

# Report PRB Unep

Banca Monte dei Paschi di Siena

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October 2020



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



# Report PRB Unep

## Banca Monte dei Paschi di Siena

### *Our history*

Monte dei Paschi di Siena, the oldest bank in the world, originated in 1472 as a Monte Pio (pawn agency) at the behest of the Magistracies of the Republic of Siena and was expressly instituted to give aid to the more underprivileged classes of the population during a time of particular hardship for the local economy. Its activity, continuing the great commercial and banking traditions of the city of Siena, evolved rapidly towards classical banking, especially after the reforms of 1568 and 1624. In particular, the Charter of 1624 launched the adoption of progressive operating structures, which bound the activity of the Monte even more closely to the economy of the area where it was present. As a result of this reform, the bank changed its name to Monte dei Paschi, by which it is still known today; on this occasion, Grand Duke Ferdinand II of Tuscany granted the Monte's depositors a state guarantee, entailing for this purpose the revenues from the state-owned pasture lands in the Maremma (known as the "Paschi"). Monte dei Paschi gradually extended its activity to larger and larger areas of Tuscany, and at the time of Italian unification it was one of the most solid banks in the country, initiating new activities including land credit, a first for Italy.

The bank consolidated its presence throughout Italy and expanded abroad, opening branches and offices in the major financial centers of the world: New York, Singapore, Frankfurt, and London. A decree by the Minister of the Treasury dated 8 August 1995 gave birth to two entities: the Fondazione Monte dei Paschi di Siena and the Banca Monte dei Paschi di Siena S.p.A. The foundation has as its statutory purpose the

pursuit of aims of aid and charity, as well as of social benefit in the sectors of scientific research, education, health care, and the arts, especially in the city and province of Siena, and is the direct heir of the original Monte, a public law institution. The second is the bank proper and the leader of the Group, carrying out activities of credit, finance, and insurance. On 25 June 1999 the Banca Monte dei Paschi di Siena was quoted on the Milan stock exchange, marking a fundamental milestone in the process of strengthening the Group's size and competitiveness.

In 2017, following a capital increase of Euro 8.3 billion, the Ministry of Economy and Finance became MPS's majority shareholder. At the same time, the bank began a process of radical transformation geared towards innovation, the rationalization of resources and bringing the customer back to the core of its business.

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%

## **About us**

The Montepaschi Group is active across Italy and in the major international financial markets with operations centered around traditional retail and commercial banking services and with a focus on households and small and medium enterprises.

The Group operates through its own specialised companies in all key business areas: 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 its network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the network of financial advisors through Widiba Bank. Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

More than 1,500 branches and 200 specialist centres, Banca Monte dei Paschi di Siena offers its services to 4,5 million customers.



## **Group Overview**

**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, asset management, bancassurance and investment banking.

**Monte Paschi Fiduciaria** may take on the custody of assets in its capacity as 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-Bank) is the Group's direct bank, offering a comprehensive and customisable online platform to over 600 personal advisors throughout Italy. Widiba manages a full range of savings and investment products and services on a daily basis. Moreover, it offers a totally paperless customer experience and enjoys a satisfaction rating of 4.8/5, based on more than 500,000 reviews. Its relationship model is rooted in the expertise of its network of advisors, awarded the PF Awards in 2018. The network uses Robo 4 Advisor systems to help clients make an informed choice when defining their objectives and the most appropriate means of achieving same.

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

**Monte Paschi Banque SA** is the Group bank that supports commercial trade and investments of Italian companies abroad.

# Principle 1

## Alignment

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

### Requirements

- 1.1.  
Business model description
  
- 1.2.  
Business strategy alignment

### Bank's response and self-assessments

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 any way related to pursuing its business.

In pursuing this strategy, the Group is committed to combining the necessities of the Reorganization Plan with the 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 Bank is currently setting up projects aimed at improving our ability to listen to our clients and simplifying the business and wellbeing of our employees.

With the aim of pursuing an alignment with international objectives, many of our activities are structured to be aligned with the objectives imposed by the SDGs.

### Reporting Reference

*Non-Financial Statement –  
Presentation of the Group  
(pag.17)*

*Non-Financial Statement –  
3.2. Strategy and Identity  
(pag.28-30)*

*Non-Financial Statement –  
Table of correlations between  
Material Issues,  
GRI standards and SDGs  
(pg. 159-166)*

The table below provides the Monte dei Paschi Group's material (or relevant) themes associated with the SDGs goals that each theme should sup-

port. Materiality is a concept that defines why and how certain issues are important for a company or a business sector.

**PROTECTING HUMAN RESOURCES**



**DEVELOPMENT OF HUMAN RESOURCES**



**DIVERSITY**



**QUALITY OF CLIENT RELATIONS**



**DIGITALIZATION AND INNOVATION**



**SUPPORT FOR COMMUNITIES**



**SUPPORT FOR PEOPLE AND TERRITORIES**



**GREEN BANKING**



**FINANCIAL EDUCATION**



**INTEGRITY IN CMPANU CONDUCT AND ANTICORRUPTION STRATEGY**



**DIRECT ENVIRONMENTAL IMPACTS**



**RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN**





## Principle 2

### Impact and Target Setting

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

<b>Requirements</b>	<b>Bank's response and self-assessments</b>	<b>Reporting Reference</b>
2.1. Impact analysis	Every year 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 the understanding of the company's performance, its achievements and positive as well as negative impacts of its activities. 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.	<i>Non-Financial Statement – 2. Methodological Note (pg. 7)</i>  <i>Non-Financial Statement – 4. Risk Management (pg. 47-59)</i>  <i>Non-Financial Statement – 8. Commitment to environment (pg. 147-154)</i>
2.2. Target Setting	The Group has set itself the objective of efficiently managing – in an increasingly organized manner – 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.). Our vision will permit us to be prepared in setting smart targets as required from PRB.	<i>Non-Financial Statement – 8. Commitment to environment (pg. 147-154)</i>



**Requirements**

**Bank’s response and self-assessments**

**Reporting Reference**

2.3.  
Plan or Target  
Implementation &  
Monitoring

Bank units and directorates submit their projects of business development coherently with both the Restructuring Plan and the relevant themes listed in the materiality matrix. Projects including effects on ESG issues, should set their goals in order to be reported with coherent KPIs.

2.4.  
Progress on  
implementing targets

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. The reporting of the GRI indices requires that the data relating to the last three years be indicated. In 2020, the Project Support sector and the Institutional Relation and Sustainability sector analyze the projects presented by the Business Departments in order to evaluate the integration of ESG issues. Additionally, the adherence to sustainability issues is analyzed in the process finalized to the approval of the project itself by the Risk and Sustainability Committee, before the presentation to the Board.

*Non-Financial Statement –  
Table of correlations between  
Material Issues, GRI standards  
and SDGs  
(pg. 159-166)*

# Principle 3

## Client and Customers

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

Requirements	Bank's response and self-assessments	Reporting Reference
3.1. Policies and Practices	<p>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.</p> <p>During 2019 the Group worked towards the approval of its new Code of Ethics 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. The Group joined initiatives pursuing sustainability and an anti-corruption strategy as well as improvement in terms of transparency and intelligibility.</p>	<p><i>Non-Financial Statement – 6. People and Territories (pg. 77-117)</i></p> <p><i>Non-Financial Statement – 5. Anticorruption Strategy (pg. 65)</i></p>
3.2. Sustainable practices with clients and customers	<p>The main sustainable activities underway by the Group include the following:</p> <ul style="list-style-type: none"><li>- support SMEs and promote the establishment of new businesses in central and southern Italy Areas struck by earthquakes in 2016-2017</li><li>- support Microcredito di Solidarietà SpA, an ethical finance institution that aims to deal with 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.</li><li>- provide business customers with solutions to financial and credit issues keeping at the center of its operational processes an evaluation of the aspects inherent to the environmental impacts of the connected activities, through MPS Capital Services Banca per le Imprese.</li></ul>	<p><i>Non-Financial Statement – 6. People and Territories (pg. 77-117)</i></p>

# Principle 4

## Stakeholders

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

### Requirements

4.1. Stakeholder consultation, engagements and partnering

### Bank's response and self-assessments

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. During 2019 the MPS Group has intensified surveying activities addressed to external stakeholders by organizing the Multi-stakeholder Forum with the objective of creating an opportunity for meetings and dialogue. The event was attended by representatives of public and academic institutions, the media, suppliers, trade associations, clients and communities.

### Reporting Reference

*Non-Financial Statement –  
2. Methodological Note  
(pg. 7-15)*

# Principle 5

## Governance and target setting

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

### Requirements

5.1  
Governance structure

### Bank's response and self-assessments

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

The Risk and Sustainability Committee supports the Board of Directors with preliminary, consultative and investigative functions in sustainability-related assessments and decisions, and in this context the Committee, with reference to the Bank and the Group:

- supervises the sustainability issues related to the conduct of business and its dynamics with stakeholders;
- evaluates proposals regarding the guidelines and strategic macro objectives in terms of sustainability, verifying their consistency with the strategic guidelines;
- formulates proposals on environmental and social strategy, annual objectives and targets to be achieved, monitoring their implementation over time;
- oversees the evolution of sustainability also in the light of international guidelines and principles, monitoring performance;
- examines and approves topics related to sustainability, including the validation of the "Materiality Matrix" for the Non-Financial Statement.

### Reporting Reference

*Non-Financial Statement –  
3.3 Sustainability Governance  
and Training  
(pg. 31-33)*

<https://www.gruppomps.it/en/corporate-governance/internal-board-committees.html>

**Requirements**

**Bank’s response and self-assessments**

**Reporting Reference**

5.2. Initiative and measure

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 elements.

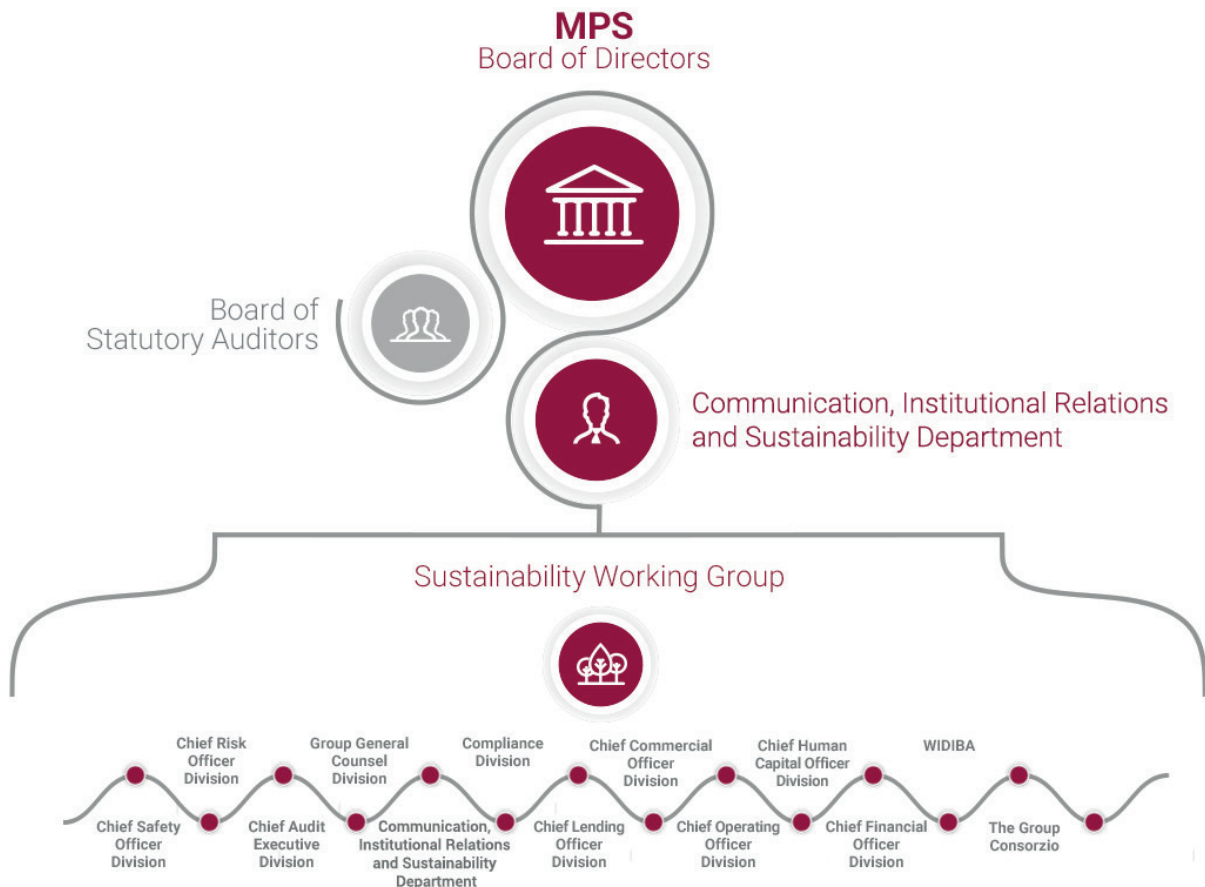
*Non-Financial Statement – 3.3 Sustainability Governance and Training (pg. 31-33)*

This process continued in 2019 as a training programme called “The integration of sustainability in business occurs by involving people”, which began with the intention of spreading awareness of ESG issues and including them in the Group’s activities.

5.3. Governance structure for implementation the PRB

The Sustainability Workgroup led by the Institutional Relations and Sustainability sector specifies the roles of each directorship and defines tasks and supervision activities to be implemented.

Official site:  
<https://www.gruppomps.it/en/sustainability/sustainability-governance.html>



# Principle 6

## Transparency and accountability

*We will implement 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.*

### Requirements

6.1  
Progress on  
implementing  
the PRB

### Bank's response and self-assessments

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.

Our Non-Financial Statement proposes a correlation between the GRI indicators, the material issues analyzed and the SDGs. Some of our activities are already aligned with the SDGs, such as the approval of loans that take into account environmental criteria, the exclusive use of renewable energy, and the use of environmental and social criteria for the selection of suppliers who are also obliged to adhere to our code of ethics.

### Reporting Reference

*Non-Financial Statement –  
Letter to stakeholder  
(pg.4)*