

ProCredit Group Impact Report

2018



CONTENTS

Message from the management	3	Sustainability and the ProCredit group	10	Our business model	19	Annexes	
ProCredit at a glance	4	Sustainability context	11	Economic development	21	SDGs, material topics and targets	58
Our core principles	5	Global goals for sustainable development (SDG)	12	Corporate governance	23	ProCredit's sustainability performance indicators	63
Our organisation	6	Sustainability at ProCredit	13	Environmental management	28	GRI content index	87
Key historic milestones	8	Our medium-term sustainability goals	14	Technology and innovation	33	List of abbreviations	97
Main developments regarding the achievement of our sustainability goals in 2018	9	Reporting approach	15	Our approach to clients	35		
		Key material topics	15	Reliable and stable partnerships	37		
				Sustainable finance	40		
				Prudent credit risk management	44		
				Our approach to staff	46		
				Ethical values and working environment	48		
				Fair recruiter and employer	51		
				Staff development	54		



This Impact Report covers the period from 1 January to 31 December 2018.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

MESSAGE FROM THE MANAGEMENT

Dear Reader,

Development orientation lies at the heart of ProCredit. In front of you is our second Impact Report in line with GRI Standards. We will not discuss our financials here. Instead, we will describe our efforts towards economic, social and ecological sustainability.

We believe we have accomplished our ambitious goals for 2018, and we have illustrated our achievements in this report. Let us highlight here the strong growth of 12.3% in our loan portfolio and the further improvement in our already good portfolio quality. At the same time, our green loan portfolio grew by 39% to an impressive EUR 678m. We have also increased the level of automation to the point where almost 100% of the transactions through ProCredit banks are carried out via electronic channels. Lastly, and most importantly, we have invested more than 146 hours per staff member in training.

We are very grateful for the feedback we received on last year's report, and have taken many suggestions on board. We have modified the structure, and hope you find this edition crisper, more sharply focused, and easier to digest. We have reduced the number of subsections, but have retained the same three key areas: our overarching business model, supported by two pillars, our approach to clients and our approach to staff.

A critical point which is often overlooked, especially from a Western European vantage point,



is the sustainability context and the operating environment. Real life impact, and the measures to achieve it, can only be judged properly on the basis of an accurate assessment of "real life". Lower living standards, weak public services, high unemployment, cash-driven economies, informality, greater latitude for tax evasion and financial crime – these features are visibly manifested across the countries of South Eastern and Eastern Europe where we operate. And all of this takes place against the backdrop of tangible environmental degradation and pollution, which is already spurring the middle class to action.

It is therefore paramount that our sustainability strategy is laser-focused on the three key areas described below, with a clear definition of the overall goals for each of them.

Our business model – The aim is simple, but not trivial: to make a substantial contribution to a responsible financial system which provides much needed financial stability to small and medium-sized businesses and enables them to invest and expand in a sustainable manner.

Our approach to clients – The huge majority of banks in our markets strive to be universal banks, engaged in a wild chase for market share. In contrast, the ProCredit group aims to be a leading

specialist full-service bank for SMEs, and offers lean, direct banking services for private clients. We continually encourage our clients to pursue a sustainable way of doing business that would enable them to improve their environmental and social impact, and we support them in their green investment decisions.

Our approach to staff – Our aim to promote an ethical approach to banking can only be successful if our employees identify with and personify our values and goals, and actively pursue them. Our transparent recruitment and onboarding process allows us to select people who share our ethical values. Furthermore, we invest in life-long learning and capacity building, in order to develop and retain our staff.

The material topics identified for the ProCredit group are discussed in greater detail in the report, indicating the corresponding SDGs. This year we have selected seven SDGs and 20 targets that are most relevant for us and to which we can make the greatest contribution. Through a series of internal meetings held during 2018, we have carried out our first strategic exercises to map ProCredit's key activities to the SDGs and their targets. Although we focus on and discuss these seven priority SDGs, we believe that our actual contribution is much broader.

This year we have set ourselves three main sustainability goals for the upcoming three to five years:

- to increase the relative size of the group's green loan portfolio to 20% of the total loan portfolio, up from 15.4% at end-2018;
- to become carbon-neutral with regard to the group's own CO₂ emissions;
- to further increase the already high level of social and environmental competence among our staff.

Without further words of introduction, we invite you to go through the report and form your own opinion. It is a report for which we are deeply grateful to our staff, our clients, our shareholders and our business partners. Special thanks are undoubtedly due to the consultants from IPC, who over the years have played a valuable role in helping to develop our environmental management system, and have lately supported us in our impact reporting.

We hope you enjoy reading the report.



Borislav Kostadinov Sandrine Massiani Dr. Gabriel Schor

PROCREDIT AT A GLANCE

Key figures 2018

Total assets (EUR m, gross)	5,966
Customer loan portfolio (EUR m, gross)	4,392
of which, loans to businesses	92.1%
of which, green loan portfolio	15.4%
Number of business clients	31,133
Defaulted loan portfolio (%)	3.1 %
Customer deposits (EUR m)	3,826
Profit for the period (EUR m)	54.5
Return on average equity	7.6%
Number of employees ¹	3,093
Number of financial institutions	13
Number of outlets	87

¹ Number of employees as defined in this report includes management board members, onboarding participants and staff in unconsolidated entities. This figure therefore differs from the number of staff cited in the Annual Report.

OUR CORE PRINCIPLES

ProCredit is an international group of development-oriented commercial banks with a geographical focus on South Eastern and Eastern Europe and a structural emphasis on small and medium-sized enterprises (SMEs). We see access to responsible finance as vital to the stable growth of SMEs, which are the backbone of economic development and which employ the majority of the population in our countries of operation. In addition, we actively address private clients who have the capacity to save and prefer to do their banking through our digital services. These clients as well as the owners of SMEs form an emerging middle class, which supports the stable development of a society.

Since its origins more than 30 years ago, the ProCredit group has been a pioneer in development finance. The focus of our banking has shifted over the years as the markets in which we operate have evolved. However, the guiding principles underlying the financial services we provide have remained constant, and complement our conviction that running commercially successful banks can go hand in hand with ethical principles and sustainability.

Our commercial ambitions are rooted in our commitment to grow our business and deliver attractive, stable returns to our shareholders over the long term. Our development ambitions are rooted in our desire to support the sustainable growth of our SME clients, by striving to enable them to make long-term investments, particularly in resource-efficient

and environmentally sound practices, and by supporting the formalisation and transparency of their operations and their integration into best standard banking and trading systems.

We believe that the way we work with our clients and our staff is central to achieving these ambitions. We aim to establish stable relationships built on trust and responsibility. We want our carefully selected, well-trained staff to develop professionally and personally in order to provide excellent services to our clients in line with our developmental goals. ProCredit banks operate to high technical and ethical standards, particularly with regard to risk management, countering corruption and financial crime.

We set high ecological standards regarding the impact of our operations on the environment, and we make continuous efforts to increase the environmental awareness of our staff, clients, counterparties and the general public.

MISSION STATEMENT

ProCredit Bank is a development-oriented commercial bank. We offer excellent customer service to small and medium enterprises and to private individuals who have the capacity to save and who prefer to do their banking through electronic channels. In our operations, we adhere to a number of core principles: We value transparency in our communication with our customers, we do not promote consumer lending, we strive to minimise our ecological footprint, and we provide services which are based both on an understanding of each client's situation and on sound financial analysis.

We focus on small and medium-sized enterprises, as we are convinced that these businesses create jobs and make a vital contribution to the economies in which they operate. By offering simple and accessible deposit facilities and online banking services and by investing in financial education, we aim to promote a culture of saving and financial responsibility among business as well as private clients.

Our shareholders expect a sustainable return on investment over the long term, rather than being focused on short-term profit maximisation. We invest extensively in the training and development of our staff in order to create an open and efficient working atmosphere and to provide friendly and competent service for our clients.

OUR ORGANISATION

Structure of the ProCredit group



ProCredit Holding AG & Co. KGaA



Quipu GmbH –
IT service provider



13 ProCredit banks



ProCredit Academy GmbH –
training centre

The parent company of the group, ProCredit Holding AG & Co. KGaA (ProCredit Holding), is headquartered in Frankfurt, Germany, and controls the majority of shares in all the ProCredit institutions worldwide (100% ownership in all institutions except for ProCredit Bank Ukraine and ProCredit Bank Colombia). ProCredit Holding has been licensed by the German Federal Financial Supervisory Authority (BaFin) as the superordinated company of the group.

The main functions of ProCredit Holding vis-à-vis its subsidiaries are strategic guidance and supervision, and the provision of equity

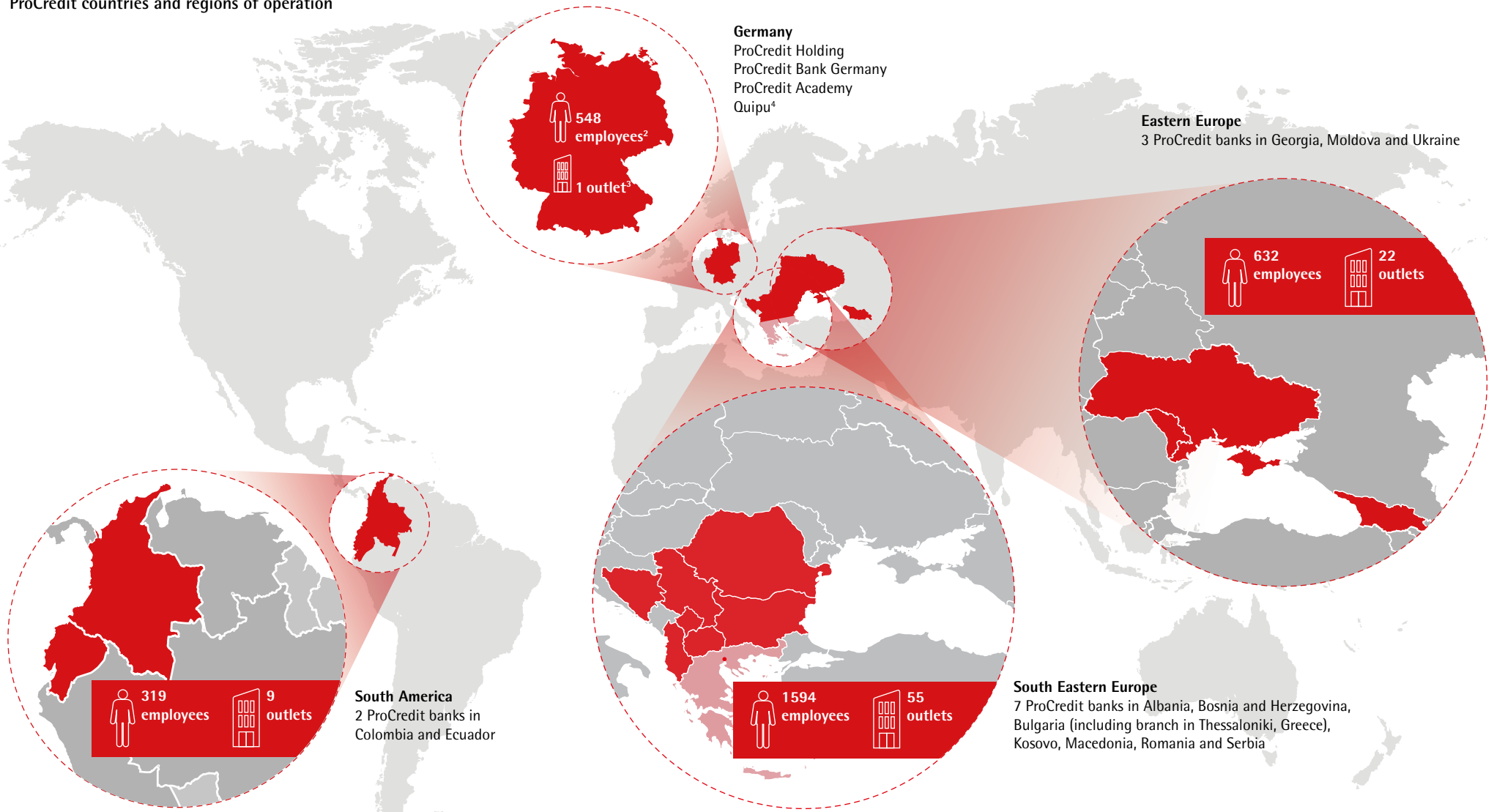
and debt financing. It is responsible for ensuring that all reporting, risk management and compliance obligations required under German banking regulations are met, particularly in relation to risk management and the prevention of money laundering, fraud and the financing of terrorism. To this end, ProCredit Holding sets the overall policy guidelines and standards regarding all key areas of banking operations and it ensures that all ProCredit institutions have appropriate organisational structures and procedures in place that reflect these policies. Specifically, it ensures that controlling, risk

management and compliance systems are in place across the group, and that they are in line with the principles and standards set forth in BaFin's policy document, "Minimum Requirements for Risk Management", commonly referred to as "MaRisk".

At the end of 2018, the institutions comprising the ProCredit group are primarily the 13 legally independent ProCredit banks, ProCredit Holding, the ProCredit Academy in Fürth, Germany, and the 100% owned IT subsidiary Quipu.



ProCredit countries and regions of operation

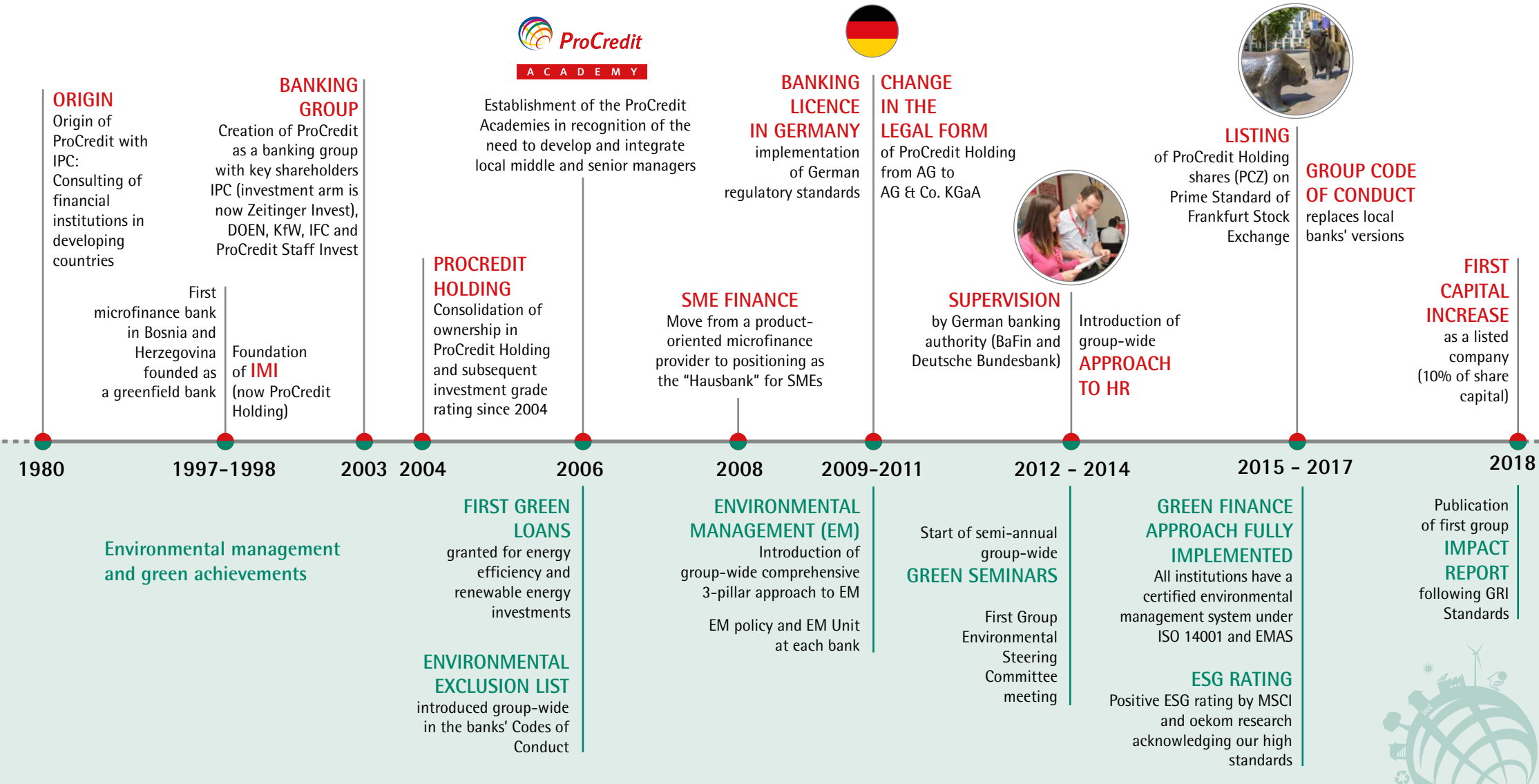


² Number of employees as defined in this report includes management board members, onboarding participants and staff in unconsolidated entities

³ Outlets include branches and service points

⁴ Quipu's head office is located in Germany; please note that the numbers presented here also include its regional offices outside Germany (see > [Quipu's webpage](#))

KEY HISTORIC MILESTONES



MAIN DEVELOPMENTS REGARDING THE ACHIEVEMENT OF OUR SUSTAINABILITY GOALS IN 2018

In our > [Impact Report 2017](#) (page 13) we presented our sustainability goals for the year 2018. They included some general business objectives but also some very specific, action-oriented targets. For example, electric and hybrid cars made up 57% of our fleet by the end of 2018, exceeding the target by 7 percentage points.

In this section we have grouped the goals into four main topics under which we illustrate our achievements so far.

Becoming the leading "Hausbank" for SMEs, growing sound business

In the course of 2018 we completed our strategy to sharpen the group's business profile as a modern Hausbank for SMEs. "Hausbank" is a German term that expresses our aim to be our clients' partner for all of their banking operations, and this concept is the cornerstone of ProCredit's approach to SME clients.

Customer loan portfolio

EUR 4,392m
 EUR 3,910m

Share of business loans in total portfolio

92%
 90%

We achieved significant loan portfolio growth (21%) in the core segment of loans above EUR 50,000, which constitutes 86% of the group's total loan portfolio. One of the indi-

cators showing our positioning as the leading Hausbank for SMEs, is the reciprocity index. As of end 2018 the sector reciprocity is 35%⁵ which we interpret as a clear sign that many clients trust our offer of a long-term partnership and are transferring their entire banking business, including their deposits, to our banks. In the same vein, the average monthly volume of transactions rose by 8%, showing an increased amount of banking business by our clients. The quality of our loan portfolio has further improved, and is far ahead of the average levels in our countries of operation (see > [page 45](#)).

Increasing operational efficiency, focusing on private clients

In addition, the focus on our direct banking offer to private clients has been further developed. We have completed the implementation of a group-wide offer providing clients with modern and convenient access to our electronic and mobile banking services. The digitalisation of services and automation of transactions, supported by our IT subsidiary Quipu, is central to our wider strategy to increase the operational efficiency (see > [pages 33f.](#)). As a result, the share of automated transactions has reached almost 100%, distributed mainly between e-banking (50%), POS transactions (25%) and ATM operations (22%). A complementary mobile banking

application has been rolled out in 2018 so that all ProCredit banks can offer this service to their clients (see > [pages 37f.](#)).

Promoting green lending and providing comprehensive training

Our green loan portfolio, consisting of investments in energy efficiency (67%), renewable energy (11%) and environmentally friendly projects (22%) continued to grow to EUR 678m, representing 15.4% of our total portfolio. Green loans are by definition predominantly investment loans from business clients: the share of green investment loans in our business client investment loan portfolio has increased to 21%. The CO₂ emission reductions that we achieve by financing renewable energy (RE) projects are now reported on a regular basis; they amount to 56,536 tCO₂ for the year 2018.

Share of green loan portfolio in total LP

15.4 %
 12.6 %

CO₂ saved from RE projects in LP

56,536 tCO₂
 50,481 tCO₂

The ProCredit banks were in the process of implementing the standards for RE project finance during 2018, and a series of training sessions was initiated with the aim of increasing knowledge, exchanging practices and ensuring a high quality of analysis and structuring of RE finance. The preparation of the training concept and materials as well as the organisation and implementation of the workshops was partly supported by technical assistance funds from the Development Bank of Austria, OeEB. A total of 74 participants from different departments of the banks who are responsible for

RE finance were trained in a two-week seminar, additionally to a three-day workshop on the same topic which was exclusively designed for senior bank management members (25 managers took part) (see > [page 42](#)).

Continuing to invest in high staff quality

We have continued to invest in building the capacities of our staff in order to further improve efficiency and service quality. Today, as a result of significant investments in English training provided in-house, all staff now have the ability to communicate in English. In December 2018, a total of 581 current ProCredit employees have graduated from or are currently attending the ProCredit Banker and Management Academies. Another 19 are currently participating in the one-year staff exchange programme between the ProCredit banks and ProCredit Holding.

Share of academy graduates to total staff

19%
 16%

Average training days per employee

18.3
 17.8

Regular discussions of our > [Code of Conduct](#) are part of the Onboarding Programme, the ProCredit Banker Academy and the banks' "ethics day" which is organised once per year.

⁵ Reciprocity compares the funds deposited by business clients into their ProCredit bank accounts against the financing provided by the same ProCredit bank to these clients (see > [page 65](#) for numbers and further definitions).

SUSTAINABILITY AND THE PROCREDIT GROUP

ProCredit's approach to ethical banking is tailored to the specific situation of the countries in which we operate. In this section, we aim to combine our unique approach to this topic, which focuses on the long-term development of our staff and clients, with the perspectives and views of our shareholders and other stakeholders – all with the goal of presenting a comprehensive report on ProCredit's impact.



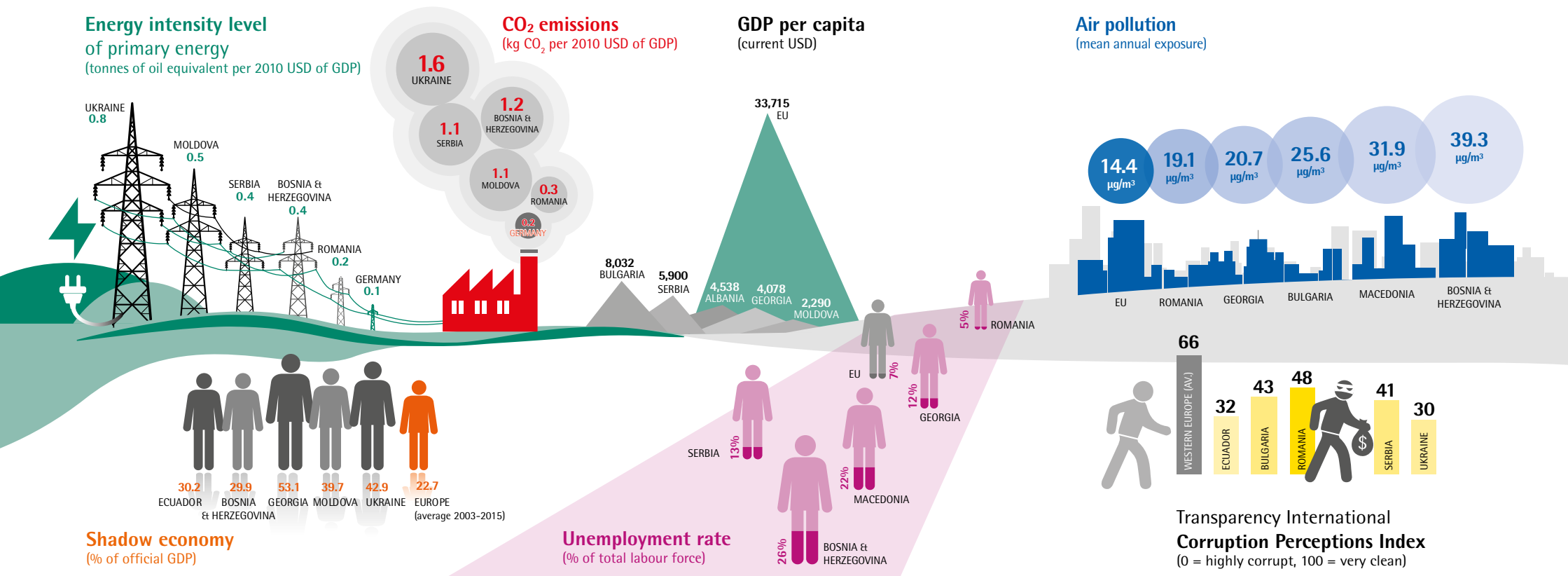
SUSTAINABILITY CONTEXT

Our sustainability context and resulting challenges are largely set by the environment in which we operate. We work in developing countries and transition economies, with a

focus on South Eastern and Eastern Europe. In general terms, these countries tend to share a number of parameters which differ from the European Union (EU) average. Good market op-

portunities and growth potential for businesses are combined with higher levels of economic, political and regulatory volatility. The standards of living are lower, public services weaker, and

labour markets offer limited opportunities. Unemployment and the lack of appropriate education are still serious problems.



The banking sectors are less well-developed, with cash transactions still playing an important role in the economy, and there are higher levels of informality, creating scope for tax evasion and financial crime. Lack of transparency remains a concern.

Environmental degradation and pollution as well as climate change pose immense challenges, and the adverse impacts undermine the ability of our countries to achieve sustainable development. Energy intensity in the production sectors is very high, and consequently so too is the level of CO₂ emissions. Although governments have adopted climate policies and energy and environmental strategies in all our countries of operation, the relevant legislation is not being implemented and enforced with sufficient vigour.

Like any banking group, ProCredit faces competitive markets with tightening interest margins. Since the financial crisis, the economies and the investment climate in the countries in which we work have been subdued; more positive economic prospects are anticipated in some of the countries. The regulatory environment at both group and local level continues to evolve and become more complex. The ProCredit group must therefore remain focused and efficient in its response to complex market conditions and developments.

These are the challenges that the ProCredit banks address on a daily basis. It is also a context in which we believe ProCredit banks can have a positive impact by serving SMEs and private clients in a responsible, modern and transparent way and being a transparent and fair employer.

GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT (SDG)

In autumn 2015 the United Nations set out global sustainability goals in the framework of its 2030 Agenda for Sustainable Development⁶. These 17 goals supersede the Millennium Development Goals (MDGs) and are to be achieved within 15 years. In contrast to the MDGs, which were applicable primarily in developing countries and placed social development in the foreground, the SDGs emphasise sustainability to a far greater extent. Beyond the social aspects, economic and ecological components have been

⁶ United Nations (2015), Resolution adopted by the General Assembly on 25 September 2015, 70/1. Transforming our world: the 2030 Agenda for Sustainable Development

integrated into the Agenda, with an explicit focus on protecting human rights and promoting gender equality. The Agenda has been accepted by all UN member states, and their governments have been urged to implement the SDGs.

There are 169 associated targets for the 17 goals. Indicators have been developed to assist in the follow-up and review of implementation. In total, there are 304 indicators to measure compliance with and progress towards the targets.

The need to link development goals closely with climate and environmental protection – thus effectively combatting the causes of hunger, poverty and environmental crises – is more urgent now than ever before. Governments in the countries where we operate have committed to supporting the implementation of the sustainability goals,

and they have drafted strategies which include not only public but also private sector participation.

With their range of financial services, the institutions belonging to the ProCredit group aim to contribute to the sustainable development of the SMEs which comprise our most significant client group (see > page 21). Through our policies and practices, we strive to address many of the SDGs formulated by the United Nations. We have therefore decided to refer directly to the SDGs when presenting our impact in this report. For this purpose, we have selected seven SDGs and 20 targets which are most relevant for us and to which we can make the greatest contribution (see table with key material topics, SDGs and targets > page 18, and graph in annex > pages 58ff.).



SUSTAINABILITY AT PROCREDIT

Our ethical approach to banking is integrated into our activities and reflected in our mission statement (see > page 5) as well as in our policies and standards. For us, sustainability means to aim for a positive impact by:

- supporting the development of our clients and our employees with a long-term view
- contributing to responsible, stable financial sectors
- striving for lasting improvements in the economic, social and environmental situation in our countries of operation
- strengthening our business
- delivering positive results for our shareholders

Our sustainability strategy focuses on three key areas and defines the overall goals for each of them:

Our business model

The ProCredit group aims to contribute to a responsible, transparent and efficient financial system, which enables small and medium-sized businesses to invest and expand. Our corporate governance supports a balanced approach to our growth and profitability. We invest in state-of-the-art equipment and information technologies for our network and systems to ensure the high quality of our services, and accessibility and efficiency for our clients. We have a strong compliance culture and aim to support our clients in their efforts to become transparent and more formalised. Through our environmental management systems, we both maintain and further develop structures to continuously improve our direct and indirect impact on environment and climate.

Our approach to clients

The ProCredit group aims to be a leading specialist full-service bank for SMEs and private clients in our countries of operation. With respect to private households, we promote simple but fully developed and transparent transaction services and savings facilities through direct banking. For our business and private clients, we offer credit facilities that support them in building long-term assets, rather than encouraging short-term consumption. Since environmental protection is often overlooked in the countries in which we operate, we apply high environmental and social standards in our credit risk management and do not support activities that are harmful to the environment and society. We proactively promote a sustainable way of doing business and support our clients in their green investment decisions.

Our approach to staff

Ethical banking can only be successful if we have employees who identify with our values and goals, and actively pursue them. To this end, ProCredit applies a deeply thought-through approach to staff recruitment and development. We promote a working atmosphere based on open communication and the constant sharing of best practices at all levels. We want to create an environment in which staff motivation is maintained not by bonuses and monetary incentives, but rather by clear job descriptions, a fair and transparent remuneration structure, and professional and personal development opportunities.

OUR MEDIUM-TERM SUSTAINABILITY GOALS

Apart from the overall goals for each of the three key areas detailed above, the group has set itself three main goals for the coming three to five years which we regard as being most relevant to the achievement of our sustainability ambitions:

20% green loans

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

To this end, we will regularly update and extend our catalogue of eligible green measures. In addition we will strive for higher numbers of loans for climate change mitigation and adaptation and for investments with high environmental impact, such as water efficiency, circular resource management, waste reduction and recycling, as well as renewable energy projects.

Carbon neutral

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

Projects aimed at achieving this goal include energy efficiency measures and renewable energy projects (e.g. PV) at our offices and outlets, and switching to electricity providers for our own supply based on renewable energy sources wherever feasible (see > [page 32](#)).

Staff competence

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

This is to be achieved through our demanding onboarding process, and through carefully designed training events on corporate values and green topics at both group and bank level. We will also implement further measures to reduce the group's resource consumption and improve our carbon footprint, which will entail setting a "green topic" for each year. We will facilitate an ongoing exchange of best practices and knowledge among staff, on the basis of which we will constantly update our strategies, policies and standards.



REPORTING APPROACH

The Impact Report presents the ProCredit group's key developments in the area of sustainability for the 2018 reporting period, and our progress in the economic, environmental and social spheres.

Our Impact Report 2018 follows the guidelines of the Global Reporting Initiative (GRI) and has been prepared in accordance with the "Core" option of the 2016 version of the GRI Standards; it also takes into account the G4 sector disclosures for financial services. Our 2017 Impact Report is also accessible via [> GRI online database](#).

The principles developed by the GRI with regard to the implementation of the reporting framework are integral to our reporting process:

- stakeholders' expectations provide the framework (reporting principle 1: stakeholder inclusiveness);
- we examine our performance in the context of regional or international benchmarks (reporting principle 2: sustainability context);
- based on our internal assessment, we define the most relevant material topics (reporting principle 3: materiality);
- we report on a wide range of GRI disclosures as well as on our own indicators relevant to the material topics we have defined (reporting principle 4: completeness).

The report applies to the ProCredit group, which primarily consists of ProCredit Holding AG & Co. KGaA, 13 ProCredit banks worldwide, ProCredit Academy GmbH and Quipu GmbH. If certain content in this report only applies to part of the group, this is indicated.

The data and content of this report are intended to provide a balanced, comparable, accurate, clear and reliable presentation of the ProCredit group's economic, social and environmental performance in 2018. In addition to the 2018 figures, we include figures for the year 2017 when useful and in order to make it easier to visualise the development of our indicators.

Depending on the topic, our approach and services are explained either as text, with reference to the policies, procedures and standards, or in the form of graphs and illustrations. Separate features and boxes highlight issues of special interest. Qualitative and quantitative data were collected in a decentralised manner from the respective specialist departments, consolidated in a central database and evaluated by the Environmental Management and Impact Reporting Unit of ProCredit Holding.

An overview of the content relevant to the GRI can be found in the GRI content index at the end of the report (see [> pages 87ff.](#)). An overview of the content relevant to the SDG targets and its relation to the material topics can also be found in the annex (see [> pages 58ff.](#)).

The Group Impact Report 2018 was published at the end of March 2019. It can be viewed online at

www.procredit-holding.com/downloads, where our previous report can also be downloaded.

This Group Impact Report has not been reviewed by external validators. However, important information from ProCredit publications that are subject to external review has been used. This includes, for example, economic information and key figures from the [> Annual Report 2018](#), as well as environmental information with key figures from the [> Environmental Statement](#) for the four ProCredit institutions based in Germany, which is reviewed by an independent environmental verifier as part of the EMAS certification process. Both documents can be viewed online at www.procredit-holding.com/downloads.

KEY MATERIAL TOPICS

The concept of "materiality" is key to meaningful impact reporting according to GRI Standards. It requires us to evaluate, along with our stakeholders, a variety of issues which are specific to ProCredit and relevant for assessing our economic, environmental and social impacts. In this respect we can establish a direct link between our key material topics and the respective SDG targets (see table [> page 18](#) and annex [> pages 58ff.](#))

For our 2017 Impact Report we had identified the most relevant topics in a materiality analysis. This analysis was based on an internal

materiality workshop and a stakeholder survey on our sustainability issues. The boundaries of our material aspects – the points at which our business operations impact economic, environmental and social issues – were analysed, and the ProCredit group's performance on those issues was presented in the report.

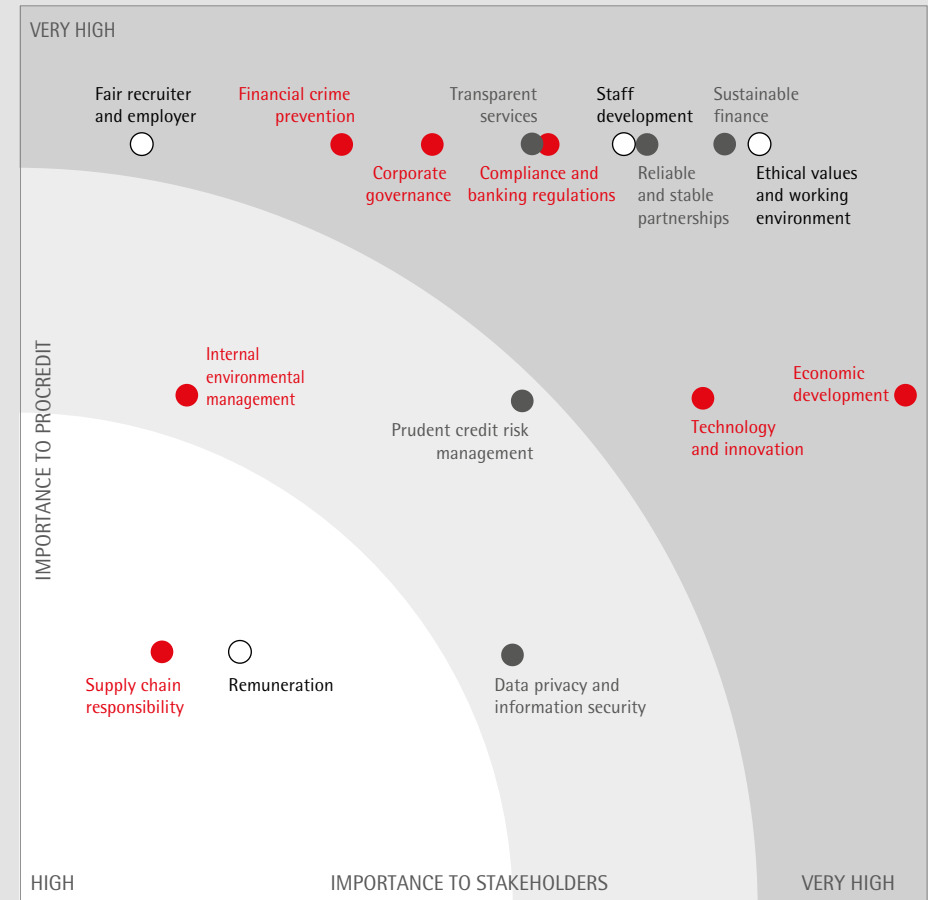
Through this materiality assessment, we ensured that we addressed the right topics. For the 2017 Impact Report we began the materiality assessment with an internal workshop, including not only members of the management of ProCredit Holding and the ProCredit banks, but also key staff. During the workshop, the participants defined the most important key sustainability topics, discussed applicable policies and practices in place and evaluated the present and future business priority for each topic. The resulting list of topics formed the basis of the subsequent stakeholder engagement (see box [> page 16](#)). Since the list of topics was developed during an internal management workshop, all of them generally have an inherent significance and are considered relevant to the group.

In our 2018 Impact Report we have retained the same three key areas. Based on our sustainability approach, as presented above, and taking into consideration the scores of the 2017 stakeholder survey regarding the materiality matrix, we have combined these results with the feedback received from our internal and external stakeholders on various occasions when the report was discussed. The outcome is a slightly modified reporting approach for 2018.

STAKEHOLDER SURVEY 2017

For the purposes of our first Impact Report 2017 based on the GRI Standards, we consulted our closest stakeholders – the employees and clients of the ProCredit banks, as well as the shareholders of ProCredit Holding. Four banks of different size representing ProCredit's different regions of activity were selected for the implementation of the stakeholder engagement: the ProCredit banks in Bulgaria, Macedonia, Ukraine and Ecuador. In total, 353 employees on all levels, 306 business and private clients of these banks, and six shareholders were polled via an online survey about their present and future priorities with regard to ProCredit's key sustainability topics. Participants and interviewees had the opportunity to provide input and recommend key topics for consideration. The engagement was implemented between July and September 2017 and will be repeated every three years.

The results of the surveys were combined and analysed in order to define the material topics for ProCredit's sustainability within the defined three areas of content: business model, approach to clients and approach to staff. The importance of the topics increases from left to right and from bottom to top. The materiality matrix showed that the topics of "ethical values and working environment", "reliable and stable partnerships", "sustainable finance", and "staff development" were the most important to the stakeholders and ProCredit itself. Since we also wanted to address the lower-ranked topics, i.e. "supply chain responsibility" and "remuneration", they were integrated into the material topics of "internal environmental management" and "fair recruiter and employer". Detailed information on the process by which we identify our key material topics can be found in our > [ProCredit Group Impact Report 2017](#) on pages 15f. and pages 68f..



- Business model
- Approach to clients
- Approach to staff

In a series of internal management meetings in September and October 2018, we decided to combine some of the closely related material topics in order to produce a leaner report that is easier to follow. The matrix and its interpretation in terms of materiality determines the selection of the high ranked topics. This exercise resulted in a slightly different structure: the report now consists of ten subsections instead of the previous year's 14. They are grouped under the same three key areas: our business model is the overarching topic, which is supported by the two pillars, our approach to clients and our approach to staff:

- In our business model, we depict the material topics economic development and corporate governance, under which we integrate compliance, banking regulation and financial crime prevention. In addition, we present our further material topics environmental management, and technology and innovation.
- In our approach to clients we address reliable and stable partnerships and transparent services, which embrace data privacy and information security. In addition, we present our strategy and results regarding sustainable finance, and describe our prudent credit risk management approach.
- In our approach to staff the high ranked topics of ethical values and working environment are discussed, followed by ProCredit's view of itself as a fair recruiter and employer, and its focus on staff development.

Key sustainability issues for the ProCredit group



The following table defines each of the material topics identified for the ProCredit group in more detail, displays the relevant SDGs and indicates where more information on each topic can be found in the report. The mapping of our material topics to the specific GRI Standards is shown in the GRI Content Index (see > page 87). Moreover, an overview of our impact and boundaries, which are presented throughout this report, can be found in the annex (see > page 96).

Area	Material topic	Definition	SDG	Further details
BUSINESS MODEL	Economic development	Supporting transition and developing economies with responsible financial services to SMEs	 	> page 21
	Corporate governance	Implementing a framework of rules and practices which ensures accountability, fairness and transparency in relationships with stakeholders, managing compliance proactively and preventing corruption, bribery and money laundering	 	> page 23
	Internal environmental management	Systematically reducing internal resource consumption and carbon footprint through defined structures and activities	   	> page 29
	Technology and innovation	Striving for efficiency and implementing technological innovations	 	> page 33
APPROACH TO CLIENTS	Reliable and stable partnerships	Promoting long-term partnerships with private and business clients; offering efficient, transparent and easily understandable account services through ProCredit Direct; ensuring the privacy and security of personal data		> page 37
	Sustainable finance	Driving forward the creation of responsible finance that is economically, socially and environmentally inclusive	    	> page 40
	Prudent credit risk management	Implementing a comprehensive risk analysis approach, considering environmental and social impacts		> page 44
APPROACH TO STAFF	Ethical values and working environment	Creating a working environment with gender diversity, a flat hierarchy and open communication	 	> page 48
	Fair recruiter and employer	Attracting and retaining the right employees with a transparent selection process, fair internal promotion and remuneration	 	> page 51
	Staff development	Strengthening staff capacity through comprehensive knowledge and skills development, regular performance reviews and clear career options		> page 54

OUR BUSINESS MODEL

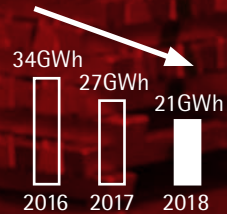
By focusing our business on small and medium-sized enterprises, we aspire to contribute substantially to promoting a responsible financial system and to facilitating lasting improvements in the economic, social and environmental situation in the countries in which we operate.

99.9%

of our transactions are automated



Share of hybrid and electric cars constantly increasing



Continuous reduction of total energy consumption



Our business model is focused on services to small and medium enterprises, a growing – and we believe still inadequately served – segment. We aim to support our SME clients in their efforts to invest in modern technologies, adopt efficient and transparent financial practices, expand and generate jobs. ProCredit banks also address private clients with our innovative electronic banking services. We aim to contribute to the transparency, stability and responsibility of the financial sectors that we are part of.

Our business model is designed to address responsibly the particular opportunities and challenges of working in transition economies and developing countries. We believe that the opportunities lie in the importance and potential of the SME segment and our competitive advantage in how we work with these companies. By providing sustainable financial services to SMEs, we aim to positively influence economic development.

We are confronted with challenges in the volatile environment, relatively intransparent business practices and low level of trust in banks, as well as low levels of environmental protection and enforcement of regulations. Given these challenges, we put particular emphasis on being professional and responsible in our dealings with clients and in our operations. We have corporate governance and compliance management systems in place which support this approach.

We are careful in what we do and in what we do not do. We do not offer complex investment services and we do not engage in speculative lines of business. We are strict about complying with all prevailing laws and about preventing money laundering, financial crime and questionable business practices.

We do not support practices and activities that are harmful to the environment and society and we refuse clients who do not adhere to rules and regulations. We critically evaluate

and constantly strive to improve our own internal environmental management system. We invest in energy efficient and environmentally-friendly technologies and hope to inspire and encourage others to do the same.

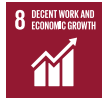
In this digital era, an increasingly important theme is the accessibility, efficiency and security of banking services. We have equipped our branches and service points with modern technology allowing 24/7 access for our clients. We are further investing in our direct banking offer, enhancing the services and communication options provided by our electronic and mobile banking applications. In our markets, the technologies we have implemented are new and innovative, and thus support modernisation, transparency and efficiency for our clients and the banking sectors in which we work.

In the following sections, we provide more details on how we manage and measure these key aspects of our business model.

IN THIS SECTION

- Economic development
- Corporate governance
- Environmental management
- Technology and innovation

ECONOMIC DEVELOPMENT



The ProCredit group is focused on countries that can be characterised as transition and developing economies. They typically display similar characteristics, such as an unstable institutional setting, dependence on more developed economies, a high degree of informality and tax evasion. Consequently, their labour markets offer only limited or volatile opportunities, and there is a lack of social protection and compliance with environmental standards. Economic growth and the provision of transparent financial services to the production sectors help to reduce these deficiencies by creating conditions that are conducive to supporting a strong middle class and a well-functioning market economy and democracy.

In our countries of operation, SMEs play a particularly important role in that they form the backbone of the economy by providing formal employment and driving technological modernisation. SMEs account for between 65%

and 82% of total employment in our countries, and more than half of the value added. Providing sustainable finance to these market players can thus contribute to the alleviation of economic and social constraints. In doing so, we strive to contribute to the value added and the employment generated by SMEs.

Since its founding, the ProCredit group has been a pioneer in development-oriented finance. In the past, development finance focused primarily on the provision of banking services for the poor. According to the rhetoric of the day, financial inclusion and microfinance were seen as catalysts of economic growth in developing countries. Present-day proponents of this approach claim that more financing will unequivocally lead to more growth. However, it carries with it the danger of detaching finance from the real economy and encouraging excessive risk-taking behaviour – a process typically referred to as financialisation.

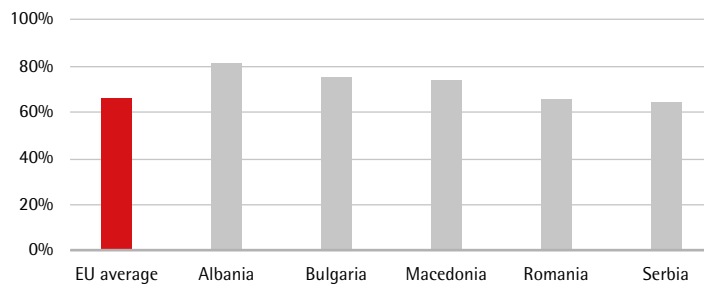
Given the problematic nature of this tendency, ProCredit has shifted its mission towards the provision of increasingly targeted financing to larger companies – to SMEs – that employ the majority of the population, have the potential for sustainable growth and drive technological innovation. We believe that it is incumbent upon the providers of development-oriented finance to consciously pursue a long-term and sustainable pathway towards economic development, instead of seeking short-term gains. This principle is engraved in the business behaviour of the ProCredit group.

Following the view that it is primarily companies of a critical size that drive economic change, the ProCredit banks have become focused on serving SMEs. By providing tailor-made financial services to SMEs in the productive sectors, we aim to enable businesses to make innovative investments and to adopt international best practices. On the national level, these efforts increase competitive pressure on the local market, which in turn

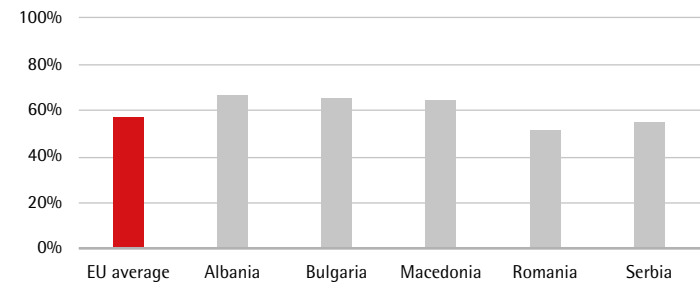
increases efficiency and results in lower prices for the final consumer. On the international level, these efforts increase the international competitiveness of domestic firms. This pushes exports, substitutes imports and lowers the structural imbalances in trade, thus resulting in reduced external dependency, greater economic resilience, stronger internal growth and in the generation of formal employment for the local population. As a responsible, transparent and stable banking partner in all our operations, we strive to foster the economic success of our clients by contributing to their ability to generate formal employment, mitigate environmental degradation, and enhance social stability.

Our deployment of the InnovFin SME Guarantee facility financed by the EU illustrates ProCredit's efforts to support sustainable and innovative projects. This scheme spurs investment in new technologies by reducing collateral requirements for companies, especially those in the manufacturing sector.

Number of persons employed by SMEs (% of total employees in enterprises)



Value added by SMEs (% of total value added by enterprises)



Source: European Commission 2018 and 2017 Small Business Act (SBA) factsheets



PROCREDIT BANKS FINANCE INNOVATIVE PROJECTS VIA THE INNOVFIN GUARANTEE SCHEME

The European Investment Fund (EIF) and the ProCredit group are providing a total of EUR 820m to innovative SMEs via the InnovFin Guarantee Facility. The EIF-backed financing is available through ProCredit banks in eleven countries (Albania, Bosnia and Herzegovina, Bulgaria, Georgia, Germany, Greece, Moldova, Macedonia, Romania, Serbia and Ukraine) and targets companies that use new technologies and produce new products. By the end of 2018, agreements with ProCredit had already supported more than 2,000 innovative SMEs with financing amounting to nearly EUR 620m.

These agreements were signed under the European Commission's InnovFin initiative and backed by Horizon 2020, the EU's

research and innovation programme. The InnovFin initiative enables participating banks to provide loans to innovative companies with the support of a guarantee provided by the EIF. The agreements signed in EU member states were made possible by the support of the European Fund for Strategic Investments (EFSI), which is the central pillar of the European Commission's Investment Plan for Europe, also known as the Juncker Plan.

In 2018, ProCredit financed clients from various business sectors, ranging from organic agriculture and different types of manufacturing to services and trade. Below we present three examples of clients who received support through the InnovFin initiative:

Bosnia and Herzegovina	Romania	Bulgaria
Metal processing	Dairy producer	Mechanical structures manufacturer
Investment in a new production facility and equipment	Investment in equipment for automatic filling and sealing of food containers	Investments in modern, energy-efficient equipment
Benefits: <ul style="list-style-type: none"> • Increased production capacity • Increased ability to meet demand • Improved internal organisation • Optimised inventory management process 	Benefits: <ul style="list-style-type: none"> • Improved production flow • Increased efficiency and output • Reduced energy costs • Better packaging solutions • Strengthened market position 	Benefits: <ul style="list-style-type: none"> • Expanded product range • Increased production capacity • Lower production costs • Improved quality of current product range

CORPORATE GOVERNANCE



Organisation of the ProCredit group and legal structure of ProCredit Holding

The ProCredit group has a transparent and stable legal and corporate governance structure, which supports its ambition to achieve both commercial success and a positive development impact over the long term.

The ProCredit group comprises 13 banks and employs 3,093 people. ProCredit Holding is the parent company and, from a regulatory perspective, the superordinated company of the group. ProCredit Holding owns 100% of the voting shares in all of its subsidiaries (except for ProCredit Bank Ukraine and ProCredit Bank Colombia, where it holds 91.8% and 96.7%, respectively). It is responsible for the strategic guidance of the group, for maintaining an adequate level of equity, and for ensuring that all reporting, risk management, anti-money laundering and compliance obligations required under German and European banking regulations are met. In addition, ProCredit Holding plays an important role in determining the group's human resources policies. At a consolidated level, the ProCredit group is supervised by the German financial supervisory authorities (BaFin and Bundesbank).

The legal form of ProCredit Holding is a partnership limited by shares (Kommandit-

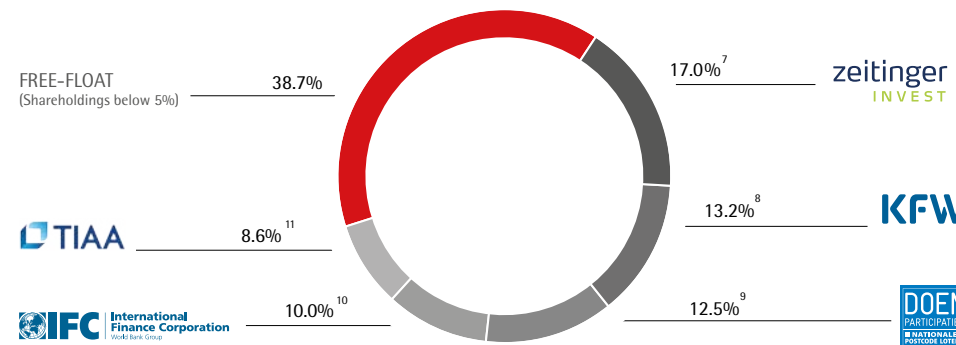
gesellschaft auf Aktien – KGaA). The general partner is ProCredit General Partner AG, an independent company owned by the core shareholders (Zeitinger Invest GmbH, KfW, DOEN Participaties BV, IFC and ProCredit Staff Invest GmbH & Co. KG). These core shareholders, who also own the majority of the shares in ProCredit Holding and share a commitment both to development impact and to commercial success, have guided the activities of the group since its foundation and make a material contribution to the success of the ProCredit group.

Given the powerful role of the general partner, the KGaA structure guarantees the stability of

the ProCredit mission. Even if the shareholder structure of ProCredit Holding were to change (for example, by way of a capital increase), this would not dilute the influence of the core shareholders, thereby ensuring that the group maintains its mission to combine development impact with commercial success.

The company's purpose to serve SMEs and to "achieve, over the long term, an optimal rate of return on the capital employed while at the same time achieving and maintaining a high degree of orientation towards the target group" is legally enshrined in the Articles of Association of ProCredit Holding.

Reputable development-oriented shareholder base



⁷ According to information voluntarily reported by Zeitinger Invest on 08.10.2018 (see section "Other information"), ⁸ According to the voting rights notifications as of 28.12.2016, ⁹ According to the voting rights notifications as of 29.12.2016, ¹⁰ According to the voting rights notifications as of 27.02.2018, ¹¹ According to the voting rights notifications as of 29.12.2016

The shareholder structure presented above is based on public voting rights notifications by the respective shareholders and, in the case of Zeitinger Invest GmbH, on the voluntary disclosure of voting rights (see "Voting rights notifications" and "Other information" in the Investor relations section of the ProCredit Holding website). This breakdown was calculated by comparing the numbers of voting rights reported by the shareholders on the above-mentioned dates against the total number of voting rights (currently 58,898,492). ProCredit Holding AG & Co KGaA has made reasonable efforts to provide a realistic overview of the shareholder structure. However, due to limitations on the availability and verifiability of the underlying data, ProCredit Holding AG & Co KGaA does not assume any responsibility for ensuring that the information presented here is accurate, complete and up to date.

Capital market, ESG ratings and sustainability initiatives

ProCredit Holding listed its shares on the Prime Standard segment of the Frankfurt Stock Exchange in December 2016. In February 2018, ProCredit successfully raised additional capital with gross proceeds of EUR 61 million, which increased the share capital by 10%.

The company has utilised the increased capital to continue the envisaged course of growth and profitability of the banking group while taking into account ecological and social aspects. This sense of responsibility is reflected in the fact that ProCredit Holding has been a member of the London-based Social Stock Exchange (SSX) since May 2017, as well as in the high ESG ratings from MSCI and oekom.

Environmental and social ratings and membership:

- Membership in the Social Stock Exchange, London
- oekom research rating Prime status
- MSCI ESG Rating AA



- Certified environmental management system under ISO 14001 and EMAS



Governance structure and committees

ProCredit Holding places emphasis on transparent corporate governance and open communication with all stakeholders. The values upon which we have built the ProCredit group include personal integrity, professionalism, social responsibility, open communication and transparency (see > pages 48f.). These key principles, our corporate values, as well as the mission statement (see > page 5) reflect our commitment to act ethically and sustainably on the economic, social and environmental level; they pervade all aspects of how the group is governed (see > Code of Conduct).

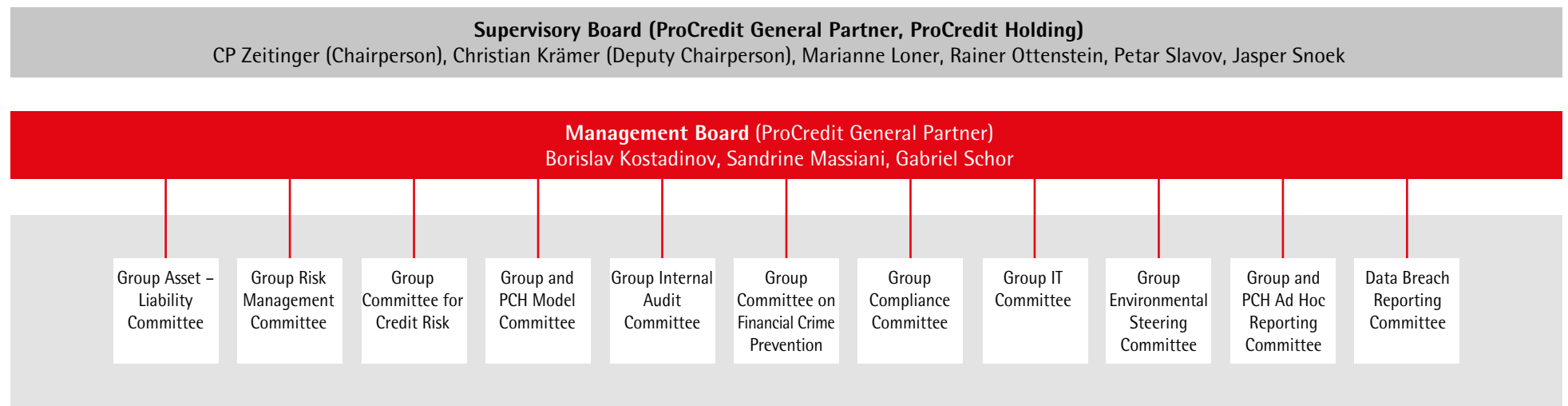
Under the KGaA structure described above, ProCredit General Partner AG is responsible for managing ProCredit Holding. The supervisory boards of ProCredit General Partner AG and ProCredit Holding comprise the same six individuals. Similarly, the individuals appointed by the Supervisory Board to the Management Board of ProCredit General Partner are at the same time the managers of ProCredit Holding, which technically does not have a management board as such. This is why, in this report, we refer to the "Management Board" of ProCredit General Partner AG, but to the "Management" of ProCredit Holding, while in practice they are the same. The Management reports regularly to the Supervisory Board on the business, risk

and IT strategies of the group and on their implementation.

The German Corporate Governance Code (CGC) has long been a reference point for the group, and since the company's shares were admitted to trading on the Frankfurt Stock Exchange, the CGC has gained in significance. With the exception of the deviations listed in the Corporate Governance Statement of our > Annual Report 2018, the company operates in compliance with the recommendations of the CGC. All members of the Supervisory Board aim to act as independent members within the provisions of the German Stock Corporation Act and the CGC.

The Management Board has set up specialist committees, such as the Group Risk Management Committee, Group Compliance Committee, and Group IT Committee. The committees support and advise the Management with regard to monitoring and steering the development of all ProCredit institutions and defining the overarching policies to be implemented by them. Our Group Environmental Steering Committee, for example, is chaired by a member of Management and defines the strategy with respect to green finance, sustainability and impact reporting.

Governance structure and committees



CODE OF CONDUCT

Our ethical responsibility is documented in our > [Code of Conduct](#), which contains the core principles that all employees of the ProCredit group are obliged to observe. The Code of Conduct is based on the principle of human dignity and emphasises the commitment to mutual respect and personal responsibility. It aims to serve our staff as an ethical compass for their behaviour and their decisions inside and outside the company.

The Code of Conduct translates the following corporate values into practical guidelines for our staff:

- ✓ **Personal integrity and commitment**
- ✓ **High professional standards**
- ✓ **Social responsibility**
- ✓ **Culture of open communication**
- ✓ **Transparency**

The Code of Conduct is closely linked to the daily life of our staff and influences their daily dealings with clients, colleagues, and public authorities. It does not aim to give precise instructions on how to behave in every possible situation. Rather, it outlines the principles upon which staff behaviour should be based, and illustrates their application in selected cases (see > [pages 48f.](#)).

The Code of Conduct is a binding document which forms an integral part of the employment contract and is discussed intensively with all our staff. The ethical training starts during the recruitment and onboarding process and continues in regular refresher sessions at the banks and the ProCredit Academy, which helps to ensure that employees remain aware of and committed to our high standards and are kept abreast of new issues and developments which have an ethical dimension.

Our responsibility is also reflected in the Exclusion List, which forms part of the Code of Conduct. This list specifies business activities that are harmful from a social, moral or ecological standpoint or that are not in compliance with standard health and safety regulations, and therefore must not be financed by the ProCredit banks (see > [pages 44f.](#)).

The Code of Conduct also includes the group-wide guidelines on the prevention of money laundering, terrorist financing and fraudulent activities. It states that ProCredit banks proactively promote compliance with external regulations, and specifies, together with subordinate directives, how these basic rules are to be implemented in practice.

Compliance and banking regulation

ProCredit places emphasis on compliance in a way that may not be typical for banks in the countries in which we work; we believe this makes a difference for clients and the banking sectors which we are part of. We take a three-pronged approach aiming to:

- apply high standards, which can go beyond the regulatory requirements of our countries of operation
- foster a culture of understanding and compliance among all staff members
- have an effective compliance function which supports and controls our aspirations in the area of regulatory compliance

We apply German banking regulations, in addition to local banking regulations, at all our banks for most of their activities. This includes the group-wide application of the German Minimum Requirements for Risk Management, commonly referred to as MaRisk, which also incorporates Supervisory Requirements for IT in Financial Institutions (BAIT). MaRisk specifies stringent standards for the management and internal control of all material risks, including the maintenance of adequate capital for such risks.

All ProCredit institutions apply German and EU regulatory standards, local AML regulations as well as international best-practice methods for the prevention of money laundering and other financial crimes. Comprehensive Group Operational Risk Management and Fraud Prevention Policies regulate stringent standards with regard to whistleblowing, New Risk Approval, Key Risk Indicators and the group's Risk Event Database. All ProCredit institutions apply a diligent approach to data protection. In addition, the EU-based ProCredit institutions comply with the requirements of the General Data Protection Regulation (GDPR).

Compliance is controlled by the group's Internal Audit teams. Any conduct which is inconsistent with established rules, in any group institution, can be reported anonymously to an e-mail address established for the group.

Now that our shares are listed on the Prime Standard Segment of the Frankfurt Stock Exchange, ProCredit Holding applies the tight standards of a capital-market-oriented institution and operates in line with the EU Market Abuse Regulation. In keeping with our transparent, focused business model, ProCredit banks do not actively trade in or advise clients on securities or investment products, and consequently have the status of a non-trading book institution pursuant to the German Banking Act. As a result, the group has to meet simplified compliance demands in the area of securities trading and financial instruments regulations.

The group's well-developed compliance function is coordinated by the Group Compliance Officer and Group Compliance Committee. The Group Compliance Policy provides the framework for managing regulatory compliance risks. Since the group enjoys such a strong compliance culture, priorities are typically set in response to international regulatory developments. The Supervisory Board receives an Annual Group Compliance Risk Management Report, which covers any significant non-compliance events, analyses of customer complaints, group-wide findings from internal audit and compliance control functions, as well as the compliance risk assessment of compliance officers at each ProCredit bank.

0 significant non-compliance events

In 2018, the group identified no significant non-compliance events and clients' complaints remained at a very low level. In 2019 a particular focus will continue to be on compliance with standards relating to IT, information security and data protection.



FINANCIAL CRIME PREVENTION

We are aware that the structures that facilitate legitimate business and international financial transactions can also be used for illicit purposes: laundering proceeds of crime, tax fraud, bribery and corruption, and generating illicit financial flows. These mechanisms create incentives for corrupt behaviour and require solutions at national and international levels.

The effects of illicit financial flows range from distortion of competition and the misrepresentation of investments to the promotion of corruption and bribery as well as the undermining of governance institutions. Frequently, the methods of illicit financial flows make use of money laundering techniques, including simple wire transfers to accounts in tax havens or complicated business transactions, sometimes involving shell banks and complex corporate structures. Illegally obtained money promotes the criminal infiltration of entire business sectors and increases the dependence of economically weak countries on organised crime and corruption.

In the majority of the countries in which ProCredit banks operate, bribery and corruption are salient problems. Despite some reform efforts, they remain a major concern in EU accession countries, where their detrimental effects are felt by ordinary citizens.

ProCredit banks therefore address financial crime risks in an integral manner through a selective staff recruitment and onboarding process. Subsequently, staff in all banks benefit from regular advanced training courses on

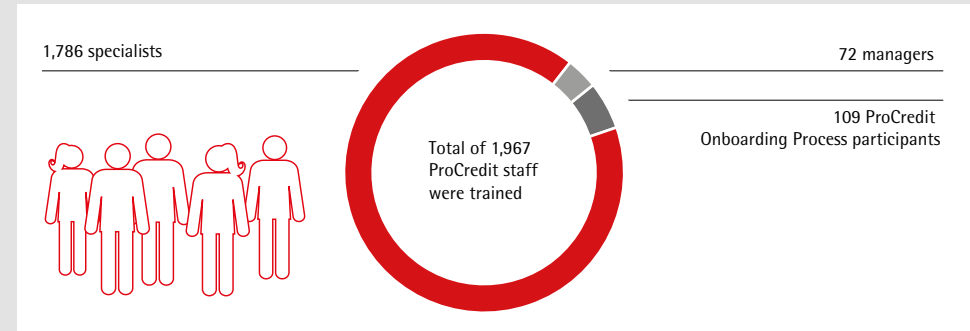
anti-money laundering (AML) and financial crime prevention. Training and awareness-raising measures ensure that our staff are in a position to identify financial crime risks and comprehend current anti-money laundering and customer due diligence requirements at all times. In 2018, 1,967 ProCredit employees attended financial crime risk-awareness trainings.

In order to avoid conflicts of interest, our employees and their relatives are not allowed to accept gifts, meals, favours, services, entertainment, or anything else of monetary value from any person or organisation seeking to influence our business decisions. The [Code of Conduct](#) explicitly states that employees or affiliated parties receiving remuneration from clients or third parties will be immediately dismissed, and if appropriate, legal action will be taken against them. Clients or suppliers engaging in such practices will no longer be seen as potential partners.

100% transactions screened for financial crime

At the heart of our approach to preventing financial crime with client accounts are the efforts made by our staff to know our clients and the long-term business relationships we aim to establish. ProCredit banks always identify the beneficial owners in all business relationships and screen all customers, beneficial owners and

Staff trained in financial crime risks in 2018



authorised drawers of every account against a set of around 700 different sanction lists, blacklists and watch lists. Additionally, IT-based anti-financial crime systems are used by all ProCredit banks to systematically and effectively monitor all payments.

When choosing our customers, it is our policy not to enter into business relationships with persons or companies whose business activities are contrary to our values, and to end any existing business relationships as soon as we become aware of grave inconsistencies with our ethical corporate mission. The groupwide guidelines on the prevention of money laundering and fraud, the Group Anti-Money Laundering Policy and the Group Fraud Prevention Policy, as well as their related standards and procedural instructions, add substance to the basic rules established in the Code of Conduct.

All ProCredit banks employ dedicated AML staff who oversee the implementation of all group-wide anti-financial crime measures as well

as national rules and regulations. Across the group, the Group AML team coordinates these efforts, providing training and advice as well as maintaining a detailed reporting system.

The Group AML team actively supports all ProCredit banks and continuously advances anti-financial crime measures within the group so that all obligations required under any applicable regulation are implemented.

As stated in the Annual Report of the Group AML Officer, ProCredit banks closed 125 accounts, blocked 23 accounts and put 93 accounts under enhanced monitoring for further investigation due to financial crime risks in 2018. We believe that our values-based business model and holistic approach to staff management, combined with a zero-tolerance approach to bribery and corruption, as well as our culture of complying with all applicable laws and regulations, contribute to exceptionally low levels of internal fraud and financial crime at ProCredit banks.

ENVIRONMENTAL MANAGEMENT



Environmental protection and awareness has been an important topic for us for many years. Over time, we have increasingly formalised our approach to managing and improving our environmental performance. We have established a comprehensive environmental management system (EMS) that is certified under international best practice standards – EMAS¹² and ISO 14001 for the ProCredit institutions located in Germany and ISO 14001 for all ProCredit institutions outside Germany.

Our three-pillar EMS is designed to manage the direct and indirect environmental impact of our operations. The continuous improvement of our resource consumption and our overall internal environmental performance has a very strong effect on staff awareness, and in addition, it supports the spread of green technologies in our countries of operation. Our structures and responsibilities under the EMS as well as our environmental principles are set forth in the Group Environmental Management Policy. The specific processes and procedures related to environmental management are formalised in group standards¹³, guidelines and manuals.

¹² EU Eco-Management and Audit Scheme

¹³ Group Standards for Managing the Environmental and Social Impact of Lending; Group Standards on RE Project Finance; Group Standards on Green Finance

Internal environmental management

Our approach is based on processes and procedures that help us to systematically reduce our direct environmental footprint.

Greening the banks' infrastructure and communicating about environmental issues raises awareness in our institutions and leads to improved resource consumption.

Management of environmental and social risk in lending

We aim to work with businesses whose activities do not harm the environment or endanger the health, safety and well-being of their staff or neighbours.

We strive to acquire clients who make positive contributions towards the environment and help us to improve our indirect environmental impact.

Green finance

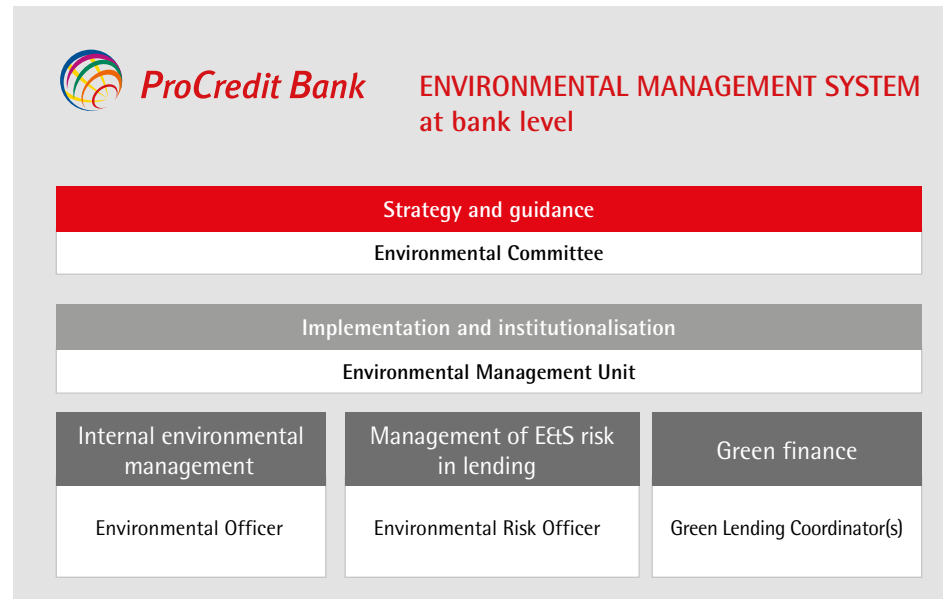
With our green finance activities, we promote green investments in our countries of operation.

We support clients who want to improve their business processes in an environmentally sound manner by investing in energy efficiency, renewable energies or environmental protection.

Our Group Environmental Steering Committee, chaired by a member of Management, defines the strategy with respect to green finance, sustainability and impact reporting. This committee is supported by the Group Environmental Management and Impact Reporting Unit, which was established at ProCredit Holding in 2012 (see > [page 24](#)).

Similarly, each of our institutions has an Environmental Committee, also chaired by a management board member, which meets every quarter and oversees the development of the EMS and implementation of the green strategy at the local level. In each bank, an Environmental Management Unit headed by the Environmental Coordinator and staffed with a technical expert has been established. The unit is responsible for coordinating and supporting the implementation and integration of the EMS within the institution. The institutional structure of the EMS is shown in the graphic.

The topics of environmental and social (E&S) credit risk management and green finance are explained in more detail in the sections Sustainable finance (see > [pages 40ff.](#)) and Prudent credit risk management (see > [pages 44f.](#)) of this report.



Internal environmental management

Internal environmental management focuses on decreasing the consumption of energy, water and paper, the production of waste and our carbon footprint. By continuously collecting, monitoring, and analysing our consumption data at all our premises, we identify improvement opportunities and develop Annual Environmental Plans in each ProCredit institution to implement measures to systematically mitigate our environmental impacts.

To this end, in-house energy and resource efficiency measures have been implemented, including efficient heating and ventilation systems, efficient inverter air conditioners, improvements to the building envelope, and LED lighting. The large majority of the IT and office equipment used by ProCredit has the highest available energy efficiency labels (such as Energy Star, Blue Angel). At ProCredit Bank Georgia a rainwater collection system has been installed. To facilitate the implementation of relevant environmental measures at our premises, we have developed and follow the > [Greening ProCredit Premises Guide](#).

Where feasible options exist, ProCredit institutions procure energy from a renewable energy supplier – this is the case at ProCredit Holding, ProCredit Bank Germany, ProCredit Academy, Quipu and the ProCredit banks in Romania and Serbia. In addition, ProCredit institutions have increasingly invested in their own photovoltaic panels, and a number of them have installed solar thermal water heating and geothermal heating systems on their premises. Examples of some of the environmentally outstanding ProCredit premises are presented in the brochure > [ProCredit's Green Buildings](#).

Thanks to process automation and print optimisation, we have continuously reduced paper consumption in all ProCredit institutions. The paper we are using is either recycled or certified (e.g. by using wood pulp from well-managed forests only). In spite of the still insufficient infrastructure in some of our countries of operation, we have introduced our own waste management system, including waste reduction and waste separation.

Air pollution is a major issue worldwide. In particular, road transport contributes to high levels of pollutants, causing adverse health effects, especially in large cities. In order to reduce the impact from our own car fleet, but also to showcase and promote environmentally friendly alternatives such as electromobility, ProCredit is replacing its fossil fuel-driven cars with electric and plug-in hybrid vehicles, whose share of the total fleet increased from 31% in Dec. 2017 to 57% in Dec. 2018. Our banks are also promoting infrastructure development by financing electromobility for business and private clients and installing solar charging stations in the main cities.

In addition, we pay close attention to our supply chain and the life cycle of the goods we use by defining standards for procurement and waste management. All ProCredit institutions have incorporated environmental criteria into their procurement policies, listing criteria such as energy efficient equipment, environmentally friendly materials and packaging, fair trade, etc. that are to be considered during the procurement process. At the same time, relationships are forged with sustainable suppliers. Attention is paid to local production, durability, reusability and ecologically certified food and office materials.

Though the proper infrastructure for waste management is often missing or inadequate in our countries of operation, we persist in our efforts to source companies that are capable of handling separated waste and ensuring that it is recycled or reused to the greatest possible extent. In 2018, 100% of our paper waste and 31% of our e-waste was recycled. The remaining e-waste was in fact reusable electronic equipment (as it was still functioning) and was hence either donated or sold.

Alongside the measures we have implemented, we also educate and raise awareness among our staff. Regular trainings, campaigns, and direct communication serve to provide employees with relevant information and contribute to environmental education, which plays a significant role in the continuing professional development of our staff.

Ultimately, the results of our efforts are reflected in the development of our environmental performance figures (see > [infographic page 31](#)).



Energy consumption in ProCredit buildings

	2017	2018	% Change
Total (MWh)	22,433	17,293	-23%
kWh per employee	5,915	5,238	-11%
kWh per m ²	183	173	-5%
kWh per 1000 EUR LP	5.3	3.6	-32%
kWh per 1000 EUR deposit portfolio	5.8	4.1	-29%



Emissions of the ProCredit group

	2017	2018	% Change
Total (tCO ₂)	15,758	13,331	-15%
tCO ₂ per employee	4.2	4.0	-3%
tCO ₂ per EUR m LP	3.5	2.6	-25%
tCO ₂ per EUR m deposits	3.8	3.0	-21%

In recent years, in line with our transition to cashless banking, we have equipped our Service Points with an increasing number of automated teller machines, deposit machines, etc. and at the same time reduced the number of staff. As a consequence, our energy consumption increased in relative terms (energy consumption per employee). By setting high standards in terms

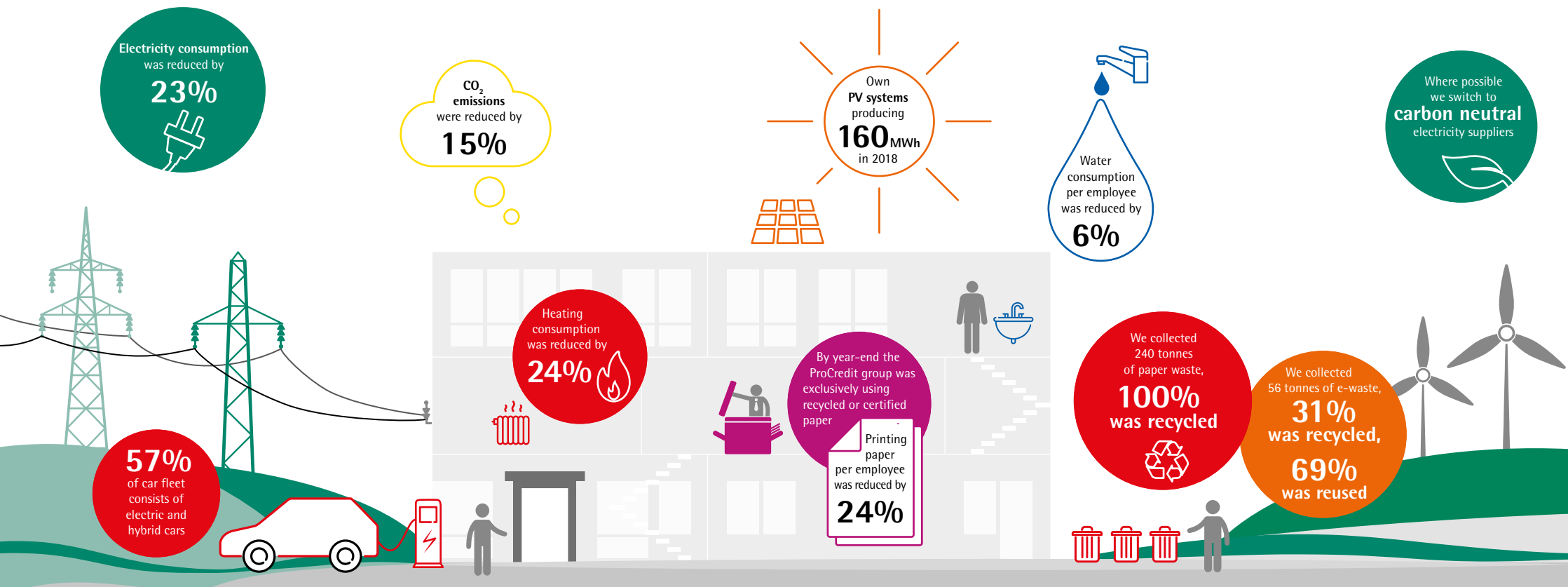
of energy efficiency for our building and office infrastructure, and through awareness-raising, training and communication, we have managed to counter this effect since 2017.

In order to reflect the transformation in our business model – our sharpened focus on SMEs and direct banking – we monitor our energy con-

sumption and emissions not only in relation to the number of employees or the floor area of our premises, but also in relation to the size of our loan portfolio and deposit portfolio. As depicted on the previous page in the table "Emissions of the ProCredit Group", in 2018, we managed larger loan portfolios with fewer resources and lower CO₂ emissions compared to 2017.

By managing our resource consumption in a systematic way, we not only improve our own environmental performance. We also raise awareness, contribute to the creation or improvement of local infrastructure and regulations, establish and spread good practices, incentivise the supply of environmentally friendly materials and ultimately contribute to improving the environmental performance of our partners in the different countries in which we operate.

Development of our group environmental performance in 2018 vs. 2017



OUR PHOTOVOLTAIC INSTALLATIONS

In line with our sustainability goals, our institutions have started to invest in internal measures that contribute to reducing their carbon footprint. One of these activities focuses on replacing fossil energy sources for supplying electricity with photovoltaic (PV) systems. At our ProCredit Academy in Weschnitz, Germany, a rooftop PV installation has been in use for many years; the electricity produced is fed into the local grid.

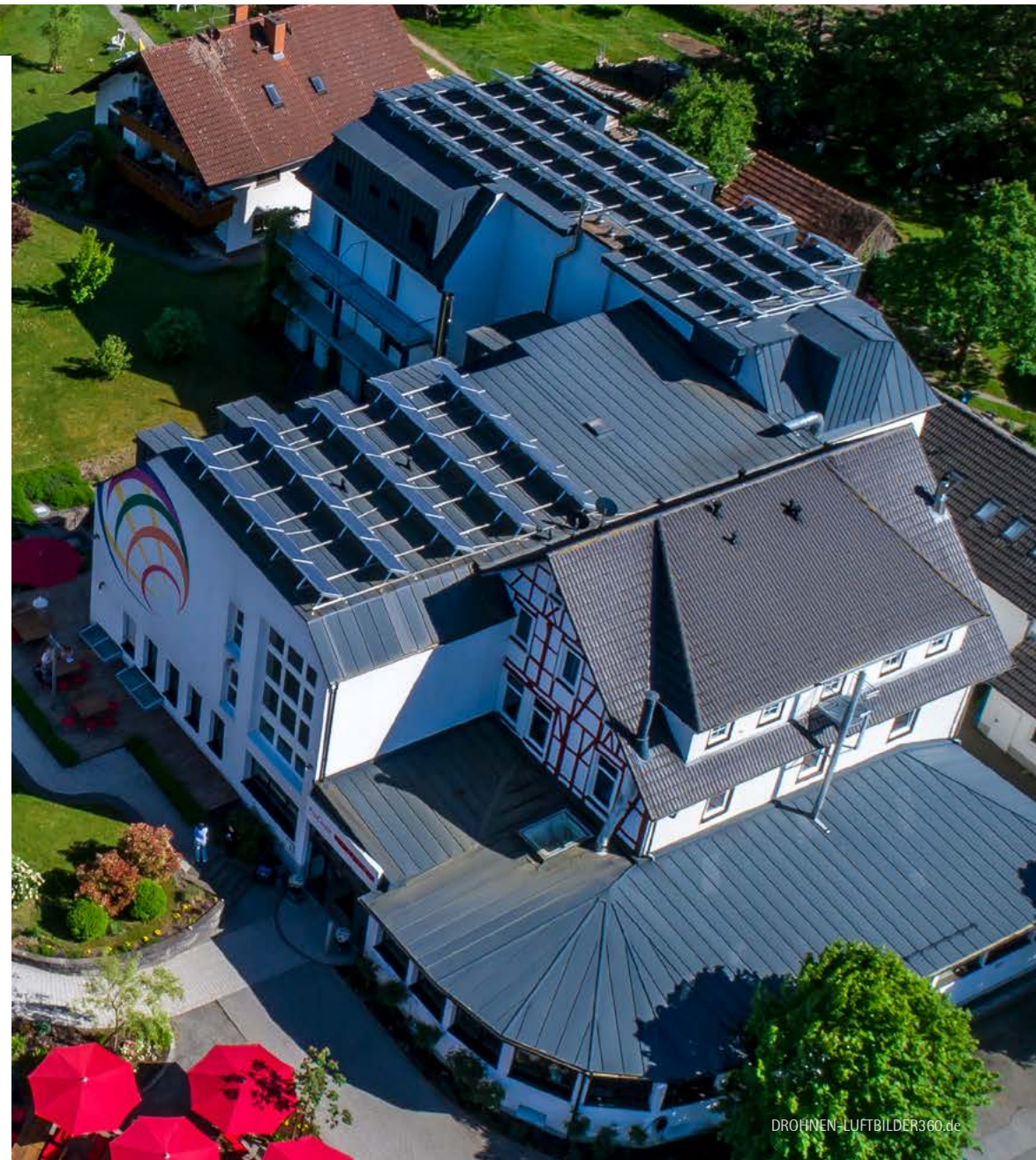
The recent activities at our banks, however, are intended to provide electricity for their own use, as feed-in regulations are not yet in place in all our countries. Since a great number of these countries utilise an electricity mix which is highly dependent on fossil fuels, above all on lignite, equipping our banks with solar panels is crucial for demonstrating – not only to our staff but also to the general public – that the switch to renewable energy sources is feasible.

Starting in 2017 we encouraged all group institutions to invest in PV installations at their premises wherever this was technically possible. These efforts have been continuously underlined by sharing the positive experiences of the banks that have already invested in the systems. As of January 2019, 7 banks are now equipped with PV panels at their premises, with a combined total peak capacity of 221 kW.

Electricity production clearly increased in 2018 compared to 2017, with a total of 160 MWh generated in 2018 (111 MWh in 2017), resulting in a CO₂ emissions reduction of 93 tonnes in 2018.

The solar installations are not only being used for electricity consumption within the buildings but for other productive uses, too. For instance, PCB Serbia introduced a solar charger for its electric cars as well as a solar-powered outdoor lighting system, both located at the head office. In this way, the PV installations directly complement our further efforts to reduce GHG emissions through the use of electric vehicles. Charging electric vehicles with 100% renewable energy decreases the dependence on fossil fuel-based electricity provided by the national grid and ensures that electric cars are indeed the greener solution compared to combustion engines. In the case of our bank in Serbia, the solar charging station provides electricity for a potential distance of 30,000 km per year, avoiding about 3,960 kg of CO₂ emissions per year.

In 2019 we will continue to eagerly promote PV installations at our premises. With 9 projects in the pipeline (289 kW of installed peak capacity), we are confident of our ability to further increase the amount of self-generated electricity.



TECHNOLOGY AND INNOVATION



Efficient banking technology goes hand in hand with a modern, efficient SME sector integrated into the global economy. Private clients likewise aspire to Western banking standards. As a response, we have modernised our branches and service points to include 24/7 Zones with state-of-the-art infrastructure, and we are investing in digital solutions for routine services.

The shift from transactions carried out manually in our outlets to those performed digitally has led to a significant increase in operational efficiency and makes it possible for our clients to access our services at any time. The modern 24/7 Zones in all of our banks enable clients to make withdrawals, deposit cash and carry out cashless transactions, such as transfers and account information retrieval, at their convenience. Today, almost 100% of our transactions are handled through automated systems, which increases formality, efficiency and transparency.

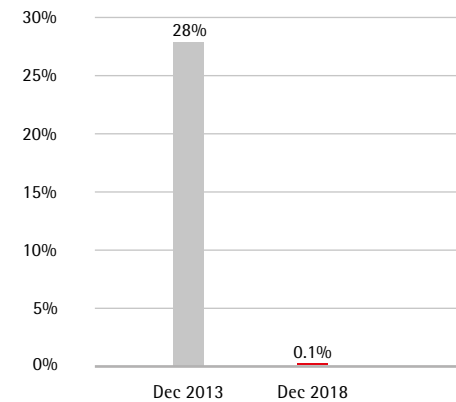
In August 2017, we launched our new online banking solution, "ProCredit Direct", where

private clients of all ProCredit banks can access our services via a single unified platform. With this approach, we can further reduce our physical infrastructure while continuing to serve our clients with simple and user-friendly products (for more details see > pages 37f.).

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

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

Cash transactions as a percentage of total number of transactions



In addition to the development of IT solutions, > Quipu performs other kinds of support for the entire group. For example, in 2015, ProCredit Holding initiated a process of centralising the banks' data centres and their IT systems at Quipu in Frankfurt. This enhances the availability and quality of data, reduces costs, and increases efficiency by standardising IT services across our group. The centralised environment features modern security tools, including firewalls, intrusion detection and prevention solutions, data and traffic encryption, identity management, log monitoring and security event management (see > page 39).

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

PROCREDIT DIRECT

Gian Marco Felice, General Manager of Quipu GmbH, a 100% subsidiary of ProCredit Holding that plays a central role as the IT service provider for the ProCredit group.

QUESTION: What is the role of Quipu with regard to the introduction of ProCredit Direct?

GIAN MARCO FELICE: Quipu is developing the omni-channel platform which supports the delivery of services and interaction between the client and the bank. Based on the requirements defined in collaboration with the group, our staff are developing the technology and implementing it in the banks after an intensive testing phase. As the concept is constantly being extended, we have established a road map for implementation.

QUESTION: What are the features of the concept and what are the advantages of electronic banking?

GIAN MARCO FELICE: Clients have access to their accounts via PC, tablet or mobile phone and can perform all banking operations at home or wherever they want, and whenever they want. The direct banking concept also embraces the use of ATMs and cards. Electronic banking is taking the place of branches and service points, as the relevant data is accessible from everywhere. Electronic banking is highly secure, much more so than cash

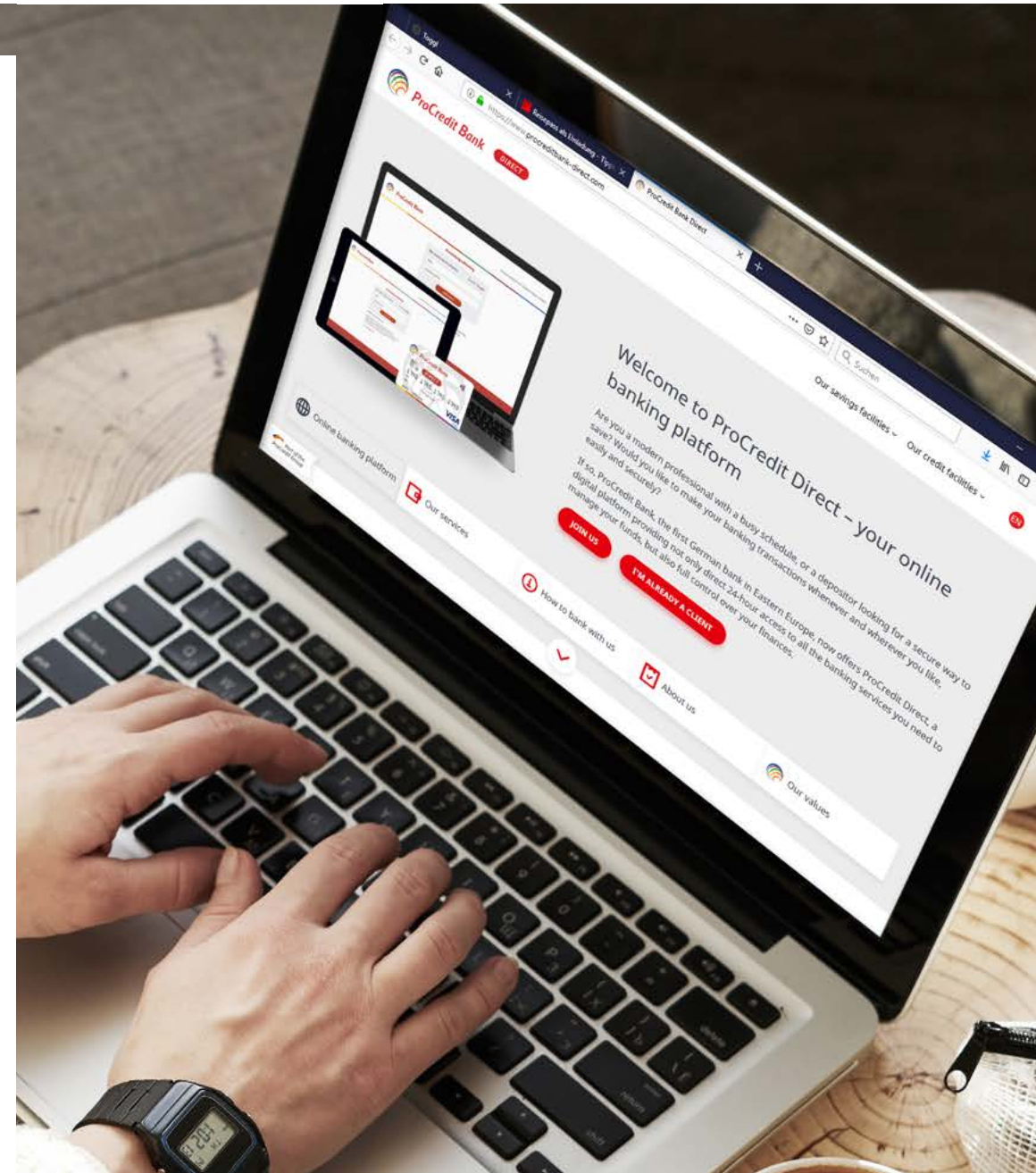
operations, as access is password protected. Direct banking encourages clients to take more responsibility for handling their finances, and it fosters transparency, while at the same time helping to eliminate fraud, bribery, dependence, and informality.

QUESTION: Is this service available to all ProCredit Bank clients?

GIAN MARCO FELICE: Yes, all clients, both private and business, have access to ProCredit Direct.

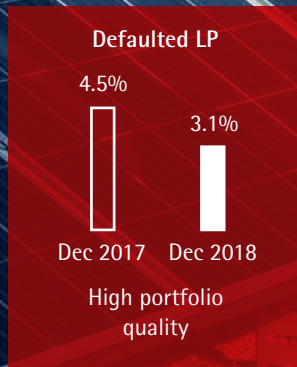
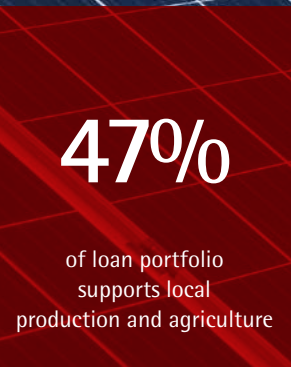
QUESTION: What makes this service innovative in the ProCredit countries?

GIAN MARCO FELICE: 100% cashless banking and electronic banking are unfamiliar concepts in our countries of operation. Other banks offer certain elements of e-banking or m-banking, but in parallel they still offer the traditional services, like over-the-counter cash transactions, without fundamentally rethinking how to effectively raise the quality, efficiency and security of their services.



OUR APPROACH TO CLIENTS

Our transparent and secure banking services make us a reliable partner for our core clients – small and medium-sized businesses and private households – by strongly promoting a sustainable approach to taking investment decisions.



The characteristics of our core clients – small and medium enterprises and private households – define our business model and shape our services.

By offering transparent and secure services, we aim to be a stable partner that directs our clients towards sustainable development. In most countries, small and medium enterprises (SMEs) are still an underserved client group in terms of both the quality and quantity of appropriate financial services. We observe this to be especially true for those engaged in agriculture, small-scale manufacturing and industrial production as well as in the service sector. Analysing these clients is time-consuming and complex, and demands a high level of expertise and flexibility. They are therefore not typically treated as a priority client group by commercial banks.

Many financial institutions offer complicated products with intransparent fees, and grant loans that may exceed the need or capacity of the client. By contrast, we strive to serve business and private clients with appropriate and straightforward banking services that ensure their financial development and do not lead them into overindebtedness.

As their “Hausbank”, we offer clients reliable and stable partnerships, built upon transparent services and sound advice provided by our well trained staff. We protect the safety of our clients’ data by implementing best practice information security standards and software in our operations.

A challenge in most transition countries is that environmental protection is often overlooked in light of the more pressing problems that play a significant role in people’s everyday lives. Therefore, the proactive promotion of a sustainable way of doing business by financing green investments is an integral part of our relationship with our clients.

We critically assess our clients’ activities to ensure that their business is not involved in activities which are on our Exclusion List, or are environmentally or socially harmful.

In the following sections, we explain in more detail how our particular approach is having a positive impact on our clients and on the economic, social and environmental development of the respective regions.

IN THIS SECTION

- **Reliable and stable partnerships**
- **Sustainable finance**
- **Prudent credit risk management**

RELIABLE AND STABLE PARTNERSHIPS



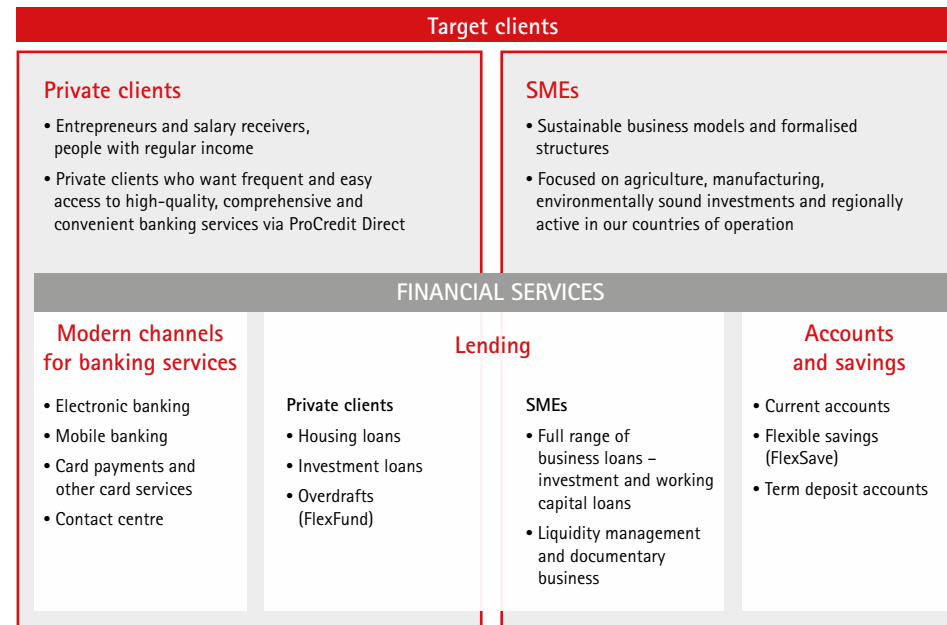
Our clients value a bank that works with them as an equal partner to achieve their business goals and private financial needs. Our aim is to build a stable relationship characterised by trust between bank and client.

We do not merely offer products, we strive to establish long-lasting and reliable partnerships with both our private and our business clients. We make sure that our carefully selected clients receive fair and transparent advice from our staff. Our employees are not incentivised by a bonus system to open accounts or "sell" loans indiscriminately. Rather, they are rewarded for establishing relationships, providing the right services at the right time and supporting a client's success over the long term.

We provide clients with simple and transparent account facilities and other financial services. Our account services comprise digital channels for electronic and mobile banking as well as card transactions. Our online ProCredit Direct platform addresses private clients who want to do their banking digitally, enabling them to perform transactions independently and whenever it is convenient for them. The same service is offered to our business clients whom we encourage to conduct their entire banking business through ProCredit and also deposit their liquidity with us.

All ProCredit banks offer the services outlined in the box.

Main financial services



Our financial services for private clients are highly standardised. They include transaction accounts, flexible savings and term deposit facilities as well as credit facilities that support the accumulation of long-term family assets, such as housing and other investments. In addition, we provide our FlexFund service, an overdraft facility for upcoming needs, the scope of which is directly conditional on the client's income situation. As part of our prudent approach to credit risk management, we are very cautious about issuing consumer loans to private households.

In contrast, our banking relationship with our business clients is very largely customised. This means that we explain to our clients the advantages of working together and of combining their business strategies with our financial expertise to foster their development. In this regard, we do not conduct mass marketing or advertise our services and conditions aggressively to boost loan disbursement, but rather take an individual approach based on direct communication, starting with the acquisition stage.

A comprehensive "know your client" approach comprising regular visits to their premises has been developed as the basis of our relationship with clients, and all Business Client Advisers (BCAs) are trained to apply it. We assess the clients' economic and financial situation, their business potential and their repayment capacity in order to provide them with appropriate financing and to avoid over-indebting them.

By working only with formalised businesses, we encourage greater formality in the markets in which we operate. We support businesses with proper transparent accounting, which is important for creating an environment that is conducive to investment and growth.

As in many other areas, establishing reliable and stable partnerships with our clients depends crucially on the quality of our staff and our managers. Not only the designated (Business) Client Advisers, but also the management and credit risk staff are very familiar with our core clients. In addition, each bank has a contact centre and electronic channels through which clients can contact the bank for any enquiries, questions, or feedback they may have.

Complaints are handled with care and are seen as a source of information and ideas on how we can improve our services and technologies. The process for managing complaints is standardised across the group through the Group Guidelines on Managing Client Complaints.

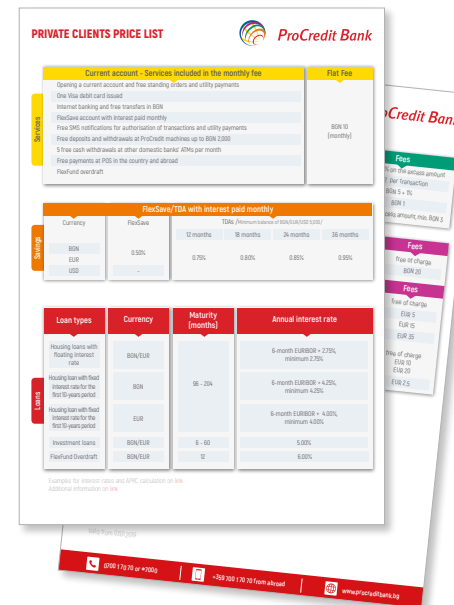
Transparent services



One of ProCredit's core corporate values is transparency. All ProCredit banks publish information that might be of relevance to our clients and other stakeholders, such as general terms and conditions and price lists, including interest rates, loan-related costs, and up-to-date exchange rates.

We do not promote loans based on nominal interest rates. We show and explain the effective interest rates and all additional costs or expenses that our clients may incur. In addition, the interest rate calculation methodology for both lending and savings products (including calculation examples) is publicly available. We opt for simple pricing patterns, such as our monthly flat fee for account services, which covers a wide range of transactions.

To ensure transparency in our communication, we use a clear and understandable language and avoid unnecessary complexity in all documents, as illustrated by our 2-page price list. In this way, we ensure that clients with different educational backgrounds can fully understand them. Before entering into business relationships with clients, our (Business) Client Advisers spend as much time with them as needed in order to ensure that they are fully aware of the conditions, related costs and contractual clauses. We take care to ensure that all agreements are based on complete, transparent, and understandable information. This helps to give value and strength to a contract between parties. This approach is the cornerstone of how we build relationships with our clients and become their "Hausbank".



Loan types	Currency	Maturity (months)	Annual interest rate
Housing loans with floating interest rate	BGN/EUR		6-month EURIBOR + 2.75%, minimum 2.5%
Housing loans with fixed interest rate for the first year	BGN	96 - 204	6-month EURIBOR + 4.25%, minimum 4.25%
Housing loans with fixed interest rate for the first 3 years	EUR		6-month EURIBOR + 4.00%, minimum 4.00%
Investment loans	BGN/EUR	6 - 60	5.00%
Flatland overdraft	BGN/EUR	12	6.00%

As part of our efforts to keep our clients, staff, investors and supervisory authorities informed in a comprehensive and transparent manner, ProCredit Holding provides relevant information about the group's **> annual financial statements**, **> quarterly reports**, **> financial calendar**, **> company presentations**, etc., on its website. In addition, a number of group documents, such as our **> Code of Conduct**, **> Group Environmental Management Policy**, **> Impact Report** and additional materials, provide further details on ProCredit's economic, social and environmental impacts.

It is generally acknowledged by banking regulators in our countries of operation that ProCredit banks apply high standards for transparency and international best practice banking.

DATA PRIVACY AND INFORMATION SECURITY

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

The topic is governed internally through group policies on IT infrastructure, business continuity and information security, including data security. These policies are aligned with the EU and German regulations on risk management and IT (MaRisk and BAIT¹⁴) and with industry best practices. The standards are implemented in our banks, which also comply with the applicable local data protection laws and banking security provisions.

All banks have Information Security Officers and established Risk Management Committees, headed by a management board member. The Information Security Officers serve as a point of contact for all employees in information security matters, combining technical security skills with a clear understanding of the bank's business processes. Any risks related to information and data security are directly reported to the management boards of the banks and ProCredit Holding, ensuring that decisions on mitigation measures can be taken immediately.

Our IT infrastructure, information security and business continuity are subject to regular checks by IT experts from our Group Internal Audit team. As most security breaches are avoidable through simple or intermediate controls, we focus on setting up practical, easy-to-follow procedures and instructions, as well as educating employees on best practices. Regular risk awareness training on information and data security is conducted for all employees, and specialised training is provided to the Information Security Officers at least annually. In addition, the strong sense of personal responsibility expected of all employees also applies to the handling of our clients' data. Misuse of private data by our staff is not tolerated.

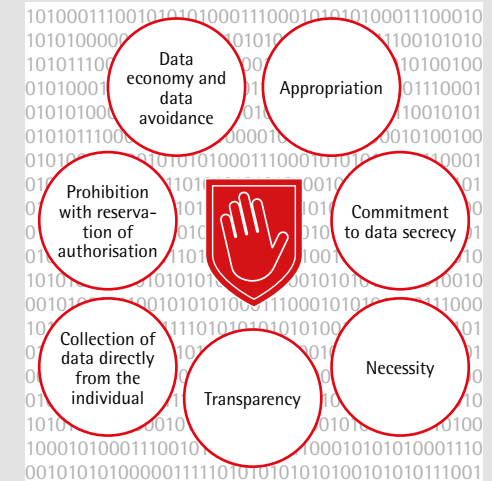
All information and data security incidents are recorded in a central database, the Risk Event Database, to ensure that all incidents identified by our staff, authorities or clients are documented, analysed, resolved and communicated effectively. In 2018, we recorded a total of only four data protection-related complaints in our group. Most of them were related to small issues, so we therefore believe that our structures for the prevention and management of these issues are functioning effectively.

Personal data is protected by appropriate technical and organisational measures and is treated in accordance with the respective regulatory requirements and wide-ranging principles established in the ProCredit Group Information Security Policy.

ProCredit Holding and its EU-based subsidiaries have implemented the new stringent requirements for personal data protection set forth in the European General Data Protection Regulation (GDPR), which has been in force since 25 May 2018. PCH has issued a Data Protection Standard, which applies to all processing activities performed at the Holding level. It describes the legal environment for data processing in terms of legal justifications and principles to be observed.

The Data Protection Officer (DPO) monitors compliance with the applicable data protection regulations. The Data Breach Reporting Committee deals with all cases of reported data breaches. Our staff is well informed about data protection issues via regular training to ensure awareness of the importance of the topic. A GDPR working group consisting of a member of the PCH Management Board, PCH Legal, PCH Compliance, the PCH DPO, the Group Information Security Officer, the Quipu DPO, and representatives of the EU-based ProCredit banks meets regularly to monitor the implementation of the GDPR, to discuss best practice approaches and share experience.

Data protection principles



When involving external service providers in our data processing activities, we make sure that the respective contracts comply with Article 28 of the GDPR on commissioned processing.

The EU-based ProCredit entities have adopted corresponding measures tailored to their respective business model and data processing activities. The institutions based outside of the EU ensure compliance with their local data protection laws.

¹⁴ Bankaufsichtliche Anforderungen an die IT (Supervisory Requirements for IT in Financial Institutions), issued by the German Federal Financial Supervisory Authority, BaFin

SUSTAINABLE FINANCE



The aim of the ProCredit banks is to

contribute to the creation of transparent, inclusive financial

sectors. A stable, functioning and fair financial system is especially important for the economic and social development of our countries, because it enables small and medium-sized businesses to invest and expand.

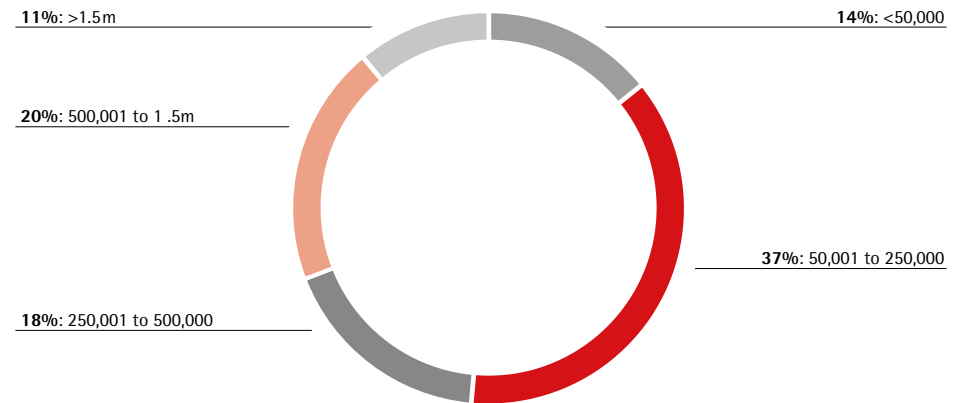
We tailor our business approach to provide small and medium companies with responsible financial services. Today, 92% of our portfolio consists of loans to SME clients, which we see as the backbone of economic development in their countries. We attach particular importance to supporting local production and agriculture (47% of our loan portfolio is in the agricultural and production sectors), as well as to enhancing the local capacity for modernisation and innovation. In this way, the transition economies in which we are active become more resilient and independent from imports and donors.

EUR 4,047m of business loans to more than 31,000 business clients

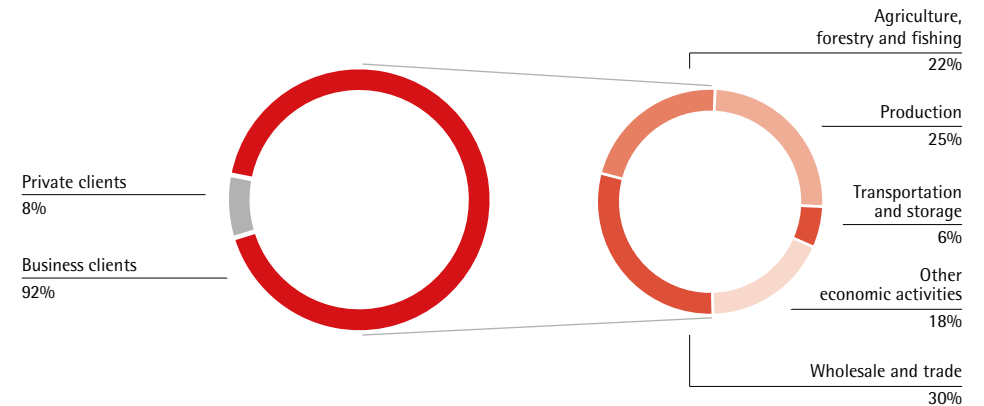
ProCredit has adopted a sustainable finance approach which integrates environmental, social and governance criteria into its business decisions and has thus been contributing to EU and global commitments. With the strong green finance component of our lending operations, we seek to support economic growth while reducing waste, pollution and greenhouse gas emissions, and in this way we aim to contribute to a low-carbon, resource-efficient and circular economy¹⁵. In the context of the recent climate change conference in Katowice, this means involving the private sector and increasing the focus on climate finance, e.g. financing investments for climate mitigation and adaptation.

Sustainable finance also means prudent credit risk management (see > pages 44f.). We are strict about conducting a careful business analysis as the main step in the lending process, which also includes a review of every client's social and environmental performance. In this way, we create opportunities to discuss with our business clients and develop options for more sustainable investments. We hope to accelerate the adoption of resource and energy-efficient technologies and renewable energy solutions, and when supporting companies with their long-term investment decisions, we encourage them to take a greener approach to their businesses.

Loan portfolio by initial size (outstanding principal as of Dec 2018, in EUR)



Loan portfolio by type of client and by sector (Dec 2018)



¹⁵ www.ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

As depicted on > page 28f, green finance is part of the comprehensive environmental management system (EMS) which ProCredit started to implement in all its institutions in 2011. This involved setting up new organisational structures and functions at group and bank level, such as the environmental committees and the environmental units, with specialised staff and strong management involvement. In addition, our green finance approach is formalised via a number of guiding documents that are updated regularly: The Group Guidelines for Green Lending establish eligibility criteria and principles for green lending to businesses and private clients. In particular, the guidelines classify green loans into three main categories according to the purpose of the investment they are intended to finance:

- energy-efficient equipment and processes (EE)
- renewable energy technologies (RE)
- environmentally friendly projects with a direct positive impact on the environment (GR)

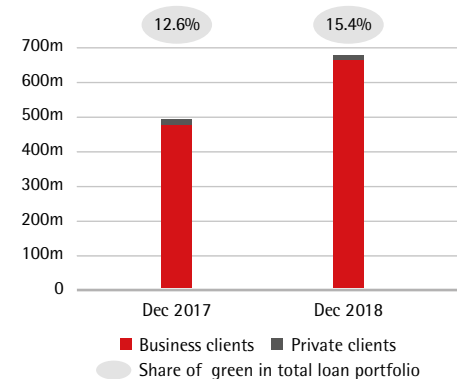
Although the clear identification of green investments and transparent differentiation from other loans is challenging, ProCredit has dedicated time and effort to setting up our own technical eligibility criteria.

At group level we have developed our Methodological Approach to Green Lending, a document which guides our banks when classifying green loans. The aim is to establish a transparent method for green lending which combines the identification of green investments with the question of eligibility, which in turn is linked to the achievement of certain positive environmental effects.

Moreover, it can be difficult to determine the environmental impact of the investments that are financed with green loans. Desirable effects would include a reduced depletion of natural resources, reduced emissions of CO₂ or other greenhouse gases, reduced pollution and sustainable waste management. Given the differences between the possible positive impacts, it is clear that different methods are needed to quantify them appropriately. There are various methodological approaches, which are applied either alone or in combination by financial institutions.

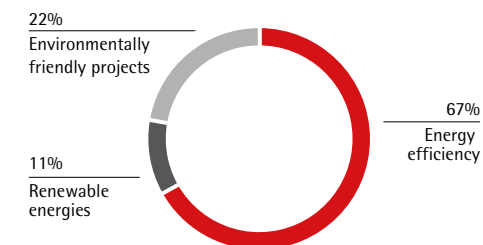
Our methodology sets specific qualitative and quantitative requirements for loans to be classified as "green", based either on a list of standard measures or on an individual assessment. For assessing energy efficiency measures, for example, we distinguish between the baseline approach, the high impact approach and the best available technology approach. Our methodology is revised annually in order to reflect recent developments in this area.

All our banks have developed green lending procedures and a list of eligible green investments which include country-specific criteria.

Green loan portfolio development (EUR m, gross)


In this way we aim to distinguish ourselves from financial institutions which claim to provide sustainable finance but apply less strict definitions.

As of December 2018, the group had built up a portfolio of 6,708 green loans, representing a total volume of EUR 678m provided to business and private clients in all ProCredit countries. Thus, green loans account for 15.4% of the group's total loan portfolio, and 21% of the group's business clients' investment loan portfolio. The lion's share of the green portfolio consists of investments in energy efficiency (67%), followed by environmentally friendly (22%) and renewable energy (11%) projects.

Green loan portfolio by investment category


The green portfolio is mainly financed with the banks' own resources, while the funding for technical advisory services has been provided occasionally by the DOEN Foundation, Kreditanstalt für Wiederaufbau (KfW), OeEB, and Finance in Motion/Green for Growth Fund (FIM/GGF).

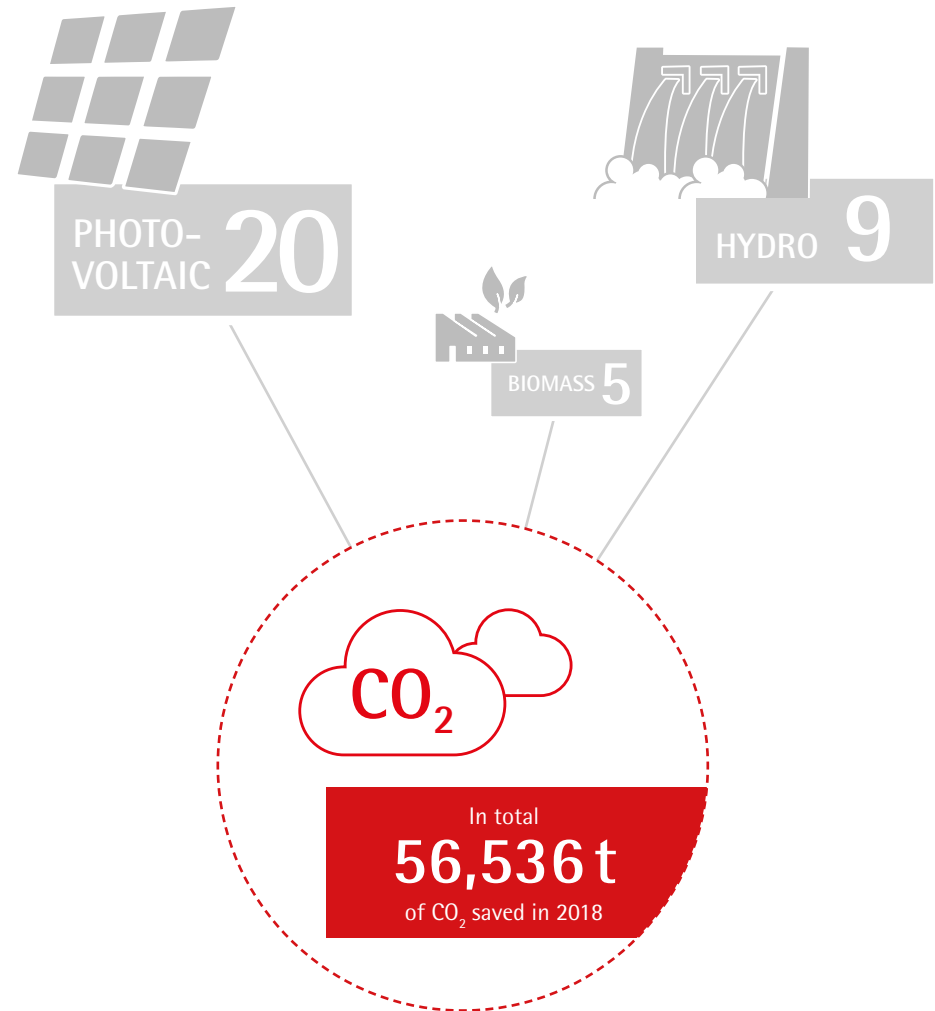
From a business perspective, the key benefit of investments in energy- and resource-efficient technologies is that innovative and thus attractive products and services can be supplied in better quality and at reduced costs, which in turn leads to increased competitiveness. We see the upward trend in the expansion of our green loan portfolio (39% increase compared to 2017) and in the quality of the portfolio as a motivating response from our client markets.

In the countries in which the ProCredit group operates, our banks are very often pioneers in green lending, which means that we are confronted with low awareness and limited knowledge of the topic. By participating in promotional events, fairs and conferences and engaging in direct communication about environmental issues, we raise awareness among clients and staff. In each bank, we have trained all business staff on green lending and constantly provide refresher workshops. In addition, a technical specialist works to support BCAs and clients in the analysis of the eligibility for a green loan. Our credit committees are trained to pay attention to green lending opportunities. By organising our half-yearly group-wide green seminars, we contribute to high-level and fruitful discussions among our core staff on this challenging and rapidly developing topic.

In 2018, we earmarked dedicated resources to increase our banks' capacity to manage the financing of renewable energy projects that contribute to climate change mitigation. These are investments in photovoltaic, small or mini-hydropower and biogas plants for generating electricity and gas, as well as in solar thermal, biomass and small geothermal applications for heat production. As the financing of these more complex projects requires very close attention and specialist knowledge, the staff involved in this area have received additional training (see > page 55).

The Group Standards for Financing Renewable Energy Projects set the requirements for managing RE finance, and encompass organisation, responsibilities, risk aspects (legal, technical and financial), disbursement, and monitoring. A coordinated approach and established procedures help ensure the proper set-up and support for financing renewable energy projects. Though the legal structures and feed-in tariffs for using renewable energy sources are just developing in some of our countries, we believe that responsible financing of these projects will benefit the whole market. By the end of 2018, the total RE portfolio had increased by 8% over the previous year.

RE projects in the loan portfolio



OUR CLIENTS' GREEN INVESTMENTS



Fostering renewable energies through the production of photovoltaic panels

Pikcell Group, Macedonia

In 2017, KMG EOL Kvarzar, an engineering, procurement and construction company for photovoltaic projects, decided to expand its activities in the solar energy industry. The company, which has been a client of ProCredit Bank Macedonia since 2012, recognised the increasing demand for and interest in PV plants. However, seeing that all panels were being imported, it decided to establish a new company, Pikcell Group, to manufacture and sell solar panels on the domestic and regional markets.

The facility has an annual production capacity of 20 MW. In addition to creating new jobs, Pikcell Group produces the panels at a competitive price, which improves the economic viability of its PV projects, and thus supports the increased use of electricity from renewable sources and the improvement of the region's energy mix, which is still dominated by fossil fuels.

As the "Hausbank" of both companies, ProCredit Bank has supported the expansion of their activities by providing financing for the acquisition of machines and equipment, as well as addressing their needs for working capital.



Energy-efficient investment in the feed production industry

EduFarm, Serbia

EduFarm, with its background in manufacturing animal feed for the Serbian and international markets, aims to foster innovation and develop state-of-the-art processes for its production activities. In fewer than three years, EduFarm has expanded its scope to include new activities, such as crop farming (wheat and maize), organic feed production, cattle raising, research and development, and educational activities.

The company recently became a client of ProCredit Bank Serbia, which has quickly become its "Hausbank". EduFarm's recent purchase of an energy-efficient, fully automated drying system for seed, grain and feed products is in line with the bank's objective of promoting environmentally friendly investments.

The modern drying system, developed and produced in Germany, is equipped with heat recovery capabilities that enable excess heat energy to be reintroduced into the production process. In this way, the new investment increases energy efficiency by recovering more than 30% of the otherwise lost heat, while decreasing costs for the client and protecting the environment by reducing greenhouse gas emissions.



Supporting organic farming with green investment loans

Kakheti Bio, Georgia

Kakheti Bio is a small company in the rural Kakheti region of Georgia, where it grows certified organic lettuce as well as herbs and spices which are used in the pharmaceutical, perfume and spice industries. Due to the excellent quality of its crops, the company enjoys high demand for its products on the market, mainly exporting to Germany and other countries in the EU.

In 2005, the couple Alexandre Kurtanidze and Elisabed Khmiadashvili began a business growing lettuce on their small farm. Over the years, their business grew and they were able to expand their production range by working with German business partners. By 2017, their company was cultivating more than 12 hectares and growing a variety of specialty herbs, such as water mint, garden mint and tarragon.

In keeping with its aim to support SMEs with their green investments, ProCredit Bank Georgia has been providing Kakheti Bio with loans for fixed assets and working capital since 2016. Today, the company has successfully established itself in organic farming, acquiring the "Green Caucasus" organic certification, which is in line with EU regulations, and installing a water-efficient irrigation system.

PRUDENT CREDIT RISK MANAGEMENT



For more than two decades, the ProCredit group has been operating successfully and applying high standards of credit risk management in challenging markets. We have developed and implemented robust processes for our lending operations, tailored to the risk profile of SME clients.

To ensure that the loans granted by the banks are used in compliance with our ethical, environmental and social standards, a number of criteria have been defined in the Group Credit Risk Management Policy. These criteria set the requirements regarding the potential borrower's business activity, mitigate the likelihood of money laundering and terrorist financing, and consider the environmental and social impact of the company's operations.

Despite our inclusive approach and openness towards the many different business models of our clients, there are certain harmful practices and activities that ProCredit banks refuse to support. We do not finance activities that are incompatible with our ethical values, such as manufacturing or trading in weapons, underground mining and the like, even if such activities are legal. Clearly, activities involving forced labour or child labour, involuntary resettlement, prostitution, etc., are also unacceptable. They are summarised in our Exclusion List, which is part of our [Code of Conduct](#).

Responsibility for the management of credit risk lies primarily with the credit risk departments of our banks, and is governed by the

Group Risk Management Committee and the Group Credit Risk Department. The Group Credit Risk Management Policy defines the responsibilities of the entire group and each of the parties, and clearly states the principles and details of credit risk management.

Environmental and social risk of lending

Going above and beyond what most conventional banks consider as credit risk, we place great emphasis on managing the environmental and social (E&S) risk in lending. All business clients that receive financing must comply with the requirements set forth in the Group Standards for Managing the Environmental and Social Impact of Lending. As environmental risks may turn into financial risk for the client and reputational risk for our banks, effective E&S risk management reduces the credit risk and supports the sustainable development of our clients.

Our efforts to minimise our E&S risks are not based on simple scoring systems. Rather than simply refusing to do business with companies because they do not score well with regard to certain criteria, we prefer to engage them in a dialogue to discuss how our services can help them improve their environmental and social performance in an economically sound way. We have implemented a three-step process for managing the E&S risk of lending in line with the credit cycle, in which we:

1. Screen the client's business activities against our Exclusion List.
2. Use a predefined list to categorise the client's activities according to the degree of environmental, health and safety risk.
3. Conduct an individual E&S risk assessment on-site.

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

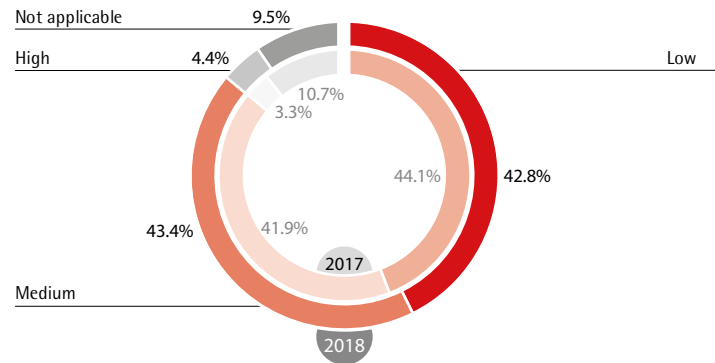
Companies with business activities that fall into the medium or high risk categories are always subjected to an individual assessment of their performance with regard to environmental, health and safety issues. With the 2018 revision of the Group Standards for Managing the Environmental and Social Impact of Lending, additional requirements were introduced, which – depending on the size of the exposure and the potential environmental risk – stipulate an environmental and social impact assessment (ESIA) by an external independent expert.

An assessment of the social conditions in a company is carried out for all business clients in order to ensure that proper working conditions are in place and that labour and human rights are respected.

For the assessment of environmental risks, bank staff are supported by a sector-specific assessment form and guidance notes which highlight the particular risks for each sector. This allows our staff to understand the processes better and detect any possible issues. 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. In particular, we look at legal compliance, management of land, waste, water, soil, emissions and hazardous substances, site safety, and social integrity. We foster active discussions with our clients, including suggestions for new options that can help them improve their resource efficiency and sustainability.

Responsibility for assessing the environmental and social compliance of our clients and conducting on-site visits lies with the respective Business Client Adviser and Credit Risk Officer. Depending on the exposure and environmental risk category, an additional opinion is prepared by the E&S Risk Officer, who is a specialised member of the Credit Risk Department, and/or an additional external ESIA is required. The credit committee takes the final decision on whether the loan is approved or rejected, and whether additional conditions or covenants have to be agreed on to improve the situation on-site. Our E&S risk management system has been set up in accordance with the performance standards of the IFC and the EBRD.

LP by E&S risk categories



Across the group, activities with a low environmental risk account for 43% of the loan portfolio, while 43% was issued to activities with a medium environmental risk and 4% of the loans went towards financing activities with a high environmental risk. The remaining 10% of the total portfolio volume is accounted for by loans to non-business clients, for which the E&S risk category is not applicable. Due to the fact that we target clients in the agricultural and manufacturing sectors, the share of medium and high E&S risk clients is increasing. That is not to say that clients in these sectors necessarily pose a greater credit risk, but merely that a more specialised assessment system is required to analyse whether the more complex business activity is well managed from a social and environmental point of view.

Portfolio quality

The group has established a comprehensive credit risk framework characterised by an approach to credit risk management that is rather unique in our markets, and which is lived

on a daily level by colleagues in both business and credit risk functions. In marked contrast to the classical approach employed by competitor banks, business staff at ProCredit receive extensive annual training in credit risk assessment and are fully able to formulate a competent credit limit proposal themselves. Importantly, all client exposures above EUR 50,000 require an independent credit risk vote in addition, which in most cases necessitates a personal visit to the client's premises by a credit risk officer. Although this approach might appear more labour-intensive at first glance, in fact it ensures that a competent and timely dialogue with our clients takes place. This is very much appreciated by the entrepreneurs, and at the same time it puts us in a stronger position to interpret the client's situation accurately. Moreover, it helps us build a sophisticated system of early warning indicators.

Consequently, on the whole, we believe the credit risk level of our portfolio to be well managed, considering the continuous favourable development of the main portfolio quality indicators (e.g. share of defaulted loan

portfolio or coverage ratio). Concentration risk in the Upper Medium segment and in our countries of operation is mitigated adequately with sufficient loan loss provisions, collateral, timely monitoring and in-depth client relationships. The overall outlook is assessed as stable due to the internal measures we have implemented with regard to collateralisation and provisioning, and due to our strong focus on the core SME segment.

The defaulted loan portfolio decreased in relative terms over the course of 2018. As of December 2018, the defaulted loan portfolio stands at 3.1% of gross loan portfolio.¹⁶

The coverage ratio for the defaulted loan portfolio (defined as total loan loss provisions¹⁷ divided by total defaulted volume) stands at 91%, which we assess as a satisfactory level.

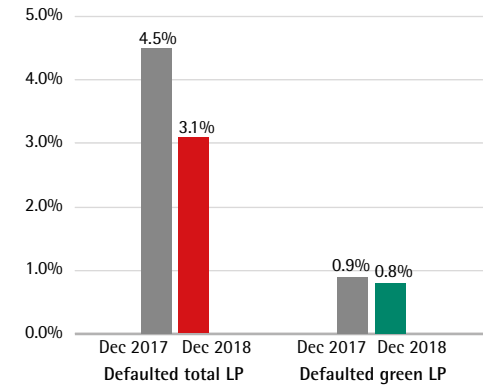
The portfolio quality indicators of the green loan portfolio are better than those of the total portfolio: the default rate for green loans is 2.3 percentage points lower.

The ProCredit banks are noticeably better positioned in terms of non-performing loans (NPL) than the average for the markets in which we operate.

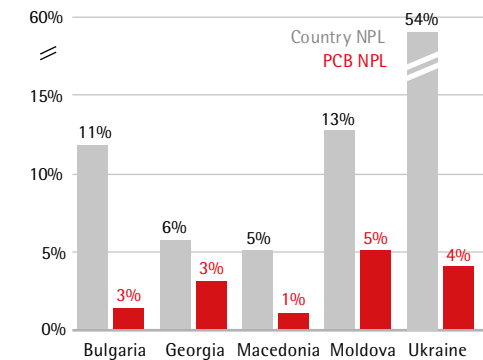
¹⁶ As defined in the ProCredit Group Credit Risk Management Policy, the defaulted portfolio consists of loans that are not performing (e.g. payments are more than 90 days past due) and it is not expected that the client's business will recover, or that the client will be able to (fully) repay the exposure in the future.

¹⁷ Loan loss provisions are defined as the funds a bank sets aside to cover potential losses on loans.

LP quality development



Non-performing LP of PCBs in comparison to local banking sector¹⁸



¹⁸ Different local NPL definitions apply in different countries, making comparison of the data between countries impossible. However, within each country, the same definition is applied, allowing comparison between the ProCredit banks and their respective local banking sector. The latest available data for each country is presented (mostly as of 31 Dec 2018). The source of the NPL figure for the banking sector as a whole is the respective central or national bank.

OUR APPROACH TO STAFF

The high quality of our services is a direct reflection of the attitude of our employees. We are proud of our teams of highly professional and motivated staff in all our institutions.



581

staff graduated from or participating in the ProCredit Academy

EUR
6.8m

invested in employee training



51% women
49% men

diversity of our management boards



Our employees are the heart of the group. In order to have a functioning business model and provide appropriate services to our clients in line with our development orientation and strong ethical basis, we ensure a safe and fair working environment and develop our employees to carry forward our values. A deeply thought-through approach to our human resources is central to everything we do.

The success of our business strategy and our ability to deliver valuable services to our clients largely depend on the skills and attitude of our staff. Our success also depends on our ethical approach to banking, which is integrated into all our activities. It is reflected in the group's policies and standards on recruitment and development, as well as in our [> Code of Conduct](#), which applies to all employees (see [> page 25](#)).

Fairness and openness are the key distinguishing features of our recruitment process. In the countries in which we operate, hiring and

recruiting often lack a transparent and collaborative communication strategy. The candidates appreciate our merit-based process, which treats every applicant the same way.

Our approach to staff development is also attracting the attention of the wider banking sector and other businesses, as it emphasises the importance of investing in ongoing professional and personal development.

At ProCredit, we support our employees with regular opportunities for dialogue and feedback, and provide them with continuous training. Our training curriculum includes not only banking skills, but also and above all courses on the humanities, encouraging our staff to reflect on their own values and role in society, and to emancipate themselves from ready-made ways of thinking. At the heart of ProCredit's staff development is the ProCredit Academy in Fürth, Germany. The Academy hosts two long-term courses, the Banker Academy

and the Management Academy, as well as workshops, seminars and training courses for staff from all levels and countries. Staff training for key business areas is also provided at the regional training centres, which additionally serve as the venue for the Onboarding Programme for new colleagues.

Our investment in training over the years and the resulting ability to respond quickly to changed circumstances has placed ProCredit in a strong position to adapt effectively to the volatile operating environment which generally prevails in emerging markets, particularly following a financial crisis. With employees who are innovative, have a strong sense of solidarity among colleagues and who share the same vision and values, we are ready to overcome future challenges.

IN THIS SECTION

- Ethical values and working environment
- Fair recruiter and employer
- Staff development

ETHICAL VALUES AND WORKING ENVIRONMENT



Central to our understanding of development and our definition of success is

a commitment to treat colleagues and clients, as well as the societies and environments in which we work, with respect, and to adopt a long-term perspective towards them. This requires us to go well beyond profit maximisation: it obliges us to promote free speech, respect for fellow human beings, social justice, environmental awareness and ethical behaviour. To pursue this vision of development, we need responsible employees and an open and constructive dialogue within the institution.

True appreciation of this stimulating working environment and eagerness to contribute actively to the common good, the *res publica*, are anchored in the fundamental principle of human dignity, and are thus fundamental to the success of the group. This is reflected in our **> Code of Conduct**, which is much more than a set of predefined rules and standards. It is rooted in the key principles of what constitutes the ProCredit *res publica*. Our daily reality and the way we work and take decisions are based on this foundation.

Our employees are expected to build relationships with colleagues, clients and third parties based on mutual respect, avoiding any form of discrimination based on ethnicity, gender, religion, origin, sexual orientation, or age. Another key principle is that ProCredit staff should have a strong sense of personal responsibility for their decisions. Statements like "I have no

choice" or "I've got to do what I'm told" are no excuses. This also means showing a strong sense of ownership by taking responsibility for the fulfilment of our duties and for the quality of our work. The same importance is given to the principle of long-term commitment, which implies a constant eagerness to develop professionally and personally.

These principles form the "ethical compass" of the ProCredit group and keep us firmly on course, especially when checking the appropriateness of our policies and actions as a group. Our mission statement, our **> corporate values**, and our sustainability strategy together express our strong sense of social and environmental responsibility, as well as our commitment to act ethically at three levels: at the economic level by supporting SMEs; at the social level by being a fair employer; and at the environmental level by adopting an ambitious ecological approach.

Our corporate values

Personal integrity

- Honesty and integrity
- Fair and just treatment irrespective of differences
- No discrimination or harassment
- Promotion of diversity

Professionalism

- Personal responsibility
- Knowledge of policies and accuracy of information
- Internal control
- Respect for company property
- Use of the ProCredit name
- Confidential information
- Inside information and insider trading
- Outside activities
- Corruption and fraud

Social responsibility

- Customer relationships: ethical business practices, no discrimination
- Anti-Money Laundering and "Know your client"
- Environmental awareness

Open communication

- Internal and external communication
- Conflicts of interest
- Speaking out

Transparency

- Clear business conditions
- Clear HR structures

To make sure that current and new employees fully understand and comply with our principles, sessions specifically dedicated to the **> Code of Conduct** are part of the Onboarding process and regularly organised in each bank. Regular refresher sessions, discussions with colleagues and managers in each bank and at the **> ProCredit Academies**, help to ensure that employees remain aware of and committed to our high ethical standards and are kept abreast of new issues and developments which have an ethical dimension.

> The Code of Conduct naturally applies to all employees of the group without exception, i.e. to employees of the ProCredit banks in all countries of operation, ProCredit Holding, ProCredit Academy and Quipu. It forms an integral part of every employment contract. Although the ProCredit institutions are located in different countries, the Code of Conduct exists only in the English language, in order to ensure its common understanding across the group. Our Code of Conduct is publicly available on the **> ProCredit Holding website**.

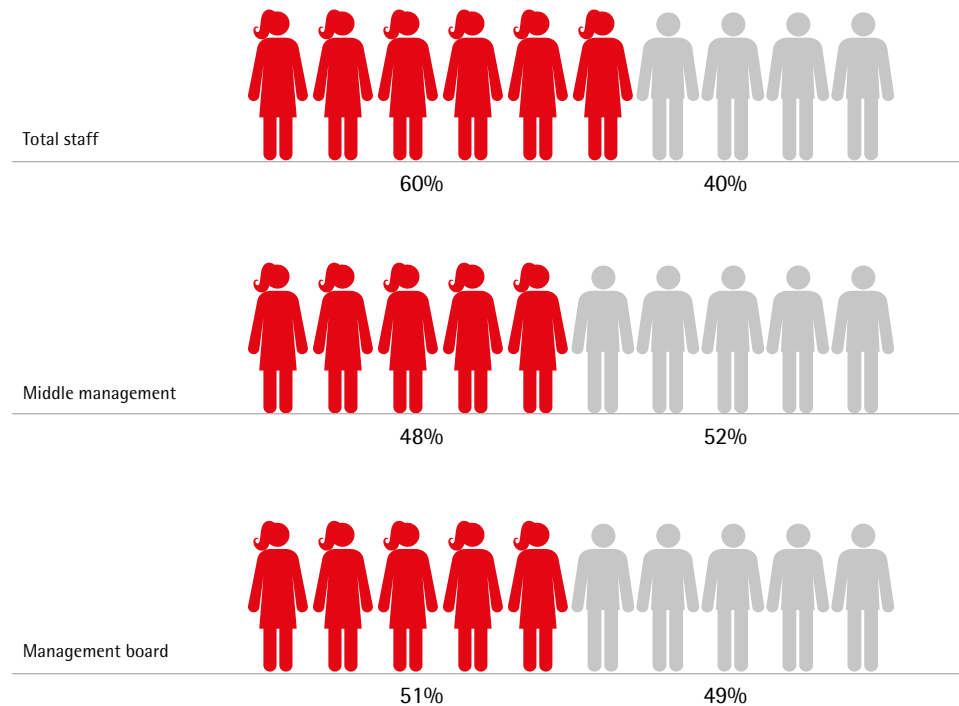
The corporate values and our way of doing business are shared and continuously promoted by all senior managers in the different ProCredit institutions. These managers are a strong asset of the group: their long-term commitment, shown by long service averaging more than 12 years with the ProCredit group, coupled with the fact that they come from the regions of operation, contributes to the organisation's ability to understand local needs.

Of equal importance to us is the balanced gender distribution in both the senior and middle management levels: 51% of the members of management boards and 48% of middle management are women.

Our staff assessment system, which is an effective dialogue and one of many communication lines, allows for discussions about personal development, and serves as a forum where ideas and suggestions from staff can be exchanged and are appreciated. In addition to the regular

feedback received from their direct supervisors, each staff member has the opportunity to meet once a year with a representative of the management team for a conversation dedicated to his or her development.

Gender diversity of staff as of December 2018



“What if there's a lot of month left over at the end of the money?”

ProCredit supports the expansion of debt counselling and legal advisory services in Frankfurt am Main

The Frankfurt branch of the workers' welfare association AWO (Arbeiterwohlfahrt Kreisverband Frankfurt am Main e.V.) is part of a decentralised welfare organisation whose primary objective is to offer help to underprivileged people of all ages.

One of AWO's initiatives is the offer of debt counselling and legal advice, provided by volunteers, which the Bockenheim district section has been offering free of charge to vulnerable members of the population since 2010. These counsellors help clients regain control of their finances, or show them possible ways of getting out of their financial difficulties.

The service is available to anyone who needs it, regardless of whether or not they are members of AWO. The main aim behind the advisory services is to raise the level of solidarity and social justice experienced by people living in difficult financial circumstances.

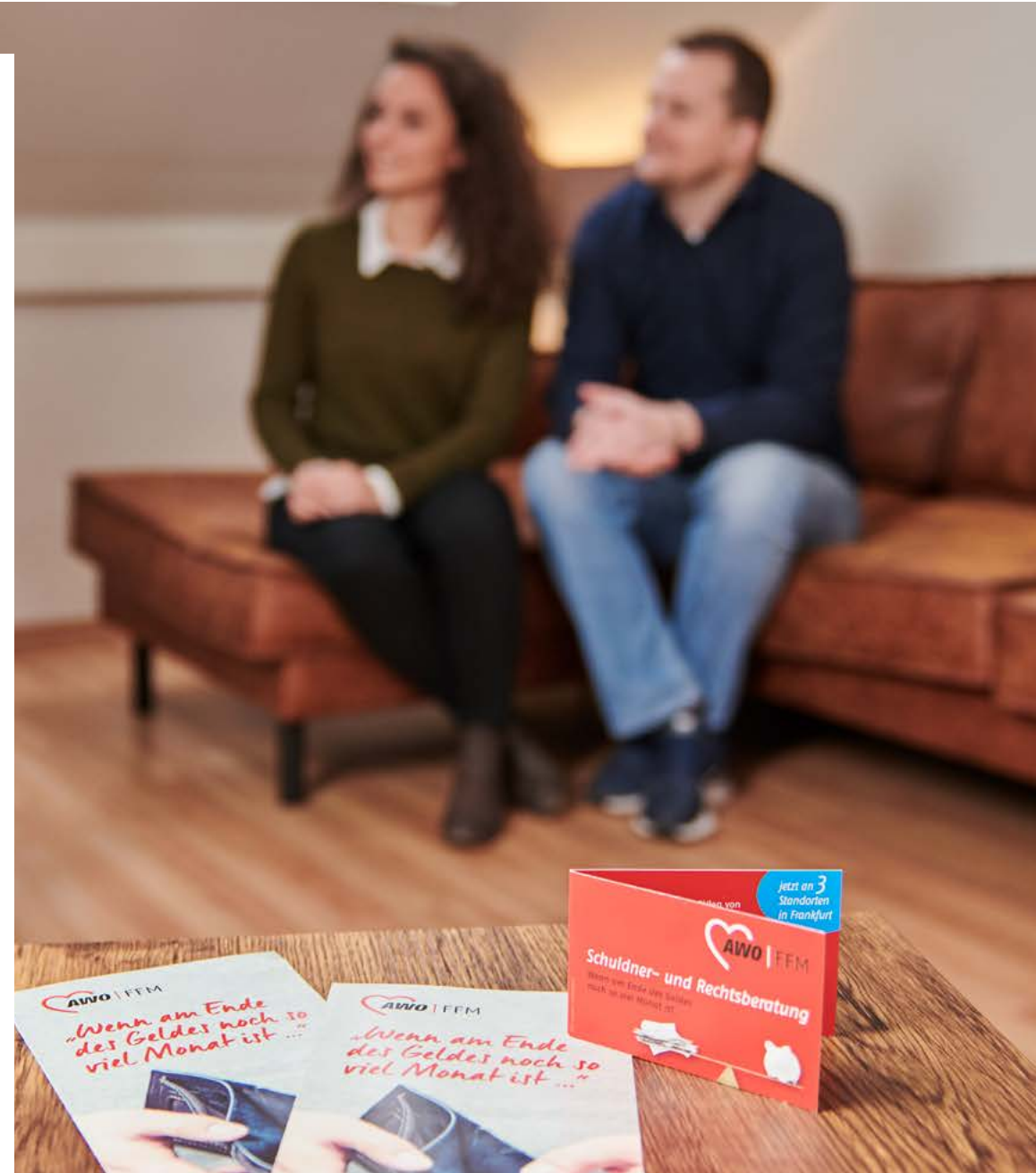
Every year since 2014, ProCredit Holding has contributed EUR 10,000 towards this initiative, enabling the debt counselling and legal advisory service to make reliable plans for the future. This has made it possible for the Bockenheim district section of AWO to develop a comprehensive advisory

programme for ongoing debt counselling, not only in the Bockenheim area but also in other districts of Frankfurt. This programme was designed in collaboration with AWO's Frankfurt branch headquarters and its district sections in Preungesheim and Nordend.

In 2018 the advisory service saw further expansion: an additional office was opened in Frankfurt's Gutleutviertel district, and opening hours at AWO's district centre in Nordend were extended.

Advice-seekers receive support from a qualified team of experts, who mainly answer questions relating to bank debts, overdue repayments to government agencies, or debts arising from contracts with private sector companies. Their goal is to safeguard their clients' livelihood by averting insolvency, and to improve the debtors' financial and psychosocial situation. “No-one goes away empty-handed!” is their motto.

For ProCredit Holding, this support for a social initiative in its home city of Frankfurt am Main is an integral part of its values-oriented identity.



FAIR RECRUITER AND EMPLOYER



Unemployment is a serious problem in our countries of operation. "Who you know" often

counts more than what your potential is, and salaries and career paths are unclear for staff. To counteract this, we apply a very transparent recruitment approach, which is central to our business model. Ethical banking can only be successful if we have employees who identify with our values and goals, and actively pursue them.

At ProCredit, the attitude and commitment to sharing the same values as the group matter more than the professional background of an applicant. The fact that we seek to recruit people from a wide range of different backgrounds, including some that might have nothing to do with finance, shows that we do not conform to the stereotypical notion of banks. People with different educational backgrounds, or with professional experience in different fields, may respond to challenges with constructive and innovative solutions that an economist or business graduate might never come up with. We look for people who are eager to learn and share, who are interested, curious team players. To get a clear understanding of ProCredit as an employer and to learn more about our staff, please refer to our brochure > [Working for ProCredit](#).

To identify applicants, we apply a well-structured selection procedure. All potential new recruits are required to go through a seven-step process. The aim of this process is to attract and select individuals who share our enthusiasm for working with clients in a professional and friendly manner, who enjoy working in teams and who have their own opinions and are willing to share and discuss them. Our approach to recruitment is rigorous compared to the norm in the countries in which we work, where the "right connections" often count more than one's abilities and knowledge. Our fairness in this respect is greatly appreciated by potential employees.

For those applicants who become part of ProCredit, the group continues to invest heavily in a wide array of training measures. The six-month Onboarding Programme, combined with specific courses and group-wide thematic

workshops, ensures that each staff member gains the right skills and competencies for her/his future position.

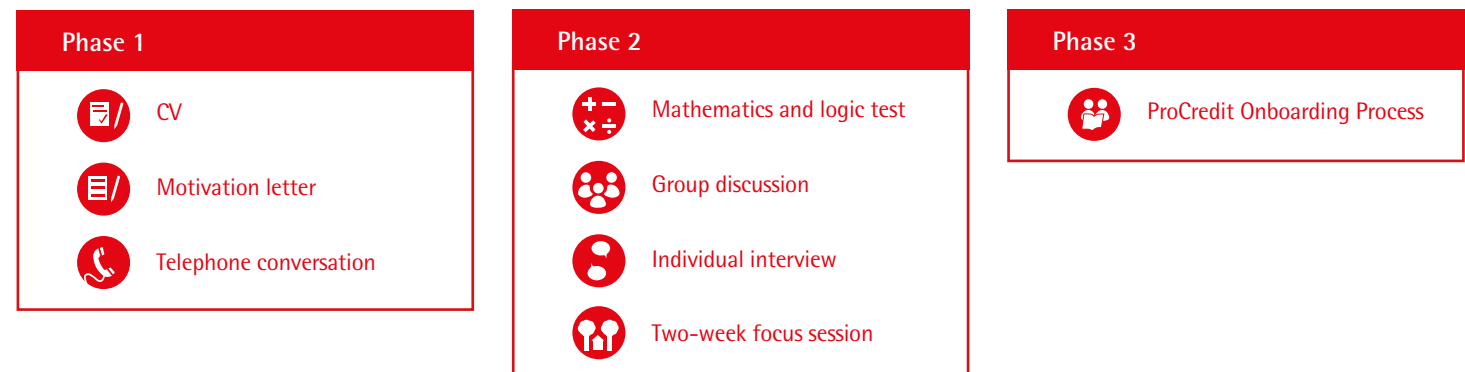
Our remuneration approach

As a fair employer, we place great value on a transparent salary structure with fixed salaries which are defined in the Group Remuneration Policy. We consciously refrain from the practice of giving short-term, performance-related bonuses as a supposed means of incentivising our staff. We believe that this type of incentive can hinder the ability of our staff to provide responsible advice to our clients, and might even harm relationships among colleagues. Instead, we rely on clear job descriptions and regular feedback from managers to guide the performance of our staff. Our approach to remuneration is to provide longer-term prospects

to employees so that they can confidently plan their life. Accordingly, almost 97% of our total staff have permanent employment contracts.

The standardised salary system includes group-wide principles: the salary structure is transparent and visible; professional development and salary levels are linked to performance and the level of training completed; annual salary reviews are conducted by the HR Committee. The system also specifies the training requirements for each position.

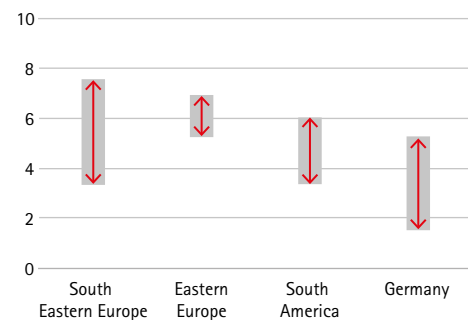
Staff recruitment and integration of new employees: a transparent and unique process



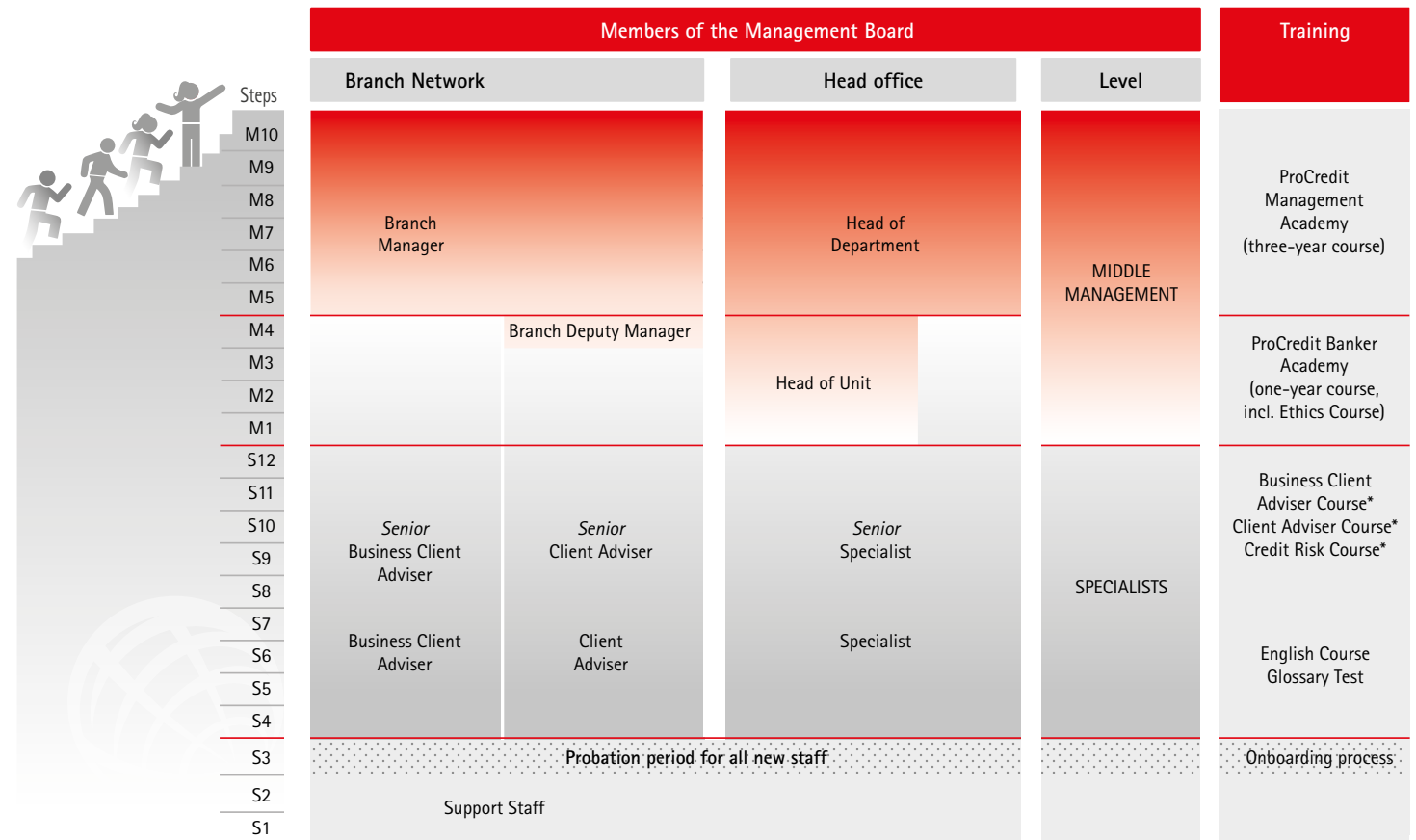
The group's remuneration approach and principles also apply to management staff insofar as the remuneration of the members of ProCredit Holding management and the banks' management boards does not include any contractually agreed variable elements. The compensation they receive is set by the respective Supervisory Board, taking into account their duties and experience, the economic situation and the institutional outlook. Consideration is also given to ensuring that the remuneration of the management is in reasonable proportion to the salaries received by employees. As for all employees in the ProCredit group, variable remuneration elements for members of the management are only applied on a limited scale. More details on the remuneration approach are covered in the Remuneration Report of our [Annual Report 2018](#).

The following chart shows the variation between the ProCredit institutions in each region in terms of their annual compensation ratios as defined by the GRI, i.e. the ratio between the highest and median salary levels.

Range of annual compensation ratios per region in 2018



ProCredit's group-wide salary structure



* position-specific courses

Overall, the annual compensation ratio ranges from 1.8 at one of the institutions in Germany to 7.6 at one of the institutions in South Eastern Europe.

In addition to a fair salary, our staff enjoy working in an environment in which they feel they can make a difference, are respected, and can develop both professionally and personally within the framework of a long-term career.

Naturally, men and women have the same opportunities in our institutions in terms of career advancement and remuneration, which is also visible in the diversity of our middle management and management boards.

PROCREDIT ONBOARDING PROGRAMME

Our approach to recruitment focuses on individuals who are honest, down-to-earth, eager to learn, and who share our common values. Beyond technical and analytical skills, our staff must demonstrate personal integrity, openness and a willingness to work together with clients and colleagues.

After completing the steps of a standard selection process, such as a written application, a mathematics and logic test and interviews, successful candidates are invited to attend a two-week "Focus Session". These sessions give us an impression of the social, communication and analytical skills of the applicant. At the same time, candidates have the opportunity to get to know the ProCredit group as an institution and employer.

At the end of this selection process, the successful applicants are integrated into the group through a six-month international Onboarding Programme. This process covers all aspects that we consider to be part of responsible banking. It is organised into three distinct modules, two of which are delivered at our regional training centres in Serbia and Kosovo and one in the employing bank. Gathering new staff from all the different ProCredit banks in a single location fosters relations and exchange of experience between the banks in Europe.

This process is a unique opportunity for new staff to be exposed from the very start to the group identity, understand its vision and mission, and experience the banking approach of ProCredit banks on the ground.

week	month					
	1	2	3	4	5	6
1	Getting to know the bank	Society as operating environment	Financial analysis	On-the-job practice		Why the environment matters
2	Et Basic algebra	Critical thinking and effective arguments	Our clients and services			Responsibility and compliance
3	Banking - global Et local perspective	What development means to us	On-the-job practice	Our clients and services	Our identity	
4	Time value of money (10 days)	Accounting (10 days)		Lessons learned from financial crises	Group projects (2 weeks)	



STAFF DEVELOPMENT



Throughout the ProCredit group, we make significant investments to ensure that staff acquire the skills they need to achieve a consistently high level of performance while maintaining their strong sense of identification with our objectives and corporate culture. Top managers are frequently involved as trainers, sharing their experience and knowledge with staff.

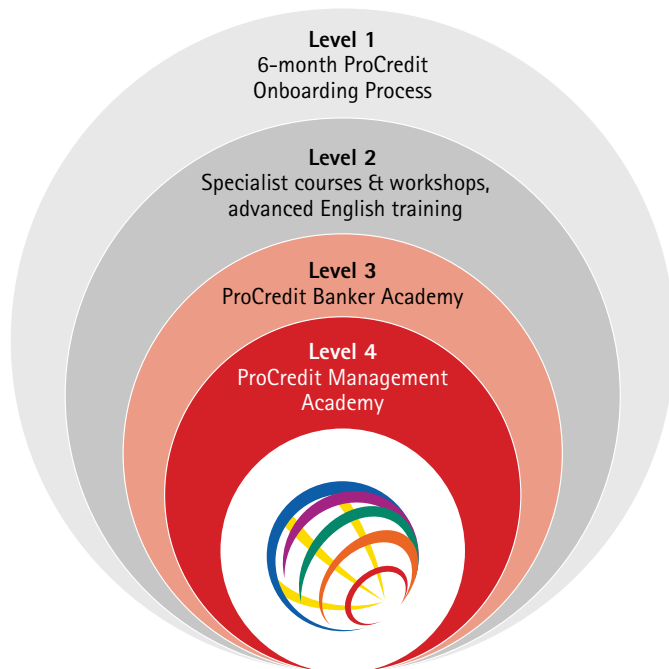
Discussions about our business philosophy among our staff is essential. They are encouraged to build on their existing knowledge and at the same time challenge their preconceptions of the world, human behaviour and their role and responsibility not just in the company but in society as a whole.

The ProCredit Training Programme consists of four levels, beginning with the ProCredit Onboarding Programme, continuing through advanced courses for existing staff, and culminating in attendance at the ProCredit Banker Academy and the ProCredit Management Academy. Accordingly, we dedicate considerable resources to training; in 2018 alone, almost EUR 7m was invested in staff training.

mercial banking group, as well as the social and environmental aspects which form part of our responsible attitude.

The ProCredit Onboarding Programme is not conducted in conventional classroom style, where the lecturer talks and the students take notes. Instead, the majority of the modules entail working in teams, giving presentations and participating in discussions. The aim is to challenge participants to take responsibility and develop critical thinking.

Levels of group training at ProCredit



Levels of training at ProCredit

Level 1: ProCredit Onboarding Programme

is the very first step of continuous long-term professional and personal development within the group. It is a great opportunity for people who already have work experience and especially for those who have recently graduated from university. This six-month integration programme covers all aspects of our approach to banking as a development-oriented com-

22%

ProCredit Onboarding Programme graduates in total staff as of December 2018

Level 2: Specialist courses and workshops, advanced English training

Following this initial grounding, staff receive more in-depth training in the technical skills needed for their specific positions. The aim of these specialist courses is to enable our staff to offer proper financial advice to our clients. The courses help them to appreciate the situation from the client's perspective and thus to determine which banking service will benefit the client most and how best to communicate the benefit.

These position-specific courses are complemented by regular workshops and seminars organised regionally or at group level, covering topics that are strategically and operationally

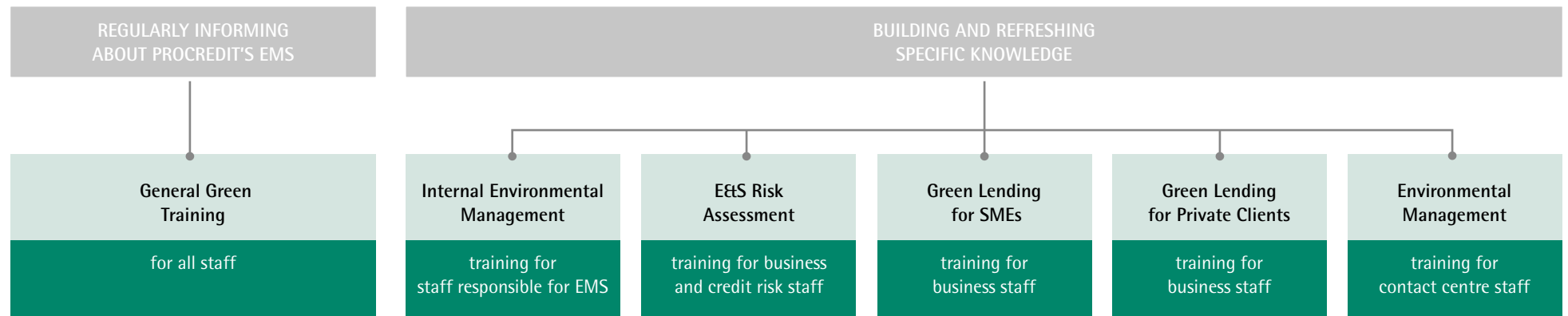
important. An example is the annual green training for all staff, which follows a structured approach.

To improve the professional dialogue between the ProCredit banks and ProCredit Holding, regular structured one-year staff exchange programmes permit between 20 and 25 colleagues from the group's banks to spend a year in one of the teams at ProCredit Holding.

As English is the lingua franca of the group, a great deal of emphasis has always been placed on English proficiency. No staff member can understand the key policies and strategy documents, make valuable contributions to the numerous inter-bank working sessions, or participate in group-wide training pro-

grammes without having a good command of English. Moreover, learning and using a foreign language creates openness, curiosity and an interest in the wider world. To this end, regular six-week English courses have been provided at our academies several times per year. As a result, all our staff now have the ability to communicate reasonably well in English, which means that English courses can now focus more directly on preparing future Academy participants for the more exacting demands that will be placed on their language skills there.

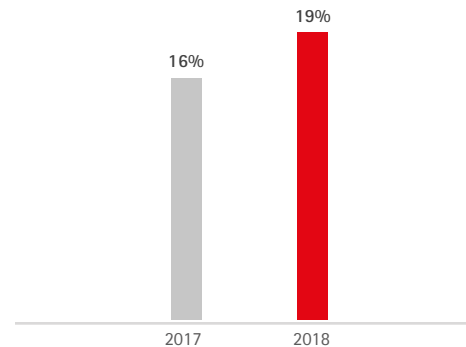
Annual green trainings



Level 3: The ProCredit Banker Academy

The ProCredit Banker Academy is a one-year course and a key component of the phased ProCredit Training Programme. It allows participants to construct an analytical framework with which they can address complex ideas, and prepare them for further challenges both at home and in their banks. Participation at the Banker Academy fosters both the personal and professional development of promising employees who identify with us and want to advance. Simultaneously, it serves to identify ProCredit staff with strong management potential and prepare them for their future position.

Staff graduated from or participating in ProCredit Banker and Management Academies



Level 4: The ProCredit Management Academy

Like the Banker Academy, the three-year ProCredit Management Academy course has been continually adapted in response to the various challenges and changes in the environments in which we operate – be they organisational, economic, political or social. The aims of the Management Academy are to generate even greater comprehension of and identification with the company among staff, to win their active commitment to serving as multipliers of our values and our business policy, and – if the circumstances allow – to prepare them to assume even more challenging responsibilities within the company. To meet the demands that come with holding leadership responsibility, all our managers are required to attend the Management Academy. Accordingly, 87% of our banks' management board members have completed the Management Academy.

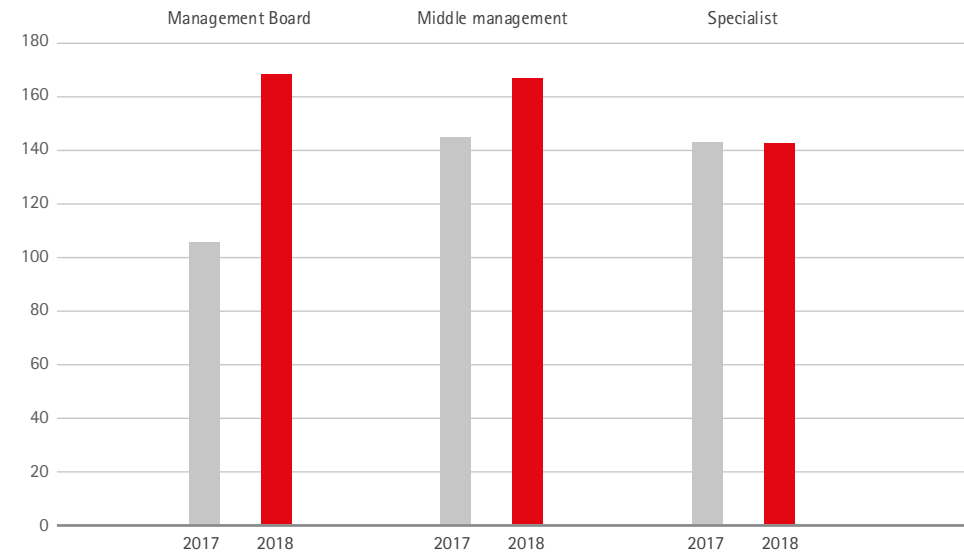
The corporate culture of the academies can be summed up in the concepts of tolerance and curiosity, rational thought and scientific method, solidarity and friendliness, values and principles.

For more information regarding our academies and the curricula, please refer to the [> ProCredit Academy Brochure](#) and [> ProCredit Banker Academy Brochure](#) on the ProCredit Holding website.



More than
450,000
 total training hours
 in 2018

Average hours of training per year per employee



The graphic above relates to all levels of training received at ProCredit.

THE PROCREDIT BANKER ACADEMY

The ProCredit Banker Academy has developed and sustained a one-year training programme which, just like our banks, has evolved over the years to meet the changing demand for skills and knowledge in a dynamic environment. With this in mind, the consistency of our development policy, which determines the form of our contribution to economic development in our countries of operation, is an important topic at the ProCredit Banker Academy. Discussion of this business philosophy beyond the managerial level is essential. Within this context, the ProCredit Banker Academy plays a fundamental role in overseeing and pursuing this discussion on a broader basis and contributes to the creation of a common understanding of how our group defines ethical banking.

The ProCredit Banker Academy offers a unique, comprehensive programme that radically sets it apart from typical management training programmes. The curriculum offers a thorough, well-rounded and overarching programme of study, which, in conjunction with the ProCredit Management Academy, provides a stable foundation and an integrated approach to training and development. Participants pursue an ambitious 14-week programme in seven blocks. They are encouraged to broaden and deepen their knowledge, to

question preconceived notions of human interaction, and apply this new perspective both to their work in the bank and to their everyday lives. In this way, the Banker Academy hopes to inspire in our staff a lifelong commitment to learning and development, both personally and professionally.

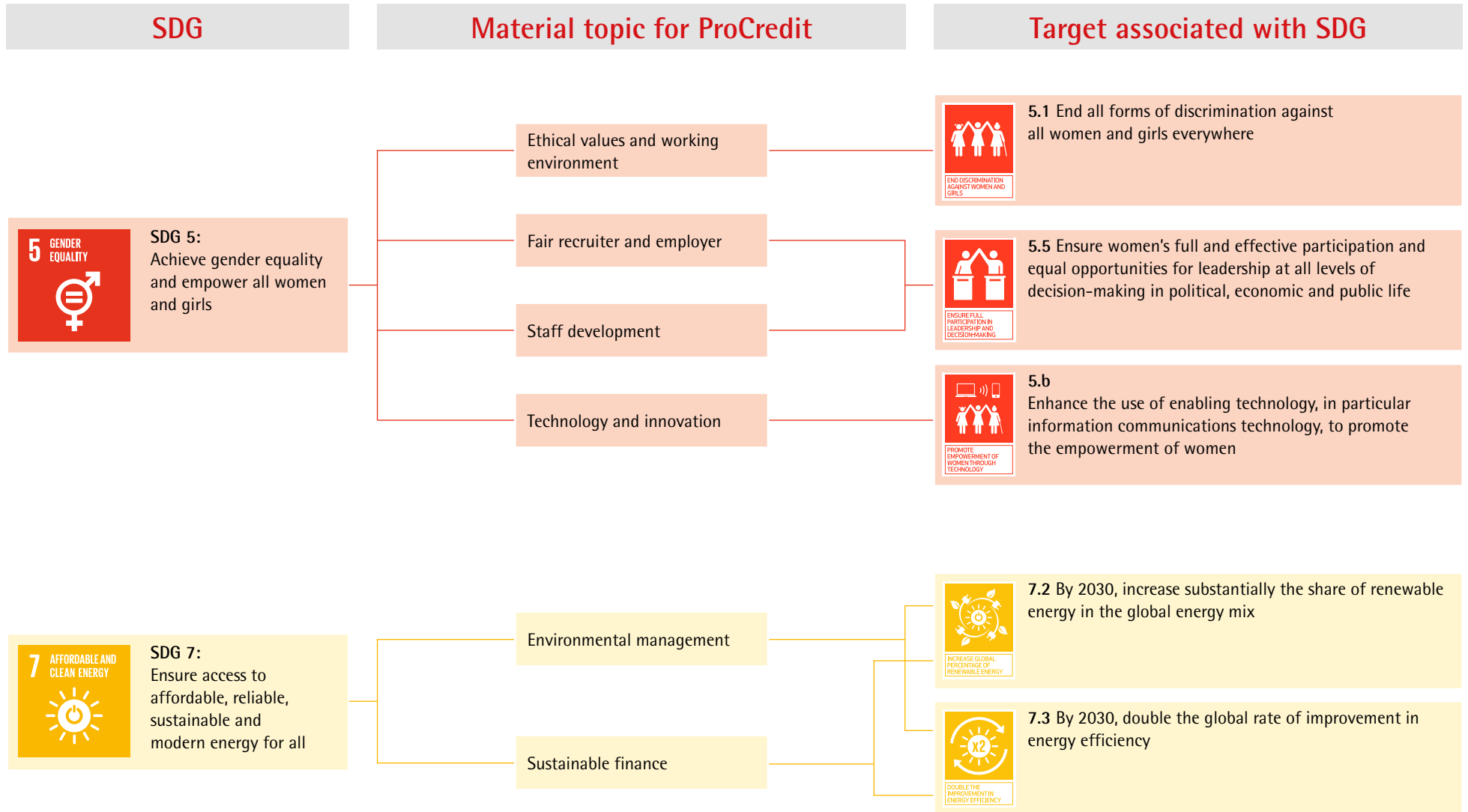
The advancement of emancipated, independent-minded individuals who embrace critical thinking with a sharp awareness and understanding of the broader historical, economic, political and social aspects of society results in capable and informed managers. This is a principal aim of the Banker Academy and in this respect the ProCredit Banker Academy can be regarded as a stand-alone programme within the ProCredit training network.

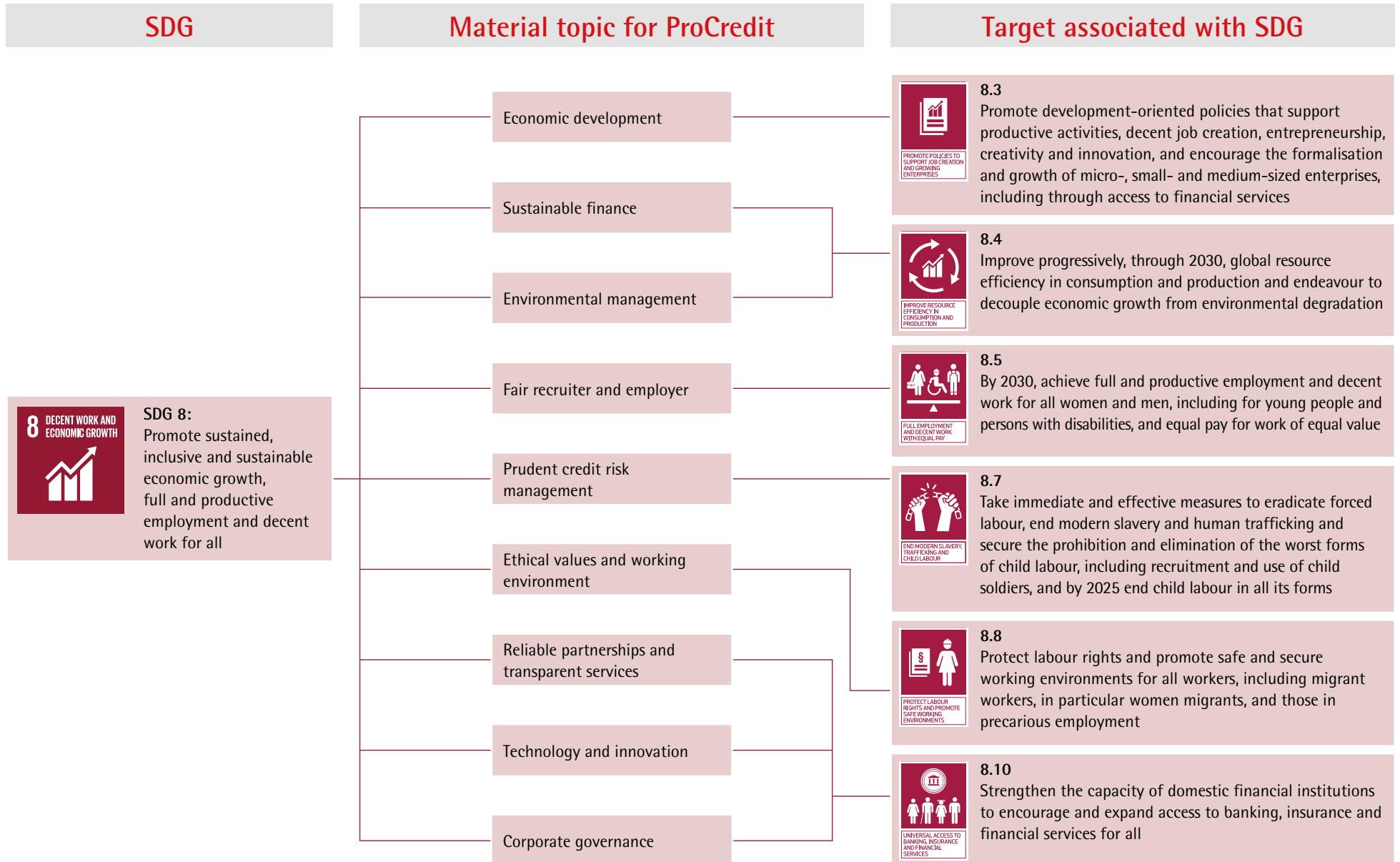


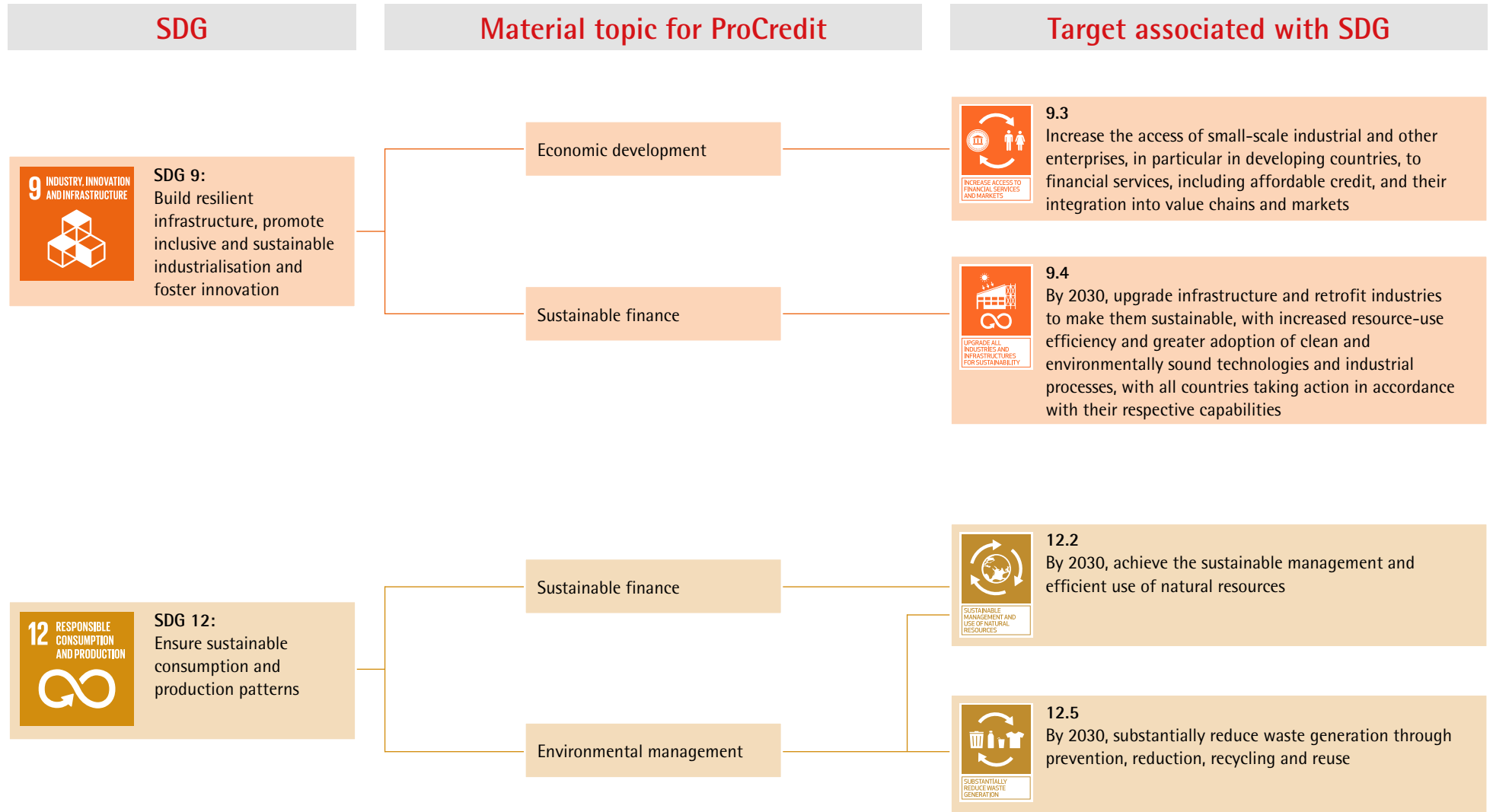


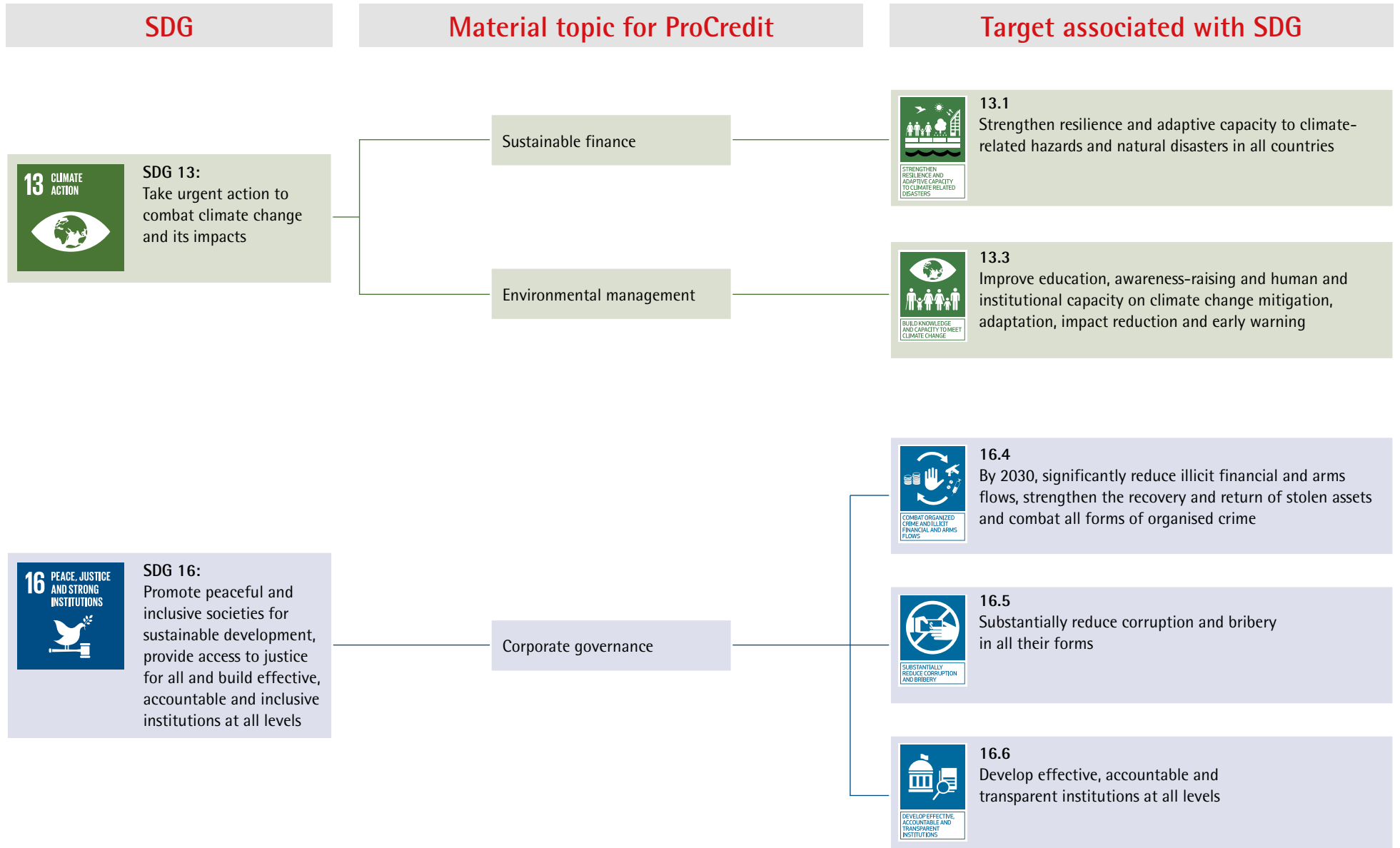
ANNEX

SDGs, MATERIAL TOPICS AND TARGETS









ANNEX

PROCREDIT'S SUSTAINABILITY PERFORMANCE INDICATORS



PROCREDIT AT A GLANCE

General information

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Number of financial institutions	7	7	3	3	2	2	1	1	13	13
Number of other institutions	2	2	0	0	2	0	3	3	7	5
Number of outlets ¹	80	55	23	22	14	9	1	1	118	87
Number of employees ²	1,827	1,594	653	632	338	319	566	548	3,384	3,093

Source: Reporting Package; HR databases

Audited: Partially

¹Includes branches and service points. ²Includes management board members, onboarding participants and staff in unconsolidated entities. Employee numbers are expressed as head count as of year-end.

Key figures

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Total assets (EUR m, gross)	3,554	3,891	1,058	1,247	338	330	549	499	5,499	5,966
Customer loan portfolio (EUR m, gross)	2,759	3,059	823	987	239	271	88	76	3,910	4,392
Customer deposits (EUR m)	2,519	2,706	635	702	161	147	256	272	3,571	3,826
Deposits-to-loans ratio	91%	88%	77%	71%	67%	54%	290%	357%	91%	87%
Profit of the period (EUR m)	45.4	42.1	26.0	33.2	-3.6	-3.2	37.1	37.5	48.1	54.5
Return on average equity	9.8%	8.8%	18.2%	20.0%	-5.8%	-5.6%	4.6%	5.5%	7.1%	7.6%
Number of business clients	24,745	21,202	7,998	6,703	3,363	2,819	401	409	36,507	31,133
Number of business loans	50,666	40,093	8,940	8,495	8,996	6,492	114	94	68,716	55,174
Number of business loans (>EUR 50,000)	15,145	16,257	5,196	5,954	1,719	1,966	111	92	22,171	24,269
Volume of business loans (EUR m)	2,393	2,764	796	946	226	261	88	76	3,503	4,047
Number of private loans	47,399	33,772	3,395	1,999	842	520	2	2	51,638	36,293
Volume of private loans (EUR m)	366	295	28	41	13	10	0	0	407	345

Source: Reporting Package

Audited: Yes (except for number of loans and clients)

Number and volume of transactions

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Average monthly number of transactions	2,630,853	2,379,281	1,074,355	878,807	161,373	120,908	2,193	3,167	3,868,774	3,382,163
Average monthly volume of transactions (EUR m)	2,205	2,388	953	1,024	80	65	27	49	3,266	3,525

Source: PCH Operational Statistics

Audited: No

Reciprocity ratio¹

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Sector ratio ²	35.1%	37.9%	36.5%	31.4%	16.8%	16.6%	62.2%	86.2%	34.5%	35.3%

Source: Supervisory Board presentations from banks

Audited: No

¹ Reciprocity compares the funds deposited by business clients into their accounts with a ProCredit bank versus the financing provided by the same ProCredit bank to business clients.

² The sector reciprocity ratio is calculated as the total amount of deposits (current accounts, savings accounts and term deposit accounts) from all business clients (both loan and non-loan clients) expressed as a percentage of the total outstanding portfolio of loans to business clients of the bank.

SUSTAINABILITY AND THE PROCREDIT GROUP

Sustainability context

Indicator	Bosnia & Herzegovina	Bulgaria	Georgia	Macedonia	Romania	EU
Air pollution (PM2.5; mean annual exposure in mcg/m ³)	39.3	25.6	20.7	31.9	19.1	14.4

Reference year: 2016

Source: World Bank: World Development Indicators 2018; available online at: <https://data.worldbank.org/indicator/SLUEM.TOTL.ZS> (accessed on 15 February 2019)

Indicator	Bosnia & Herzegovina	Georgia	Macedonia	Romania	Serbia	EU
Unemployment rate (% of total labour force)	26.1	11.6	22.3	4.6	13.1	6.9

Reference year: 2018

Source: World Bank, World Development Indicators 2018; available online at: <https://databank.worldbank.org/data/reports.aspx?source=2&series=EN.ATM.PM25.MC.M3&country=#> (accessed on 15 February 2019)

Indicator	Bosnia & Herzegovina	Germany	Moldova	Romania	Serbia	Ukraine
Energy intensity (total primary energy supply per unit of GDP) (tonnes of oil equivalent/2010 USD)	0.4	0.1	0.5	0.2	0.4	0.8

Reference year: 2016

Source: International Energy Agency (IEA) 2019; available online at: <https://www.iea.org/statistics/?country=WORLD&year=2016&category=Energy%20supply&indicator=TPESbyGDP&mode=chart&dataTable=INDICATORS> (accessed on 15 February 2019)

Indicator	Bosnia & Herzegovina	Germany	Moldova	Romania	Serbia	Ukraine
CO ₂ emissions per unit of GDP (kg CO ₂ /2010 USD)	1.2	0.2	1.1	0.3	1.1	1.6

Reference year: 2016

Source: International Energy Agency (IEA) 2019; available online at: <https://www.iea.org/statistics/?country=WORLD&year=2016&category=Emissions&indicator=CO2ByGDP&mode=chart&dataTable=INDICATORS> (accessed on 15 February 2019)

Indicator	Bulgaria	Ecuador	Romania	Serbia	Ukraine	Western Europe (average)
Transparency International Corruption Perceptions Index (0 = highly corrupt, 100 = very clean)	43.0	32.0	48.0	41.0	30.0	66.4

Reference year: 2017

 Source: Transparency International 2019; available online at: https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table (accessed on 15 February 2019)

Indicator	Albania	Bulgaria	Georgia	Moldova	Serbia	EU
GDP per capita (current USD)	4,538	8,032	4,078	2,290	5,900	33,715

Reference year: 2017

 Source: World Bank, World Development Indicators 2018; available online at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD> (accessed on 15 February 2019)

Indicator	Bosnia & Herzegovina	Ecuador	Georgia	Moldova	Ukraine	Europe (average 2010-15)
Size of shadow economy (% of official GDP)	29.9	30.2	53.1	39.7	42.9	22.7

Reference year: 2015

Source: Schneider & Medina (2017): Shadow Economies Around the World: New Results for 158 Countries Over 1991-2015

BUSINESS MODEL

Importance of SMEs

Indicator	Albania	Bulgaria	Macedonia	Romania	Serbia	EU average
Number of persons employed by SMEs (% of total employees in enterprises)	81.6%	75.4%	74.4%	65.8%	64.8%	66.4%
Value added by SMEs (% of total value added by enterprises)	66.6%	65.2%	64.5%	51.3%	55.0%	56.8%

Reference year: 2015 for Albania, Macedonia, Serbia and 2017 for Bulgaria, Romania and EU

Source: European Commission 2018 (Bulgaria, Romania, EU) and 2017 (Albania, Macedonia, Serbia) Small Business Act (SBA) Factsheets

Compliance and banking regulations

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Incidents of non-compliance with regulations and/or voluntary codes involving product/service information and labelling, as well as marketing communications, including advertising, promotion, and sponsorship										
incidents of non-compliance resulting in a fine or penalty	None									
incidents of non-compliance with regulations resulting in a warning	None									
incidents of non-compliance with voluntary codes	None									
Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations as well as laws and/or regulations in the social and economic area										
total monetary value of significant fines (>EUR 100,000)	None									
total number of non-monetary sanctions	None									
cases brought through dispute resolution mechanisms	None									
Number of legal actions pending or completed during the reporting period involving anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant.										
Number of legal actions	None									
Description of these actions	None									

Source: Compliance Reporting Package

Audited: No

Financial crime prevention

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Staff trained on financial crime risks										
ProCredit Onboarding Programme participants	43	68	10	22	23	19	0	0	76	109
Specialists	1,482	823	271	450	511	491	75	22	2,339	1,786
Managers	35	12	0	57	0	2	0	1	35	72
Accounts closed or client relationships terminated due to risk of financial crime										
Number of accounts closed	120	47	117	63	7	10	7	5	251	125
Number of client relationships ended	19	7	23	10	0	4	3	2	45	23

Source: AML database

Audited: No

Internal environmental management

Environmental performance indicators

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
General data												
Staff ¹	No	2,152	1,774	700	640	412	355	530	533	3,793	3,301	-13%
Area	m ²	71,021	57,731	24,916	19,572	12,915	8,760	13,986	13,939	122,838	100,002	-19%
Energy												
Electricity produced (PV)	kWh	60,772	70,999	0	11,898	0	0	50,392	77,010	111,164	159,906	44%
Total energy consumption of buildings	kWh	13,472,705	10,553,257	5,987,215	4,232,924	1,216,555	916,927	1,756,900	1,589,764	22,433,375	17,292,872	-23%
Electricity consumption	kWh	10,858,049	8,542,070	3,920,022	2,826,437	1,211,870	913,635	887,615	725,183	16,877,555	13,007,325	-23%
Electricity from non-renewable energies	kWh	7,302,490	5,638,514	2,096,434	1,679,677	551,791	415,480	236,563	204,590	10,187,279	7,938,261	-22%
Electricity from renewables energies	kWh	3,555,558	2,903,557	1,823,588	1,146,760	660,079	498,155	651,051	520,593	6,690,276	5,069,064	-24%
Heating energy consumption	kWh	2,471,955	1,931,341	2,040,128	1,311,807	0	0	852,036	833,390	5,364,119	4,076,538	-24%
Heating from non-renewable energies	kWh	2,243,059	1,774,318	2,028,875	1,304,369	0	0	404,359*	401,712	4,676,293	3,480,399	-26%
Heating from renewable energies	kWh	228,896	157,023	11,253*	7,439	0	0	447,677	431,678	687,825	596,140	-13%
Generators	kWh	142,702	79,845	27,065	94,680	4,686*	3,292	17,249	31,192	191,702	209,009	9%
Transport												
Vehicle energy consumption	kWh	2,602,916	2,128,714	1,246,700	990,452	320,962*	127,414	225,262	198,151	4,395,841	3,444,732	-22%
Vehicle mileage	km	4,624,965	3,939,406	1,567,742	1,417,193	315,932*	188,556	198,261	162,561	6,706,900	5,707,716	-15%
All vehicles (average over the year)	No	294	263	83	68	33	14	15	13	425	358	-16%
All vehicles (Dec)	No	263	252	74	65	34	14	13	13	384	344	-10%
Gasoline (Dec)	No	26	22	39	19	22	2	1	1	88	44	-50%
Diesel (Dec)	No	151	80	13	12	3	1	11	11	178	104	-42%
Electric (Dec)	No	43	75	5	10	7*	7	1	1	56	93	66%
Hybrid (Dec)	No	43	75	17	24	2	4	0	0	62	103	66%
Number of flights	No	4,661	4,775	2,570	2,749	1,803	1,837	2,979	2,607	12,013	11,968	0%
Distance of flights	km	5,192,482	4,873,502	3,427,861	3,817,801	3,086,334	3,872,594	5,328,379	5,382,431	17,035,056	17,946,328	5%

Environmental performance indicators

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
Printing paper												
Total printing paper consumption	kg	44,381	28,248	17,413	11,007	4,060	3,144	2,677*	2,774	68,529	45,173	-34%
of which recycled or certified	%	65%	87%	58%	70%	42%	94%	95%	95%	63%	84%	
Paper waste												
Total paper waste	kg	111,013	191,307	47,369	28,357	3,896*	5,214	21,370*	14,636	183,648*	239,515	30% ²
Recycling	%	100%	100%	73%	100%	100%	100%	100%	100%	92%	100%	
Landfill	%	0%	0%	27%	0%	0%	0%	0%	0%	8%	0%	
Electronic waste												
Total electronic waste	kg	125,800	45,072	8,550	9,495	125*	0	1,551	1,419	136,025	55,987	-59%
Re-use (usable electronic equipment)	%	13%	82%	45%	14%	16%	-	0%	0%	15%	69%	
Recycling	%	87%	18%	55%	86%	84%*	-	100%	100%	85%	31%	

Collected via the iEMS-Tool (online platform for data collection). The source of the conversion factors is the International Energy Agency and the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories (2015 is the reference year for the emission factors used). Whenever electricity supplied by external sources is 100% renewable, zero emissions are assumed. Flight emissions are estimated through the web-based calculator of atmosfair GmbH.

¹ For the environmental performance analysis the average number of staff over the year is used. In the rest of the report the number of staff at year-end is used.

² Total paper waste increased by 30% in 2018 due to archive cleaning in South Eastern Europe.

Audited: Partially through internal and external audit of the EMS

Notes: Any differences between the 2017 data shown here and the data published in last year's report are due to updates and regular data quality checks. Data values that differ in excess of 10% at the regional level and 5% at the group level are marked with an asterisk. Reasons for significant changes in terms of energy consumption include the replacement of estimated values with actual ones as well as an update of the countries' respective shares of RE and non-RE heating sources. Whenever changes in energy consumption occurred, this led to changes in the respective CO₂ emissions category. In the transport category, corrections were made regarding the allocation of vehicles to different categories, and missing mileage data and fuel data were filled in. For printing paper consumption, the methodology of assessing the weight of printing paper used was updated and the data was adjusted retrospectively. In both the electronic and the paper waste categories, estimates were replaced by actual data and misprints were corrected. The relative energy consumption of buildings and relative total CO₂ emissions were restated following an update in methodology for the German region. The remaining changes in the relative performance indicators reflect the corresponding changes in the absolute performance indicators.

Relative environmental performance

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
Energy												
Relative energy consumption of buildings	kWh/employee	6,262	5,949	8,558	6,611	2,953	2,587	3,318	2,985	5,915	5,238	-11%
	kWh/m ²	190	183	240	216	94	105	126	114	183	173	-5%
	kWh/1000 EUR loan portfolio	4.9	3.4	7.3	4.3	5.1	3.4	1.3*	1.1	5.3	3.6	-32%
	kWh/1000 EUR deposits	5.3	3.9	9.4	6.0	7.6	6.2	0.5	0.3	5.8	4.1	-29%
Electricity from renewable energies	%	33%	34%	47%	41%	54%	55%	73%	72%	40%	39%	
Heating energy from renewable energies	%	9%	8%	1%	1%	-	-	53%	52%	13%	15%	
Transport												
Fuel efficiency	kWh/100km	56	54	80	70	102*	68	114	122	66	60	-8%
Share of hybrid and e-cars	%	33%	60%	30%	52%	26%	79%	8%	8%	31%	57%	
Emissions												
Relative total gross CO ₂ emissions	tCO ₂ /employee	4.45	4.32	3.62	3.50	3.25	4.17	4.35	3.65	4.15	4.04	-3%
	tCO ₂ /EUR m loan portfolio	3.47	2.51	3.08	2.27	5.61	5.45	0.82*	0.73	3.46*	2.60	-25%
	tCO ₂ /EUR m deposits	3.80	2.83	3.99	3.19	8.33	10.04	0.28	0.20	3.79	2.99	-21%
Relative Scope 1 emissions	tCO ₂ /employee	0.43	0.41	0.92	0.77	0.20*	0.09	0.28	0.27	0.48	0.43	-11%
Relative Scope 2 emissions	tCO ₂ /employee	3.43	3.23	1.52	1.31	0.93	0.82	0.39	0.33	2.38	2.13	-11%
Relative Scope 3 emissions	tCO ₂ /employee	0.59	0.68	1.17	1.42	2.12	3.26	3.68	3.05	1.30	1.48	14%
Water												
Relative indoor water consumption	m ³ /employee	9.9	9.5	11.4	11.8	14.9	9.5	23.2	20.8	12.6	11.8	-6%
	m ³ /m ²	0.3	0.3	0.3	0.4	0.5	0.4	0.9	0.8	0.4	0.4	0%
Paper												
Relative printing paper consumption	kg/employee	20.6	15.9	24.9	17.2	9.9	8.9	5.1*	5.2	18.1	13.7	-24%
Waste												
Relative paper waste generation	kg/employee	51.6	107.8	76.3	44.3	9.5*	14.7	40.4*	27.5	50.0*	72.6	45%
Relative e-waste generation	kg/employee	58.5	25.4	12.2	14.8	0.3*	0.0	2.9	2.7	35.9	17.0	-53%

Source: Collected via the iEMS-Tool (online platform for data collection)

Audited: Partially through internal and external audit of the EMS

Note: Please see the note on > page 72 regarding the differences between the 2017 data shown here and the data published in last year's report.

Technology and innovation

Automation of transactions

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Total number of transactions	2,694,061	2,419,142	1,049,708	890,749	157,017	129,002	3,153	3,558	3,903,939	3,442,451
of which:										
Electronic transactions via e-banking	47.3%	48.7%	51.8%	58.9%	11.1%	21.1%	94.9%	92.8%	47.1%	50.3%
POS transactions	19.6%	25.1%	28.9%	26.6%	13.4%	17.5%	0.0%	0.0%	21.8%	25.2%
ATM operations (incl. drop box)	29.1%	23.6%	17.7%	13.2%	64.9%	57.4%	0.0%	0.0%	27.4%	22.1%
Standing order transactions	1.0%	0.8%	0.0%	0.0%	2.6%	2.7%	0.0%	0.0%	0.8%	0.7%
Transactions using paper payment orders	2.8%	1.7%	0.8%	1.0%	1.7%	0.9%	5.1%	7.2%	2.2%	1.5%
Transactions performed at cash desk	0.3%	0.1%	0.7%	0.3%	6.4%	0.5%	0.0%	0.0%	0.7%	0.1%

Source: PCH Operational Statistics

Audited: No

International principles, standards and memberships

Main international principles and standards followed by ProCredit institutions

Environmental principles and standards:

- CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)
- Convention on Biological Diversity (CBD)
- Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention)
- Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention)
- Convention on Wetlands of International Importance (Ramsar Convention)
- Eco-Management and Audit Scheme (EMAS)
- ISO 14001:2015
- IUCN Guidelines on Protected Areas
- World Heritage Convention
- Montreal Protocol

Social principles and standards:

- European Convention on Human Rights (1950)
- IFC/MIGA Joint Policy Statement on Forced Labour and Harmful Child Labour
- ILO Declaration on Fundamental Principles and Rights at Work (1998)
- Universal Declaration of Human Rights (1948)
- UN Convention Against Corruption (2005)

Environmental and social standards:

- IFC Performance Standards
- EBRD Performance Requirements

Information security principles and standards:

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

Quality management standard

- ISO 9001:2015

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

Other exemplary memberships of individual ProCredit banks:

- PCCA - Partners for Confronting Collective Atrocities e.V. (ProCredit Bank Germany)
- Supervisory Board of NALED (National Alliance for Local Economic Development) (ProCredit Bank Serbia)
- Environment Protection Committee - Business Association of Georgia (ProCredit Bank Georgia)
- European Business Network for Corporate Social Responsibility (ProCredit Bank Kosovo)
- Electro mobility association (ProCredit Bank Macedonia)
- Protocolo de Finanzas Sostenibles del Ecuador and UN Global Compact (ProCredit Bank Ecuador)
- Protocolo Verde (ProCredit Bank Colombia)

Membership fees for 2018

Indicator	South Eastern Europe	Eastern Europe	Latin America	Germany	Total
Annual fee expenses for membership of the above mentioned organisations and initiatives (EUR)	61,931	47,349	12,152	18,901	140,333

Source: Compiled from all banks, via questionnaire
 Audited: No

OUR APPROACH TO CLIENTS

Data privacy and information security

Client complaints

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Complaints related to data protection										
Number of client complaints received	7	2	0	2	0	0	0	0	7	4
Number of these complaints that resulted (or are highly likely to result) in a court case	0	1	0	0	0	0	0	0	0	1
Total amount paid in fines or settlements agreed with the client in relation to complaints received (EUR)	0	0	0	0	0	0	0	0	0	0

Source: Compliance Reporting Package

Audited: No

Prudent credit risk management

Asset quality indicators¹

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Defaulted loan portfolio	3.1%	4.5%	4.4%	3.3%	6.2%	3.6%	0.0%	0.0%	4.5%	3.1%
Coverage ratio ² (Total LLP ³ /Defaulted LP)	83.3%	93.0%	87.7%	81.5%	85.2%	96.5%	-	-	84.6%	90.8%

Source: Reporting Package

Audited: Yes

¹ Defaulted loan portfolio in %, in accordance with IFRS9 accounting and reporting standards; this replaces the previously used indicators PAR30 and PAR90² Total loan loss provisions divided by total defaulted volume³ LLP - Loan Loss Provisions, defined as the funds a bank sets aside to cover potential losses on loans

Non-performing loan portfolio (NPL)

Indicator	Albania	Bosnia	Bulgaria	Colombia	Ecuador	Georgia	Germany	Kosovo	Macedonia	Moldova	Romania	Serbia	Ukraine
ProCredit Bank's NPL	6.3%	6.2%	3.3%	7.3%	2.1%	2.7%	0.0%	2.1%	1.0%	5.3%	3.2%	1.1%	3.7%
Country NPL	11.1%	9.4%	11.3%	7.2%	2.6%	5.6%	1.7%	2.7%	5.2%	12.5%	5.0%	7.7%	54.1%

Source: Different local NPL definitions apply in different countries, making comparison of the data between countries impossible. However, within each country, the same definition is applied, allowing comparison between the ProCredit banks and their respective local banking sector. The latest available data for each country is presented (mostly as of 31 Dec 2018). The source of the NPL figure for the banking sector as a whole is the respective central or national bank.

Audited: No

Environmental and social risk management

Breakdown of outstanding loan portfolio (volume) by E&S risk category

E&S risk category	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Not applicable ¹	13.6%	12.0%	3.4%	4.0%	5.5%	3.1%	0.1%	0.0%	10.7%	9.5%
Low	41.7%	42.3%	47.7%	42.9%	64.4%	50.4%	34.3%	35.6%	44.1%	42.8%
Medium	41.5%	41.6%	46.4%	50.2%	23.0%	32.6%	63.7%	62.1%	41.9%	43.4%
High	3.2%	4.1%	2.5%	2.8%	7.1%	14.0%	1.9%	2.4%	3.3%	4.4%

Breakdown of outstanding loan portfolio (number) by E&S risk category

E&S risk category	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Not applicable ¹	58.0%	52.7%	27.1%	19.8%	8.5%	5.1%	1.7%	0.0%	51.5%	45.7%
Low	19.5%	22.2%	43.0%	43.3%	68.1%	55.2%	36.7%	39.2%	25.3%	26.8%
Medium	21.6%	24.1%	28.6%	35.0%	20.1%	31.7%	59.2%	57.8%	22.2%	25.8%
High	0.9%	1.1%	1.3%	1.9%	3.3%	8.0%	2.5%	2.9%	1.1%	1.7%

Source: Compiled from all banks, via questionnaire

Audited: No

¹ Loans to private clients

Analysis of the portfolio in terms of E&S risks

As at the end of 2018, the ProCredit group's loan portfolio amounted to EUR 4,392 million. Due to the distribution across different business activities, the portfolio can be broken down into the following categories with regard to the level of environmental and social (E&S) risk:

- Low: 43%
- Medium: 43%
- High: 4%

The remaining 10% of the portfolio consists of loans to private clients, which are defined as having an insignificant environmental impact; they are therefore neither subject to in-depth analysis in terms of E&S issues nor to reporting, and are not assigned to an environmental risk category.

In comparison to the previous year, the share of loans classified as carrying a medium level of E&S risk remained fairly stable, increasing only slightly from 42% to 43%. This is in line with our business strategy to aim for portfolio growth in the production and manufacturing sectors, where most of the business activities are classified as posing a medium E&S risk.

Financed activities in the high E&S risk category account for a larger share of the portfolio in terms of volume compared to last year.

Again, this increase is in line with expectations, given that various production activities are automatically assigned to the high E&S risk category. We generally do not reject clients with business activities in high E&S risk sectors outright; instead, we analyse their E&S performance thoroughly to ensure that their potentially negative impact is mitigated and that the risks they could pose do not materialise in actual environmental or social harm. An additional factor which led to the increase of high risk activities in the loan portfolio, and which will influence it in the future, is the internal reclassification of hydropower plants from medium to high environmental risk. The operation of hydropower plants accounts for 9% of the volume of loans for activities assigned to high E&S risk. The group's approach to assessing activities involving high E&S risk is revised regularly. We aim to set increasingly demanding requirements and ensure thorough assessment, which often includes external E&S impact assessment, especially for larger exposures.

As of end-2018, the activity making up the largest share in the high E&S risk category in our portfolio was trade in hazardous materials. This includes not only the sale of chemicals (such as agricultural chemicals and fertilisers), but also the operation of petrol stations. However, these loans still account for an insignificant share of the total loan portfolio: less than 1.6% on group level. This share breaks down by region as follows: 2.9% in South America, 1.6% in South Eastern Europe, 1.2% in Eastern Europe and 0% for ProCredit Bank Germany.

The chemical production industry ranks second in terms of volume in the high E&S risk category. However, its share in the banks' overall portfolio is a mere 1% (0.8% in South Eastern Europe, 0.7% in South America, 1.2% in Eastern Europe, 1.3% in Germany). Common recipients of ProCredit loans to this industry are pharmaceutical companies and producers of various household cleaning products, cosmetics and essential oils.

Our clients active in the waste management sector account for the third-largest share of loans in the high E&S risk category in volume terms. Waste management is an activity that we value due to its positive impact on the environment, especially in our countries of operation, where proper waste management is not very common. However, if not carried out according to appropriate standards, this activity can actually harm the environment. Therefore, we take a conservative approach towards waste management businesses and only finance companies that respect legal requirements and meet ProCredit's exacting E&S standards. Currently, the share of this business activity is less than 0.5% of the total portfolio (0.4% in South Eastern Europe, 0.1% in Eastern Europe and 1.8% in South America). The higher share in South America is due to ProCredit Bank Ecuador's financing of a client specialised in the collection, treatment and disposal of hazardous waste, such as industrial and commercial waste, as well as biological waste.

In 2019, the ProCredit group will continue to place strict demands on our clients' environmental and social practices. We will focus on carrying out thorough assessments of all our business clients, providing advice on better management of environmental and social risk, and further developing our environmental and social regulations.

Sustainable Finance

Breakdown of the loan portfolio by initial size (EUR m, outstanding principal)

Initial loan size (EUR)	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
≤ 50,000	621.3	493.5	77.5	63.7	92.5	66.1	0.2	0.1	791.4	623.3
50,001 - 250,000	1,031.9	1,094.9	338.2	412.7	101.6	121.9	1.8	1.7	1,473.5	1,631.2
250,001 - 500,000	453.7	552.8	147.9	184.4	17.9	35.9	4.2	3.2	623.8	776.3
500,001 - 1.5m	448.5	603.4	186.8	219.3	16.5	23.7	32.8	23.5	684.7	870.0
>1.5m	189.1	307.9	70.5	106.7	7.8	20.3	49.5	47.5	317.0	482.4
Total	2,744.6	3,052.4	821.0	986.8	236.3	268.0	88.5	75.9	3,890.3	4,383.1

Source: PCH Operational Statistics
Audited: No

Business loan portfolio, by sector (EUR m, gross)

Sector	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Wholesale and trade	730.1	830.3	241.3	263.6	82.8	88.12	15.5	12.0	1,069.7	1,194.1
Agriculture, forestry and fishing	545.9	555.5	219.8	300.3	14.5	13.19	8.0	6.9	788.2	875.9
Production	559.1	724.9	155.6	186.8	42.5	62.82	43.4	35.9	800.5	1,010.4
Transportation and storage	162.4	178.5	26.0	28.1	31.2	31.02	1.0	0.6	220.7	238.3
Other economic activities	395.8	475.1	152.8	167.1	55.0	65.92	20.5	20.4	624.1	728.5
Total	2,393.3	2,764.3	795.6	946.0	226.0	261.1	88.4	75.9	3,503.2	4,047.3

Source: Reporting Package
Audited: Yes

Green loan portfolio¹

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Volume of green loans to business clients (EUR m, gross)	313.0	466.3	110.1	147.3	20.2	29.2	31.5	19.4	474.8	662.2
Number of green loans to business clients	3,535	3,611	897	1,205	398	360	22	12	4,852	5,188
Volume of green loans to private clients (EUR m, gross)	13.9	13.4	0.5	1.5	0	0.4	0	0	14.3	15.3
Number of green loans to private clients	2,038	1,389	124	122	0	9	0	0	2,162	1,520
Total volume of green loan portfolio (EUR m, gross)	326.9	479.7	110.6	148.8	20.2	29.7	31.5	19.4	489.1	677.5
Green loan portfolio as a share of total loan portfolio	11.9%	15.7%	13.5%	15.1%	8.5%	11.0%	35.6%	25.6%	12.6%	15.4%
Total number of green loans	5,573	5,000	1,021	1,327	398	369	22	12	7,014	6,708

Source: Reporting Package and quarterly reports provided by all banks

Audited: Partially

¹ Due to a change in reporting methodology, green LP volume is shown as gross values for 2018, whereas 2017 data is shown as outstanding principal. However, the resulting differences are so marginal that they do not affect comparability.

Green loan portfolio by investment category¹

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Energy efficiency (EE)										
Volume (EUR m, gross)	221.2	324.9	82.6	104.2	12.7	19.3	5.6	4.7	322.1	453.1
Number of loans	4,673	3,931	830	1,011	256	240	9	6	5,768	5,188
Renewable energies (RE)										
Volume (EUR m, gross)	36.2	46.3	3.6	9.1	2.8	4.0	25.9	14.6	68.5	74.1
Number of loans	184	164	21	34	4	5	13	5	222	208
Environmentally friendly projects (GR)										
Volume (EUR m, gross)	69.6	108.4	24.3	35.4	4.7	6.4	-	0.1	98.5	150.3
Number of loans	716	905	170	282	138	124	-	1	1,024	1,312

Source: Quarterly reports provided by all banks

Audited: No

¹ Due to a change in reporting methodology, green LP volume is shown as gross values for 2018, whereas 2017 data is shown as outstanding principal. However, the resulting differences are so marginal that they do not affect comparability.

Asset quality indicators for green loan portfolio

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Defaulted green loan portfolio	0.7%	0.5%	1.6%	1.3%	3.0%	3.9%	-	-	0.9%	0.8%

Source: Central Database reports

Audited: No

Renewable energy projects in loan portfolio¹

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018

Number of RE projects (capacity ≥ 0.5MW)

Solar	11	16	0	3	1	1	2	0	14	20
Hydro	12	9	0	0	0	0	0	0	12	9
Wind	1	0	0	0	0	0	7	0	8	0
Biomass	0	3	1	1	1	1	1	0	3	5
Total	24	28	1	4	2	2	10	0	37	34

Installed capacity (MW) of RE projects (capacity ≥ 0.5MW)

Solar	12.9	17.2	0.0	5.6	1.4	1.1	3.9	0.0	18.2	23.9
Hydro	20.9	17.3	0.0	0.0	0.0	0.0	0.0	0.0	20.9	17.3
Wind	0.5	0.0	0.0	0.0	0.0	0.0	20.6	0.0	21.1	0.0
Biomass	0.0	2.3	0.6	0.6	5.0	6.2	2.2	0.0	7.8	9.2
Total	34.3	36.8	0.6	6.2	6.4	7.3	26.6	0.0	67.9	50.3

Electricity generated (in MWh) of RE projects (capacity ≥ 0.5MW)

Solar	17,078	22,488	0	793	1,316	1,222	2,439	0	20,833	24,502
Hydro	33,423	50,428	0	0	0	0	0	0	33,423	50,428
Wind	845	0	0	0	0	0	34,392	0	35,237	0
Biomass	0	14,589	1,632	3,810	0	40,251	11,551	0	13,184	58,650
Total	51,346	87,505	1,632	4,602	1,316	41,472	48,383	0	102,677	133,580

tCO₂ emission savings through RE projects (capacity ≥ 0.5MW)

Solar	10,520	13,459	0	323	464	409	1,156	0	12,141	14,191
Hydro	15,333	14,858	0	0	0	0	0	0	15,333	14,858
Wind	427	0	0	0	0	-	16,302	0	16,729	0
Biomass	0	12,110	803	1,893	0	13,484	5,475	0	6,278	27,488
Total	26,280	40,427	803	2,216	464	13,893	22,933	0	50,481	56,536

Source: Compiled from all banks, via questionnaire

Audited: No

¹ Only the power plants with available information on the electricity generated are included. For some projects data was available until November 2018 only. For PCB Germany no information on renewable energy projects was accessible for 2018.

OUR APPROACH TO STAFF

Diversity of governance bodies and employees

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Total number of staff ¹	1,827	1,594	653	632	338	319	566	548	3,384	3,093
Women	63%	64%	64%	63%	56%	60%	47%	46%	60%	60%
Men	37%	36%	36%	38%	44%	40%	53%	54%	40%	40%
Supervisory Board²										
Number	24	23	13	13	10	10	8	8	38	37
Women	25%	22%	31%	31%	50%	30%	13%	13%	34%	27%
Men	75%	78%	69%	69%	50%	70%	88%	88%	66%	73%
Age <30	4%	4%	8%	8%	0%	10%	0%	0%	3%	5%
Age 30-50	67%	70%	54%	54%	50%	60%	38%	38%	63%	68%
Age >50	29%	26%	38%	38%	50%	30%	63%	63%	34%	27%
Management Board										
Number	20	22	10	8	3	3	8	6	41	39
Women	60%	59%	50%	50%	33%	33%	25%	33%	49%	51%
Men	40%	41%	50%	50%	67%	67%	75%	67%	51%	49%
Age <30	0%	5%	10%	0%	33%	33%	0%	0%	5%	5%
Age 30-50	95%	91%	90%	100%	67%	67%	50%	50%	83%	85%
Age >50	5%	5%	0%	0%	0%	0%	50%	50%	12%	10%

¹ Total number of staff as defined in this report includes management board members, onboarding participants and staff in unconsolidated entities.

² In the total all SB members are counted only once, but persons who are SB members in more than one region are counted in all the regions in which they serve.

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
Middle Management										
Number	104	101	31	32	31	22	69	71	235	226
Women	48%	48%	45%	44%	58%	59%	48%	48%	49%	48%
Men	52%	52%	55%	56%	42%	41%	52%	52%	51%	52%
Age <30	9%	6%	3%	3%	0%	0%	0%	0%	4%	3%
Age 30-50	89%	91%	97%	97%	100%	100%	83%	82%	90%	90%
Age >50	2%	3%	0%	0%	0%	0%	17%	18%	6%	7%
Specialists										
Number	1,703	1,471	612	592	304	294	489	471	3,108	2,828
Women	64%	66%	65%	64%	56%	60%	48%	46%	61%	61%
Men	36%	34%	35%	36%	44%	40%	52%	54%	39%	39%
Age <30	20%	22%	25%	27%	39%	34%	24%	23%	24%	24%
Age 30-50	77%	76%	72%	70%	60%	64%	70%	71%	74%	73%
Age >50	2%	3%	3%	3%	2%	2%	6%	6%	3%	3%

Source: HR databases

Audited: No

Information on employees

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018	Dec 2017	Dec 2018
Permanent / full-time										
Number of women	1,101	975	417	395	183	191	222	211	1,923	1,772
Number of men	637	538	235	237	142	128	251	274	1,265	1,177
Permanent / part-time										
Number of women	0	0	1	0	0	0	29	35	30	35
Number of men	0	0	0	0	0	0	13	4	13	4
Temporary / full-time										
Number of women	49	50	0	0	7	0	15	4	71	54
Number of men	40	31	0	0	6	0	31	17	77	48
Temporary / part-time										
Number of women	0	0	0	0	0	0	2	1	2	1
Number of men	0	0	0	0	0	0	3	2	3	2

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Annual total compensation ratio (management board members included)	3.5 - 8.4	3.3-7.6	5.5 - 8.5	5.3-6.9	4.1 - 5.5	3.3-6.0	2.2 - 5.4	1.8-5.4	2.2 - 8.5	1.8-7.6
Proportion of management board members hired from the local community	100%	100%	100%	100%	67%	67%	63%	50%	90%	90%

Source: HR databases

Audited: No

Staff development

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Average hours of training per year per employee										
Total	160	173	154	173	209	159	33	29	142	146
Women	140	156	144	162	171	129	30	22	129	136
Men	193	205	172	193	257	204	36	35	162	161
Management board	135	216	74	210	247	29	15	12	105	169
Middle management	196	236	267	218	87	169	39	45	145	167
Specialist	158	168	150	170	221	160	33	27	143	144
ProCredit Onboarding Programme										
Number of ProCredit Onboarding Programme graduates for the current year	87	68	22	22	19	19	0	0	128	109
ProCredit Onboarding Programme graduates in total staff (%)	23%	20%	21%	24%	29%	25%	0%	0%	24%	22%
ProCredit Academy										
Total number of current staff graduated from or currently attending Banker and Management Academies	319	348	126	145	82	62	24	26	551	581
Employee training on human rights policies or procedures										
Total hours in > Code of Conduct training	19,678	15,152	5,880	4,522	3,722	1,646	1,861	440	31,141	21,760
Total hours in environmental training	-	6,102	-	1,108	-	1,644	-	0	-	8,854
Investment in training										
Annual investment in employee training (EUR m)									6.9	6.8
Annual investment in employee training per employee (EUR)									2,051	2,199

Source: HR databases
 Audited: No

ANNEX

GRI CONTENT INDEX



GRI CONTENT INDEX

GRI Standard	Disclosure	Page number/URL or comment
GRI 101: Foundation 2016		
General Disclosures 102 (Core option applied)		
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Our Organisation > page 6
GRI 102: General Disclosures 2016	102-2 Activities, brands, products, and services	Our organisation > page 6 Reliable and stable partnerships > page 37
GRI 102: General Disclosures 2016	102-3 Location of headquarters	Our organisation > page 7
GRI 102: General Disclosures 2016	102-4 Location of operations	Our organisation > page 7
GRI 102: General Disclosures 2016	102-5 Ownership and legal form	Our organisation > page 6 Corporate governance > pages 23f.
GRI 102: General Disclosures 2016	102-6 Markets served	Our core principles > page 5 Our organisation > page 7 Sustainable finance > page 40
GRI 102: General Disclosures 2016	102-7 Scale of the organisation	ProCredit at a glance > page 4 Reliable and stable partnerships > page 37 > Annual Report 2018
GRI 102: General Disclosures 2016	102-8 Information on employees and other workers	ProCredit's sustainability performance indicators > pages 83ff.
GRI 102: General Disclosures 2016	102-9 Supply chain	The supply chain for the group primarily consists of suppliers of office materials and equipment, banking machinery and cars.
GRI 102: General Disclosures 2016	102-10 Significant changes to the organisation and its supply chain	No significant changes made.
GRI 102: General Disclosures 2016	102-11 Precautionary principle or approach	Whenever new services or processes are defined, a New Risk Assessment is conducted. If the services or processes are environmentally relevant, the Environmental Coordinator or Environmental Unit of each institution is involved in this assessment to ensure that the environmental impact is analysed and considered.
GRI 102: General Disclosures 2016	102-12 External initiatives	ProCredit's sustainability performance indicators > page 75
GRI 102: General Disclosures 2016	102-13 Membership of associations	ProCredit's sustainability performance indicators > page 75

GRI Standard	Disclosure	Page number/URL or comment
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Message from the management > page 3
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behaviour	Corporate governance > page 25 Ethical values and working environment > pages 48ff.
GRI 102: General Disclosures 2016	102-18 Governance structure	Our organisation > page 6 Corporate governance > pages 23f.
GRI 102: General Disclosures 2016	102-35 Remuneration policies	Fair recruiter and employer > pages 51f. > Annual report 2018
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	Key material topics > pages 15f. > ProCredit Group Impact Report 2017 > page 68
GRI 102: General Disclosures 2016	102-41 Collective bargaining agreements	181 employees of PCB Romania are covered by collective bargaining agreements.
GRI 102: General Disclosures 2016	102-42 Identifying and selecting stakeholders	Reporting approach > page 15 Key material topics > pages 15f.
GRI 102: General Disclosures 2016	102-43 Approach to stakeholder engagement	Reporting approach > page 15 Key material topics > pages 15ff.
GRI 102: General Disclosures 2016	102-44 Key topics and concerns raised	Reporting approach > page 15 Key material topics > pages 15ff. > ProCredit Group Impact Report 2017 > page 68
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	Scope of Group Impact Report 2018: ProCredit Bank (Bulgaria) E.A.D., ProCredit Holding AG & Co. KGaA (Germany), ProCredit Bank AG (Germany), ProCredit Academy GmbH (Germany), Quiipu GmbH (head office in Frankfurt (Germany) and regional offices in San Salvador (El Salvador), Bogotá (Colombia), Accra (Ghana), Bucharest (Romania), Kiev (Ukraine), Moscow (Russia), Skopje (Macedonia), Pristina (Kosovo)), ProCredit Bank S.A. (Romania), ProCredit Bank Sh.a (Albania), ProCredit Bank d.d. (Bosnia and Herzegovina), Banco ProCredit Colombia S.A. (Colombia), Banco ProCredit S.A. (Ecuador), JSC ProCredit Bank (Georgia), ProCredit Bank Sh.a (Kosovo), ProCredit Bank A.D. (Macedonia), BC ProCredit Bank (Moldova), ProCredit Bank a.d. Beograd (Serbia), PC Finance II B.V. (The Netherlands, in the report included as part of the ProCredit bank in Serbia), JSC ProCredit Bank (Ukraine). Excluded from the Group Impact Report 2018, but included in the Annual Report 2018: ProCredit Regional Academy Eastern Europe (Macedonia). The details of each institution can be found in the > Annual Report 2018 .
GRI 102: General Disclosures 2016	102-46 Defining report content and topic boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
GRI 102: General Disclosures 2016	102-47 List of material topics	Key material topics > page 16 and > page 18
GRI 102: General Disclosures 2016	102-48 Restatements of information	Restatements only occurred regarding the internal environmental data due to updates and data corrections. Please see ProCredit's sustainability performance indicators > page 72 for detailed comments.

GRI Standard	Disclosure	Page number/URL or comment
GRI 102: General Disclosures 2016	102-49 Changes in reporting	Key material topics > page 17 We extended the description of the boundaries. See Overview of our material topics, related impacts and boundaries > page 96
GRI 102: General Disclosures 2016	102-50 Reporting period	Financial year 2018; figures for the financial year 2017 are also included for comparison.
GRI 102: General Disclosures 2016	102-51 Date of most recent report	March 2018
GRI 102: General Disclosures 2016	102-52 Reporting cycle	Annually
GRI 102: General Disclosures 2016	102-53 Contact point for questions regarding the report	Borislav Kostadinov: Borislav.Kostadinov@procredit-group.com
GRI 102: General Disclosures 2016	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
GRI 102: General Disclosures 2016	102-55 GRI content index	GRI content index > page 87
GRI 102: General Disclosures 2016	102-56 External assurance	The report is not externally assured.
Topic-specific standards		
Material topic: Economic development GRI Standards matched: Market presence, indirect economic impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Economic development > page 21
	103-3 Evaluation of the management approach	Economic development > pages 21f.
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	Ethical values and working environment > page 49 ProCredit's sustainability performance indicators > page 85 Senior management is defined as the management board members. Local refers to the region, e.g. Albania and Kosovo as neighbouring countries in the Balkans are in the same region. Managers with permanent residency are also defined as being part of the local community. Significant locations are defined as all subsidiaries of ProCredit Holding that fall within the scope of this report.
	GRI 203: Indirect Economic impacts 2016	203-2 Significant indirect economic impacts

GRI Standard	Disclosure	Page number/URL or comment
Material topic: Corporate governance GRI Standards matched: Anti-corruption, anti-competitive behaviour, environmental compliance, socioeconomic compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Corporate governance > pages 23ff.
	103-3 Evaluation of the management approach	Corporate governance > pages 23ff.
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate governance > page 27 ; all transactions are screened for financial crime indicators
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance > page 27 ProCredit's sustainability indicators > page 86 Our anti-corruption policies are also publicly accessible to all our business clients via our > Code of Conduct
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Compliance and banking regulation > page 26 ProCredit's sustainability indicators > page 68 No instances of non-compliance with laws and regulations have been identified.
GRI 307 Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Compliance and banking regulation > page 26 ProCredit's sustainability indicators > page 68 No instances of non-compliance with laws and regulations have been identified.
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Compliance and banking regulation > page 26 ProCredit's sustainability indicators > page 68 No instances of non-compliance with laws and regulations have been identified. Significant fines and non-monetary sanctions are defined as those in amounts above EUR 100,000
Material Topic: Internal environmental management GRI Standards matched: energy, water, emissions, effluence and waste, supplier environmental assessment, supplier social assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Environmental management > pages 28ff.
	103-3 Evaluation of the management approach	Environmental management > pages 28ff.
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Environmental management > page 30 ProCredit's sustainability performance indicators > page 70 Refers to total energy consumption of buildings.
GRI 302: Energy 2016	302-2 Energy consumption outside the organisation	ProCredit's sustainability performance indicators > page 70 Refers to vehicle energy consumption.
GRI 302: Energy 2016	302-3 Energy intensity	ProCredit's sustainability performance indicators > page 73

GRI Standard	Disclosure	Page number/URL or comment
GRI 302: Energy 2016	302-4 Reduction of energy consumption	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 70
GRI 303: Water 2016	303-1 Water withdrawal by source	ProCredit's sustainability performance indicators > page 71
GRI: 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 71
GRI: 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 71
GRI: 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 71
GRI: 305: Emissions 2016	305-4 GHG emissions intensity	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 73
GRI: 305: Emissions 2016	305-5 Reduction of GHG emissions	Environmental management > pages 30f. ProCredit's sustainability performance indicators > page 71
GRI:306: Effluents and Waste 2016	306-2 Waste by type and disposal method	Environmental management > page 31 ProCredit's sustainability performance indicators > page 72
GRI 308 Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	All ProCredit institutions subject potential suppliers to a screening process to ensure that they meet all of our environmental and social criteria.
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	All ProCredit institutions subject potential suppliers to a screening process to ensure that they meet all of our environmental and social criteria.
Material topic: Technology and innovation GRI Standards matched: Automation of transactions (own standard)		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Reliable and stable partnerships > pages 33f.
	103-3 Evaluation of the management approach	Reliable and stable partnerships > pages 33f.
Automation of transactions (own standard)	Own disclosure 1 Automation of transactions	Technology and innovation > page 33 ProCredit's sustainability performance indicators > page 74

GRI Standard	Disclosure	Page number/URL or comment
Material topic: Reliable and stable partnerships GRI Standards matched: Marketing and labelling, customer privacy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Reliable and stable partnerships > pages 37ff.
	103-3 Evaluation of the management approach	Reliable and stable partnerships > pages 37ff.
G4 sector disclosures: Financial services	Former FS15 Fair design and sale of financial products	Reliable and stable partnerships > pages 38f.
Number of business clients and business loans	Own disclosure 2 Number of business clients and number of loans > EUR 50,000	ProCredit's sustainability performance indicators > page 64
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	Reliable and stable partnerships > page 38
GRI 417: Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	No instances of non-compliance with laws and regulations have been identified.
GRI 417: Marketing and Labelling 2016	417-3 Incidents of non-compliance concerning marketing communications	No instances of non-compliance with laws and regulations have been identified.
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Reliable and stable partnerships > page 39 ProCredit's sustainability performance indicators > page 76
Material topic: Sustainable finance GRI Standards matched: G4 sector disclosures: Financial services		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Sustainable finance > pages 40ff.
	103-3 Evaluation of the management approach	Sustainable finance > pages 40ff.
G4 sector disclosures: Financial services	G4-FS6 Portfolio in business lines	Sustainable finance > page 40 ProCredit's sustainability performance indicators > page 64 and > page 79
G4 sector disclosures: Financial services	G4-FS 8 Share of green products	Sustainable finance > pages 80ff. ProCredit's sustainability performance indicators > pages 80ff.

GRI Standard	Disclosure	Page number/URL or comment
Material topic: Prudent credit risk management GRI Standards matched: Child labour, Forced or compulsory labour, Human rights assessment, G4 sector disclosures on Financial services		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Prudent credit risk management > pages 44ff.
	103-3 Evaluation of the management approach	Prudent credit risk management > pages 44ff.
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	The activities of all clients are reviewed for risk for incidents of child labour; clients involved in child labour cannot be clients of ProCredit. See our Exclusion List in the > Code of Conduct > page 34
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	The activities of all clients are reviewed for risk for incidents of forced or compulsory labour; clients involved in forced or compulsory labour cannot be clients of ProCredit. See our Exclusion List in the > Code of Conduct > page 34
GRI 412: Human rights assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Prudent credit risk management > pages 44f. All business clients are subject to human rights review (social assessment).
GRI 412: Human rights assessment 2016	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	All business clients undergo human rights screening and sign in their loan contract that they are in compliance with local laws and our exclusion list.
G4 sector disclosures: Financial services	Former FS3 Compliance with environmental and social requirements	Prudent credit risk management > pages 44f. ProCredit's sustainability performance indicators > pages 77f.
G4 sector disclosures: Financial services	Former FS4 Staff competency to implement environmental and social policies	Prudent credit risk management > pages 44f.
G4 sector disclosures: Financial services	Former FS5 Interactions regarding environmental and social risks and opportunities	Prudent credit risk management > pages 44f.
	Former FS9 Audit of E&S risk policies	Prudent credit risk management > pages 44f. The implementation of the E&S policy is audited during the internal credit risk audit and also when the EMS is audited internally.
G4 sector disclosures: Financial services	FS10 E&S issues of clients	Prudent credit risk management > pages 44f. ProCredit's sustainability performance indicators > pages 77f. We engage with all business clients on social issues, and, for all business clients classified as having medium or high E&S risk, we also engage in environmental issues.

GRI Standard	Disclosure	Page number/URL or comment
Material topic: Ethical values and working environment GRI Standards matched: Diversity and equal opportunity, human rights assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Ethical values and working environment > pages 48ff.
	103-3 Evaluation of the management approach	Ethical values and working environment > pages 48ff.
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Ethical values and working environment > page 49 ProCredit's sustainability performance indicators > pages 83f.
GRI 412: Human Rights Assessment 2016	412-2 Employee training on human rights policies or procedures	Ethical values and working environment > pages 48f. ProCredit's sustainability performance indicators > page 86 (Code of Conduct training)
Material topic: Fair recruiter and employer		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Fair recruiter and employer > pages 51ff.
	103-3 Evaluation of the management approach	Fair recruiter and employer > pages 51ff.
Material topic: Staff development GRI Standards matched: Training and education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 15ff. Overview of our material topics, related impacts and boundaries > page 96
	103-2 The management approach and its components	Staff development > pages 54ff.
	103-3 Evaluation of the management approach	Staff development > pages 54ff.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Staff development > page 56 ProCredit's sustainability performance indicators > page 86
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Staff development > pages 56ff.

Overview of our material topics, related impacts and boundaries

Material topic	ProCredit's impact	GRI boundary	Link between ProCredit and the impact
Economic development	Contributing to the economic development of the developing and transition countries in which we operate by providing responsible financial services to SMEs.	In the developing and transition countries where we operate, in particular for our SME clients and other counterparties as well as ProCredit's staff in each bank.	Contributes directly
Corporate governance	Guaranteeing accountability, fairness and transparency in relationships with stakeholders as well as enforcing measures to prevent corruption, bribery and money laundering.	In all the countries where we operate, in particular affecting all kinds of stakeholders, including investors, clients and our employees.	Contributes directly
Internal environmental management	Minimising our own carbon footprint and resource consumption.	At our premises in all countries where we operate.	Causes directly
Technology and innovation	Promoting transparency as well as the elimination of fraud, bribery, dependence, and informality through innovative banking solutions.	In all the countries where we operate, in particular affecting our stakeholders, such as clients and investors.	Contributes directly
Reliable and stable partnerships	Promoting long-term partnerships with our clients; promoting efficient, transparent and easily understandable account services, including proper data protection.	In all the countries where we operate, in particular affecting our clients.	Causes directly
Sustainable finance	Encouraging the creation of responsible finance that is economically, socially and environmentally inclusive.	Overall enhancing the sustainable economic development in the countries where we operate, in particular affecting our clients through responsible financing of sustainable business solutions. Moreover, indirectly contributing to climate mitigation (by financing renewable/energy efficiency projects).	Contributes directly
Prudent credit risk management	Minimising the negative environmental and social impacts of the projects we finance.	In all countries where we operate, indirectly preventing the negative impacts of the portfolio on the environment and society.	Contributes directly
Ethical values and working environment	Promoting gender diversity, a flat hierarchy and open communication.	In all of our business units, most importantly affecting our staff.	Causes directly
Fair recruiter and employer	Ensuring a transparent selection process with fair internal promotion and remuneration to attract and retain the right employees.	In all of our business units, affecting all applicants and our staff.	Contributes directly
Staff development	Developing staff capacity through comprehensive knowledge and skills training, regular performance reviews and clear career options.	In all of our business units, affecting all our staff and indirectly our clients, who benefit from well-trained employees.	Causes directly



ANNEX

LIST OF ABBREVIATIONS

LIST OF ABBREVIATIONS

AML	Anti-money laundering	EM	Environmental management	IMI	Internationale Micro Investitionen AG	OeEB	Österreichische Entwicklungsbank (Development Bank of Austria)
AQI	Asset Quality Indicators	EMAS	EU Eco-Management and Audit Scheme	IPC	Internationale Projekt Consult GmbH	PAR 30	Portfolio at Risk 30 days
ATM	Automated teller machine	EMS	Environmental Management System	ISO	International Organization for Standardization	PAR 90	Portfolio at Risk 90 days
AWO	Arbeiterwohlfahrt Kreisverband Frankfurt am Main e.V. (workers' welfare association)	ESG	Environmental, social and governance	IUCN	International Union for Conservation of Nature	PCB	ProCredit Bank
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)	ESIA	Environmental and social impact assessment	KfW	Kreditanstalt für Wiederaufbau	PCH	ProCredit Holding
BAIT	Bankaufsichtliche Anforderungen an die IT (Supervisory Requirements for IT in Financial Institutions)	EU	European Union	kg/pp	Kilogrammes per employee	PCI	Payment Card Industry
BCA	Business Client Adviser	EUR	Euro	KGaA	Kommanditgesellschaft auf Aktien (partnership limited by shares)	PCI DSS	Payment Card Industry Data Security Standard
CGC	German Corporate Governance Code	E-car	Electric car	kWh	Kilowatt hour	PI	Private individuals
CO₂	Carbon dioxide	E-waste	Electronic waste	LA	Latin America	POS	Point of sale
DOEN	DOEN foundation (from Dutch doen = to do)	FIM	Finance in Motion	LP	Loan portfolio	PSD2	EU's second Payment Services Directive
DPO	Data Protection Officer	GDP	Gross Domestic Product	MaRisk	Mindestanforderungen an das Risikomanagement (Minimum Requirements for Risk Management)	PV	Photovoltaic
EE	Energy efficiency	GDPR	EU General Data Protection Regulation	MaSI	Mindestanforderungen an die Sicherheit von Internetzahlungen (Minimum Requirements for the Security of Internet Payments)	RE	Renewable Energy
EE	Eastern Europe	GER	Germany	MDG	Millennium Development Goals	SB	Supervisory Board
E&S	Environmental and social	GGF	Green for Growth Fund	MIGA	Multilateral Investment Guarantee Agency	SDG	Sustainable Development Goals
EBRD	European Bank for Reconstruction and Development	GRI	Global Reporting Initiative	MSCI	Morgan Stanley Capital International	SEE	South Eastern Europe
EFSI	European Fund for Strategic Investments	GWh	Gigawatt hours	MW	Megawatt	SME	Small and medium-sized enterprise
EIF	European Investment Fund	HR	Human Resources	MWh	Megawatt hour	SSX	London-based Social Stock Exchange
		iEMS	internal Environmental Management System	NPL	Non-performing loans	tCO₂	Tonnes of carbon dioxide
		IFC	International Finance Corporation			UN	United Nations
		IFRS9	International Financial Reporting Standard 9			USD	US dollar
		ILO	International Labour Organization				

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