beyond Model 231, regulations for preventing corruption within the MPS Group, and the Ethical Code, in order to monitor the occurrence of instances of corruption there are also specific management procedures to exercise signatory powers and deal with the passive cycle, establishing a preventative system of authorization and registration of expenses.

Regarding relations with the Public Administration, which are particularly sensitive to the risk of corruption, in the Montepaschi Group political donations or any kind of flow of cash or goods in support of a political cause are strictly forbidden.

In this regard the general rules of conduct to be

followed in relations with the Public Administration are the following:

- there is an established system of authority issuing independent management powers;
- there is a due course to authorize the Bank's employees to entertain formal relations with Public Bodies;
- different functions within the Bank must be involved for decisions relating to the participation to bids issued by public bodies;
- regular checks are carried out on the concession of any economic contribution established by contract;
- detailed archiving of documents pertaining to agreements with the Public Administration is carried out;
- relations with the Public Administration are to be entertained applying principles of transparency, diligence and professionalism to avoid possible conflicts of interest.

COMMUNICATION AND TRAINING ON ANTICORRUPTION POLICY AND PROCEDURES

TRAINING INDICATORS D.LGS 231/01 (LETTERS D AND E)	2019	% Overall attendance	2018	% Overall attendance	2017	% Overall attendance
PARTICIPANTS	461	2.11%	1,550	7.09%	18,119	83%
PROFESSIONAL AREAS	343	1.57%	1,036	4.74%	10,583	48%
MIDDLE MANAGER	104	0.48%	499	2.28%	7,336	34%
MANAGERS	14	0.06%	15	0.07%	200	1%

Anticorruption policies and procedures have been communicated to all employees during training courses and are constantly available on the Group's intranet to all employees. Regarding the governance body, the Board of Directors has approved a review of Model 231 on 16 December 2019. The approved documents refer to the Bank's anticorruption policies. At the time of writing there are no verified instances of corruption or ongoing investigations.

GRI 205.2
GRI 205.3

ANTICORRUPTION POLICY

THE GROUP IS COMMITTED TO FIGHTING ALL FORMS OF CORRUPTION, DIRECT OR INDIRECT, PUBLIC OR PRIVATE, EXTERNAL OR INTERNAL, WHETHER INSTIGATED, ATTEMPTED OR CARRIED OUT

To reinforce this principle, next to Model 231, the Bank has issued a **policy** aimed at **all the staff** of the Montepaschi Group containing guidelines for the prevention of corruption and has recently updated its Ethical Code.

THE PREVENTION OF CORRUPTION IS BASED ON THE FOLLOWING:



- ✓ **zero tolerance of corrupt conduct and activities;**
- ✓ **traceability of accounting operations (the Group guarantees the absence of secret or unregistered accounts, funds, assets or operations);**
- ✓ **monitoring of events that could represent a risk. Activities considered as sensitive are the following:**

- contracting of suppliers;
- joint ventures, acquisitions and divestitures;
- gifts and entertainment;
- events and sponsorship;
- job offers;
- credit concessions;
- passive cycle management (expenses);
- consultancies;
- operations where the Bank is providing public services (soft financing); political contributions, donations, membership dues, no profit; management of promotional services.

THE GROUP COMMITS TO FOLLOWING AN ANTICORRUPTION PROGRAM THAT INCLUDES THE FOLLOWING ACTIVITIES:



- ✓ **risk self assessment to be regularly submitted to Company Functions in relation to risks inherent to their respective processes**
- ✓ **training and awareness-raising plan for employees**

Any **violation** of anticorruption provisions may determine **disciplinary actions** against the employee(s) responsible, including the most severe, **dismissal**

In this perspective the Group pursues the objective of **spreading anticorruption culture**, considering it a tool to achieve:



- ✓ **healthy and cautious company management,**
- ✓ **prevention of penalties and reputational risks**

The Group's staff is also encouraged to **report any** actual, attempted or instigated **instance of corruption**, it has come to know about, regardless having been offered, or having given or received money, gifts or other donations

The tools available to staff to report potential negligent, illegal, or irregular conduct regarding work activities are: the **"whistleblowing" channel** and the **channel for reporting violations to the 231 Surveillance Body**

Regarding relations with the **Public Administration**, particularly "sensitive" to the risk of corruption, within the Group **political donations** or **any kind of flow** of cash or goods in support of a political cause are **strictly forbidden**

5.1.3 The internal auditing system

The internal auditing system adopted by the Group aims at guaranteeing appropriate processes of risk identification, measurement, management and monitoring to achieve healthy, clean company management in line with its intended objectives.

The MPS Group follows a policy on the internal auditing system, a document which works as reference on the issue, listing principles and guidelines which must inspire the planning, functioning and evolution of a complete, adequate, functional and reliable system of auditing.

The internal auditing system is made up of the rules, functions, bodies, resources, processes and procedures aimed at ensuring healthy, cautious management of the company in pursuit of the intended performance, improvement, protection, information and compliance objectives.

It plays a central role in the company's organization: it is a fundamental element of knowledge for Company Bodies – to guarantee full awareness of the situation and effective supervision of company risks and their interrelations – and promotes the spread of a proper culture of risk, lawfulness and company values.

Because of these characteristics the internal auditing system plays a strategic role for the Group and surveillance culture takes an important position on the scale of company values, involving the entire organization in developing and applying logical and systematic methods to identify, measure, communicate and manage risks.

The internal auditing system includes the following types of audit:

- first level audits, aimed at ensuring operations are conducted correctly, carried out by the operational bodies first responsible for the risk management process;
- second level audits, for a correct implementation of the risk management process, compliance to operational boundaries assigned to Company Functions and compliance to regulations;
- third level audits carried out by the Internal Audit function, aimed at identifying violations of procedures and regulations as well as periodically evaluating the adequacy, functionality and reliability of the internal auditing system, with preset deadlines in accordance to the nature and level of risk.

The Group has also developed advanced models of risk management by adopting organization systems aimed at combining governance and strategic processes with management/auditing processes, within the "Risk Appetite Framework" (RAF) defined by the appropriate Company Bodies.

THE INTERNAL AUDITING SYSTEM

The aim of the internal auditing system is to **guarantee** processes of:

- ✓ identification
- ✓ measurement
- ✓ management
- ✓ risk monitoring



The adopted internal auditing system:

- ✓ is made up of a set of rules, functions, bodies, resources, processes and procedures
- ✓ it aims at guaranteeing healthy and cautious company management and coherence with intended performance, improvement, protection, information and compliance objectives

It plays a **strategic role in company organization**: it is a fundamental element of **knowledge** for Company Bodies and promotes the spread of a proper **culture** of **risk, lawfulness** and **company values**

THE TYPES OF AUDIT ARE THE FOLLOWING:



THE HOLDING COMPANY HAS ESTABLISHED AN INDEPENDENT AND EFFECTIVE INTERNAL AUDIT FUNCTION

The Manager:

- ✓ is hierarchically positioned directly under the Body invested with the strategic supervision function
- ✓ has no direct responsibility of operational areas undergoing auditing
- ✓ is not hierarchically subordinated to the Managers of these areas

The aim of this function is:

- ✓ check everyday operativity and risk evolution
- ✓ evaluate the completeness, adequacy, functionality and reliability of the organizational structure, the Internal Auditing System and the external regulatory framework
- ✓ also with the objective of pursuing the improvement of the organization's effectiveness and efficiency

In carrying out its duties the Internal Audit Function acts in accordance with the **profession's International Standard**, listed in the Group's internal audit standards

5.1.4 Conflict of interest

GRI 102.25

On 19 November 2019 the 1st "Group Directive on fulfilling legal obligations pertaining to conflict of interests within personnel " in accordance to the BCE's SREP Decision dated 8 February 2019. The Directive defines MPS Group's policy aimed at identifying and preventing or managing instances of conflict of interest within personnel, including members of administrative bodies, be they financial or not, which could influence job execution and responsibilities, by adopting measures in accordance with Banca d'Italia's communication n. 285/2013, from EBA guidelines on Internal Governance of banks and investment firms (section 12), also taking into consideration art. 2391 and 2629 of the Civil Code, and articles 53 and 136 of legislative decree n. 385 issued on 1st September 1993 (Summary of laws pertaining to banking and credit issuing), from legislation on operations with related parties, and also in compliance with indications listed in MPS Group's Ethical Code.

On 16 October 2019 an updated version of the document "Management of conflicts of interest in providing investment services" was published, regulating its process and defining a series of organizational and administrative measures to contain and identify conflicts.



5.1.5 The internal audit function

GRI 103.2

The Holding Company has established an independent and effective Internal Audit Function. Its independence as a third party is guaranteed by its position within the organization. The Supervisor is hierarchically directly under the Body for strategic supervision and has no direct responsibility for operating areas under audit, nor is he a subordinate of the Managers of these areas.

The activities carried out by the Function are aimed at verifying operations run normally, risk evolution, and at evaluating the completeness, adequacy, functionality and reliability of the organizational structure, the Internal Auditing System and external legislation, in order to pursue the improvement of the organization's effectiveness and efficiency.

In carrying out its duties the Internal Audit Function complies to the profession's International Standards, listed within the Group's Internal Auditing standards. The following documents have been published on fulfilling the obligations of auditors and the internal auditing activity: "Ethical Rules for the Internal Audit Function", "Group Policy on Internal Reviews" and Group Directive on planning auditing reviews.

Resource development is also incentivized to allow the achievement of certificates and professional qualifications. The Function, with an approach based on risk, reports to Company Bodies on possible improvements, with particular reference to RAF, to the risk management process and to their measurement and auditing tools.

The activities, defined in the annual auditing program, are identified through a risk based approach, keeping in consideration SREP/SSM (Supervisory Review and Evaluation Process/ Single Supervisory Mechanism) objectives, requests by Executive Bodies, obligations imposed by external legislation and Surveillance Bodies (i.e. ILAAP, ICAAP, privacy/GDPR, data security, 231 Organizational Model). The Annual audit plan is set within a wider multi-year audit plan to be approved by the Board of Directors.

Following the principle of "ongoing professional development", considered an essential requisite for Internal Auditors and also envisaged by the profession's Standards, during 2019 the Executive attended a training course also including sustainability and ESG topics: it was taken on with the aim of creating common knowledge and awareness. This mainly occurred by developing the following areas: the role of the Internal Audit Function, soft skills, NFS, risk culture, whistleblowing, ethics and ethical dilemmas. In the Internal Audit Function's 2020 Plan, a number of audits were identified on which to carry out the first ESG tests, in order to prepare a more structured and focused activity from 2021.



5.1.6 Whistleblowing

GRI 103.1

GRI 103.2

GRI 103.3

The MPS Group has adopted an organizational model to manage reports by personnel on negligent, illegal, irregular or incorrect circumstances or conduct in work activities related to:

- administrative, accounting or tax-related irregularities;
- violations, potential or actual, of dispositions issued to prevent money-laundering and funding terrorism;
- market abuse (insider trading, manipulation) and other irregularities in investment services and activities;
- violations of data confidentiality regulations;
- violation of anti-usury regulations;
- corruption;
- embezzlement and malversation (of money and relative to material and immaterial assets);
- digital fraud;
- violations of the MPS Group's Ethical Code and violations of company regulations and internal procedures;
- other particular cases that may constitute violations of banking activity legislation.

The Model, beyond allowing personnel to file reports, defines:

- the boundaries of facts and actions that may be reported;
- methods and channels to be used for reports;
- the main management obligations to be fulfilled by the accountable Bodies;
- protection for reporters and reportees.

The Supervisor of internal reporting systems is appointed within the Internal Audit Function and coincides with the Fraud Audit Service Supervisor. In accordance with Banca d'Italia's Communication n. 285 and the Group's Policy, the above mentioned Supervisor provides a yearly report to Executive Bodies on the correct functioning of the systems and on the reports received. The Board of Auditors acts as overall supervisor of the entire system.

The Bank protects the author of a report against retaliatory, discriminatory or disloyal behaviour due to the report, which will not therefore prejudice continued employment. In case of false reporting, featured elements of malice or serious negligence, the Bank retains the right to carry out necessary scrutiny of the reporter and to adopt the measures it deems appropriate.

The Bank guarantees the confidentiality of reports and of the reporter's and reportee's personal data, without prejudice to rules regulating investigations or procedures initiated by judicial authorities related to the events reported, except when knowledge of the reporter's identity is instrumental for the reportee's defence.

The adopted internal system of reporting is illustrated to personnel using a number of available channels. In 2019 the online course was attended by 84% of resources, in addition to specific training sessions in class on the internal reporting / whistleblowing systems, organized by the internal reporting system Supervisor and the staff of the Fraud Audit Service.

Tests conducted during 2019 on the internal reporting system have demonstrated its correct operation.



6 People and territories

6.1 Support for people and territories

In pursuing a plan of sustainable development the Group continues to support local activities by establishing a dialogue with its clients and with communities. The analysis of the areas where the Bank operates has allowed it to enhance its characteristics through specific products aimed at supporting local economies. The Group's extensive network acting as a point of reference for small local businesses allows for attentive listening to customer needs.

GRI 103.1
GRI 103.2
GRI 103.3
G4 FS1
G4 FS7

Over 2019 the Group's activities were developed along three main directives:

- Consolidation of the relations with the partners who actively participated from the previous year to the development of Digital Banking products and absorbing the rules of accessibility and user-friendliness;
- Direct and indirect involvement of local businesses in areas with a high rate of unemployment;
- Innovation, thanks to collaborations with start-ups within Fintech, contributing to the professional growth and expansion of new subjects with a dominant presence of young collaborators.

- soft financing with CDP Funding for subjects damaged by the earthquakes in 2016, aimed at repairing, restoring and rebuilding residential buildings (in accordance with the ABI-CDP plafond Convention on seismic events in Central Italy the Bank has joined);
- soft financing with CDP Funding for subjects damaged by the earthquakes in 2012 which hit Bologna, Modena, Reggio Emilia, Mantova and Rovigo aimed at repair and reconstruction (in accordance with the ABI-CDP plafond Convention on earthquake 2012 reconstruction the Bank has joined).

In 2019 the Group's growing awareness of the need to move towards increased integration of sustainability within its core business was a leitmotiv of relations with all the stakeholders.

In this framework the Bank pushed funding to support PMIs and promoted the establishment of new businesses in the areas in central and southern Italy struck by earthquakes in 2016-2017 with products such as Finanziamenti CDP and Resto al Sud.

Over the year specific products were made available to support the areas, such as:

- caps in favour of subjects damaged by earthquakes in affiliation with ABI and CDP;
- soft financing with CDP Funding for subjects damaged by natural disasters occurred in Italy since 2013, aimed at damages incurred by private assets and productive activities eligible for contribution (in accordance with the ABI-CDP plafond Convention on natural disasters the Bank has joined);

PRODUCT	MOTIVE/OBJECTIVE	AMOUNTS DISTRIBUTED 2019	AMOUNTS DISTRIBUTED 2018
BEI PMI Loan	Medium and long term loan granted at favourable rates thanks to funds made available by BEI, aimed at supporting investment projects in the agricultural, industrial and service sectors. Small and Medium businesses (PMIs) with less than 250 full-time employees are the loan's beneficiaries.	Data subdivided by Reference Market: • Small Businesses: € 7,148,000.00 • Corporate (PMI, CTOP, KC, Large Corp.): € 33,960,000.00 • Other € 700,000.00 • Total € 41,808,000.00	Unavailable
BEI MID Loan	Medium and long term loan granted at favourable rates thanks to funds made available by BEI, aimed at supporting investment projects in the agricultural, industrial and service sectors. MidCaps (MID) with between 250 and 3000 full time employees are the beneficiaries of the loan.	Commercialization 2019 → € 35,200,000.00 fully corporate market	Unavailable
Zero Weighting CDP Loan	Medium and long term loan granted at favourable rates thanks to funds made available by Cassa Depositi e Prestiti S.p.A., aimed at supporting initiatives related to investments to be carried out and currently being carried out, mandatorily assisted, directly or indirectly, by the PMI Guarantee Fund (managed by Mediocredito Centrale (MCC)). Loan beneficiaries are small and medium businesses, including agri-food businesses with less than 250 full time employees.	Data subdivided by Reference Market: • Small Businesses: € 18,457,921.15 • Corporate (PMI, CTOP, KC, Large Corp.): € 22,679,400.00 • Total € 41,137,321.15	Data subdivided by Reference Market: • Small Businesses: € 23,561,645.00 • Corporate (PMI, CTOP, KC, Large Corp.): € 24,945,500.00 • Other € 915,000.00 • Total € 49,422,145.00
MPS Valore Sport	Unsecured Loan Supporting amateur sports clubs to help them meet championship enrolment fees and buy sports equipment.	€ 23,000,000	Unavailable
Resto al Sud	Unsecured Loan Incentive supporting new businesses opening in the South and in areas in Central Italy struck by earthquakes in 2016 and 2017.	• Small Businesses: € 6,989,008.42 • Other € 359,590.65 • Total € 7,348,599.07	• Small Businesses: € 2,069,374.29 • Other € 122,223.40 • Total € 2,191,597.69
Soft Financing Natural Disaster Plafond	Soft loans with CDP funding for subjects damaged by natural disasters occurred in Italy since March 2013, aimed at damage incurred by private assets and businesses eligible for contributions. In accordance with the ABI-CDP Convention "Natural Disasters Plafond" the Bank has joined.	Data subdivided by Reference Market: • Small Businesses: € 2,165,882.78 • Corporate (PMI, CTOP, KC, Large Corp.): € 608,119.37 • Privates € 1,786,547.96 • Total € 4,560,550.11	Data subdivided by Reference Market: • Small Businesses: € 459,787.90 • Corporate (PMI, CTOP, KC, Large Corp.): € 11,878.75 • Privates € 527,972.19 • Total € 999,638.84

PRODUCT	MOTIVE/OBJECTIVE	AMOUNTS DISTRIBUTED 2019	AMOUNTS DISTRIBUTED 2018
Soft Financing for the reconstruction after earthquakes in Central Italy	Soft loans with CDP funding for subjects damaged by earthquakes in 2016, aimed at repairs and reconstruction of residential buildings, production facilities and buildings housing public and private services. In accordance with the ABI-CDP Convention "Earthquake in Central Italy Plafond" the Bank has joined.	Data subdivided by Reference Market: • Small Businesses: € 518,183.22 • Corporate (PMI, CTOP, KC, Large Corp.): € 1,662,398.26 • Privates € 3,920,468.56 • Total € 6,101,050.04	Data subdivided by Reference Market: • Small Businesses: € 29,767.56 • Corporate (PMI, CTOP, KC, Large Corp.): € 242,067.14 • Privates € 1,165,576.80 • Total € 1,437,411.50
Soft Financing for the reconstruction after the earthquake in Central Italy	Soft loans with CDP funding for subjects damaged by earthquakes in 2012 in the areas around Bologna, Modena, Reggio Emilia, Mantova and Rovigo aimed at repairs, restoration and reconstruction of residential buildings, production facilities and buildings housing public and private services. In accordance with the ABI-CDP Convention "Reconstruction earthquake 2012 Plafond" the Bank has joined.	Data subdivided by Reference Market: • Small Businesses: € 3,921,151.93 • Corporate (PMI, CTOP, KC, Large Corp.): € 1,147,619.10 • Privates € 11,017,162.16 • Total € 16,085,933.19	Data subdivided by Reference Market: • Small Businesses: € 34,511,937.16 • Corporate (PMI, CTOP, KC, Large Corp.): € 6,666,016.70 • Privates € 29,699,365.33 • Total € 70,877,319.19
INITIATIVES AND PROMOTIONS	MOTIVE/OBJECTIVE	AMOUNTS DISTRIBUTED 2019	AMOUNTS DISTRIBUTED 2018
Mutuo Mio (March and May)	First home purchase with competitive pricing	N. 20212 beneficiaries – 2.36€/bln	Unavailable
CONSAP Home Purchase Mortgage	First home purchase with CONSAP public guarantee in favour of the Bank to facilitate access to credit for those clients requiring financing for over 80% of the value of the property to be purchased, and who are part of the following categories: • Married couples or couples living together for at least 2 years with at least one partner under 35 years of age • Single parents with minors • Young people under 35 years of age with atypical work contracts • Managers of properties owned by independent institutions for social housing	N. 8687 beneficiaries 895€/mln	N. 14817 beneficiaries 1,643 €/mln

The activities of MPS Leasing & Factoring are also oriented towards integrating sustainability in business with a range dedicated to financing businesses through leasing, of systems for producing energy from renewable sources (Leasing Energy) for self-consumption or producing energy as the main activity. In 2019 17.8 million euros were loaned with a growth of 82% from the previous year (9757 million in 2018, 1484 million in 2017) and job stocks for 308.9 million.

For all operations with a potential environmental impact, real estate or special facilities, the Leasing company uses a model to evaluate environmental risks (ERA – Environmental Risk Assessment) whereby operations with higher risk undergo specific due diligence, before purchase, or in case of repossession, due to failures on behalf of the leasee.

Regardless of urbanistic or land registry regularity, and deriving transferability of purchased real estate, if asbestos is found, the operation is carried out after it is removed, and removal operations are paid for by the Bank.

In 2019 the entire non performing real estate portfolio underwent evaluation.

Savings, investment and protection tools have been introduced in the range of products on offer for clients, with special attention paid to ESG elements. Specifically:

- In 2019 two Campaigns by Société Générale, "Positive Impact Finance", in placement consortium on the Italian market were joined. Positive Impact Finance consists in positively contributing to one or more of the three pillars of sustainable development (economic, environmental and social), once any potentially negative impact on one or more of the three pillars has been identified and mitigated. Each subscription to these commitments contributes to the Positive Impact Finance program: this means that Société Générale commits to maintaining in its statements during the entire period of validity of the shares an amount of assets invested in Positive Impact Finance equal to 100% of the nominal value of circulating stock.

- A 3y bond in USD connected to the Solactive Sustainable Development Goals Impact index, open between 26 February to 26 March 2019 (baskets open for BMPS on 4 March); BMPS gathered approximately 15 million euros.
- A 3y bond in USD connected to the STOXX Global ESG Leaders Select 50 index, open between 20 May to 20 June 2019 (baskets open for BMPS on 27 May); BMPS gathered approximately 6 million euros.
- Société Générale "Positive Impact Finance" bond – Steepner 5y in USD – exclusively open on our network from 15 November to 20 December 2019 ((baskets open for BMPS on 27 May); BMPS gathered approximately 2.2 million euros.
- Mia Protezione In Giro: collateral dedicated to mobility protecting insurees and third parties, valid worldwide. Covers accidents occurred in activities outside the home, Civil Responsibility for damages inflicted to third parties outside of the insuree's home and assistance for immediate medical consultation with delivery of pharmaceuticals in case of need.
- Formula Benessere – Assistenza 360: chaperon service for medical visits or therapy sessions created with UGO, the startup that won the 2019 edition of Officina Mps, providing caregivers on request, when no family members or friends can take care of the person in need. This service is integrated within the "Assistenza 360" offer to accompany the ailing to medical visits and therapy sessions. In case of accidents or illness preventing insurees from attending medical visits or therapy sessions a chaperon service is organized, to replace family members and allow the insuree to feel independent and to be able to attend therapy sessions without problems. It also allows the workload for the insurees' family members to be reduced without giving up on continuing therapy.
- Per Noi: innovative life insurance policy covering two people with just one solution, whatever the relationship between them, to face any unforeseen events the future may hold. The product is simple, complete and inclusive, guaranteeing coverage for two people with just one contract.

ESG criteria are increasingly used also for Wealth products to integrate traditional portfolio building methods, to generate development and revenue lasting in time, respecting a few social and environmental balance conditions. Specifically, the offer has been enhanced with:

- 1) GP Multilinea Private Investment - Global Equity Bias ESG range – The range was created to satisfy growing attention and interest by investors for a global green economy, seizing the opportunities offered by the financial industry. The objective of the range is to increase assets in the long term, mainly investing in stock and/or shares issued by collective investment bodies, including ETFs, in consideration of environmental, governance and social factors.
- 2) Mps Private Solution Responsible - a Flexible compartment focusing on investments with a high environmental, social and good governance responsibility profile. The compartment selects, with a multi-manager logics, the best socially responsible strategies, diversifying its approaches and geographical boundaries. The fund can invest both in directional tools (shares and bonds) and in flexible, allocational tools.

Sustainability also means staking on innovation to facilitate the accessibility and use of "traditional" banking services (current accounts, payment accounts, cards), promoting the development of alternative payment methods to cash, and improving user experience, also with innovative tools. Within the area of activities related to monetics and transnational services the Bank continues to develop Mobile Payment solutions (integration with Google Pay, Apple Pay, Bancomat Pay etc...) that will allow clients to facilitate payments using their own "virtual" cards on smartphones, to buy from shops as well as online.



6.1.1 Microcredit

G4 FS7

Thanks to a farsighted intuition on ethical finance, Banca MPS significantly participated (with 40% of the corporation stock) to the establishment in 2006 of Microcredito di Solidarietà SpA, in partnership with Comune and Amministrazione Provinciale di Siena (15% each), Diocesi di Siena and Montepulciano (5% each), other municipalities in the province (for a total of 10%), voluntary associations in Siena (10%), to deal with the financial necessities of private citizens and families experiencing difficulties in accessing ordinary credit channels, and help them to overcome temporary financial problems or to open a new business.

The possibility for people in need and micro businesses deemed uninteresting for the banking system of accessing credit is an urgent and fundamental issue in the areas where the Company operates. For many people getting into debt is the only way to pay back rent, bills, children's school expenses, or to buy a second-hand car: in general to meet everyday needs and increasingly so due to growing uncertainty on the job market.

In the same way Microcredito provides micro businesses with the opportunity to access soft financing made available to open small companies and fuel businesses at a small level. An initiative to promote business for those who have lost their jobs, for young people, women, foreign nationals, encouraging small business ideas, for all those who want to start again or continue on their own, without having to provide collateral to a bank or ask their families for help. Within productive microcredit the Company also grants loans for professional training or university studies.

Loans are granted at an almost symbolic rate, with no application fees, thanks to the activity of a number of volunteers and local Banca MPS staff, the fact there are no logistics/IT/staff expenses – met by Banca MPS, and that counsellors and reviewing mayors work for free.

In detail the characteristics of Microcredito di Solidarietà loans are:

- length: max 5 years;
- monthly instalments;
- capital refund: first instalment one month after the date the loan was granted;
- fixed rate for the entire amortization period.

Currently:

- 3% for social micro credit and productive micro credit for private citizens (training, VAT number, self-employed subjects, new businesses);
- 3.5% for productive company micro credit (micro businesses who have been active for at least five years and in the start-up stage);
- arrears rate: fixed rate plus two points, as stated in the loan agreement. Thus respectively 5% and 5.5%;
- fees for anticipated settlement: exempt;
- commissions and preliminary inquiries: exempt;
- stamp duties: paid by the applicant;
- maximum amount:
 - € 7,500 for social micro credit and productive micro credit for private citizens (training, VAT number, self-employed subjects, new businesses);
 - € 12,000 for productive company micro credit (micro businesses who have been active for at least five years and in the start-up stage).

Loans are preferably targeted, meaning that the Company issues the payments directly to meet the client's needs; however, as stated in the Statute, loans may also be aimed at restoring liquidity (financial emergencies), but in this case the amounts are smaller than the maximum amounts listed above;

- auxiliary assistance and monitoring services:
 - scarried out by internal bodies for social micro credit and productive micro credit for private citizens (training, VAT number, self-employed subjects, new businesses);
 - carried out by internal bodies and/or by third parties contracted by us, chosen by the micro business

The Company operates from offices assigned free of charge by Banca Mps inside its Siena branch (which also provides equipment free of charge) and in 40 drop-in centres mainly found in the province of Siena at voluntary associations, founding members: Misericordia, Pubblica Assistenza, Arci. There are drop-in centres also in the province of

Massa Carrara, thanks to an agreement with Diocesi di Massa Carrara-Pontremoli, in the area covered by Diocesi di Grosseto and Comune di Follonica, also in this case thanks to specific agreements.

	2019	2018	2017
Financial value of products and services aimed at offering social benefits (€\Mln)	0.666	0.673	0.748

G4 FS7



6.1.2 Credit policies

GRI 103.1

GRI 103.2

Within an economic context featuring a constant level of volatility, where Italian businesses have become more unstable and less resistant to changes/external shocks, it is crucial for a bank to acquire credit processes and tools that can adequately support its clients. Specifically it is fundamentally important to define strategies and operational tools helping clients towards increasingly green, innovative, and efficient business models. Such an approach will ensure increased competitiveness for the businesses involved, and increased resilience of the client portfolio for the Bank.

During 2019 the MPS Group, through the Chief Lending Officer's (CLO) office, has launched initiatives with the objective of highlighting the issue of sustainability and its implications within the world of credit. Specifically:

- Two training sessions were organized involving approximately 90 colleagues from the Credit Portfolio Governance Area. These sessions brought to light elements and facts useful to better integrate the issue of sustainability in the credit strategies the Office is currently working on. These instances of sharing have been very important to spread awareness and skills on the issue of sustainability as much as possible to all the Area's personnel.
- A series of training initiatives mainly involving the Performing Credits Office have been organized to raise the level of specific skills of credit specialists.

Over 2019 the implementation of new credit standards introduced in 2018 was reinforced thanks to training initiatives aimed at the Bank's personnel and the entire production chain. For Small Business clients the new standards have resulted in the creation of decision-making bodies aimed not just at improving the performance of the process of granting credit, but also at identifying adequate levels of customer debt in a framework of financial sustainability.

For this reason in 2019 Creditinside was established, that is, a permanent workshop on credit deployed over the five Territorial Areas, involving approximately 700 staff from the Office. Analyzing the sectorial financial data gathered for each Territorial Area and, Region or District, those operating in credit acquire awareness of the more attractive sectors (current and future) and can recognize innovative fields deserving more credit support, with a special focus on Small Business and Corporate clients. An opportunity to raise the level of competence of credit operators, providing them with the information necessary for a more complete analysis. Beyond the Office's specialists, these initiatives involved a number of stakeholders including clients and experts of the field. A wider and better-structured knowledge by credit specialists will allow them to better meet customer requirements and to better support clients, thus achieving increased levels of production and sustainability. During 2019 two meetings were held and further sessions have already been planned for 2020.

This year the CLO Office has focused its activity on understanding sustainability's diverse implications, identifying potential points of action within operations.

The objective for 2020 is to implement a wide-ranging project to integrate evaluations related to sustainability and in particular ESG elements inside the Bank's core business, so both in the client credit evaluation stage and in the commercial offer stage. In order to achieve this, the project aims at creating synergies with different functions of the Bank and with the stakeholders involved: through different macro strategies the Office aims at defining standards useful to help clients (in particular Small Businesses and PMIs) transition towards business models with a smaller environmental impact and consequently more efficient. This initiative will avail itself of contributions by different stakeholders in order to identify the clients' ESG risks/opportunities through ad hoc analysis and diagnoses to later

allow the involved business functions and the network to specifically direct their actions and develop a specific commercial offer for interested clients.

Among the objectives of the project described above is also the possibility of defining standards and credit policy trends, both on macro and micro levels, useful for a wider definition of performing credit strategies.

Finally the banking services market (and not only) features a growing number of Fintech companies offering innovative solutions aimed at improving processes and procedures along the entire loan cycle. In order to factor in the best initiative in this context the MPS Group has established a channel (Funnel) for innovation within the Credit Portfolio Governance Area with the following aims:

- stimulate the generation of ideas to be applied to credit processes to make them more modern, effective and efficient;
- promote inter-functional mechanisms of coordination to seize synergies and/or purpose economies;
- manage and plan with dedicated bodies the workflow of the initiatives starting from the idea's genesis to the launch in production, evaluating all the potential impacts on IT infrastructure and Compliance Risk.



6.2 Green Banking

GRI 103.1
GRI 103.2
GRI 103.3
G4 FS8

MPS Capital Services has absorbed the experience gathered in the past with BANCAVERDE and has always kept at the center of its operational processes an evaluation of the aspects inherent to the environmental impacts of the activities carried out in relation to credit. Special care was given to activities aimed at creating a shared culture within the Bank to bring awareness to the entire personnel, including not just employees but also all the stakeholders in order to extend this awareness to also include full knowledge of the implications deriving from failure to follow the requirements of the Management System.

MPS Capital Services has for some time now implemented an Environmental Scoring system able to briefly summarize the evaluation of the environmental aspect of a financing operation; the evaluation then becomes one of the elements based on which the operation is deemed worthy of credit or not.

The way this "Environmental Scoring" works has been formalized in a specific internal regulation articulated in the following 4 classes:

- A - Low Risk
- B - Medium Risk
- C - Significant Risk
- D - High Risk

The scoring's evaluation is reached by multiplying the "weight" associated to the risk profile assigned to each BAE (Branch of Economic Activity) and the related amount. The most important of these two basic elements is the BAE, based on the principle that the kind of operation financed is that which has more influence on the related potential environmental risk.

The score achieved may be up-graded if the company has obtained environmental certification ISO 14001 or EMAS, and/or if it is a project of "environmental enhancement".

MPS Capital Services shapes its activity in accordance to the guidelines defined with the Environmental Policies approved by the Bank's Board of Directors: as a company included within the boundaries of Gruppo Montepaschi, it maintains certification active for its Environmental Management System in accordance to international

standard UNI EN ISO 14001. Its direction places as its operational focus the ongoing search for improvement of environmental performance. This process is monitored by formulating specific indicators that are not limited to analyzing the Bank's typical activity, but also evaluate aspects related to company activities with environmental impacts such as paper consumption, the use of electricity and the consumption of printer cartridges. The Board of Directors is regularly involved and informed of all the above.

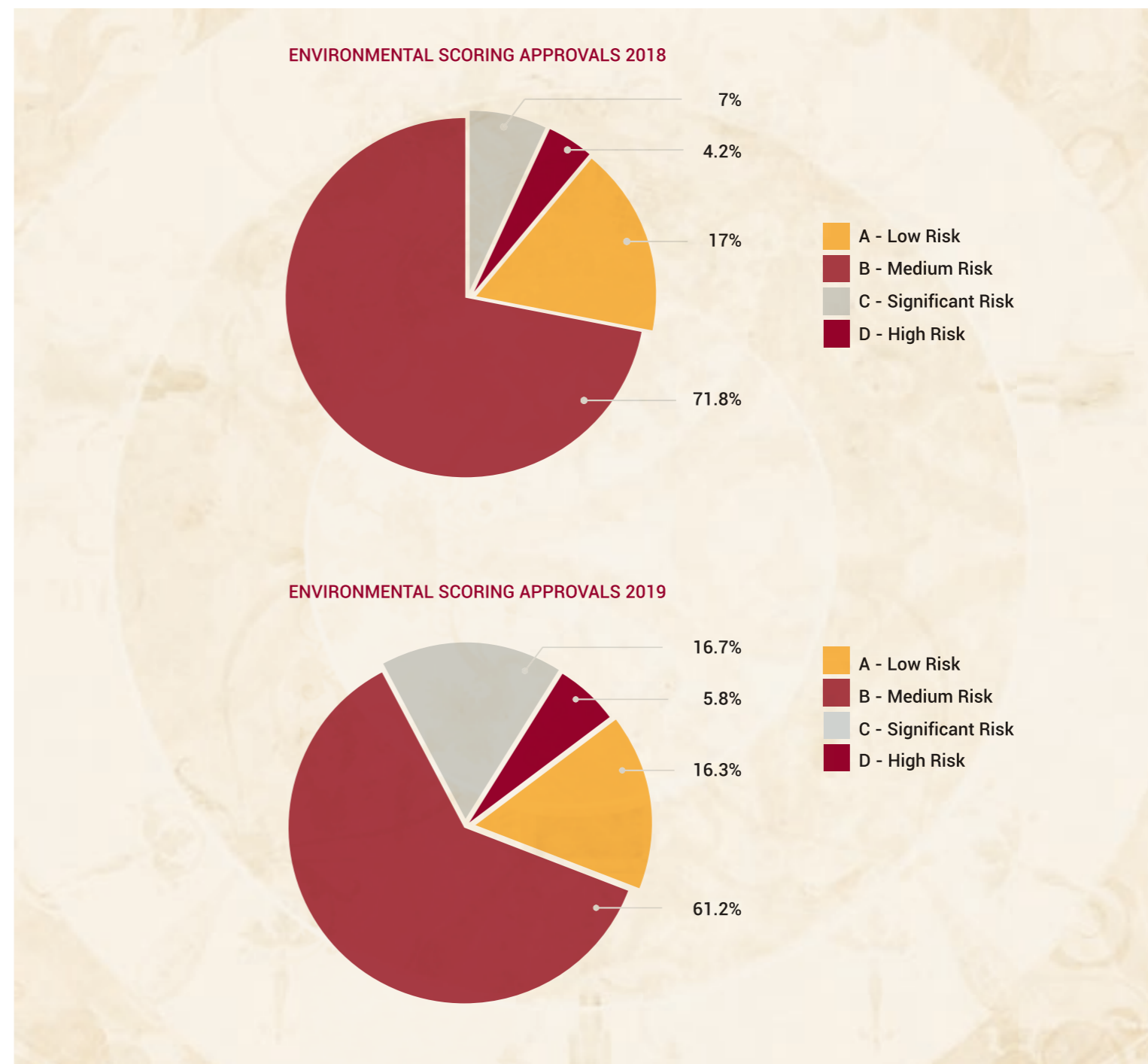
We should also highlight that the Management System is included in the "231 Organizational Model for risk prevention", given that "environmental felonies" (D.lgs.121/2011) are included in the relevant felonies under administrative responsibilities for businesses as per D.lgs. n.231/2001.

The transition plan to New Regulation ISO14001 included a detailed analysis of each environmental aspect impacted by the Bank's activity, in relation to internal and external factors, environmental conditions, interested parties and related requirements and expectations, legal obligations, risks and opportunities.

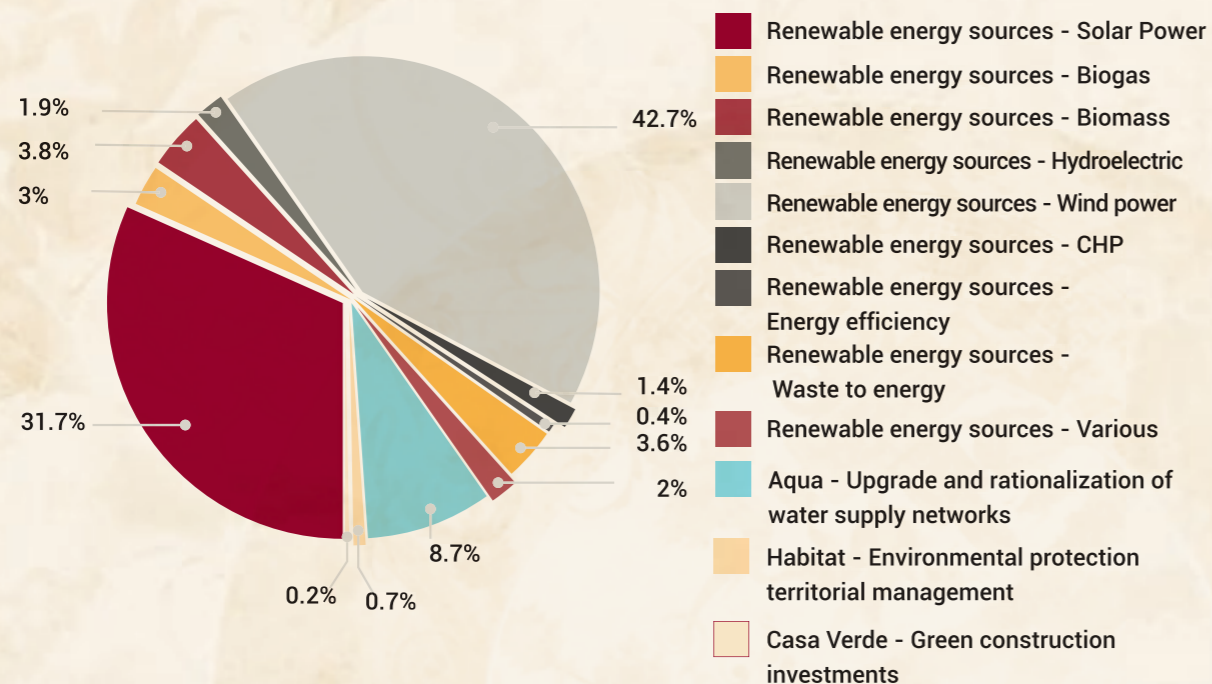
Specifically the concept of "Life Cycle" was introduced imposing the evaluation of possible environmental impacts due to funded projects also beyond the length of the operation's useful life, in a framework that considers the context of the overall life of the initiative, including the cost and impact of the necessary activities also after the end of the time useful to productive activities.

	2019	2018	2017	METHODOLOGY
Financial value of products and services with Environmental Scoring equal to A or B (data in €/Bln)	1.1	1.7	0.7	Operation approved in the reference period

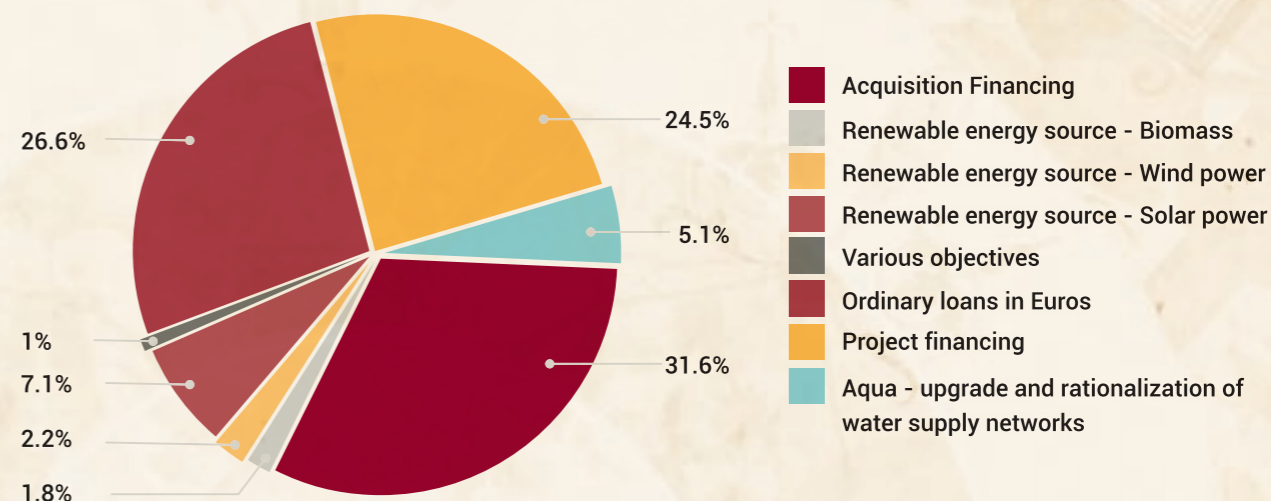
G4 FS8



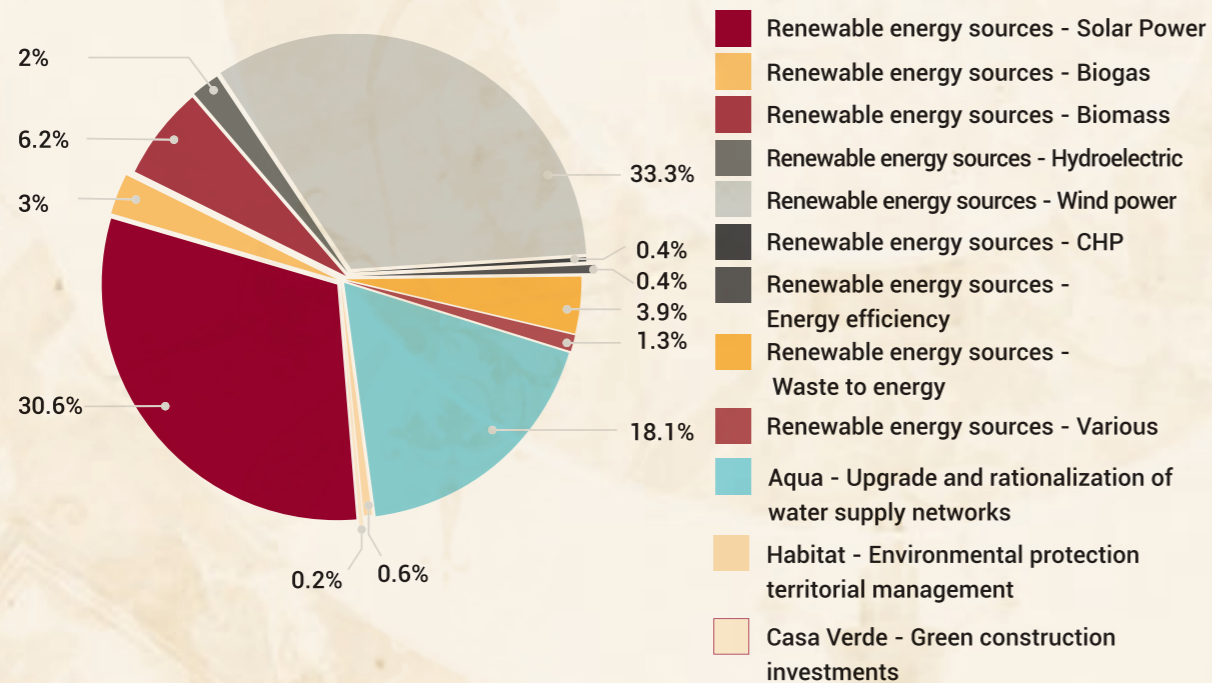
GREEN FINANCE LOANS 2018



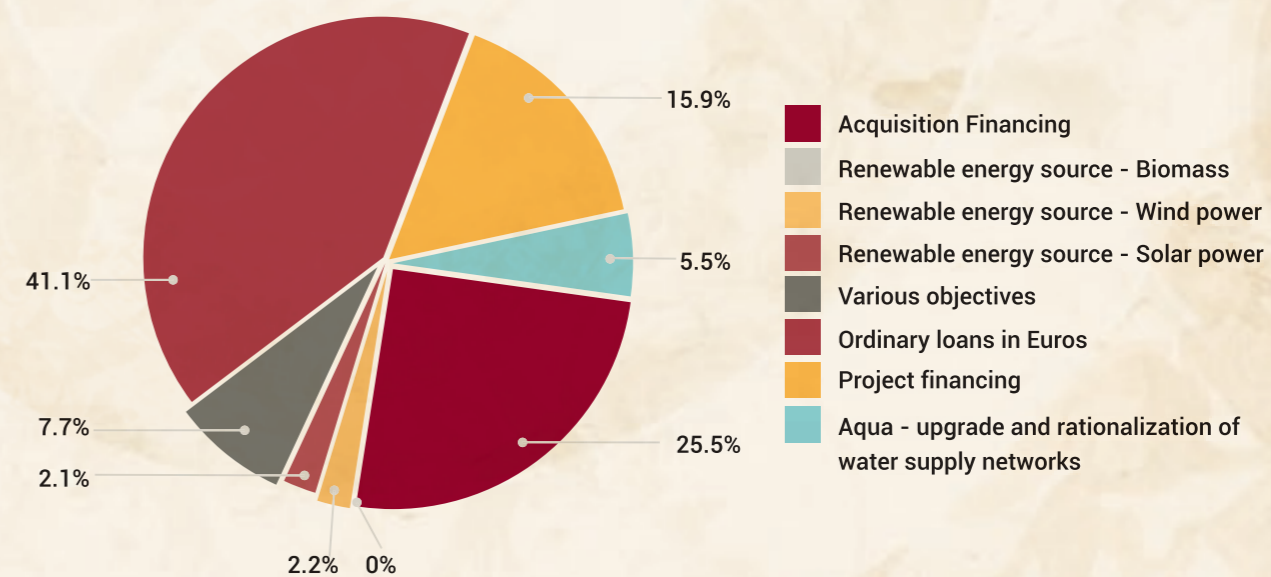
APPROVAL CATEGORIES 2018



GREEN FINANCE LOANS 2019



APPROVAL CATEGORIES 2019



6.3 Officina Mps

GRI 203.2

Established in 2018, OfficinaMPS has the objective of enhancing the growth of innovative hi-tech companies, while pursuing at the same time the enhancement of customer experience, the improvement of company processes and development of commercial offers.

In its first edition, won by startup Trovabando, participants were involved in some priority challenges defined by the Bank relating to the digitization of customer experience, expansion of the offer and improvement of company processes. In the second, which took place in early 2019 and was won by startup UGO, participants worked on two different categories, PMIs/Small Businesses and private clients, trying to imagine and create new channels, tools and methods to offer increasingly advanced services, closer to the people. In addition it featured a special award for sustainable innovation which went to Biorfarm. In both categories each finalist worked with teams of the bank's professional staff to define the best way to implement their solutions within BMPS.

In light of this positive experience and of the results achieved, in October 2019 OfficinaMPS was transformed into a permanent workshop, that is, an entity within the Bank dedicated to the ongoing growth of highly innovative companies.

The initiative is open to all the start-ups that want to contribute to the evolution of the Bank, of its clients, of its areas of influence, and allows us to incorporate within the Bank's structure elements of innovation, thus accelerating the process of cultural change and transformation set in motion. With Officina Mps the Group integrates solutions to tangibly improve user experience. Start-ups are hired over time based on their fields of research, creating a strong synergy with the local areas with initiatives dedicated to, and focused on specific production chains or geographical areas.

For instance, thanks to the collaboration with start-up Trovabando, during the year the new innovative MPS Agevola + service was created, allowing current and prospective clients to identify, by entering some information online, which public

subsidies and benefits they can access for their investments. Over the year the service was tested in Emilia Romagna with the aim of extending it in 2020 to other regions. The Bank supports the companies which create, through business plans, tangible value for society and the areas where they are present

Innovative start-ups and PMIs that register on the Officina MPS website become part of Officina's community and have access to commercial products and banking services (current accounts, cards, payments etc) at special conditions, in addition to specific training courses promoted by the Bank on a number of issues ranging from finance to IT.

In the first months of 2020 a specific initiative for innovative start-ups in the agrifood sector was also launched. Innovation and digitization are the great challenges that even agricultural businesses have to take on. These elements are the key to the only future developments possible in the food farming sector: efficiency and sustainability. Achieving these objectives requires applying and sharing new knowledge, ideas and technologies. This is why Banca MPS, traditionally close to the food farming industry, continues to promote the combination of farming and innovation, also through unconventional methods such as Officina Mps' open innovation platform.



6.4 Customer experience

The relationship of trust between the Bank and the client rests on the quality of their relations. The guidelines in the 2017/2021 Reorganization Plan include the renovation of the distribution model, with a constant focus on commercial activities and on the efficiency of the operational structure. In accordance with these principles the Pegaso project was developed, aimed in particular at aligning the organizational models used throughout the network. During 2019 a process of rationalization was implemented to optimize oversight of the Retail and Corporate Territorial Offices and the coordination of the Commercial Network. With the Pegaso Project the Bank aims to strengthen and improve customer relations through the following elements:

- (i) increase the staff's knowledge and skills by organizing training and refresher courses
- (ii) provide support and assistance to clients in stages after providing services (after sales service).

In this context the CRM sector has launched in 2019 a project to measure "Customer Advocacy". Survey procedures have been implemented in specific moments of the client's multi channel experience (for instance before the opening of a current account in a branch, before an operation conducted at the counter and after the purchase of a online debit card), adopting the NPS (Net Promoter Score) method to measure phenomena on the spot.

The NPS method measures satisfaction based on the customer's willingness to "...recommend Banca MPS and its products, services, etc. To acquaintances and family members...". Customers are presented with a scale from 0 to 10 to differentiate between promoters (marks 9 and 10) and critics (marks 0, 1, 2, 3, 4, 5 and 6). The value obtained is a KPI used to analyze phenomena linked to customer satisfaction.

The data gathered, in full accordance with current privacy regulations, will be useful for constantly improving services, processes, products and channels with their related IT systems.

GRI 417.2

GRI 417.3

GRI 418.1

		Satisfaction	Price/Quality	Fidelity	Word of mouth	CPI
Retail	2018	75.1	67.5	71.0	75.2	72.6
	2017	75.2	66.1	71.2	70.3	71.1
Private	2018	78.7	73.8	74.2	74.2	75.5
	2017	74	69.9	68.1	64.8	69.4
Corporate	2018	76.2	71.7	72.2	73.5	73.6
	2017	78.2	71.6	77.1	75.7	76.0

Preparations are currently being made to carry out the Customer Satisfaction assessment for 2019,

and its results will presumably be published in May 2020.

During 2020 the Group aims to:

- further develop customer survey opportunities and consequently implement a structured "close-the-loop" action, that is, a process to contact clients who have expressed negative opinions (to activate solutions where possible) and/or positive opinions (to activate caring policies and preserve fidelity);
- confirm promotional/educational meetings aimed at clients all over the country. The complexity of the financial market and the growingly intricate legal context dictate the planning of training and refresher activities over the Network. One of the pillars of the new strategic identity pursued by Gruppo MPS is the focus on Agrifood business. The Bank's objective is to present itself as a centre of excellence for the development of Small Businesses and PMIs operating in the field and to build relations with its players with specific reference to the issues of innovation and sustainability.

The Group pursues the objective of improving the services provided to clients also thanks to the activity of Consorzio Operativo. To this end, every quarter the Consorzio meets with the Holding Company and the other companies of the Group to illustrate with appropriate indicators the quality of delivery, services, and the Consorzio risk level. Within the Consorzio a specific company function has been established to constantly improve applications, using an end-to-end approach, in order to bring forward optimization and functional improvement also by visiting branches to gather feedback on the operation of the applications and make development quicker and more incisive.

Every month within the "services rendered and risk Committee" the quality of services provided is monitored in terms of performance, system availability, effectiveness and stability in the main areas of interest (es.: Counter, Digital banking, ATM, Payments). Also monitored are the state of gaps opened by auditing functions and the KPIs of the Consorzio's competent RAS (i.e.: major incidents, frauds). During 2019, the Consortium focused especially on reducing energy consumption,

improving performance on mainframes and storage, and the virtualization of branch servers and PCs.

MANAGING CLAIMS

The Bank has implemented special regulations to organize activities aimed at managing customer claims and appeals to the Arbitro Bancario Finanziario (ABF) (- Financial Banking Arbiter) and the Arbitro per le Controversie Finanziarie (ACF) (- Financial Controversies Arbiter), who represent in their respective fields, two of the main systems of extrajudicial resolution of controversies in Italy. In accordance with external regulations on the issues (art. 17 of Banca d'Italia/Consob Joint Regulations, Banca d'Italia's Supervisory Provisions on the transparency of banking and financial operations and services, ISVAP Regulation n. 24/2008) the Bank has implemented suitable procedures to process claims in order to ensure customers receive exhaustive replies within the deadlines dictated by Surveillance. Operational oversight of the entire claim processing procedure and of appeals to ABF and ACF is carried out by the Claims Function supported, especially in assisting distribution bodies, by the Support Function.

CASES OF NON-COMPLIANCE OF INFORMATION AND LABELLING OF PRODUCTS AND SERVICES	2019	2018	2017
Total number of cases of non-compliance with regulations and/or self-discipline codes on information and labelling of products and services for:	1	2	3
i) cases of non-compliance to regulations resulting in penalties or sanctions	1*	2**	3***
ii) cases of non compliance with regulations resulting in a warning	0	0	0
iii) cases of non compliance with self-discipline codes	0	0	0

GRI 417.2

*During the inspection by Banca d'Italia regarding Transparency, a few mortgage contracts with interest rates slightly above those listed on promotional materials at the date of signature were found. Appropriate remedial measures will be implemented.
 **On 10 April 2018 Banca d'Italia notified Widiba's Board of Directors with the report on the banking transparency inspection carried out between November 2017 - January 2018. The inspection concluded with an evaluation of "partially compliant" and listed 10 areas to be improved. On 29 May 2018 Banca Widiba's Board of Directors approved (i) the reply to Banca d'Italia related to the results of the inspection and (ii) the document "Remediation Plan - Measures related to Banca d'Italia's evaluations on banking transparency", containing the remedial actions related to Supervisory evaluations.
 On 19 October 2018 Autorità Garante della Concorrenza e del Mercato (AGCM) (the Italian anti-trust authority), within its moral suasion activity as per art. 4, subsection 5 of Regulations on preliminary activities related to consumer protection, adopted after approval on 1 April 2015, n. 25411, notified Banca Widiba S.p.A. with an invitation to remove a few allegedly illicit profiles related to irregular commercial practices and violations of consumer rights. The Bank provided the required explanations and AGCM dismissed the case in the sessions held on 16 January 2019.
 ***This was: (i) a finding thanks to which Banca d'Italia highlighted cases where some information reported on statements had to be improved; relative remedial actions have been completed; (ii) a provision by Autorità Garante della Concorrenza e del Mercato (AGCM) issued in the meeting held on 20/09/2017 on the commercialization of investment diamonds. The provision highlighted violations of regulations on commercial practices resulting in financial sanctions. The provision was challenged in TAR Lazio. On 14 November 2018 TAR Lazio published its sentence rejecting the Bank's appeal and confirmed the sanctions imposed by the Authority; having carefully evaluated the situation the Bank decided not to appeal against the sentence. It should be known that BMPS, before it was notified of the provision, as soon as it came to know that on 25.1.2017 AGCM had opened a file against DPI, starting on 3.2.2017, independently suspended communications on its clients to DPI, and rescinded its contract with DPI in March 2018. The Bank has started restoration activities with its clients. On these the Bank regularly reports to AGCM (the latest was sent to AGCM in January 2020); (iii) a request by AGCM to remove allegedly irregular profiles because of the supposed absence or failure to highlight, in communications sent to clients or published online, of relevant information pertaining to the characteristics and conditions relative to certified email and digital signature services associated to Internet Banking. Action has been undertaken to comply with the Authority's requests.



GRI 417.3	CASES OF NON COMPLIANCE REGARDING MARKETING MATERIALS	2019	2018	2017
	Total number of cases of non-compliance with regulations and/or self-discipline codes on marketing communication, including advertising, promotion and sponsorship, for:	0	0	1
	i) cases of non-compliance to regulations resulting in penalties or sanctions	0	0	1*
	ii) cases of non-compliance to regulations resulting in warnings	0	0	0
	iii) cases of non-compliance to self-discipline codes	0	0	0

*Provision by AGCM issued in the meeting held on 27.04.2017 on the remuneration of the SEDA service; the provision highlights a violation of regulations on competition. The provision has been challenged in TAR Lazio and the date of the hearing is still to be set.

GRI 418.1	PROVEN CHARGES REGARDING CUSTOMER PRIVACY VIOLATIONS AND CUSTOMER DATA LOSS	2019	2018	2017
	Total number of proven charges received regarding violations of customer privacy divided by:			
	i. charges brought by external parties and confirmed by the organization	3*	5	3
	ii. charges brought by regulatory agencies	2**	2**	2**
	Total number of instances of customer data leak, theft or loss	5	7	5

* Three complaints by customers regarding violations of personal data

** Two notifications by the data protection authority already listed in previous years referring to 2015, still unresolved which could result in financial sanctions



6.4.1 Evaluation system of Widiba products and services

Customer experience has always been one of those elements that make a difference on the market, both regarding the banking platform and the services on offer. Customer experience elements and client surveys are an eco-system "enveloping" clients, providing a unique experience.

In a social-economic context where the bank is a necessity and its use is perceived as a commodity, experience is the only personal element generating value.

Whilst the evaluation of personal experience is common in the commercial sector, within the country's banking context the history of Widiba is one of a kind.

Widiba daily involves clients in a decision-making process: thanks to a rating system people can assign a mark from 1 to 5 to products and services, and have the chance to express comments and suggestions.

- Clients expressing evaluations between 1 and 2 are targeted by a phone campaign with the aim of investigating the reasons behind their lack of satisfaction.
- Valid suggestions are analyzed and transformed through technical updates into improvements or new functions for clients.

The rating system represents a testing ground always active on the user's side: gathered information become assets fuelling, thanks to a structured process, the client's history (CRM). Rating analysis, beyond its direct impact on technical implementations, represents a way to transparently provide customers with information.

Results for 2019:
4.8/5 average evaluation
+800 K User rating



6.4.2 Accessibility

For some time Gruppo Montepaschi has carried out an awareness-raising campaign towards all those entities that can contribute to improving different kinds of accessibility for employees, customers and visitors. Within the scope of significant reorganization initiatives, its real estate structure adopts all those measures that allow physical accessibility to the buildings interested in this kind of initiative.

Regarding access to cash from ATMs, in addition to the activation of appropriate operation methods, in 2019 we have continued to:

- replace machines, introducing new points with braille keyboards and audio support;
- introduce flashing green lights next to the main points in the new Self areas, framing the area of interaction with the machine.

At a structural level, to enhance user-friendliness of the newly installed ATMs for differently-abled people, the following measures have been implemented:

- access path width of at least 120 cm, without significant slopes and free of any sort of barrier at entry point;
- floors in slip-proof and non-abrasive materials;
- doors which may feature on the path to the terminal at least 80 cm wide, and easily pushed or pulled;
- ramps have been installed wherever ATMs are placed close to steps or stairs;
- ATMs installed so as to be easily accessed from the side by wheelchair users.

In the case of ATMs on the street, in 30% of instances of installation the accessibility of sidewalks was checked, as well as the presence of ramps and proximity to reserved parking spaces for people with reduced mobility. Furthermore 99% of ATMs is suitable for use by visually impaired people.

In developing Digital banking services, the Bank avails itself of the collaboration of Unione Italiana Ciechi e Ipovedenti (UICI – Italian Association of Blind and partially-sighted people) and of Istituto per la Ricerca, la Formazione e la Riabilitazione (IriFoR – Institute for Research, Training and Rehabilitation) with the aim of making Internet Banking information and equipment accessible and user-friendly from desktops, mobile devices and Apps. Technical and functional specifications were first applied to pre-existing locations and immediately made standard requisites for the upgrade of remaining facilities and for the development of new ones.

This activity entailed the implementation of an assistance process in Phone Banking, for visually impaired people, for remote assistance and for booking appointments in branches with special access.

G4 FS1

G4 FS14

6.5 Digitization and innovation

GRI 103.1

GRI 103.2

GRI 103.3

GRI 203.2

To develop Digital Banking services, the Bank has adopted the "Agile" working method, a totally innovative approach with highly effective characteristics. The method brings with it profound reorganization of work processes but has generated new professional roles such as the Product Owner and Scrum Master which feature among emerging future professions.

The Digital Channel Area identifies and intervenes on possible issues and problems related to services and products, detected by different sources:

- direct contact, by registering reports and suggestions coming from clients and prospectives from Customer Service (Phone Banking) and Branches;
- Net Promoter Score Apps and technology, through the evaluation of reviews and ratings assigned to specific areas of investigation;
- with the contribution of partners on development, accessibility, user-friendliness and customer experience.

The Digital Channel Area also gathers business needs regarding service provision and product sales on digital channels, including Phone Banking and ATMs. The stimulus towards digitization comes from the market itself (customer requirements, speed and simplicity of services, self banking) and from European and National Regulators (Third Party discipline, PSD2 Directive). This stimulus comes from:

- the evolution of organizational processes with the adoption of the Agile method;
- scouting, selecting and integrating third party solutions (Fintech, Insurtech, Regtech, etc.), both directly and in collaboration with other functions within the Bank and with the contribution of Progetto Officina MPS.

Digital Banking is a service that may be purchased as a standalone; thanks to this characteristic, you can subscribe also without using any other banking or financial products with the option of obtaining a Certified Email Address (PEC) and Remote Electronic Signature (FDR) free of charge. The latter may be used for any future online contract subscription with the Bank.

The ATM Cardless function deserves a mention:

customers may use the Bank's ATM network for typical cash withdrawal operations (but also for deposits, transaction enquiries and bank transfers), using Digital Banking credentials and its authentication process, thus being able to operate even if momentarily or actually without a debit card.

The Bank supports the integration and development of ideas by new businesses (Start-Ups), both national and international, whose projects may contribute to improving products and services – or to creating new ones – thanks to new legal and technical opportunities offered by the market. At the same time, even more mature subjects (Fintech, Regtech, etc.) have developed new, highly innovative initiatives. The Bank does not just examine proposals arriving spontaneously but, thanks to a dedicated initiative (Officina MPS) and to its scouting activity, actively researches innovative solutions, also from non-financial and non-banking sectors. The evaluation and integration of new services rendered to third parties (TPP) envisaged by the PSD2 Directive are included within this boundary: a clear example is the Bank joining CBI Globe, the initiative started with this aim by the Italian banking system (covering over 80% of the banking industry). Due to the market's opening towards new, non-banking subjects, this participation has revealed itself to generate value for new players.

The Consorzio operativo di Gruppo has defined an IT strategy aiming at operational excellence, constantly improving the stability, quality and level of appreciation of services provided to the Group's employees and customers. The achievement of this objective rests on a number of pillars including digitization and innovation.

Innovation must also be considered as a component of discovery, of transformation and evolutional maintenance able to guarantee over time the creation of products, processes and tools that can increase the value of business. Specifically, the Group has met the needs for change of activities, organizational processes, skills and business models, by innovating its own system

of infrastructure and applications. Platforms have been developed, including experimental ones, to put forward new products, services and methods of interaction between the bank and user. From an organizational point of view, in order to manage projects, the adoption of the Agile method has also been largely applied to the Consortium, to meet business requirements with more quality and in less time.

This strategy is aimed at establishing a competitive advantage based on the use of technologies enabling a differentiated service, and the anticipation of customer needs (spoken and unspoken), aiming at an excellent experience and at generating a model of customer/bank relationship where the Bank is present and available always and anywhere, increasing contact points and opportunities for commercial interaction.

Nevertheless, digitization implies profound change within organizational activities and processes, of skills and business models that must evolve fully exploiting technologies as drivers for innovation, thanks to which the "cost to serve" may be reduced, and improve in customer focus and business activities.



6.5.1 Services Security

Security is of paramount importance to properly provide banking services to customers. In its role as provider of innovative banking services, the Group adopts all the necessary measures to minimize risks inherent to the services on offer by acquiring and implementing the best security standards, also scanning the market to identify the appropriate protection tools to safeguard and fight digital scams.

From the point of view of IT security, the Group applies strict security criteria to protect data, information, and client deposits in Digital Banking services (desktop, mobile, App) and ATMs, defined by company functions responsible for approving product planning stages. The evaluation boundary includes 100% of proprietary functions and of those provided through a partnership with third parties (Corporate Banking).

Logical Security Guidelines are formalized within a document framework providing aims, methods and management standards to all the Group's companies. It is aligned to the best quality and compliance requisites in relation to different operational scopes and sources of risk:

- Information Security (ISO/IEC 2700x);
- Operation Continuity (ISO 27031:2011 and ISO 22301:2012);
- ICT Security (ISO 13335:2004).

It also meets local and European legal and regulatory requirements such as:

- GDPR – New European Privacy Regulations
- EU PSD2 directive 2015/2366 on payment services on the internal market
- Directive 285 - Bankit

During 2019, with the approval by the Board of the Strategic Security Plan, the main objectives for strengthening security in the entire MPS Group for 2019-21 were established, resulting in a series of organizational, procedural and technological actions aimed at mitigating risks inherent to the confidentiality, integrity and availability of information for the entire MPS Group.

Among the main initiatives:

- Further strengthening of the Group's governance by activating even more punctual and vertical management and monitoring bodies;
- Completing the annual plan for the development of identified defence tools to reduce security risks for the MPS Group;
- Strengthening collaborations with the police and other competent organizations: agreement with CNAIPIC (National Centre against cybercrime for the protection of critical infrastructures), to improve aspects of info-sharing and of the relations and collaboration with Certfin to improve the ability of fighting cyberfraud and other external threats as a system;
- Subscribing to an insurance policy covering cybercrime risk;
- Awareness program on IT security developed by providing specific training aimed at selected segments of internal users.

SERVICES SECURITY

	2019	2018	2017
Security level of the technological infrastructure (*)	760	720	680

(*) Independent rating by BitSight Security Ratings (range 250 - 900) <https://www.bitsighttech.com/security-ratings> rating centres on the following evaluations: a) presence of compromised systems; b) user behaviour; c) prevention systems; d) data loss. The level of security of the technological infrastructure is evaluated based on the rating by internationally respected company Bitsight Security, who carries out evaluations for the biggest players not just of the banking industry. The rating process is connected to regular checks of the state of vulnerability found on the Bank's external boundaries, so to IPs accessible from outside. To work out rating it uses data on: presence of compromised systems, prevention systems, user behaviour and data loss. The evaluation range goes from 250 to 900, where the highest value stands for the highest level of security. All the data gathered by BitSight can be seen from outside and its reports are compiled in accordance with security standards NIST CSF and ISO27001.

CYBER RESILIENCE PROJECT

Project gathering all the initiatives to enhance security and to respond to JST findings and recommendations by the risk function. In addition initiatives to strengthen awareness on all levels have been launched with those aimed at adjusting to external regulations.

In 2020, continuing along the development lines established in 2019, the objectives contained in the Strategic Security Plan will be pursued with governance, regulatory processes, and IT implementations at MPS Group level, among them:

the extension of the anti-fraud platform to the entire Group, further development of the awareness plan and of internal training on the security issues identified, and finally the organizational enhancement of the Incident Response Team (IRT/CERT) to oversee and manage cyber crime instances throughout the whole MPS Group.



6.6 Community support

6.6.1 The artistic heritage of the Mps Group

GRI 103.1
GRI 103.2
GRI 103.3

Cultural initiatives by Banca Monte dei Paschi di Siena are an important core of its activity and define its identity. The Bank's cultural strategy has always been to expand its collections to share them with the local community and to preserve, safeguard and promote art in all of its expressions. With the purchase campaign that peaked between the 1970s and the first decade of the third millennium, the Bank has become a promoter of the safeguarding of art to prevent its dispersion in Italy and abroad. Works of art are monitored, protected, kept safe and preserved with regular restoration projects initiated or agreed with the proper authorities and carried out by professionals with proven skills. To valorize the artworks and make them more known, the Bank is usually willing to loan them for national and international exhibitions, and archives and books are open for consultation. BMPS is also open to collaborations with external Bodies and subjects to promote cultural initiatives.

AVAILABILITY OF ARTISTIC HERITAGE

The Bank's artistic heritage is currently shared in new ways with the commitment of making them available for fruition by an increasingly diversified and miscellaneous section of the community: works of art are featured widely on modern communication channels (for instance on a dedicated website and an Instagram channel) and collections are opened to the public at large with specific initiatives (such as "Invito al Monte" and "Banca Aperta"- yearly events when the historic headquarters are opened during the Palios in July and August, and that were attended in 2019 by a total of 1,800 visitors), or by joining external projects (such as "An invitation to the Palace", "Muvir-Virtual Museum of the Banks in Italy" and "Festival of creative culture " promoted by ABI). During the year the Bank receives a number of requests

for guided tours from primary and secondary schools, Universities, different Associations, private citizens, academics, art historians, etc. In 2019 over 150 free guided tours for an average of 15-20 visitors were carried out. The works of the Chigi Saracini collection are also available for the public, through visits mostly managed by Fondazione Accademia Musicale Chigiana. As further proof of its willingness to make its works of art available to the community, as of 2012 the Bank has signed a few contracts for free right-of-use, for instance one with Comune di Casole d'Elsa who is exhibiting Coronazione di spine attributed to Alessandro Casolani at Museo Civico Archeologico and the Collegiata located in Casole d'Elsa, or one with Fondazione Casa Buonarroti, that houses the sculpture by Emilio Zocchi Michelangelo fanciullo scolpisce la testa del fauno (Michelangelo as a boy sculpting the faun's head) in the hall of Museo della Casa Buonarroti dedicated to "Michelangelo in the 1800s" (Florence), owned by BMPS.

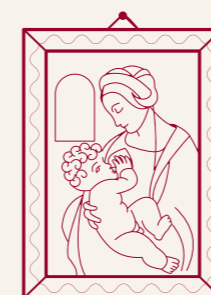
RESTORATION, LOANS, CONSULTATION OF ARCHIVE MATERIALS

As for restoration projects, 5 were carried out in 2019 (3 paintings and 2 items of furniture), there were 14 loans with 28 works granted for exhibitions. There were 26 instances of archive material consultation. All restoration, loan and consultation operations were agreed with and authorized by the

local competent authorities. The choice of restorers is carried out in consideration of the List of licensed art conservators ex art. 182 D.Lgs. 42/2004 (updated on 4.2.2019) based on the kind of asset needing restoration.

RESTORATION, LOANS, CONSULTATION OF ARCHIVE MATERIALS

IN 2019 THE FOLLOWING WERE CARRIED OUT:



5 restorations (on n. 3 paintings and n. 2 items of furniture)

14 loans

28 works granted for exhibition

26 consultations of archive materials

ALL RESTORATION, LOAN AND CONSULTATION OPERATIONS WERE AGREED WITH AND AUTHORIZED BY THE LOCAL COMPETENT AUTHORITIES

The choice of restorers is carried out in consideration of the List of licensed art conservators ex art. 182 D.Lgs. 42/2004 (updated on 4.2.2019) based on the kind of asset needing restoration.

RESTAURATION AND PRESERVATION OF ART COLLECTIONS IN 2019

- **Cesare Maccari**, *Testa di moro (Moor's head)*, oil on canvas, 1889, n. inv. 374313, restauration by Jacopo Antonio Carli
- **Giacinto Fiore**, *Ragazza (Girl)*, oil on canvas, undated, restauration by Jacopo Antonio Carli
- **Fanart Antonine**, *Paesaggio al tramonto (Landscape at sunset)*, oil on canvas, 1868, n. inv. 387693, restauration by Jacopo Antonio Carli
- **Libreria in legno intagliato (Bookcase in carved wood)**, 20th century, n. inv. 381826, restauration by La Diana Snc
- **Tavolo in legno di noce intagliato (Table in carved walnut)**, early 16th century, n. inv. 381686, restauration by Luigi Nieri

ART COLLECTION LOANS IN 2019

- **The 19th century. Art in Italy from Hayez to Segantini**, at Musei San Domenico – Forlì
8 February - 16 June 2019
Cesare Maccari, *Fabiola*, oil on canvas, approx. 1870
- **Exit Morandi**
at Museo Novecento – Florence
15 March - 27 June 2019
Giorgio Morandi, *Paesaggio (Landscape)*, oil on canvas, 1943
Giorgio Morandi, *Natura morta (Still life)*, oil on canvas, 1956
Giorgio Morandi, *Natura morta con compostiera e lume a petrolio (Still life with composter and petrol lamp)*, etching on paper, 1942
Giorgio Morandi, *Natura morta in un tondo (Still life in a tondo)*, etching on paper, 1942
- **The artist as a child. Children and primitivism in early 20th century art**
at Fondazione Centro Studi Ragghianti – Lucca
16 March – 2 June 2019
Lorenzo Viani, wood engravings between 1910 and 1928:
Il grembiolino nuovo (The new apron), *Il nipotino (The nephew)*, *Colloquio di bimbi (Children talking)*, *Pastore (Shepherd)*, *Esultanza materna (Motherly Joy)*, *San Francesco (St. Francis)*,

Lavoro di torchio (Working the press),
La benedizione dei morti in mare (The blessing of the dead at sea), *Lavoro di torchio (Working the press)*

- **Marble, bronze and silver for Alessandro VII. Goldsmithing and monumental sculpture from Bernini's Rome to the Duomo di Siena**
at Cripta Duomo di Siena – Siena
12 April - 3 November 2019
Roman goldsmith, *Busto di San Filippo Neri (Bust of San Filippo Neri)*, all-round bronze sculpture on a model by Alessandro Algardi, approx. 1640
Roman goldsmith, *Reliquiario del Beato Ambrogio Sansedoni (Reliquary of the Blessed Ambrogio Sansedoni)*, bronze reliquary on a model by Alessandro Algardi, 1650
- **Dancing steps. Isadora Duncan and figurative art in Italy between the 19th century and the Avantgarde**
at Villa Bardini – Florence
13 April - 22 September 2019
Pericle Fazzini, *Danzatrice (Dancer)*, all round sculpture in wood, 1936-1937
Liberio Andreotti, *Genio musicale (Musical Genius)*, all round sculpture in bronze, 1910
Liberio Andreotti, *Genio musicale (Musical Genius)*, all round sculpture in bronze, 1910
- **Pietro Aldi and the Hall of Risorgimento in Siena**
at Polo Culturale Pietro Aldi di Saturnia – Manciano (GR)
14 April - 15 October 2019
Pietro Aldi, *L'incontro di Vittorio Emanuele II con Garibaldi a Teano (Vittorio Emanuele II meets Garibaldi in Teano)*, oil on canvas, 1886
Pietro Aldi, *L'incontro di Vittorio Emanuele II col generale Radetzky a Vignale (Vittorio Emanuele II meets general Radetzky in Vignale)*, oil on canvas, 1886
- **Solo. Gino Severini**
at Museo Novecento – Florence
11 July - 10 October 2019
Gino Severini, *L'équilibriste o Maschere e rovine (The performer or Masks and ruins)*, oil on canvas, 1928

- **Filippo de Pisis**
at Museo del Novecento – Milano
4 October 2019 – 1 March 2020
Filippo de Pisis, *La tenda rossa (The red curtain)*, oil on canvas, 1931
- **The Twenties in Italy. The age of uncertainty**
at Palazzo Ducale – Genova
4 October 2019 – 1 March 2020
Gino Severini, *L'équilibriste o Maschere e rovine (The performer or Masks and ruins)*, oil on canvas, 1928
- **Il Pordenone**
at Galleria di Arte Moderna e Contemporanea Armando Pizzinato – Pordenone
25 October 2019 – 2 February 2020
Girolamo da Treviso il Giovane, *Testa di Diana con il crescente lunare e frammento di piede (Diana's head with crescent moon and part of a foot)*, detached fresco, 16th century
- **Pietro Aldi pittore**
at Accademia delle Arti e del Disegno – Florence
5 November – 31 December 2019
Pietro Aldi, *L'incontro di Vittorio Emanuele II con Garibaldi a Teano (Vittorio Emanuele II meets Garibaldi in Teano)*, oil on canvas, 1886
Pietro Aldi, *L'incontro di Vittorio Emanuele II col generale Radetzky a Vignale (Vittorio Emanuele II meets general Radetzky in Vignale)*, oil on canvas, 1886
- **Dancing steps. Isadora Duncan and figurative art in Italy between the 19th century and the Avantgarde**
at MART – Museo di arte moderna e contemporanea di Trento e Rovereto
23 September 2019 – 1 March 2020
Pericle Fazzini, *Danzatrice (Dancer)*, all round sculpture in wood, 1936-1937
Liberio Andreotti, *Genio musicale (Musical Genius)*, all round sculpture in bronze, 1910
Liberio Andreotti, *Genio musicale (Musical Genius)*, all round sculpture in bronze, 1910

- **Portrait of a woman: the Twenties' dream. Ubaldo Oppi's gaze**
at Basilica Palladiana – Vicenza
6 December 2019 – 13 April 2020
Antonio Donghi, *Donne per le scale (Women on the stairs)*, oil on canvas, 1929
- **Intelligence has no gender. Adriana Bisi Fabbri and the arts network (1900-1918)**
at Museo del Novecento – Milano
15 November 2019 – 8 March 2020
Cesare Laurenti, *frescoes detached from the Storione's decoration*, 1903-1905

CULTURAL INITIATIVES PROMOTED DA ABI

For years the Bank has joined cultural initiatives promoted by ABI, taking part in the Cultural Relations Workgroup in charge of planning common cultural strategies for banking institutions. Specifically this year the bank has again made itself available to open its historic seats free of charge, for the 18th edition of "An invitation to the Palace", an event which since 2002 allows visitors to tour spaces usually closed to the public and admire the artistic heritage that the banks keep in their headquarters. In 2019 Palazzo Salimbeni in Siena, Palazzo dei Montivecchi in Padova and Palazzo Strozzi in Mantova were opened, with a total of approximately 1,800 visitors.

BMPS has also joined the "Muvir – Virtual museum of Banks in Italy", where the most important works owned by banking institutions have been made available on a digital platform: the project was presented on 7 November 2019 at Salone dei Pagamenti in Milano and the bank contributed by making approximately 140 works from its collection available for fruition online at www.muvir.eu.

EXTERNAL COLLABORATIONS

During the year, the three-year partnership with Accademia di Brera di Milano was renewed until the academic year 2020/2021: the agreement is aimed at developing innovative types of collaboration thanks to new technologies, with projects dedicated to young students who will be able to show works created in different artistic disciplines on the Bank's digital channels. The collaboration aims at achieving positive returns in the form of engagement for both Institutions.

The Bank has supported Associazione Mus.e with the Solo. Gino Severini project, the exhibition held in Florence at Museo Novecento from 11 July to 10 October 2019 which saw the Bank act as a sponsor and loaner of an important work by Severini, L'équilibriste o Maschere e rovine (The performer or Masks and ruins).

Also fruitful was the collaboration with Università di Siena for the event "Bright-Night of researchers in Tuscany", which resulted in a study and presentation of sculpture Bacchus by Antonio Federighi, and with Liceo Artistico Duccio di Buoninsegna di Siena, that entailed the involvement of the College's students as exceptional guides ("Guide for a day") during the initiative "An invitation to the Palace"; in this context the students had the opportunity of presenting to the public videos made to illustrate some of the collection's works of art and stages of the work undertaken for their reproduction. "Guide for a day", project supported with the help of USRs – Regional School Offices – within the MIUR Alternanza Scuola-Lavoro project, aims to promote art among young students: its main objectives are education, the growth and training of young people, through learning art history. The idea that a "museum" in its broadest acceptance should not just have conservation, exhibition, and cultural purposes but also educational ones aimed at a diversity of subjects of all ages and social class is increasingly established.

The Bank also availed itself of occasional support by external collaborators (work-experience, students alternating school and work), involved in the Office's activities supervised by a company tutor, as well as the collaboration of certified external guides to manage the numerous requests for guided tours of the collection.

For study purposes BMPS has also made available to Ordine degli Architetti PPC di Siena the drawings/ plans and models of the international competition held in Siena during the Nineties for the "Restoration of Piazza Gramsci/Matteotti/La Lizza", promoted at the time by the Bank, which saw the participation of great contemporary architects such as Giancarlo De Carlo, Oriol Bohigas, Oswald Mathias Ungers. The collaboration took place within the presentation of the renovation project at the workshop organized by New Jersey Institute of Technology - University Height, from 22 July to 17 August 2019.



EXTERNAL COLLABORATIONS

MPS WAS AND IS INVOLVED IN A NUMBER OF EXTERNAL COLLABORATIONS, INCLUDING:

- ✓ **Accademia di Brera di Milano: three-year partnership until academic year 2020/2021**
- ✓ **Associazione Mus.e: Solo project**
- ✓ **Università di Siena: "Bright-Night of researchers in Tuscany" event**
- ✓ **Ordine degli Architetti PPC di Siena in the international competition held in Siena During the Nineties for the "Renovation of Piazza Gramsci/Matteotti/La Lizza"**



ANALYSIS OF THE COLLECTION

The art collection consists of approximately 31,000 works, for a total value of approximately 121 million euros. The main core is made of works by artists from the Siena area, according to a precise purchasing strategy, and by the Chigi Saracini Collection housed in the palace in Siena by the same name, made up of different kinds of works from different eras. Incorporations have also added the collections of Banca Toscana, with important classical and 20th century works, of Banca Agricola Mantovana, which includes a collection of coins and medals from the Gonzaga era, and of Banca Antonveneta, with 17th and 18th century artists from Veneto and Lombardy, Slovenian painters, ancient and contemporary ceramics coming from Banca Popolare di Faenza. Regarding the amounts: 3,285 works invested by different kinds of ministerial bonds for a total value of approx. 102 million; 5,974 works with "ex-lege L. 1089/39" bonds for a total value of approx. 4 million; 21,602 works and items of furniture free from any kind of bond for a value of approx. 9.5 million; 260 works, for a total value of approx. 5 million, are currently being examined by the competent authority for historical-artistic evaluation, which might possibly result in bonds being applied. All assets, both bound and free of bonds, are always reported on the Statement.

REGULATORY ASPECTS

Activities connected to the management, protection and conservation of artistic heritage is regulated by specific company rules, reviewed and perfected over 2019; for heritage covered by bonds it is also necessary to refer to applicable Italian law, administrative order 42/2004 – Code for cultural heritage and landscapes.

COMMITMENT

The agreement for precautionary recapitalization signed by MEF, the Bank, the European Commission and BCE lists a series of Commitments, one of them regarding artistic heritage which entails within the end of the renovation plan (2021), the dissolution of the Bank's artistic heritage free of bonds, in accordance with current Italian legislation.

MANAGEMENT AND CATALOGUING

The Bank's works of art are duly catalogued in the File Maker database, which includes fields to enter: photograph, inventory number, previous different inventory numbers, author (with the possibility of also entering previous attributions) and/or historical-artistic context, date, century, inscriptions, category, technique, materials, size (height, width, depth), measurements including the frame and notes on the latter, current location and historic location, state of preservation, judicial status, possible notifications, exhibitions and bibliography, as well as related materials, images and documents. Over the years to update the data and copy them from its own database to the Ministry's database, the Bank has contracted art historians and professionals recommended by the competent authority, meeting related expenses, in order to upgrade the catalogue to include the latest studies conducted on the works and comply to ministerial requests in a scientific and coherent manner.

INSURANCE COVER

La Banca, per tutelare le proprie opere da eventi Every year the Bank, to safeguard its works from unforeseen events such as theft or damage, takes up a Fine Art policy, All Risks formula with a company specialized in the field. The All Risks formula is the broadest on the market because it covers all possible risks, clearly highlighting possible reasons for refusing payments. Works housed in headquarters, branches and agencies, and in all of Monte dei Paschi di Siena's facilities, both owned by the Institute or by connected companies, or rented, or in other property owned that is not used for banking activities, and in the seat of Fondazione Accademia Musicale Chigiana are covered by absolute first loss insurance.

The relationship with local competent authorities and authorities overseeing other matters (artistic heritage and book and archive materials) is constant and uninterrupted; this cooperation is necessary to correctly preserve the works, obtain the necessary authorizations for restoration, loans, exhibitions and consultations, and also to agree on strategic lines

of valorization of the assets in the most effective terms. Loans for exhibitions enhance the works' value and represent an opportunity to update their study. Restoration, regularly monitored and agreed with experts of the field, allow correct and thoughtful preservation of artistic heritage, and are aimed at preserving local cultural heritage. The purpose of the development and update of technological tools is to promote knowledge of the Bank's different collections, which include a wide range of objects from different eras. The Bank is available to evaluate any proposal to valorize its collection, within shared projects with clear scientific relevance. Cultural initiatives have always been central to BMPS policy, a bank with over 500 years of history, significantly impacting on the brand and strengthening the Group's reputation.



6.6.2 Sponsorship and local events

GRI 103.1

GRI 103.2

GRI 103.3

Banca Monte dei Paschi di Siena considers events and sponsorship as conscious tools to act on the community. Sponsorship and artistic-cultural initiatives, seen as a platform to implement events and activities to involve the different kinds of stakeholders (media relations, captive and prospective clients, associations, bodies and institutions), aim at painting the bank as an entity looking at the present and to the future along the lines of innovation sustainable over time and that, in a framework of growing simplicity and listening to communities, makes itself known through targeted, high-impact, easily recognized initiatives. Communication, relation and branding tools, events and sponsorship characterize the Bank, increasing its positive impact on local communities and allowing in exchange the consolidation of its reputation and its consequent validation.

Heading stakeholders is essential to contribute to a model of development that brings benefits to the entire community. In the same way care for the local land includes the enhancement of its cultural and artistic heritage. Over the centuries the Bank has made itself guardian and promoter of beauty through art and culture, essential elements for social preservation and cohesion, contributing to collective well-being and supporting art as a kind of personal and emotional enrichment. An approach confirmed and strengthened in 2019 by two key directives:

- 1) manage and enhance hospitality connected to the two "Palii di Siena", making these two historical special moments for the city a privileged opportunity to strengthen relations and bring institutions together;
- 2) promote and favour artistic initiatives, using works of art connected to local areas (exhibitions, restoration and specific initiatives): here "Invito al Monte" stands out, a monthly event aimed at members of the public interested in visiting free of charge the Bank's quintessential historic seat, that is the palace in piazza Salimbeni a Siena, and see the works of art it contains;

- 3) add value to the Bank's collection of works of art through loans for national and international exhibitions;
- 4) increase partnerships with Art Academies through initiatives dedicated to young artists using Lato talent digital tools; the Bank has renewed its long-standing support for Fondazione Accademia Musicale Chigiana, centre of excellence in Siena renowned worldwide, aimed at enhancing and promoting our national and international musical heritage, and at supporting high-level training and the professional growth of young stars of classical music;
- 5) increase institutional networking operations through local Foundations Antonveneta and BAM, seen as centres for surveys, for promoting the Bank's communication strategies and means to proactively influence local communities: the Fiera Millenaria Gonzaga, Festivaletteratura and the grand exhibition dedicated to Giulio Romano have marked, with the support of the local Bank and Foundation, Mantova's social and cultural occasions in 2019; in Padova contributions by the Bank and Fondazione Antonveneta were aimed at the 2019-2020 concert season of "Amici della Musica di Padova", musical activities by "Solisti veneti", and the event "Sei musicisti in cerca d'autore";
- 6) the Bank was also involved with the "Italian Corporate Governance Conference", event organized by Assonime and Assogestioni, an opportunity to discuss every year the state of the art of corporate governance in Italy, involving top level representatives of institutions, businesses and the Italian and international financial community: to better mark the Bank's participation President Bariatti attended as a speaker the "Panel discussion: The inclusion of sustainability issues in the strategy and risk management of listed companies", which provided an opportunity to illustrate BMPS' current commitments on issues related to sustainability and connected industrial and strategic policies.

Activities related to events and sponsorship are formally regulated by company rules, available for direct and transparent consultation by the Bank's staff and interested functions. Regarding the management of sponsorship formalization and contracting processes, the Bank requires partners/sponsees to sign a specific document in accordance with law n. 231/2001 in order to prevent penal responsibility of the Bodies.



The initiative "Invito al Monte"

Sharing one's uncommon artistic heritage and using it to renew the dialogue with communities and shareholders, placing culture at the centre, as a collective value and to fuel widespread well-being. With this spirit Banca Monte dei Paschi has decided to open to the public the museum and historical archive in Piazza Salimbeni, Siena, through an initiative called "Invito al Monte".

In 2019 the project offered to tourists and enthusiasts the opportunity to visit the ancient palace, as a special event and free of charge, at specific times in the morning and afternoon, lead by certified guides provided by the Bank.

Banca Monte dei Paschi di Siena has always considered its extraordinary artistic heritage a treasure to be shared with the community it operates in, and with this series of exceptional monthly openings it wanted to provide the opportunity to visit the museum and get to know the master pieces it houses for all those wishing to do so.

The first two dates fell in 2019: the first, Saturday 30 November; and the second, Saturday 14 December. The first event was attended by 365 visitors the second 350:

"INVITO AL MONTE" DATES	NUMBER OF VISITORS
30 november 2019	365
14 december 2019	350

Due to the very positive outcome thanks to the number of attendants and for the brand reputation awarded to the Bank, the initiative will continue in 2020: the first event on 18 January confirmed the success of the previous ones with 350 visitors.

Exhibition itinerary

The exhibition itinerary planned for the occasion includes a visit to museum San Donato based in the Bank's historic seat in Rocca Salimbeni, Siena. The museum occupies the different buildings that made up the ancient Salimbeni castle: the warehouse, where goods were bought and sold; the spacious Dogana yard, the centre of the palace; the famous staircase designed by Florence architect Pierluigi Spadolini; the study and consultation hall, the Peruzziana gallery and finally the picture gallery, renovated in recent years following the most modern standards for museums.

Here visitors can admire the collection that Banca Mps has acquired over the centuries: paintings, sculptures, graphic arts and decorative arts, in majority by artists from Siena or with a special relationship with the city such as Pietro Lorenzetti, Stefano di Giovanni a.k.a il Sassetta, Sano di Pietro, Rutilio Manetti or Bernardino Mei, often commissioned by the Bank itself, that through their beauty provide a fascinating snapshot of Siena's history and culture.

In addition to precious masterpieces (also including an extensive collection of contemporary works) it is also possible to visit the historical archive, house to a wealth of ancient documents, accounting books and ledgers dating back to the Bank's very first years of activity.

At the end of the tour a send-off from the advanced students of Accademia musicale Siena Jazz, one of Italy's main centres for high level training, who have agreed to enhance the initiative with performances by its talented young.

6.6.3 MPS Orienta

GRI 103.1
G4 FS16

The Group has established a set of activities under the name MPS Orienta to achieve the social objective of preparing young people for the job market and to strengthen its local roots and company image. The project aims at creating a connection between study courses and the job market. The project's main initiatives are:

- **Apprendistato di alta formazione e ricerca (AAFR).** Every year the company reserves a number of work contracts to young students from Siena University to make it possible to directly compare study subjects and professional activities in order to graduate (16 in 2019 and 15 in early 2020). Selected students are introduced into highly specialized sectors and each one will go through a training program divided into three contexts: training on the job, technical-professional training, soft-skills training. At the end of the apprenticeship, and before undergoing structured evaluation, apprentices are confirmed and hired with a permanent contract.
- **"Courses for soft skills and orientation" (formerly "Alternanza Scuola-Lavoro").** A training course within the company to guide college students and enhance their school training with additional skills for the job market. In 2019 over 20 colleges were involved in the entire country and over 300 students, 70 of whom were welcomed inside the Group's specialized departments for an average of two weeks, for a total of over 4000 hours. During the course students are trained in financial education, basic banking products, finance and bancassurance, including practical exercises and online courses.
- **Talent Day.** Careers and financial education days organized in the seats of Siena, Florence and Rome with over 200 young people under 30 attending. Different subjects were covered: the value of information in finance, the impact of megatrends on investments, new recruiting

channels, new hard & soft skills, how to write an effective CV, social reputation, assessment tests, how to prepare for a job interview. They are specifically dedicated to:

- ✓ young non clients;
- ✓ young clients;
- ✓ children/relatives of the Bank's clients;
- ✓ children of employees.

Young people participating to Talent Days are asked to fill in an anonymous customer care questionnaire to evaluate how practical the subjects covered are and how useful is the information received. Currently the average evaluation of the initiative is 4.34 on a scale from 1 to 5.

- **Career Day.** BMPS representatives participated to Careers Days organized by the Universities of Siena and Verona, where they met approximately 400 university students.
- **Internships** (curricular and extracurricular). The Group has agreements in place with over 30 Italian bodies and universities to offer internships in specialized skills coherent with study courses. In 2019 over 100 internships were started in main facilities, some of which lead to hiring.

MPS Orienta Indicators	2019	2018	2017
AAFR – Contracts advertised	15	16	5
Internships activated* – Curricular, Non Curricular, Project Work	105	120	66
ASL – Colleges involved	24	18	10
ASL – Students involved in ASL projects	68	75	41
Talent Days – Local events	3	6	
Talent Days – Young people involved	167	296	
Careers Days – Students met	400	350	350

* In three years 21 students were hired at the end of their Internship

MPS Orienta's activities include specific actions of financial education to raise awareness of managed savings and responsible and sustainable investments.

In 2019 225 young men and women between the ages of 16 and 27 attended these events.



6.6.4. Financial education

G4 FS16

The Group believes that spreading financial culture is essential in order to bridge social gaps and promote the inclusion and participation of citizens. Financial education is an important tool for the country's sustainable development. Over 2019 the Group has organized a series of activities aimed at young people and clients to spread awareness of financial topics such as a more aware use of money, knowledge of credit mechanisms, payments and financial tools in general. A commitment the Group undertakes with a sense of social responsibility also in accordance with the values expressed by its Ethical Code.

For years the Group has worked on a project of information and training aimed at its customers: the education project consists of local meetings, also in collaboration with the main investment companies that supply their contribution on market views or on specific issues to explain different financial tools. All this to increase customer awareness and skills, also on current topics such as Environmental, Social, Governance issues (ESG). Furthermore, over the year a number of training sessions were planned, also with certified bodies and partners with high standing, mainly aimed at Private Bankers, as well as other roles of the Wealth Management chain to improve competence and the quality of customer services, especially in light of the ongoing evolution of related regulations. The main topics dealt with are: financial markets, asset allocation, Mifid II, non-financial Advisory, Asset protection, Ivass courses, manager coaching, anti-money laundering, transparency, customer relations management, managerial skills. In 2019 28 information and training sessions were organized aimed at Private and Family Office customers involving 1302 participants.

BANCA WIDIBA:

Local events with customers to spread financial awareness

An example of generating the social value of the brand's consultancy and consideration.

In Italy the level of financial education is still low, and now more than ever customers need to be lead through economic-financial and asset planning revolving around their real needs and those of their family, starting from awareness.

A continuously changing scenario, the ageing of the population, wealth polarization, new family structures, are just some of the topics touched on during these events. In 2019 information and training events dedicated to prospective and existing clients were organized with the aim of promoting a culture of awareness for managing savings.

The objective is to help the public to reflect on the importance of a good financial education: this generates awareness of one's own financial needs and steers people towards an understanding of the management and planning of their own personal and family resources, with a long term vision. A course in awareness focusing on risks and risk management.

Fifty-one info-training events aimed at customers were organized in the entire country attended by 2600 existing and prospective clients.

OPEN STORIES

A project of education on open banking. The PSD2 European directive on payments introduces data sharing between the different players of the banking system, authorized by customers.

Open Stories is an education workshop on open banking aimed at customers and at the market.

An active dialogue with customers to talk about open banking; to educate them on a system that is changing; to tell them what sharing their data means.

Open Stories places dialogue with customers at the centre through the stories of people who have interpreted in an "open" way their own life or their profession. We create an experience that generates a choral tale able to reach and involve people and make them think. A workshop in episodes that involves people sharing their stories in turn.



7 The Human Capital

The Human Capital

In 2019 Gruppo Montepaschi started on a route to define its own Strategic Identity. Over this time 4 key elements characterizing it have been identified: Simplicity, Innovation, Well-being and Listening.

Sustainability is the factor common to all four elements.

For this reason all the initiatives developed by the Chief Human Capital Officer's department held as guidelines the elements of Strategic Identity:

- regarding Listening, essential element of relations with employees, a program of meetings between the CEO and local Commercial Networks has been confirmed, and a new survey of the internal climate has been conducted (which saw widespread participation with over 19,000 questionnaires handed in); the issue of listening to resources has also been enhanced with structured interviews held at Organizational Units, to detect the needs of individuals more effectively and monitor the internal climate. Ongoing dialogue with trade unions on issues pertaining to personnel is also important for listening objectives at all and every seat of negotiation and meeting.
- regarding people's well-being, the Group has always worked on welfare policies, which generate great value for people and contribute to the improvement of company climate. Welfare is a central element in second level negotiations. Direction and operation policies ensure uniform treatment and equal opportunity for access. Although in a context of overall economic compatibility and sustainability, internal welfare has been integrated over time with goods and services responding to the evolution of the needs of personnel, retired staff and their families (currently approx. 70 thousand people). Also ongoing is the commitment to promote full-time employment, and long-lasting, inclusive and economic growth, sustainable over time, allowing the development and enhancement of everyone's skills:
- regarding Diversity&Inclusion (D&I), initiatives dedicated to "Diversity Management" have been developed to create conditions favourable to highlight differences and develop practical actions aimed at increasing awareness of the importance of diversity and inclusion. Specifically, we are

monitoring selected KPIs (percentage of women in highly responsible roles) and new parameters have been defined to measure the sustainability of current management policies (for instances the percentage of women in roles freed-up over one year);

- based on trade union agreements reached in time, measures to contain personnel costs have been reviewed, in line with the Plan's objectives, safeguarding principles of social equality and lowest remuneration levels. For instance:
 - review of mandatory days of (unpaid) leave;
 - extraordinary contributions for executives;
- in order to enhance professional skills, in carrying out the main management operations a skill gap analysis approach was adopted to choose candidates for impacted roles. This approach has allowed us to identify individual skills and define training and shadowing courses for new roles, in addition to retraining courses dedicated to resources on job rotation and leaving roles of responsibility.

Among new activities started in 2019 we would like to quote:

- development of the management application used by the HR Chain (HR Cloud) making it available also to the Business Line. It is an innovative tool both in content (provides a set of new information or information found on different applications) both in the way new implementations are defined (user listening). Accessibility on mobile devices guarantees simple and quick usage also away from workstations;
- internal welfare has been improved and expanded with: changes to conditions for loans to employees, upgrade to electronic meal vouchers and increase of the amount, expansion of donation methods (also in hours not just full days) for the collective solidarity institution MPSolidale, refunds for transportation expenses (as an alternative to the previous commuter

GRI 103.1

GRI 103.2

GRI 103.3

compensation) which promotes the use of public transport;

- the development of a culture of inclusion has been kick-started by planning training courses that launched during the last quarter of the year, and that will be an integral part of training programs for the next two years. In order to share the strategic relevance of establishing an educational program on D&I issues, the first feedback from the CEO was involved in a meeting held to examine in depth the positive potential of managing diversity, both at an individual and company level, and of developing key skills to manage and give value to a diversity of collaborators and colleagues; During the meeting the MPS D&I 2019/2021 program was also illustrated. One of the Program's central elements was the appointment and training of the D&I Ambassadors in MPS; 28 resources were appointed (with different backgrounds: HR, Business Line, network and DG) who will have to promote a culture of diversity, supporting company strategy on the issue. Their training took place over two days: the first to examine the contents of diversity in depth, and the second revolving around the activity of an Ambassador.
- the Management Plurale program has started with the first edition aimed at Department and Area Managers, General Managers and Heads Of Lending; during 2020/2021 the program will be extended to all resource supervisors.
- a plan of events dedicated to career orientation and financial education for young people has been drawn.

MANAGEMENT AND VERIFICATION OF HUMAN RESOURCES POLICIES

The MPS Group has established a Directive defining the organizational model (principles, responsibilities and activities) for the Human Resources Management Process.

The objective is to implement Human Resources Management policies in compliance to legislation

and the national and company contracts. These tend to ensure maximization of company performance by enhancing the value of internal roles, creating development opportunities for people, in line with their aspirations and requirements. To pursue sustainability and give value to diversity, a gender-based analysis is carried out when implementing projects and policies.

In accordance with the spirit of the Directive, in order to maximize relations and interactions with personnel, the management of Human resources follows individual portfolio-building logics, according to which every resource is associated with an HR manager. This allows constant interaction and a personalized approach, ensuring a quality relationship and the updating of information on individual resources. An approach giving value to diversity focusing on gender has been adopted in all HR projects. Job Rotation plans enhance professional opportunities and follow transparency standards. Professional and managerial development plans ensure maximum coverage of staff and include retraining courses to adapt skills.

To verify management policies in time, Job Rotation management parameters and indicators were used (46.01% at Bank level and 46.12 % at Group level on 31/12/2019) and Managerial Job Rotation (55.68% at Bank level and 53.06% at Group level on 31/12/2019).

OBJECTIVES/PROJECTS 2020

Among the projects for 2020 the MPS Group intends to:

- start the Women Leadership Program, aimed at supporting managerial development of women in roles of responsibility, encouraging awareness of themselves and of their skills. Women already part of the managerial continuity plan of the CEO's first line will be provided with a guided and shadowed course of training. The program also has the objective of promoting the integration of differently-abled colleagues and the opportunity to express themselves within the Company, increasing company staff awareness and the perception of disability issues; training opportunities are in planning. In 2020 a course in contrasting harassment in the workplace will also be organized, aimed at all personnel;
- develop permanent resource Retraining to respond to the fast obsolescence of skills due to the dynamic market context, the steep technological innovation curve and the growing push to digitization that is impacting the sector;
- 5 events of career orientation and financial education for 300 students from 10 colleges over the entire country (including a week in the company for 60 of them);
- 9 events of career orientation and financial education for young people between the ages of 18 and 27, over the entire country.

WIDIBA YOP – YEAR OF THE PEOPLE, ACTIVISM AND GIVING VALUE TO PEOPLE

In 2019 Banca Widiba launched YOP – Year of the People – a project entirely dedicated to internal resources. It is a development and engagement plan for the Bank's employees with the objective of

- enhancing skills
- strengthening a sense of belonging
- creating virtuous behaviour
- feeling the company as a part of ourselves
- developing the ability to talk about ourselves

To achieve YOP's mission the Together Team was established, an engagement committee aimed at listening and becoming spokespeople for colleagues, supporting the implementation of initiatives created by them or dedicated to them.

The commitment of the Team and the departments involved resulted in moments of sharing: Widiba talk, Work Together Skills Sharing. In addition to sharing soft skills, all Supervisors worked to offer vertical training activities for the staff.

2019 Results

- +30 training and leisure activities
- +400 course attendees

The project in 2019 pursued two aims:

- Finding a person in the company incarnating all the values represented by the YOP project. The award consists of an individual training course to develop skills and soft skills;
- The start of a Smart Working project, to be implemented in 2020.

7.1 Protection of human resources

GRI 102.8
GRI 103.1
GRI 103.2
GRI 103.3
GRI 201.3
GRI 401.1
GRI 401.2
GRI 401.3
GRI 402.1
GRI 403.2

The people of the Group are considered the main element to insure high quality customer service and achieve the challenging objectives of the Industrial Plan. For this reason protection of employment is a priority to guarantee the Group's economic strength in the medium-long term.

Company welfare, as a system devoted to meeting the needs of colleagues and their family, is an important tool to support people's engagement.

The number of resources to be hired and their professional characteristics are defined during annual personnel planning. The process ensures that assimilated resources are suitable for maintaining and developing skills in the company, in line with the objectives of the Industrial Plan.

The Bank guarantees compliance to equality and equal opportunities principles during selection and recruiting, rejecting any form of favouritism or cronyism.

As envisaged by current trade union agreements, in case of a significant number of hirings the Bank approaches OO.SSs to discuss selection methods to be employed.

In 2019 163 new resources were hired:

- 57 (41 Bank, 16 companies of the Group) were hired with permanent contracts, 21 of them differently abled and 16 family members of staff who died while in employment (this Welfare policy, accessible for workers of any professional category, has been in place in the company for almost a century);
- 16 (all Bank) near-graduates with High Level Training and Research Apprenticeship contracts;
- 90 (82 Bank, 8 companies of the Group) resources hired with temporary contracts, almost all of them later converted to permanent contracts.

In the last quarter of 2019 selection started to award 15 High Level Training and Research Apprenticeship contracts to near-graduates from Siena University.

To cover the needs for staff of the Bank's different departments, the HR office tends to apply the principle of giving value and developing internal skill sets. For this reason it often uses a job posting platform allowing employees to apply for open positions. In 2019 over 371 applications were managed to cover 29 positions. If it is not possible to cover a position internally it resorts to the job market through a recruiting and selection process.

Welfare is well-established in MPS and in the Group. Every element is essential to support colleagues and their families in economic and social terms and in view of reconciling time devoted to life and work. It thus contributes to increasing satisfaction, well-being, fidelization and productivity.

Here are some of its components:

- program to cover medical expenses (extended to family members), insurance against accidents and other occurrences;
- company pension schemes receiving from the Group's company 2.5% of gross remuneration for TFR purposes and supported by them regarding running expenses;
- a system of leaves and furloughs, especially supporting parenthood and smart working mechanisms;
- internal solidarity fund MPS Solidale fuelled by colleagues with the donation of hours and full days or remuneration quotas by the higher managerial levels to allow colleagues to have time to deal with serious and proven personal and family needs, prioritizing the care of children;
- study permits for working students;
- initiatives for children's education.

There are a number of institutions supporting income: facilitations on loans, banking products and services, meal vouchers, benefits for newly hired personnel or to compensate for specific disadvantages (i.e. commuting), other channels of support for family expenses through contributions by the Bank to Cassa Mutua (funds for children's education, disabled family members, non self-sufficient senior citizens...). In addition to these the activity of Cassa di Previdenza MPS managing part of its real estate assets and offering subsidized

conditions for rent to the Group's employees. An important initiative running for almost a century is the hiring of family members of employees deceased while in employment (or on paid leave).



Company welfare funds

MPS Pension Funds (Fondo Pensione MPS and Cassa di Previdenza MPS), of which the Bank is Institutional Source together with Trade Unions, represent a significant experience in its reference scenario related to Social Responsibility Investment issues. The allocation system, defined in the document Investment Policies, both for management on behalf of Banca MPS and for direct management by single Boards, is aligned to ESG criteria, and both Funds have signed the UNPRI protocol (Principles for Responsible Investment) and participate to the Forum for Sustainable Finance (FFS). Both funds employ an Ethics Advisor who, in addition to supplying ex ante exclusion elements, measures the portfolio's ESG qualitative performance. In the last two years Fondo Pensione MPS (€ 1.35 bn AUM) was declared the best ESG fund in the category of pre-existing pension funds in a list drawn up by FFS. Regarding Governance, both funds have Boards of Directors achieving gender equality.

The selection process entails an analysis of internal necessity, market research, better knowledge and evaluation of the candidate, sharing with the interested business function, reporting and monitoring to Selection Bodies. In accordance with the management model, hiring&replacement processes are differentiated in relation to role and membership cluster.

Processes go through the following stages:

- Analysis of internal necessity
- Recruiting and Selection
- Hiring and placement within the company of resources selected from the market
- Monitoring and Reporting

Resources are placed in two stages.

- Company placement (Induction-shadowing) – different placement processes for resources, according to the role to be filled. At the start of the work relationship each resource receives information on the function to be carried out and on regulations as stated by CCNL.
- structured Feedback – during the first year meetings with the resource are scheduled every three/six months to verify the level of satisfaction and integration, and with their production chain to monitor the effectiveness of the selection process.

PENSION PLANS WITH DEFINED BENEFITS AND OTHER PENSION PLANS

Active personnel subscribing to the integrative section of the Bank's Welfare Fund on 31.12.2019 totalled 162 (103 men, 59 women) with liabilities, calculated according to international accounting principles, totalling 44,882,477 euros.

The section receives a contribution from the Bank equal to 1.50% of I.N.P.S. taxable income related to employees subscribing to the section itself (art. 26 Statute).

Regarding the simplified statement (so called Surplus/(Deficit)), considering that for 2577 retirees (1,333 men, 1,244 women) liabilities according to international accounting principles to reach the first level of coverage, as dictated by art.29 letter C of the statute, amounting to 97,402,316 euros, we detect the following surplus:

ASSETS FAIR VALUE 30 NOVEMBER 2019
330,287,139
DEFINED BENEFIT OBLIGATION 31 DECEMBER
2019 (140,282,759)
SURPLUS/(DEFICIT) 190,004,380

MINIMUM PERIOD OF NOTICE FOR OPERATIONAL CHANGES

In all cases of company reorganization, or other activities resulting in repercussions on personnel in terms of work organization and professional and territorial mobility, according to CCNL rules the Bank must activate proper notification procedures and talks with trade unions to analyze the impact on resources. Only after negotiations have finished, lasting different amounts of time according to contract rules and the reorganization (between 10 and 50 days), the Bank may implement the envisaged changes.

INDICATORS – EMPLOYMENT

INFORMATION ON EMPLOYEES AND OTHER WORKERS LAVORATORI	2019	2018	2017
TOTAL NUMBER OF EMPLOYEES (N.)	21,814	22,699	22,986
MEN	10,739	11,352	11,554
WOMEN	11,075	11,347	11,432
AGE RANGE	21,814	22,699	22,986
Below 30	244	231	316
Between 30 and 50	11,607	12,396	13,211
Over 50	9,963	10,072	9,459
TYPE OF CONTRACT			
Full time permanent (n.)	19,476	20,358	20,687
MEN	10,593	11,224	11,436
WOMEN	8,883	9,134	9,251
Full time permanent term with temporary part time (n.)	2,101	2,097	2,049
MEN	106	103	90
WOMEN	1,995	1,994	1,959
Part-time permanent (n.)	165	189	195
MEN	10	9	8
WOMEN	155	180	187
Permanent term PartTime with FullTime temporary work hrs (n.)	38	32	30
MEN	8	8	9
WOMEN	30	24	21
Full time Fixed-term (n.)	18	23	20
MEN	10	8	8
WOMEN	8	15	12
Full time Apprenticeship (n.)	15	-	5
MEN	11	-	3
WOMEN	4	-	2
Part Time Fixed-term (n.)	1	-	-
MEN	1	-	-
WOMEN	-	-	-
Full time	19,547	20,413	20,742
MEN	10,622	11,240	11,456
WOMEN	8,925	9,173	9,286
Part time	2,267	2,286	2,244
MEN	117	112	98
WOMEN	2,150	2,174	2,146

GRI 102.8

GRI 401.1	NEW HIRINGS AND TURNOVER (TOTAL NUMBER AND RATE)	2019	2018	2017
	HIRINGS	167	95	104
	MEN	84	40	49
	WOMEN	83	55	55
	AGE RANGE			
	Up to 30	105	39	50
	from 31 to 50	55	49	52
	over 50	7	7	2
	TYPE OF CONTRACT			
	Full time permanent	61	78	84
	Full time fixed-term	89	17	15
	Full time Apprenticeship	16		5
	Part time fixed-term	1		
	FT	165	93	104
	PT	2	2	0
	CESSATIONS N.	1065	300	2159
	OTHER CHANGES N.	13	-82	6
	TURNOVER %	5.6%	1.7%	9.8%
	MEN	708	217	1507
	WOMEN	357	83	652
	AGE RANGE			
	Up to 30	14	5	16
	from 31 to 50	129	144	168
	over 50	922	151	1975
	TURNOVER VOLUNTARY RESIGNATIONS %	1.4%	1.1%	1.3%

GRI 403.2 The number of hirings has increased over 2019 due to the selection for BMPS of approx. 65 young resources, hired with a fixed-term contract (later converted at the end of the year to permanent) for the Commercial Network. Excluding these hirings the number is basically in line with previous years. Regarding cessations, both in 2019 and in 2017 assisted resignation procedures were activated by recourse to the Fondo di Solidarietà di Settore (Sector Solidarity Fund); these procedures brought to the dismissal of 750 and 1,800 resources respectively. Excluding these, cessations for natural turnover (resignations, retirements, consensual resolutions, etc.) are in line over three years: approx. 300 a year.

GRI 401.2	BENEFITS FOR FULL TIME EMPLOYEES, BUT NOT FOR PART-TIME OR FIXED TERM WORKERS	2019	WOMEN	MEN	2018	WOMEN	MEN	2017	WOMEN	MEN	GRI 401.3
	Benefit coverage part-time and fixed term vs full time employees	100%			100%			100%			
	PARENTAL LEAVE	2019	WOMEN	MEN	2018	WOMEN	MEN	2017	WOMEN	MEN	
	Total Number of employees eligible for parental leave	7,216	4,291	2,925	7,512	4,440	3,072	7,706	4,439	3,167	
	Total Number of employees granted parental leave (*)	1,621	1,523	98	1,690	1,625	65	1,733	1,712	21	
	Total Number of employees who returned to work during the period covered by the report after parental leave	1,613	1,516	97	1,683	1,572	111	1,721	1,636	85	
	Total Number of employees who returned to work after parental leave that are still employed by the organization in the 12 months after their return	1,677	1,566	111	1,714	1,629	85	1,665	1,581	84	
	Rate of return to work and rate of retention in the company of employees who took parental leave (*)	99.51%			99.5%			99.3%			
		99.64%			98.5%			99.2%			

(*) Job conservation after parental leave is 100% guaranteed by the Bank. Any variance in percentage is due to voluntary resignations that usually are never connected in time with maternity. It must be specified that parental leave, in accordance to current legislation, can be taken until the child is 12 years of age. Clarification: data reported for 2017 and 2018 were extracted with criteria previously in force, different from those adopted for 2019. In 2017 and 2018 data referred to personnel employed by the Holding Company, MPS Capital Services, MPS Leasing&Factoring, Widiba, while for 2019 data refers to the workforce employed by the main companies of the Group.

7.1.1 Remuneration Policies

GRI 102.35
GRI 102.36
GRI 102.37
GRI 202.1

The enactment of personnel remuneration policies approved by the Assembly is responsibility of the Board of Directors (which may delegate specific issues to the CEO, in accordance with the Statute and current legislation), which aims its decision-making process at:

- ensuring internal and external equality of treatment;
- ensuring legislation, regulations and statutory rules, and ethical or behavioural codes are adhered to;
- facilitating the achievement of short and long term strategic objectives strengthening the connection between remuneration and performance;
- fidelizing resources to the company and attract new skills;
- supporting the professional growth of personnel, safeguarding and giving value to diversity;
- giving value to merit and increase employee motivation;
- guaranteeing transparency using decision-making procedures and structured approaches aimed at limiting arbitrary decisions.

PROCESS TO DETERMINE REMUNERATION

Remuneration arrangements follow market practices and have a fixed and a variable component. To prevent taking on excessive risk the combination of the two components is set for each sub-category of personnel in compliance with regulations.

The process of determining remuneration in 2019 is detailed in the Report on Remuneration 2020, available in the Corporate Governance section of our website www.gruppompis.it.

STAKEHOLDER INVOLVEMENT IN REMUNERATION

The increased focus by national and European regulators on the issue of remuneration drives the Group to structure these policies in the fairest way to pursue the sustainability of its activity in the medium-long term, maintain its own competitiveness high and facilitate the convergence of the interests of different stakeholders. Equality, transparency and sustainability are the guiding principles with the will to give value to merit and the correspondence between performance and highlighted qualities. Maximum attention is given to avoid conflicts of interest and practice a culture of compliance to regulations and responsible risk management. Elements that also safeguard clients and thus contribute to consolidate trust in the Group.

Compliance of remuneration policies to regulations and commitments taken with stakeholders, with a particular care to proper management of customer relations, is insured by the bank's company auditing functions (Compliance, Risk Management Internal Review). These flank Human Resources supporting company bodies in planning remuneration policies and intervene in their implementation to make them coherent with the Bank's inclination towards risk.

The Report on Remuneration 2020 maximizes transparency of the policies adopted by the Group to increase shareholder awareness of remuneration and incentivization systems.

Remuneration, which is the main component of economic value distributed to personnel, is aligned with the minimum dictated by the sector's CCNL and by company contracting rules in force at the time.

7.1.2 Internal climate surveys

GRI 102.44

The climate survey in 2019 confirmed a high level of participation with over 19,000 questionnaires filled in. Analysis of the answers provided indications on a few sensitive issues and resulted in two mitigation actions by the CHCO Office.

To help people better understand company objectives, every quarter a conference call is held to discuss the period's financial results. At the end anyone may write questions for the CEO, usually 100 are put forward during each call, some are answered live while others are taken on by the competent Office which will later send a reply directly to the questioner.

To meet the expressed need for more in depth professional and role updates, a multi-dimensional training model has been developed (process, context and risk). To be more effective, courses related to core issues were held in classrooms in local facilities to also reduce commute time.



7.1.3 Health and safety

GRI 102.12
GRI 103.1
GRI 103.2
GRI 103.3
GRI 403.1
GRI 403.2
GRI 403.3
GRI 403.6
GRI 403.8
GRI 403.9

Within a framework of increasingly high awareness of the importance of the issue, and the will to pursue constant and ongoing improvement, BMPS has decided to start a specific project to consolidate responsibilities, making for prevention purposes the Employer into a dedicated, identifiable and increasingly accessible entity, and growingly integrating essential activities within the operational processes mainly impacted.

From the point of view of company organization a function has been created (Chief Safety Officer) holding all the powers concerning the organization, management and auditing of the Bank regarding safety in the workplace, to insure company obligations pertaining to hygiene and prevention, and their auditing and governance are fulfilled, with full and limitless purchasing power to equip the entire company with all that is necessary to safeguard the well-being, health and safety of personnel.

In its current form the Safety Officer department includes the Service for Prevention Protection and the Environment, the first within the Integrated Safety Area, and the Chief Safety Officer Technical Office supporting the Employer in its relations and coordination activities with other company functions to address and manage issues involved in safeguarding health and safety in the workplace. In addition to managing Safety, the employer is responsible for overseeing the environmental management model, carrying out activities related to the analysis, implementation and monitoring of the environmental management system (SGA), and also for defining its related policy. Within the framework of the internal auditing system, the Service for Prevention, Protection and the Environment in the CSO department also stands as "Specialized supervisor of compliance to Risks related to issues of Health and Safety in the Workplace" and as "Specialized supervisor of compliance to Risks related to environmental regulations". The safety organizational chart of the other companies within the boundaries of reporting, considering as Employer the Managing Director and the same RSPP as the Bank are unchanged. This approach seems more than adequate for less complex companies.

The strategic directions characterizing 2019 can be grouped into two complementary and tightly interconnected sets: those relative to mandatory obligations (ordinary and extra-ordinary, that is, borne of unforeseen necessity) and those relative to voluntary activities.

Ordinary mandatory obligations include the appointment of a new Supervisor of the Prevention and Protection Service as per D.Lgs. 81/08, RLS consultation activities (art. 50 D.Lgs. 81/2008), activities of Evaluation of Risks to Health and Safety in the Workplace, drafting a Document on Risk Evaluation, a Regular Meeting ex art.35 D.Lgs.81/08, training and information activities, Health Surveillance activities etc. Extraordinary ones regard unforeseen activities such as those following natural events or actions aimed at improving the well-being at work of subjects with special characteristics.

Here follows a list of the most important projects pertaining to mandatory activities:

- The in-depth stage of Work-Related Stress evaluation. The method's approach entails two specific moments: a preliminary or objective evaluation and an in-depth or subjective evaluation. Banca MPS, once the preliminary stage is complete, has chosen to continue with the «in-depth evaluation». Carried out from 28 November to 13 December 2019, this subjective evaluation is based on employee perception and uses a qualitative research method typical of psycho-social research. In accordance with the strategic direction defined by the CSO Office to define content, the Employer has preventively consulted for prevention purposes Personnel Safety Representatives (RLS) in collaboration with representatives from the Management Group and the external Company that provided support in developing the project. Out of 21,891 employees of Gruppo Montepaschi who were sent the questionnaire, 20,962 took part in the research project, a percentage of 95.76%. The survey will be completed in the first quarter of 2020 when employees will be asked to anonymously relate in depth their experience in the workplace using words and/or images and photography.

- The beginning of the update of the survey to identify Videoterminal workers which entails a first stage in BMPS aimed at defining Uniform Groups of Workers and a second stage, involving the Group's main companies, where work sampling will be conducted to work out the time to be spent introducing Uniform Groups to video terminals.

The following projects have also been implemented and/or started:

- identification of new ways to involve RLSs by defining more frequent consultations, making more adequate tools available for individual and group activities, spreading skills and awareness related to safety to steer behaviour and attitudes towards risk prevention;
- a Plan for Promoting Health in the Workplace 2020-2021 has been drafted, a program of inter-related actions, to be implemented in a short to medium timeframe in collaboration with the Bank's HR function, with the aim of progressively spreading to all employees a new culture based on a healthy life-style.

The tools employed will be the usual company information channels (intranet, newsletters, screensavers, etc.). This plan aims at improving health and well-being in the workplace with concrete initiatives to be carried out over two years. The actions envisaged by Promoting health in the workplace include three separate contexts whose characteristics fall within the boundaries of responsibility of the Safety and HR functions.

Voluntary projects such as the maintenance of certified management systems have also continued. Currently we have health and safety management systems certified by OHSAS 18001 (in BMPS Occupational Health and Safety Assessment Series), Consorzio Operativo di Gruppo (COG), MPS Capital Services (MPSCS), Magazzini Generali Fiduciari Mantova, and environmental management systems certified in BMPS and MPSCS. The process of implementation of the COG environmental management system has also been started.



COMMITMENTS:

Health and Safety Policy was issued by the Holding Company's Board in 2008. The responsibility of guiding its implementation is down to the executive (Head of the CSO Office) and Management but its success rests on everybody's constant efforts.

Here follows a list of commitments made:

- 1 **communicate** the company's Safety Policy, its inspiring principles and related objectives to its stakeholders, by the most appropriate means;
- 2 **comply** with Italian and European legislation on health and safety in the workplace, also taking into consideration international standards and technical rules wherever relevant;
- 3 **carry out** prevention activities in managing health and safety in the workplace based on proactive and predictive abilities for company risks, in order to avoid accidents at work and the onset of occupational diseases;
- 4 **continue** to constantly identify remaining risks in the workplace, adopting the most appropriate measures to reduce them to acceptable levels, constantly innovating methods and information supports aimed at their evaluation and analysis, and adopting the most effective tools and organizational structures;
- 5 **enhance** the value of human resources developing specific skills and training activities, key elements of the company mission characterising all the choices made by Gruppo MPS, with the objective of making workers aware of their own responsibilities, and of the necessity of operating in accordance with current legislation and internal operation rules;
- 6 **inform** all those present in company facilities, (employees, suppliers, clients) on the organization set up to manage safety and emergencies, as well as on the risks present, rules for prevention and protection adopted against them;
- 7 **select** suppliers also in consideration of aspects related to health and safety in the workplace and promote common initiatives to manage and solve possible situations of risk in a framework of mutual collaboration, and adopt a purchasing policy that follows the principles of safeguarding the health and safety of workers, of the environment and people in general;
- 8 **promote** worker engagement on health and safety in the workplace company objectives also through their Safety Representatives;
- 9 **pursue** constant improvement by using the necessary resources, supporting, monitoring, and actively promoting the achievement of the objectives set out in the Workers' Health and Safety Management System (SGSSL);
- 10 **promote** the integration of health and safety in the workplace principles in managing all company activities, including the design and maintenance of buildings and equipment;
- 11 **orient and steer** the companies of Gruppo MPS to operate coherently with the above principles, requiring them to implement this Safety Policy and comply to the SGSSL.

In addition, regarding safety in the workplace, risk detection was carried out and documented in accordance to D.Lgs. n.81/2008 (art. 17, subsection 1, lett. a) and art. 28), in the "Document on Risk Evaluation - DVR" where risk evaluation is based on identifying possible elements of danger for the workers' health and safety and on the consequent planning of measures and actions aimed at eliminating or reducing the risks detected, with the objective of steering company choices towards the constant improvement of working conditions, taking into consideration ongoing technical progress.

The document also includes prevention and protection measures to be adopted, and plans to improve working environments, to be considered during ordinary maintenance activities and in the renovation plans of the Bank's production units. In the context of the Bank's SGSSL, the following have been appointed:

- a Representative of the Executive for SGSSL, identified as the Employer (as per D.Lgs.81/08), supervising maintenance and improvement of the System itself;
- an SGSSL Supervisor, identified as Supervisor of the Prevention and Protection Service (as per D.Lgs.81/08) with the duty of planning and systematically implementing all the necessary actions to ensure the System's requirements are established, applied and maintained in compliance with OHSAS 18001 regulations.

The Group's Companies are reminded to apply the model defined by the Holding Company, identifying company responsibilities in accordance to the roles established by law, and bringing into operation the ensuing processes. The DVR of every company in Gruppo Montepaschi is regularly updated regarding the activities implemented.

In 2019 specifically, Banca MPS published an ADDENDUM to DVR 2018 reporting an update of the organizational chart and safety roles. This document highlights the decision by BMPS to start on a precise course to consolidate responsibilities, naming the Employer as a dedicated, identifiable and increasingly accessible terminal, and further

integrating essential activities within the operation processes featuring major impacts.

DVR DATA UPDATE OF GRUPPO MONTEPASCHI COMPANIES

- Banca Monte dei Paschi di Siena S.p.A. ADDENDUM dated 29/07/2019 to DVR 30/09/2018
- Consorzio Operativo Gruppo Montepaschi 30/09/2019
- Monte Paschi Fiduciaria S.p.A. 30/09/2019
- MPS Capital Services Banca per le Imprese S.p.A. 30/09/2019
- MPS Leasing & Factoring S.p.A 30/09/2019
- Widiba S.p.A. 30/09/2019

The Holding Company, COG and MPSCS have implemented a Health and Safety in the Workplace Management System compliant to OHSAS 18001 Standards, for accurate overseeing of compliance to legal provisions and the prevention of potential felonies, specifically referring to those listed by D.Lgs. 231/01. The above system is regulated in Banca MPS by internal document "Overseeing health and safety in the workplace" which with document "Group Directive on overseeing health and safety in the workplace" describing assigned responsibilities, methods of operation, related registrations, and rules for verification and auditing. During 2021 systems will be adapted to ISO 45001:2018 regulations.

Banca MPS has organized a "Group Health Service" for the Bank itself and companies of Gruppo Montepaschi in agreements with it regarding activities by the Prevention and Protection Service. The Group Health Service includes a Coordinator (CSSG) and 32 Competent Doctors, each with an assigned area of responsibility (inter-regional, regional or sub-regional), carrying out their activities according to the scientific-technical directions established by the CSSG.

The CSSG has the duty of defining guidelines to standardize processes, participates to risk evaluation, to the planning and implementation of information and training initiatives, offers

consultancy and support to the Employer and the Prevention and Protection Service for prevention purposes.

The CSSG, through Health Service doctors, plans and carries out medical check-ups on subjects under medical monitoring, (or who explicitly request a visit) and yearly inspections in all workplaces.

Health monitoring by Gruppo Montepaschi is aimed at the following categories of workers:

- videoterminal workers;
- forklift operators;
- cleaning staff;
- drivers.

Videoterminal workers are the main category of workers subject to health monitoring.

In carrying out their duties doctors follow a specific Health Protocol, regularly updated. The Group Health Service, as established by contract obligations, ensures data in medical files is managed in accordance with requisites listed by art. 53 of D.Lgs. 81/08, by S.M.I. (Sindacato Medici Italiani – Union of Italian Doctors) and privacy regulations.

GRI 403.3

WORK MEDICINE SERVICES

	2019	2018	2017
Regular visits	1,618	2,520	2,249
Visits on request	151	166	141
Medical inspections	1,332	1,451	1,549

GRI 403.8

WORKERS COVERED BY A HEALTH AND SAFETY IN THE WORKPLACE MANAGEMENT SYSTEM

INDICATORS – Analysis of the health and safety management system	2019		2018		2017	
	No. employees	%	No. employees	%	No. employees	%
Employees and casual employees whose job and/or workplace is supervised by the organization, covered by a health and safety in the workplace management system	21,375	98%	22,245	98%	22,526	98%
Employees and casual employees whose job and/or workplace is supervised by the organization, covered by a health and safety in the workplace management system subject to internal auditing	21,375	98%	22,245	98%	22,526	98%
Employees and casual employees whose job and/or workplace is supervised by the organization, covered by a health and safety in the workplace management system that has undergone auditing or been certified by independent third parties	21,375	98%	22,245	98%	22,526	98%

WORK-RELATED INJURIES

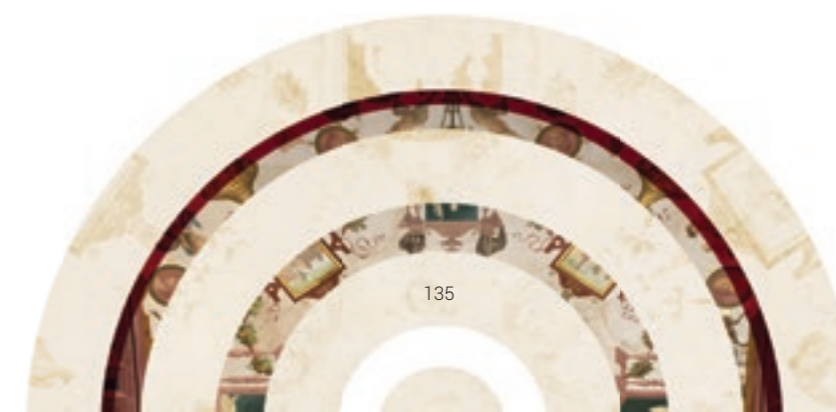
GRI 403.9

INDICATORS – Work-related injuries	2019		2018		2017	
	no. of injuries	Frequency rate	no. of injuries	Frequency rate	no. of injuries	Frequency rate
Deaths resulting from work-related injuries	0	0	0	0	0	0
Work-related injuries with serious consequences (excluding deaths)	0	0	0	0	0	0
Work-related injuries occurred	104	3.281784117	109	3.321284811	129	3.703772745
Injuries sustained during commutes	167	5.269787957	210	6.398805598	194	5.570014826

Analysis of the incident index over the past three years shows a downward trend. Regarding the causes of injuries sustained in the workplace during the last year we can state they are mainly due to impacts with furniture and falls.

Rate of injuries sustained during commutes = (number of injuries sustained during commutes /number of hours worked) x 1,000,000 (where the total number of working hours is equal to **31,690,079.63**).

Rate of injuries in the workplace = (number of injuries at work /number of hours worked) x 1,000,000 (where the total number of working hours is equal to **31,690,079.63**).



7.1.4 Dialogue with Social Partners - Joint Committees

GRI 102.37
GRI 102.41

In 2nd level contract negotiations, Joint Committees where the Bank and Trade Unions discuss specific issues to find solutions to promote initiatives for overall growth and valorization, are very important. Committees include a company team and a trade union team and are divided by sectors and topics.

NEW BANK MODEL COMMITTEE

Introduced in 2017 it allows discussion of issues pertaining to the new role of the banking system in the development of the economy, to adapt the model to the new economic and social context. Projects making up the Reorganization Plan are also discussed to analyze their impacts on the evolution of the distribution structure, models of service, commercial policies and operations, and to identify specific negotiation solutions.

COMMERCIAL POLICY COMMITTEE

In this Committee parties discuss all the issues pertaining to commercial policy to promote the development of sustainable policies, in consideration of the dignity of workers and customer requirements. Also discussed are the launch of new tools for commercial monitoring and all the actions for the correct transmission of commercial aims to avoid irregular conduct and undue pressure. The Company Agreement on Commercial Policy dated 26 February 2018 has renewed its activity.

WELFARE COMMITTEE

Established on 16 September 2015, the "Welfare Committee" promotes ongoing dialogue on Welfare MPS' issues and system, as dictated by current legislation as well as national and company contracts. It also examines social, pension-related and welfare issues of collective interest, allowing topics with an impact on the individual wellbeing of employees and their families to be shared.

COMPANY WATCHDOG

In accordance with the principles listed in the "Protocol on the sustainable and compatible development of the banking system, 16 June 2004"

it monitors the interaction between the staff of different production units with the communication models that involve personnel at all levels. It also monitors relations to preserve individual personalities and maintain a high standard of quality of life in the company. It is up to the Company Watchdog to specifically monitor situations potentially detrimental to workers' dignity.

EQUAL OPPORTUNITIES JOINT COMMITTEE

Envisaged by the sector's CCNL (artt. 14 e 15), the Committee carries out regular analyses of significant data as per D. Lgs. 198/06 "Code of equal opportunities for men and women". It joins the Company Watchdog in monitoring personnel interactions. It identifies and reports elements limiting the access and engagement of female staff members. The Committee was strengthened on 31 December 2018 with an agreement to share practical actions aimed at valorizing people in consideration of diversity, deemed by the parties as a value for the bank and an element of cultural and social growth.

JOINT TRAINING BODY

Envisaged by the sector's CCNL (art. 16), it is where training policies are presented and discussed with trade unions. Here too the value of training is confirmed as an essential tool to give value to resources and their professional growth.

COMMITTEE FOR ANTI ROBBERY SECURITY MEASURES

The Committee examines existing security measures in the facilities, new security systems which might establish themselves in the sector, and any peculiarities of criminal operations and their circumstances.

ENVIRONMENTAL SUSTAINABILITY WORKGROUP

The Workgroup examines the state of implementation of environmental policy commitments taken on by the Bank and/or deriving from specific legal dispositions (such as for instance, on the issue of urban mobility with DM 27.3.98 art 69 of the current CCNL), defining a specific Protocol on the environmental sustainability of company initiatives.

Collective bargaining agreements	2019	2018	2017
Percentage of employees covered by collective bargaining agreements.	100%	100%	100%

In addition to provisions from applicable legislation, everything related to projects and activities on 2nd level negotiations, including Welfare, is dealt with

through dialogue with Union representatives, and is examined and planned by Joint Committees.



7.2 Human resource development

GRI 103.1
GRI 103.2
GRI 103.3
GRI 403.5
GRI 404.1
GRI 404.2
GRI 404.3

The Banking system's growing complexity, tight European credit regulations, the exacerbation of competitiveness, new technologies, and the need to achieve challenging sustainability objectives, require more effective and efficient human resource management policies. Specifically, training becomes a strategic tool for organizational evolution and the development of the roles necessary to face new challenges.

Training activities must ensure adequate levels of knowledge and skill for professional duties and compliance to regulations applicable to banking and the Bank's service models.

The professional training courses organized must guarantee equal opportunities of growth for all employees and meet transparency criteria. Employees are responsible for keeping their professional skills updated according to the programs, criteria, schedules and methods employed by the Bank.

Since 2012 MPS Academy, the company's permanent training school, has shadowed the evolution of organization models and supported people in their professional development. Its training solutions are based on painstaking analysis of individual needs and meet the need to cover roles as envisaged by Succession Plans. They also aim at consolidating professional skills and soft skills in accordance with the skill gaps detected with the yearly Performance Management process.

Training activities are planned and supervised within MPS Academy with a risk-based approach with which priority training areas are proactively identified in reference to the evolution of the Bank's internal and external context.

In order to promote a culture of risk, a process has been defined which, starting from the planning stage, associates to each training activity one or more company processes and risks. The new training model is multi dimensional, that is, it develops training activities along these three lines: 1) processes, different training activities are

- connected to the Bank's processes (taxonomy of Group processes) to evaluate their coverage or direct their planning to fill any gaps;
- 2) risks, different training activities are connected to identified company risks (Group risk Map) to evaluate mitigation of risks inherent to operations and meet requests by senior levels, the Regulator or by Surveillance;
 - 3) training areas, the «owner» of training combines training initiatives through compliance criteria that take into consideration a series of different components (business, risk, compliance, etc.).

This model also ensures tailored planning of high-risk areas (such as Credit, Anti-money laundering and financial crimes, Customer Protection, Data Governance and Cyber Security) based on what emerges through Risk Assessment and Skills Gap Analysis: activities defining risk exposure (risk rating) of each company role and the need for training. Thus, training is steered towards the areas most at risk and on the most exposed company profiles.

This model was implemented during 2019 in the credit and anti-money laundering area, and a phase of skill gap analysis for Customer Protection has been launched (December 2019).

Recourse to financing by Joint Category Funds (FONDIR for Executives and Fondo Banche e Assicurazioni for Professional Areas and Management Frameworks), allows the cost of training and the employment of specialized professionals to be supported raising course quality, and fuelling ongoing innovation.

Every year the training catalogue, currently numbering approx. 500 titles, is enhanced by new training courses. The content of existing courses is updated in accordance with new requirements due to legislative updates, organizational evolution or specific business requirements.

MPS Academy favours an integrated multi-channel approach: classes, e-learning, webinars, shadowing or mixed solutions (35% in class and 65% from

work). Overall programming thus becomes sustainable (95% of classes held locally) and gives value to internal skills (70% of tutors are internal and 30% external).

In 2019 the main projects were implemented with the objective of:

- raising the staff's skills and professional level as also required by national and European regulations (e.g. Mifid 2, IDD, Bankit Directive on Real Estate Credit);
- spreading risk culture;
- ensuring effective coverage of company roles;
- promoting self-development and constant updating.

The following are the main projects carried out:

- training and development course envisaged by Consob Intermediary Regulation applying the Mifid 2 Directive, which involved over 12,000 people (30 hrs of training each, 15 of which in class);
- training on Bancassurance issues to complete the IVASS update course, aimed at approx. 11,000 people providing consultancy and sales of insurance products;
- multimedia training on Real Estate Credit for consumers aimed at approx. 12,000 people (10h of training);
- multimedia training on Risk Culture and Governance for the entire staff (90% of those enrolled completed the course);
- professional training courses (with final certificate) for Auditors, CRO Office specialists;
- overhaul of the training plan in money laundering and credit, with risk assessment to identify the main risks different roles are exposed to, and skill gap analysis to evaluate training gaps (12,000 people on money laundering and 5,000 for credit), which resulted in training in class and online (online training for 6,000 people on money laundering and 5,000 on credit, in class training for 1,300 people on credit);
- increase of training on the main legislative updates, GDPR (General Data Protection Regulation, the entire staff was involved with

multimedia training completed by 98% of the target), Company Administrative Responsibility and Transparency;

- course dedicated to branch managers with 5 days of training and final EQF (European Qualification Framework) certificate.

Gruppo MPS continuously provides training and verifies course offer implementation ensuring the running time targets set for each are met. In addition, before and after courses, it distributes, gathers and analyzes Customer Satisfaction tests and questionnaires to quantify the effectiveness of the activities and the level of satisfaction.

Regarding professional development the Bank aims at knowing its employees to promote the constant improvement of technical skills and professional abilities. It is inspired by equal opportunity principles and facilitates attendance of training and development activities. Courses are both for individuals and for population clusters, and thanks to a process identifying people's strong points and areas to be improved, they take form in individual development plans containing diversified initiatives (training, development, managerial) – with the purpose of giving people value and consolidating the development of their skills.

Development initiatives follow diversification rules based on role clusters: Top Management, Management, Middle Management, Core.

Development tools concern:

- training and ongoing updating and strengthening of technical skills and professional abilities, in line with the evolution of operation models;
- professional experiences passing through intermediate roles before the target one, or in the same role but in different market settings;
- involvement through incentive policies, welfare and internal communication;
- Talent & Performance Management as an orientation tool for the person's activities and

conduct. The performance evaluation process is aimed at getting to know our people better, and steer their behaviour and commitment to support professional development, ensuring roles are effectively covered. The collaborator's annual performance is subject to evaluation, that is, the entirety of activities carried out, results achieved and skills manifested. Its central moments are the phases of supervisor-collaborator dialogue, of support and motivation to the improvement and constant growth of collaborators, also in a framework of awareness and self-development.

Based on Talent & Performance Management results, the Bank has established the Mps Sviluppa program, promoting the growth of skills by segmenting the population in different clusters according to characteristics and potential. Segmentation is aimed at defining common engagement processes, time frames and methods to increase resource productivity and motivation.

WORKERS' TRAINING ON HEALTH AND SAFETY IN THE WORKPLACE ISSUES

MPS Academy's catalogue includes training courses as required by D. Lgs. 81/08. Specifically basic training for new employees are guaranteed, as well as refresher courses for the entire company staff every five years.

Emergency workers attend training courses on first aid and fire prevention, updated every three years.

In 2019 two new training activities started:

- 1) with the introduction of defibrillators in the company, over 500 resources working on premises where these instruments are located have been trained in their use;
- 2) for buildings with gas fire extinguishing systems, specific courses have been organized to spread knowledge useful for correctly managing emergencies.

AVERAGE TRAINING HOURS PER EMPLOYEE

GRI 404.1

TOTAL OF TRAINED EMPLOYEES	2019	2018	2017
MEN	10,483	10,965	11,294
WOMEN	10,898	11,044	11,118
PROFESSIONAL AREAS			
MEN	5,027	5,220	5,427
WOMEN	7,709	7,817	7,999
MIDDLE MANAGER			
MEN	5,228	5,509	5,626
WOMEN	3,151	3,201	3,098
EXECUTIVES			
MEN	228	236	241
WOMEN	38	26	21
AVERAGE HOURS OF TRAINING PER CAPITA			
MEN	47.5	45.4	41.5
WOMEN	50.3	47.2	43.9
PROFESSIONAL AREAS			
MEN	43.34	38	35
WOMEN	48.91	44	39
MIDDLE MANAGER			
MEN	52.22	54	48
WOMEN	53.82	56	50
EXECUTIVES			
MEN	32.88	38	36
WOMEN	38.17	45	41

The number of employees trained confirms the trend of the previous years, and the slight decline of the total of trained employees is ascribable to a reduction of the overall number of employees. The number of average hours per capita per employee has increased with training adjusted according to actual training requirements.



7.3 Diversity & Inclusion

GRI 404.3

PERCENTAGE OF EMPLOYEES REGULARLY UNDERGOING EVALUATION OF THEIR PERFORMANCE AND PROFESSIONAL DEVELOPMENT

% EMPLOYEES	2019	2018	2017
MEN	95.1%	99.7%	99.7%
WOMEN	97.2%	99.6%	99.6%
PROFESSIONAL AREAS	96.5%	99.6%	99.5%
MEN	95.4%	99.6%	99.5%
WOMEN	97.2%	99.6%	99.5%
MIDDLE MANAGER	95.6%	99.9%	99.8%
MEN	94.7%	99.9%	99.9%
WOMEN	97.2%	99.8%	99.8%
EXECUTIVES	98.6%	98.9%	99.3%
MEN	98.4%	98.8%	99.2%
WOMEN	100.0%	100.0%	100.0%



Gruppo MPS has created a three-year program dedicated to Diversity & Inclusion (D&I). There are two main objectives: to promote a climate legitimizing the expression of differences, with actions to support people and give them value; to spread awareness of diversity issues and diversity culture. This also in accordance with the Ethical Code which states: "[...] every hiring, career path, remuneration acknowledgment is carried out according to merit and equal opportunities policies. [...] People are guaranteed the same opportunities regardless of age, sexual orientation, religious beliefs, gender, ethnic group and disabilities, promoting a working environment free of any discrimination". Diversity, seen as plurality, is an essential value and a strategic priority, allowing us to give value and attract all kinds of talents, promoting the organization's well-being and productivity.

MPS was among the first banks to establish an Equal Opportunities Committee. It is a Joint Committee between the Company and an OO.SS. invested with sharing the company's rate of female employment, and establish initiatives to value women with appropriate policies. The Committee's activity has been reinforced within 2nd level negotiations with an agreement dated 31 December 2018, to find concrete solutions to value people in a framework of diversity, all elements of cultural and social growth for the Bank.

March 8th 2019 has symbolically seen the launch of the D&I plan for 2019 – 2021. An educational meeting involving almost 800 colleagues in 8 of the Bank's different buildings, and featuring the President, the CEO and managers of companies that stand out for their inclusion policies.

In the last quarter of 2019, educational project Management Plurale was launched with the objective of making the value of diversity understood starting from biases and unconscious stereotyping, of analyzing in depth the positive potential of managing diversity on an individual level and on a company level, thus creating a culture of inclusion; it is a structured program aimed at all resource

managers and adjusted in line with the complexity and level of responsibility of the role covered. After a first meeting dedicated to the CEO's first reports, training has been extended to the first managerial levels to involve all people managers in 2020.

In the Differently Abled context, among relevant initiatives in 2019 the company participated to the "International Day of people with Disability" and introduced the LIS language in the quarterly conference calls by the CEO.

Activities in 2019 were completed by the implementation and planning of a training course on harassment in the workplace aimed at the Bank's entire staff, to promote widespread awareness of the issue. The course, to be held online and released in 2020, was created in collaboration with Valore D, strategic partner also to define the Inclusion Impact Index, a benchmarking tool to evaluate market positioning in relation to gender-based issues. In 2020 the focus on gender will continue with educational program Women Leadership Program, to increase awareness of female leadership and study its logics and tools in depth.

The focus on D&I has been confirmed and reinforced with constant monitoring of existing KPIs (from the LeaderShe program, the percentage of women in roles of responsibility) and the investigation of new parameters aimed at measuring the sustainability of current policies (for instance the percentage of women covering the roles that will be free in a year).

GRI 103.1

GRI 103.2

GRI 103.3

GRI 405.1

GRI 405.2

GRI 405.1

DIVERSITY AMONG EMPLOYEES

FEMALE PERSONNEL (#)	11,075	11,347	11,432
AGE GROUPS (#)			
Up to 30	124	113	154
From 30 to 50	6,735	7,117	7,509
Over 50	4,216	4,117	3,769
FEMALE PERSONNEL (%)			
AGE GROUPS (%)			
Up to 30	1.1%	1.0%	1.3%
From 30 to 50	60.8%	62.7%	65.7%
Over 50	38.1%	36.3%	33.0%
MALE PERSONNEL (#)			
AGE GROUPS (#)			
Up to 30	120	118	162
From 30 to 50	4,872	5,279	5,702
Over 50	5,747	5,955	5,690
MALE PERSONNEL (%)			
AGE GROUPS (%)			
Up to 30	1.1%	1.0%	1.4%
From 30 to 50	45.4%	46.5%	49.4%
Over 50	53.5%	52.5%	49.2%

DIVIDED BY CATEGORY - FEMALE PERSONNEL (#)	11,075	11,347	11,432
QUALIFICATION CATEGORY (#)			
Executives	39	29	23
Middle Management	3,177	3,243	3,233
Professional Areas	7,859	8,075	8,176
FEMALE PERSONNEL (%)			
QUALIFICATION CATEGORY (%)			
Executives	0.4%	0.3%	0.2%
Middle Management	28.7%	28.6%	28.3%
Professional Areas	71.0%	71.2%	71.5%
MALE PERSONNEL (#)			
QUALIFICATION CATEGORY (#)			
Executives	234	248	252
Middle Management	5,287	5,594	5,677
Professional Areas	5,218	5,510	5,625
MALE PERSONNEL (%)			
QUALIFICATION CATEGORY (%)			
Executives	2.2%	2.2%	2.2%
Middle Management	49.2%	49.3%	49.1%
Professional Areas	48.6%	48.5%	48.7%
WOMEN IN ROLES OF RESPONSIBILITY (%)			
FEMALE EXECUTIVES (%)	14.29%	10.47%	8.36%

RATIO BETWEEN BASIC WAGE AND REMUNERATION FOR WOMEN AND FOR MEN	2019	2018	2017
Remuneration ratio female executives vs male (%) - fixed component	86.0%	99.8%	98.3%
Remuneration ratio female middle managers vs male (%) - fixed component	90.0%	89.8%	89.6%
Remuneration ratio Professional Areas women vs men (%) - fixed component	95.7%	95.2%	95.2%

Although the number of women in the executive category has increased, the index's periodic trend is influenced by coverage of managerial role dynamics active over the year.

GRI 405.2



8 Commitment to the environment



8.1 Direct environmental impacts

For some time the Group has set itself the objective of efficiently managing, in a growingly organized fashion, its impacts on the environment, including those connected to everyday operations (monitoring paper, water and energy consumption, waste production and management, etc.), and those connected to activities by clients and suppliers (evaluating environmental risks related to loans and investments, and excluding polluting activities or products in its relationship with suppliers, etc.).

Since 2003 Banca MPS has adopted an Environment Management System compliant with UNI EN ISO 14001 regulations, and specifically certified, to reinforce compliance to legal obligations (supervision of environmental risks, non-compliance risks), and to ensure supervision of the environmental management model (supervision of administrative responsibility risks, financial risks), and support voluntary commitments undertaken by the Company.

Environmental Policy is the essential document stating the Group's environmental mission; it contains the criteria guiding Gruppo Montepaschi, in accordance with its Ethical Code, in its commitment to optimize the management of activities that may have relevant impacts on the environment.

The first responsibility taken on by the Group was to constantly operate in accordance to all applicable regulations pertaining to environmental protection, including the internal codes of conduct the companies of the group have adhered to.

Objectives of gradual improvement of environmental performance are also being pursued by implementing appropriate management and auditing systems both in the context of internal operations and in market relations.

The company system, aimed at ensuring compliance to environmental obligations and pursuing the mission stated in the Group's Environmental Policy, in addition to preventing environmental crimes as per D. Lgs. 121/2011 and L. 68/2015, was implemented as stated above in compliance to the model of international standard ISO 14001.

By adopting the SGA (Environmental Management System), Banca Monte dei Paschi aims at:

- defining principles, strategies, lines of action, roles, responsibilities and duties to manage activities according to the criteria defined by International Regulation ISO 14001;

- defining constant improvement objectives and goals for the environment and adequate plans to achieve them;
- developing and applying environmental impact management and auditing procedures for its activities;
- monitoring compliance to environmental regulations.
- The following are appointed within Banca MPS' SGA:
 - a Representative of the Executive for the SGA, appointed as Supervisor of the Chief Safety Officer (CSO) department, overseeing the maintenance and improvement of the system itself;
 - an SGA Supervisor, appointed as Prevention and Protection Service Supervisor (as per D.Lgs.81/08) with the duty of planning and systematically implementing all the necessary actions to ensure the System's requisites are established, applied and maintained, in compliance to ISO 14001 regulations.

The Group's Companies are also expected to apply the model defined by the Holding Company, identifying company responsibilities in accordance to the roles defined by law, and implementing the resulting processes.

Within the Group, MPS Capital Services has also, since 2002, implemented and certified an environmental management system compliant to ISO 14001 regulations.

GRI 103.1

GRI 103.2

GRI 103.3

GRI 305.1

GRI 305.2

GRI 305.3

GRI 305.4

Within its internal operation context the Group commits to:

- purchasing services and products necessary for its activity while taking into consideration environmental impacts;
- using energy produced with renewable sources;
- reducing the production of waste, polluting emissions and greenhouse gases to a minimum;
- increasing levels of sustainability.

By overseeing the environmental and health and safety management systems, the Prevention and Protection Service ensures the management model for the Group's ISO 14001 and OHSAS 18001 certified companies is adequate, effective

and constantly improved.

Specifically, effectiveness is evaluated thanks to external auditing procedures and results are analyzed by implementing specific performance indicators.

For the Group's companies with ISO 14001 certification, the risk map is regularly updated, as well as opportunities related to environmental aspects and impacts. Based on this, possible improvement activities and evaluations of the impacts themselves are then planned.

GRI 305.1

GHG DIRECT EMISSIONS (SCOPE 1)

	2019	2018	2017
a. GHG direct emissions (Scope 1) in tCO ₂ e	12,828.82	14,419.61	14,464.34
c. CO ₂ biogenic emissions in equivalent tonnes of CO ₂ ;	-	-	-

The calculation method follows indications supplied by Guidelines on applying GRI (Global Reporting Initiative) Standards to banks in environmental contexts by ABI Lab (27/01/2020 edition). Disclosure 305.1 considers direct emissions (scope 1) in tCO₂e and of the following greenhouse gases: CO₂; CH₄ and N₂O. Direct emissions are calculated based on direct consumption deriving from the use of: natural gas, diesel and company cars (instrumental use and for 70% mixed use). Scope 1 emissions for 2017 and 2018 were calculated again according to new coefficients updated to 2019, so the data differ from previous publications.

GRI 305.2

INDIRECT GHG EMISSIONS DUE TO ENERGY CONSUMPTION (SCOPE 2)

	2019	2018	2017
a. Indirect GHG emissions due to gross location-based energy consumption (Scope 2) in equivalent tons of CO ₂ ;	39,594.32	42,149.03	46,165.70
b. If applicable, indirect GHG emissions due to gross market-based energy consumption in equivalent tons of CO ₂ ;	0.00	0.00	0.00

The calculation method follows indications supplied by Guidelines on applying GRI (Global Reporting Initiative) Standards to banks in environmental contexts by ABI Lab (27/01/2020 edition). Disclosure 305.2 entails reporting Scope2 emissions with two methods:
 - The Location-Based Method considers the contribution of average emission factors of the distribution network used by the organizations for its electricity consumption. In calculating the indicator we consider the total quantity of purchased electricity, be it from renewable or non-renewable sources.
 - The Market-based method considers the contribution of specific emission factors bound to contractual forms of purchase adopted by the organization for its electricity consumption. In this case the quantity of electricity covered by the origin guarantee will have an emission factor equal to 0.

OTHER INDIRECT GHG EMISSIONS (SCOPE 3)

GRI 305.3

	2019	2018	2017
a. other indirect gross GHG emissions (Scope 3) in equivalent tons of CO ₂ ;	6,722.07	7,373.61	-

Disclosure 305.3 considers indirect emissions (scope 3) in tCO₂ and of the following greenhouse gases: CO₂; CH₄ e N₂O. Scope-3 direct emissions are calculated based on indirect consumption deriving from the use of: natural gas, diesel and company cars (instrumental use and for 70% mixed use), short term rental cars (NBT), trains, airplanes, A3 and A4 paper (100% recycled).

GHG EMISSION INTENSITY

GRI 305.4

INDICATORS – EMISSIONS	2019	2018	2017
a. intensity rate of GHG emissions [tCO ₂ e/m ²]	0.00683	0.00771	0.00747
a. intensity rate of GHG emissions [tCO ₂ e/person]	0.58810	0.63525	0.62927
b. specific parameter selected to calculate the rate:			
-m ² of net internal surface	1,879,123.91	1,870,261.18	1,935,947.93
-n. of employees (disclosure 102.8)	21,814	22,699	22,986

The intensity rate of GHG emissions includes scope 1 direct emissions (disclosure 305.1) disclosure 305.4 considers direct (scope 1) emissions in tCO₂ and of the following greenhouse gases: CO₂; CH₄ e N₂O.

Regarding the minimization of environmental impacts we have chosen to acquire a new management platform integrating utilities, and

regarding safety, logical and physical safety objectives for 2019-2021 have been drafted.



8.1.1 Energy management

GRI 102.12
GRI 302.1
GRI 303.5

USE OF ENERGY

Within activities with relevant impacts on the environment, Gruppo Montepaschi is committed to the pursuit of constant improvement of its energy efficiency. Dynamics where constant improvement of energy performance, while still guaranteeing environmental comfort in the workplace for all of the Bank's personnel and clients, relate to:

- the energy market Supply Chain, where thanks to advanced models of portfolio management electricity supplies are entirely provided by hydroelectric renewable sources. Thanks to this "green" approach, CO2eq emissions in 2019 for electricity consumption were equal to 0 equivalent tons according to the market-based method;
- advanced design of electrical and thermal systems, carried out selecting equipment featuring the best levels of performance, efficiency and yield available on the market;
- constant monitoring of energy consumption and environmental parameters, carried out by the Energy Management function, already active in the 800 biggest branches and being extended to all of the Group's 1400 branches; an upgrade of the initial monitoring project entails the correlation of environmental parameters with the operation set-point of air-conditioning systems;
- analysis of energy consumption occurs through an advanced analytics model measuring the effectiveness of the initiatives aimed at reducing energy consumption in consideration of seasonal climate changes, to evaluate if and how much, detected variations are due to climate trends or to implemented energy management actions.

In accordance with the general directions established on the issue by the Ethical Code, with legal obligations and with the principles promoted by the UN's Global Compact Program and the Principles for Responsible Banking by UNEP's (United Nation Environment Program) Financial Initiative, the Group has been committed for a number of years to implementing an environmental policy aimed at gradually improving the environmental performance of its operations.

More specifically, energy policy guidelines are followed, which also include:

- analysis and in-depth study on the activity's energy impacts, also during the design and purchase of systems;
- legal obligations and compliance to voluntary commitments;
- actions for the efficiency and limitation of energy use;
- energy supply from renewable sources;
- monitoring of consumption data;
- energy diagnosis on clustered buildings.

An efficient and socially responsible use of energy is especially significant to control the overall impact of the Group on the environment, and is a driver to contain operation costs, which was consistently achieved in the last 3-5 years by implementing portfolio management-based purchase strategies, and structural monitoring strategies of energy consumption and environmental parameters. These strategies have also achieved a reduction of related operation risks.

Energy policy is overseen by an Energy Manager skilled in Energy Management, qualified as per UNI-CEI 11339 regulations (internal to the Chief Operating Officer Department). The current organizational model ensures compliance with related legal obligations. The reference model for energy management taken as an example by the Bank follows processes defined by the best international standards.

Among the main activities of 2019:

- energy & facility management project – three-year plan for 2017-2019 which is expected to result in further savings on electricity worth approx 2.6 million euros a year;
- Airone project – actions aimed at the energy efficiency of technical systems in approx. 80 of the Bank's facilities, including branches and Territorial Areas;
- PER project – the extension of the program monitoring energy consumption and

environmental parameters has started, including those measuring the quality of air inside the buildings, to achieve total coverage of the facilities in the three years from 2019 to 2021; the implementation of the platform managing all of the Group's utilities – differently profiled – has been launched, with even more engagement by the entire staff to achieve set energy savings objectives.

Indicators for 2019 confirm an energy consumption containment trend from the reference baseline set in 2017.

Consumption reductions of the last two years of operation are in line with the objectives of the energy cost containment long-term plan.

USE OF ENERGY	2019	2018	2017
Consumption of electricity [MWh] (*)	124,717	132,764	145,416
Percentage of electricity from renewable sources [%] (*)	100%	100%	100%
Natural Gas consumption [m3] (**)	4,642,776	5,364,910	5,214,664
Diesel consumption for heating [litres] (***)	254,313	290,577	338,668
Consumption of electricity [GJ] (*)	448,981.20	477,950.40	523,497.60
Percentage of electricity from renewable sources [%] (*)	100%	100%	100%
Natural Gas consumption [GJ] (**)	159,201	183,963	178,811
Diesel consumption for heating [GJ] (***)	9,160	10,466	12,199

All values were changed from the NFS 2018, after a review of the reporting boundaries of the Group's companies (excluding Magazzini Generali Fiduciari di Mantova) and of the balance received from suppliers.

(*) Electricity purchased on the free market entirely produced from water; approx. 119 MWh are produced with solar panels and used on site.

(**) Natural gas data for 2018 was rectified because of the balance operations occurred after the NFS 2018 was published.

(***) This remarkable reduction of diesel consumption is mainly due to the rationalization plan of seats of operation and to the campaign to enhance/replace systems.

GRI 302.1



8.1.2 Waste management

Although the Group's water consumption undoubtedly has a less significant impact, the ever-growing interest by BMPS in environmental sustainability issues has brought the Group to the

acquisition of a new digital platform for integrated utility management, which, when fully implemented, will be able to provide data on consumption.

GRI 302.1

ENERGY CONSUMPTION IN THE ORGANIZATION

	2019	2018	2017
CAR FLEET			
Cars for mixed use (litres) - PETROL	1,047	366	-
Cars for mixed use (litres) - DIESEL	736,753	773,453	846,695
Cars for instrumental use (litres) - PETROL	2,061	1,337	-
Cars for instrumental use (litres) - DIESEL	574,837	572,097	602,546
Cars for mixed use (tons) - PETROL	0.54	0.19	-
Cars for mixed use (tons) - DIESEL	433.21	454.79	497.86
Cars for instrumental use (tons) - PETROL	1.53	0.99	-
Cars for instrumental use (tons) - DIESEL	482.86	480.56	506.14
Cars for mixed use (GJ) - PETROL	23.23	8.12	-
Cars for mixed use (GJ) - DIESEL	18,532.76	19,455.93	21,298.32
Cars for instrumental use (GJ) - PETROL	65.30	42.37	-
Cars for instrumental use (GJ) - DIESEL	20,656.90	20,558.42	21,652.61
GJ EQUIVALENCE ENERGY COEFFICIENT (ABI GUIDELINES 27-01-2020)			
KWh electricity	0.0036		
mc natural gas for heating	0.03429		
t diesel for heating	42.88		
t diesel for company car fleet	42.78		
t petrol for company car fleet	42.82		

The evolution of the energy market allows for new implementations of current real estate management systems, integrating specific energy management functions. In addition to proceeding with the gradual fine-tuning of activities already in course of implementation, the Group intends to evaluate new objectives for the next three years, such as, for instance:

- Compensation of CO2eq produced by the Group

(in different contexts from the purchase of electricity), through the purchase of VER (Verified Emission Reduction) credits in reference to the purchase of natural gas;

- Adoption of Green Corporate Power Purchase Agreements (PPA) for the purchase of energy produced by renewable sources through a bilateral contract with a sufficiently long time frame.

Within the framework of environmental impact containment, Gruppo MPS, through a dedicated function in the Holding Company, coordinates and governs waste management and cleaning services in working environments.

In carrying out its activity the Group contributes to the production of paper and cardboard waste and toners.

The process of managing and monitoring the Waste Disposal Service is regulated by an internal document.

The Group collects and differentiates produced waste for disposal, and in some cases recovers or recycles toners. This activity is carried out in all

the network's facilities and headquarters in Italy by specialized companies, authorized for waste transport, management and disposal, who in turn rely on specialized facilities and landfills, producing documents which are archived and stored by the facilities that produced the waste.

A framework agreement with suppliers has been drafted for waste recycling to be carried out in the entire country whereby suppliers commit to applying ISO 14001 certification standards and using Ecolabel products for cleaning services.

GRI 301.1

GRI 306.2

GRI 306.4

WASTE BY TYPE AND DISPOSAL

INDICATORS - TRANSPORT OF HAZARDOUS WASTE	2019		2018		2017	
	HAZARDOUS	NON HAZARDOUS	HAZARDOUS	NON HAZARDOUS	HAZARDOUS	NON HAZARDOUS
TOTAL WEIGHT OF WASTE (T)	17.6	1.6	23.6	0.157	24.7	0.107
Recycling	1.9	1.6	3.5	0.157	1.1	0.107

Data regarding Non Hazardous waste do not include Widiba because they are not currently reported. Waste excluded is that disposed of by companies contracted by the council with differentiated collection based on local environmental regulations.

GRI 306.2

TRANSPORT OF HAZARDOUS WASTE

INDICATORS - TRANSPORT OF HAZARDOUS WASTE	2019	2018	2017
Total weight of transported hazardous waste	17.6	23.6	24.7
Total weight of imported hazardous waste			
Total weight of exported hazardous waste			
Total weight of processed hazardous waste	17.6	23.6	24.7
Percentage of hazardous waste sent abroad (%)			

The data above is regularly collected by our service by summing the actual weight detected reported in the 4th copy of the form. At the end of the year they are processed / summed and updated in detailed Excel files. Waste traceability ends when the material arrives to landfills/paper mills and the 4th copy of the form is produced with the actual related weight of the waste to be disposed, so requisite "b" of GRI 306.4. is not applicable

GRI 306.4

EMPLOYED MATERIALS BY WEIGHT AND VOLUME

	2019 weight	2018 weight	2017 weight
Paper for internal use [kg]	1,101,401	1,225,292	1,223,734
Paper for external use [kg]	824,228	955,475	1,466,793

GRI 301.1

9 The Supply Chain



9.1 Responsible management of the supply chain

For the Group managing the supply chain in a sustainable way means purchasing products and services at competitive prices, requiring that in all related life cycles, environmental impacts are minimized and that suppliers comply with company social responsibility principles, especially regarding human rights, workers' rights and the prevention of all forms of corruption and conflict of interest.

The Group commits to developing proper and transparent relationships with its suppliers.

Suppliers supervised are entered in the Group Supplier Register. Only subjects who declare they have read Gruppo Montepaschi's Environmental Policy may be entered into the register.

Calls to comply to environmental regulations are included in contracts and agreements signed with each supplier, and for some contracts, UNI EN ISO14001 certified environmental management systems are required.

Suppliers are also required to read and accept the Group's Ethical Code in order to be entered in the Supplier Register, and the awarded contracts and agreements. Gruppo Montepaschi's sustainability policy in the supply chain was established over ten years ago, and approved by the Board in 2009. It draws inspiration from the Ethical Code's principles and is aimed at engaging suppliers in achieving long-lasting performance in a framework of mutual growth, generating added value to the Bank and the supplier.

Overall, the supply chain is monitored by the Purchase and Supplier Management Group Service both at the selection and contract agreement stages. During contract negotiations between the parties, Suppliers must explicitly accept a commitment to supplying, when invoicing a valid DURC (Document certifying regular tax contributions), an extract of the Libro Unico del Lavoro (Unified Employment Ledger) or a legally certified statement to that end, to certify national collective agreements and contracts are applied, and a legally certified statement where Suppliers declare they are paying the workers employed by them to carry out activities for the Bank.

In addition to these contractual obligations, for specific categories of goods with significant impacts on worker health and safety (e.g. general contractor, facility, cleaning, disinfestations), the Bank is strongly committed to acquiring in-depth knowledge of Supplier's economic-financial conditions (including the status of payments to sub-contractors of the chain), and the level of worker protection, preparing in order to qualify for the Register, a series of targeted questions to ensure ownership of authorization and permits, the adoption of necessary prevention and safety measures, actual investments in specialized training and an adequate risk evaluation. During 2019 no significant changes were made to the organization's supply chain.

GRI 102.9

GRI 102.10

GRI 103.1

GRI 103.2

GRI 103.3

GRI 205.2

GRI 205.3

GRI 308.1

GRI 308.2

GRI 414.1

GRI 414.2

GRI 205.2

COMMUNICATION AND TRAINING ON ANTICORRUPTION POLICIES AND PROCEDURES

INDICATORS COMMUNICATION ANTICORRUPTION POLICIES AND PROCEDURES	2019		2018		2017	
COMMERCIAL PARTNERS (*)	1365	100%	1055	100%	1100	100%
Italian companies	892		n.a.		n.a.	
Professionals	423		n.a.		n.a.	
Companies abroad	50		n.a.		n.a.	

(*) The data exclusively refers to suppliers listed in the Supplier Register (overall value, not incremental year on year). During registration all suppliers are required to sign for acknowledgement and acceptance of Model 231.

GRI 308.1

NEW SUPPLIERS EVALUATED USING ENVIRONMENTAL CRITERIA

INDICATORS	2019	2018	2017
New suppliers that were evaluated using environmental criteria % (*)	100%	100%	100%

(*) The data exclusively refers to Italian Companies listed in the Supplier Register (Foreign companies and professionals were excluded).

GRI 308.2

NEGATIVE ENVIRONMENTAL IMPACTS ON THE SUPPLY CHAIN AND IMPLEMENTED ACTIONS

INDICATORS	2019	2018	2017
Number of suppliers evaluated regarding environmental impacts (*)	892	n.a.	n.a.
Number of suppliers with significant current environmental impacts and potentially negative environmental impacts (#)	n.a.	n.a.	n.a.
significant current environmental impacts and potentially negative environmental impacts identified in the supply chain (#)	n.a.	n.a.	n.a.
Percentage of suppliers with significant current environmental impacts and potentially negative environmental impacts with whom improvements have been agreed as a consequence of evaluation (#)	n.a.	n.a.	n.a.
Percentage of suppliers with significant current environmental impacts and potentially negative environmental impacts with whom relations were terminated as a consequence of evaluation and related motivation (#)	n.a.	n.a.	n.a.

(*)The data exclusively refers to Italian Companies listed in the Supplier Register (Foreign companies and professionals were excluded).
 (#) Data unavailable.
 There are no regulated verification processes. But in case of non-compliance by the supplier, standard contracts include the possibility of dissolving the agreement.
 In any case, monitoring/supervision of supplier conduct is carried out (when possible) by the buying centre ordering the supply.

NEW SUPPLIERS EVALUATED USING SOCIAL CRITERIA

GRI 414.1

INDICATORS	2019	2018	2017
New suppliers evaluated using social criteria % (*)	100%	100%	100%

(*) The data exclusively refers to Italian Companies listed in the Supplier Register (who have acknowledged and accepted principles related to Social Responsibility - SA8000).

NEGATIVE SOCIAL IMPACTS ON THE SUPPLY CHAIN AND IMPLEMENTED ACTIONS

GRI 414.2

INDICATORS	2019	2018	2017
Number of suppliers evaluated regarding social impacts (*)	892	n.a.	n.a.
Number of suppliers with significant, potential and current negative social impacts (#)	n.a.	n.a.	n.a.
significant, potential and current negative social impacts identified in the supply chain (#)	n.a.	n.a.	n.a.
Percentage of suppliers with significant, potential and current negative social impacts, with whom improvements have been agreed as a consequence of evaluation (#)	n.a.	n.a.	n.a.
Percentage of suppliers with significant, potential and current negative social impacts, with whom relations were terminated as a consequence of evaluation and related motivation (#)	n.a.	n.a.	n.a.

(*) The data exclusively refers to Italian Companies listed in the Supplier Register (who have acknowledged and accepted principles related to Social Responsibility - SA8000).
 (#) Data unavailable.
 There are no regulated verification processes. But in case of non-compliance by the supplier standard contracts include the possibility of dissolving the agreement. In any case monitoring /supervision of supplier conduct is carried out (when possible) by the buying centre ordering the supply. No verified instances of corruption have occurred resulting in contracts with commercial partners being cancelled or not renewed.

SUPPLIER CERTIFICATION	2019	2018	2017
SA8000 (*)	9%	8%	7%
UNI EN ISO 14001 (*)	27%	24%	18%
OHSAS 18001 (*)	22%	18%	14%
UNI EN ISO 9001 – Certified suppliers (*)	70%	65%	53%
UNI EN ISO 9001 – Non certified Suppliers claiming compliance to ISO 9001(*) regulations/principles (*)	8%	8%	5%

(*) The data exclusively refers to Italian Companies listed in the Supplier Register.

TABLE OF CORRELATION BETWEEN MATERIAL ISSUES, GRI STANDARDS AND SDGs

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
101.1 – Fundamentals			
102.01 – Name of Organization		Presentation of the Group	
102.02 – Activities, brands, products and services		Presentation of the Group	
102.03 – Location of headquarters		Presentation of the Group	
102.04 – Location of operations		Presentation of the Group	
102.05 – Ownership and legal form		Presentation of the Group	
102.06 – Markets served		Presentation of the Group	
102.07 – Scale of Organization		Presentation of the Group	
102.08 – Information on employees and other workers	Protection of human resources	Human Capital	
102.09 – Supply chain	Responsible management of the supply chain	Supply Chain	
102.10 – Significant changes to the organization and its supply chain	Responsible management of the supply chain	Supply Chain	
102.11 – Precautionary principle or approach		Risk Management	
102.12 – External initiatives		Presentation of the Group	
102.13 – Membership of association		Presentation of the Group	
102.14 – Statement from senior decision-maker		<i>Letter to the stakeholders</i>	
102.16 – Value, principles, standard and norms of behavior		Anticorruption strategy	
102.18 – Governance structure		Presentation of the Group	
102.19 – Delegating authority		Presentation of the Group	
102.21 – Consulting stakeholders on economic, environmental, and social topics		Methodological note	
102.22 – Composition of the highest governance body and its committees		Presentation of the Group	
102.23 – Chair of the highest governance body		Presentation of the Group	
102.24 – Nominating and selecting the highest governance body		Presentation of the Group	
102.25 – Conflicts of interest	Integrity in company conduct and Anticorruption strategy	Anticorruption strategy	
102.26 – Role of highest governance body in setting purpose, values, and strategy		Presentation of the Group	
102.27 – Collective knowledge of highest governance body		Presentation of the Group	
102.28 – Evaluating the highest governance body's performance		Presentation of the Group	
102.29 – Identifying and managing economic, environmental, and social impacts		Presentation of the Group	
102.30 – Effectiveness of risk management processes		Presentation of the Group	

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
102.31 – Review of economic, environmental, and social topics		Presentation of the Group	
102.32 – Highest governance body's role in sustainability reporting		Presentation of the Group	
102.35 – Remuneration Policies	Protection of human resources	The human capital	
102.36 – Process for determining remuneration	Protection of human resources	The human capital	
102.37 – Stakeholders' involvement in remuneration	Protection of human resources	The human capital	
102.40 – List of stakeholder groups		Methodological note	
102.41 – Collective bargaining agreements	Protection of human resources	The human capital	
102.42 – Identifying and selecting stakeholders		Methodological note	
102.43 – Approach to stakeholder engagement		Methodological note	
102.44 – Key topics and concerns raised		Methodological note	
102.45 – Entities included in the consolidated financial statements		Methodological note	
102.46 – Defining report content and topic Boundaries		Methodological note	
102.47 – List of material topics		Methodological note	
102.48 – Restatements of information		Methodological note	
102.49 – Changes in reporting		Methodological note	
102.50 – Reporting period		Methodological note	
102.51 – Date of the most recent report		Methodological note	
102.52 – Reporting cycle		Methodological note	
102.53 – Contact point for questions regarding the report		Methodological note	
102.54 – Claims of reporting in accordance with the GRI Standards		Methodological note	
102.55 – GRI content index		Table of correlation between material issues, GRI standards and SDGs	
102.56 – External assurance		Methodological note	

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
103.1 – Explanation of the material topic and its Boundary	Protection of human resources	The human capital	
	Development of human resources	The human capital	
	Diversity	The human capital	
	Quality in customer relations	People and territory	
	Digitization and innovation	People and territory	
	Support for communities	People and territory	
	Support for people and territories	People and territory	
	Green Banking	People and territory	
	Financial education	People and territory	
	Integrity in company conduct and anticorruption strategy	Anticorruption strategy	
	Direct environmental impacts	Commitment to the environment	
	Responsible management of the supply chain	The supply chain	

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
103.2 – The management approach and its components	Protection of human resources	The human capital	
	Development of human resources	The human capital	
	Diversity	The human capital	
	Quality in customer relations	People and territory	
	Digitization and innovation	People and territory	
	Support for communities	People and territory	
	Support for people and territories	People and territory	
	Green Banking	People and territory	
	Financial education	People and territory	
	Integrity in company conduct and anticorruption strategy	Anticorruption strategy	
	Direct environmental impacts	The commitment to the environment	
	Responsible management of the supply chain	The supply chain	

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
103.3 – Evaluation of the management approach	Protection of human resources	The human capital	
	Development of human resources	The human capital	
	Diversity	The human capital	
	Quality in customer relations	People and territory	
	Digitization and innovation	People and territory	
	Support for communities	People and territory	
	Support for people and territories	People and territory	
	Green Banking	People and territory	
	Financial education	People and territory	
	Integrity in company conduct and anticorruption strategy	Anticorruption strategy	
	Direct environmental impacts	The commitment to the environment	
Responsible management of the supply chain	The supply chain		
201.1 – Direct economic value generated and distributed	Support for communities	People and territories	
201.3 – Defined benefit plan obligations and other retirement plans	Protection of human resources	The human capital	
202.1 – Ratios of standard entry level wage by gender compared to local minimum wage	Protection of human resources	The human capital	
203.2 – Significant indirect economic impacts	Digitization and innovation	People and territories	
205.2 – Communication and training about anticorruption policies and procedures	Integrity in company conduct and anticorruption strategy	Anticorruption strategy / the supply chain	
205.3 – Confirmed incidents of corruption and actions taken	Integrity in company conduct and anticorruption strategy	Anticorruption strategy / the supply chain	
301.1 – Materials used by weight and volume	Direct environmental impacts	The commitment to the environment	
302.1 – Energy consumption within the organization	Direct environmental impacts	The commitment to the environment	
303.5 – Water consumption	Direct environmental impacts	The commitment to the environment	
305.1 – Direct (Scope 1) GHG emissions	Direct environmental impacts	The commitment to the environment	
305.2 – Energy indirect (Scope 2) GHG emissions	Direct environmental impacts	The commitment to the environment	

GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
305.3 – Other indirect (Scope 3) GHG emissions	Direct environmental impacts	The commitment to the environment	
305.4 – GHG emissions intensity	Direct environmental impacts	The commitment to the environment	
306.2 – Waste by type and disposal method	Direct environmental impacts	The commitment to the environment	
306.4 – Transport of hazardous waste (letter "a")	Direct environmental impacts	The commitment to the environment	
308.1 – New suppliers that were screened using environmental criteria	Responsible management of the supply chain	The supply chain	
308.2 – Negative environmental impacts in the supply chain and actions taken	Responsible management of the supply chain	The supply chain	
401.1 – New employee hires and employee turnover	Protection of human resources	The human capital	
401.2 – Benefits provided to full-time employees that are not provided to temporary or part-time employees	Protection of human resources	The human capital	
401.3 – Parental leave	Protection of human resources	The human capital	
402.1 – Minimum notice periods regarding operational changes	Protection of human resources	The human capital	
403.1 – Occupational health and safety management system	Protection of human resources	The human capital	
403.2 – Hazard identification, risk assessment, and incident investigation	Protection of human resources	The human capital	
403.3 – Occupational health services	Protection of human resources	The human capital	
403.5 – Worker training on occupational health and safety	Protection of human resources	The human capital	
403.6 – Promotion of workers' health	Protection of human resources	The human capital	
403.8 – Workers covered by an occupational health and safety management system	Protection of human resources	The human capital	
403.9 - Work-related injuries	Protection of human resources	The human capital	
404.1 – Average hours of training per year per employee	Development of human resources	The human capital	
404.2 – Programs for upgrading employee skills and transition assistance programs	Development of human resources	The human capital	
404.3 – Percentage of employees receiving regular performance and career development reviews	Development of human resources	The human capital	
405.1 – Diversity of governance bodies and employees	Diversity	Presentation of the Group	
405.2 – Ratio of basic salary and remuneration of women to men	Diversity	The human capital	

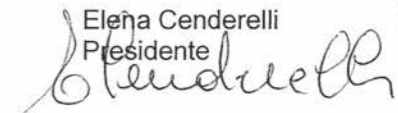
GRI STANDARDS	MATERIAL ISSUE	DNF SECTION	SDGs
414.1 – New suppliers that were screened using social criteria	Responsible management of the supply chain	The supply chain	 
414.2 – Negative social impacts in the supply chain and actions taken	Responsible management of the supply chain	The supply chain	 
417.2 – Incidents of non-compliance concerning product and service information and labeling	Quality in customer relations	People and territories	
417.3 – Incidents of non-compliance concerning marketing communications	Quality in customer relations	People and territories	
418.1 – Substantiated complaints concerning breaches of customer privacy and losses of customer data	Quality in customer relations	People and territories	
G4 FS1 – Policies with specific environmental and social components applied to business lines	Support for people and territories	People and territories	   
G4 FS7 – Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Support for people and territories	People and territories	   
G4 FS 8 – Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Green Banking	People and territories	
G4 FS14 – Initiatives to improve access to financial services for disadvantaged people	Support for people and territories	People and territories	   
G4 FS16 – Initiatives to enhance financial literacy by type of beneficiary	Financial education	People and territories	  

SURVEILLANCE ACTIVITIES ON NON-FINANCIAL INFORMATION (D.LGS. N. 254/16)

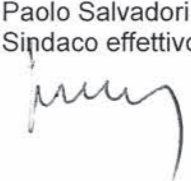
The Board of Auditors declares it has verified, in undertaking the execution of the functions assigned by the statute, that the consolidated non-financial Statement has been drafted in compliance with articles n.3 and n.4 of D. Lgs. N. 254/16 and art. N. 5 of CONSOB Regulations adopted by Resolution 20267 on 18 January 2018.

This document was approved by the Board of Directors in the meeting held on 25/02/2020

THE BOARD OF AUDITORS

Elena Cenderelli
Presidente


Raffaella Fantini
Sindaco effettivo


Paolo Salvadori
Sindaco effettivo


Siena, 12 Marzo 2020



Galleria Peruzziana

The images on these pages are processed reproductions of the pictures decorating the Galleria Peruzziana, one of the most charming locations in Rocca Salimbeni.

Thus called because it was probably built on a design by artist and architect Baldassarre Peruzzi, the gallery connects Palazzo Spannocchi, the halls of the Presidency and other rooms of the Directors' offices.

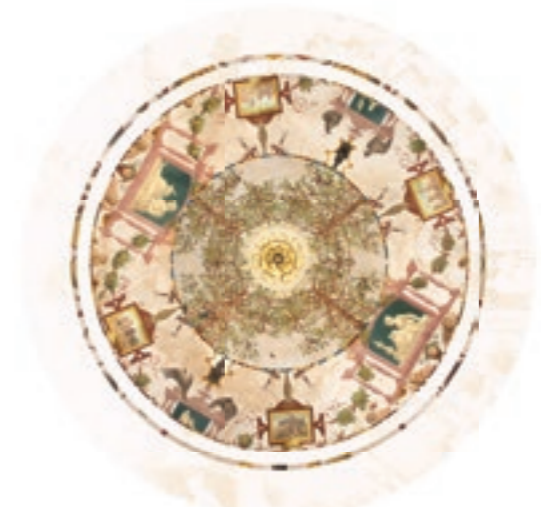
The gallery's rich decorations are part of a larger project of renovation of the Bank's historic seat by purist architect Giuseppe Partini. The decorations were entrusted to painter Gaetano Brunacci in 1902 and completed in 1908 by his trusted collaborators Carlo Bovini and Vittorio Zani.

The gallery is subdivided into 8 themed areas, some of which are shown on the following pages.

The walls feature and are dominated by the so-called "grotesques" of 16th century inspiration, with references to the Credit Institution's centuries-old history.









The drafting of this document was supervised by the Communication, Institutional Relations and Sustainability department. Work was coordinated by Maria Elena Aggravi, Marta Bozzacchi, Valentino Ianieri, Carlo Lisi, Silvia Machetti and Filippo Petrini.

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