

# Statement on principal adverse impacts of investment decisions on sustainability factors

## **Statement on principal adverse impacts of investment decisions on sustainability factors**

**Financial market participant: Banca Monte dei Paschi di Siena S.p.A., LEI code: J4CP7MHCXR8DAQMKIL78**

### **Summary**

Banca Monte dei Paschi di Siena S.p.A. (hereinafter also “MPS” or “Bank”), LEI code: J4CP7MHCXR8DAQMKIL78, as a Participant in the financial markets as it provides the portfolio management investment service (hereinafter also the “Service”), considers the principal adverse impacts of its investment decisions on sustainability factors.

In investment decisions, MPS considers the mandatory indicators of the principal adverse impacts and two additional indicators defined by the Delegated Regulation (EU) 2022/1288 which integrates Regulation (EU) 2019/2088 (“SFDR Regulation”) on sustainability information in the financial services sector, subject to the availability and quality of the data for which the Bank uses specialised suppliers.

In particular, MPS undertakes to monitor and evaluate over time the level of the following PAIs:

- PAI 1 – GHG emissions
- PAI 2 – Carbon footprint
- PAI 3 – GHG intensity of investee companies
- PAI 10 – Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprise
- PAI 13 – Board gender diversity
- PAI 15 – GHG intensity of Sovereigns and International Organisations.

This statement on the principal adverse impacts on sustainability factors calculated on the managed portfolio of MPS covers the reference period from 1 January to 31 December 2024.

## **Description of the principal adverse impacts on sustainability factors**

The PAI indicators, as defined in Annex I of the RTS in Tables 1, 2, and 3, are considered for the purpose of assessing the principal adverse impacts on sustainability factors (environmental, social, and corporate governance). Financial market participants are required to report on the mandatory PAI indicators listed in Table 1, as well as on at least one environmental indicator from Table 2 and at least one social indicator from Table 3. Most of the PAI indicators apply to investments in companies, while the remaining ones relate to investments in real estate assets and investments in sovereigns and supnationals.

For each of these indicators, information is provided to describe the actions taken and those the Bank intends to take to prevent or mitigate the identified principal adverse impacts. Furthermore, to mitigate negative effects on investment decisions, measures are in place to exclude issuers with an ESG rating above a certain threshold (as a higher rating corresponds to a greater ESG risk).

The information described above will be published by 30 June 2025, and thereafter on an annual basis, referring to the previous year.

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse (GHG) emissions	1. GHG emissions	Scope 1 GHG emissions	25677	27710	Emissions in tonnes of CO <sub>2</sub> equivalent from sources controlled by the company	In order to prevent or proactively mitigate adverse impacts on sustainability factors, the Service's investment strategy is progressively oriented towards including in portfolios investment instruments (UCITS/ETFs) classified under Articles 8 or 9 of the SFDR, thereby excluding or
		Scope 2 GHG emissions	5334	6531	Metric measured in absolute terms and influenced by the total perimeter of assets.	
		Scope 3 GHG emissions	338954	414109	Coverage ratio: 68.47%.	
		Total GHG emissions	369965	448351	Emissions in tonnes of CO <sub>2</sub> equivalent	
	2. Carbon footprint	Carbon footprint	653.82	826.35	Emissions in tonnes of CO <sub>2</sub> equivalent across the three scopes per million euro of the company's total assets	
	3. GHG intensity of investee companies	GHG intensity of investee companies	1239.41	1196.76	Emissions in tonnes of CO <sub>2</sub> equivalent across the three scopes per million euro of the company's revenue Coverage ratio: 89.53%.	
	4. Exposure to companies active in	Share of investments in companies active in the	5.35%	6.56%	Percentage of the portfolio's market value exposed to issuers engaged in fossil fuel-related activities Coverage ratio: 93.15%.	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>					
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
	the fossil fuel sector	fossil fuel sector			
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	56.53% 28.23%	56.35% 27.17%	consumption production Weighted average, calculated for portfolio issuers, of the percentage of energy consumption and/or production from non-renewable sources relative to total energy consumed and/or generated Coverage ratio: 72.05% and 40.15% respectively.
	6. Energy consumption	Energy consumption in GWh per	NACE A: 1.95 NACE B: 1.24 NACE C: 0.30	NACE A: 1.80 NACE B: 1.28 NACE C: 0.36	High climate-impact sectors: A (Agriculture, forestry and fishing), B (Fishing), C (Mining and quarrying), D (Manufacturing), E (Electricity, gas
					limiting investments in certain controversial sectors and increasing the share of sustainable investments. In addition, MPS seeks to exclude issuers, UCITS and ETFs that present a high sustainability risk (i.e. high ESG ratings on a scale from 1 to 5). In particular, the weighted average overall ESG rating of assets under management will

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
	n intensity per high-impact climate sector	million EUR of revenue of investee companies, per high-impact climate sector	NACE D: 2.81 NACE E: 0.61 NACE F: 0.10 NACE G: 0.07 NACE H: 1.09 NACE L: 0.44	NACE D: 3.10 NACE E: 0.65 NACE F: 0.14 NACE G: 0.08 NACE H: 1.19 NACE L: 0.38	and water supply), F (Construction), G (Wholesale/retail trade, repair of motor vehicles and personal goods), H (Hotels and restaurants), L (Public administration, defence, compulsory social security).	continue to be monitored. Finally, the Bank expects an improvement in the quality and availability of third-party data, leading to better monitoring (to be extended to the level of each individual investment segment) and greater effectiveness of actions aimed at reducing the adverse impacts of investment
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively	5.27%	5.69%	Percentage of the portfolio's market value exposed to issuers that have declared operations within or near biodiversity-sensitive areas and that have been involved in controversies with serious or very serious environmental impacts. Coverage ratio: 93.15%.	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
		affect those areas				decisions on sustainability factors.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	0	Total annual wastewater discharged Coverage ratio: 0.32%. As coverage is still limited, the zero value likely underestimates the actual exposure.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per	1.10	2.17	Total annual hazardous and radioactive waste generated Coverage ratio: 68.20%.	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
		million EUR invested, expressed as a weighted average				
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Soical and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for	0.07%	0.06%	Percentage of the portfolio's market value exposed to issuers with very severe controversies related to business activities and/or products Coverage ratio: 93.15%.	In order to prevent or proactively mitigate adverse impacts on sustainability factors, the Service's investment strategy is progressively oriented towards including in portfolios

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>	
		Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC	6.30%	6.10%	Percentage of the portfolio's market value exposed to issuers that are not signatories of the UN Global Compact. Coverage ratio: 92.49%.	investment instruments (UCITS/ETFs) classified under Articles 8 or 9 of the SFDR, thereby excluding or limiting investments in certain controversial sectors and increasing the share of sustainable investments. In addition, MPS seeks to exclude issuers, UCITS and ETFs that present a high sustainability risk (i.e. high ESG

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES					
Adverse sustainability indicator	Metric	Impact in 2024	Impact in 2023	Explanation	Actions taken, actions planned and targets set for the next reference period
	principles or OECD Guidelines for Multinational Enterprises				ratings on a scale from 1 to 5).
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	18.08%	18.04%	Weighted average, across investee companies in the portfolio, of the difference in average gross hourly pay between male and female employees, expressed as a percentage of male gross pay Coverage ratio: 5.45%.	In particular, the weighted average overall ESG rating of assets under management will continue to be monitored. Finally, the Bank expects an improvement in the quality and availability of third-party data, leading to better monitoring (to be extended to the level of each individual investment
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	38.09%	38.20%	Weighted average, across investee companies in the portfolio, of the ratio of women to men among board members Coverage ratio: 86.53%.	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.1%	0.1%	Percentage of the portfolio's market value exposed to issuers involved in the anti-personnel mines, cluster munitions, chemical weapons or biological weapons sectors Coverage ratio: 93.15%.	segment) and greater effectiveness of actions aimed at reducing the adverse impacts of investment decisions on sustainability factors.
<b>INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, planned actions and targets set for the next reference period</b>

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	0.16	0.16	GHG emissions in tonnes of CO <sub>2</sub> equivalent per million euro of GDP Coverage ratio: 98.96%.	See the description provided for this topic under PAIs 1 to 14.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where	8 8.11%	6 4.88%	Absolute number Coverage ratio: 98.97%. Relative number Coverage ratio: 98.97%.	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
		applicable, national law				
<b>INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels			Not applicable, as the Bank does not invest in real estate assets	
Energy efficiency	18. Exposure to	Share of investments in			Not applicable, as the Bank does not invest in real estate assets	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
	energy-inefficient real estate assets	energy-inefficient real estate assets				
<b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
Environmental	Deforestation	Share of investments in companies without a policy to address deforestation	75.68%	75.10%	Percentage of the portfolio's market value exposed to issuers that do not have measures in place against deforestation Coverage ratio: 92.53%.	See the description provided for this topic under PAIs 1 to 14.
Social	Number of identified cases of	Number of cases of severe human rights	0.76	0.62	Weighted average, across investee companies in the portfolio, of identified human rights issues and incidents	

<b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact in 2024</b>	<b>Impact in 2023</b>	<b>Explanation</b>	<b>Actions taken, actions planned and targets set for the next reference period</b>
	severe human rights issues and incidents	issues and incidents connected to investee companies on a weighted average basis			Coverage ratio: 93.15%	

## **Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

To mitigate adverse sustainability impacts, the Service's investment strategy is gradually shifting towards including investment instruments (UCITS/AIFs and ETFs) classified under Articles 8 or 9 of the SFDR in its portfolios. This approach excludes or limits investments in certain controversial sectors and increases the share of sustainable investments.

Accordingly, the Service selects UCITS and ETFs whose managers, aiming to limit adverse impacts on sustainability factors, implement both stewardship practices (e.g. participating in shareholder meetings and engaging with company management) and phase-out criteria targeting:

- 1) Issuers involved in environmental controversies or in breaches of human and labour rights, including violations of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- 2) Issuers with exposure to fossil fuel extraction/production, electricity generation from fossil sources, or the production/distribution of controversial weapons.

For the assessment of adverse sustainability impacts, MPS relies on data provided by internationally recognized ESG data providers, with whom a collaboration has been established. The methodology for identifying principal adverse impacts (PAIs) depends on the availability and quality of this data. MPS places trust in the data quality ensured by these providers, who implement checks and controls to ensure the accuracy, reliability, and validation of the data. Data quality and coverage are reviewed regularly in collaboration with these providers.

MPS considers the 16 mandatory PAI indicators defined by the SFDR (9 environmental and 7 social), and additionally one environmental and one social indicator, tracking their status and the evolution of data coverage over time.

Furthermore, to proactively prevent or mitigate adverse sustainability impacts, MPS seeks to exclude issuers, UCITS, and ETFs that have a high sustainability risk (i.e. low ESG ratings on a scale from 1 to 5).

Finally, as of 2024, MPS offers six portfolio management lines (2 equity-focused, 3 balanced, 1 bond-focused) which promote environmental and social characteristics in accordance with Article 8 of the SFDR, with a minimum allocation to sustainable investments ranging from 5% to 30% (depending on the specific line), and which give priority to the following principal adverse impacts:

- PAI 1 - GHG emissions
- PAI 2 - Carbon footprint
- PAI 3 - GHG intensity of investee companies
- PAI 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprise
- PAI 13 - Board gender diversity
- PAI 15 GHG intensity of Sovereigns and International Organisations.

MPS monitors these priority PAIs through periodic assessments of:

- Data quality and coverage at both instrument and portfolio level;
- The impact of investments on these indicators within each portfolio line.

Monitoring is conducted at least quarterly. Based on the results, MPS may adjust portfolio composition to avoid a material deterioration of the adverse impacts associated with the prioritised PAIs.

These policies were formally approved by the Bank's governing body on 15 September 2021.

## **Engagement policies**

Engagement policies are published on the website of Banca Monte dei Paschi di Siena S.p.A. in accordance with Article 124-quinquies of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance – TUF).

However, it should be noted that:

- the Bank does not own the holdings in portfolio management accounts, as ownership remains with the customer;
- the equity stakes in the issuers in which the Bank invests as part of its portfolio management service are generally of limited significance, both in absolute and relative terms;
- these holdings are kept in customers' portfolios for varying periods (ranging from a few weeks to several years) and therefore do not qualify as "stable" or strategic investments but are better described as "temporary" or "financial" investments.

## **References to international standards**

In defining the key priorities for developing a sustainable business model, the Group draws inspiration from current regulations, industry supervisory guidelines, and the principles of the voluntary initiatives it has signed, taking into account:

- external regulations (European regulations, national laws and decrees, regional laws);
- voluntary initiatives to which the Group is a signatory.

The Group has adopted the following voluntary initiatives:

- **Net-Zero Banking Alliance (NZBA):** a United Nations initiative aimed at accelerating the sustainable transition of the international banking sector. Participating banks commit to aligning their lending and investment portfolios with the goal of achieving net-zero emissions by 2050, in line with the targets set out in the Paris Climate Agreement.
- **The 6 Principles for Responsible Banking (PRB):** launched by the United Nations (United Nations Environment Programme Finance Initiative – UNEP FI) and signed by the MPS Group in September 2019. Through this initiative, the Group undertakes to adopt strategies and practices that contribute to building a sustainable banking system and generating a positive impact on society.
- **Sustainable Development Goals (SDGs):** adherence to the SDGs, arising from its commitment to the PRB, requires the Group to align its corporate strategies, projects, and policies with the objectives of the 2030 Agenda.
- **UN Global Compact – 10 Principles:** joined by the Group in 2002, these principles encourage companies to promote sustainable growth in the interests of all stakeholders.
- **Women in Banking Charter:** promoted by the Italian Banking Association (ABI), this initiative aims to promote gender equality and equal opportunities within the banking sector.
- **Corporate Governance Code:** issued in 2020 by Borsa Italiana, this Code establishes the pursuit of “sustainable success” as the priority long-term objective for administrative bodies, emphasising their leadership role in setting strategies and guiding activities.

## **Historical comparison**

The comparison with the year 2023 shows a general improvement in PAI (Principal Adverse Impact) indicators and therefore a reduced adverse impact on sustainability factors, despite a significant increase in the value of assets under management. The improvement is particularly evident in environmental indicators, while social indicators have either remained stable or shown a slight deterioration.