

## **AM Disclosure Summary - Statement pursuant to Paragraph 4, Article art. 4 of Regulation 2019/2088**

In order to meet the reporting and transparency requirements set out in Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 (hereinafter the "SFDR"), the Montepaschi Group (hereinafter the "Group", or the "MPS Group") shall publish quarterly ESG (Environmental, Social and Governance) reports on its website for all the lines of Assets under Management under placement. In particular, Banca Monte dei Paschi di Siena, parent company of the MPS Group, in its capacity as a financial market participant and head of a large group pursuant to Article 3(7) of Directive 2013/34/EU, shall publish and update on its website a statement on its due diligence policies with regard to the principal adverse impacts of investment decisions on sustainability factors - pursuant to paragraph 4, Article 4 of the SFDR concerning the Principal Adverse Impacts (PAI).

PAIs are indicators aimed at representing the extent to which the investment decisions made by the MPS GROUP could negatively impact the sustainability factors relating to environmental and social issues, or to issues concerning employee relations, the respect for human rights and the fight against active and passive corruption.

The MPS Group assesses the ways in which to identify and prioritize the principal adverse impacts on sustainability and related indicators, as well as the possible actions to be taken in this regard, taking into consideration the nature and size of the group and the type of products offered.

This statement on the due diligence policies regarding the adverse impacts on sustainability at entity-level aims to describe the principles, methods and actions to be implemented for considering such impacts, the extent of which will be subject to measurement and monitoring by the Group in accordance with the Regulations in force at the time. These policies apply to the Companies belonging to the MPS Group as participant in the financial markets (i.e. Monte dei Paschi di Siena Bank and Widiba).

### **a) ESG criteria and strategies in Asset Management investment policies**

The integration of ESG in the investment and product selection process has entailed a significant commitment in terms of resources dedicated to the creation of an ESG culture. The goal is to develop a new internal culture that does not focus exclusively on financial risk-return, but is based on solid values and shared goals, which are in line with both the evolution of financial markets and the legislative and moral obligation to guarantee a more sustainable, fair and inclusive future for our planet.

In 2020, the World Sector Rotation equity line was redefined to incorporate six strategies linked to sustainability issues (global ESG Strategy, ESG Strategy, Thematic SDG Strategy, Climate Strategy, Demographic Strategy, World Strategy, with particular attention to the UCITS investment process that must comply with ESG criteria<sup>1</sup>.

In the first half of 2021, a strategic decision was taken to integrate ESG factors in all the main asset types – which are at the basis of the MPS Group's advisory services through the two advisory platforms Advice and Athena – in order to provide Asset Management solutions to all those clients who express a preference for sustainable investments from 2022 onwards.

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<sup>1</sup> See 2020 MPS Group non-financial Statement [dnf-2020-consolidata1.pdf\(gruppomps.it\)](#).  
The ESG Bias line has a predominantly ESG orientation.

As of 10 March 2021, the Bank complies with the SFDR and, more specifically, it accounts for sustainability risks in investment choices in the pre-contractual disclosure (the so-called "Disclosure Note") of investment service Contracts, including the Portfolio Management Service contract. Further developments (adoption of adequacy methodologies; product governance rules, etc.) will be introduced gradually, according to the deadlines established by regulations.

**b) Information on policies regarding the identification and prioritization of the principal adverse impacts and related indicators**

The objective of Asset Management is to provide the Group's customers with investment solutions and positive performance – whether in absolute or relative terms – measured against a benchmark<sup>2</sup>, while paying attention to risk profiles and the customers' financial needs, as well as sustainability issues.

From as early as 2019, the MPS Group has supplemented the traditional two-dimensional investment evaluation scheme (risk/return) with measurable, quantifiable and comparable ESG criteria (three-dimensional scheme).

In order to monitor sustainability risks and the progress of ESG efforts in asset management, an internal model has been created to analyse the portfolios of all Asset Management lines in their entirety based on a set of qualitative and quantitative metrics.

The focus is on material risks and the Overall ESG Risk assesses precisely the so-called unmanaged risk. This methodology also makes it possible to identify the ways in which individual strategies contribute to the goal of reducing CO2 emissions as well as to the United Nations Sustainable Development Goals, in addition to facilitating communication of results to stakeholders.

Asset Managers take exclusion criteria into consideration when choosing investments in order to reduce reputational risks associated with investments in companies/issuers that pay little attention to environmental, social and governance sustainability issues. Exclusions concern **environmental factors** (nuclear energy and thermal coal), **ethical factors** (armaments production) as well as **social-health factors** (tobacco).

The MPS Group has carried out an initial prioritization of the PAI indicators on which it has also carried out a preliminary analysis of the level of coverage of each indicator within the investment universe, taking into account the percentage of companies that report such information. The Group reserves the right to review the indicators periodically, also in light of any regulatory developments.

By way of example, the following are some of the indicators considered as priorities and on which evaluation and monitoring activities are being carried out:

- Greenhouse gas emissions: Carbon Intensity, i.e. the measure of carbon emissions calculated on an individual issuer in terms of Total Emissions (metric tonnes of Co2) / Revenues (USD Million) and aggregated at the UCIT- level;
- Social and personnel issues:
  - o Exposure to companies operating in certain sectors (nuclear energy, thermal coal, armaments, tobacco). As at 30 June 2021, the monitoring of exclusion issues showed only a marginal presence – on average

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<sup>2</sup> Asset Management performance is calculated in absolute terms as a percentage on the reporting period, and in terms of a differential against a pre-determined benchmark index.

lower than 1% of total business – focused on investment lines for which the transition to portfolios with fully integrated ESG criteria has not yet been completed;

o Violations of the UN Global Compact’s principles and the guidelines for multinational companies established by the OECD.

The MPS Group plans to extend the monitoring to additional indicators as data becomes available.

For further information and details, please refer to the “ESG Report” published on the Bank’s website at the following link <https://gruppomps.it/static/upload/rel/relazione-esg-semester2021-eng.pdf>.

**c) Brief summary of commitment policies pursuant to Article 3 of Directive 2007/36/CE**

The commitment policies are published on the website of Banca Monte dei Paschi di Siena S.p.A. pursuant to art 124 quinquies of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act or CFA).

However, it should be noted that:

- The Bank is not the owner of the shareholdings present in the asset management portfolios, the ownership of which remains with the customer;
- Usually, the capital shares of the Issuers’ securities in which the Bank invests as part of its portfolio management service are of little significance, either in absolute or relative terms;
- the above shareholdings are held in the customers’ portfolios for varying periods (from a few weeks to a few years) and, therefore, do not qualify as “stable” or strategic, but are more similar to the concept of “temporary” or “financial”.

For further details please refer to the Commitment Policy published on the bank’s website (<https://www.gruppomps.it/static/upload/cod/codice-etico1.pdf>).

**d) Compliance with responsible business conduct and internationally recognized standards.**

The MPS Group adheres to international principles and standards in line with its approach as a sustainable and responsible bank, and has deemed it essential to include this type of evaluation along with assessments of responsible business conduct in its risk/opportunity analysis and capital allocation decisions. The Asset Management activity has tried to anticipate the change that is taking place, seize the opportunities and respond to the risks that social and environmental issues may pose on the entire financial system. For further details, please refer to the following::

- Non-Financial Statement (“NFS”), paragraphs 3.2 “Governance Sustainability”; 3.3. “adherence to national, international programs and associations” and 6.2 “Sustainable Finance” (<https://www.gruppomps.it/static/upload/dnf/dnf-2020-consolidata1.pdf>).
- Report of the first year of adherence to the “Principle for Responsible Banking” (<https://www.gruppomps.it/static/upload/rep/report-prb-unep.pdf>).