
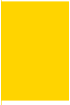







Who Defines Sustainability?  
Ost-Ausschuss Meeting June 2023



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## Introduction of ProCredit Bank AG

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# ProCredit – a unique approach to banking

## Key elements of the ProCredit approach

- ▶ An **impact-oriented** group of greenfield built commercial banks with a focus on **SMEs in South Eastern and Eastern Europe**. Headquartered in Frankfurt and supervised by BaFin and Bundesbank
- ▶ “**Hausbank**” for SMEs complemented by “**ProCredit Direct**” for Private Clients
- ▶ **Strong organic business growth**, to consistently grow market share without costly integration
- ▶ **High-quality loan portfolio** based on prudent risk management and long-term business relationships
- ▶ **Skilled, loyal staff** and **scalable technology** platform with no legacy systems
- ▶ **Profitable** every year since creation as a banking group
- ▶ Listed on the Frankfurt Stock Exchange with **strong ESG positioning**

## ProCredit at a glance

**Hausbank**  
for SMEs

**ProCredit Direct**  
for Private Clients

### Impact and development orientation

**ProCredit banks**

12

**Loan portfolio**

EUR 6,108m

**Loan growth (FY 2022)**

3.1%

**CET1 ratio**

13.5% (fully loaded)

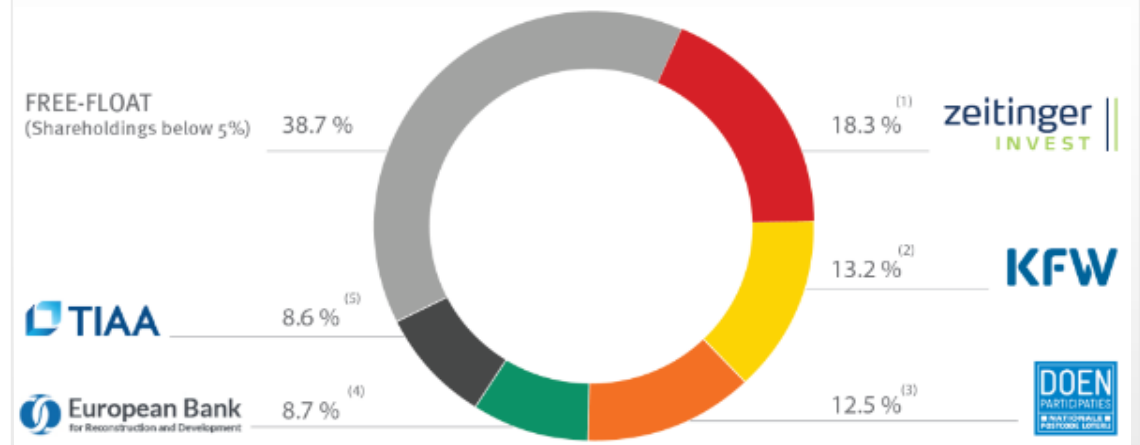
**Rating (Fitch)**

BBB (stable)

**RoE (FY 2022)**

7.8% excl. Ukraine

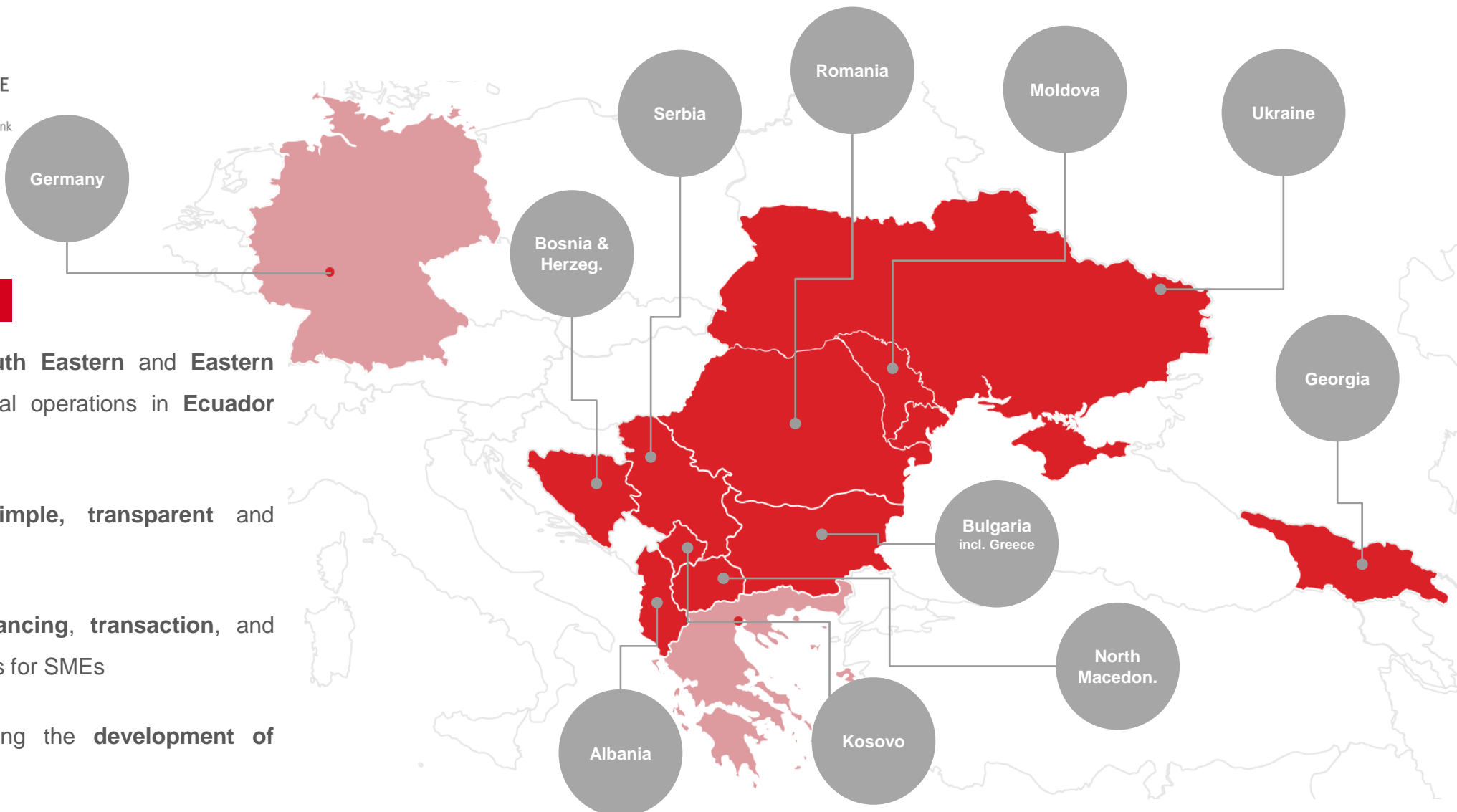
### Development-oriented shareholder base



Notes: See page 21 of this presentation








# Strong regional footprint across **SEE** and **EE** region



## We build bridges

- ▶ **Focus:** SMEs in **South Eastern and Eastern Europe**, with additional operations in **Ecuador** and **Germany**
- ▶ **Business Model:** simple, transparent and globally-oriented
- ▶ **Services:** unique **financing, transaction, and trade finance** solutions for SMEs
- ▶ **Partnership:** supporting the **development of Ukraine Desk**

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# Three Principles of Sustainability

## Environmental

- Reduce carbon emissions
- Conserve natural resources
- Reduce waste
- Protect biodiversity and ecosystems
- Promote sustainable consumption and production



## Social

- Equal opportunities and social justice
- Access to basic needs
- Strengthening community ties
- Responsibility towards future generations
- Cultural diversity and inclusivity



## Economic

- Fair distribution of wealth and resources
- Sustainable economic growth
- Encourage innovation and entrepreneurship
- Responsible investment practices
- Sustainable supply chain management and fair trade



# Sustainability as **composition** of **environmental, social and governmental aspects**

Sustainable finance means reconciliation of investment decisions with protection of environmental, social and governance balance






**Sustainable finance** refers to the process of taking **environmental, social and governance (ESG) considerations** into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.

Source: European Commission (2023): Overview of sustainable finance.



“...**sustainability-related issues** are taken into **consideration in decisions** made by public- and private-sector financial market participants. ... to include **not only climate and environmental protection** (Green Finance), but also **economic and social aspects** (an “ESG approach” that integrates Environment, Social and Governance aspects)”

Source: The Federal Government (2021): German Sustainable Finance Strategy.

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# Overarching Frameworks

## UN Sustainability Goals

- 17 global goals adopted by the UN in 2015
- Address **social, environmental,** and **economic** challenges
- Topics include poverty eradication, health, education, gender equality, clean energy, climate action, biodiversity, and more
- Common **guide for governments, businesses, and civil society**
- Aim to be achieved **by 2030**
- Provide **framework for measuring progress towards sustainability**
- Require collaborative efforts for positive change



## EU Taxonomy

- EU framework for **classifying sustainable economic activities**
- **Common language** for investors, businesses, and policymakers
- Focusses on **6 environmental objectives**
- Aims to **prevent greenwashing, enhance transparency**
- Implemented in EU regulations, **shaping sustainability definition in financial sector**



CLIMATE CHANGE MITIGATION



CLIMATE CHANGE ADAPTATION



SUSTAINABLE USE OF WATER AND MARINE RESOURCES



CIRCULAR ECONOMY



POLLUTION PREVENTION



HEALTHY ECOSYSTEM



### Enabling activity

The activity is improving the performance of another economic activity, or activities, and does not itself risk harm to environmental objectives.

E.g. Manufacture of low carbon products, key components, equipment or machinery.



### Own performance

The activity itself is being performed in a way that substantially contributes to an environmental objective.

E.g. Building renovation, energy efficient manufacturing processes, low carbon energy production.

### Improvement measures

Efficiency or performance improvements made within an economic activity e.g.

Energy efficiency measures

Small-scale renewables

Resilience measures

### Economic activity

e.g. Manufacturing

Source: United Nations (n.d.): The 17 Goals | United Nations.

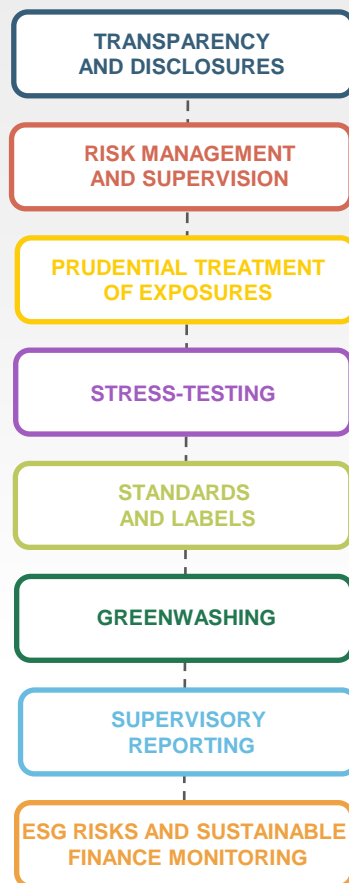
Sources: 1) European Commission (n.d.): EU taxonomy for sustainable activities.

2) EU Technical Expert Group on Sustainable Finance (2020): Technical Report.

# Overarching Frameworks

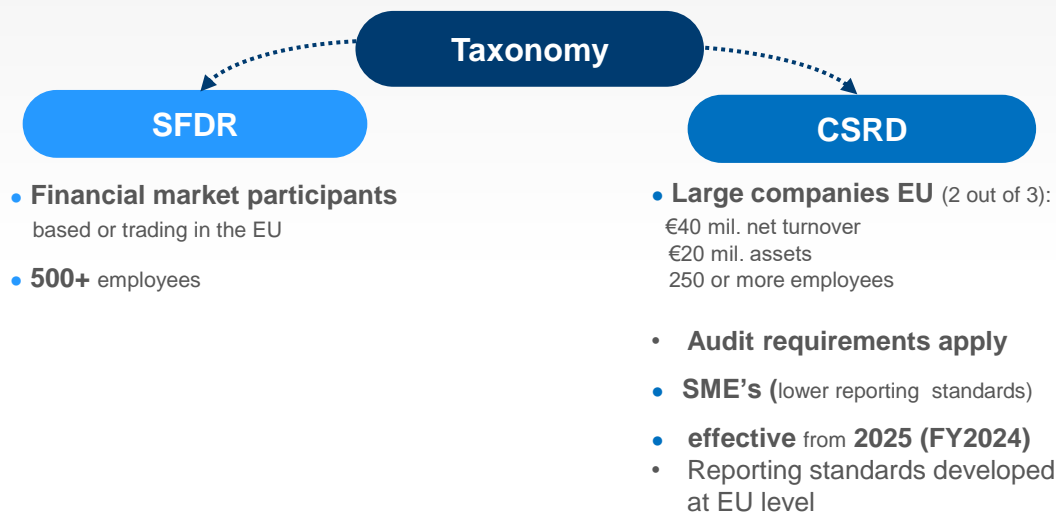
## European Banking Authority

- EBA published **roadmap on sustainable finance** with **8 key objectives**
- **Integration of ESG risks into banks' risk management** during time period **until 2025**
- Provides **guidance on governance and risk assessment**
- Emphasizes **stress testing and scenario analysis**
- Provides regular updates on progress
- Promotes **coordinated approach in EU banking sector**



## EU Disclosure Regulations

- **CSRD**: Corporate Sustainability Reporting Directive
- **SFDR**: Sustainable Finance Disclosure Regulation
- Regulate **disclosure of sustainability information**
- Apply to **companies and financial institutions in the EU**
- Define **requirements for sustainability reporting**
- Improve **transparency of ESG data and reporting**



Source: European Banking Authority (2022): The EBA publishes its roadmap on sustainable finance.

Sources: 1) European Commission (n.d.): Corporate sustainability reporting.  
2) Aztec Group (2023): SFDR: what you need to know for 2023.  
3) Normative (2023): The Corporate Sustainability Reporting Directive (CSRD), explained.

# Voluntary Frameworks

## ESG-Rating-Agencies

- Assess **companies' environmental, social, and governance (ESG) performance**
- Provide **ratings, rankings, and scores** on **ESG factors**
- Help investors and stakeholders **evaluate sustainability performance**



Source: Harvard Law School Forum on Corporate Governance (2022): ESG Ratings: A Compass without Direction.

## Corporate-Internal ESG-Framework

- **Set internal guidelines and criteria** for assessing and managing ESG risks and opportunities
- Provide a **framework for decision-making** on sustainability-related issues
- Contribute to the corporate's sustainability strategy, **aligning with global standards and best practices**



## Capital Markets & Banking Standards

- **ICMA** (International Capital Market Association) and **LMA** (Loan Market Association) are **leading industry associations** in capital markets and banking
- Provide resources and tools to **support market participants** in **meeting sustainability goals** and regulatory requirements



Source: International Capital Market Association (n.d.): Sustainable Finance.

## Science Based Target

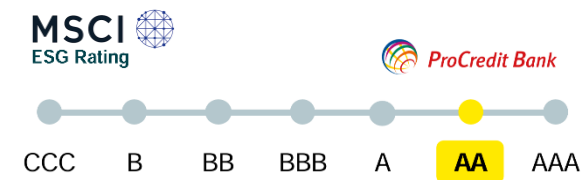
- Provides **science-based guidance** for **setting emissions targets**
- Provides **clear, measurable, and ambitious targets** – helps companies align with Paris Agreement goals and in transitioning to low-carbon economy
- **Widely recognized globally** as a credible sustainability initiative



Source: Science Based Targets (n.d.): About us.



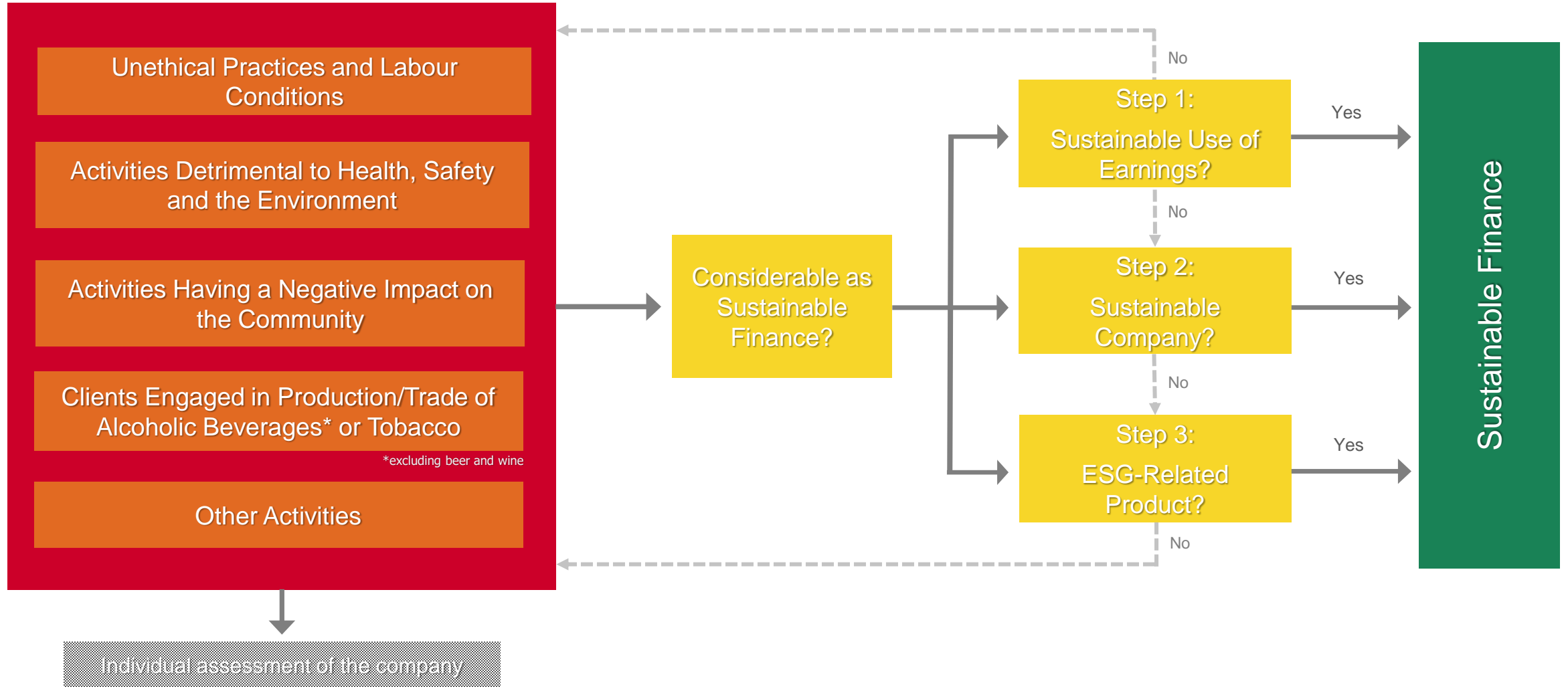
# ESG Rating Assessment Methodology








Sources: 1) MSCI – ESG Rating Key Issue Framework (2023)  
2) ProCredit-Holding - Rating (2022)

# Assesment Scheme Sustainable Finance

## Exclusion List ProCredit Group



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# ProCredit Group

## Selected Key Historic Milestones

2003 - 2006

- **FIRST GREEN LOANS** granted for energy efficiency and renewable energy investments in 2006
- **ENVIRONMENTAL EXCLUSION LIST** introduced group-wide in the banks' Codes of Conduct in 2006

2008 - 2014

- EM policy and **EM UNIT** at each bank
- 2010: **ENVIRONMENTAL COURSES** introduced at the ProCredit Academies
- 2011: Introduction of a group-wide three-pillar approach to **ENVIRONMENTAL MANAGEMENT**
- 2011: First **GROUP ENVIRONMENTAL STEERING COMMITTEE**
- 2012: Introduction of semi-annual group-wide **GREEN SEMINARS**

2015 - 2017

- **GROUP CODE OF CONDUCT** replaces banks' local versions
- **GREEN FINANCE APPROACH**  
All ProCredit banks apply the green lending and E&S risk management concept
- All ProCredit institutions **CERTIFIED** under ISO 14001 or EMAS
- First **ESG RATING** by MSCI and oekom research (now ISS ESG)

2018 - 2020

- Introduction of the **PLASTIC STRATEGY**
- Continuous **EDGE CERTIFICATION** of head office buildings
- **FIRST GREEN BOND** placement for emerging countries with the IFC for green investments by SMEs
- Publication of first group **IMPACT REPORT** following GRI Standards
- Financing of **PV PLANTS FOR ENERGY COMMUNITIES** in Greece

2021

- Joined the **PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)**  
First report on the GHG emissions associated with the loan portfolio (Scope 3 emissions)
- Network of **ELECTRIC VEHICLE CHARGING STATIONS** installed in Eastern Europe

2022

- Joined the **UN GLOBAL COMPACT** to align operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption
- Published the group-wide guidance **OUR RESPONSE ON FORCED LABOUR ALLEGATIONS** to facilitate credit decisions related to photovoltaic panel production in Xinjiang
- Joined the **NET-ZERO BANKING ALLIANCE** and will disclose near- and long-term emissions reductions in accordance with the **SCIENCE BASED TARGETS INITIATIVE'S NET-ZERO STANDARD**



# 2022 Sustainability Highlights and Developments

LATEST ACHIEVEMENTS

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



## REDUCING OWN CARBON FOOTPRINT

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

Further work on reducing emissions

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

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



## GREEN LOAN PORTFOLIO

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

Promote more RE investments

Aiming to reach 25% of green loan portfolio

Preferred partner for **thematic external events**

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

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



## STAFF DEVELOPMENT

Increase technical expertise and ESG knowledge of our staff

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

Enhanced **trainings** on E&S topics

Introduction of **animal welfare** assessment

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



## ENVIRONMENTAL AND SOCIAL ASSESSMENT

Sustainable agriculture framework

Coal-related activities added to Exclusion List

Incorporating EU taxonomy and climate risk aspects

Member of the **NZBA**

Commitment to follow **SBTi**

**Plastic Strategy** fully introduced



## SUPPORTING SMEs' TRANSITION TO LOW-CARBON

Setting Net Zero targets as per NZBA and SBTi

Part of UNEP FI Finance Leadership Group on Plastics

**Developing tools** to facilitate ESG impacts and reporting

Transition and **physical risk analysis** at portfolio level





## OTHER ESG-RELATED STEPS

Creation of ESG Risk Subcommittee within GRC

Climate change strategy

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**ProCredit Bank AG**

## General note

Return on equity, net interest margin, cost of risk and net write-off ratio are consistently annualised for all interim (quarterly and half-year) figures.

## Slide 4

The Fitch Issuer Default Rating of BBB has been last re-affirmed on March 23, 2023. The shareholder structure shown is according to the voting right notifications, voluntary disclosure of voting rights and ad-hoc news as published on our website [www.procredit-holding.com](http://www.procredit-holding.com).

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