

R E P O R T

2010

Social responsibility  
in the  
Montepaschi Group



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# Remarks from the **Chairman**

**CSR is a corporate factor contributing to the optimisation of the value creation system. What are the strategic priorities of the Montepaschi Group over the next few years?**

For the Bank, corporate social responsibility has always been the right way of behaving in the market and in relations with the stakeholders. CSR brings real benefits and for this reason it will continue to be a guiding criterion for our strategies.

Moving from social relations and careful consideration of stakeholders' aspirations, we are stimulated to react quickly to the continuous changes in the macro-economic scene, to respond appropriately to market requirements, to develop our business and grow the value of intangible assets such as our brand and know-how.

With regard to the engagements made by the Bank over CSR, the priorities for the next few years, consistent with international standards, are:

- Further integration of CSR with the Bank's processes and operations and with our relations with stakeholders. The CSR Report must be integrated ever more closely with the Financial Report and all our communications must guarantee maximum transparency and simplicity;
- Seeking trenchant ways of declaring our sustainable nature and so increasing the awareness of end consumers, sustaining communications with consistent practical actions in support of our intentions and the undertakings we make.

**The Montepaschi Group has always kept close to families and companies. In a radically changed macro-economic context, how has the relationship with your customers evolved?**

The banks are still dealing with the difficulties of a recessionary economic cycle, which particularly punishes those like MPS which base their activity on credit extended to families and companies.

Our Group is managing this contingency and continuing to ply its trade, with discipline, rigour, ability to offer "good" credit and to make ourselves a point of reference for the region and the country.

We have put branches centre stage and they will be further strengthened so that they can work in a faster and simpler way, serving the real economy and families.

We have had important exchange of views with consumers and companies and shall continue to do this in order to combat the effects of the crisis and to remove the

obstacles which impact on this very slow economic recovery and the competitiveness of the productive framework.

**The Montepaschi Group is sensitive to environmental issues and has recently strengthened its engagement in that direction with the approval of a new policy by the board of directors. What are the guiding principles?**

The new Environmental Policy formalises the extension to all the Group of priorities already dealt with by the Bank since 2002, with a special management system certified under ISO 14001. Within this new value framework, the performance objectives look challenging.

We shall continue to further support the positive trends recorded this year in energy consumption (-6%) and in the corresponding CO<sub>2</sub> emissions (-30%), also through increasingly close cooperation with suppliers.

We will also pay careful attention to the development of new “green finance” markets and shall always be reliable and well-prepared partners for Italian firms in this sphere.

# Remarks from the **General Manager**

## **CSR principles impact on the choices of the Montepaschi Group on many fronts. What are the key results achieved in 2010?**

In a year characterised by important organisational projects, the CSR objectives have been pursued with our usual determination and have achieved satisfactory results.

The initiatives taken have allowed the Group to consolidate its customer base both in quantitative and qualitative terms: retention at 95.3%, acquisition at 5.7%, a drop in the number of complaints and an improvement in customer satisfaction indices.

Internally, the close attention paid to the environment and working procedures, to training, to development paths and to corporate welfare has led to a very low employee turnover rate and to a promising improvement in the level of overall satisfaction of employees.

These and the other results which we cover in this Report and, in line with international best practices, also in the traditional financial statements, have also contributed to a further strengthening of our brand's reputation and the consolidation of the BMPS share in the main sustainable finance indices.

## **The Montepaschi Group has provided support to companies through various facilities and benefits. What actions were taken in 2010?**

During the year we have placed the needs of families and firms at the heart of our commercial policies. We have continued to grant credit and we have supported firms in dealing with the effects of the crisis, demonstrating our practical desire to position ourselves as an interlocutor and as a responsible social party in working together for the economic recovery of the country.

In particular we have implemented the special package of financial instruments launched in 2009 to remove the main competitive disadvantages of Italian small/medium enterprises and have extended these policies for the whole of 2011.

The "flagship product" is Time Out, through which we have suspended and deferred loan instalments for many firms in difficulty. We did this rapidly, ahead of similar initiatives taken elsewhere, and with an original approach which the ABI has recognised by awarding us the "Prize for innovation in banking services".

## Remarks from the General Manager

**While the debate on the quota of women is still open, the Montepaschi Group recorded further growth during 2010 in the incidence of female personnel. A more feminine Monte dei Paschi?**

The enhancement of human capital has always been a determinant factor in our Group culture for gaining a competitive advantage and we are pursuing this objective by constantly improving the quality of working lives, making available to staff instruments such as flexible working hours, changing contracts from full time to part time in various ways and a continuous training process.

In particular, the constant attention paid to the professional development of women is proven by various indicators such as: the steady growth of women on the payroll, passing in the last ten years from 37% to 44.5%, the increase in women in senior roles and the significant percentage of women being promoted.

These results have also been confirmed by the views of potential job candidates and have won for the Bank the special Randstad Global award in the “Work Life Balance” category.

# 1. Strategy and Analysis

1.1

REMARKS FROM THE  
CHAIRMAN AND THE  
GENERAL MANAGER

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See pages [3-6](#)

1.2

KEY IMPACTS,  
RISKS AND  
OPPORTUNITIES

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In a macro-economic scenario characterised also in Italy by an uncertain growth recovery and destabilised by market fall-out linked to the increase in sovereign risks and other international crises, banks have to:

- Continue to cope with overall stagnant profitability and deterioration in the quality of credit.
- Re-establish their credibility in the face of highly critical public scrutiny and contribute to the stability of the financial systems, dealing with increasingly stringent and rapidly evolving rules and practices, especially in terms of capital requirements, risk management and corporate governance.
- Increase management focus on criteria of efficiency and transparency.

Social developments are also increasingly influencing the operations of banks (as drivers of possible risks and opportunities) driving organisational adjustments and product range developments.

Demographic trends, migratory flows, employment trends, household consumption, development of communications technology, scarcity of natural resources and climate change are some of them.

Starting with these considerations, supported also by our research and inputs collected from our stakeholders and from conclusions developed within the multi-stakeholder organisations in which we participate, **we have identified the issues on which we think we can most appropriately measure the social responsibility of the Montepaschi Group :**

- Risks control, transparency and market ethics.
- Responsible credit and distribution of financial products.
- Customer satisfaction and the value of reputation.
- Development and enhancement of human resources.
- Sustainability of the supply chain.
- Ability to create value added compared to the traditional social function of banking activity.
- Management of the environmental impacts of operations and “green finance” markets.

## Research activity increasingly supports the strategic aims and commercial developments of the Group.

The analyses concern also the most important social dynamics occurring in Italy and the possible development of banking business linked to these. Amongst the subjects analysed in 2010 by the Strategic Planning Department, Research and Investor Relations were:

- **Demographic trends** - the ageing population exercises increasing pressure on public expenditure with the potential for impacting strongly on the stability of pension schemes and social services in general; more importance is given to private pension funds and insurance products aimed at the protection of people.
- **Migratory flows** - foreign nationals have more than tripled since 2000 and represent 7.5% of the Italian population. The links between immigrants and the banking system are also growing, both in depth and in ease of access, accompanied by a widening of the range of offerings.
- **Employment dynamics** - the unemployment rate has risen to 8.6% (26% amongst young people).
- **Household consumption figures** - in the two years 2009 and 2010 disposable income has suffered a contraction in real terms of over 3%; financial wealth has remained more or less stable. In this context the banks, along with the Government and the Italian Bankers Association (hereafter ABI), have launched various initiatives and products to attenuate the impact of the economic crisis on economic and financial conditions for families.
- **The development of renewable energies** - driven by decisions taken in the EU and by ever more widespread public attention. The support of the banks is crucial, through the traditional lending function and with the offer of innovative corporate finance products.
- **Developments in communications technology** - these are changing daily life behaviour and habits, including the ways of accessing banking services (approximately 30% of Italian families use internet banking).

**The CSR strategy** was implemented following the guidelines set out in previous years and centred on the quality of customer service, high quality working conditions, business ethics and attention to the social and environmental impacts of our business.

AREA OF RESPONSIBILITY	STRATEGIC GUIDELINES *	REFERENCES IN THE REPORT
Human resources	Increase productivity in the organisation of work	<a href="#">LA-Development and enhancement of personnel</a>
	Complement the incentives system with long-term objectives	<a href="#">4.5</a>
	Increase the level of employees' corporate loyalty	<a href="#">LA-Employment; LA3; LA13; HR4</a>
	Pay more attention to the needs of personnel and families outside the workplace	<a href="#">LA3; LA13</a>
Customers	Maximise simplicity and transparency in customer communications	<a href="#">FS15; PR3</a>
	Increase customer awareness in the choice and management of products	<a href="#">FS11; FS15; FS16</a>
	Improve the management of customers' feedback	<a href="#">PR5</a>
Society	Extend the Group's operation in the microcredit sector	<a href="#">FS7</a>
	Encourage financial inclusion of vulnerable sections of society	<a href="#">FS7; FS14</a>
	Develop banking services and cooperation with not-for-profit organisations	<a href="#">FS7</a>
	Promote corporate sustainability through commercial and lending activity	<a href="#">FS2; FS5</a>
Environment	Develop businesses in the green/carbon finance markets	<a href="#">FS8</a>
	Reduce consumption of resources and the environmental impacts of operations	<a href="#">EN</a>

*\*The objectives established for 2010 (shown in last year Report), not yet completed, will be partly included in future targets, now being defined (training on the Code of Ethics; initiatives for improving employees work/family time reconciliation). For the remaining objectives (clarification of a sustainability policy in the management of human resources, and a policy on managing the social impacts of investments; further studies of the social aspects of sponsoring) it has been decided to reconsider their feasibility through further internal studies.*



The main indicators monitored (a selection is given in the table) show generally positive performance and trends.

AREA OF RESPONSIBILITY	PERFORMANCE INDICATORS (SELECTION)	2010	2009
Human resources	■ Employee perception index (scale 20-100)	69.2	65.2
	■ Voluntary resignations (%)	0.36	0.45
	■ Rate of absenteeism <sup>(1)</sup>	3.88	3.95
	■ Training, per capita (hours)	48	36
	■ Women with positions of responsibility (%)	35.1	33.8
	■ Female personnel (%)	44.5	44.2
Customers	■ Index of customer service level (scale 20-100)	65.9	62.8
	■ Customer retention (%)	95.3	94.1
	■ Customer acquisition (%)	5.7	5.8
	■ Complaints (n.) <sup>(2)</sup>	11,141	11,267
Society	■ Microloans (n.)	711	312
	■ Immigrant customers (%)	5.2	4.7
	■ Social contributions (millions of Euros) <sup>(3)</sup>	43.6	46.4
	■ Sustainability rating of suppliers (scale 1-10)	4.9	4.7
Environment	■ Per capita energy (TOE - tonne of oil equivalent)	1.56	1.63
	■ Direct emissions of CO <sub>2</sub> per capita (kg) <sup>(4)</sup>	833	1,198
	■ Paper, per employee (kg) <sup>(5)</sup>	67	62
	■ Purchases of eco-friendly products and services (% of expense)	4	4
	■ Loans in energy and environment sector (millions of Euros)	1,031	379

**Note:**

<sup>1)</sup> **Rate of absenteeism:** days of absence for illness and accidents out of the total average of annual working days

<sup>2)</sup> **Complaints:** these do not include disputes relating to compound interest and the cloning of credit/debit cards

<sup>3)</sup> **Social contributions:** these include contributions granted for social purposes in the form of donations and sponsoring

<sup>4)</sup> **CO<sub>2</sub> emissions:** these include greenhouse gas emissions in "scope 1" and "scope 2" according to the international GHG Protocol

<sup>5)</sup> **Paper consumption:** the data is estimated on the basis of purchase orders and does not include paper for communications sent to customers; the 2009 figures show an extraordinary recourse to warehouse stocks and a significant and simultaneous reduction in new purchase orders.

**The CSR strategy outlined above is a firm benchmark for future CSR objectives, on which the Group will further focus over the next year.**

## 2. Group Profile

2.1 - 2.5

MAIN BRANDS,

PRODUCTS AND/OR

SERVICES, OPERATIONAL

STRUCTURE, REGIONAL

PRESENCE.

The Montepaschi Group, whose banking business goes back to 1472, is one of the leading banking and credit poles on the Italian banking scene.

### MAIN ACTIVITIES

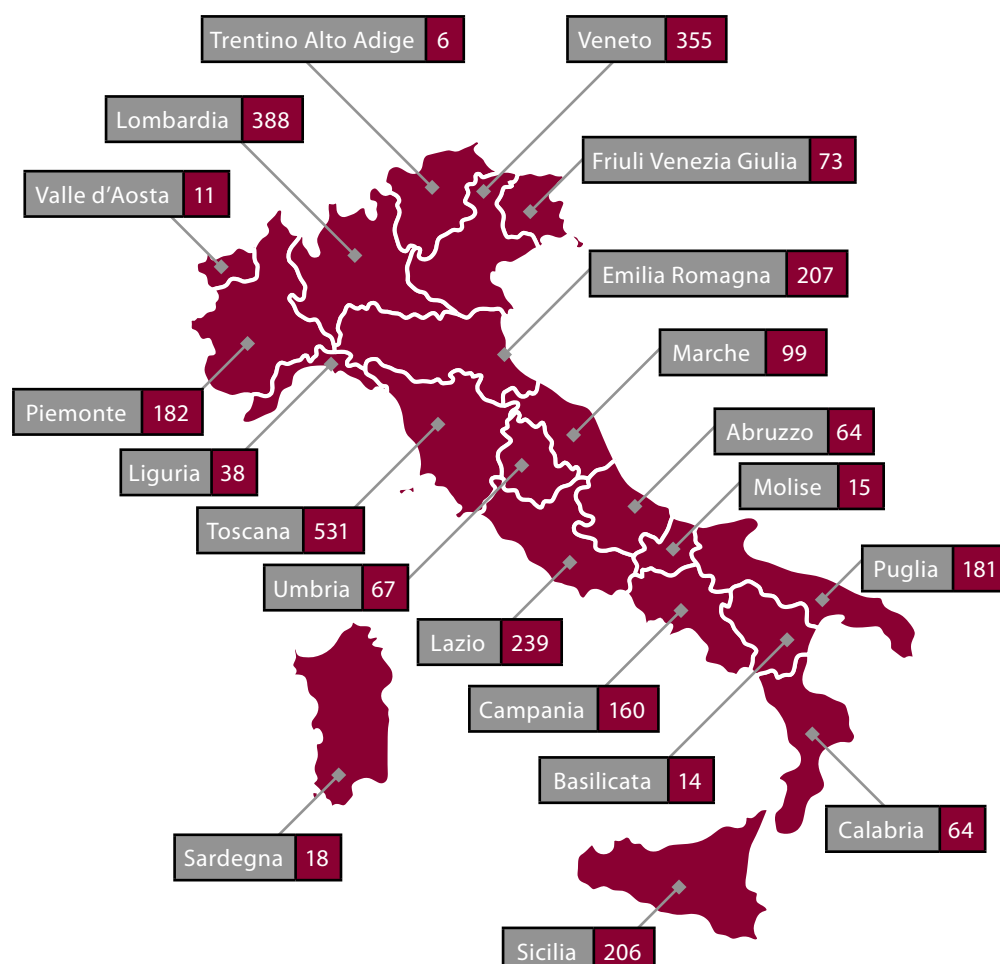
Apart from its traditional lending activity (short and medium/long-term loans for households and businesses, leasing, factoring, consumer credit), the bank engages in wealth management activities such as asset management (through its interest in AM Holding), private banking, investment banking and corporate finance. The group also offers bancassurance and social security products through its strategic partnership with AXA.

### REGIONAL PRESENCE

The Group is active over the whole of Italy and in the main international financial centres:

- In Italy (where most of its turnover is achieved), it can count on a distribution network consisting of almost 3 thousand branches, 256 specialist centres (for small/medium enterprises, public institutions and private customers), 151 financial offices and over 3,500 ATMs.

The Montepaschi branches in Italy



- It is present abroad with 4 branches (London, New York, Hong Kong, Shanghai), 11 representative offices (in the EU “target areas”, Central and Eastern Europe, North Africa, India, China) and 3 subsidiary banks under foreign law: MontePaschi Banque in France, MontePaschi Belgium in Belgium and MontePaschi Monaco in the Principality of Monaco (the latter is being discontinued).

### OPERATIONAL STRUCTURE AND MAJOR GROUP COMPANIES

The Organisational Structure reflects our integrated and multi-market approach to financial, credit and insurance activities, with an architecture that includes:

- A central structure, for managerial coordination and direction headed by Banca Monte dei Paschi di Siena which, apart from its commercial banking activity, also carries out, as Parent Company, the functions of direction, governance and sole control over the subsidiary companies.
- A production structure, consisting of the banks and financial companies of the Group specifically dedicated to developing specialized financial instruments to offer to the market (the so-called Product Companies). These include in particular: Consum.it (consumer credit company), MPS Capital Services Banca per le Imprese (specialising in corporate finance, capital markets and structured finance), MPS Leasing&Factoring (specialised in offering leasing and factoring services for businesses).
- A distribution structure, consisting mainly of the banking networks of Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca.
- A service structure, consisting of the Group companies that are responsible for the IT and telecommunication systems (Consorzio Operativo di Gruppo) and manage non-performing loans (MPS Gestione Crediti Banca).
- An overseas network, geographically distributed in the main financial centres.

## 2.6

### OWNERSHIP STRUCTURE

The parent company role is performed by Banca Monte dei Paschi di Siena SpA. The Bank is included in the FTSE MIB40 (the main benchmark indicator for Italian stock markets) with a market capitalisation of approximately 5.7 billion euros as at 31.12.2010.

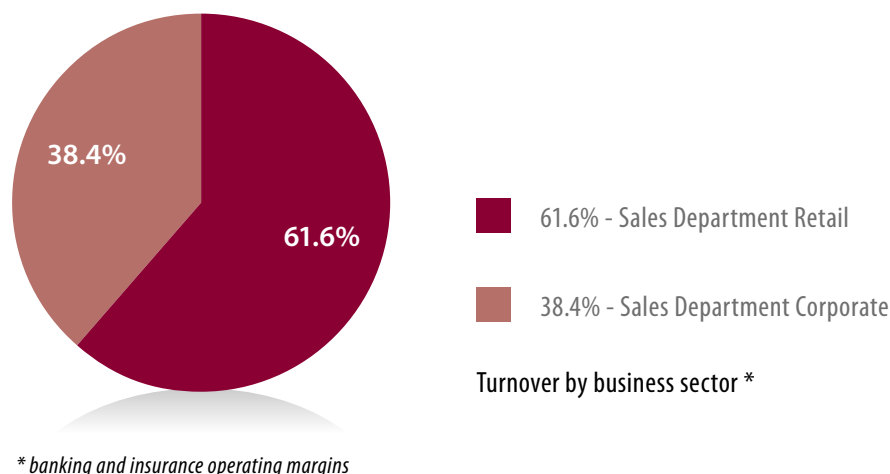
The Bank's major shareholders (so-called strategic investors\*) own an overall 63.91% of the ordinary capital. 70% of the residual capital is owned mainly by Italian retail investors and employees and the remaining 30% by institutional investors (of these approximately 8% North America, 9% Europe, 5% Italy, 5% UK/Ireland).

\* MPS Foundation 45.68%   JP Morgan Chase 5.54%   Axa S.A. 4.56%   Caltagirone Francesco Gaetano 4.81%   Unicoop Firenze 3.32%

### 2.7, 2.8

#### SIZE AND MARKETS SERVED

The Group has 31,495 employees, almost 3,000 branches and over 6.2 million customers, the great majority being retail.



### 2.9

#### SIGNIFICANT ORGANISATIONAL CHANGES

The Group's main corporate operations in 2010 were:

- 10 February** ■ Extension of the agreement with AXA to the network of Banca Antonveneta branches
- 16 April** ■ Merger of Banca Personale SpA into Banca Monte dei Paschi di Siena
- 28 May** ■ Disposal of 22 branches to the Carige Group
- 11 June** ■ Disposal of 50 branches to the Cassa di Risparmio di Firenze
- 3 December** ■ Merger of Paschi Gestioni Immobiliari Spa and MPS Investments Spa into Banca Monte dei Paschi di Siena
- 30 December** ■ Agreement with the Banca Popolare di Milano and Clessidra Sgr for the incorporation of, and equity investment in AM Holding which is positioned as the major independent asset management player in Italy
- At the end of 2010** ■ Completion of the real estate enhancement deal (for property used in the business)

### 2.10

#### RECOGNITION AND AWARDS RECEIVED

#### "CERCHIO D'ORO FOR "FINANCIAL INNOVATION"

The constant quest for quality and innovation which is the foundation of the range of products and services offered by the Group, has been recognised at the 7th award of the "Cerchio d'Oro for Financial Innovation" promoted by Aifin (Italian Association for Financial Innovation): Banca Monte dei Paschi di Siena was awarded the Special Prize as "The Most Innovative Bank of 2010", for its innovative products and projects in various categories.



### FINANCIAL STATEMENTS OSCAR

The 2009 issue of the CSR Report, together with the Financial Report at 31.12.2009 was a finalist in the 2010 Financial Statements Oscar for Major and Leading Banking and Financial companies.

The reason: "The strong point of the annual report was certainly the social report, complete in its full version and especially effective in the information provided in the summary document. Also praiseworthy was the disclosure relating to Intangible Assets".



### CSR ONLINE AWARDS 2010

The website www.mps.it ranked first amongst the banks in the CSR Online Awards 2010; the annual ranking compiled by Lundquist, in cooperation with Il Sole 24 Ore, which measures the effectiveness of the major listed Italian companies in communicating CSR policies and performance on the web.



### GREEN GLOBE BANKING AWARD 2010

The Bank was a finalist for two of its projects in the Green Globe Banking Award 2010, the Italian award given to banks that excel in environmental best practice:

- "MPS for the environment: real values deserve to be protected" which describes the Bank's strategy in shaping relations and synergies between sustainability, business and local interests.
- Sustainability programme for the procurement chain.



### GLOBAL FINANCIAL - BANK INDUSTRY REPUTATION

Global Reputation Pulse 2010 Report - Bank Industry: first bank in Italy (in tenth place in the overall ranking).



### AWARDS FOR THE PROJECT "SUSTAINABILITY IN THE SUPPLY CHAIN"

During 2010 the project was a finalist in several contests at international level:

- Procurement Leaders Awards 2010 - finalist in the CSR category.
- CIPS Supply Management Awards 2010 - Finalist in the *Best Contribution to Corporate Responsibility* category.
- ProcureCon Awards 2010 - finalist in the *Sustainability and Green Sourcing* category.





### MILANO FINANZA GLOBAL AWARDS 2010

Banca Monte dei Paschi di Siena received the “Leone d’oro” award at the Milano Finanza Global Awards 2010 for the best institutional advertising campaign. The “Leone d’oro” is aimed at companies and agencies that distinguish themselves in financial, institutional, corporate and product communication in terms of creativity and communication mix.



### BMPS SHARES IN THE MAJOR SUSTAINABILITY FINANCIAL INDICES

- Confirmed for the second year into the **Dow Jones Sustainability Index World** and for the third year into the **STOXX**



- Confirmed for the ninth year into the **FTSE4Good (Europe and World)**



- Confirmed for the seventh year into the “**ETHIBEL, EXCELLENCE** and **PIONEER**” investment registers



- Confirmed for the third year into **the ASPI**



- Included into the **Carbon Disclosure Leadership Index (CDP 2010 - Italy 60)**



- Included into the **FTSE ECPI Italy** (by E Capital Partners and FTSE Group)



# 3. Report parameters

3.1 -3.11

PROFILE, OBJECTIVE  
AND SCOPE  
OF THE REPORT

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The Report presents a study of the off-balance-sheet aspects which largely characterised the activity of the Montepaschi Group in 2010, giving substance to the notion of creating sustainable value for the company and for its stakeholders.

It is intended for those who want to know more about our approach to CSR (Corporate Social Responsibility), check the consistency of our operations against our system of values and measure the results obtained. In this sense it is part of a wider communication project, aimed at increasing and enhancing the ethical elements of our image and reputation vis à vis our stakeholders.

**The Report is drawn up in accordance with the “Sustainability Reporting Guidelines & Financial Services Sector Supplement”** set out in 2008 by the Global Reporting Initiative (GRI). In order to identify the most significant issues on which to focus the report, it also highlights the main requisites of the “reporting to stakeholders” model proposed by the Italian Banking Association (ABI), as well as the standards of analysis of the principal non-financial rating agencies.

**The level of application of the GRI-G3 Guidelines is A+ (maximum level).**

The Report is annual. It includes the activities and data relating to the financial year closed at 31 December 2010 and the most significant events for the first quarter of 2011 concerning the Montepaschi Group - as defined in our Consolidated Financial Statements.

The following activities are excluded from the reporting scope :

- The insurance segment (AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni), which is under the management responsibility of the AXA Group.
- The asset management sector, over which the Montepaschi Group does not have operational control (in 2010, through an agreement with the Banca Popolare di Milano and Clessidra Sgr, AM Holding was established and the respective shareholdings defined - the latter being the major independent operator in the asset management sector in Italy).

The data shown comes from various corporate IT systems, from general accounts to customers database and from personnel management system to procurement procedures. Part of this information, for which there is currently no unified Group management, has been taken from corporate and local sources and then aggregated centrally by the appropriate Parent Company departments.

In order to give an accurate representation of the Group’s performance we have favoured the inclusion of directly measurable quality/quantity information, avoiding as far as possible recourse to estimates which, where necessary, are based on the best methodology available.

To ensure suitable comparable periods we also provided data as at 31.12.2008 and 31.12.2009.

In the chapter “Environmental Performance” the time series is limited to only two years, as data available at 31.12.2008 referred to a more limited organisational scope and was therefore not comparable.

### Limitations of scope

Indicators analysis as at 31.12.2010 shown in the Report, if not otherwise stated, covers the following corporate areas:

<b>Customers</b>	The figures do not include customers from financial promotion and Consum.it (not shared with other Group banks), branches and foreign banks
<b>Environment</b>	The figures do not include branches and foreign banks
<b>Personnel</b>	The figures do not include Monte Paschi Ireland Ltd and foreign branches
<b>Suppliers</b>	The data does not include BiverBanca

### 3.13

#### EXTERNAL ASSURANCE

The report was audited by the auditors KPMG. S.p.A. The audit was undertaken following the procedures defined in their report, and it gave us a number of ideas for improvement of the reporting process and in relation to more effective implementation of our CSR policy.



**KPMG S.p.A.**  
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(Translation from the Italian original which remains the definitive version)

## Limited assurance report on the social responsibility report

To the board of directors of  
Banca Monte dei Paschi di Siena S.p.A.

- 1 We have reviewed the 2010 social responsibility report of the Montepaschi Group (the “Group”). The parent’s directors are responsible for the preparation of the social responsibility report in accordance with the Sustainability Reporting Guidelines & Financial Services Sector Supplement issued in 2008 by GRI - Global Reporting Initiative, set out in the “Report parameters” section. They are also responsible for determining the Group’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.
- 2 We carried out our work in accordance with the criteria established for review engagements by “International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)”, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance (and, therefore, less assurance than in a reasonable assurance engagement) about whether the report is free from material misstatement. A limited assurance engagement on a social responsibility report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the social responsibility report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:
  - comparing the information and data presented in the “Direct economic value generated and distributed” paragraph of the “Economic performance” section of the social responsibility report to the corresponding information and data included in the Group’s consolidated financial statements as at and for the year ended 31 December 2010, on which we issued our report dated 7 April 2011 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;

- analysing how the processes underlying the generation, recording and management of quantitative data included in the social responsibility report operate. In particular, we have performed the following procedures:
  - interviews and discussions with management of Banca Monte dei Paschi di Siena S.p.A. and personnel of Banca Antonveneta S.p.A. and Consorzio Operativo Gruppo Montepaschi, to gather information on the IT, accounting and reporting systems used in preparing the social responsibility report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the social responsibility report;
  - sample-based analysis of documentation supporting the preparation of the social responsibility report to confirm the effectiveness of processes, their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information included in the social responsibility report;
- analysing the compliance of the qualitative information included in the social responsibility report with the guidelines referred to in paragraph 1 and its overall consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of Banca Monte dei Paschi di Siena S.p.A. on the compliance of the social responsibility report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it offers a lower level of assurance that we have become aware of all significant matters and events that would be identified during an audit.

The social responsibility report includes the corresponding information and data of the prior year social responsibility report for comparative purposes, with respect to which reference should be made to our report dated 16 April 2010.

- 3 Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2010 social responsibility report of the Montepaschi Group is not prepared, in all material respects, in accordance with the Sustainability Reporting



Guidelines & Financial Services Sector Supplement issued in 2008 by GRI - Global Reporting Initiative, as set out in the “Report parameters” section.

Florence, 15 April 2011

KPMG S.p.A.

(signed on the original)

Andrea Rossi  
Director of Audit

## 4. Governance, commitments, engagement

### 4.1 GOVERNANCE STRUCTURE

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The corporate approach of the Montepaschi Group is based on the principles of transparency, integrity and prudence. Our corporate governance requires us to act in observance of our values through a behaviour that enable us to reconcile our own traditional vocation with sustainable economic growth in tune with local requirements.

The Parent Company has chosen a traditional system of Administration and Control as this is considered best-suited to ensuring sensible and prudent management.

The disclosures on “corporate governance” are published in the **Report on the Corporate Governance and the Shareholding Structure**, drawn up annually in compliance with the Self-Governance Code for Listed Companies and available in the “investors & research” section of the website [www.mps.it](http://www.mps.it).

We provide below some of the major aspects relevant for an assessment of the CSR of the Group.

The cardinal points which characterise this model include:

- A **Board of Directors** (BoD) responsible for policy and strategic oversight
- A **Board of Statutory Auditors** which monitors compliance with law, both regulatory and statutory, proper administration, organisational appropriateness, and administrative/accounting auditing of the company, the ways of correctly implementing the rules for corporate governance, by exercising its powers in an autonomous and independent manner.
- The **Shareholders’ Meeting**, can pass resolutions in ordinary and extraordinary meetings on such matters as:
  - The appointment and removal of members of the BoD and the Board of Statutory Auditors, and the related remuneration and responsibilities.
  - Approval of the financial statements and the allocation of profits.
  - Mergers, demergers, capital increases and any amendment to the Articles of Association.
  - The appointment of the Independent Auditors.
  - Remuneration policies and compensation schemes based on financial instruments for directors, employees and staff (not directly employed) of the Bank

The following are established within the BoD:

- **The CSR Committee** (see [4.9](#))
- **The Compensation Committee**
- **The Internal Audit Committee**

And, since November of 2010, following the issue of the new Consob Regulation covering "Operations with related parties", the **Committee of Independent Directors**.

[Report on the Corporate Governance and the Shareholding Structure \(pages 17, 26-29, 33-36\)](#)

4.2, 4.3

INDEPENDENT

AND/OR

NON-EXECUTIVE

DIRECTORS

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The independence requirements of directors are established by specific rules set out by Legislative Decree 58/98 (Consolidated Finance Law) and by the Self-Governance Code for Listed Companies.

On the basis of these criteria, the **BoD has ascertained the independence of 3 directors out of 12**.

On the other hand, **all the directors are non-executive**, in that:

- The CEO, a position provided for by the Articles of Association, was not appointed.
- The Executive Committee, in accordance with the Articles of Association, was not established.
- There are no directors carrying out management functions in the Bank

[Report on the Corporate Governance and the Shareholding Structure \(pages 16, 21, 22\)](#)

4.4

MECHANISMS

FOR SHAREHOLDERS

AND EMPLOYEES

TO PROVIDE

RECOMMENDATIONS

OR INSTRUCTIONS TO

THE HIGHEST

GOVERNANCE BODY

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**Democratic participation of the shareholders** is ensured via the exercising of these provisions set forth in the Articles of Association:

- Limits on the possession of shares which could result in any restrictions on exercising voting rights - no shareholder, with the exception of MPS Foundation, is allowed to own, for any reason, ordinary shares exceeding 4% of the capital of the Bank.
- The limit on the voting powers of the MPS Foundation is based on the fact that in any Ordinary Shareholders' Meeting it can participate for a number of shares that is least one share less than the total shares held by the other shareholders attending.

In addition:

- The shareholders who, even jointly, represent at least one-fortieth of the capital with voting rights, may request additional items to be included in the agenda, indicating in the request the additional subjects proposed for discussion.
- In the Meeting each shareholder can speak on the items on the agenda
- The employees holding ordinary shares in the Bank may exercise their voting rights

and take part in the Ordinary and Extraordinary Meetings.

- The Shareholders' Meeting, on the basis of the amendments to the Articles of Association approved in 2009, approves the remuneration policies and the compensation schemes based on financial instruments in favour of directors, employees and staff (not directly employed) of the Bank.

In its decision of 3 December 2010, the Shareholders' Meeting of the Bank made the necessary **amendments to the Articles of Association in order to comply with the new standards on the rights of shareholders in listed companies as provided by Legislative Decree 27/2010**, introducing various additional solutions to facilitate shareholders exercise of their rights and participation in Bank meetings.

For engagement activities with Union Organisations see [LA-Industrial Relations](#).

[Report on the Corporate Governance and the Shareholding Structure \(pages 7-10, 50-53\)](#)

### 4.5

LINK BETWEEN  
REMUNERATION  
AND PERFORMANCE

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In principle, **the performance linked remuneration systems are structured so as to avoid producing incentives that may conflict with the long term objective of creating value.**

To ensure full compliance with international standards (Financial Stability Board 2.4.2009 and Directive 2010/76/EC) and with the provisions of the Bank of Italy in matters of remuneration, in the 2009-2010 period the Bank implemented various initiatives which have been approved by the Shareholders' Meeting. Amongst these: the introduction of a medium/long-term incentives system for Top Management; the exclusion from the incentives system of the "control functions" and the "Manager in charge of drawing up the company accounts"; the establishment of an inter-departmental technical body to ensure the involvement of the appropriate company departments in defining the remuneration policies.

However, the provisions put out for "consultation" by the Bank of Italy in December 2010 that will abrogate all existing standards, require further alignment actions by the Bank, which concern:

- The definition of the personnel that falls into the so-called "most relevant" category, i.e. all those employees whose professional activity has or could have a significant impact on the risk profile of the company.
- In the framework of the performance objectives system, increasing the weight of the risk adjusted indicators, i.e. those indicators that can adequately account for risks over a reasonably long time frame.
- The structure of variable remuneration which, especially for the "most relevant" personnel, must meet certain requirements in terms of pay-mix (fixed vs variable), deferral system (payment in at least 3 years) and pay-out (payment in cash/financial

instruments).

The new remuneration policies, in accordance with the implementing standards prepared by the Financial Stability Board, as well as the provisions of the Bank of Italy (now being issued), were approved by the BoD and shall be submitted to the Shareholders' Meeting called for the approval of the 2010 Financial Statements.

With regard to the more specific subject of the **link between remuneration and performance**, the system currently in use requires the Bank to assign to each department/manager the objectives serving the purpose of the incentives system by means of the balanced scorecard, an instrument for aligning the individual performances with the aims of the Group and showing the strategic and operational priorities. These cards contain the Summary Performance Indicators as set up by the Planning department in the annual planning and control (budget) process.

For some central functions, without quantitative objectives (or for which the quantitative objectives are marginal compared to the management value of the activity) there is a model being prepared which, based on objective qualities of processes and organisation, is based on **indicators capable of recording the "quality of service" as perceived by internal customers**.

With regard to personnel in the branches and in order **to increase the levels of retention and enhance relations with families and businesses, avoiding reputational risks**, in the definition of the incentives system for 2010, the weight assigned to the "no-claims bonus" factor, which adjusts the result achieved, has been increased and other compliance indicators have been included (one of these being based on customer complaints and is therefore able to identify any signs of serious problems).

Finally, a new "customer perception index" is expected to be developed by 2012 to be inserted into the balanced scorecards.

### [Report on the Corporate Governance and the Shareholding Structure \(pages 28-33\)](#)

4.6

ONGOING ACTIVITIES  
BY THE HIGHEST  
GOVERNANCE  
BODY TO ENSURE  
THAT CONFLICTS  
OF INTERESTS  
DO NOT ARISE

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Regarding **Transactions with Related Parties** the Bank has complied with the regulations as amended by the new Consob Regulation No. 17221 of 12 March 2010.

### [Report on the Corporate Governance and the Shareholding Structure \(pages 16, 18, 28, 29, 45, 46\)](#)



### 4.7 DIRECTORS' QUALIFICATIONS

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The directors are elected by the Shareholders' Meeting based on a vote list. The [CVs](#) of the candidates for the position of director, including their appointments in other companies, are communicated to shareholders for due evaluation prior to voting.

The requirements: expertise and authority such as to ensure a high level of discussion within the body and contribute significantly to shaping the body's decisions.

In particular, the professional requirements are also subject to checks by the Board after the appointment.

During the year, information on new standards was provided (sometimes through direct presentations) in relation with transactions with related parties, statutory auditing, etc. and there were regular updates on important matters such as internal controls and risk management.

All the directors are men with an average age of 60 years old.

### [Report on the Corporate Governance and the Shareholding Structure \(pages 11-15\)](#)

### 4.8 MISSION, VALUES, CODES OF CONDUCT AND PRINCIPLES

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We see CSR as the corporate factor which encourages us to constantly seek the point of equilibrium between regulatory compliance, competitive choices, consistency with our system of values and the various points of view of the stakeholders.

Quickly implementing regulatory standards and guidelines and regularly ensuring fullest compliance are the main feature of our CSR approach.

Our aspirations and our CSR commitments go further in terms of sustainability and competition.

Voluntary principles and rules are formalised through:

- The [Mission](#): "to create value for shareholders both in the short and long term, giving priority to satisfying customers, the professional growth of people, and the interests of all the stakeholders".
- The [Charter of Values](#): ethics of responsibility, customer-orientation, readiness for change, entrepreneurial and pro-active approach, a drive for professional skills, team spirit and cooperation.
- The [Code of Ethics](#) - sets forth the corporate values in a compendium of the commitments which should guide the Group in their implementation, with the constant and careful consideration of stakeholders' expectations.
- [Theme Policies](#) - develop the aims of the Group in specific CSR areas and issues.

In carrying out its work, the Group is inspired by, and complies with, external provisions, whether from national or international sources, which can take the shape of principles, binding norms and recommendations, including in particular.

- The self-governance code for companies listed on the Italian Stock Exchange.
- The Code of Conduct for the banking sector.
- The Consob Regulation No. 17221 of 12 March 2010 containing “Provisions for transactions with related parties”.
- Legislative Decree 231/2001 concerning the administrative liability of legal entities.

### 4.9

#### PROCEDURES FOR IDENTIFYING AND MANAGING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

The issues regarding which we believe we can measure Montepaschi's social responsibility most appropriately can be identified through:

- A careful analysis of the macro-economic scenario.
- Consideration of social and environmental dynamics.
- Results of internal research.
- Checking consistency with the value proposition and the Code of Ethics.
- Development of international standards.
- Consideration of the valuation criteria used by analysts and specialised investors.
- The collection of inputs coming from relations with the stakeholders.
- Discussions with other firms and organisations which develop within the multi-stakeholder associations we take part in.

These issues are therefore considered for developing our CSR Strategy which in 2010 was implemented in accordance with the rules set out in past years and centred on the quality of customer service, the excellence of working conditions, business ethics and attention to the social and environmental impacts of the business.

The Committee for Corporate Social Responsibility is responsible for implementing the CSR Strategy, with the support of the Parent Company's Communications Area, with a specialist team of 3 persons

The area reports to the General

#### The Committee for Corporate Social Responsibility

It consists of three directors (2 independent). Meetings include the General Manager and the Chairman of the Board of Statutory Auditors.

##### *Duties*

It has advisory and propositive functions vis à vis the Board of Directors regarding measures aimed at safeguarding the environment, customer satisfaction, professional growth of people and protecting the interests of all stakeholders. It supports efforts to formulate the CSR Policy, assessing significant risks and opportunities for the Bank and its relative performance.

This year it met 4 times to discuss issues such as:

- The Social Responsibility Report.
- The proposed CSR plan for 2011-13.
- The Group's new Environmental Policy.
- Checking alternative solutions for better governance of the CSR.

Manager (the highest executive role in the Bank) and functionally to the Chairman of the BoD.

The activities carried out and performance achieved are reported annually through the Social Responsibility Report. The Committee checks the Report which is then discussed by the Board of Directors for approval and then presented to the Shareholders' Meeting.

### 4.10 PROCESS FOR ASSESSING THE PERFORMANCE OF THE HIGHEST GOVERNANCE BODY

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At least once a year the BoD verifies the adequacy of its size, composition and professional skills (intended as type and variety of overall skills and experience) as well as its own functioning and ability to adopt suitable initiatives.

The self-assessment process consists of:

- Filling out ad hoc questionnaires.
- Analysis of questionnaires by the Committee of Independent Directors.
- Interviews/studies by the Committee of Independent Directors

The following indicators are also taken into account: the number of meetings during the year (28 in 2010) and the average rate of participation (80% in 2010).

Regarding the long-term performance (i.e. the sustainability), the central benchmark for the activities of the Group and the Board, the BoD itself will verify the validity including through an analysis of the Annual CSR Report.

### [Report on the Corporate Governance and the Shareholding Structure \(page 18\)](#)

### 4.11 METHOD OF APPLYING THE PRUDENT PRINCIPLE OR APPROACH

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The crisis has revealed the importance of the role of the banks. In terms of sustainability, an objective is to prevent and mitigate the effects of such risks on the real economy. For this, it is necessary to ensure the right approaches to governance, management and control as guarantees of correct and transparent conduct in the market.

The Montepaschi Group, by virtue of a traditionally prudent approach to financial management, consistent with its own [Code of Ethics](#), has:

- Responded rapidly to the new regulatory requirements concerning corporate governance and risk management.
- Further strengthened risk management and control systems and the necessary resources to implement them.
- New remuneration policies have been worked out.

This has been done in constant contact with the Bank of Italy, the other appropriate authorities and coordinated in an ABI forum.

In particular, with regard to risk management and control:

- Since the first half of 2009 the Risk Management Area, which defines the methods of analysis and measurement of risks incurred, directly reports to the General Manager and it also reports functionally to the BoD and the CFO. This structure, in line with international best practices and standards, is aimed at ensuring greater efficiency and autonomy for the business.
- The risk management process has been further strengthened, mainly in relation to the gradual extension to the various Group companies of the models proposed for managerial and information purposes. Already implemented in the Parent Company since 2008 for credit risk (AIRB - Advanced Internal Rating Based) and operational (AMA - Advanced Measurement Approach) in line with Basel 2 standards - first pillar.
- Activities aimed at improving the internal models for market and counterpart risk have been pursued.
- There have been further improvements in the self-assessment processes for capital adequacy and in drawing up the relative ICAAP report (Internal Capital Adequacy Assessment Process) in compliance with Basel 2 - second pillar.
- Significant Quarterly data has been disclosed to the market concerning capital adequacy, risk exposure and the relating management systems (available in the "investors & research" section on the website [www.mps.it](http://www.mps.it)) in compliance with Basel 2 - third pillar. During the year the internal procedures for preparing and publishing this disclosures have been reviewed.
- In compliance with the provisions of the Bank of Italy and Consob, ample additional disclosure on the investments which the market considers as high risk investments has been provided. Specifically, in the financial reports, we have made available special analyses on the book value of structured credit products owned by the Group (CDOs - Collateralized Debt Obligations, ABS - Asset-Backed Securities and others) and the use of derivative instruments, traded on behalf of customers.

### 4.12, 4.13

ENDORSEMENT OF  
EXTERNAL CODES  
AND PRINCIPLES AND  
PARTICIPATION IN  
INDUSTRY ASSOCIATIONS

We endorse the following International Codes and Charters in the area of sustainability:

- The United Nations Declaration on "Finance and Sustainability" - UNEP Finance Initiative (since 1998).
- The United Nations Global Compact principles (since 2002).
- Alliance for CSR promoted by the European Commission - Communication No. 136 of 22 March 2006 (since 2006).

The Montepaschi Group observes and supports the CSR principles promoted by the United Nations and the European Commission



We support and take part in the activities of Italian and international organisations to promote the CSR, including:

- **Italian Banking Association** - members of the CSR Technical Commission and many other commissions and working groups. In 2010 in particular we have taken part in round tables on CSR subject such as: 1) the sustainability indicators in the financial statements of small and medium enterprises, as elements for possible further consideration by the banks; 2) the relationship between the banks and not-for-profit entities; 3) aspects of CSR that are relevant to bank/consumer relationships; 4) banking services for immigrants; etc.
- **Forum on Sustainable Finance** - we take part in seminars, workshops and meetings organised by the association to promote social responsibility in financial investments. In 2010 we have taken part in the drawing-up of a Manual on socially responsible investments which is aimed at financial promoters and staff selling financial products.
- **CSR Europe** (including through the Italian body **Fondazione Sodalitas**) - In 2010 we followed closely the development of various study groups on subjects such as; 1) measuring the social impact of companies at the local level; 2) financial inclusion and education; 3) the economic value of non-financial performance; etc.
- **Carbon Disclosure Project** - of which we are a partner in Italy. As investors we subscribe to the CDP's annual request to leading firms worldwide to make public their policies and performance in combating climate change. In 2010 we have taken part in the preparation of the Italy Report.

4.14-4.17  
STAKEHOLDER  
ENGAGEMENT

The principles observed by the Group to identify its stakeholders and to define the most appropriate approaches to managing the relative engagement are listed in the special **Policy on stakeholder engagement**.

We are committed to continuously increasing the quality of the relationship, refining methodologies for engagement and giving every counterparty some listening time and an opportunity for discussion.



## Governance, commitments, engagement

IDENTIFICATION OF THE STAKEHOLDERS AND THE MAIN WAYS OF ENGAGING THEM		
STAKEHOLDERS	TYPE OF RELATIONSHIPS AND ENGAGEMENT	QUESTIONS DEALT WITH IN 2010
Employees	Annual employee perception study	Perception of branch employees on working conditions and the instruments available to serve customers (PR5)
	Paschi Risorse, for an annual collection of feedbacks on skills development paths	Skills gaps and future growth plans (LA-Employment)
	Check on how well training courses meet expectations	Content and format of training courses (LA-Staff training and development)
	Questionnaires and focus groups	Sustainable mobility (EN7)
	Gathering feedback through a special post-box accessible from the weekly emailed newsletter	Various, dealing with Bank activities.
Retail customers	The branch network; the consultancy platform; etc.	Customer expectations regarding financial needs (FS15)
	Annual check on customer satisfaction through telephone interviews	Satisfaction with the relationship (PR5)
	Complaints analysis	How does the service compare with our commitments to customers and their expectations; response times; etc. (PR5)
Corporate customers	Annual checks on customer satisfaction through on-line questionnaires	Satisfaction with the relationship (PR5)
	Continuous commercial relations with SMEs through specific regional meetings	Access to credit and valuation systems; level of capitalisation; effects of the crisis and solutions implemented by the Bank
	Cycle of meetings/debates in the area	Economic crisis and effects on firms; possible solutions for recovery; etc. (FS5)
	Discussions at public meetings	Development of renewable energy; internationalisation; etc. (FS5)
Institutional Customers	Continuous commercial relations through specific area meetings	Public finance; development of renewable energies; etc. (EC8)
Shareholders and investors	Shareholders' meetings; road shows; conference calls; individual meetings	Financial and CSR reports; risk management and shareholders' equity; credit quality; remuneration systems; CSR profile of the Bank; etc.
Analysts	Road shows; conference calls; individual meetings; etc.	Risk management and shareholders' equity; credit quality; remuneration systems, etc.
	In-house workshops (corporate briefing); conference calls; valuation and rating questionnaires	CSR profile of the Bank and analysis of gaps
	Cooperation for research in the development of financial services	CSR Ratings of investment funds offered to customers (FS11); CSR Rating of investment portfolio for complementary social security of Bank employees (EC3); risks and opportunities in carbon finance (EC2)
Suppliers	Supplier days; individual meetings; questionnaires; etc.	Supply chain sustainability (EN26)
Not-for-profit organisations	Cooperation in the microcredit sector; counselling centres; etc.	Possible financial solutions to manage special difficulties encountered by "non-bankable" persons
	Cooperation in gathering funds for charitable purposes	See EC8
	Meetings with representatives of not-for-profit sector	Financial needs of not-for-profit organisations; relations between banks and armaments procurement sector

## Governance, commitments, engagement

STAKEHOLDERS	TYPE OF RELATIONSHIPS AND ENGAGEMENT	QUESTIONS DEALT WITH IN 2010
Media	Dissemination of information on corporate events; meetings/interviews with Bank representatives; monitoring of the Bank's exposure in the media; etc.	Main corporate events
	Cooperation in meetings/debates in the region	Economic crisis and effects on business; possible solutions for recovery
Union organisations	Collective bargaining	Corporate reorganisations and company development; remuneration; training; recruitment; promotions and assessment systems; transfers; etc. (LA3)
	Periodic meetings of Bank/Trade Unions joint bodies	Health and Safety; equal opportunities; working climate; environmental sustainability; drawing up CSR Report
Consumer associations	Consumer Lab	"Hot topics" related to the bank/consumer relationship ( <a href="http://www.mps.it/consumer+lab">www.mps.it/consumer+lab</a> )
Business associations	Drawing up commercial agreements and, through ABI also institutional agreements.	Financial communication and the dialogue between banks and businesses; use of CSR indicators in relations between banks and businesses, etc.
Supervisory authorities	Exchanges over ways and means of adoption of regulatory provisions and operational instructions	Remuneration systems; transactions with related parties; risk management; transparency; etc.
Trade associations	Participation in the Executive Committee and various ABI technical commissions	See <a href="#">4.12</a>
	Participation in various multi-stakeholder organisations promoting the CSR	See <a href="#">4.12</a>

# FS. Social and environmental aspects of the financial sector

## DISCLOSURE ON MANAGEMENT APPROACH

See [FS1](#) - [FS5](#).

## MANAGEMENT APPROACH

FS1  
ENVIRONMENTAL  
AND SOCIAL POLICIES  
APPLIED TO THE  
BUSINESS

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The [Code of Ethics](#) commits us to consider the conduct of the organisations we deal with directly or indirectly, ensuring that they are acting seriously and reliably, paying attention to their possible involvement in illegal activity, infringement of human rights, harm to the health and safety of people and nature.

Where the activities of these organisations appear not to be in line with the expected standards of behaviour, the Board of Directors of the Parent Company, on the advice of the Committee for Social Responsibility, shall assess whether not to establish/pursue the relationship.

For some economic sectors the assessment of possible social impacts is not unanimous and is subject to the careful scrutiny of public opinion, although with often conflicting views. Amongst these, for example, the manufacture and trade of weapons, alcoholic drinks, tobacco, genetically modified organisms and the nuclear sector.

Precisely because of their controversial, and therefore uncertain nature, bank operations in these sectors are not precluded in general nor in absolute terms; rather, they are verified on a case by case basis in order to minimise the associated reputational risks.

In particular, with regard to the **armaments sector**, since the year 2000 the policy has been to “avoid financing and intermediating cash flows arising from supplies falling within the provisions of Law 185/1990”.

Regarding the **environment**, a new Group [Policy](#) has been approved in the early months of 2011 providing, among other things, the “development of credit policies that take into account the possible environmental impacts on corporate clients and their projects”.

Since 2008 a [Policy](#) is also deployed for energy and climate change which commits the Group to “sustain and promote investments in the renewable energy sector and in the development of low-emission technology”.

There are also precise commitments to increase the financial inclusion of customers. The [Code of Ethics](#) ensures “attention to the needs of the more vulnerable people in society, favouring their access to banking services, the informed use of credit and the prevention of excessive debt”. The marketing policies implemented during the year, especially for retail clients, to enhance insurance protection for both life and non-life products should also be mentioned for their undisputed social aspects.

The Group activities are mainly concentrated in Italy, where, also in observance of specific laws, the environmental and social standards are relatively high (assessment of environmental impact on the infrastructure, legislation on labour contracts and health and safety in the work place).

While there are no particularly critical issues regarding the effects on credit quality due to any environmental risks or social problems of our customers and the projects we finance, in the last several years we have adopted procedures to monitor the environmental risk of credit and operations in the armaments sector.

As this is a subject attracting the attention of various stakeholders we also ensure adequate disclosure of the financial support offered by the Group to controversial sectors and countries.

### ENVIRONMENTAL CREDIT RISK

A careful analysis has been made of the main aspects of environmental risk/opportunity in corporate banking and project financing: through the ordinary valuation procedures for creditworthiness, the rates of potential environmental impact and the possession of ad hoc certifications (1,300 cases were recorded at the end of 2010 under ISO14001 and 150 OHSA518001) by the firms concerned are identified.

In particular:

- Project financing and corporate financing operations by the subsidiary Mps Capital Services were submitted to environmental screening which covered: the danger of the activity and the legal obligations of the sector, the dimension of the activity - as an approximation of the potential harm for the environment and the possession of environmental certificates. In 2010, 259 projects for almost 3.5 billion Euros were analysed, a marked increase over 2009. The increase in percentage terms, compared to the previous year, of the operations with the best environmental impact (B), is largely due to the growing commitment in the selection of operations. In particular, for energy sector operations, the valuations are done on the basis of due diligence conducted by external technical consultants.
- The ratings assigned to the biggest firms (with turnover exceeding 500 million Euros) also take into account the qualitative aspects of the operating risk, such as the potential environmental harm caused by their activity and, in positive terms, whether they hold any environmental certification. In 2010, 416 customers were surveyed for an amount of approximately 18 billion Euros. In addition, from time to time, during credit analysis and the assessment of the specific funding proposed, an evaluation is carried out of the environmental and social risks involved.
- The Credit Committee has adequately weighted its decisions including with considerations regarding the environmental implications of the most important lending projects (for example: energy performance)

## Social and environmental aspects of the financial sector

LOANS SUBJECT TO ENVIRONMENTAL SCREENING	2010	2009
<b>Specialised credit - Mps Capital Services</b>		
Number of transactions	259	215
Amounts (millions of Euros)	3,499	2,151
<b>Firms with turnover exceeding 500 million</b>		
Number of customers	416	470
Amounts (millions of Euros)	17,976	18,355

ENVIRONMENTAL RISK LEVELS OF TRANSACTIONS MPS CAPITAL SERVICES (2010)	PROJECTS	%	AMOUNTS (millions of euros)	%
Low (A)	88	34.0	199	5.7
Medium (B)	120	46.3	2,518	72.0
Significant (C)	29	11.2	301	8.6
High (D)	22	8.5	481	13.7

### OPERATIONS IN THE ARMAMENTS SECTOR

With regard to the financing of armaments, operations are supervised directly by the senior management of the Group Companies and precise instructions have been given to the Branch Network to **avoid any involvement in transactions falling within the scope of Law 185/90**. These instructions were extended in 2009 to Banca Antonveneta which, before joining the Group, had a certain involvement in the sector. In 2010 some cases have been identified, relating to residual transactions, previously authorised, for around 37 million Euros overall. Outside the scope of law 185/90, the Group has trade relations with firms which owe part of their turnover to the armaments sector, providing these firms with general financial services, not destined for specific projects. These commitments as at the end of 2010 amounted to 162.9 million Euros.

### FINANCIAL SUPPORT TO "CONTROVERSIAL" SECTORS AND COUNTRIES

There are industrial sectors whose production processes have an inherent environmental impact. We regularly record our loans in these types of firm (oil, steel, chemical-pharmaceutical etc.). As at 31.12.2010 the exposure in these sectors was 33,333 million Euros (22.5% of the total). Amongst the main sectors are infrastructure, which represents 2.4% of loans and the steel-metallurgical sector which accounts for 3.7%. Following a reclassification of the activity codes, the values of 2010 are not comparable with those of previous years.

OPERATIONS IN SECTORS WITH HIGH ENVIRONMENTAL IMPACT	2010
Investments (millions of Euros)	33,333
Proportion of total investments (%)	22.5

## Social and environmental aspects of the financial sector

In relation to sectors and countries considered “controversial”, i.e. subject to “ethical” assessments by public opinion, we believe it appropriate to provide adequate disclosure of our exposure, even though we do not have internal policies precluding this type of loans.

LOANS TO “CONTROVERSIAL” SECTORS	2010		2009	
	Amounts (millions of Euros)	%	Amounts (millions of Euros)	%
Armaments production and trading	163	0.12	145	0.11
Tobacco production and trading	34	0.02	17	0.01
Production and trading in alcohol	147	0.11	146	0.12
Production and trading in furs	25	0.02	27	0.02

LOANS TO “CONTROVERSIAL” COUNTRIES (millions of Euros)	2010	2009
Countries with high rates of corruption *	370	334
Tax haven countries **	369	14
Countries with poor human rights records ***	417	397

*Loans to these countries are due largely to transactions with local banking counterparties and in support of trade exports by our Italian customers*

\* Countries with a Transparency International CPI index <=3

\*\* Countries in the OECD Grey List (updated at 04.01.2011).

\*\*\* Countries with poor human rights records (Countries subject to armaments embargos and countries violating human rights).

### FS3 PROCESSES FOR MONITORING CLIENTS’ IMPLEMENTATION AND COMPLIANCE WITH SOCIO-ENVIRONMENTAL REQUIREMENTS

In project financing and financing agreements for very large firms specific clauses are provided, differentiated depending on the type of investment, which commit the firm receiving the loan to observe the regulations and other standards imposed by local authorities regarding environmental protection, health and safety in the work-place, labour contracts and transparency in bidding for contracts.

Compliance with these standards can be verified before, during and afterwards, using the documentation provided by the customer or through due diligence carried out by external consultants.

No failures to comply with such clauses have been found up to now.

### FS4 PROCESSES FOR INCREASING PERSONNEL COMPETENCY TO IMPLEMENT SOCIAL AND ENVIRONMENTAL POLICIES AND PROCEDURES AS APPLIED TO BUSINESS LINES

The processes used to increase personnel skills, in particular in the Branch networks, on the subjects of sustainability and business ethics, consist of training, internal communications and research activity:

- Training. Through in class and online courses employees are regularly updated on the prevention of risks associated with dealing with the public administration and other parties (Legislative Decree 231/2001), anti-money laundering, migrant banking, environmental management and health and safety of workers.
- Research activity, which also analyses the main social dynamics in support of commercial activity. Amongst the subjects analysed in 2010: demographic trends,

## Social and environmental aspects of the financial sector

employment dynamics, migratory flows, households consumption, renewable energy and waste recycling sectors.

- Internal communications, with updated information on commercial aspects and for sharing corporate happenings (see [LA-Strategy and development models](#)).
- Product cards supporting commercial activity, which, where applicable, provide further information on the social and environmental issues motivating sales (e.g. loans to renewable energy and products for financial inclusion).

Meetings with business and consumer representatives also provide opportunities for growth.

FS5  
INTERACTION  
WITH CUSTOMERS  
AND OTHER BUSINESS  
PARTNER ON THE  
SOCIAL/ENVIRONMENTAL  
RISKS AND  
OPPORTUNITIES  
IN BUSINESS

We regularly engage with customers and other commercial partners regarding the sustainability of the business and the associated risks and opportunities.

In the framework of the partnerships existing in the insurance/social security segments and asset management, attention has been given to CSR issues such as: protection and welfare, socially responsible investments, possible opportunities in the green finance market, service commitments, transparency and simplicity in communications with customers; etc..

In 2010 other initiatives were:

CUSTOMERS/ PARTNERS	MEANS OF ENGAGEMENT	ISSUES DEALT WITH	SOLUTIONS IDENTIFIED
Consumer associations	Cooperation with the initiative "Consumer Lab at your house"; setting up a stand in 8 cities for three days. The stand was manned by an employee of the Bank and by representatives of the Consumers' Associations	The rights and duties of bank customers and, in general, the characteristics of financial services and products	This initiative was appreciated by our partners who have decided to repeat it in 2011
	Preparation of information guides concerning financial education in the framework of Consumer Lab	The rights and duties of bank customers	Distribution of the guide over the web and in printed version (200,000 copies) to the branches and through the associations local networks
		Responsible use of the financial instrument "cessione del quinto" (salary backed loan)	Distribution of the guide over the web and in printed version (100,000 copies) to the branches and through the associations local networks
	Consumer Lab internal review of the subject of "financial needs of the not-for-profit organisations"	Financial needs of the not-for-profit organisations	Identification of ad hoc products and services to be further developed



## Social and environmental aspects of the financial sector

CUSTOMERS/ PARTNERS	MEANS OF ENGAGEMENT	ISSUES DEALT WITH	SOLUTIONS IDENTIFIED
Corporate customers	21 road shows in as many Italian cities to bring together businessmen, institutions and markets and savings experts	Solutions for dealing with the economic crisis	Identification of possible measures to deal with companies' problems following the crisis, including through their relationship with the bank
	Participation of Bank representatives in specialised conferences	1. Renewable energy and energy efficiency: analysis of specific public incentives and projects eligibility criteria for loans 2. Corporate internationalisation: the role of the Bank	Ideas for further development of the Bank's special offers
Business associations	Local meetings	The financial requirements of small enterprises and sustainable development	Drawing up cooperation agreements for developing suitable support for businesses
	Drawing up commercial agreements and, through ABI, institutional agreements	Financial communication and the dialogue between banks and businesses; use of CSR indicators also in relations between banks and businesses, etc.	Membership of specific agreements - ABI-Confindustria
		The financial requirements of businesses in the chemicals sector and supporting their environmental investments	Launch of a preliminary study group between Federchimica and major banks, coordinated by the Forum for Sustainable Finance
	Round tables, in cooperation with the Qualivita Foundation and EXPO 2015	Enhancing excellence in the agriculture and food industries	Identification of possible cooperation between the Bank and trade associations to sustain development of the agriculture and food industries

## PRODUCTS AND SERVICES

FS6  
CLIENT PORTFOLIO BY  
BUSINESS LINE, REGION,  
SIZE AND SECTOR

In carrying out its normal banking business the Montepaschi Group has relations **with over 6.2 million Customers<sup>(1)</sup>** of whom approximately 5.9 million are managed by the commercial networks of the Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca and in the framework of the Financial Promotion channels.

CUSTOMERS	2010*	2009**
Active customers	5,791,649	5,785,205

\* These figures do not include the Financial Promotion Channel (123,897 customers as at 31.12.2010), Consum.it (354,441 as at November 2010) foreign branches and banks.

\*\* These figures do not include Biverbanca (147,443 customers as at 31.12.2009), Consum.it (378,213 as at November 2009) foreign branches and banks

<sup>1</sup> The figures include customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and those which are not shared and are managed directly by Consum.it. We recall that on 16/4/2010 there was the merger of Banca Personale into Banca Monte dei Paschi di Siena, taking effect from 1<sup>st</sup> January 2010 for tax and accounting purposes.

## Social and environmental aspects of the financial sector

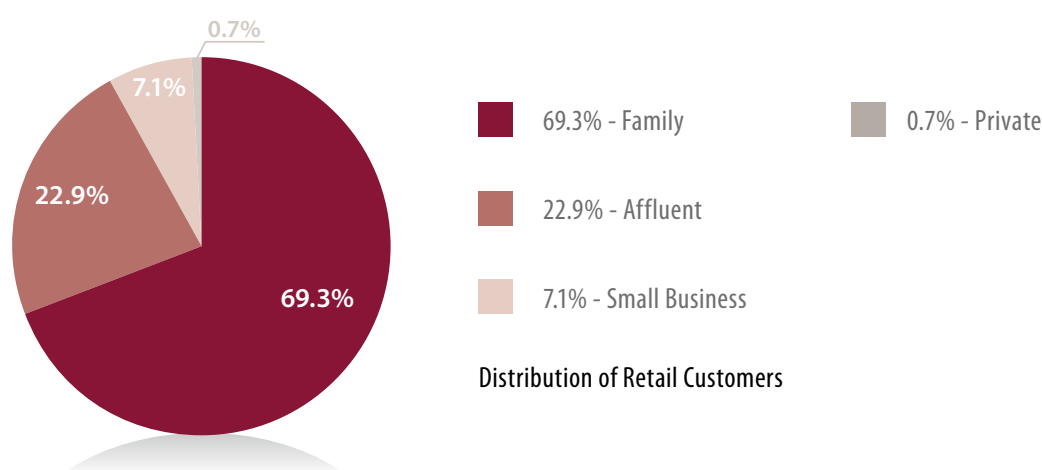
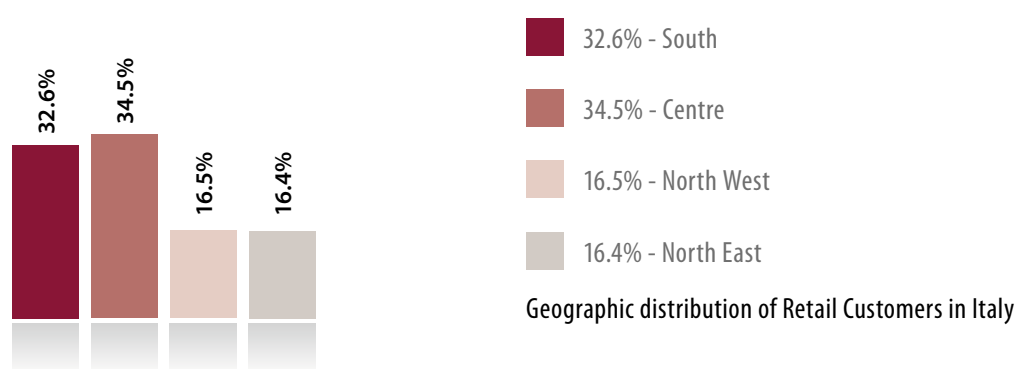
After 2009, also in 2010 dynamic developments in the customer base, described below, were influenced by some important corporate and organisational changes, including:

- The merger of Banca Personale with Banca Monte dei Paschi gave rise to a “technical” reduction in the customer base, due to several thousand shared customers when the banks were two different legal entities.
- In observance of requests from the Antitrust Authority, the disposal during the year of some Banca Monte dei Paschi di Siena branches had an impact on the customer’s retention ratio.

Commercial customers are classified in segments, each of which is attributed a specific service model to best respond to their stated requirements and needs. Retail customers represent 98.6% of these while 1.4% are corporate customers.

### RETAIL CUSTOMERS

This segment consists of **over 5.7 million customers** spread over the whole of Italy with a major presence in Central Italy. Within this customer segment the families component (Family) is the largest with 69.3%, who mainly require loans (consumer credit and loans) and investment services for smaller portfolios of securities. Then follows the 22.9% Affluent customers who need personalised management and then the Small Businesses segment with 7.1%, while Private customers, the very affluent segment, account for 0.7%.

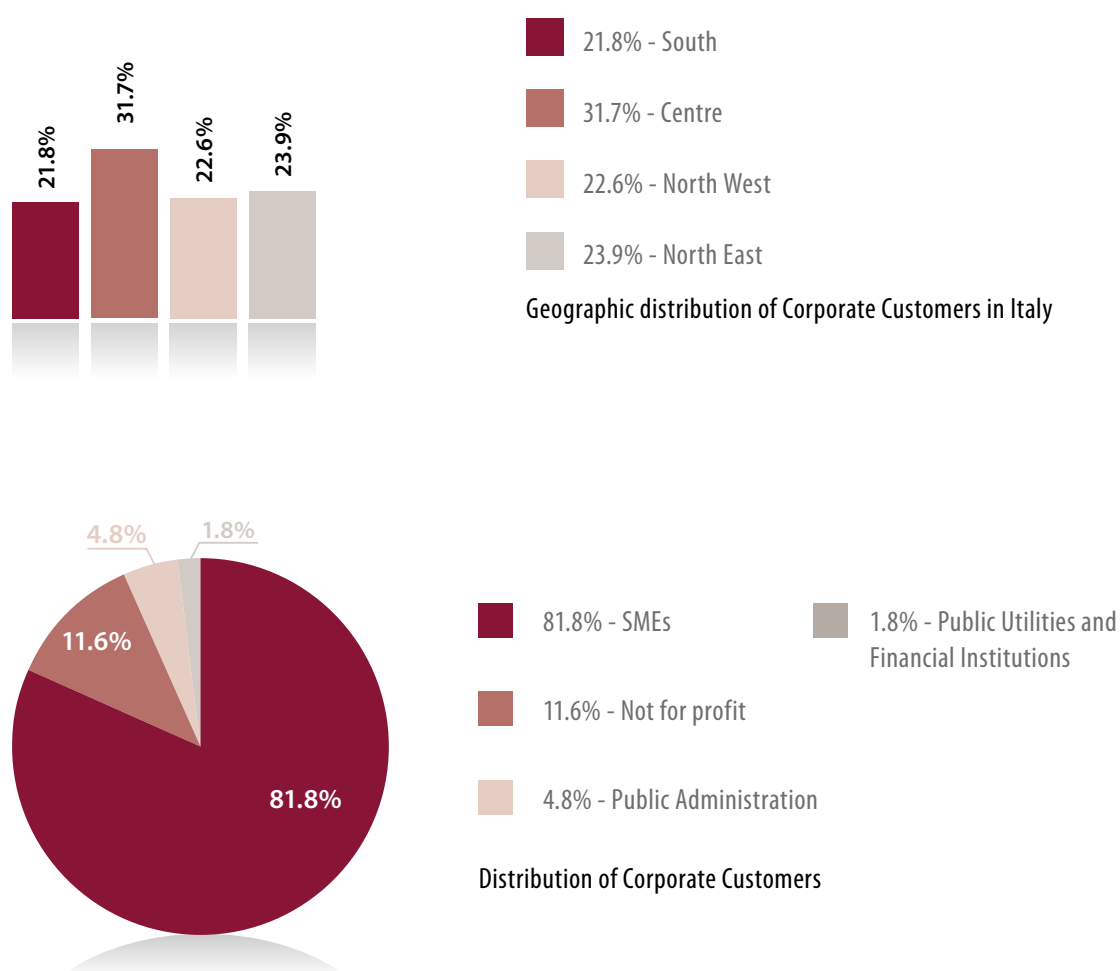


## Social and environmental aspects of the financial sector

If we examine the breakdown of Retail customers by age group, the largest at Group level is included in the 41 to 55 range which represents over 30%. The cluster of immigrant customers at Group level accounts for 5.16% with greater penetration by Banca Antonveneta compared to the Parent Company and Biverbanca.

### CORPORATE CUSTOMERS

This segment consists of **over 78,000** customers, broken down between Small and Medium Businesses (approximately 82%) and Institutions (18%), concentrated in the Northern Italian Regions (46.5%) but with a significant presence also in Central Italy (31.7%).



Relative to the “businesses” category, the breakdown by business sector shows a more marked presence of the Group in commerce, services, buildings and in the traditional Made in Italy sectors (manufacturing, textiles/clothing and food).

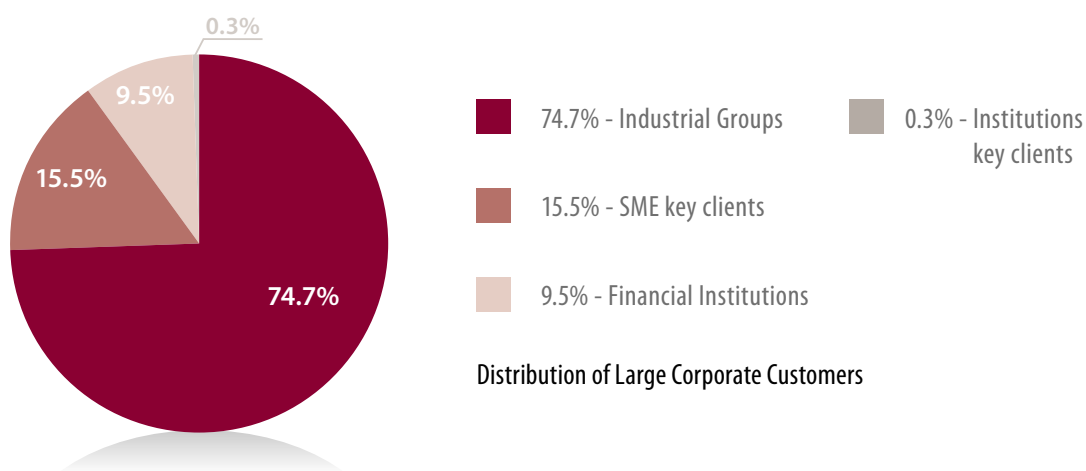
## Social and environmental aspects of the financial sector

BREAKDOWN OF BUSINESS CUSTOMERS BY BUSINESS SECTOR (%)	CUSTOMERS*	RETAIL**	CORPORATE
Commerce, shops, etc.	19.8	22.0	8.8
Credit and insurance, services for businesses	12.1	11.8	13.7
Construction industry and building installations	11.6	12.0	9.6
Food, textile, leather and clothing industries	9.6	9.0	12.8
Wholesale trade	8.4	7.7	12.0
Manufacturing, metal-working, precision instruments industries	7.0	6.2	11.0
Public administration, public/private services	6.1	6.6	3.6
Agriculture, hunting and fishing	4.8	5.1	3.1
Transport and communications	3.4	3.4	3.5
Extractive industry, chemicals and minerals processing	1.8	1.4	3.9
Energy, gas and water	0.5	0.4	1.2
Unclassified	14.9	14.4	16.9

\* Weighted average recorded for individual Retail and Corporate markets.

\*\* Small Business customers which are legal entities.

A separate service model is reserved for Large Corporate Customers (over 1,500 units) within which are placed all the major industrial groups.



Social issues are manifold (difficulty in accessing banking services, financial crisis, excessive debt) and we seek to respond with products and services developed ad hoc.

During 2010 the commercial guideline was to combine dealing with the needs expressed by families and small businesses, still markedly influenced by the effects of the economic and financial crisis, with the need to continue on our innovative path in the range of products needed to fully benefit from new opportunities within the timid recovery now in progress.

In particular the initiatives implemented refer to various lines:

## Social and environmental aspects of the financial sector

### CRISIS SOLUTIONS FOR FAMILIES IN DIFFICULTY

- **Fight the crisis.** This measure, which includes the provisions of the Families Plan designed by ABI, allows borrowers in difficulty<sup>(2)</sup> to suspend payment of instalments for a maximum of 12 months, also recovering any late payments. The residual debt is frozen. Interest accruing during the period of suspension is spread over the residual instalments in equal parts, without additional administrative costs for the customer. The residual debt suspended at Group level amounts to approximately 970 million Euros (3.1% of the residual debt in stock of loans to individuals) for over 9,100 loans. The initiative was extended also to personal loans which can be suspended for a period of 6 months. The initiative is destined for holders of loans being regularly amortised with at least 9 instalments already paid (of which a maximum of 1 not settled). The customer is not charged any additional cost, just the interest due on the residual capital for the suspension period. The amount of the instalments suspended for personal loans amounts to approximately 7 million Euros, divided between more than 3,600 customers.
- **Gasparrini Solidarity Fund.** The aim of the fund is to support borrowers in difficulty, whom we have already helped with other kinds of suspension but who are not making use of it at the moment of the application. For the customer the practical possibility is to suspend the loan instalments (both loans in arrears and those being regularly repaid) for no more than two times and for a maximum period of eighteen months overall, obtaining a reimbursement of the part of the interest due during the suspension. This measure began at the end of 2010 and will be operative in 2011.
- **CIGS Advance.** In order to ensure that redundant workers continue to receive an income while waiting for INPS to proceed with payment from the Government Temporary Layoff Benefits Fund, whether in the extraordinary or the exceptional form, [CIGS in Italian], customers receive an advance on the sums due to them from the CIGS (up to a maximum of 6,000 Euros). As at 31.12.2010 we had 984 loans for 5.9 million Euros. Rate: Euribor 3 months/base 360 (average for previous month).
- **Loan mobility.** We allow the free transfer of loans. In 2010 the products “Sostimutuo” and “Sostimutuo Protezione” were chosen by 16,477 customers for an overall amount of approximately 2 billion Euros.

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<sup>2</sup> Borrowers who:

- 1, Have ceased their salaried employment.
- 2 Have ceased a continuing and coordinated work contract, even if not as salaried employment.
- 3 One of the co-holders of the loan has died or is no longer self-sufficient.
- 4 Have stopped work or have reduced working hours for a period of at least 30 days.
- 5 Borrowers who, at the moment of the application, demonstrate an instalment/income ratio higher than 60% or all those who demonstrate the start of temporary economic difficulty due to work, health or family problems.

## Social and environmental aspects of the financial sector

### CRISIS SOLUTIONS FOR BUSINESSES IN DIFFICULTY

- **Support package for SMEs and “Avviso Comune”.** In addition to having joined ABI initiative “Avviso Comune”, the Group has made available an important financial package to its customers, entitled “Support package for SMEs”, aiming to provide immediate and practical aid to the national productive system and to allow businesses to cope with the negative effects of the economic crisis. The package consists of the following products destined for specific target customers: Made in Italy (for firms exporting goods and services), “Forza 5” and “Forza 3” (for the firms that demonstrate best care of their workforce), “Prorogatio” (for firms lacking liquidity due to delayed payments from the Public Administration), “Insieme Plus/Investo Plus” (for businesses whose under-capitalisation is penalising their ratings and credit-worthiness). To complete the range of initiatives deployed by the Group, there is a moratorium on instalment payments (capital account) of the loans (unsecured or backed by guarantees) for a maximum period of 12 months (Time Out), which targets Small Business customers and has come out earlier than other initiatives of this type taken at national level through “Avviso Comune”. In particular, within the framework of the “Avviso Comune” and “Support Package for the SMEs” initiatives, the Group has now decided over 19,000 cases, thus intervening on residual debts under the moratorium for a total of approximately 8 billion Euros.
- **CDP Loan.** The Group has joined the initiative promoted by ABI and the Cassa di Risparmio di Roma e Prestiti to support businesses, through the use of part of the funds coming from postal savings and provided to banks in the form of loans, to be used by the latter for granting loans to small and medium enterprises. The Group has developed a special product called “CDP Loan”, establishing a credit ceiling of 317 million. As at 31.12.2010, 113 transactions were effected for approximately 36 million Euros.
- **Emergency Economic Protocol - Tuscany Region - “Fidi Toscana”:** the Tuscany Region has initiated, through Fidi Toscana SpA a series of provisions aimed at supporting SMEs with registered offices or which are making investments in Tuscany. The Group joined the initiative and as at 31.12.2010 926 loans for a total of over 180 million Euros were granted.
- **Tourinvest.** In the framework of the “Progetto Italia e Turismo” (fruit of the cooperation between the Ministry of Tourism, part of the banking sector, the trade Associations and Confidi) and in support of the tourism industry, the Group has made available to its customers products specially dedicated to operators in this sector and funds for loans up 500 million Euros; in particular the Tourinvest loan, designed to support upgrading and business development investments in the tourism sector, with particular reference to aggregation, commercial upgrading, generational transition, energy savings and meeting safety standards. As at 31.12.2010, 8 transactions were carried out for a total of 1.5 million Euros.
- Operations abroad were boosted by the renewal of the Agreement with SACE (Italian foreign trade insurance body) for issuing guarantees for medium-term loans granted to the SMEs in support of business internationalisation (with an overall ceiling of 60 million Euros).

## Social and environmental aspects of the financial sector

- Following the governmental ruling which re-financed the **Guarantee Fund for the SMEs** managed by **MedioCredito Centrale**, whose direct and indirect guarantee constitutes an important instrument for facilitating access to credit for businesses, the Group has incentivised and increased the use of this instrument in granting loans to the business sector. For this type of operation a credit ceiling of 500 million Euros has been allocated and as at 31.12.2010 1,675 loans were granted for approximately 450 million Euros.

### SOLUTIONS FOR DISASTROUS EVENTS (RETAIL AND CORPORATE)

- **Intervention to support people living in Abruzzo (earthquake):** loans and financing for residents in Abruzzo were suspended until the end of 30 June 2010. Customers were later offered the opportunity to restart payments gradually by joining the "Piano Famiglie ABI". Residual debt suspended by Banca Monte dei Paschi di Siena was approximately 90 million Euros (1,131 loans suspended). Personal loans were also extended to people in Abruzzo ("Tuttofare ordinario" on particularly favourable terms (at Group level over 5 million Euros were granted; 624 cases). The Group also joined the agreement with the Cassa Depositi e Prestiti to channel loans from the Cassa to Abruzzo residents to be used for the restructuring/rebuilding of damaged houses (the Bank granted 17.4 million; 491 loans).
- **Lucca Flooding Initiatives:** the operation aims at providing financial support to the population hit by the natural disasters which occurred in the Lucca region in December 2009 (with contribution entirely destined to cover interest expense from the Province of Lucca). At Group level 0.4 million were allocated; 37 cases.
- **Veneto Flooding Initiatives:** following a special Decree, residents of the municipalities hit by the flooding were able to apply for a suspension on their loan payments.

### ACCESS TO BANK LOANS AND SERVICES FOR DISADVANTAGED PERSONS

- The offer of low-cost banking services, ideal for customers who favour the use of alternative channels, such as the internet and mobile phones. In 2010 the "Conto Zip" was marketed, with reduced costs and flexible services, on the basis of customer needs.
- **"Tuttofare Giovani":** personal loan for young people folks for studies related purposes (university studies, young persons involved in specific training courses, graduates who intend to pursue specialised Master degrees). Other dedicated loans are also available for young professionals. Around 2 million Euros were allocated; 399 loans.
- Loans granted to not-for-profit organisations increased considerably (74 million Euros, compared to 23.5 in 2009); additional dedicated products and services are currently being developed and careful attention is being paid to the requirements expressed by representatives of this sector. In particular in 2010 we launched **"Onlus"**, a financial product that provides advances of contributions and dues from public bodies for works provided by cooperatives or cooperative consortia in the province of Siena.



## Social and environmental aspects of the financial sector

- **"Paschi senza frontiere".** Increase in the range of services offered to immigrant customers (as at 31.12.2010 they represented 5.16% of total customers) through the review of agreements with correspondent banks in Brazil and Moldavia to deal with immigrants' remittances.
- **Restyling "Current Pension" Policy.** A free policy offered with the "Current Pension" account. It provides compensation in case of mugging and robbery after a cash withdrawal as well as assistance guarantees. In 2010, 64,143 policies were subscribed.

### MICROCREDIT AND INITIATIVES TO COMBAT USURY

- **"Microcredito di Solidarietà" (Solidarity Microloans):** Inclusion and support for disadvantaged persons continues in the regions where the Company operates. The Bank has a 40% interest in this venture. In 2010 this activity recorded a marked increase in terms of the network of counselling centres; cases examined, amounts requested and granted. In detail: there were 596 applications (+26% in a year); loans amounted to 1,073,000 (+18%). Counselling centres also increased markedly (from 29 to 42 in one year). The financial terms for loans remained unchanged with a maximum of 7,500 Euros to be repaid in five years and a fixed rate throughout the amortisation period equal to 2%.
- **SMOAT Tuscany Region:** SMOAT continues its work: it is a front-office offering a series of free services additional with respect to the guarantees and counter-guarantees for microloans (guidance, technical assistance, advice, etc.) for the start-up of small and medium enterprises in Tuscany. As at 31.12.2010, 53 transactions were carried out for approximately 1.8 million Euros, particularly in favour of business initiatives launched by young people and women.
- **Microloans Tuscany Region:** fixed term subsidies, designed to support families (also single persons) in temporary financial difficulty due to the current economic crisis. This type of loans are secured on the basis of an agreement with the Tuscany Region and by a guarantee from a special fund managed by Fidi Toscana, made available up to a maximum non renewable amount. In 2010 the Banca Monte dei Paschi di Siena granted 23 subsidies for over 78,000 Euros.
- **"New-born Fund":** loans requested by persons who have parental authority for babies born or adopted in the years from 2009 to 2011. In this loan the APR cannot exceed 50% of the AER on personal loans. For the families of babies born or adopted in 2009 who suffer from rare diseases an additional subsidy is provided which further reduces the interest rate. In 2010, 1.6 million Euros was granted; 339 cases.
- **Loans for families in difficulty - CEI-ABI Agreement:** the Group has made available funds up to 15 million Euros in the framework of national initiatives aiming to encourage loans in favour of large families, or families hit by illness or disability, who have lost all forms of income and have a project to get back to work or to start-up a business, through a guarantee provided by a fund established by CEI. In 2010, 3 loans for an overall amount of 12,500 Euros were granted. In this loan the APR cannot exceed 50% of the AER on personal loans.

## Social and environmental aspects of the financial sector

- **Anti-usury loans under law 108:** during 2010 we continued to sign local agreements with Confidi and other Foundations pursuant to law 108/96 for the prevention of usury and as at 31.12.2010 funds were made available for 67 million, of which 34 million have been used.

MICROLOANS	2010		2009		2008	
	number	Amount (euro)	number	Amount (euro)	number	Amount (euro)
Solidarity Microloan	290	1,073,000	255	906,000	97	245,000
SMOAT (Tuscany Region)	53	1,792,732	54	962,768	56	790,083
New-born fund	339	1,660,000	-	-	-	-
ABI-CEI Agreement	3	12,500	-	-	-	-
Other microloans	26	88,107	3	12,500	5	17,150

### FS8 PRODUCTS AND SERVICES WITH ENVIRONMENTAL GOALS

As indicated by specific corporate policies, the Group commitment to the protection of the environment is not limited to managing business risks. We have the responsibility and the opportunity of working with our customers to help them to manage their own impact on the environment in a more efficient manner.

Our approach is to share knowledge of these problems with customers, to manage them in a pro-active way towards mutually advantageous solutions, using the appropriate loans and banking services.

The intervention of the Group is carried out with products and services chosen according to the specific nature of the investments and customers:

- Loans for retail customers and businesses, also through project finance and leasing instruments.
- Investment in companies active in the environmental and renewable energies sector which at the end of 2010 was equal to almost 68 million Euros. In particular the equity investment in Moncada Solar Equipment Srl, controlled by Moncada Energy Group of Agrigento, which produces solar panels with the innovative "thin film" technology. The company, set up in June 2008, inaugurated the productive unit in December 2009. The overall equity investment made by MPS Capital Services is approximately 5 million Euros, for a corresponding interest of approximately 22% of the company's share capital.

In addition to the financing products, the Group offer in this particular segment is widened by the initiatives of AXA-MPS Assicurazione Danni, with the products "Ecoenergy" and "Guaranteed Installation" which provide various guarantees including protection against damage affecting the correct functioning of the photovoltaic plant during the installation stage and for all its life.

## Social and environmental aspects of the financial sector

In 2010 operations in the field have more than doubled (+172% compared to 2009): 2783 loans have been provided for over 1 billion Euros, or approximately 4% of the Group's total loans.

LOANS IN THE RENEWABLE ENERGY SECTOR	2010	2009	2008
Transactions	2,783	1,094	546
Loans amount (thousands of euros)	1,031,370	379,131	319,611

### RETAIL CUSTOMERS

Thanks to government incentives for renewable energies and savings, the interest of private individuals in this type of investment continued in 2010. Many families have financed their installation of photovoltaic panels through the many agreements we have reached with important players in the sector for the building of turnkey installations: 1,455 installations for a corresponding value of 39 million Euros, which corresponds to approximately 17% of the unsecured loans granted to individuals during the year.

### CORPORATE CUSTOMERS (SMES AND SMALL BUSINESS)

With regard to financial support for investments in renewable energies by small and micro-firms, the Group started offering the Welcome Energy package in 2006. During 2010 we supported over 1,160 firms for 561 million Euros of loans, in the framework of specific agreements with qualified installers

The Bank has also taken part in a syndicated loan for a leading Italian company in the sector, with a share of 39 million Euros.

In 2010 the TerrAmica package was launched in support of the agricultural sector aimed at adopting the policies for the containment of environmental impacts. The investments that can be financed are, for example, the purchase of "non-OGM" seeds, high-tech low-environmental impact machinery and investments for the improvement of animal husbandry structures with a view to animal well being.

### PROJECT FINANCING

To finance the construction of large plants we provide project financing through our subsidiary Mps Capital Services. In 2010 the bank granted loans for almost 220 million Euros to the renewable energy and environmental sectors. The main projects supported include :

- In the wind power segment - two plants in Calabria with installed power respectively of 79.5 MWe and 34 MWe, one in Molise with an output of 13.5 MWe, one in Puglia of 66 MWe, two in Sicily with 22.1 MWe and 84 MWe output and finally one in Sardinia with output of 138 MWe.

## Social and environmental aspects of the financial sector

- In the photovoltaic segment - a portfolio of twelve plants for an overall 17.9 MWp located in seven regions, and another photo-voltaic project with an overall 27.5 MWp, located in Puglia; the bank also plays the role of Technical Bank for a substantial programme led by a leading industrial business group which estimates installation of a portfolio of 64 photovoltaic plants for an overall 150 MWp by the first half of 2011, located in thirteen different regions, mostly in the north of Italy.

### LEASING & FACTORING

The Group's leasing company has continued to support customers' investments in renewable energy, mainly in the photovoltaic sector, but also in biomass co-generation, with a marked increase in the number of projects which passed in one year from 56 to 129. The loans amounts also increased significantly (from 63 to 219 million Euros in one year).

#### FS9 AUDIT TO ASSESS IMPLEMENTATION OF SOCIAL-ENVIRONMENTAL POLICIES AND RISK ASSESSMENT PROCEDURES

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To support and monitor the commitments contained in the policies and the code of ethics, their effective implementation will be subject to audit.

In the framework of ordinary checks carried out by the audit department attention has been paid to a number of activities that are relevant for these purposes. In particular: the application of Legislative Decree 231/2001, the prevention of market abuse, the risk management systems, the anti-money laundering procedures, banking privacy and transparency. In 2010 over 1,500 audits were carried out in subsidiaries, Parent Company structures, and Italian and foreign branches.

Specialised audits were also carried out on the systems for certificate management: ISO 14001 for the environment and OHSAS18001 for health and safety protection.

In 2010 149 and 169 on site inspections were carried out respectively, both by specialised personnel and by the certification body.

The outcomes of these audits were positive overall, with the renewal of the relative certificates. Only a few formal non-compliances emerged, relative to observance of legislative requirements and the relative deadlines, and observance of the time periods for carrying out risk assessment and staff training in health and safety issues. These failings and recommendations for further improvements were incorporated into the programmes of the projects to be carried out in the future.

## Social and environmental aspects of the financial sector

### FS10

#### RELATIONS WITH INVESTEE COMPANIES ON SOCIAL AND ENVIRONMENTAL PROGRAMMES

The companies in the Group have adopted the Code of Ethics and carry out their business in conformity with the directives of the Parent Company in terms of Risk Management, Model 231/2001, Anti-money laundering, Health and Safety etc.

The Group has investments in firms, entities and associations which operate in territorial development, social promotion and environmental sustainability. In most cases we participate with a representative in the managing bodies of these firms/associations, taking part in defining objectives and strategies. The main shareholdings number twenty for a investment of almost 200 million Euros.

<b>INVESTMENTS IN SOCIALLY AND ENVIRONMENTALLY ACTIVE COMPANIES</b> (Amounts in Euros)	<b>2010</b>	<b>2009</b>	<b>2008</b>
Financial companies with a social mission	110,332,255	109,879,066	104,999,322
Renewable energy producers	67,691,010	68,268,263	63,387,420
Water management companies	9,306,641	8,700,175	9,289,778
Environmental management companies	7,429,158	7,429,158	5,041,177
Bio-technological research	808,658	810,773	816,736
Regional development entities	770,422	78,178	820,060
Not-for-profit organisations	0	0	5,969,780
Microcredit	400,000	400,000	400,000
BIC - Business Innovation Centres	91,837	91,837	89,054
<b>Total</b>	<b>196,829,981</b>	<b>195,657,450</b>	<b>190,813,327</b>

### FS11

#### ASSET SUBJECT TO ENVIRONMENTAL AND SOCIAL SCREENING

Through its branch and financial promotion networks, the Group offers its customers several investment solutions which link typical financial management objectives with environmental, social-ethical and governance considerations (Environment, Society, Governance - ESG).

Amongst the main initiatives carried out in 2010 in this area, we can list:

- The inclusion in the product catalogue of a specific "Equity Sustainable" segment which currently consists of 16 funds/sicav, mostly ethical and concentrating on the green economy markets.
- The integration of financial disclosure of the main funds/sicav (open-end collective investment) being placed on the market (amounting to approximately 80% of the overall managed portfolio) with an ESG indicator which signals to the Manager, and therefore to the customer concerned, the products which, more than others, invest in securities of corporations and governments who in the discharge of their responsibilities also take into account the environmental and social issues.
- Cooperation with ANASF and the Forum for Sustainable Finance in drafting of a Manual on socially responsible investments for financial promoters and staff selling financial products.
- The issue of the bank five-year ING Sustainable Protected Growth bond, which, inter alia, provides for the payment at maturity of a variable coupon of 50% of the average rise of the EURO STOXX Sustainability 40 Price Index. This Index consists of the 40 best European companies in terms of sustainability performance.

## Social and environmental aspects of the financial sector

In addition, during the year, the management team of the investment portfolio of Supplementary Pension Funds for employees of the Parent Company has gradually integrated traditional valuations with those of the ESG parameters, for all the different investment lines. The specific ratings periodically provided by the specialised company Vigeo have been used for this purpose for the corporate and governmental securities included in the products and securities investment portfolio of the Funds.

FS12

SOCIAL AND

ENVIRONMENTAL

POLICIES IN EXERCISING

VOTING RIGHTS

IN THIRD PARTY

COMPANIES

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In 2009 control over all the Group's asset management companies was relinquished.

There are no specific policies regarding voting rights in investee companies.

# EC. ECONOMIC PERFORMANCE

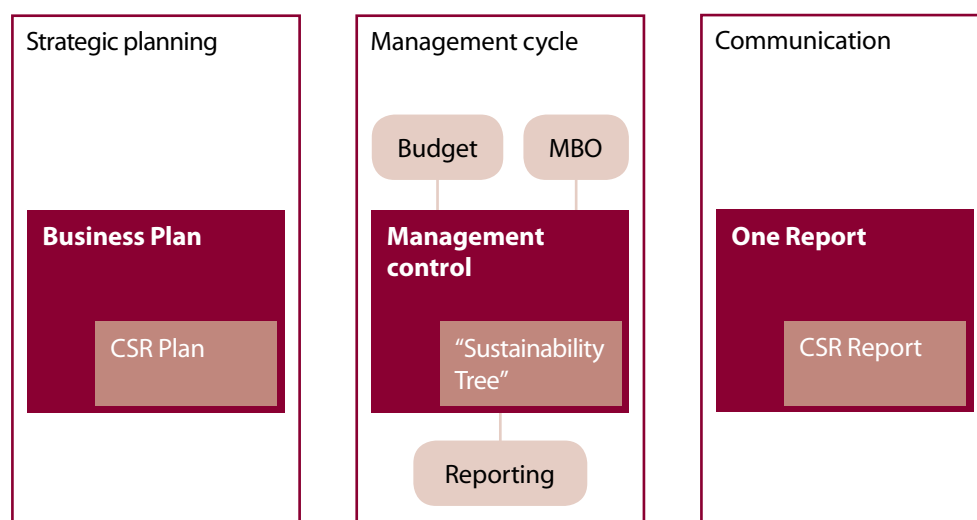
## DISCLOSURE ON MANAGEMENT APPROACH

The Group's foremost responsibility is to create value for the shareholders, mainly through the establishment of a solid and lasting relationship with customers based on the quality of services offered, and to distribute value to all stakeholders by paying salaries to employees, sustaining the savings achieved and meeting our fiscal responsibilities ([Code of Ethics](#)).

Economic and financial management is achieved through solid planning systems ([Business Plan](#)), control and reporting supervised by the Chief Financial Officer. ([Consolidated Financial Statement at 31.12.2010](#))

Also increasingly contributing to the Bank's performance are the positive developments of its own extra-financial assets, which we aim to further integrate into corporate processes. For this reason we have undertaken the implementation of a measurement and economic valuation model for the most important extra-financial components of the business which lies at the heart of our medium and long-term performance (reputation, compliance, skills development, qualitative and quantitative organisation of resources, motivation and employees' sense of attachment, customer satisfaction, the social and environmental commitment, etc): The "Sustainability Tree" (under completion).

We believe that CSR is a corporate factor that can contribute to optimising the group's overall value based management system.



*Process of integrating the CSR into the Group's Value Based Management system - flow chart*



## ECONOMIC PERFORMANCE

### EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

In 2010, in a still difficult economic climate, the Group has achieved considerable growth in its assets, always placing the needs of families and businesses at the centre of its business activities. In terms of numbers the Group closed 2010 on a positive note; the performance was positive both financially (net profit of 985.5 million Euros, against the 220.1 million of 2009), and commercially (overall deposits and savings + 6.9% year on year, loans + 4.1, loan stocks +12.7%.

The financial and income results of the Group are published in the Consolidated Financial Statements at 31.12.2010, available on the website [www.mps.it](http://www.mps.it).

**The total economic value generated in the year amounted to 5.3 billion Euros.** The indicator, calculated from Financial Statements data using the new methodology suggested by ABI, gives a measure of the value added, including “social” value, generated by our economic activity, to the substantial benefit of our major stakeholders.

DISTRIBUTION OF ECONOMIC VALUE GENERATED (thousands of Euros)	2010	2009
<b>Economic value generated</b>	<b>5,268,407</b>	<b>4,422,092</b>
<b>Economic value distributed</b>	<b>4,334,536</b>	<b>4,244,800</b>
To employees and staff	2,272,195	2,391,621
To suppliers	1,135,010	1,246,599
To the central and peripheral administration <sup>(1)</sup>	749,478	590,226
To the community and the environment <sup>(2)*</sup>	109,477	11,851
To shareholders *	66,890	3
To third parties shareholders	1,486	4,500
<b>Economic value retained <sup>(3)</sup></b>	<b>933,871</b>	<b>177,292</b>

(1) The item includes the remuneration of the “convertible financial instruments” (Tremonti Bonds) - art. 12 of Decree Law 185/2008, the amount of which will be distributed in June 2011.

(2) The item includes donations and dividends to the MPS Foundation for initiatives in the public interest

(3) The item mainly consists of the profits allocated to reserves, provisions and impairments/reversals of tangible and intangible assets

\* The data for 2010 was based on the proposed dividend decided by the Board of Directors on 28.3.2011

### EC2 FINANCIAL IMPLICATIONS, RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Our activities are not associated with high energy consumption and high emission rates of CO<sub>2</sub> (the main gas responsible for the greenhouse effect); nevertheless we consider carefully the opportunities and risks associated with climate change by implementing a specific **Policy** approved in 2009 by the BoD.

In particular we carry out analyses and internal research on the subject which we disclose through the annual investigations of the Carbon Disclosure Project (CDP): amongst the main risks identified there are indirect physical and regulatory ones, which our customers and suppliers may incur, while amongst the opportunities we note market developments in renewable energies and, more generally, in carbon finance. For further details please see the CDP questionnaires accessible in the “Our values” section (download area) of the website [www.mps.it](http://www.mps.it).

Our concern with this subject is also to be noted through:

- The partnership in Italy with CDP - the bank cooperates in the production and communication of the Italy Reports.
- Our response to the CDP's annual request to major companies worldwide to make public their policies and performance for coping with climate change.

### EC3

#### COVERAGE OF THE DEFINED BENEFITS PLAN OBLIGATIONS

All Group companies have provided their employees with a corporate complementary pension plan in order to ensure that their members, or their beneficiaries, are provided with pension services complementary to the basic mandatory system.

The amounts of the related liabilities are posted in the [Consolidated Financial Statements \(pages 234-237\)](#).

In the Banca Monte dei Paschi di Siena pensions management is carried out through two closed contractual funds

- The **Corporate Pension Fund**, reserved for employees hired before 31/12/1990.
- The **Complementary Pension Fund**, for employees hired since 01/01/1991.

The Corporate Pension Fund is in turn divided into two distinct sections:

- Defined benefit plan (supplementing the base pension).
- Defined contribution plan (with individual capitalisation).

The Fund's assets are thus fed by the voluntary contributions of the individual participants and the Bank which, for participants in the defined-contribution plan, are currently 2.5% of the useful remuneration base for the purposes of determining the Post Employment Benefits (T.F.R.), as it is the case for those participating in the Fund reserved for employees hired since 01/01/1991.

The Banca Monte dei Paschi and the Union Organisations have chosen Banca MPS as the only reference Corporate Fund for complementary pensions, following the harmonisation agreements for employees coming from the Banca Toscana, Banca Agricola Mantovana and Banca Antonveneta.

In this regard employees who, in their banks of origin, had joined the following Funds:

- **defined benefit plan**, starting on 01/01/2011, will become members on a voluntary basis of the Complementary Pension Fund for employees hired after 01/01/1991.
- **defined contribution plan**, will join that of the former Banca Toscana (which will then replace those in Banca Agricola Mantovana and Banca Antonveneta), which will become an independent legal entity, financially independent with regard to the Banca Monte dei Paschi di Siena.

It is important to remember that in 2009 the Board of Directors of the two Funds, after a careful study of the changing conditions in the economic/financial scenario described to them by sector specialists decided, with effect from 01/01/2010, to **review the asset**

**allocation of the various investment lines** in order to make them more in tune with the needs of the members and the changed conditions in securities markets.

In particular, for all the various investment lines, the management of the investment portfolio has gradually complemented the traditional measurement systems with the ESG parameters (Environment, Society, Governance). The specific ratings periodically provided by the specialised company Vigeo have been used for this purpose for the corporate and governmental securities included in the products and securities investment portfolio of the Funds.

The Bank provides the staff, the premises and other means needed for the management of the two Funds free of charge and will bear all the expenses and charges involved, including those for the functioning of the administrative and control bodies.

### EC4 SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT

In 2010 the Group companies have not received any significant contributions from the Government.

## MARKET PRESENCE

### EC5 AVERAGE PERSONNEL WAGES AND ENTRY-LEVEL WAGE

Annual Gross Remuneration of Group personnel is in line with average rates in the sector.

AVERAGE ANNUAL GROSS REMUNERATION (euros)	2010	2009	2008
Senior management	143,376	134,974	129,210
Middle management	56,655	55,523	54,124
Professional staff	38,094	36,993	35,942

With regard in particular to the average wages of entry level staff (hired on the basis of the professional apprenticeship contracts pursuant to Legislative Decree 276/03), this remuneration stood at approximately 30,000 Euros in 2010.

With regard to newly- hired personnel with the professional training apprenticeship contract pursuant to Legislative Decree 276/03, it is worth noting that:

- The Bank has decided to reduce the duration of this type of contract from the 4 years set out by law to only 2 years.
- At the end of the contract, the employment is normally converted into permanent employment, with an employment level going from the initial <sup>3rd</sup> level of the <sup>2nd</sup>

Professional Area to the next level (1<sup>st</sup> level of the 3<sup>rd</sup> Professional Area). Of the persons employed in 2008 under this contract, only in one case the employment was ended by management decision at the conclusion of the two years apprenticeship.

- After the first 18 months of the contract, the entry-level employee is granted - on a temporary basis - the scheduled financial payment corresponding, net, to that established for the end-of-contract employment, (1<sup>st</sup> level of the 3<sup>rd</sup> Professional Area).

### EC6

POLICIES, PRACTICES  
AND PROPORTION OF  
SPENDING ON LOCALLY-  
BASED SUPPLIERS AT  
SIGNIFICANT LOCATIONS  
OF OPERATION

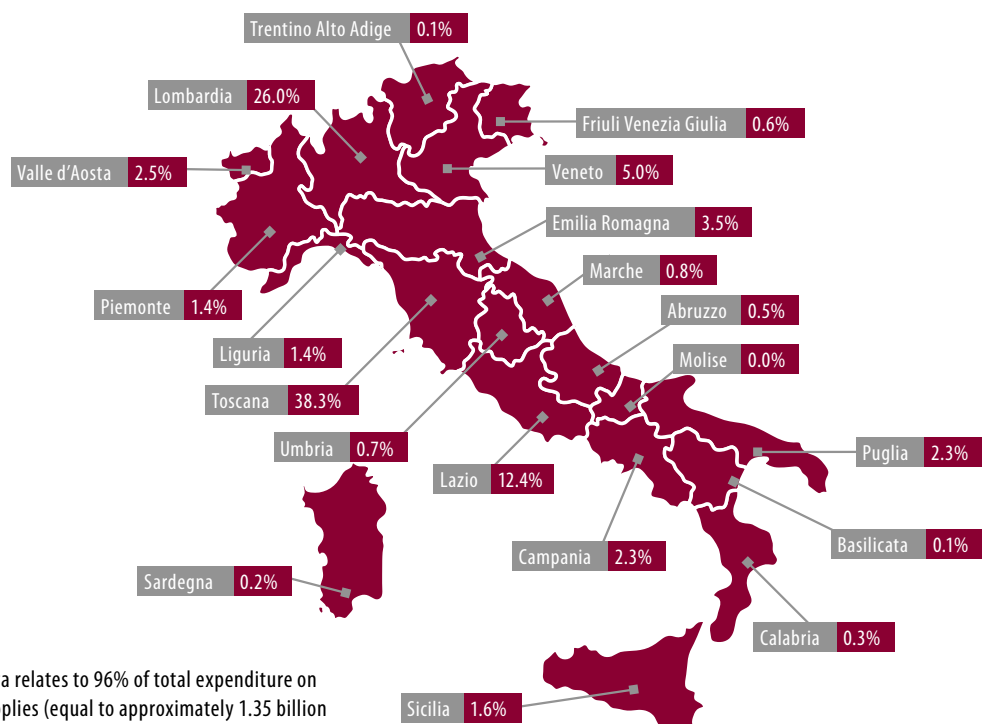
The selection of suppliers is done at the end of negotiations based not only on price but also on other factors including the quality of the supplies, the reliability of the supplier and the overall commercial and financial reciprocal relationship with the counterparty (see also [EN26](#) and [HR2](#)).

In particular, the specific Vendor Rating model (which shall be used systematically to manage the selection/qualification process for suppliers) consists of the following assessment parameters:

- Financial rating.
- Commercial rating (reciprocity).
- Sustainability rating (CSR).
- Performance rating.

We pay much attention to the areas where the Group carries out most of its activity. In this sense we consider it appropriate to use local suppliers, that is to say firms present in the areas where the Group has its strongest and most traditional roots.

Suppliers - geographical breakdown (Values expressed as a % of turnover) \*



\* Data relates to 96% of total expenditure on supplies (equal to approximately 1.35 billion Euros).

EC7

LOCAL HIRING OF STAFF

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Hiring of entry-level staff, through the use of suitable selection procedures, takes place mainly using the professional training apprenticeship contract pursuant to Legislative Decree 276/03. For these hirings the Group tries to ensure that the office assigned is in the geographical area nearest to the area where the young employee resides. It was possible to achieve this objective in 51.3% of cases in 2010.

It is also contractually established that all new employees who are first assigned to a workplace in a town other than the one of residence should receive an additional allowance for 13 months.

With regard to the recruitment of senior management, there are no specific policies taking account of the place of residence of the person concerned. These recruitments are aimed at acquiring particular professional skills, that are not present or that cannot be developed internally in the short term and that are generally placed in the operational offices of the central structures of Group companies.

### INDIRECT ECONOMIC IMPACTS

EC8

SUPPORT

FOR INVESTMENTS

IN INFRASTRUCTURE

AND SERVICES IN

THE PUBLIC INTEREST

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The [Code of Ethics](#) commits us to take part in the promotion and development of the economic well being and the quality of the social context in which we operate.

We sustain protection and development programmes for the communities through:

- Cooperation with local institutions.
- Direct contributions to organisations for cultural, scientific, social and environmental initiatives.

### COOPERATION WITH THE INSTITUTIONS

In 2010, as in previous years, the Group has maintained a fruitful and regular relationship with all the institutions with a view to contributing in a practical manner to the recovery of the economy in the areas where we operate. Through specific regional managers in these areas (51 Specialised Centres in Italy) we ensure an ongoing relationship with public officials ,which also includes consultancy in public finance matters.

We have provided various forms of financial support to the creation of works and services in the public interest. In particular:

- Investments have been made in all the sectors supervised by the government (health, transportation, schools, water boards) for an amount of 158 million Euros.
- Mps Capital Services has taken part in the financing of important public works, for over 50 million Euros, including: a hospital structure in Lombardy; a distance heating network for two co-generation plants; the water infrastructure in the coastal area of Tuscany. It was also the Lead Manager for bonds issued by Municipalities for an overall 5.5 million Euros.

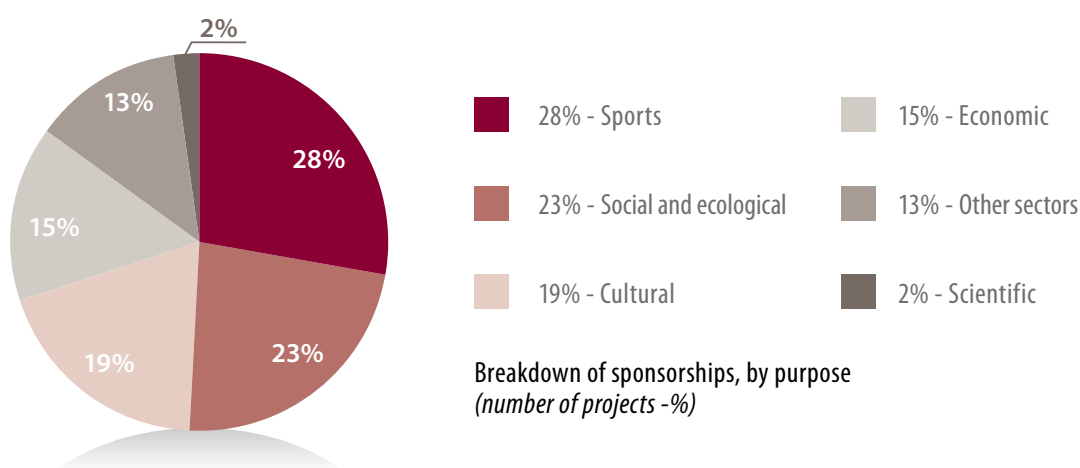
### DIRECT CONTRIBUTIONS

In line with the specific [Policy of Social Involvement in the Communities](#) we also support the community directly through:

- **Sponsoring** cultural, artistic, scientific, sports, and social initiatives. These constitute a fundamental marketing instrument for achieving the communications objectives of the Group (almost 800 interventions for approximately 35 million Euros). As from this year the sponsorship budgets have been centralized in the Parent Company's Communication Area which already carries out all the administrative and accounting formalities relating to individual cases.
- **Donations**, i.e. voluntary financial contributions proposed by the corporate bodies without any public relations aims, for over 3.1 million Euros.
- **Contributions** granted to projects with social aims and scope, established by Local Entities in the context of cash and treasury services. In 2010 the expenditure was approximately 5.5 million Euros.

The overall economic commitment was approximately 43.6 million Euros.

DIRECT CONTRIBUTIONS TO THE COMMUNITY (thousands of Euros)	2010	2009
Total contributions	43,573	46,389
<i>Sponsorships</i>	34,969	34,725
<i>Donations</i>	3,116	5,575
<i>Contributions to local government agencies as part of treasury and cash services</i>	5,488	6,089



### Some of the main contributions in 2010

#### Cultural sector:

it is worth mentioning the support to an overall package of interventions to the Local Government of Siena including the "Città Aromatica", the Siena Jazz events and festivities for the New Year in 2011. There was also the participation in the Travelling Show for the "125 years of the newspaper Il Resto del Carlino", support for the Biennale Antiquaria in Siena, the "Poor Theatre of Monticchiello, the Festival of Documentary Films, the Play Art Arezzo event, the Premio Giornalistico Frajese. The Bank in 2010 also launched its own presence as a partner of

the Italian Konzert Opera, for the organisation of the summer season of operatic events. The Bank contributed to a scientific expedition organised by the Universities of Siena and Turin for analysing in situ one of the most important meteoric impact craters discovered in recent years.

### Sports sector:

apart from the regular relations established with A.C Siena, Mens Sana Basket, A.C. Arezzo, U.S. Virtus Poggibonsi, Mantova Calcio, Viadana Calcio, the Basket Bancole and the Top Team Volley Mantova, we also mention the agreement with Women's GEAS Basket Milano, the Women's Football Sports Association- Siena, the Italian Canoe and Kayak Federation, Fidal Toscana and the Rome Polo Club. We also report cooperation with the Italian Golf Federation, Tuscany Section, the Italian Tennis Federation, Tuscany Section. The historic sponsoring which the Bank reserved for the Viadana Rugby team this year has evolved as the company grew, which together with other Reggio Emilia teams has given rise to the Franchigia Aironi. An agreement has been reached with the Team JIR class Moto 2 for sponsoring the driver Simone Corsi, the young hope of Italian motor-cycle racing. For particular events we note the agreements reached for the Motoraid Guzzi, the GP *della liberazione* and the Regions Tour, the Danza in Fiera festival, the Montepaschi Professional *Strade Bianche* event, and the International Horse Show - "La Bagnaia".

### Social sector:

The Group has sponsored the Premio *Santa Caterina d'Oro* and has collected funds for the Don Mazzi Exodus Association; it has given large contributions to the local contrade events in the City of Siena for social activities and for the restoration and enhancement of its artistic heritage. The Bank has also been a point of reference for "La Fabbrica del Sorriso" [smile factory]. In 2010, as in previous years, there was the fund-raising Christmas initiative to support 14 associations over the whole of Italy in producing important projects with a high social content.

### Economic sector:

amongst the many initiatives we emphasise the support for Promosiena, the work of the Italian Ecoteca and the project created by the Qualivita Foundation which has the objective of bringing the Italian agri-food districts to the forefront of EXPO 2015. During 2010 the Bank also chose to join the Municipality of Colle Val D'Elsa in supporting glass-making know-how in Tuscany.

Further solidarity initiatives concerned the organisation and the promotion of various funds raising, for over 600 thousand Euros:

- Through Montepaschi's traditional Christmas initiative - **"This Christmas let's toast to solidarity"**, the branches collected funds intended to give support to important health treatment and assistance projects launched by 14 ONLUS (Italian charitable bodies) and other charitable associations in Italy mainly targeting babies and children in difficulties.
- As reference bank for the project **"La Fabbrica del Sorriso 2010"**; a fund-raising event promoted by **Mediafriends** ONLUS supporting solidarity projects in Italy and worldwide in favour of children in need of help. Part of the funds raised went to an organisation based in Campania proposed by the branch network.
- As a partner of the World Diabetes Day and Unicef.
- In cooperation with Pellegrini (the company which provides part of the "luncheon vouchers" for the Group employees) in support of the population of Haiti hit by the earthquake.
- Through the issue of Ethical Cards (in co-branding with not-for-profit associations) which involve donating part of the issuing or recharging revenues to charitable bodies.



EC9 (ADD)  
ANALYSIS OF  
THE MAIN INDIRECT  
ECONOMIC IMPACTS

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Because of the intrinsic nature of the banking activity, the Group operations impact on the development of the socio-economic fabric. The Group's commitment is to ensure that our intervention may benefit the Bank, the economy, the community and the environment.

Contributing to sustainable development is the guiding principle of our CSR Policy, which we apply through financial solutions capable of serving market needs in an appropriate and innovative manner and meeting the general interests of the community.

The areas of general interest with an indirect economic impact on which we concentrate our efforts include:

- The financial inclusion of the more vulnerable sections of society ([FS7](#)).
- Combating climate change (see [FS8](#)).
- Sustainability of the procurement chain (see [EN26](#), [HR2](#), [EC6](#)).
- Social involvement in the community ([EC8](#)).

# EN. ENVIRONMENTAL PERFORMANCE

## DISCLOSURE ON MANAGEMENT APPROACH

We are committed to managing activities which can have negative or positive impacts on the environment in an organised and increasingly efficient way.

The significant environmental aspects for the Group mainly concern:

- **Internal operations** - i.e. the consumption of paper, energy and water, refuse and other polluting emissions associated with office work, asset management, information technology, transportation and business mobility, logistics and procurement procedures.
- **Market relations** - in particular any negative effects on credit caused by the low level of environmental friendliness of the company or the financed project (see [FS2](#)), and the contribution to eco-efficient business and technological activities achievable through the bank's offered products (see [FS8](#)).

The [Environmental Policy](#) was reviewed in the first months of 2011. The new Policy strengthens the corporate commitment to protect the environment, formalises its extension to all Group companies and confirms challenging performance objectives, both in internal operations and in market relations.

At managerial level, in particular in the Parent Company and in the subsidiary Mps Capital Services, we confirm some specific practices based on a **procedural and organisational structure compliant with international standard ISO14001**. As at 31.12.2010, the environmental management system was operational in 83% of the Group's subsidiaries; 74% in terms of personnel. The system is coordinated by the Costs and Logistics Area of the Parent Company with the support of 28 of the regional contact points (the Heads of Environment and Safety- RAS).

During 2010 the system was subject to the periodic checks scheduled by the Certifying Body. **The outcomes of these audits were positive:** only one formal non-compliance emerged, concerning the monitoring and management of legislative requirements; suggested improvements were incorporated into the programmes of the projects to be carried out in the future.

**A major training effort was put in place to support ongoing skills development** and the dissemination of behaviours among personnel that are in line with our corporate objectives in the environmental field. Special on-line courses are available. In addition, with regard to the specific professional needs, some company personnel are following ad hoc training paths, including: external training courses, refresher workshops and meetings with experts and representatives of corporate examples of excellence. In particular, in 2010 there were:

- An on-line introductory course on the environmental management system for 200 new employees, 16 branch managers and 16 employees of Mps Capital Services.
- 400 hours of training for heads and personnel in the Costs and Logistics Area on subjects such as the sustainability of the supply chain, mobility management, waste management, etc..
- 60 hours of external training for some employees of Group companies.
- 80 branch managers have received a specific technical introduction during internal audits of the environmental management system.
- The Environmental and Safety Heads have followed a 5 hours course on environmental legislation.

Other information/training support mechanisms are used

- The Intranet, where there is a “quality and environment” channel with manuals and updates for personnel, as well as operational and in-depth instruments for the Environment and Safety Heads.
- All the internal channels of communication (weekly newsletter, monthly updates and corporate TV) by which all personnel are informed on the main initiatives taken, including the environmental field.

**Performance is regularly monitored** by the appropriate corporate departments for the operational management of the most important environmental aspects and are brought together in the half-year and annual CSR Reports, for the senior management and the BoD to check on their consistency with the pre-established objectives. Two new IT platforms are being implemented with the objective of ensuring the most careful management of data relating to human resources and assets used by the Group. In particular, more precise data will be made available on the areas of the various corporate offices and the number of occupants. This will allow for more accurate calculations and analyses to be made of consumption indicators, which will in turn be useful for identifying objectives and the improvement measures to be taken.

**The objectives**, established also through discussions with trade unions, meeting in a specific joint working group with the Bank, envisage for the next two years:

- The implementation of the new measurement and monitoring model for CO2 emissions (the so called Carbon Footprint).
- The establishment of CSR criteria for further types of products and services acquired.
- The optimisation of the corporate vehicle fleet in terms of quality and environmental performance when in use.
- The pursuit of energy efficiency programmes for operations.
- New green office initiatives.

## RAW MATERIALS

EN1

USE OF RAW MATERIALS

### PAPER

Paper consumption is one of the most important environmental issues for banking activity.

The main areas of use are:

- **Internal use:** for printing and photo-copying working documents in management offices and the branch network (mainly A4 and A3 format paper).
- **External use:** for communications sent to customers (despatch of account statements, securities files and other periodic information), for the management of some banking transactions (pre-printed forms, carbonless copy paper, etc.), for advertising materials (brochures and leaflets), for printing the corporate accounts and publications given free to customers

Since 2010, also following the implementation of the e-procurement platform which traces all paper orders (and other products) from the offices, it is possible to quickly view the paper consumption data for both these types of use.

PAPER CONSUMPTION*	2010	2009***
<b>Internal use (A4 and A3) (t)</b>	<b>2,079</b>	<b>1,897**</b>
Consumption per employee (Kg)	67	62**
A4 paper (sheets per employee per day)	51	41
Environmentally friendly paper (%)****	95	40**
<b>External use (t)</b>	<b>2,227</b>	<b>nd</b>
Consumption per customer (Kg)	0.36	nd
Environmentally friendly paper (%)	18	nd

\* Data estimated on the basis of purchase orders.

\*\* Data recalculated, excluding forms.

\*\*\* Data for 2009 are influenced by an extraordinary recourse to warehouse stocks and a simultaneous substantial reduction in new purchase orders; these do not include consumption figures for: Gestione Crediti Banca, Paschi Gestioni Immobiliari, Mps Investments, Mps SIM, and MpsVenture.

\*\*\*\* Includes FSC, PEFC, Ecolabel and Blaue Angel paper.

The quality and environmental friendliness of the paper is improving markedly

- 99.97% of the A4 paper is certified FSC and PEFC (i.e. coming from forests under controlled management); the remaining quantity is recycled.
- The A3 paper is all ECF - Elementary Chlorine Free and is also partly certified PEFC.
- All the paper used for printing diaries, calendars and the Financial Statements of the Bank is certified FSC.
- The CSR Report is printed on Ecolabel paper.
- Part of the paper used for customer communications bears the ecological Brand name Blaue Angel.

From 2011 the use of FSC paper will be tried also for printing some of the forms.

Initiatives aimed at reducing paper consumption include:

- The On Line Documents project, which has allowed a marked reduction over the last few years in the use of paper for customer communications, whether periodic or extraordinary.
- Various solutions on the domestic front, such for example the on-line payslip, use of the scanner function photocopiers, the IT archiving of invoices, etc.

The e-procurement platform has also contributed to optimising the use of paper.

Further savings are expected from implementation of the COMETA project which involves the “dematerialisation” of some documents used in accounting and the so-called passive cycle such as purchase orders, contracts, transportation documents, etc.

### OTHER MATERIALS

The e-procurement platform, the management of which is out-sourced to STEP, is the operational support instrument for checking orders and despatches of paper and other stocked products (office materials, toner, forms, etc.) in almost all the Group’s offices.

This ensure a more careful use of such products by everyone.

“GREEN”PRODUCTS IN THE CATALOGUE	2010			2009		
	General Catalogue number	“green” catalogue number	%	General Catalogue number	“green” catalogue number	%
Toner and other IT products	494	170	34	526	180	34
Office supplies	367	27	7	237	29	12
Forms	464	0	0	598	0	0
Photocopy paper	3	2	67	2	1	50
Other	335	nd	nd	-	-	-
<b>Total</b>	<b>1,663</b>	<b>199</b>	<b>12</b>	<b>1,363</b>	<b>210</b>	<b>15</b>

There is an increasing number of products on the e-procurement platform, from which offices can choose. approximately 12% of the catalogue products is “green”, i.e. they have ecological quality features and are more environmentally friendly (equivalent to 48% of total expenditure). In 2010 a further increase in the range of “green” office products is planned.

## EN2

### PRODUCTS MADE WITH RECYCLED MATERIALS

Toner cartridges are the main type of recycled material used by the Bank.

Of the almost 28,000 toner cartridges purchased in 2010 nearly 70% are reconditioned.

TONER CONSUMPTION	2010	2009**	2008*
Total (number)	27,819	34,620	25,140
Reconditioned (%)	69.1	58.6	50.6

\* Purchasing data refer to Banca Monte dei Paschi di Siena.

\*\* Purchasing data refer to Banca Monte dei Paschi di Siena, Banca Antonveneta and Consorzio Operativo. Adjusted data.

For some years a partnership with the company SIBAS has been picking up exhausted copying materials (toner, tapes, drums) in all the Montepaschi Group offices in Italy (with the exception of Biverbanca). SIBAS and the other companies that operate the service for the Bank provide every office of the Group with dedicated containers which are periodically emptied, sending the materials collected to the re-generation plant located in the province of Siena. Once reconditioned, the cartridges are sold to STEP which makes them available in the e-procurement catalogue, thus closing the whole management cycle for the product.

In addition, since 2010 a centralised system has been operating for controlling branch network printers which is enabling optimisation of the printing quality and therefore the consumption of toner. When fully operational, toner savings of approximately 25% are estimated.

## RECYCLED PAPER

During the year a project has gone ahead for assessing whether to use recycled paper for internal use.

The product identified has the following features:

- It is produced in units plants that apply a certified environmental management system - ISO14001.
- It has the environmentally friendly Ecolabel and Blaue Angel marks.
- The raw material (cellulose) comes 100% from recovery operations
- The paper weighs less than the standard (70 gr/sq.mt against 75 gr/sq.mt) and is resistant to ultra-violet rays (for a longer life).

The tests done on more than 20,000 reams have also confirmed the functionality of the product. It has therefore been included in the e-procurement platform catalogue and has been welcomed in many offices.

## OTHER PRODUCTS

Amongst the other recycled products included in the e-procurement platform catalogue there are:

- Folders with 3 different colours: produced with 97% recycled material.
- Filing box 10 cms: produced with 98% recycled material.
- Ring binder with closure: produced with 98% recycled material.
- Post-it produced with 100% recycled material (both product and package).
- Folders with two edges in cardboard: produced with 100% recycled cardboard.
- Folders with 3 edges: produced with 100% recycled cardboard.
- Button-down filing box, 7 cms: produced with 97% recycled material.
- Roller pen: drum and cap produced with 53% recycled material.

## ENERGY

EN3 -EN4  
DIRECT AND INDIRECT  
CONSUMPTION  
OF ENERGY, BY SOURCE

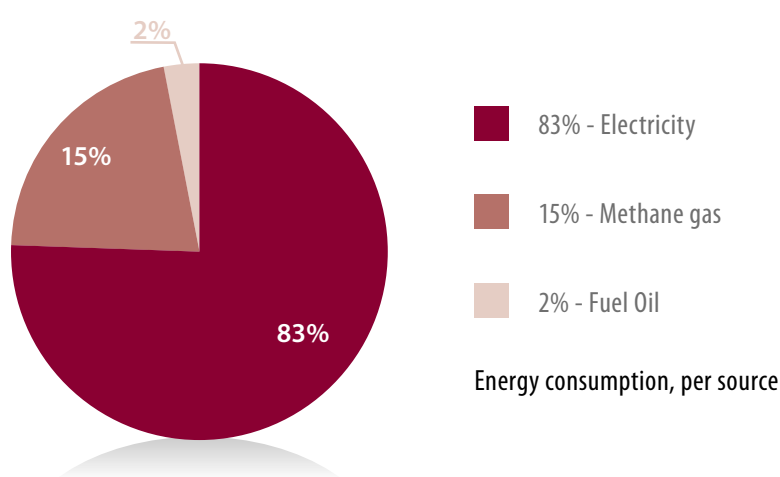
Energy consumption is an important issue for the Bank in environmental and cost terms.

Use of electrical energy, methane gas and fuel oil are monitored and measured monthly to increase the efficiency of property management.

ENERGY CONSUMPTION	2010	2009
Electrical energy (kWh)	214,989,269	232,329,385
From renewable sources (%)	97	87
Electricity per employee (kWh)	6,951	7,395
Methane gas (m <sup>3</sup> )	7,709,735	7,121,917**
Fuel oil (litres)	806,338	1,056,638
<b>Total energy (TOE)*</b>	<b>48,190</b>	<b>51,107</b>
<b>Total energy per employee (TOE)</b>	<b>1.56</b>	<b>1.63</b>

\* For calculating consumption in TOE (tonne of oil equivalent) of gas and fuel oil the Defra Guide Lines coefficients have been used; for electricity the coefficient of the EEN 3/08 Ruling. Consequently the 2009 data was recalculated.

\*\* Rectified because of a printing error.





**This year we have consumed approximately 48,190 TOE** (Tonnes of Oil Equivalent) for an overall cost of over 43.3 million Euros .

There was a reduction of electricity and fuel oil consumption, while consumption of natural gas rose slightly.

Our objective is to increasingly limit this consumption by optimising the resources used, with positive effects also in terms of reducing the associated polluting emissions.

This objective is being pursued:

- at the moment of purchase, choosing supply contracts that ensure a better quality of energy (e.g. from renewable sources).
- by reducing waste through better management of the plant and equipment.

**In particular, a marked increase in electricity from renewable sources has been recorded (97%).**

From 2010 all the offices of Banca Antonveneta have contracts with Idroenergia, which guarantees that the electricity used comes from renewable sources (hydro-electricity).

The residual part, produced from fossil sources, is limited: 1) to some regional areas (mainly small islands) where it is not possible to access the free market; 2) to certain periods of time for new supplies, connecting worksites and outsourcing.

Offices are being brought into line with the “model service” standards which include use of planning solutions with the best technology, also in terms of energy efficiency. (see [EN5](#)).

EN5 (ADD)  
ENERGY SAVED DUE  
TO CONSERVATION  
AND EFFICIENCY  
IMPROVEMENTS

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In 2010 there was a **drop of almost 6% in energy consumption.**

The interventions were in the field of:

- Property management (restructuring and new branches).
- Maintenance of installations.
- IT systems.

### PROPERTY

The newly-established branches, restructuring and transfers, are planned using the “branch model” which sets out:

- Identification of the dimensions and qualitative type of the premises.
- Cost effectiveness in construction and maintenance.
- Maximum attention to the problems of environmental impact and containment of

energy consumption.

- Checking the scope of energy-savings legislation.
- Evaluation of works for possible improvements in energy performance for the building and its systems.
- Evaluation of the type of plant to be adopted.
- Intelligent management of interior lighting according to the criterion of “light where it is needed, when it is needed”.

In 2010, 40 operations of this type were carried out.

### New Milan branch

The energy renovation project of the Largo Cairoli branch in Milan has been started. This requires the use of the environmental sustainability criterion for the whole process, from conception, to planning, until construction and approval, followed by a management phase with an environmentally friendly maintenance programme. In the financial heart of Milan, the personnel of the Bank wish to present a model with a high educational content, not only for customers and personnel but for all citizens. The methods of refurbishment identified aim to blend the typical work experience of an operational branch office, with respect for the surrounding areas and the protection of natural resources. Through a careful balance between innovative and traditional technologies, it will be possible to significantly reduce consumption and so limit the environmental impact of the structure.

The refurbishment project starts with a study based on a sample of the buildings situated in the metropolitan area of Milan which enables us to create a “model” capable of identifying priority interventions on Group buildings which may need maintenance and upgrades, in order to reach the highest standards of environmental wellbeing and to limit emissions into the atmosphere.

### MAINTENANCE OF PLANT

The programme for the gradual improvement of energy efficiency in energy-using plants has continued. The main actions in 2010 were:

- The transformation of a fuel-oil boiler (very low efficiency) to a methane gas condensing boiler. 76 fuel oil-boilers are still in use, and all are to be discontinued.
- The installation and/or replacement of 87 high efficiency heat pumps for air conditioning, replacing obsolete plant.
- The installation of 20 cooling systems and/or multi-split systems with varying refrigerating capacities, replacing obsolete ones or those with non-compliant refrigerating gas.
- The replacement of 46 Air Treatment Units with heat-recovery units.
- The replacement of R22 gas on 29 cooling units by gas complying with current standards.
- The installation of 26 high performance condensing boilers.

As in previous years, where refurbishment and planning improvements have been done, even on a small-scale basis, the installation of the following has continued:

- Lighting systems with “timed infrared sensors” in service areas such as WCs and filing rooms, designed for maximum energy savings.
- Lighting devices in line with the European “green light” standard.

### IT SYSTEMS

The programme for renewing the Group’s IT systems continues. Thanks to procurement policies which take into account the electrical consumption of machines purchased, these replacements have resulted in marked energy saving.

In 2010 we have mainly dealt with the data centers:

- Latest generation servers and data “storage” systems have been purchased (we estimate future annual savings of approximately 520 thousand kWh).
- An observatory for controlling electricity consumption has been established and practices have been developed for the correct positioning of the servers with the aim of facilitating cooling and therefore reducing electricity consumption.

For 2011 the replacement of approximately 12 thousand PCs and the same number of LCD Wide Screen monitors is planned in the branches. This action should permit an average overall saving of over 2 million kWh annually.

EN6 (ADD)  
INITIATIVES TO  
PROVIDE PRODUCTS  
AND SERVICES WHICH  
ARE ENERGY-EFFICIENT  
OR BASED ON  
RENEWABLE ENERGY

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The growing attention paid to problems linked to climate change is driving energy efficiency investments in the building, civil and industrial sectors as well as in the renewable energy sector, creating market opportunities for the Group.

In 2010, as in previous years, the Group has confirmed its strong position in these business sectors. The specific range of offerings concerns project finance, long-term loans, personal loans, leasing, as well as auxiliary products such as insurance policies to cover any damages to plants producing renewable energy.

To give further support to customers, particularly households, specific agreements have been drawn up with leading operators in the sector which, in the framework of special commercial agreements, will provide customers with “turnkey” installations.

As in previous years, this marketing activity was accompanied by regular participation in meetings and debates with local authorities, business associations and the world of science.

For details of the Group’s interventions in this field please see [FS8](#).

A further method used by the Group for encouraging customers to make energy saving choices is the **promotion of direct banking channels**. For customers the advantage is to be able to operate safely and quickly without having to go to the bank

branch; for the community, this choice brings environmental benefits by reducing journeys and therefore polluting emissions.

In 2010 PasKey was launched, the revamped services line with includes telephone banking, new ATMs (with payment functions), the internet (with new functions for bank transfers and consulting current accounts) and mobile banking, with special interfaces for smart phones.

As at 31.12.2010 users of telephone/internet channels numbered 714,475, an increase of 16% in one year. There was also an increase in the number of transactions (from 184.7 million to 223.2 million) and the number of customers who have chosen the Documents Online service (from 176,662 to 231,948).

### EN7 (ADD) INITIATIVES TO REDUCE THE CONSUMPTION OF INDIRECT ENERGY

Apart from the consumption of direct energy (electricity, fuel-oil, methane gas), we are also seeking to reduce "indirect" energy requirements, i.e. linked mainly to personnel home-work travel and transportation for the supply of goods and services.

We do not yet have a systematic evaluation of the amounts of these consumptions. We are therefore unable to determine any relative savings. We give below a qualitative breakdown table:

ACTIVITY	SAVINGS AND OTHER BENEFITS
<b>SUSTAINABLE MANAGEMENT OF THE CORPORATE VEHICLE FLEET</b>	
Promoting the purchase of vehicles with reduced CO <sub>2</sub> emissions	■ Reduction of CO <sub>2</sub> emissions by the corporate fleet
<b>SUSTAINABLE MANAGEMENT OF BUSINESS TRAVEL</b>	
Green lodging	■ Making the supply chain more aware (the HRG travel agency and hotels)
<b>SUPPORT FOR HOME-WORK COMMUTING</b>	
Questionnaires and Focus Groups	■ Gathering information on the habits and needs for travel so as to identify the most efficient action to be taken ■ Increase personnel awareness and involving personnel
Corporate shuttle service, Via Pedicino, Rome	■ Reducing the number of vehicles on the road leading to reductions in CO <sub>2</sub> emissions ■ Increase personnel awareness of the use of public transport
Recharging points for electric vehicles	■ Promoting the use of electrical vehicles and the resulting contribution to the reduction of CO <sub>2</sub> emissions
Florence, discount on public transport subscriptions	■ Promoting the use of public transport with a reduction of CO <sub>2</sub> emitted for home-work movements
<b>TRANSPORT OF GOODS AND SERVICES</b>	
E-procurement	■ It provides for the procurement of several types of supplies in a single trip, thus reducing the total number of journeys

### SUSTAINABLE MANAGEMENT OF CORPORATE VEHICLE FLEET

The development of a specific methodology has been started to monitor the environmental impacts of personnel business trips. In particular, the new methodology allows us to analyse the dynamics of: the types of vehicle used, the relative average CO<sub>2</sub> emitted, the kilometres travelled, the CO<sub>2</sub> emitted. The objectives are: 1) to improve the ecological quality of the vehicle fleet; 2) reduce fuel consumption; 3) reduce overall CO<sub>2</sub> emissions.

The main initiatives carried out in 2010 for these purposes are:

- The establishment of a corporate car fleet at Siena, Florence and Mantua (soon at Padua) which will guarantee the constant availability of cars with better average performance in terms of consumption and CO<sub>2</sub> emissions. The in-house standard for work travel is to consider these cars as the first travel option; this requirement is also disseminated through internal IT networks with “pop up” messages.
- Further improvements of the average features of the cars by replacing the old models (characterised by higher CO<sub>2</sub> emission coefficients) with new models with more environmentally friendly features.
- Launching projects in cooperation with leasing companies to monitor and optimise the overall environmental impact of the corporate fleet.

### SUSTAINABLE MANAGEMENT OF BUSINESS TRAVEL

A new system has been implemented for the assessment and selection of agreed hotels for business travel by staff, which takes into account CSR parameters such as:

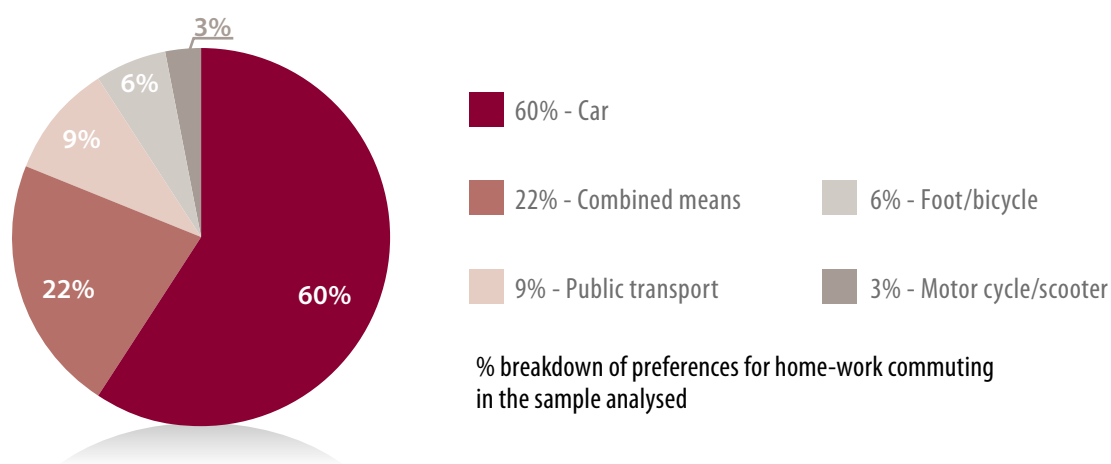
- The distances from the areas most concerned (city centre, stations, metro and bus stops, etc.) also relevant for the estimate of CO<sub>2</sub> impacts. This criterion weighs 18% in the overall assessment.
- The analysis of 16 specific environmental sustainability aspects. This criterion weighs 6% in the overall assessment.

In 2010, 200 hotels were assessed, located in 14 of the main Italian cities.

### SUPPORT TO EMPLOYEES' HOME-WORK COMMUTING

Work has continued on the mobility management project concerning employees' home-work commuting in the main Italian centres where the Group operates (Siena, Rome, Florence, Padua, Milan, Lecce).

In 2010 the surveys were completed for the above cities with special on-line questionnaires and focus groups (with a sample of respondents) which involved approximately 9,300 employees.



Amongst the initiatives so far launched to support, also in terms of sustainability, employees home-work mobility requirements, there are:

- The activation in April 2010 of a corporate shuttle service linking (with 7 daily journeys) the headquarters of the Bank in Rome, in Via Pedicino, to the nearest stop for local public transport.
- The installation in the corporate car park of the Siena office in Via A. Moro, of 6 free recharging points for electric vehicles, available also for guests.
- Agreement signed through company's CRALs (employees' recreational facilities) with the local public transport authority of Florence, which gives a discount of 10% on annual subscriptions.

### INITIATIVES TO REDUCE THE IMPACT OF TRANSPORT ON THE SUPPLY OF GOODS AND SERVICES

With the implementation of the e-procurement platform it was also possible to markedly reduce journeys for delivery of supplies (there is no specific estimate): formerly there was a delivery for each type of product purchased from different suppliers; the deliveries are now grouped by the sole supplier, with a single trip for various types of products.

## WATER

EN8

WATER CONSUMPTION,

BY SOURCE

Water is used primarily for health and sanitary purposes and for the cooling of air-conditioning systems.

The water is supplied primarily by mains water. There are only a few wells in use to cool installations and to water green areas next to our buildings.

Consumption is estimated on the basis of annual costs incurred.

WATER CONSUMPTION	2010	2009*
Total water (m <sup>3</sup> )	1,114,581	1,031,768
Water per capita per day (litres)	144	133

\* Does not include Paschi Gestioni Immobiliari, Mps Immobiliare, Mps Investments, Mps SIM, MpsVenture and Mps Fiduciaria. The figures do not include water consumption included in condominium expenses of some buildings as these are not quantifiable.

### BIODIVERSITY

EN11

LOCATION AND SIZE  
OF LAND OWNED,  
LEASED OR MANAGED  
IN PROTECTED AREAS  
OR IN AREAS WITH  
HIGH BIODIVERSITY

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The Group is the owner of 1,150 hectares of farms in Liguria and Tuscany in areas of natural beauty but which are not classified as “protected”.

EN12

IMPACTS OF ACTIVITIES  
PRODUCTS AND SERVICES  
ON BIODIVERSITY

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The Group does not operate directly in protected areas or those with high biodiversity.

For information on other indirect environmental impacts linked to the business see [FS1](#) and [FS2](#).

### EMISSIONS, EFFLUENTS AND WASTE

EN16

TOTAL DIRECT AND  
INDIRECT GREENHOUSE  
GAS EMISSIONS

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Emissions of greenhouse gas by the Bank come largely from the heating installations of offices, and from the use of company cars and are linked to electricity consumption.

In 2010, in order to further increase our ability to control greenhouse gas emissions (direct and indirect) and the activities producing these, a new specific monitoring and reporting system has been implemented, in line with GHG Protocol standards and compliant with the ISO14064 (Carbon Footprint) standard.

The new system was used to generate data as at 31.12.2010 and to accurately recalculate data as at 31.12.2009.

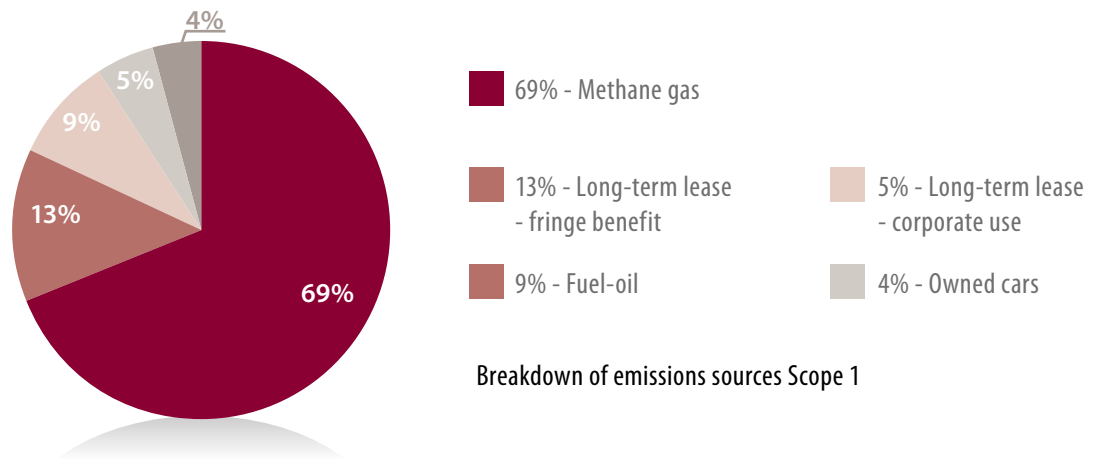
**In 2010, 25,766 tonnes of CO<sub>2</sub> overall were emitted** (approximately 830 kg per capita) a marked reduction compared with 2009 (-31.5% of the total -30.4% per capita), with the following details:

- **Scope 1 - emissions from heating installations and company cars.** Emissions relating to the use of company cars (whether long-term leases or fringe benefits) have increased, as has gas consumption. Emissions from fuel oil boilers have instead diminished.
- **Scope 2 - emissions associated with the use of electricity.** These emissions have decreased markedly due to a modest energy savings achieved during the year and the almost total completion of the contracts for Group offices with Idroenergia which guarantees that the electricity used comes from renewable sources (hydroelectric).



EMISSIONS OF GREENHOUSE GASES	2010	2009
CO <sub>2</sub> Emissions (t)	25,766	37,633
Scope 1 (t)	22,838	21,096
Scope 2 (t)	2,928	16,538
CO <sub>2</sub> emissions per capita (kg)	833	1,198

Coefficients used in the measurement of emissions are taken from DEFRA guidelines. Consequently the 2009 data have been recalculated.



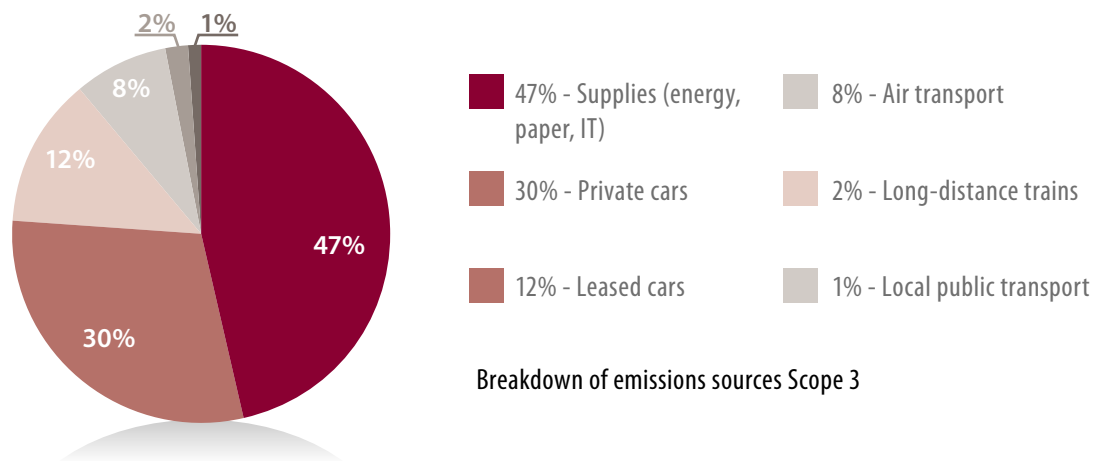
### EN17

#### OTHER INDIRECT EMISSIONS OF GREENHOUSE GAS

The indirect emissions of greenhouse gas are due to:

- Business trips effected by means other than company cars.
- Procurement of goods and services.
- Employees home-work commuting.
- The extraction and refining processes for the fuels used (methane gas and fuel-oil for heating; petrol and diesel for vehicles).

In 2010 emissions of this type amounted to 18,880 tonnes, broken down as follows:



The above graphic does not consider emissions linked to employees home-work commuting which, on the basis of the results of the studies effected on a sample of approximately 10% of the Group's employees, is estimated to be in the order of 48,384 tonnes (see [EN7](#) for the breakdown of travel methods used).

It is not possible to make a comparison between 2010 and 2009 data because of the different boundary available for the two annual periods.

### EN18 (ADD) INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS AND RESULTS ACHIEVED

From the analysis of data **we can confirm a positive trend towards the objective of gradually reducing CO2 direct emissions (scope 1 and scope 2).** The main factors in the reduction were:

- The reduction of approximately 6% of energy consumption.
- The considerable increase in electricity produced from renewable sources (from 87% to 97%).
- The change in the energy mix used, in favour of fuels with less carbon content.

### EN19 EMISSIONS OF OZONE-DEPLETING SUBSTANCES

In compliance with the time scales dictated by European regulations (Regulation 2037/2000) we are gradually eliminating the R22 gases used regularly up to now as refrigerants in air conditioning plants. Currently there are approximately 1,020 units using R22. Of these, approximately half contain less than 3 kgs.

Controls on the plants consist of:

- Periodical checks by maintenance companies.
- Inspections by the Group's technical staff.
- Possible checks by employees.

Any malfunctions are reported to the Group structure which deals with the company's property management, to carry out any necessary interventions.

### EN20 OTHER SIGNIFICANT EMISSIONS INTO THE AIR

There are no other important emissions.

### EN21 WATER DISCHARGES

Water discharges from the Bank's business are similar to those from homes and hence go into urban sewerage systems. Other emissions into the air.

EN22

TOTAL WEIGHT

OF WASTE BY TYPE

AND DISPOSAL METHOD

Our waste management policy includes the following strategic guidelines:

- A view of the entire life cycle of the product: in analysing the production processes one needs to take into account the whole life cycle of the product, including the recovery and disposal stage.
- The constant objective is waste reduction.
- The preference is for the recovery of materials and their re-use in new productive cycles, rather than destruction as waste.

These strategic guidelines are implemented by:

- The acquisition of electronic devices and technological systems which enable efficient and long-term use of paper and other materials.
- Encouraging personnel to adopt practices which can contribute to reaching the objectives of reduced consumption of paper and other materials.
- Selective collection of waste materials produced by homogeneous categories.
- Consignment of waste products to specialised transportation and waste disposal firms, for them to carry out recovery and recycling where possible: a typical example is the case of the withdrawal and reconditioning of empty toner cartridges at all our offices, sent for reconditioning using the "close circuit" mechanism which excludes from the cycle only those cartridges which are damaged and not re-usable.

Most of the waste material from the business is paper waste. The need to strengthen collection services for waste, especially of paper, is combined with the need to protect privacy and paper is therefore carried through an organised "pipeline", which is arranged over three stages:

- Selective collection of waste from the production site which, with the vital cooperation of bank staff and organised support from the cleaning services, helps in the selective collection over all the national territory.
- Transport of waste through authorised carriers, to the place where it will be treated.
- Treatment of waste on a platform capable of providing adequate standards both of recovery and recycling, and of secure treatment of sensitive and confidential data.

A system for the selective collection of paper has recently been further extended to almost all of Italy; it is already in operation. In Siena the Parent Company has started the systematic collection of multi-materials waste (plastic and glass).

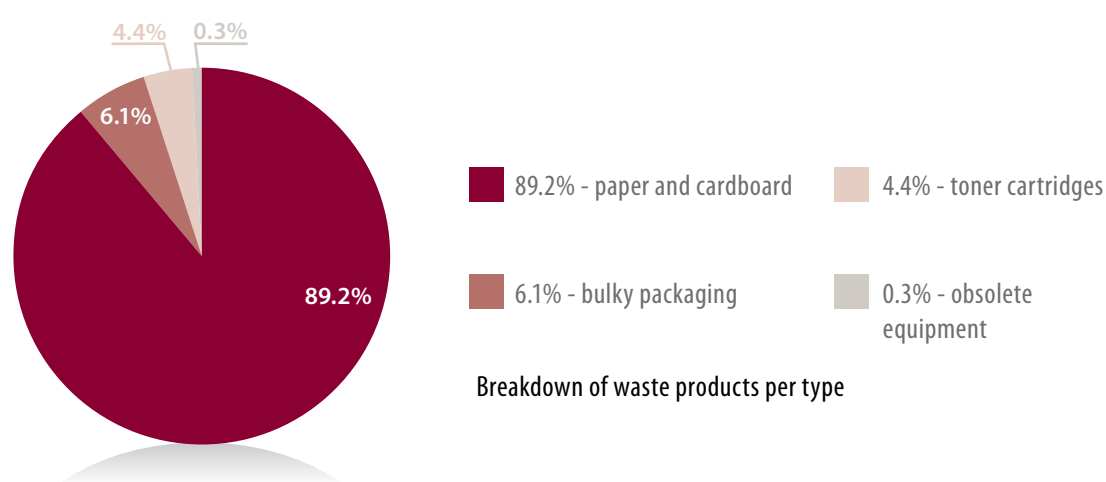
The short-term objective is to complete coverage for the whole of Italy of the selective collection system for both waste paper and multi-materials.

PRODUCTION OF SPECIAL WASTE *	2010	2009**
Total waste (Kg)	2,428,745	3,066,253
Waste per capita (Kg)	78.6	100
Waste sent for recovery (%)	94.1	69.7

\* The figures refer to waste disposed of through non-municipal entities.

\*\* The figures refer to Banca Monte dei Paschi di Siena Banca Antonveneta, Biverbanca, Mps Capital Services, Consum.it, Consorzio Operativo.

In the framework of the gradual reduction in special waste produced by the Group we note a temporary increase in paper and cardboard waste due to the exceptional disposal of various archives.



## EN23

### POLLUTANT DISCHARGES

This indicator is not considered relevant to our business.

## EN24 (ADD)

### HAZARDOUS WASTE

In 2010, 5,500 kg of hazardous waste were disposed of, mostly consisting of obsolete equipment containing hazardous components. There was a significant reduction compared to 2009 (62 thousand kg), year in which an extraordinary number of unused materials were disposed of.

During the year we worked for the introduction of the SISTRI corporate procedures : the new Control System for Traceability of Waste, will be effective from October 1st, this year, as required by the Ministry of the Environment

In particular:

- 1) the offices where hazardous waste is produced were identified (and thus subjected to the SISTRI);
- 2) the necessary organisational changes were started;
- 3) associated training was planned.

### PRODUCTS AND SERVICES

EN26

INITIATIVES TO MITIGATE  
THE ENVIRONMENTAL  
IMPACTS OF PRODUCTS  
AND SERVICES

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Indirect environmental impacts from banking activity are also attributable to customer and supplier activities.

With regard to customers, the Group has started assessment procedures of the environmental component when determining credit risk (see [FS2](#)); it has developed a range of financial products and services to encourage renewable energy and protection of the environment (see [FS8](#)) and internet and telephone channels to carry out banking transactions without visiting the bank counter (see [EN6](#)).

We are promoting our environmental engagement in the supply chain by assessing suppliers according to their sustainability performance and favouring more ecological products where possible.

#### PROJECT FOR CSR RATING OF SUPPLIERS

In 2010 an innovative sustainability project for procurement was pursued, which includes a qualification procedure and measurement of the CSR profile of suppliers.

Through the use of technological platforms and structured procedures, the products and services offered by suppliers are assessed in light of their compliance with environmental and social sustainability criteria, also in relation with the dynamics of cost management.

The system enables us to define the sustainability profile achieved by each supplier and to identify possible actions to be developed with a view to establishing partnerships with these firms.

The CSR qualification project for the supply chain represents one of the elements of the Vendor Rating model that the Group is gradually introducing. There are four components on which suppliers will be assessed (each characterised by a different weighting):

- Financial rating.
- Commercial rating (Reciprocity).
- Sustainability rating (CSR).
- Performance rating.

In particular the model for assessing the CSR performance of suppliers, prepared by a specialised rating company, consists of 21 CSR criteria based on international standards and directives, relating to:

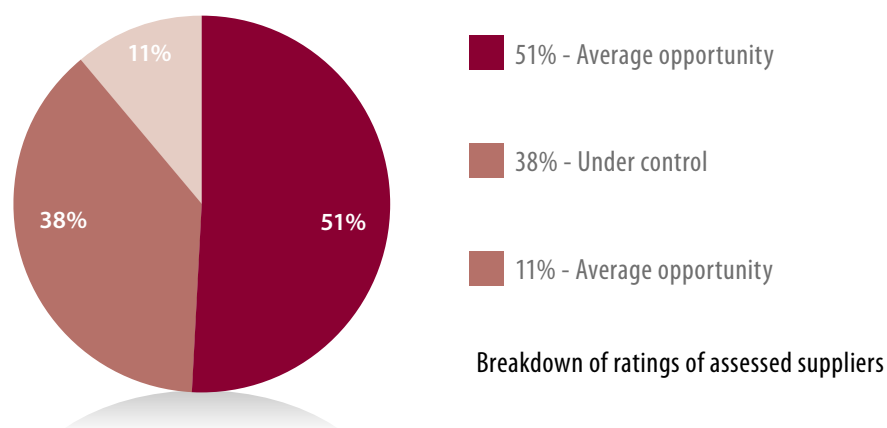
- Environment (energy and water consumption, waste production, etc.).
- Working conditions (health and safety of workers, working conditions, relations with trade unions, career management, forced and child labour, anti-discrimination policies, human rights).

- Ethics in business (corruption and exploitation; non competitive practices; responsible marketing).
- Supply chain (environment, working practices and human rights).

The project which has involved 200 suppliers up to now, equivalent to 50% of Group turnover, has enjoyed the active and whole-hearted participation of suppliers who, using a dedicated internet portal, have provided the information and the documentation required for qualification.

At the end of the rating stage, each supplier was awarded points on the basis of its CSR performance. The rating model proposed uses a 1 to 10 points system, that can be broken down into the following phases:

CSR RATING	DESCRIPTION	MEANING
9-10	<b>Strong opportunity</b>	<ul style="list-style-type: none"> <li>■ Structured and proactive approach to CSR issues</li> <li>■ Tangible actions on all points with detailed information on implementation</li> <li>■ CSR Reporting on performance indicators and objectives</li> <li>■ Innovative practices</li> </ul>
7-8	<b>Average opportunity</b>	<ul style="list-style-type: none"> <li>■ Structured and proactive approach to CSR issues</li> <li>■ Tangible actions on the main issues with detailed information on implementation</li> <li>■ CSR Reporting on performance indicators and objectives</li> </ul>
5-6	<b>Under supervision</b>	<ul style="list-style-type: none"> <li>■ Structured and proactive approach to CSR issues</li> <li>■ Tangible actions over the main issue</li> <li>■ No significant reporting implementation or performance indicators</li> </ul>
3-4	<b>Average risk</b>	<ul style="list-style-type: none"> <li>■ No approach or proactive development programme for the CSR</li> <li>■ Some tangible actions on specific issues (reactive and minimal)</li> <li>■ Some certification but no documentation or measurements have been provided in support of this</li> </ul>
1-2	<b>High risk</b>	<ul style="list-style-type: none"> <li>■ No statement of interest in CSR</li> <li>■ No actions concern for CSR issues</li> <li>■ Evidence of breaches in some cases (e.g. pollution, corruption)</li> </ul>



51% of assessed suppliers show ample margins for improvement (average risk)

Overall the average assessment of the Group's suppliers is greater than that of the system (4.9 vs 4.6). The best performance is shown in the "Working conditions" and "Environment" components (13% of the entire turnover of the Group is with suppliers with ISO14001 or EMAS certification) while the worst is in the management of the supply chain.

On the basis of the rating obtained, suppliers draw up improvement plans on the aspects which show the greatest room for development. Up to now 45 have been established and some of them include the development of pilot projects with the Group. The objective is to raise the overall score for the most important suppliers, with the conviction that this can also reflect on the improvement of our overall performance in terms of sustainability.

### "GREEN" PROCUREMENT

The green procurement policy is generally based on market studies aimed at identifying the procurement opportunities that optimise the relationship between requirements and sustainability and the total cost of use and ownership of products and services.

In 2010 expenditure on products and services known as "green" was almost 52 million Euros, i.e. 4% of total expenditure. This includes, inter alia, the purchase of energy from renewable sources, paper being printed on ecological paper, train journeys, supply from e-procurement catalogues and the renting of energy-saving hardware.

In some cases the savings coincide with the identification of new and more ecological products: in 2010, following "green" purchasing choices, overall savings of more than 10 million Euros were made.

There is also the progressive alignment of service contracts with ever more stringent environmental standards. In 2010 the new agreement for cleaning and environmental health services was implemented; which includes:

- The acquisition of ISO4000 certificates (environment) by the suppliers involved.
- Increased use of ecolabel branded products, combined with training designed to ensure safe and ecologically sustainable usage of the products.

### EN27

RECYCLING OF  
PRODUCTS SOLD

AND THEIR PACKAGING

This indicator is not considered relevant to our business.

### COMPLIANCE

EN28  
SIGNIFICANT FINES  
AND NON-MONETARY  
SANCTIONS FOR FAILURE  
TO COMPLY WITH  
ENVIRONMENTAL  
STANDARDS

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In 2010 we did not receive any significant fines or penalties for failure to comply with environmental legislation.

### TRANSPORT

EN29 (ADD)  
SIGNIFICANT ENVIRONMENTAL  
IMPACTS OF THE TRANSPORT  
OF PRODUCTS AND  
GOODS/MATERIALS USED  
FOR THE BUSINESS AND  
FOR PERSONNEL TRAVEL

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See [EN7](#) and [EN16](#).

### OVERALL

EN30 (ADD)  
EXPENDITURES AND  
INVESTMENTS FOR  
ENVIRONMENTAL  
PROTECTION

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At present we do not have a precise and overall quantification of expenditures and investments in the environmental field.

The expenditures which we currently incur systematically are those relating to waste management (amounting to over 11 million Euros in 2010, largely due to the payment of the environmental health tariff).

Other significant costs, including those that have positive impacts on environmental performance, are linked to:

- The cost of labour and development of specialist skills.
- Maintenance and gradual development of the environmental management system and the costs of certification.
- Development of instruments for measuring and monitoring the environmental performance indicators (for example, the new Carbon Footprint model).
- Actions for improving energy efficiency and relating to bio-construction (see [EN3](#) - [EN4](#)).
- Reconditioning of toner cartridges (see [EN2](#)).
- Assessment of suppliers (see [EN26](#)).
- The development and maintenance of the "green" catalogue (see [EN2](#)).



# LA. STAFF DEVELOPMENT AND ENHANCEMENT

In 2010, in line with the path set out in the 2008-11 Business Plan, the organisational approaches and management of human resources developed in accordance with the following **priority principles**:

- Completion of the Group reorganisation, through corporate mergers, centralising back office activities and amendments to operational procedures.
- Achievement of efficiency objectives and further personnel reorganisation, with related effects in terms of lower costs on a structural basis and growth in the “front to back” index.
- Creation and rapid activation of the new management model, which gives sole responsibility to the Banking Parent Company for personnel all along the operational chain, with changes in the relationships between infrastructure functions and branch Network.
- Cultural integration of the “post integration” branch network personnel, pursued in the first place by the interchange of resources in positions of responsibility, the activation of the service models and appropriate training for their correct application.
- Enhancing professional quality, with priority given to front-end roles, through regular checks on skills, mapping of individual abilities, targeted training and implementation of career paths/development plans aimed at ensuring programmed coverage of organisational positions and management renewal.

For further details on the methods of implementation of the above programme lines please read the following specific chapters.

In the framework of the extraordinary and additional interventions by the Group to deal more efficiently with the effects of the economic crisis on credit quality, some consistent and targeted actions have been taken both in terms of organisation (organisational changes, strengthening of structures and activities) and of human resources (training, quality enhancement of branch personnel).

## STRATEGIES AND DEVELOPMENT MODELS FOR HUMAN RESOURCES

The Group’s **development strategies for human resources** are effected through implementation of the new system, started in 2007, which is based on differentiated planning approaches and instruments for families and professional communities.

The system, based on enhancing the characteristics of individual persons, balancing corporate requirements (current and prospective) and individual aspirations, can be described as follows:

## Staff Development and Enhancement

- Raising the level of professionalism of front-line resources with specific reference to the ability to manage relationships with customers and developing a proactive approach to customers.
- Ensuring the best coverage of critical roles for the business, through professional, training and career approaches, with specific attention paid to young people.
- Formulating plans for the constant development and renewal of management, starting with the formulation of a new behavioural model in order to achieve the objectives of the Plan with complete and systematic mapping of managerial qualities.
- Implementing specific reorientation and retraining programmes for resources “freed up” by the reorganisation projects, to further improve the relationship between front office and back office roles.

**Training and skills management** support these lines of development (see [LA10](#)).

They are also central in promoting employees’ participation in corporate objectives and their work motivation/satisfaction, **industrial relations** (see [LA4](#)) and **internal communication**.

With regard to the latter aspect and for the development of effective synergies and cooperation between the various parts of the organisation, we have selected several instruments that ensure prompt availability and a constant updating of useful information for carrying out daily activities as well as for socialising and sharing corporate events.

The corporate Intranet is important in this sense and includes two important instruments:

- The Internal Rules, for accessing documents, communications, Group corporate directives and regulations, etc. (currently being revised in terms of updating content, better legibility of documents, etc.).
- The Bulletin Board, containing urgent messages.

The Human Resources and Training section can also be consulted on the corporate Intranet. In this area it is possible to access the documents that regulate the working life of employees (National Collective Bargaining Contract, Additional Corporate Contract, the Group’s Code of Ethics, rules on missions, part time work etc.) and the services offered to them (tax help, agreements, etc.) as well as a link to the “Clic” training portal and the sections dedicated to the CRAL (Employees Recreational Facility) and the Cassa di Mutua Assistenza.

There is also a section dedicated to Communications, from which it is possible to access:

- two Corporate TVs: Montepaschi Channel, for all employees, MPS PF Channel, reserved for financial advisors. The channels, developed with the aim of channelling information to internal users with maximum effectiveness and efficiency, broadcast daily new multi-media content (primarily economic and financial); they also focus on products

## Staff Development and Enhancement

and events in which the Group has taken part. There is also a TV News channel which summarises the main corporate events of the week.

- Filodiretto, a newsletter arranged for products with different targets and frequency:
  - Filodiretto 7 (weekly) and Filodiretto 30 (monthly) intended for all employees aim at drawing attention and raising awareness on issues of particular importance.
  - Filodiretto 1 in support of marketing campaigns and the launch of new Group products and initiatives, hugely shortening the “time to market”; through this instrument video-messages are also broadcast to the branch network with strategic and guidance indications coming from the General Management or the Regional areas .
  - News items for the community of employees who operate with common instruments (e.g. the Advice platform) or with particular segments of customer (e.g. financial promotion).
- National and local press reviews (with north, centre and south geographical divisions), focusing on specific subjects (with a focus on consumer credit, financial promotion, art and foreign press) and news flashes from the dailies.

From 2011, thanks to the release of a suitable application, it will be possible to obtain a statistical report on access to the various internal communications channels which will enable a wider range of analyses and therefore new opportunities for monitoring and improving the service offered.

### EMPLOYMENT

Being aware of the influence that a good corporate climate has on the firm’s productivity and competitiveness, we are committed to ensure that the operational and relational context in which work processes are pursued is as positive as possible, through opportunities for constructive dialogue with employees, listening to their aspirations and motivations, and the enhancement of fundamental qualities in the work environment such as trust, respect, probity and fairness.

One of the corporate tools that allows direct dialogue between the company and its employees is the PaschiRisorse, human resources development and management system, which in a dynamic and constantly evolving way surveys distinctive job skills and checks levels of adequacy of individuals with respect to the established job descriptions; this is done by means of a special form given to the employee by his/her direct superior in a face-to-face meeting. The form highlights the professional expectations of each employee and his/her comments regarding the set of skills possessed and the relative path for development suggested by the manager.

In line with this direction, the Human Relations Manager profile has been developed since 2009. Within the Branch Network Operating Departments he/she implements the management, development and training policies for the resources belonging to the relevant structures, as mandated by his/her own manager.

This commitment involves the following tasks :

- Identifying any internal problems in every organisational unit.
- Supporting the monitoring activity carried out by senior managers, on the knowledge, skills and development paths of employees, also through tutored work experience aimed at raising the quality of the operational processes (PaschiRisorse).
- Guaranteeing the correct implementation of Professional Career Paths and Development Plans (with periodic meetings), in constant touch with the Human Resources Development Department, in order to pursue the best enhancement of human resources.
- Conducting managerial and motivational face-to-face meetings with the appropriate resources; etc.

The Manager also takes care of relationships with local unions (as per specific agreement with the Union Organisations) and checks the functionality, effectiveness and efficiency of corporate processes relating to the Area concerned. As at the end of 2010 there were 55 Managers, each dealing with approximately 300 employees.

LA1

PERSONNEL PROFILE,

EMPLOYMENT DYNAMICS

**As at 31 December 2010, the Group's "effective workforce"<sup>3</sup> stood at 31,495 units,** with a reduction of 2,693 employees compared to 31/12/2007 (baseline for the Business Plan 2008-11), reached through:

- departure of 4,063 employees (616 during 2010 ), of whom 2,600 were high seniority personnel leaving under the Encouraged Departure Plan and the Solidarity Fund (see box in margin).
- hiring of 1,842 young persons (496 in 2010), most of whom employed in the branch network.
- Asset disposal and sale of branches (sale of the SGR segment, departure from the Group's consolidation scope of Intermonte SIM, entry of AXA SIM, sale of 15 branches to the Banca Popolare di Puglia e Basilicata, 22 to the Carige Banking Group, 50 to Intesa-SanPaolo) resulting in less - 472 units.

Vocational readjustments from the central offices to the branches (concentrated mainly on Banca Antonveneta) during 2010 exceeded 800 units, supported by retraining courses, individually structured around sequences of operational and training experience.

### Encouraged Departure

Reserved for personnel who have acquired the right to a pension paid by the general obligatory insurance scheme: employees who leave work on the basis of this arrangement are granted a "lump sum" as an incentive, equal to one year's gross salary.

<sup>3</sup> Figures obtained excluding from payroll personnel seconded to companies outside the Group and cleaning staff

### Solidarity Fund:

This method can be used by all those who have acquired the right to a seniority or age-related pension payable by the general obligatory insurance scheme within a maximum period of 60 months from the date of stopping work.

Employees who join the Fund, as from the month after the leaving work, are paid a monthly allowance in place of salary as income support; the allowance is equal to the amount of the INPS pension to which the employee is entitled at that moment, plus a seniority contribution for the period still needed to reach the age at which the right to a seniority/age-related pension is acquired.

PERSONNEL NUMBERS AND REGIONAL DISTRIBUTION	2010	2009	2008
Payroll	31,537	32,047	32,951
Effective Workforce*	31,495	32,003	32,867
Italy	30,931	31,419	32,282
Abroad	564	584	585

\* Figures obtained excluding from payroll personnel seconded to companies outside the Group and cleaning staff

Employment contracts in the company are mostly open-ended (92.7%) and full time (92.8%).

EMPLOYMENT TYPES	2010	2009	2008
Open-ended contracts (%)	92.7	97.3	97.1
Other contracts (%) *	7.3	2.7	2.9
Part Time (No.)	2,275	2,222	2,212

\* Job training, first-time employment, professional apprenticeships, fixed-term.

COMPOSITION (%)	2010	2009	2008
<b>Staff Level</b>			
Senior management	1.7	1.8	1.8
Middle management	37.1	35.4	33.7
Professional staff	61.2	62.8	64.5
<b>Age brackets</b>			
Less than 30	10.7	11.7	12.1
31-40	28.3	28.4	28.2
41-50	34.0	34.5	33.7
Over 50	27.0	25.4	26.0
<b>Length of service</b>			
Less than 10	32.7	64.6	54.7
11-20	24.5	13.3	17.8
21-30	27.7	15.1	17.1
Over 30	15.1	7.0	10.4
<b>Education level</b>			
Degree	30.8	30.8	30.8
High school graduate	58.7	59.5	61.4
Other	10.5	9.7	7.8

## Staff Development and Enhancement

Geographic Distribution (values expressed as %)

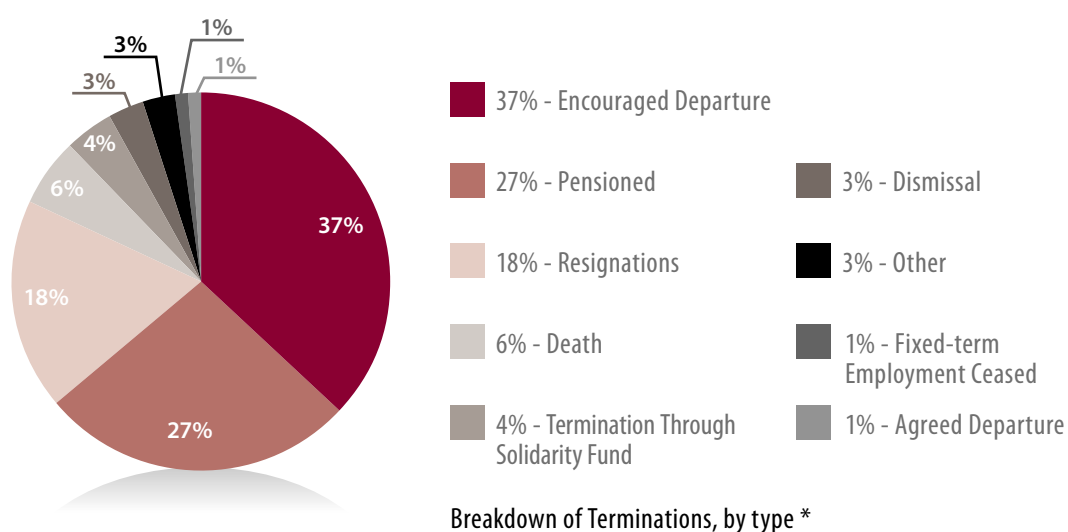


### LA2 EMPLOYEES TURNOVER RATE

Voluntary resignations during 2010 numbered 112, with a turnover that remains low (0.36%) and slightly down compared to 2009 (0.45%).

HIRES AND TERMINATIONS	2010*	2009	2008
Hires	496	639	707
Terminations	616	1,636	1,811

\* The figures exclude mergers within the Group and boundary changes occurred during the year (e.g. branches disposed of).



\* Excluding changes in boundary, sale of divisions, transfers to other companies in the Group.

## Staff Development and Enhancement

<b>TURNOVER *</b> (values expressed as %)	<b>2010</b>	<b>2009</b>	<b>2008</b>
Overall	0.36	0.45	0.97
<b>By level</b>			
Senior management	1.29	0.53	2.77
Middle management	0.47	0.65	1.38
Professional staff	0.26	0.35	0.70
<b>By gender</b>			
Men	0.42	0.54	1.15
Women	0.28	0.36	0.72
<b>By age</b>			
Up to age 30	0.54	0.83	1.94
31 to 40	0.53	0.66	1.34
41 to 50	0.38	0.44	0.81
Over 50	0.07	0.07	0.43

\* Ratio of voluntary resignations to total workforce

### Note

The Group operates overwhelmingly in Italy (98.2%). Since there are no substantial differences among the various regions in social and economic terms, we do not consider it useful to monitor data indicating the geographical distribution of personnel turnover.

### LA3 (ADD) BENEFITS AND ADDITIONAL CONTRIBUTIONS PROVIDED TO EMPLOYEES

In addition to both fixed and short-term variable remuneration the Bank, in application of specific contractual provisions and by its own independent decision, provides its employees with some benefits which in fact increase the remuneration offer in a structural sense, raising levels of motivation and loyalty.

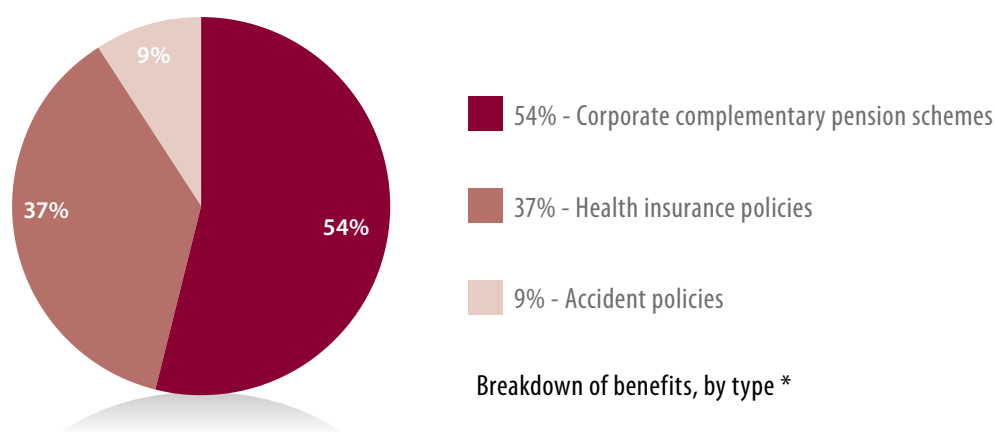
Falling within this context are mainly the:

- Corporate contribution to the Complementary Benefits Fund, provided for all employees at the rate of 2.5% of salary (fixed + variable).
- Health insurance policy (extended to retired employees).
- Accident and permanent invalidity policy (Long Term Care).
- Favourable terms for banking transactions (savings, loans, service).

**Employees with fixed term or part time contracts are granted the same benefits as open-ended and full time employees.** In relation to employees on part time contracts, these benefits are usually calculated in proportion to hours worked.

In 2010, in relation to the above mentioned benefit categories over 72 million Euros were paid out, broken down as follows:

## Staff Development and Enhancement



*\*This figure does not include expenditure for the Long Term Care policy*

### Social Projects

The Mutual Assistance Fund, established in Banca Monte dei Paschi di Siena on 26 May 1950 by some employees, with the support of the Bank's contribution and voluntary payments from its members, pays out substantial grants for health protection (advances for dental treatment, purchase of hearing aids, spectacles lenses and other health issues) and the family (advances for wedding costs, grants for handicapped children, non-self sufficient older people, birth and adoption of children, study grants and study trips abroad for students, advance of educational expenses, high school diplomas and university degrees, etc.). In 2010 the Fund granted approx. 4.3 million Euros.

The Mutual Assistance Fund has also been paying special attention to culture and leisure time with an offer of publications by the Bank, hotel and travel agreements. Regarding the latter point, since last year and along with travel offers of a general nature, other types of travel are provided focused on specific sports or themes (skiing weeks or swimming weeks and sports events such as running and many others).

We support socialisation and solidarity among employees.

The Group's 57 recreational clubs have approximately 17,500 members. They were created to promote socialising among personnel, provide social services for educational recreation, promotion of cultural, artistic, sports and tourism activities. This year the Group's companies contributed approximately 423 thousand Euros overall.

## INDUSTRIAL RELATIONS

Dialogue with the Union Organisations, as representatives of the workers, takes place in a climate inspired by principles of probity, transparency and a sense of responsibility for achieving overall results.

This dialogue also takes place within various Joint Bodies on matters relating to the



quality of working relations, professional development (with particular attention to equal opportunity, the climate at the workplace and career paths) workplace safety and environmental impacts of activities.

During the year discussions with Union Organisations of the Banca Monte dei Paschi di Siena and the Banca Antonveneta focussed mainly on implementation of the general **reorganisation plan for the company complementary pension schemes** started in 2009 with the “Harmonisation Agreement.”

In particular specific agreements were reached by pursuing distinct union procedures. It was agreed that the complementary pension scheme with defined contribution of Banca Toscana, Banca Agricola Mantovana and Banca Antonveneta would be centralized into the “Complementary Pension Fund for employees, since 1.1.1991, of the Banca Monte dei Paschi di Siena S.p.A. “; the “Complementary Pension Fund for Personnel of the Banca Toscana S.p.A.” was also identified as the central body that would hold the complementary pension schemes with defined contribution and additional benefits, for the above incorporated banks; for this purpose, the above mentioned fund must acquire the legal status of Foundation and financial independence with regard to the Banca MPS, The project is based on the assumption of providing continuity in corporate complementary pension schemes for the employees of the incorporated banks, both in force and retired, with a view of preserving the value of individual positions. Overall, the project complies with the COVIP (Pensions Funds Supervisory Commission) directives regarding simplification of pension systems to be achieved through concentration, outsourcing of schemes included in the financial statements, optimisation in the management of resources and reduction in expenditures charged to the Funds.

Industrial relations have also involved activities resulting in the signature of specific agreements and establishing various projects meeting the need to rationalise the Group structure with a view to improve efficiency and streamline the organisation.

Below are described some of these agreements:

- Reorganisation of the Proprietary Finance of the Montepaschi Group.
- Disposal of a business division (consisting of 22 branches) by Banca Monte dei Paschi di Siena to companies of the Banca Carige Group.
- Sale of 50 branches by Banca Monte dei Paschi di Siena to Cassa di Risparmio di Firenze (in observance of a ruling by the Autorità Garante della Concorrenza e del Mercato (anti-trust authority).
- Disposal of a business division (consisting of 13 branches) by Banca Antonveneta to Cassa di Risparmio di Biella e Vercelli.
- Merger of Paschi Gestione Immobiliare into Banca Monte dei Paschi di Siena.
- Merger of MPS Investments into Banca Monte dei Paschi di Siena.

Through meetings with the Union Organisations of the Parent Company, some experiments were launched, still ongoing, relating to projects intended to achieve better control of the quality of loans granted ("Project for the Reorganisation of lending organisation and processes"); other projects were finalised, aimed at strengthening the offerings to customers in the form of comprehensive packages. The debates over these activities have always resulted in agreements that, inter alia, achieve objectives of efficiency and enhancement of professional skills.

UNION ORGANISATIONS	2010	2009	2008
Employees registered	26,734	27,071	27,538

LA4

LABOUR RELATIONS

All employees are covered by national collective bargaining agreements.

LA5

MINIMUM NOTICE

PERIOD FOR

OPERATIONAL AND

ORGANISATIONAL

CHANGES

The Group, in relation to the merger initiatives that took place during the year, has operated in observance of the national contractual provisions which require notice to be given to the Union Organisations and negotiating procedures to take place within the maximum periods established by the National Collective Bargaining Agreement (50 days unless otherwise agreed by the parties) and in compliance with the "protocol on labour organisation" in force in the Banca Monte dei Paschi di Siena.

### OCCUPATIONAL HEALTH AND SAFETY

Working environment conditions and the related risks to health and safety of employees are always monitored by the Parent Company's Prevention, Protection and Environment Department, with the support of 28 regional referents (Environmental and Safety referents).

There is an operative **Occupational health and safety management system compliant with the international standard OHSAS18001** (Occupational Health and Safety Assessment Series). The system is certified in relation to Banca Monte dei Paschi di Siena and the activities of the Operative Consortium (the company which manages the IT systems of the Group) involving overall 80% of employees.

The system is subject to regular internal audits: in 2010 there were 169 on site audits, both with specialised internal staff and by the certifying body. The latter had positive outcomes. Suggestions for further improvement were incorporated into the programme of projects to be carried out in the future.

These include:

- The development of a dynamic system of risk assessment for health and safety.
- The implementation of an IT application to optimise the management of obligations related to health supervision.
- The implementation of preventive/prudential monitoring and management activities for “near misses”.

With regard to occupational health protection, the relative supervisory/monitoring was carried out through the Group Health Service: in 2010 medical examinations were carried out on 1,737 employees, there were 83 specialist examinations and 218 inspections to assess the suitability of the working environment.

LA6(ADD)  
“HEALTH AND  
SAFETY COMMITTEES”

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**In all the Group companies there were annual meetings pursuant to Legislative Decree 81/08**, in which took part the corporate representatives (Employer and/or a delegated person, the Head of the Prevention and Protection Department), the Company Doctor and the Workers’ Safety Representatives.

In 2010 there were 14 meetings at central level and 11 at local level, focusing on the following subjects.

- Risk assessments.
- The situation regarding accidents and occupational diseases and health supervision
- Decision-making criteria, technical characteristics and effectiveness of the individual protection systems.
- Information and training programmes.

**Relative to the robbery risk, a special bank/unions Joint Commission is also active.**

In 2010 the Commission met twice and examined:

- The integration/adjustment to corporate standards of the various safety measures in force in the branches of the merged banks.
- The possible introduction of new safety measures in relation to the issue of recent provisions on privacy protection.

LA7  
ABSENCES BECAUSE OF  
WORKPLACE ACCIDENTS  
AND ILLNESSES;  
ABSENTEEISM

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The problem of accidents was discussed in the meetings required by Legislative Decree 81/08 (see [LA6](#)). These meetings analysed data regarding indices of seriousness and frequency in order to identify any improvement measures to be taken. The Workers’ Safety Representatives also took part.

From the analysis of accidents it can be seen that both the average frequency of events and their seriousness are increasing, although within reasonable bounds. After some internal studies no structural deficiencies have emerged which would require corrective action.

## Staff Development and Enhancement

WORKPLACE ACCIDENTS	2010	2009	2008
Accidents	238	178	217
Days lost	3,360	2,599	3,637
Frequency index *	4.93	3.56	4.04
Seriousness index **	0.07	0.05	0.07

*The calculation of accidents observes the criteria stated in the standard UNI 7249:2007 - Workplace accident statistics*

*\* Number of accidents per million hours worked.*

*\*\* Days lost per accident for every thousand hours worked.*

Apart from accidents, since 2010 “near misses” are also monitored, using a special operational procedure (2 cases in the year).

**Absences because of accidents and illnesses record a slight decrease compared to 2009.** There was a similar trend for the “absenteeism rate” (3.88; from 3.95 in 2009). This rate, considering only illness absences lasting less than 3 days, was 1.57.

ABSENCES	2010	2009	2008
Days of absence, per capita *	8.7	8.8	10.9
Rate of absenteeism **	3.88	3.95	4.65
Rate of absenteeism (illnesses less than 3 days) ***	1.57	1.54	nd

*\* Illnesses and accidents.*

*\*\* Days absence because of illness, accidents and permission for voluntary activities out of the total average annual working days.*

*\*\*\* Days of absence for illness less than 3 days out of total average annual working days (data for Banca Monte dei Paschi di Siena).*

### LA8

EDUCATION, TRAINING,  
PREVENTION AND  
CONTROL OF RISKS IN  
TERMS OF EMPLOYEE  
AND FAMILY HEALTH  
AND SAFETY

In 2010 employees’ training in health and safety (using internal staff and external specialists) has much increased compared to previous years, due mainly to the start of a major refresher programme which up to now has involved over 20 thousand employees.

HEALTH AND SAFETY TRAINING	2010		2009		2008	
Recipients	Workers trained	Hours	Workers trained	Hours	Workers trained	Hours
Video screen operators	554	554*	14	107	379	379
Emergency staff						
<i>Firefighting</i>	2,446	19,538	408	3,264	1,358	10,828
<i>First aid</i>	3,571	29,260	592	5,402	3,397	24,132
Newly hired workers	372	1,209	428	1,446	350	1,225
Safety staff **	13,893	28,733	4,845	12,392	197	1,517
<b>Total</b>	<b>20,836</b>	<b>79,293</b>	<b>6,287</b>	<b>22,611</b>	<b>5,681</b>	<b>38,081</b>

*\* Estimated number.*

*\*\* In the training of “Safety staff” all training for executives, specialised staff, Workers’ Safety Representatives, Environmental and Safety Referents, etc. is included. This also includes robbery risk and environmental management training.*

Health treatment for staff and the prevention of related risk are insured through:

- The Group's in-house Health Service.
- Health supervision (concerning mainly "video screen workers", "night staff" and "forklift operators") operates through specialist medical exams and on site inspections.
- The insurance policy, which covers health expenditure sustained by employees and their families for specialised diagnostic checks and for preventive medicine.
- The Long Term Care policy, which ensures a life annuity in the case of permanent loss of self-sufficiency in the accomplishment of simple tasks in everyday life.

**In 2010 "stress risk" monitoring was launched** through the completion of an initial assessment pursuant to the law and in accordance with ISPESL methodology. The outcomes of the assessment have shown a "low" risk level for all categories of workers considered.

LA9(ADD)  
FORMAL AGREEMENTS  
WITH UNIONS  
REGARDING HEALTH  
AND SAFETY

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In meetings effected pursuant to Legislative Decree 81/08, between the firm and the Workers Safety Representatives, specific joint activities and improvements programmes are formalised (see [LA6](#)).

### STAFF TRAINING AND DEVELOPMENT

In the framework of management and development policies for human resources, investment in training in 2010 continued to be a priority for the Montepaschi Group.

At the start of the year, the 2010-12 Training Plan was prepared, which encompasses all the training programmes for the three-year period, in terms of guidelines, objectives, timings, contents, intended audience, means of training (in class and online courses, tutored work experiences), funding and sustainability (man/days envisaged).

The programme's priority measures concern:

- The strengthening of levels of professionalism in human resources dealing with credit management (both in terms of risk control and developing commercial opportunities), also through the certification of skills planned for job profiles whether in the branch network or the dedicated central structures (the "Credit Academy").
- Developing interpersonal skills, both for those in marketing positions (affluent customers managers, small businesses, etc.) and those in managerial roles, with a view to managing and motivating teams (managers of branches and other coordination roles).

In line with previous Plans, we are continuing to expand the training offered for key roles in the business (branch managers and main branch network positions) and to amend the “qualifying/obligatory” training offered (ISVAP, anti-money laundering, Legislative Decree 231, transparency, privacy, safety at work, Patti Chiari, etc.) in order to comply with applicable laws.

In this context the following issues are of importance:

- The “maestri di mestiere” initiative which involves a professional tutorship aimed at new recruits with a gradual “apprenticeship/experience” approach.
- Further extension to Group personnel of the Self-development Workshop (see box in margin).
- Launch of the “ Knowledge Experience ” project (see box in margin).

### Self-development Workshop

#### Features:

The workshop consists of training and self-development sessions formulated to bring to light the behavioural characteristics of the individuals participating in them, for the purpose of giving them an awareness of their own strengths and areas for improvement, as well as to establish a development plan aimed at improving any gaps found in their skills. This approach actively involves the participants in the diagnosis (gaps between their own current skills and those expected of them), promotes self-development by sharing the process of diagnosing behaviour at work and customises subsequent efforts.

#### Purpose:

- to promote a gradual acquisition of self-awareness by constructing individual development paths.
- to contribute to improving the participant’s effectiveness in covering their position (current or to be offered).
- to establish personalised development objectives to maximise strengths and to promote improvements in skills/behaviour where needed.

### Knowledge Experience

The activities involved in the project called “Knowledge Experience - training paths for Parent Company personnel”, launched in 2010 represent key experiences in the vein of the initiatives targeting skills development and the enhancement of personnel working in the Parent Company. The project, structured in line with the range of corporate skills (PaschiRisorse) - has involved approximately 400 persons, with a satisfaction and utility index concerning the work carried out equal to 5 (on a scale from 1 - minimum, to 6 - maximum); the project developed along three guidelines:

1. Utility: the formative experience has had tangible results in the working life of the personnel involved, stimulating participants to create solutions immediately transferable in personal and corporate contexts.
2. Innovation: in that it provides stimulus which is ongoing, multiple, multi-channel and comprehensive

which has encouraged the participation of personnel in the training process.

3. Responsibility: through the initial “pact” between the persons and the Bank to share the training objectives such as the pro-activity of their own development process, the exchange of ongoing feedback with participants, to engage them in the learning process and to adapt and integrate the training offer.

The project is therefore characterised by:

- The activation of ongoing training modules, in line with the “learning by doing” culture, introducing, in addition to the traditional class, some instruments which will always remain available to all personnel such as articles, abstracts, tutorials, manual, training methods (audio and video). Amongst these instruments, the activation of the “physical” managerial library (reserved for Parent Company personnel) has met with particular favour; it now has 350 books which can be reserved online. In five months there have been more than 2,000 access for consultation to the library which have generated 500 requests for books.
- The participation of personnel in the training process, not only as users but as real protagonists, due to the possibility of constructing personalised paths in the context of carrying out project work, or tangible measures applicable to the working activity of the person concerned.
- The use of new languages and new methods of training, such as for example stimuli (in a figurative sense) coming also from other disciplines (sport, music, science).

During 2010 there has been a further increase in the offer of knowledge management tools (see box in margin) which continue to meet the favour of personnel, registering an increasing number of accesses.

### Knowledge Management Tools

Knowledge Management Tools are online consultation tools which combine two essential features:

- Rapid access to information.
- Their relevance to the work of the user.

They are in fact constructed so as to be used easily, making it possible to immediately find and study only information of interest, having being designed as a support for daily operations. Structured as hyperlinks, designed to be read using the criterion (but not the only one) of processing logic intended for consultation of the standards and reference manuals for the operational process concerned, in which all the tools are connected through dynamic links which ensure updating, adding and partly systemising the wealth of knowledge already existing in the Group on the specific issue. Currently the main instruments of Knowledge Management Tools offered by the Banca Monte dei Paschi di Siena are:

- Operational support: it shows the main duties of employees in the Operational Support Staff of the branch, sub-dividing them throughout the day.
- Rapid guide to the CEBI Web: it helps the user in the use of the application for preparing reports.
- Branch manager: like for the Operational Support, it shows the main duties of the Manager, sub-dividing them throughout the day.
- Credit Guide: summarises the main fundamentals of credit management in the Bank.

In addition to the updated link to the specific standards and the operational manuals, this instrument allows immediate access to the latest version of product sheets and to any FAQs and operating tools already present within the corporate Intranet.

## Staff Development and Enhancement

The constant monitoring - with the goal of continuous improvement - of the effectiveness of the courses, through the systematic collection of customer satisfaction of participants and measuring the recovery of the global knowledge gap <sup>4</sup> (For specialized technical courses), which is at an average of 28%.

The overall appreciation of the training was found to be very positive: from the assessment sheets compiled by participants has emerged an indication of perceived quality equal to 5.1, out of a maximum value of 6. The highest levels of appreciation correspond to the parameters relating to: "interest in the subjects covered", "clarity of the teacher" and "usefulness for professional activity"; the latter indicator witnesses the relevance (in terms of content and practicality) of the running of these courses compared to individual needs (recorded also in priority terms) of staff.

LA10  
ANNUAL TRAINING PER  
EMPLOYEE AND PER  
CATEGORY OF WORKER

**The training involved approximately 91% of personnel, for almost 200 thousand training days.** On average every employee involved in the training process has participated in approximately 48 hours (equal to approximately 6.4 work days) of training during the year (of which 65% in class and 35% online).

Substantial funds have been assigned to training: approximately 5,690,000 Euros at Group level. All the main channels for funding training available at system level have been drawn on (e.g. the Bancassurance Fund).

TRAINING	2010	2009	2008
Training per capita (hours)	48	36	51
Training costs (Euros)	5,689,767	4,350,904	6,726,683

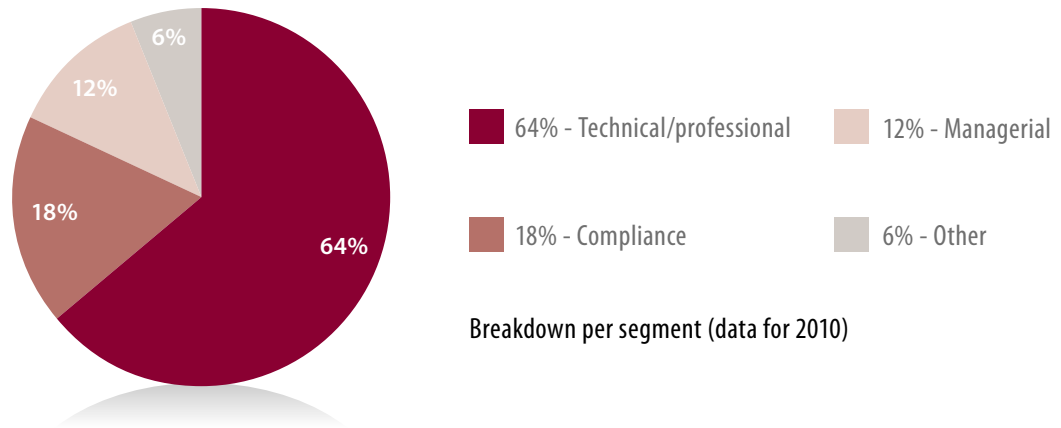
BREAKDOWN OF TRAINING (hours)	2010
Senior management	8,412
Per capita	16
Middle management	569,704
Per capita	50
Professional staff	906,018
Per capita	48

*The data for previous years have not been shown as they are only available for Banca Monte dei Paschi di Siena, and therefore are not comparable*

<sup>4</sup> At the beginning and end of each course the participants are asked to compile a questionnaire with multiple-choice questions, which allows for a direct comparison in terms of learning and effective teaching (measured on the basis of the improvement in the percentages of correct replies provided from entry to exit).



## Staff Development and Enhancement



### LA11(ADD)

#### PLANS AND SYSTEMS FOR SKILLS AND PROFESSIONAL DEVELOPMENT

In the context of the strategic picture drawn, the most important achievements in 2010 were:

- The launch of the fourth edition of professional paths , which approximately 200 personnel members have joined. These paths, which at Group level concern overall approximately 800 employees (whose average age is approximately 35 years) use the PaschiRisorse system as the fundamental planning and monitoring instrument for defining the distinctive skills for each position, the checking of levels of adequacy of the individual persons compared to the profile established for the position covered and the choice of training plans designed to fill any gaps.
- The mapping of activities and resources (MAP). The instrument permits analysis of the quantitative dimensions of the structures. The system is fed directly by the Heads of each organisational unit and permits that person to indicate the distribution of workloads within the structures, thus allowing a check on the correspondence between the activities carried out and the resources allocated to them.

### LA12(ADD)

#### PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

As in article 69 of the National Collective Bargaining Contract in force, all the Group companies give overall professional assessments annually to all workers in the Professional and Management areas, transmitted to the employees either in writing or during a discussion, giving them a summary of the reasoning behind the assessment.

## QUALITY OF WORKING LIFE AND EQUAL OPPORTUNITIES

LA13

EMPLOYEE

DISTRIBUTION BY

CATEGORY: GENDER,

AGE, PROTECTED

CATEGORY AND OTHER

DIVERSITY INDICATORS

The enhancement of human capital and personnel motivation, always considered determining factors in the corporate culture for gaining competitive advantage, are achieved through improvements in the quality of employees' working lives.

Where compatible with organisational needs and workloads, the Group's attention turns towards incentivising corporate measures aimed at favouring the life/work balance. In this sense some of the corporate contractual provisions are additional to or improve legal provisions and the national contract:

- Flexible working hours in terms of starting and finishing times and breaks.
- Conversion of jobs from full time to part time with various possibilities of articulating this in horizontal, vertical and mixed arrangements.
- Paid and unpaid leave at special times in the personal and family life (death of a spouse, births, adoptions, medical treatment and visits, completion of studies).
- Employment, by direct contact, of the spouse or orphan of the employee who died on the job, if they meet the requirements for the position.

**Female personnel constantly increasing in numbers**, going to 44.5% against 44.2% in 2009 and 42.6% of the system (ABI 2010 Report).

The corporate policies of the Group pay ever more attention and give more responsibility to the subject of equal opportunities, in order to identify solutions for enhancement of the professional qualities and improvements to the quality of life of its personnel.

In recent years various factors have led to positive indicators in this context, such as:

- Females in positions of responsibility (35.1%), particularly in the branches. Women occupy 30.3% of the managerial positions (they represent 4.4% of the total Senior Managers, 31.5% of the middle management roles), up from 28.8% last year.
- Promotions of women reached 45.1% of all those occurring during 2010 (46.5% in 2009).

<b>FEMALE PERSONNEL IN MANAGERIAL POSITIONS AND CAREER ADVANCEMENT (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Female personnel	44.5	44.2	43.2
<i>Senior management</i>	4.4	4.4	3.8
<i>Middle management</i>	31.5	30.9	27.7
Promotions	45.1	46.5	43.4

However with regard to the opportunities provided by the firm to reconcile private and working lives, women adopt part-time work in a percentage of 15.3% compared to the 0.7% of men.

DISABLED PERSONNEL	2010	2009	2008
Disabled personnel	1,550	1,565	1,564

With regard to personnel belonging to the protected categories, we are committed to providing the conditions for the best possible integration, if necessary making special alterations to workstations and instruments, whether structural or IT-related, so that we can achieve full integration of this category of employee into the job context, making them autonomous in their jobs.

All employees with specific health conditions are provided with equipment adapted to their particular requirements and identified by the company doctor.

Work has gone on with the installation of two workstations for the blind and visually impaired while monitoring at Group level has continued to identify disabled workers who need such stations. 3 new workstations were installed in 2010.

Work has also continued in providing adequate workstations for workers with other disabilities, in order to allow them to use a workstation suitable for their situation (4 in 2010).

See [4.7](#) and [LA1](#) for information on the composition of the Board of Directors and other indicators of personnel distribution.

### LA14 RATIO OF BASE SALARY OF MEN TO WOMEN BY EMPLOYEE CATEGORY

Base remuneration levels of female personnel, in the Professional areas and Middle Management, do not differ from those of men, on comparable levels of grade and seniority.

The slightly lower average salaries are linked solely to greater use of part-time by female personnel compared to masculine or, with regard to the 1st and 2nd Professional area, to the different duties individually assigned .

With regard to the senior managers however any differences between the remuneration of men and that of women are due not to their gender, but to the role individually covered by each of them.

## Staff Development and Enhancement

REMUNERATION OF FEMALE PERSONNEL * (%)	2010	2009**	2008
Senior management	93	92	96
Middle Management 4° level - 3 MTE	96	96	95
Middle Management 4° level - 2 MTE	95	91	95
Middle Management 4° level - 1 MTE	96	91	96
Middle Management 4° level - 0 MTE	94	93	97
Middle Management 3° level	97	97	96
Middle Management 2° level	96	96	97
Middle Management 1° level	94	94	95
3 <sup>a</sup> Professional area 4° level	94	94	93
3 <sup>a</sup> Professional area 3° level	91	91	90
3 <sup>a</sup> Professional area 2° level	92	93	94
3 <sup>a</sup> Professional area 1° level	94	94	94
2 <sup>a</sup> Professional area 3° level	94	92	91
2 <sup>a</sup> Professional area 2° level	70	75	n.a.***
2 <sup>a</sup> Professional area 1° level	84	83	85
1 <sup>a</sup> Professional area 1° level	66	90****	101****

\* Percentage ratio between the average remuneration of female and male personnel.

\*\* Data do not include Banca Monte Paschi Belgium.

\*\*\* There is no female personnel in this category.

\*\*\*\* The data do not include the remuneration of personnel in the 1st Professional Area, 1st level, part-time (cleaning staff).

# HR. HUMAN RIGHTS

## DISCLOSURE ON MANAGEMENT APPROACH

The financial sector plays an important role in economic and social development, in improving the quality of life, in job creation and in achieving and benefiting from fundamental human rights.

The banks can contribute to these objectives:

- Directly, through personnel management policies that ensure non-discrimination, equal opportunities and safe and healthy working environments, and through careful consideration of human rights issues and workers in the supply chain.
- Indirectly, through conducting their business of granting financial support for socially useful projects, promoting financial inclusion of everyone, ensuring that projects are developed and realised in a socially responsible manner and through social investments and initiatives aimed at improving the promotion of human rights.

Within our sphere of influence and in line with the [Code of Ethics](#):

- Since 2002 we have been supporting the United Nations [Global Compact](#).
- In employment matters we do not tolerate any form of discrimination, guaranteeing equal opportunity for all and accessibility for disabled employees. We combat coercion, exploitation and harassment and ensure the safety and health of people in application of the law and the principles of the Social Accountability standard SA8000.
- We demand that our suppliers respect the rights of their workers and responsibly manage the social impacts of their activities.
- In our business activities we pay attention to the needs of the socially disadvantaged, promoting their access to banking services, the informed use of credit and prevention of over-indebtedness.
- We exercise careful controls on our operations in the armaments sector.
- We take part in the effort of civil and humanitarian institutions and organisations for the protection of basic economic and social rights, such as health, housing, education and work.
- We avoid involvement in the financing of terrorist action and we combat money laundering.

With regard to the latter issue, during the first half-year, we record the reorganisation of the corporate department dealing with money laundering and combating international terrorism. This reorganisation also involves advance implementation of the Bank of Italy rulings on the issue, through the centralization of internal responsibilities in a new structure within the Compliance and Customer Care Area.

This specific activity is carried out with the support of ad hoc IT systems and continuous training of the personnel assigned to them (see [HR3](#)).

Following regulatory development during the year, we record a significant increase in the number of suspect transactions analysed (5,113 in 2010; against 3,582 in 2009). There have also been increased notifications to the competent authority, the “Financial Information Unit” (2,588 in 2010 against 1,309 in 2009).

## INVESTMENTS AND PROCUREMENT PRACTICES

HR1  
AGREEMENTS  
INCLUDING CLAUSES  
ON HUMAN RIGHTS OR  
THAT HAVE UNDERGONE  
HUMAN RIGHTS  
SCREENING

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We finance almost exclusively Italian firms operating in Italy, where observance of standards on the protection of human rights is guaranteed by the applicable law.

Group policy lines ensure that loans are always used in a wholly correct manner and allocated to useful and sustainable purposes.

In this sense, the Credit Committee has carried out its own assessments taking into account also the possible impact of credit on the employment levels of the recipient firms and satellite industries.

Ethical analysis criteria and special internal regulations, often more far-reaching than those provided by law, are applied, inter alia, in project financing (see [FS3](#)) and in brokerage transactions linked to the production and marketing of armaments (see [FS2](#)).

HR2  
SUPPLIERS THAT  
HAVE UNDERGONE  
SCREENING ON HUMAN  
RIGHTS ISSUES

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The [Code of Ethics](#) commits us to working with suppliers who conduct their business in a serious manner, ensure the respect of the rights of their workers, the quality of investments and responsible management of environmental and social impacts.

We work with around 23,000 suppliers. Those with whom we have an ongoing relationship and who maintain a significant volume of business with Group companies are assessed through appropriate questionnaires not only in economic and quality terms but also regarding social ethics, workplace and environmental health and safety.

Part of these suppliers (up to now 200) is also assessed on their CSR performance in order to identify avenues for further improvement in the supply chain (see [EN26](#)).

With regard to human rights in particular, suppliers are required to sign a commitment to observance of the SA8000 standard (failing to do so, can result in terminating or not starting a commercial relationship). During the year all suppliers have fulfilled this requirement.

We record positively the fact that 20 of our suppliers have already achieved SA8000 certification and 23 the OHSAS18001 certification.

HR3 (ADD)  
TRAINING IN HUMAN  
RIGHTS PROMOTION  
POLICIES

The most important training activities with the greatest impact on the promotion of human rights include:

- Protection of health and safety in the workplace (see [LA8](#)).
- Combating money laundering and international terrorism. In 2010, 8,026 employees were trained for an overall 27,350 hours.

## NON-DISCRIMINATION

HR4  
CASES OF  
DISCRIMINATION  
AND ACTIONS TAKEN

In observance of the labour contract, personnel are required to carry out their tasks always acting in a manner based on the principles of discipline and correctness; offering their active and whole-hearted cooperation in carrying out duties required by law and the contract, as well as instructions from their senior managers. In consideration of this and in case of non-observance of these duties or negligence in carrying out assigned tasks, the worker is subject to disciplinary measures in proportion to the seriousness of the breaches committed.

In 2010 there were 71 cases of disciplinary action being taken, of which 13 were dismissed and 58 reprimanded, almost all due to "irregular loan management".

DISCIPLINARY MEASURES	2010	2009	2008
Dismissals	13	8	7
Reprimands*	58	78	120

\*For example reprimand, temporary suspension from work and from salary

At Group level labour disputes pending as at 31/12/2010 amounted to 637, almost all against the Bank, concerning about one thousand employees and mainly concerning:

- Financial claims.
- Mobbing and job downgrading.
- Requests of higher job classification.
- Disciplinary measures (dismissals).
- Employment contract.
- Complementary pension schemes.

LABOUR DISPUTES	2010	2009	2008
Actions pending	637*	644	353
<i>Against the Bank</i>	579	608	330
<i>Brought forward by the Bank</i>	58	36	23
Employees involved	1,027	984	499

\* of which 108 for job downgrading and mobbing in Banca Monte dei Paschi di Siena.

The Company and the Union Organisations had a meeting during 2010 to look at specific themes in the joint Corporate Monitoring Centre, as provided in the Complementary Corporate Contract (Labour Agreement).

In particular, data was analysed in order to permit a check on the “quality of life” in the working environment, on how personnel experience daily operational situations, and specifically on monitoring situations potentially harmful to the working life of employees:

- Overall number of employees indicating average age.
- Breakdown of employees by seniority, level, structure they belong to, educational qualifications, means of recruitment.
- Promotions broken down by cause and the structure they belong to.
- Number of employees following professional paths, broken down into horizontal and vertical paths, with details of those started, concluded, interrupted and renounced
- Number of departures, with reasons.

No particular problems arose from this study.

## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5  
RISKS FOR THE  
FREEDOM OF  
ASSOCIATION AND  
COLLECTIVE BARGAINING

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Given our business and the countries in which we operate with offices and staff, this indicator is not considered relevant.

## CHILD LABOUR

HR6  
ACTIVITIES WITH A  
HIGH RISK OF RECOURSE  
TO CHILD LABOUR

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Given our business and the countries in which we operate with offices and staff, this indicator is not considered relevant.

## FORCED LABOUR

HR7  
ACTIVITIES WITH A  
HIGH RISK OF RECOURSE  
TO FORCED LABOUR

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Given our business and the countries in which we operate with offices and staff, this indicator is not considered relevant.



# SO. SOCIETY

## DISCLOSURE ON MANAGEMENT APPROACH

Compliance with the law and correct and professional ethics are necessary conditions for playing a positive role in society.

The Compliance and Customer Care Area is responsible for the monitoring of regulatory compliance with and the risks involved.

In implementation of the [Code of Ethics](#) we consider the possible social and environmental impacts of our business, both positive (see [FS7](#), [FS8](#), [EC8](#)) and negative (see [FS2](#)), including our relations with institutions and the community, as well as aspects relating to any instances of corruption, for which we have special organisational models, operating tools and training procedures.

## COMMUNITY

### SO1 ACTIVITIES IMPACTING THE COMMUNITY

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See [FS7](#), [FS8](#), [EC8](#) (positive impacts) and [FS2](#) (negative impacts).

In particular, in terms of sponsorships, each company in the Group has its own programme, which determines the types of activities that can be supported, the procedures and time frames for the request, and how events are to be held.

For the purposes of assessing the requests for support (for which maximum transparency is exercised) the following criteria are followed:

- The seriousness of the applicant and its reputation.
- Examination of the project and its consistency with Group policies.
- Assessment of the potential social impacts of the project.

### [Policy of Social Involvement in the Community.](#)

### FS13 BRANCHES IN LOW POPULATED OR ECONOMICALLY DISADVANTAGED AREAS

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One of the particular elements in the Group [Mission](#) is to “maintaining a strong attachment of each Group company to the community in which it operates”.

The Group is present throughout Italy with a dense network of branches and ATMs, which ensure good coverage of services, even in small communities and regions with a low development rate.

PRESENCE IN ITALIAN LOW POPULATED OR ECONOMICALLY DISADVANTAGED AREAS	2010		2009	
	BRANCHES	ATMS	BRANCHES	ATMS
Municipalities with less than 5000 inhabitants (%)	13.1	12.0	12.8	12.2
In regions with a lower growth rate (%) *	21.4	22.9	21.2	22.1

\* Campania, Basilicata, Puglia, Calabria, Sicily, according to the European Union's classification

## FS14

### INITIATIVES TO IMPROVE ACCESS TO FINANCIAL SERVICES FOR DISADVANTAGED PEOPLE

We are committed to paying due attention to the needs of the more vulnerable segments of society by:

- Offering products and services to: immigrants; the young; small firms; precarious workers; non-for-profit bodies (see also [FS7](#)).
- Adapting our distribution channels (physical and electronic) to the needs of the disabled.

During the year, with regard to the latter issue:

- A programme continued for upgrading ATMs with the installation of software which allows blind and visually impaired persons to use voice services to carry out essential transactions (91% of the total).
- The electronic key to allow the blind better access to the Group's electronic channel has been redesigned.
- A study on access for the blind and visually impaired to mobile banking services has been undertaken.

## CORRUPTION

Combating corruption is a commitment we maintain within our sphere of influence (in line with this commitment we have since 2002 belonged to the United Nations [Global Compact](#)).

To this end we have an organisational model that complies with Leg. Dec. 231/2001 regarding corporate administrative liability which provides:

- Rules and procedures to prevent such crimes.
- Processes for managing and controlling financial resources in at-risk activities.
- An oversight body (the Internal Audit Committee) to ensure that the model functions properly and is constantly updated.
- Employee training.
- Reporting systems and penalties.

## SO2

INTERNAL DIVISIONS  
MONITORED FOR RISK  
OF CORRUPTION

In accordance with external legislation and the Internal Audit Unit, the Internal Auditing Department of the Parent Company carries out checks on the functioning of Model 231/2001, diversified according to the scope of the inspection.

This year 1,562 audits were carried out, covering:

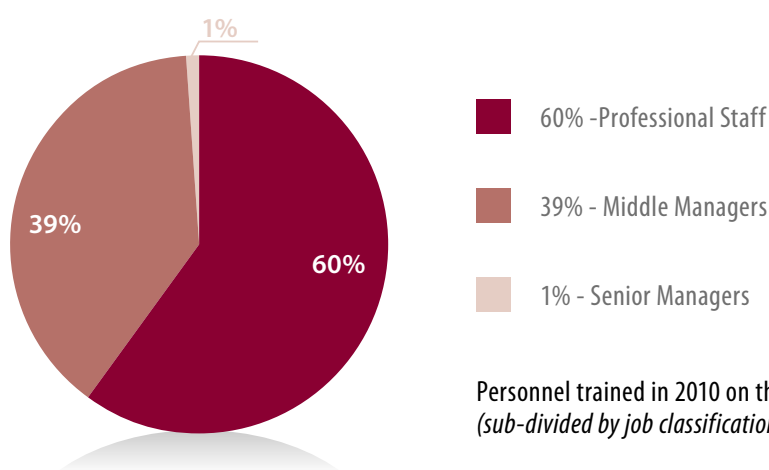
- 28 Group companies.
- 11 foreign branches.
- 33 the procedures/structures of the Bank's General Management.
- 1,490 branches.

A specific study was carried out on the Compliance Department, aimed at checking sensitive activities pursuant to Legislative Decree 231/2001 within that structure.

## SO3

EMPLOYEES TRAINED  
IN ANTI-CORRUPTION  
POLICIES AND  
PROCEDURES

During 2010 training on anti-corruption procedures was given to 5,560 employees for an overall 13,818 hours, in accordance with the 231/2001 Model.



Personnel trained in 2010 on the 231/2001 model  
(sub-divided by job classification)

## SO4

CASES OF CORRUPTION  
AND ACTIONS TAKEN

No cases of corruption were found in 2010.

## CONTRIBUTION TO POLITICAL PARTIES

## SO5

PARTICIPATION  
IN THE DEVELOPMENT  
OF COLLECTIVE  
AND PUBLIC POLICIES

It is in the interest of the Group to follow regulatory trends that might impact on operations and to adopt them readily. Monitoring of community, national and local legislative activities is carried out for this reason.

Through its own Top Management the Group engages in ongoing contacts and

meetings with the Oversight Bodies (Bank of Italy, Consob, etc.) and deals with regulatory developments in the sector as member of the Executive Committee of the ABI.

On the basis of the Group's [Code of Ethics](#) these contacts must be developed in observance of the law and applicable regulations; the reputation and integrity of the firm must be protected in accordance with the guidelines in the internal organisational Model pursuant to Legislative Decree 231/2001.

Participation in public meetings and events by other ther management representatives are previously assessed and authorised at central level by the Communications and External Relations Area to ensure consistency with Group policy on issues of brand identity and corporate reputation.

The Group also takes part in the various Associations which engage in lobbying with the Institutions on issues linked to the CSR (for example, CSR Europe and Forum for Sustainable Finance).

See also [4.14-4.17](#) and [FS5](#) for information on the main issues dealt with in the context of the above activity.

SO6 (ADD)  
CONTRIBUTIONS TO  
POLITICAL PARTIES AND  
RELATIVE INSTITUTIONS

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No donations are allowed to movements or organisations carrying out a purely political role. The possibility of participation in promotional and marketing events promoted by political parties and union bodies is defined in observance of current laws and with maximum transparency ([Code of Ethics](#)).

In 2010, 208 thousand Euros were donated in this context.

## ANTI-COMPETITIVE BEHAVIOUR

Honest and fair competition is a necessary condition for developing and maintaining the Company in the markets, in formal and substantive compliance with the applicable regulations and legislation. In the markets the Group competes based on the quality and safety of its products and services, avoiding agreements and other actions that inhibit competition ([Code of Ethics](#)).

## SO7 (ADD)

## LEGAL ACTIONS

FOR ANTI-COMPETITIVE  
BEHAVIOUR,  
ANTI-TRUST AND  
MONOPOLY PRACTICES

There have been no penalties relating to market abuse.

2010 saw the end of the first stage of the proceedings opened by the Italian Authority for Fair Competition and the Market on the “MasterCard case”, with a demand for a fine on all the parties involved (including the Banca Monte dei Paschi di Siena, for an amount of 910,000 Euros). The Bank and the other parties involved appealed against this ruling to the Lazio Regional Administrative Court, which suspended payment of the fine, adjourning discussions on the merits until 22 June 2011.

## SO8

SIGNIFICANT PENALTIES  
FOR CON-COMPLIANCE  
WITH LAWS AND  
REGULATIONS

During 2010 penalties for legislative non-compliance amounted overall to Euros 966,453. In addition the Parent Company, as the incorporating company of MPS Banca Personale fulfilled its obligations arising from an administrative penalty inflicted by the Bank of Italy against the directors and the General Manager of the former MPS Banca Personale for failings and breaches of the internal control systems and non-observance of provisions covering banking and financial transparency, which resulted in the obligation to publish the ruling in two dailies with national circulation.

For further details and information on other legal actions please refer to the [Consolidated Financial Statements \(pages 379, 380, 383\)](#) and [Parent Company Financial Statements \(pages 717\)](#).

# PR. PRODUCT LIABILITY

## DISCLOSURE ON MANAGEMENT APPROACH

In an increasingly competitive context we are committed to creating and developing relationships of trust and reciprocity as well as lasting satisfaction.

**The pillars of marketing policy**, with particular regard to the retail segment, are confirmed as:

- Quality of service.
- Rationalisation of the product catalogue.
- Innovative offers.

Other key points are:

- **Greater simplicity and clarity of information given to customers**, including in implementation of the new provisions of the Bank of Italy in terms of transparency.
- **Strengthening the protection of customer from investment risks.**
- **The development of channels to access services and the related security standards**, especially in promoting a multi-channel approach and internet operations.

During the year marketing and product initiatives were strongly focussed on support for families and businesses in difficulty in the economic context (see [FS7](#)).

In 2010, as in previous years, the Montepaschi Group consolidated and further strengthened control of IT security; particularly the investment for the technological development of procedures: about 137.9 million Euros (compared to 108 million Euros in 2009), mainly destined to the application of services to customers. Also important was the investment for compliance activities and internal controls (over 17 million Euros).

FS15

POLICIES FOR FAIR  
DESIGN AND SALE  
OF PRODUCTS

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The [Code of Ethics](#) of the Montepaschi Group sets out the policy in this field.

The main initiatives of 2011 concerned:

## CONTROL OF RISKS AND CUSTOMER SUPPORT IN MANAGING INVESTMENT PRODUCTS

- The advanced consultancy service has been implemented for financial investments (Advice). The aim of the service is to identify the needs and expectations of customers in deciding on the most appropriate forms of financial investment. The consultancy process, with the support of dedicated applications (Advice platform), allow us to describe and pass to the customer a better awareness of the risk components and yields expected from the investment solutions proposed. Internal studies have demonstrated that in the first 10 months of 2010 (data as at 29.10.2010) the average

performance of managed portfolios was markedly better than that of non-managed ones (1.98% vs 0.91%) with lesser dispersion of results and with greater control of risks. Managed funds are equal to 24 billion Euros, equivalent to about 23% of the potential reference market (data as at 26.11.2010). During 2010 about 200,000 consultancy proposals were formalised. The service will be further optimised using the PaschiFace platform, now being implemented.

- The corporate standard, adjusted on the basis of indications given in the MiFID was subjected to overall revision. In observance of this, information has been circulated to the branches about the rules of conduct for the placement of products in the offer-catalogue of the Group; regulatory indications were also provided on the obligatory coupling of consultancy and placement services.

It is worth mentioning the IT implementation concerning checks on the consistency of the customer's declared profile (MiFID questionnaire) and the Minimum Holding Period for products, as well as a check on the adequacy of illiquid products. Still concerning transparency, we are sending customers periodical communications on changes in the classes of risk in relation to the products held.

### TRANSPARENCY IN SERVICE COMMITMENTS AND SIMPLIFICATION OF RELATIONS AND COMMUNICATIONS WITH CUSTOMERS

- We have made changes to cash receipts and payments products (e.g. execution times, withdrawal rights, traceability, before and after transaction information, etc.) in line with what was proposed by the European Parliament and implemented through a special legislative decree. The first objective was to guarantee better protection, rights and transparency to customers as well as uniform usage throughout Europe. In relation to this activity some internal training has been offered through a special online course and class sessions.
- In cooperation with consumers associations (Consumer Lab), the criteria of social responsibility, transparency and fair operations of the Group have been analysed with regard to the "*cessione del quinto*" (salary backed loans to staff). The product Consum. it was later presented, in agreement with consumers' associations, on the online consumer magazine Help Consumatori, stressing its originality.
- For other initiatives in transparency issues see [PR3](#).

#### FS16

#### FINANCIAL EDUCATION

Amongst the financial education initiatives in which the Group's banks have taken part in 2010:

- The basic guides to the banking services offered in cooperation with consumers associations have been made available through the branches, the web and consumers' networks. With the latest publication coming out during the year, Consumer Lab has provided savers with an easy guide to learn about the rights and duties of bank customers.

- The Group has joined the new financial education programme “The Economic Footprint”, designed by ABI-PattiChiari for students in Italian junior schools.
- “BancaScuola” has been created by Consumer Lab. This initiative targets students in Italian high schools and will be developed in 2011.

### CONSUMER SAFETY

PR1

ASSESSMENT OF THE  
SAFETY OF PRODUCTS  
AND SERVICES

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Services safety for the protection of customers is dealt with in many ways, with particular regard to: IT security, continuity of operations, prevention of robbery risks, and protection of personal data (see [PR8](#)).

#### IT SECURITY

The protection of customers’ online operations has recently been strengthened. The consolidated protection system for on-line banking services offered to customers, such as for example the use of digital ID and an electronic key in order to improve secure access to the internet banking platform, has been gradually reinforced by other protective measures including:

- “Stai al sicuro” (stay safe) which provides the despatch of free messages in real time for transactions considered risky (e.g. bank transfers, recharging mobile phones and prepaid cards).
- “PaschiAvvisa”, to keep customers constantly informed on particular events such as the execution of securities orders or the balance of a current account, at regular intervals.
- “The secret question-answer”, which recognises the user when online transactions are executed in “anomalous” situations.
- “SeiOk”, to allow customers to check the security status of their own computer on-line.
- A complete on-line service for checking security on customers’ PCs (anti-virus, anti-spyware, updates, network problems etc.).

In 2010 there were attempted on-line thefts which affected:

- Retail customers - 48 cases for an overall 234,570 euro and an unrecovered loss of 36,880 Euros.
- Corporate customers - 105 cases for an overall 614,025 Euros and an unrecovered loss of 306,954 Euros.

**Special attention has been given to the prevention of fraud against customers through debit/credit cards.**

In the Fraud Detection programme the prevention of fraud, initially activated only by a debit card, has been extended also to credit cards with an increase in the monitoring capacity. These activities have resulted in a reduction in the number of



repayment requests for fraud in 2010 of around 30% compared to the previous year, and a reduction in the average reimbursement of around 50%.

### BUSINESS CONTINUITY MANAGEMENT

In accordance with specific Bank of Italy regulations, we are committed to ensuring continuity of banking services even in the framework of particularly critical scenarios, such as natural calamities, malicious events and computer attacks. For these reasons we have established a Business Continuity Management plan which consists of suitable organisational measures and specific allocation of resources.

In the light of the large investments made over time, both in technological and human resources terms, the plan adopted has been positively assessed by the Bank of Italy during the check carried out during the year.

The Group has also taken part in initiatives promoted at institutional level:

- Meetings in the framework of the Bank of Italy programme for Continuity of Service in Italian Financial Institutions (CO DI SE in Italian).
- During the year there was a simulated critical event (an earthquake in the Garfagnana area) organised by the Civil Protection Department, which confirmed the effectiveness of the plan adopted by the Group.

### ROBBERY RISK

The main activities carried out and planned for the prevention of the robbery risk were the following:

- Installation of biometric systems.
- Installation of metal detectors.
- Installation of external video surveillance cameras, and extra security services.
- Reminders for keeping stocks low.
- Provision of timed strong rooms and anti-theft safe deposit boxes.

In 2010 there were 188 robberies, equivalent to a ratio of 6.4 robberies for every 100 branches (in 2009: 191 robberies with a ratio of 7.5).

PR2 (ADD)  
NON-COMPLIANCE  
WITH REGULATIONS  
AND CODES REGARDING  
SAFETY OF PRODUCTS  
AND SERVICES

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In 2010 there were no significant cases of non-compliance with codes or regulations regarding the safety of products and services.

## PRODUCTS AND SERVICES LABELLING AND CUSTOMER SATISFACTION

PR3  
INFORMATION ON  
PRODUCTS AND  
SERVICES REQUIRED  
BY CORPORATE  
PROCEDURES

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The [Code of Ethics](#) requires us to inform customers clearly and fully on the conditions under which products and services are provided and to facilitate understanding and informed choices.

Transparency and the quality of communications are central to the service we provide to customers.

The main initiatives in 2010 were:

- We confirmed our full support to all the ABI “Patti Chiari” initiatives ([www.pattichiari.it](http://www.pattichiari.it)).
- Informative notices to current account holders now carry the appropriate cost indicators to enable customers to compare the various banking offers.
- With a view to achieving full transparency for customers, a **project for the complete review of product communication** was launched in 2010 (which include for example the current account and share deposit leaflet) and in this context a full check was made to ensure complete alignment with regulatory standards. The “finished product” constituted by the new version of the Current Account Statement shows a graphic illustration designed to rationalise content already present and the insertion of new informative/commercial news (e.g. a box with details of bank addresses) as well as a section for data required by the law on “Banking Services Transparency”. The issue of the new version of the current account statement at 31.12.2010 affected about 3.3 million current accounts.
- In the framework of the strategic partnership with AXA the **Charter of Commitments** was drawn up which sets out the response times for the Company in particular stages of its dealings with customers such as: request for redemption of the policy; liquidation following maturity; response to a claim. The undertakings made in the Charter of Commitments are for all customers holding an AXA-MPS policy in the Life, Savings and Investment segments.

PR4 (ADD)  
NON-COMPLIANCE  
WITH VOLUNTARY  
REGULATIONS AND  
CODES REGARDING  
INFORMATION  
ON PRODUCTS  
AND SERVICES

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In 2010 Consob (whose objectives are investor protection and the efficiency, transparency and development of the stock market) provided the results of the supervisory activity carried out with the Bank in relation to implementation of the MIFID Directive. The main points notified concern systems issues, rather than specific failings. However, the Board of Directors established an action plan to implement compliance and to be completed within the next two years, for which an inter-departmental project has been started, arranged as special workshops for the various subjects.

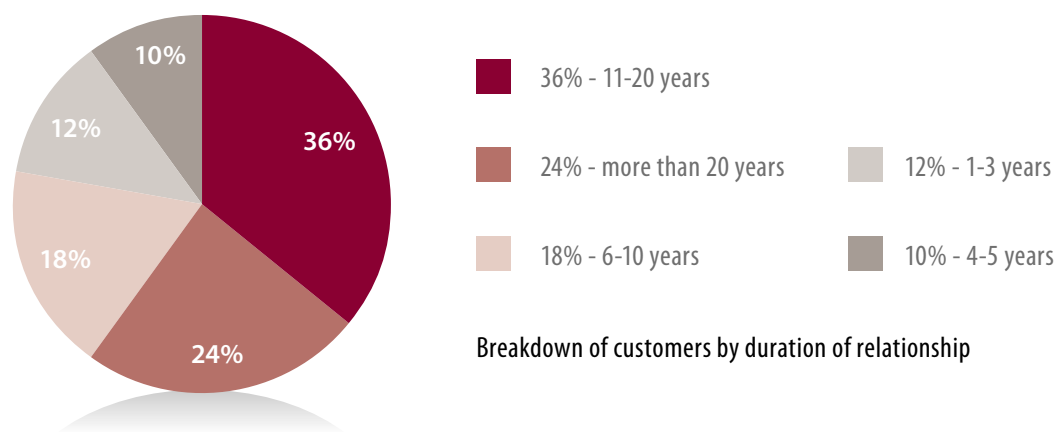
In addition, regarding banking transparency, a fine of 19,000 Euros was imposed on the General Manager of Banca Personale (subsequently merged into Banca Monte di Paschi di Siena), as well as an extra administrative penalty which obliges the Bank to publish details of the fine in two daily newspapers with national circulation.

## PR5 (ADD)

PRACTICES RELATING  
TO CUSTOMER  
SATISFACTION  
INCLUDING RESULTS OF  
SURVEYS AIMED  
AT MEASURING THIS

It is important to know the level of customer satisfaction and the factors behind it in order to constantly improve the level of service offered and to ensure customer loyalty.

The indicators we monitor include: loyalty rates, customer acquisition and retention rates, customer satisfaction and complaints.



ACQUISITION AND RETENTION (%)	2010	2009
Retention **	95.3	94.1*
Acquisition	5.7	5.8

\* Data recalculated after the disposal of some branches

\*\* Retention has been calculated excluding the effects of disposals outside the Group.

Retention is growing while there has been reduced acquisition, still reflecting the difficult economic times.

## CUSTOMER CARE AND SATISFACTION

We measure and check the quality of services provided to customers, working for continuous and regular improvement and using studies of customer satisfaction and complaints management. These activities are carried out by the Compliance and Customer Care Area reporting directly to the General Manager and the Chairman. During the year:

- We worked on the Paschi FACE project to improve bank-customer relations through the creation of a new management support platform for the branch network and simplification of the various associated organisational and functional aspects.
- The customer care has recorded excellent service levels both in customer assistance and direct banking services (over 90% of telephone calls dealt with in 30 seconds) and in the operational-commercial support (88% of calls dealt with in 36 seconds).

## RESULTS OF CUSTOMER SATISFACTION SURVEYS

We carry out **periodic Customer Satisfaction surveys** to measure the quality “perceived” by external and internal customers regarding products and services marketed by the Group’s branch network.

In order to assess the overall level of services offered to retail customers, a model has been developed since 2007 to analyse all the various areas of quality perceived and offered, using data coming from results of:

- Customer Perception Index (CPI) - customer perceived quality: recorded by a telephone survey for retail customers and by on-line questionnaires for corporate clients.
- Employee Perception Index (EPI) - quality perceived by “internal” customers, i.e. the satisfaction of branch personnel regarding the conditions and tools available to them for serving customers.
- Operational Perception Index (OPI) - operational performance level of the Bank, and impact on customers (complaint flow, turnover in the branches, functioning of the ATMs, etc.).

Then a summary care index of customers is calculated (Care Score Index - CSI), as an average, weighted by the above indicators.

In 2010 the CPI findings, carried out by telephone interviews, covered over 40,000 retail customers of all the banks in the Group. Apart from this, and in order to assess customers’ experience along with the choice of particular products and services (the so-called “moment of truth” - events crucial to forming or changing the opinion customers have of their bank) a further 4,000 interviews were conducted.

To establish the EPI a study was conducted on the “internal” customers’ perception regarding the instruments and supports they use, involving 5,500 branch employees.

The results of the survey are good and still improving.

CUSTOMER SATISFACTION - RETAIL CUSTOMERS	CPI	EPI	OPI	CSI
Banca Monte dei Paschi di Siena 2009	75.0*	65.2	54.2	62.8*
Banca Monte dei Paschi di Siena 2010	80.6	69.2	56.7	65.9
Change 2009/2010	+7.5%	+6.1%	+4.7%	+5.0%
Banca Antonveneta 2010	78.1	71.9	45.8	62.9
BiverBanca 2010	81.2	nd	nd	nd

\* amount recalculated following a change in the calculation method.

These results are largely confirmed by the results obtained from special benchmarking surveys by Doxa, on a survey sample of 5000 bank customers. In summary, the Group:

- has an excellent position in terms of “reputation”. This is also confirmed by the Global Reputation Pulse 2010 - Bank Industry Report in which the Bank ranks first in Italy (tenth in the overall ranking).

- shows excellent figures for “the personal and professional qualities” of its personnel, while there was a rather less positive score for “business proposals”, especially regarding the “mass market” segment.
- shows room for improvement for “adequacy of the business offering”, “effectiveness of services offered” and for relations with the small businesses segment.

Other surveys covered:

- AXA-MPS products, to analyse branch sales staff’s appreciation of products and services offered by the company.
- The corporate world with an initial finding which covered over 3 thousand firms (through on-line questionnaires).

CUSTOMER SATISFACTION - CORPORATE CUSTOMERS		CPI
Banca Monte dei Paschi di Siena		72.2
Banca Antonveneta		69.0
BiverBanca		67.3

### COMPLAINTS MANAGEMENT

Complaints are handled with sensitivity including when relating to existing agreements with Consumer Associations. ([Code of Ethics](#)): they constitute opportunities for improvements, for overcoming conflicts and regaining customers’ trust and satisfaction.

Our specific [Policy](#) spells out the methods, terms and timescales for presenting and dealing with complaints as well as procedures the customer can use to resolve disputes informally (Banking Financial Arbitrator, Consob’s Reconciliation and Arbitration Chamber, Ombudsman, etc.). This Policy is provided to the customer and upon his/her request when opening a new account and is accessible on the internet site [www.mps.it/Reclami/](http://www.mps.it/Reclami/).

With regard to the timescale for dealing with complaints about banking services, the period of 30 days fixed by the new transparency standard of the Bank of Italy has been substantially observed. The backlog of complaints has been steadily reduced and solution times contained: 43 days on average over the year; 26 in the second half-year; 15 in the fourth quarter.

The number of complaints overall has remained stable since 2009. We note a reduction in those relating to loans and financial schemes, while there is a slight increase in those relating to current accounts and compound interest.

COMPLAINTS	2010	2009
Banking activity*	9,333	9,343
Securities	1,200	1,208
Loans	1,006	1,126
Current deposit/ accounts	2,621	2,540
Other	4,506	4,469
Financial schemes	1,808	1,924
Compound interest	445	400
Total complaints per 1000 customers (exc.compound interest)	1.9	1.9

\* figures do not include cases of cloning of credit/debit cards since this phenomenon is not attributable to bank procedures.  
Relative to Lehman Brothers and other defaulting securities we have received a total of 511 complaints.

Appeals to the Ombudsman were 82, while 236 customers appealed to the Financial Banking Arbitrator.

## MARKETING AND COMMUNICATIONS

PR6  
COMPLIANCE WITH  
VOLUNTARY LAWS,  
STANDARDS AND  
CODES RELATING  
TO MARKETING  
AND ADVERTISING

Advertising is carried out centrally by the Communications Department of the Parent Company. Each individual advertisement, including not only the materials and the marketing communications sent to customers but also service communications, are checked for consistency of communication and compliance with industry legislation (for example the Bank of Italy for banking products) and with the codes we must legally adhere to (Consumer Code) or to which we adhere voluntarily ([Advertising Self-governance Code](#) promoted by the Institute for Advertising Self-Governance). For situations in which the Group's banks are intermediaries for the products of other companies, the Communications Area ensures constant supervision of the suitability and conformity of the content of communications to customers and the market, in order to protect the Bank from reputational risks and in observance of self-governance or specific regulations.

PR7 (ADD)  
CASES OF NON-  
COMPLIANCE  
WITH VOLUNTARY  
REGULATIONS AND  
CODES REFERRING  
TO MARKETING  
AND ADVERTISING

In 2010 there were no issues raised by the Institute for Advertising Self-governance, nor penalties or warnings from the Italian Anti-trust Authority for deceptive or comparative advertising.

### CUSTOMER PRIVACY

PR8 (ADD)  
COMPLAINTS FOR  
VIOLATION OF PRIVACY

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The [Code of Ethics](#) requires us to process with confidentiality and in full observance of privacy protection legislation any information concerning customers and other entities, such as employees, suppliers, directors, shareholders.

In addition marketing and advertising efforts are to be directed only to customers who have agreed to receive them.

In 2010 we received 73 requests for access to personal data from customers and 6 inspections from the Privacy Authority. In only one case was an irregularity contested because of lack of information, with a resulting administrative penalty of 12 thousand Euros.

There were no cases of failures of the information management system leading to thefts or data loss.

### COMPLIANCE

PR9  
PENALTIES FOR NON-  
COMPLIANCE WITH  
LAWS OR REGULATIONS  
REGARDING THE  
SALE OF PRODUCTS  
AND SERVICES

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In 2010 we have settled over 14 thousand complaints for approximately 12 million Euros.

Other costs were due to judgments relating to suits with customers for the sale of products and services in which the Banca Monte dei Paschi Siena lost and which amounted to 9.9 million Euros. In 26 cases the judgment condemned the Bank for an amount greater than 100 thousand Euros.

Refer also to the Consolidated Financial Statements at 31.12.2010 - Provisions [for risks and charges \(item 120 in the Supplementary Notes\)](#).

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The pictures are a selection of photos that participated in the  
“La nostra Italia” competition - [www.unastoriaitaliana.it](http://www.unastoriaitaliana.it)

Graphic design by: Milc Srl, Siena

## GRUPPOMONTEPASCHI

Banca Monte dei Paschi di Siena S.p.A. - Registered HQ in Siena, Piazza Salimbeni, 3 - [www.mps.it](http://www.mps.it)

Share capital € 4,502,410,157.20 - Reserve: € 12,087,327,795.73

Fiscal Code, VAT number and registration number in the Siena companies register: 00884060526

Monte dei Paschi di Siena banking group - Bank Code 1030.6 Group Code 1030.6

Registered in the Bank of Italy's Register with n. 5274 - A member of the Inter-banking Protection of Deposits Fund



# A warm thanks for the photos goes to:

**Chiara Abate**

**Delio Agosti**

**Elisa Albi**

**Angelica Barletta**

**Francesco Biondi**

**Pino Bruno**

**Marco Carimando**

**Rita Casonati**

**Roberto Crepaldi**

**Lelio Della Pietra**

**Massimo Della Rocca**

**Marco Della Santa**

**Vincenzo Di Nuzzo**

**Mario Dupré**

**Carlo Gambitta**

**Learco Guerra**

**Giuseppe La Rocca**

**Monica Laurentini**

**Michela Longo**

**Andrea Maini**

**Adamo Maio**

**Francesco Marongiu**

**Vigo Martina**

**Stefania Isabella Massoni**

**Roberto Mastrodonato**

**Giuseppe Maugeri**

**Mario Mazzurana**

**Stefano Micheli**

**Carlo Nardi**

**Leonardo Palumbo**

**Stefano Perrina**

**Luca Pretti**

**Rosalba Ramaglia**

**Ilaria Alessia Rutigliano**

**Luigi Sasso**

**Davide Scandura**

**Cinzia Scordia**

**Claudio Selmo**

**Patrizia Sonato**

**Daniela Straforini**

**Luca Vangelisti**

**Daniela Verdelli**

Our commitment to social responsibility

[www.mps.it](http://www.mps.it)

**GRUPPOMONTEPASCHI**