



POLICY ON SUSTAINABILITY IN THE SUPPLY CHAIN

INTRODUCTION

In keeping with its own Code of Ethics, the Montepaschi Group believes that sustainability is an essential dimension in managing the supply chain.

For the Group, managing the supply chain sustainably means purchasing products and services at competitive economic conditions, making certain that the relative life cycles minimise environmental impacts and avoid any non-compliance by suppliers with the principles of corporate social responsibility, particularly as regards respect for human and labour rights and preventing any form of corruption and conflict of interest.

It also means involving suppliers in achieving lasting economic performances with an eye toward mutual growth, by establishing proper and transparent commercial relationships with them. The Montepaschi Group is aware that the significant volume of purchases, services and logistics represents a major contribution to the improvements it can make in its own procurement chain and to environmental, social and economic sustainability.

Finally, it means improving the Group's brand identity over all, taking into account the growing attention communities pay to the ethical, social and environmental credentials of the products and services offered by the financial markets and especially the banks.

PURPOSE AND AREA OF APPLICATION

The Policy indicates the principles and management criteria which the Montepaschi Group is committed to following in its relations with all suppliers and in the purchase of all products and services to support its business in Italy.

OBJECTIVES

The objectives that the Montepaschi Group pursues by implementing this policy are:

1. identifying opportunities to minimise environmental and social impacts in the supply chain;
2. contributing to reducing operational and compliance risks and consequent impacts to our reputation;
3. improving the management of costs associated with procurement processes and logistical aspects;
4. promoting the growth of suppliers, stimulating innovation in sustainable products and processes.



GENERAL PRINCIPLES

To achieve these objectives, the following principles, insofar as they are compatible with market conditions, will guide the actions of the Montepaschi Group:

1. the suppliers and sub-suppliers will be encouraged to conduct their business according to standards of conduct consistent with the Montepaschi Group's Code of Ethics;
2. those suppliers who, in addition to offering an excellent quality/price ratio, demonstrate that they apply the best standards for managing the environmental impacts associated with their processes for producing and providing supplies, will be given preference;
3. we will avoid maintaining relations with suppliers who do not operate according to laws and standards on human, labour and environmental rights;
4. procurement procedures will be supplemented by evaluations and selection criteria that focus on the sustainability performance of the suppliers and their products and services, with particular attention to small companies in order to keep that from being a competitive disadvantage for them;
5. the sustainability performances of suppliers and their supplies will be measured regularly to check the effectiveness of this policy and report on it to our stakeholders;
6. transparency and accuracy will be ensured in communications to suppliers regarding the requirements and contractual conditions applied;
7. honesty and integrity are guaranteed in relations with suppliers, avoiding any risk of conflict of interests.

THE POLICY IN PRACTICE

At the operational level, the policy will be developed through the following measures and management assumptions:

1. identification of a Contact person within the responsible office of the Parent Company to work on aspects involving sustainability in the supply chain;
2. training and awareness-raising for internal resources involved in the supply chain, promoting the dissemination of the sustainability ethic and know-how through programmes aimed at supporting the work of the internal sustainability Contact person, not excluding possible recourse to participation in courses/seminars/conferences and the collaboration of industry experts;
3. informative notices, meetings and consultations with suppliers to communicate and share this policy;
4. application of criteria for exclusion of certain products, services and suppliers (products and services that do not comply with the laws and the minimum requirements of health, safety and environmental protection, suppliers who violate the laws and standards of human, worker and environmental rights...);



5. identification of environmental, health, safety and social-responsibility requirements to be applied in evaluating suppliers, supplementing the current qualification process within the Group's specific Suppliers Registry (in accordance to quality/environment/safety certifications) with specific analyses and evaluations of the evidence provided by the suppliers on the following subjects:
 - strategic development on the environmental impact of the company's activity,
 - formulation of the corporate sustainability plan,
 - measurement and evaluation of the LCA (Life Cycle Assessment) impact of the products/services in their catalogue,
 - optimisation of production, supply and delivery processes,
 - use of energy from renewable sources and other sustainable commodities;
6. market analyses to identify the procurement possibilities that optimise the needs-sustainability ratio and the total cost of use and ownership of products and services. For products, the entire life cycle will be considered (energy used in production, environmental impacts during use, product life and recyclability, use of recycled materials, waste produced during use and at end of cycle...);
7. a selection process that includes a preliminary verification that sustainability requirements are met, together with an examination of economic-financial, technical, quality and innovation criteria for products and services
8. insertion of contractual clauses that formalise the expected requisites and commitments made by the supplier;
9. monitoring and control by the responsible Parent Company office, with support of the internal customers of the product and service, on whether the supply complies with the established contractual terms;
10. checks as part of ordinary corporate internal audits on the proper application of this policy;
11. formulation of indicators to measure and regularly communicate the sustainability performances of suppliers and more generally the economic, social and environmental performances of this Policy with an eye toward its constant improvement;
12. participation in analysis and research, multi-stakeholder discussions and public communication events to share the development of good practices of sustainability in the supply chain.

The Policy is made available to all interested parties.

It will also be reviewed periodically, and every so often relevant additions will be made to it when they become necessary.