

# ProCredit Group Impact Report

2019



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This Impact Report covers the period from 1 January to 31 December 2019.

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





## MESSAGE FROM THE MANAGEMENT

Dear Reader,

As this report was entering its final stages of preparation, the vast scale of disruption resulting from the rapid spread of novel COVID-19 was just becoming apparent. This may distract from the achievements of the past, and adds an enormous degree of uncertainty to any kind of forecasting, which makes reporting a challenging task. Nonetheless, we are confident that our efforts to make a positive impact in 2019 and in the preceding years have put the ProCredit banks in a strong position to help our clients minimise the negative impacts of COVID-19. In this sense, the 2019 ProCredit Group Impact Report takes on a

special significance, providing evidence that we are capable of managing one of the greatest "sustainability risks" that our group and our countries of operation have ever faced.

Both impact management and environmental, social and governance (ESG) risk management have been central to the ProCredit group's identity and business philosophy ever since its foundation. The ways we address them are necessarily complex, and the challenge in writing this Impact Report has been to present those processes in a clear and meaningful way. We hope we have succeeded in this aim.

This ProCredit Group Impact Report needs to be read alongside the Group Annual Report, which puts more focus on our business and financial performance. For ProCredit, a responsible approach to banking in emerging markets goes hand in hand with financial stability and success over the long term. This report illustrates how this steady, long-term approach manifests itself in every aspect of our business operations.

The fundamental objective behind the establishment of the ProCredit group was to have a positive development impact in emerging markets and developing countries by providing

finance for the real economy and by fostering transparency and skills in the banking sector as a whole. Today, this purpose is primarily reflected in our focus on serving small and medium enterprises (SMEs) in Eastern and South Eastern Europe, as well as in Ecuador. Loans to these businesses, whose activities form the backbone of social and economic development in the countries in which we operate, account for no less than 93% of the group's portfolio. The remaining share essentially consists of housing and energy efficiency loans to private individuals.

The impact orientation of ProCredit's focus on SMEs can be illustrated in a number of ways. For example, we operate in countries where GDP and bank lending are at much lower levels than the EU average. Professional banking services tailored to the needs of SMEs are still unusual in these countries, where most other banks are expanding aggressively in the consumer finance segment. Consumer lending is easier than SME finance, and generates higher margins, but it comes with a high social cost. Especially in vulnerable emerging markets, aggressive consumer finance tends to result in broad over-indebtedness and thus in high default rates, destroying much of the potential for positive social impact and sustainable commercial success that exists in those economies.

In contrast to other banks, ProCredit banks seek to build long-term relationships with their business clients. A responsible partnership means well-structured financing and proactive credit risk management: financing clients in the right volume, maturity and currency, and responding promptly to their ad-hoc needs. In volatile markets, having a bank that is close to its clients and responsive to changing market or business conditions is crucial for SMEs if they are to prosper in the long term. This approach will be all the more important in the climate of uncertainty surrounding the coronavirus pandemic. The ProCredit banks are committed to doing everything in their power to help clients get through the expected economic downturn and emerge from it with the strength and confidence to start investing again.

While growth in SME investment financing is one indicator of our impact, another is the quality of our loan portfolio. In 2019, with

double-digit growth in our loan portfolio and improved credit risk indicators, ProCredit performed strongly on both axes. Prudent credit risk management, exemplified by net write-offs consistently at or well below 1%, underpins the group's high level of financial stability. In terms of loan portfolio quality, ProCredit banks routinely outperform, by a significant margin, the markets in which they operate, indicating that we do a better job than our competitors in supporting our clients throughout the economic cycle.

ProCredit banks also put a strong focus on the type of investments they finance. For example, we offer "green" loans to support environmentally sound investments, such as renewable energy projects and energy efficiency investments that reduce energy consumption by at least 20%. In 2019, green loans accounted for around 30% of the group's loan portfolio growth; they already make up almost 17% of our total portfolio, which puts us on track to achieve our mid-term goal of 20%. At the same time, even with loans that do not meet our strict "green" criteria, we apply a stringent environmental and social risk assessment and management methodology.

We have been expanding our partnerships with international institutions that are also committed to having a positive social and environmental impact and to bringing living standards in our countries of operation closer to those of the EU average. We are now one of the European Investment Fund's major partners in providing support to leading-edge SMEs in our regions under its InnovFin programme. We also pioneered a USD 90 million green bond in collaboration with the IFC.

ProCredit works not only with businesses, but also with private clients, including the private individuals who own the SMEs that are our business clients. The ProCredit Direct platform brings modern electronic banking to our still underdeveloped banking sectors. Again in contrast to our competitors, our focus in serving private clients is not on consumer lending, but rather on encouraging saving, providing efficient transaction services and offering conservative, long-term investment loans. It is reassuring to see that the deposit volumes of our banks increased strongly in 2019, indicating the high level of trust that clients place in ProCredit.

As mitigating climate change gains ever more urgency, ProCredit has further reduced its own carbon footprint. We lowered our CO<sub>2</sub> emissions by 19% over 2019, in particular by investing in our own PV installations, further improving the energy efficiency of our premises and equipment, and choosing renewable sources of electricity whenever possible. We aim to continue such efforts in order to reach our mid-term target of becoming carbon neutral in our own operations.

Making a positive impact and developing responsible relationships with our clients both depend on well-qualified, motivated staff. That is why training and an ethical approach to people management are so central to the ProCredit business philosophy. Common to all ProCredit banks are a unique and fair recruitment process, a transparent and equitable remuneration system that does not rely on bonuses, and a management structure with gender equality – features which underline a corporate culture built on dignity, diver-

sity, responsibility and open communication. Specifically, this report also outlines the comprehensive training undertaken by our staff in many aspects of environmental and social responsibility.

Thanks to the quality of our staff and their proven ability to take a responsible approach to business growth, we are confident that we will continue to achieve both long-term commercial success and a positive social, economic and environmental impact. Our colleagues have already shown extraordinary commitment and flexibility in responding to the COVID-19 pandemic. They are developing new ways of working to ensure that they remain close enough to their clients to offer fast, pragmatic solutions in these critical times, while at the same time safeguarding the health and safety of all concerned.

In conclusion, we are more convinced than ever that our socially and environmentally responsible approach provides a very firm foundation to face today's challenges. In fact, we dare to hope that the "post-corona" world will attach greater priority to what really matters – to health, education, the local and circular economy and in general a more humble approach towards people and the environment.

We hope you enjoy reading the report.



Sandrine Massiani



Dr Gabriel Schor



# PROCREDIT AT A GLANCE



## OUR PHILOSOPHY

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 wish to use our digital services for banking. These clients, as well as the owners of SMEs, form an emerging middle class, which supports the stable development of a society. Thus we believe that ProCredit banks can make a meaningful impact in fostering sustainable economic development in countries where levels of economic prosperity, transparency and ecological efficiency are far behind EU averages (see Sustainability context on > [pages 12ff.](#)).

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 philosophy underlying our financial services has 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 and deliver attractive, stable returns to our shareholders over the long term. Our development ambitions are rooted in

the desire to support the sustainable growth of our SME clients, and contribute to responsible financial sector development. We strive to enable SMEs to make long-term investments, particularly in resource-efficient and environmentally sound practices, and support the formalisation and transparency of their operations as well as their integration into best standard banking and trading systems.

ProCredit banks distinguish themselves from most banks operating in our emerging markets. We deliver on our ambitious growth plans, but we do not strive to maximise short-term profits or push high-margin, high-risk consumer finance products which too often create over-indebtedness for ordinary people. Rather we focus on where we can make a positive difference for clients and local economies, and on delivering attractive returns to our shareholders over the long term. Our impact-oriented, responsible approach to credit risk management and financial stability over the long term is exceptional for emerging market financial institutions and to an extent without peer in our capital market context. We believe our positioning is important as capital markets move towards valuing more effectively companies with long-term commitment to impact and ESG (environmental, social and governance) factors and the financial stability this brings.

We see 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 service to our clients in line with our development goals. ProCredit banks operate to high technical and ethical standards, particularly with regard to managing risk, countering corruption and preventing financial crime. We also set high ecological standards

concerning 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. In these terms the ESG considerations have always been a central and integrated part of our operations.

### 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
- 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

The parent company of the group, ProCredit Holding AG & Co. KGaA (ProCredit Holding), is headquartered in Frankfurt, Germany and controls 100% of shares in all the ProCredit banks. 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 com-



12 ProCredit banks

pliance 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



ProCredit Academy GmbH –  
training centre

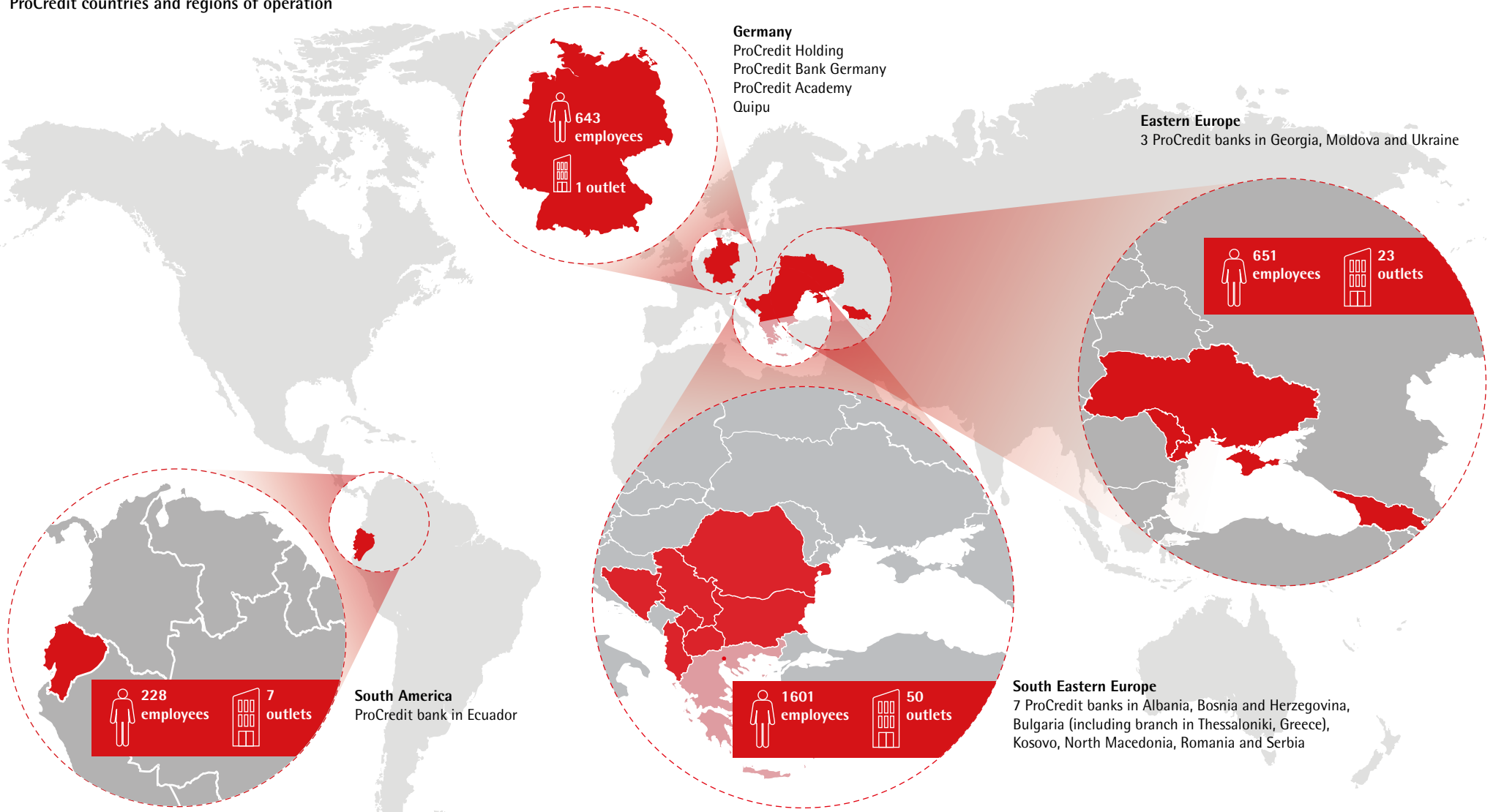
principles and standards set forth in BaFin's policy document, the "Minimum Requirements for Risk Management" (MaRisk).

At the end of 2019, the institutions comprising the ProCredit group are primarily the 12 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



Number of employees as defined in this report includes all staff on the payroll of the institution, including management board members, staff in unconsolidated entities, and employees in the independently managed reporting unit. The figures concerning employee numbers therefore differ from the number of staff cited in the Annual Report.

Outlets include branches and service points.

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

All data as of 31 December 2019

## KEY HISTORIC MILESTONES

### ORIGIN

Origin of ProCredit with IPC: Consulting of financial institutions in developing countries

First microfinance bank in Bosnia and Herzegovina founded as a greenfield bank

Foundation of IMI (now ProCredit Holding)

### BANKING GROUP

In 2003, creation of ProCredit as a banking group with key shareholders IPC (investment arm has been transferred to Zeiting Invest), DOEN, KfW, IFC and ProCredit Staff Invest



In 2006 establishment of the ProCredit Academies in recognition of the need to develop and integrate local middle and senior managers

### PROCREDIT HOLDING

Consolidation of ownership in ProCredit Holding and subsequent investment grade rating since 2004

### SME FINANCE

In 2008, move from a product-oriented microfinance provider to positioning as the "Hausbank" for SMEs



### BANKING LICENCE IN GERMANY

In 2009 implementation of German regulatory standards

### CHANGE IN THE LEGAL FORM

of ProCredit Holding from AG to AG & Co. KGaA in 2011



### SUPERVISION

by German banking authority (BaFin and Deutsche Bundesbank)

Introduction of group-wide APPROACH TO HR



### LISTING

of ProCredit Holding shares on Prime Standard of Frankfurt Stock Exchange

GROUP CODE OF CONDUCT replaces local banks' versions

### FIRST CAPITAL INCREASE

as a listed company (10% of share capital)

### PROCREDIT DIRECT

Digital banking approach for private clients fully implemented

### FIRST GREEN LOANS

granted for energy efficiency and renewable energy investments in 2006

### ENVIRONMENTAL EXCLUSION LIST

introduced group-wide in the banks' Codes of Conduct in 2006

Environmental management and green achievements

### ENVIRONMENTAL MANAGEMENT

Introduction of a group-wide comprehensive 3-pillar approach to EM

EM policy and EM Unit at each bank

In 2010, first environmental courses at the ProCredit Academies

Start of semi-annual group-wide GREEN SEMINARS

First Group Environmental Steering Committee meeting

### GREEN FINANCE APPROACH

fully implemented All ProCredit banks apply the entire green lending and environmental and social risk management concept

All ProCredit institutions certified under ISO 14001 or EMAS

Publication of first group IMPACT REPORT following GRI Standards

Positive ESG RATING by MSCI and oekom research (now: ISS ESG)

### FIRST GREEN BOND

placement for emerging countries with IFC for green investments by SMEs



1980

1997-1998

2003 - 2006

2008-2011

2012-2014

2015 - 2017

2018

2019

## RECENT BUSINESS DEVELOPMENTS

### Key figures 2019

	Dec 2019
Total assets (EUR m)	6,698
Customer loan portfolio (EUR m)	4,797
of which, loans to businesses	93%
of which, green loan portfolio	17%
Number of business clients	35,256
Share of credit-impaired loans (%)	2.5%
Customer deposits (EUR m)	4,333
Profit for the period (EUR m)	54.3
Return on average equity	7%
Number of employees	3,123
Number of financial institutions	12
Number of outlets	81

The "Hausbank" concept for SME clients and "ProCredit Direct" for private clients have been our leading business strategies for the year 2019.

"Hausbank" is a German term that expresses our aim to be a long-term partner to our clients for all their banking operations, and in this way understand their needs and risks

and contribute to the stable growth of their businesses. Our loan portfolio grew strongly (10%<sup>1</sup>) over the year. 93% of the portfolio consists of loans to business clients. Moreover, we interpret the increasing sector reciprocity

<sup>1</sup> Growth rates are based on the scope of continuing operations

rate (Dec. 2018: 35%; Dec. 2019: 40%<sup>2</sup>) 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.

46% of all our loans are directed to support the local production and agriculture sectors. 21% of our investment loans are green loans that contribute to more efficient use of energy and other resources, to the reduction of CO<sub>2</sub> emissions and to environmental improvements. Responsible banking with our target clientele remains the basis for ProCredit's impact orientation. This can also be seen in the fact that strong growth has been achieved while improving loan portfolio quality.

"ProCredit Direct" refers to our scalable digital (direct) banking platform, which offers an innovative and transparent approach to transactions, savings accounts and investment loans. Using our electronic account facilities is attractive not only for private but also for our business and institutional clients. In 2019, all our banks are up to date with digital channels, which means that all financial transactions have been digitalised. Out of the 4.5 million transactions conducted per month on average, almost 100% are carried out via automated

<sup>2</sup> 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 73 for numbers and further definitions).

channels. To further facilitate access to digital transactions, a mobile application has been rolled out which includes the onboarding process for new clients.

As a consequence of implementing the direct banking approach, ProCredit banks managed to significantly increase their deposit volume, with annual growth of 14%<sup>1</sup>. The acquisition of new clients was further stimulated through targeted marketing activities; the overall excellent positioning of our banks in their markets also contributed to this success.

We continued our efforts to develop our staff base, which has stabilised at around 3,123 employees. This is accomplished through our unique recruitment approach for young professionals, the intensive onboarding process for new employees, and the continuous values-based training in the banks and at our academy.



# SUSTAINABILITY AND THE PROCREDIT GROUP

ProCredit's approach to ethical banking is tailored to the specific situation of our countries of operation and in this way creates the basis for sustainability. For the purpose of comprehensive reporting on our impact, we aim to combine our unique approach with its long-term perspective on the development of our staff and clients with the views of our shareholders and other stakeholders.



Selecta Hellas, Agricultural production of ornamental plants  
ProCredit Bank Bulgaria

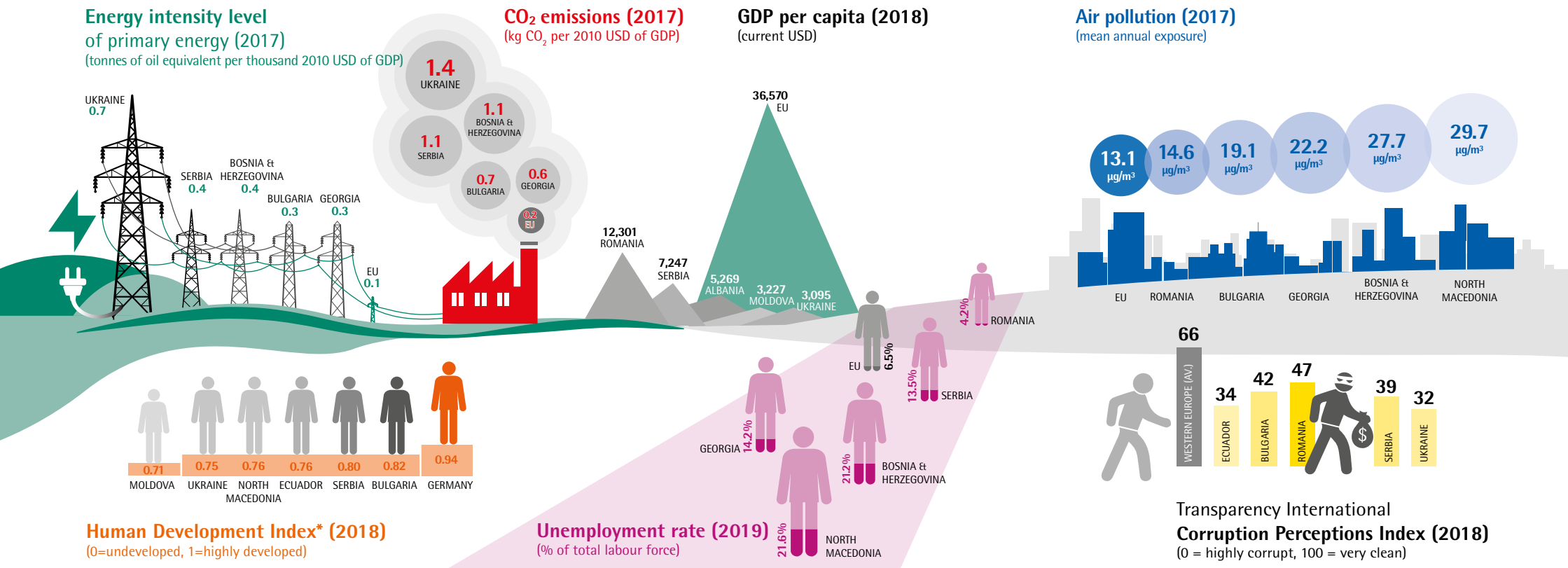
# SUSTAINABILITY CONTEXT

Our sustainability context and the resulting opportunities and challenges are determined by the environment in which we operate. We mainly work in transition economies, with a focus on South Eastern and Eastern Europe,

particularly on EU Candidate and Eastern Partnership countries. In general terms, these countries share a number of parameters which differ from the European Union (EU) average.

In our regions good market opportunities and growth potential for businesses are combined with higher levels of economic, political and regulatory volatility. The standards of living are lower and public services weaker: per capita

GDP ranges from USD 3,100 in Ukraine to USD 12,300 in Romania. The EU average is USD 36,600. In this context, we believe it is important to foster economic growth and reduce economic inequalities across Europe.



\* The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and per capita income indicators.

In the infographic, we show data for selected countries of operation to provide an overview and illustrate the situation. All data sources and reference dates can be found on > pages 74f.

Generally steady GDP growth is projected for our countries of operation. However, economic development needs to occur as far as possible in a way that is sensitive to potential volatility and is decoupled from environmental degradation and promotes climate friendly technologies. Environmental degradation and pollution as well as climate change pose immense challenges, and the adverse impacts of these problems undermine the ability of our countries to achieve sustainable development.

The energy intensity in the production sectors remains relatively high, and consequently the level of CO<sub>2</sub> emissions is also high, depending on the mix of energy sources used. For example, in 2017 the kgCO<sub>2</sub> emitted per US dollar of GDP in Ukraine was 1.4 and for Serbia 1.1 compared to the EU average of 0.2. Although governments have adopted climate policies as well as energy and environmental strategies in all our countries, the relevant legislation is not being implemented or enforced with sufficient vigour. Banks can have a positive impact in this regard by supporting environmentally sound economic development by providing appropriate banking services to selected businesses. In a context where Western banks are increasingly under scrutiny, also from regulators in terms of managing ESG risks and opportunities (for example in the form of the BaFin Guidance Notice on Dealing with Sustainability Risks), a banking group like ProCredit can help accelerate the adoption of best practice approaches in the emerging markets in which we work.

The banking sectors are less well-developed. The level of lending to the private sector is still well below Western European levels. For example, the average loan/GDP ratio in the operating countries<sup>3</sup> of ProCredit is around 42%. The track record of banking sectors in financing business clients through an economic cycle is poor: too often excess credit is pushed in periods of economic growth, resulting in high market non-performing loans (NPLs) when economies slow down. Generally, banks tend to focus on the easy-to-serve consumer lending segment – here margins are high and staff need limited skills. However, the risks of overindebting vulnerable families are also high. Banks have a deeply sensitive role to play in this context. ProCredit banks certainly distance themselves from the market trend of aggressive consumer lending and focus fully on serving SMEs and private clients in a way that takes full account of an individual client's repayment capacity.

Cash transactions still play an important role in the economy, and there are still high levels of informality, creating scope for tax evasion and financial crime. Altogether, lack of transparency remains a concern. Transparency International lists the Corruption Perceptions Index of Ukraine and Ecuador at 32 and 34, respectively, compared to an average of 66 for Western Europe. Even in EU candidate Western Balkan countries like Serbia and North Macedonia, the EU assesses the financial services sector to be only "moderately prepared" and lists corruption as "widespread and an area of concern", requiring both areas to be adequately addressed prior to EU accession.

<sup>3</sup>Excluding Germany and Greece; data as of 2018

In this context we deem there to be an important role for the ProCredit group of banks as specialists in working with future-oriented SMEs in a way that supports their development through an economic cycle and incentivises formality and transparency in all their operations with state-of-the-art automated banking facilities and stringent AML standards.

The labour markets have evolved in recent years and unemployment rates have considerably decreased in some of our countries. However, education opportunities are still lagging behind, and better educated professionals in the region tend to emigrate and look for opportunities in more developed countries. In this context, the ProCredit group has a long history of investing strongly in the development of its people, giving them opportunities that are rare in their local context.

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, however. 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 have a positive impact by serving SMEs and private clients in a responsible, modern and transparent way, as well as by being a fair and transparent employer.





## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In autumn 2015 the United Nations set out global sustainability goals in the framework of its 2030 Agenda for Sustainable Development. The 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 integrated into the Agenda, with an explicit focus on protecting human rights and promoting gender equality.

The Agenda has been accepted by all 193 UN member states, and their governments have been urged to implement the SDGs.

There are 169 associated targets for the 17 goals, and indicators have been developed to assist in the follow-up and review of their 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 than ever before. Governments in the countries in which we operate have committed to supporting the implementation of the sustainability goals. They have drafted strategies which include not only public sector participation but also the private sector, which plays a critical role in providing solutions. Private sector

institutions can contribute to achieving SDGs through their core activities, set ambitious goals and communicate transparently about results, while incentivising innovation and also generating new business opportunities.

With their range of financial services, the institutions belonging to the ProCredit group support the sustainable development of SMEs, our most significant client group. Through our policies and practices, we contribute to solving sustainable development challenges, and in this sense 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 eight SDGs and 23 targets which are most relevant for us and to which we can make the greatest contribution. In addition, we have aligned the reporting on our achievements by linking the SDGs to the relevant indicators and disclosures set by the Global Reporting Initiative (GRI) as proposed by the UN Global Compact<sup>4</sup> (see the detailed assessment of material topics, SDGs and targets in the annex > [pages 64ff.](#)).

<sup>4</sup>GRI, UN Global Compact, SDG Compass (2017), Linking the SDGs and GRI



## SUSTAINABILITY AT PROCREDIT

Our ethical approach to banking is integrated into our activities and reflected in our mission statement (see > [page 6](#)) as well as in our policies and standards. For us, sustainability means aiming for a positive impact by:

- supporting the development of our clients and our employees with a long-term view
- contributing to stable, transparent and efficient 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 over the long term

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 financial system in the emerging markets in which we work, which enables small and medium-sized businesses to invest and expand. This is achieved by:

- Focusing strongly on SMEs, particularly those investing in innovation and ESG standards, and building the expertise to serve them in a highly professional and sustainable way.
- Investing in state-of-the-art information technologies which promote high levels of efficiency for clients and protects information.
- Cultivating a strong compliance culture and stringent AML standards embedded in a transparent and competent corporate governance structure.
- Instituting a formalised environmental management system to reduce direct and indirect impacts on the environment.

### Our approach to clients

The ProCredit group aims to be a leading specialist full-service "Hausbank" for SMEs and direct bank for private clients in our countries of operation. This is achieved by:

- Highly trained staff providing reliable and stable partnerships for clients with a focus on credit offers that support our business and private clients to invest in the future and build long-term assets rather than encouraging short-term consumption.
- Offering a direct banking approach which promotes simple and transparent but fully developed transaction services and saving facilities.
- Putting a strong focus on payment capacity and prudent credit risk management to keep NPLs low and support SME clients through an economic cycle, while adhering to high environmental and social standards in our approach to managing credit risk.
- Promoting a sustainable way of doing business by for instance supporting 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, development and remuneration by:

- Promoting a working atmosphere based on open communication and the continuous sharing of best practices at all levels.
- Creating an environment in which staff motivation and a responsible approach to client relationships is maintained by clear job descriptions, a fair and transparent remuneration structure, and professional and personal development opportunities.

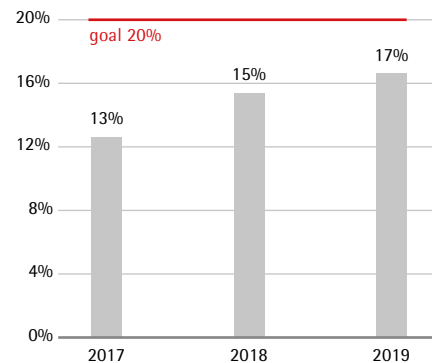
## OUR MEDIUM-TERM SUSTAINABILITY GOALS AND 2019 ACHIEVEMENTS

In addition to the overall goals in the three key areas defined by ProCredit's sustainability strategy, in its 2018 Impact Report the group set itself three specific goals which we see as relevant and indicative for achieving our sustainability ambitions more widely. In this section we will summarise the progress which we made in this regard in the course of the year.

### 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.

#### Development of green loan portfolio share



#### Achievements so far:

The share of the green loan portfolio in relation to the total loan portfolio amounted to nearly 17%<sup>5</sup> by the end of 2019. With a green loan portfolio of up to EUR 795m, the growth of the green portfolio was more significant in relative terms compared to total loan portfolio growth (18% versus 10%<sup>5</sup>). This is a very satisfying result in terms of both an increasing total loan portfolio and stricter criteria for green loans (e.g. ceasing to finance vehicles that run on fossil fuels).

The quality of the green loan portfolio has been maintained at a very high level: the default rate of 0.6%<sup>5</sup> for the green LP is well below the same indicator for the total loan portfolio, i.e. 2.5%<sup>5</sup>.

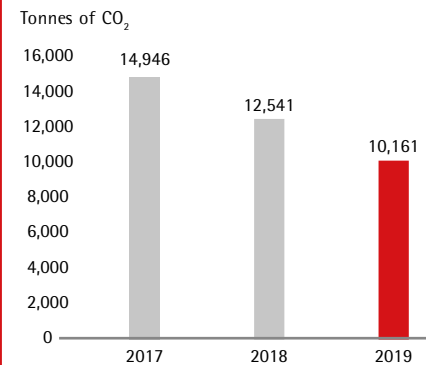
In order to further improve the ecological quality of our green portfolio, we have again updated our catalogue of eligible measures while aligning it with international standards.

We included a new focus on selected measures with a high impact on climate and environment which we want to further promote, e.g. investments in renewable energy technologies including smaller PV roof installations for private persons and businesses, electro-mobility, waste management including recycling, and environmentally friendly production based on eco certificates. In order to win new or existing clients that wish to invest in these measures, we have provided targeted training to all our staff. For more details regarding green loans, please refer to > page 45.

### Carbon neutral

Become carbon neutral with regard to the group's own CO<sub>2</sub> emissions.

#### Development of ProCredit's CO<sub>2</sub> footprint



#### Achievements so far:

The decision to switch to electricity providers based on renewable energy sources for our own electricity supply was successfully carried out in Romania, Bulgaria and Serbia, which led to considerable reductions in CO<sub>2</sub> emissions.

Through the consistent application of energy efficiency when we change to new outlets and renovate head offices, in some cases by striving for EDGE certification, the overall internal energy consumption was further reduced. New PV installations at the academy in Germany

and several banks also contributed to this effect. Consequently total CO<sub>2</sub> emissions were reduced by 19%<sup>5</sup> over the year. CO<sub>2</sub> emissions per person were 16%<sup>5</sup> less than in 2018.

For more information concerning our environmental footprint, please refer to the Environmental management section (> page 31).

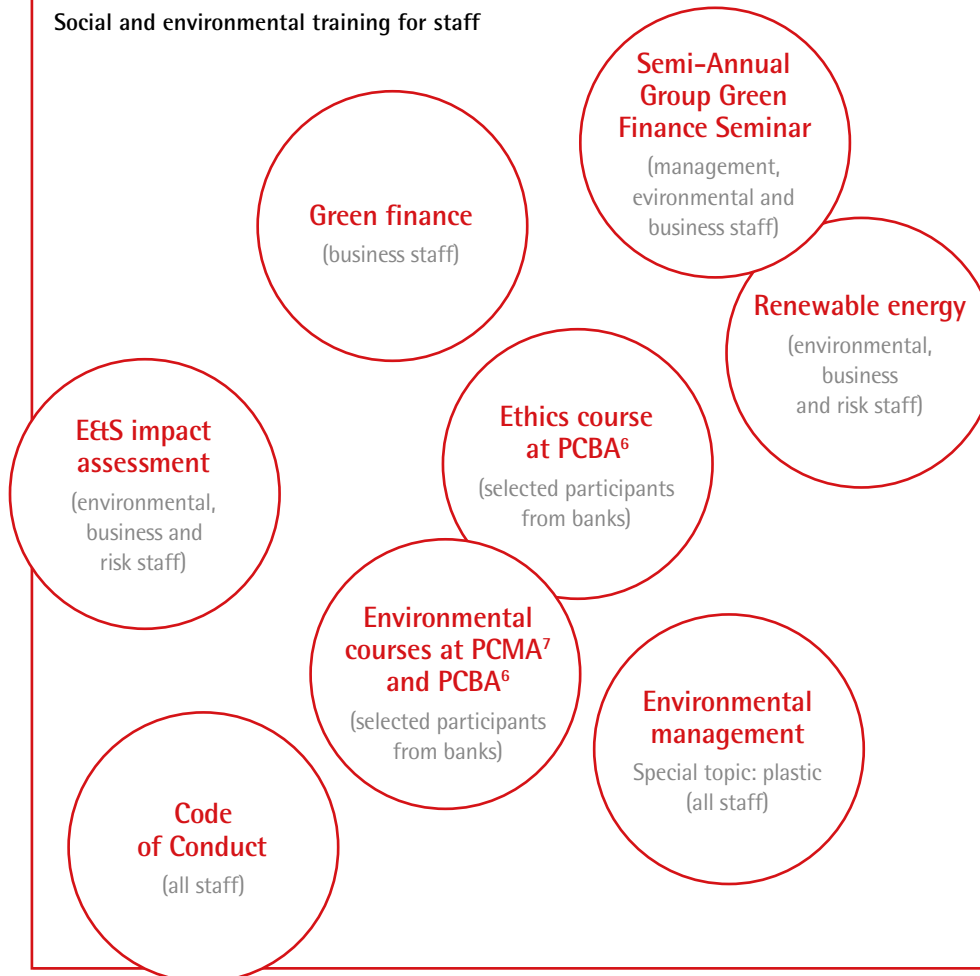
<sup>5</sup>Growth rates are based on the scope of continuing operations



## Staff competence

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

### Social and environmental training for staff



### Achievements so far:

In 2019, 109 candidates successfully completed our demanding Onboarding Programme and participated in the half-year integration programme, where discussions on corporate values and green topics are prominent on the agenda. We have further strengthened the general ethical training in all banks, and we maintain our ethics courses in the Banker and Management Academy curriculum.

By introducing a comprehensive green training programme for all banks (more than 12,000 total person-hours of training in environmental topics in 2019), staff awareness vis-à-vis environmental and climate issues as well as their technical knowledge have significantly improved. In 2019, we introduced our first "green topic of the year": reducing plastic. The events which each bank organised to achieve this goal brought very positive feedback and resulted in the formulation of a group strategy to reduce the production and use of plastic.

Other professional training included general and new E&S risk topics, such as protected areas and climate risks, and RE finance for business and risk staff, while the newly designed training for Client Advisers and Contact Centre staff concentrated on more general green finance aspects. For more information, please refer to the Staff development section (> page 61).

In addition to the green training at bank level, environmental and climate topics are part of the ProCredit Banker and Management Academy curriculum.



<sup>6</sup> ProCredit Banker Academy

<sup>7</sup> ProCredit Management Academy

## REPORTING APPROACH

The Impact Report presents the ProCredit group's key developments in the area of sustainability for the 2019 reporting period, and our progress in the economic, environmental and social spheres. The report applies to the ProCredit group, which primarily consists of ProCredit Holding AG & Co. KGaA, the 12 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 2019. In order to make it easier to visualise the development of our indicators, we have included figures for the year 2018 in addition to the 2019 figures wherever useful.

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 Group Environmental Management and Impact Reporting team of ProCredit Holding.

As indicated on > page 2, this report follows the Global Reporting Initiative's Sustainable Reporting Standards (GRI Standards) to disclose the

relevant impacts ProCredit has on the economy, the environment, and society (also referred to as material topics). An overview of the applied GRI Standards and the respective disclosures can be found in the GRI content index at the end of the report (see > pages 96ff.). An overview of the content linking the material topics defined by ProCredit according to GRI Standards with the selected SDG targets can also be found in the annex (see > pages 64ff.).

The reporting principles developed by the GRI to achieve high-quality sustainability reporting are integral to our reporting process:

- Our stakeholder's expectations provide the framework for this report (principle 1: stakeholder inclusiveness)
- We examine our performance in the context of regional and international benchmarks (principle 2: sustainability context)
- Based on our internal assessment, we define the most relevant material topics (principle 3: materiality)
- Our reporting approach is complete, providing relevant performance indicators to our material topics (principle 4: completeness)

The group Impact Report 2019 was published at the end of March 2020. It can be viewed online at > [www.procredit-holding.com/downloads](http://www.procredit-holding.com/downloads), where our previous reports 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 2019](#), 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](http://www.procredit-holding.com/downloads).



## KEY MATERIAL TOPICS

The concept of materiality is key to meaningful impact reporting in line with 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 and/or which substantially affect the assessments and decisions of our stakeholders.

For our 2017 Impact Report we had identified the most relevant material topics in the context of a detailed materiality analysis. For the 2018 report we built on this work, but in order to produce a leaner report we decided to combine some of the closely related material topics. For more details on how we selected and regrouped our material topics, please consult our [> Impact Reports 2017](#) (pages 14ff.) and [2018](#) (pages 15ff.).

A detailed materiality assessment will take place every three years. Hence, the upcoming Impact Report 2020 will entail a detailed presentation on our second materiality assessment.

The present Impact Report 2019 continues the methodology applied for the 2018 report. We group our established material topics under three key areas as outlined in Sustainability at ProCredit on [> page 15](#): our business model is the overarching topic, which is supported by 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 impact with regard to environmental management, as well as technology and innovation.
- In our approach to clients, we focus on reliable and stable partnerships and transparent services, which embrace data privacy and information security. In addition, we present our strategy and results in terms of sustainable finance, and describe our prudent credit risk management approach.
- In our approach to staff, we discuss the highly ranked topics of ethical values and working environment, followed by ProCredit's view of itself as a fair recruiter and employer, and its impact on staff development.






















### Key material topics for the ProCredit group





As in last year's report, we established a direct link between our key material topics and the selected SDGs and their respective targets (see table below and annex > pages 64ff.). The matching is based on our own understanding of our areas of impact and their specific contribution to the SDGs while also taking into consideration relevant guidance documents provided by, among others, the UN Global Compact and GRI.

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 96). Moreover, a more detailed description of the associated impact of each material topic and its respective scope (also referred to as GRI boundary) can be found in the annex (see > page 105).

Area	Material topic	Definition	SDG	Further details
BUSINESS MODEL	Economic development	Supporting transition and developing economies with responsible financial services to SMEs	  	> page 23
	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 25
	Internal environmental management	Systematically reducing internal resource consumption and carbon footprint through defined structures and activities	   	> page 31
	Technology and innovation	Striving for efficiency and implementing technological innovations		> page 37
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 40
	Sustainable finance	Driving forward the creation of responsible finance that is economically, socially and environmentally inclusive	    	> page 43
	Prudent credit risk management	Implementing a comprehensive risk analysis approach, considering environmental and social impacts		> page 49
APPROACH TO STAFF	Ethical values and working environment	Creating a working environment with gender diversity, a flat hierarchy and open communication	 	> page 55
	Fair recruiter and employer	Attracting and retaining the right employees with a transparent selection process, fair internal promotion and remuneration	 	> page 58
	Staff development	Strengthening staff capacity through comprehensive knowledge and skills development, regular performance reviews and clear career options		> page 61

# 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 emerging markets in which we operate.



**EDGE**  
certification

for green  
building management

58%

65%

Dec 2018

Dec 2019

Share of hybrid and electric cars constantly increasing\*

Fostering  
sustainable  
and innovative  
projects

for SMEs

Tipografia Arta, Digital printing  
ProCredit Bank Romania

In this chapter we outline in more detail how our business model impacts four key material topics.

**Economic development.** We operate in countries where steady and sustainable economic development is a priority. We highlight why the way we work with innovative SMEs matters and how we support them in investing in modern technologies, adopting efficient and transparent financial practices, and in expanding and generating jobs. We describe why we do not promote consumer lending, but rather provide private clients with transparent electronic banking services which above all facilitate saving. More details on how our professional staff work with clients to facilitate investment while maintaining low default rates are outlined in the chapter on our approach to clients (> pages 38ff.).

**Corporate governance.** 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 all our operations. We have stringent corporate governance and compliance management systems in place. 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 aim to contribute to the transparency, stability and responsibility of the financial sectors that we are part of.

**Environmental management.** We have long implemented a comprehensive environmental management system. We do not support practices and activities that are harmful to the environment and society.

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.

**Technology and innovation.** 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 THIS CHAPTER

- 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 (see Sustainability context on > [pages 12ff.](#)), such as an unstable institutional setting, dependence on more developed economies, and 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 form the backbone of the economy by providing formal employment and driving technological change.

SMEs account for between 61% and 80% of total employment in our countries, and at least half of the value added (see graphs below). 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". Certainly, there was increasingly little difference between microfinance and aggressive consumer finance.

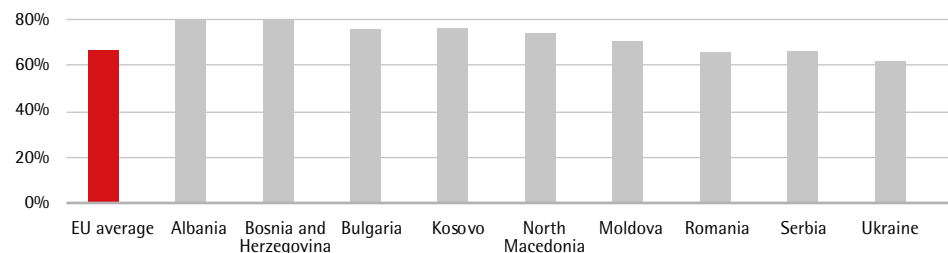
Given the problematic nature of this tendency, ProCredit has shifted its mission from financing very small and small enterprises to financing larger companies, the SMEs that employ the majority of the population, have the potential for sustainable growth and drive technological innovation. We believe 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 plays a key role in shaping 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, to adopt international best practices and to significantly enhance the energy efficiency of their operations.

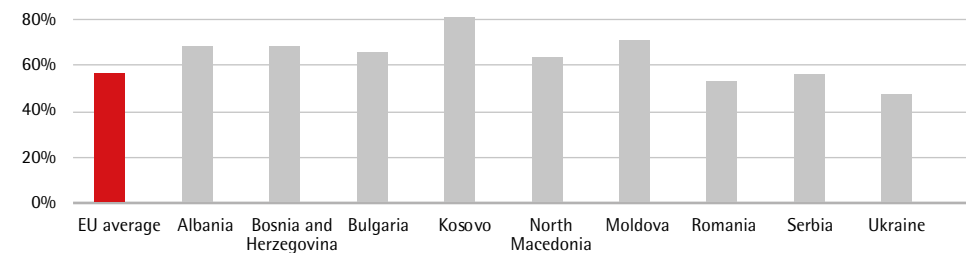
On the national level, these efforts increase competitive pressure on the local market, which in turn increases efficiency and results in lower prices for the final consumer. On the international level, these efforts increase the international competitiveness of domestic firms. This pushes exports, substitutes 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, we strive to foster the economic success of our clients and thereby to enhance 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)







Maschinenbau Timisoara, Metal and steel processing and production  
 ProCredit Bank Romania

## In practice

### MEANINGFUL SUPPORT FOR INNOVATIVE COMPANIES STRENGTHENS THE SME SECTOR

The ProCredit group is one of the largest partners of the European Investment Fund (EIF) InnovFin Guarantee Facility. This successful and well-established cooperation has incentivised many innovative SMEs in South Eastern and Eastern Europe over the years to further invest in their business.

All cooperation agreements were signed under the European Commission's InnovFin initiative and backed by Horizon 2020, the EU's research and innovation programme. The contracts 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.

Thanks to their "Hausbank" relationship with many growing SMEs, ProCredit banks are well positioned to finance innovation across a wide range of industries. With an additional funding agreement from July 2019, the EIF and the ProCredit group will be able to provide a total of EUR 1.62 billion to companies in eleven ProCredit countries, targeting the use of new technologies and creation of new products. By end-2019, ProCredit had already supported over 3,400 such investments totaling nearly EUR 819 million.

ProCredit has financed various types of manufacturing as well as services and trade. Below we present three examples of ProCredit clients supported by InnovFin:

ProCredit Bank Georgia	ProCredit Bank Serbia	ProCredit Bank North Macedonia
Dental clinic	Manufacturer of corrugated paper and paperboard and containers of paper and paperboard	Retail and wholesale provider of air conditioners, humidifiers, heat pumps, and a line of industrial products
Investment in a dental clinic that meets European standards	Investment in new generation machines	Investment in a new business facility
<b>Benefits:</b> <ul style="list-style-type: none"> <li>• Improved service quality</li> <li>• Higher profitability</li> <li>• Reduced costs, as the building is energy efficient</li> <li>• Became a market leader due to its unique technological possibilities in the Caucasus region</li> </ul>	<b>Benefits:</b> <ul style="list-style-type: none"> <li>• Increased production capacity and efficiency</li> <li>• Reduced energy consumption</li> <li>• Established itself as a leader in a respected market</li> </ul>	<b>Benefits:</b> <ul style="list-style-type: none"> <li>• Increased sales capacity</li> <li>• Increased capacity for introduction of a new line of products and new brands</li> <li>• Strengthened market position</li> </ul>

## 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 12 banks and employs 3,123 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 institutions. 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 (Kommanditgesellschaft 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 role of the general partner, the KGaA structure guarantees the stability of the ProCredit mission to combine commercial success with development impact since the core shareholders retain significant influence as the shareholder structure of ProCredit Holding evolves as a listed company. 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.

### The core shareholders<sup>8</sup> of ProCredit Holding:



#### Zeitinger Invest GmbH

The company is wholly owned by the Zeitinger family. It emerged from the consulting firm Internationale Projekt Consult GmbH (IPC) in 2016 and is the main shareholder and strategic investor in the ProCredit group. Since 1980, the company has been active in the field of international development cooperation and has promoted entrepreneurship and sustainable development within the framework of consulting assignments and participations.

% of shareholding range<sup>9</sup>  
>15% to <20%



#### KfW

KfW is one of the world's leading promotional banks. Since 1948 KfW has been committed to improving economic, social and ecological living conditions all around the world on behalf of the Federal Republic of Germany and the federal states. For further details see <https://www.kfw.de/kfw.de.html>

>10% to <15%



#### DOEN Participaties

The main objective of DOEN Participaties is to achieve a positive impact on society by supporting new sustainable or socially inclusive entrepreneurs. Over the past 25 years, DOEN Participaties has become the biggest impact investor for sustainable and socially inclusive start-ups in the Netherlands. For further details see <https://www.doen.nl/doen-participaties-en/about.htm>

>10% to <15%



#### IFC – International Finance Corporation

IFC – a sister organisation of the World Bank and member of the World Bank Group – is the largest global development institution focused on the private sector in developing countries. The Bank Group has set two goals for the world to achieve by 2030: end extreme poverty and promote shared prosperity in every country. For further details see <https://www.ifc.org>

>5% to <10%



#### ProCredit Staff Invest<sup>10</sup>

By investing in ProCredit Staff Invest, employees of the ProCredit group have been able to participate in the economic success of the group since 1998.

<3%

<sup>8</sup> The estimated shareholding of the core shareholders represents some 55% of the listed shares of ProCredit Holding.

<sup>9</sup> Determined by voting rights notifications thresholds.

<sup>10</sup> ProCredit Staff Invest comprises two investment vehicles whose operations are managed by ProCredit Staff Invest Beteiligungs GmbH.

## Capital market

ProCredit Holding listed all its shares on the Prime Standard segment of the Frankfurt Stock Exchange (FSE) in December 2016. This listing was designed to give a wider range of investors the opportunity to invest in a company which provides an unusual combination of stable financial returns and social impact. The share capital of the company is divided into 58,898,492 registered shares with a no-par value. Each share entitles its holder to one

vote. All shares can be freely traded. The free float, defined as holdings below the threshold of 5% of voting rights, was around 39% on 31 December 2019 according to voting rights notifications.

ProCredit Holding places strong emphasis on transparent and comprehensive reporting to capital market investors in line with Prime Standard FSE requirements, the German Corporate Governance Code, and the high expectations of its shareholders.

## ESG ratings

ProCredit Holding's long-established commitment to social impact as well as financial results is reflected in the importance it attaches not only to transparent financial and risk reporting but also to impact reporting and independent rating.

In 2019 Fitch Ratings confirmed the BBB investment grade rating of ProCredit Holding

and raised its viability rating from bb- to bb. In this context the agency explicitly referred to: "the strong corporate governance and risk management across the group, underpinned by supervision by BaFin of the consolidated ProCredit group, and by sound management. Prudent risk management and well-controlled risk appetite have resulted in the group's record of asset quality that consistently exceeds the markets in which it operates".

## Environmental and social ratings:



- ISS ESG (formerly: ESG Oekom), Prime Status rating

ISS ESG research evaluates a company's social and ecological performance in the context of corporate ratings by applying over 100 sector-specific social and environmental criteria. ISS ESG research ensures that the ratings are kept up to date through regular update cycles. In order to make the evaluations transparent, ISS ESG research publishes not only criteria and processes but also important rating results.

The sustainability rating of ProCredit Holding is rated at level "C+", which corresponds to "Prime Status".

## MSCI ESG Rating

- MSCI ESG, AA rating

The MSCI ESG Ratings aim to measure a company's resilience to long-term, financially relevant ESG risks. The MSCI approach uses a rules-based methodology to identify industry leaders and laggards, rating companies on a 'AAA to CCC' scale according to their exposure to ESG risks and how well they manage those risks relative to peers. MSCI collects thousands of data points for each company, but uses 37 key issues that have been determined to be financially relevant.

The ESG rating of ProCredit Holding is AA, which qualifies the group as a leader in its industry for managing the most significant ESG risks and opportunities.



- Certified environmental management system under ISO 14001 and EMAS

All ProCredit institutions have certified their environmental management system under ISO 14001. In addition to this certification, the ProCredit institutions located in Germany (ProCredit Holding, ProCredit Bank Germany, ProCredit Academy and Quipu) have also obtained certification under the EMAS (Eco-Management and Audit Scheme), which is an environmental management scheme based on > [EU Regulation 1221/2009](#). These certifications are verified annually for each institution by an independent external evaluator.



- EDGE certification for green building management

In 2019, the ProCredit banks in Bulgaria and North Macedonia had their efforts in greening their head offices for the first time externally certified through EDGE (Excellence in Design for Greater Efficiencies), a certification system developed by the IFC. The certification scheme sets clear efficiency standards for green buildings while taking into consideration the local climate context of each country (see > [page 36](#) for more information).

## 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 55f.](#)). These key principles, our corporate values, and our mission statement (see > [page 6](#)) reflect our commitment to act ethically and sustainably on the economic, social and environmental levels; 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. The Supervisory Board has determined that insofar as possible all members should have a good understanding of and interest in development finance and sustainability. This enables them to actively oversee and contribute to impact-related aspects of group performance.

The individuals appointed by the Supervisory Board to the Management Board of ProCredit General Partner are also the managers of ProCredit Holding. That is why, in this report, we refer to the "Management Board" of ProCredit General Partner AG, but to the "Management" of ProCredit Holding, even though 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. Impact and sustainability aspects of the ProCredit group's performance are integrated into the business, risk and IT strategies.

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 2019](#), 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.

A significant revision of the German Corporate Governance Code was approved in May 2019 and is set to be introduced into German law in 2020, whereupon ProCredit Holding will ensure broad compliance, with any deviations being publically documented.

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

#### Supervisory Board (ProCredit General Partner, ProCredit Holding)

Dr Claus-Peter Zeitinger (Chairperson), Christian Krämer (Deputy Chairperson), Marianne Loner, Rainer Ottenstein, Petar Slavov, Jasper Snoek

#### Management Board (ProCredit General Partner)

Sandrine Massiani, Dr Gabriel Schor

Group Asset and Liability Committee

Group Risk Management Committee

Group and PCH Model Committee

Group Internal Audit Committee

Group Compliance Committee

Group IT Committee

Group Environmental Steering Committee

Group and PCH Ad Hoc Reporting Committee

Data Breach Reporting Committee

IFRS 9 Implementation Steering Committee



## In practice

### 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 55f.](#)).

### Illustrative excerpts from the ProCredit Group Code of Conduct

#### Our key principles

All employees are required to respect the fundamental principle of human dignity and therefore avoid any form of discrimination based on ethnicity, gender, religion, origin, sexual orientation, etc. This is a categorical imperative of the ProCredit values and is not negotiable.

##### ... Anti-money laundering

We intend to build long-term relationships with our clients and strive to recognise the emergence of questionable business practices at an early stage.

##### ... Environmental awareness

ProCredit banks do not finance any businesses that provide socially or morally objectionable labour conditions, engage in harmful or hazardous health, safety and environmental practices or have a negative impact on the community. The banks examine the existing and recently financed activities of their clients for negative environmental effects and encourage them to undertake corrective or mitigating measures to reduce or eliminate such negative impacts. The analysis and discussions with the client about the results and possible impacts of the client's behaviour are of key importance in the customer relationship.

##### ... Speaking out

Each of us is expected to raise concerns when we experience or witness unlawful, fraudulent or unethical behaviours or any violation of laws, policies or procedures. We accept that raising a concern about someone else's behaviour can be difficult, but we should all recognise that in such situations our credibility – towards our clients, our working environment and our colleagues – as well as our financial performance, and ultimately our strength as a group are all at stake, which is why such incidents should be reported. If we have concerns or questions we shall follow the institution's internal policy and procedure on whistleblowing, or approach ... any manager we feel comfortable with...

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 Programme 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. Typically, Code of Conduct sessions comprise one day per year for all staff. In 2019, Code of Conduct training amounted to 19,894 hours in total.

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. For more details, please see > [page 44.](#)

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, along with subordinate directives, how these basic rules are to be implemented in practice.

Strict whistleblowing policies are adopted by all ProCredit banks. The Code of Conduct and all related trainings emphasise the importance of communicating concerns about inappropriate behaviours. 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. It is clear that all reports are treated with confidentiality and no retaliation is tolerated. Concerns from clients or third parties can also be addressed to > [PCH.info@procredit-group.com](mailto:PCH.info@procredit-group.com).

## 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 operate; we believe this makes a difference for clients and the banking sectors which we are part of. We take a three-pronged approach in which we aim 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, terrorist financing 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 via a designated e-mail address established for the group or by writing a letter to ProCredit Holding's registered address.

As its 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, and the compliance risk assessment of compliance officers at each ProCredit bank.

### The ProCredit group has clear and anonymous compliance reporting mechanisms

In 2019, the group identified no significant non-compliance events and client complaints remained at a very low level. The group's Risk Event Database was developed to ensure that all operational risk events identified by all ProCredit banks and ProCredit Holding are documented, analysed and communicated effectively. In 2019, the group's Risk Event Database identified total gross and net losses from operational and fraud-related loss events of only EUR 1.2m and EUR 0.8m, respectively, which we believe is a strikingly low level compared to the banking sectors in which we work. In 2020 there will be continued focus on compliance with standards relating to IT, information security and data protection.

## Complaint management

The process for managing complaints is standardised across the group through the implementation of the minimum standards foreseen in the Group Guidelines on Managing Client Complaints. These guidelines were developed in line with the provisions of the guidelines on handling complaints for the securities and banking sectors issued by the European Securities and Markets Authority and the European Banking Authority. Each ProCredit bank has a function responsible for managing client complaints, which includes ensuring proper documentation of the process. ProCredit banks report to Group Compliance on a yearly basis on the number and nature of complaints received by the banks.

Overall, ProCredit banks receive a very small number of client complaints and the related fine or settlement amounts are negligible. As in previous years, the number of complaints received across the entire group remained very low in 2019 (i.e. 975), with settlement expenses of only EUR 21k.

## 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 2019, 2,374 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.

**All ProCredit banks operate specialised software systems to identify 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 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.

## Staff trained in financial crime risks in 2019



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 group-wide 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 178 accounts and ended 48 business relationships with clients constituting suspicious behaviour. 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 have been high on our agenda 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 – EMAS for the ProCredit banks located in Germany and ISO 14001 for all ProCredit institutions outside Germany.

We have also conceptualised a three-pillar EMS to manage our direct and indirect environmental impact. Our continuous improvement in resource consumption and our overall internal environmental performance has a very strong effect on raising awareness among our staff and counterparties, and in addition, it fosters the spread of green technologies and activities in our countries of operation.

The 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 standards, guidelines and manuals, which are continuously being updated and revised. One of our latest adjustments was to establish a group-wide strategy to reduce the production and use of plastic (see box on > [page 33](#) for more details).

## 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.

By applying a prudent credit risk approach, we minimise possible negative impacts of our lending operations on the environment.

## Green finance

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

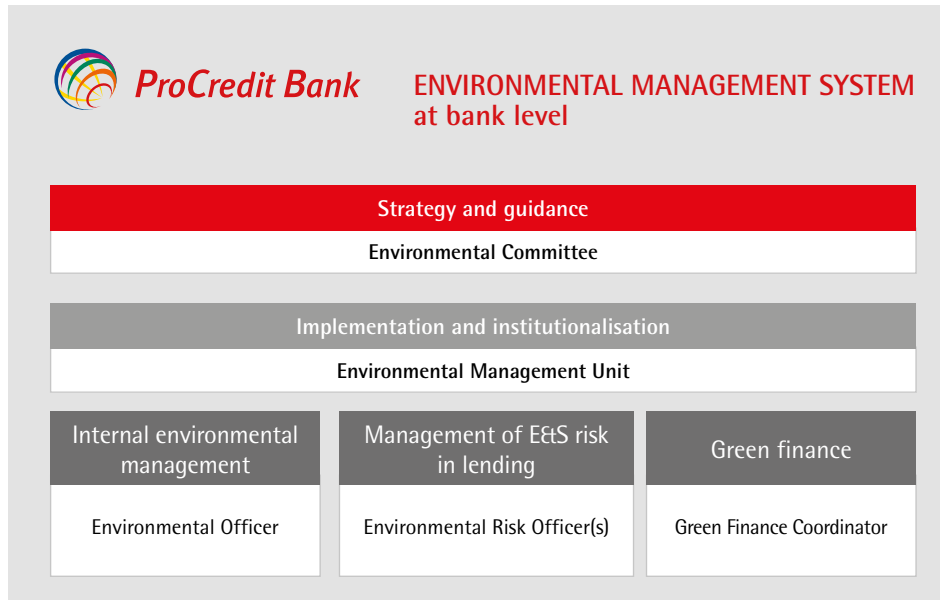
We support clients who want to improve their business processes in an environmentally sound manner by investing in energy efficiency, renewable energies or environmental protection.



Our Group Environmental Steering Committee defines our strategy for green finance, sustainability and impact reporting. It meets at least quarterly and is chaired by a member of PCH Management. The Committee is supported by the Group Environmental Management and Impact Reporting department, which was established at ProCredit Holding in 2012. The department is responsible for implementing and continuously developing the group's environmental management system and approach. It also supports ProCredit institutions in all areas related to the EMS and impact reporting.

Similarly, each of our institutions has an Environmental Committee, also chaired by a bank management board member, which meets every quarter and oversees the development of the EMS and implementation of the green strategy at the local level. Every bank has established an Environmental Management Unit headed by the Environmental Coordinator and staffed with a technical expert. 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 green finance and environmental and social (E&S) credit risk management are explained in more detail in the sections Sustainable finance (see > pages 43ff.) and Prudent credit risk management (see > pages 49f.) of this report.



<sup>11</sup> IPC GmbH is a consulting company specialised, among other areas, in MSME finance as well as green finance, environment and energy. Since 2011, IPC has been supporting the ProCredit group in implementing, developing and building capacity for its EMS.

## Internal environmental management

Internal environmental management addresses the impacts associated with internal operational activities and aims to foster improvements in environmental performance within an organisation. At ProCredit, this is one of the pillars of our EMS, and it assists us in achieving our commitment to reduce energy, water and paper consumption; to reduce our overall carbon footprint in line with our mid-term goal to become carbon neutral; and to dispose of waste properly. By continuously collecting, monitoring, and evaluating our consumption data at all our premises, we can pinpoint improvement opportunities, revise our strategies, and develop Annual Environmental Plans in each ProCredit institution to implement measures to systematically mitigate our environmental impacts.

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

As part of our efforts to reduce the production and use of plastic, ProCredit institutions have mostly abolished the consumption of single-use plastic materials in recent years, and are developing and applying criteria to reduce the purchase and use of plastic items commonly found in offices or to gradually attempt to replace such items with more sustainable

alternatives. In addition, the group has promoted a series of workshops to improve awareness about reducing plastic consumption and promote better management of plastic waste, and is developing internal criteria to reduce the use of plastic items in general.

When there are viable options, ProCredit institutions procure energy from a renewable energy supplier in our countries of operation. This is the case at ProCredit Holding, ProCredit Bank Germany, ProCredit Academy, Quipu Germany and the ProCredit banks in Romania, Serbia and Bulgaria. Furthermore, ProCredit institutions have increasingly invested in their own photovoltaic panels, and a number of them have installed solar thermal water heating and geothermal space heating systems on their premises. Examples of some of the environmentally outstanding ProCredit premises are presented in the brochure [> ProCredit's Green Buildings](#).

In order to externally validate our efforts in greening our premises, ProCredit has started the process to obtain EDGE certification (a green building certification system developed by the IFC) for our own buildings. The ProCredit banks in Bulgaria and North Macedonia have already certified their head offices and others are following. The external certification not only demonstrates that we take sustainable construction seriously, but also underlines ProCredit's role model function in the region. Specifically, we share our own experiences with clients that are interested in EE and RE investments, which in turn supports the development of convincing business cases for investing in green solutions (see [> page 36](#) for more details on EDGE certification).

## In practice

### PROCREDIT'S STRATEGY TO REDUCE THE PRODUCTION AND USE OF PLASTIC

The ProCredit group recognises that the exponential growth in plastic production has led to unsustainable levels of consumption and drastic problems with respect to disposal. Plastic waste is usually not recycled or managed properly. It also does not decompose but instead breaks down into microplastics, which remain persistently in the water, soil and food chain. This leads to severe health and environmental consequences. As a response to these challenges, ProCredit has developed a group-wide strategy, which aims to achieve the direct and indirect reduction of plastic use, specifically by:

- Improving the plastic footprint of the ProCredit group
- Conducting a comprehensive assessment of the environmental and social (E&S) risks and impacts related to plastic production and advising our clients on measures to reduce these risks
- Promoting and incentivising the reduction and substitution of plastics in the business operations of our clients
- Contributing to a circular economy, i.e. promoting and financing changes in product design as well as in reuse and recycling initiatives
- Raising awareness among internal and external stakeholders of the group

For further details on the strategy, please see the original document on the [> ProCredit Holding website](#).



# SAY NO TO PLASTIC

In addition to saving resources, we try to avoid waste production where possible. Thanks to process automation and print optimisation, we have continuously reduced paper consumption at all ProCredit institutions. Moreover, the paper we are using is either recycled or certified (e.g. made from wood pulp produced in sustainably managed forests only).

Though infrastructure for waste management is often inadequate or non-existent 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 2019, 100% of our paper waste and 78% 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.

Air pollution is one of the world's most serious environmental problems. In particular, road transport contributes to high levels of pollutants, causing adverse health effects, especially in large cities. Unfortunately, in most of our countries public transportation is limited, which translates into a high dependence on private vehicles. In order to reduce the impact from our own car fleet, but also to showcase and promote environmentally friendly alternatives, ProCredit has been gradually replacing its fossil-fuel-based fleet with electric and plug-in hybrid vehicles. As a result of this strategy, electric and hybrid cars accounted for 65% of our fleet by December 2019. Furthermore, our banks are promoting infrastructure development by financing electro mobility for business and private clients and installing charging stations (solar-powered stations when feasible or stations

that use electricity from renewable energy providers) in the main cities in which we operate. In spite of that, we are well aware of the current limitations associated with e-mobility, such as the lack of charging infrastructure along with the issues of unsustainable battery production and battery afterlife. Nonetheless, we believe that this transitional technology constitutes an environmentally friendly alternative and that it could contribute to the mitigation of air pollution in large urban areas as well as the health issues related to it.

In addition, we pay close attention to the environmental and social impact of our supply chain by defining straightforward standards for procurement. All ProCredit institutions have therefore incorporated environmental and social criteria into their procurement policies. This means that energy efficiency, environmentally friendly materials and packaging, fair trade, and other parameters are considered during the procurement process. Our institutions also take into account local production as well as the durability and reusability of products, and give preference to ecologically certified food and office materials. Further information on our guidelines for sustainable suppliers are provided in the section Ethical values and working environment (see > page 55).

Alongside these implemented measures, we place great importance on the role of our staff in environmental performance. We regularly provide training and workshops, promote discussions and hold campaigns in order to raise awareness and knowledge about sustainability-related topics among our employees. In this context, we annually select a group-wide special green topic, for which particular events and trainings



### Energy consumption in ProCredit buildings

	2018	2019	% Change
Total (MWh)	17,425	16,490	-5%
kWh per employee	5,436	5,344	-2%
kWh per m <sup>2</sup>	177	176	-1%
kWh per 1000 EUR LP	4.0	3.4	-13%
kWh per 1000 EUR deposit portfolio	4.6	3.8	-16%



### Emissions of the ProCredit group

	2018	2019	% Change
Total (tCO <sub>2</sub> )	12,541	10,161	-19%
tCO <sub>2</sub> per employee	3.9	3.3	-16%
tCO <sub>2</sub> per EUR m LP	2.9	2.1	-26%
tCO <sub>2</sub> per EUR m deposits	3.3	2.4	-28%

are organised throughout the entire year. The 2019 topic was plastic, while for 2020 we have decided to focus on waste.

Ultimately, the results of our efforts are reflected in the development of our environmental performance figures (see > infographic page 35).

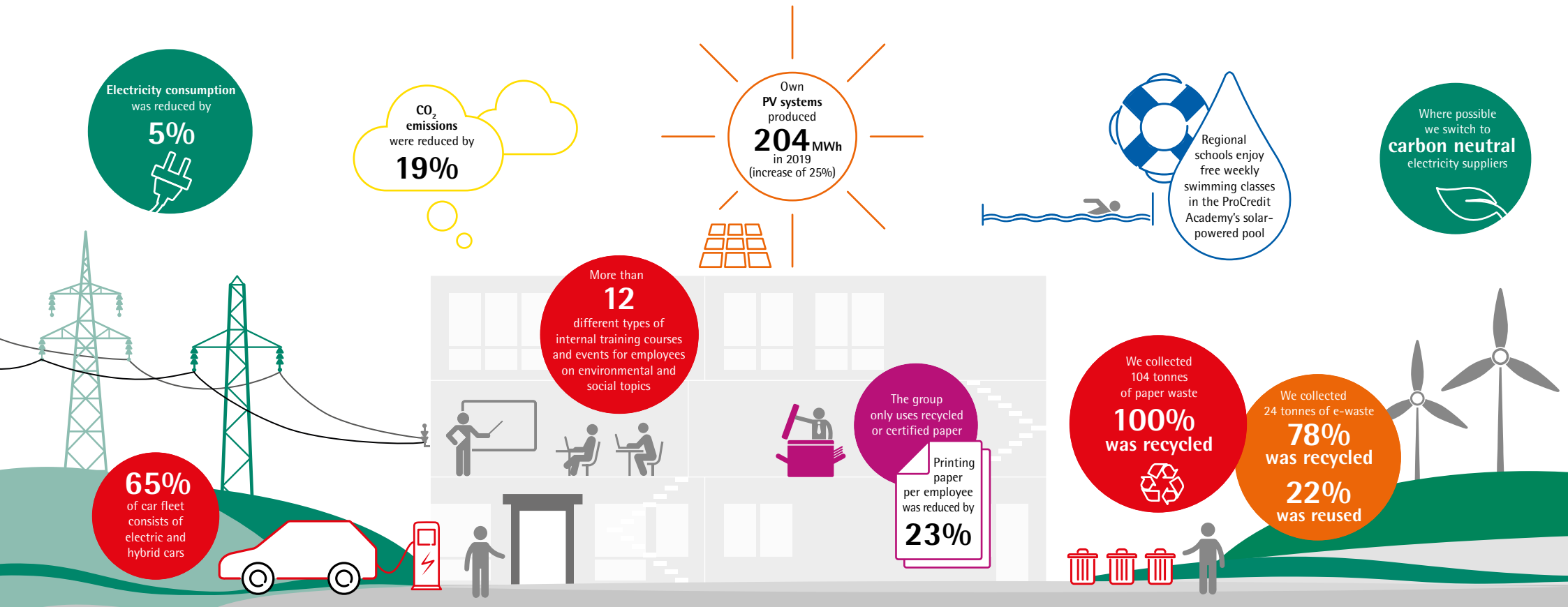
In order to reflect the transformation in our business model – our sharpened focus on SMEs and direct banking – we monitor our energy consumption and emissions not only in relation to the number of employees or the floor area of our premises, but also in relation to the size

of our loan portfolio and deposit portfolio. As illustrated on the previous page, in 2019, we managed larger loan portfolios with fewer resources and lower CO<sub>2</sub> emissions compared to 2018.

By managing our resource consumption in a systematic and prudent manner, we not only improve our own environmental performance. We also raise environmental awareness among segments of civil society, 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 countries in which we operate.

### The ProCredit group's environmental and social performance - Highlights in 2019<sup>12</sup>



<sup>12</sup> % refers to reductions 2018–2019

All EMS data was collected group-wide via the iEMS Tool (online platform for data collection). A comprehensive overview of the EMS data is provided on > pages 78ff.



## In practice

### EDGE CERTIFICATION AWARDED TO PROCREDIT BANKS IN BULGARIA AND NORTH MACEDONIA

Ensuring that ProCredit premises are as energy efficient and as environmentally friendly as possible is a prime example of our green building management and how we promote environmental improvements and awareness within our group.

The latest data show that building operation and construction accounts for about 40% of energy-related CO<sub>2</sub> emissions and about 36% of final energy use worldwide<sup>13</sup>. The adoption and promotion of resource-efficient building practices is therefore crucial if we wish to contribute to the global transition to a low-emission society.

In keeping with this commitment, in 2019, the ProCredit banks in Bulgaria and North Macedonia undertook to have their head office premises externally certified in accordance with EDGE (Excellence in Design for Greater Efficiencies) criteria, an innovative green building standard and certification system created by the IFC.

Obtaining EDGE certification was no small achievement: to qualify, a building must demonstrate energy and water savings of 20%, as well as 20% less embodied energy in materials<sup>14</sup> compared to the local base

case. Over and above these benchmarks, PCB Bulgaria managed to reduce energy consumption by 26% through using efficient lighting and cooling. PCB North Macedonia also surpassed expectations by achieving energy savings of 73% compared to the base case scenario thanks to its highly efficient building envelope, heating and cooling system.

Despite the urgent need for more resource-efficient buildings and sustainable construction practices, green design and certification is not yet common practice in emerging markets. In our countries of operation, for example, there is a lack of government regulations, and consumers and developers are not aware of the financial benefits that come with green building practices. Our investments in greening our premises therefore not only contribute to reducing our own environmental footprint, but also promote the business case for green buildings to our clients.

In 2020, we plan to eagerly continue with the process of certifying our premises to further reduce our environmental footprint and strengthen our presence as a role model.



Photo: ProCredit Bank in Bulgaria

<sup>13</sup> UN Environment Programme, The 2018 Global Status Report.

<sup>14</sup> This refers to the energy that is needed to produce materials used for construction purposes.

## TECHNOLOGY AND INNOVATION



Efficient banking technology goes hand in hand with a modern, efficient SME sector integrated into the global economy. Private clients likewise appreciate the conveniences that come with Western banking standards. In 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.

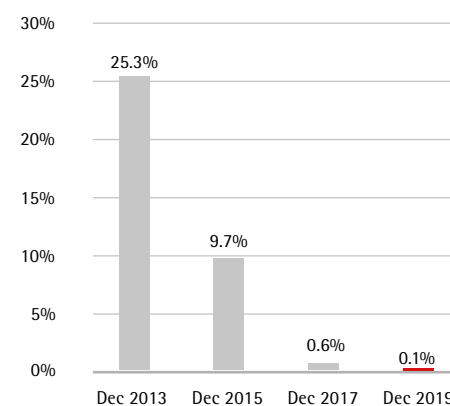
The shift from transactions performed manually at our outlets to digital transactions made independently from virtually any electronic device has not only boosted operational efficiency but also gives our clients the freedom to access our services at any time. At our modern 24/7 Zones, clients can make withdrawals, deposit cash and carry out cashless transactions, such as transfers and account information retrieval. Today, almost 100% of our transactions are handled through automated systems, which, in addition to enhancing efficiency, also increases formality and transparency.

The next step in our direct banking strategy is to further digitalise all non-financial transactions. We want our clients to be able to do all of their banking with us online, without having to visit one of our branches or services points in person. In order to achieve this, ProCredit has developed MyDIRECT, a new online service which not only

allows clients to conduct all their banking operations anytime and anywhere but also enables them to confirm their identity digitally via remote video identification. The electronic signature option also gives them the ability to legally sign all required documents and contracts. After logging on and completing the video ID process, clients immediately receive the contract information on their mobile device and can then use a PIN code to sign their documents.

Both of these innovations were tested in 2019 in the ProCredit banks in Georgia and Bulgaria, and we will roll them out to all of our banks as the regulatory environment allows. Of course, our clients are welcome to visit us at our service points when they have something to discuss with us, are seeking advice from our staff or have specific questions. Nevertheless, we think that technology can improve customer service by automating routine tasks and saving the client a trip across town, which has the added benefit of reducing traffic and avoiding the CO<sub>2</sub> emissions caused by transportation. Moreover, in line with ProCredit's sustainable banking concept, MyDIRECT is 100% paperless, and paves the way to modern digital banking.

Cash transactions as percentage of total number of transactions



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 to not only react quickly to demands 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; additionally, this environment allows us to design, develop and test new services and channels prior to rollout.

In addition to automating transactions, we also strive to streamline other processes. A good example is the migration to paperless offices, which has resulted in increasing operational efficiency while simultaneously reducing our consumption of paper.

Quipu is certified according to established international standards related to Payment Card Industry Data Security (PCI DSS), PCI Card Production (a 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' banking environment is managed with the highest degree of security. Our approach to ensuring the security of our client data is described in detail in the section Data privacy and information security (> [page 42](#))



# 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.

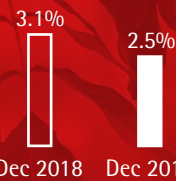
**46%**

of loan portfolio supports local production and agriculture\*

**EUR 795m**

Green loan portfolio\*

Share of credit-impaired loans



High portfolio quality

Walnut Orchards, Cultivation and sale of walnuts  
ProCredit Bank Georgia

\*Note: As of December 2019

In this chapter we outline in more detail how our relationship-based approach to clients impacts three key material topics and underpins the steady financial performance of the group.

**Reliable and stable partnerships.** We aim to be a stable partner that directs our clients towards sustainable development. In most countries SMEs are still underserved 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 over-indebtedness.

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.

**Sustainable finance.** A challenge in most transition countries is that environmental protection is often overlooked in light of the more pressing problems in people's everyday lives. Therefore, the proactive promotion of green investments is an integral part of our relationship with our clients. We also critically assess our clients' operations to ensure that their business is not involved in activities which are on our Exclusion List, or are environmentally or socially harmful.

**Prudent credit risk management** is perhaps the defining feature of the way ProCredit banks work with clients. This underpins long-term relationships with clients and the financial stability of the group. We have a long track record of sustaining low default and net write-off figures. Historically we have achieved a figure of around or below 1% in net write-offs showing that we strive to support clients through an economic cycle. An integral part of prudent credit risk management is assessing and managing the ESG risks of our clients.

## IN THIS CHAPTER

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



## RELIABLE AND STABLE PARTNERSHIPS



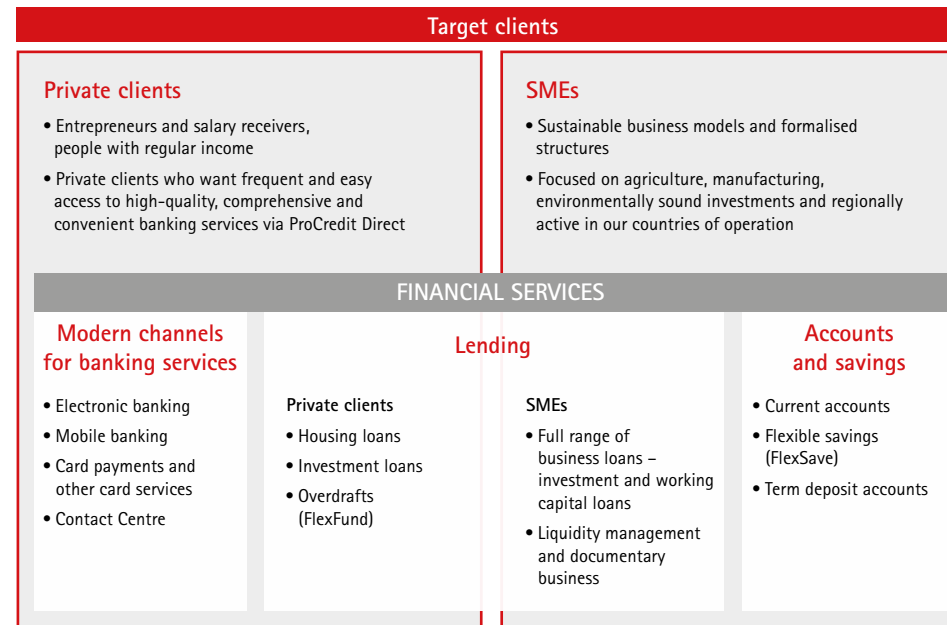
Our clients value a bank that works with them as an equal partner to achieve their business goals and private financial needs. Our aim is to build a stable relationship characterised by trust between bank and client.

We do not merely offer products: we strive to establish long-lasting and reliable partnerships with all our 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 caters to private clients who want to do their banking digitally, enabling them to perform transactions independently 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 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.

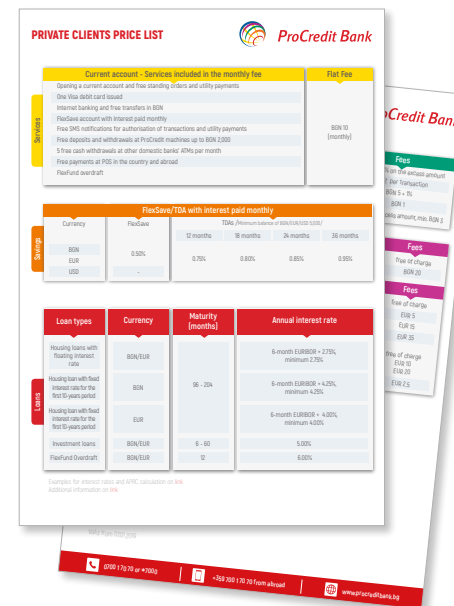
## Transparent services



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 clear and understandable language and avoid unnecessary complexity in all documents, as illustrated by our two-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 to ensure that they are fully aware of the conditions, related costs and contractual clauses. We also make sure 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 2.75%
Housing loan with fixed interest rate for the first 30 years	BGN	30 - 20%	6-month EURIBOR + 4.25%, minimum 4.25%
Housing loan with fixed interest rate for the first 10 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 (PSD2, MaRisk and BAIT<sup>15</sup>) 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.

<sup>15</sup> Bankaufsichtliche Anforderungen an die IT (Supervisory Requirements for IT in Financial Institutions), issued by the German Federal Financial Supervisory Authority, BaFin.

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 security and data protection 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 2019, we recorded a total of only six data protection-related complaints in our group. Most of them were related to minor issues, so we therefore believe that our structures for the prevention and management of these issues are functioning effectively.

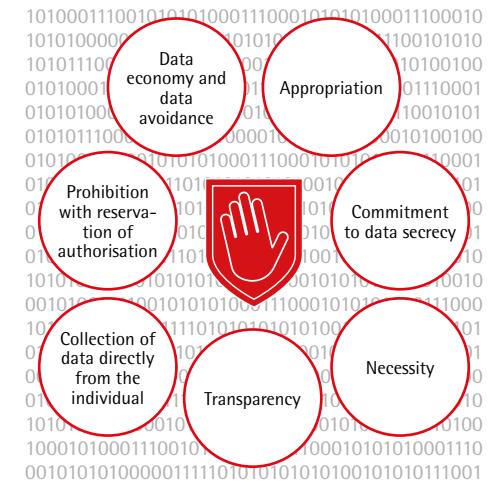
Personal data is protected by appropriate technical and organisational measures and is treated in accordance with the respective regulatory requirements and wide-ranging principles established in the ProCredit Group Information Security Policy.

ProCredit Holding (PCH) 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. Regular training keeps our staff well informed about data protection issues and ensures that they are aware of the importance of the topic.

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.

## Data protection principles



The EU-based ProCredit entities have adopted corresponding measures tailored to their respective business model and data processing activities. Requests received from data subjects are dealt with in accordance with well-established procedures. The institutions based outside of the EU ensure compliance with their local data protection laws. In 2019, several countries started to align their data protection laws with the principles of the GDPR. The banks are well equipped to respond to the new requirements as soon as they go into force, benefiting from the experience they have gained from within the group.

## SUSTAINABLE FINANCE



We tailor our business approach to provide SMEs with responsible financial services. At present, 93% of our portfolio consists of loans to SME clients. We draw particular attention to supporting local production and agriculture (46% 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. ProCredit's concept of development goes beyond the orthodox belief on economic growth.

In addition to the evaluation of our clients' needs, financial performance and repayment capacity, we assess the negative impact that the business activity and concrete investment pose on the social and natural environment by making use of different tools and guidelines such as the Exclusion List (> page 44) and the

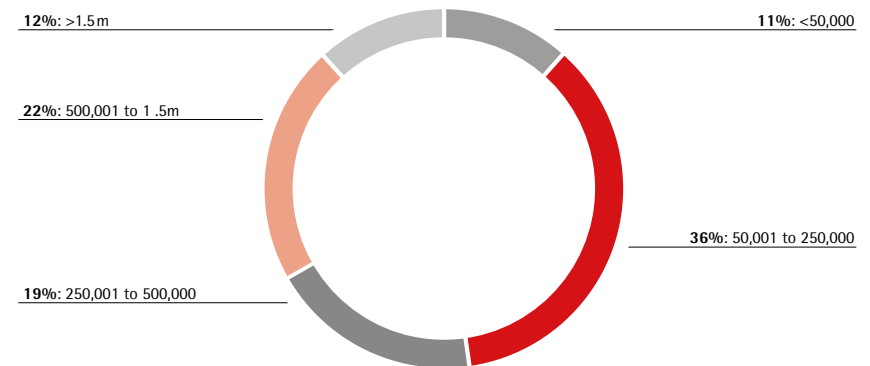
Group Standards for Managing the Environmental and Social Impact of Lending. In this regard, ProCredit has embraced a sustainable approach to financing, which integrates Environmental, Social, and Governance (ESG) criteria into its business decisions, thus contributing to sustainable economic practices along with EU and global commitments.

An important component of our sustainable finance concept is our green finance approach. This involves increasing and promoting financial services to our clients, in order to improve and develop their activities in an environmentally friendly manner. In this way, we seek to overcome institutional and market barriers towards green investments, while at the same time supporting economic prosperity that is accompanied by a reduction in resource consumption, waste, pollution and greenhouse gas emissions. In this manner, we contribute to a low-carbon, resource-efficient and circular economy<sup>16</sup>. In the context of the recent climate change conference in Madrid, this means enhancing the ability of the financial system to mobilise the private sector for green investments, e.g. financing investments for climate change mitigation and adaptation.

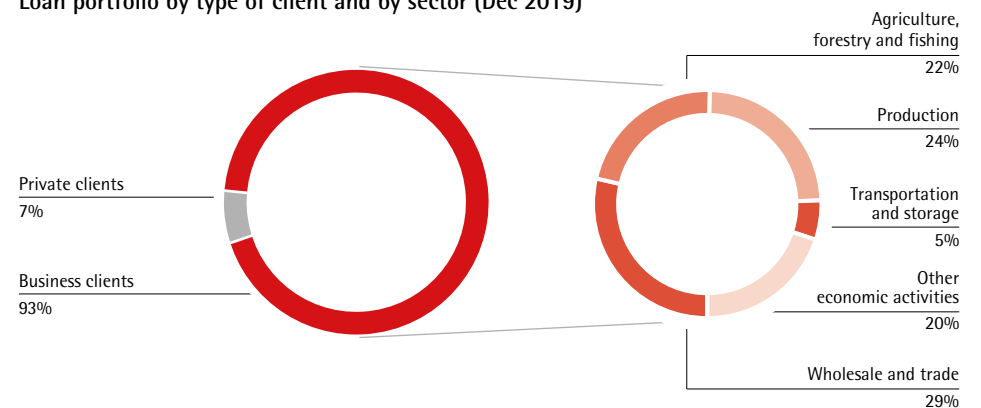
For us at ProCredit, sustainable finance and prudent credit risk management (see > pages 49ff.) are inextricably intertwined. We are strict about conducting a careful business analysis as the main step in the lending process, which includes a review of every client's social and en-

<sup>16</sup> [www.ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](http://www.ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

Loan portfolio by initial size (outstanding principal as of Dec 2019, in EUR)



Loan portfolio by type of client and by sector (Dec 2019)



vironmental performance. In this way, we create opportunities to discuss and develop options for more sustainable investments with our clients. 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.

**EUR 4,472m** of business loans to more than 35,000 business clients



## In practice

### PROCREDIT'S EXCLUSION LIST – REFUSING TO SUPPORT HARMFUL PRACTICES AND ACTIVITIES

Despite ProCredit's inclusive approach and our openness towards the many different business models of our clients, there are certain harmful practices and activities that ProCredit banks categorically refuse to support. To ensure that the ProCredit banks apply this principle consistently across all institutions, we have formulated an unambiguous Exclusion List which is subject to regular revision and updates.

The Exclusion List covers the following main areas:

- Unethical practices and labour conditions
- Health, safety and environmentally harmful activities
- Activities with a negative impact on the community

The ProCredit banks reject, among others, all business relationships with companies involved in the following activities:

- Violation of human rights
- Production or trade in weapons and munitions
- Infringements upon local environmental standards
- Activities within, adjacent to, or upstream of designated protected areas
- Construction of (mini-)hydro cascades without appropriate environmental assessment
- Trade in wild plants and animals
- Endangerment of cultural or archaeological sites
- Endangerment of indigenous peoples and/or endangered groups
- Transboundary movement of waste prohibited under international law
- Trade in forbidden pharmaceuticals, pesticides or chemicals
- Production/trade with wood from forests that have not been certified as sustainably managed
- Gambling, casinos and equivalent enterprises
- Pornography
- Work with radioactive or asbestos-containing materials

A comprehensive description of our exclusion criteria is available in our group-wide  
 > [Code of Conduct on pages 34f.](#)



## Green lending at ProCredit

As depicted on > pages 31f., green finance is part of the comprehensive environmental management system (EMS) in place at all ProCredit institutions since 2011. This implementation involved setting up new organisational structures and functions at group and bank level, such as environmental committees and the environmental units with specialised staff and strong management involvement. Furthermore, our green finance approach has been institutionalised via a number of policy documents that are regularly updated, such as the Group Methodological Approach to Green Lending and the Group Guidelines for Green Lending, which establish eligibility criteria and principles for green lending to businesses and private clients. In particular, we classify green loans into three main categories according to the purpose of the investment they intend to finance:

- Energy-efficient equipment and processes (EE) which achieve a minimum of 20% energy savings
- Renewable energy technologies (RE)
- Environmentally friendly projects with a direct positive impact on the environment (GR), such as investments leading to the prevention of air, water and soil pollution, waste management, organic agriculture and production, etc.

ProCredit acknowledges the difficulties in identifying green investments and differentiating them from other types of loans. The lack of a standardised classification might compromise the credibility of green financial products and generate scepticism. With this in mind, we have invested

time and effort in setting up our own technical eligibility criteria, which are continuously revised to reflect the latest technology trends in our countries as well as international standards and recommendations.

At group level, we have developed our Methodological Approach to Green Lending, which serves as a guideline to our banks when classifying green loans. We have established a transparent method for green lending that ensures that all identified green investments meet certain eligibility requirements, which are in turn linked to the achievement of specific positive environmental impacts.

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 regularly 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. In this way, we aim to distinguish ourselves from financial institutions that claim to provide sustainable finance but apply less stringent definitions.

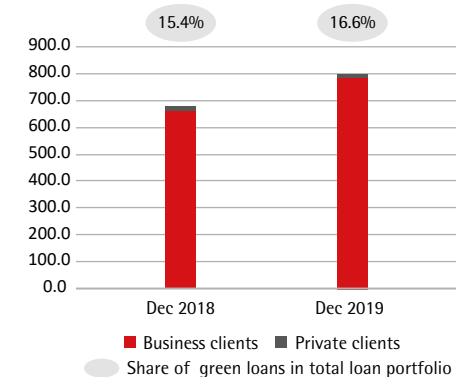
As of December 2019, the group had built up a portfolio of 6,345 green loans, representing a total volume of EUR 795m provided to business and private clients in all ProCredit countries. Thus, green loans account for almost 17% of

the group's total loan portfolio and 21% of the group's business client investment loan portfolio. The lion's share of the green portfolio consists of investments in energy efficiency (68%), followed by environmentally friendly (19%) and renewable energy (13%) projects.

Up until the end of 2018, the green portfolio was mainly financed with the banks' own resources, while funding for technical advisory services had been provided occasionally by the DOEN Foundation, Kreditanstalt für Wiederaufbau (KfW), OeEB, and Finance in Motion/Green for Growth Fund (FIM/GGF).

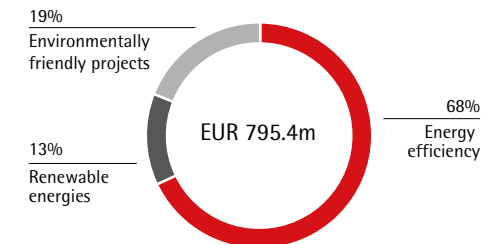
In 2018, ProCredit developed its Green Bond Framework for issuing green financial instruments. The proceeds from the issue of these instruments were to be allocated for the financing of projects in the group's green loan portfolio. In May and September 2019, the group placed green bonds totalling USD 90 million with the IFC (see > page 47).

### Green loan portfolio development (EUR m)

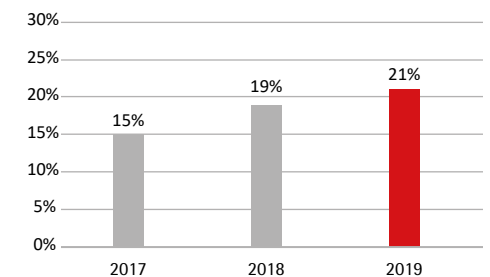


From a client perspective, the key benefit of investments in energy- and resource-efficient technologies is that innovative and thus attractive products and services can be supplied in better quality and at a reduced cost, which in turn leads to increased competitiveness. We see the upward trend in the expansion and quality of our green loan portfolio (an 18%<sup>17</sup> increase compared to 2018) as a motivating response from our client markets.

### Green loan portfolio by investment category in 2019



### Share of green investment loans in total investment loans



<sup>17</sup> Growth rates are based on the scope of continuing operations

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 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 2019, we organised or participated in more than 30 social and environmental initiatives in our countries, including, for instance, clean-up activities in the mountains and beaches as well

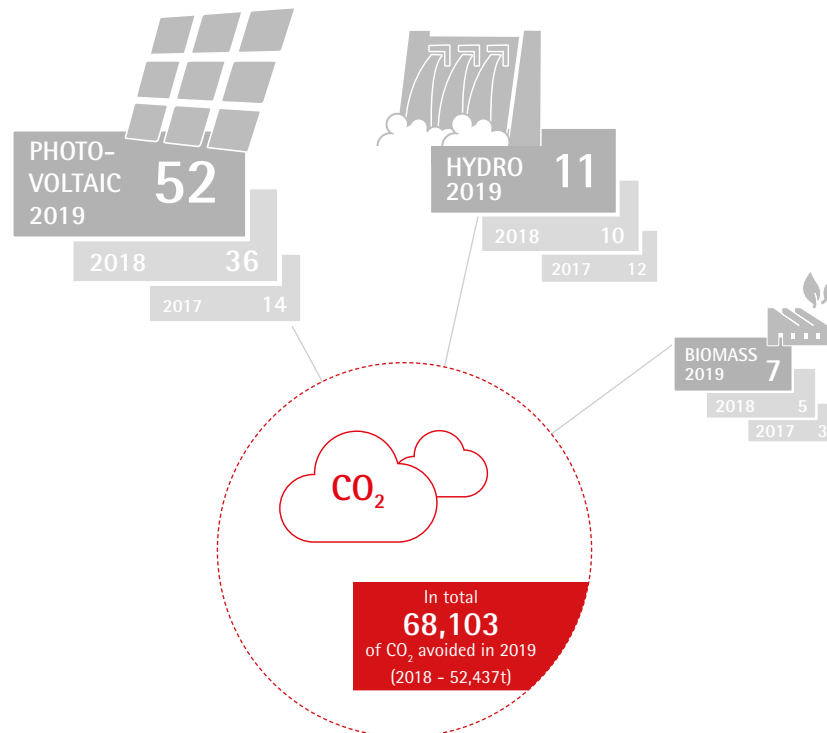
as participation in the Global Climate Strike in September.

In each bank, we have trained all business staff on green lending and continuously provide refresher workshops. In addition, a technical specialist works to support business staff and clients in assessing the eligibility for a green loan. Our credit committees are trained to identify green lending opportunities. By organising half-yearly group-wide green seminars, we contribute to high-level and fruitful discus-

sions among our core staff on this challenging and rapidly developing topic.

In 2019, we observed that investments in the generation of renewable energy are on the rise in several of our countries of operation. Small utility-scale projects with solar photovoltaics for our SME and private clients offer particularly promising financing potential for our banks and at the same time contribute to climate change mitigation. In response, we have invested in improving our project finance lending technology and delivered specialised training to the banks with the most potential (see > page 62).

### RE projects in the green loan portfolio<sup>18</sup>



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. At the same time, it should be remembered that the legal structures and feed-in tariffs for using renewable energy sources are only now being developed in some of our countries. We believe that the responsible financing of these projects will benefit the entire market. Based on our comprehensive experience with small investments in biogas and photovoltaic projects by a diverse range of SME clients, we are confident in our ability to support and finance larger projects in these sectors in our regions in the near future. By the end of 2019, the total RE portfolio had already increased by 36%.

### Developing a methodology for assessing and reporting the impact of green investments made by SMEs in emerging markets

We are aware of the challenges in reporting the environmental impact of investments financed by green loans. Desirable effects would include a reduced depletion of natural resources, reduced emissions of CO<sub>2</sub> 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. Various methodological approaches are being applied by financial institutions. Most of them are applicable to specific and usually larger-scale projects. In the absence of one single impact reporting standard, and due to the granularity of our green loan portfolio and diversity of green investments typical for SMEs, ProCredit is currently developing its own impact reporting methodology. The aim is to achieve impact reporting for a substantial share of our green loan portfolio that provides absolute amounts of GHG emissions avoided and energy saved or produced. As a first step, we are reporting the actual impacts of financed RE projects.

<sup>18</sup>see > page 90 in the annex for more details.

## In practice

### OUR CLIENTS' GREEN INVESTMENTS

In May and September 2019 ProCredit Holding placed its first green bonds totalling USD 90 million with the International Finance Corporation (IFC). As far as ProCredit Holding and the IFC are aware, this was the first time in the German market that a financial institution had issued green bonds specifically for the purpose of financing the green investments of SMEs in emerging economies. The placement represented a further milestone in ProCredit's green finance strategy, which started back in 2006 when ProCredit banks began financing their business clients' green investments. Through the bond placement, ProCredit and the IFC are providing new financing options for SMEs that wish to make environmentally friendly investments and supporting the transition from high-carbon to low-carbon economies in the ProCredit group's countries of operation.

The issuance of the green bonds was subject to the guidelines set forth in the ProCredit group's Green Bond Framework, which follows the International Capital Market Association's Green Bond Principles 2018, as confirmed by Sustainalytics in a second party opinion. The proceeds of the issue are specifically earmarked for financing green investments by SMEs, as illustrated by the examples.



### Promoting energy efficiency and organic production Baker Ukraine, Ukraine

In 2004, Baker Ukraine started out as a producer of waffle cones for ice cream.

ProCredit Bank Ukraine has been Baker Ukraine's "Hausbank" since 2017, providing support for the company's expansion plans. One important milestone was an investment loan to buy a new state-of-the-art German-manufactured automatic line for waffle cone production. This has not only allowed the client to expand the production range and quantity, but also to increase energy efficiency. As the production line is equipped with variable speed drives, the power use of the machines can be adjusted to demand, resulting in optimised energy consumption. The

investment has enabled Baker Ukraine to boost its annual production of waffle cones by 14%.

At this point, the company decided to go one step further and introduced an organic product line for waffle cones. As before, ProCredit Bank accompanied Baker Ukraine during this project, providing for instance working capital loans. The organic waffle cones are certified under EU regulations for organic production.

Today, Baker Ukraine is the largest waffle cone producer in Ukraine, with a market share of nearly 70%. The company holds international quality management and food safety certificates, such as ISO 9001:2015 and FSSC 22000, which underline its high standards and commitment to excellence. The client is proud of the green measures it has achieved with ProCredit Bank's support, and Baker Ukraine is living proof that business success can go hand in hand with reducing negative environmental impacts.



### Supporting the organic production of cocoa beans Cofina, Ecuador

Founded in 1994, Cofina is a family-owned business specialising in the processing and trade of organic cocoa beans and semi-finished cocoa products. As the third-largest exporter in this sector in Ecuador, Cofina exports its products to 56 countries around the world, mainly to the USA, Europe and Japan.

The company has cooperated with ProCredit Bank Ecuador since 2018. The bank has primarily been providing working capital loans to Cofina in order to increase the company's capacity to purchase organic cocoa beans. Recognising the importance of sustainable agriculture, the company actively encourages other farmers



to embrace organic production, offering free advice and technical assistance. The financing from ProCredit Bank Ecuador is provided as an EcoCredit for certified agricultural production.

Over the years, Cofina has acquired numerous eco-certificates for organic and sustainable production, such as the "USDA Organic", "UTZ Certified" and "Rainforest Alliance Certified" labels, which not only reflect the high quality and food safety standards of the products, but also underscore the company's commitment to sustainability.



### Financing the transformation from waste to energy

#### Voreioelladiki Aeiforia, Thessaloniki, Greece

Voreioelladiki Aeiforia is a small family-owned business located in Pentalofoi Thessaloniki, close to the industrial and agricultural area. The company's main activity is the production of biogas using manure and industrial organic waste sourced from the region. Since 2015, the biogas plant has been working with an installed capacity of 1 MW and a potential production output of 7,971 MWh per year. The energy generated by the plant is used to produce electricity, which is purchased by the Greek grid operator LAGIE.

The biogas plant uses manure and industrial organic waste as raw materials for energy production. In this way, Voreioelladiki Aeiforia is making a positive contribution to sustainable waste treatment in the region. In the unlikely event of insufficient waste input, corn silage can also be used to produce biogas so as to guarantee stable energy output at all times. The natural by-products of biogas production are high-quality solid and liquid fertilisers, which are distributed for free to agricultural producers in the area.

In January 2019, Voreioelladiki Aeiforia became a client of PCB Bulgaria. In order to support the client in his green investments, the bank refinanced the company's exposure for the biogas plant and provided investment loans for the capacity expansion of the plant from 1 to 2 MW and for the construction of a second plant with a capacity of 1 MW. The current biogas installation is running almost entirely on waste from surrounding farms and food industries. At present, the plant is consuming 100,000 tonnes per year, and after the planned expansion, the waste management effect of the investment will be even greater. Given the abundance of non-treated industrial and agricultural waste in the region, the expansion will not only create additional value from an economic perspective, but will also further contribute to proper waste treatment in the region.



## 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. Over time, our target clients have grown larger as we have moved from micro and very small business finance to SME finance, but the two main potentially negative impacts that all financial institutions face to different degrees with regard to lending operations have remained the same. First, taking out loans may cause **over-indebtedness** and put people into **economic and social despair**. Second, lending operations may have a negative impact on the **social and natural environment** caused by the investment decisions and behaviour of clients.

As the average size, formality and financial literacy of our client base has increased in recent years, the risk of over-indebtedness is clearly reduced, but the issue still remains a priority for us. At the same time, our stronger focus on SME clients, which goes along with an increase in investment sizes, increases the risk of possible negative environmental and social impacts. The ProCredit group has clear strategies and mechanisms in place to reduce the possible negative impact described above. We minimise the risk of over-indebtedness through our **focus on SME profile clients** and our **portfolio quality**, which results from responsible financial assessment. At the same time, we reduce the negative **environmental and social (E&S)** impacts of the investments we finance by integrating strict **E&S risk and exclusion criteria** into the credit analysis.

### Loan portfolio quality

To prevent negative social and economic impacts of our lending operations caused by over-indebtedness, we do not support unsustainable lending practices such as aggressive (sub-prime) consumer lending and the short-term financing of long-term investments. Our portfolio is heavily concentrated in the SME segment, which is where we see the greatest positive impact. In order to prevent over-indebtedness and support our business model over the long term, we have developed and implemented robust processes for our lending operations, tailored specifically to the risk profile of our SME clients. All ProCredit banks apply the high credit risk standards imposed by the German banking supervisory authority BaFin.

In stark contrast to our competitor banks, ProCredit staff in business as well as credit risk receive extensive annual training and regularly visit the clients' premises. 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 puts us in a stronger position to interpret every client's situation accurately. Moreover, it further completes our sophisticated system of early warning indicators against potential over-indebtedness and insolvency.

Consequently, on the whole, we believe the credit risk level of our portfolio to be well managed, considering the continuous favour-

able development of the main portfolio quality indicators. Concentration risk in the Upper Medium segment and in our countries of operation is mitigated adequately with in-depth client analysis and well-maintained relationships, timely monitoring, adequate collateral and sufficient loan loss provisions. The overall outlook is assessed as stable due to the internal measures we have implemented with regard to collateralisation and provisioning as well as our strong focus on the core SME segment.

The share of credit-impaired loans decreased in relative terms over the course of 2019 and stands at 2.5% of the gross loan portfolio as of December 2019.<sup>19</sup>

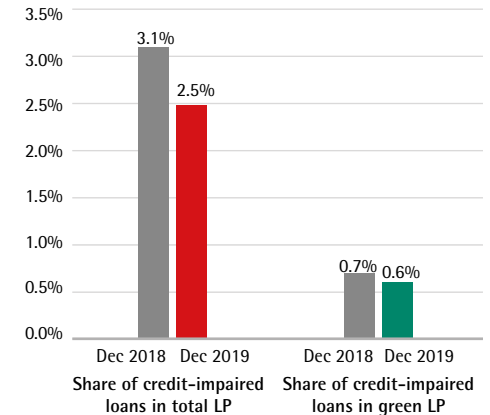
The ratio of allowances to credit-impaired loans<sup>20</sup> (defined as total expenses for loss allowances divided by total defaulted volume) stands at 89.1%, which we assess as satisfactory.

The portfolio quality indicators of the green loan portfolio are even better than those of the total portfolio: the share of credit-impaired green loans is 1.9 percentage points lower.

<sup>19</sup>Share of credit-impaired loans: Loans and advances to customers in Stage 3 (including accrued interest) as a percentage of the total volume of loans and advances to customers. Also referred to as share of defaulted loans.

<sup>20</sup>Ratio of allowances to credit-impaired loans: Loss allowances relative to the share of credit-impaired loans (Stage 3). Also referred to as coverage ratio. Expenses for loss allowances are defined as funds a bank sets aside to cover potential credit losses on loans to customers.

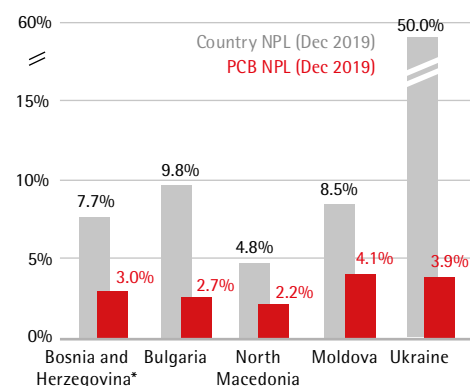
### LP quality development



As a measure of success in minimising over-indebtedness, ProCredit banks are noticeably better positioned in terms of non-performing loans (NPL) than the average for the markets in which we operate.

A further key indicator of good loan portfolio quality management and positive social impact is the long track record we have in sustaining low net write-off figures. Historically we have achieved a figure of around or below 1%, even in the immediate aftermath of the financial sector crisis. This shows that we place great emphasis on supporting our business clients along the economic cycle rather than driving them into default and bankruptcy in economic downturns, which we see tends to occur in emerging market banking sectors. We aim to finance sustainable investments and respond quickly to early warning indicators.

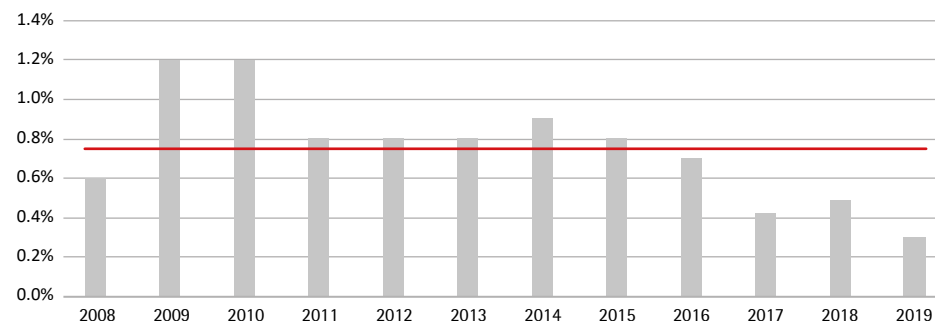
### Non-performing LP of PCBs in comparison to local banking sector\*\*



\* Country NPL ratio as of September 2019

\*\* see > page 85 in the annex for more details

### Average net write-offs of ProCredit banks



### Environmental and social risk and exclusion criteria

To minimise the negative potential environmental and social (E&S) impact of the loans granted by the banks, we have defined a number of criteria in the Group Credit Risk Management Policy based on our ethical, environmental and social standards. These criteria set the requirements regarding the potential borrower's business activity, mitigate the likelihood of money laundering and terrorist financing, and consider the E&S 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 exclude any business relationships with clients with economic activities that are incompatible with our ethical values, such as manufacturing or trading in weapons, narcotics, gambling, a range of hazardous substances, underground mining and the like, even if such activities are legal. Clearly, activ-

ities involving forced labour or child labour, involuntary resettlement, prostitution, etc., are also unacceptable. They are summarised in our Exclusion List (see > page 44), which is part of our > Code of Conduct. The Exclusion List is endorsed by our international financial institution shareholders.

Exclusion is merely the first of our 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 categorisation system based on international standards that assign individual economic sectors to the high, medium or low environmental risk category, depending on their potential environmental and social impact.
3. Conduct an on-site individual E&S risk assessment whose depth depends on the environmental risk category and the size of the exposure.

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 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 E&S performance in an economically sound way.

Throughout 2019, we further developed our institutional approach to E&S risk, including the development of a guideline on conducting an external environmental and social impact assessment (ESIA) as well as a watch list for potential Category A projects (an international classification of investments with a potentially very high E&S impact requiring special reporting).

An assessment of the social, health and safety 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. Companies with business activities that fall into the medium or high environmental risk categories as well as top exposures are additionally subject to an individual assessment of their environmental performance and impact.

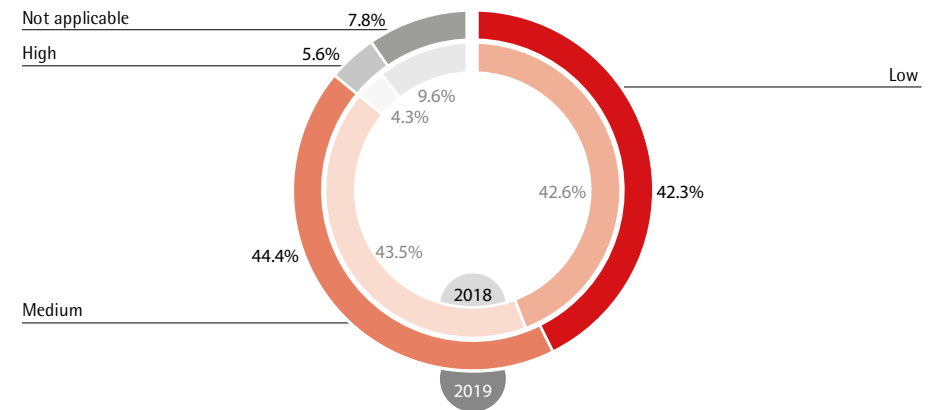
For the assessment of environmental risks, bank staff are supported by a sector-specific assessment form and guidance notes which highlight the particular risks for each sector. This allows our staff to understand the processes better and detect any possible issues. The purpose of this assessment is 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. In some cases, an additional external ESIA may be 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.

Across the group, activities with a low environmental risk (mostly service and retail activities) account for 42% of the loan portfolio, while 44% of the loans were issued for activities with a medium environmental risk (including agricultural as well as productive sectors, i.e. food and textiles) and only 6% of the loans went towards financing activities with a high environmental risk (including for instance pharmaceutical and plastic production as well as hydropower projects). The remaining 8% of the total portfolio volume is accounted for by loans to non-business clients for which the environmental risk category is not applicable.

The slight increase in the share of loans with a high environmental risk can be explained by the reclassification of plastic production and hydropower from medium to high environmental risk. That is not to say that clients in these sectors necessarily pose a greater credit risk, but merely that a more specialised assessment system and greater dialogue with the client is required to analyse whether the more complex business activity is well managed from a social and environmental point of view. The reclassification is evidence of our adherence to a strict assessment protocol, which in some cases includes the preparation of an ESIA by a specialised external party.

### Loan portfolio by environmental risk category





## In practice

### CONTINUOUS DEVELOPMENT OF CREDIT AND ESG RISK MANAGEMENT APPROACH

#### ProCredit strategy to reduce the production and use of plastic

As part of our strategy to reduce the production and use of plastic (see > page 33) we have decided to increase the environmental risk categorisation of plastic production from medium to high and to conduct a more thorough assessment of the environmental impacts. As a first step, all ProCredit banks have analysed their portfolios with regard to their exposure to plastic producers. Every bank is currently engaging its plastic-producing clients in discussions on their business models and their potential transition towards a more sustainable production process through the application of the "3R" principle: reduce, reuse, recycle.

The overall objective of these actions is twofold. Firstly, we want to understand our own exposure, and thus our indirect contribution to the environmental impacts provoked by the plastics industry. Secondly, via our financing decisions, we want to promote a move towards sustainable business models that take the whole lifecycle of a product into consideration. The total identified portfolio of loans to clients active in plastic production is around EUR 116 million.

Following the banks' portfolio analysis, the group is working on categorising the loan clients in terms of the types of plastic products they manufacture and assigning them to one of three lists. The Blacklist, which is the most critical in terms of environmental impact, consigns clients to the exit portfolio unless they commit to a radical change of business model. This applies, for example, to clients whose production includes a significant share of items banned by the EU directive for reducing the impact of plastic products (EU 2019/904). Clients that meet the criteria for the Greylist may continue to do business with us if they demonstrate clear signs of sustainability, while clients whose products are found to be not harmful to the environment are assigned to the Whitelist. Case-by-case decisions on whether to continue financing a client are being taken based on the respective bank's assessment of the client's business model and ability to adapt to the changing environment.

#### Key insights of the portfolio analysis of loans to clients involved in the manufacture of plastic products

Total exposure to plastic producers as of end-2019 was about EUR 116m, or about 2.4% of the total loan portfolio:

- Single-use plastic items: EUR 60m, of which about EUR 12m (0.3% of total LP) outstanding to producers of products that will be banned by the EU from 2021 onwards
- Multiple-use plastic items: EUR 56m

#### The most common single-use plastic items produced by loan clients are:

- All types of packaging and items affected (but not necessarily banned) by the EU single-use plastic directive (e.g. food packaging and containers, bottles, wrappers, etc.)
- Other single-use products: cargo packaging, containers for paints and liquids, etc.

#### Multiple-use plastic items produced by loan clients include mainly:

- Construction materials: PVC windows and doors; pipes; insulation materials
- Consumer goods: buckets, etc.
- Non-consumer components: wire coating, shoe soles, granulate, etc.

# 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.



146

average hours of training per employee\*

EUR  
7.2m

invested in employee training\*



53% women 47% men

diversity in our management boards\*

\*Note: As of December 2019

In this chapter we outline the central role played by our people, and explain how the way we work with them underpins our impact positioning in three key material areas.

**Ethical values and working environment.** 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. Two central aspects of an ethical approach to banking are equal opportunities and diversity. Gender balance at every level of the ProCredit group has long been a matter of fact and is something we welcome and profit from.

**Fair recruiter and employer.** Fairness and openness are the key distinguishing features of our recruitment process. In the countries in which we operate, recruiting and hiring often lack transparency and collaborative communication concerning the process and the underlying decision-making criteria. The candidates appreciate our merit-based process, which treats every applicant the same way.

As a fair employer, we also place great value on a fair and transparent salary structure. We consciously refrain from offering short-term, performance-related bonuses, and ensure a fair ratio between the highest and median salary levels.

**Staff development.** 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. This is true from the very beginning, starting with the six-month Onboarding Programme for new colleagues.

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.

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 and to continually increase the quality and efficiency of services provided to our customers through innovation. 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 CHAPTER

- 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 our colleagues and clients – as well as the environment and the societies in which work – with respect and adopt a long-term perspective towards them. This requires us to go well beyond short-term 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.

We aim at promoting these values not only within our institution and in the direct contact with our clients, but also along our entire supply chain. Therefore, the **> Code of Conduct** sets the basis for business relationships with any potential supplier. Additionally, the group's guideline on sustainable procurement sets

criteria and standards to promote sustainable suppliers which stand out for their particularly social and environmental soundness. We are currently screening suppliers to ensure they comply with these criteria and the medium-term aim is for at least 50% of them to be sustainable.

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 a thorough 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
- Proper use of the ProCredit name
- Confidential treatment of information
- No insider trading or disclosure of inside information
- Responsible choice of outside activities
- Zero tolerance for corruption or 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
- Avoiding 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 Programme and regularly organised in each bank. Regular refresher sessions, as well as 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, the 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](#).

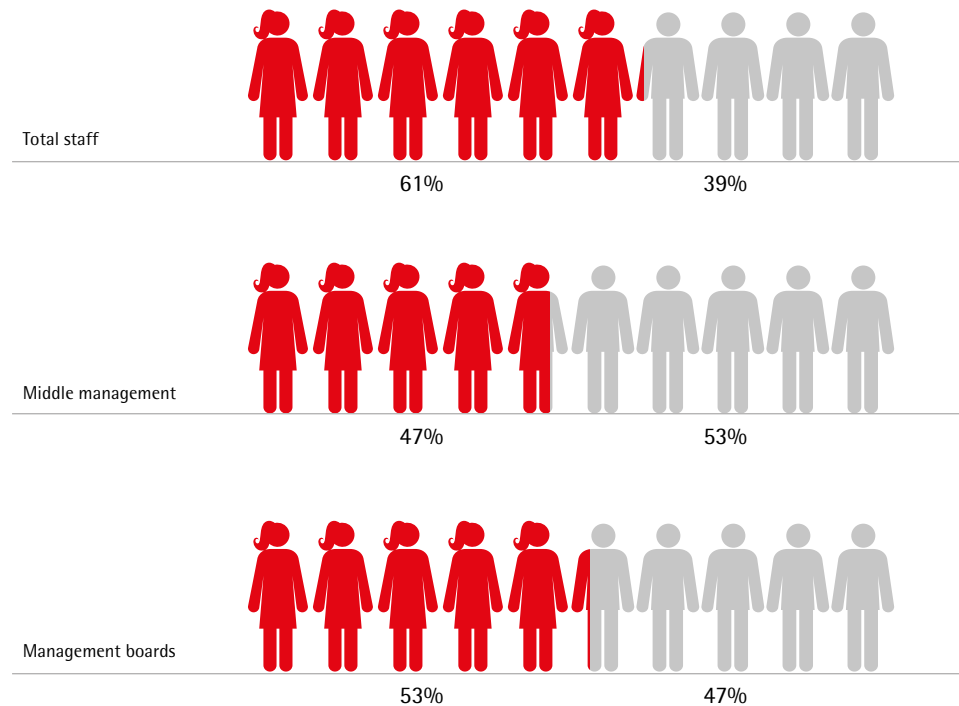
The corporate values and our way of doing business are shared and continuously promoted by all senior managers in the different ProCredit institutions. These managers are a strong asset of the group: their long-term commitment, shown by long service averaging more than 12 years with the ProCredit group, 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: 53% of the members of management boards and 47% 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 with a representative of the management team for a formal conversation dedicated to his or her development.

#### Gender diversity of staff as of December 2019



**In practice**

**GENDER BALANCE IN MANAGEMENT TEAMS AT PROCREDIT BANKS**



**SDG 5: Achieve gender equality and empower all women and girls**

**Target: 5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

**Indicator: 5.5.2** Proportion of women in managerial positions

## 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 the [> ProCredit Holding website](#). For more information, visit the HR website of our banks (see the [> website of ProCredit Bank North Macedonia](#) as an example).

To identify applicants, we apply a well-structured selection procedure. All potential new recruits are required to go through a seven-step process (see Phases 1 and 2). 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.

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

#### Phase 1

-  CV
-  Motivation letter
-  Telephone conversation

#### Phase 2

-  Mathematics and logic test
-  Group discussion
-  Individual interview
-  Two-week focus session

#### Phase 3

-  ProCredit Onboarding Programme

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 lives. 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.

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 2019](#).

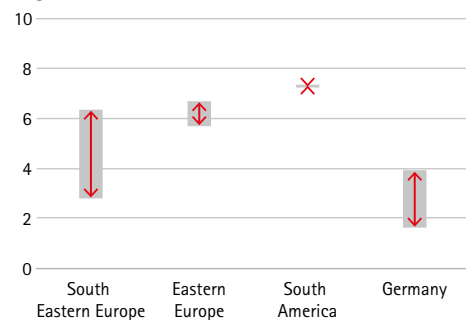
The following chart shows the variation between the ProCredit institutions in each region in terms of their annual compensation ratios as defined by the GRI, i.e. the ratio between the highest and median salary levels.

Overall, the annual compensation ratio ranges from 1.8 to 7.6.

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. Our employees appreciate the stability of the staff structure and organisation. In 2019, the number of employees remained stable and turnover stood at 11%, even in countries where the unemployment rates have been reduced to a very low level thanks to growing FDI.

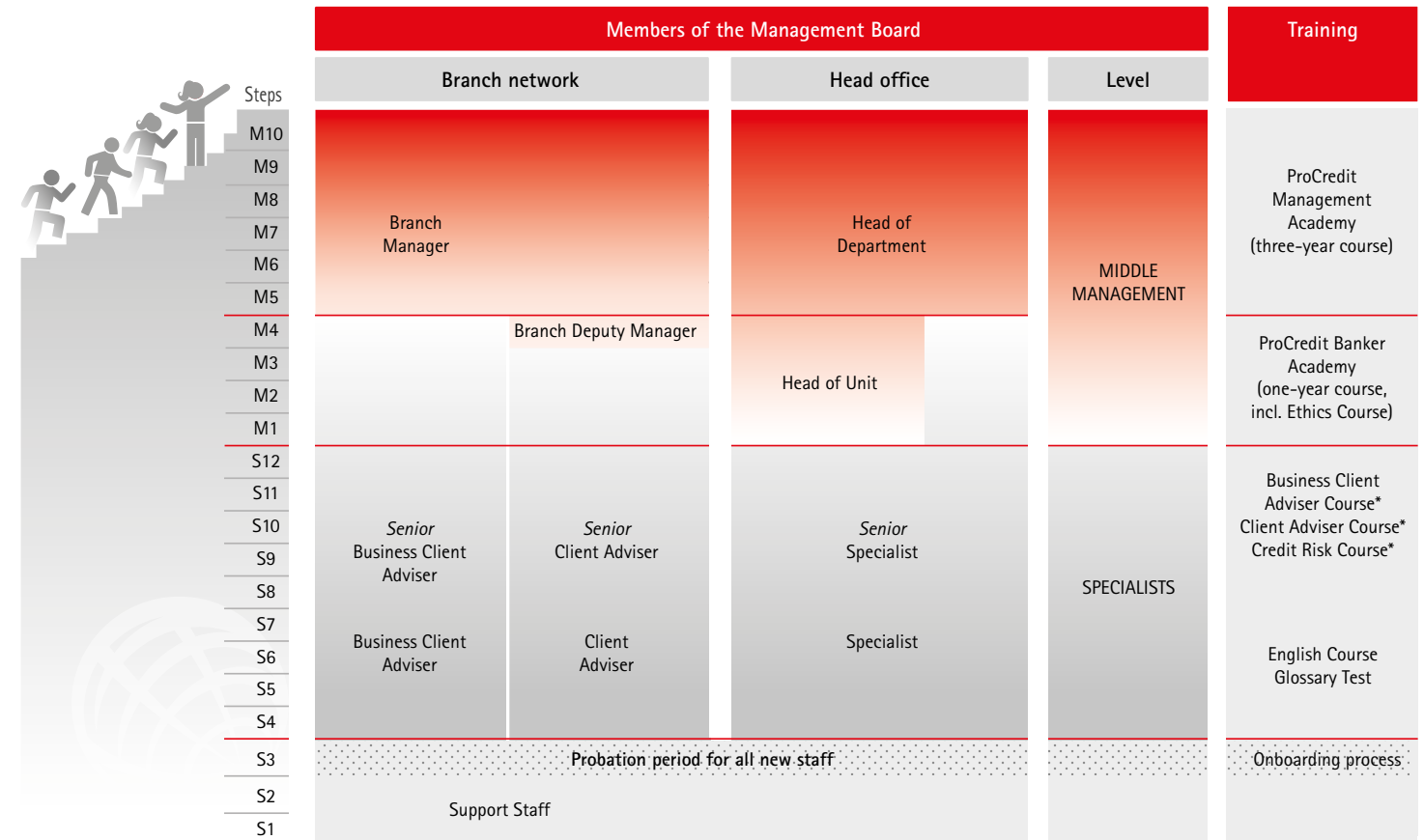
Naturally, men and women have the same opportunities in our institutions in terms of career advancement and remuneration, which

### Range of annual compensation ratios per region in 2019\*



\*Data for the ProCredit Academy as of 2018

### ProCredit's group-wide salary structure



\* Position-specific courses

is also visible in the diversity of our middle management and management boards. Out of the 36 members of the management boards of our banks, 19 are female and 17 are men.

The long-term commitment of our managers and key staff is also reflected by their participation in ProCredit Staff Invest, an investment vehicle which allows staff to acquire ProCredit

Holding shares. ProCredit Staff Invest holds 30% of the group's capital and allows the staff to be represented by a member of ProCredit Holding's Supervisory Board.



## In practice

### THE PROCREDIT EXCHANGE PROGRAMME

Since 2014, ProCredit Holding has been offering this opportunity to qualified employees of ProCredit banks to develop their professional and personal skills. The programme gives them a better understanding of the group perspective.

**ILSE JUNIETH OLIVAS MORAN**, from ProCredit Bank (PCB) Ecuador, is currently (12/2019) participating in the Exchange Programme (EP) and working in the Credit Risk unit of ProCredit Holding (PCH)

#### Why did you decide to participate in the one-year ProCredit EP?

Working for PCH gives me a more comprehensive overview of the company. It enables me to work with people from different ProCredit banks and to learn from each other. Additionally, it helps me to improve my English.

#### What do you like most about the EP?

Being part of a diverse team and sharing each other's cultures and traditions. From a work perspective, the screening of cases from different countries helps me to better understand their markets, business strategy and clients.

#### What experience will help you the most once you are back at your bank?

Now that I know exactly what my PCH colleagues need in order to give a fast opinion, I will be able to provide the proper information right from the beginning. This will help me in my risk assessment and the communication with the Credit Risk unit of PCH.

**LAZAR RADOJKOVIC**, from PCB Serbia, participated in the Exchange Programme in 2018 and is now working as an HR Specialist at ProCredit Bank Serbia

#### Describe your goals in joining the EP. Did you achieve them?

Professionally, I wanted to acquire new skills and knowledge in a new working field. Personally, I challenged myself to get out of my comfort zone and to be more open to new cultures and perspectives. I am proud to say that I achieved both goals.

#### What experience from the EP helps you most in your work at the bank?

I am now in charge of organising ProCredit's Onboarding Programme for new colleagues. Through my one-year experience in Group HR, I was able to gain a bigger picture when it comes to staff recruitment and I can apply the knowledge to my current job.

#### How has the EP affected you personally and your career path?

Before I participated in the EP I worked as a Legal Adviser – so the EP was the beginning of my current career path. It was my first encounter with HR in general and since then my career has turned in this completely new direction.



## STAFF DEVELOPMENT



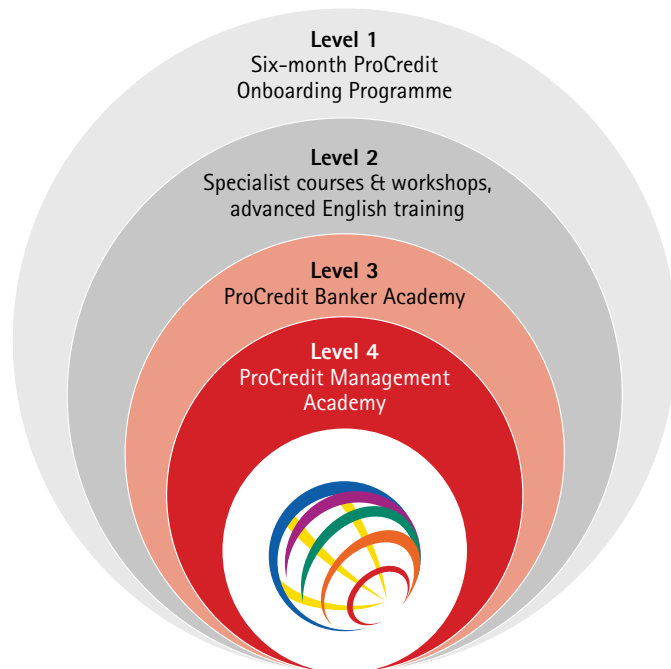
Throughout the ProCredit group, we make significant investments to ensure that staff acquire the skills they need to achieve a consistently high level of performance while maintaining their strong sense of identification with our objectives and corporate culture. Top managers are frequently involved 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 responsibilities, 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, considerable resources are dedicated to training; in 2019 alone, we invested more than EUR 7m in staff training.

The training continuum at ProCredit is closely linked to the staff appraisal system in order to identify and develop promising staff, including our middle managers, in an ongoing and structured way. The bi-annual feedback talks with direct supervisors and the annual staff conversation between staff members and a member or a representative of the management board give regular and unique opportunities to identify training needs, match development wishes and plan individualised development paths.

### Levels of training at ProCredit



### Levels of training at ProCredit

#### Level 1: ProCredit Onboarding Programme

This 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 commercial 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 skills.

**26%**

ProCredit Onboarding Programme graduates in total staff as of December 2019

## Level 2: Specialist courses and workshops, advanced English training

Following this initial grounding, employees 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. In this way, our new colleagues learn 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. This includes for instance the annual green training and AML training for all of our

staff as well as specific training programmes such as the renewable energy training for staff involved in green lending; regular job-specific training for e.g. Client Advisers, Environmental Risk Officers, Credit Analysts, Contact Centre staff, etc. Another noteworthy example is the annual green training, which follows a structured approach, and depending on the topics, applies to both all staff and specialised positions (as shown below).

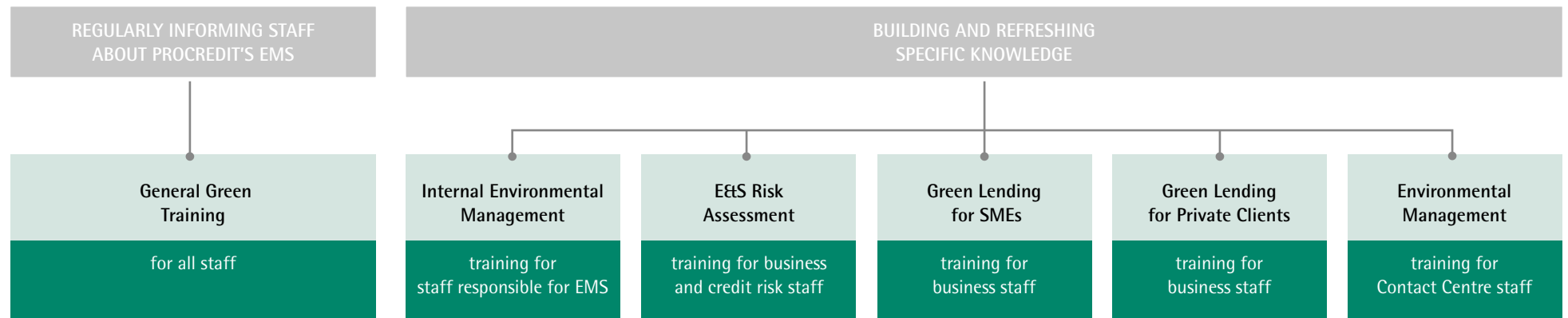
To improve the professional dialogue between the ProCredit banks and ProCredit Holding, regular structured one-year staff exchange programmes permit between 20 and 25 colleagues from the group's banks to spend a year in one of the teams at ProCredit Holding.

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 programmes 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.

**1,788** person-hours of training in renewable energy topics

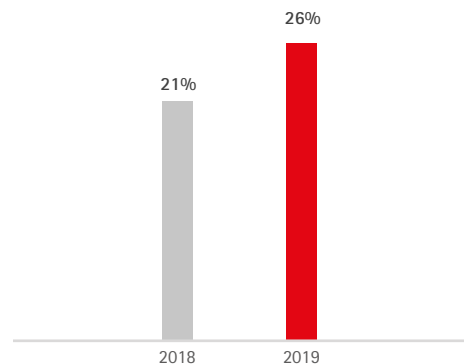
### Annual green training concept



### 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 prepares them for further challenges both at home and in their banks. Attending 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.


#### ProCredit Onboarding Programme graduates among total staff



### Level 4: The ProCredit Management Academy

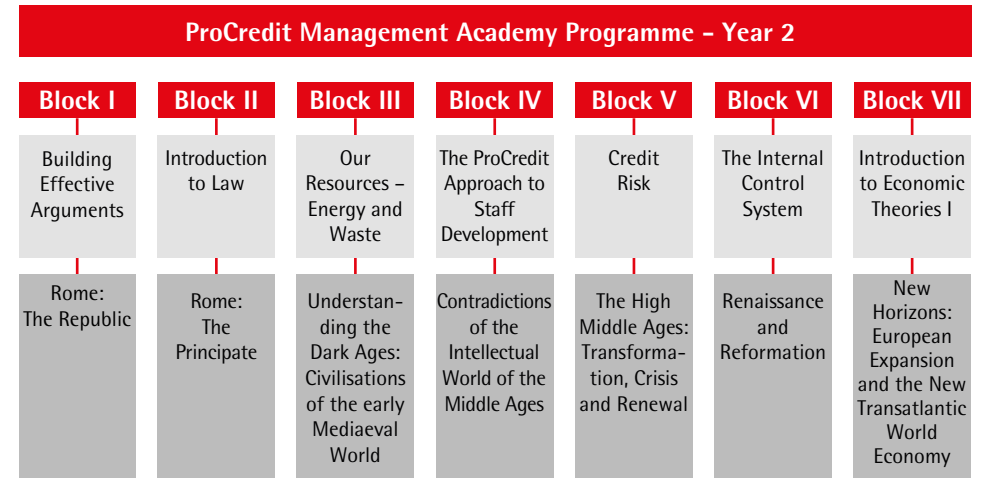
Like the Banker Academy, the three-year ProCredit Management Academy course has been continually adapted in response to the various challenges and changes in the environments in which we operate – be they organisational, economic, political or social. The aims of the Management Academy are to generate 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, all our banks' management board members have completed the Management Academy course.

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.

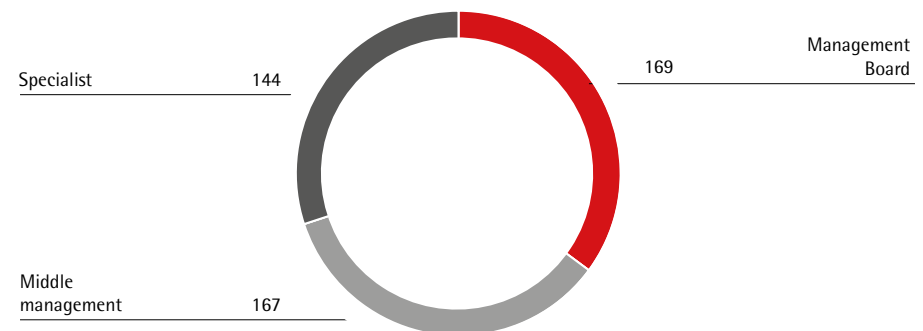


More than  
**456,000**  
 total training hours  
 in 2019

#### Excerpt from the Management Academy curriculum



#### Average hours of training per employee in 2019














ANNEX





# SDGs, MATERIAL TOPICS AND TARGETS

Material topic for ProCredit	Target associated with SDG	Selection of relevant business action/indicators which contribute to achieving target
	 <p><b>5.1</b> End all forms of discrimination against all women and girls everywhere</p>  <p><b>5.5</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p>	<p><i>"Embedding the principle of gender equality in policies and processes for both employees and governing bodies throughout its operations and supply chains, including recruitment, remuneration/benefits, training, promotion, and development reviews.</i></p> <p><i>Paying equal remuneration, including benefits, for work of equal value."</i></p> <ul style="list-style-type: none"> <li>• Transparent performance management and long-term career perspective, taking the personal and family situation of individuals into account; clearly structured staff recruitment approach defined in the ProCredit Group Human Resources Management Policy</li> <li>• The broad-based three-year programme of the Management Academy actively fosters women in its spirit of active learning, solidarity, friendliness, values and principles</li> <li>• Transparent salary structure with fixed salaries which are defined in the Group Remuneration Policy</li> </ul> <p><i>"Including proactively recruiting and appointing women to managerial and executive positions."</i></p> <ul style="list-style-type: none"> <li>• Goal of 50% female management board share fully achieved</li> </ul>
	 <p><b>7.2</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>  <p><b>7.3</b> By 2030, double the global rate of improvement in energy efficiency</p>	<p><i>"Monitoring and reporting on the amount of energy produced, purchased and consumed, according to source.</i></p> <p><i>Supporting new business models to deliver sustainable and renewable energy."</i></p> <ul style="list-style-type: none"> <li>• Energy consumption within the organisation (57% of electricity from renewable energy sources)</li> <li>• RE projects in loan portfolio (84 MW installed capacity)</li> </ul> <p><i>"Reducing energy consumption in own operations e.g. through energy-efficient technologies, obtaining sustainability certification for buildings.</i></p> <p><i>Creating new business models to deliver energy-efficient technologies."</i></p> <ul style="list-style-type: none"> <li>• Energy intensity in buildings (5,344 kWh/capita; 176 kWh/m<sup>2</sup>)</li> <li>• Energy consumption in buildings reduced by 5%</li> <li>• EE promoted through green loan products (EUR 542m EE loans), pushing industry standards forward with min. of 20% energy savings for eligibility</li> </ul>

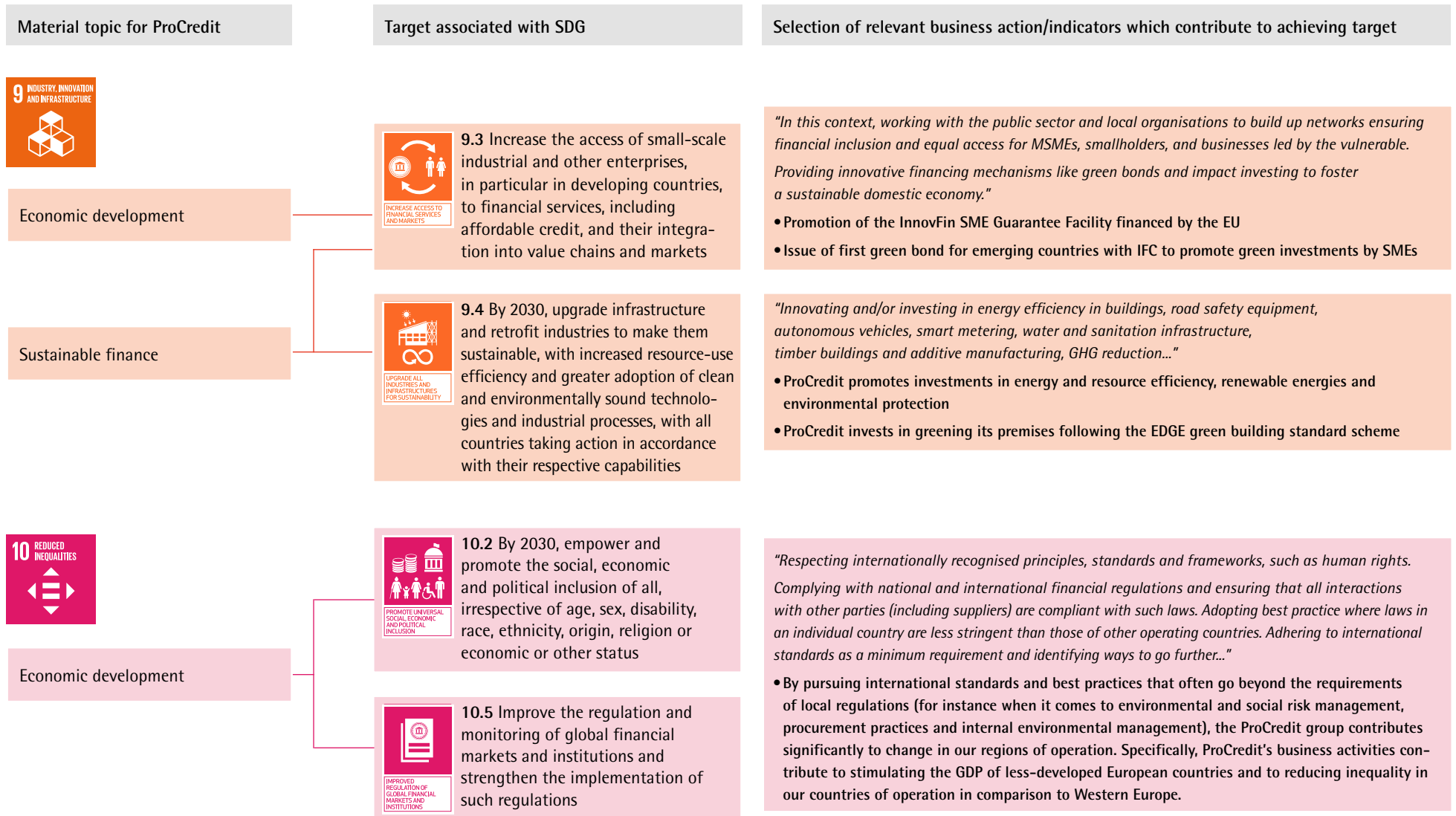
Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)

- Relevant indicators and facts underlining the business actions taken by the ProCredit group

Material topic for ProCredit	Target associated with SDG	Selection of relevant business action/indicators which contribute to achieving target
 <p>Technology and innovation</p>	 <p><b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p>	<p><i>"Increasing economic productivity through co-developing technology with start-ups and investing in innovation and technology which responds to local needs."</i></p> <ul style="list-style-type: none"> <li>• Continuous development of the Direct Banking strategy: Digitalisation of financial and non-financial services</li> </ul>
<p>Economic development</p>	 <p><b>8.3</b> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>	<p><i>"Encouraging the formalisation and growth of MSMEs, including through access to financial services and not doing business with companies that are not legally registered."</i></p> <ul style="list-style-type: none"> <li>• Significant indirect economic impact through promoting SMEs in transition economies</li> </ul>
<p>Sustainable finance</p> <p>Environmental management</p>	 <p><b>8.4</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead</p>	<p><i>"Responsibly influencing consumer and consumption patterns and promoting sustainable consumption and lifestyles through, for instance, product development and marketing."</i></p> <p><i>Applying sustainability aspects to suppliers, not only to reduce the cost of supply but also to simultaneously implement efficiency measures and reduce the environmental footprint in the supply chain.</i></p> <p><i>Improving the efficiency of use of energy, water, (raw) materials and other resources."</i></p> <ul style="list-style-type: none"> <li>• Annual selection of green topics with marketing activities in order to address clients, employees and the general public across all ProCredit countries</li> <li>• Paper use reduced by 23% compared to 2018</li> <li>• Development of sustainable procurement guidelines including a definition of what a sustainable supplier is</li> </ul>






Material topic for ProCredit	Target associated with SDG	Selection of relevant business action/indicators which contribute to achieving target
	 <p><b>8.5</b> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p><i>"Establishing a zero-tolerance policy towards all forms of violence in the workplace and preventing sexual harassment.</i></p> <p><i>Ensuring non-discrimination in recruitment, remuneration and working status.</i></p> <p><i>Paying at a minimum the living wage. Paying wages adequate to satisfy the basic needs of employees and their families, and maintaining regular payment of wages."</i></p> <ul style="list-style-type: none"> <li>• New employee hires from all age groups and low employee turnover</li> <li>• Key principles of what constitutes the ProCredit 'res publica' institutionalised through Code of Conduct</li> <li>• Salaries paid are significantly above minimum wage starting from job entry levels. The Group Remuneration Strategy ensures a transparent salary structure with fixed salaries</li> </ul>
Fair recruiter and employer	 <p><b>8.7</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</p>	<p><i>"Developing policies and procedures in order to address incidences or suspected incidences throughout business activities, and incorporating these in the codes of conduct around acceptable employee behaviour and the recruitment and procurement process."</i></p> <ul style="list-style-type: none"> <li>• Exclusion List forbids establishing a business relationship with clients or suppliers which engage in activities involving harmful or exploitative forms of forced labour/harmful child labour</li> <li>• Review of human rights compliance complemented by compliance with Exclusion List (by suppliers and clients alike)</li> </ul>
Prudent credit risk management	 <p><b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p>	<p><i>"Implementing policies committing to freedom of association and collective bargaining, health and safety, no discrimination, combating workplace violence and rights awareness among workforce and share those values with all stakeholders.</i></p> <p><i>Building screening mechanisms and ensuring consistent practices in own supply chains."</i></p> <ul style="list-style-type: none"> <li>• Code of Conduct (including rigid Exclusion List) as ethical compass publicly accessible to all stakeholders</li> <li>• All potential suppliers subject to a screening process to make sure they meet all of our environmental and social criteria and the core values laid out in our Code of Conduct</li> </ul>





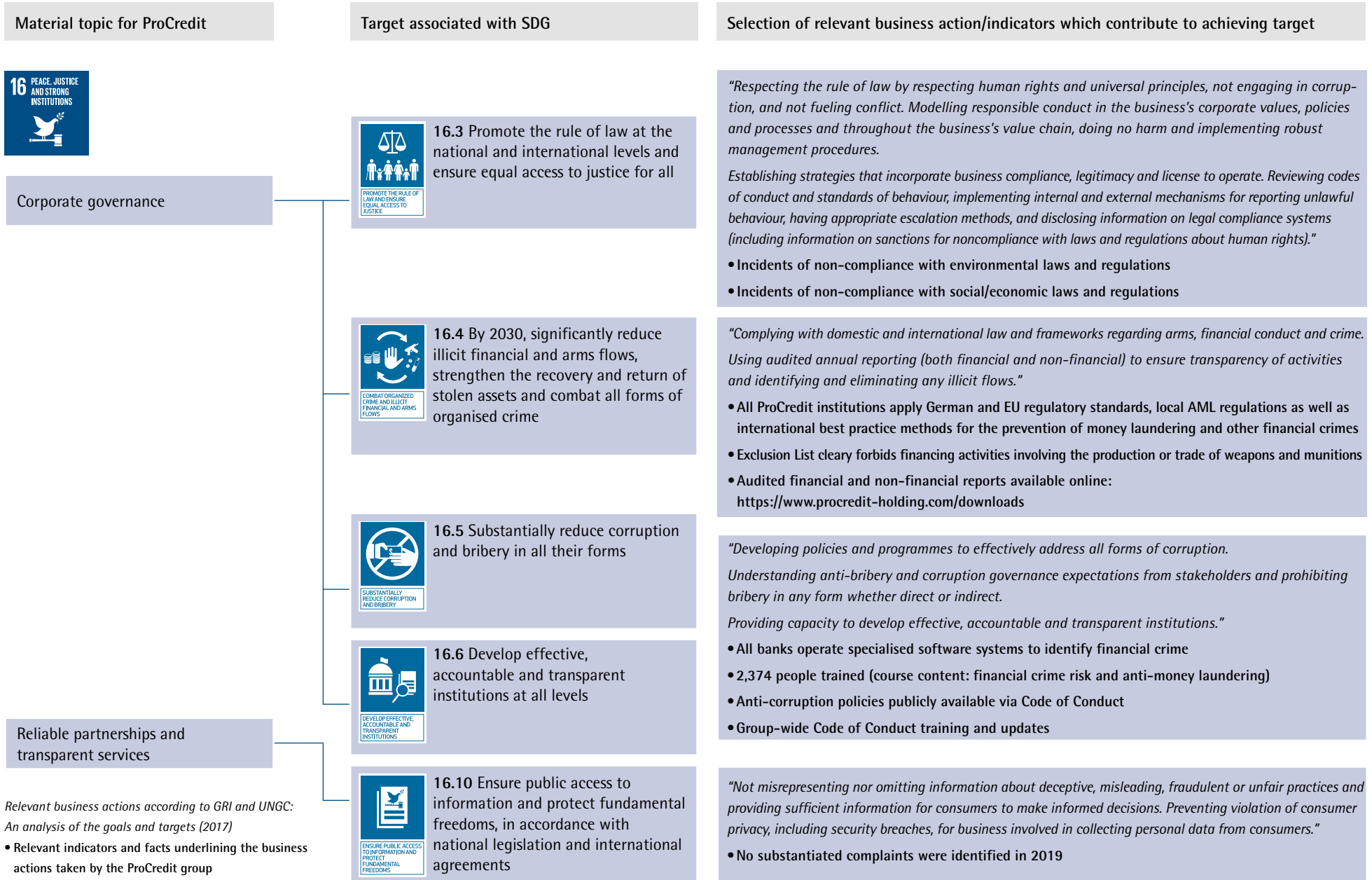
Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)

- Relevant indicators and facts underlining the business actions taken by the ProCredit group

Material topic for ProCredit	Target associated with SDG	Selection of relevant business action/indicators which contribute to achieving target
	 <p><b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources</p>	<p><i>"Understanding sustainable management and resource efficiency in all operations, products and services. Establishing and maintaining proactive environmental management systems. Establishing measurable objectives and/or targets for improved environmental performance and resource utilisation. Regularly tracking and reporting energy, water and materials consumed and treated in business operations and improving efficiency by reusing/recycling."</i></p> <ul style="list-style-type: none"> <li>• Promotion of green financial products</li> <li>• Regular certification of environmental management systems in all institutions following EMAS (German entities) or ISO 14001</li> </ul>
Sustainable finance	 <p><b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p><i>"Implementing circular business models such as using renewable, organically-based or fully recyclable inputs, recovering resources, extending product lifecycle. Tracking and reporting waste generated by type, treatment and disposal destination."</i></p> <ul style="list-style-type: none"> <li>• 104 tonnes of paper waste collected, 100% was recycled</li> <li>• 100% use of either certified or recycled paper in all ProCredit institutions</li> <li>• Development of group-wide strategy and Exclusion List to reduce the production and use of plastic</li> </ul>
Environmental management	 <p><b>13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p><i>"Identifying risks and opportunities caused by climate change. Investing in environmental protection and improving the resilience to environmental hazards and resource scarcity throughout operations and the supply chain. Setting science-based GHG reduction targets in line with the goals of the Paris Agreement."</i></p> <ul style="list-style-type: none"> <li>• Green loans account for 16.6% of our total loan portfolio - of which almost 93% are loans to the SME sector (31.12.2019)</li> <li>• Sustainability objective in the medium term: Become carbon neutral by 2023</li> </ul>
Sustainable finance	 <p><b>13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<p><i>"Raising awareness and understanding among clients, investors and employees about climate change and natural disaster reduction through, for instance, providing training and educational activities, and having a clear communication strategy around risks, goals and the associated benefits. Communicating transparently to help identify the resources needed in the business's corporate climate policies, adaptation strategies and environmental investments."</i></p> <ul style="list-style-type: none"> <li>• Specific green training for specialist staff, general green training for all staff</li> <li>• Regular eco newsletter for all staff</li> </ul>
Environmental management		

Relevant business actions according to GRI and UNGC: An analysis of the goals and targets (2017)

- Relevant indicators and facts underlining the business actions taken by the ProCredit group





ANNEX

# PROCREDIT'S SUSTAINABILITY PERFORMANCE INDICATORS

ProCredit Bank in Ukraine





# PROCREDIT AT A GLANCE

## General information

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Number of financial institutions	7	7	3	3	2	1	1	1	13	12
Number of other institutions	2	2	0	0	0	0	3	3	5	5
Number of outlets <sup>1</sup>	55	50	22	23	9	7	1	1	87	81
Number of employees <sup>2</sup>	1,594	1,601	632	651	234	228	548	643	3,008	3,123

Source: PCH Operational Statistics; HR data bases.

Audited: No

<sup>1</sup>Includes branches and service points. <sup>2</sup>All staff, including management board members and staff in unconsolidated entities. Employee numbers are expressed as head count as of year-end.

\*For 2019 and 2018 only continuing business operations are presented

## Key figures

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Total assets (EUR m)	3,891	4,362	1,247	1,476	330	351	499	509	5,966	6,698
Customer loan portfolio (EUR m)	3,059	3,362	987	1,090	271	289	76	56	4,392	4,797
Customer deposits (EUR m)	2,706	3,067	702	895	147	139	272	233	3,826	4,333
Deposits-to-loans ratio	88%	91%	71%	82%	54%	48%	357%	416%	87%	90%
Profit of the period (EUR m)	42.1	38.4	33.2	37.7	-3.2	-1.3	37.5	-10.7	54.5	54.3
Return on average equity	8.8%	7.7%	20.0%	17.5%	-5.6%	-2.5%	5.5%	-1.5%	7.6%	6.9%
Number of business clients*	21,202	24,738	6,703	8,581	1,622	1,508	409	429	29,936	35,256
Number of business loans	40,093	33,566	8,495	8,277	6,492	5,024	94	83	55,174	46,950
Number of business loans (>EUR 50,000)	16,257	17,383	5,954	6,254	1,966	1,713	92	80	24,269	25,430
Volume of business loans (EUR m)	2,764	3,086	946	1,053	261	277	76	56.0	4,047	4,472
Number of private loans	33,772	29,198	1,999	1,697	520	394	2	3	36,293	31,292
Volume of private loans (EUR m)	295	276	41	37	10	12	0	0	345	326

Source: Reporting Packages

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

\*For 2019 and 2018 only continuing business operations are presented

## Number and volume of transactions

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Average monthly number of transactions	2,379,281	3,167,977	878,807	1,157,667	104,735	137,611	3,167	4,798	3,365,990	4,468,053
Average monthly volume of transactions (EUR m)	2,388	1,791	1,024	829	56	62	49	32	3,516	2,714

Source: PCH Operational Statistics

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

## Reciprocity ratio<sup>1</sup>

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Direct ratio <sup>2</sup>	19.1%	21.0%	11.3%	14.8%	8.6%	8.1%	14.3%	15.8%	16.5%	18.7%
Sector ratio <sup>3</sup>	37.9%	42.1%	31.4%	36.9%	16.6%	15.5%	86.2%	149.1%	35.3%	39.6%

Source: Supervisory Board presentations from banks

Audited: No

<sup>1</sup> 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.

<sup>2</sup> The direct reciprocity ratio is calculated as total deposits from only those business clients who also have loans as a percentage of the total outstanding portfolio of loans to business clients.

<sup>3</sup> 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	North Macedonia	Romania	EU
Air pollution (PM2.5; mean annual exposure in mcg/m <sup>3</sup> )	27.7	19.1	22.2	29.7	14.6	13.1

Reference year: 2017

Source: World Bank: World Development Indicators 2020; Available online at: <https://databank.worldbank.org/data/reports.aspx?source=2&series=EN.ATM.PM25.MC.M3&country=#> (accessed on 15 January 2020)

Indicator	Bosnia & Herzegovina	Georgia	North Macedonia	Romania	Serbia	EU
Unemployment rate (% of total labour force)	21.2	14.2	21.6	4.2	13.5	6.5

Reference year: 2019

Source: World Development Indicators 2020; Available online at: <https://databank.worldbank.org/reports.aspx?source=2&series=SL.UEM.TOTL.ZS&country=#> (accessed on January 15th 2020)

Indicator	Bosnia & Herzegovina	Bulgaria	Georgia	Serbia	Ukraine	EU
Energy intensity (Total primary energy supply by GDP) (tonnes of oil equivalent/thousand 2010 USD)	0.4	0.3	0.3	0.4	0.7	0.1

Reference year: 2017

Source: International Energy Agency: World Energy Balances 2020; Available online at: <https://www.iea.org/statistics/>

Indicator	Bosnia & Herzegovina	Bulgaria	Georgia	Serbia	Ukraine	EU
CO <sub>2</sub> emissions by GDP (kg CO <sub>2</sub> /2010 USD)	1.1	0.7	0.6	1.1	1.4	0.2

Reference year: 2017

Source: International Energy Agency: World Energy Balances 2020; Available online at: <https://www.iea.org/statistics/>

Indicator	Bulgaria	Ecuador	Romania	Serbia	Ukraine	Western Europe (average)
Transparency International Corruption Perceptions Index (0 = highly corrupt, 100 = very clean)	42	34	47	39	32	66

Reference year: 2018

 Source: Transparency International: Corruption Perceptions Index 2018; Available online at: <https://www.transparency.org/cpi2018>

Indicator	Albania	Moldova	Romania	Serbia	Ukraine	EU
GDP per capita (current USD)	5,269	3,227	12,301	7,247	3,095	36,570

Reference year: 2018

 Source: World Bank: World Development Indicators 2019; Available online at: <https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.PCAP.CD&country=>

Indicator	Bulgaria	Ecuador	Germany	Moldova	North Macedonia	Serbia	Ukraine
Human Development Index (HDI)* (0= undeveloped, 1= highly developed)	0.82	0.76	0.94	0.71	0.76	0.80	0.75

Reference year: 2018

 Source: United Nations Development Programme 2019; Available online at: <http://hdr.undp.org/en/2019-report/download>

\* The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and per capita income indicators.



## BUSINESS MODEL

### Importance of SMEs

Indicator	EU average	Albania	Bosnia	Bosnia Et Herzegovina	Bulgaria	Kosovo	North Macedonia	Moldova	Romania	Serbia	Ukraine
Number of persons employed by SMEs (% of total employees in enterprises)	66.6%	80.3%	71.5%	80.3%	75.7%	76.2%	74.2%	70.6%	65.8%	66.3%	61.4%
Value added by SMEs (% of total value added by enterprises)	56.4%	68.3%	65.6%	68.3%	65.3%	81.0%	63.4%	70.7%	52.7%	55.6%	47.2%

Reference year: 2016: Bosnia and Herzegovina, Kosovo; 2017: Albania, North Macedonia, Moldova, Serbia, Ukraine; 2018: Bulgaria, Romania and EU  
 Source: European Commission 2019 (Bulgaria, Romania, EU) and 2018 (Albania, North Macedonia, Serbia) Small Business Act (SBA) Fachsheets

### Compliance and banking regulations

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019

#### 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	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Staff trained on financial crime risks</b>										
ProCredit Onboarding Programme participants	68	10	22	0	0	0	0	18	90	28
Specialists	823	1,922	450	165	233	192	22	55	1,528	2,334
Managers	12	9	57	0	0	3	1	0	70	12
<b>Accounts closed or client relationships terminated due to risk of financial crime</b>										
Number of accounts closed	47	107	63	33	5	30	5	8	120	178
Number of client relationships ended	7	27	10	8	2	7	2	6	21	48

Source: AML database

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

## Internal environmental management

### Environmental performance indicators

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2018	2019	2018	2019	2018*	2019	2018	2019	2018	2019	
<b>General data</b>												
Staff <sup>1</sup>	No	1,774	1,641	645	657	260	230	527	558	3,205	3,086	-4%
Area	m <sup>2</sup>	57,731	52,458	19,572	19,228	7,123	6,956	13,939	15,284	98,365	93,926	-5%
<b>Energy</b>												
Electricity produced by own PV installations	MWh	74.5	77.2	11.9	21.8	0	0	77.0	105.4	163.4	204.4	25%
Total energy consumption of buildings	MWh	10,515	9,347	4,425	4,263	781	734	1,704	2,146	17,425	16,490	-5%
	GJ	37,855	33,651	15,928	15,345	2,812	2,642	6,133	7,725	62,729	59,363	-5%
Electricity consumption	MWh	8,428	7,513	3,125*	3,123	781	734	749	888	13,084	12,258	-6%
Electricity from non-renewable energies	MWh	5,793	3,193	1,680	1,671	231	217	197	206	7,901	5,287	-33%
	GJ	20,855	11,494	6,047	6,016	832	782	707	741	28,442	19,033	-33%
Electricity from renewable energies	MWh	2,635	4,321	1,445*	1,452	550	517	553	682	5,184	6,971	34%
	GJ	9,487	15,554	5,204	5,226	1,980	1,860	1,990	2,456	18,661	25,097	34%
Heating energy consumption	MWh	2,007	1,753	1,205	1,127	0	0	923*	1,207	4,135	4,087	-1%
Heating from non-renewable energies	MWh	1,822	1,539	1,188	1,110	0	0	425	609	3,435	3,259	-5%
	GJ	6,561	5,541	4,275	3,998	0	0	1,530	2,194	12,366	11,733	-5%
Heating from renewable energies	MWh	185*	214	17*	16	0	0	498*	598	700*	828	18%
	GJ	665	771	61	58	0	0	1,793	2,153	2,519	2,982	18%
Generators	MWh	80	81	95	13	0	0	31	50	206	144	-30%
<b>Transport</b>												
Vehicle energy consumption	MWh	2,131	1,722	990	821	125	105	198	168	3,445	2,816	-18%
	GJ	7,673	6,199	3,566	2,956	449	378	713	604	12,400	10,137	-18%
Vehicle mileage	1,000 km	3,944	3,518	1,380	1,259	166	145	162	212	5,653	5,133	-9%
All vehicles (average over the year)	No	253	233	68	66	14	13	13	15	349	326	-6%

## Environmental performance indicators

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2018	2019	2018	2019	2018*	2019	2018	2019	2018	2019	
All vehicles (Dec)	No	242	218	65	65	12	11	13	15	332	309	-7%
Gasoline (Dec)	No	19	16	19	15	2	2	1	2	41	35	-15%
Diesel (Dec)	No	74	52	12	12	1	0	11	10	98	74	-24%
Electric (Dec)	No	74	62	10	12	5	5	1	3	90	82	-9%
Hybrid (Dec)	No	75	88	24	26	4	4	0	0	103	118	15%
Number of flights	No	4,775	4,604	2,749	2,218	1,766	1,617	2,851	2,995	12,141	11,434	-6%
Distance of flights	1,000 km	4,874	5,003	3,818	3,250	3,662	4,021	5,766	5,752	18,119	18,026	-1%
<b>CO<sub>2</sub> emissions</b>												
Total gross CO <sub>2</sub> emissions	tCO <sub>2</sub>	7,099	4,906	2,246	1,986	1,296	1,264	1,986	2,091	12,627	10,246	-19%
Gross CO <sub>2</sub> emissions by scope												
Scope 1 (road travel, in-house heating, generators)	tCO <sub>2</sub>	738	571	555*	434	30	25	151	184	1,473	1,214	-18%
Scope 2 (electricity (including electric vehicles, district heating))	tCO <sub>2</sub>	5,157	3,055	781	778	141	132	149*	167	6,228	4,133	-34%
Scope 3 (air travel)	tCO <sub>2</sub>	1,204	1,279	910	774	1,126	1,107	1,686	1,740	4,926	4,900	-1%
Gross CO <sub>2</sub> emissions by main origins												
Road travel	tCO <sub>2</sub>	566	438	251	206	31	26	53	44	900	714	-21%
Air travel	tCO <sub>2</sub>	1,204	1,279	910	774	1,126	1,107	1,686	1,740	4,926	4,900	-1%
Electricity	tCO <sub>2</sub>	4,820*	2,780	718	719	140	131	149*	164	5,827*	3,794	-35%
Heating	tCO <sub>2</sub>	463	382	244	228	0	0	90	130	797	741	-7%
CO <sub>2</sub> emissions avoided by generating own electricity (PV)	tCO <sub>2</sub>	50	35	4	8	0	0	31*	43	86*	85	0%
Net CO <sub>2</sub> emissions (gross emissions minus emissions avoided)	tCO <sub>2</sub>	7,049	4,871	2,241	1,978	1,296	1,264	1,955	2,048	12,541*	10,161	-19%
CO <sub>2</sub> emissions offset through compensation payments	tCO <sub>2</sub>	0	0	0	0	0	0	83	119	83	119	42%



## Environmental performance indicators

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2018	2019	2018	2019	2018*	2019	2018	2019	2018	2019	
<b>Water</b>												
Total water consumption	m <sup>3</sup>	16,741*	17,177	8,959	9,140	2,712	2,980	11,115	12,072	39,527*	41,369	5% <sup>2</sup>
Indoor water consumption	m <sup>3</sup>	14,547*	17,177	8,367*	9,140	1,992	2,260	10,649	11,934	35,555*	40,511	14%
Outdoor water use (irrigation)	m <sup>3</sup>	2,194	2,086	592*	1,469	720	720	466	138	3,972*	4,413	11%
Water from public/private water utility	%	100.0%	100.0%	95.8%	99.1%	100.0%	100.0%	100.0%	100.0%	99.0%	99.8%	
Water from other sources	%	0.0%	0.0%	4.5%	0.9%	0.0%	0.0%	0.0%	0.0%	1.0%	0.2%	
<b>Printing paper</b>												
Total printing paper consumption	t	29	21	11	9	2	2	3	2	45	34	-23%
of which recycled or certified	%	87%	100%	70%	100%	100%	100%	95%	99%	84%	100%	
<b>Paper waste</b>												
Total paper waste <sup>3</sup>	t	191	67	29	22	2	2	14	14	236	104	-56%
Recycling	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
<b>Electronic waste</b>												
Total electronic waste	t	45	19	9	0	0	3	1	1	56	24	-58%
Reuse (usable electronic equipment)	%	82%	26%	14%	77%	-	0%	0%	21%	69%	22%	
Recycling	%	18%	74%	86%	23%	-	100%	100%	79%	31%	78%	

Source: Collected via the iEMS Tool (online platform for data collection). The source of the emission factors is the International Energy Agency (2019), Emission Factors and the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories. The reference year used for emission factors is 2017; however, for those countries where 2018 estimates were available, the latest data was used. Whenever electricity supplied by external sources is 100% renewable, zero emissions are assumed. Flight emissions are estimated via the web-based calculator atmosfair GmbH.

Audited: Partially through internal and external audit of the EMS.

Notes: For 2019 and 2018, only continuing business operations are presented. Any differences between the 2018 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 by more than 10% at regional level and 5% at group level are marked with an asterisk. Significant changes in South America are mainly explained by the fact that ProCredit Bank Colombia is no longer considered in the analysis. Reasons for the significant changes in building energy consumption include the replacement of estimated values with actual values as well as an update of the countries' respective shares of RE and non-RE heating and electricity sources. Whenever changes in energy consumption occurred, this led to changes in the respective CO<sub>2</sub> emissions category. Total CO<sub>2</sub> emissions were restated, following an update in emission factors and corrections to the Scope 2 definitions. Changes in water consumption are mostly related to a revision of the applied methodology of recording indoor and outdoor water use. Moreover, changes in the absolute performance indicators are reflected in the corresponding relative performance indicators.

<sup>1</sup> For the environmental performance analysis, the average number of staff over the year is used. In other parts of the report, the number of staff at year-end is used.

<sup>2</sup> Due to identified water leaks in individual banks and the introduction of the swimming pool at the ProCredit Academy.

<sup>3</sup> Due to the cleaning of archives in South Eastern Europe, paper waste was particularly high in 2018.

## Relative environmental performance

Indicator	Unit	South Eastern Europe		Eastern Europe		South America		Germany		Total		Change
		2018	2019	2018	2019	2018*	2019	2018	2019	2018	2019	
<b>Energy</b>												
Relative energy consumption of buildings	kWh/employee	5,929	5,697	6,861	6,491	3,004	3,189	3,233	3,844	5,436	5,344	-2%
	kWh/m <sup>2</sup>	182	178	226	222	110	106	122	140	177	176	-1%
	kWh/1000 EUR loan portfolio	3.4	2.8	4.5	3.9	2.9	2.5	22.4	38.3	4.0	3.4	-13%
	kWh/1000 EUR deposits	3.9	3.0	6.3	4.8	5.3	5.3	6.3	9.2	4.6	3.8	-16%
Electricity from renewable energies	%	31%	58%	46%	46%	70%	70%	74%	77%	40%	57%	
Heating energy from renewable energies	%	9%	12%	1%	1%	-	-	54%	50%	17%	20%	
<b>Transport</b>												
Fuel efficiency	kWh/100km	54	49	72	65	75	73	122	79	61	55	-10%
Share of hybrid and e-cars	%	62%	69%	52%	58%	75%	82%	8%	20%	58%	65%	
<b>Emissions</b>												
Relative total gross CO <sub>2</sub> emissions	tCO <sub>2</sub> /employee	4.0	3.0	3.5	3.0	5.0	5.5	3.8	3.7	3.9	3.3	-16%
	tCO <sub>2</sub> /EUR m loan portfolio	2.3	1.5	2.3	1.8	4.8	4.4	26.1	37.3	2.9	2.1	-26%
	tCO <sub>2</sub> /EUR m deposits	2.6	1.6	3.2	2.2	8.8	9.1	7.3	9.0	3.3	2.4	-28%
Relative Scope 1 emissions	tCO <sub>2</sub> /employee	0.4	0.3	0.9*	0.7	0.1	0.1	0.3	0.3	0.5	0.4	-14%
Relative Scope 2 emissions	tCO <sub>2</sub> /employee	2.9	1.9	1.2	1.2	0.5	0.6	0.3	0.3	1.9	1.3	-31%
Relative Scope 3 emissions	tCO <sub>2</sub> /employee	0.7	0.8	1.4	1.2	4.3	4.8	3.2	3.1	1.5	1.6	3%
<b>Water</b>												
Relative indoor water consumption	m <sup>3</sup> /employee	8.2*	10.5	13.0*	13.9	7.7	9.8	20.2	21.4	11.1*	13.1	18%
	m <sup>3</sup> /m <sup>2</sup>	0.3*	0.3	0.4*	0.5	0.3	0.3	0.8	0.8	0.4*	0.4	19%
<b>Paper</b>												
Relative printing paper consumption	kg/employee	16.4	12.9	17.1	14.2	7.0	7.0	5.0	3.8	13.9	11.1	-20%
<b>Waste</b>												
Relative paper waste generation	kg/employee	107.9	40.6	44.3	33.4	8.5	7.1	26.1	24.2	73.6	33.6	-54%
Relative e-waste generation	kg/employee	25.4	11.3	14.7	0.4	0.0	15.2	2.7	2.3	17.5	7.6	-56%

Source: Collected via the iEMS Tool (online platform for data collection). See further details on > page 80

Audited: Partially through internal and external audit of the EMS.

Note: Please see the note on > page 80 regarding the differences between the 2018 data shown here and the data published in last year's report. For 2019 and 2018 only continuing business operations are presented.

## Technology and innovation

### Automation of transactions

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
<b>Total number of transactions</b>	2,419,142	<b>2,849,760</b>	890,749	<b>971,727</b>	108,279	<b>130,640</b>	3,558	<b>4,250</b>	3,421,728	<b>3,956,377</b>
<b>of which:</b>										
Electronic transactions via e-banking	48.7%	<b>49.2%</b>	58.9%	<b>58.1%</b>	15.8%	<b>34.5%</b>	92.8%	<b>94.9%</b>	50.4%	<b>51.0%</b>
POS transactions	25.1%	<b>31.2%</b>	26.6%	<b>27.7%</b>	16.0%	<b>16.2%</b>	0.0%	<b>0.0%</b>	25.2%	<b>29.8%</b>
ATM operations (incl. drop box)	23.6%	<b>17.2%</b>	13.2%	<b>12.0%</b>	64.1%	<b>46.3%</b>	0.0%	<b>0.0%</b>	22.1%	<b>16.8%</b>
Standing order transactions	0.8%	<b>0.5%</b>	0.0%	<b>0.0%</b>	3.3%	<b>2.6%</b>	0.0%	<b>0.0%</b>	0.7%	<b>0.4%</b>
Transactions using paper payment orders	1.7%	<b>1.9%</b>	1.0%	<b>2.0%</b>	0.7%	<b>0.3%</b>	7.2%	<b>5.1%</b>	1.5%	<b>1.9%</b>
Transactions performed at cash desk	0.1%	<b>0.1%</b>	0.3%	<b>0.2%</b>	0.2%	<b>0.1%</b>	0.0%	<b>0.0%</b>	0.1%	<b>0.1%</b>

Source: PCH Operational Statistics

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

## 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

### Memberships of individual ProCredit banks related to sustainability

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:

- Supervisory Board of NALED (National Alliance for Local Economic Development) (ProCredit Bank Serbia)
- Environment Protection Committee - Business Association of Georgia (ProCredit Bank Georgia)
- Macedonian Energy Forum (ProCredit Bank North Macedonia)
- Protocolo de Finanzas Sostenibles del Ecuador and UN Global Compact (Banco ProCredit Ecuador)
- Kosovo Corporate Social Responsibility Network (ProCredit Bank Kosovo)

## Membership fees

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Annual expenditures for membership fees (EUR)	61,931	83,653	47,349	43,904	40,056 <sup>1</sup>	40,839	18,901	0	140,333	187,236

Source: Report based on data collected via questionnaire from all banks

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

<sup>1</sup> Value updated for 2018

## OUR APPROACH TO CLIENTS

### Data privacy and information security

#### Client complaints

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Complaints related to data protection</b>										
Number of client complaints received	2	4	2	2	0	0	0	0	4	6
Number of these complaints that resulted (or are highly likely to result) in a court case	1	0	0	0	0	0	0	0	1	0
Total amount paid in fines or settlements agreed with the client in relation to complaints received (EUR)	0	0	0	981	0	0	0	0	0	981

Source: Compliance Reporting Package

Audited: No

### Prudent credit risk management

#### Portfolio quality indicators

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Share of credit-impaired loans <sup>1</sup>	3.1%	2.3%	3.3%	3.3%	2.5%	2.3%	0.0%	0.0%	3.1%	2.5%
Ratio of allowances to credit-impaired loans <sup>2</sup>	93.0%	93.3%	81.5%	77.6%	98.8%	100.1%	n/a	n/a	90.8%	89.1%
Net write-offs	0.4%	0.3%	0.4%	0.3%	0.3%	-0.4%	0.0%	0.0%	0.5%	0.3%

Source: Reporting Package

Audited: Yes

<sup>1</sup> Share of credit-impaired loans: Loans and advances to customers in Stage 3 (including accrued interest) as a percentage of the total volume of loans and advances to customers. Also referred to as share of defaulted loans.

<sup>2</sup> Ratio of allowances to credit-impaired loans: Loss allowances relative to the share of credit-impaired loans (Stage 3). Also referred to as coverage ratio. Expenses for loss allowances are defined as funds a bank sets aside to cover potential credit losses on loans to customers.



## Non-performing loan portfolio (NPL)

Indicator	Albania	Bosnia	Bulgaria	North Macedonia	Moldova	Romania	Serbia	Ukraine
Country NPL (December 2019)	8.4%	7.7% <sup>1</sup>	9.8%	4.8%	8.5%	4.1%	4.0%	50.0%
ProCredit Bank's NPL	6.3%	3.0%	2.7%	2.2%	4.1%	2.4%	1.7%	3.9%

Source: Data for different countries may be subject to different NPL definitions. Within each country these definitions are always consistent, allowing the comparison between the ProCredit banks and their respective local banking sector. All banking sector information is derived from the respective central banks.

Audited: No

<sup>1</sup> as of September 2019.

## Environmental and social risk management

### Breakdown of outstanding loan portfolio (volume) by environmental risk category

Environmental risk category	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Low	42.3%	42.1%	42.9%	39.5%	47.6%	56.8%	35.6%	33.4%	42.6%	42.3%
Medium	41.6%	43.1%	50.2%	51.8%	33.9%	27.0%	62.1%	64.9%	43.5%	44.4%
High	4.1%	5.1%	2.8%	5.4%	14.9%	12.0%	2.4%	1.7%	4.3%	5.6%
Not applicable <sup>1</sup>	12.0%	9.6%	4.0%	3.3%	3.6%	4.2%	0.0%	0.0%	9.6%	7.8%

### Breakdown of outstanding loan portfolio (number) by environmental risk category

Environmental risk category	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Low	22.2%	22.8%	43.3%	38.2%	52.9%	61.8%	39.2%	34.1%	26.4%	27.1%
Medium	24.1%	24.8%	35.0%	40.7%	33.2%	22.9%	57.8%	62.4%	25.9%	26.6%
High	1.1%	1.8%	1.9%	4.3%	7.9%	6.9%	2.9%	3.5%	1.6%	2.4%
Not applicable <sup>1</sup>	52.7%	50.6%	19.8%	16.7%	6.0%	8.4%	0.0%	0.0%	46.1%	43.8%

Source: Report based on data collected via questionnaire from all banks.

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

<sup>1</sup> Loans to private clients

## Analysis of the portfolio in terms of E&S risks

As at the end of 2019, the ProCredit group's loan portfolio amounted to EUR 4.8bn. 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 risk:

- Low: 42%
- Medium: 44%
- High: 6%

The remaining 8% 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 environmental risk remained fairly stable, increasing only slightly from 43.5% to 44.4%. 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 environmental risk.

Financed activities in the high environmental risk category account for a larger share of the portfolio in terms of volume compared to last year. In principle, the tendency is in line with the expectations, given that various production activities are automatically assigned to the high environmental category. The main factor which led to the increase of high environmental risk activities in the loan portfolio in 2019 is the

internal reclassification of the activities related to manufacturing plastic products from medium to high environmental risk. The operation within plastic goods production accounts for ~37% of the volume of loans for activities assigned to the high environmental risk category.

ProCredit banks do not typically refrain from financing clients with business activities in the high environmental risk sectors outright; instead, their Environmental and Social performance is thoroughly analysed 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. The group's approach in assessing activities involving high environmental risk is revised regularly. We aim to set increasingly demanding requirements and ensure thorough assessment, including external environmental and social due diligence assessment when financing larger exposures on bank and on group level with sensitive environmental and social impact concerns.

As of end-2019, the activity making up the largest share in the high environmental risk category in the group's portfolio was plastic goods production. This includes manufacture of plastic products as well as manufacture of plastics and synthetic rubber in primary forms. The share of this activity in the group's total loan portfolio is 1.9%. This share breaks down by region as follows: 3.8% in South America (ProCredit Bank Ecuador), 2.5% in Eastern Europe, 1.6% in South Eastern Europe and 0% for ProCredit Bank Germany.

Trade in hazardous materials ranks second in terms of the volume in the high environmental risk category. This includes not only trade in 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 group's total loan portfolio: less than 1.4% on group level. This share breaks down by region as follows: 1.5% in South Eastern Europe, 1.3% in Eastern Europe, 0% in South America, and 0% for ProCredit Bank Germany.

The chemical production industry ranks third in terms of the volume in the high environmental risk category. However, its share in the group's total loan portfolio is a mere 0.9% (1.7% in South America, 1.2% in Eastern Europe, 0.7% in South Eastern Europe, 0.0% in Germany). Common recipients of ProCredit loans in this industry are pharmaceutical companies and producers of various household cleaning products, cosmetics and essential oils.

Hydropower plants rank fourth in terms of the volume in the high environmental risk category. The share of this energy generation sub-sector in the group's total loan portfolio is 0.3%

The group's clients active in the waste management sector account for the fifth largest share in the high environmental 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 instead harm the environment. Therefore, we take a conservative approach towards waste management businesses and only finance companies that comply with the respective legal requirements and meet ProCredit's exacting E&S standards. Currently, the share of this business activity is below 0.3% of the group's total loan portfolio.

In 2020, 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 our business clients, providing advice on better management of environmental and social risk, and further contributing to the enforcement of environmental and social regulations and internationally accepted best practices in our countries of operation.

## 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 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
≤ 50,000	493.5	437.5	63.7	57.7	66.1	58.7	0.1	0.1	623.3	553.9
50,001 – 250,000	1,094.9	1,164.4	412.7	455.3	121.9	112.6	1.7	1.4	1,631.2	1,733.7
250,001 – 500,000	552.8	638.4	184.4	216.4	35.9	51.3	3.2	2.6	776.3	908.7
500,001 – 1.5m	603.4	736.3	219.3	240.4	23.7	37.9	23.5	20.0	870.0	1,034.6
>1.5m	307.9	381.5	106.7	120.9	20.3	26.0	47.5	32.0	482.4	560.3
<b>Total</b>	<b>3,052.4</b>	<b>3,358.0</b>	<b>986.8</b>	<b>1,090.6</b>	<b>268.0</b>	<b>286.5</b>	<b>75.9</b>	<b>56.0</b>	<b>4,383.1</b>	<b>4,791.2</b>

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 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Wholesale and trade	830.3	905.6	263.6	264.9	88.1	100.9	12.0	8.0	1,194.1	1,279.5
Agriculture, forestry and fishing	555.5	581.6	300.3	365.1	13.2	18.8	6.9	7.6	875.9	973.1
Production	724.9	792.0	186.8	192.1	62.8	69.9	35.9	24.1	1,010.4	1,078.2
Transportation and storage	178.5	183.1	28.1	36.7	31.0	29.6	0.6	0.0	238.3	249.3
Other economic activities	475.1	623.5	167.1	194.0	65.9	57.8	20.4	16.3	728.5	891.6
<b>Total</b>	<b>2,764.3</b>	<b>3,085.9</b>	<b>946.0</b>	<b>1,052.8</b>	<b>261.1</b>	<b>276.9</b>	<b>75.9</b>	<b>56.0</b>	<b>4,047.3</b>	<b>4,471.6</b>

Source: Reporting Package

Audited: Yes

## Green loan portfolio

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Volume of green loans to business clients (EUR m, gross)	466.3	561.4	147.3	187.5	29.2	26.8	19.4	3.2	662.2	778.8
Number of green loans to business clients	3,611	3,651	1,205	1,346	360	216	12	4	5,188	5,217
Volume of green loans to private clients (EUR m, gross)	13.4	14.0	1.5	1.4	0.4	1.2	0	0	15.3	16.6
Number of green loans to private clients	1,389	960	122	149	9	19	0	0	1,520	1,128
<b>Total volume of green loan portfolio (EUR m, gross)</b>	<b>479.7</b>	<b>575.3</b>	<b>148.8</b>	<b>188.9</b>	<b>29.7</b>	<b>28.0</b>	<b>19.4</b>	<b>3.2</b>	<b>677.5</b>	<b>795.4</b>
<b>Green loan portfolio as a share of total loan portfolio</b>	<b>15.7%</b>	<b>17.1%</b>	<b>15.1%</b>	<b>17.3%</b>	<b>11.0%</b>	<b>9.7%</b>	<b>25.6%</b>	<b>5.7%</b>	<b>15.4%</b>	<b>16.6%</b>
<b>Total number of green loans</b>	<b>5,000</b>	<b>4,611</b>	<b>1,327</b>	<b>1,495</b>	<b>369</b>	<b>235</b>	<b>12</b>	<b>4</b>	<b>6,708</b>	<b>6,345</b>

Source: Quarterly reports provided by all banks

Audited: Partially

### Green loan portfolio by investment category

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
<b>Energy Efficiency (EE)</b>										
Volume (EUR m, gross)	324.9	394.4	104.2	123.9	19.3	20.2	4.7	3.2	453.1	541.7
Number of loans	3,931	3,488	1,011	1,091	240	184	6	4	5,188	4,767
<b>Renewable Energies (RE)</b>										
Volume (EUR m, gross)	46.3	68.4	9.1	28.8	4.0	3.7	14.6	0	74.1	100.9
Number of loans	164	195	34	64	5	5	5	0	208	264
<b>Environmentally friendly projects (GR)</b>										
Volume (EUR m, gross)	108.4	112.6	35.4	36.1	6.4	4.1	0.1	0	150.3	152.8
Number of loans	905	928	282	340	124	46	1	0	1,312	1,314

Source: Quarterly reports provided by all banks  
Audited: No

### Portfolio quality indicators for green loan portfolio

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
Share of credit-impaired green loans <sup>1</sup>	0.5%	0.3%	1.3%	1.4%	0.8%	0.5%	0.0%	0.0%	0.7%	0.6%

Source: Central Database reports

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

<sup>1</sup> Share of credit-impaired loans: Loans and advances to customers in Stage 3 (including accrued interest) as a percentage of the total volume of loans and advances to customers. Also referred to as share of defaulted loans.



### Renewable energy projects in loan portfolio<sup>1</sup>

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Number of RE projects</b>										
Solar	32	45	3	6	1	1	0	0	36	52
Hydro	9	10	1	1	0	0	0	0	10	11
Biomass	3	5	1	1	1	1	0	0	5	7
<b>Total</b>	<b>44</b>	<b>60</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>70</b>
<b>Installed capacity (MW) of RE projects</b>										
Solar	24.2	32.2	5.3	21.9	1.4	1.4	0	0	30.9	55.5
Hydro	14.6	15.0	0.3	0.3	0	0	0	0	14.8	15.3
Biomass	2.3	4.3	0.6	0.6	8.1	8.1	0	0	11.0	13.0
<b>Total</b>	<b>41.0</b>	<b>51.5</b>	<b>6.2</b>	<b>22.8</b>	<b>9.5</b>	<b>9.5</b>	<b>0</b>	<b>0</b>	<b>56.7</b>	<b>83.8</b>
<b>Electricity generated (in MWh) of RE projects</b>										
Solar	32,020	41,424	931	20,278	1,222	1,199	0	0	34,173	62,900
Hydro	46,281	34,033	843	1,313	0	0	0	0	47,125	35,346
Biomass	14,589	29,778	3,811	4,091	40,252	37,285	0	0	58,652	71,154
<b>Total</b>	<b>92,891</b>	<b>105,235</b>	<b>5,586</b>	<b>25,681</b>	<b>41,473</b>	<b>38,484</b>	<b>0</b>	<b>0</b>	<b>139,950</b>	<b>169,400</b>
<b>tCO<sub>2</sub> emissions avoided through RE projects</b>										
Solar	15,818	19,368	337	7,328	218	214	0	0	16,373	26,911
Hydro	16,125	12,039	70	109	0	0	0	0	16,194	12,148
Biomass	10,826	20,396	1,847	1,982	7,197	6,667	0	0	19,869	29,044
<b>Total</b>	<b>42,768</b>	<b>51,804</b>	<b>2,253</b>	<b>9,419</b>	<b>7,415</b>	<b>6,881</b>	<b>0</b>	<b>0</b>	<b>52,437</b>	<b>68,103</b>

Source: Compiled from ProCredit RE monitoring tool

Audited: No

<sup>1</sup> Only power plants with information available on the electricity generated are included. In 'emissions avoided' only electricity emissions (based on the regional electricity mix) are considered. The source of the emission factors is the International Energy Agency (2019), Emission Factors. The reference year used for emission factors is 2017; however, for those countries where 2018 estimates were available, the latest data was used. Any differences between the 2018 data shown here and the data published in last year's report are due to updates in the emission factors and the use of year-end data provided via ProCredit's RE monitoring tool.

# OUR APPROACH TO STAFF

## Diversity of governance bodies and employees

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
<b>Total number of staff<sup>1</sup></b>	1,594	<b>1,601</b>	632	<b>651</b>	234	<b>228</b>	548	<b>643</b>	3,008	<b>3,123</b>
Women	64%	<b>66%</b>	63%	<b>64%</b>	59%	<b>62%</b>	46%	<b>45%</b>	60%	<b>61%</b>
Men	36%	<b>34%</b>	38%	<b>36%</b>	41%	<b>38%</b>	54%	<b>55%</b>	40%	<b>39%</b>
<b>Supervisory Boards<sup>2</sup></b>										
Number	23	<b>25</b>	13	<b>13</b>	5	<b>5</b>	8	<b>5</b>	32	<b>32</b>
Women	22%	<b>28%</b>	31%	<b>46%</b>	20%	<b>20%</b>	13%	<b>20%</b>	25%	<b>34%</b>
Men	78%	<b>72%</b>	69%	<b>54%</b>	80%	<b>80%</b>	88%	<b>80%</b>	75%	<b>66%</b>
Age <30	4%	<b>0%</b>	8%	<b>0%</b>	20%	<b>20%</b>	0%	<b>0%</b>	6%	<b>3%</b>
Age 30-50	70%	<b>72%</b>	54%	<b>62%</b>	60%	<b>60%</b>	38%	<b>60%</b>	69%	<b>72%</b>
Age >50	26%	<b>28%</b>	38%	<b>38%</b>	20%	<b>20%</b>	63%	<b>40%</b>	25%	<b>25%</b>
<b>Management Boards</b>										
Number	22	<b>17</b>	8	<b>9</b>	2	<b>2</b>	6	<b>8</b>	38	<b>36</b>
Women	59%	<b>59%</b>	50%	<b>56%</b>	50%	<b>50%</b>	33%	<b>38%</b>	53%	<b>53%</b>
Men	41%	<b>41%</b>	50%	<b>44%</b>	50%	<b>50%</b>	67%	<b>63%</b>	47%	<b>47%</b>
Age <30	5%	<b>0%</b>	0%	<b>0%</b>	50%	<b>0%</b>	0%	<b>0%</b>	5%	<b>0%</b>
Age 30-50	91%	<b>94%</b>	100%	<b>100%</b>	50%	<b>100%</b>	50%	<b>75%</b>	84%	<b>89%</b>
Age >50	5%	<b>6%</b>	0%	<b>0%</b>	0%	<b>0%</b>	50%	<b>25%</b>	11%	<b>11%</b>

<sup>1</sup> All staff, including management board members and staff in unconsolidated entities.

<sup>2</sup> 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	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
<b>Middle Management</b>										
Number	101	101	32	32	19	18	71	72	223	223
Women	48%	48%	44%	44%	63%	56%	48%	44%	48%	47%
Men	52%	52%	56%	56%	37%	44%	52%	56%	52%	53%
Age <30	6%	4%	3%	0%	0%	0%	0%	1%	3%	2%
Age 30-50	91%	93%	97%	97%	100%	100%	82%	78%	90%	89%
Age >50	3%	3%	0%	3%	0%	0%	18%	21%	7%	9%
<b>Specialists</b>										
Number	1,471	1,483	592	610	213	208	471	563	2,747	2,864
Women	66%	67%	64%	65%	58%	63%	46%	46%	61%	62%
Men	34%	33%	36%	35%	42%	37%	54%	54%	39%	38%
Age <30	22%	21%	27%	26%	29%	23%	23%	22%	24%	22%
Age 30-50	76%	76%	70%	71%	70%	76%	71%	74%	73%	75%
Age >50	3%	3%	3%	3%	1%	1%	6%	4%	3%	3%

Source: HR databases

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

## Information on employees

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019	Dec 2018	Dec 2019
<b>Permanent/full-time*</b>										
Number of women	975	1012	395	415	137	142	211	242	1,718	1811
Number of men	538	526	237	236	97	86	274	325	1,146	1173
<b>Permanent/part-time*</b>										
Number of women	0	0	0	0	0	0	35	38	35	38
Number of men	0	0	0	0	0	0	4	6	4	6
<b>Temporary/full-time *</b>										
Number of women	50	42	0	0	0	0	4	7	54	49
Number of men	31	21	0	0	0	0	17	17	48	38
<b>Temporary/part-time*</b>										
Number of women	0	0	0	0	0	0	1	5	1	5
Number of men	0	0	0	0	0	0	2	3	2	3

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Annual total compensation ratio (management board members included)	3.3-7.6	2.8-6.3	5.3-6.9	5.9-6.4	3.3-6.0	7.3	1.8-5.4	1.8-3.9**	1.8-7.6	1.8-7.6
Proportion of management board members hired from the local community*	100%	100%	100%	100%	100%	100%	50%	60%	92%	94%

Source: HR databases

Audited: No

Note: \*For 2019 and 2018 only continuing business operations are presented

\*\* Data for the ProCredit Academy as of 2018

## New employee hires and employee turnover

Indicator	South Eastern Europe	Eastern Europe	South America	Germany	Total
	2019	2019	2019	2019	2019
<b>New employee hires</b>					
Number	258	73	20	128	479
Rate	16%	12%	9%	23%	16%
Women	64%	55%	65%	49%	59%
Men	36%	45%	35%	51%	41%
Age <30	138	46	11	49	244
Age 30-50	114	26	9	69	218
Age >50	6	1	0	10	17
<b>Employee turnover</b>					
Number	198	53	26	51	328
Rate	12%	8%	11%	9%	11%
Women	62%	58%	50%	33%	56%
Men	38%	42%	50%	67%	44%
Age <30	35	12	10	17	74
Age 30-50	158	39	16	33	246
Age >50	5	2	0	1	8

Source: Report based on data collected via questionnaire from all banks.

Audited: No



## Staff development

Indicator	South Eastern Europe		Eastern Europe		South America		Germany		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Average hours of training per year per employee</b>										
Total	173	192	173	154	201	184	29	31	149	146
Women	156	175	162	143	166	153	22	30	139	136
Men	205	225	193	172	249	234	35	31	164	161
Management board	216	150	210	130	44	74	12	75	173	169
Middle management	236	217	218	228	192	154	45	40	169	167
Specialist	168	191	170	150	203	187	27	29	147	144
<b>ProCredit Onboarding Programme</b>										
Number of ProCredit Onboarding Programme graduates for the current year	68	74	22	32	13	3	0	0	103	109
ProCredit Onboarding Programme graduates in total staff (%)	20%	27%	24%	26%	22%	21%	0%	0%	21%	26%
<b>ProCredit Academy</b>										
Total number of current staff graduated from or currently attending Banker and Management Academies	348	301	145	132	48	49	26	22	567	504
<b>Employee training on human rights policies or procedures and environmental aspects</b>										
Total hours in Code of Conduct training	15,152	13,206	4,522	3,984	1,282	2,066	440	638	21,396	19,894
Total hours in environmental training	6,102	7,796	1,108	2,920	1,284	588	N/A	888	8,494	12,272
<b>Investment in training</b>										
Annual investment in employee training (EUR m)									6.7	7.2
Annual investment in employee training per employee (EUR)									2,223	2,314

Source: HR databases

Audited: No

Note: For 2019 and 2018 only continuing business operations are presented

ANNEX

# GRI CONTENT INDEX



# GRI CONTENT INDEX

GRI Standard	Disclosure	Page number/URL or comment
<b>GRI 101: Foundation 2016</b>		
<b>General Disclosures 102 (Core option applied)</b>		
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Our organisation > <a href="#">page 7</a>
GRI 102: General Disclosures 2016	102-2 Activities, brands, products, and services	Our organisation > <a href="#">page 7</a> Reliable and stable partnerships > <a href="#">page 40</a>
GRI 102: General Disclosures 2016	102-3 Location of headquarters	Our organisation > <a href="#">page 8</a>
GRI 102: General Disclosures 2016	102-4 Location of operations	Our organisation > <a href="#">page 8</a>
GRI 102: General Disclosures 2016	102-5 Ownership and legal form	Our organisation > <a href="#">page 7</a> Corporate governance > <a href="#">pages 25f.</a>
GRI 102: General Disclosures 2016	102-6 Markets served	Our philosophy > <a href="#">page 6</a> Our organisation > <a href="#">page 8</a> Sustainable finance > <a href="#">page 43</a> Reliable and stable partnerships > <a href="#">page 40</a>
GRI 102: General Disclosures 2016	102-7 Scale of the organisation	Recent business developments > <a href="#">page 10</a> Reliable and stable partnerships > <a href="#">page 40</a> Corporate governance > <a href="#">page 25</a> > <a href="#">Annual Report 2019</a>
GRI 102: General Disclosures 2016	102-8 Information on employees and other workers	ProCredit's sustainability performance indicators > <a href="#">pages 91ff.</a> Note: Employee numbers are expressed as head count; all of the organisation's activities are performed by employees.
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. Moreover, the ProCredit group's supply chain is characterised by service companies such as consultancies.
GRI 102: General Disclosures 2016	102-10 Significant changes to the organisation and its supply chain	Following approval by the Financial Superintendence of Colombia, ProCredit Holding completed the sale of its Colombian subsidiary to Créditos y Ahorros Credifinanciera S.A. on 16 October 2019. Banco ProCredit Colombia S.A. was sold as per the terms outlined by ProCredit Holding in the Q1 financial report in May 2019.
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 Standard	Disclosure	Page number/URL or comment
GRI 102: General Disclosures 2016	102-12 External initiatives	ProCredit's sustainability performance indicators > <a href="#">page 83</a>
GRI 102: General Disclosures 2016	102-13 Membership of associations	ProCredit's sustainability performance indicators > <a href="#">page 83</a>
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Message from the Management > <a href="#">pages 3f.</a>
GRI 102: General Disclosures 2016	102-16 Values, principles, standards, and norms of behaviour	Corporate governance > <a href="#">page 28</a> Ethical values and working environment > <a href="#">pages 55ff.</a>
GRI 102: General Disclosures 2016	102-18 Governance structure	Our organisation > <a href="#">page 7</a> Corporate governance > <a href="#">pages 25f.</a>
GRI 102: General Disclosures 2016	102-35 Remuneration policies	Fair recruiter and employer > <a href="#">pages 58f.</a> > <a href="#">Annual Report 2019</a>
GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	Reporting approach > <a href="#">pages 18f.</a> > <a href="#">ProCredit Group Impact Report 2018 &gt; page 16</a> > <a href="#">ProCredit Group Impact Report 2017 &gt; page 68</a>
GRI 102: General Disclosures 2016	102-41 Collective bargaining agreements	200 employees of PCB Romania are covered by collective bargaining agreements.
GRI 102: General Disclosures 2016	102-42 Identifying and selecting stakeholders	Reporting approach > <a href="#">page 18</a> Key material topics > <a href="#">pages 19f.</a> > <a href="#">ProCredit Group Impact Report 2018 &gt; pages 15f.</a>
GRI 102: General Disclosures 2016	102-43 Approach to stakeholder engagement	Reporting approach > <a href="#">page 18</a> Key material topics > <a href="#">pages 19f.</a> > <a href="#">ProCredit Group Impact Report 2018 &gt; pages 15f.</a>
GRI 102: General Disclosures 2016	102-44 Key topics and concerns raised	Reporting approach > <a href="#">page 18</a> Key material topics > <a href="#">pages 19f.</a> > <a href="#">ProCredit Group Impact Report 2017 &gt; page 69</a>
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	<p>Scope of ProCredit Group Impact Report 2019:            ProCredit Bank (Bulgaria) E.A.D., ProCredit Holding AG &amp; Co. KGaA (Germany), ProCredit Bank AG (Germany), ProCredit Academy GmbH (Germany), Quipu 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 (North Macedonia), Pristina (Kosovo), ProCredit Bank S.A. (Romania), ProCredit Bank Sh.a (Albania), ProCredit Bank d.d. (Bosnia and Herzegovina), Banco ProCredit S.A. (Ecuador), JSC ProCredit Bank (Georgia), ProCredit Bank Sh.a (Kosovo), ProCredit Bank A.D. (North 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).</p> <p>Excluded from the group Impact Report (due to discontinued operations or Special Purpose Vehicle with no employees), but included in the Annual Report 2019: ProCredit Regional Academy Eastern Europe (North Macedonia).            Details of each institution can be found in the &gt; <a href="#">Annual Report 2019</a></p>
GRI 102: General Disclosures 2016	102-46 Defining report content and topic boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a>

GRI Standard	Disclosure	Page number/URL or comment
GRI 102: General Disclosures 2016	102-47 List of material topics	> <a href="#">ProCredit Group Impact Report 2018</a> > page 16 Key material topics > <a href="#">pages 19f.</a>
GRI 102: General Disclosures 2016	102-48 Restatements of information	Restatements occurred due to the sale of Banco ProCredit Colombia S.A. (Colombia). Wherever restatements were made, this is indicated under the respective data table (see > <a href="#">ProCredit's sustainability indicators</a> )  Restatements made with respect to the internal environmental data are due to updates and data corrections. Please see ProCredit's sustainability performance indicators > <a href="#">page 80</a> for detailed comments.
GRI 102: General Disclosures 2016	102-49 Changes in reporting	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a>
GRI 102: General Disclosures 2016	102-50 Reporting period	Financial year 2019; figures for financial year 2018 are also included for comparison.
GRI 102: General Disclosures 2016	102-51 Date of most recent report	March 2019
GRI 102: General Disclosures 2016	102-52 Reporting cycle	Annually
GRI 102: General Disclosures 2016	102-53 Contact point for questions regarding the report	Krassimira Peicheva: <a href="mailto:Krassimira.Peicheva@procredit-group.com">Krassimira.Peicheva@procredit-group.com</a>
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 > <a href="#">page 97</a>
GRI 102: General Disclosures 2016	102-56 External assurance	The report is not externally assured.
<b>Topic-specific standards</b>		
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 > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Economic development > <a href="#">page 23</a>
	103-3 Evaluation of the management approach	Economic development > <a href="#">pages 23f.</a>
GRI 202: Market presence 2016	202-2 Proportion of senior management hired from the local community	Ethical values and working environment > <a href="#">page 56</a> ProCredit's sustainability performance indicators > <a href="#">page 93</a>  Senior management is defined as the management board members. MB members hired from the local community are those that were either born or have permanent residency in the country in which they are working, or they come from a neighbouring country with the same language, customs and a similar business market. 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	Economic development > <a href="#">page 23</a>



GRI Standard	Disclosure	Page number/URL or comment
<b>Material topic: Corporate governance</b> <b>GRI Standards matched: Anti-corruption, anti-competitive behaviour, environmental compliance, socioeconomic compliance</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Corporate governance > <a href="#">pages 25ff.</a>
	103-3 Evaluation of the management approach	Corporate governance > <a href="#">pages 25ff.</a>
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate governance > <a href="#">pages 29f.</a>
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance > <a href="#">page 30</a> ProCredit's sustainability indicators > <a href="#">page 95</a> Our anti-corruption policies are also publicly accessible to all our business clients in our > <a href="#">Code of Conduct</a>
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Corporate governance > <a href="#">page 29</a> ProCredit's sustainability indicators > <a href="#">page 76</a> No instances of non-compliance with laws and regulations were identified.
GRI 307 Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Corporate governance > <a href="#">page 29</a> ProCredit's sustainability indicators > <a href="#">page 76</a> No instances of non-compliance with laws and regulations were identified.
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Corporate governance > <a href="#">page 29</a> ProCredit's sustainability indicators > <a href="#">page 76</a> No instances of non-compliance with laws and regulations were identified. Significant fines and non-monetary sanctions are defined as those in amounts above EUR 100,000.
<b>Material Topic: Internal environmental management</b> <b>GRI Standards matched: energy, water, emissions, effluence and waste</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > page 15f.
	103-2 The management approach and its components	Environmental management > <a href="#">pages 31ff.</a>
	103-3 Evaluation of the management approach	Environmental management > <a href="#">pages 31ff.</a>
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Environmental management > <a href="#">page 34</a> ProCredit's sustainability performance indicators > <a href="#">page 78</a> Refers to total energy consumption of buildings.
GRI 302: Energy 2016	302-2 Energy consumption outside the organisation	ProCredit's sustainability performance indicators > <a href="#">page 78</a> Refers to vehicle energy consumption.

GRI Standard	Disclosure	Page number/URL or comment
GRI 302: Energy 2016	302-4 Reduction of energy consumption	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 78</a>
GRI 303: Water 2016	303-1 Water withdrawal by source	ProCredit's sustainability performance indicators > <a href="#">page 80</a>
GRI: 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 79</a> Consolidation approach for emissions: operational control. Biogenic emissions are not considered, as the complexity of their computation is not proportional to the additional insights they would provide in this context.
GRI: 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 79</a> Consolidation approach for emissions: operational control. Biogenic emissions are not considered, as the complexity of their computation is not proportional to the additional insights they would provide in this context.
GRI: 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 79</a> Consolidation approach for emissions: operational control. Biogenic emissions are not considered, as the complexity of their computation is not proportional to the additional insights they would provide in this context.
GRI: 305: Emissions 2016	305-4 GHG emissions intensity	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 81</a>
GRI: 305: Emissions 2016	305-5 Reduction of GHG emissions	Environmental management > <a href="#">pages 34f.</a> ProCredit's sustainability performance indicators > <a href="#">page 79</a>
GRI:306: Effluents and waste 2016	306-2 Waste by type and disposal method	Environmental management > <a href="#">page 35</a> ProCredit's sustainability performance indicators > <a href="#">page 80</a>
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. Environmental management > <a href="#">page 34</a> Ethical values and working environment > <a href="#">page 55</a>
<b>Material topic: Technology and innovation</b> <b>GRI Standards matched: Automation of transactions (own standard)</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Technology and innovation > <a href="#">page 37</a>
	103-3 Evaluation of the management approach	Technology and innovation > <a href="#">page 37</a>
Automation of transactions (own standard)	Own disclosure 1 Automation of transactions	Technology and innovation > <a href="#">page 37</a> ProCredit's sustainability performance indicators > <a href="#">page 73</a> and > <a href="#">page 82</a>

GRI Standard	Disclosure	Page number/URL or comment
<b>Material topic: Reliable and stable partnerships</b> <b>GRI Standards matched: Marketing and labelling, customer privacy</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 19f. Overview of our material topics, related impacts and boundaries > page 105 > ProCredit Group Impact Report 2018 > pages 15f.
	103-2 The management approach and its components	Reliable and stable partnerships > pages 40ff.
	103-3 Evaluation of the management approach	Reliable and stable partnerships > pages 40ff.
G4 sector disclosures: Financial services	Former FS15 Fair design and sale of financial products	Reliable and stable partnerships > pages 41f.
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 72
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Reliable and stable partnerships > pages 41
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 were 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 were 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 42 ProCredit's sustainability performance indicators > page 84
<b>Material topic: Sustainable finance</b> <b>GRI Standards matched: G4 sector disclosures: Financial services</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 19f. Overview of our material topics, related impacts and boundaries > page 105 > ProCredit Group Impact Report 2018 > pages 15f.
	103-2 The management approach and its components	Sustainable finance > pages 43ff.
	103-3 Evaluation of the management approach	Sustainable finance > pages 43ff.
G4 sector disclosures: Financial services	G4-FS6 Portfolio in business lines	Sustainable finance > page 43 ProCredit's sustainability performance indicators > page 72 and > page 87
G4 sector disclosures: Financial services	G4-FS 8 Share of green products	Sustainable finance > pages 45f. ProCredit's sustainability performance indicators > pages 88ff.

GRI Standard	Disclosure	Page number/URL or comment
<b>Material topic: Prudent credit risk management</b> <b>GRI Standards matched: Child labour, Forced or compulsory labour, Human rights assessment, G4 sector disclosures on Financial services</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > pages 19f. Overview of our material topics, related impacts and boundaries > page 105 > ProCredit Group Impact Report 2018 > pages 15f.
	103-2 The management approach and its components	Prudent credit risk management > pages 49ff.
	103-3 Evaluation of the management approach	Prudent credit risk management > pages 49ff.
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	In 2019 no operations were identified as having significant risk for incidents of child labour. Our > Exclusion List categorically excludes sectors that are of high risk in this regard (i.e. exploitation of diamond mines, and underground mining in general). Moreover, the activities of all clients, suppliers and other counterparties are screened for exploitative forms of harmful child labour. No business relationship can be established with entities involved in child labour.
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	In 2019 no operations were identified as having significant risk for incidents of forced or compulsory labour. Our > Exclusion List categorically excludes sectors that are of high risk in this regard (i.e. exploitation of diamond mines, and underground mining in general). Moreover, the activities of all clients, suppliers and other counterparties are screened for forced or compulsory labour. No business relationship can be established with entities involved in forced or compulsory labour.
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 49f. All business clients are subject to a 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 49ff. ProCredit's sustainability performance indicators > pages 85f.
G4 sector disclosures: Financial services	Former FS4 Staff competency to implement environmental and social policies	Prudent credit risk management > pages 49ff.
G4 sector disclosures: Financial services	Former FS5 Interactions regarding environmental and social risks and opportunities	Prudent credit risk management > pages 49ff.
	Former FS9 Audit of E&S risk policies	Prudent credit risk management > pages 49ff. 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 49ff. ProCredit's sustainability performance indicators > pages 85f. 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
<b>Material topic: Ethical values and working environment</b> <b>GRI Standards matched: Diversity and equal opportunity, human rights assessment</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Ethical values and working environment > <a href="#">pages 55ff.</a>
	103-3 Evaluation of the management approach	Ethical values and working environment > <a href="#">pages 55ff.</a>
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Ethical values and working environment > <a href="#">page 56</a> ProCredit's sustainability performance indicators > <a href="#">pages 91f.</a>
GRI 412: Human rights assessment 2016	412-2 Employee training on human rights policies or procedures	Ethical values and working environment > <a href="#">pages 55f.</a> ProCredit's sustainability performance indicators > <a href="#">page 95</a> (Code of Conduct training)
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.
<b>Material topic: Fair recruiter and employer</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Fair recruiter and employer > <a href="#">pages 58ff.</a>
	103-3 Evaluation of the management approach	Fair recruiter and employer > <a href="#">pages 58ff.</a>
<b>Material topic: Staff development</b> <b>GRI Standards matched: Training and education</b>		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	Key material topics > <a href="#">pages 19f.</a> Overview of our material topics, related impacts and boundaries > <a href="#">page 105</a> > <a href="#">ProCredit Group Impact Report 2018</a> > pages 15f.
	103-2 The management approach and its components	Staff development > <a href="#">pages 61ff.</a>
	103-3 Evaluation of the management approach	Staff development > <a href="#">pages 61ff.</a>
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Staff development > <a href="#">pages 62f.</a> ProCredit's sustainability performance indicators > <a href="#">page 95</a>
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Staff development > <a href="#">pages 61ff.</a>



## Overview of our material topics, related impacts and boundaries

Material topic	ProCredit's impact	GRI boundary	Link between ProCredit and the impact
<b>Economic development</b>	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
<b>Corporate governance</b>	Guaranteeing accountability, fairness and transparency in relationships with stakeholders as well as enforcing measures to prevent corruption, bribery and money laundering.	In all countries where we operate, in particular affecting all kinds of stakeholders, including investors, clients and our employees.	Contributes directly
<b>Internal environmental management</b>	Minimising our own carbon footprint and resource consumption.	At our premises in all countries where we operate.	Causes directly
<b>Technology and innovation</b>	Promoting transparency as well as the elimination of fraud, bribery, dependence, and informality through innovative banking solutions.	In all countries where we operate, in particular affecting our stakeholders, such as clients and investors.	Contributes directly
<b>Reliable and stable partnerships</b>	Promoting long-term partnerships with our clients; promoting efficient, transparent and easily understandable account services, including proper data protection.	In all countries where we operate, in particular affecting our clients.	Causes directly
<b>Sustainable finance</b>	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
<b>Prudent credit risk management</b>	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
<b>Ethical values and working environment</b>	Promoting gender diversity, a flat hierarchy and open communication.	In all of our business units, most importantly affecting our staff.	Causes directly
<b>Fair recruiter and employer</b>	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
<b>Staff development</b>	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

<b>AML</b>	Anti-money laundering	<b>EMS</b>	Environmental Management System	<b>IPC</b>	Internationale Projekt Consult GmbH	<b>NPL</b>	Non-performing loans
<b>ATM</b>	Automated teller machine	<b>EP</b>	Exchange Programme	<b>ISO</b>	International Organization for Standardization	<b>OeEB</b>	Österreichische Entwicklungsbank (Development Bank of Austria)
<b>BaFin</b>	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)	<b>ESG</b>	Environmental, social and governance	<b>IUCN</b>	International Union for Conservation of Nature	<b>PAR 30</b>	Portfolio at Risk 30 days
<b>BAIT</b>	Bankaufsichtliche Anforderungen an die IT (Supervisory Requirements for IT in Financial Institutions)	<b>ESIA</b>	Environmental and social impact assessment	<b>KfW</b>	Kreditanstalt für Wiederaufbau	<b>PAR 90</b>	Portfolio at Risk 90 days
<b>BCA</b>	Business Client Adviser	<b>EU</b>	European Union	<b>kg/pp</b>	Kilogrammes per employee	<b>PCA</b>	ProCredit Academy
<b>CGC</b>	German Corporate Governance Code	<b>EUR</b>	Euro	<b>KGaA</b>	Kommanditgesellschaft auf Aktien (partnership limited by shares)	<b>PCB</b>	ProCredit Bank
<b>CO<sub>2</sub></b>	Carbon dioxide	<b>E-car</b>	Electric car	<b>kWh</b>	Kilowatt hour	<b>PCH</b>	ProCredit Holding
<b>DOEN</b>	DOEN foundation (from Dutch doen = to do)	<b>E-waste</b>	Electronic waste	<b>LA</b>	Latin America	<b>PCI</b>	Payment Card Industry
<b>DPO</b>	Data Protection Officer	<b>FDI</b>	Foreign Direct Investment	<b>LAGIE</b>	Hellenic Electricity Market Operator S.A. (HEMO, or "ΛΑΓΗΕ" in Greek)	<b>PCI DSS</b>	Payment Card Industry Data Security Standard
<b>EE</b>	Energy efficiency	<b>FIM</b>	Finance in Motion	<b>LED</b>	Light-emitting diode	<b>PI</b>	Private individuals
<b>EE</b>	Eastern Europe	<b>FSSC</b>	Food Safety System Certification	<b>LP</b>	Loan portfolio	<b>POS</b>	Point of sale
<b>E&amp;S</b>	Environmental and social	<b>GDP</b>	Gross domestic product	<b>MaRisk</b>	Mindestanforderungen an das Risikomanagement (Minimum Requirements for Risk Management)	<b>PSD2</b>	EU's second Payment Services Directive
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>GDPR</b>	EU General Data Protection Regulation	<b>MaSI</b>	Mindestanforderungen an die Sicherheit von Internetzahlungen (Minimum Requirements for the Security of Internet Payments)	<b>PV</b>	Photovoltaic
<b>EDGE</b>	Excellence in Design for Greater Efficiencies	<b>GEM</b>	Group Environmental Management	<b>MDG</b>	Millennium Development Goals	<b>RE</b>	Renewable energy
<b>EFSI</b>	European Fund for Strategic Investments	<b>GER</b>	Germany	<b>MIGA</b>	Multilateral Investment Guarantee Agency	<b>SB</b>	Supervisory Board
<b>EIF</b>	European Investment Fund	<b>GGF</b>	Green for Growth Fund	<b>MSCI</b>	Morgan Stanley Capital International	<b>SDG</b>	Sustainable Development Goals
<b>EMAS</b>	EU Eco-Management and Audit Scheme	<b>GHG</b>	Greenhouse gases	<b>MSME</b>	Micro, small and medium enterprises	<b>SEE</b>	South Eastern Europe
		<b>GRI</b>	Global Reporting Initiative	<b>MW</b>	Megawatt	<b>SME</b>	Small and medium-sized enterprise
		<b>GWh</b>	Gigawatt hours	<b>MWh</b>	Megawatt hour	<b>SSX</b>	London-based Social Stock Exchange
		<b>HR</b>	Human Resources			<b>tCO<sub>2</sub></b>	Tonnes of carbon dioxide
		<b>iEMS</b>	internal Environmental Management System			<b>UN</b>	United Nations
		<b>IFC</b>	International Finance Corporation			<b>UNGC</b>	United Nations Global Compact
		<b>IFRS9</b>	International Financial Reporting Standard 9			<b>USD</b>	US dollar
		<b>ILO</b>	International Labour Organization			<b>USDA</b>	United States Department of Agriculture
		<b>IMI</b>	Internationale Micro Investitionen AG				

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