ProCredit HOLDING

GROUP POLICY FOR ENABLING A SUSTAINABLE PLASTICS VALUE CHAIN

EXECUTIVE SUMMARY

The ProCredit group has been committed to addressing plastics pollution through a comprehensive approach that has, until now, rested on three key pillars: strengthening internal environmental management and awareness, establishing prudent environmental and social (E&S) risk management to reduce the risk of plastics pollution through the client activities, and promoting sustainable alternatives – such as reduction, reuse, recycling, and the substitution of virgin plastics. Over the years, this approach has enabled the group to significantly improve internal practices, build a strong foundation of awareness among employees and clients, and reduce the risk of plastics pollution.

Internally, the group introduced measures to reduce plastics consumption and improve waste management, which have resulted in measurable reductions in plastics use and improvements in waste management practices. In parallel, employee training and awareness-raising campaigns have deepened the understanding of plastics pollution across the organisation. On the financing side, our exposure to plastics production has become more focused: Our portfolio now includes clients that are demonstrably working to reduce the environmental impacts associated with their plastics-related activities. The group has also taken an active role in international efforts to end plastics pollution by joining initiatives such as the Finance Leadership Group for Plastics convened by UNEP FI, thereby contributing to the global recognition of finance as a critical lever for systemic change.

Building on these achievements, the Plastics Policy – evolving from the former Plastic Strategy - marks a natural progression in focus. While maintaining and further embedding the progress already achieved internally and in E&S risk management, the group will now place greater emphasis on supporting clients in reducing harmful plastics applications, integrating recycled content, improving recyclability, adopting lower-impact materials and expanding reuse models, while also strengthening its advocacy work.This shift recognises that the most meaningful impact will arise from enabling and influencing change across the broader economy.

The updated policy therefore revolves around the following three pillars:

1. **Supporting our clients in the transition to more sustainable production and use of plastics,** including reduced reliance on harmful plastics applications and increased adoption of circular solutions.
2. **Continuing prudent risk management of plastics within the ESG framework,** ensuring that plastics-related risks are systematically assessed, monitored, and mitigated across the relevant portfolio.
3. **Advocacy and call for action,** leveraging our position within the financial sector to promote responsible plastics practices, engage in industry dialogue, and encourage collective action.

Together, these pillars support the group's efforts to reduce plastics pollution by directing financial flows away from practices associated with higher environmental risks and towards solutions that promote plastics reduction, reuse and circularity. They build on the progress made thus far and align the ProCredit group's approach with international efforts to reduce plastics pollution and advance circularity in the plastics value chain.

AIM AND MOTIVATION

Plastics pollution continues to escalate as global production surpasses 430million tonnes per year, with most plastics still designed for short lived use and only about 10% effectively recycled. As a result, plastics and microplastics are accumulating in the air, water, and soil, while emissions from fossil based feedstocks, manufacturing, and disposal further contribute to climate instability. Even with strong circularity measures, large quantities of short lived plastics will still require responsible management by 2040. This underscores the need to combine reduction and reuse with high quality recycling and stringent pollution controls. Although ongoing international efforts – such as negotiations aimed at establishing a global plastics treaty – may support progress, their ultimate impact remains uncertain and implementation will likely vary across regions. [1,2]

The ProCredit group remains committed to financing the transition and partnering with relevant actors across the plastics value chain, building on the foundations of our initial approach in 2019. Our updated policy focuses on directing financial support towards circular, low emission solutions and supporting clients in their transition efforts with the aim of reducing plastics pollution.

OUR ACHIEVEMENTS

Over the years, we have translated our initial plastics approach into concrete actions that strengthened our role as a responsible financial institution. The achievements below demonstrate our commitment to supporting a more sustainable plastics system and provide a solid foundation for the next phase of our work.

a) Internally reducing the plastics footprint of all ProCredit institutions

Across the ProCredit group, substantial progress has been made in reducing the internal plastics footprint through awareness-raising, behaviour change, and operational improvements. All employees have received training on the environmental impacts of plastics, strengthening their understanding of resource efficiency and responsible workplace consumption. Many institutions in the group have further supported these efforts with waste collection activities and visits to recycling centres.

Procurement practices across the group have been strengthened to prioritise non plastic products, supporting long term reductions in material consumption. Measures implemented in head offices and branches include replacing disposable items with reusable or non-plastic alternatives, introducing reusable containers and cutlery in cafeterias, and reducing purchases of pre-packaged food for events. Most offices have also replaced plastic water bottles with integrated water filters or dispensers, further lowering the use of disposable beverage packaging and reducing related logistics.

Overall, these measures demonstrate the group's strong commitment to minimising its own environmental footprint and promoting a culture of sustainability throughout the organisation.

b) Assessing and managing risks related to plastics

ProCredit has strengthened its environmental and social (E&S) risk management by integrating a more detailed assessment of plastics-related risks. Reflecting global concern over the environmental footprint of the plastics value chain, we have raised the E&S risk level for plastics production to "high", ensuring more rigorous due diligence and monitoring. To assess the environmental impact of our clients' plastics products, the group introduced a classification system in which items are assigned to one of three categories: the Black List, Grey List, or White List. Products with the highest negative impact – and for which sustainable alternatives exist – are included in our Exclusion List in accordance with the EU Single-Use Plastics Directive, ensuring consistency with international best practices and supporting the transition away from the most harmful single-use plastics items.

Furthermore, the management of plastics waste from production processes has become a mandatory component of the E&S assessment for relevant clients. The quality of waste handling, recycling practices, and measures to prevent

[1] OECD (2022). Global Plastics Outlook, available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/02/global-plastics-outlook_a653d1c9/de747aef-en.pdf and PE_TheFacts_25_digital-1pager-scrollable.pdf
[2] UNEP (2023). Turning off the Tap: How the world can end plastic pollution and create a circular economy, available at: https://www.unep.org/resources/turning-off-tap-end-plastic-pollution-create-circular-economy

environmental leakage are now systematically evaluated. These findings directly influence ESG scoring and related credit decisions.

Through these measures, ProCredit is strengthening its ability to identify and mitigate plastics-related risks while promoting more responsible production.

c) Adopting a business and lending approach that promotes the reduction or substitution of harmful plastics

Since implementing our plastics strategy, we strengthened our lending approach to reduce and substitute harmful plastics, focusing on upstream prevention while maintaining recycling and waste-management activities in our green portfolio. We analysed our loan portfolio, mapped all plastics products produced by our clients, and categorised them into the Black List, Grey List, and White List, each of which is linked to a specific approach: phasing out or excluding products in the Black List, providing targeted engagement for Grey List products, and subjecting White List products to enhanced E&S assessments.

The Grey List became our priority, as it includes single-use items not banned under EU law but still environmentally harmful. Since 2019, we have divested from over half of our single use plastics loan portfolio, parting ways with clients who are unable or unwilling to align with our approach. As of December 2025, all clients within the defined plastics-production portfolio were classified either as meeting the policy criteria or as having documented improvement commitments under the group's plastics assessment process. Of these, 35 clients, accounting for EUR 13.5 million of the portfolio, had set measurable and time-bound improvement targets, while 23 clients, accounting for EUR 9 million, met the operational criteria defined in the group's plastics assessment methodology.

Looking ahead, we will continue to support clients in implementing measurable improvements in plastics production, including reducing harmful applications, increasing recycled content, improving recyclability and adopting lower-impact materials and technologies.

THE WAY FORWARD

The global transition to a sustainable plastics economy will demand significant financial engagement: USD60-65billion per year between 2025 and 2040, with around 90% expected from private capital[3]. This underscores the critical role of financial institutions in shifting investment away from harmful plastics practices and towards solutions that prevent pollution, redesign materials and packaging, scale reuse systems, and expand high quality recycling.

The ProCredit group recognises its role as a financial institution in this transition and continues its journey towards a circular-plastics economy on the basis of the three new pillars described below.

a) Supporting our clients in the transition to more sustainable production and use of plastics

Our first pillar reflects a strategic shift from excluding clients producing Grey List products – such as single-use plastics – to actively including and engaging them, recognising that meaningful progress requires supporting their transition rather than distancing ourselves from them. With this inclusive approach, we focus on guiding these clients towards investments that enhance the sustainability of their products and production processes, such as integrating recycled content, improving recyclability, or adopting lower-impact materials and technologies. At the same time, our support

[3] Umesh Madhavan (The Circulate Initiative), presentation at ADB SEADS event *Global Plastics Treaty and Implications for Southeast Asia*, event page: https://seads.adb.org/events/global-plastics-treaty-and-implications-southeast-asia

extends beyond circularity-related measures to investments in renewable energy and other measures aimed at reducing the environmental impacts associated with clients' activities.

Through continuous dialogue, we will raise awareness of viable options for sustainable production and help clients explore practical pathways for implementation. To ensure accountability and guide future decision making, we will also strengthen our ability to measure and monitor the impact of the financed improvements, thereby supporting transparent progress towards a more sustainable plastics economy.

b) Continuing prudent risk management of plastics within the ESG framework

As regulations in our countries of operation become increasingly strict regarding harmful plastics – in line with global efforts to end plastics pollution – plastics will remain classified as presenting a high environmental and social risk (E&S), ensuring enhanced due diligence and monitoring. The group will maintain its product categorisation system, excluding high-impact items consistent with the EU Single-Use Plastics Directive. Management of plastics waste will continue to be reviewed as part of the E&S assessment and reflected in our clients' ESG scores, supporting the transition to more sustainable practices.

c) Advocacy and call for action

Building on our early and active engagement in addressing plastics-related environmental and social impacts, we aim to demonstrate how financial institutions can contribute to reducing plastics pollution and advancing circularity across the plastics value chain. We will continue to engage in dialogue with other financial institutions, openly sharing our insights, experiences, and practical learnings to encourage collective advancement. Building strong networks with like-minded organisations will support our efforts to increase our reach and strengthen collaboration across the plastics value chain. Wherever possible, we will take an active role in international events and platforms focused on plastics pollution and sustainable materials, using these opportunities to advocate for meaningful change and promote the transition to more sustainable plastics production and use.

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