



ProCredit
H O L D I N G



RESPONSIBLE BANKING IN PRACTICE

Impact Report 2022

ABOUT OUR IMPACT REPORT PACKAGE 2022

The Impact Report Package 2022 consists of the following two documents and complements our Annual Report:

The Impact Report 2022

The present document provides information on our approach to sustainability and our non-financial performance, initiatives, and outlook. It is based on the Global Reporting Initiative (GRI) framework but also complies with regulatory requirements and obligations such as the European NFRD, and with signatory frameworks like the UN Sustainable Development Goals, the UN Global Compact, the UN Environment Programme Finance Initiative – Principles for Responsible Banking, and the Partnership for Carbon Accounting.



This icon will point you to further information and data that supports the statements provided in our Impact Report 2022.

The Impact Report Datasheet 2022

The [Impact Report Datasheet](#) is a downloadable spreadsheet that allows our stakeholders to easily find, compare and analyse our sustainability key performance indicators. The Datasheet and the Impact Report 2022 are closely linked and should be read alongside each other to obtain comprehensive insight into the progress on the topics that matter the most to us and to our stakeholders.

ProCredit Holding has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022.

Our full reporting suite, including Annual Reports and the full Impact Report Package, can be found at: <https://www.procredit-holding.com/downloads>

Note: For computational reasons, the figures in the tables may exhibit rounding differences of \pm one unit (EUR, %, etc.).



Index of indicators	
1. Environmental indicators	1.1 Internal environmental performance
	1.2 Sustainable lending and investment
2. Social indicators	2.1 Customers
	2.2 Employees
	2.3 Supply chain
	2.4 Economic development
	2.8 Product risk
	2.9 Sustainability contact
3. Governance indicators	3.1 Compliance
	3.2 Crime prevention
	3.3 Memberships and donations
4. Other	4.1 Glossary and definitions

All figures are for the 12 months ended 31 December 2022 unless otherwise indicated.

From top:
Annual Report,
Impact Report,
Impact Report Datasheet

CONTENTS

INTRODUCTION	1	OUR SOCIALLY RESPONSIBLE APPROACH	27	ESG ANALYSIS AND SUPPLEMENTARY SUSTAINABILITY INFORMATION	89
About this report	1	Economic development	28	SDGs, material topics and targets	90
2022 Facts and figures	3	Corporate governance	31	UNEP FI Principles for Responsible Banking (PRB)	98
Key historic milestones	4	Reliable partnerships and transparent services	36	Accounting of the GHG emissions linked to our loan portfolio	112
2022 Sustainability highlights and developments	6	Technology and innovation	41	EU Taxonomy	115
Letter from the Management Board	7	Data privacy and information security	43	Green loan criteria overview	116
		Prudent credit risk management	48	Analysis of the portfolio in terms of E&S risk	117
				International principles, standards and memberships	118
OUR IMPACT-DRIVEN IDENTITY AND SUSTAINABILITY APPROACH	12	OUR COMMITMENT TO THE ENVIRONMENT	55	GRI content index 2022	119
Our organisation	13	Environmental management	56	List of abbreviations	136
Sustainability goals and achievements	18	Developments in our Plastic Strategy	61		
Material topics and impact reporting	22	Our commitment to e-mobility	63		
		Sustainable finance	65		
		OUR PEOPLE	73		
		Ethical values and working environment	74		
		Fair recruiter and employer	78		
		Staff development	84		

2022 FACTS AND FIGURES

Key group figures 2022

Statement of financial position

	Dec 2022*	Dec 2022**
Total assets (EUR m)	8,826	8,176
Customer loan portfolio (EUR m, gross)	6,108	5,525
of which loans to businesses	91 %	90 %
of which green loan portfolio	20%	21 %
Number of business clients	64,499	59,798
Share of defaulted loans	3.3%	2.4 %
Customer deposits (EUR m)	6,290	5,674

Key performance indicators

Change in customer loan portfolio	3.1 %	6.9 %
Return on average equity	1.9 %	7.8 %
Cost income ratio	64.0 %	66.2 %
CET 1 ratio	13.5%	
Profit of the period (EUR m)	16.5	68.3

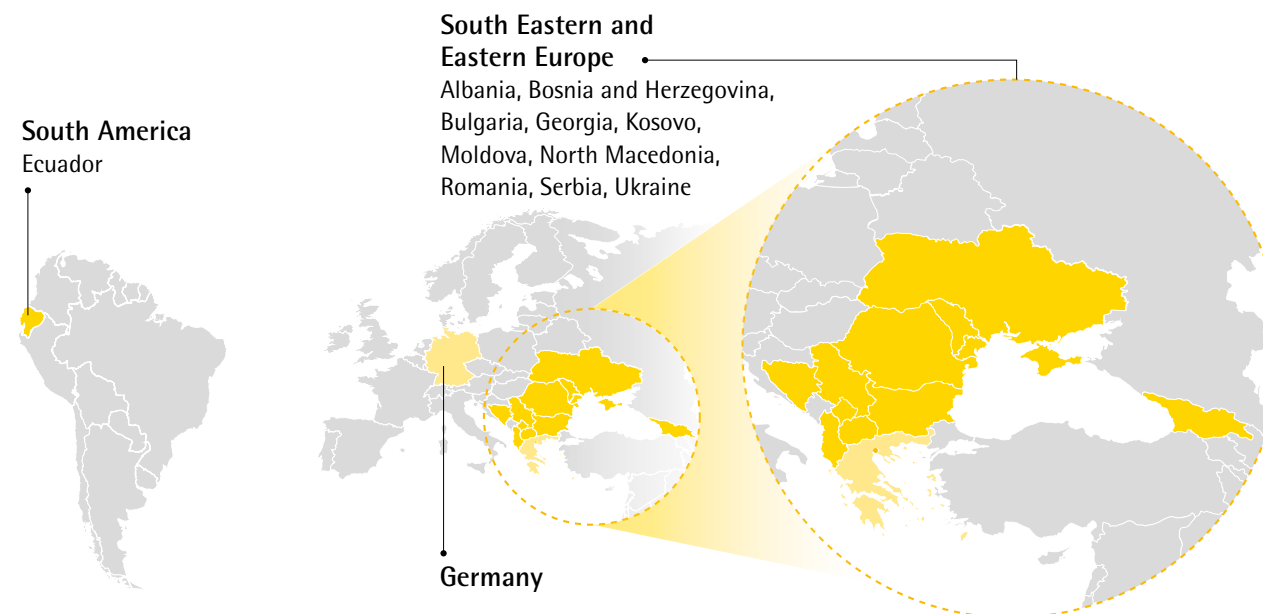
* for all countries

** excluding Ukraine

Our mission

We strive to be the leading SME bank in our markets following sustainable and impact-oriented banking practices. In doing so, we want to generate long-term sustainable returns and create positive impact in the economies and societies we work in.

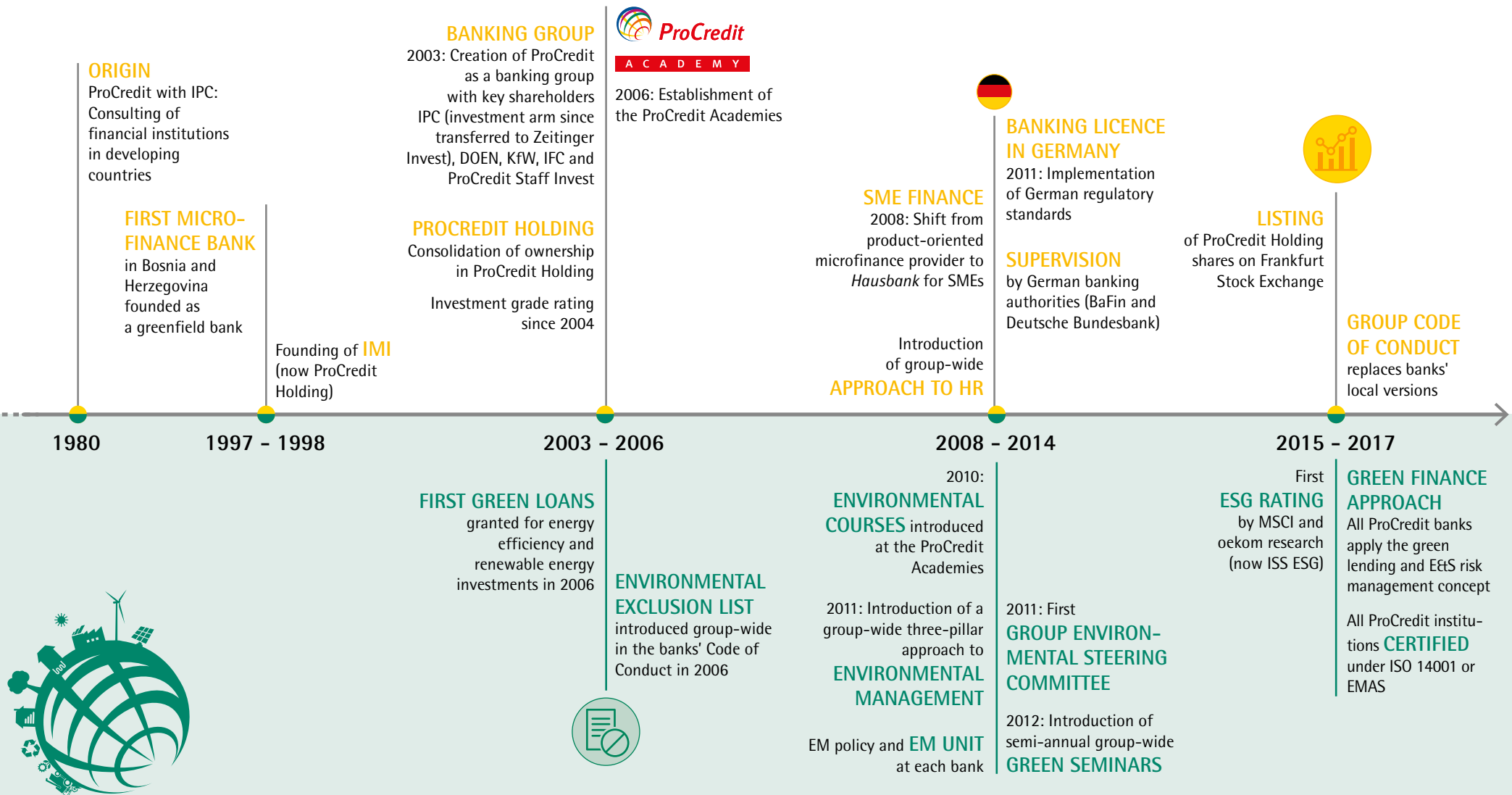
Our countries of operation



KEY HISTORIC MILESTONES

1980 - 2017

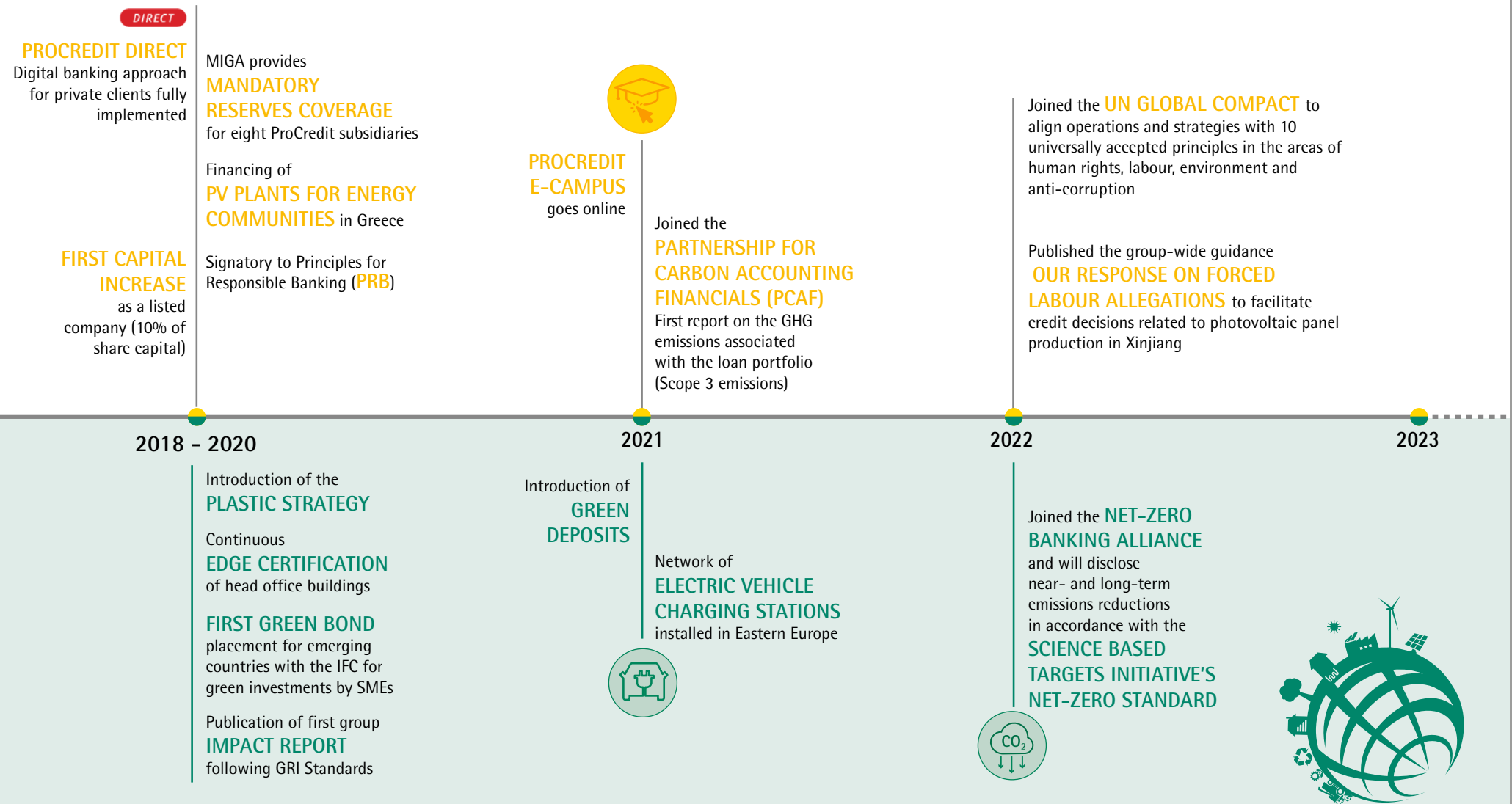
At ProCredit, the process of institutionalising green finance has been a gradual one spanning most of our existence. We have not "greened" our operations from one year to the next. The timeline below illustrates how our identity has always been closely tied to sustainable development since our inception.



KEY HISTORIC MILESTONES

2018 - 2022

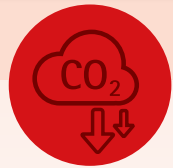
In recent years, we have remained at the forefront of green finance and sustainability-related global developments, setting an example for our peers in our regions of operation.



2022 SUSTAINABILITY HIGHLIGHTS AND DEVELOPMENTS

LATEST ACHIEVEMENTS

NEXT ON THE AGENDA



REDUCING OWN CARBON FOOT-PRINT

44% reduction in own emissions (Scope 1 and 2) 2018-2022

ProEnergy (to offset 85-90% of Scope 1 and 2)

Further work on reducing emissions



GREEN LOAN PORTFOLIO

Target achieved: **20%** of loan portfolio

Leaders in promoting **green finance**, esp. solar energy and e-mobility

Update criteria to align with international practice (e.g. EU Taxonomy)

Promote more RE investments

Aiming to reach 25% of green loan portfolio



STAFF DEVELOPMENT

Preferred partner for **thematic external events**

Promoting and communicating **E&S and green finance**

Successful **back to office** transition with remote working options

Increase technical expertise and ESG knowledge of our staff

Partner with bodies that drive change and awareness on climate-related topics



ENVIRONMENTAL AND SOCIAL ASSESSMENT

Enhanced **training** on E&S topics

Introduction of **animal welfare** assessment

Consideration of **forced labour allegations** in PV supply chain

Sustainable agriculture framework

Add coal-related activities to Exclusion List

Incorporating EU taxonomy and climate risk aspects



SUPPORTING SMEs' TRANSITION TO LOW-CARBON

Commitment to follow **SBTi**

Member of the **NZBA**

Plastic Strategy fully introduced

Setting Net Zero targets as per NZBA and SBTi

Part of UNEP FI Finance Leadership Group on Plastics



OTHER ESG-RELATED STEPS

Developing tools to facilitate ESG impacts and reporting

Transition and physical risk analysis at portfolio level

Creation of ESG Risk Subcommittee within GRC

Climate change strategy

LETTER FROM THE MANAGEMENT BOARD

The war in Ukraine holds a wider lesson for Eastern Europe

History is repeating itself in the eastern plains of Europe. The unprovoked aggression towards Ukraine by Vladimir Putin's Russia shook European societies from their belief that peace and prosperity are our manifest destiny. Besides the enormous direct human suffering the conflict has created, it has profoundly impacted our world in many other ways, from energy and food security to the economic shock which exacerbated the highest bound in inflation since 1970 and upheaval in capital markets. Even the threat of nuclear escalation is no longer just theoretical. We are facing a *Zeitenwende*, a turning point: since the 24th of February 2022, nothing is the same.

Our bank, our group, our staff and our clients have all been directly impacted by the war, and we could tell many stories that underline the resilience, defiance, courage, adaptability, sense of duty and compassion of our colleagues. We are immensely proud of how – even under the most extreme war conditions and logistical challenges – they never failed to serve our clients, fulfil their tasks and meet even the most trivial of deadlines. Their dedication and sense of responsibility, even after months of anxiety, exhaustion and uncertainty about the future, will remain a source of inspiration to our group for many years to come. We witnessed deep and broad solidarity within our group. Many colleagues dedicated time and energy to help accommodate refugees in different countries, including at the ProCredit Academy in Fürth, Germany,

where our Academy staff provided a warm and welcoming environment for many months. Residents from the local village donated toys, and schooling was arranged to help children and parents alike to adapt and settle in. There has also been a relentless effort by our teams in Quipu and across the group to facilitate communication and further improve the IT resilience of the bank through specifically designed technology. Also, the focus and professionalism of all staff in the group, even though for some the war in Ukraine brought back painful memories of brutal conflicts in the recent past, is remarkable and remains the foundation of the continuous strengthening of the group.

As we continue to assess the damage unleashed upon the people of Ukraine and on the rest of the world through this senseless act of violence, one question above all emerges: Why? Why all this misery, suffering, lives broken, dreams shattered? Why the mass bombing, the human carnage, the torture, the rapes and the mass graves? In Europe, we believed, we had confined these horrors to the pages of history books. The shock is so immense that the obvious question is indeed: How did we get here? This matter has the highest urgency, as it is not confined to Russia. Many of the drivers which ultimately created the conditions for the conflict can be found in many other countries in Eastern and South Eastern Europe, albeit perhaps to a lesser,

or less visible, degree. There is a lesson here to be learned, and a cautionary tale to be told, so other societies, from the Balkans to the Caucasus, should pay attention. In fact, all of Europe should, for if there is one thing we learned from this war it is that the fastest way to lose peace is to take it for granted.

ProCredit has been actively present in Eastern and South Eastern Europe for more than two decades (our first bank in the region, in Bosnia and Herzegovina, just celebrated its 25th anniversary last year). We were, if not the very first, among the first international banks investing in the region following the turbulent 90s, which saw a messy transition from socialism to a market economy. During that time, we witnessed first-hand the social, economic and institutional developments taking place in our markets of operation, and very often contributed to shaping them. A quarter century down the road, it is now time to take a hard, cold look at where we stand and what progress (or rather lack thereof) has been achieved in transforming these countries into advanced democracies. This assessment has been made all the more urgent by the war in Ukraine, showing us how stagnation in this transformation not only creates fewer opportunities, but potentially also disaster. Russia, as we know it today, was not built in one day; it is the product of a systematic erosion of the fundamental values which ultimately create free and stable societies.

Much progress has been made in Eastern Europe since the fall of the Iron Curtain, replacing one party (or one man) dictatorship with multiparty democracy and the rule of law. The notion that we are surely better off today than 30 years ago would only fail to resonate with a die-hard nostalgic or with those left behind in the transformation. But despite the advances made on many levels which are essential in ensuring a continuous path towards free and prosperous societies, progress is faltering. If not addressed, lack of progress can eventually lead to the same conditions found in Russia today which ultimately created the basis for this disaster to unfold. The problem is, again, not theoretical. Tensions between Bosnians in the Republika Srpska and in the Federation are bubbling up more often than not, and so are tensions on the border between Kosovo and Serbia, just to mention two potential flash points.

The problem starts with leadership. The wider region is dotted with politicians who embrace elements of authoritarianism to solidify their power and who systematically appeal to the deepest and darkest sentiments of their societies to create consensus around their nationalistic agendas. National identity politics is now the norm in Eastern Europe. The details change from country to country, but many themes are sadly recurrent: a sense of historic betrayal, fear for the erosion of cultural traditions brought by globalisation, an us-against-them narrative where the enemy

is at times a social minority or a foreign power, or both. These "leaders" claim to be men of the people against the elite but are very often surrounded by cronies who engage in politics to enrich themselves via a milder form of what has come to be known as State Capture, treating the res publica as personal property.

Particularly egregious is the role played by religion in these dynamics. Faith has played a central role in the conflicts of the recent past, particularly in the Balkans. After being suppressed for decades under the communist regimes throughout the region, religious fervour was used by populist leaders in the 90s to rally their societies against one another. One thing that strikes the observer entering monasteries and churches across the Balkans is the use of national symbols (such as the flag) alongside religious ones; it is like saying you are Serb if you are Orthodox, you are Croatian if you are Catholic, and so on. Besides undermining the very claim of religion to be universal, this approach has also inflamed animosities between societies with a sort of mystical sentiment, making the process of reconciliation ever more arduous. Religious leaders have often entered a pact with the holders of political power, where the two sustain each other, one providing moral cover and the other material support. In the conflict in Ukraine, for instance, the leadership of the Russian Orthodox Church has incited violence and supported the war, despite the close religious affiliation between the two countries.

The development of the economy has also played a role in creating fertile ground for populism to thrive. Although GDP per capita has increased since the Iron Curtain came down 30 years ago, the adoption of market mechanisms has created, inevitably, winners and losers: A weak state with few resources has been unable to support the losers and invest in public education in order to create a more level playing field, thus aggravating the disparities between rich and poor. Striking differences exist between Moscow and the region of Kranoyaesk Krai, where many of the conscripts for the Russian army come from, where average income per capita is only 43% of the level in the capital. The same can be said between, say, Belgrade and Pirot, or Budapest and Szeged. What makes things worse is that economic success is often the result of who you know, rather than who you are. This creates a sense of injustice which, pervasively, is used by leaders to rail the masses against the elite, while being themselves the very source of the problem. Economic power also buys lawyers and, even more important, judges. Strong men pack the courts with their friends and acolytes, doling jobs and spoils in return for turning a blind eye to their murky dealings, thereby undermining one of the pillars of a proper functioning democracy – the checks and balances between the executive and the judicial arm of government.

Perhaps the biggest casualty of illiberal democracies is truth. Strongmen create an alternative reality

that at best impedes the ability of societies to be informed and at worst poisons the mind of people and civil societies. Much has been written of the pervasive and corrosive nature of fake news and the role that social media plays in it. The existence of self-reinforcing echo chambers and the effect that they have on the polarisation of societies effects all countries, and Eastern European countries are no exception. What is further aggravating the situation in our region, however, is the role that more traditional media plays. Whereas in Western societies there is a plurality of sources where people can access news through television or newspapers, in our countries of operation mass media is directly or indirectly in the hands of government and its leaders. Free media is at best barely tolerated and at worse openly obstructed. As we said in the last Impact Report, it is not necessary to kill journalists to kill journalism, as there are more subtle ways to muzzle the media and control the narrative. Revoking licenses after labelling independent outlets as foreign agents is a tested and tried tactic, just as jailing journalist on various spurious charges ranging from espionage to criticising the government (in Russia, calling the carnage in Ukraine a war, rather than a special military operation, can land you in prison for up to 15 years). Fear is the tool of control. Arbitrary incarceration is bad enough, but even worse is what happens once in jail. Without getting to that level of extreme crackdowns, free

media is definitely on the retreat in Eastern and South Eastern Europe. Once the political elite has control of the mainstream media, they use it – to devastating effect – to debase the social discourse. Entire sections of societies, usually older and more rural, are then exposed to government propaganda, absorbing negative messages and conspiracy theories that make the absurd look normal and the normal absurd.

Russia, which mounted an effective misinformation campaign over the years, is an extreme case of a more common problem. The scale might be different, but the tools used are studied attentively across borders and replicated by populists throughout the region (and increasingly in Western democracies as well). Often enough, misinformation and the creation of alternative realities are based on the principle that the hardest lies to uncover are those based on a kernel of truth. Democracies are messy affairs, requiring compromise and featuring, at times, inefficient decision-making processes, public scandals and contradictions. It is all too easy to spot the gap between the lofty aspirations on which Western politicians campaign and the real, complicated business of government. Asymmetric selection of information is then used to make the case that Western societies are hypocritical because they fail to live up to their own rhetoric. "Who are they", the story goes, "to talk to us about values and principles when there are plenty of cases of corrupted

Western politicians?" Since they are not angels, we are justified to be devils, the logic goes, and everything is reduced to a superficial nihilism which feeds on the frustration and sense of victimhood of those left behind. The war in Ukraine is tacitly condoned (or even approved of) by the silent majority of Russians who believe the Kremlin's narrative, often enough because they have no other narrative available.

This war has taken a terrible toll on the people of Ukraine and on the wider world. Our colleagues, our clients, their families, friends, and neighbours are suffering unimaginable damage to their material and mental wellbeing. Unfortunately, this seems set to continue, since the regime in Moscow has no plan B. However, as the West focuses its energy to support the brave people of Ukraine to push back the invaders across internationally recognised borders, let us not forget that it is always better to prevent than to cure. Eastern Europe should take a hard look at the conditions which allowed an elite group of criminals in Moscow to hold the whole world at ransom. Many of those same conditions are festering deep inside their societies, and if not stopped, it is only a matter of time before history repeats itself once again.

It is not possible to project an end to the war or even to rule out a further deterioration of the security situation in Europe. Indeed, we believe the war in Ukraine will, at least in the short term, continue

to dictate the framework in which we operate and do business. Furthermore, political tensions appear to be intensifying at the global level and threaten to drive the community of states apart instead of uniting them. All over the world, democracies are under relentless attacks from internal and external forces. In spite of all this, we are optimistic about the future of Ukraine, Europe and our banking group. We are convinced that the Ukraine war will in the medium-term, in some form, have a positive impact on the European community of states, including Ukraine, and that the sacrifices made by the Ukrainian people will serve a higher purpose of securing long-term peace on the continent. Talks on EU expansion have seen a major new impetus in 2022 and have also expanded to include states such as Ukraine and Moldova. Against all odds, European economies were also able to become independent of Russian gas and oil within a year, further paving the way for a greener future and sending a clear message to commodity-funded authoritarian regimes around the world. Ukrainian democracy, already in the crosshairs of Russian attacks for many years, will emerge stronger from the conflict. We are convinced that our role as an impact-oriented banking group can only grow in importance in such a pan-European environment.

Since the foundation of the group, we have always promoted values and solidarity as the pillars on which

we built our positioning as a development-oriented commercial banking group. Values act as the compass for our decisions, and solidarity defines the way we work together. Values and solidarity determine what we do and what we abstain from doing, as well as how we work and interact with our stakeholders, determining our approach to clients, to risk, to staff, to the societies and environment in which we operate, both now and in the future. Today, witnessing the war in Ukraine, what it means and its consequences, we are more convinced than ever of the relevance, solidity and resilience of a business model and vision built on values and solidarity. We prioritise value-maximisation for stakeholders over profit-maximisation. In other words, the impact of our activities as a banking group on the societies, the environment, the current and future generations of staff, clients and partners as citizens of the world is as important as (if not more than) our published quarterly financial results. Commercial success and viability are important to any business or bank, but as a long-term business model, such objectives, taken in isolation, are far from sufficient. We want to have a positive impact on our clients, staff, economies and environment, and accompany them in their journey toward sustainability.

Our business will remain focused on supporting SMEs with a meaningful banking partnership, following a prudent approach to risk and a holistic assessment of our clients (including ESG aspects) to ensure a sustainable impact in the economies in which we

work. The personalised relationships and competent dialogue we offer to our clients remains the most distinctive feature of our banks within our markets and is arguably our most important competitive advantage, both in driving business and in managing risks. With the exception of our bank in Ukraine, in 2022 business growth continued to be accompanied by a low and stable share of defaulted loans in all our countries of operation. Our clients proved to be resilient, even when confronted with multi-layered and long-lasting crises, and our approach to business based on close relationships and deep understanding of our clients proved again to be instrumental.

Investment in staff selection and development will therefore continue to play a pivotal role in maintaining this advantage in the future. The foundations we build everyday by working together and through our trainings, especially at the ProCredit Academy, foster a culture of transparency, exchange and critical thinking, and empower people to engage, speak out and involve themselves responsibly and creatively. Those investments are important for us as a company, but they also have an impact on society through our employees, clients and partners as individuals and citizens of the world. In 2022, training in staff remained at the high level of the previous years, with on average 18 training days per staff member.

We complement our “Hausbank for SME” concept with our direct banking strategy, which we use to serve retail clients through convenient and straightforward digital banking channels, allowing us to finance loans predominantly through local deposits making ProCredit the only digital bank in the region. In 2022, our customer deposits, coming from both business and private clients, grew by EUR 747 million (or 13.5%) and brought the deposit-to-loan ratio above the level of 100%.

Going forward, our actions as a bank and as individuals will continue to be guided by a constant reflection on our impact. As announced in our previous Impact Report, we stopped financing PV projects which make use of solar panels produced in China's Xinjiang region, placing this topic at the centre of our > Code of Conduct sessions for our staff in 2022. It is clear that this decision would have been a difficult one for any other bank. For us, we had to first engage deeply with our teams and then with clients, to explain our decision and offer alternatives, especially to clients with whom we had already agreed on investment plans, while also saying no to many financially attractive projects. Despite tightening our Exclusion List (> Code of Conduct, p. 30) in that regard, green loans accounted for more than 50% of our total loan portfolio growth in 2022. This has helped us achieve a share of green loans in the total portfolio of 20%, a goal we had set for ourselves in our medium-term

guidance. Uncertainty about energy prices and supply will likely remain a major concern for businesses and households alike in the years to come. This circumstance, paired with our positioning as a true expert in green financing in our markets, will help us grow this share further in the future. Beyond the expansion of our green portfolio, we will focus our attention on tackling key issues relating to climate change and biodiversity, and also finding solutions with our clients for more sustainable agriculture, demonstrating the importance of diversity, integrity and inclusion for a fair and productive workspace, investing in education and knowledge and establishing high-level standards in terms of governance and compliance. Last but not least, we also hope to play an important role in re-constructing what has been destroyed in Ukraine. We believe that our expertise in working with SMEs, our deep knowledge of the Ukrainian market, our dedicated staff and our long-lasting, strategic relations with international financial institutions put us in a unique position to make a meaningful contribution.

Our vision – what we do (and do not do) and how we do it – is even more important today in the context of a war in Europe and its consequences, but also in terms of what it reveals about the fragilities of the political and social fabric in our countries of operation. Maintaining impact orientation is at the core of the group's resilience, today more than ever before.

Always driven by a will to develop, the group has always looked beyond economics to define success. We have not only proven that economic success and responsibility can go hand in hand, but also that financial sustainability depends on a responsible approach to our environment and societies. In the context of climate changes and geopolitical crises, we want to continue, at our level, to defend the values of freedom and respect for human dignity. This dictates how we define our business strategy and how we work with our clients and staff. The values of freedom and respect combined with a strong sense of solidarity gives us, collectively and individually, a compass to guide our actions. This strengthens our focus, our identity and ultimately our sustainability as a banking group.



Hubert Spechtenhauser



Christian Dagrosa



Dr. Gian Marco Felice



Sandrine Massiani



OUR IMPACT-DRIVEN IDENTITY AND SUSTAINABILITY APPROACH

OUR ORGANISATION

Headquartered in Frankfurt am Main, Germany, ProCredit Holding AG & Co. KGaA (ProCredit Holding) is the parent company of the ProCredit group and controls the majority of shares in all ProCredit institutions worldwide.

In its role as the parent company, ProCredit Holding is from a regulatory perspective also the superordinated company of the group. At a consolidated level, the ProCredit group is supervised by the German financial supervisory authorities (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin and the

Deutsche Bundesbank) and operates in accordance with German and European regulatory standards. Furthermore, the group adheres to international best banking practices.

The main functions of ProCredit Holding vis-à-vis its subsidiaries are providing equity and debt financing as well as strategic guidance and supervision. The company sets the overall policy guidelines and standards regarding all key areas of banking operations. ProCredit Holding is responsible for ensuring that all ProCredit institutions have appro-

appropriate organisational structures and procedures in place that reflect these policies, and that they apply appropriate standards for risk management and the prevention of money laundering, fraud, and the financing of terrorism.

ProCredit Holding, supported by the consultancy firm Internationale Projekt Consult GmbH (IPC), has also taken the lead in introducing a comprehensive Environmental Management System at all ProCredit banks as well as in providing training to management and other staff regarding environmental standards.

The ProCredit group comprises ProCredit Holding, the 12 legally independent ProCredit banks, the ProCredit Academy in Fürth, Germany (the training centre for its staff) and the 100%-owned IT subsidiary Quipu. These institutions are included in the present Impact Report.

Structure of the ProCredit group



ProCredit Holding AG & Co. KGaA



Quipu GmbH –
IT service provider



12 ProCredit banks



ProCredit Academy GmbH –
training centre

Governance structure and committees

ProCredit Holding is a partnership limited by shares (*Kommanditgesellschaft auf Aktien* – KGaA). The general partner is ProCredit General Partner AG, a separate entity owned by some of the founding shareholders of ProCredit Holding AG & Co. KGaA: Zeitinger Invest, ProCredit Staff Invest, DOEN Participaties, KfW and IFC.

ProCredit General Partner AG does not have shares in the KGaA. Owing to this structure, a change in the shareholder structure of ProCredit Holding (e.g. by way of a capital increase) does not dilute the influence of the core shareholders in ensuring that

the group maintains its dual goals of development impact and commercial success.

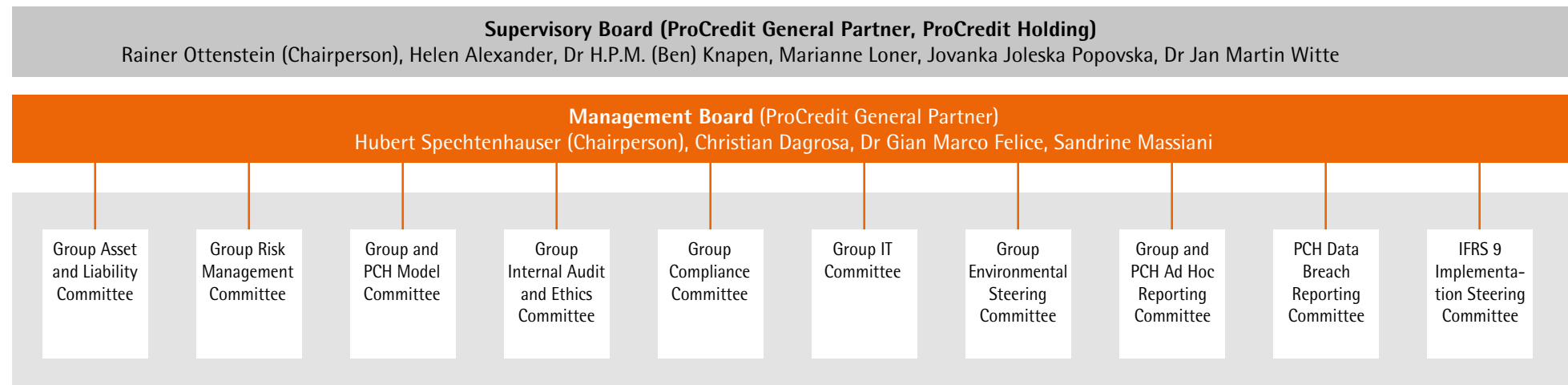
The Management of ProCredit Holding is provided by ProCredit General Partner AG. It has a six-person supervisory board, which oversees the management and performance of the group. In addition, ProCredit Holding AG & Co. KGaA has its own supervisory board. Currently the members of the supervisory boards of ProCredit General Partner AG and ProCredit Holding AG & Co. KGaA are identical, which reflects the similar role of the core shareholders within both entities.

In line with the new banking law, the Supervisory Board appointed a Risk and Audit Committee, a

Remuneration Control Committee, and a Nomination Committee in early 2021. The individuals appointed by the Supervisory Board to the Management Board of ProCredit General Partner are also the managers of ProCredit Holding. That is why we refer to the "Management Board" of ProCredit General Partner AG, but to the "Management" of ProCredit Holding in this report, even though in practice they are the same.

The Management Board reports regularly to the Supervisory Board on the business, risk, and IT strategies of the group and on their implementation. Impact and sustainability aspects of the ProCredit group's performance are integrated into the business, risk, and IT strategies.

Governance structure and committees





The Management Board has set up specialist committees, such as the Group Risk Management Committee, the Group Compliance Committee, and the Group IT Committee. The committees support and advise the Management with regard to monitoring and steering the development of all ProCredit

institutions as well as in the definition of the overarching policies to be implemented by them. Our Group Environmental Steering Committee, for example, is chaired by a member of Management and defines the strategy with respect to green finance, sustainability, and impact reporting.

Central to the effective governance of the ProCredit group is the relationship between ProCredit Holding and its subsidiaries. A strength of the ProCredit group is its ability, despite having operations in several countries, to implement its business and risk strategies with a very high degree of efficiency and uniformity. All ProCredit banks are independent, licensed, and regulated banks. ProCredit holds a controlling stake (typically 100%) in its subsidiaries and is in a position to appoint the majority of the supervisory board members of these subsidiaries. The management board of each ProCredit bank bears responsibility for the operations in its respective institution. They operate within the tight business and risk management framework set

by ProCredit Holding. Our management staff are, as a rule, from the regions in which they work and have graduated from the ProCredit Management Academy.

Looking ahead

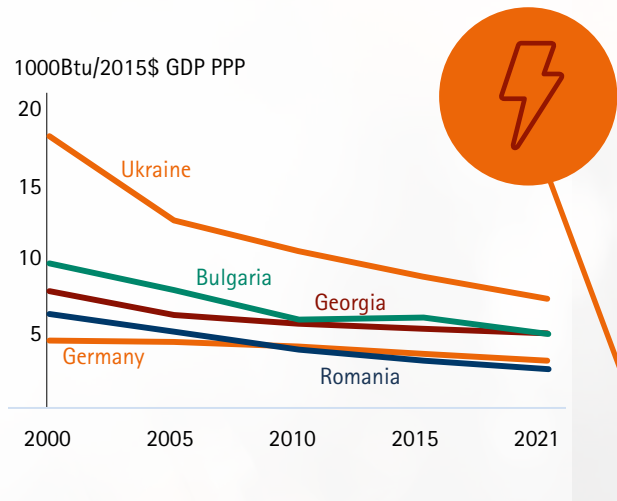
ProCredit General Partner AG, in consultation with its shareholders, the core shareholders of ProCredit Holding, agreed in October of 2022 to prepare a change of the legal form of ProCredit Holding from a partnership limited by shares (KGaA) to a stock corporation company (*Aktiengesellschaft*, AG). The change of legal form requires approval by the shareholders of the Company (*Kommanditaktionäre*) and is to be obtained at a general meeting within the next two years. The group's business focus and, in particular, its commitment to impact-orientation and to the provision of responsible banking services mainly in South Eastern and Eastern Europe, will remain strong and unaffected.



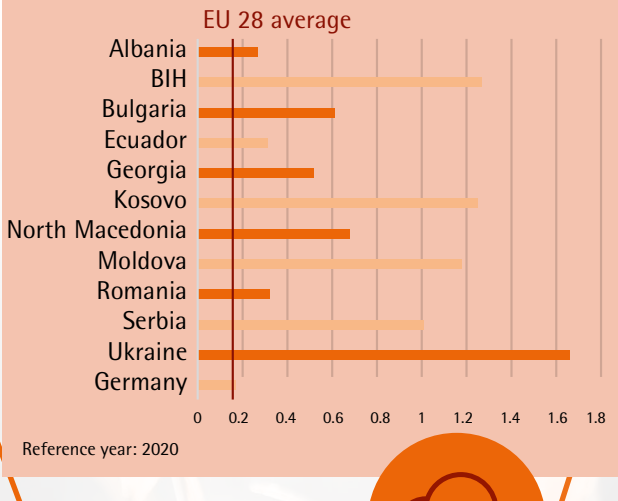
For more information, see:

- Impact Report 2022, related sections
 - Corporate governance (> pages 31ff.)
 - > [ProCredit Holding and its role](#)

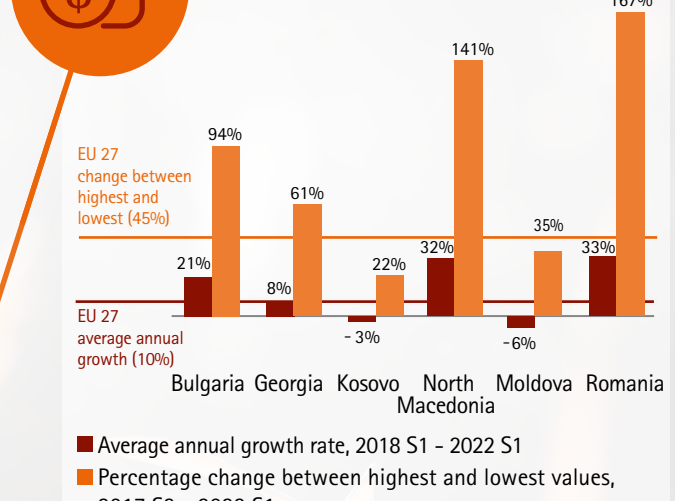
Energy intensity (energy consumption per GDP in 1000 Btu/2015 USD GDP PPP)



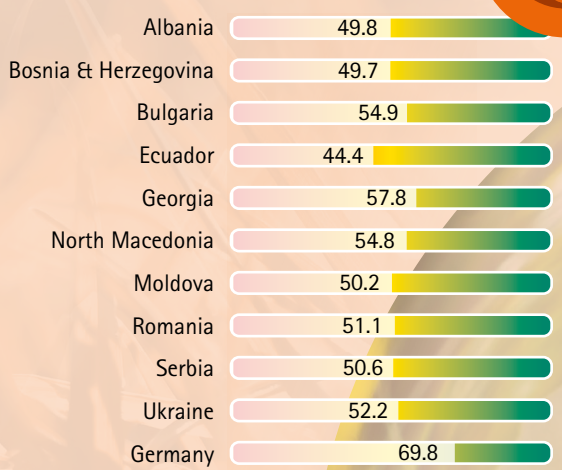
CO₂ emissions per unit of GDP (kg CO₂/2015 USD)



Changes in electricity prices for non-household consumers

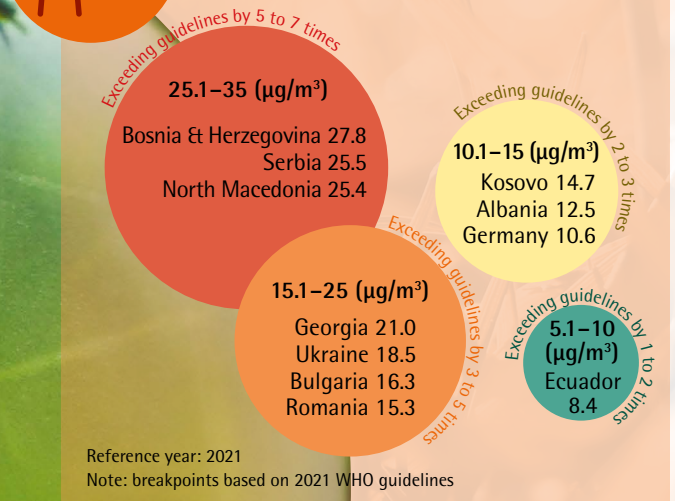


Climate vulnerability vs. adaptation readiness, 0-100



Note: The ND-GAIN Country Index summarises a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience.
Reference year: 2020

Air pollution (population weighted average PM2.5 concentration in µg/m³)



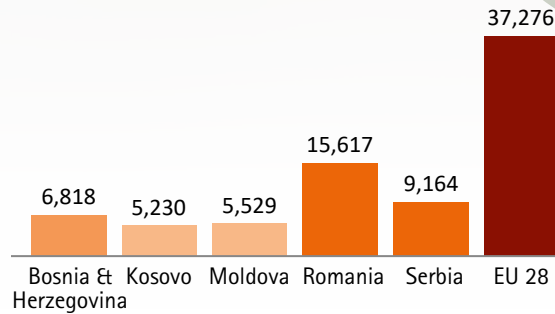
Reference year: 2021
Note: breakpoints based on 2021 WHO guidelines

SUSTAINABILITY CONTEXT

The infographics show data from selected countries of operation. All sources, notes on methodology and reference dates can be found in > [Impact Report Datasheet 2022](#), Sustainability Context.

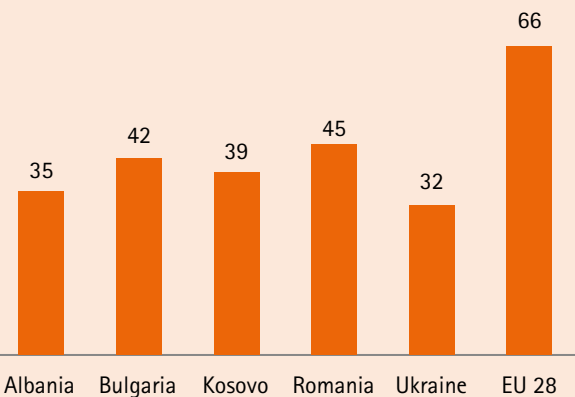


GDP per capita, current prices
(USD per capita)



Reference year: 2022

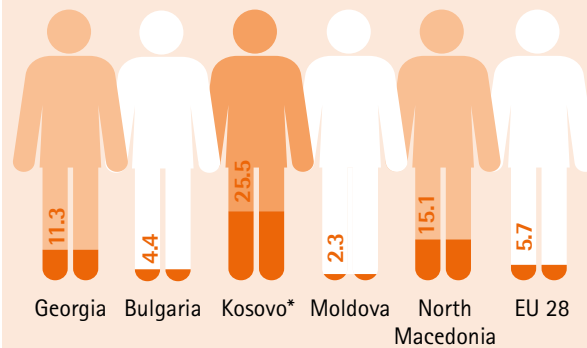
Transparency International Corruption Perception Index
(0 = highly corrupt, 100 = very clean)



Reference year: 2021



Unemployment rate
(% of total labour force)
(modelled ILO estimates)

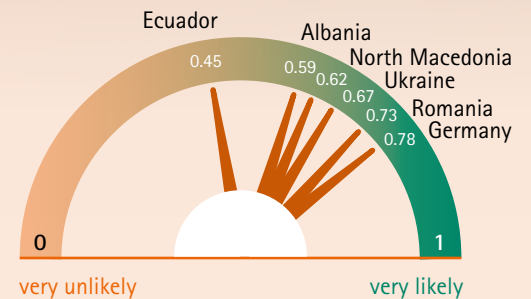


Reference year: 2022

*Value for Kosovo: Unemployment rate by sex and age (%), LFS, Annual, Reference year for Kosovo is 2020



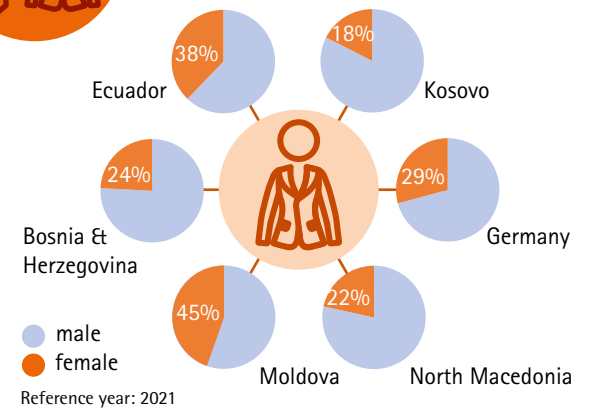
Equal treatment and absence of discrimination, likelihood value



Reference year: 2021



Proportion of women in managerial positions (%) (SDG indicator 5.5.2)



Reference year: 2021

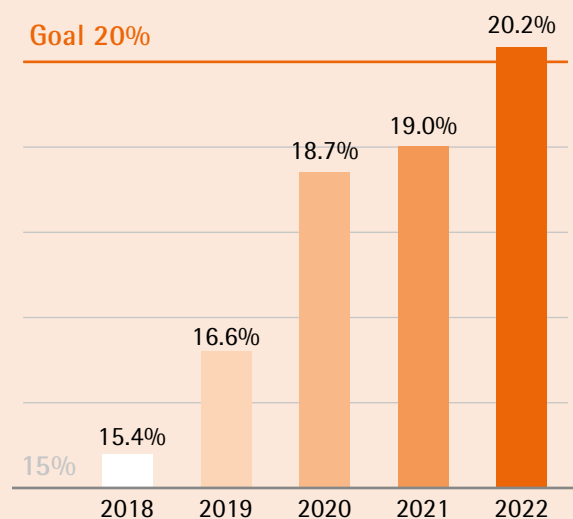
The infographics show data from selected countries of operation. All sources, notes on methodology and reference dates can be found in [Impact Report Datasheet 2022](#), Sustainability Context.

SUSTAINABILITY GOALS AND ACHIEVEMENTS

In 2018, the ProCredit group set itself three specific medium-term goals. This section summarises the progress made in attaining these goals over the last year.

20% GREEN LOANS BY 2023

Goal: Increase the relative size of the group's green loan portfolio to 20% of the total loan portfolio, while at the same time maintaining the high quality of our green lending activities



Note: In reports prior to 2021, the share of green loans in our total portfolio was expressed as a whole number.

The share of green loans in our portfolio has been rising consistently since 2015. We are thrilled to report that our outstanding green loan portfolio accounted for 20.2% of the total loan portfolio at the end of 2022. Of these loans, 49.8% went towards energy efficiency projects, 32.5% towards investments in renewable energies, and 17.7% towards environmentally friendly measures. Over the last year, the volume of the group's green loan portfolio grew by 9.1%.

Now that we have reached our 20% goal for the group as a whole, we aim to further increase the share of the group's green loan portfolio to 25% of the total loan portfolio in the medium term, while maintaining the high quality of this portfolio and further aligning our criteria with international practices and the EU Taxonomy. We will continue to actively promote more investments in renewable energies, energy efficiency and other environmentally friendly measures across all our countries of operation.



For more information, see:

- > [Impact Report Datasheet 2022](#)
- 1.2 Sustainable lending
- Impact Report 2022, related sections
- Sustainable finance (> pages 65ff.).



Specific achievements as of the end of 2022:

Size of green loan portfolio as of the end of 2022: EUR 1,231.1 m

Increase of share of green loan portfolio in the total portfolio in 2022 over one year: 1.2%

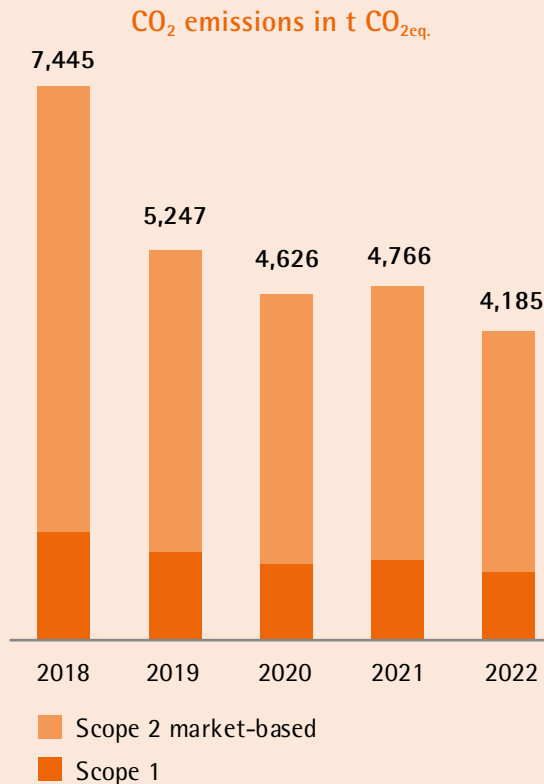
Green investment loans as a share of total investment loans: 26%

Increased number of loans relative to 2021 in two categories: energy efficiency (EE) investments that reduce energy usage by at least 20% and renewable energy (RE) investments into distributed or utility-scale RE generation systems

Increased loan volume relative to 2021 in two categories: RE investments into distributed or utility-scale RE generation systems and other environmentally friendly investments (GR) such as in waste management or organic agriculture

CARBON NEUTRALITY BY 2023

Goal: Become carbon neutral with regard to the group's own CO₂ emissions



Note: The CO₂ emission factors were updated with the IEA Emissions Factors 2021. This change affects <1% of the emissions data shown here versus the data published in previous years.

In 2022, we specified carbon neutrality in our own operations as Scope 1 and 2 emissions, thus aligning with SBTi and NZBA standards. These emissions showed a reduction of 44% compared to 2018, the year in which ProCredit set itself the goal of becoming carbon neutral. Including flights there was a 42% reduction in carbon emissions over the same period.

To further reduce our Scope 1 and 2 emissions, we have implemented several different measures over the years, ranging from improving the performance of our premises and equipment, transforming our car fleet, procuring RE wherever possible, and investing in our own RE installations. As it is currently not feasible to achieve carbon neutrality in our countries of operation with such measures alone, we have invested in our own PV plant (ProEnergy) in Kosovo, which will go into operation in 2023 and which is in process of being Gold Standard certified. The clean energy generated by the plant will offset most of our remaining Scope 1 and 2 emissions.



For more information, see:

> [Impact Report Datasheet 2022](#)

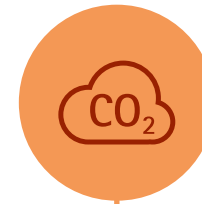
- 1.1 Environmental performance

Impact Report 2022, related sections

- Environmental management (> pages 56ff.)

> [Impact Report 2020, related sections](#)

- Performance indicators (> pages 81ff.)



Specific achievements as of the end of 2022:

Final stages of construction of our own 3 MWp PV park in Kosovo (ProEnergy) to offset majority of our Scope 1 and 2 emissions

Since 2021, an 11% increase in energy production from our own rooftop PV systems (installed peak capacity of about 449 kWp as of December 2022) across 8 banks and ProCredit Academy

EDGE-certification of the bank headquarters in Kosovo, meaning there are now 5 buildings with EDGE-certification at group level

38% of our vehicle fleet is electric, 25% hybrid and 14% plug-in hybrid

Since 2021, an 11% reduction in total energy consumption in our office buildings

STAFF COMPETENCE

Goal: Maintain and further increase the high level of social and environmental competence among our staff

Social and environmental staff training



Courses on environmental and social topics have always formed a key component of our long-term training programmes – the Onboarding Programme, the Banker Academy and the Management Academy. They also feature prominently in the materials used in our English language courses. In addition, all ProCredit institutions hold regular training sessions dedicated to environmental awareness and various aspects of environmental and social risk assessment, operational risk, information security risk and the corporate values embodied in our > Code of Conduct.

Progress in terms of environmental competence can be seen, for example, in the excellent results of our green lending operations. All our employees receive at least one training session on green topics every year. Management, environmental, credit risk and business staff also participate in our green seminars, which are held twice a year. Additionally, we provide continuous training for specialist employees on environmental measures, green finance, and management of E&S risks, among other topics.



Specific achievements as of the end of 2022:

Total hours devoted to environmental training: 10,048

- In 2022, enhanced trainings on
- Animal welfare (continues in 2023): 1,300 participants and 400 training hours
 - E&S assessment for EROs: 40 participants and more than 2,000 training hours (split between LMS learning and a 5-day in-person training course at PCA)

Total hours devoted to Code of Conduct training: 8,843.

Key focus of discussion in 2022: Human rights in the context of forced labour allegations related to the PV supply chain

In 2022, we developed and conducted enhanced training courses in the following areas: animal welfare, the focus of the annual all-staff training aimed at increasing general awareness of the topic and to introduce ProCredit's approach to the subject; and E&S assessment training for all Environmental Risk Officers for the purpose of enhancing and building up knowledge, as well as exchanging experience within the group. The topics covered by these training courses are chosen from among current E&S developments being addressed by ProCredit, evolving requirements or risks, stakeholder demands, etc.

We were able to transition to online training, using LMS and MS Teams extensively during the last few years, which were filled with unprecedented events

such as the pandemic and the war in Ukraine. Now, we have identified the optimal mix for our training formats: digital platforms allow students to access course material remotely and organise their training agenda, while classroom-based training provides fruitful terrain for discussions, group work, presentations, and creating bonds that simply cannot be established onscreen.



For more information, see:

> [Impact Report Datasheet 2022](#)

- 2.2 Employees

Impact Report 2022, related sections

- SDGs, material topics and targets (> [pages 90ff.](#))
- Staff development (> [pages 84ff.](#))



MATERIAL TOPICS AND IMPACT REPORTING

Our reporting approach

The Impact Report Package 2022, which consists of the present document and the separately available Impact Report Datasheet 2022, presents the actual and potential, positive and negative impacts that the ProCredit group has on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships in all our countries of operation. The ProCredit Holding has reported in accordance with the Global Reporting Initiative (GRI) Standards for the period from 1 January 2022 to 31 December 2022.

Our impact reporting provides sustainability-related information on the activities carried out across ProCredit Holding AG & Co. KGaA, the 12 ProCredit banks worldwide, ProCredit Academy GmbH, and Quipu GmbH. Excluded from the Group Impact Report but included in the Annual Report is the ProCredit Regional Academy Eastern Europe (North Macedonia).

The data presented in the Impact Report Package 2022 has been aggregated by geographical regions, as in our previous reports. The following breakdown describes the institutions generally included within each region:

- **South Eastern Europe:** ProCredit Bank (Bulgaria) E.A.D., ProCredit Bank S.A. (Romania), ProCredit Bank Sh.a (Albania), ProCredit Bank d.d. (Bosnia and Herzegovina), ProCredit Bank Sh.a (Kosovo), ProCredit Bank A.D. (North Macedonia), ProCredit Bank a.d. Beograd (Serbia)
- **Eastern Europe:** JSC ProCredit Bank (Georgia), BC ProCredit Bank (Moldova), JSC ProCredit Bank (Ukraine)
- **Germany:** ProCredit Holding AG & Co. KGaA (Germany), ProCredit Bank AG (Germany), ProCredit Academy GmbH (Germany), Quipu GmbH (head office in Frankfurt, Germany, as well as four subsidiaries in San Salvador, El Salvador; Skopje, North Macedonia; Pristina, Kosovo; and Kiev, Ukraine; plus regional offices)
- **South America:** Banco ProCredit S.A. (Ecuador)

The ProCredit group has remained stable in its composition, and therefore, no adjustments for mergers, acquisitions, or disposals were needed in this period.

The approach to aggregating information by region differs across certain disclosures and material topics. In essence, the material topics and associated indicators and disclosures which are directly related to our main business activity, namely the provision of banking services, include data for the 12 ProCredit banks but exclude the ProCredit Academy GmbH and Quipu GmbH. The material topics and

associated indicators and disclosures which are not solely linked to the provision of banking services, such as our internal environmental management or information about our staff, include information and data for the ProCredit Holding AG & Co. KGaA, ProCredit Academy GmbH, Quipu GmbH, in addition to data for the 12 ProCredit banks.

The newly revised reporting principles outlined in the GRI Universal Standards have been integral to our reporting process. All parties involved in the preparation of the Impact Report Package 2022 have adhered to the reporting principles, thereby ensuring the delivery of a high-quality report that provides a comprehensive picture of our impacts.





GRI reporting principles guiding our reporting process:

Accuracy:

- Audited information is used whenever available
- Data measurements, calculations and methodologies are explained in detail

Balance

- Achievements are weighed against corresponding risks
- Challenges that are still to be addressed are acknowledged

Clarity

- Information is transparently and systematically presented in different ways, including overview tables, text, graphics and data

Comparability

- Impact Report Datasheet provides a three-year comparative analysis of our sustainability data
- Information is presented in relation to other companies in our peer group and other relevant benchmarks
- Previous reports are easily accessible

Completeness

- Clear links to additional reports and resources are provided
- Reasons for omission are provided where necessary
- Entities included in the reporting are grouped in a consistent way

Sustainability context

- A clear overview of benchmarks against which we gauge our performance is provided
- There is a direct link to material topics in the Sustainable Development Goals and other frameworks

Timeliness

- The most recent data available as of the publication date is presented
- Reporting periods are consistent in length

Verifiability

- The decision-making process underlying the report preparation is thoroughly documented
- Qualitative information is supported with evidence wherever possible
- Data sources, assumptions and calculations are presented clearly

In addition to adhering to the GRI Standards, our impact reporting is guided by various frameworks, such as the United Nations Sustainable Development Goals, the Task Force on Climate-related Financial Disclosures, the Principles for Responsible Banking set forth in the United Nations Environment Programme Finance Initiative, and the Partnership for Carbon Accounting Financials.

Our approach to stakeholder engagement

Our approach to sustainability is lively and dynamic and so is the ProCredit group's dialogue with internal and external stakeholders. In addition to periodic formal engagements with stakeholders, our approach to sustainability is continuously nurtured by free-flowing discussions at employee workshops, client meetings, and shareholder meetings.

Our employees live our approach to sustainability and carry our shared values forward. Our services contribute to the sustainable development of our clients while responding to their evolving needs. Our shareholders ensure that the mission of the ProCredit group drives all actions with a long-term perspective. All their views, present and future interests, and expectations are key to determining the areas of focus in our sustainability strategy.

Our impact reporting practice is structured around the topics that have been deemed material by us and our closest stakeholders. Under "closest stakeholders" we include the stakeholder groups that have the most tangible and direct relationships with our organisation. These are the stakeholders that have the highest level of involvement in our business activities and strategies and whose interests are or could be affected the most by our activities, be it

in the short, medium or long term. Our three “closest stakeholders” categories – clients, employees and shareholders – have been a central part of our impact strategy and approach to sustainable development even before we adopted the GRI Standards, but were solidified and formally identified when the ProCredit group issued its first Impact Report based on the GRI Standards back in 2017.



However, part of our due diligence entails recognising that other groups are or could be affected by our activities. Though our engagement process with these other stakeholder groups is not as standardised and structured as the process we continuously have with our closest stakeholders, we communicate and actively engage with other groups such as our suppliers, industry peers, financing partners, civil society organisations, local communities, experts and consultants, and others. Many of these engagements are described in the present report and provide a snapshot of our commitment to managing our positive and negative impacts beyond the scope of our immediate business activities.

At ProCredit, we maintain open communication channels with all our closest stakeholders. Our ability to live up to our mission of “being the leading “Hausbank” for SMEs in our markets of operation – with a sustainable approach” depends on frequent engagements with our clients, employees and shareholders. We learn from and thrive on their feedback, which helps us improve the products and services we offer. The initiatives we support, the commitments we make, and the projects we take on are in direct response to our stakeholders’ needs. At the same time, we see ourselves as a key player in our markets for driving positive change. We believe that day to day, we can support our clients in many ways, for example by accompanying them in their efforts

to adopt cleaner technologies, reduce their emissions, and include environmental and social aspects in their own operations. Our staff, which is highly skilled in ESG and technical matters, represents the group in thematic events involving local communities and even regional or global civil society organisations. Internally, we have a responsibility to uphold our >Code of Conduct and train our staff according to our shared values so that every one of us can easily prioritise long-term sustainability over short-term gains. The type and frequency of our engagements vary naturally by stakeholder group; however, our flat hierarchies, our “Hausbank” business model and our simple governance structure allow us, at both the organisational level and the bank or institutional level, to easily identify and respond to the evolving needs and concerns that our closest stakeholder groups might have.

The following sections in our Impact Report Package 2022 provide thorough examples of how we integrate stakeholder views into our decision-making process, and how, through close relationships with our clients, we have become a reliable partner for driving economic development and green finance in the SME sectors of the countries in which we operate. We invite you to read on to discover how we ensure meaningful engagement with our different stakeholder groups by, for example, developing and implementing our group-wide Plastic Strategy, finding the best-suited communication channels to

remain available to our clients in Ukraine during the most critical times of the Russian attacks, providing our employees with solid and homogenised training programmes while respecting cultural differences, and many other measures.

Our process to determine material topics

The identification and prioritisation of ProCredit's key material topics for the 2022 reporting period replicates the material topic mapping approach carried out in 2020. Nevertheless, the revised definition of "material topic" as per the GRI was presented to all parties involved in the preparation of this year's Impact Report, including the management board, and the previously established key material topics

Number of stakeholders by category consulted during the last formal engagement, 2020



Note: Total number of stakeholders consulted in 2020: 1,400. Four representative banks were selected: Ukraine, North Macedonia, Bulgaria, Kosovo. For a detailed description of the methodology used in the management engagement, the stakeholder engagement, and the development of the materiality matrix, please see the [Impact Report 2020](#).

were examined from an impact-focused perspective, disclosing the actual, potential, positive and negative impacts related to each material topic and checking for changes in the impacts. Though the process to identify impacts was not carried out explicitly or systematically for this year's report, descriptions of prioritised positive and negative impacts are embedded in each section covering the management of a given material topic; this was possible because ProCredit assesses its impacts on an ongoing basis. No applicable GRI Sector Standard was available at the time of preparation of the present Impact Report.

The identification of material topics conducted in 2020 was informed by a formal stakeholder engagement with the purpose of validating them. We first conducted a workshop at which eight managers from ProCredit Holding and the ProCredit banks discussed and assessed the material topics facing the group and rated their relative importance. In this context, it was also agreed to engage with the closest stakeholder groups, namely clients, employees, and shareholders. We then conducted an online survey among four representative banks and their clients, to which a total of 380 clients (including 253 business clients) and 952 employees responded, plus 62 employees of ProCredit Holding. Six shareholders were also polled: Zeitinger Invest, KfW, DOEN participaties, IFC, EBRD and ProCredit Staff Invest. All participants were asked to select and

rank the key material topics that they consider most relevant. There was general agreement on the high-impact topics and several new aspects emerged that were incorporated into the 2020 and the 2021 sustainability approach and reporting. The process was guided and informed by the consultancy firm IPC – Internationale Projekt Consult GmbH (IPC).



For more information, see:

Impact Report 2022, related sections

- GRI content index ([> pages 119ff.](#))

[> Impact Report 2020](#), related sections

- Materiality and impact reporting, pages 72ff.

[> Code of Conduct](#)

[> Annual Report 2022](#)

Key material topics

The following table provides an overview of our key material topics as they are grouped into thematic areas. No changes to the list of material topics have been made between this and the last reporting period. We specify the way in which ProCredit is involved with the negative impacts associated with each material topic in line with the revised GRI Universal Standards.

Area	Material topic	Definition	Involvement with topic-related negative impacts occurs mainly through our	Contributes to \geq SDG
OUR SOCIALLY RESPONSIBLE APPROACH	> <u>Economic development</u>	Contributing to the economic growth of the developing and transition countries in which we operate by providing responsible financial services to SMEs.	Business relationships	
	> <u>Corporate governance</u>	Guaranteeing accountability, fairness and transparency in relationships with stakeholders as well as enforcing measures to prevent corruption, bribery and money laundering.	Activities	
	> <u>Reliable partnerships and transparent services</u>	Promoting long-term partnerships with our clients; promoting efficient, transparent and easily understandable account services, including proper data protection.	Activities	
	> <u>Technology and innovation</u>	Promoting transparency as well as the elimination of fraud, bribery, dependence, and informality through innovative banking solutions.	Activities	
	> <u>Prudent credit risk management</u>	Minimising potentially negative environmental and social impacts.	Business relationships	
OUR COMMITMENT TO THE ENVIRONMENT	> <u>Environmental management</u>	Minimising our own carbon footprint and resource consumption.	Activities	
	> <u>Sustainable finance</u>	Encouraging the widespread adoption of responsible financial practices that are economically, socially, and environmentally inclusive and sound; financing sustainable business solutions and renewable energy/energy efficiency projects that contribute to climate change mitigation.	Business relationships	
OUR PEOPLE	> <u>Ethical values and working environment</u>	Promoting gender diversity, a flat hierarchy and open communication.	Activities	
	> <u>Fair recruiter and employer</u>	Ensuring a transparent selection process with fair internal promotion and remuneration to attract and retain the right employees.	Activities	
	> <u>Staff development</u>	Developing staff capacity through comprehensive knowledge and skills training, regular performance reviews and clear career options.	Activities	



OUR SOCIALLY RESPONSIBLE APPROACH

The key to our responsible banking approach is continuous reflection about the impact of our actions.



Strengthening SMEs and relevant economic sectors

91% of our loans directed at small and medium-sized enterprises

39% of our loan portfolio supports agriculture and manufacturing



Ukraine crisis support

Supporting SMEs with their urgent working capital needs

Establishment of a fully fledged Contact Centre



Prudent credit risk management

Stable loan portfolio quality even after COVID-19 crisis and during Ukrainian crisis

360-degree approach to credit risk assessment

ECONOMIC DEVELOPMENT

by Dr Marcel Zeitinger

At ProCredit, long-term sustainable economic development is our *raison d'être*, and we orient our business behaviour towards achieving this goal. As a development-oriented financial institution, what do we mean by economic development, and how do we contribute to it? And what do we view as sustainable in that context?

The dominant narrative of development finance contends that financial inclusion and access to financial services will bring economic growth. It also implies that large numbers of banking branches and ATMs can be construed as "impact", as they supposedly foster economic activity and productivity. In the same vein, microfinance is still regarded as a panacea for countries seeking to harness their untapped economic potential. This is a view we no longer espouse, even though we ourselves used to engage in microfinance with all the corresponding good intentions. We consciously left that path many years ago, precisely because we saw that the impact of our actions was diminishing. It had become apparent to us that it was no longer a question of too little access to financial services – especially not in our often overbanked countries of operation – but rather about the right approach to providing these services. It is estimated, for example, that the informal output still accounts for a staggering 37.6% of GDP, on average, in our countries of operation (excluding Germany). In our experience, however, it is usually not

the masses of informal microentrepreneurs that drive economic development, but rather the innovative, transparent and tax-paying small and medium-sized enterprises that undertake productivity-enhancing investments. That is why we now devote our full energy to providing the credit instruments that are best suited to SMEs, which we view as the backbone of the economies in which we are present.

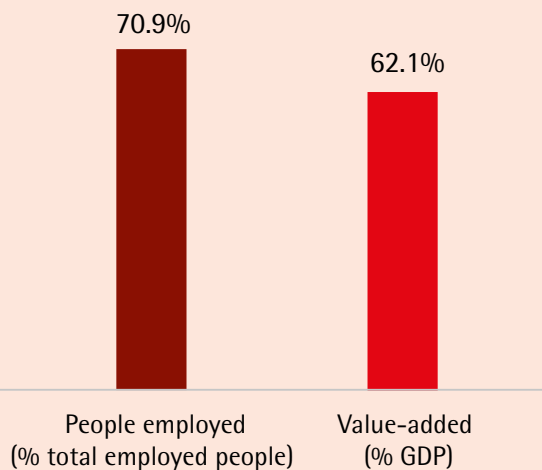
Why are we so convinced that supporting SMEs has a great impact on our countries' development? The technological leap we can facilitate for SMEs is often substantial and raises the labour productivity of a more numerous workforce. We see this every day when we provide long-term financing for the most up-to-date machines in the production cycles of our clients. SMEs tend to employ the vast majority of people in our countries of operation, while at the same time accounting for a large share of value-added. On the domestic level, enhanced efficiency can lower prices for the final consumer; internationally, these improvements increase the international competitiveness of domestic, innovative firms, thereby promoting exports, supporting import substitution and lowering structural imbalances in trade. Such results can be achieved through the various forms of vertical and horizontal integration that our clients are undertaking with

our active support. As we typically operate in small, open economies, these measures reduce external dependency, strengthen internal growth and generate formal employment for the local population. Given the omnipresent and heightened uncertainty in the world today, we feel that the sheer number and diversity of our SME clients is bolstering the economic resilience of our countries of operation.



Apart from our focus on SMEs as a crucial component of a country's economic development, our long-term and sustainable way of doing business differentiates us markedly from other financial institutions in our markets. Typically, as economies expand, investors expect greater returns and the risk appetite increases, often leading to looser lending standards that destabilise credit markets down the line. However, when a crisis is looming and liquidity is tight, credit lines are unfortunately often called off and

SMEs' importance in our countries of operations



Source: European Commission (2022), SME SBA Country Factsheets 2021 (excluding Ecuador and Germany). Bulgaria, Romania: SME SBA Country Factsheets 2022. Georgia: OECD (2019), Access to Green Finance for SMEs in Georgia, Green Finance and Investment, OECD Publishing, Paris.

cross-border loans are deleveraged, leaving businesses out in the rain. In contrast, our approach is far more long-term in nature. We refuse to compromise on our lending standards in order to push margins, and we continue to finance our clients' working capital and investment needs even during economic hardship and global unrest. Especially now, in Ukraine, we are supporting our clients as much as we can, having, for example, provided financing for the previous year's sowing campaign. In Greece, we opened our doors to SMEs in 2015 as the international investment community was turning away from them in the Eurozone Crisis. During the COVID-19 pandemic, our business portfolio in our 12 countries of operation showed growth while other banks curtailed lending activity. This behaviour exemplifies our long-term investment horizon as well as our steadfast sense of responsibility as a banking group, which we believe to be even more necessary amid the current geopolitical tensions.

Our view on economic development does not diverge significantly from the laudable policy commitments now made towards SMEs, with the main difference that we actually live our values and our success depends on it. Most of our profit derives from interest on loans to business clients and the transparent fees we charge. Other financial institutions fuel their balance sheets with government bonds, with deals struck through the sale of non-performing loans,

or by reaping profits from opaque, affiliated entities for fast consumer lending or leasing. Our time horizon and business behaviour are not designed to yield erratic and exorbitant profit figures, but rather a reasonable, steady positive return on equity throughout the economic cycle.

Nonetheless, despite the claims of the financial community, providing finance does not in and of itself lead to growth and economic development. The financial crises around the world have rightly challenged the notion of a finance-growth nexus and exposed the pitfalls of this particular hypothesis. Excessive risk-taking and the overhyping of the role of finance in economic development are currently contributing to the "financialisation" of the world economy. It is often forgotten that Schumpeter, to whom the finance-growth notion is attributed, not only argued for the growth- and entrepreneurship-enhancing role of finance: he also warned against credit being allocated for consumption purposes or for innovations in financial markets where the effect on economic development is ambiguous at best. As financial institutions, we are conscious of our place in the economic system and we only provide services that our clients need. We do not risk the soundness of our institutions by juggling with financial assets, nor do we engage in consumer finance to any significant extent. Banks are only one part of the set of institutions that are

Our approach to Economic development

We contribute to environmentally and socially sound economic development in the countries in which we operate. By providing responsible and sustainable financial services to small and medium-sized enterprises, we support local business activities. Specifically, we work with companies that drive innovation through state-of-the-art investments and which strive to reduce their environmental impact. Our business clients, mostly active in the manufacturing, agricultural and service sectors, follow long-term business strategies, generate employment, and thereby form the backbone of the economies in our countries.

More information:

Relevant policies, guidelines and strategies

- Exclusion List (> [Code of Conduct](#), page 30)
- Mission Statement
- Business Strategy
- Risk Strategy

Other related links:

> [Impact Report Datasheet 2022](#)

- 1.2 Sustainable lending
- 2.1 Customers
- 2.2 Employees
- 2.4 Economic development

Impact Report 2022, related sections

- Sustainability Context (> [pages 16f.](#))
- SDGs, material topics and targets (> [pages 90ff.](#))

Webpages and reports

- > [Responsible banking for development](#)
- > ["Hausbank" for small and medium-sized businesses](#)
- > [Annual Report 2022](#)

necessary for economic development. By providing finance to the real economy rather than to the FIRE (finance, insurance, real estate) sectors, we strive to contribute to sustainable development. The fact that manufacturing and agriculture account for almost 43% of our business loan portfolio is a case in point.

Apart from considering the economic aspects of sustainability, it is critical to understand the ecological perspective as well. A long-term view entails recognising the limits of our planet as well as being aware of the various physical and transition risks triggered by climate change and other human actions. Hence, we evaluate the environmental and social performance of our clients and suggest investments that could improve it. At the same time, we recognise the overt dilemma between economic development and ecological sustainability. One of the ways we respond is by increasingly focusing on our green loan portfolio. Building up specialised teams and knowledge in the banks and ProCredit Holding has helped us to grow the share of green loans in our total loan portfolio to just above 20%. No other bank in our markets focuses on green finance to such an extent, and the green loans financed by our competitors are typically single large-scale projects. We concentrate – in line with our business focus – on small- and medium-scale projects, as we believe they bring a more diverse, balanced and community-engaging

green transformation to the countries in which we operate.

Now more than ever, we can see that our planet has hard limits, making it all the more important to maintain the delicate balance between economic development and ecological sustainability. This can only be achieved if the world works together and takes real steps to avoid further depletion of precious natural resources. Our approach to sustainable economic development entails adhering to strict internal environmental policies, encouraging our clients to act in an ecologically responsible way, and enforcing credit risk policies that preclude us from supporting environmentally or socially harmful business activities. In our view, sustainable economic development is a highly complex process requiring a daily commitment on multiple fronts. We therefore embrace a long-term view, focus on SMEs that are willing to invest in becoming more climate-friendly, provide formal and decent employment, promote green technologies and renewables, and engage in non-cyclical lending when our clients need us most, in line with our selective standards.

CORPORATE GOVERNANCE

by Christian Edgardo Dagrosa



ProCredit was founded over 20 years ago with the express purpose of conducting responsible banking in countries with emerging financial sectors, thereby balancing the strategic goals of commercial success and financial viability with positive economic, social and environmental impact. Today, as then, this unique strategic direction remains one of the most important distinguishing factors of our group.

We believe that we have remained true to our purpose over the years, as the group has never failed to close a year with a profit (even during the Global Financial Crisis from 2007 to 2009) and we continuously achieve important milestones while setting new and ambitious targets for our impact. Formulating our impact-oriented strategies is a rolling process and involves a variety of stakeholders, including shareholders, clients, staff, and managers of the various ProCredit institutions. We regularly conduct stakeholder engagement measures in order to ensure effective governance structures and to identify and manage the impact – or lack of impact – of our operations in the areas where we want to induce positive change: economy, environment and people. The policies and plans aimed at bringing these strategies to life are discussed among specialists and managers of the different ProCredit institutions during events at our academies, such as workshops or other types of get-togethers, then approved by the supervisory boards of the banks and ProCredit Holding, and lastly

refined and implemented by interdisciplinary working groups. To measure the impact of new strategies and our progress towards the defined targets, working groups typically propose new indicators which are then incorporated into our reporting framework and appear in management reports, supervisory board presentations and other documents across the group. Taken together, these steps ensure broad and multi-layered involvement in shaping the future of our institutions, with inclusion of the group's managers and supervisors as well as staff from the various banks in every part of the process.

The key to our responsible banking approach is continuous reflection about the impact of our actions, from the small day-to-day decisions to major strategic undertakings. We encourage and facilitate this type of critical review at all levels of our organisation. We want to behave responsibly towards all stakeholders, both as the collective "ProCredit group" and as individuals, so maximising returns rarely takes precedence in our decision-making.

Responsible banking

We base our approach to responsible banking on our >Code of Conduct. This document defines our corporate values and ethical compass, and is intended to instil a strong sense of mutual respect and personal

responsibility among all staff. These values form the bedrock of our group and send a clear signal: we must be more than just "bankers". We believe that this fundamental attitude serves to foster our clients' trust in our institution. As humans, we are sometimes faced with situations in which "doing the right thing" may not always appear straightforward, and in the financial industry we may find ourselves in such situations even more frequently. We believe it is our duty as a responsible employer to make it easy for our employees to take the right decisions from an ethical point of view.

We have high expectations of our staff. All employees are required to respect the fundamental principle of human dignity and therefore avoid any form of discrimination based on ethnicity, gender, religion, origin, or sexual orientation. This is a categorical imperative of the group and it is not negotiable. Our established whistleblower system is designed to encourage our stakeholders, both internal and external, to report any instance of discrimination or other form of wrongdoing. Allegations are received and investigated by our internal audit department to guarantee an impartial and independent investigation. Beyond that, we have also established group-wide guidelines for managing client complaints, thus providing an effective channel for our clients to voice their grievances. Reports and complaints are relayed to the Internal Audit and Ethics Committee, where they are discussed under management board participation.



We discuss the impact of our operations regularly – in our risk committees, in > Code of Conduct training sessions, in courses at our academies, in group-wide workshops, and in the management and supervisory board meetings of our institutions. Avoiding any negative impact at all is impossible, but our minimum aim is to make sure that our actions always reflect our values and to continuously strive to create better versions of ourselves, our banks and our group. In that sense, the steady advancement of individual and institutional knowledge is the key to making these discussions effective and relevant to the current context. For example, our Group Environmental Management Team conducts regular workshops that focus on specific topics that could, and sometimes should, shape the way in which we as an institution behave and do business in

By opting for clear organisational structures, procedures and standards, we avoid the need for a conventional top-down corporate environment. This in itself creates a high degree of ownership and personal responsibility at essentially all levels of our organisation. Flat hierarchies, typically consisting of no more than three layers at any ProCredit institution, enable a timely and transparent flow of communication throughout the group. This lean structure is indeed a distinctive feature of our banks, which consistently operate with a fraction of the staff numbers of other institutions in our markets. Our approach to hiring, training and staff development leaves no doubt that we prioritise quality over quantity. Teams within our institutions are small and focused, but at the same time extremely well connected with their counterparts at other ProCredit institutions, enabling a high degree of adaptability and a truly unique and effective exchange of best practices across the borders within the ProCredit universe.

Our impact

Because we are an impact-oriented banking group, we see our ability to create a positive impact primarily through our operations. 91% of our loans are to the small and medium-sized enterprises which drive the economic development of our countries of operation by hiring and training staff, by setting new

standards for energy-efficient production methods, and by paying their fair share of taxes. This is critical at a time when shadow economies still constitute a significant limiting factor with respect to developing countries' spending power and therefore to their ability to push forward social advancement. Unlike many financial institutions in our markets, we do not engage in any aggressive consumer lending practices, because we consider them to be especially detrimental to the lower-income communities.

Assessing the impact of operations is generally complex and rarely leads to binary outcomes. Some 20% of our loans go to the agricultural sector, which is highly energy- and water-intensive. At the same time, food is a necessity for humanity as a whole and global supply chains are fragile. Indeed, the rise in food prices during the war in Ukraine has underscored the importance of partnering with agricultural businesses, which receive around 50% of our loans there. Most people will agree that the financing of green investments, and possibly renewable energy projects in particular, is a prime example of the positive impact financial institutions can have. In our > Impact Report 2021, however, we announced that we would stop financing PV projects that use solar panels manufactured in > China's Xinjiang region, as there is evidence of significant human rights violations associated with the production of these components.



the future. The most recent workshop highlighted animal welfare, specifically with regard to farming practices. This topic is relevant for us as individuals and consumers but also as a banking group whose loan book mirrors the importance of the agricultural sector in our countries of operation.

Beyond our operations, we aim to achieve a positive impact on other levels as well. In countries with high unemployment, where job-seekers often feel forced to look for work abroad, we primarily hire young professionals and graduates. We offer them comprehensive training that goes well beyond the financial dimension of banking, with equal emphasis on the ethical implications of working in the financial sector. We are dedicated to furthering the professional development of these young members of our group so that they may one day become leaders in their field. All managers of our banks have gone through our internal training programmes, and for one third of

them ProCredit was their first employer. In an industry where bonus systems are still commonly employed to encourage profit maximisation, we offer our staff a fair and steady monthly salary that is generally well above market averages and does not leave them dependent upon arbitrary variable remuneration components. Our group-wide remuneration structure, which is discussed and further developed by all ProCredit institutions' HR departments at annual workshops, forbids any type of contractual bonuses and aims to ensure equal treatment for all employees, regardless of their position in the company. It applies to all staff, including management board members of our institutions, which illustrates the identity of ProCredit banks as coherent entities sharing a common vision of governance and fairness. We also make a point of ensuring that the ratio between the salaries of our senior managers and the salaries of our employees is fair. This is in stark contrast to the widespread over-inflated pay for CEOs and the like in the financial sector (and elsewhere). Management board members generally do not obtain any undue privileges that other staff members would not receive, which means no contractual bonuses, no excessive termination payments, and no retirement benefits beyond what is offered to other staff. This equitable and merit-based approach to staff puts us ahead of many other institutions in terms of governance-related targets, such as gender diversity in leadership positions (48% of our middle managers are women).

Beyond ensuring a fair and transparent remuneration system, we also embrace our responsibility to the communities in which we operate by regularly engaging with and supporting municipalities, cultural centres, local leaders, and charities. Most of these initiatives are organised by our staff on a voluntary basis and receive financial support from the ProCredit institutions.

Green lending has always been a strategic pillar for the group. Around 20% of our loans are considered green and this portfolio has shown unparalleled growth in recent years. The quality of this portfolio is very strong, which exemplifies one of many areas in which we manage to align principles of responsible banking with commercial success. Our banks' carbon footprints are small compared to the impact achieved through the investments they finance. Nonetheless, our goal to achieve carbon neutrality through internal measures demonstrates that we take environmental responsibility seriously and have a consistent approach at all levels of our organisation. As a group, we have managed to cut our own emissions (Scope 1 and 2) by more than 44% since 2018 by modernising premises, installing photovoltaic capacities, replacing fuel-engine cars with electric vehicles, and raising awareness among staff about energy and resource scarcity. We also apply a group-wide supplier selection process (as defined by our Guidelines for Sustainable Suppliers) that requires suppliers to comply with our Exclusion List ([Code of Conduct](#), p. 30) and also screens them against external

exclusion lists (for example from the International Labour Organization), black lists and watch lists. By taking a stringent and consistent approach on so many levels, we hope to set an example to others and attain the credibility we need to effectively discuss and promote green investment plans with our clients. All our banks have environmental management departments that report directly to their respective management boards and are coordinated by the Group Environmental Management Team at ProCredit Holding.

Optimising impact in the future

Opportunities to amplify our positive impact and mitigate our negative impact are virtually endless, requiring careful deliberation on where to apply resources so as to achieve the most effective outcome. In 2022, we joined the Net-Zero Banking Alliance, thus committing to aligning our portfolios with net-zero emissions by 2050 or sooner. We also committed to setting ourselves near- and long-term emissions reduction targets with the Science Based Targets initiative. Beyond that, we are part of the Task Force on Climate-Related Financial Disclosures and the United Nations Environment Finance Initiative, and we strive to address many of the SDGs formulated by the United Nations.

We take these commitments very seriously: we are gradually working towards integrating climate action

into our general risk framework and improving mechanisms and processes to quantify and reduce portfolio emissions. Beyond that, we are tackling a variety of other environmental topics, for example by expanding our Exclusion List ([> Code of conduct](#), p. 30) and sharpening our ESG assessment. In 2021 we rolled out our group-wide Plastic Strategy and placed a vast number of plastic producers on our Exclusion List ([> Code of conduct](#), p. 30). Going forward, we plan to address other pressing issues, such as animal welfare and the preservation of biodiversity, in a similar manner.

Capital market

ProCredit has been listed on the Prime Standard of the Frankfurt Stock Exchange since 2016. Admission to this segment of the FSE requires compliance with the highest transparency standards, including the application of international accounting standards, quarterly reporting according to IAS 34, ad hoc disclosures, the publication of a [> financial calendar](#), and the staging of at least one analyst conference per year (or, in lieu of that, participation in certain equity conferences).

We also publish a [> quarterly results presentation](#), enabling stakeholders to keep up to date with the latest developments of the group, as well as a [> company presentation](#) so that new stakeholders can get to know the group from the ground up. Through our [> investor relations mailbox](#) we enable shareholders

and potential investors to get in touch with us directly, ask questions about our disclosures, or schedule meetings or calls with our investor relations specialists. We observe that more and more investors are taking an interest in our ESG-related disclosures and targets. Similarly, we are encountering an increasing number of stakeholders who require us to report on specific ESG parameters. We embrace these opportunities to engage with like-minded individuals and entities, as these discussions often yield new ideas or spark initiatives to further optimise our net impact balance.

Our Group Ad Hoc Reporting Policy is designed to mitigate the risks from insider trading, setting a group-wide framework for any event that could potentially be relevant to the share price to be reported to PCH Management and then be released to the public. In 2022, three ad hoc news releases were published. An annual checking process ensures the absence of conflicts of interest arising from cross-board memberships, and all related party transactions are disclosed in our annual report as per IAS 24. The group's core shareholders (i.e. those that also control ProCredit General Partner AG) are regularly identified in the group's [> Annual Report](#) and other investor materials.

Compliance and banking regulation

In our countries of operation, we seek to set new standards for fair and transparent banking. The

requirements we set for ourselves must also be visible to our clients: we demand transparency, solid governance structures, and awareness of the environmental and social impact their operations have on their communities. Our [Code of conduct](#), our Exclusion List ([Code of conduct](#), p. 30) and our [Group Credit Risk Management Policy](#) ensure consistent application of our group-wide client selection and analysis process. A comprehensive ESG check is part of all credit-related decisions. Our strict governance framework for selecting clients is reflected in the virtual absence of any significant risk events related to money laundering or terrorist financing. We screen all potential customers against a set of around 700 different sanction lists, black lists and watch lists. As in most compliance- and risk management- related issues, our banks enforce both German and local banking regulations, thus ensuring that the strictest of standards are applied. In the case of AML, this also includes recommended EU-wide and international best-practice standards. Internally, we have always followed a zero tolerance policy for fraudulent or immoral behaviour. As criminals regularly abuse bank services, we also approach financial crime prevention externally with the same rigour. The compliance committees at our institutions provide an effective platform of exchange for all teams and functions within our group about the ever-evolving regulatory environment – be it at EU level or national level. Regular committee discussions help foster a strong culture of compliance within the group.

Our approach to Corporate governance

Our responsible values, guidelines for action and organisational structures are designed to enable our employees to act responsibly in their daily work and foster our clients' trust in ProCredit's decisions.

By opting for clear structures, procedures and standards, we avoid the need for a conventional top-down corporate environment. Flat hierarchies, timely and transparent communication flows, as well as small and focused teams, allow our banks to (re)act quickly and appropriately, both in everyday situations and in crises. In addition to fostering a culture of understanding and compliance among all staff members, we apply high standards, which often go beyond the local regulatory requirements. These and other values are documented in our Code of Conduct, which serves as an ethical compass for our staff and guides their behaviour and decision-making. In our countries of operation, we seek to lead by example: we set ourselves high standards of corporate governance and demand that our clients do the same.

More information:

Relevant policies, guidelines and strategies

- [Code of Conduct](#)
- Exclusion List ([Code of Conduct](#), page 30)
- Anti-Money Laundering Policy
- Group Compliance Policy
- Group Internal Audit Policy
- Group Whistleblowing Policy
- Group Risk Management framework
- Group Ad Hoc Reporting Policy
- Group Accounting Policy
- Group Reporting and Data Management Policy
- Group Funding Policy
- PCH Standard on the Process for Capital Increases and Dividend Payments
- Group Guidelines for Managing Client Complaints
- Group Guidelines Sustainable Suppliers Code of Conduct

Other related links:

[Code of Conduct](#)

- 1.2 Sustainable lending
- 2.1 Customers
- 2.2 Employees
- 2.6 Sustainability context
- 3.1 Compliance
- 3.2 Crime prevention

[Group Credit Risk Management Policy](#)

- Sustainability Context ([pages 16ff.](#))
- Sustainability goals and achievements ([pages 18ff.](#))
- Prudent credit risk management ([pages 48ff.](#))
- SDGs, material topics and targets ([pages 90ff.](#))

[Human Rights Statement](#)

- [Compliance management system](#)
- [Prevention of money laundering and other financial crimes](#)
- [Consolidated financial reports](#)
- [Whistle blowing system](#)
- [Risk management and internal controls](#)
- [Annual Report 2022](#)



RELIABLE PARTNERSHIPS AND TRANSPARENT SERVICES

by Tania Patricia Montalvo Tejada

The past year was characterised by several world-wide challenges that impacted both companies and private individuals. The Russian invasion of Ukraine, macroeconomic disruptions, difficulties with energy supply, and the high inflation rates in all markets have put tremendous pressure on companies to handle their operations carefully, and on households to cover their monthly expenses and invest their savings wisely.

It is precisely in such moments that reliable partners play a crucial role, and they can be decisive in building the required resilience to respond to hardship. In the case of businesses, a reliable partner can make the difference between surviving the crisis or having to close down. But what is a reliable partner and, especially in connection with banks – which do not always have the best reputation?

In general, a reliable partner is a counterparty we can trust because they work or behave consistently and as expected. With such partners we can be sure that all parties benefit from the collaboration, with none taking advantage of the other. Transparency thus plays a key role, helping each party to understand the benefits of cooperation and take informed decisions.

Unfortunately, there are several reasons behind the questionable reputation of the banking sector in different countries. Firstly, in times of economic

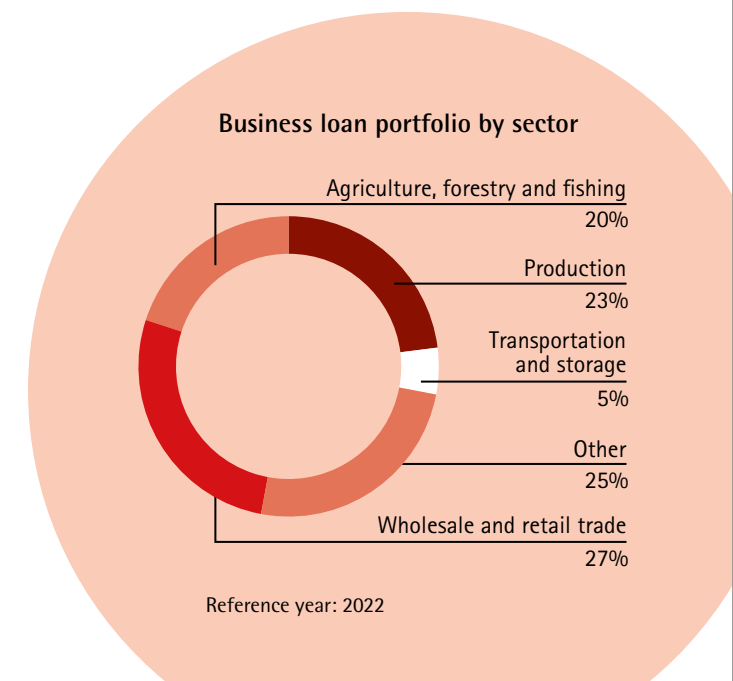
prosperity, an optimistic environment leads some bankers to grant loans more freely and faster, taking on greater risk. In times of crisis, however, credit risk increases and liquidity become scarce, and some banks do not roll over credit lines or provide additional and needed funding. This leaves businesses on their own to deal with the difficulties of the crisis, with banks at times even restricting private individuals in the use of their own funds. In addition, the optimism prevailing in good economic phases can encourage the design of complicated products to “seize the moment and the business opportunities”. Such developments, together with puzzling price lists, provoke confusion and misunderstandings among clients regarding the total costs of certain services or how a product operates, the most obvious example of such dynamics being the Global Financial Crisis from 2007 to 2009.

How do we strive to be a reliable partner?

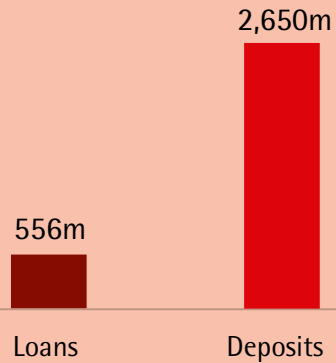
It is difficult to answer this question comprehensively without elaborating on some core elements of our identity: we are a development-oriented bank that does not promote consumer lending but instead wants to contribute to the sustainability and improvement of the economies and societies in which we are active. We are primarily geared towards small- and medium-sized businesses as well

as the middle-class populations in our countries of operation, as these groups can maximise our impact and help drive development.

SMEs make a vital contribution to economic and political stability by paying taxes, creating jobs and developing new technologies and innovations. Of particular relevance for us are SMEs that work in the agricultural and manufacturing sectors, make environmentally sound investments and are regionally active in our countries of operation. This client profile is reflected in the structure of our loan portfolio: 91% is composed of businesses loans, of which more than 43% are for production and agriculture.



Private individuals deposit and loan portfolio (in EUR)



Reference year: 2022

We serve our business clients in a highly personalised way. We assign each SME a dedicated Business Client Adviser who takes the time to get to know the client, understand their business and offer services that meet their specific needs. From listening to clients, we know that they also appreciate a banking partner who provides sensible and competent advice on general banking services.

We want to be our clients' "Hausbank": the main bank where they perform all their banking transactions. This has several advantages: when a client performs all their banking business with us, we have a more comprehensive picture of their financial needs, which we are then better able to meet.

In addition to better, more personalised service for the client, it is also easier for them to manage their operations with a single bank.

At ProCredit, we also serve clients through our professional Contact Centre, where they can ask

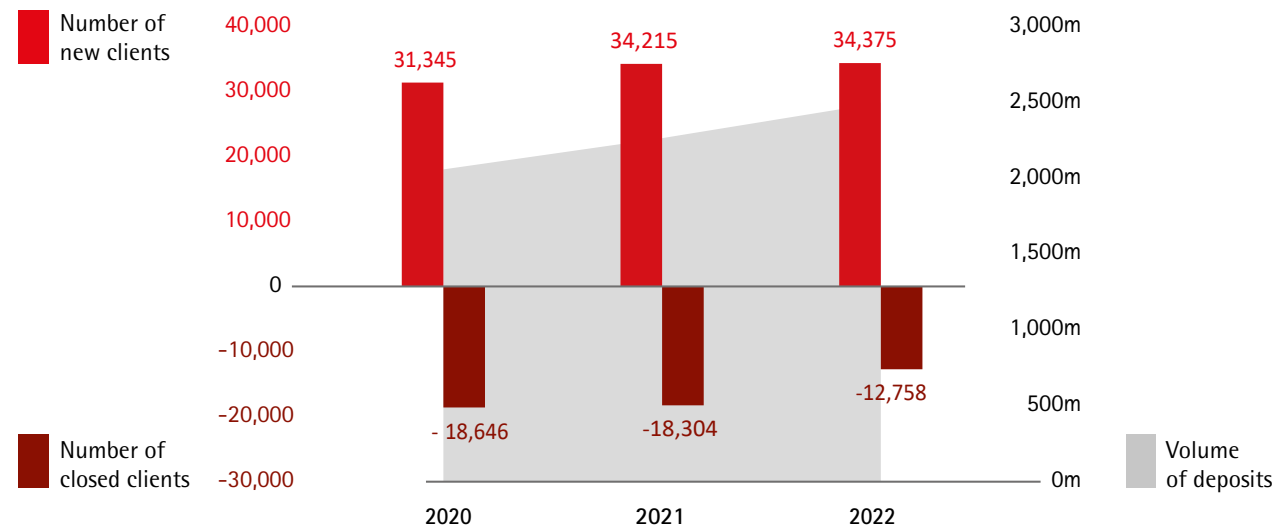
questions, request services, give feedback or seek advice on any aspect of their financial needs.

In our retail banking operations, our main objectives are to foster a culture of saving while providing transparent and convenient electronic banking.

Target clients and main financial services

TARGET CLIENTS					
<p>Private clients</p> <ul style="list-style-type: none"> • Entrepreneurs, regular or irregular income receivers, and students • Anyone who prefers to bank digitally and values security, social responsibility, and easy access to convenient banking services 	<p>SMEs</p> <ul style="list-style-type: none"> • Companies with sustainable business models and formalised structures • Businesses that focus on agriculture, production, and environmentally sound investments and that are regionally active in the countries in which we operate 				
FINANCIAL SERVICES					
<p>Modern channels for banking services</p> <ul style="list-style-type: none"> • Electronic banking • Mobile banking • Card payments and other card services • Contact Centre 	<p>Lending</p> <table border="1"> <tr> <td style="vertical-align: top;"> <p>Private clients</p> <ul style="list-style-type: none"> • Housing loans • Investment loans • Facilities to bridge short-term liquidity gaps </td> <td style="vertical-align: top;"> <p>SMEs</p> <ul style="list-style-type: none"> • Full range of business loans – investment and working capital loans • Green loans • Liquidity management and documentary business </td> </tr> </table>		<p>Private clients</p> <ul style="list-style-type: none"> • Housing loans • Investment loans • Facilities to bridge short-term liquidity gaps 	<p>SMEs</p> <ul style="list-style-type: none"> • Full range of business loans – investment and working capital loans • Green loans • Liquidity management and documentary business 	<p>Accounts and savings</p> <ul style="list-style-type: none"> • Current accounts • Savings accounts • Term deposit accounts
<p>Private clients</p> <ul style="list-style-type: none"> • Housing loans • Investment loans • Facilities to bridge short-term liquidity gaps 	<p>SMEs</p> <ul style="list-style-type: none"> • Full range of business loans – investment and working capital loans • Green loans • Liquidity management and documentary business 				

New and closed Private Individual clients



Reference period: 2020-2022

We are not willing to over-indebt people in the name of satisfying their "needs" or to take advantage of vulnerable people, even if this means forgoing high margins.

We do not "sell" loans or the idea that the more you consume, the better off you are; both lead to over-indebtedness and over-consumption. Such practices have tremendous social implications: over-consumption leads to "throw-away societies" with severe environment impacts. Moreover, although only a small minority could ever afford the excessive lifestyle or purchasing behaviour that is often pro-

moted in our markets, the public is nonetheless encouraged to take out loans beyond their repayment capacity to live up to such standards. We refuse to be a part of these harmful practices.

Our approach to private individuals aims to be different. We want to be universal and inclusive, yet our cautious and responsible approach to lending acts as a type of filter. We focus mainly on clients to whom we can provide meaningful added value, specifically those who bank through digital channels and can save to strengthen their financial security over the long term or have a reasonable payment capacity to take on loans.

Our private individual deposit and loan portfolios reflect this approach, with almost five times more deposits than loans. On top of this, 77% of our PI loan portfolio is composed of housing loans with excellent quality and very low arrears: only 0.69% with arrears over 30 days

We serve our PI clients through digital channels, which offer great opportunities to optimise both internal efficiency and customer experience. We have implemented a range of measures to ensure that all risks potentially arising from online banking are properly managed. Our approach to data privacy and information security is described in greater detail in the section on technology and innovation.

Our approach is seen in the number of new clients compared to departing clients, with a net increase of more than 21,000 clients in 2022 (see chart on the left).

We are committed to supporting our clients not only in prosperous times but especially during crises. The most recent examples in ProCredit's history include the global COVID-19 pandemic and the Russian invasion of Ukraine in 2022.

Russian invasion of Ukraine



Despite the shock and emotional impact resulting from the Russian invasion, our colleagues in Ukraine made extraordinary efforts to keep operations running without interruption, contacting our clients pro-actively and supporting the country in protecting its sovereignty.

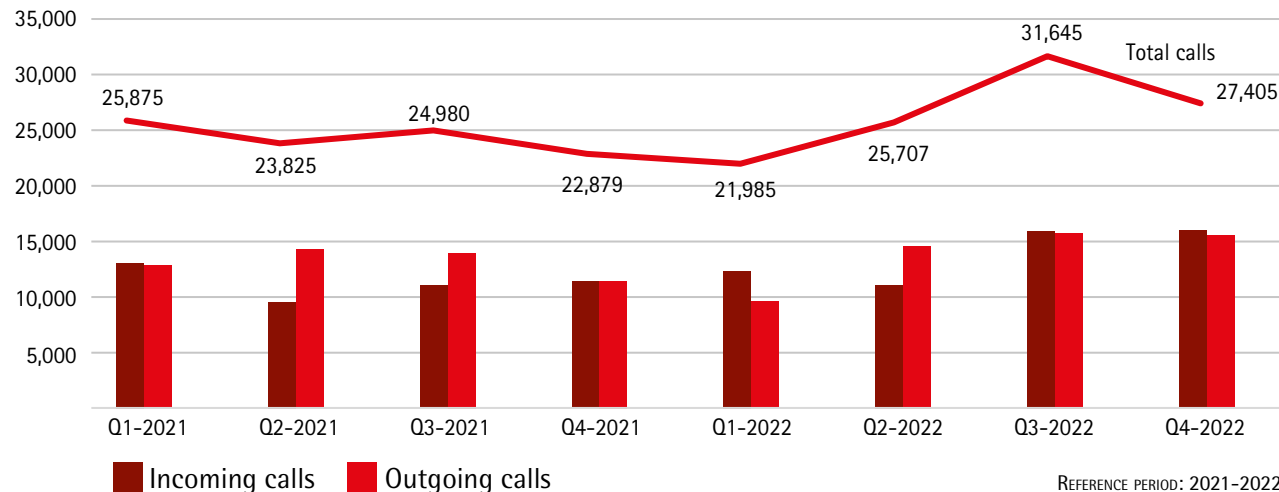
The decisions to define an approach to better serve our clients during the early stages of the invasion were made by the highest governance body of the institution. Additional support was established

through weekly coordination calls between Management in Ukraine and Supervisory Board members together with Management from ProCredit Holding.

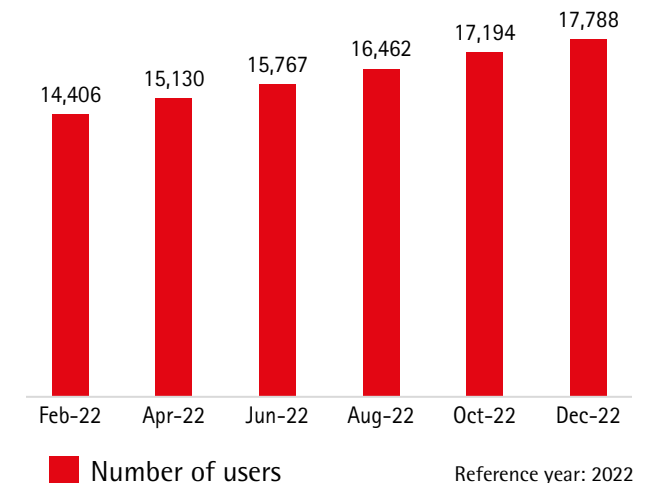
From the very beginning, ProCredit supported SMEs with their urgent working capital needs, which included financing for salary and tax payments. A special focus was placed on agricultural clients, who play a crucial role in ensuring food security both in Ukraine and globally. When ports in the Black Sea were blocked, the bank supplied clients with liquidity to invest in the next sowing season and thus maintain business continuity.

Within the regulatory limitations, the bank provided clients with full access to their savings and funds. Operational continuity of the Contact Centre was ensured to support clients with consultancy, instruction and advice. Immediately after the invasion began, the IT infrastructure of the bank, including its data center was relocated to the EU as an additional measure to guarantee the safety of client data. The bank has further developed its digital channels and makes ongoing technology investments that help us to continue offering high-quality service to our customers, especially important due to the reduced mobility, caused by the risk created by the war.

Call distribution



Mobile app usage



In February 2022 the number of incoming calls grew due to the uncertainty caused by the impending Russian invasion. In September 22 the Contact Centre intercepted card transaction calls; as a result, incoming calls increased and acquisition calls decreased. Note: The Contact Centre does not take calls during air raids.

The total number of Contact Centre calls (incoming and outgoing) after the Russian invasion increased significantly compared to the previous quarter, as did use of the mobile application.

As for the future, we will continue to support our SME clients in Ukraine to rebuild and expand their operations as soon as possible. We are committed to demonstrating that we will remain a reliable partner for Ukraine.

Our approach to Reliable partnership and transparent services

We seek to build long-term reliable and stable partnerships with our business and private clients as their "Hausbank". Our well-trained staff take the time to analyse business models and investment ideas so that they are in a position to provide sound advice to small and medium enterprises, a client group that is still underserved in terms of appropriate financial services, particularly in the countries in which we operate. This approach contributes to sustainable development for our business clients and prevents them from becoming over-indebted. In addition, we increasingly aim to support private individuals, including business owners, with transparent and well-structured account services, savings options and lending products, primarily via convenient and secure digital channels.

More information:

Relevant policies, guidelines and strategies

- > [Code of Conduct](#)
- [Mission Statement](#)
- [Group Business Strategy](#)



Other related links:

> [Impact Report Datasheet 2022](#)

- 2.1 Customers

Impact Report 2022, related sections

- [Our approach to stakeholder engagement \(> pages 23ff.\)](#)
- [Sustainable finance \(> pages 65ff.\)](#)
- [SDGs, material topics and targets \(> pages 90ff.\)](#)

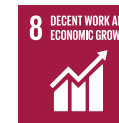
Webpages and reports

- > [Who we are: ProCredit today](#)
- > [Annual Report 2022](#)
- > [Target clients and main financial services](#)



TECHNOLOGY AND INNOVATION

by Tania Patricia Montalvo Tejada



Technology and banking go hand in hand, especially for a digital bank like ours. Digital channels no longer constitute a competitive advantage; instead they have become a necessity in today's market. Moreover, the pandemic boosted the use of digital channels, with the result that banks have continued to invest heavily in this technology, and we are no exception.

In the last few years, we have invested in our digital transformation, because we are convinced that digital channels enhance efficiency, lead to greater financial formality and transparency, and allow our clients to benefit from better service.

On this basis, since 2019 we have managed to migrate almost 100% of our clients' financial transactions to automated systems, which saves them from having to queue at branches to make use of our services. This achievement was possible not only because of our investment in technology, but especially due to the enormous efforts of our staff in advising and accompanying our clients through this transition.

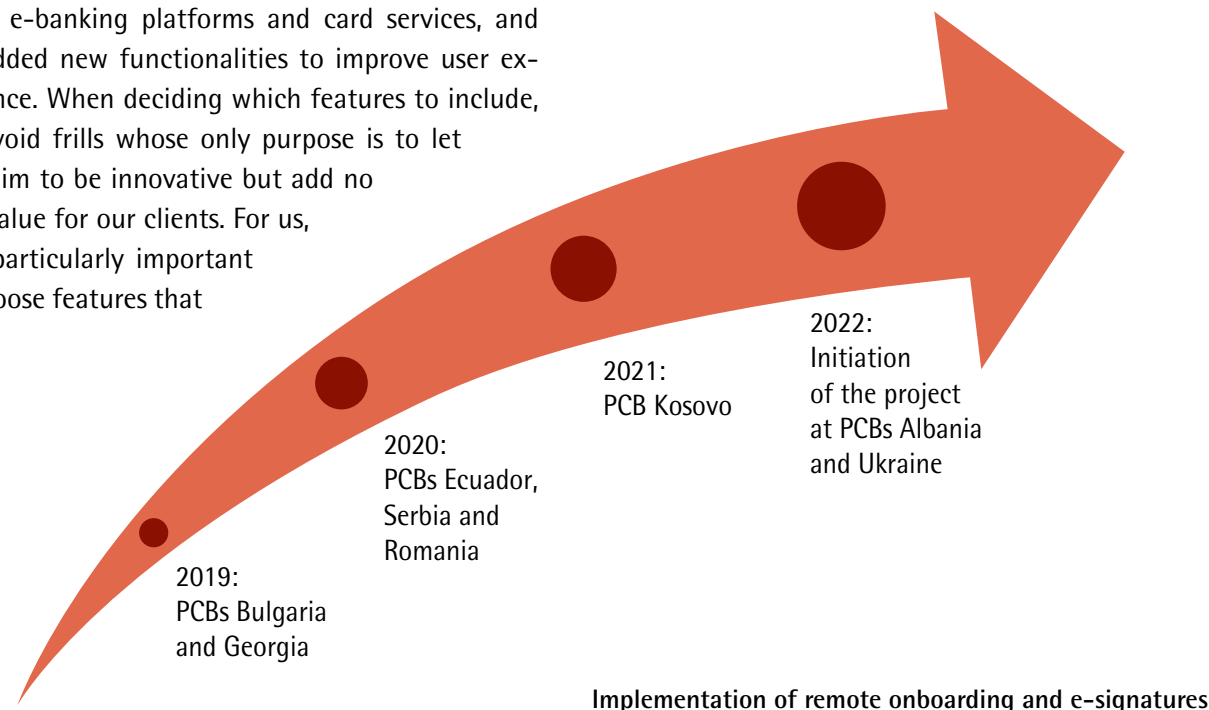
Another advantage of our digital approach is that it allows us to respond rapidly during difficult times. This was observed during the early days of the pandemic and after the Russian invasion of Ukraine, when our banks maintained their operations without interruptions, providing our clients with continuous service and full access.

To move forward with our digital agenda, we implemented solutions to digitalise all non-financial transactions. In concrete terms, we have introduced remote client identification for private individuals and e-signatures at most of our banks (see chart below). To guarantee the highest standards of security, we comply not only with the local laws of the countries in which we operate, but also with EU regulations and best practices.

We also continued to develop our mobile applications, e-banking platforms and card services, and we added new functionalities to improve user experience. When deciding which features to include, we avoid frills whose only purpose is to let us claim to be innovative but add no real value for our clients. For us, it is particularly important to choose features that

help us provide excellent customer service and secure transactions.

To ensure that our clients' banking environment is managed with the highest degree of security, we work closely with our strategic partner Quipu (our 100%-owned IT service and software subsidiary). Quipu is certified in accordance with the following international standards: Payment Card Industry Data





Security Standard (PCI DSS), PCI Card Production (a Mastercard- and Visa-approved vendor), quality management and IT service management (ISO 20000, ISO 9001), and information security management (ISO 27001). The company is also audited for compliance with these standards on an annual basis.

As for the future, we will continue to invest in technology as a central pillar of our business model, without losing sight of the fact that digital services have become an expected commodity rather than a differentiating factor. Therefore, the greatest value-added for our clients will remain our customer service, our reliability, the fair conditions we provide, the transparency with which we communicate and the core values behind our way of banking.

Our approach to Technology and innovation

We promote digital transformation in our banking operations in order to deliver state-of-the-art, secure and convenient services to our clients, and maximise efficiency in our internal processes. By investing in and promoting the uptake of innovative and high-quality digital banking solutions, we strive to be a technological trailblazer in our countries of operation. At the same time, we continue to strengthen our defences against cyberattacks to ensure a consistently secure and reliable banking environment both for our staff and for our clients.

More information:

Relevant policies, guidelines and strategies

- Group Information Security Policy
- Group Internal Audit Policy
- Group IT Strategy
- Group Audit Standard on Follow-Up Process
- Group Risk Strategy
- Group Card and Self-Service Zones Security Standard
- Group IT Infrastructure Standard

Other related links:

> [Impact Report Datasheet 2022](#)

- 2.1 Customers

Impact Report 2022, related sections

- SDGs, material topics and targets (> [pages 90ff.](#))

Webpages and reports

- > [About Quipu](#)
- > [Quipu website](#)
- > [Risk management and internal controls](#)

DATA PRIVACY AND INFORMATION SECURITY

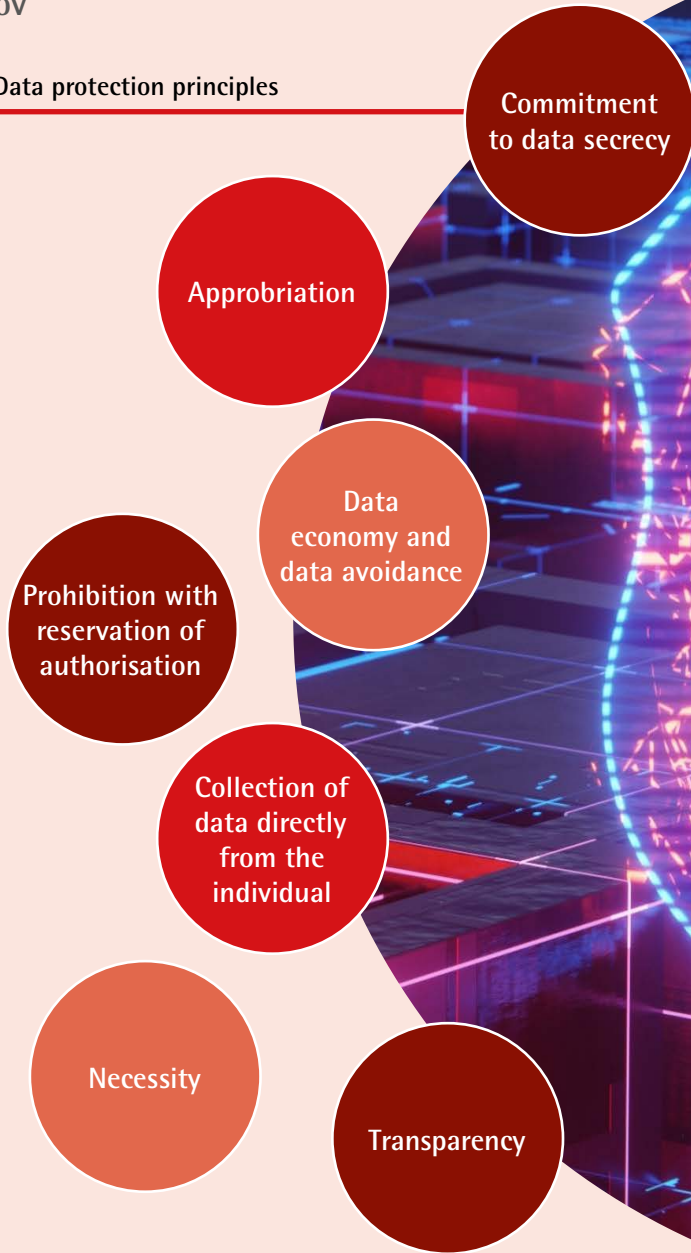
by Diana Zaszlos and Vahan Markarov

Digital banking poses critical challenges with respect to data, information and payment security. The stability and reliability of our digital platforms are crucial for our clients. We therefore attach great importance to ensuring the security of our clients' data – our information assets – both in our systems and in the way our employees handle this private information in their everyday work.

Our approach to these challenges is governed internally through group policies on IT infrastructure, business continuity and information security, including data security. The policies are aligned with the EU and German regulations on risk management and IT (PSD2, MaRisk and BAIT¹) and with industry best practices. Relevant standards are implemented in our banks, which also comply with the applicable local data protection laws and banking security provisions.

All ProCredit banks have Information Security Officers as well as Risk Management Committees headed by a management board member. Information Security Officers serve as a point of contact for all employees, combining technical security skills with a clear understanding of the bank's business processes. Any risks related to information and data

Data protection principles



¹ *Bankaufsichtliche Anforderungen an die IT* (Supervisory Requirements for IT in Financial Institutions), issued by the German Federal Financial Supervisory Authority, BaFin.



security are directly reported to the management boards of the banks and to ProCredit Holding, ensuring that decisions on mitigation measures can be taken immediately.

Our IT infrastructure, information security and business continuity processes are subject to regular checks by IT experts from our Group Internal Audit team. As most security breaches are avoidable through simple or intermediate controls, we focus on setting up practical, easy-to-follow procedures and instructions, as well as informing staff about best practices. Regular risk awareness training on information security and data protection is conducted for all employees, and specialised training is provided to the Information Security Officers at least annually. In addition, the strong sense of personal responsibility that we expect from our staff

likewise applies to the handling of client data, and any misuse of private data by our staff is strictly prohibited.

Information and data security incidents are included in the operational risk management framework and consequently recorded in a central location, the Risk Event Database. This ensures that any relevant incident identified by our staff, authorities or clients is documented, analysed, resolved and communicated effectively, in line with the provisions of the Group Operational Risk Management Policy. In 2019, we recorded a total of six data protection-related complaints in our group. As most of them only related to minor issues, we believe that our structures for the prevention and management of these incidents are functioning effectively.

Personal data is protected by appropriate technical and organisational measures and is treated in accordance with the respective regulatory requirements and wide-ranging principles established in the ProCredit Group Information Security Policy. ProCredit Holding and its EU-based subsidiaries have implemented the new stringent requirements for personal data protection set forth in the European General Data Protection Regulation (GDPR), which has been in force since 25 May 2018. ProCredit Holding has also issued a Data Protection Standard, which describes the legal environment for data processing in terms

of legal justifications and principles to be observed; the Standard applies to all processing activities performed at the level of ProCredit Holding.

Specialised staff are tasked with ensuring compliance with internal and external regulations and with reporting data breaches. The Data Protection Officer monitors compliance with the applicable data protection regulations. The Data Breach Reporting Committee deals with all cases of reported data breaches. Regular training keeps our staff well informed about data protection issues and ensures that they are aware of the importance of the topic.

It is occasionally necessary to involve external service providers in our data processing activities, and when we do, we make sure that the respective contracts comply with Article 28 of the GDPR on commissioned processing. The EU-based ProCredit entities have adopted corresponding measures tailored to their respective business model and data processing activities.

Requests received from data subjects are addressed in accordance with well-established procedures. The institutions based outside of the EU ensure compliance with their local data protection laws. Already in 2019, several countries started to align their data protection laws with the principles of the GDPR. The ProCredit banks are well equipped to

respond to the new requirements as soon as they go into force, particularly as our institutions benefit from all experience accumulated throughout the group.

Most of our information technology solutions are developed by Quipu, our 100%-owned IT service and software subsidiary. We believe that having this internal capacity is valuable in that it enables us not only to react quickly to upcoming demand for technological innovation, but also to develop and implement strategically important new IT solutions. The process is facilitated by the relatively small size of our banking group, and by the efficient structures we have put in place to coordinate IT activities carefully and to design and test new services and channels prior to development and rollout.

In addition to the automation of transactions, increasing the efficiency of other processes is an important topic for us. A good example is the migration to paperless offices, which means increasing operational efficiency while simultaneously reducing our consumption of paper.

Besides the development of IT solutions, Quipu provides other kinds of support for the entire group. For example, in 2015, ProCredit Holding initiated a process to centralise the banks' data centres and their IT systems at Quipu in Frankfurt. This enhances the availability and quality of data, reduces costs, and increases efficiency by standardising IT services across our group. In 2020, another key milestone was achieved with the group-wide rollout of Microsoft 365. With information and communication online and cloud-based, Microsoft 365 supports the further digitalisation of our services and enhances the efficiency of our processes. The adoption of Microsoft 365 also facilitated the shift to the home office environment during the early stages of the COVID-19 pandemic and it continues to provide a secure and flexible workspace.

The centralised environment of our data protection approach, including the centrally managed cloud platform, features modern security tools, such as identity protection, information protection and governance, a threat protection solution, intrusion detection and prevention solutions, data and traffic encryption, identity management, a vulnerability management solution, mobile device management, log monitoring and security event management.

Quipu is certified according to established standards related to Payment Card Industry Data Security (PCI DSS), PCI Card production (a Mastercard- and Visa-approved vendor), quality management and IT service management (ISO 20000, ISO 9001), and information security management (ISO 27001). Quipu is audited for compliance with these standards on an annual basis. These certifications testify that our IT environment is managed with the highest degree of security.



by Tania Patricia Montalvo Tejada



A hot topic that is being discussed among the world's largest network payment processors and banks is the metaverse. At their numerous conferences and summits, they present simulations of how digital payments could look in a virtual reality environment. Attendees are immersed in this new world by simply putting on virtual reality glasses.

Certain banks offer simulated spaces where users can interact with a virtual manager, who can offer products to potential clients, and from where clients can view their accounts and visualise their income and expenses in an interactive manner. In the same way, payment processors invite clients to a shopping experience in the virtual world to show them how virtual payments would look.

But what is the metaverse? What benefits and challenges could arise from this technology? What ethical considerations should we have in mind when discussing the topic? What practical consequences should not be overlooked?

The Oxford dictionary defines the metaverse, which is a relatively new concept, as "a virtual reality space in which users can interact with an environment generated by computer and with other users". The metaverse is built upon artificial intelligence and blockchains, and accessible with virtual and augmented reality headsets. Matthew Bawl, an expert on the topic, even claims that the metaverse "could be a parallel plane of existence, like a 3D virtual simulation of the Earth with fictional elements that would allow us to do what is not possible in the real world".

The metaverse has its roots in the gaming industry, and large companies like Meta, Microsoft, and Pixar, as well as others in the financial sector, are investing billions to further this technology. In the strictest sense, the metaverse does not yet exist, but we can already see the benefits of the technologies behind it. It was observed, for example, that the immersive environment used by Pixar for film production reduces the number of stages that are necessary to create a movie, making the editing process significantly more efficient. At Johns Hopkins Hospital, augmented reality technology has been used as a kind of a GPS for spinal surgery, with 90% accuracy in the placement of surgical tools during a procedure. Universities are using the technologies for e-learning as well as for digital asset management.

As for banking, it is argued that the metaverse could help to create more personalised experiences for clients while reducing operating costs, with some even suggesting that banking could feel more like a game. Considering that the concept has its origins in the gaming industry, Generations Z and Alpha are natives to this technology, so it may become a requirement among customers of the future when choosing a bank.

Although the envisioned metaverse requires significant technological development to become mainstream, in the meantime it is important to discuss the practical and ethical dimensions. From an environmental point of view, the processing power and energy consumption required to render high-definition graphics and run spatial computing applications is huge. In general, virtual reality and data centres use AI and cloud services, which require large amounts of energy. There is clearly a need to develop a higher level of performance and more efficient devices to overcome this challenge or further invest in the production of green electricity. There are additional concerns when it comes to privacy and security. As conceptualised, metaverse users would be constantly connected in this virtual space, and the companies running it would have access to a large amount of data. Of course, these companies already have a lot of our data, but given the volume of activities that

will be transferred from the real world to the virtual world, the quantity of user data would exponentially increase. As we have seen with social media, without proper regulation, companies can use such data to identify patterns of behaviour and generate demand for products, manipulating users and affecting real-world actions and emotions.

This leads to another relevant point: Who should regulate the metaverse? Governments? Companies? The control of the metaverse is a complex issue, as it involves multiple stakeholders with different interests and perspectives. One view is that governments should play a leading role in controlling the metaverse, as they are responsible for protecting citizens' rights and interests and maintaining social order. Governments could ensure compliance with laws and regulations, protect their populations' privacy and security, and prevent illegal activities. However, given the complexity of the metaverse and as observed in the governments' largely unsuccessful attempts to curb the excesses of social media, would there be enough knowledgeable people at the helm to properly regulate the virtual world?

The complexity may also make it difficult for users to understand how their data is being managed, see who has access to it, and observe how decisions are being made. This would raise concerns about transparency, accountability, and participation in the metaverse.

Furthermore, as we have seen with the gaming industry, the immersive nature of the metaverse could lead to addiction, negatively impacting users' mental and physical health, and possibly resulting in social isolation and diminished real-world relationships.

The European Union recognises the metaverse as one of the major challenges ahead of us and has emphasised the need for it to reflect Europe's values and rules. More concretely, this would entail: 1) understanding the metaverse as a public space, based on interoperable standards that do not allow for a single private player to hold private monopolies, 2) creating a safe environment for users, and 3) having a resilient connectivity infrastructure to support the growth of virtual transactions. For this purpose, Europe plans to regulate the digital space and ensure safe transactions as well as launch initiatives and consultations to reach these goals. According to this vision, all market players benefiting from the digital transformation should make a fair and proportionate contribution to public goods, services and infrastructures for the benefit of all Europeans. The emphasis should be on the public good and creating a safe, secure and ethical virtual environment for people.



The many ethical and practical concerns of the metaverse and its development will keep several stakeholders busy in the upcoming years. In the meantime, humanity is still trying to find solutions for the complex challenges of our century: climate change, inequality, wars, migration, and upholding democracy and social justice.

As a group that works so hard to support the development of real economies, we cannot help but ask: should the world invest so much time and money in virtual reality or should we first address the problems of the real world? For now, we will focus on the latter while still improving our technological platform.

PRUDENT CREDIT RISK MANAGEMENT

by Sandrine Massiani and Nenad Plazibat

Impact: why credit risk management matters

Of the myriad risks a banking group faces, credit risk is perhaps the most substantial one. It therefore figures prominently in annual reports, where it is accompanied by detailed descriptions of cash flow projections, risk management frameworks and technical standards, complex modelling of risk quantification and IFRS9 loan loss provisions, etc. It might seem odd, then, to see credit risk receiving so much airtime in our Impact Report. What does credit risk have to do with environmental, social and governance issues? The answer, quite simply, is that our prudent approach to credit risk management has always played a starring role in our responsible way of banking and is thus intertwined with the impact we have on all of these areas.

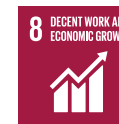
When deciding whether to issue a loan to a given company, our chief responsibility is to be prudent. We therefore abide by the strict lending and monitoring requirements defined by the European and German regulatory authorities, and apply them group-wide. We also rely on our many years of experience with SME lending in our countries of operation. Perhaps even more important, however, is the fact that every member of our staff involved in the acquisition, analysis, or monitoring of a client shares our uncompromising attitude to risk and feels a strong

sense of responsibility. Together and individually, our credit risk staff strives to contribute to the right decision being taken and to defining the most appropriate financing structure. It should be noted that this approach does not merely serve the interests of our banks, but also (and above all) those of the borrowers themselves. This is the main difference between being profit-driven and impact-driven, and between taking a short-term view and a long-term perspective. Even in our competitive markets, where aggressive acquisition tactics abound, we never take shortcuts just to please our clients or cash in on rapid growth. We are therefore fully prepared to say no to new and sometimes to existing clients, for example when they wish to engage in highly risky investments in new business areas with little equity.

Strong loan portfolio quality naturally has a positive structural impact on our financial sustainability as a group, but it is also essential for ensuring that we have a sustainable impact on the economies in which we are present. Because it is directly linked to our impact as a bank, prudent credit risk management is vital to our mission: it enables entrepreneurs to keep their operations running smoothly and to create jobs through judicious and well-structured investments. Prudent credit risk management also decreases the risk of SMEs becoming overindebted and failing, and when approached properly, can enhance the formality and transparency of SMEs. That is not enough, however: in our view, it is critical

to accompany SMEs in good times and bad, and thereby fortify their resilience to economic cycles. Finally, prudent credit risk management considers our borrowers' environmental, social and governance performance, and can thereby significantly influence the ESG profile of the SME sector as a whole. As an impact-driven bank, we are committed to assessing and improving the sustainability of our clients.

Credit risk management also provides a glimpse into what being an impact-driven bank actually entails, including the complexity of capturing the full reality of a business client. The responsibility for granting or declining to issue a credit facility to a client can neither be delegated to specific departments or teams, nor simply entrusted to scoring systems or algorithms, however powerful these tools may be. That is because no two businesses are alike: each one has a unique history, positive and negative attributes, and a track record and potential for development that only attentive, experienced and dedicated staff can fully capture. There is indeed no such thing as a "standard" SME. Our approach to credit risk is therefore based on a complete and individualised assessment of our clients, with no exceptions. Regardless of the size of our small and medium-sized business clients, we take a holistic approach that is normally applied only to large corporate clients – and which stands in stark contrast to the standardised and automated one-size-fits-all approach currently being applied by fintechs to this critical segment of our economies.



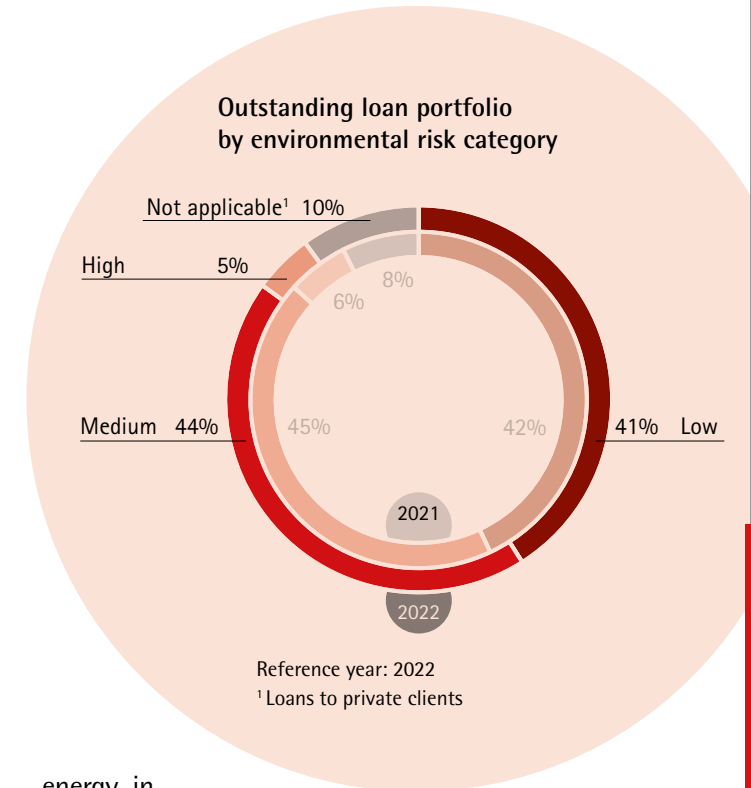
Successful credit risk management in times of crisis and a track record of strong loan portfolio quality

Our banks' practices – and more specifically, their approach to credit risk management – have been put to the test in every major crisis, such as the Global Financial Crisis of 2007–2009, the COVID-19 pandemic and most recently the Russian aggression in Ukraine. These events have challenged the banks to re-assess their own responsibilities and ways of dealing with clients and with underlying uncertainties. So, how did we cope with these unprecedented events? The facts speak for themselves. The quality of our loan portfolio remained stable and strong during and after each crisis, reflecting both the quality of our business clients and the constant and close relationship we have built up with them over the years. These results further confirm our decades-long history of successful credit risk management, in which ProCredit banks have systematically outperformed their local banking sectors in terms of non-performing loans.

These good results did not come out of nowhere, however: as always, they were achieved with dedication and hard work. We continued, for example, to uphold our rigorous standards in the selection of clients, even at the price of losing "attractive" business opportunities that other banks were only too happy to snatch up. This entailed refusing to provide banking services

to companies that do not comply with our strict E&S and AML standards or collateral requirements. Due credit must also be given to the tireless efforts of our staff to establish long-term and full banking relationships with clients. After all, anyone can offer banking products and services and leave it at that. Providing a customised, well-considered banking solution for every individual situation is much more demanding, but that is exactly what we endeavour to do every day. Serving our clients as fully as we can and becoming their long-term partner is the cornerstone of our prudent approach.

Being our clients' "Hausbank" allows us to get to know them very well, find the best possible financing solution for them, and anticipate potential risks and issues before they materialise. This is particularly important in times of crisis, as the entire group experienced during the pandemic. Whatever challenges our clients face, we strive to maintain our close relationship with them, which is facilitated by keeping each Business Client Adviser's portfolio of clients to a manageable size (on average, 50 loan clients per BCA). Our teams are able to quickly follow up on each client and, based on close monitoring, define the best solution for them, be it additional short-term financing or the use of a particular guarantee scheme. In some cases, a moratorium and timely restructuring are necessary. The success of these measures is directly dependent on the dedication of our teams on the ground, who invest time and



energy in providing transparent explanations to our clients of the benefits – but also the costs and risks – of suspending or prolonging their repayment schedule. As a result, and also because of the resources, resilience and agility of our clients during crises, the share of our loan portfolio under moratoria was, in relative terms, typically lower and restored back to regular payments more quickly compared to our competitors. In parallel with the moratoria, we actively pursued long-term solutions by providing appropriate forbearance measures to clients facing difficulties. This increased the share of our underperforming portfolio, but only temporarily, as it started to decrease after just 12 months, which attests to the appropriateness of the measures we took. At the same time, the share of defaulted exposures remained largely stable and at a low level.

Then, just as the highly destabilising COVID-19 pandemic was beginning to subside towards the end of 2021, the world experienced the next big shock: the Russian invasion of Ukraine at the end of February 2022. This disastrous development directly impacted our portfolio in Ukraine, with much lower indirect effects in our other countries of operation. Our colleagues in Ukraine rose to the challenge, showing incredible dedication and resilience by keeping close contact with all clients at all times. At the same time, we had to quickly adapt our credit risk management processes to the difficult and dynamic situation on the ground while still preserving the main principles of our approach. As we write this, the situation in Ukraine remains grave and uncertain. Yet, while the credit risk of our portfolio in Ukraine significantly increased, we managed to rein in the effects by quickly reacting to the needs of our agricultural producers – who make up 48% of our portfolio there – by closely monitoring their situation and providing forbearance measures when needed. We also had to adapt our approach to risk provisioning to make sure all expected losses would be covered in a timely and sufficient manner. At the same time, any potential impacts at our other banks were mitigated by initially assessing the business relations of our clients with Ukraine and sanctions-hit Russia and Belarus, and then considering the effects caused by disrupted supply chains, inflation, availability, and increasing energy prices. After excluding the results

from Ukraine, we end 2022 with a stable share of defaulted (2.4%) and a lower share of underperforming loans (3.7%) compared to the year before.

Beyond these good quantitative results at the loan portfolio level, and even more importantly for our impact approach, the confidence and satisfaction of our clients were clearly illustrated by the rising number of recommendations our clients provided to their own business partners to work with ProCredit. This is undoubtedly the best proof of our convincing and prudent way of banking with SMEs.

These difficult events have only served to bolster our belief that a prudent and transparent approach to credit risk is the right one and one that is also valued by our clients. We therefore remain fully committed to remaining focused on the further repercussions of crises, be they health-related, political or economic, but we remain convinced of the quality of our clients, their sustainability and their long-term vision.

Our 360-degree approach to credit risk assessment

When assessing credit risk, we take an individualised and comprehensive approach to evaluating our clients. The process is by no means limited to number-crunching exercises, however: we take the

time to find out where our clients came from, where they are now, and where they hope to go. This is because we know that ratios and figures do not tell the whole story. If we wish to obtain a full understanding of our clients, including their limitations, we need to read between the lines.

It is important to note that we will not enter into a relationship with any clients engaged in activities that are incompatible with our ethical values. Not surprisingly, our Exclusion List ([> Code of conduct](#), p.30) includes the weapons and narcotics trades and gambling, but also underground mining, cryptocurrency-related services, surrogacy services and the like, even if these activities are legal in some countries. In keeping with our long-standing commitment to environmental protection, we have for many years also refrained from financing businesses that are involved in the extraction of fossil fuel energies. In 2021, we expanded our Exclusion List ([> Code of conduct](#), p. 30) to include activities related to hunting and trading in wildlife or wildlife products and the production of all single-use plastic (inspired by, but going much further than, the EU regulations pertaining to these sectors).

Because we do not want to contribute to the further destruction of nature and its biodiversity, our Exclusion List ([> Code of conduct](#), p. 30) also covers projects and business activities that are located within or adjacent to protected areas classified under IUCN categories I-IV.

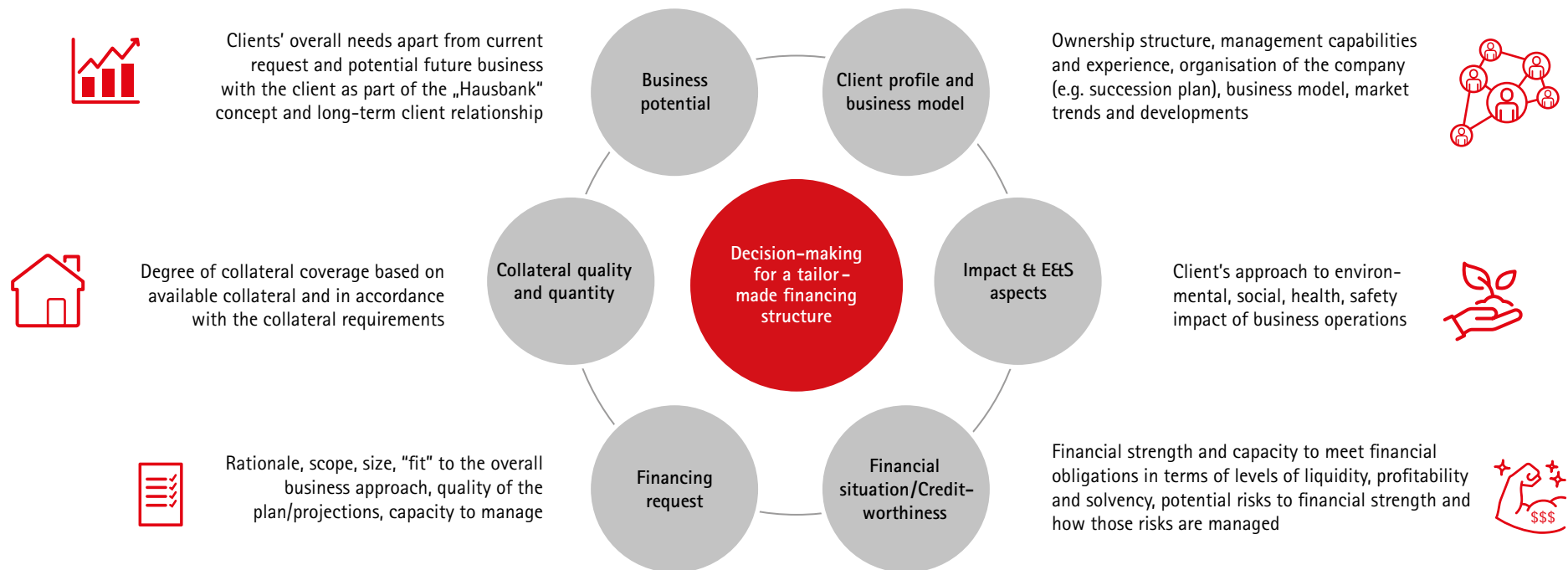
In addition, we thoroughly assess any risks and potential impacts of a client's business or project if it is located within other types of sensitive areas such as Natura 2000, Ramsar or Emerald Sites, and UNESCO Natural World Heritage Sites. Whenever a client's business activity poses significant risks to a sensitive area or clearly interferes with its purpose of protection, we either try to convince them to improve their environmental practices or we decide not to finance them.

Screening activities or sectors against our Exclusion List (> Code of conduct, p. 30) is only the beginning, how-

ever. For all potential clients, we feel that it is imperative to determine whether we can build a long-term, open, respectful and professional relationship with them, as a strong foundation enables us to understand our clients and find solutions that are right for both of us. Insisting on this kind of long-term and demanding cooperation can be difficult to defend, however, especially in our markets, where the competition tends to pursue short-term profit. Nevertheless, we take the time and energy to thoroughly assess our clients in terms of their reputation, their openness, and their reliability in conducting their business, but also their

willingness to enter into a professional relationship with us. By the same token, a questionable reputation, lack of experience, political exposure, shady ownership structure, and unstraightforward communication are obvious red flags and sufficient cause to steer clear. A lack of willingness to share information, manipulative communication, and lack of respect are also strong reasons not to engage with a particular client. Also, even though it is often very tempting (and profitable) to work with large businesses that are well-known and visible, we prefer to say no if we feel we cannot capture the full complexity of the business and/or cannot

Our 360-degree approach to client and exposure assessment



be a relevant financing partner among myriad stakeholders. This decision could cost us business volume, market share, and of course profitability, but it is a price that we are more than willing to pay to remain faithful to our values.

Once we are satisfied that a client meets our ethical standards and that we can work together over the long term, we are a committed banking partner. In this capacity, we make every effort to understand our clients fully, which involves looking at and analysing all aspects of their business and maintaining a 360-degree integrated view of their situation over time. This approach is reflected in the list of topics that are systematically covered during the credit committees for each of our clients, from the smallest SMEs to our Top-30 exposures.

Our credit risk teams thus strive to understand every client's business model, organisational structure, ownership structure, composition and experience of its management team, market positioning, vision for the future and values, as well as the client's awareness of the impact of the business activity on social and environmental issues. This effort is not limited to our larger clients (which are not corporate clients): it applies to each and every one of our SME clients. If any of these aspects fall short, they cannot be offset solely by strong financials, strong debt repayment capacity or strong collateral. Those are indeed nec-

essary conditions, but they are not sufficient. From experience, we know that past financial performance alone cannot predict future performance. The future depends far more on the quality of the management and the sustainability of the business model.

It is only when we have a full view of the client's situation that can we turn to the financing request at hand and design the best structure for it. In each credit committee, the client's level of cooperation is assessed in the context of the "Hausbank" strategy. That is why we ultimately refer to our approach to clients as service-based, as opposed to the product-based approach of competitor banks, which focus on selling products to any clients willing to buy them.

All credit-related decisions are subject to an ESG assessment

Simply put, we assess all our clients against ESG aspects – without exception. Our green strategy is not based on one or two carefully selected environmentally friendly clients or investments: it extends to our entire client base. We strongly believe that in addition to facilitating investments in renewable energy projects or other green ventures, we can expand our impact potential by advising our clients on all aspects of sustainable production processes. This is particularly important as we primarily finance SMEs in the manufacturing

Improving climate-related risk assessment

This year, aware of the challenges involved in assessing climate-related risks and the impact of our portfolio, we are taking steps to improve the quality of our climate-related data. This will enable us to account for our carbon emissions more accurately with the help of the PCAF standard (see > [page 112](#)) and to assess our physical and transition risk at portfolio level. One of our main achievements was screening the portfolio for physical risks in the short, medium and long term based on the geolocation data of our business clients and their collateral items. In the same way, the client emissions accounted for were used to analyse our transition risk at portfolio level. The result of this analysis will establish the baseline for our climate change strategy in order to manage climate-related risks and decarbonise our portfolio. This project was developed with the support of a Technical Assistance fund from the OeEB and in cooperation with our partners "Internationale Projekt Consult" (IPC) and "Climate Risk Services" (CRS).

and agriculture sectors, and these generally pose a medium-to-high environmental risk because their operations are resource-, energy- and land-intensive. Given their varying levels of awareness about ESG criteria, engaging with clients is not always an easy task – but it is the only way to achieve sustainability.



As ESG assessments are an integral part of the customer relationship and decision-making process, each of our clients is assigned to a low, medium or high environmental risk category (based on their business sector/activity). The scope of our environmental and social impact risk assessment is determined by this categorisation. Each client is appraised for compliance with regulations and best practices regarding environmental protection, health and safety, and overall working conditions. High-risk clients and others with a material loan exposure are analysed by specially trained Environmental Risk Officers (EROs), and if the loan amount exceeds a certain threshold, the client's premises are visited personally. Depending on the risk category and size of the exposure, external experts are called in to carry out more comprehensive assessments. In more complex cases, this gives us access to a higher degree of expertise and skill and helps us to keep abreast of the constantly evolving regulations and available technologies. The results of these assessments and the identified risks form an integral part of the client's credit risk résumé. We systematically address all issues with our clients, and if they are following any unsustainable or informal practices, we incorporate specific measures, targets, conditions or covenants into the loan contracts. This may seem excessive given that many banks are only concerned about a client's re-

payment capacity, but it does not matter how strong the financial indicators are: they cannot compensate for a weak environmental and social approach that can be easily rectified. Around the world, it is becoming increasingly clear that environmental risks can severely impact a business's long-term financial performance. We want our clients to become standard-bearers in their countries of operation and it is important for us to accompany them on this (sometimes arduous) journey.

Notwithstanding their initial scepticism and/or lack of awareness, when we discuss ESG issues with clients, we soon start to understand each other better and – crucially – see that we are working towards the same goals. Moreover, it has become clear that our green loan portfolio structurally outperforms our non-green loan portfolio in terms of quality. This goes to show that when we have committed, conscientious clients making investments in low-risk sustainable activities, and a bank that has a dedicated internal focus and well-trained staff, both sides will benefit.

We are prepared to take tough decisions and will say no to an otherwise strong client if we see that ESG aspects are not being taken seriously enough – even if we lose out on market share and profit. Sometimes, saying no can encourage business owners to rethink their priorities and ultimately change their way of working. Even if we only succeed with some, we are still making an impact.

Assessing the environmental and social impact of our clients' operations is not the sole responsibility of a specialised team, but part of every staff member's job description. All our Business Client Advisers and Credit Risk Analysts are trained to assess the impact of our lending operations on the environment, society, health and safety. That said, this is only the beginning of the story, as we also have to learn how to critically assess different perspectives and options, and ultimately make an informed decision. This requires a lot of time and energy, a strong discussion culture, and a clear vision. However, in the end, it guarantees consistency and everyone can work together to promote the same set of values and objectives, thus ensuring that our actions will have a long-lasting and profound impact.

This is also what we experienced when we implemented our Plastic Strategy four years ago. Even though our portfolio only contained a small number of loans to plastic producers, the detrimental impact of plastic on the environment and health persuaded us to address the issue and make a stand. At the time, we were faced with many questions: Are there both good and bad plastics? If a business has a wide range of products, but just some of them are plastic-based, what percentage of the total output would cause us to consider it a deal-breaker? How high would the proportion of recycled plastic in the production mix need to be to make the process more acceptable? Is there a way to produce plastic that is more ecologically

sound, and is such a technology available/realistic for our clients? What time frame should we allow for clients to upgrade their production processes? What if a client does not produce plastic, but is involved in its trade – should we also restrict this? It was not easy, but in the end, we not only managed to improve our clients' E&S performance, but we also reduced their – and hence our – exposure to transition risks.

We are not deterred by the complexity of the tasks ahead of us. We plan next to expand our focus to include the agricultural sector, which faces many challenges, including: (1) ensuring food security for a growing world population, (2) coping with increased climate risk (droughts, floods, crop and livestock diseases) and (3) reducing its enormous volume of CO₂ emissions, as it is responsible for about a quarter of the total. As a sizeable share of our loan portfolio is dedicated to agricultural businesses, we feel obliged to address these challenges and investigate different technologies and approaches towards improving soil health and fertility, irrigation, pest management, livestock farming and waste management. This means building up our knowledge and expertise, analysing our portfolio, and then approaching our clients one by one to encourage them to take steps towards becoming more sustainable. We will also assess their exposure to the risk of climate change and explore ways to mitigate the effects. This will take a great deal of time and energy, but we have the capacity and determination to persevere.

Our approach to Prudent credit risk management

In our lending operations we strive to minimise potentially harmful economic, environmental and social impacts, e.g. by not allowing our clients to become over-indebted and not financing ecologically unsound projects. We follow a differentiated and personalised approach to managing credit risk in order to support our clients throughout their economic cycles. We have developed and implemented robust processes for our lending operations, tailored specifically to the risk profile of our SME clients and manifested in our standardised group-wide policies. As environmental and social risks may turn into financial risk for the client and reputational risk for our banks, we consider effective E&S risk management to be indispensable for a sustainable credit institution.

More information:

Relevant policies, guidelines and strategies

- > [Code of Conduct](#)
- Exclusion List (> [Code of Conduct](#), page 30)
- Group Credit Risk Management Policy
- Group Guideline on Environmental and Social Impact Assessment
- Standards for Managing Environmental and Social Impact of Lending



Other related links:

> [Impact Report Datasheet 2022](#)

- 1.2 Sustainable lending
- 2.1 Customers
- 2.5 Prudent risk

Impact Report 2022, related sections

- Analysis of the portfolio in terms of E&S risk (> [page 117](#))
- Environmental management (> [pages 55ff.](#))
- Sustainable finance (> [pages 65ff.](#))
- SDGs, material topics and targets (> [pages 90ff.](#))

Webpages and reports

- > [Risk management and internal controls](#)
- > [Annual report/Risk Report](#)
- > [Disclosure report/Risk management](#)
- > [Managing the Environmental and Social Risk of Lending](#)
- > [Environmental standards](#)





OUR COMMITMENT TO THE ENVIRONMENT

At ProCredit we are acutely aware of the climate change risks our planet faces and of the role that banks can play.



Climate change

Commitment to the Net-Zero Banking Alliance and Science Based Targets initiative

44% reduction of our own emissions (Scope 1 and 2) 2018-2022



Green loan portfolio

Achieved target of 20% green loans in our total loan portfolio

More than EUR 2 billion disbursed for green loans over the past decade



Supporting the local energy transition

Number of disbursements for rooftop PV almost doubled in 2022

Total installed capacity of 162 MWp for rooftop projects

ENVIRONMENTAL MANAGEMENT

by Krassimira Peicheva & Rhona Geiger



We continuously analyse and monitor the impacts resulting from our activities to minimise our environmental footprint and actively improve our sustainability performance.

Promoting sustainable development entails figuring out how to meet the current demands of a society without compromising the needs of future generations. At ProCredit we are acutely aware of the climate change risks our planet faces and of the role that banks can play in either mitigating or exacerbating these risks. Essentially, it is a matter of taking an approach that incorporates systematic efforts to reduce environmental harm instead of prioritising short-term profit over long-term impact. We chose the first path long ago and have always placed environmental and climate risk mitigation at the centre of our business model.

As early as 2011, the ProCredit group established a comprehensive three-pillar Environmental Management System (EMS) to guide our efforts to do business as sustainably as possible (see graphic on the right). Pillar 1 concerns minimising our ecological footprint by addressing our internal environmental impact; Pillar 2 pertains to addressing our external impact by evaluating the environmental and social risks of

Environmental management in the ProCredit Group

Internal environmental management

Our internal processes and procedures are designed to systematically reduce our direct environmental footprint. Greening the banks' infrastructure and communicating about environmental issues raises awareness in our institutions and leads to improved resource consumption.



Managing the environmental and social risk of lending

We aim to work with businesses whose activities do not harm the environment or endanger the health, safety and well-being of their staff or neighbours. By applying a prudent credit risk approach, we minimise possible negative impacts of our lending operations on the environment.



Green lending

We promote green investments and savings in our countries of operation. We support clients who want to improve their business processes in an environmentally sound manner by investing in energy efficiency, renewable energies or environmental protection.



all business activities that we finance; and Pillar 3 involves promoting and incentivising sustainable investments and deposits by our clients. Meanwhile we

have developed policies, guidelines, and standards to measure, assess and improve our sustainability-related indicators to ensure our best performance.

Our EMS has been certified under international best practice standards since 2016 – ISO 14001 – for all ProCredit institutions. The ProCredit entities located in Germany additionally have Eco-Management and Audit Scheme (EMAS) certification.

Devising ways to further develop and improve our environmental performance in combination with our financial, social and governance KPIs while also supporting the Sustainable Development Goals (SDGs) put forth by the UN is no easy task, but we continuously work to improve our ESG methodologies and procedures. In addition, we have joined global sustainability initiatives, such as the UN Global Compact and UNEP FI Principles for Responsible Banking (PRB) to address these challenges in conjunction with our peers.

Of equal importance, we consider new international regulations such as the Corporate Sustainability Reporting Directive (CSRD), the draft European Sustainability Reporting Standards (ESRS), and the EU Taxonomy, as well as EBA and BaFin requirements when defining our objectives. In every case the message is clear: climate change is the most urgent environmental challenge of our time. Nevertheless, many other issues, such as biodiversity protection, circular economy, water management and pollution, are also highly relevant to our operations and need to be taken into account. These priorities were

ProCredit e-charging station

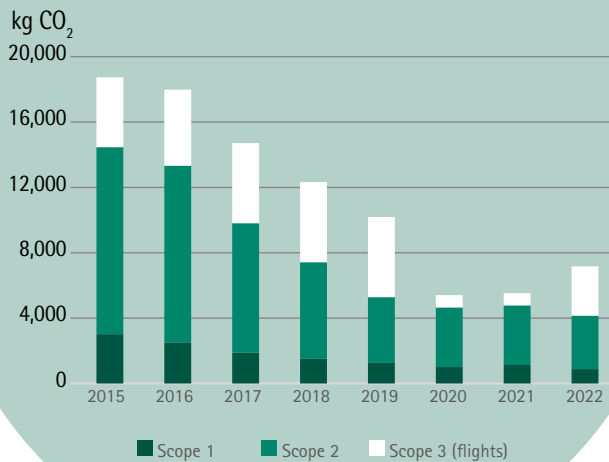
confirmed by our impact analysis in 2021 (see [Impact Report Appendix 2021](#), p. 32) and underscore our commitment to combatting climate change and, in line with the EU Taxonomy, improving our E&S assessment for other environmentally relevant areas of activity.



Climate change mitigation: our top priority

The transition towards a low-carbon society is one of the toughest challenges the world has ever faced. Understanding that the stakes grow irreversibly with inaction, in 2018 we set the ambitious medium-term target of carbon neutrality from our own operations², namely Scope 1 and 2 emissions to be reached by the end of this year. Our

Total emissions¹⁰ (CO₂eq)



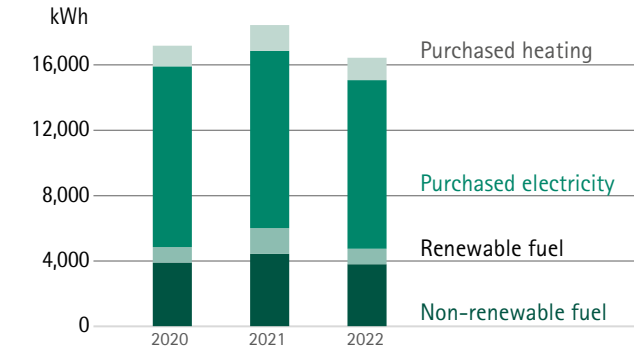
² In 2022, we aligned our definition of "emissions from our own operations" to SBTi and NZBA standards, i.e., Scope 1 and 2 emissions.

progress to date is reflected in the graphic on the left, which shows that our decarbonisation pathway with respect to direct emissions has been in line with the 1.5°C target since 2018. This was achieved through a range of internal initiatives to reduce our CO₂ emissions, as summarised in the section Environmental Performance. As part of our efforts to mitigate the effect of the remaining Scope 1 and 2 emissions, we invested in our own 3MWp PV park in Kosovo (ProEnergy). The project, which is close to completion and will be Gold Standard-certified, will help offset some of our own emissions.

Our flight emissions increased this year, partly due to our operations going back to normal after the pandemic, but also driven by the needs to respond to the humanitarian and operative requirements created by the war in Ukraine. However, we are also cognisant of the need to address the emissions caused by our flights and we have utilised many of the alternative ways of convening developed during the pandemic to reduce air travel-related emissions. At the same time, it is worth noting that our modus operandi is based on a high degree of in-person training events, seminars and opportunities to share our experiences and, it would be counterintuitive to aim for a substantial reduction in flights: however, we will continue to look for and utilise sustainable travel options.

Along our path to decarbonisation, we have reported our client emissions (Scope 3 financed emissions) since

Total energy consumption by type



2021 in accordance with the PCAF standard. In addition, last year we joined the Net-Zero Banking Alliance (NZBA) and committed to setting near- and long-term emissions reduction targets company-wide in line with the Science Based Targets initiative (SBTi) Net-Zero Standard. However, achieving such goals is not just about changing our energy provider and/or using electric vehicles; above all, it means changes in the way we use resources and do business, and thus in all the activities in daily life. This kind of transformation requires a comprehensive approach and full participation in all sectors and at all levels. Our actions to address climate change are therefore embedded in all our operations and follow the recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD). Our goal for this year is to formalise all these efforts and future steps towards net-zero in a transition plan that will include our approach and roadmap to address the impact, risks, and business opportunities arising from climate change in an integrated matter.

Sustainability 360-degree is our goal

In parallel to addressing climate change, we are also taking steps to incorporate other pressing environmental

matters into our EMS. To move towards a circular economy and reduce pollution, we have developed and implemented a Plastic Strategy, for which we are working on defining further KPIs to monitor progress and measure effectiveness. Based on our Guideline for Sustainable Suppliers, we already screened 85% of our suppliers using social and environmental benchmarks, and 39% of all our suppliers are considered sustainable. In addition, each of our contractual suppliers is screened against the activities on our Exclusion List ([> Code of Conduct](#), p. 30) and must confirm that they are in compliance with applicable social and environmental regulations. For environmental issues directly connected to physical location, we developed a system to geocoordinate client addresses, thus facilitating the assessment of physical risks and screening for protected areas. To improve our environmental performance in agriculture, a particularly vulnerable sector, we began a working group tasked with determining how to help clients transition towards sustainable agricultural practices. Moreover, as part of supporting the decarbonisation of the transport sector in our countries of operation, we continue to expand our regional network of electric vehicle chargers available to the public.

These are just some examples of the many initiatives that we are working on in line with our commitment to the environment. We know that there is much more to do, but we think that we are well on the way to moving ourselves and our clients towards a more sustainable future.

Our approach to Environmental management

In order to minimise our environmental footprint, we continuously analyse and monitor the impacts resulting from our activities. We set objectives that are explicitly designed to reduce emissions by improving energy efficiency, promoting renewable energies, and reducing resource consumption. We set an example to companies in our countries of operation by putting green building standards into practice and having our efforts visibly certified. We regularly publicise our environmental achievements both internally and externally with a view to raising awareness among employees and clients alike.

More information:

Relevant policies, guidelines and strategies

- [> Group Plastic Strategy](#)
- Group Environmental Management Policy
- Group Guideline Sustainable Suppliers
- Exclusion List ([> Code of Conduct](#), page 30)

Other related links:

[> Impact Report Datasheet 2022](#)

- 1.1 Environmental performance
- 2.3 Supply Chain

Impact Report 2022, related sections

- UNEP-FI Principles for Responsible Banking (PRB) ([> pages 98ff.](#))
- Sustainability goals and achievements ([> pages 18ff.](#))
- Sustainability context ([> pages 16f.](#))
- Accounting on the GHG emissions linked to our loan portfolio ([> pages 112ff.](#))
- SDGs, material topics and targets ([> pages 90ff.](#))


Webpages and reports

- [> Environmental standards](#)
- [> Our environmental management approach and results](#)
- [> Environmental management](#)



Environmental performance as of end-2022


Measures to reduce energy consumption and emissions

 **Own PV systems**
produced 428MWh
in 2022 (increase of 8%)



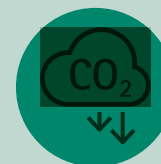
52% of our
car fleet
consist of 
electric and hybrid plug-in cars



 **272 e-chargers**
available
for the public



Other environmental achievements



12% reduction
in Scope 1 and 2
emissions
compared to 2021



We collected
45.1 tonnes
of paper waste.
100% was recycled



We collected
2.8 tonnes
of e-waste.
100% was recycled



The group only uses
recycled or certified
paper. Printing paper
per employee was
reduced by **4.6%**



39%
of our suppliers are
sustainable suppliers



11% reduction of
building energy
consumption
compared to 2021

DEVELOPMENTS IN OUR PLASTIC STRATEGY

by Gizem Lange

In 2020 we introduced the ProCredit Plastic Strategy to spearhead our efforts to reduce the group's plastic footprint, both internally and in our loan portfolio. Since then, we have been actively engaging with our clients who manufacture plastic to explain our strategy and encourage them to improve the sustainability of their businesses.

Our achievements in numbers

- Of the 351 clients who we defined as plastic producers, we communicated our strategy to 54% of them from 2020 until the end of 2022 (blacklist: 100%, greylist: 87%, whitelist: 26%).
- As a result of this intensive engagement, we are glad to report that 23% our clients involved in the greylist category of plastic production have agreed to implement measures to improve their sustainability. A further 16% of our clients were already in line with our definition of sustainability.
- We stopped financing 25% of our clients, as they would not or could not agree to adjust their business practices in line with our strategy. 30% of them make blacklist products.
- The share of our loan portfolio made up of loans to blacklist and greylist plastic producers has decreased by 80% and 20%, respectively.

The ProCredit Plastic Strategy: Lending to plastic producers

Plastic product categorisation

Blacklist:

All types of plastics that will be banned by the EU from 3 July 2021 pursuant to EU Directive 2019/904 (mostly replaceable single-use plastic)

Greylist:

All other types of single-use items that present high environmental impact if not disposed of properly, especially packaging, bottles, foils and also microplastics

Whitelist:

Plastic products with a long lifetime, for which no alternatives exist or the alternatives would have a higher environmental impact

Our respective lending strategy

Blacklist:

No more financing of these companies unless the client has a convincing business plan to phase out the black-listed product within a short period

Greylist:

New clients: No financing
Existing clients: Clients are required to follow and continuously improve sustainable practices, i.e. reducing waste by substituting single-use plastic with biodegradable products, or by adopting recycling methods and taking responsibility for collecting their products after use

Whitelist:

Our banks will continue to finance these clients, but will still discuss with them the options for sustainable plastic production and support them in any steps towards sustainability they decide to take

Our targets

- Engage in conversation with all of our loan clients involved in the manufacture of blacklist and grey-list single-use plastic products by the end of 2023
- Have no loan portfolio in blacklist products without an exit strategy by the end of 2023
- Define measurable actions as binding covenants to loan agreements with clients who make items in the greylist category to improve the sustainability of their products by the end of 2023
- Communicate our Plastic Strategy to all of our loan clients who manufacture whitelist products by the end of 2024

International action

In March 2022, 175 Member States of the UN committed to forging a legally binding instrument by 2024 to eliminate plastic waste and pollution on a global scale. This could be called the "Paris Agreement" on plastic.

We welcomed the opportunity to become a member of the > Finance Leadership Group on Plastic to the Intergovernmental Negotiation Committee (INC) for this international legally binding instrument.

Our target as a group is to provide input to the INC on the desired outcomes for financial institutions. This will also serve to build readiness in the finance sector to take action against plastic pollution through awareness-raising, capacity-building, and target-setting support measures.

After binding targets for the financial industry have been defined in line with the commitments agreed in the INC, we will adapt our own targets if necessary.



We enforce a strict policy of not financing new clients who produce unsustainable* single-use plastic items.



* Our definition of sustainability in this context is as follows: producers of greylist products exclusively oriented towards bio-degradable (in any environment), bio-based products or products from 100% recycled material. Recycling companies are considered sustainable. Production processes should follow the EU taxonomy sustainability criteria.

OUR COMMITMENT TO E-MOBILITY

by Anna Höpker

Our long-term ecological goal is to reduce the carbon footprint of the ProCredit group and achieve climate neutrality. An important step in meeting this objective is to gradually convert the vehicle fleets of all 12 ProCredit banks to e-mobility. That is why we increased the number of all-electric cars in our fleet by 20 new e-vehicles in 2022, bringing the total to 122 (38% of our fleet). From the remaining company cars of our group 25% are hybrids and 14% plug-in hybrids.

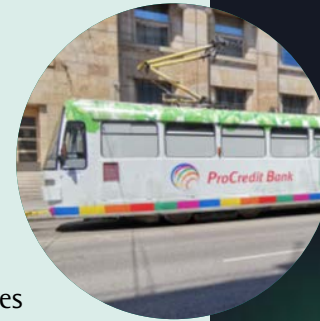
The ProCredit banks have been expanding the network of electric charging stations in their countries of operation. This year 110 additional stations were installed; we now have 306, 272 of which are also available for public use. And we aren't stopping there: in 2023, we plan to instal more charging stations and purchase additional electric cars.

It is important to continuously raise awareness about the importance of e-mobility in everyday life and to step up the purchase of electric vehicles so that the number of outdated combustion engines on the road will gradually be reduced. To this end, we launched our "No more excuses not to drive an electric car" campaign in 2022, in which most ProCredit banks participated and achieved great results through their hard work. As part of the initiative, the banks offered attractive Eco Drive loans for the purchase of electric cars.

An example of the successful group-wide effort is ProCredit Bank Bosnia and Herzegovina, which used the "No more excuses" campaign to encourage individuals to switch to electric vehicles and reduce their carbon footprint. To reach as wide an audience as possible, the bank kicked off the campaign in busy downtown areas of some of the country's most polluted cities. In these areas, it is especially important to convey the benefits of environmentally friendly transportation and motivate people to get on board with e-mobility, as this will gradually reduce the negative environmental and health impacts resulting from the emissions and exhaust created by conventional vehicles.

As part of the campaign, electric buses and streetcars were emblazoned with the slogan "No more excuses, use an electric car" and images from nature. The vehicles were also equipped with sound systems that played catchy jingles to draw attention to the pro-environmental message.

The effort was well worth it: the use of environmentally friendly public vehicles in the campaign clearly helped demonstrate the importance of reducing CO₂ emissions and supporting sustainable transport. The message reached a wide audience, and many people shared photos and videos of the buses and streetcars on social media.



"No more Excuses Campaign" PCB Bosnia and Herzegovina

The campaign also had a significant impact on the public perception of electric cars. According to the comments posted on social media during and after the campaign, many people became more open to the idea of buying an electric car after being made aware of the benefits of e-mobility.

It is also particularly important to promote these benefits in places like North Macedonia, where electric mobility is developing more slowly than in other countries in the region. To bolster awareness about the various advantages and possibilities of e-mobility there, the bank developed a comprehensive communication strategy based on the use of different

media channels (social media, billboards, radio, events, flyers, PR).

As part of the initiative, ProCredit Bank North Macedonia supported an Eco B2B event in April 2022 jointly organised with the NGO Electromobility, where the best-known suppliers of electric cars presented their portfolios to about 200 attendees.

In October 2022, ProCredit Bank North Macedonia also participated in the country's first e-car trade fair and presented its Eco Drive loans. The fair offered the bank an opportunity to promote e-car financing options and the existing network of charging stations to a large audience and encourage the switch to e-mobility.

ProCredit Bank Romania has opted for a different approach to promote the development of charging stations by partnering with EVConnect. As a result of the alliance, ProCredit Bank's clients now have access to one of the first and largest networks of charging stations in Romania. In addition, some ProCredit clients received cards at the bank's branches entitling them to a 20% discount on charging costs for the

first 10,000 km or 2,000kW on the EVConnect network of stations. Due to the consistently positive feedback from all sides so far, there are plans to expand the partnership in Romania in 2023 and launch special loans for electric vehicles.

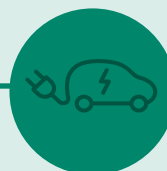
Owners of e-cars will enjoy further benefits in Romania with the introduction of special green licence plates in June 2022. Since registering its own fleet of 10 e-vehicles, PCB Romania has benefited from more favourable fees and is allowed to park for free in many areas and to drive in low-emission zones. At the same time, the country's initiative will automatically increase the visibility of environmentally friendly vehicles and encourage more drivers to choose e-cars.

As these examples attest, the ProCredit group can look back on a successful 2022, a year in which important foundations were laid to facilitate the continued uptake of e-mobility.



Above: Eco B2B Event organised by PCB North Macedonia

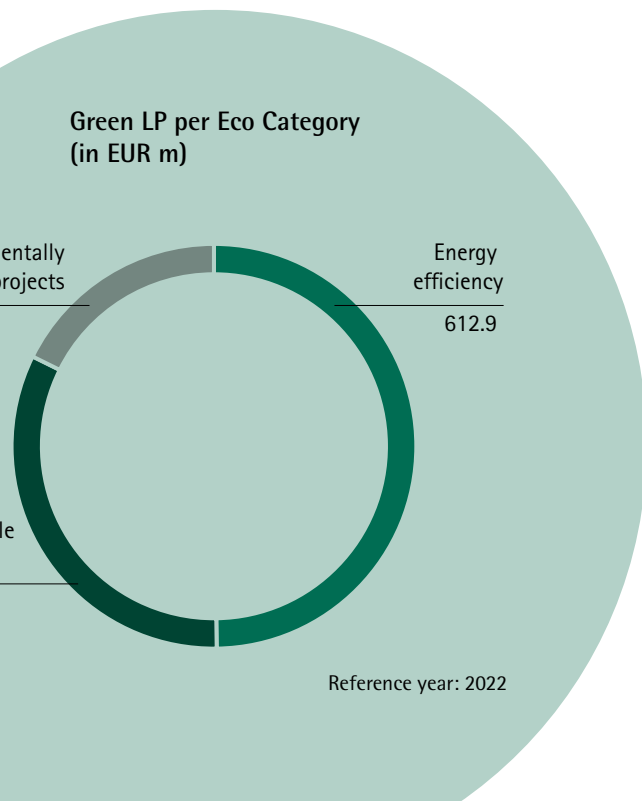
Below: Advertisement for the first e-car trade fair in North Macedonia



SUSTAINABLE FINANCE

by Metodija Minoski

We are facing tremendous environmental challenges that are rapidly leading us into a downward spiral of irreversible ecological, social and economic consequences. Our dependence on fossil fuels – and more specifically, overreliance on Russian natural gas – is also proving to be a geopolitical liability, as evidenced by the extreme turmoil the world has witnessed over the last 18 months. The extreme increases in fuel prices have led to widespread inflation and even energy poverty in parts of Europe.



Given these enormous challenges, it comes as no surprise that sustainability is the order of the day. With respect to our industry, there is a continuously evolving discussion on what sustainable finance is, how it should be implemented, and what role financial institutions should play in driving sustainable growth. We observe that our markets are still lagging behind in terms of recognising the urgency of implementing climate mitigation measures. Although this is partly because the banking sectors in our countries often seem more concerned with the economic hardship facing their societies, the inertia mainly derives from the general absence of awareness about sustainability, so clients do not expect much from their banks in this regard. As a result, the financial sectors in our countries of operation do very little to promote real change. Although we see efforts to plant trees, pick up rubbish and perform other eco-friendly activities, a business model that is serious about sustainability involves far more than occasional events that are part of PR campaigns.

Doing business in a sustainable manner has always entailed achieving synergy between the economic, social and environmental impact we have in our lending activities. We make sure that our responsible lending technology and the proactive role we take in understanding our client's needs results in tailor-made financing solutions that create an added economic value for them. However, because sustain-



able finance would be incomplete if we only focused on the economic impact, we also assess and address every social and environmental risk posed by our clients' business activities in order to ensure that our financing activities do not negatively impact the society and the environment in which our clients live.

Our core clients are small and medium-sized companies, and they make up close to 91% of our loan portfolio. This segment has demonstrated itself to be the engine of economic development, as these companies drive entrepreneurship, strive for efficiency, boost exports and create jobs. Furthermore, our private clients are also very important to us, and we make every effort to serve them responsibly. We have seen how aggressive consumer lending in our countries of operation has contributed to over-indebting the private sector, rather than improving its welfare. Because unscrupulous lending actually increases financial costs and ultimately leads to economic deterioration, when we finance business or private clients we instead base our decisions primarily on the clients' payment capacity. This approach is in stark contrast to the tactics employed by some of our competitors, who base their lending only on the value of the collateral offered by their clients.

Nevertheless, our sustainability-oriented endeavours go beyond the economic impact we have on our markets. We carefully scrutinise the ecological and

social footprints emanating from our operations. Through our green finance activities, we aim to speed up the transformation of the energy system, improve energy and resource efficiency, and reduce dependence on fossil fuels, which are the main contributors of CO₂ emissions and the cause of climate change. Furthermore, analysing the environmental and social impact our clients have is an integral part of our project assessment process. Our Exclusion List ([> Code of Conduct](#), p. 30) contains clear environmental and social red flags, and we do not serve non-compliant clients, regardless of their financial capacity or collateral. Ultimately, any identified environmental and social risks are addressed, with conditions being set based on the mitigation of these risks.

Green lending

Our journey of issuing loans for energy-efficient, environmentally friendly, or renewable energy investments begins somewhere in 2006. These loans continue to be generously supported by IFI-sponsored programmes, such as those run by the IFC and the EBRD. In cooperation with the consulting company Internationale Projekt Consult (IPC), we have developed our green lending methodology over the years, including strict criteria for what qualifies as “green”. Our role in green lending has always been a proactive one: we do not wait for our clients to suggest environmentally friendly investment projects. Instead, we make a point of sharing

our technical knowledge by means of workshops or individual meetings with our clients to demonstrate the efficiency gains, competitive advantages and positive socio-ecological impact their business would gain from the proposed investment. To understand what the effect of our green loans would be and how much energy or resource savings they could generate, we first have to identify the most common technologies available in our countries of operation and then define the minimum efficiency criteria for an investment. As the technologies on our markets advance, we adjust our green criteria accordingly and continuously work to align them with the specifications set forth in the EU Taxonomy. In fact, 50% of our green lending criteria already reflect the technical criteria enumerated in the taxonomy, and we are currently in the process of incorporating DNSH criteria into our E&S screening procedure. As documented in our first EU Taxonomy eligibility report (see the Impact Report appendix), the screening showed that 0.04% of our loan portfolio was eligible to be screened against the taxonomy criteria. This did not come as a surprise given the fact that we mainly operate in non-EU countries and our focus in these markets is the SME segment, which initially excludes most of our portfolio from being eligible for screening.

All our banks have environmental departments staffed with technical experts who have an engineering background. These specialists are directly engaged in the



technical assessment of the green investments we finance as well as in updating the technological criteria of our green lending methodology every 12-18 months.

Our green lending methodology (see also [page 116](#)) divides green investments into three categories:

- Energy efficiency (EE) investments that reduce energy usage at least by 20%
- Renewable energy (RE) investments into distributed or utility-scale RE generation systems
- Other environmentally friendly investments (GR) such as waste management or organic agriculture

In addition to facilitating investments that will help lessen environmental impact and partially mitigate physical climate risks, our green lending approach is also designed to reduce the transition risk facing our clients. Over the past few years, we have managed to disburse more than EUR 2 billion in green loans to small and medium-sized companies as well as households. Unlike other banks, where green lending is highly concentrated in large-scale utility projects on renewables, our portfolio is widely distributed among various segments, including investments in energy-efficient buildings, electro mobility, rooftop and utility-based solar systems, waste management solutions and pollution prevention technologies, with an average loan amount of EUR 140,646. Our outstanding green loan portfolio accounted for EUR 1.2 billion or 20.2% of the total loan portfolio at the end of the year. Of these loans, 49.8% went towards energy efficiency projects, 32.5% towards investments in renewable energies, and 17.7% towards environmentally friendly measures.

Our approach to Sustainable finance

We apply an economically, socially and environmentally inclusive approach to responsible finance.

When evaluating the economic soundness of an investment, we take all possible negative environmental and social impacts into account. Our focus is on providing financial instruments that enable our client groups to realise innovative projects that are relevant for the local economies. Our green loans promote climate-friendly technologies that have a positive impact on the environment. We achieve our sustainable finance objectives by strictly applying our Exclusion List and maintaining a highly active dialogue with our clients.

More information:

Relevant policies, guidelines and strategies

- Exclusion list ([> Code of Conduct](#), page 30)
- [> Human Rights Statement](#)
- [> Group Plastic Strategy](#)
- Mission Statement
- Group Business Strategy
- Group Environmental Management Policy
- Group Standards for Managing the Environmental and Social Impact of Lending
- Group Credit Risk Management Policy and Standards
- Group guidelines for green finance
- Methodological approach to green lending at ProCredit

Other related links:

- [> Impact Report Datasheet 2022](#)
- 1.2 Sustainable lending and investment
- Impact Report 2022, related sections**
- UNEP-FI Principles for Responsible Banking (PRB) ([> pages 98ff.](#))
- EU Taxonomy
- Green loan criteria overview ([> page 116](#))
- Sustainability goals and achievements ([> pages 18ff.](#))
- Accounting on the GHG emissions linked to our loan portfolio ([> pages 112ff.](#))
- SDGs, material topics and targets ([> pages 90ff.](#))
- Webpages and reports**
- [> Who we are: ProCredit today](#)
- [> Annual report 2022](#)
- [> Group Environmental Management Policy](#)
- [> Managing the Environmental and Social Risk of Lending](#)



RENEWABLE ENERGIES

by Dr Marcel Zeitinger

The global energy crisis in 2022 underscored the importance of making a swift transition to climate-friendly energy generation. Triggered by the Russian invasion of Ukraine, the sharp rise in gas prices has, coupled with the particularities of the energy market setup in Western Europe, led to soaring electricity costs for most of the past year. One major reason for this outcome



PV rooftop installation at PCB client Badzo, North Macedonia

lies in the “merit order” approach to energy pricing, with the least cost-intensive technology setting the market price. Green technologies fare well in this ranking and are generating sizeable profits due to the falling costs for renewable energy generation technologies in the last two decades. However, the forced labour employed in the photovoltaic panel supply chain reveals that this development has come at a cost that we are not willing to tolerate or support.

Unfortunately, most of our countries of operation have not yet fully embraced the transition to modern renewables and are still primarily relying on traditional energy sources such as coal and hydropower. While there have been positive developments in some of these markets, insufficient investment in the power grid and the absence of enabling regulations are impeding the transition to cleaner energy. On top of these institutional, policy-related and regulatory barriers to investment, the local banking sectors lack experience in financing renewable energy (RE) projects. RE project finance requires specialised knowledge in the areas of technical and legal assessment as well as in financial modelling and credit risk assessment. Small local banks typically lack the internal capacities to analyse such projects and generally only offer to finance RE projects as part of their corporate finance business line. Instead of evaluating a project’s expected future cash flows, they focus on the historical performance

of a business. International banking groups, on the other hand, have tended to centralise their project finance teams in the parent company and follow an international approach based on a thorough assessment that includes external studies and, in many cases, export credit agency (ECA) insurance coverage.

Both approaches have their merits and shortcomings. Although local banks may provide rapid financing without asking many questions, they are unable to predict or verify the long-term cash flows of the proposed projects, often providing poorly structured investment loans with maturities that are too short. Especially during this year’s electricity price turmoil, we saw a number of risky projects being financed in our countries of operation based on inappropriate due diligence and with loan structuring set according to overconfident price projections. In contrast, international project finance is well equipped to predict long-term cash flows and provide adequately structured long-term funding; however, high transaction costs are incurred in the assessment phase, with expensive external studies and a substantial level of internal resources being required. Moreover, the assessment process can take years, especially when there is a lack of trust in the local offtake scheme and ECA coverage is required. Lastly, the eligibility requirements for investors are stringent and the equity requirements are high.

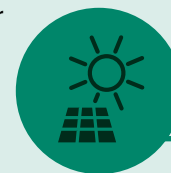
As a consequence, very few local investors will have access to international project finance, and most of the available funds go to international investors and large-scale projects. The obvious result of this imbalance is a lack of bankable projects and insufficient capital to finance the energy transition in local economies. The clients of local banks will only invest in RE projects if the expected returns exceed those of alternative investments in their businesses, whereas specialised investors with access to international project finance usually come from developed countries and aim to benefit from better feed-in tariffs, thus exploiting untapped local potential and funnelling proceeds to their home country. This situation, in combination with an unpredictable and externally driven regulatory regime, has caused boom and bust cycles of RE investments that are visible in Romania, Bulgaria and Ukraine. High feed-in tariffs attract local and international investments but fail to establish a viable specialised industry, so once the attractive tariffs are gone, the capital soon moves elsewhere.

ProCredit aims to foster local and sustainable development, so our approach to RE project finance is different. As in our SME finance activities, we do not mind spending more resources than our competitors on the assessment of our clients, because this investment pays off in the long term. We are able to efficiently

finance small-scale projects based on their projected cash flows. Although the risks in some markets do not allow for non-recourse lending (i.e. additional SME guarantees or collateral may be required), we still base each decision on the projected cash flows of the project itself and provide long-term financing (up to 20 years). While many of our RE project finance clients also have an SME that does its banking with us, this is not a prerequisite for funding, and we are increasingly financing investments proposed by one or more private individuals. We have developed a credit technology that incorporates the key assessment aspects of international project finance and also streamlines our processes, keeping transaction costs and processing times in check. By developing our internal capacities and forming strategic partnerships with local experts, our approach to RE project finance likewise reflects our green SME finance philosophy: it is not only the volume but also the number of projects we finance that matters.

Project finance makes up around 75% of our RE portfolio and has a significant impact on locally driven energy transition, increasing the share of renewable energy in the energy mix while providing our clients with a secure income stream. For example, a biogas plant not only generates energy but also helps move towards circular material usage cycles. The other 25% of our RE portfolio mostly comprises

small-scale rooftop photovoltaic installations for our SME clients, a business area that was a major focus last year (see statistics). Wherever appropriate, we encourage business clients with free space on their roof to consider investing in a PV system. To this end, we have partnered up with local companies in each of our countries of operation. In 2022 alone, we almost doubled the number of rooftop PV disbursements and increased the total installed capacity of such projects to 162MWp. Consequently, funding for renewables makes up 6.6% of our total loan portfolio, and the share of business clients with loans for renewable energy generation currently stands at 7.2%. These PV installations play a vital role in the transition to sustainable development and energy supply, and there is still significant untapped potential for renewable energy generation in our markets. By further building up capacities and institutionalising our RE project finance approach, we aim to become the preferred financing partner for local energy transition wherever we are present.



Headoffice of ProCredit Bank Georgia





Sustainable dairy production



ADG (commercial name Lufra) was founded in 1992 under the name LUFRA Ltd and currently employs about 240 people. The company collects milk from local farmers and processes it into pasteurised milk and other dairy products such as yogurt, buttermilk, and many more items. Thanks to a well-structured logistics network, the pasteurised milk and its by-products are able to make the journey from farm to market within 24 hours.

For ADG, environmental impact has always played a significant role in all of the company's business decisions. For example, ADG was one of the first companies in Albania to invest in an automatic production line for Tetra Pak equipment, for a better and more environmentally friendly conservation of the final products.

By serving as ADG's "Hausbank" and advising the company on sustainable investments for many years, ProCredit Bank Albania has played a crucial role in their business development: among other

things, the bank helped finance investments in an environmentally friendly production facility which is certified according to ISO 22000: 2005 standards. Production capacity has expanded through the use of energy-efficient machines over the years, with existing production lines being renewed and optimised to meet growing demand.

ADG's latest investment was in a rooftop photovoltaic system. As electricity is one of the main cost drivers in both production and the associated cooling processes, the rise in energy prices has led to a significant increase in operating costs. This development was the key factor in the company's decision to explore alternatives to its previous energy procurement from the public electricity grid. Investing in solar energy is therefore strategically relevant for ADG's future development, as optimising production costs makes its products more competitive both on the local market and as exports.

With ProCredit providing the necessary capital to finance the project, ADG installed photovoltaic systems with a combined 500 kWp on the roof of their main building in Lushnja. The company's annual electricity costs have thus been significantly reduced and about 30 tonnes of CO₂ are saved per year.



Solar One Štip, North Macedonia

Sustainable power generation with photovoltaic systems

Solar One, a medium-sized company founded in 2020, invested in four photovoltaic plants near the town of Štip in the central part of the country. These permanently installed systems have a total capacity of 4.18 MWp and are scheduled for commissioning at the end of March 2023. The energy generated will be supplied to the open market.

ProCredit Bank in North Macedonia was instrumental in the financing of Solar One by providing a large part of the necessary capital for the construction of the plants. This investment will increase domestic production from renewable energy by 5.7 GWh per year.

North Macedonia is a country that is still highly dependent on energy production from coal. Currently, the share of renewable energy generated by photovoltaic power plants accounts for less than 1% of total electricity generation. However, due to rising electricity prices in recent years, the market has developed very quickly in this segment, which has paved the way to a greener future.

Solar One commissioned one of the most experienced companies in North Macedonia for the construction of the solar power plants. Unlike the solar modules of most competitors, the photovoltaic panels in this project are not made in China but are produced by a regional company with its own facilities in North Macedonia. These panels are not only very efficient and of high quality, but the necessary spare parts are also always in stock, as they are sourced directly from the regional supplier. This means that Solar One can also carry out the necessary maintenance, which results in efficient and cost-effective management of the plants and at the same time minimises the additional environmental impact resulting from long transport routes.

Construction of photovoltaic plants near the town of Štip



ETaxi Pristina, Kosovo

Environmentally friendly transport for private individuals and companies

ETaxi was established in 2022 as the first cab company in Pristina with a 100% electric vehicle fleet. With a current staff of 46, this forward-looking company has from the outset relied on digital solutions and a streamlined booking and scheduling system in order to operate as efficiently as possible with the lowest possible environmental impact. Among other things, the company's digital approach resulted in the user-friendly and intuitive ETaxi app, which shows users both the current location of the booked vehicle and the estimated time of arrival in real time. In addition, all vehicles are equipped with the latest safety technology and are regularly serviced to ensure that passengers and drivers have a pleasant and safe driving experience.

ProCredit supported ETaxi with organising the necessary financing and provided part of the capital for the purchase of 20 electric vehicles and the development of the requisite infrastructure.

ETaxi believes that striving for diversity and inclusion are not only the right thing to do, but also lead to better business results. For this reason, ETaxi is recruiting female drivers in an effort to promote equal

opportunities for women in the transport industry and to dismantle the stereotype still prevalent in many societies that driving is primarily a profession for men.

The young company's environmentally friendly business model is paying off. The operating costs are about 70% lower compared to those of an equivalent fleet with combustion engines, and ETaxi has already transported over 8,400 active users of its service between September and December 2022, covering a total of 242,260 km on 26,849 trips. Compared to trips with conventional vehicles, the electric cars saved 8 tonnes of CO₂ emissions, 13.3 kg of NO_x emissions and 1 kg of particulate matter (PM) emissions.

Going forward, ETaxi plans to continue on its path towards a greener future, reducing the level of carbon emissions generated in 2022 by a further 50% by 2026, which it plans to achieve by increasing the share of renewable energy used to charge its vehicles and introducing more efficient driving practices. The company also intends to repurpose all batteries for electricity storage by 2030.

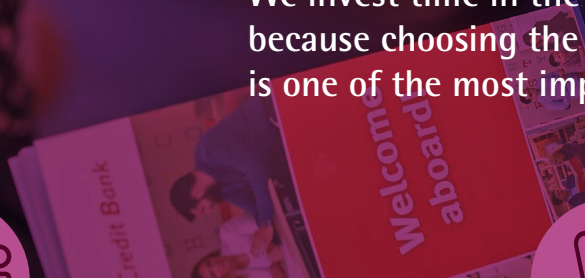


Above: ETaxi app
Below: Payment for the ride



OUR PEOPLE

We invest time in the recruitment process because choosing the right person to fit into a team is one of the most important decisions.



Investing in people

Nearly 500,000 hours of training provided to staff

All training can be delivered in person or online



Flexible, stimulating working environment

Successful back-to-office transition

Flexible remote working budget

Annual training on environmental and social topics



Solid and transparent recruitment process

Onboarding Programme: 226 graduates in one year

29% of our staff start their career with ProCredit

ETHICAL VALUES AND WORKING ENVIRONMENT

by Sandrine Massiani

Imagine yourself for a moment working at a company that emphasises a positive working environment, shared values, open dialogue and flat hierarchies.

At ProCredit, we feel that these values and working conditions are as important as monetary compensation. Our simple structures and small, closely connected teams allow for smooth cooperation between our specialists, middle managers and senior managers on a daily basis. This comes naturally since our banks have between 100 and 400 staff, which is significantly less than our competitors in our countries of operation. As a result, we know our staff very well. Our senior management teams typically consist of three to four people who take joint responsibility for their decisions on behalf of their institutions.

These decisions are not made simply according to majority rule, but on the basis of open discussions and a clear vision of the common good and the strategic objective of the company. On average, our middle managers have fewer than 10 colleagues working with them. This gives us the luxury of being able to easily reach all our staff and engage in dialogue with them on any and every subject, from routine tasks to more structural and forward-looking issues. In this type of environment, every member of the team, regardless of their position or experience, plays a crucial role and contributes to the results of the entire team.

Our senior managers have deep knowledge of their countries and societies and have grown within the bank they manage today. They have ample experience (on average 13 years) and have all graduated from our Management Academy in Fürth, Germany. The programme curriculum is dedicated to the humanities and the strategic positioning of the group, but that is only part of the experience: all participants get the opportunity to share best practices from their banks and to learn from each other, however far along they may be in their ProCredit careers. Our staff know that this enriching environment is the key to self-improvement.

The upheavals that have befallen us over the last three years are unprecedented in their magnitude

– not just for ProCredit group, but for the world as we know it.

As no one needs reminding, the first strike was the COVID-19 pandemic, which brought the world to its knees. Travel – and therefore the meetings that usually took place at our Academy – came to a standstill. Even though we were fully equipped for online meetings and training, our staff had a strong desire to gather again, and after many months and strict precautions, we were finally able to come together in person.

The second shock was the Russian military aggression against Ukraine in February 2022, which has since developed into a full-blown war. For the first time since its establishment 17 years ago, our Academy found that it had another vital purpose: to provide safety and shelter to dozens of our colleagues from Ukraine, who, along with their families, were welcomed at the ProCredit Academy premises. The teachers and participants at the Academy immediately relocated to the ProCredit Training Centre in Veles, North Macedonia to make space for our Ukrainian colleagues. Our usual classes and discussions on banking, finance, business, history, literature, and philosophy were suddenly replaced by the lively voices of young children at play and the murmurs of their mothers checking the news from back home. Even during this time, the Academy remained a training centre: we organised multiple-level



English language courses for our 42 youngest residents from Ukraine and for their mothers.

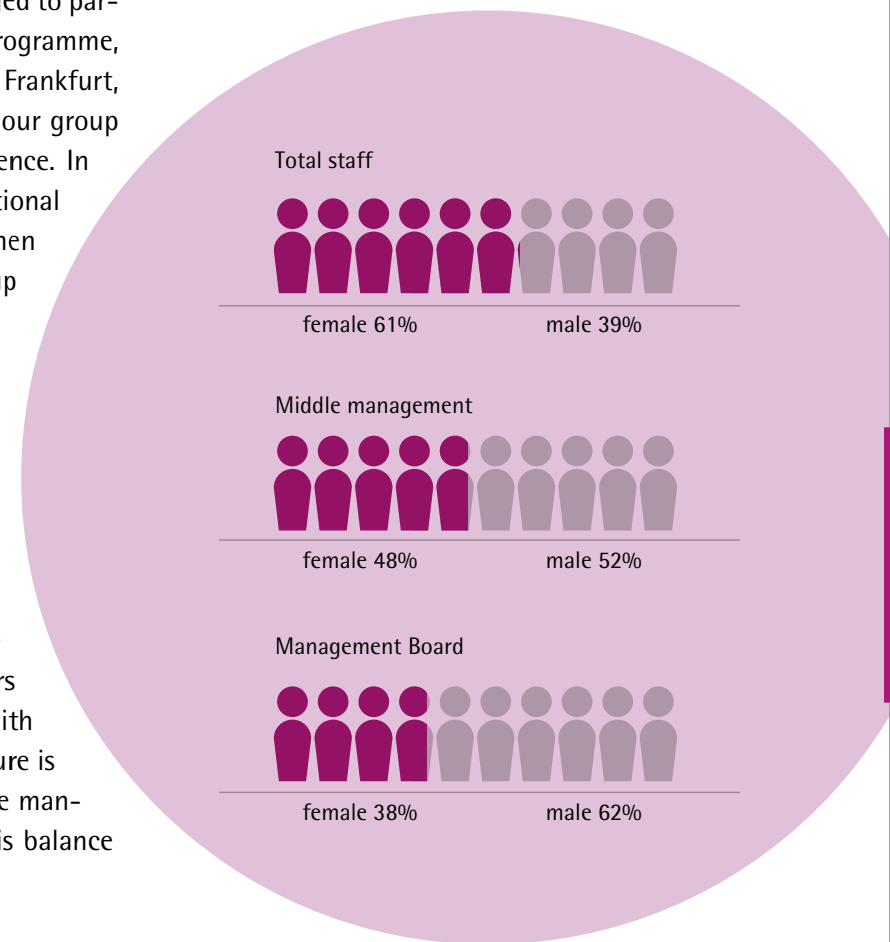
The desire to continuously address ethical issues worldwide is part of ProCredit's DNA. We extensively communicate these matters to all our staff, not least in our > Code of Conduct, which is not only read and signed, but also actively discussed, understood and lived by each and every one of us. The > Code of Conduct is only available in the English language, since English is the *lingua franca* spoken and understood by all our employees, but also because we do not want it to be interpreted differently in our countries of operation by virtue of becoming "lost in translation". Our Code of Conduct is much more than a static catalogue of actions to ensure compliance, and that is why we convene annual sessions to discuss the key elements of our ethical compass to apply our principles in the real world. In 2022, for example, the fate of the Uighur minority in China and the issue of forced labour prompted us to address the issue of personal responsibility and choice when, for example, selecting a supplier in complex supply chains, or purchasing a simple T-shirt at one of the low-price shops in trendy shopping malls. This topic not only figured in our Code of Conduct training, but also informed our business decision-making: we have decided to stop financing PV projects that make use of solar panels produced in China's Xinjiang region, as we do not want to contribute to the suffering of the Uighurs or perpetuate the violation of human rights.

This year, the discussion will focus on a different area, one that is extremely important to ProCredit: diversity and inclusion. Our stance on this matter is crystal clear. Each individual deserves respect as a human being, and that should never be taken for granted. As a banking group with many years of engagement in various countries, cultural diversity has become a simple fact for us. Our colleagues from the ProCredit banks are not only encouraged to participate in an international exchange programme, which takes place at ProCredit Holding in Frankfurt, but also to spend time at other banks in our group so that they can learn and share experience. In this way we aim to enhance the international perspective of our staff and to strengthen our banks' sense of being part of a group and having shared values.

No serious discussion about diversity and inclusion would be complete without underlining the importance of gender balance. We are proud to say that equal gender representation has long been the norm at ProCredit and is something that we welcome and profit from. In the ProCredit group, 38% of senior managers are women. On average, they have been with ProCredit for more than 14 years. The figure is even more pronounced among our middle managers, out of which 48% are women. This balance

did not emerge from a planned strategy developed to achieve quantitative objectives but is rather the result of individual development and promotion decisions regarding individual colleagues (as opposed to merely filling quotas).

Our employees are part of a team from the moment they join ProCredit. They learn from experienced



colleagues; they take part in multiple introductory training sessions, and they are encouraged to ask questions, interact and be curious. We are aware that this approach requires a human touch and cannot be conducted online. Texting and phoning are no substitute for personal presence. This is why we strongly believe that majority of working time should be spent in the office, with other colleagues and with clients. However, we do offer a working-from-home option for all our colleagues, one day per week. This allows more flexibility for those who want to make use of it in the organisation of their tasks, professionally and privately, enabling them to reduce the time spent commuting, while keeping intact the sense of cooperation and togetherness that makes us who we are. After all, we would not be who we are today without the integrity and strong cohesion of all our teams.

Nothing we have mentioned would be possible without having highly developed communication channels. These channels are diverse in nature and it is everyone's responsibility to maintain them so that they remain open and effective. For example, every ProCredit staff member has a unique opportunity to meet with a representative of the management board to find out where they stand from an institutional perspective. This process is conducted through regular conversations between representatives of the management team and each

individual employee. In addition, direct supervisors strive to create a positive work atmosphere and a culture of effective communication in which their team members understand what is expected from them, are well informed about current developments, and feel supported in their efforts to succeed. Indeed, this is the main goal of our regular staff assessment process. At ProCredit, we respect the human dignity of our employees and champion openness and honesty above all.

Every one of us is expected to raise concerns when we experience or witness unlawful, fraudulent or any other unethical behaviours or violations of laws, policies or procedures. We appreciate that raising a concern about someone else's behaviour can be difficult, but we should all recognise that in such situations our credibility – towards our clients, our working environment and our colleagues – as well as our financial performance, and ultimately our strength as a group, are all at stake, which is why misconduct should be reported. Thus, all our colleagues are strongly encouraged to address such matters to their respective managers, Human Resources, Internal Audit, the Compliance Officer, or Management. Besides these internal channels of communication, all staff members can address their concerns through a central communication channel at ProCredit Holding. We process all indications of violations consistently and without bias.

Our approach to Ethical values and working environment

We seek to promote a positive working environment characterised by diversity, flat hierarchies and open communication, with the aim of retaining key personnel on a long-term basis. We pride ourselves on having developed an approach to staff that does not solely rely on monetary compensation. Our ethical approach to banking is fundamental and fully integrated into our corporate culture. Among other things, we heavily promote independence and critical thinking, responsibility, gender equality and fairness among our staff. Ensuring the health and safety of our employees is among our foremost priorities. Our corporate values are manifested in our Code of Conduct, and form the ethical compass of the ProCredit group.

More information:

Relevant policies, guidelines and strategies

- > [Code of Conduct](#)
- Group HR Policy
- Human rights statement
- Group Whistleblowing Policy

Other related links:

- > [Impact Report Datasheet 2022](#)
- 2.2 Employees
- Impact Report 2022, related sections
- Fair recruiter and employer (> [pages 78ff.](#))
- Staff development (> [pages 84 ff.](#))
- SDGs, material topics and targets (> [pages 90ff.](#))
- Webpages and reports
- > [Our approach to staff](#)
- > [Human resources brochures](#)
- Exclusion List (> [Code of Conduct](#), page 30)
- > [Whistleblowing System](#)



The ProCredit group is committed to contributing to the communities in our countries of operation. We participate in several social projects every year, either directly via financial contribution or via engagement by our staff.

In 2022, one project that particularly stood out was the renovation of a kindergarten located in an area of Tirana among the hardest hit by the earthquake that struck Albania in 2019. Our long-time business activity in the country and our close connection to our Albanian colleagues made the plight of the preschool feel personal to all of us.

KINDERGARTEN RENOVATION PROJECT (ALBANIA)

by Lazar Radojkovic

ProCredit group staff had already been collecting donations for the region impacted by the earthquake through multiple fund-raising activities and initiatives as part of the ProCredit Solidarity Project. In line with the group's approach of allocating donations as directly as possible so as to see where the money actually goes, we first wanted to identify a meaningful target for the support, one which would have a lasting and multiplying effect.

Our colleagues from PCB Albania identified a kindergarten in Kombinat, the western part of Tirana, as a worthy cause. With a capacity to care for around 150 children up to three years of age, the Kindergarten no. 4 provides a vital service to the working parents in the area. Due to the damage from the earthquake and lack of government funding, however, the premises had fallen into a state of disrepair, with damaged walls, mould, no heating or cooling system, and no thermal insulation. Despite these conditions, the kindergarten continued to enrol new boys and girls at a fee that is only 10% of the average amount charged for day care in Albania, keeping it affordable for the low-income families who make up the majority in Kombinat.

Having defined the most pressing repairs at the kindergarten building, the ProCredit Bank in Albania made sure that the donated funds were well managed, paying the construction company and other providers against invoice and in accordance with the progress made in their activities. In keeping with the ProCredit group's commitment to environmental protection, the renovation work was geared towards energy-efficient solutions.

Thanks to the installation of an inverter air conditioning system and a solar panel to generate hot water, along with complete thermal insulation of the building envelope, the kindergarten has been able to slash its energy consumption by 50%. In addition to decreasing the preschool's carbon footprint, the improvements will also reduce its energy bills, which will enable it to remain open and affordable over the long term. The amount donated by ProCredit staff covered the costs of these renovations, and the toddlers are now able to play in a safe environment at their kindergarten again.



FAIR RECRUITER AND EMPLOYER

by Lazar Radojkovic

A unique introduction to ProCredit

Ever since our transparent group-wide approach to recruitment was implemented more than 10 years ago, its crucial principles have not changed. It was carefully developed based on many years of experience in our countries of operation as well as strict self-imposed principles that leave no room for privileges, shortcuts, favouritism or discrimination. It is founded on a simple principle: what matters is who you are and not who you know. This straightforward approach to recruitment is complemented by fair and transparent internal promotion opportunities and remuneration.

Firstly, our standard recruitment process comprises several steps that all candidates have to go through. Even though the process relies on individual interviews, it often includes an assessment of mathematical and logical tasks, as well as taking part in group discussions. This process is demanding, but it is transparent and the same for all participants, whatever their experience, seniority or the position they have applied for. There is no space for shortcuts based on connections. The key principle is meritocracy and it is based solely on the candidate's attitude and qualifications. These principles are clearly communicated to applicants and are appreciated by all – even those who do not make it.

Second, in addition to our experienced HR teams, many of our key staff and managers (who have also graduated from the ProCredit Management Academy) are involved in the process. All of the colleagues involved share their assessment of the candidates and reach a common decision based on clear arguments and discussions. The entire process is internal – it goes without saying that recruitment is too important to be outsourced to a specialised agency, which by default cannot share the same values and objectives as us. Even our HR software was designed and developed internally to fully correspond to our extensive and specific recruitment process.

Third, we invest time in the recruitment process because choosing the right person to fit into a team is one of the most important decisions we can ever take. When we hire people, we do not just look for experienced professionals who can simply step in and fill the open position. On the contrary, we do not shy away from hiring young graduates – including those with little or no professional experience – who want to establish a long-term relationship with us. In fact we are proud to be able to help them onto the first step of their career ladder. Moreover, for 29% of our staff, the ProCredit group is also where their employment path first started. We also hire from a wide variety of educational backgrounds, including sciences and

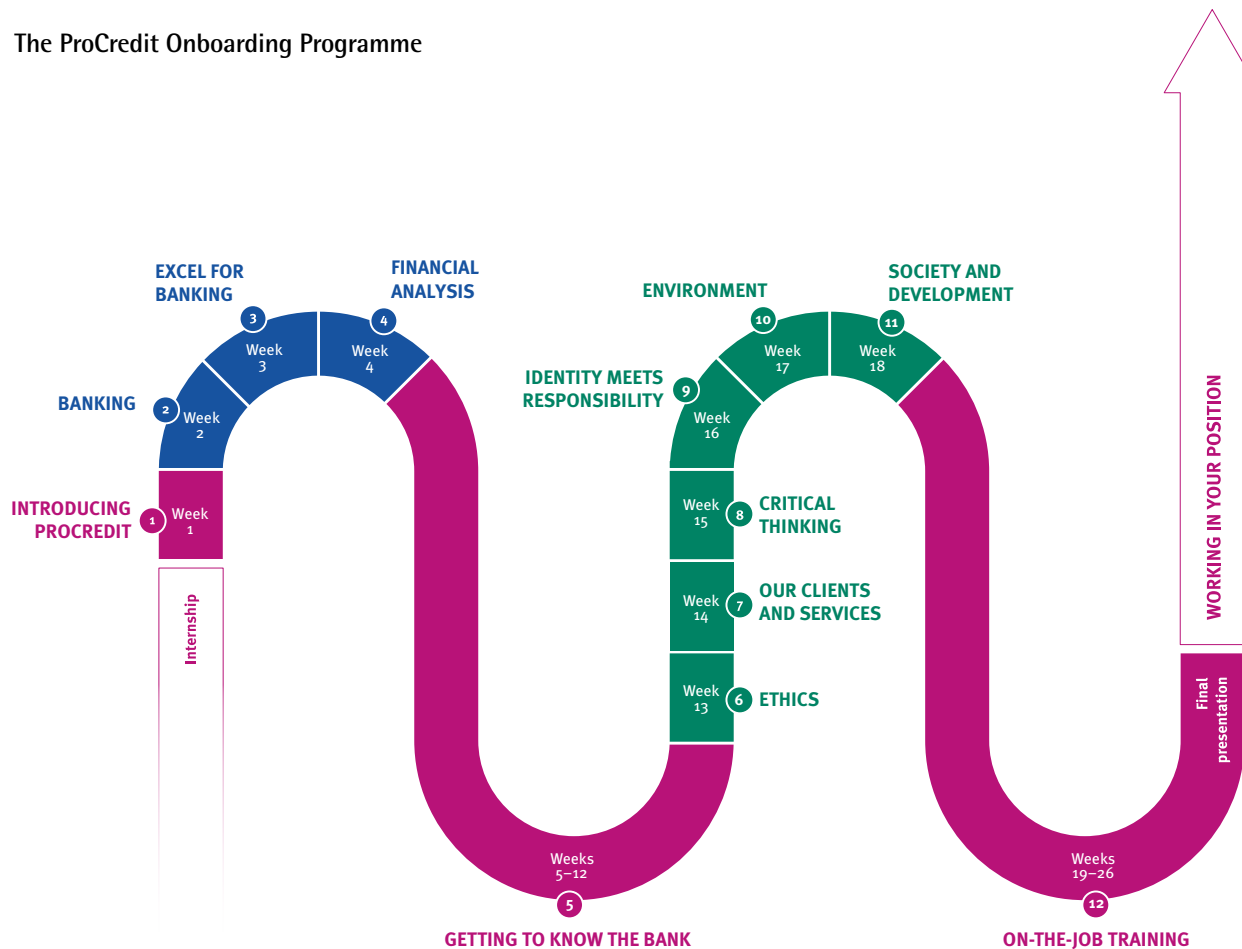
the humanities. We are convinced that this organic diversity of profiles and experience provides us with a constructive, open-minded and innovative pool of approaches to solve issues and best serve our clients.

When recruiting future colleagues, it is not enough to simply check their past experience and ability to think logically. We go much further by making sure that throughout the recruitment process we have plenty of opportunities to explain in detail who we are now, where we came from, and where we see ourselves going. We also look at the candidates' attitude, willingness and capacity to engage in dialogue, their readiness to question, learn and challenge as well as their ethics and understanding of democracy. After all, it takes two to tango, and without both sides being prepared to give their all, the entire process is ineffective.

Candidates who successfully complete our recruitment process move forward to participate in the six-month ProCredit Onboarding Programme, a unique way of integrating new hires which we have been using since 2011. This one-of-a-kind programme is an opportunity for people who have different educational backgrounds and work experience – especially those who have recently graduated from university and are just starting their careers – to get to know ProCredit and how it ticks. It is conducted entirely in English and covers all aspects of our approach to banking as



The ProCredit Onboarding Programme



● in your local bank ● via Microsoft Teams (with optional practice periods in your local bank) ● at Avala Training Centre in Serbia

a development-oriented commercial banking group, as well as the social and environmental aspects which form part of our responsible attitude. Over 32% of our current colleagues at the banks joined us via the Onboarding Programme and they form an important part of all of our teams, including management board

members and many middle managers. The programme is a mixture of both theoretical and practical training. The theoretical side is held partially online and partially at the ProCredit Training Centre in Belgrade, Serbia. The practical side is conducted on the job at each bank, ensuring that all participants can get to know and

understand their local market and its specifics. During these six months, all participants benefit from an unconventional way of training, which in 2022 alone was taught by more than 100 experienced colleagues – managers and key staff from around the ProCredit group. There is no standard classroom-based training where students are expected to sit quietly and take note of what the teacher is saying. With ProCredit, it is all about interaction, presentation skills, working in teams and developing critical thinking abilities.

A fair day's pay for a fair day's work

We believe that one of the characteristics of a fair employer should be transparency in matters of remuneration. At ProCredit, we place great value on our transparent pay structure with fixed salaries. For many years, we have consciously refrained from the practice of giving short-term, performance-related bonuses as a supposed means of motivating our staff. We believe that this type of incentive can even hinder the ability of our staff to provide responsible, unbiased advice to our clients. We do not want to be a bank that simply concentrates on "selling" its products or making decisions that might boost short-term profit at the expense of a sustainable way of banking. Bonuses can even be a dangerous factor, especially within a single team, as relationships among colleagues may be harmed, suddenly turning team members into competitors.








Instead of all this, we rely on fair, transparent and above all decent salary levels that reflect both the quality of our staff and the impact orientation of our banks. The salary levels of our colleagues, be they specialists or middle managers, are well positioned in the job markets of our countries of operation. At the same time, we value having a fair approach to salary towards everyone, which is especially reflected in the ratio of the highest salary level (including management board members) compared to the median salary across our institutions, which ranges from 2 to 12.1 (at national level, i.e. separately in each bank). We also rely on clear job descriptions and regular feedback from managers to guide the performance of their staff. We believe much more that the best foundations for building long-term relationships with our colleagues are open communication, shared values and a shared sense of purpose. This is why our salary structure is clearly set out and shared with all our colleagues right from the moment they join ProCredit. In this way, they always know where they stand on their ProCredit career path.

As an alternative to mere monetary incentives, in cases where an outstanding contribution or commitment to a specific project has been made, staff can be awarded one-off premiums. However, in such cases, premiums typically include investments in

company shares through ProCredit Staff Invest (PCSI) – our employee stock ownership plan. PCSI was set up 20 years ago as an investment vehicle to enable staff members to acquire shares in ProCredit Holding. The long-term commitment of our managers and key staff is reflected today in their participation in PCSI, which holds approximately 2.83% of the group's capital. It also entitles staff members to play a role in strategic decision-making through their representative's membership in the ProCredit Holding Supervisory Board. PCSI invests its entire capital in shares of PCH and has no other business purposes.



In addition to the monetary side of the remuneration structure, our employees also have access to various non-cash benefits depending on the country they work in:

-  Job Ticket
-  Company car sharing
-  Private health insurance
-  Private pension plans
-  Fitness club memberships
-  Accident insurance
-  Bicycle leasing options
- And many others...

We are always looking to establish and build transparent and long-term relationships with our staff, and we are proud of the fact that they perceive us as a stable employer which they can see themselves staying with for the foreseeable future. All across the ProCredit group, our colleagues have been working with us for an average of more than eight years.

Even in these challenging and uncertain times, our people show commitment and dedication to ProCredit. The staff turnover level has remained steady over the past few years, and stood at 11% in 2022.

Despite these challenges, our newcomers see us as an attractive employer, with more than 800 new employees joining our banks in 2022 alone. This can be attributed to the sometimes superhuman efforts put in by our dedicated and innovative HR teams, who are one of the main drivers of our success story.

Our approach to Fair recruiter and employer

To attract and retain the right employees, we have developed a transparent selection process complemented by fair internal promotion opportunities and remuneration. Fairness and openness are the key distinguishing features of our recruitment procedures. The candidates appreciate our merit-based approach, which treats every applicant in the same way, regardless of gender, origin or connections. In the same vein, we place great value on a transparent salary structure. We consciously refrain from offering short-term, performance-related bonuses, and ensure fair remuneration by capping the ratio between the highest and median salary levels.

More information:

Relevant policies, guidelines and strategies

- > [Human Rights Statement](#)
- Group HR Policy

Other related links:

- > [Impact Report Datasheet 2022](#)
- 2.2 Employees

Related sections

- Ethical values and working environment (> pages 74ff.)
- Staff development (> pages 84 ff.)
- Sustainability context (> pages 16f.)
- SDGs, material topics and targets (> pages 90ff.)

Webpages and reports

- > [Our approach to staff](#)
- > [Human resources brochures](#)

MY PATH AT PROCREDIT

by Dragan Josifoski

When I started my career at ProCredit seven years ago, I had high expectations but could have never imagined the path it would take me on. Starting with the first two weeks of the Onboarding Programme, it was clear to me that this institution was unlike any other in the market. Instead of focusing on products, consumer loans and interest rates, we spent the time debating the difference between growth and development, social and environmental issues in our countries of operation, and the ethical dilemmas of utilitarians versus libertarians. The rest of the six-month programme went quickly, and by the end I had learned the values and principles of our institution, the impact the group has on the local communities in which we operate, and what it means to be a ProCredit employee.

Following the programme, I started my career at ProCredit in North Macedonia, initially in the Contact Centre and shortly thereafter with the bank's credit risk department. The focus on open communication and transparency were immediately apparent. I was welcomed by the team and had support from my colleagues, including all levels up to top management. It was then

that I realised that the Code of Conduct is not simply a formality, but a code we live by, and that the group's long-term approach to staff development is the key to its success. In the years that have since gone by, I have grown both professionally and personally. This was supported through various position-based training measures, including a one-year exchange programme at ProCredit Holding in Frankfurt, where I broadened my perspective on credit risk and gained invaluable expertise in the field.

In parallel with the training related to my position, I also attended English courses and then graduated from both the one-year and three-year academy programmes in Germany. The unique curriculum covers diverse topics ranging from the business, economic, and financial spheres to complex scientific and historical subjects, starting with the formation of the universe on through the development of civilisations like Ancient Egypt and Mesopotamia, to the Industrial Revolution and the atrocities of the two World Wars. Through debates, presentations and discussions, we dissected these complex topics, all the while improving our analytical and soft skills.

Dragan Josifoski, Romania



The course offered us so much more than knowledge, as we all made long-lasting friendships with our colleagues from other ProCredit countries, which was very helpful in the transition to my current position at ProCredit Bank Romania. As a credit analyst, I am involved in the environmental and social governance of the bank, as well as the financing of renewable energy projects, both of which contribute to the energy transition of the country. While the language and the culture are different, the ProCredit identity is clearly present among the staff, and in the end we all speak the ProCredit language.

It is difficult to predict what the future has in store for us, but one thing I know for sure is that I will always be grateful to ProCredit for the opportunities it has given me, and I will always reflect on the time spent in the group with a smile.

MY DEVELOPMENT AT PROCREDIT

by Edona Shala

ProCredit's approach to staff onboarding and development is truly a unique one, especially in the markets in which it operates. My experience has been smooth and consistent, beginning with the Onboarding Programme and followed by on-the-job training, English courses, and the Management Academy curriculum.



The Onboarding Programme was an intensive training period where I was able to familiarise myself with the company culture, values, and overall mission of the bank. The programme covered a wide range of topics, including humanities, soft skills, and analytical skills, and provided a unique opportunity to learn directly from individuals with diverse backgrounds. I was able to broaden my outlook and learn new ways of approaching challenges and solving problems. This exposure to a wide range of cultures has helped me develop a more inclusive mindset and has made me a more effective and empathetic communicator in my personal and professional life.

The Management Academy then offered a more advanced level of training aimed at developing interpersonal and professional leadership and managerial skills among its participants. I found this programme to be particularly valuable, as it allowed me to gain a deeper understanding of the key concepts

and best practices for managing teams and leading projects, while also providing exposure to subjects that are at the core of our history as humans: ancient civilisations, the Scientific Revolution, the history of philosophy, the Renaissance, the Enlightenment, and many other events and movements up into modern history.

In conclusion, the bank's tailor-made staff development programme has been instrumental in my personal and professional development alike. It has equipped me with the knowledge, skills, and confidence to excel in my current role as a marketing specialist at ProCredit Bank. The training I received has helped me understand the importance of teamwork, effective communication, a strong work ethic, and maintaining a positive attitude. These skills have proven to be vital assets as I navigate the challenges of my role and strive to deliver successful results. I am grateful for the opportunities I have had to learn and grow at ProCredit Bank, and I look forward to continuing my journey with this dynamic and inclusive organisation.

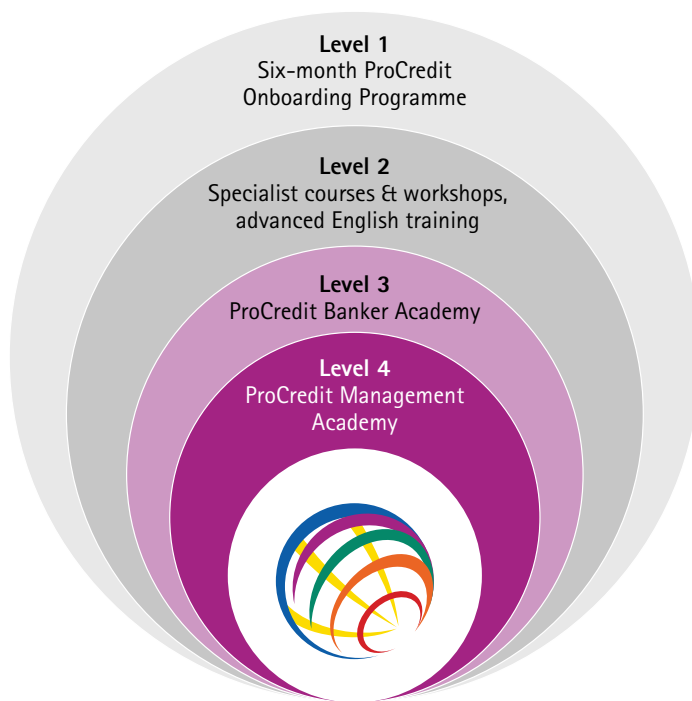
Edona Shala, Kosovo

STAFF DEVELOPMENT

By Lazar Radojkovic

Our employees are our most valuable and treasured asset. We are proud of our comprehensive training continuum at ProCredit, which allows everyone to participate in multiple levels of training, instead of only a few selected individuals. Our training approach is comprehensive: it begins with the six-month Onboarding Programme for all newcomers at our banks. Specialised, job-specific courses as well as group-wide courses on topics that are relevant to all of our employees are offered on a regular basis.

Levels of training at ProCredit



The next level of training is provided in our unique ProCredit Banker and ProCredit Management programmes, which take place at our campus in Germany, the ProCredit Academy. The Academy serves as a gathering place where our colleagues can exchange ideas, brainstorm and develop new courses, both in person and online.

And now for some numbers: the ProCredit Onboarding Programme currently has 144 participants on two continents. All our employees have at least a B1 level of English due to the extraordinary commitment of our teaching team and more than 16% of our colleagues have completed the Banker Academy and/or Management Academy courses. However, we are not content to rest on our laurels: in 2023, nearly 200 colleagues plan to participate in our Academy programmes. We believe in their potential and we stand behind each one of our staff members.

Rather than just training people to perform pre-defined tasks, we teach them how to assess a situation, find solutions, and make decisions that are in line with our humanistic and scientific view of the world. The topics that are covered in the training programme reflect our way of doing business as well as our ethical principles (corporate governance, staff development, credit risk, climate change, ethics, and political philosophy are just some of the subjects that feature in these programmes). During the years they

spend at the Academy, colleagues become friends for life instead of competitors. This applies not only to the private sphere, but also to the work environment, in the form of open discussions about policy issues, swift and efficient decision-making, and smooth, concerted implementation at all ProCredit institutions.

The teachers at the Academy and the Onboarding Programme alike are our colleagues, managers, and experienced staff from the banks, ProCredit Holding and Quipu, who take time from their other duties to share their experience and knowledge with the course participants. In addition, there is a team of core staff who teach political science, history, evolution, climate change, mathematics, philosophy, literature, and English. In 2022 alone, nearly 500,000 hours of training were provided at the group level, equivalent to about 17 training days per employee.

Because all training can be delivered in person or online through LMS and MS Teams, we have been able to maintain our programmes and our solidarity during difficult and unprecedented events, such as the pandemic and the ongoing war in Ukraine. Our Academy is fully operational (and will remain so!), and online courses allow us to extend our offer to a broader audience of participants. We believe we have identified the right combination: digital platforms allow students to access course material



Our approach to Staff development

We develop staff capacity through comprehensive knowledge and skills training, regular performance reviews and clear career options.

Our approach emphasises the importance of investing in ongoing personal and professional development. At ProCredit we support our employees by providing regular opportunities for dialogue and feedback, and by offering continuous training. Our professional development curricula include not only banking skills, but above all courses on humanities, encouraging our staff to reflect on their own values and role in society and to emancipate themselves from ready-made ways of thinking.

More information:

Relevant policies, guidelines and strategies

- [> Human Rights Statement](#)
- Group HR Policy
- Standard for Staff Remuneration
- Guidelines for Staff Assessment

Other related links:

- [> Impact Report Datasheet 2022](#)
- 2.2 Employees

Impact Report 2022, related sections

- Ethical values and working environment ([> pages 74ff.](#))
- Fair recruiter and employer ([> pages 78ff.](#))
- Sustainability goals and achievements:
 - Staff competence ([> pages 20f.](#))
 - SDGs, material topics and targets ([> pages 90ff.](#))

Webpages and reports

- [> Our approach to staff](#)
- [> ProCredit Onboarding Programme](#)
- [> The ProCredit Banker Academy](#)
- [> ProCredit Academy Brochure](#)

remotely and organise their training agenda, while classroom-based training provides fruitful terrain for discussions, group work, presentations, and for creating bonds that simply cannot be established onscreen.

Holistic staff assessment

The term "staff assessment" is usually associated with the routine process of filling in annual questionnaires by direct supervisors, who group their employees into categories which are later used to carry out promotions and/or salary increases. Without a doubt, staff assessment is one of the most

demanding aspects of management. Our approach is different, however, as we prefer to focus on our employees, hear their thoughts and consider their contribution to ProCredit.

This is why our staff assessment system consists of two interconnected layers: a feedback talk with a direct supervisor and an annual staff conversation with a senior manager. The feedback talk concentrates on a colleague's specific contribution to their department, as well as their performance and potential for further development. The staff conversation looks at the bigger picture and offers every employee an opportunity to share their thoughts and ideas regarding the entire institution.

This holistic approach to staff assessment is a two-way street: it provides a chance for every staff member to express themselves in a safe environment, but also enables our HR teams to recognise promising staff members with potential for further development and to plan individualised paths for them, aligning their expectations with those of their banks.

Colleague in the PCB
Serbia training centre



Our commitment to staff development

32% of total staff hired through **ProCredit Onboarding Programme** since its establishment in 2011



50% of Middle management in 12 banks of ProCredit group are **female**



EUR 7.4 million investment in employee training (15% increase in comparison with 2021)



29% of our staff had ProCredit as their **first employer**



Nearly **200 colleagues** plan to participate in **Management and Banker Academy** programmes in 2023



In 2023, **8,843 hours** of training on the **Code of Conduct**



493,514 training hours in 2022



EXTRACT FROM MANAGEMENT ACADEMY GRADUATION SPEECH

by Petru Jucovschi (Quipu) and Ekaterina Khidesheli (PCB Georgia)



Management Academy graduation



Petru: As Diogenes said, "The foundation of every state is the education of its youth." And what an education we have been through...We started with mathematics – deriving functions and missing the correct placement of the parenthesis when working with sine and cosine. We continued with a unique blend of history, philosophy, and business courses, which filled the gaps of our educational systems, while combining it with real-life developments and work-related topics.

This journey from ancient civilisations to the 21st century has given us the tools to think critically and to interpret the past, demystifying the ancient statement, "Believe and not inquire". We have learned how to analyse conflicting points of view and to consider the perspectives of diverse cultures.

And now, equipped with all this knowledge, I want to raise a question: what does it mean, after all, to live a good life? Does it necessarily imply being a philosopher? A politician (a Machiavellian one, some would add)? Or in the modern sense a manager? Or a leader? Or maybe just being human (or should I say humane) is already enough?

Ekaterina: These four years have shown us that there is no perfect answer to any questions, including this one. We are now sophists: we have learned how to critically assess any statement and see it from different sides. We have explored the development of philosophical thought from the pre-Socratic philosophers until the modern application of Locke, Hobbes, and Rousseau. Having gained an understanding of their theories on everything – from ethics and politics to metaphysics and the nature of reality – we can be more virtuous in our actions. We may not be politicians, but we can make a positive impact in our spheres of influence within and outside of the bank regardless of the position we occupy. After all, helping the institution in the implementation of the impact mission is the least we can do.

Furthermore, being a manager is definitely not a task of a lone wolf, and during several blocks we talked about leadership as another attribute of a manager. How do management and leadership work together?

Petru: This is an important question, indeed. We should be a manager and a leader at the same time. As a manager, our responsibility will be to create and follow processes and execute strategic goals. We will be faced with situations in which we will need to steer the direction and the focus, provide feedback, and address critical issues, if necessary, although there is no

strict guidebook on how to do it. A good manager will not hesitate to ask questions of our peers from other countries, whose number has increased thanks to the Academy, but also of our teammates.

For all this we will rely on people, and we will have to manage and grow our teams.

In other words, our manager's hat will be about doing the right things and the leader's hat will be about leading people to do the right things.

Petru: We have gained the knowledge and today we are graduating from the ProCredit Management Academy! What's next?

Ekaterina: Now, Petru, we are starting to see the light. Step by step, side by side, we are slowly leaving the cave of our illusions. But does this mean that we are heading towards a higher truth? Of course not, but at least we are already equipped with all the necessary tools from this training to question our future choices without fear, to be more curious and responsive, and to constantly strive for improvement. In the end, this is what matters, regardless of whether all of us will become managers! We have already become leaders! Try not to only fire or hire people, but to listen. Do not be afraid to show empathy, as kindness is a precious asset today. Weigh pros and cons carefully when taking a decision. And do not forget about responsibility, which always comes with power. [...]






ProCredit Academy Fürth,
Germany



ESG ANALYSIS AND SUPPLEMENTARY SUSTAINABILITY INFORMATION

SDGs, MATERIAL TOPICS AND TARGETS

As in our previous reports, we established a direct link between our key material topics and the selected SDGs and their respective targets. The matching is based on our own understanding of our areas of impact and their specific contribution to the SDGs while also taking into consideration relevant guidance documents provided by the UN Global Compact and GRI such as their "An analysis of the goals and targets" 2017 and 2022 versions.

SDG and related material topic(s)	Associated target	Selection of relevant business actions/indicators which contribute to meeting the target
Quality education		
 Staff development	 <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university</p>	<p><i>"Providing non-discriminative and open access to employees to (vocational) training, internship programs and further education. Adopting and developing comprehensive and coordinated corporate policies and programs on vocational guidance and vocational training."</i></p> <ul style="list-style-type: none"> - Standardised and transparent recruitment process for all candidates, including interviews, tests and group discussions, and same process for all applicants regardless of their seniority, experience or role they apply for. - Comprehensive training continuum for all employees conducted online, on-the-job and at our training centres. - Professional growth is based on meritocracy, our colleagues' attitude, and their qualifications. - On average, 11 women have graduated from the Management Academy every year over the last six generations (graduation did not take place in 2020, due to COVID-related reasons). - From 2016 to 2022, 42% of Management Academy graduates were women.
	 <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p>	<p><i>"..Offering technical and vocational guidance and training programs, ensuring that company-supported education and vocational training programs are equally available and accessible to all groups. Providing incentives for employees to obtain extra qualifications or continue their education. Engaging with educational institutions to develop or support programs for vocational training, employment skills and educational development, and improving teaching technical skills through providing innovative solutions – complementing rather than substituting government and public sector action..."</i></p> <ul style="list-style-type: none"> - In 2022, 493,514 hours of training were provided to ProCredit Bank staff, which is an average of 17 days of training per employee over the year. - Training costs amounted to EUR 7.4 m in 2022. - Approximately 16% of our staff are currently attending or have graduated from the Banker and/or Management Academy.

Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)
 - Relevant indicators and facts underpinning the business actions taken by the ProCredit group











4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

"...Including information on human rights, gender equality and sustainable development in internal policies, such as employee and supplier codes of conduct, and increasing awareness and practice by ensuring that these policies are thoroughly shared and understood by all employees including those in the supply chain. ... Promoting sustainable development by demonstrating the business' own commitment through implementing sustainability actions, and by demonstrating and communicating these effectively to employees, suppliers and all stakeholders."





Continuous training in sustainability topics, including:

- At least one training session on green topics for all employees (environmental measures at work and in private life, sustainable business and personal practices, management of E&S risks).
- At least one training session on social topics (Code of Conduct) for all employees (human rights, diversity, democracy, ethics).
- Twice-yearly green seminar for environmental, credit risk and business department staff (environmental measures and performance, sustainable business, management of E&S risks).
- In 2022, we developed and conducted enhanced training courses in the following areas:
 - Animal welfare, E&S assessment training for all EROs in the group.
 - Quarterly eco newsletter distributed to all employees.
 - Total of 10,048 hours of environmental training.
 - Total of 8,843 hours of Code of Conduct training.







SDG and related material topic(s)	Target associated	Selection of relevant business actions/indicators which contribute to meeting the target
Gender equality		
 5 GENDER EQUALITY Fair recruiter and employer	 END DISCRIMINATION AGAINST WOMEN AND GIRLS 5.1 End all forms of discrimination against all women and girls everywhere	<p><i>"Embedding the principle of gender equality in policies and processes for both employees and governing bodies throughout its operations and supply chains, including recruitment, remuneration/benefits, training, promotion, and development reviews. Paying equal remuneration, including benefits, for work of equal value."</i></p> <ul style="list-style-type: none"> - Transparent performance management and long-term career perspective, taking the personal and family situation of individuals into account; Clearly structured staff recruitment approach defined in the ProCredit group Human Resources Policy. - Transparent salary structure with fixed salaries which are defined in the group's Human Resources Policy. - All our colleagues are strongly encouraged to address unethical behaviour to their respective managers, HR, Internal Audit, the Compliance Officer, or Management. - Additionally, all staff members can address their concerns through a central communication channel at ProCredit Holding. We process all indications of violations consistently and without bias.
Ethical values and working environment	 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	<p><i>"... Including proactively recruiting and appointing women to managerial and executive positions..."</i></p> <ul style="list-style-type: none"> - Females account for 38% of the management board members in the ProCredit group and 47% of the Supervisory Board members in the group are female. . - The average length of service for female management board members is 13.6 consecutive years compared to 12.6 for male management board members, demonstrating that women in leading positions are encouraged to stay long-term.

SDG and related material topic(s)	Associated target	Selection of relevant business actions/indicators which contribute to meeting the target
Affordable and clean energy		
	Environmental management Sustainable finance	 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p><i>"...Monitoring and reporting on the amount of energy produced, purchased and consumed, according to source. Supporting new business models to deliver sustainable and renewable energy..."</i></p> <ul style="list-style-type: none"> - Energy consumption by the organisation: 62% of electricity from renewable energy sources in 2022, compared to 60% the previous year. - Installed renewable energy capacity at own premises (448.6 kWp). - RE projects in loan portfolio with an outstanding amount of EUR 400.5 m.
<hr/>		
Decent work and economic growth		
	Technology and innovation	 <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p> <p><i>"...Increasing economic productivity through co-developing technology with start-ups and investing in innovation and technology which responds to local needs..."</i></p> <ul style="list-style-type: none"> - Continuous development of the Direct Banking strategy: digitalisation of financial and non-financial services. - Implementation of remote onboarding and e-signature project at six banks as of 2022.
<hr/>		
	Economic development	 <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p><i>"...Encouraging the formalisation and growth of SMEs, including through access to financial services and not doing business with companies that are not legally registered..."</i></p> <ul style="list-style-type: none"> - Significant indirect economic impact through promoting SMEs in transition economies: about 64,500 business clients, most of which are SMEs - Strong sense of responsibility as a bank supporting our clients throughout the COVID-19 crisis and the war in Ukraine.







Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)
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SDG and related material topic(s)	Associated target	Selection of relevant business actions/indicators which contribute to meeting the target
<p>Sustainable finance</p> <p>Environmental management</p>	 <p>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead</p>	<p><i>"...Responsibly influencing consumer and consumption patterns and promoting sustainable consumption and lifestyles through, for instance, product development and marketing. Applying sustainability aspects to suppliers, not only to reduce the cost of supply but also to simultaneously implement efficiency measures and reduce the environmental footprint in the supply chain. Improving the efficiency of use of energy, water, (raw) materials and other resources..."</i></p> <ul style="list-style-type: none"> - Annual selection of green topics with marketing activities in order to address clients, employees and the general public across all ProCredit countries. - Printing paper use intensity decreased by 4.6% compared to 2021; although total water consumption increased by 21.4% during the same time period, this is still below pre-pandemic levels. - Development of sustainable procurement guidelines including definition of what a sustainable supplier is.
<p>Fair recruiter and employer</p>	 <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p><i>"...Establishing a zero-tolerance policy towards all forms of violence in the workplace and preventing sexual harassment. Ensuring non-discrimination in recruitment, remuneration and working status. Paying at a minimum the living wage. Paying wages adequate to satisfy the basic needs of employees and their families, and maintaining regular payment of wages..."</i></p> <ul style="list-style-type: none"> - New employee hires from all age groups and no significant differences in turnover rates across gender or age groups. - Key principles of what constitutes the ProCredit 'res publica' institutionalised through the Code of Conduct. - The average entry-level salaries paid are well above the local minimum wage for job entry levels (ratio of 152%). - The group's Human Resources Policy ensures a transparent salary structure with fixed salaries.
<p>Prudent credit risk management</p>	 <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</p>	<p><i>"...Developing policies and procedures in order to address incidences or suspected incidences throughout business activities, and incorporating these in the codes of conduct around acceptable employee behaviour and the recruitment and procurement process..."</i></p> <ul style="list-style-type: none"> - Summary of human rights management and processes in a Human Rights Statement. - Exclusion List forbids establishing a business relationship with clients or suppliers that engage in activities involving harmful or exploitative forms of forced labour/harmful child labour. - Due diligence process for clients and suppliers on human and labours rights.
<p>Ethical values and working environment</p>	 <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<p><i>"...Implementing policies committing to freedom of association and collective bargaining, health and safety, no discrimination, combating workplace violence and rights awareness among workforce and share those values with all stakeholders. Building screening mechanisms and ensuring consistent practices in own supply chains..."</i></p> <ul style="list-style-type: none"> - Code of Conduct as ethical compass publicly accessible to all stakeholders. - All potential suppliers subject to a screening process to make sure they meet all of our environmental and social criteria as well as the core values laid out in our Code of Conduct. - All employees have the opportunity to participate in English classes. The international environment with a huge range of different country backgrounds promotes inclusion and diversity amongst staff. - Special support to Ukraine staff to guarantee their safety and of their families, during the war.

Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)
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SDG and related material topic(s)	Associated target	Selection of relevant business actions/indicators which contribute to meeting the target	
Industry, innovation and infrastructure			
	<p>Economic development</p> <p>Sustainable finance</p>	 <p>9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>	<p><i>"..In this context, working with the public sector and local organisations to build up networks ensuring financial inclusion and equal access for SMEs, smallholders, and business led by the vulnerable. Providing innovative financing mechanisms like green bonds and impact investing to foster a sustainable domestic economy..."</i></p> <ul style="list-style-type: none"> - Issue of first green bond for emerging countries with the IFC to promote green investments by SMEs. - Financing energy communities.
	<p>Sustainable finance</p>	 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>	<p><i>"..Innovating and/or investing in energy efficiency in buildings, road safety equipment, autonomous vehicles, smart metering, water and sanitation infrastructure, timber buildings and additive manufacturing, GHG reduction..."</i></p> <ul style="list-style-type: none"> - Continuous promotion of investments in energy and resource efficiency, renewable energies and environmental protection. - Investment in greening our own premises in line with the EDGE green building standard scheme: 5 buildings with EDGE-certification at group level.
Reduced inequalities			
	<p>Economic development</p>	 <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>  <p>10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations</p>	<p><i>"..Respecting internationally recognised principles standards and frameworks such as human rights. Complying with national and international financial regulations and ensuring that all interactions with other parties (including suppliers) are compliant with such laws. Adopting best practice where laws in an individual country are less stringent than those of other operating countries. Adhering to international standards as a minimum requirement and identifying ways to go further..."</i></p> <ul style="list-style-type: none"> - By pursuing international standards and best practices that often go beyond the requirements of local regulations (for instance when it comes to environmental and social risk management, procurement practices and internal environmental management), the ProCredit group contributes significantly to change in our regions of operation. Specifically, ProCredit's business activities contribute to stimulating the GDP of less-developed European countries and to reducing inequality in our countries of operation in comparison to Western Europe.

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SDG and related material topic(s)	Associated target	Selection of relevant business actions/indicators which contribute to meeting the target	
Responsible consumption and production			
	Sustainable finance Environmental management	 <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p>	<p><i>"...Understanding sustainable management and resource efficiency in all operations, products and services. Establishing and maintaining proactive environmental management systems. Establishing measurable objectives and/or targets for improved environmental performance and resource utilisation. Regularly tracking and reporting energy, water and materials consumed and treated in business operations and improving efficiency by reusing/recycling..."</i></p> <ul style="list-style-type: none"> - Promotion of green financial products. - Regular certification of environmental management systems in all institutions following EMAS (German entities) or ISO 14001 (banks). - Screening of suppliers on sustainability topics.
Environmental management	 <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p><i>"...Implementing circular business models such as using renewable, bio-based or fully recyclable inputs, recovering resources, extending product lifecycle. Tracking and reporting waste generated by type, treatment and disposal destination..."</i></p> <ul style="list-style-type: none"> - Total waste reduced by 39% compared to 2019 pre-pandemic levels. - Waste intensity in 2022: 48.4 kg/FTE (kilogrammes per full-time employee), which is also down from pre-pandemic levels . - 100% use of either FSC-certified or recycled paper in all ProCredit institutions. - Development of group-wide strategy and Exclusion List to minimise the financing and use of plastic. - We reduced our own total plastic waste by 41% in 2022 compared to 2019 pre-pandemic levels. 	
Climate action			
	Sustainable finance	 <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p><i>"...Identifying risks and opportunities caused by climate change. Investing in environmental protection and improving the resilience to environmental hazards and resource scarcity throughout operations and the supply chain. Setting science-based GHG reduction targets in line with the goals of the Paris Agreement..."</i></p> <ul style="list-style-type: none"> - Green loans account for 20.2% of our total loan portfolio. - Goal to become carbon neutral at group level by 2023 (adjusted to consider scope 1 and scope 2 emissions). - Analysis transition and physical climate risks at portfolio level.
Environmental management Staff development	 <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<p><i>"...Raising awareness and understanding among clients, investors and employees about climate change and natural disaster reduction through, for instance, providing training and educational activities, and having a clear communication strategy around risks, goals and the associated benefits. Communicating transparently to help identify the resources needed in the business' corporate climate policies, adaptation strategies and environmental investments..."</i></p> <ul style="list-style-type: none"> - Specific green training for specialist staff, general green training for all staff. - Regular eco newsletter sent to all staff. - Total of 10,048 hours of environmental training in 2022. 	

Peace, justice and strong institutions



Corporate governance



16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all

"...Respecting the rule of law by respecting human rights and universal principles, not engaging in corruption, and not fuelling conflict. Modelling responsible conduct in the business' corporate values, policies and processes and throughout the business' value chain, doing no harm and implementing robust management procedures. Establishing strategies that incorporate business compliance, legitimacy and license to operate. Reviewing codes of conduct and standards of behaviour, implementing internal and external mechanisms for reporting unlawful behaviour, having appropriate escalation methods, and disclosing information on legal compliance systems (including information on sanctions for noncompliance with laws and regulations about human rights)."

- Our strict governance framework for selecting clients is reflected in the virtual absence of any significant risk events related to money laundering or terrorist financing since the foundation of the group.
- We screen all potential customers against a set of around 700 different sanction lists, blacklists and watch lists.
- Robust Group Compliance Reporting System and Risk Event Database.



16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime

"...Complying with domestic and international law and frameworks regarding arms, financial conduct and crime. Using audited annual reporting (both financial and non-financial) to ensure transparency of activities and identifying and eliminating any illicit flows..."

- All ProCredit institutions apply German and EU regulatory standards, local AML regulations as well as international best-practice methods for the prevention of money laundering and other financial crimes.
- Exclusion List clearly forbids financing activities involving the production or trade of weapons and munitions.



16.5 Substantially reduce corruption and bribery in all their forms

"...Developing policies and programs to effectively address all forms of corruption. Understanding anti-bribery and corruption governance expectations from stakeholders and prohibiting bribery in any form whether direct or indirect. Providing capacity to develop effective, accountable and transparent institutions..."

- All banks operate specialised software systems to identify financial crime.
- 3,354 staff trained (course content: operational risk as well as fraud and information security awareness).
- 99 Onboarding Programme participants, 3,446 specialists and 53 managers trained on financial crime risks in 2022.
- Anti-corruption policies publicly available via the Code of Conduct.
- Group-wide Code of Conduct training and updates.
- 100% of client accounts screened against financial crime risks (including corruption risks).
- Number of significant risks related to corruption identified in 2022: 39.



16.6 Develop effective, accountable and transparent institutions at all levels

Reliable partnerships and transparent services



16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

"...Not misrepresenting nor omitting information about deceptive, misleading, fraudulent or unfair practices and providing sufficient information for consumers to make informed decisions. Preventing violation of consumer privacy, including security breaches, for business involved in collecting personal data from consumers..."

- Audited financial and non-financial reports are available online: <https://www.procredit-holding.com/downloads/>
- Human rights statement

Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)

- Relevant indicators and facts underpinning the business actions taken by the ProCredit group

UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

Self-assessment reporting

The aim of the UN Principles for Responsible Banking is ensuring that signatory banks' strategy and practice align with the Sustainable Development Goals and the Paris Climate Agreement. This is the ProCredit report on implementing the Principles for Responsible Banking, using the self-assessment template provided by the UNEP FI. (March 2023).

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks..

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

The ProCredit group focuses on banking services for small and medium-sized enterprises (SMEs) in transition economies and on direct banking activities for private clients. We operate in South Eastern Europe, Eastern Europe, South America and Germany. Our target group comprises innovative companies showing dynamic growth and stable, formalised structures. Through our work, we want to contribute to creating jobs, enhancing capacity for innovation, and encouraging investment in ecological projects. We place particular emphasis on issuing green loans and promoting local production, especially in agriculture. Our business strategy is based on long-term relationships with our clients and staff as well as a conservative approach to risk. We offer the full range of banking services in terms of financing, account operations, payments and deposit business, and we also support our clients in their long-term investment projects. In addition, we offer efficient trade finance solutions and international payments through our network of banks.

The share of our loan portfolio in terms of geographies is:

South Eastern Europe 72%
 Eastern Europe 19%
 South America 8%
 Germany 1%

[> Annual Report 2022](#)
 Fundamental information about the group, page 13

[> Impact Report Datasheet 2022](#)

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
- No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: - BaFin, CSRD
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: - BaFin, CSRD
- None of the above

Sustainable development is a key component of our business strategy, and the aim of our activities is to make a positive, sustainable contribution to the environment and society while minimising any potential negative impact. Our Impact Report discloses our efforts to fulfil this goal. Specifically, the section "SDGs, material topics and targets" summarises our specific actions to meet targets related to the Sustainable Development Goals (SDGs). The section "Environmental management" covers our efforts related to the Paris Climate Agreement, while the section "International principles, standards and memberships" discloses the main frameworks to which ProCredit is committed.

Environmental management
SDGs, material topics and targets
International principles, standards and memberships

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly³ and fulfil the following requirements/elements (a-d)⁴:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

ProCredit's mission is to promote positive impacts in our countries of operation while reducing the negative impacts and managing risk in a prudent manner. Since 2017, ProCredit has engaged in a periodical materiality analysis following GRI standards, the most recent of which was conducted in 2020. (See: Materiality and impact reporting). In order to strengthen our impact analysis, in 2021, we took further steps to analyse, in detail, the impact of our loan portfolio using the UNEP FI Portfolio Impact Analysis Tool. The sustainable indicators were updated during a review in 2022, but an official new impact analysis that takes into account GRI standards and the European Sustainability Reporting Standard (ESRS) will be conducted in 2023.

> [Material topics and impact reporting](#)

> [Impact report appendix 2021](#)
UNEP FI- Portfolio Impact Analysis

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis?

Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries⁵ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

All ProCredit business activities were considered for the impact analysis: consumer banking (7%), business banking (77%), and corporate banking (15%), in all our countries of operation (Albania, Bosnia and Herzegovina, Bulgaria, Ecuador, Germany, Georgia, Kosovo, Moldova, North Macedonia, Romania, Serbia and Ukraine); also considered were the market position of each activity in the country and the portion of the bank's overall business that the respective business activity represents. It took into account the exposure of sectors and industries to each business activity. Nevertheless, the type of customers was not considered for consumer banking, due to the small proportion of this activity in our portfolio.

> [Impact report appendix 2021](#)
UNEP FI-Portfolio Impact Analysis

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁶ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

³ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

⁴ Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

⁵ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

⁶ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

In 2021, we determined that the greatest needs in our countries of operation are: food (SDG 2), mobility (SDG 9, 11), strong institutions, peace and stability (SDG 16, 17), inclusive, healthy economies (SDG 8, 9), and health and sanitation (SDG 3, 6). These needs have intensified exponentially due to the war in Ukraine, which directly and indirectly affects most of our countries of operation and has led to prioritising certain needs, such as food production and energy security. The main stakeholders that we engaged have been our clients and staff, especially our Ukrainian colleagues, who required special support during the previous year. Our response to these needs is summarised in different sections of this report.

> [Impact report appendix 2021](#)
- [UNEP FI- Portfolio Impact Analysis](#)

Ukraine support actions:
> [Economic development](#)
> [Technology and innovation](#)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified?
Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2) ⁷? Please disclose.

Due to the high exposure of our portfolio in business loans in particular sectors (e.g. agriculture, production), our most important positive and negative impact areas based on the impact analysis are as follows:

Positive impact: Health and sanitation, food, employment and housing

Negative impact: Climate, waste, biodiversity and ecosystems, and resource efficiency/security

Taking these results into consideration and the most pressing global matters, we decided to prioritise climate change and waste/resource efficiency as the first negative impacts to address, without ceasing our current efforts to reduce other environmental and social negative impacts related to biodiversity, water management, pollution, human rights, and gender diversity.

> [Our socially responsible approach](#)
> [Sustainable finance](#)
> [Environmental management](#)
> [Analysis of the portfolio in terms of E&S risk](#)

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Climate change: To measure the performance of our portfolio in terms of carbon emissions, we conducted a carbon emission accounting of our portfolio using the PCAF methodology for the second time, where the main emission sectors were identified by country of operation (> [Accounting of GHG emissions](#)). Furthermore, we have been tracking the share of green investments in our portfolio for many years. These investments support projects aimed at mitigation and adaptation to climate change.

> [Accounting of the GHG emissions linked to our loan portfolio](#)
> [Sustainable finance](#)
> [Impact Report Datasheet 2022](#)

Waste/resource efficiency (plastic): Through our Plastic Strategy, which we introduced in 2019, we monitor and engage with clients who produce plastic, one of the main sources of pollution in the world today. Our exposure to the sector is summarised in the section > ["Developments in our Plastic Strategy"](#).

⁷To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts? ⁸

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets⁹ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with¹⁰ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Climate change:

In 2021, we selected the Partnership for Carbon Accounting Financials (PCAF) standard and the Task Force on Climate-Related Financial Disclosures (TCFD) as the main tools to measure our performance on climate change for Scope 3 emissions. In 2022, to set our targets and develop our climate transition plan, we also aligned ourselves with the Science Based Target initiative (SBTi) and with the Net-Zero Banking Alliance (NZBA).

Waste/resource efficiency (Plastic)

In March 2022, 175 Member States of the UN committed to forging a legally binding instrument to eliminate plastic waste and pollution on a global scale by 2024. To support this effort, we became a member of the Finance Leadership Group on Plastic to the Intergovernmental Negotiation Committee (INC). Also, as part of our efforts to comply with regional regulations, we are in the process of aligning our E&S assessment with the Do No Significant Harm Principle (DNSH) of the EU Taxonomy, which includes the concept of a circular economy.

[> Environmental management](#)
[> Developments in our Plastic Strategy](#)

⁸ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

⁹ Operational targets (relating to, for example, water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in the scope of the PRB.

¹⁰ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	In progress
	A.1.2	In progress
	A.1.3	In progress
	A.1.4	Yes. 88% of the portfolio (see: PCAF report)
	A.1.5	Yes. See: Green Loan Overview (20% of our portfolio) (see: Impact Report Datasheet 2022, Sustainable lending)
	A.2.1	In progress
	A.2.2	Yes. See: Accounting of the GHG emissions. Baseline 2021.
	A.2.3	Yes. See: Accounting of the GHG emissions. Baseline 2021.
	A.2.4	NA
	A.3.1	Yes. 20.2% of loan portfolio (see: Sustainable lending)
	A.3.2	Yes. See: Accounting of the GHG emissions. Baseline 2021.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Waste/resource efficiency (plastic)

This year (baseline 2022), three main KPIs were defined to measure the first component of our Plastic Strategy, which consists of creating awareness among our clients and engaging with them about ways to reduce plastic:

Percentage of clients engaged

Percentage of clients by category type: Blacklist, Greylist, Whitelist (see [> page 61](#))

Percentage of clients agreed on implementing measure to improve their sustainability.

[> Developments in our Plastic Strategy](#)

c) SMART targets: (incl. key performance indicators (KPIs) ¹¹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Climate change:

Medium-term goals for 2023

- **Carbon neutrality:** Become carbon neutral with regard to the group's own CO₂ emissions (Scope 1 and 2)
KPI: Scope 1 and 2 emission and compensation projects.
- **20% green loan portfolio:** Increase the relative size of the group's green loan portfolio to 20% of the total loan portfolio, while at the same time maintaining the high quality of our green loans
KPI: Share of the green portfolio
- **Staff competence:** Maintain and further increase the high level of social and environmental competence among our staff
KPI: Hours of training on social and environmental topics.

By the end of 2023

- Establish a climate change strategy (Transition Plan)
- Set science-based short- and long-term targets

Waste/resource efficiency (plastic):

- Engage in conversation with all our loan clients involved in the manufacture of Blacklist and Greylist single-use plastic products by the end of 2023
- Have no Blacklist products in loan portfolio or have an exit strategy by the end of 2023
- By the end of 2023, define measurable actions as binding covenants to loan agreements with clients who make items in the Greylist category to improve the sustainability of their products. The clients must improve sustainability by the end of 2023, when we mean to define the actions by end of 2023.
- Communicate our Plastic Strategy to all our loan clients who manufacture Whitelist products by the end of 2024

> [Environmental management](#)
> [Sustainable goals and achievements](#)
> [Developments in our Plastic Strategy](#)

c) Action Plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Climate change:

We are currently in the process of setting new medium- and long-term targets based on the guidance of the Science Based Target initiative (SBTi) and the Net-Zero Banking Alliance (NZBA). Our goal for this year is to have validated at least the short-term targets and have a transition plan in place to consider their possible indirect impact. We are also in the process of defining the methodology that will be implemented to collect CO₂ emission data at the client level so as to improve the way we measure this data and use it to support the process of engaging with our clients.

Waste/resource efficiency (plastic):

The first step of our Plastic Strategy is to engage with our clients and support them in their transition to reducing and eliminating plastic production and waste. Nevertheless, we are aware that we need to adopt additional physical indicators (e.g. tonnes of plastic produced or % of recycled material produced) to enhance the impact of the strategy. To that end, we are reviewing possible methodologies for collecting, monitoring and reporting this kind of data at the client level. This data will serve as the main basis for further target-setting.

> [Environmental management](#)

¹¹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Self-assessment summary:

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ... your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)**For each target separately:**

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Climate Change

Progress and achievements with respect to each target are detailed in the section "Sustainability goals and achievements".

Carbon neutrality: The carbon footprint resulting from our operations has not been significantly reduced since 2020, which was an exceptional year due to the pandemic and the accompanying working-from-home measures. Nevertheless, we reduced 25,2% of our heating consumption and we expect to offset the remaining emissions with the investment in our own PV plant (ProEnergy) in Kosovo, which will go into operation this year. Moreover, we are in the process of defining our new SBTi targets to further reduce Scope 1 and 2 emissions and tackle our main Scope 3 emissions (Financed emissions) in alignment with the Paris Agreement.

20% green loan portfolio: We have already reached our goal of achieving a 20% share of green loans in our total portfolio. Nevertheless, this year we will review our green loan criteria and align them with certain regional standards (e.g. EU Taxonomy). Furthermore, we will define new targets to reflect any new science-based targets that are defined.

Staff competence: This year 10,048 total hours were devoted to environmental training and 8,843 total hours to Code of Conduct training.

By the end of 2023

- Establish a climate change strategy (Transition Plan)
- Set science-based short- and long-term targets

Waste/resource efficiency (plastic):

- Engage in conversation with all our loan clients involved in the manufacture of Blacklist and Greylist single-use plastic products by the end of 2023
- Have no Blacklist products in loan portfolio or have an exit strategy by the end of 2023
- By the end of 2023, define measurable actions as binding covenants to loan agreements with clients who make items in the Greylist category to improve the sustainability of their products
- Communicate our Plastic Strategy to all our loan clients who manufacture Whitelist products by the end of 2024

> Sustainable goals and achievements

> [Impact Report Datasheet 2022](#)

- CO₂ emissions
(1.1 Environmental performance)
- Green loan portfolio
(1.2 Sustainable lending)
- Staff training (2.2 Employees)

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹² in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹³. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved. This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

We aim to be a stable partner that directs our clients, mainly SMEs, towards sustainable development. The core of our sustainability principles is captured in our Code of Conduct, which is the first requirement that the banks ask their employees, clients and suppliers to commit to. In the Code of Conduct, we address environmental, social and governance (ESG) standards, such as ethical behaviour (anti-corruption, anti-money laundering practices, diversity, anti-discrimination, etc.), social issues (human rights, labour rights, etc.) and environmental issues (environmental awareness, environmental risk assessment, promotion of green investments, etc.). In addition, our clients' social and environmental risks are firmly integrated into our credit decision processes, with the goal to minimise our negative impact and potential environmental and social risk, as shown by our Group Environmental Management Policy, our Group Standards for Managing the Environmental and Social Impact of Lending, and our Plastic Strategy. In the context of sector prioritisation, and knowing our main impacts and risks, last year we established a working group on sustainable agriculture to tackle the risks and impact of this vulnerable sector that is very relevant in our portfolio.

At the same time, we actively promote and support investments in green technologies, thereby steering our portfolio in that direction, as evidenced in our targets and the green initiatives described in the "Sustainable finance" section.

[> Managing the Environmental and Social Risk of Lending](#)
[> Code of Conduct](#)
[> Group Environmental Management Policy](#)
[> Plastic Strategy](#)

[> Sustainable finance](#)

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

ProCredit aims to promote – and engage all clients in – sustainable practices, including green building, e-cars, and green deposits for private individuals, and renewable energies, energy-efficient measures and green technologies for our business clients. The impact of these efforts is reflected in the fact that green loans make up more than 20% of our total portfolio, and in the client cases described in the Sustainable finance section and "Green loan methodology".

[> Sustainable finance](#)
[> Sustainability goals and achievements](#)
[> Green loan criteria overview](#)

¹² A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹³ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹⁴) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

We engage with numerous stakeholders to achieve society's goals. ProCredit works in continuous collaboration with important IFIs, such as the EBRD, OeEB and Finance in Action, to promote sustainable finance through access to funds, technical assistance, and other interventions. We also collaborate on an ongoing basis with our main consulting partner, Internationale Projekt Consult (IPC), which supports us in conducting studies, training our staff, developing tools, and reporting on the sustainability of our operations and our loans. Furthermore, we are signatories to relevant sustainable standards and memberships, such as the UN Global Compact, PCAF, GRI, SBTi and NZBA and Finance Leadership Group on Plastic to the Intergovernmental Negotiation Committee (INC). In addition, we address all our clients and suppliers, assessing and promoting sustainable practices and managing environmental and social (E&S) risk. The result of these efforts can be seen in the large share of sustainable suppliers in our supplier base and in the distribution of E&S risk categories in our portfolio.

[> International principles, standards, and memberships](#)

[> Sustainable finance](#)

[> Impact Report Datasheet 2022](#)

- 2.3 Supply chain

- 1.2 Sustainable lending

¹⁴ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The management of our positive and negative (potential) impact is a priority at the management board level, as can be appreciated from the fact that the different sections of the Impact Report are generally written by our own Management Board members. Furthermore, ProCredit has a Group Environmental Steering Committee (GESC) chaired by Management Board members, that addresses the main topics related to sustainability and the environment at the group level. In addition, our Code of Conduct and Business Strategy are centred on managing our impact, and various policies and standards support the effective implementation of the principles (e.g. our Group Environmental Management Policy, Plastic Strategy, Group Guidelines Sustainable Suppliers, and Group Standards for Managing the Environmental and Social Impact of Lending).

> [Our organisation](#)
 > [Managing the Environmental and Social Risk of Lending](#)
 > [Code of Conduct](#)
 > [Group Environmental Management Policy](#)
 > [Plastic Strategy](#)

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

In signing the ProCredit Code of Conduct, our employees commit to the aim of minimising our ecological footprint at all levels of our business operations. They receive extensive training on sustainability topics (e.g. academy programmes, specialised seminars and training). In addition, at the group and bank levels, there is continuous communication and discussion on sustainability topics in the form of newsletters, group presentations and other media, with an emphasis on responsible banking.

> [Impact Report Datasheet 2022](#)
 - Hours of training (2.2 Employees)

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? ¹⁵ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks

The Group Risk Management Committee (GRMC) is the main group-level body responsible for defining strategies and management actions related to the group's credit risk. That includes all the due diligence processes to assess, monitor and report environmental and social risk at the client level. All clients are assessed on E&S topics and categorised according to risk level. The analysis is used in the credit decision-making process and covenants are implemented to mitigate the risks. More details about our process can be found in the section "Prudent credit risk management" and online in the document "Managing the Environmental and Social Risk of Lending".

[> Exclusion List \(Code of Conduct, p. 30\)](#)
[> Prudent credit risk management](#)
[> Managing the Environmental and Social Risk of Lending](#)

Self-assessment summary:

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

¹⁵ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

The Impact Report Package 2022 details our progress in relation to our impact. In the section "SDGs, material topics and targets", we disclose our impact analysis and the main actions undertaken to address general SDG targets. We also provide different specific sustainability reporting in the section ESG analysis and supplementary information (e.g. PCAF report).

In the section "Sustainability goals and achievement", we disclose the progress we have made in relation to our specific current targets, in particular our three medium-term targets.

In the section "Our commitment to the environment", we report our efforts to strengthen our climate change risk management, following TCFD recommendations and aligning our current loan sustainability analysis with the EU Taxonomy.

> [Our commitment to the environment](#)
> [SDGs, material topics and targets](#)
> [Sustainability goals and achievements](#)
> [ESG analysis and supplementary sustainability information](#)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI SASB CDP IFRS Sustainability Disclosure Standards (to be published) TCFD Other:

Yes, we disclose our sustainability information through the Impact Report Package 2022 (this document)

> [Impact Report Package 2022](#)

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁶, target setting¹⁷ and governance structure for implementing the PRB)? Please describe briefly.

In 2023, as part of our improvement efforts, we will conduct another impact analysis that encompasses more stakeholders and new regulations, such as the European Sustainability Reporting Standard (ESRS). Furthermore, we aim to validate our decarbonisation targets with the SBTi, improve our collection of CO₂ emissions data at the client level, and include climate change in the assessment and engagement at the client level. On the topic of resource efficiency, we aim to align our procedure with the EU Taxonomy in relation to the transition to a circular economy and follow up on our engagement with clients involved in the production of plastic.

> [Environmental management](#)

¹⁶For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement.

¹⁷For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking?
Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Prioritizing actions internally | <input type="checkbox"/> Other: ... |

If desired, you can elaborate on challenges and how you are tackling these:

ACCOUNTING OF THE GHG EMISSIONS LINKED TO OUR LOAN PORTFOLIO

For the second year in a row, as part of our continued climate action efforts to support the Paris Agreement target of limiting global warming to 1.5°C above pre-industrial levels, we have committed to disclosing information about our financed emissions (Scope 3 emissions) by implementing the Partnership for Carbon Accounting Financials (PCAF) Standard.

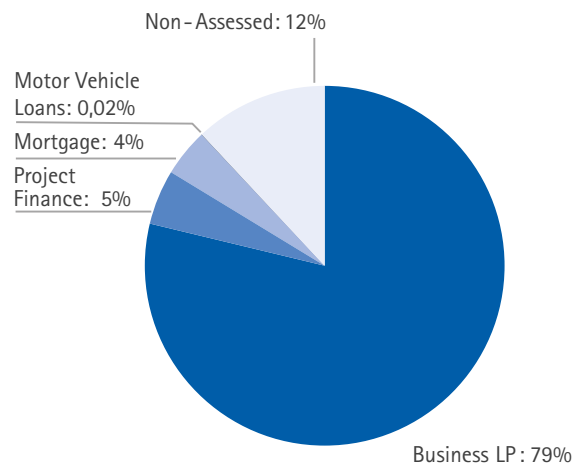
Using technical assistance funds received from the Austrian Development Bank (OeEB), we have applied the PCAF methodology, which is explained in detail below.

The PCAF Standard supports the measurement and disclosure of three types of emissions: emissions generated by economic activities; emissions captured and stored in trees, plants, soil, etc.; and emissions avoided through the implementation of green technologies. This year, our report is limited to generated and avoided emissions. The avoided emissions are calculated for green loans whenever physical data is available (see [Impact Report datasheet 2022](#); Sustainable lending).

In line with the PCAF methodology, we first divided our loan portfolio into relevant asset categories: business loans, mortgages, vehicles and project finance. Using this approach, 88% of the portfolio can be accounted for, as seen in the figure on the left. The remaining 12% cannot be assessed at this point due to insufficient data quality. The small share of

consumer lending that is not destined for mortgages or vehicles is not included, as a PCAF methodology for such loans has not yet been developed.

Next, we applied the PCAF methodology to all loans in each of the eligible asset categories. The two calculated figures are the attribution factor and the client emissions factor. The attribution factor is the share of our financing in relation to the total cost of the project or the client's balance sheet. The emissions considered are those related to the activity carried out using the loan. These two factors are multiplied to calculate the total emissions financed for each client, as shown in Figure below. Emissions can be calculated in different ways; in our case, an emissions factor that denotes emissions per revenue unit for a specific business activity is usually multiplied by the client's revenues.



Reference year: 2022

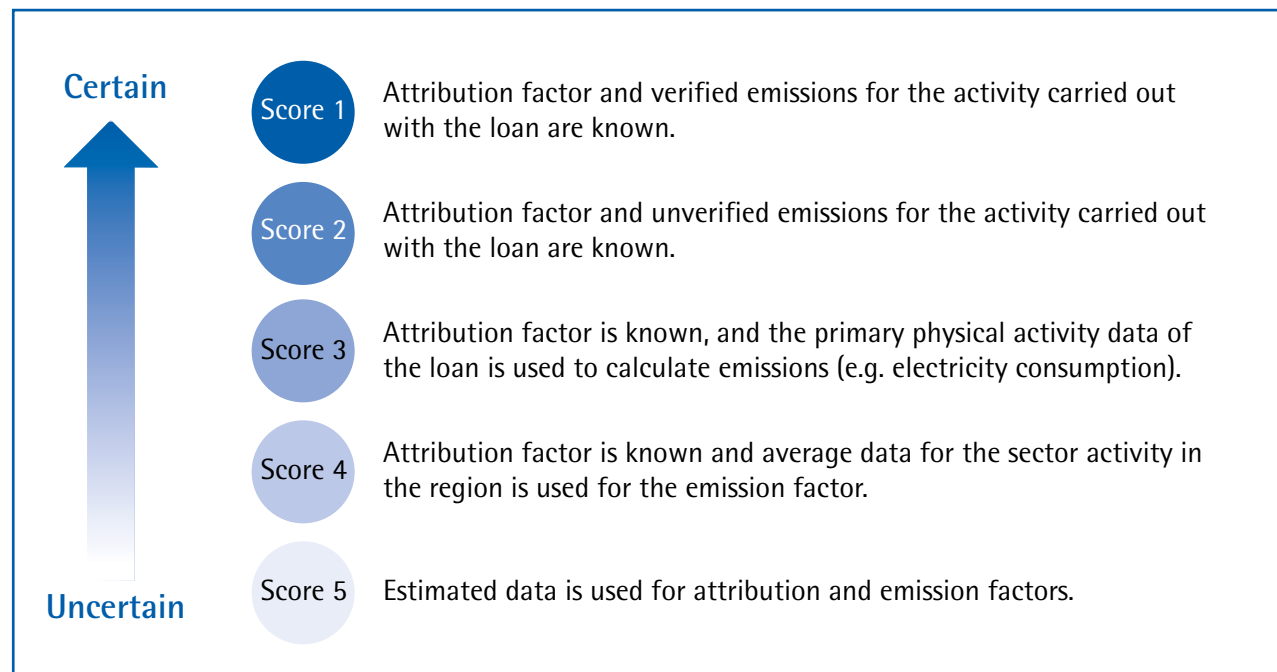
$$\text{Financed emissions} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i$$

$$\text{Attribution factor}_i = \frac{\text{Outstanding amount}_i}{\text{Total equity} + \text{debt}_i}$$

(with i = borrower or investee)

Another important factor to be considered for accurate reporting is the quality of data used for the calculations, as shown in the figure below.

Based on the availability of data at the client level and using the PCAF's emission factor database for 2022, a score of 3, 4 or 5 was determined for our calculations. The table below shows the average score by sector. We were able to improve this year's scores by obtaining physical data for some green loans (e.g. PV installations) and including vehicles in the accounting.



Specific assumptions

For the attribution factor, the figures on our clients' balance sheets for the financial years 2019-2022 were used as a reference. In addition, for mortgages and vehicles, we used the market value of the financed item at loan origination or, in the absence thereof, the oldest value available.

For the emission factors of the EU countries in which we operate, direct sector activity-based emission factors from the PCAF database were used. However,

for non-EU countries, an estimate was made based on the available PCAF data for countries with similar geographic and economic conditions. For these countries, Scope 2 emissions were estimated based on the electricity and heat generation emission factors¹⁸ of each country in relation to the country used as a baseline. Furthermore, for Scope 1 emissions data for the agricultural sector (production of cereals, raising of cattle and buffalos, pigs, poultry, and sheep and goats) a ratio was also applied considering the FAOSTAT¹⁹ crop and livestock emissions of each non-EU country versus the country used as a baseline.

Results

The results obtained are summarised in the tables on the next page. The main contributors to our loan portfolio emissions are connected to energy-intensive sectors such as agriculture, livestock, and the manufacturing of raw materials. These results confirm the approach of various international standards and regulations, prioritising energy-intensive sectors in the transition to low-carbon technology. On the basis of these results, we are currently in the process of defining our transition plan, where our aim is to establish new strategies to support our clients in the identified sectors in their transition to low-carbon technologies. At the same time, we are working to strengthen our data quality and acquisition process in order to continue improving the accuracy of our carbon accounting.

¹⁸ IEA, Emission Factors 2021

¹⁹ Food and Agriculture Organization of the United Nations Statistics, 2017

GHG emissions of loan portfolio	Dec 2022			Dec 2021		
	Total outstanding (EUR m)	Attributed emissions (tonne CO ₂ eq.)	Emission intensity (ktonne CO ₂ eq./EUR bn)	Total outstanding (EUR m)	Attributed emissions (tonne CO ₂ eq.)	Emission intensity (ktonne CO ₂ eq./EUR bn)
Business loans	4,800	769,527	160	4,772	638,545	134
Project finance	301	-	-	217	-	-
Mortgages	262	3,774	14	109	5,243	48
Vehicles	1	211	142	0	n/a	n/a
Out-of-scope	729	n/a	n/a	812	n/a	n/a

GHG emissions of loan portfolio by sector								
Indicator	Dec 2022				Dec 2021			
	Total amount outstanding (EUR m)	Attributed emissions (tonne CO ₂ eq.)	Emission intensity (ktonne CO ₂ eq./EUR bn)	Data quality score (1=high, 5=low)	Total amount outstanding (EUR m)	Attributed emissions (tonne CO ₂ eq.)	Emission intensity (ktonne CO ₂ eq./EUR bn)	Data quality score (1=high, 5=low)
Agriculture (A)	850.1	358,424.2	421.6	4.2	874.6	295,455	337.8	4.5
Minerals (B)	15.4	4,674.0	303.4	4.1	20.6	3,762	183.0	4.6
Industry (C)	1,237.4	259,634.0	209.8	4.2	1,245.3	221,291	177.7	4.5
Utilities (D)	29.3	22,185.3	756.5	4.6	20.4	29,503	1,449.0	4.9
Water distribution (E)	24.1	11,929.2	495.4	4.1	20.4	12,060	591.8	4.3
Construction (F)	362.1	15,751.4	43.5	4.2	352.7	10,658	30.2	4.5
Retail (G)	1,417.5	53,821.9	38.0	4.2	1,400.9	40,514	28.9	4.6
Transport (H)	236.7	26,447.9	111.7	4.2	232.9	9,906	42.5	4.4
Leisure (I)	156.5	2,390.7	15.3	4.2	154.5	1,609	10.4	4.6
Information and communication (J)	60.2	2,428.2	40.4	4.3	62.0	2,378	38.3	4.6
Financial services (K)	15.7	271.4	17.3	4.1	16.5	474	28.7	5.0
Real estate (L)	142.8	1,998.2	14.0	4.3	126.3	1,380	10.9	4.8
Scientific and technical activities (M)	67.1	2,862.5	47.7	4.3	69.5	2,973	42.8	4.6
Administrative services (N)	67.0	3,234.2	48.3	4.2	62.8	2,613	41.6	4.6
Regional administration (O)	1.2	39.5	33.8	4.0	0.3	16	63.2	5.0
Education (P)	39.9	460.2	11.5	4.2	35.6	578	16.3	4.6
Healthcare (Q)	53.1	1,838.6	34.6	4.4	48.4	2,186	45.2	4.7
Recreation (R)	9.7	458.3	47.0	4.3	13.0	721	55.4	4.9
Other services (S)	13.9	677.1	48.7	4.2	15.5	468	30.3	4.5
Activities of households as employers (T)	-	n/a	n/a	n/a	0.0	n/a	n/a	n/a
Extraterritorial organisations (U)	-	n/a	n/a	n/a	-	n/a	n/a	n/a
No sector	0.2	n/a	n/a	4.0	-	n/a	n/a	n/a
Total	4,799.7	769,527	160.3	4.2	4,772.0	638,545	133.8	4.5

EU TAXONOMY

In general, EU taxonomy eligibility is interpreted as which economic activities can potentially contribute to one of the six environmental objectives (climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems). Almost 14% of our total assets in the 2022 financial year are in the sectors defined as EU taxonomy-eligible. For the classification of economic activities, the NACE sectors were translated into ISIC sectors and applied. The classification criteria specific to our green loan portfolio were not taken into account here. In the future, we plan to align our green credit classification criteria with those of the EU taxonomy.

Regardless of the fact that we mainly operate in non-EU countries and focus on the SME segment in these markets, as detailed below, we are in the process of aligning our green criteria with the technical criteria of the EU taxonomy. We are currently incorporating DNSH principles into our E&S screening procedures with the aim of voluntarily disclosing the alignment of our green loans.

The majority of our assets consist of loans and advances to customers, whereby the bulk of the customer loan portfolio is located outside the European Union, reflecting our locations. This of course does not apply to our banks in Bulgaria, Romania and Ger-

many. The loan portfolios of these three banks totalled EUR 1,836 million in the 2022 financial year (in 2021, EUR 1,630 million). At the same time, our customer portfolio is predominantly made up of loans to SMEs. The loan portfolio of companies covered by the Non-Financial Reporting Directive (NFRD) framework totalled EUR 25 million in financial year 2022 (in 2021, EUR 23 million), of which EUR 3.7 million

(in 2021, EUR 4.8 million) falls within the scope of taxonomy-eligible economic activities, resulting in the proportion of taxonomy-eligible assets in total assets of 0.04% in 2022 (0.06% in 2021). These loans were issued exclusively by ProCredit Bank Germany. The group has no trading portfolio as such. The table below shows the audited consolidated group figures²¹ and excludes intercompany transactions.

EU-Taxonomy		
Indicators	Total	
	Dec 2021	Dec 2022
Total assets (in EUR m)	8,216	8,826
of which		
Central Bank balances	1,405	1,768
Loans and advances to customers	5,793	5,893
Derivative financial assets	1	13
Other	1,017	1,153
Assets with clients subject to NFRD disclosure obligations	22.8	25.1
Taxonomy eligible assets	4.8	3.7
Proportion ²⁰ in total assets of		
Taxonomy-eligible assets	0.06%	0.04%
Taxonomy non-eligible assets	99.94%	99.96%
Exposures to Central Banks, Central Governments acc. to Art. 7 (1) DA	21.78%	25.34%
Derivatives ref. to Art. 7 (2) DA	0.02%	0.14%
Exposures ref. to Art. 7 (3) DA	71.83%	68.92%

²⁰ According to Art. 10 (3) (a)-(c) DA (EU) 2021/2178

²¹ Accounting scope of consolidation

GREEN LOAN CRITERIA OVERVIEW

The ProCredit approach to green lending distinguishes between standard and non-standard measures. Standard measures are classified as energy efficiency (EE), renewable energy (RE) and environmentally friendly (GR) measures that have a positive impact on the environment, e.g. in terms of resource consumption improvements, circular economy contributions, greenhouse gas emissions reductions and/or the conservation of soil, water and air quality. Taking country-specific differences into consideration, the set of standard measures is developed through an analysis of the external market environment, screening of the banks' loan portfolios, evaluating technological standards, conducting market stakeholder interviews, determining technical potential and, ultimately, defining the corresponding eligibility criteria.

The eligibility criteria are established according to one of three methods. For standard measures, this means either the baseline approach, using relative savings compared to a defined threshold, or the high-impact approach, showing significant absolute savings with the best available technology for high-performance, state-of-the-art technologies. In contrast, non-standard measures are customised green investments that are assessed on a case-by-case basis and must result in at least 20% energy and/or resource savings compared to an established baseline.

The following table provides a detailed overview of our current green categories:

Group list of eligible green investments – Green measures	
EE	Energy Efficiency
EE1	Building envelope
EE1.1	Insulation of exterior walls
EE1.2	Insulation of roofs, attic floors or terraces
EE1.3	Insulation of ground floor, foundations and basement
EE1.4	Double-/triple-glazed windows
EE1.5	Doors, automatic doors and shutters
EE1.6	Building envelope – combined measures
EE1.7	Building envelope – energy-efficient buildings
EE2	Heating, cooling, ventilation and air conditioning (HVAC)
EE2.1	Space cooling
EE2.2	Space heating
EE2.3	Processes – heating and cooling
EE3	IT equipment and white goods
EE3.1	IT Equipment
EE3.2	White goods – domestic and commercial appliances
EE4	Lighting
EE4.1	Lighting
EE4.2	Exterior lighting improvements
EE5	Production and processes
EE5.1	Production machinery and equipment (excluding agriculture)
EE5.2	Production machinery, equipment and systems for agriculture
EE6	Transport
EE6.1	Fuel-efficient vehicles
EE7	Other
EE7.1	Other
RE	Renewable Energy
RE1	Solar water heating systems
RE1.1	Solar water heating systems
RE2	Photovoltaic systems (PV)
RE2.1	Photovoltaic systems (PV)

RE3	Hydro-power plants
RE3.1	Hydro-power plants
RE4	Wind power systems
RE4.1	Wind power systems
RE5	Geothermal systems
RE5.1	Geothermal heat production
RE5.2	Geothermal electricity production
RE6	Biomass energy / biogas plants
RE6.1	Biogas plants
RE6.2	Biomass
RE7	Other
RE7.1	Other
GR	Environmental Measures
GR1	Environmental protection
GR1.1	Soil protection measures
GR1.2	Air protection measures – purification systems
GR1.3	Air protection measures – low-pollutant vehicles
GR1.4	Water protection measures
GR2	Recycling, prevention of waste, waste management
GR2.1	Recycling, prevention of waste, waste management
GR3	Services for the environmental/ energy sector
GR3.1	Services for energy sector
GR3.2	Services for the environmental sector
GR4	Sustainable certified products
GR4.1	Sustainable certified products
GR5	Supply-side: suppliers / producers of EE/RE/GR materials and equipment
GR5.1	Suppliers / producers / services for the EE sector
GR5.2	Suppliers / producers / services for the RE sector
GR5.3	Suppliers / producers / services for environmental protection technologies
GR6	Resource efficiency
GR6.1	Resource efficiency

ANALYSIS OF THE PORTFOLIO IN TERMS OF E&S RISK

As of the end of 2022, the ProCredit group's overall loan portfolio amounted to EUR 6.1 billion. Based on its distribution among various economic activities, the business loan portfolio can be broken down into the following levels of environmental risk:

- Low (41%)
- Medium (44%)
- High (5%)

The remaining portfolio consists of loans to private clients, which are considered to have an insignificant environmental impact and are therefore not assigned to an environmental risk category.

Compared to the previous year, the growth trend of the total loan portfolio per environmental risk category continued with roughly the same pattern compared to the previous year.

The most commonly financed activities in the high environmental risk category are trade in hazardous materials and manufacturing of plastic products, with these two accounting for approximately 59% of all loans assessed as having high environmental risk (trade in hazardous materials, 32%; plastic manufacturing, 27%). Trade in hazardous materials typically includes not only trade in chemicals (such as agricultural chemicals and fertilisers), but also the

operation of fuel stations and trade in automotive fuels. Manufacturing of plastic products includes plastics and synthetic rubber in primary forms, with the latter being included in the high environmental risk class since 2019, in line with the ProCredit Plastic Strategy. The top activities with high environmental risk have changed slightly over the past several years, mainly due to phasing out of clients engaged in plastic production, especially single-use plastics.

The third business sector categorised as having a high environmental risk is the chemical production industry, which represents 15% of this portfolio. This group typically includes pharmaceutical companies and producers of various household cleaning products and cosmetics.

Other relevant include transport of hazardous materials (8%), waste management (7%) and raw material extraction (6%). When properly handled, waste management is an activity that we value due to its positive impact on the environment - especially in our countries of operation, where good waste management is either not very common or fails to meet international best-practice standards.

Lastly, a smaller, decreasing share is attributed to hydro-electric power plants, where financing is undertaken with great caution.

ProCredit banks do not categorically exclude clients with business activities in high environmental risk sectors. Instead, their environmental and social performance is thoroughly analysed to ensure that none of the associated risks result in increased credit risk or lead to negative environmental and social impacts. The group's approach to assessing activities involving high environmental risk is revised regularly. We aim to set increasingly demanding requirements and ensure that all assessments are comprehensive; this includes the use of external assessments of adverse environmental and social impacts when financing larger investments at both bank and group level.

In 2023, we will continue to place strict demands on the environmental and social practices of our clients. We will focus on carrying out thorough assessments of our business customers, providing advice and, if needed, setting covenants on better management of environmental and social risks, and financing (green) measures to reduce susceptibility to identified risks. In this way, we can contribute to the implementation of regulations on environmental and social risks as well as internationally accepted best practices in our countries of operation. By doing so, we strive to minimise risk overall and increase our sustainability-related impact.

INTERNATIONAL PRINCIPLES, STANDARDS AND MEMBERSHIPS

Main international principles and standards followed by ProCredit institutions

Environmental principles and standards:

- CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- Convention on Biological Diversity (CBD)
- Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention)
- Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention)
- Convention on Wetlands of International Importance (Ramsar Convention)
- Eco-Management and Audit Scheme (EMAS)
- ISO 14001:2015
- IUCN Guidelines on Protected Areas
- World Heritage Convention
- Montreal Protocol
- Partnership for Carbon Accounting Financials (PCAF)
- Science Based Targets initiative (SBTi)
- Net-Zero Banking Alliance (NZBA)

Social principles and standards:

- European Convention on Human Rights (1950)
- IFC/MIGA Joint Policy Statement on Forced Labour and Harmful Child Labour
- ILO Declaration on Fundamental Principles and Rights at Work (1998)
- Universal Declaration of Human Rights (1948)
- UN Convention Against Corruption (2005)
- UNEP FI Principles for Responsible Banking (PRB)
- Entrepreneurs for future. Declaration to operate according to the Paris Agreement

Environmental and social standards:

- IFC Performance Standards
- EBRD Performance Requirements
- UN Global Compact
- UNEP FI Principles for Responsible Banking (PRB)

Information security principles and standards:

- 3-D Secure Security Requirements
- ISO 20000-1:2011
- ISO 27001:2013
- PCI DSS
- PCI Card Production
- PCI PIN Security

Quality management standards:

- ISO 9001:2015

Memberships of individual ProCredit banks related to sustainability

All ProCredit banks are members of the banking association in their respective countries, and the majority are members of at least one of the relevant chambers of commerce (e.g. national, German or international).

Other exemplary memberships of individual ProCredit banks:

- Serbia: Supervisory Board of NALED (National Alliance for Local Economic Development)
- Georgia: Environment Protection Committee - Business Association of Georgia
- Kosovo: European Business Network for Corporate Social Responsibility
- North Macedonia: Macedonian Energy Forum
- Ecuador: Protocolo de Finanzas Sostenibles del Ecuador and UN Global Compact

GRI CONTENT INDEX 2022

Statement of use ProCredit Holding AG & Co. KGaA has reported in accordance with the GRI Standards for the period from January 1st 2022 to December 31st 2022.

GRI 1 used GRI 1: Foundation 2021

Applicable GRI Sector Standard(s) N/A

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GENERAL DISCLOSURES				
GRI 102: GENERAL DISCLOSURES 2021				
2-1 Organizational details	Our organisation, > pages 13ff.			<i>A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.</i>
2-2 Entities included in the organization's sustainability reporting	Our organisation, > pages 13ff.			
2-3 Reporting period, frequency and contact point	About this report, > page 1 Reporting frequency: annually Publication date: March 23rd, 2023 Contact point: Investor Relations Team - pch.ir@procredit-group.com Green Environmental Management and Impact Reporting Team - pch.greenfinance@procredit-group.com			
2-4 Restatements of information	> Impact Report Datasheet 2022 Note: Restatements were made due to updates and corrections for individual performance indicators (mainly related to internal environmental data). Significant restatements are marked with an asterisk (*) and explained in the footnotes. Disclosure 405-2 was mistakenly included in the Impact Report 2021 GRI Content Index. The ratio required by this disclosure was not disclosed in previous reports. The disclosure was removed from the current GRI Content Index.			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
2-5 External assurance	The report is not externally assured.			
2-6 Activities, value chain and other business relationships	<p>Letter from the Management Board, > pages 7ff. Economic development, > pages 28ff. Corporate governance, > pages 31ff. Reliable partnerships and transparent services, > pages 36ff. Prudent credit risk management, > pages 48ff. Sustainable finance, > pages 65 ff.</p> <p>> Impact Report Datasheet 2022 - 2.1 Customers - 2.3 Supply chain</p>			
2-7 Employees	<p>Fair recruiter and employer, > pages 78ff.</p> <p>> Impact Report Datasheet 2022 - 2.2 Employees</p>			
2-8 Workers who are not employees	<p>> Impact Report Datasheet 2022 - 2.2 Employees</p> <p>Note: The main type of work is related to cleaning, maintenance and security services.</p>			
2-9 Governance structure and composition	<p>Our organisation, > pages 13ff. Corporate governance, > pages 31ff.</p> <p>> Impact Report Datasheet 2022 - 2.2 Employees</p> <p>> Disclosure Report 2022: Management Body</p>			
2-10 Nomination and selection of the highest governance body	> Disclosure Report 2022: Section: Management Body			
2-11 Chair of the highest governance body	<p>Our organisation, > pages 13ff. Corporate governance, > pages 31ff.</p> <p>> Disclosure Report 2022: Management Body</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
2-12 Role of the highest governance body in overseeing the management of impacts	Our organisation, > pages 13ff. Corporate governance, > pages 31ff. Our approach to stakeholder engagement, > page 23 Our process to determine material topics, > page 25 > Disclosure Report 2022 : Other material risks			
2-13 Delegation of responsibility for managing impacts	Our organisation, > pages 13ff. Corporate governance, > pages 31ff. Environmental management, > pages 56ff.			
2-14 Role of the highest governance body in sustainability reporting	Corporate governance, > pages 31ff. The sustainability reporting process is clearly established in our Impact Report Guideline. The Supervisory Board is engaged in the review process. The Management Board actively provides strategic, qualitative and quantitative information to the report.			
2-15 Conflicts of interest	> Annual Report 2022 , pages 103ff.			
2-16 Communication of critical concerns	Corporate governance, > pages 31ff. Reliable partnerships and transparent services, > pages 36ff. Technology and innovation, > pages 41ff. Ethical values and working environment, > pages 74ff. > Impact Report Datasheet 2022 - 3.1 Compliance			
2-17 Collective knowledge of the highest governance body	Corporate governance, > pages 31ff.			
2-18 Evaluation of the performance of the highest governance body	Fair recruiter and employer, > pages 78ff. > Disclosure Report 2022 : Remuneration > Annual Report 2022 , page 103			
2-19 Remuneration policies	Corporate governance, > pages 31ff. Fair values and ethical, > pages 78ff. > Annual Report 2022 , pages 100ff. > Disclosure Report 2022 : Remuneration	2-19 b.	Not applicable	We consciously refrain from offering short-term, performance-related bonuses.

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
2-20 Process to determine remuneration	<p>Fair recruiter and employer, > pages 78ff.</p> <p>> Disclosure Report 2022: Remuneration > Annual Report 2022: Remuneration report for the management board and supervisory board</p> <p>Note: The HR Policy describes the process to determine remuneration based on qualification and responsibilities. The ProCredit group generally opposes contractual variable payments. Variable remuneration such as bonuses are only granted on an exceptional and very limited scale and are always determined on the basis of long-term commitment and performance. We see long-term commitment reflected in employees' adherence to our core values and objectives, which of course includes supporting sustainable economic development in our countries of operation and following the environmental and social guidelines laid out in our > Code of Conduct.</p> <p>Termination payments: In line with regulatory requirements in the respective countries of operation. Clawbacks: Due to the remuneration structure, clawbacks are not applicable. Retirement benefits: No retirement benefits apply.</p>			
2-21 Annual total compensation ratio	<p>> Impact Report Datasheet 2022 - 2.2 Employees</p>			
2-22 Statement on sustainable development strategy	<p>Letter from the Management Board, > pages 7ff. Facts and Figures > page 3</p> <p>> About us</p>			
2-23 Policy commitments	<p>Corporate governance, > pages 31ff. Additional/specific policy commitments are listed under the "More information" boxes at the end of each material topic description, pages 30, 35, 40, 42, 54, 59, 67, 76, 81, 85.</p> <p>> Code of Conduct > Business ethics and environmental standards (incl. Human Rights Statement)</p> <p>Note on due diligence and precautionary principle approach: Whenever new services or processes are introduced, a New Risk Assessment (NRA) is conducted. If the services or processes are environmentally relevant, the Environmental Coordinator or Environmental Unit of each institution is also involved in this assessment to ensure that the environmental impact is appropriately appraised and taken into account.</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
2-24 Embedding policy commitments	<p>Our organisation, > pages 13ff. Corporate governance, > pages 31ff. Staff development, > pages 84ff. SDGs, material topics and targets, > pages 90ff. UNEP-FI Principles for Responsible Banking, > pages 98ff.</p> <p>> Code of Conduct > Business ethics and environmental standards (incl. Human Rights Statement)</p>			
2-25 Processes to remediate negative impacts	<p>Corporate governance, > pages 31ff.</p> <p>> Code of Conduct > Compliance management system > Business ethics and environmental standards > Risk management and internal controls</p>			
2-26 Mechanisms for seeking advice and raising concerns	<p>Corporate governance, > pages 31ff.</p> <p>> Whistleblowing system</p>			
2-27 Compliance with laws and regulations	<p>> Impact Report Datasheet 2022 - 3.1 Compliance</p>			
2-28 Membership associations	<p>International principles, standards and memberships, > page 118</p>			
2-29 Approach to stakeholder engagement	<p>Material topics and impact reporting, > pages 22ff.</p>			
2-30 Collective bargaining agreements	<p>Fair recruiter and employer, > pages 78ff.</p> <p>> Impact Report Datasheet 2022 - 2.2 Employees</p> <p>> Human Rights Statement > Disclosure Report 2022: Remuneration > Code of Conduct</p> <p>Note: ProCredit recognises the right of our employees to join trade unions and engage in collective bargaining in accordance with local law. Our Code of Conduct stipulates the general working conditions and so do all individual labour contracts. Working conditions and terms of employment do not differ between employees, regardless of whether employees are covered by collective bargaining agreements.</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Material Topics				
GRI 3: Material Topics 2021				
3-1 Process to determine material topics	Material topics and impact reporting, > pages 22ff.			
3-2 List of material topics	Key material topics, > page 26			
Market presence				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Economic Development, > pages 28ff.			
GRI 202: Market Presence 2016				
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	> Impact Report Datasheet 2022 - 2.2 Employees Note: "Significant locations of operations refer to our four main regions of operation."			
202-2 Proportion of senior management hired from the local community	> Impact Report Datasheet 2022 - 2.2 Employees Note: Senior management, in this context, is defined as Management Board members. "Significant locations of operations refer to our four main regions of operation."			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Indirect economic impacts				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Economic Development, > pages 28ff. Sustainable finance, > pages 65ff. Fair recruiter and employer, > pages 78ff.			
GRI 203: Indirect Economic Impacts 2016				
203-2 Significant indirect economic impacts	Our socially responsible approach, > pages 27ff. Sustainable finance, > pages 65ff. Fair recruiter and employer, > pages 78ff. > Impact Report Datasheet 2022 - 2.4 Economic development			
Anti-corruption				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Corporate governance, > pages 31ff. > Corporate values > Prevention of money laundering and other financial crimes			
GRI 205: Anti-corruption 2016				
205-1 Operations assessed for risks related to corruption	> Impact Report Datasheet 2022 - 3.2 Crime prevention Note: All defined scenarios and processes related to operations are assessed for potential risk of corruption. Each client account is also screened for financial crime risks of any kind, including corruption.			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
205-2 Communication and training about anti-corruption policies and procedures	<p>Corporate governance, > pages 31ff. Ethical values and working environment, > pages 74ff.</p> <p>> Impact Report Datasheet 2022 - 2.2 Employees - 3.2 Crime prevention</p> <p>> Prevention of money laundering and other financial crimes</p> <p>Note: We communicate our anti-corruption policies to governance body members, employees and business partners publicly via our > Code of Conduct. Business partners such as suppliers are obliged to adhere to our values by signing a declaration of compliance.</p>			
Anti-competitive behavior				
GRI 3: Material Topics 2021				
3-3 Management of material topics	<p>Key material topics, > page 26</p> <p>Material topic matched: Corporate governance, > pages 31ff.</p> <p>> Corporate values > Prevention of money laundering and other financial crimes</p>			
GRI 206: Anti-competitive Behavior 2016				
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<p>> Impact Report Datasheet 2022 - 3.1 Compliance</p> <p>Note: No instances of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation have been identified.</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Energy				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Internal environmental management, renamed in 2022 to Environmental management, > pages 56ff.			
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance Note: Cooling energy for air conditioners is included under electricity consumption. Steam energy is not used at ProCredit premises.			
302-3 Energy intensity	> Impact Report Datasheet 2022 - 1.1 Environmental Performance Note: The indicators only consider energy consumption within the organisation.			
302-4 Reduction of energy consumption	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Emissions				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Internal environmental management, renamed in 2022 to Environmental management, > pages 56ff. Carbon neutrality by 2023, > page 19			
GRI 305: Emissions 2016				
305-1 Direct (Scope 1) GHG emissions	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance Notes: Consolidation approach for emissions: operational control. CO ₂ , CH ₄ and N ₂ O gases are considered.	305-1 c.	Information unavailable, incomplete	Biogenic emissions are not considered, as the complexity of calculating them is disproportionate to the additional insights they would provide in this context.
305-2 Energy indirect (Scope 2) GHG emissions	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance Notes: Consolidation approach for emissions: operational control. For purchased electricity CO ₂ emissions are considered. For district heating, CO ₂ , CH ₄ and N ₂ O gases are considered.			
305-3 Other indirect (Scope 3) GHG emissions	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance Notes: Consolidation approach for emissions: operational control. Includes CO ₂ emissions.	305-3 c.	Information unavailable, incomplete	Biogenic emissions are not considered, as the complexity of calculating them is disproportionate to the additional insights they would provide in this context.

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
305-4 GHG emissions intensity	Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance			
305-5 Reduction of GHG emissions	Carbon neutrality by 2023, > page 19 Environmental management, > pages 56ff. > Impact Report Datasheet 2022 - 1.1 Environmental Performance			
Supplier environmental assessment				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Corporate governance, > pages 31ff. > Code of Conduct : Exclusion list Note: Over the last years, the ProCredit group has taken significant steps to expand the scope of its supply chain management. The most recent version of the Group Guidelines on Sustainable Suppliers provides clear criteria for selecting suppliers of products and services, and encourages the ProCredit banks to look beyond their direct suppliers to investigate the suppliers' respective supply chains wherever possible. All suppliers are expected to adhere to the core values of the ProCredit group. They are screened for compliance with our Exclusion List and with all statutory environmental and social requirements, and are required to sign a declaration of compliance. This in itself raises their awareness of sustainability issues. However, the process goes far beyond these minimum standards to include other environmental and social indicators whenever possible and feasible. These are used to classify particularly sustainable suppliers (considering for instance the introduction of certified environmental management systems, sustainable waste management systems and packaging as well as policies and action to ensure equal opportunities amongst staff, to name just a few). To assist the banks in their procurement decisions, a group-wide Sustainable Supplier Screening and Assessment Tool has been developed, and members of each bank's Environmental Management unit sit on the tender committees. Support also comes from the Group Environmental Management team, offering additional advice and communicating best practices across the group.			
GRI 308: Supplier Environmental Assessment 2016				
308-1 New suppliers that were screened using environmental criteria	> Impact Report Datasheet 2022 - 2.3 Supply chain Note: Numbers are based on the total number of suppliers.			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Employment				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Fair recruiter and employer, > pages 78ff.			
GRI 401: Employment 2016				
401-1 New employee hires and employee turnover	> Impact Report Datasheet 2022 - 2.2 Employees Note: The average number of employees during the respective period is calculated by averaging the year-end data specified in Disclosure 102-8. When computing new hire rates and turnover rates for specific sub-groups, the sub-group average is used as the denominator.			
Training and education				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Staff development, > pages 84ff. Staff competence, > pages 20f.			
GRI 404: Training and Education 2016				
404-1 Average hours of training per year per employee	Staff competence, > pages 20f. Staff development, > pages 84ff. > Impact Report Datasheet 2022 - 2.2 Employees			
404-2 Programs for upgrading employee skills and transition assistance programs	Staff competence, > pages 20f. Staff development, > pages 84ff. > Impact Report Datasheet 2022 - 2.2 Employees			
404-3 Percentage of employees receiving regular performance and career development reviews	Staff competence, > pages 20f. Staff development, > pages 84ff. > Impact Report Datasheet 2022 - 2.2 Employees			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Diversity and equal opportunity				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Ethical values and working environment, > pages 74ff. > Code of Conduct			
GRI 405: Diversity and Equal Opportunity 2016				
405-1 Diversity of governance bodies and employees	Ethical values and working environment, > pages 74ff. > Impact Report Datasheet 2022 - 2.2 Employees			
Non-discrimination				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Fair recruiter and employer, > pages 78ff. > Human Rights Statement > Code of Conduct			
GRI 406: Non-discrimination 2016				
406-1 Incidents of discrimination and corrective actions taken	Corporate governance, > pages 31ff. > Impact Report Datasheet 2022 - 3.1 Compliance	401-6 b. and 401-6 2.1	Information unavailable, incomplete	Since there were no incidents, we did not include information on the status/actions taken. The compilation requirements are not disaggregated as described in the Topic Standard.

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Child labor				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topics matched: Prudent credit risk management, > pages 48ff. Corporate governance, > pages 31ff. > Human Rights Statement > Code of Conduct			
GRI 408: Child Labor 2016				
408-1 Operations and suppliers at significant risk for incidents of child labor	In 2022 no operations were identified as having any significant risk for incidences of child labour. Our Exclusion List (see > Code of Conduct , page 30) categorically excludes sectors that are of high risk in this regard (i.e. exploitation in diamond mines, and underground mining in general). Moreover, the activities of all clients, suppliers and other counterparties are screened for exploitative forms of harmful child labour. No business relationship can be established with entities involved in child labour.			
Forced or compulsory labor				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topics matched: Prudent credit risk management, > pages 48ff. Corporate governance, > pages 31ff. > Human Rights Statement > Code of Conduct			
GRI 406: Non-discrimination 2016				
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	In 2022 no operations were identified as having any significant risk for incidences of forced or compulsory labour. Our Exclusion List (see > Code of Conduct , page 30) categorically excludes sectors that are of high risk in this regard (i.e. exploitation in diamond mines, and underground mining in general). Moreover, the activities of all clients, suppliers and other counterparties are screened for forced or compulsory labour. No business relationship can be established with entities involved in forced or compulsory labour.			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Supplier social assessment				
GRI 3: Material Topics 2021				
3-3 Management of material topics	<p>Key material topics, > page 26</p> <p>Material topic matched: Corporate governance, > pages 31ff.</p> <p>> Code of Conduct: Exclusion list</p> <p>Note: Over the last years, the ProCredit group has taken significant steps to expand the scope of its supply chain management. The most recent version of the Group Guidelines on Sustainable Suppliers provides clear criteria for selecting suppliers of products and services, and encourages the ProCredit banks to look beyond their direct suppliers to investigate the suppliers' respective supply chains wherever possible. All suppliers are expected to adhere to the core values of the ProCredit group. They are screened for compliance with our Exclusion List (see > Code of Conduct, page 30), and with all statutory environmental and social requirements, and are required to sign a declaration of compliance. This in itself raises their awareness of sustainability issues. However, the process goes far beyond these minimum standards to include other environmental and social indicators whenever possible and feasible. These are used to classify particularly sustainable suppliers (considering for instance the introduction of certified environmental management systems, sustainable waste management systems and packaging as well as policies and action to ensure equal opportunities amongst staff, to name just a few). To assist the banks in their procurement decisions, a group-wide Sustainable Supplier Screening and Assessment Tool has been developed, and members of each bank's Environmental Management unit sit on the tender committees. Support also comes from the Group Environmental Management team, offering additional advice and communicating best practices across the group.</p>			
GRI 414: Supplier Social Assessment 2016				
414-1 New suppliers that were screened using social criteria	<p>> Impact Report Datasheet 2022</p> <p>- 2.3 Supply chain</p> <p>Note: Numbers are based on the total number of suppliers.</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Marketing and labeling				
GRI 3: Material Topics 2021				
3-3 Management of material topics	Key material topics, > page 26 Material topic matched: Reliable partnerships and transparent services > pages 36ff. Corporate governance, > pages 31ff. > Human Rights Statement > Code of Conduct			
GRI 417: Marketing and Labeling 2016				
417-2 Incidents of non-compliance concerning product and service information and labeling	Reliable partnerships and transparent services, > pages 36ff. > Impact Report Datasheet 2022 - 3.1 Compliance Note: No incidents of non-compliance concerning product and service information and labeling have been reported in 2022.			
417-3 Incidents of non-compliance concerning marketing communications	Reliable partnerships and transparent services, > pages 36ff. > Impact Report Datasheet 2022 - 3.1 Compliance Note: No incidents of non-compliance concerning marketing communications have been reported in 2022.			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Customer privacy				
GRI 3: Material Topics 2021				
3-3 Management of material topics	<p>Key material topics, > page 26</p> <p>Material topics matched: Reliable partnerships and transparent services, > pages 36ff. Technology and innovation, > pages 41ff.</p> <p>Note: In 2020 Quipu expanded its collaboration with third-party suppliers. To offset the risks associated with outsourcing, all potential suppliers are very closely assessed to ensure that personal data are processed in line with EU law (GDPR). The data centre provider that stores the majority of the group's data also serves numerous other German banks and is recognised as one of the safest in the world, providing the highest possible level of protection.</p>			
GRI 418: Customer Privacy 2016				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<p>Reliable partnerships and transparent services, > pages 36ff. Technology and innovation, > pages 41ff.</p> <p>> Impact Report Datasheet 2022 - 3.1 Compliance</p> <p>Note: No substantiated complaints concerning breaches of customer privacy and losses of customer data have been reported in 2022.</p>			

DISCLOSURE	LOCATION / COMMENTS	OMISSION		
		REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Topics in the applicable GRI Sector Standards determined as not material				
Other indicators				
G4 Sector Disclosures: Financial Services				
Note: Given that no Sector Standards were available at the time of publication of the present report, we kept disclosing the G4 Sector Standards, which we used in past years.				
FS05 Interactions regarding environmental and social risks and opportunities	Prudent credit risk management, > pages 48ff. Sustainable finance, > pages 65ff.			
FS06 Portfolio in business lines	Sustainable finance, > pages 65ff. > Impact Report Datasheet 2022 - 1.2 Sustainable lending			
FS08 Share of green products	Sustainable finance, > pages 65ff. > Impact Report Datasheet 2022 - 1.2 Sustainable lending			
FS09 Audit of E&S risk policies	Prudent credit risk management, > pages 48ff. Sustainable finance, > pages 65ff. > Impact Report Datasheet 2022 - 1.2 Sustainable lending			
FS10 E&S issues of clients	Prudent credit risk management, > pages 48ff. Sustainable finance, > pages 65ff. > Impact Report Datasheet 2022 - 1.2 Sustainable lending			
FS15 Fair design and sale of financial products	Corporate governance, > pages 31ff. Reliable partnerships and transparent services, > pages 36ff. Prudent credit risk management, > pages 48ff. Sustainable finance, > pages 65ff.			

LIST OF ABBREVIATIONS

AG	Aktiengesellschaft (public limited company)	GEM	Group Environmental Management	NRA	New Risk Assessment
AML	Anti-money laundering	GEO	Georgia	NZBA	Net-Zero Banking Alliance
B&H	Bosnia and Herzegovina	GHG	Greenhouse gases	OeEB	Österreichische Entwicklungsbank (Development Bank of Austria)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)	GR	Other environmentally friendly investments	PAR	Performance and accountability reporting
BCA	Business Client Adviser	GRI	Global Reporting Initiative	PCAF	Partnership for Carbon Accounting Financials
bp	Basis points	HR	Human Resources	PCB	ProCredit Bank
BSF	Black soldier fly	IEA	International Energy Agency	PCH	ProCredit Holding
Btu	British thermal units	iEMS	internal Environmental Management System	PCI	Payment card industry
CEO	Chief Executive Officer	IFC	International Finance Corporation	PCI DSS	Payment Card Industry Data Security Standard
CERES	Certification of Environmental Standards GmbH	IFIs	International Financial Institutions	PCSI	ProCredit Staff Invest
CITES	Convention on International Trade in Endangered Species	IFRS9	International Financial Reporting Standard 9	PI	Private Individuals
CSRD	Corporate Sustainability Reporting Directive	ILO	International Labour Organization	PM	Particulate matter (particle pollution)
DNSH	Do Not Significant Harm	IMI	Internationale Micro Investitionen AG	PM2.5	Fine particulate matter
DOEN	DOEN foundation (from Dutch 'doen' = to do)	INC	Intergovernmental negotiation committee	PPP	Purchasing power parity
E&S	Environmental and social	IPC	Internationale Projekt Consult GmbH	PR	Public Relations
EBRD	European Bank for Reconstruction and Development	ISO	International Organization for Standardization	PPP	Purchasing power parity
ECA	Export credit agency	ISS	Institutional Shareholder Services Inc.	PRB	Principle of Responsible Banking
ECU	Ecuador	IUCN	International Union for Conservation of Nature	PSD2	Payment Services Directive
EDGE	Excellence in Design for Greater Efficiencies	KfW	Kreditanstalt für Wiederaufbau	PV	Photovoltaic
EE	Energy efficiency	KGaA	Kommanditgesellschaft auf Aktien (partnership limited by shares)	RE	Renewable energy
EIF	European Investment Fund	KPI	Key performance indicator	SBTi	Science Based Targets initiative
EM	Environmental management	kW	Kilowatt	SDG	Sustainable Development Goals
EMAS	EU Eco-Management and Audit Scheme	KWG	Kreditwesengesetz (German Banking Act)	SEE	South Eastern Europe
EMS	Environmental Management System	kWh	Kilowatt hour	SME	Small and medium-sized enterprise
EPC	Engineering procurement and construction (companies)	kWp	Kilowatt peak	TCFD	Taskforce on Climate-related Financial Disclosures
ERO	Environmental Risk Officer	LP	Loan portfolio	TÜV	Technischer Überwachungsverein (Technical Control Board / Association for Technical Inspection)
ESG	Environmental, social and governance	µg	Microgram	UN	United Nations
ESIA	Environmental and social impact assessment	MIGA	Multilateral Investment Guarantee Agency	UNDP	United Nations Development Programme
ESOP	Employee stock ownership plan	MKD	North Macedonia	UNEP FI	United Nations Environment Programme Finance Initiative
EVs	Electric vehicles	MSCI	Morgan Stanley Capital International	UNGC	United Nations Global Compact
FSE	Frankfurt Stock Exchange	MW	Megawatt	USD	United States dollar
FSC	Forest Stewardship Council	MWh	Megawatt hour		
GDP	Gross domestic product	ND-GAIN	Notre Dame Global Adaptation Initiative		
GESC	Group Environmental Steering Committee	NFRD	Non-Financial Reporting Directive		
		NGO	Non-Governmental Organization		



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