

**GRUPPO MONTEPASCHI**

## **2012 Sustainability Report**

This Report contains information on indicators reported on by the Montepaschi Group with reference to the "Sustainability Reporting Guidelines & Financial Services Sector Supplement" defined by the Global Reporting Initiative (GRI) in 2008, as later amended (GRI G3.1).

In order to ensure comparability of data, especially among Italian banks, consideration was also given to the "ABI specifications for the preparation of sustainability reports according to the GRI G3.1" issued in November 2011.

The Report is organised according to the GRI-G3.1 content index and connects with information contained in the Report on Operations of the Consolidated Financial Statements and published on the corporate website <http://english.mps.it/> (in particular, see Sustainability section: <http://english.mps.it/!+Nostri+Valori/>) and other institutional thematic reports.



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### KEY

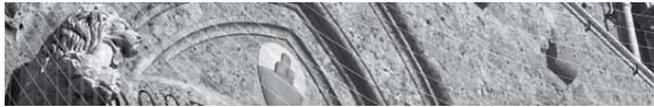
**Code:** identification of reporting indicator as required by the GRI G3.1 guidelines.

**Indicator:** indicator heading as required by the GRI G3.1 guidelines.

**Description:** Group policy, initiatives and performance in each reporting area.

**FinR:** field marked with the symbol ✓ if the indicator is also described in the Report on Operations of the Consolidated Financial Statements; link is active if specific complementary information can be found in the Report on Operations.

**Web:** field marked with the symbol ✓ if the indicator is also described in specific web site pages <http://english.mps.it/> link is active if specific complementary information can be found on the website.



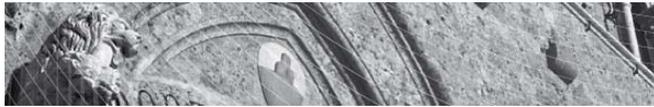
1. STRATEGY AND ANALYSIS

Code	Indicator	Description	FinR	Web
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	<p>&lt; Factors and dynamics affecting natural resources, pollution and climate change raise increasingly urgent and widespread concerns for governments, industries and people, both at global and local level. The financial sector has a major role to play in addressing these problems. Banca Monte dei Paschi di Siena is absolutely aware of this and is committed to keep doing its part by embedding environmental considerations into both its operational practices and relationships with business partners and by joining forces with other financial institutions to pursue what has become a global responsibility &gt;.</p> <p>Fabrizio Viola - Chief Executive Officer</p> <p><i>(June 2012 – endorsement of the UN Natural Capital Declaration)</i></p>		✓
1.2	Description of key impacts, risks, and opportunities	<p>In order to steer the Group's management of sustainability issues highlighted by research, public debate and regulatory developments, the significance of its actions are assessed by analysing the importance of a given issue in relation to corporate performance and stakeholder perspective (<a href="#">Relevance Matrix</a>).</p> <p>The most relevant issues for the Group sustainability strategy are:</p> <ul style="list-style-type: none"> <li>▪ <b>Fair business:</b> strengthen management of the bank's administrative responsibilities and its Code of Ethics.</li> <li>▪ <b>Skills and success at work:</b> develop new talent and performance management and incentive systems.</li> <li>▪ <b>Corporate welfare:</b> consolidate the company's welfare system within a context of major corporate restructuring.</li> <li>▪ <b>Equal opportunities:</b> introduce tools to boost value generation through greater involvement of female staff.</li> <li>▪ <b>Consumer protection:</b> increase the ability to satisfy customer needs through micro-based models of local marketing and an offer of simpler and more user-friendly products/services.</li> <li>▪ <b>Business growth and innovation:</b> increase business credit quality with the integration of sustainability-centric assessment models.</li> <li>▪ <b>Climate change:</b> implement programs with a more efficient and environmentally-friendly management of energy and paper.</li> </ul>	✓	✓



## 2. ORGANIZATIONAL PROFILE

Code	Indicator	Description	FinR	Web
2.1	Name of the organization	Montepaschi Group Parent Company: Banca Monte dei Paschi di Siena SpA	✓	✓
2.2	Primary brands, products, and/or services	<p>The primary business is "retail and corporate banking".</p> <p>Other areas of business are covered through the Group's subsidiaries:</p> <ul style="list-style-type: none"> <li>▪ Consumer loans (Consum.it).</li> <li>▪ Leasing and factoring (MPS Leasing &amp; Factoring).</li> <li>▪ Corporate finance and investment banking (MPS Capital Services).</li> </ul> <p>Additionally, the Group operates in the insurance and pension industry, in partnership with AXA, as well as in the distribution of asset management products and services.</p>	✓	✓
2.3	Operational structure of the organization	<ul style="list-style-type: none"> <li>▪ Central governing and control unit (residing within the Parent Company).</li> <li>▪ Specialized product companies.</li> <li>▪ Distribution system – the Group has a network of 2,671 branches, 27 specialised centres and 138 financial advisory offices in Italy; abroad, it operates with two banks (MP Belgio and MP Banque) and a number of branches, particularly in support of Italian businesses.</li> <li>▪ IT support and property &amp; facility management units.</li> </ul>	✓	✓
2.4	Location of organization's headquarters	Siena (Italy).	✓	✓
2.5	Number of countries where the organization operates	Italy (major operations), France and Belgium (through Group subsidiaries), UK, Central and Eastern Europe, USA, China, North Africa, India (through branches and representative offices).	✓	✓
2.6	Ownership structure and legal form	Joint-stock company. Major shareholders are: MPS Foundation (34.94%), Finamonte srl (4%), AXA SA (3.59%), Unicoop Firenze (2.73%), JP Morgan Chase&Co (2.53%) - <i>data as at 31.12.2012</i> .	✓	✓
2.7	Markets served	Italy: customers are primarily retail (70.9%). Corporate customers are mainly small businesses. Secondly, the Group supports the internationalisation processes of Italian corporate clients in all major foreign financial markets as well as some emerging countries that have business relations with Italy.	✓	✓

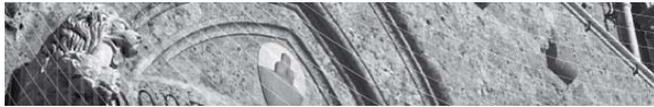


2.8	Scale of the organization	<ul style="list-style-type: none"> <li>▪ Employees: 30,265 (98% in Italy).</li> <li>▪ Branches: 2,671 in Italy.</li> <li>▪ Customers: ca. 6 million</li> <li>▪ Total assets: ca. EUR 219 bn</li> <li>▪ Shareholders' equity: ca. EUR 6.45 bn</li> <li>▪ Market capitalization: ca. EUR 2.6 bn</li> <li>▪ Revenues: ca. EUR 5 bn</li> </ul> <p><i>(data as at 31.12 2012)</i></p>	✓	✓
2.9	Significant changes in the reporting period	<ul style="list-style-type: none"> <li>▪ Decision by the BoD to apply for State Aid (New Financial Instruments) for an aggregate amount of EUR 4,071 bn (November).</li> <li>▪ Disposal of shareholding in BiverBanca (December).</li> </ul>	✓	
2.10	Awards received	<ul style="list-style-type: none"> <li>▪ Leading financial indices for sustainability confirmed, with BMPS inclusion in DJSI, FTSE4Good and Ethibel.</li> <li>▪ Premio Innova@Retail Award, for the new “PasKey” internet banking platform.</li> </ul>	✓	✓

### 3. REPORT PARAMETERS

#### Report profile

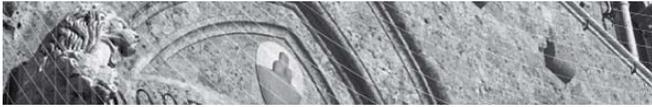
Code	Indicator	Description	FinR	Web
3.1	Reporting period	01/01/2012 - 31/12/2012.		
3.2	Date of most recent previous report	April 2012 (Corporate Social responsibility Report as at 31/12/2011).		✓
3.3	Reporting cycle	Yearly		
3.4	Contacts	<a href="mailto:csr@banca.mps.it">csr@banca.mps.it</a>		✓ <a href="#">open</a>



3.5	Process for defining report content	<p>This Report contains information on indicators reported on by the Montepaschi Group with reference to the “Sustainability Reporting Guidelines &amp; Financial Services Sector Supplement” defined by the Global Reporting Initiative (GRI) in 2008, as later amended (GRI G3.1).</p> <p>In order to ensure comparability of data, especially among Italian banks, consideration was also given to the "ABI specifications for the preparation of sustainability reports according to the GRI G3.1" issued in November 2011.</p>		✓
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**Report scope and boundary**

Code	Indicator	Description	FinR	Web
3.6	Boundary of the Report	The Montepaschi Group, as identified in the Consolidated Financial Statements as at 31/12/2012.	✓	
3.7	State any specific limitations on the scope or boundary of the report	<ul style="list-style-type: none"> <li>▪ The insurance sector (AXA MPS Life Insurance and AXA MPS P&amp;C insurance), which is managed by the AXA Group.</li> <li>▪ The asset management segment, which is not operationally controlled by the Group.</li> <li>▪ Montepaschi Ireland and other subsidiaries which, by scale and sector of operations, are not considered relevant for sustainability reporting.</li> </ul> <p>Unless otherwise indicated, the following limitations apply to the scope of the report:</p> <ul style="list-style-type: none"> <li>▪ Human resources - the indicators are developed in relation to a total employee number of 30,194 (99.7% of staff on the payroll) as they do not include Bank staff employed under local contracts at the branches and representative offices abroad. Furthermore, data on training and accidents in the workplace, and related processing, do not include banking staff abroad.</li> <li>▪ Environment - data does not include foreign branches and banks.</li> <li>▪ Suppliers - data does not include foreign branches and banks.</li> </ul>		
3.8	Basis for reporting on joint ventures, etc. that can significantly affect comparability from period to period and/or between organizations	No significant change is reported for the period.		
3.9	Data measurement techniques and bases of calculation	<p>The data presented in the Report are mainly identified through:</p> <ul style="list-style-type: none"> <li>▪ Extraction from corporate IT systems: general ledger, management control, loans and products reporting, customers' database, complaints application, staff data management platform, electronic procurement procedure, etc.</li> </ul>		



		<ul style="list-style-type: none"> <li>▪ Invoices and other statements produced by suppliers, for example in the case of some environmental data such as energy consumption and waste.</li> <li>▪ Questionnaires and surveys to measure customer satisfaction, employee perception, suppliers' sustainability, etc.</li> </ul> <p>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 functions. In order to give an accurate representation of the Group's performance, inclusion of directly measurable information in the Report was favoured, avoiding as far as possible recourse to estimates which, where used, were made on the basis of the best available methodologies.</p>		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	To obtain a like-for-like comparison, data as at 31/12/2010 and 31/12/2011 was restated by excluding the input from BiverBanca (which was sold on 28/12/2012).		
3.11	Significant changes in the scope, boundary, or measurement methods applied in the Report.	No significant change is reported for the period.		

**GRI Content Index**

Code	Indicator	Description	FinR	Web
3.12	Table identifying the disclosures in the Report	The document is organized according to the GRI-G3.1 content index.		

**Assurance**

Code	Indicator	Description	FinR	Web
3.13	External assurance for the Report	Document data which were also included in the Report on Operations of the Consolidated Financial Statements as at 31/12/2012 were submitted to consistency checks within the scope of audits conducted.	✓	



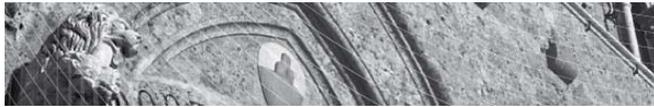
#### 4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

##### Governance

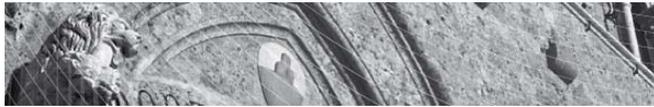
Code	Indicator	Description	FinR	Web
4.1	Governance structure	<p>The Parent company has a traditional governance and control model:</p> <ul style="list-style-type: none"> <li>▪ BoD with steering and strategic supervision functions (12 members, including 2 women).</li> <li>▪ Board of Statutory Auditors, with control functions.</li> <li>▪ Shareholders' Meeting.</li> </ul> <p>A number of BoD Committees are in place, including the Strategy and Sustainability Committee with internal advisory functions on sustainability, among other topics.</p> <p><a href="#">Report on Corporate Governance and Ownership Structure</a></p>	✓	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	<p>The Chairman of the Board of Directors does not hold an executive position. There is a Chief Executive Officer, who also holds the position of General Manager.</p>	✓	
4.3	State the number of members of the highest governance body that are independent and/or non-executive	<ul style="list-style-type: none"> <li>▪ independent and non-executive: 5.</li> <li>▪ Non-executive (though not independent): 6.</li> </ul> <p><a href="#">Report on Corporate Governance and Ownership Structure</a></p>	✓	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Directors	<p><b>Shareholders' participation in business decisions</b></p> <p>Although the Articles of Association do not provide mechanisms that permit shareholders to make proposals and recommendations regarding activities carried out by the BoD:</p> <ul style="list-style-type: none"> <li>▪ Shareholders who, separately or jointly, represent at least one fortieth of the share capital with voting rights may request that items be added to the agenda, specifying the proposed new items in their request.</li> <li>▪ In the Meeting each shareholder can speak on the items on the agenda</li> </ul> <p><b>Employee participation in business decisions</b></p> <ul style="list-style-type: none"> <li>▪ Employees holding ordinary shares in the Bank may exercise their voting rights and take part in the Ordinary and Extraordinary Meetings.</li> <li>▪ Employees' interests are also represented by Trade Unions vis à vis the company as part of industrial relations.</li> </ul>		



4.5	Linkage between compensation for key management personnel and the organization's performance.	<p><b>Directors</b></p> <ul style="list-style-type: none"> <li>▪ Compensation for members of the Board is not linked to the Group's financial results.</li> <li>▪ Directors are not beneficiaries of incentive plans.</li> <li>▪ No special benefits ("golden parachutes") are offered if employment is terminated.</li> </ul> <p><b>Executives (key management personnel)</b></p> <ul style="list-style-type: none"> <li>▪ Remuneration policies comply with the national and international regulatory framework and are applied in line with business objectives of value creation over time</li> <li>▪ The following criteria are applied for bonus determination: 70% upon achievement of an individual set of performance indicator targets; 30% based on the assessment of managerial skills by the Board of Directors, subject to the opinion of the Appointment and Compensation Committee.</li> <li>▪ The maximum share of variable versus fixed compensation is determined every year by the Board of Directors within the contractual upper limit in correlation with the total amount of bonuses payable and as far as economically and financially compatible with the company's performance.</li> </ul> <p><a href="#">Remuneration Report</a></p>	✓	
4.6	Processes in place for the BoD to ensure conflicts of interest are avoided.	<p>Pursuant to the Italian Civil Code, industry legislation and collective labour agreements, the Bank's directors and employees must behave at all times in such a way as to avoid damaging the company as a result of conflicts of interest</p> <p>In particular, with regard to Related Party Transactions, the Bank operates in compliance with the specific rules, as amended by Consob Regulation no.17221 of 12 March 2010, through the application of a "<a href="#">Procedure for transactions with related parties</a>", as revised in 2012.</p>	✓	
4.7	Process for determining the composition, qualifications and expertise of Board Member	<p>Directors are elected by the Shareholders' Meeting through a list-based voting system. Candidates' CVs are communicated to shareholders for due evaluation prior to voting.</p> <p>The BoD was renewed by the Shareholders Meeting on 27/04/2012:</p> <ul style="list-style-type: none"> <li>▪ In March, the outgoing Board of Directors carried out all procedures necessary to identify beforehand the quali-quantitative composition of the new Board, identifying and substantiating, with support from the independent directors and a specialised consultancy firm, the candidates' ideal profile.</li> <li>▪ In its meeting of 26/07/2012, the new Board of Directors recognised that its actual composition was aligned with the one deemed optimal by the previous Board.</li> <li>▪ Both assessments were communicated to the Bank of Italy.</li> </ul>		✓



		<p>In 2012, the Board was involved in a series of “Board Induction” meetings focusing, in particular, on risks and controls, finance, capital and liquidity, credit, sales and distribution, organisation.</p> <p><a href="#">Report on Corporate Governance and Ownership Structure</a></p>		
4.8	Mission, values, codes of conduct, and principles	<p>The mission and system of values for the Group were defined by the Board of Directors in the 2000-2001 periods and were constantly focused upon in training/internal communication activities. Subsequently, they were included in the corporate Code of Ethics as a reference base for the corporate social responsibility principles that the Group follows in accordance with the relevant international standards.</p> <p><a href="#">Code of Ethics</a></p>		✓
4.9	Procedures for overseeing the organization’s economic, environmental, and social performance	<ul style="list-style-type: none"> <li>▪ Strategy and Sustainability Committee - set up within the BoD, the Committee oversees corporate sustainability issues so as to provide the BoD with broader advisory and strategic guidance.</li> <li>▪ Management Cycle - the measurement of sustainability issues provides the basis for their management by the Group. They are included in information disclosure to stakeholders and are considered a part of core Planning &amp; Control activities.</li> <li>▪ Responsibilities and specialist skills are shared between various Head Office structures in order to comprehensively monitor certain corporate sustainability issues, such as: compliance, energy and business travel management, supply chain sustainability, microcredit, health and safety in the workplace.</li> </ul>		✓
4.10	Processes for evaluating the highest governance body’s own performance	<p>A quali-quantitative assessment of the Board of Directors' composition is carried out on a yearly basis according to procedures defined by the Committee of Independent Directors in collaboration with an independent third company (4.7).</p> <p>Additionally, in 2012, a “Board Review” was conducted for the first time. With the support of an independent third company and input from direct interviews with Board members and an analysis of BoD minutes, the review allowed for an assessment of the size, composition and functioning of the Board and methods of communication among Directors.</p> <p>In 2012, the issues of sustainability were submitted to the attention of the Board of Directors as part of the activities for the review and approval of the CSR Report as at 31/12/2011.</p> <p><a href="#">Report on Corporate Governance and Ownership Structure</a></p>	✓	

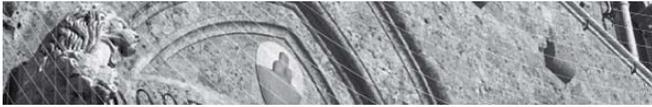


**Commitments to external initiatives**

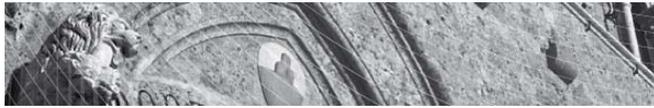
4.11	Explanation of whether and how the precautionary approach is addressed by the organization	<p>The rules of corporate governance and the Group organizational structure are defined so as to ensure sound and prudent management. In this respect, the following is in place:</p> <ul style="list-style-type: none"> <li>▪ Code of Ethics - under review</li> <li>▪ Internal control system, with the Internal Audit function now reporting directly to the BoD for increased effectiveness; the system that controls and verifies compliance with laws and regulations has been strengthened.</li> <li>▪ Risk management - the role of the CRO (Chief Risk officer) has been introduced, reporting directly to the CEO; organisation and control of particularly sensitive areas including proprietary finance has been strengthened; the organisational model for corporate liability is being reviewed (under legislative decree no. 231/2001).</li> </ul>	✓	
4.12	Adoption of externally developed charters and principles	<p>As at 31/12/2012, the Bank endorses the following international charters and agreements:</p> <ul style="list-style-type: none"> <li>▪ UNEP Finance Initiative (since 1998).</li> <li>▪ Global Compact delle Nazioni Unite (since 2002).</li> <li>▪ The European Alliance on CSR (since 2006).</li> <li>▪ UNEP FI – Natural Capital Declaration (since 2012).</li> </ul>		✓
4.13	Memberships in industry associations	<ul style="list-style-type: none"> <li>▪ Italian Banking Association (ABI) - The Bank Chairman and Chief Executive Officer are members of the ABI Executive Committee; the Group takes part with its representatives in the committees and thematic working groups, including activities on Sustainability.</li> <li>▪ CSR Europe - ordinary member.</li> <li>▪ Forum for Sustainable Finance - ordinary member (until 31/12/2012).</li> <li>▪ Carbon Disclosure Project (CDP) - signatory.</li> </ul>		

**Stakeholder engagement**

4.14	List of stakeholder groups engaged by the organization	<ul style="list-style-type: none"> <li>▪ Customers - retail, corporate and institutional customers; consumer associations.</li> <li>▪ Employees - human resources, trade unions.</li> <li>▪ Institutions - Government, supervisory authorities, trade associations.</li> <li>▪ Shareholders - shareholders, institutional investors, analysts.</li> <li>▪ Business partners - vendors, business partners.</li> <li>▪ Community - non-profit organisations, local institutions, communities, media.</li> </ul>	✓	✓
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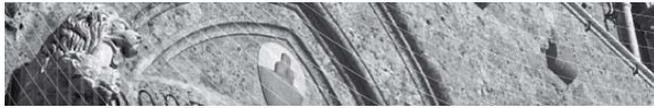
4.15	Basis for identification and selection of stakeholders with whom to engage	<p>The Group considers as its stakeholders those who:</p> <ul style="list-style-type: none"> <li>▪ Help us achieve our mission.</li> <li>▪ Can influence the achievement of corporate objectives with their decisions (on matters of spending, investment, collaboration, regulation and control).</li> <li>▪ Are influenced by our choices and activities</li> </ul> <p>The selection of stakeholders to be involved in listening and engagement sessions depends upon the significance of the issues in which they show interest or urge the Group to act/improve.</p>		✓
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	<p>The Group's approaches to stakeholder engagement include:</p> <ul style="list-style-type: none"> <li>▪ Customer and public opinion surveys.</li> <li>▪ Direct communication, focus groups and individual meetings with the employees.</li> <li>▪ Consultation panels with consumer associations (Consumer Lab).</li> <li>▪ Participation in round tables and discussion forums with trade unions.</li> <li>▪ Road shows with investors.</li> <li>▪ Etc.</li> </ul>		✓
4.17	Key topics and concerns that have been raised through stakeholder engagement	<p>Key issues dealt with in 2012 included:</p> <ul style="list-style-type: none"> <li>▪ Risk management and capital adequacy, with institutions.</li> <li>▪ The Bank's financial strength, quality of service, access to credit, with customers.</li> <li>▪ The system of behaviours (Group DNA) which is at the heart of the performance and talent management model, with employees.</li> <li>▪ Financial education of young people, with consumer associations.</li> <li>▪ Impact on staff of Business Plan and issues addressed in second-level bargaining with trade unions.</li> <li>▪ Etc.</li> </ul>	✓	✓ <a href="#">open</a>



**FS - SECTOR SPECIFIC SOCIAL AND ENVIRONMENTAL ISSUES**

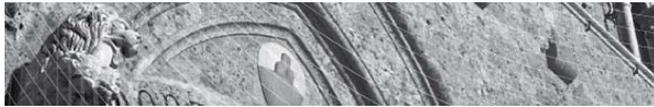
**Management Approach**

Code	Indicator	Description	FinR	Web
FS1	Policies with specific environmental and social components applied to business lines	In carrying out its business activities the Group also takes account of social and environmental standards. These criteria are set out in the Code of Ethics and at times, more specifically, in internal policies and procedures.		✓ <a href="#">open</a>
FS2	Procedures for assessing and screening environmental and social risks in business lines	Environmental and social policies are incorporated in our practices, including through the formalisation of appropriate processes and organisational responsibilities.		✓ <a href="#">open</a>
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements	Project financing contracts and loan disbursements to large businesses include specific clauses, differentiated depending on the type of investment, which commit the firm receiving the loan to comply with laws and regulations established by local authorities as well as any other standards of quality regarding environmental protection, health and safety in the workplace, labour practice and transparency in tender contracts. Compliance with the standards agreed upon are monitored ex ante, ex post and on-going, using the documentation provided by the customer or through due diligence carried out by external consultants. In the event of failure to comply with these agreements, the Bank reserves the right to withdraw the loans.		
FS4	Processes for improving staff competency to implement the environmental and social policies as applied to the business	Investments are made in training aimed at developing and continually upgrading the skills necessary to pursue corporate objectives.  Special attention is placed on the training of personnel involved in the management of social and environmental policies applicable to the business (EN, HR, SO3, and FS15). In 2012, a specific training plan was completed on the following issues: responsible HR management, relationships of trust with customers support to non-profit organisations, sustainable investments, social and environmental impact control along the supply chain, integrated reporting.		
FS5	Interactions with clients and other business partners regarding environmental and social risks and opportunities	4.16, 4.17		✓ <a href="#">open</a>

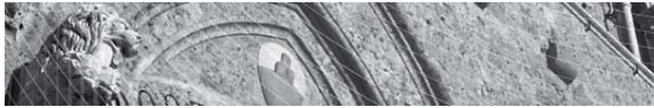


**Product portfolio**

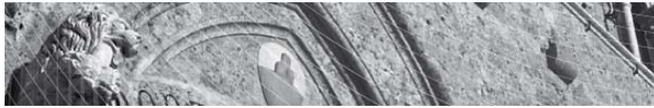
Code	Indicator	Description	FinR	Web
FS6	Percentage of the portfolio for business lines by specific region, size and sector	<p>Revenues from business with corporate customers are concentrated in Italy (2% from other countries, mainly Western Europe and North America).</p> <p>The share of loans to ethically controversial countries and sectors is marginal:</p> <ul style="list-style-type: none"> <li>▪ Controversial countries account for 0.12% (with high rates of corruption, poor human rights records and preferential tax regimes).</li> <li>▪ Controversial sectors account for 0.63% (production and trading in arms, tobacco, alcohol and furs).</li> </ul> <p>Additionally, 23.9% of loans are concentrated in potentially high environmental impact sectors which the Group focuses upon when assessing credit risk (FS1, FS2).</p>		
FS7	Products and services designed to deliver a specific social benefit	The offer is continuously updated in order to provide the more vulnerable sections of society with social benefits in addition to standard products and services.	✓	✓ <a href="#">open</a>
FS8	Products and services designed to deliver a specific environmental benefit	<p>The Group is active in the area of green finance. Group activities in this area mainly consist of:</p> <ul style="list-style-type: none"> <li>▪ Investments in the capital of companies operating in the renewable energy sector.</li> <li>▪ Funding of facilities for the production of electricity from renewable sources.</li> <li>▪ A range of products for individuals, businesses and organisations which include medium-long term mortgages, leasing and personal loans at advantageous interest rates.</li> </ul> <p>In 2012, approximately 1,500 environmental investment projects were financed, for an amount of over EUR 1 bn (accounting for 14% of loans to businesses during the year).</p>	✓	✓ <a href="#">open</a>
FS9	Audits to assess implementation of environmental and social policies and risk assessment procedures	<p>The internal control approach is "risk based" and the related management system, which is structured on three levels, is such as to ensure an independent assessment of processes effectiveness and efficiency. As part of routine inspections conducted by the Internal Audit function (SO2) attention is also paid to the effective implementation of the commitments contained in the Code of Ethics and Internal Policies and Guidelines that focus on topics with high environmental and social implications (FS1, FS2).</p> <p>In 2012 a total of 898 audits were conducted.</p> <p>In addition, 140 specialized checks were carried out - both internal and external - on the operation of certified management systems: ISO 14001 for the environment and OHSAS18001 for occupational health and safety.</p>		



FS10	Interactions with investees on environmental and social issues	<p>Group subsidiaries have adopted the Code of Ethics and carry out their business in conformity with the internal Policies and Directives focusing on topics with significant social and environmental implications. The same references are used in dealing with business customers (FS1, FS2).</p> <p><b>Investments in socially and environmentally active companies</b></p> <p>The Group holds equity investments in businesses, organizations and associations engaged in regional development and the promotion of social and environmental sustainability. In most cases, through its own representative, it participates in the governing bodies of these organizations/associations, and takes part in the definition of objectives and strategies.</p> <p>As at 31/12/2012 there were approximately 20 investments of this type, for a corresponding amount of approximately EUR 140 mln.</p>		
FS11	Assets subject to environmental or social screening	<ul style="list-style-type: none"> <li>▪ Approach - Positive screening of mutual investment funds distributed by the Group through the use of data provided by the rating agency Vigeo and subsequent assignment of ESG (Environment, Society, Governance) ratings; offer of theme funds within a specific category of products available for sale.</li> <li>▪ Coverage - In 2012, screening activities were applied to a set of funds with AuM totalling EUR 14.5 bn (equivalent to 33% of assets under management); AuM in 2011 totalled EUR 8.5 bn (19% of the total).</li> <li>▪ SRI products - In 2012, funds with AuM totalling 1.3 bn (2.9% of Managed Accounts) received an ESG rating which was higher than the preset threshold; AuM in 2011 totalled EUR 661 mln (1.5% of the total).</li> </ul>		✓
FS12	Voting policies applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	<p>No specific policies have been defined with regard to voting rights in investees.</p> <p>Active shareholder participation in the asset management business is not relevant as in 2009 the Group sold the controlling interests over all companies in the sector which were previously part of the Group.</p>		
FS13	Access points (branches) in low-populated or economically disadvantaged areas	<p>The Group is present in Italy with an extensive network of branches and ATMs which ensure coverage of services, even in small communities and regions with a lower growth rate:</p> <ul style="list-style-type: none"> <li>▪ Presence in small towns (fewer than 5 thousand inhabitants) - 11.5% of branches and 10.7% of ATMs.</li> <li>▪ Presence in low-growth regions (EU classification: Campania, Basilicata, Apulia, Calabria, Sicily) - 22% of branches and - 24% of ATMs.</li> </ul>		



FS14	Initiatives to improve access to financial services for disadvantaged people	<p>91.9% of ATMs have been installed with software that allows them to be used by visually-impaired persons. 65.8% of ATMs are accessible to persons with mobility disabilities.</p> <p>In addition, the new Internet Banking platform (PasKey) has been operational as of 2012. The platform meets requirements of accessibility by (i) users who do not have sufficiently updated IT instruments, (ii) elderly people, and (iii) users with physical and visual disabilities.</p>		
FS15	Policies for the fair design and sale of financial products	<p>To ensure that products are in line with the interests, financial culture and risk appetite of customers targeted by the offer, the following points are particularly considered:</p> <ul style="list-style-type: none"> <li>▪ Compliance with the provisions of the European MiFID Directive.</li> <li>▪ Product selection support through ad hoc service platform.</li> <li>▪ “Multi-branded” investment products, partly to protect from the onset of potential conflicts of interest.</li> <li>▪ Specialised training of sales network managers.</li> <li>▪ Pursuit of customer satisfaction objectives (PR5).</li> </ul>		✓
FS16	Enhancement of financial literacy	<p>Key initiatives in the area included projects carried out during the year in collaboration with consumer groups as part of ConsumerLab (the workshop organised by the Group to address the more relevant issues of the bank-customer relationship):</p> <ul style="list-style-type: none"> <li>▪ BancAscuola - 10 meetings/events in high schools.</li> <li>▪ ConsumerLab at home - 13 meetings/debates held at various Group locations with a view to promoting exchanges between employees, consumer associations and customers on the more heartfelt banking and financial issues, also by opening ad-hoc information desks to the public.</li> <li>▪ Update of the information guides on some of the key banking services and products.</li> </ul> <p>Moreover, the bank's YouTube channel ran the video series "The economy for everyone", designed to help the public approach and better understand the terms and instruments used in the banking and financial world.</p>	✓	✓



**EC - ECONOMIC**

**Management Approach**

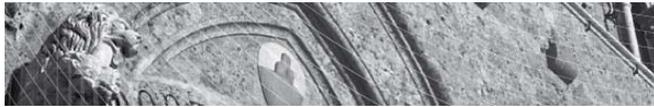
<The Group’s foremost responsibility is to create value for shareholders, mainly by establishing a solid and lasting relationship with customers based on the quality of services offered, and to deliver value to all stakeholders, through the payment of salaries to employees, sustaining the savings achieved and fulfilling all tax obligations etc. > ([Code of Ethics](#)).

Economic and financial management is achieved through solid planning, control and reporting systems, supervised by the Chief Financial Officer. The management of financial impacts on stakeholders and local economic systems follows specific company policies, which include:

- Human resource management (LA - Disclosure on management approach).
- Financial inclusion (FS7).
- Environmental protection and combating climate change (FS8, EC2).
- Supply chain sustainability (EC6, EN26, HR2).
- Investments for the economic and social growth of local communities (EC8).

**Economic performance**

Code	Indicator	Description	FinR	Web
EC1	Direct economic value generated and distributed	<p>In 2012, the extraordinarily difficult market environment significantly impacted the Group's P&amp;L and balance sheet performance.</p> <p>The financial and economic trend was also reflected in the Group's ability to deliver value to the benefit of stakeholders and local economies: the Economic Value Generated in the year, calculated on the basis of the financial statements data through the specific methodology proposed by ABI, amounted to approx. EUR 2.4 bn (around EUR 3.7 bn in 2011).</p>		<p>✓ <a href="#">open</a></p>
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>▪ Uncertainties regarding possible developments of regulatory constraints for businesses.</li> <li>▪ Fiscal and market impacts on energy costs.</li> <li>▪ Increased frequency and severity of extreme climate events</li> <li>▪ Insufficient involvement in issues that are pivotal to stakeholders and the media.</li> </ul>		<p>✓</p>

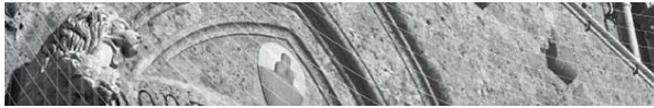


		<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Public incentives for energy efficiency and renewable energy</li> <li>▪ Innovation in the bank's offering to support actions of adaptation to climate change effects.</li> <li>▪ Distinctive positioning.</li> </ul> <p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>▪ Marketing: research and financial products tailored to support the development of renewable energy sources.</li> <li>▪ Property &amp; facility management: align the workplace, technical equipment and IT facilities with eco-sustainability parameters.</li> <li>▪ Business travel: optimise business trips and increase the environmental efficiency of vehicles used.</li> <li>▪ Procurement: control environmental impact of goods and services during their lifecycle.</li> <li>▪ Commitment: support the Carbon Disclosure Project (CDP).</li> <li>▪ Disclosure: publish Group Carbon Footprint Report yearly and complete the CDP Questionnaire for the benefit of specialized analysts.</li> </ul>		
EC3	Coverage of the organization's defined benefit plan obligations	<p>The bank provides its employees (in service and retired) with a pension scheme designed to supplement the pension issued by INPS - Italian National Social Security Institute (the amounts of related liabilities are posted in Part B of the Consolidated Notes to the Financial Statements as at 31/12/2012). The Scheme is primarily managed through two pension funds with total assets of more than EUR 2 bn.</p> <p>The company's contribution is equal to 2.5% of the employee's salary (for new hires with entry-level professional salary, 4% for four years from date of employment).</p> <p>The asset allocation policy integrates traditional investment assessments with ESG parameters (Environment, Society, Governance) through the use of data provided by the rating agency, Vigeo, on securities in the portfolio: as at 31/12/2012, average ESG ratings of the two funds stood at 62.3 and 59.3, both of which were higher than the benchmark monitored by Vigeo (37.9).</p>	✓	
EC4	Significant financial assistance received from government	<p>In 2012 the Group companies did not receive any significant contributions from Public Administration. Data regarding tax assets and tax liabilities are reported in Part B of the Consolidated Notes to the Financial Statements as at 31/12/2012.</p> <p>Moreover, in November the BoD decided to seek state aid (New Financial Instruments) in the amount of EUR 4.071 bn in order to meet the new regulatory requirements on capital.</p>	✓	



## Market presence

Code	Indicator	Description	FinR	Web
EC5	Standard entry level wage	Newly-hired personnel with entry-level professional salary, as provided for by the banking industry Collective Labour Agreement, receive a base salary of EUR 1,679.89 per month for four years as of the date of employment plus an additional amount by the company of EUR 60 per month per 13-month salary year and an increased contribution to the supplementary pension scheme (EC3)		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	<p>The Group has a supply chain that includes around 1,500 companies from which it purchased approx. EUR 1.25 bn worth of goods and services in 2012 (real estate, ICT, logistic telecommunications, tax, communications, advisory etc.).</p> <p>Suppliers are based across Italy, with prevalence in the regions of Tuscany, Lombardy and Lazio (approx. 70% of total sales).</p> <p>Vendor assessment and selection is based on price and on factors such as quality of supply, reliability of supplier, the overall business and financial relationship with the counterparty, performance sustainability (EN26, HR2), with particular attention to small businesses and, locally, to the regions where the Group's activity is traditionally rooted.</p>		
EC7	Local hiring from the local community	<p>When hiring entry-level staff the Group tries to ensure that the assigned place of work falls within the geographical area nearest to the city/town where the newly-hired employee resides.</p> <p>As for the recruitment of senior management, there are no specific policies which take residency into account. These types of recruitment are aimed at acquiring particular professional skills that are not present or cannot be developed internally within an appropriate time period, and are generally included in the operating units of the Group companies' central structures.</p>		
EC8	Development of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	<p>The Group takes part in the activities of public institutions and non-profit organisations for the protection of basic economic and social rights.</p> <p>In 2012, the Group's direct contribution to the community primarily included:</p> <ul style="list-style-type: none"> <li>▪ Sponsorship of non-profit initiatives and organisations that are active in the fields of culture, solidarity, voluntary service and environmental protection (137 initiatives overall for approx. Euro 1 mln in total).</li> <li>▪ Donations towards research, medical and hospital services, social welfare, humanitarian programmes (approx. EUR 2.5 mln)</li> <li>▪ Contributions towards social projects promoted by local government bodies with which the Bank has</li> </ul>	✓	✓ <a href="#">open</a>



		a business relationship (approx. EUR 4.5 mln; +11% year-on-year).		
EC9	Understanding and describing significant indirect economic impacts	<p>The areas of social added value with an indirect economic impact on which the Group concentrates its efforts include:</p> <ul style="list-style-type: none"> <li>▪ Financial inclusion (FS7).</li> <li>▪ Environmental protection and combating climate change (FS8, EC2).</li> <li>▪ Supply chain sustainability (EC6, EN26, HR2).</li> <li>▪ Contributions to community social investments (EC8).</li> </ul>	✓	✓

## EN - ENVIRONMENTAL

### Management Approach

The Group is committed to the increasingly efficient and organised management of activities which may impact the environment.

As of 2002, a specific ISO14001-compliant management system has been in place and necessary internal skills have been continuously developed.

With regard to the latter, in 2012 introductory training courses were conducted for newly-hired employees in addition to refresher courses for personnel more heavily involved in environmental management at operational level (approx. 235 participants in 2012 for more than 500 hours of training).

<http://english.mps.it/I+Nostri+Valori/Ambiente/>

### Materials

Code	Indicator	Description	FinR	Web
EN1	Materials used by weight or volume	<p>Paper is the main consumer product having significant environmental impact, used by the bank.</p> <p>In 2012, 3,480 tonnes of paper were consumed, for internal and external use (-21.5% in a year as a result of the paperless project which is estimated to generate cost savings of approx. EUR 25 mln over the next two years).</p>	✓	✓ <a href="#">open</a>
EN2	Percentage of materials used that are recycled input materials.	<ul style="list-style-type: none"> <li>▪ Purchase of re-cycled paper: 9.8% (+260 bps in a year).</li> <li>▪ Purchase of re-cycled paper (internal use): 21.4% (18.5% in 2011).</li> <li>▪ Use of recycled toner: 91% (stable).</li> </ul>	✓	✓ <a href="#">open</a>



EN3	Direct energy consumption by primary energy source	340,906 GJoules of direct energy were consumed (-2.3% in one year): 85% for heating work premises and the remaining 15% in the use of company cars.	✓	✓ <a href="#">open</a>
EN4	Indirect energy consumption by primary energy source	707,700 GJoules of indirect energy (electrical) were consumed, almost all from renewable sources. In one year, consumption was reduced by 2.7%.	✓	✓ <a href="#">open</a>
EN5	Energy saved due to conservation and efficiency improvements.	<p>Total energy consumption amounted to 1,048,606 GJoules, down 2.6% as a result of the energy efficiency plan implemented during the year (replacement of obsolete air-conditioning systems, upgrading of IT equipment, space management activities) as well a strong cutback in business trips.</p> <p>In economic terms, the overall savings achieved were negatively offset by increases in energy costs during the year. However, there were also positive business initiatives, which included: the installation of a photovoltaic plan at the headquarters of Siena-San Miniato (at full performance, annual savings of approx. EUR 50 thousand and a further EUR 70 thousand in economic benefits from specific government incentive schemes) and the acquisition of energy-efficiency certificates for savings from the efficient use of approx. 30 thousand PCs of the Group (economic benefits are estimated at approx. EUR 80-100 thousand over the next five years).</p>	✓	✓
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	FS8	✓	✓
EN7	Initiatives to reduce indirect energy consumption	Several initiatives were undertaken by the Mobility Management Function, such as: cutbacks in business trips, a significant reduction in the company car fleet, the introduction of electric cars for shorter commutes; a reduction of 4% in the number of trips for office material supplies and approx. 40% in those for the internal transport of documents.	✓	✓
EN8	Total water withdrawal by source	969,465 m <sup>3</sup> of water was used for health and sanitary purposes and, in some premises, for the cooling of air-conditioning systems and the irrigation of green areas (-7% in one year).		✓ <a href="#">open</a>
EN9	Water sources significantly affected by withdrawal of water	Given the activities and areas in which the Group operates, the indicator is not considered relevant.		
EN10	Percentage and total volume of water recycled and reused	Given the activities and areas in which the Group operates, the indicator is not considered relevant.		

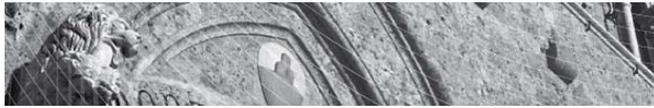


**Biodiversity**

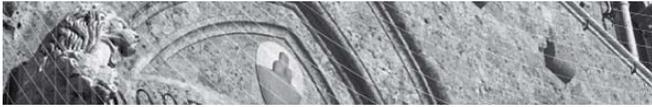
Code	Indicator	Description	FinR	Web
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value	The Group is the owner of 1,150 hectares of farms in Liguria and Tuscany in areas of natural beauty but which are not classified as "protected areas". The farms are managed by a dedicated company, MPS Tenimenti for olive oil and wine production.		
EN12	Impacts of activities, products, and services on biodiversity	The Group does not operate directly in protected areas or those with high biodiversity. For information on environmental policies applied to the business and implementation procedures, see indicators FS1, FS2, FS10.		
EN13	Habitats protected or restored	Given the activities and areas in which the Group operates, the indicator is not considered relevant.		
EN14	Strategies and actions for managing impacts on biodiversity	The Group does not operate directly in protected areas or those with high biodiversity. For information on environmental policies applied to the business and implementation procedures, see indicators FS1, FS2, FS10.		
EN15	Conservation list species with habitats in areas affected by operations	Given the activities and areas in which the Group operates, the indicator is not considered relevant.		

**Emissions, effluents and waste**

Code	Indicator	Description	FinR	Web
EN16	Total direct and indirect greenhouse gas emissions by weight	21,048 tonnes of CO <sub>2</sub> relating to GHG Protocol Scopes 1 and 2 were produced (-7% in one year), equal to 708 Kg per employee.	✓	✓ <a href="#">open</a>
EN17	Other relevant indirect greenhouse gas emissions by weight	10,578 tonnes of CO <sub>2</sub> relating to GHG Protocol Scope 3 were produced (emissions related to external production processes of some of the most significant supplies purchased/rented by the Group, such as desktop and laptop computers, paper, fuel for company cars and fuel supply for heating systems while the remainder were due to business travel carried out using means other than company cars).  With regard to the environmental sustainability of staff travel, the 'work-home commute' action plan was initiated in the major cities in which the bank operates (promotion of discounts on public transport travel passes, internal awareness, flexible working hours, subsidies for the purchase of electrical vehicles, etc.).		✓



EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	<ul style="list-style-type: none"> <li>▪ High use of energy from renewable sources (99.8%).</li> <li>▪ Rollout of energy efficiency plans (EN5) and sustainable travel (EN7).</li> </ul>	✓	✓
EN19	Emissions of ozone-depleting substances by weight	<ul style="list-style-type: none"> <li>▪ As at 31/12/2012, around 350 air-conditioning systems using R22 gas refrigerants were in use among the bank's premises.</li> <li>▪ In the year, there were no significant emissions of such gases from the systems, which are subjected to continuous monitoring: periodic checks by maintenance companies; inspections by the Group's technical staff; possible checks by employees.</li> <li>▪ In accordance with legislative provisions, the plan to phase out/replace such gases was undertaken.</li> </ul>		
EN20	Other significant air emissions	There were no other significant emissions.		
EN21	Total water discharge by quality and destination	Water discharges from the Bank's business are similar to those from homes and hence go into urban sewage systems. Volumes and data on their chemical, physical and biological characteristics are not available.		
EN22	Total weight of waste by type and disposal method	1,133,776 Kg of waste were produced, a reduction of 22% from 2011 particularly in "paper and cardboard". 73% of waste was destined for recovery (90% in 2011).		✓ <a href="#">open</a>
EN23	Total number and volume of significant spills	Given the activities carried out, the indicator is not considered relevant.		
EN24	Hazardous waste	2,990 Kg of hazardous waste was produced (2,060 Kg in 2011): mainly, lead batteries, fluorescent tubes and electrical equipment containing hazardous substances.		
EN25	Water habitats significantly affected by the reporting organization's discharges of water and runoff	Given the activities and areas in which the Group operates, the indicator is not considered relevant.		



**Products and services**

Code	Indicator	Description	FinR	Web
EN26	Initiatives to mitigate environmental impacts of products and services	<p>The indirect environmental impact of the Group is largely attributable to customer and supplier activities.</p> <p><b>Customers</b></p> <ul style="list-style-type: none"> <li>▪ Assessment of environmental components in the determination of credit risk (FS2).</li> <li>▪ Financial products and services to support the promotion of renewable energy and environmental protection (FS8).</li> <li>▪ ESG Assessment (Environment, Society, Governance) of mutual investment funds placed through the sales &amp; distribution network (FS11)</li> <li>▪ Internet banking and other direct banking channels allowing customers to perform banking transactions without visiting the branch; total active customers 907,426 (+4% in one year).</li> </ul> <p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>▪ Assessment and selection of vendors, also taking into account their sustainability profiles and performances, through the use of data provided by the specialised company, Ecovadis.</li> <li>▪ Purchase of eco-friendly products.</li> </ul> <p>The sustainability ratings of key suppliers (approx. 200) were revised in 2012. The average rating increased, reaching a value of 4.95 on a scale from 1 to 10 (4.6 at the end of 2011), also as a result of the improvement plans agreed upon with suppliers and implemented in the course of the year (<a href="http://english.mps.it/I+Nostri+Valori/Fornitori/">http://english.mps.it/I+Nostri+Valori/Fornitori/</a>).</p> <p>Moreover, the number of "green" products for office use increased further: from 215 to 237 in one year, accounting for 48% of total procurement spending. In more general terms, spending for the purchase of "green" supplies stood at approx. EUR 50 mln, equivalent to 4% of the total.</p>	✓	✓ <a href="#">open</a>
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Given the activities carried out, the indicator is not considered relevant.		



## Compliance

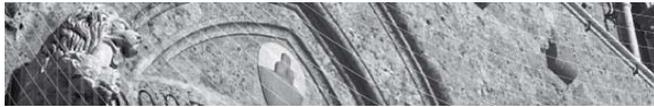
Code	Indicator	Description	FinR	Web
EN28	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	The bank did not receive any significant fines for non-compliance with environmental standards.		

## Transport

Code	Indicator	Description	FinR	Web
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	For information on the environmental impacts associated with transportation of products purchased and employees home-work commuting see the indicators EN7 and EN17.		

## Overall

Code	Indicator	Description	FinR	Web
EN30	Total environmental protection expenditures and investments by type	<p>There is no analytical accounting of expenditure and investments for environmental protection.</p> <p>Key expenditures in 2012 included:</p> <ul style="list-style-type: none"> <li>▪ Personnel employed in environmental management activities (around 100 employees in all, part of whom full-time).</li> <li>▪ Training activities, involving over 200 employees.</li> <li>▪ Energy-efficiency initiatives (EN5).</li> <li>▪ Implementation of a photovoltaic system in the headquarters of Siena-San Miniato (approx. EUR 900 thousand).</li> <li>▪ External certification of environmental management systems.</li> <li>▪ Specialised information services, such as vendor sustainability assessment (EN26) and ESG-Environment, Society, Governance ratings of investments (FS11).</li> <li>▪ Rental of electric cars (EUR 31 thousand) and other expenses for renewal of the company car fleet (EN5).</li> <li>▪ Waste management (EUR 8.7 mln).</li> </ul>		



## LA - LABOUR PRACTICES & DECENT WORK

### Management Approach

The human resource development and management strategy hinges on three essential criteria: renewal ability, sense of belonging, professionalism and motivation. This is as stated in the Business Plan and will be developed according to the following two main guidelines:

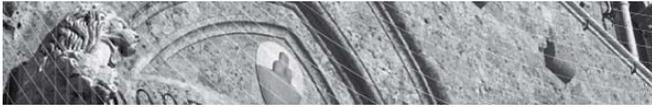
- An HR operational model (talent and performance management) based on new behavioural benchmarks (Group DNA) and a new performance evaluation system which will give direction to business activities .
- A new merit-based reward system (Work By Objectives - WBO);
- A plan for stronger employee engagement, which will include: 1) the introduction of remuneration systems based on roles and relocations; 2) the consolidation of employee welfare with the introduction of benefits for individuals and families; 3) a focus on corporate climate.

As part of the implementation of personnel policies, the managing systems on the topics described below, have particular relevance in terms of CSR:

- Health and safety in the workplace, including protection of workers from criminal acts, which are covered by a specific organizational model in compliance with the standard, OHSAS18001 (LA7, LA8)
- Equal opportunities and reconciling work with private and family needs (LA13).

### Employment

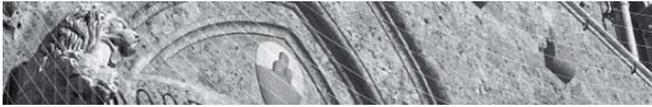
Code	Indicator	Description	FinR	Web
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	<p>The Group employs 30,265 people as at 31/12/2012,</p> <ul style="list-style-type: none"> <li>▪ 98.2% of employees work in Italy.</li> <li>▪ 30 fixed-term contracts.</li> <li>▪ 7.5% part-time employees.</li> <li>▪ 45.1% female employees.</li> <li>▪ 5.2% of senior management are female.</li> </ul>	✓	✓ <a href="#">open</a>
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	<p>Since the start of the year, there were 125 hirings and 347 personnel outflows. More specifically, the employment relationship with 106 executives was terminated, thereby decreasing the percentage of executives to total headcount to 1.5%, well below the industry average (2.1%).</p> <p><b>Turnover</b></p> <ul style="list-style-type: none"> <li>▪ Total terminations = 1.14%</li> <li>▪ Voluntary resignations = 0.46%</li> </ul>	✓	✓ <a href="#">open</a>



LA3	Benefits provided to employees	Supplementary contributions were recognised for a total amount of EUR 72.1 mln, in areas which include: supplementary pension benefits, health insurance, accident policy, etc. Furthermore, through second-level negotiations with trade unions, the following provisions were also confirmed: employment of surviving family members of deceased employee; favourable terms & conditions on banking transactions; lunch vouchers for an amount in excess of that provided for by the Collective Labour agreement; management of work times and leaves with a view to optimal work-life balance.		✓
LA4	Percentage of employees covered by collective bargaining agreements	100% of employees in Italy is covered by the Collective Bargaining Agreement signed with Trade Unions.		
LA5	Minimum notice period(s) regarding significant operational changes	In all reorganisation plans, the Group observes the provisions of national law and collective agreements, which require notice to be given to the Trade Union Organisations and negotiating procedures to take place. Unless otherwise agreed by the parties, these activities are to be carried out within 45 and 50 days respectively for reorganisation of individual companies or of the entire Group .		

### Occupational health and safety

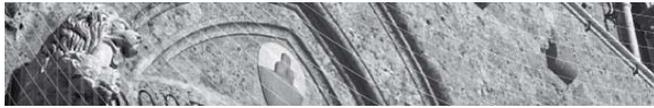
Code	Indicator	Description	FinR	Web
LA6	Health and Safety Committees	In all Group companies there were annual meetings pursuant to Legislative Decree 81/08, which were attended by the corporate representatives (Employer and/or a delegated person, the Head of the Prevention and Protection Department), the Company Doctor and the Workers' Safety Representatives. In 2012, 17 meetings at central level and 18 at local level were held, focusing on the following subjects. <ul style="list-style-type: none"> <li>▪ Risk assessment;</li> <li>▪ Situation regarding accidents and occupational diseases and health supervision.</li> <li>▪ Decision-making criteria, technical characteristics and effectiveness of personal protection equipment.</li> <li>▪ Information and training programmes.</li> </ul>		
LA7	Rates of injury, occupational diseases, absenteeism	During the year, there were 136 accidents on the workplace. The frequency was lower than in 2011. The severity rate, however, increased slightly.	✓	✓ <a href="#">open</a>



LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members and their families	<p>Training in the areas of health &amp; safety involved approx. 8 thousand employees. Issues included: fire-fighting, first aid, risk of robbery and radon risk. Various initiatives were also put in place to raise internal awareness on ergonomics in the workplace and health risks associated with the use of mobile phones.</p> <p>In addition:</p> <ul style="list-style-type: none"> <li>▪ The development of a new IT system for more efficient monitoring of safety matters.</li> <li>▪ The monitoring of health and safety risks in the branches through checks for the presence of radon, asbestos, electromagnetic fields.</li> <li>▪ Assessment of employees' exposure to work-related stress risk.</li> <li>▪ The implementation of a new robbery prevention system, partly through technological solutions for handling cash and monitoring personal safety in the branches.</li> </ul>	✓	
LA9	Health and safety topics covered in formal agreements with trade unions	In annual meetings pursuant to Legislative Decree 81/08. specific improvement programmes are jointly formalised with the Employee Safety Representatives		

**Human resource training and development**

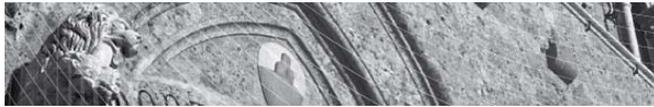
Code	Indicator	Description	FinR	Web
LA10	Average hours of training per year per employee and by employee category.	<p>Training activities involved around 94% of employees for a total of 1 million hours. On average, therefore, each employee took part in around 36 hours of training (69% classroom-based and 31% online).</p> <p>The investment in training (around EUR 4.8 mln was spent) particularly focused on the following aspects: Life protection, pensions and savings; credit and the management of problem loans; financial matters for sales &amp; distribution roles; updates for all personnel on key banking regulations; managerial skills for branch managers; corporate social responsibility and sustainable relationships with customers and other stakeholders.</p>	✓	✓ <a href="#">open</a>
LA11	Programs for skills management and lifelong learning that support the continued employability of employees	<ul style="list-style-type: none"> <li>▪ Management model – identification of behaviours that constitute the baseline for the Group's Management and Value System.</li> <li>▪ Performance Management Model – performance assessment through the development of a synthetic indicator which reflects monitoring levels for activities, behaviours and specialist skills.</li> <li>▪ Talent Management model – definition of customised action and development plans based on the results from assessments of performance and potential (growth paths, job rotations, job induction, monitoring actions, etc.).</li> </ul>	✓	✓



		<ul style="list-style-type: none"> <li>▪ Self-development workshops to help employees recognise their skills and grow professionally while creating a pool of resources from which to fill the Group's future management positions.</li> <li>▪ HR business partner - an important reference point for the widespread implementation of human resource management and development strategies.</li> <li>▪ Succession plan - in order to ensure the ongoing improvement of managerial roles, the skills and abilities of middle-managers and supervisors are monitored and enhanced through specific development plans.</li> </ul>		
LA12	Percentage of employees receiving regular performance and career development reviews	100% according to a structured process of talent & performance management.		

### Quality of work life and equal opportunity

Code	Indicator	Description	FinR	Web
LA13	Breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	<a href="http://english.mps.it/I+Nostri+Valori/Risorse+Umane/KPIs.htm">http://english.mps.it/I+Nostri+Valori/Risorse+Umane/KPIs.htm</a>	✓	✓ <a href="#">open</a>
LA14	Ratio of base salary of male to female staff by employee category	<a href="http://english.mps.it/I+Nostri+Valori/Risorse+Umane/KPIs.htm">http://english.mps.it/I+Nostri+Valori/Risorse+Umane/KPIs.htm</a>		✓ <a href="#">open</a>
LA15	Return to work and retention rates after parental leave, by gender	In 2012 2,356 employees returned to work following maternity/paternity leave (1,875 females and 481 males). In two cases (1 female and 1 male) the employee decided to terminate their employment in the 12 months subsequent to their return.		



## HR - HUMAN RIGHTS

### Management Approach

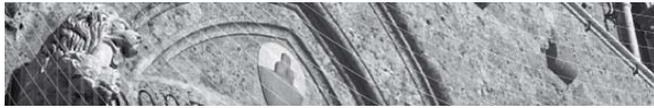
Within its sphere of influence and in compliance with the Code of Ethics:

- The Group adheres to the United Nations Global Compact.
- The Group does not tolerate any form of discrimination in its employment practices and guarantees equal opportunities and accessibility for disabled employees. Any form of worker exploitation is prevented and employee health and safety is addressed in compliance with the law and main health and safety standards, including OHSAS18001 and SA8000 (LA7, LA8, LA13).
- Respect for the rights of workers and the social impact of activities is monitored along the supply chain (HR2).
- Within the Group's day-to-day operations, focus is given to the needs of the more vulnerable members of society with the promotion of financial inclusion, the informed use of credit and the prevention of over-indebtedness (FS7).
- Controls are exercised on our operations in the armaments sector (FS2).
- The Group contributes to the social initiatives of civil and humanitarian institutions and organisations for the protection of basic economic and social rights such as health, housing, education and employment (EC8).
- Any involvement in the funding of terrorist activities, including money laundering, is avoided (FS2).

In this latter regard, the monitoring of money laundering and the fight against international terrorism was further strengthened in 2012, both in terms of resources and IT support procedures (HR3).

### Investment and procurement practices

Code	Indicator	Description	FinR	Web
HR1	Agreements including clauses on human rights or that have undergone human rights screening	<ul style="list-style-type: none"> <li>▪ The Group mostly finances firms operating in Italy, where observance of standards on the protection of human rights is guaranteed by the applicable law.</li> <li>▪ The credit policy lines ensure that loans are always used in a 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.</li> <li>▪ Ethical analysis criteria and special internal regulations, often more far-reaching than those provided by law, are applied, inter alia, in project financing (FS3) and in brokerage transactions linked to the production and marketing of arms (FS2).</li> </ul>		



HR2	Suppliers that have undergone screening on human rights issues	<p>Upon award of service contract, all suppliers must sign a written undertaking to comply with the bank's Code of Ethics and the SA8000 standard. Any non-compliance results in the suspension or termination of the business relationship.</p> <p>A part of these (approx. 200 suppliers) is also subject to a thorough social &amp; environmental sustainability evaluation (EN26).</p>		✓
HR3	Training in human rights promotion policies	<p>The most important training activities with the greatest impact on the promotion of human rights include:</p> <ul style="list-style-type: none"> <li>▪ Protection of health and safety in the workplace (LA8).</li> <li>▪ Anti-money laundering and the fight against international terrorism. In 2012, 6,334 employees were trained for an overall 25,972 hours</li> </ul>		

**Non-discrimination**

Code	Indicator	Description	FinR	Web
HR4	Cases of discrimination and actions taken	<p>The bank and trade unions meet regularly as part of a specific Corporate Observatory to verify the quality of working life through the analysis of relevant data (e.g. promotions, terminations and related motives).</p> <p>During the year:</p> <ul style="list-style-type: none"> <li>▪ 72 new claims were initiated by employees for compensation, and damages and appeal of disciplinary measures.</li> <li>▪ 169 disciplinary actions were taken against employees for negligent behaviour, in violation of regulatory standards, and/or breach of trust (27 dismissals and 142 reprimands).</li> </ul>		✓
HR5	Risks for the freedom of association and collective bargaining	Given our business and Countries in which the Group operates, this indicator is not considered relevant.		
HR6	Activities with a high risk of recourse to child labour	Given our business and Countries in which the Group operates, this indicator is not considered relevant.		
HR7	Activities with a high risk of recourse to forced labour	Given our business and Countries in which the Group operates, this indicator is not considered relevant.		



HR8	Security personnel who received training on human rights	Given our business and Countries in which the Group operates, this indicator is not considered relevant.		
HR9	Violations of the rights of local communities and actions taken	Given our business and Countries in which the Group operates, this indicator is not considered relevant.		

**SO - SOCIETY**

**Management Approach**

Compliance with the law, fairness and professional ethics are prerequisites in each of the Group's undertakings.

Regulatory areas having the greatest impact on the Group's activities include: anti-usury, transparency in banking transactions, protection of privacy (Law Decree 196/2003), administrative liability and the fight against corruption (Law Decree 231/2001), management of conflicts of interest and related-party transactions, market abuse, investment services and the application of European MiFID Directive, anti-money laundering and counter-terrorism (Law Decree 231/2007), consumer protection.

In order to manage these areas, specific procedures have been identified and their effective application is verified through risk assessments and internal controls (FS2).

In carrying out its activities, the Group also takes account of criteria of business ethics in compliance with relevant international standards (e.g. UN Global Compact). These criteria are set out in the Code of Ethics and at times, more specifically, in internal policies and procedures (FS2).

**Community**

Code	Indicator	Description	FinR	Web
SO1	Activities impacting the community	For a description of the operations performed by the Group in 2012 which required specific analysis of their social and environmental impact in the reference communities, please see the following indicators: FS7, FS8, EC8 (positive impacts) and FS2, FS10 (negative impacts).	✓	✓

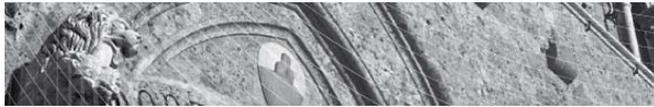


### Prevention of corruption

Code	Indicator	Description	FinR	Web
SO2	Internal divisions monitored for risk of corruption	<p>The analysis of risk corruption is an intrinsic part of internal control activities with particular reference to the offenses under Legislative Decree 231/2001 within the bank's administrative responsibilities.</p> <p>During the year, a total of 898 'routine' audits were conducted, broken down as follows.</p> <ul style="list-style-type: none"> <li>▪ 26 on Group companies.</li> <li>▪ 18 on the processes/units of the Bank's Head Offices.</li> <li>▪ 6 on foreign branches.</li> <li>▪ 764 on distribution network units.</li> <li>▪ 84 on financial advisors.</li> </ul>		
SO3	Employees trained in anti-corruption policies and procedures	<p>During the year, 9,086 employees were trained on anti-corruption procedures (anti-money laundering, organisational model under Leg. Decree no. 231/2001, MIFID) for a total of 32,685 hours.</p>		
SO4	Cases of corruption and actions taken	<p>No significant cases of corruption were reported during the year.</p> <p>A project was undertaken to verify and review the Organisational Model pursuant to 231/2001 and Code of Ethics with the aim of increasing overall efficiency.</p>	✓	

### Public policy

Code	Indicator	Description	FinR	Web
SO5	Participation in public policy development	<ul style="list-style-type: none"> <li>▪ Monitoring of community, national and local legislative activities. Specifically, at EU level, the Bank has been registered since April 2011 in the "European Commission's Register of Interest Representatives", ensuring transparency in relations with public institutions.</li> <li>▪ On-going contacts and meetings of the Bank's senior representatives with Supervisory Authorities (Bank of Italy, Consob, etc.).</li> <li>▪ Collaboration on the industry's regulatory developments as member of the ABI Executive Committee.</li> <li>▪ Participation in the various Associations which engage in lobbying with the Institutions on issues linked to CSR (Global Compact, UNEP Finance Initiative, CSR Europe, Carbon Disclosure Project, Forum for Sustainable Finance).</li> </ul> <p>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 set forth in the Model 231/2001.</p>		



SO6	Contributions to political parties and related institutions	<p>No grants may be made to movements or organisations with a purely political purpose. Participation in promotional and marketing efforts associated with programmes promoted by political parties and union organisations is also defined in compliance with current laws, and in the utmost transparency.</p> <p><a href="#">Code of Ethics</a></p> <p>Within the areas of operations permitted by the Code of Ethics, a total of EUR 49 thousand euros in financial contributions was made.</p>		
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**Anti-competitive behaviour**

Code	Indicator	Description	FinR	Web
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<p>In 2012 no legal actions were brought forward against the banks of the Group, in this area.</p> <p>Among the proceedings initiated in previous years, of particular importance is the one undertaken in 2009 by the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato - AGCM) to investigate a possible breach of Article 81 of the EC Treaty. By decision of 3/11/2010, AGCM imposed on the Bank an administrative fine of EUR 910 thousand with the order to abstain, in the future, "from applying the rules of the circuit to which the license agreements are referred, and of contractual clauses with merchants which restrict competitive freedom in the Acquiring market." The Bank appealed the decision which was suspended and, by the ruling of the Regional Administrative Court of 11/07/2011, the appeal was granted and the challenged decision was partially annulled. AGCM has lodged an appeal.</p>	✓	
SO8	Significant penalties for con-compliance with laws and regulations	<p>Within the regulatory areas having the greatest impact on the Group's activities, three sanction measures were received for violations of anti-money laundering rules (total disbursement: EUR 383,402). Two of these have been appealed by the bank and are pending.</p> <p>For details and information regarding other legal actions, see Part E of the Notes to the Financial Statements in the Consolidated Annual Report as at 31/12/2012.</p>	✓	



**PR - PRODUCT RESPONSIBILITY**

**Management Approach**

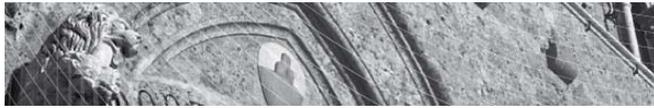
For the protection of customers, social responsibility in business activities is adopted at several levels.

- Responsible product planning and selling (FS15).
- Safety of products and services (PR1).
- Information on products and services (PR3).
- Financial education of consumers (FS16).

<http://english.mps.it/I+Nostri+Valori/Clienti/Customer+protection.htm>

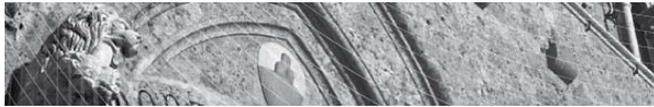
**Customer safety**

Code	Indicator	Description	FinR	Web
PR1	Assessment of the safety of products and services	<p><b>Risk identification</b></p> <ul style="list-style-type: none"> <li>▪ Investment instruments - a risk class determined through a multivariate risk assessment methodology is assigned to all financial products and instruments in the customer portfolios/dossiers.</li> <li>▪ Protection of personal data - specific indicators are used as part of the risk assessment compliance process (PR8).</li> <li>▪ Risk of robbery - recognised and managed as part of the Health &amp; Safety Management System, certified according to OHSAS18001; there were 167 robberies in 2012.</li> <li>▪ Risk of fraud - included under operational risk for which a specific internal management regulation is in place in addition to measurement and control models validated by the Bank of Italy.</li> </ul>		✓
PR2	Non-compliance with voluntary regulations and codes regarding safety of products and services	In 2012 no sanctions were charged to the Bank for breach of the laws relating to banking products and/or the provision of financial services and investment activities.		



**Product and service labelling and customer satisfaction**

Code	Indicator	Description	FinR	Web
PR3	Type of product and service information required by corporate procedures	To ensure customers are given clear and comprehensive information on all products/services : <ul style="list-style-type: none"> <li>▪ Layouts and styles which facilitate the understanding of information sheets and contracts are continuously researched.</li> <li>▪ Comparable cost-performance indicators for all products are displayed</li> <li>▪ Initiatives promoted by the Consortium PattiChiari are implemented.</li> </ul>		✓
PR4	Non-compliance with voluntary regulations and codes regarding safety of products and services	In 2012 no penalties were imposed on the Bank for breaching the rules on transparency of banking products and services.		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	<p><b>Customer satisfaction surveys</b> - In addition to the ordinary channels of customer care for direct banking services, customer branch experience and remote banking support (telephone and email), ad hoc surveys are used to monitor customer satisfaction. These surveys are normally carried out every three years for Corporate customers (the next is planned for 2013) and annually for Consumer customers. With regard to the latter, the first web survey was carried out in 2012 and involved approximately 130 thousand customers who were also given the opportunity to provide any additional unsolicited feedback through a dedicated mailbox.</p> <p><b>Tableau de Bord for quality</b> - The levels of customer service are also verified by monitoring a broad set of indicators which make up the quality dashboard "Tableau de Bord". During the year, the indicators particularly highlighted the following: 1) good performance in asset management, card fraud prevention, IT support for the network, level of internal training; 2) some weaknesses in credit response time, frequency of contacts with customers and contact centre services. To this effect, the Tableau constitutes an important reference point within the specific Improvement plans of all sales &amp; distribution functions.</p> <p><b>Complaints</b> - 9,740 complaints were reported in 2012 (-3% as compared to 2011). Average resolution time through ordinary internal procedures was below the limits set by the Bank of Italy (23 vs. 30 days). During the year, in order to increase overall efficiency in the management of customer complaints and reduce response time, procedures were simplified (for minor disputes and amounts below 5 thousand Euros) and accelerated (in more complex cases and for amounts between 5 and 10 thousand Euros). In these cases, average resolution time stood at 10 and 19 days respectively.</p> <p>A further 1,438 complaints were handled through Alternative Dispute Resolution (777 in 2011).</p>	✓	✓ <a href="#">open</a>

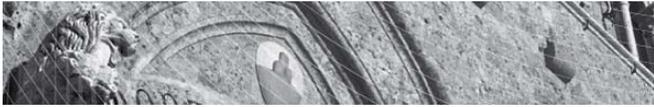


## Marketing and communications

Code	Indicator	Description	FinR	Web
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising.	Advertising is carried out centrally by the Communications Function which, where necessary, liaises with the Legal and Compliance Function in order to ensure compliance with applicable law at all times. Each advertising products (materials and marketing communications addressed to customers, service communications, etc.) is evaluated in terms of consistency of communication and compliance with applicable legislation (Italian Civil Code, the Consolidated Banking Act, the consolidated Finance Law, Isvap legislation) or voluntary codes (Advertising Code of Conduct sponsored by the Institute of Advertising Self- Governance). The suitability and compliance of communications to customers and the market are verified by the Communication Function, also in cases when the Group banks operate as intermediary for products that are made by third party companies.		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising.	In 2012 there were no issues raised by the Institute for Advertising Self- Governance, nor penalties or warnings by the Authority for Fair Competition and the Market (AGCM) owing to deceptive or comparative advertising.		

## Customer privacy

Code	Indicator	Description	FinR	Web
PR8	Complaints regarding breaches of customer privacy	In 2012, the following requests submitted to the bank were processed: <ul style="list-style-type: none"> <li>▪ 42 requests were made by customers to access personal data.</li> <li>▪ 4 appeals presented by the Italian Data Protection Authority in relation to customer requests.</li> </ul> <p>No irregularities were found in the processing of data. There were no cases of failures of the information management system leading to thefts or data loss.</p>		

**Compliance**

<b>Code</b>	<b>Indicator</b>	<b>Description</b>	<b>FinR</b>	<b>Web</b>
PR9	Fines for non-compliance with laws or regulations concerning the sale of products and services	The Group's activities were, in some cases, found to be non-compliant with regulations regarding the sale of products and services, leading to a total cost of around EUR 6.7 mln (around 13 mln in 2011). In addition, 9,740 complaints were received during the year (10,069 in 2011) and over 10 thousand claims were settled for a total cost of around EUR 21.6 mln (EUR 13.5 mln in 2011).	✓	