



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

Reputational Risk

11 October 2018



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Reputational Risk Management Framework – Overview

Following the creation of an ad-hoc work group made up of the Functions most concerned with the protection of reputation (Communication and Commercial), a number of in-depth sessions have been held to identify the measures, policies, indicators and *owners* currently implemented by the Bank to manage its reputation.

This ongoing survey focuses on the main **channels** through which key stakeholders form their perception of the Bank, which constitute the primary/basic input to Corporate Reputation (customers, public opinion, employees, investors, and influencers).

➤ **Communication Function: Channels of Communication - Owner**

- *Paid media* (advertising and sponsorships) - Pubblicità e Brand Identity Unit, Sponsorizzazioni e Attività culturali Unit
- *Owned media* (website, press releases, social media profiles): Pubblicità e Brand Identity Unit for website/commercial communication, Relazioni Media Unit for the Bank's social media profiles and institutional communication, with the cooperation of Pianificazione, Partecipazioni, M&A, CFO, for financial disclosure
- *Earned media* (all that is said about Mps on TV, newspapers, word-of-mouth, social media): Relazioni Media Unit and Staff Relazioni Istituzionali

➤ **Commercial Function: Consumer Experience Channel – Functions managing the products/services offered and bank-customer relationship channels**

- *Customer Satisfaction* – CRM Unit
- *Supply of Products/ Services* – Retail/Corporate/Wealth Management Department
- *Customer Relationship Management*– Direzione Rete
- *Self Banking channel* – Digital Banking and ATM Unit
- *Customer Assistance/Support Services*– Media Center Unit

Findings regarding main measures/policies are reported below for each Communication channel/Owner.



Reputational Risk Management Framework – Communication Channels: Measures/Policies

Communication Channel	Measure	Policy
A. Paid Media	<ul style="list-style-type: none"> • The 2017 Institutional Advertising campaign focused on trust as an element of connection with people; • Reclassification of sponsorship expenses, focusing on initiatives having a higher reputational/commercial benefit 	<ul style="list-style-type: none"> • Group's Directive on Communication and External Relations
B. Owned media	<ul style="list-style-type: none"> • Graphic restyling of the websites based on the «customer experience» resulting in separation of the institutional site "gruppomps.it" from the commercial one "mps.it"; • Managing the bank's social media profiles by improving the response speed on the bank's channels in order to defuse any controversy; • Establishment of a common Visual Identity for all touchpoints with customers by creating the Bank's Brand Book; • Communication Task Force: Activation of a cross-functional unit (Communication, Legal, Commercial, Risk Management) when particular situations require prompt reaction and the supervision of messages distributed to stakeholders by the Bank via direct reporting to the Steering Committee 	<ul style="list-style-type: none"> • Group's Directive on Communication and External Relations which declines information/authorisation procedures on relevant communications • Guidelines available on the Bank's intranet system define trademark use regulations, in order to create and standardize online and offline communication materials • Communication Task Force Internal Regulation
C. Earned media	<ul style="list-style-type: none"> • Online reputation monitoring; • A synthetic and continuous representation through the media of progress made on Business Plans; • Daily press release monitoring with focus on specific contents (e.g. closure of branches); • Creation of an Institutional Relations Staff Unit to handle the relationship with National and Local Institutions, European non-Supervisory Authorities, associations, as well as the activities carried out by the Consumer Lab, Banca-Ass. Consumatori. The latter aims at establishing a point of encounter to discuss banking topics and customer needs 	<ul style="list-style-type: none"> • Group's Directive on Communication and External Relations ; • Internal Regulation nr. 1



Reputational Risk Management Framework – Consumer Experience: Measures/Policies (1/2)

Consumer experience	Measure	Policy
A. Customer Satisfaction	<ul style="list-style-type: none"> • Annual Survey on customer satisfaction performed in house with the collaboration of an external company in order to evaluate customer satisfaction with the products/services and channels offered by the Bank • Analysis of the Survey to identify actions in order to improve the products/services offered and channels • Additional deep-dives with further surveys of Customer Satisfaction/Experience on specific targets/channels 	<ul style="list-style-type: none"> • Internal Process rules: D1948- Monitoring and evaluation of Customer Satisfaction level regarding services/products offered to clients
B. Offered Products/ Services and Channels	<ul style="list-style-type: none"> • The new Product approval process has strengthened the role of Control Functions by assessing the riskiness of products even from a reputational point of view; • In this process, the monitoring of customer satisfaction, as emerged from the surveys and complaints analysis, has become an instrument to identify potential issues and improve the quality of products/services provided to bank customers; • Precautionary suspension of a product in the event of arising reputational risks • Ensuring that Pricing is in line with the Benchmark • Unilateral maneuvers must also be based on the assessment of reputational risks by the competent Function • Lending to Businesses should be consistent with the Bank's socio-ethical-environmental targets • Review of self banking processes (digital/ATM) so as to provide a high-calibre, omni-channel experience 	<ul style="list-style-type: none"> • Group's products policy (D2272 of 19/12/2017) • D920 of 22/12/2017 - Group's product development, acquisition, and management directive • D1817 Product development, acquisition and management process - • D2356 - Protection insurance products acquisition and management • D2234 – Placement of life and damage insurance policies; D1842 – Vehicle Insurance Management • Group's policy pricing (D1850) and Internal process Rules • Group's Code of Ethics, setting out the principles and rules of conduct to be pursued in each activity, as well as in the relationship with the market/stakeholders/and environment • D2178 of 26/06/2018 – Digital Banking and other internal documents
C. Customer Relationship Management	<ul style="list-style-type: none"> • Verifying consent to personal data processing before contacting customers for commercial purposes • Training programmes for employees on specific topics such as MiFID II, Anti-Money laundering, privacy and risk culture • Improvement of buildings/offices used by Private Units (strategic project on a new model of Wealth Management), • Revision of Branch layout (Banca Più - strategic project) 	<ul style="list-style-type: none"> • Internal regulation on personal data protection, management of prescriptive obligations regarding personal data protection;



Reputational Risk Management Framework – Consumer Experience: Measures/Policies (2/2)

Consumer experience	Measure	Policy
C. Customer Relationship Management	<ul style="list-style-type: none"> • Closure of Italian branches (Restructuring plan targets) : <ul style="list-style-type: none"> - Identification of Branches to be closed, based on different parameters including impacts on Reputational Risk (e.g. Impacts on local community); - Forward Planning mitigation actions to be implemented for reducing RR; - Information Campaigns for customers switching to new branches; - Activation of a toll-free number to provide information and support; - Ad hoc evaluation to maintain the Subsidiary's ATM in closing; - Ad hoc management of local institutions' requests by the territorial managers of the bank based on the analysis of ad hoc press releases - Monitoring of the attrition rate of customers of closing branches • Closure of foreign branches (Restructuring plan targets) : <ul style="list-style-type: none"> - Direct contact with Italian-related customers by relationship managers to evaluate options to transfer their current account/lending to local partner, - Customer support with local banks for the provision of banking services - Alternative financial support regarding loans from FE through credit lines managed by Italy • Foreign Subsidiary Run off Plan includes evaluation of reputational risk • Claims management 	<ul style="list-style-type: none"> • Project Internal documents • Closing Foreign Branches Action Plan • Ad hoc communication to clients • Run off Plan • Group's Directive (D2289) on claims management and ABF and ACF recourses of 19/01/2018; D01912 Process Document;
D. Customer Assistance/Support Services	<ul style="list-style-type: none"> • Contact center providing inbound services and commercial assistance to the Bank's customers (internal, external, and potential); • Technical support on innovative channels (internet banking, mobile banking, ecc..); • Digitalisation and financial education courses designed for the Bank's customers 	<ul style="list-style-type: none"> • Internal Regulation nr. 1



Reputational Risk Management Framework – Communication Channels: Indicators

Communication

Indicators

Some indicators are shown below by way of example:

- **Sentiment analysis report on MPS and its main competitors**, produced via an external platform on a quarterly basis to monitor reputation on social media
 - Reports on the management of the bank's social media profiles to monitor response speed, essential to defuse any controversy
 - The **annual external Brand Identity Survey** on customer and non-customer population provides a synthetic indicator, the *Global Index of the Bank's image*, which summarizes perception in terms of community, engagement, proficiency, integrity, reliability, and loyalty
- Conversation volumes;
 - % unfavorable/adverse conversations,
 - Main topics of discussion that have arisen...
 - Response time on the bank's social media profiles
 - Share of useful answers
 - (see Fig.1 below) *Global index of the Bank's image*

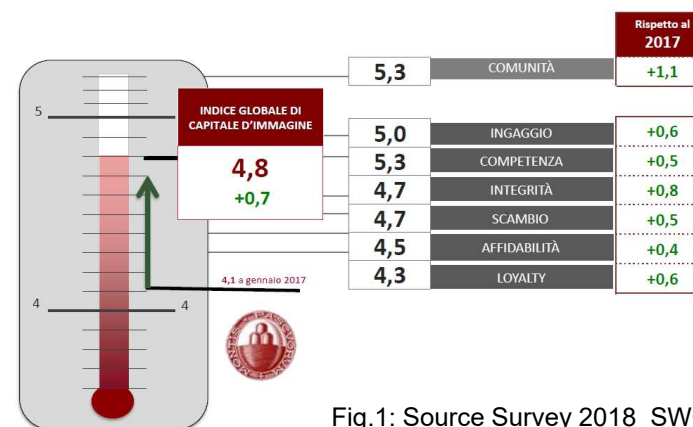


Fig.1: Source Survey 2018 SWG



Reputational Risk Management Framework – Consumer Experience: Indicators

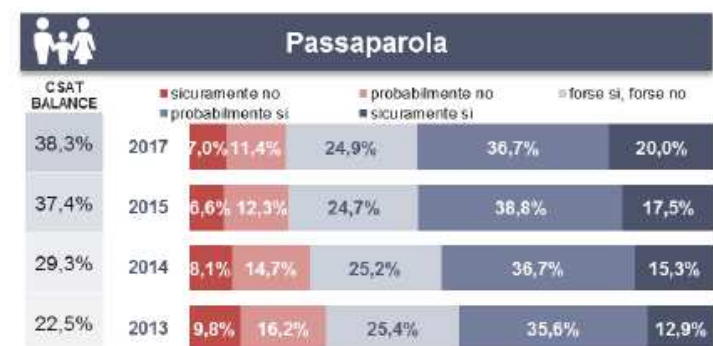
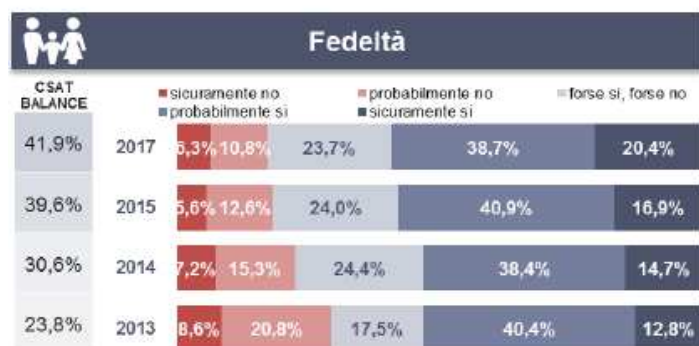
Consumer Experience

Some of the indicators identified are:

- **Customer Satisfaction (Survey 2018 – CRM Unit)** shows a synthetic index, **Customer Perception Index (CPI)**, calculated as weighted average of satisfaction, price/quality, loyalty, and word-of-mouth, for all business segments (Retail, Private, Corporate). The CPI index on the Retail market is also developed on main competitors through a Benchmarking Survey (carried out in collaboration with Doxa (*)).
- On the right-hand side, a CPI example concerning the Retail segment is reported (in fig. 2, CSAT BALANCE indicates the difference between promoters and critics excluding neutrals)

Indicators

CPI Retail 2017 71,1 +1,9 vs 2015



Reputational Risk Management Framework – Consumer Experience: Indicators

Consumer Experience

Indicators

Other indicators identified include:

- **Customer Relationship Management:**

- churn rate of customers affected by the closure of branches, to monitor and mitigate the effects of such an event, as well as for the rest of the Bank's clientele, calculated on a monthly basis;
- Analysis of customer complaints

- **Customer Relationship Management:** Hours of training provided and employees reached (%), in collaboration with the Training Unit for the development of staff skills, data available to the Bank's network, central structures and divided by macro topics (managerial, business, risk, compliance and safety)

- **Products/Services and Channels Offered:** Security levels of the technological infrastructure

- Monthly Churn rate

- Claims received (% acceptance), quarterly data
- Appeals filled ABF/Ombudsman (% final negative outcomes)
- Evasion average (on daily basis) and % of outstanding
- Grievances/complaints received by the Contact Center



- Hours of training provided and employees reached (%)

- Network security rating assigned by an external company, on a quarterly basis
- major incidents*
- % of customers active on internet banking which have suffered losses due to fraudulent transactions*



Reputational Risk Management Framework – Working Plan

Reputational Risk – Working Plan

 Done		<ul style="list-style-type: none"> • Activation of a work-group with the Communication, Commercial, Organisational Functions;
		<ul style="list-style-type: none"> • Analysis of Restructuring Plan and update on Reputational Risk events
		<ul style="list-style-type: none"> • Identification of priority mitigation actions and checking the adequacy of the existing management structures/process • Implementation of priority mitigation actions resulting from the previous analysis carried out with the Reputational Institute (some already achieved during 2017) and from the analysis of the project plan
	September 2018	<ul style="list-style-type: none"> • Analysis of the existing organisational and procedural measures (procedure, policy, indicators...) for Reputational Risk management
 Next Steps	October 2018	<ul style="list-style-type: none"> • Identification of indicators/early warnings to draw up the monitoring report • Sharing the first outcomes with the other functions
	December 2018	<ul style="list-style-type: none"> • Identification of additional actions designed to enhance organisational measures • Formalisation and sharing of the Action Plan
	2019	<ul style="list-style-type: none"> • Draw up of Reputational Risk Report • Formalisation of the Reputational Risk Framework • Group Directive Draft on Reputational Risk Management

