



ProCredit
H O L D I N G

RESPONSIBLE BANKING APPROACH



Responsible Banking Approach

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1. Introduction

The ProCredit group is made up of development-oriented commercial banks dedicated to serving micro, small, and medium-sized enterprises (MSMEs) and private individuals. In addition to its operational focus on South Eastern and Eastern Europe, the group is also active in South America and Germany, fostering economic growth and sustainable development.

We are committed to delivering exceptional customer service that extends far beyond offering financial products. Our goal is to build strong, lasting partnerships with our clients by providing personalised advice and consistent support at every stage of their financial journey.

Our core principles guide everything we do:

- We take the time to thoroughly understand our clients' unique circumstances, conducting a sound financial analysis to promote their long-term financial stability.
- We prioritise transparency in all client interactions, which fosters clarity and trust in our financial services and products.
- We uphold responsible lending practices that promote financial inclusion while protecting clients from over-indebtedness.
- We focus on driving broad social, economic and environmental impact by engaging with our clients to promote sustainable practices and supporting their transition towards environmentally responsible operations.

We believe MSMEs are vital drivers of economic and social progress. By supporting them through their economic cycle, we aim to foster sustainable development and drive the green transformation in our countries of operation.

We also strive to eliminate the potential adverse effects emanating from our clients' activities by applying strict selection criteria and performing a comprehensive analysis of our portfolio. This includes an individual assessment of environmental, social and governance (ESG) aspects for all business clients. Through our screening processes, we are able to exclude particularly environmentally harmful activities from financing, assess our clients' environmental impact, and, where necessary, define measures to reduce negative impacts in collaboration with our clients.

The purpose of this document is to present a concise overview of our approach to responsible banking and the practices applied in the limited cases where sectors with a higher socio-environmental impact are encountered.

2. General approach to responsible banking

2.1 Objective

Ensuring that economic development is environmentally and socially sustainable is an important component of the group's development mission. We are therefore committed to protecting the surrounding communities in the group's countries of operation. To achieve this objective, we promote measures aimed at preventing the violation of human rights, improving labour conditions, helping reduce global warming, and creating economies that are resilient to the impacts of climate change wherever possible.

The following principles of responsible banking are firmly embedded in the group's governance and culture:

1. Responsible consumer lending and marketing

2. Promotion of inclusive finance for underserved groups
3. Strong environmental and social risk management in all lending activities
4. Exclusion of environmentally and socially harmful activities from financing
5. Expansion of green finance across the group
6. Support for clients in improving their environmental and social performance

The ultimate goal is to reduce the ProCredit banks' negative direct and indirect environmental and social impacts caused by lending and investment activities while increasing their positive impact. This also helps to reduce reputational risk as well as credit risk, as an environmental and social risk may become a financial risk for the client and thus for the bank. To this end, the ProCredit group designs and offers special lending services for investments in energy efficiency, renewable energies, and other environmentally friendly measures.

Our commitment drives the growth of our business loan portfolio towards less carbon-intensive activities that promote sustainable business practices, a goal which is also reflected in our Science Based Targets initiative (SBTi)-validated decarbonisation targets. The ProCredit group's Scope 3 targets involve engaging with the highest emitters of CO₂ in our portfolio. Our approach includes identifying how our banks can support their clients in adopting new technologies, business models, and practices to reduce their negative impacts and increase positive ones. In collaboration with the client, the bank develops a tailored support plan based on the client's greenhouse gas (GHG) inventory. This plan outlines proposals for transition and decarbonisation options based on sector-specific investment catalogues, together with financing services and incentives. Particular emphasis is placed on the agriculture and manufacturing sectors, to which the group has a large exposure.

2.2 Scope

Our responsible banking approach is applicable to all the group's legal entities in all our countries of operation and covers new and existing clients alike. It also applies to all our financial services and products, including loans and project finance.

The main segments in our portfolio to which our approach applies include wholesale and retail trade; production; agriculture, forestry and fishing; construction and real estate; electricity, gas, steam and air conditioning supply; transportation and storage; and the hotel, restaurant, catering sector, among others.

2.3 Policies, standards and process of application

The ProCredit group has established and follows policies, standards and relevant guidelines that are binding and applicable on the group level to ensure the proper implementation of our responsible banking approach, as illustrated below:



Please note that the listed documents are complemented by additional materials that are not included in the illustration above due to proprietary rights and to maintain conciseness by focusing on the most relevant references.

All the group's institutions must further develop and monitor procedures, processes and instructions for the corresponding operational units that support the implementation of the institution's policies in line with the group's policies, standards and guidelines. They must also ensure full compliance with the set objectives at all levels.

The banks' Business Departments and Business Client Advisers constitute the front line of implementation. Together with the sustainability teams, they support the client engagement strategy and incentivise MSMEs to embrace net zero objectives and green finance, including

energy efficiency, renewable energy and other environmental investments, through our green loan offer. Moreover, every bank is required to have Environmental Risk Officers, who are responsible for E&S risk assessments as well as for providing actionable recommendations to enhance environmental and social performance, including the implementation of applicable covenants.

The banks' Sustainability Departments ensure the implementation of our responsible banking approach, supporting and monitoring the client engagement process across the institutions. The group-level Sustainability Committee supervises the implementation and functioning of the environmental management system throughout the group's entities. Whenever exceptions to, deviations from, or changes to a group-wide strategy arise, they must be discussed on a case-by-case basis and escalated to the Management if deemed necessary.

On the group level, Group Sustainability is responsible for the group-wide sustainability policies and supporting procedures, as well as for promoting sustainability practices, green investments, and inclusive finance throughout the ProCredit institutions.

The Group Sustainability Steering Committee (GSSC) reports to the Management Board on environmental and social impact and the sustainability-related business opportunities of the group's operations on a quarterly basis. Additionally, the Committee advises and supports the Management Board with regard to strategic sustainability decisions.

In addition, the Group ESG Risk Management Sub-Committee (ESGRC), as a sub-committee to the Group Risk Management Committee (GRMC), advises and supports the Management Board on all issues related to ESG risks. The Committee's main purpose is to provide a platform for discussion and decision-making on ESG risk assessments as part of the group's risk management approach.

2.4 Assessment and requirements

As part of our credit risk assessment, we evaluate environmental and social risks across our portfolio to reduce our indirect impact on the environment and society. These considerations are integrated into our credit decision-making process, alongside an assessment of climate-related risks. We review not only legal compliance but also the environmental and social implications of our clients' operations.

Rather than relying solely on scoring systems or exclusions, we engage with our clients to support improvements in their environmental and social performance in a sustainable and economically viable way.

Exclusion

The first step is to screen a client's business activities against our Exclusion List to identify any activities that could have negative environmental or social impacts.

Specifically, no business relationship may be established or maintained¹ with clients defined as groups of connected legal entities that are engaged in activities included in the group's Exclusion List.

Economic activities that pass the initial screening against our Exclusion List are then assessed against the criteria defined for potential Category A projects with significant socio-environmental impacts. This list is applied for greenfield projects or major extensions that are

¹ This means that such clients will not be permitted to use any of the bank's services, including bank accounts and other deposit-side services. If existing account holders are found to be engaged in the activities listed here, their accounts will be closed.

located near sensitive areas, result in severe community impacts (e.g. resettlements), require public consultation, and/or meet any of the sector-specific criteria outlined in the screening list.

While Category A projects are not typically present in the group's portfolio given the group's focus on MSMEs, screening mechanisms are in place to identify such cases. Where identified, the respective activities are subject to further assessment, either through an Environmental and Social Impact Assessment (ESIA) or Environmental and Social Due Diligence (ESDD). Whenever risks and potential mitigation measures are identified during our internal assessment, they should be incorporated into E&S covenants or loan conditions.

Environmental risk categorisation

To guide our staff in the analytical process, we have designed an environmental risk categorisation system based on international standards that assigns individual economic sectors to either a high, medium or low environmental risk category, according to their potential environmental impact.

- Low risk: The economic activity has minimal or no adverse environmental risks and impacts associated with it.
- Medium risk: The economic activity has limited adverse environmental risks and impacts, and these can be readily prevented or mitigated through technically and financially feasible measures.
- High risk: The economic activity may give rise to significant or long-term adverse environmental risks and impacts, and the client may not have the technical or financial means to manage them.

The customer's size and environmental risk category determine the scope of the Environmental Impact Assessment (EIA) to be carried out. All financed legal entities, regardless of the size of their exposure or their environmental risk category, are subjected to a social assessment in the form of a check of health and safety and overall working conditions.

Our categorisation system is binding for all ProCredit banks and does not vary from country to country.

Activity-specific assessment

The purpose of this assessment is to make sure that the company's owners are aware of all environmental, health and safety issues, and that appropriate processes are in place to manage any risks. We analyse our clients' environmental, health and safety performance against the following criteria:

Advanced technology and environmental management in place: This includes the best available technology for the business processes of a given economic activity.

Compliance with national standards and requirements: This describes the current legal background and country's industrial standards. Companies grouped under this category manage their businesses according to local standards.

Practices that are common in the sector, but which could result in environmental problems: In our countries of operation, environmental legislation is becoming increasingly more stringent, meaning that most of our clients are undertaking investments to adhere to the laws. We pay close attention to the issues that are addressed in this section and work with our clients to improve the situation over the long term.

Environmentally risky habits/poorly managed processes: When analysing a potential or existing client's business, we identify environmental and safety violations which result or could result in serious environmental pollution and/or harm human health. If the business engages in any of the practices described in this category, adequate mitigation options must be discussed and implemented before we enter into a new business relationship or continue an existing one.

ESG risk score

As part of its responsible banking approach, the ProCredit group applies an ESG risk score to assess sustainability-related risks and impacts across its MSME portfolio in a structured and consistent manner. The score complements the group's established environmental and social risk management framework and supports a broader understanding of the factors that may affect both clients and the portfolio over time. It reflects two complementary perspectives: the effects that clients' activities may have on the environment and society, and the effects that environmental, social and governance developments may have on clients' financial stability, operational resilience, and long-term performance.

The methodology follows a proportionate, risk-based approach, ensuring that the scope and depth of the assessment reflect the nature, scale and potential ESG risk profile of the client's activities. A key component of the methodology is the group's Environmental and Social Assessment Form (ESAF), which provides a structured evaluation of environmental and social risks and impacts at the client level. Through the ESAF, the ProCredit group assesses relevant environmental and social aspects associated with a client's activities, including environmental management practices, resource use, pollution prevention, occupational health and safety, labour conditions and community impacts. The ESAF forms an important foundation of the ESG risk score by providing client-level insight into environmental and social performance and risk exposure, which is complemented by additional ESG-related risk dimensions.

Building on this foundation, the ESG risk score brings together multiple dimensions of sustainability risk. In addition to environmental and social performance, it considers governance-related factors, exposure to physical climate hazards, risks associated with the transition towards a lower-carbon economy, and biodiversity-related risks. Consistent with this dual perspective, biodiversity is assessed by considering both the pressures that economic activities may place on natural ecosystems and the extent to which those activities depend on ecosystem services. Physical climate risk reflects the potential effects of acute events and longer-term climatic changes on business activities and assets, while transition risk captures developments such as changes in regulation, technology, markets and stakeholder expectations.

The assessment combines information obtained through client assessments with relevant sectoral, geographic and sustainability-related data. This information is complemented by internationally recognised scientific research, sustainability frameworks and external datasets that support the identification of climate- and nature-related risk patterns. By combining client-specific analysis with external sources, the methodology provides a forward-looking view of ESG risks and takes into account both current performance and emerging sustainability-related challenges.

The resulting ESG risk score is expressed on a five-point scale ranging from very low to very high risk. It provides a consistent measure of ESG risk across the group's lending activities and contributes to a better understanding of sustainability-related risks and opportunities across the portfolio. The score also facilitates the identification of emerging sustainability-related risk concentrations and supports engagement with clients on opportunities to

strengthen their environmental and social performance. In this way, it contributes to a deeper understanding of the portfolio's resilience to evolving environmental, social and governance challenges and supports the ProCredit group's broader objective of promoting responsible finance and sustainable economic development in its countries of operation.

3. Environmental responsibility

3.1 Green lending

As the ProCredit group, we go beyond managing the environmental and social risks associated with our lending activities by proactively engaging with our customers and providing financial support for investments that contribute to more sustainable and responsible businesses.

Granting green loans is of especially high relevance in the countries in which we operate, as they are characterised by high energy intensity, high levels of pollution, and an energy mix dominated by fossil fuels. Financing green investments therefore plays a critical role in addressing these challenges and supporting the transition to a low-carbon economy. As part of our net zero strategy, we also support business clients, particularly those with high emissions, in improving the measurement of their greenhouse gas emissions and reducing them through green investments.

That is why we have developed tools and strategies to further enhance our green loan portfolio. We apply the most well-established international frameworks and follow the standards of our partner international financial institutions (IFIs). In 2018 and 2024, we issued green bonds to further support the growth of our green loan portfolio. The group's [Green Bond Framework \(GBF\)](#) outlines the conditions under which the company may issue financing instruments to support the ProCredit banks' green lending operations. The framework is in alignment with the ICMA Green Bond Principles 2021 (GBP) and describes the assessment process we apply in our lending activities. To confirm this alignment, we obtained a [second-party opinion](#) from Sustainalytics in 2024.

Our green loan portfolio comprises three main categories: energy efficiency (EE), renewable energy (RE), and environmentally friendly measures (Gr). Energy efficiency investments include energy-efficient equipment and other measures that result in energy savings or emissions reductions of more than 20%, such as production machinery and equipment, green buildings, heating and cooling equipment, and LED or other energy-efficient lighting systems. Renewable energy investments primarily comprise photovoltaic, hydropower, wind power, geothermal and biomass projects. Environmentally friendly measures include investments in waste management, environmental services, sustainable suppliers, and organic farming. We continuously expand and update our standardised criteria within the defined investment categories to assess the technical performance of green assets ([Annex 1](#)).

The eligibility assessment is based on relevant technical indicators, baseline scenarios, technology benchmarks, and recognised standards and certifications. Estimated savings are determined by comparing the project's performance against the corresponding baseline, while the associated emission factors are sourced from the International Energy Agency (IEA).

The classification of a loan as green is based on the group's self-developed robust methodology and strict eligibility criteria for green lending. Moreover, the group has developed an internal web-based solution to identify, assess and report each green asset on the loan

portfolio and client level. This tool enables an automated assessment for quick decision-making and filtered reporting per green asset category.

Within our responsible banking approach, green lending is mainly guided by the following policies and guidelines:

Relevant policies and guidelines

- Group Guidelines for Green Finance
- Methodological Approach to Green Lending
- [ProCredit Group Green Bond Framework](#)
- Group Sustainable Agriculture Guide

3.2 Climate change

The ProCredit group has many years of experience in developing services that help our customers transition to a more energy-efficient way of doing business – and thus one that is less harmful to the environment. In our lending activities, we are actively committed to climate action by financing energy efficiency measures and renewable energy projects. Our energy project financing activities consist exclusively of renewable energy (RE) projects.

We aim to reach net zero emissions by 2050. Our targets include reducing our direct emissions (Scope 1 and 2) as well as those related to our loan portfolio (Scope 3, category 15). To achieve this, we are assisting our clients in their decarbonisation efforts, from emissions accounting and setting reduction targets to providing the financial support they need to implement their strategies. We want to continue being their “Hausbank” during this transition, with a focus on the decarbonisation of agriculture and manufacturing sectors while steering growth in the business loan portfolio towards less carbon-intensive activities.

In addition to these commitments, the ProCredit group addresses the climate-related risks that have been identified to have a significant but limited impact on the group and our portfolio. These include physical risks resulting from frequent extreme and chronic climate events that could impact our portfolio. We also take into account climate transition risks, including legislative shifts, technological innovations or changes in consumer behaviour, and reputational risks. We are experiencing more frequent and severe weather events worldwide as well as an increased regulatory focus.

In addition to keeping abreast of all relevant ESG regulations in the EU and in our countries of operation, we strive to actively counteract and manage transition risks by engaging our customers in dialogue and providing information and expert advice on climate risks. We are also adapting our business model and strategy by incorporating climate change risks into our collateral valuation and advising customers to insure their business activities and assets against climate-related natural hazards. Furthermore, we encourage our agricultural clients to adopt climate risk mitigation measures, such as drip irrigation systems, and provide financing to support these investments.

Within our responsible banking approach, climate-related risks and opportunities are addressed mainly through the following policies, standards and guidelines:

Relevant policies and guidelines

- [Group Environmental Management Policy](#)
- [Group Climate Transition Plan](#)
- [Group Climate Action Strategy](#)
- [Standards for Managing the E&S Risk of Lending](#)
- [Group Guideline on ESG Risk Score](#)
- [Group Definition on the Methodology for the Environmental, Social and Governance \(ESG\) Risk Score](#)
- [Exclusion List](#)
- [Group Guideline on Environmental and Social Due Diligence \(ESDD\)](#)
- [Group Guideline on Environmental and Social Impact Assessment \(ESIA\)](#)
- [Category A Screening List Criteria](#)
- [Group Guideline for Sustainable Procurement](#)
- [Group Policy for Enabling a Sustainable Plastics Value Chain](#)
- [Group Guideline – Financing Clients Engaged in Plastics-related Activities](#)
- [Group Guidelines for Green Finance](#)
- [Methodological Approach to Green Lending](#)

The ProCredit group has aligned its long-term emissions reduction target for 2050 with internationally recognised frameworks, including the UNEP FI guidelines and the Principles for Responsible Banking (PRB). In line with the guidelines of the Partnership for Carbon Accounting Financials (PCAF), our emissions reduction targets have been set based on the measured impact and risks, and are a central component of the group's Climate Action Strategy. In addition, we have developed our near-term targets using the SBTi methodology and have had them independently validated. All emissions reduction targets for the ProCredit group are in line with the 1.5°C scenario of the Paris Climate Agreement. We are committed to maintaining transparency and meeting the highest standards of environmental responsibility.

3.3 Biodiversity

The ProCredit group directs funding to activities that enhance biodiversity, and/or activities that only have a minimal impact on biodiversity. This includes activities within urban areas or areas of preexisting agricultural activity, as well as in areas with low biodiversity.

Although some of the banks in our group are not subject to stringent environmental regulations, the group has integrated biodiversity considerations into its screening process and investment decision-making, thereby also supporting the preservation of biodiversity in countries where the regulatory framework does not take a proactive role. Our aim is to minimise or eliminate systemic risks related to biodiversity in the initial stages of an investment decision and to ensure that our financing activities do not cause significant harm to natural habitats and species.

Within our responsible banking approach, biodiversity-related risks and impacts are addressed mainly through the following policies and guidelines:

Relevant policies and guidelines

- [Group Environmental Management Policy](#)
- [Standards for Managing the E&S Risk of Lending](#)
- Group Guideline on ESG Risk Score
- Group Definition on the Methodology for the Environmental, Social and Governance (ESG) Risk Score
- [Exclusion List](#)
- Group Guideline on Environmental and Social Due Diligence (ESDD)
- Group Guideline on Environmental and Social Impact Assessment (ESIA)
- Category A Screening List Criteria
- Protected Areas (PA) Internal Assessment Tool
- Group Sustainable Agriculture Guide
- Group Strategy to Improve Animal Welfare
- Group Guideline for Animal Welfare
- [Group Policy for Enabling a Sustainable Plastics Value Chain](#)
- Group Guideline – Financing Clients Engaged in Plastics-related Activities

Our approach takes the following frameworks into account:

- 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)
- EBRD, Performance Requirement (PR) 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- EBRD Guidelines (e.g. Sub-sectoral Environmental and Social Guidelines: Agricultural Production – Crops)
- EU Habitat and Bird Directives
- IFC, Performance Standard (PS) 6, Biodiversity Conservation and Sustainable Management of Living Natural Resources
- IFC Guidelines (e.g. Guidelines on Agribusiness and Food Production)
- IUCN Guidelines on Protected Areas
- World Heritage Convention

In addition to our regular screening process, all economic activities are also assessed through our Protected Areas Internal Assessment Tool. The activity under review can only be financed if it fulfils certain criteria, including the following provisions:

- It does not pose threats to endangered species
- It does not cause environmental pollution (including water, air, soil)
- There is proper waste management in place, in accordance with national legislation
- It has no impact on cultural heritage
- There are sustainability measures and sustainable practices in place, in accordance with national legislation
- It does not disrupt the social and community status quo

4. Social responsibility

4.1 Responsible consumer lending

The group has defined the core principles that govern its approach to responsible consumer lending in its “Responsible Consumer Lending Policy”, which is binding for all the group’s institutions and includes the following provisions:

1. Affordability first

Loans are only granted to customers if they can realistically repay them without financial distress, even under adverse conditions.

2. Transparency and simplicity

All credit products and communications must be clear, simple, and easy to understand so that customers can make informed decisions. Full costs, obligations, and risks must be openly disclosed without hidden fees or misleading information.

3. Fair and non-discriminatory treatment

Customers must be treated fairly and equally across all stages of lending, without discrimination based on personal characteristics.

4. No growth from over-indebtedness

Business growth must not rely on customers becoming over-indebted or financially strained.

5. Early detection of risk and customer protection

Banks must identify early signs of financial difficulty and proactively support customers to prevent the situation from worsening.

6. Human accountability

While automation can support lending decisions, final responsibility always lies with human staff. Decisions must be explainable, transparent, and subject to human review and override.

The policy also sets out our approach to responsible marketing, digital distribution and consumer protection. It establishes principles for transparent, fair and non-exploitative marketing communications, prohibits practices that may encourage unsustainable borrowing, and ensures that digital channels support informed decision-making. Furthermore, the policy defines the requirements applicable to third parties and partners involved in consumer lending processes. Through this policy, we establish the standards and expectations that guide all interactions with clients, ensuring that our operational practices reflect the group’s mission, strategic intentions, and ethical commitments.

The ProCredit group promotes responsible lending by ensuring that all consumer finance products are marketed transparently and fairly, so that our customers can make informed decisions. Marketing communications focus on genuine needs and life goals rather than encouraging borrowing for its own sake. The group avoids misleading claims, artificial urgency, emotional pressure, and practices that may encourage excessive or impulsive borrowing. Digital tools and personalised communication are used to improve relevance, customer understanding, and access to appropriate financial solutions, while maintaining high standards of consumer protection and regulatory compliance. The overall objective is to build long-term customer relationships through responsible, transparent, and sustainable banking practices.

Within our responsible banking approach, responsible consumer lending is mainly guided by the following policies and guidelines:

Relevant policies and guidelines

- [Code of Conduct](#)
- Group Responsible Consumer Lending Policy
- Group Guideline for Responsible Consumer Lending Policy Implementation in Marketing

4.2 Inclusive finance

Inclusive finance is an integral part of the group's responsible banking approach. The group aims to improve access to responsible financial services for underserved groups in its countries of operation, in line with its development-oriented mission and the principles set out in the Group Diversity, Equity and Inclusion (DEI) Strategy.

The ProCredit group promotes inclusive finance by tailoring financial and non-financial services to the needs of different client groups, with particular emphasis on micro enterprises, young entrepreneurs, agricultural clients in rural areas, and women-owned or women-led businesses. Through relationship banking, personalised advice and tailored financing, the group supports clients who may face barriers in accessing suitable financial services, helping them to formalise, stabilise and gradually grow their businesses. For agricultural clients in rural areas, tailored solutions also take into account seasonal cash flows and climate-related risks, supporting resilient production and long-term investment. The group also uses digital channels and provides non-financial services, including financial education, business development support, mentoring, coaching and networking opportunities, to make its services more accessible and responsive to clients' needs.

Within our responsible banking approach, inclusive finance is guided by the following policies and guidelines:

Relevant policies and guidelines

- [Code of Conduct](#)
- [Group Diversity, Equity and Inclusion Strategy](#)
- [Group Statement on Human Rights](#)
- Group Credit Risk Standards for Business Clients – Micro Credit Exposures
- Group Credit Risk Standards for Business Clients – Small and Medium Credit Exposures

4.3 Community involvement

Community involvement forms part of the ProCredit group's development-oriented approach and reflects the group's commitment to the countries in which it operates. The group's institutions engage with local communities, business associations, educational institutions, civil society organisations and other stakeholders to support economic, social and environmental development. This engagement is implemented through local initiatives, partnerships and memberships. Through its community involvement, the group aims to strengthen local networks, promote entrepreneurship and responsible business practices, raise environmental awareness, and contribute to community well-being.

The group's community involvement is supported by memberships and participation in local and international networks, including:

- UN Global Compact
- UNEP FI – Principles for Responsible Banking (PRB)
- Partnership for Carbon Accounting Financials (PCAF)
- Science Based Targets initiative (SBTi)
- 2X Global
- Financial Alliance for Women
- Local chambers of commerce
- Business and banking associations
- NGOs

Relevant policies and guidelines

- [Code of Conduct](#)
- [Group Statement on Human Rights](#)
- [Group Diversity, Equity and Inclusion Strategy](#)

5. Sector-specific approach

In addition to the requirements outlined above, the group applies sector-specific guidelines and criteria for those sectors that have been recognised to be more prone to socio-environmental risk and impact.

5.1 Power utilities (Renewables)

Within the sector of power utilities, we finance only renewable energy projects. The scope of our renewable energy project financing includes long-term investments in renewable energy generation aimed at selling energy to a third party. This covers photovoltaic systems (PVs), hydropower, wind power plants, geothermal systems, biogas and biomass plants as well as battery energy storage systems (BESS) supporting renewable energy (RE) investments. We also cover the whole process of development, construction and operation of the power plants, as well as power transmission, including the improvement and upgrade of the energy grid.

Within our responsible banking approach, renewable energy project finance is mainly guided by the following policies and guidelines:

Relevant policies and guidelines

- [Group Environmental Management Policy](#)
- Group Standards for Financing Renewable Energy Projects
- Guidance Notes on Biogas, Hydropower, Wind Power, Power Transmission, PVs
- Group Guidelines for Green Finance
- Methodological Approach to Green Lending
- [Standards for Managing the E&S Risk of Lending](#)
- Group Guideline on ESG Risk Score
- Group Definition on the Methodology for the Environmental, Social and Governance (ESG) Risk Score
- [Exclusion List](#)
- Group Guideline on Environmental and Social Due Diligence (ESDD)
- Group Guideline on Environmental and Social Impact Assessment (ESIA)
- Category A Screening List Criteria
- [Group Climate Transition Plan](#)
- [Group Climate Action Strategy](#)

It should also be noted that these documents are complemented by additional materials that are not included in the list due to the proprietary nature of the group's methodology and to

maintain conciseness by focusing on the most relevant references. Among the sector-specific documents listed, the Group Standards for Financing Renewable Energy Projects set out the definitions, process flow and minimum requirements for the organisational and operational structure of lending operations to finance RE projects, and also define the approach to be taken by each ProCredit bank to appropriately manage credit risk in financing such projects. The document complements our overall credit risk approach.

The ProCredit group does not finance clients defined as groups of connected legal entities engaged in any of the following activities:

- Any type of hydropower plant with a production capacity higher than 15 MW and storage hydropower plants with large dams. According to the International Commission on Large Dams (ICOLD), a dam with a height of 15 metres or more or with a reservoir volume of more than 3 million m³ is considered large.

In addition, banking services will only be provided if the client or activity fulfils the following technical criteria that address environmental and social risks relevant to the specific sub-sector:

- It ensures compliance with national standards and requirements.
- It applies advanced technology and environmental management.
- For biogas power generation, the origin of feedstock must be considered sustainable.
- For certain technologies, and typically above a specific threshold of installed capacity, renewable energy projects are required to have an Environmental Impact Assessment (EIA) and/or several environmental permits, or even an external opinion in the form of an ESIA or ESDD depending on the case. Financing is permitted in the latter cases only upon consideration of various E&S aspects, including the prevention or abatement of pollution, the impact on climate change, biodiversity and ecosystems, cultural heritage, involuntary resettlement, rights and interests of vulnerable groups, labour standards, occupational and public health, safety and security.

In order to include biomass and biogas projects in our green loan portfolio, the assessment incorporates the following additional criteria:

- A comparison of the project's CO₂ savings with the national baseline. The threshold for the green bond criteria and the EU Taxonomy is below 100g CO₂e/kWh.
- An assessment of the substrates concerning land use and potential competition with food sources, the impact on biodiversity, or the impact on forestland due to conversion of land use. If substrates are to be imported, these should preferably be certified biofuels with a low risk of ILUC (indirect land use change).

In the case of PV projects, additional criteria relating to forced labour allegations are taken into account. Specifically, greylisted PV manufacturers are eligible for financing only if the supply chain does not include materials from the Xinjiang region. The materiality threshold is set at PV installations above 5 MWp, which are subject to document requirements for the purpose of conducting a forced labour assessment.

5.2 Extractives and fossil fuels (including oil and gas, coal, and mining)

Due to our commitment to sustainability, our investment activities exclude the financing of industries involved in fossil fuels. This includes activities related to the exploration, extraction,

processing and distribution of oil, gas and coal, as well as mining operations. Relevant activities are assessed against our internal screening processes, thereby ensuring that our portfolio does not contribute to any adverse effects.

Within our responsible banking approach, extractive and fossil-fuel-related activities are mainly governed by the following policies and guidelines:

Relevant policies and guidelines

- [Group Environmental Management Policy](#)
- [Standards for Managing the E&S Risk of Lending](#)
- Group Guideline on ESG Risk Score
- Group Definition on the Methodology for the Environmental, Social and Governance (ESG) Risk Score
- [Exclusion List](#)
- Group Guideline on Environmental and Social Due Diligence (ESDD)
- Group Guideline on Environmental and Social Impact Assessment (ESIA)
- Category A Screening List Criteria
- [Group Climate Transition Plan](#)
- [Group Climate Action Strategy](#)

These documents are complemented by additional materials which are not included in the list due to the proprietary nature of the group's methodology and to maintain conciseness by focusing on the most relevant references.

The ProCredit group does not finance fossil fuel assets such as coal mines, oil fields and gas reserves. These activities are covered by our Exclusion List and include lending to thermal coal, met coal, oil and gas. More details from our exclusion criteria are described below:

- Underground mining to extract metals, coal, oil shale and other minerals.
- Production or trade in radioactive materials (including the storage and treatment of radioactive wastes), business or activities relating to the nuclear industry or nuclear materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source is trivial and/or adequately shielded.
- Shipment of oil or other hazardous substances in tankers which do not comply with International Maritime Organization (IMO) requirements. This includes: tankers which do not have all required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU), and tankers due for phase-out under regulations 13G and 13H of Annex I of MARPOL. No single hull tanker over 25 years old should be used.
- Exploitation of diamond mines and commercialisation of diamonds, when the host country has not adhered to the Kimberley Process Certification Scheme (KPCS) or other similar international agreements on extractive resources.
- Producers of single-use plastic items or of plastic granulates used for the manufacture of products that are prohibited from placement on the market according to Directive (EU) 2019/904 of the European Parliament and of the Council.
- Coal-related projects and activities; these refer to new projects including coal mining and coal transportation, as well as infrastructure services exclusively dedicated to support any of these activities, and coal-fired power plants. Coal-related activities are associated with electric utility companies and other companies with an exposure to coal mining, coal transportation, coal-related infrastructure and other services, and coal-fired power generation.

5.3 Agriculture, forestry and fishing

As part of our decarbonisation approach, the group recognises the importance of sustainable agriculture practices in reducing carbon emissions and increasing the resilience of our portfolio, thereby mitigating the associated climate physical and transition risks.

The group is therefore increasing its support for green investments, such as renewable energy, energy efficiency, green transport and sustainable agriculture, to contribute to the transition to a low-carbon economy. Moreover, the group is committed to safeguarding fundamental human rights, including food security, health and safety, which are essential for preserving our communities' social well-being.

Our responsible banking approach applies to the entire group, encompassing all the group's legal entities in all our countries of operation, and covers all our business customers, both potential and existing, as well as the associated activities, such as crop and cattle farming, aquaculture, fishery and forestry. The approach also extends to all our financial services and products, including loans and project finance.

Within our responsible banking approach, activities in the agriculture, forestry and fishing sectors are mainly guided by the following policies and guidelines:

Relevant policies and guidelines

- [Group Environmental Management Policy](#)
- Group Sustainable Agriculture Guide
- Group Strategy to Improve Animal Welfare
- Group Guideline for Animal Welfare
- [Standards for Managing the E&S Risk of Lending](#)
- Group Guideline on ESG Risk Score
- Group Definition on the Methodology for the Environmental, Social and Governance (ESG) Risk Score
- [Exclusion List](#)
- Group Guideline on Environmental and Social Due Diligence (ESDD)
- Group Guideline on Environmental and Social Impact Assessment (ESIA)
- Category A Screening List Criteria
- Protected Areas (PA) Internal Assessment Tool
- [Group Climate Transition Plan](#)
- [Group Climate Action Strategy](#)

These documents are complemented by additional materials which are not included in the list due to the proprietary nature of the group's methodology and to maintain conciseness by focusing on the most relevant references.

The ProCredit group does not finance agriculture, forestry- and fishing-related activities that could pose significant socio-environmental impacts, including:

- Production or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans. (A list of products that are subject to phase-outs or bans is available from IFC or EBRD.) Reference documents include EU Regulation (EEC) No. 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; and the WHO Classification of Pesticides by Hazard.

- Unsustainable fishing, which relates to illegal, unreported or unregulated (IUU) fishing; the fishing of depleted species; and drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Activities involving the release of genetically modified organisms into the natural environment, unless the relevant authority has declared the organisms under consideration to be unproblematic.
- Unsustainable logging, which comprises commercial logging operations in primary forest, logging operations in any other forest type not in line with certified sustainable forest management, or trade in wood other than from certified sustainably managed forests.
- Charcoal-making with methods other than the retort method (use of sealed metal containers).
- Activities within, adjacent to, or upstream of land occupied by Indigenous peoples and/or vulnerable groups, including lands and watercourses used for subsistence activities such as livestock grazing, hunting or fishing.

The ProCredit group requires that all activities triggering a Category A assessment (including greenfield projects and major extensions) which could lead to adverse social and environmental impacts be subject to an external assessment. The client/activity under consideration will be financed only upon the conduction of an external ESIA or ESDD, and only if there are effective and feasible mitigation measures that can be imposed in the form of covenants.

The ProCredit group has identified the following activities that could pose adverse impacts:

- Installations for the intensive rearing of poultry or pigs (internally specified thresholds)
- Large-scale primary agriculture or forestation involving intensification, land use change or conversion of priority biodiversity features and/or critical habitats

Regarding animal-related considerations, economic activities/clients are expected to:

- Promote animal welfare practices
- Have a transition plan in place or be subject to monitoring and assessment until a transition is feasible

Moreover, we identify geographies in our portfolio that have an elevated exposure to acute and chronic physical risk such as flood, drought, wildfire, etc. This knowledge paves the way for targeted adaptation and mitigation measures to safeguard our clients and our portfolio. Currently, our green loans help clients to become early movers in this area, and we aim to support them further in building more resilient businesses (e.g. by financing investments in irrigation systems that directly address such risks).

Annex 1. Eligibility List

The table below summarises the eligibility criteria for each category presented. Exact numerical thresholds, formulas, segmentation requirements and model-specific checks are set out in the controlled technical methodology.

Category	Eligibility criteria
Buildings and envelope	Buildings and building measures (sustainable building certifications, insulation materials or energy-efficient windows, glazing and doors). - Buildings are certified by a recognised and credible third-party building standard (e.g. LEED (“Gold” or above), BREEAM (“very good” or above), EDGE, NZEB -10% or “passive house”). - For new buildings, a performance improvement of at least 20% compared to national EPC requirements. - For existing buildings/refurbishments, a reduction of at least 30% of the energy demand should be implemented with the renovation.
Heating, cooling and ventilation	Eligibility is based on the performance indicator applicable to the equipment: energy efficiency class, EU energy label, EER, EEI, COP or thermal efficiency. Equipment with high-GWP refrigerants does not qualify.
Appliances and professional laundry	Eligibility is based on recognised energy-performance certification or the qualifying top populated classes of the applicable energy label. Professional laundry equipment is assessed using specific electricity consumption per kilogram of dry load and only electric equipment qualifies.
Lighting	Eligibility is based primarily on luminous efficacy in lm/W. High-pressure sodium (HPS) lamps contain mercury, and therefore proper disposal after end-of-life is required in accordance with local regulations. HPS lamps should comply with the RoHS Directive as per the specified mercury content limit.
Industrial process technologies	Eligibility is determined for each machine type using its defined performance metric, such as specific energy consumption, production performance, electrical efficiency, laser efficiency or specific capacity, together with any mandatory energy-efficient design features, electronic/CNC controls and maximum equipment age.
Agriculture machinery	Eligibility is based on fuel or specific energy consumption by power segment, applicable non-road emissions standard, required efficiency or precision features, and equipment age. Agriculture machinery is checked against the relevant power segment benchmark and supporting test/manufacturer data.
Motors, pumps and compressors	Eligibility is based on the relevant technical index: IE efficiency class plus variable speed drive for motors, EEI for circulators, MEI for water pumps, and specific energy consumption per normal cubic metre for compressors.

Category	Eligibility criteria
Transport and mobile machinery	Potentially eligible activities include electric, hydrogen and plug-in hybrid vehicles and the associated infrastructure. Forklifts and mobile machinery are assessed against drivetrain/fuel type and specific energy or fuel consumption criteria; diesel and gasoline forklifts are excluded.
Cogeneration and storage	CHP eligibility is based on technology-specific electrical efficiency and applicable emissions and feedstock safeguards. Stationary lithium-ion and redox-flow batteries qualify when they meet the applicable round-trip/cycle-efficiency threshold.
Sustainable agriculture and land	Eligibility is measure-specific and based on one or more of the following: predefined equipment or practice, maximum working depth, minimum functional steps, reduced tillage condition, farm/crop management plan, certification, evidence of consultancy, minimum land-share requirement, or project documentation.
Pollution, water and forestry	Depending on the measure, qualification is demonstrated through technology-specific requirements, certification schemes, management plans, technical studies, benchmarked environmental performance or evidence of resource protection benefits. For wastewater treatment, rainwater harvesting and irrigation measures, eligibility is based on defined system characteristics and performance requirements, such as the use of eligible technologies, water-saving functionality, required equipment configurations and quality protection features. Air pollution and forestry cases require assessment of source activity, certification/or an audit report by a third-party consulting company confirming alignment with certification standards, or project evidence and the specified land use, habitat and own pollution exclusions.
Waste management and recycling	Eligibility is based on financing a dedicated eligible process for collection, sorting, transport, mechanical recycling, composting, qualifying recovery or landfill gas management, with documented waste source, process step and environmental and social safeguards. Chemical recycling is excluded. Hazardous waste activities require enhanced E&S assessment, and e-waste requires a robust waste management plan.
Environmental services	Eligibility is based within the defined scope, such as eligible consultancy, audit, management/control system or certification, and must be supported by a recognised standard or clear contractual scope.
Certified products	Eligibility is based on a valid, verifiable and product-relevant certification under an approved public or credible third-party scheme. The certificate must apply to the financed product or activity and remain valid. Fixed assets and working capital qualify only to an extent directly connected to certified production or the certification process.

Category	Eligibility criteria
Technology manufacturers and suppliers	Eligibility is derived from the underlying EE, RE or Gr technology criteria. The eligible working capital share must be proportionate to the verified eligible turnover, purchases or production, and expenditure must relate directly to eligible technologies or products.
Resource efficiency and digital agriculture	Resource efficiency projects are eligible when demonstrating material or water savings of 20% of the established baseline. Eligible digital agriculture solutions include precision farming, variable-rate application technologies, environmental monitoring, livestock management, forecasting and decision-support systems, and other technologies that improve resource use efficiency. Hydroponic and aquaponic systems qualify within the defined closed-loop system scope and with documented components.
Solar thermal	Eligible for systems using solar radiation to produce thermal energy, including collectors, storage, pumps, pipes and controls.
Solar photovoltaic	Eligible for qualifying on-ground photovoltaic projects, self-consumption projects including project-related BESS, transmission line and substation, subject to internal renewable energy project finance and E&S requirements.
Hydropower	Eligible provided that the project meets the applicable power density and GHG emissions criteria and complies with internal renewable energy project finance and E&S requirements.
Wind power	Eligible for wind projects, transmission lines and substations, subject to internal renewable energy project finance and E&S requirements.
Geothermal	Eligible for geothermal projects, transmission lines and substations, subject to internal renewable energy project finance, E&S requirements and GHG emissions.
Biogas and biomass	Eligible for biogas and biomass projects, transmission lines and substations, subject to internal renewable energy project finance, E&S requirements, GHG emissions and feedstock safeguards.



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