

GUIDELINE FOR SUSTAINABLE PROCUREMENT

ProCredit Group

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1. Purpose, use and scope of this document

1.1. Purpose of the guideline and responsibilities

The purpose of this document is to establish the ProCredit group's approach to procurement-related environmental and social assessments and to provide a framework for evaluating suppliers against the criteria defined in this guideline.

In this context, sustainable procurement refers to the procurement process described herein, which evaluates selected environmental and social aspects of suppliers, products and services using the defined criteria. The term does not imply that a supplier, product or service is sustainable in all respects, nor does it imply that all procurement activities of the ProCredit group are sustainable. Rather, it refers to the application of the assessment methodology and criteria set out in this guideline.

We recognise that ethical, social, and environmental impacts reside within the supply chains of companies; however, we also believe that positive impacts can be achieved by purchasing more responsible goods and/or services and by working collaboratively with suppliers to positively influence mutual ethical, social, and environmental performance. The ProCredit group therefore aims to give preference, where applicable, to suppliers meeting the defined environmental and social procurement criteria.

1.2. Scope and structure of the guideline

This guideline applies to all ProCredit institutions including the banks, the ProCredit Academy, and all Quipu offices. Furthermore, it applies to all suppliers that fall under the definition of the term "supplier" as defined in this document.

The guideline is divided into the following sections:

- General definition of the term "supplier"
- Core principles applicable to all suppliers
- Differences between significant suppliers and non-significant suppliers
- Steps to be taken to further assess the sustainability of significant suppliers
- Mandatory reporting process

2. Definition of supplier

A supplier is defined as a party that supplies goods or services according to the needs of the institution. Any spending that is not directly linked to a particular product or service is not considered a supplier relationship. In practice, the definition excludes sponsorships, fees paid to international financial institutions in relation to the financial services we offer, membership fees, donations, and obligatory governmental spending.

3. Core principles

All suppliers are expected to adhere to the core values of the ProCredit group. Therefore, the [Code of Conduct](#) sets the basis for any business relationship with a potential supplier. This includes the explicit acknowledgement of our principles and a commitment to comply with them in all aspects of our business interactions. The suppliers shall follow the core principles listed below:

- a) **Compliance with the ProCredit Exclusion List:** Suppliers and contractors are expected to avoid engaging in any of the activities listed in the ProCredit [Exclusion List](#).
- b) **Anti-money laundering:** Suppliers are expected to adhere to the ethical values of the ProCredit group and to confirm that they do not partake in any form of money laundering.
- c) **Corruption and fraud prevention:** Bribery and/or corruption are not tolerated and therefore, no business relationship can be established or continued if a potential supplier is known to be involved in corruption and/or fraud.
- d) **Adherence to human rights:** The ProCredit group follows the Universal Declaration of Human Rights (1948) and expects its suppliers and contractors to do the same.
- e) **Health, safety, security and environment (HSSE):** Suppliers are expected to take HSSE issues seriously by making sure to remain abreast of and comply with all applicable laws and regulations concerning HSSE.

3.1. Applying the core principles

Before initiating a relationship with a supplier, the person responsible for the order ensures that the activities of the potential supplier are in line with the core principles. A supplier relationship is terminated if any non-compliance is detected at any point in time.

4. Sustainability analysis of the suppliers

4.1. Significance of supply

The scope of the sustainability analysis of the supply chain is defined by assessing the significance of the procurement need. The assessment is carried out considering the expected expenditure in relation to the procurement need and whether the goods or services will be provided by a key or non-key supplier.

Key suppliers are partners to a contract for the provision of goods or services that are necessary to carry out business, while non-key suppliers are partners that support company's daily operations.

Supplier significance is determined as follows:

	Key	Non-key
Low expenditure	Not significant	Not significant
Medium expenditure	Significant	Not significant
High expenditure	Significant	Significant

Only the suppliers providing goods or services for procurement needs classified as "significant" are subject to a sustainability analysis, owing to their significant impact on our operations.

4.2. Suppliers excluded from sustainability screening

Suppliers with the characteristics below are excluded from a sustainability analysis:

- One-person company or “freelancer” including co-owners of a company with no further employees
- Supplier for which there is no alternative, e.g. goods or services that are publicly regulated such as water, which is provided to a specific region by a specific supplier

4.3. Sustainability criteria

Sustainability should be evaluated through the established criteria below, starting with negative criteria and followed by environmental and social criteria.

4.3.1. Negative criteria

Suppliers should be subject to a media/news screening process to detect accidents, incidents, significant destruction of the environment in any form, and/or human rights violations of any kind.

4.3.2. Sustainability criteria

The criteria below provide a framework for procurement teams to assess selected environmental and social practices of suppliers.

Table 1: Sustainability criteria

No	Criteria
1	Working conditions
2	Occupational health and safety procedures
3	Diversity and inclusion
4	Internal environmental management system
5	Energy management system
6	Use of renewable energy in own operations
7	Building certification
8	Waste management
9	Corporate social responsibility
10	Product sustainability

4.3.3. Product sustainability

At each ProCredit institution, the procurement of goods which are deemed “significant” undergoes a sustainability assessment. This is carried out according to the selection criteria defined within the institution.

Table 2: Sustainability criteria for specific goods

Product/service	Sustainable supply chain framework
Paper	Recycled paper that has not been subjected to chlorine bleaching, or paper certified under a recognised third-party forest-management certification scheme.

Short-term office supplies	Items made from recycled or organic materials that are refillable or carry a recognised third-party certification relevant to the product category.
Electronic equipment	Equipment certified by Energy Star; brands that offer take-back or recycling programmes for their goods; durable equipment that can be easily upgraded or repaired to extend its lifespan. Preference should be given to products designed to be recycled, with reduced harmful substances, low emissions, noise, and radiation, as well as minimal packaging volume.
Energy provider	Energy providers whose electricity mix is based on renewables.
Cars	Electric vehicles; however, in cases where longer distances are frequently covered, plug-in hybrids might be preferred.
Textiles	Organic or recycled materials and products that take animal welfare into account.
Cleaning supplies	Products with eco-labels such as the EU Ecolabel or Green Seal that indicate the product is biodegradable, non-toxic, and made from renewable resources.
Food	Preference should be given to local suppliers located as close as possible to minimise carbon emissions from transportation. Suppliers should hold reliable sustainability certifications such as Organic, Fair Trade

4.4. Scoring system

The sustainable supplier scoring system is based on the criteria mentioned in section 4.3. The scoring is carried out using the answers provided by the supplier. All main questions have an evaluation methodology and are assigned a corresponding weight. Below is the formula for this calculation:

$$Total\ Score = (p1 \times w1) + (p2 \times w2) + \dots + (p10 \times w10)$$

where p is the point obtained for the specific criterion and w is the weight of the criterion

A supplier scoring more than 50% of the total points is classified as “sustainable” under the ProCredit supplier assessment methodology.

4.5. Assessment flow

Assessment and scoring are expected whenever a relationship is being established with a new supplier or for the renewal of an existing contract. This applies if the purchasing needs of the ProCredit institution are identified as “significant” following the significance assessment in the section 4.1.

The results remain valid for maximum of five years if no changes are communicated from the supplier’s side. Along with the signed questionnaire results, all documents collected as proof should be maintained in the local system. After a maximum of five years of engagement with the same supplier, the assessment should be repeated.

5. Reporting requirements

At the end of every fiscal year, the information on sustainable procurement is collected and disclosed in our sustainability report.



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