ProCredit
HOLDING

IMPACT BANKING IN PRACTICE

2023 Impact Report

ABOUT THE IMPACT REPORT PACKAGE 2023

The Impact Report Package 2023 covers all institutions of the ProCredit group and consists of the following documents:

The Impact Report outlines our approach to sustainability, showcases our efforts and assesses our impact performance during the past year. It also highlights our ongoing initiatives and outlook for the future. The new structure revolves around our choice of the five SDGs that are most central to our impact strategy, while also demonstrating alignment with our key material topics.

Our Impact Report Datasheet 2023 complements the Impact Report by providing more detailed data. All figures for our regional segments, sources, notes on methodology and reference dates can be found in the datasheet along with information aligned with the EU Taxonomy, signatory frameworks like the UNEP FI – Principles for Responsible Banking, SDG target indicators, and the GRI content index.

ProCredit Holding has reported in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023.

Table of contents

About the Impact Report Package 2023 1

Letter from the Management Board 2

The ProCredit group: Who we are 5

A pioneer in development finance 6

Sustainability highlights and developments 7

Our approach to impact 8

SDG 9 Industry, innovation and infrastructure 9

SDG 8 Decent work and economic growth 11

SDG 5 Gender equality 13

SDG 13 Climate action 1

SDG 7 Affordable and clean energy 19

SDGs and material topics 21

LETTER FROM THE MANAGEMENT BOARD

Throughout our twenty-five-year history, we in the ProCredit group have always shown a great ability to adapt to ever-changing and often volatile environments. ProCredit's key strength is our people: our carefully selected, well-trained staff and managers feel a strong commitment to the distinctive impact orientation of the group that is palpable at every level. This dedication is manifest in our shared efforts to help SMEs navigate the new challenges they are facing, such as maintaining access to EU markets, coping with regulatory requirements and strengthened financial market formalisation, and adapting to climate and social risks. As we pursue this mission, we wish to play a key role in the transformation of an entire region at a time when the need for European unity to achieve sustained peace and prosperity – and defend human rights – could hardly be more urgent.

Customer deposits grew by a record
EUR 964.7 million
or 15.3% since the beginning of the year, with a strong 50% contribution from the retail segment.

The year 2023 was historic for the ProCredit group in many ways. We dealt successfully with the challenges of 2022, where we witnessed profound human tragedy and financial turmoil arising from the war against Ukraine. Today, **the financial, capital and liquidity position of the ProCredit group is stronger than ever**. We see notable improvements in profitability and cost efficiency at nearly all of our banks, which validates our approach to sustainable profitability and positive impact orientation. The group's RoE stands at 12.2%, which means we were able to immediately deliver on our new medium-term target set in March 2023. Business has developed positively, especially with respect to deposits, which grew by a record EUR 965 million or 15.3% since the beginning of the year, with a substantial contribution from the strategically important retail segment. Admittedly, credit growth was comparatively moderate at 1.9%. In the context of our new business strategy, we see business development in 2023 as an interim step to prepare for more ambitious growth targets.

Good financial and business results were not the only successes in 2023. In September **we finalised the change in ProCredit Holding's legal form to a joint stock corporation**. The new structure makes us more agile, leaner and more attractive in the capital market. At the same time, we view this new configuration as the next logical step in our capital market trajectory. We are also pleased about the expansion of our Supervisory Board: besides Rainer Ottenstein,

Key group figures 2023

Statement of financial position

	Dec. 2023
Total assets (EUR m)	**9,748.97**
Customer loan portfolio (EUR m, gross)	6,226.48
of which business loans	89.9%
of which green loan portfolio	20.4%
Number of business clients	73,614
Share of defaulted loans	2.7%
Customer deposits (EUR m)	7,254.24

Key financial performance indicators

Change in customer loan portfolio	1.9%
Return on average equity	12.2%
Cost income ratio	59.9%
CET 1 ratio	14.3%
Profit of the period (EUR m)	113.37

Dr H.P.M. (Ben) Knapen, Helen Alexander and Jovanka Joleska Popovska, who are all deeply familiar with the group, the board is now complemented by Berna Ülman, Karin Katerbau, Dr Jan Schroeder-Hohenwarth and Nicholas Tesseyman. Their expertise will be invaluable in supporting and monitoring the progress of the group in light of our new strategic priorities. Not least, we remain grateful to our main shareholders for their long-standing role in building this banking group, which has a unique impact on so many levels and positively affects the lives of so many people.

As a further mark of success for 2023, the bank in Ukraine achieved, despite all odds, remarkable deposit growth of EUR 98 million or 15.9%, underlining the confidence in our institution and our strong positioning in that market. The bank's solid result for the year, with an RoE of 28%, indicates that a portion of the allowances established in 2022 were set at a cautious level and also that the portfolio continues to be managed very professionally. In addition, we would like to congratulate our Ukrainian colleagues for attaining EDGE Green Building certification for their head office, the first building in the entire country to receive this distinction.

In Kosovo, we inaugurated our solar park, ProEnergy, which will generate clean energy for close to 500 households and thereby contribute to the clean development of the region. ProCredit Bank Ecuador became the first bank in the group to publish its very own Impact Report, with a particular focus on gender diversity. In another first, in 2023 we quantified the positive impact of our banking activities in terms of both the number of women-led SMEs supported and the general employment of women through our SME clients. On this basis, we defined our first Gender Action Plan to strengthen and structure our support for women empowerment. In addition, ProCredit was asked to represent the Finance Leadership Group on Plastic in the third Intergovernmental Negotiating Committee, at which the UN member states worked to develop an internationally binding instrument to end plastic pollution. These are just some of the many success stories illustrating that 2023 was also a successful year for our group from the perspective of impact orientation.

The good results achieved in 2023 provide a strong tailwind for the future. We will continue to bolster our business development and maintain sustainable profitability levels through our updated business strategy, which aims to significantly grow our business in the SME and retail segments, to increase our banks' presence in the market, and to enhance our positive impact through scale and innovation. To achieve this, we will further streamline lending processes by vesting our banks with more decision-making power, which will make us more agile and better able to serve a wider range of SME clients. We also want to expand our positioning for private customers by offering services to the broader population in our markets and providing them with our full range of banking services. At the same time, we want to set an example in our markets as a responsible lender, one that bases lending decisions on the repayment capacity of borrowers and charges prudent, transparent interest rates while promoting a culture of saving and financial responsibility. In order to drive these initiatives forward, we will invest heavily in our people, IT and marketing. With expanded presence, our goals in the medium term are to broaden our impact, improve cost efficiency and provide a sustainable return on equity of around 13%-14% for our investors.

We strongly believe that what makes ProCredit unique and what justifies our existence in a world of thousands of banks and financial institutions is our never-ending

We defined our first
Gender Action Plan
to strengthen and structure our support for women empowerment.

reflection on the impact of our actions and operations on the environment. Furthermore, we are convinced that our impact orientation seamlessly complements our business approach, which is why we will continue to set standards for ESG topics in the future as well. Here, we have ambitious targets for the future, such as achieving net-zero emissions for our loan portfolio overall. In our countries of operation, we will continue to drive the ESG transition – not just on paper, but through real action and engagement with our clients. To achieve our net-zero commitment, we have already identified the clients in our portfolio who contribute most to our Scope 3 emissions. Going forward, we will support them in their efforts to accurately measure their CO_2 emissions, set specific emission reduction targets in accordance with SBTi standards, and navigate the green transition with our tailored banking services and expertise in green investments. Additionally, we will continue to work on reducing our Scope 1 and 2 emissions, increase the share of green loans in our portfolio, and invest in comprehensive ESG training for all our staff.

We will support our clients in their efforts to accurately measure their CO_2 emissions, set specific emission reduction targets, and navigate the green transition through our tailored banking services.

2024 will inevitably be influenced by the precarious security situation in Europe and the Middle East. We remain hopeful, however, that the European continent will continue to converge on a political level in light of these crises and are encouraged by the fact that almost all our countries of operation have EU candidacy status. Until then, we see ourselves as an effective ambassador of the "European Idea" and as an important link between European institutions and the SME sectors in our markets.

Once again, we would like to express our sincere thanks to our employees, whose dedication and motivation were crucial to the very good results achieved this year. Their unwavering commitment to doing the right thing characterises how we work together for the common good of the banks and our clients alike in the spirit of our impact orientation.

Lastly, we would like to thank Sandrine Massiani for her passionate work as a member of the Management Board of ProCredit Holding. Her selfless dedication to the group leaves behind an important legacy that will continue to shape our approach to staff and our impact orientation for many years to come.

Frankfurt am Main, March 2024

Hubert Spechtenhauser
on behalf of the Management Board of ProCredit Holding

THE PROCREDIT GROUP: WHO WE ARE

Structure of the ProCredit group

ProCredit HOLDING

ProCredit Holding AG

Quipu – Part of the ProCredit Group

Quipu GmbH –
IT service provider

ProCredit Bank

12 ProCredit banks

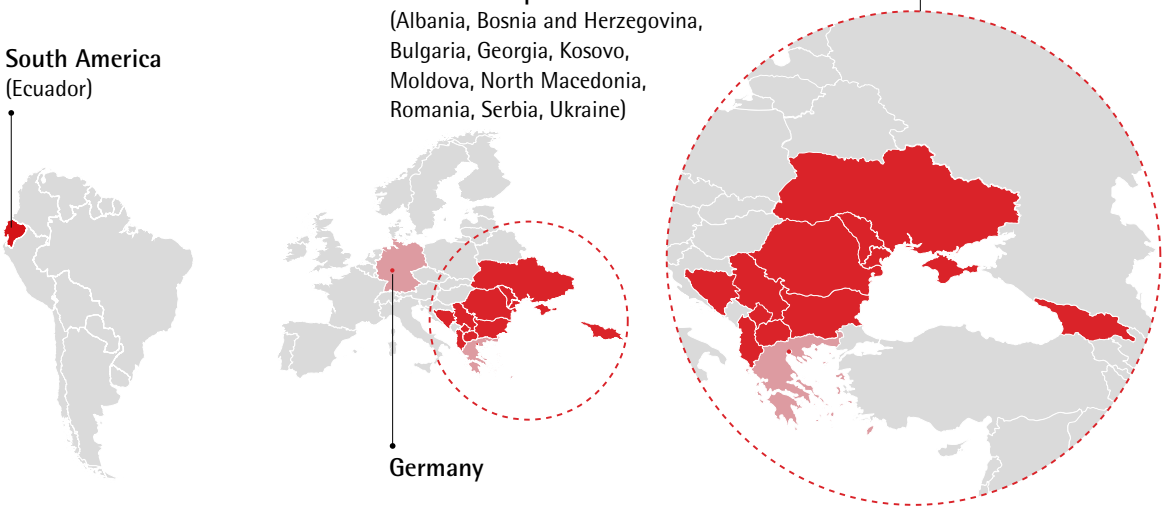
ProCredit ACADEMY

ProCredit Academy GmbH –
training centre

Our countries of operation

South Eastern and Eastern Europe
(Albania, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Moldova, North Macedonia, Romania, Serbia, Ukraine)

South America
(Ecuador)



Germany

Our mission

We strive to be the leading SME bank in our markets, following sustainable and impact-oriented banking practices. In doing so, we want to generate long-term sustainable returns and create positive impact in the economies and societies where we work.

A PIONEER IN DEVELOPMENT FINANCE

1980

ORIGIN
ProCredit with IPC: Supporting downscaling of financial institutions in developing countries to provide micro loans to the unbanked

1997-1998

FIRST MICRO-FINANCE BANK in Bosnia and Herzegovina founded as a greenfield investment

Founding of **IMI** (now ProCredit Holding)

Establishment of ProCredit as a **BANKING GROUP** and consolidation of ownership in ProCredit Holding

2003-2006

Opening of the ProCredit academies

GREEN LOANS granted for energy efficiency and renewable energy investments

ENVIRONMENTAL EXCLUSION LIST introduced group-wide in the banks' Code of Conduct

MSME FINANCE
Shift of focus from micro lending to "*Hausbank*" for SMEs

2008-2014

Introduction of a group-wide **ENVIRONMENTAL MANAGEMENT** approach, policy and governance structure

BANKING LICENCE IN GERMANY
Implementation of German regulatory standards, supervised by German banking authorities

2015-2017

LISTING of ProCredit Holding shares on Frankfurt Stock Exchange and first **ESG RATING**

2018-2020

ProCredit institutions certified under **ISO 14001, EMAS and EDGE**

Introduction of our **PLASTIC STRATEGY**

GREEN BOND placement with the IFC for green investments by SMEs

PROCREDIT DIRECT
Digital banking approach for private clients fully implemented

2021-2022

Network of **EV CHARGING STATIONS** installed

Joined the **NET-ZERO BANKING ALLIANCE**

Joined the **UN GLOBAL COMPACT**

Published **OUR RESPONSE ON FORCED LABOUR ALLEGATIONS** related to photovoltaic panel production in Xinjiang

Report on GHG emissions associated with the loan portfolio, following **PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)**

2023

Commissioning of **PROENERGY**, our own 3MWp PV plant in Kosovo

Defining of emission reduction targets in accordance with **SCIENCE BASED TARGETS INITIATIVE (SBTi)**

Conversion from KGaA to **AG**

Introduction of our **INCLUSIVE FINANCE** concept, with a focus on gender equity

SUSTAINABILITY HIGHLIGHTS AND DEVELOPMENTS

INTERNAL ENVIRONMENTAL INDICATORS

61%
electric and hybrid plug-in cars in car fleet

7.4%
decrease in energy consumption per employee

6 premises certified by EDGE

7.8%
decrease in indoor water consumption per employee

GREEN LENDING

9,439
total number of green loans

EUR **1,268.3 m**
total green loan portfolio

20.4%
of green loans in total portfolio

191.9 $ktCO_2$
emissions avoided through RE projects

CLIENTS

total number of business loan clients:
32,244

23%
of clients are from the agriculture sector

13%
of clients are from the production and manufacturing sectors

JOBS SUPPORTED THROUGH OUR BUSINESS CLIENTS

193,344
total employment (estimated number)

42%
female employment

15–25 y **7%**
youth employment

EMPLOYEES

3,951
total number of employees

54%
female representation in middle management

114
hours of training per employee

annual investment in employee training
EUR **9.4 m**

Status of our targets as of 2023

20% green loans by 2023	Achieved in 2022 and updated to 25% for the medium term.
Carbon neutrality in our own operations by 2023	In 2023, we commissioned our 3 MWp PV plant in Kosovo, which avoids nearly 3,500 tCO_2 annually and was crucial for achieving our carbon neutrality goal. In addition, in line with the Paris Climate Agreement, we developed a full plan to achieve net-zero emissions by 2050.
Maintain and further increase staff competence	This objective is continuous and transversal to all impact areas, pertaining to all operations rather than a stand-alone goal.

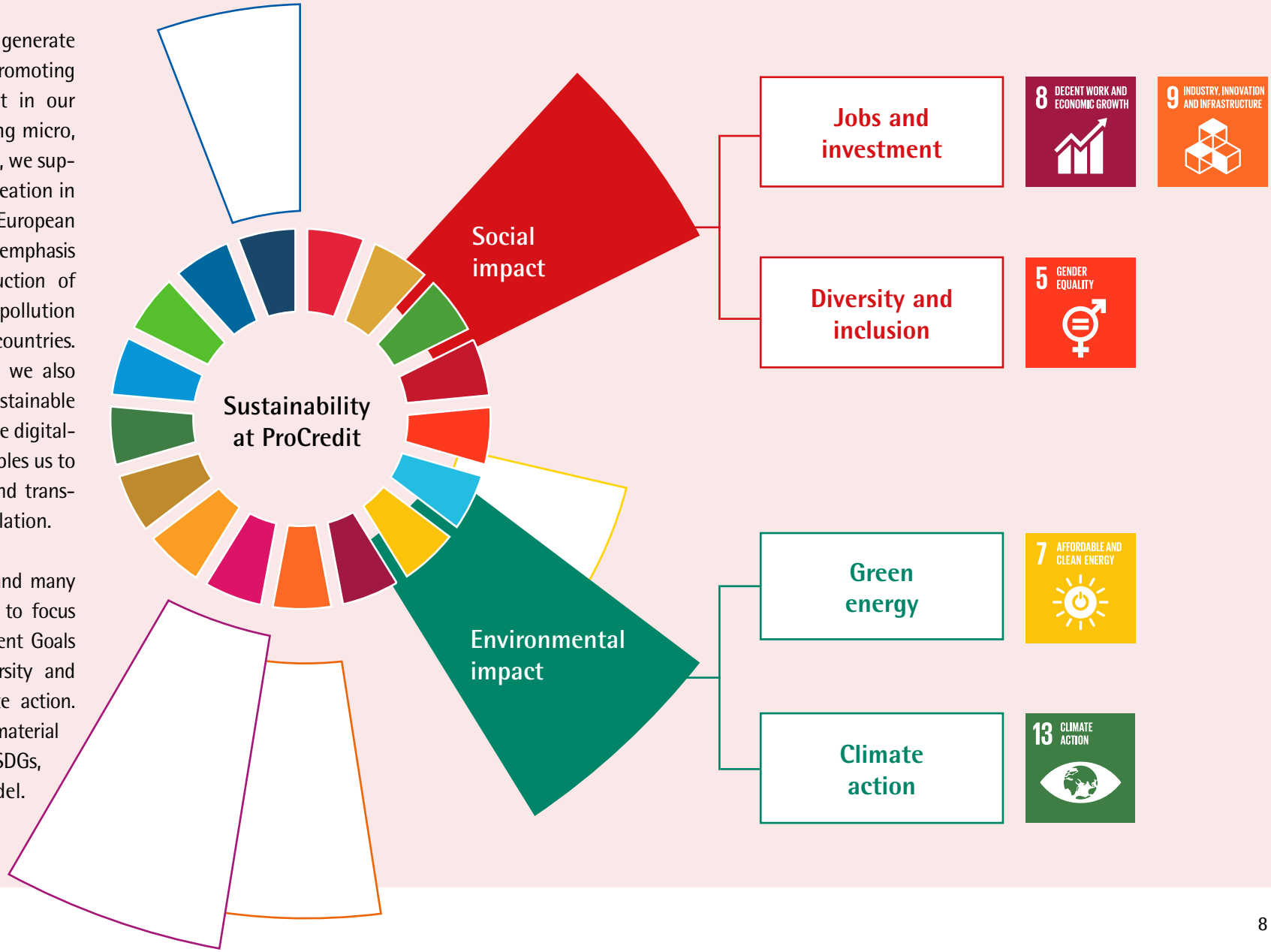
Sustainability standards and memberships

2X GLOBAL
Joint Impact MODEL
SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
PCAF Partnership for Carbon Accounting Financials
UN environment programme finance initiative
net-zero banking alliance

OUR APPROACH TO IMPACT

We believe that our banks can generate significant positive impact by promoting sustainable economic development in our countries of operation. By financing micro, small and medium-sized enterprises, we support growth, innovation and job creation in South Eastern and Eastern European emerging economies. Moreover, our emphasis on green finance allows the reduction of greenhouse gas emissions and lowers pollution in otherwise very carbon-intensive countries. Through our focus on agriculture, we also promote rural development and sustainable food security. In addition, our unique digital-first approach to retail banking enables us to provide high-quality, convenient and transparent services to the broader population.

Sustainability has a broad agenda and many objectives. We chose in this report to focus on five main Sustainable Development Goals associated with job creation, diversity and inclusion, green energy and climate action. However, our previously established material topics, based on a wider selection of SDGs, remain crucial to our business model.



ENTERPRISES AT THE CORE OF OUR BUSINESS MODEL

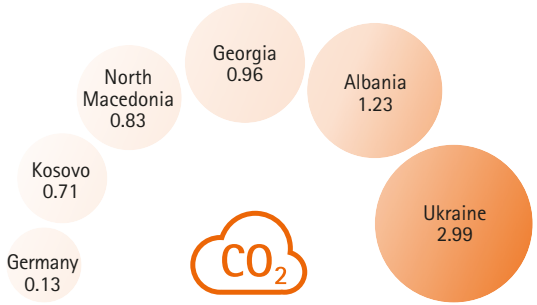
At ProCredit, we support micro, small and medium-sized enterprises (MSMEs) that meet stringent environmental, social and governance (ESG) standards and have the greatest potential to create wealth, employment and opportunities in our markets of operation.

Our business model is focused on providing financial services to innovative companies with a high degree of formalisation and digitalisation. Around a quarter of our business portfolio is dedicated to financing the productive sectors, with industry playing the most important role, and our focus on investment loans provides the basis for long-term capital formation and hence higher economic growth.

Our lending activities particularly support investments in green technologies: 26% of our investment loans are classified as "green", with a strong emphasis on renewable energy, energy efficiency and sustainable agriculture.

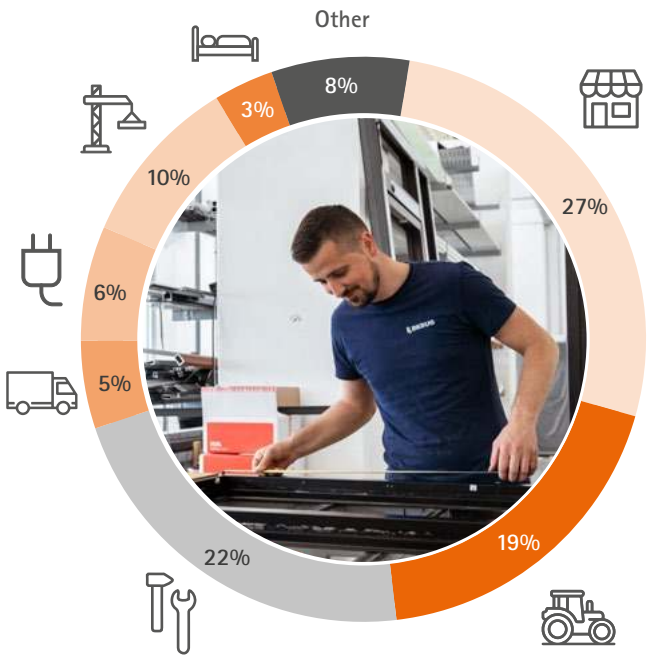
ProCredit provides a bridge between the more developed economies in Western Europe, particularly Germany, and those in South Eastern and Eastern Europe, well beyond the provision of financing. Among other services, we offer international money transfers, which allow secure, fast and low-cost cross-border payments, centralised treasury for companies with operations in multiple jurisdictions, and payment of import-export guarantees, promoting the flow of goods not only from east to west, but also interregionally.

Context in our countries: CO_2 emissions per unit of manufacturing value added ($kgCO_2$/2015 USD)



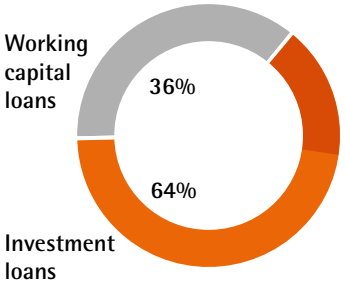
Reference year: 2020

Our total business loan portfolio by sector (%)



Total business loan portfolio: EUR 5,597 million

Our business loan portfolio by loan purpose



Green share in investment loans

26%

Green investment categories

Environmentally friendly projects	Renewable energy	Energy efficiency
• Waste management • Environmental services • Sustainable suppliers • Organic farming and certified production	• Photovoltaic systems • Hydropower plants • Wind power systems • Geothermal systems • Biomass plants	• Production machinery and equipment • Green buildings • Heating and cooling equipment • LED or other efficient lighting systems

INDUSTRY, INNOVATION AND INFRASTRUCTURE

LEADING THE WAY IN INNOVATION AND ENVIRONMENTAL RESPONSIBILITY

Cromex d.o.o., Bosnia and Herzegovina

Starting with just two employees, the innovative metal company Cromex d.o.o. was founded in 2004 by Mirsad Ramić in Prijedor, Bosnia and Herzegovina. Since then, the company has continued to develop both in terms of turnover and the products it makes. Today, Cromex d.o.o. offers a wide range of products and services in the areas of metal processing and metal element manufacturing, employs 110 people, and enjoys an excellent reputation as an employer in the region and on the market, where it is recognised as one of the most innovative companies in its field. Despite stiff competition from foreign companies, the company has been able to steadily increase its market share through its well-developed customer relationships.

Most of the products the company makes are its own innovations, and new products are introduced every year. In 2019, two products were developed that are the first of their kind in Bosnia and Herzegovina: public toilets made entirely of stainless steel (which deters vandalism) and mopeds with EURO 5 engines (fully electric as well as petrol-powered automatic and semi-automatic vehicles).

Cromex d.o.o. is heavily committed to protecting the environment against pollution. The environmental impact assessment (EIA) carried out to assess the company's waste management, noise development and water protection practices showed that the wastewater is purified to such an extent that it does not endanger the environment, and the noise level is well below the legal requirements. Additionally, the client was able to reduce the amount of waste it produces by almost 50% by selling the scrap metal to a steelworks for recycling. ProCredit supports the client in its approach by financing modern, energy-saving equipment.

DECENT WORK AND ECONOMIC GROWTH

CULTIVATING RURAL PROSPERITY

8 DECENT WORK AND ECONOMIC GROWTH

MSMEs represent the backbone of the economies where we operate, and it is in our mission to support them. These companies invest in innovation and contribute significantly to economic development through job and wealth creation.

Agriculture is one of the most relevant sectors in our loan portfolio, and close to 20% of our business loan portfolio is allocated to supporting this sector. This enables us to promote rural development and economic growth in less-developed regions. Our goal is to encourage sustainable agricultural practices among our clients, and we remain committed to supporting their efforts in this area. By promoting new technologies and enhancing local knowledge and skills, we improve the productivity of our customers and of the sector overall.

Our business clients created

193,344*

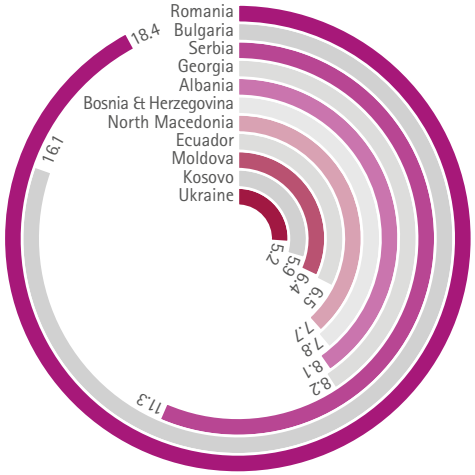
jobs in 2023 and contributed

EUR 664 m*

through taxes

More than 32,000 business customers supported by our loans out of which 23% are agribusinesses

Context in our countries: GDP per capita, current prices (USD thousands per capita)



Reference year: 2023

Context in our countries:

SMEs contributed

62.1%

of economic value added (% of GDP)

and employed

70.9%

of the workforce (% of total employed) on average from 2021 to 2022.

Midi Organic, Serbia

Located on the slopes of the Kopaonik mountains in Serbia, Midi Organic is a family business that specialises in the production and processing of organic fruit products, such as frozen fruit, dried fruit and fruit puree. The region is pristine, with no polluting industries, and the fruits are grown in the traditional way. Midi Organic is the largest buyer of organic produce and supports a great number of farmers throughout the region. The fruits are processed and stored using the most modern technology and equipment, which ProCredit helped the business owner, Nenad Janićijević, to finance.

Midi Organic started out as a small business in 2006, but ultimately became internationally active thanks to an agreement with a Dutch company to export its products to the Netherlands. Today, the company exports its wares across Europe and to the US market, complying with EU and US standards and holding all relevant certificates, and employs 79 permanent workers and dozens of temporary workers.

* Estimated using the Joint Impact Model.

EMPOWERING TOMORROW'S LEADERS

Creative co-working space inspired by Mastercard, ProCredit and Quipu

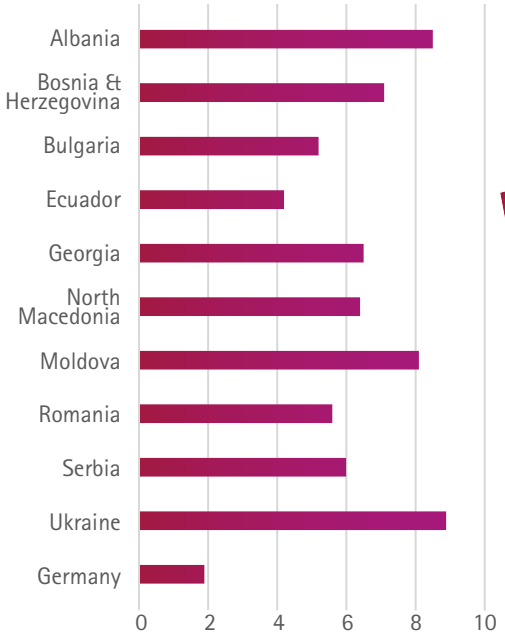
Hive Room, a collaborative initiative involving ProCredit Bank North Macedonia, Quipu and Mastercard, is a free co-working environment, carefully designed to support the growth of startups and freelancers. Nestled in the heart of Skopje, it stands as a modern workspace, adorned with multiple adaptable workstations that cater to the dynamic needs of teams and individuals alike.

The objective goes beyond providing a physical workspace: we are committed to fostering an ecosystem where ideas and knowledge converge to create a thriving community poised for transformative societal impact.

This initiative is woven into the fabric of a comprehensive professional development programme. It includes a series of educational and networking events, complemented by tailored financial services which are carefully curated for our clients.

In regions suffering from significant brain drain, initiatives like Hive Room are not only relevant but critical. By creating pathways for youth development, we are not just investing, but also sowing the seeds for a prosperous and resilient future in the region.

Context in our countries:
Human flight and brain drain index (0=Low, 10=High)



Reference year: 2022

Young people accounted for

7.2%*

of jobs created by our MSME clients in 2023

* Estimated using the Joint Impact Model.

GENDER EQUALITY

HARMONY AT WORK: GENDER BALANCE

5 GENDER EQUALITY

Gender equality is an essential part of creating a fair and inclusive work environment. Our commitment to gender diversity is based on the values and principles set out in our > Code of Conduct and is reflected in the way we work with each other and with our clients.

We do not have quotas or targets; instead, our focus is on the development of individuals, regardless of their gender.

We achieve this through:

- A transparent and inclusive approach to recruitment, defined in our Human Resources Policy.
- A remuneration structure based on fixed salaries with no incentive bonuses, promoting a long-term thinking culture.
- Transparent performance management and long-term career development opportunities.
- Equal access to training and leadership development through our ProCredit Academy.
- Strong support for all staff to recognise and address unethical behaviour.
- Investigating and processing all indications of violations consistently and without bias.

Total staff: 3,951

Middle management: 460

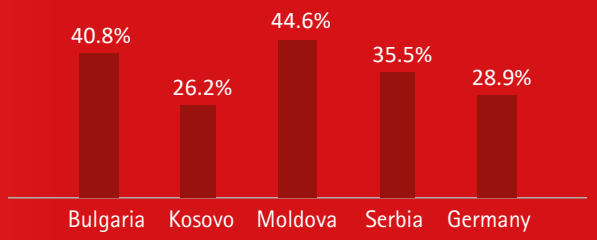
Management board: 43

Average seniority by gender (in years)

in total staff

in management board

Context in our countries:
Proportion of women in managerial positions



Reference year: 2022

GENDER EQUALITY

CULTIVATING MINDS: DIVERSITY AND INCLUSION

5 GENDER EQUALITY

Our organisation is committed to promoting gender equality and raising awareness among our colleagues. We believe that unconscious biases can sometimes interfere with the choices we make, so we have implemented a gender sensitivity training programme to bring this topic to the forefront. We believe that an institution must live the values it wants to promote as an agent of change.

Our goal is to be a fair and equal employer while also contributing to women's empowerment in the countries where we operate.

To achieve these goals, we have trained our entire staff to understand the roots of issues related to gender inequality in society.

Outline of 2023 gender training

- Unmasking myths and stereotypes: The normalisation challenge
- Understanding gender, sex, and sexual orientation
- Combatting gender-based violence
- Navigating gender biases

ProCredit Academy

Our Academy is not just a training centre, but also a strategic hub where we align our values, ideas, and business model to deliver the best service to our clients, while increasing impact and sustainability. Our comprehensive courses cover a wide range of topics, including history, philosophy, management skills, business and retail banking, digitalisation and AI. In 2023, we introduced a week-long management course on diversity and inclusion for our future decision-makers.

By doing so, we hope to remain at the forefront of gender equality and make a positive impact in our communities.

100%
of employees trained on gender equity

More than 21,000 hours dedicated to human rights in 2023

Management Academy graduates by gender
women: 43%
men: 57%

GENDER EQUALITY

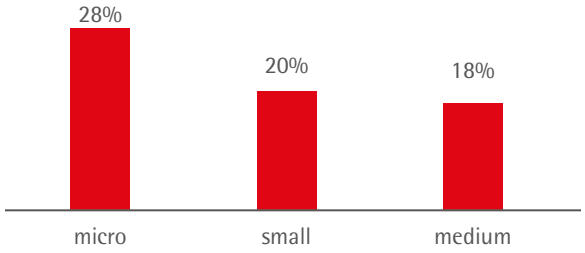
OUR GENDER ACTION PLAN

Women-led companies often face obstacles due to societal norms and discriminatory practices in the business environment. In our organisation, we recognise the important role that women's empowerment plays in overcoming these challenges.

Our Gender Action plan details the steps through which we aim to increase access to finance, reduce gender-based barriers in business, and create business opportunities for women-led companies.

Recognising the importance of alliances to achieve greater impact and advance the issue of gender equality, in 2023 we joined 2X Global, an international organisation dedicated to advancing women's economic empowerment. Through this important partnership, we will accelerate capacity-building, adopt international practices, and build networks to strengthen women's representation in the economy.

Proportion of MSMEs with at least 50% female ownership in our 2023 business loan disbursements



IT Academy STEP, Georgia

In 2016, Maka Makhatadze opened IT Academy STEP Georgia in Tbilisi as a franchise of a leading global brand in the still male-dominated sector of information technology.

The company transforms traditional educational ideas into a unique, innovative learning environment by using modern programmes. The concept has paid off: the IT Academy has grown rapidly over the years. With financial support from ProCredit Bank, the client was able to build an energy-efficient building to accommodate growth. In addition, the company has paved the way for more women to enter the field, with the proportion of female students fluctuating between 15% and 20% on average.

The company creates a positive and family-friendly working environment by offering flexible working hours that prioritise results. In addition, the company offers its employees and their children free access to all Academy courses and encourages their professional development.

More than **81,000*** women supported through job creation by our MSME clients

Action plan

completed: Clearly defined governance structure → Awareness training

in progress: Data collection and market research → Gender strategy → Women empowerment programme roll-out

* Estimated using the Joint Impact Model.

CHARTING OUR DECARBONISATION PATH

2015: We created a system to collect, assess and disclose internal emissions.

2018: We set the target to achieve carbon neutrality in our own operations and a 20% green portfolio by the end of 2023.

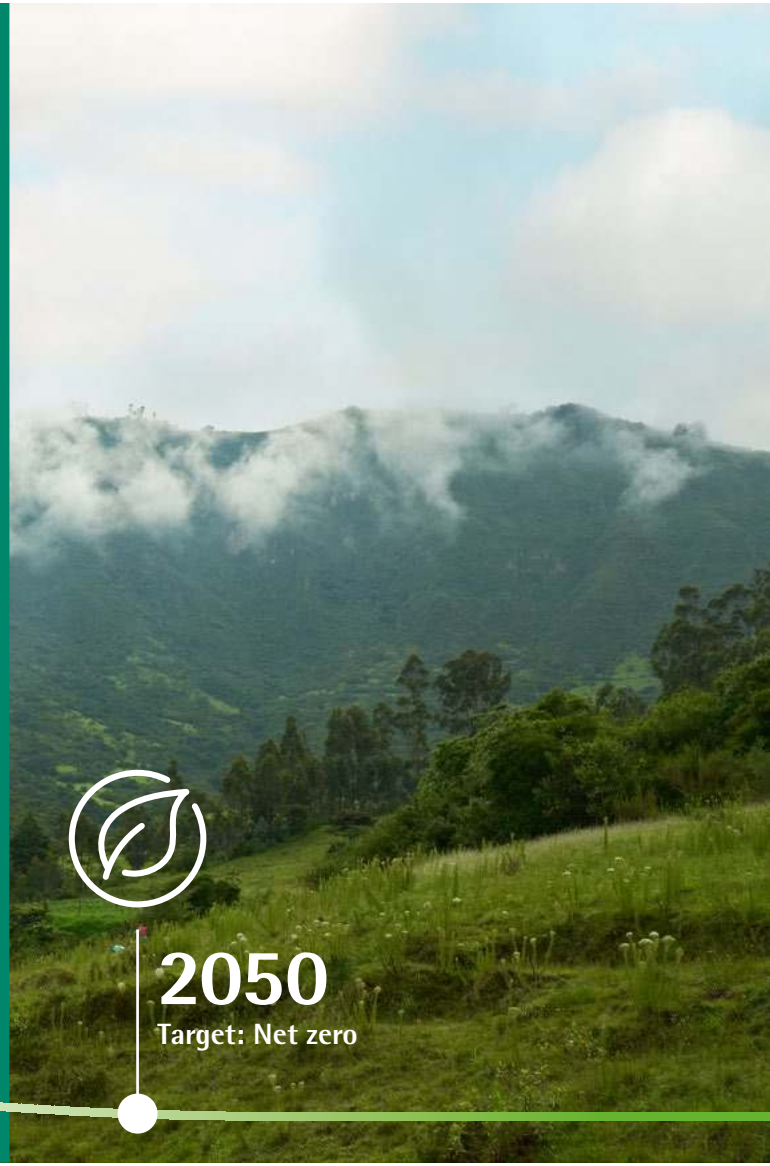
2020: We assessed the effect of physical climate risks in the agricultural sector.

2021:
We calculated and reported our portfolio emissions following the Partnership for Carbon Accounting Financials (PCAF) standard.

2022: We conducted a physical and transition risk assessment of the group portfolio. Also, we joined the Net-Zero Banking Alliance (NZBA).

We achieved our target of allocating 20% of our total loan portfolio to support green investments and we have set the next target to 25%.

2023:
Carbon neutrality achieved with the inauguration of our own 3 MWp PV park in Kosovo.*



2050
Target: Net zero

* The certification process with Gold Standard is currently underway and planned to be finalised in 2024.

OUR CLIMATE ACTION STRATEGY

13 CLIMATE ACTION

Building a climate-resilient portfolio

We consider climate-change-related risks (physical and transition risk) in our risk management framework and we support our clients in making their businesses more resilient to these risks.

1 Integrating climate risk into our risk management in 2023

- Integrating climate risk into the Internal Capital Adequacy Assessment Process (ICAAP) stress-testing framework
- Ensuring a robust internal governance setup for managing climate-change-related risks
- Defining key indicators for climate risk management

2 Identifying climate risk clusters in our portfolio

- Conducting regular reviews of transition risk and physical climate risk analyses, considering economic subsectors and specific geographies

3 Supporting our clients

- Providing green loans to our clients to boost their resilience to climate-related risks and reduce their transition risks
- Collecting relevant client data for granular climate risk analyses in the medium term

Net zero by 2050

We have committed to becoming net zero by 2050. This includes reducing our own emissions (Scope 1 and 2) as well as those related to our loan portfolio (Scope 3, category 15)*.

	Scope 1 (internal)	Scope 2 (internal)	Scope 3 (external)
Base year 2022	0.9 $ktCO_2eq$	3.3 $ktCO_2eq$	769.5 $ktCO_2eq$
Near-term targets	42% reduction by 2030	42% reduction by 2030	28% engagement by 2027
Actions needed	Increase share of electric vehicles	Increase usage of clean electricity	Support clients to set targets with SBTi and finance their transition

At the group level, we have developed a Climate Action Strategy to align with the 1.5°C scenario of the Paris Climate Agreement. Our goal is to cut at least **90%** of our Scope 1, 2 and 3 emissions by **2050**. Our Climate Action Strategy includes a comprehensive impact analysis of our operating and financial activities. We have established near-term targets grounded in scientific methodology and validated by the Science Based Targets initiative (SBTi).

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

* Scope 3, category 15 refers to the emissions derived from our financed loan portfolio.

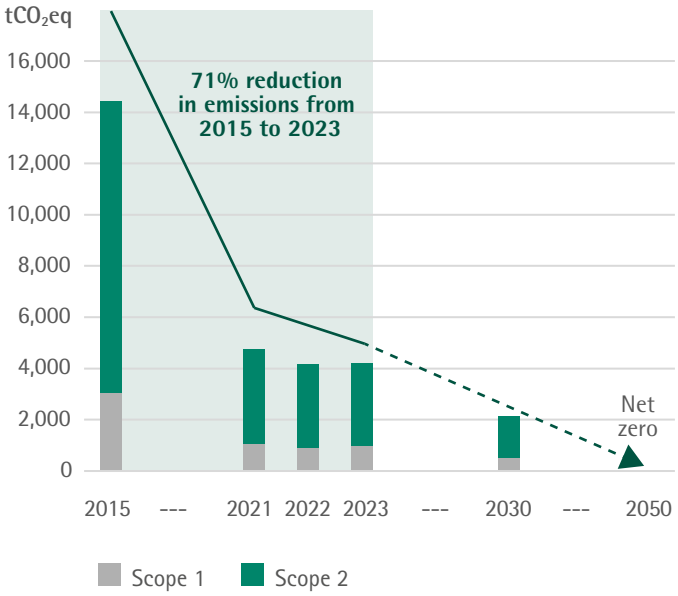
CRAFTING OUR OWN NET-ZERO JOURNEY

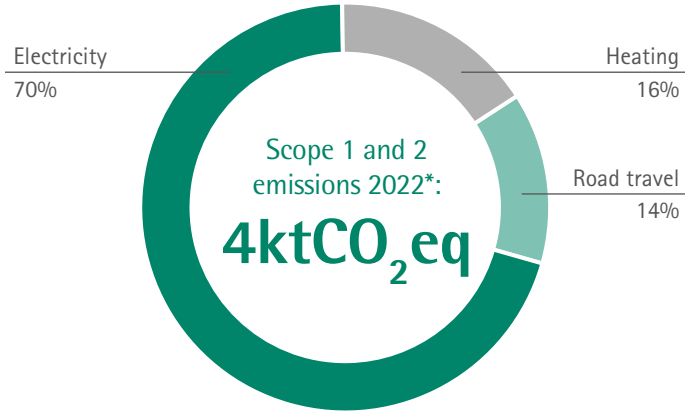
Since 2015, we have been implementing a robust internal environmental management system to mitigate the impact of our operations on the climate and environment. We measure and monitor CO_2 emissions related to our operations (Scope 1 and 2); these mainly stem from electricity, heating and vehicle use.

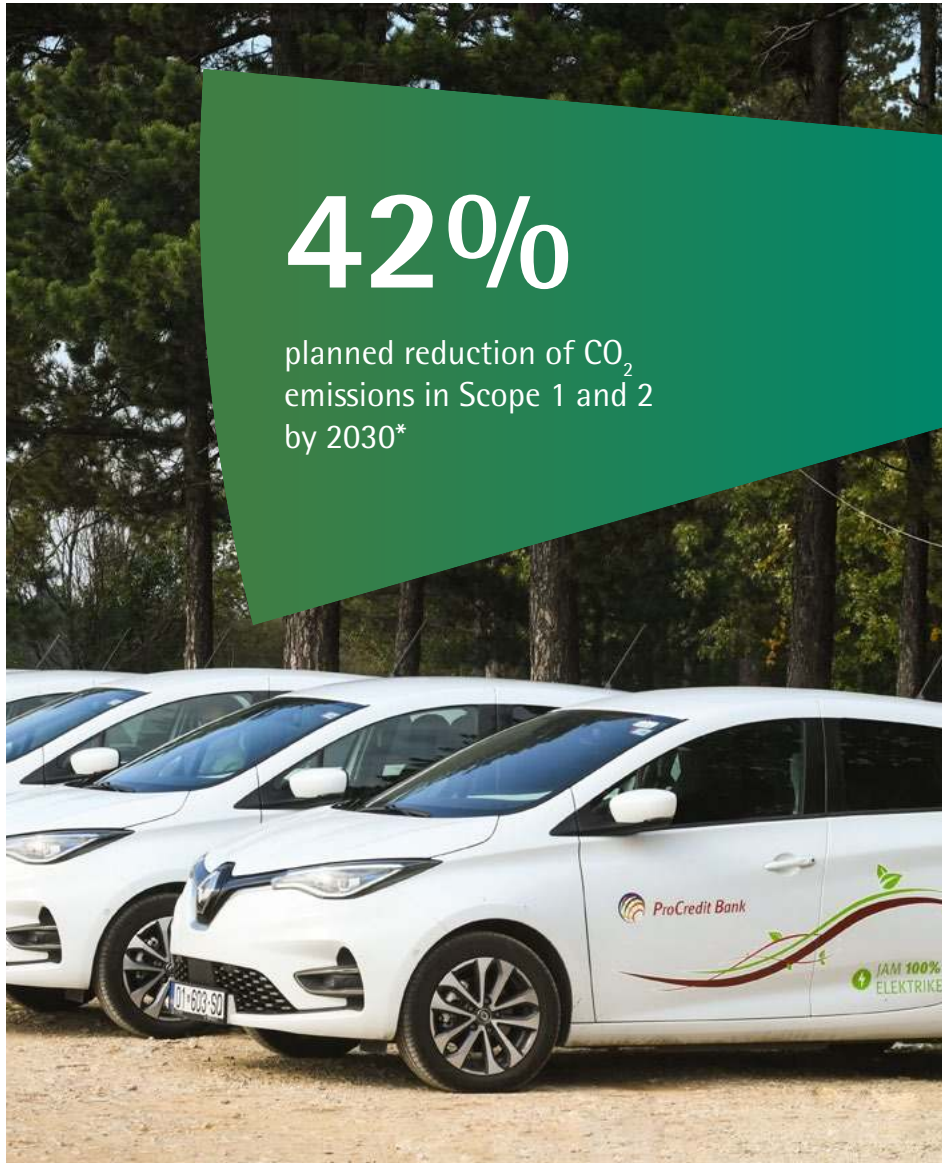
Our goal is to reduce these emissions by 42% by 2030 through the following measures:

- Increasing the share of renewable electricity use by investing in our own photovoltaic systems and clean energy suppliers.
- Increasing the share of electric cars: as of 2023, 45% of cars in our fleet were electric.
- Implementing energy efficiency measures at our premises: the head offices in six countries of operation have been awarded EDGE green building certificates, with ProCredit Bank Ukraine being the most recent to certify in 2023.

Emissions and targets from internal operations (Scope 1 and 2)

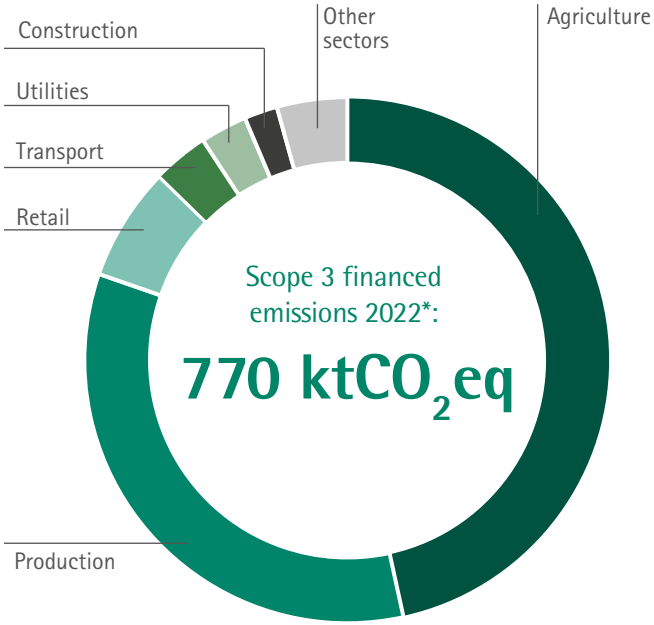






* 2022 is the base year for our near-term net-zero targets.

SUPPORTING OUR CLIENTS TO REACH NET ZERO



Supporting our clients' transition

Our goal is to support clients in their decarbonisation efforts through carbon accounting and emission reduction target-setting, as well as by providing financial support to implement their strategies. By 2027, we aim to engage with clients who are responsible for 28% of the CO_2 emissions from our loan portfolio, with a focus on clients in agriculture and manufacturing.

Increasing support for green investments

We have allocated 20% of our loan portfolio to support clients with their green investments, including energy-efficient equipment, solar systems and green buildings. Our goal is to increase this share to 25% in the medium-term.

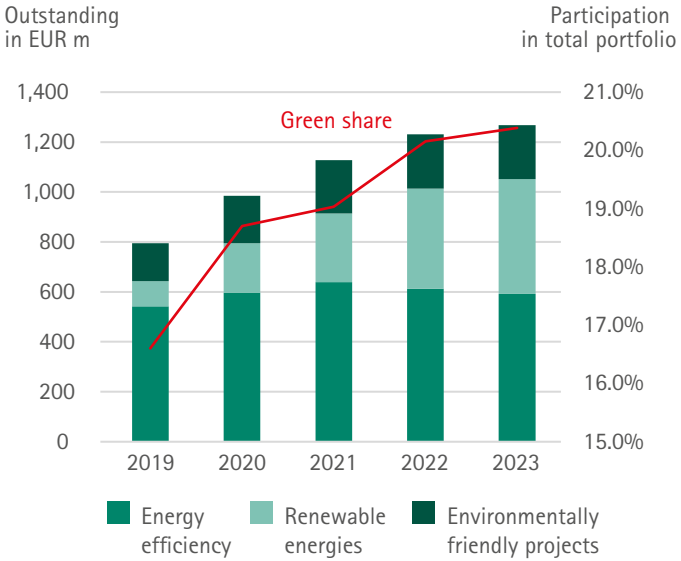
Promoting green electricity

Through renewable energy project financing, we are committed to becoming the primary financial partner for decarbonisation in our countries of operation. As of 2023, we have financed the installation of 859 MWp of photovoltaic systems, from which 306 MWp are already in production.

Ensuring continuous compliance with our Exclusion List

Our Exclusion List includes activities that have a significant adverse impact on the environment, such as mining and oil extraction. (> Code of Conduct, p. 30)

Green LP development by investment category



We plan to engage with clients responsible for **28%** of our CO_2 emissions from our loan portfolio by 2027

Action plan

completed

- Quantification of our own CO_2 emissions
- Setting of CO_2 reduction targets for Scope 1, 2 and 3

in progress

- Definition of climate action strategy and transition plan
- Launching CO_2 calculator for clients
- Continuous engagement with clients and monitoring

* 2022 is the base year for our near-term net-zero targets.

AFFORDABLE AND CLEAN ENERGY

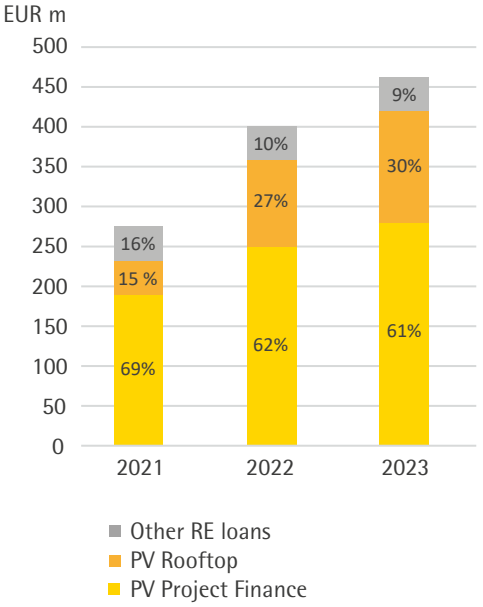
ENERGISING SUSTAINABILITY FOR TOMORROW

7 AFFORDABLE AND CLEAN ENERGY

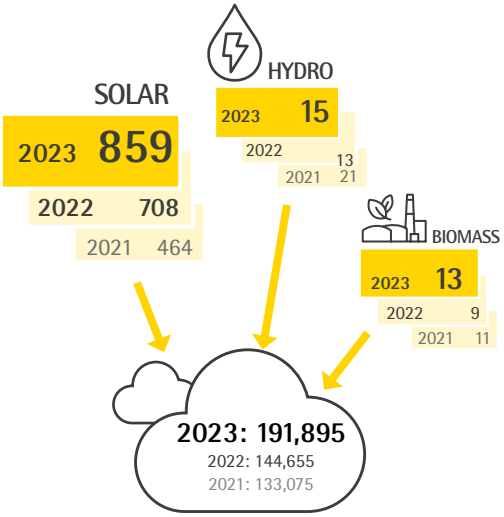
Our green loan portfolio is strongly driven by investments in renewable energy. Due to high and volatile electricity prices, there is substantial interest in solar energy systems, with rooftop installations for internal consumption and utility scale projects being the most common investments in 2023.

Looking to 2024 and beyond, we expect the pace of green energy transition to accelerate further, especially considering the high carbon dependence in most of our countries of operation. The most relevant investments in those markets, and particularly in the primary sector, would aim to reduce energy intensity, adopt alternative forms of transportation, introduce alternative sources of energy production and improve storage capacity.

Renewable energy loan portfolio



Installed capacity of financed RE projects (in MWp)



tCO_2 avoided through RE projects in operation, corresponding to 334 MWp of installed capacity

Imes Alb Ltd, Albania

Growing steadily since its foundation in 2009, the Albanian footwear manufacturer Imes Alb Ltd in Tirana currently employs 400 permanent staff members and about the same number of subcontracted sewers. The company specialises in various types of footwear for well-known customers for export abroad.

Imes Alb Ltd has continually invested in efficient equipment and the optimisation of operational costs and working conditions. The latest investment, made with the help of ProCredit Bank, is the installation of 0.5 MWp rooftop solar panels, which has enabled the company to reduce its electricity costs by 60% and cover all its own electricity needs. The management's sustainable approach is not only a strong sign of the added value of sustainable business practices for companies, but also provides many good jobs in the region.

AFFORDABLE AND CLEAN ENERGY

HARNESSING 3 MWp OF SOLAR POWER

Our 3 MWp solar park, ProEnergy, is a sustainable initiative that aims to reduce Kosovo's reliance on non-renewable energy sources while promoting social and economic progress. The solar park began operating in July 2023 and is expected to produce 3,711 MWh of energy annually, thereby reducing the use of carbon-intensive energy sources and cutting greenhouse gas emissions.

In addition, the project has only a minimal environmental impact, with no noise or air pollution and no changes in land use. Furthermore, the local community benefits from job creation, lower energy costs and higher property value. ProEnergy also aims to strengthen technical expertise and knowledge among local and regional suppliers and partners.

ProEnergy serves as a model for this type of investment in the private sector, promoting independence and energy security in a highly volatile market. By investing in ProEnergy, we are contributing to a sustainable future for the region and also getting closer to our group's net-zero commitments.

SDGs AND MATERIAL TOPICS

Our key material topics remain consistent between this reporting period and previous years, as does their alignment with selected SDGs. However, in this report, we have chosen to focus on elaborating five key SDGs that best represent our impact. For a detailed overview of how we contribute to each SDG and its specific targets, please refer to the > Impact Report Datasheet 2023, "Implementing the Sustainable Development Goals (SDGs) and Achieving SDG Targets: Our Actions on Material Topics"

ECONOMIC DEVELOPMENT

We contribute to environmentally and socially sound economic development in the countries in which we operate. We provide responsible and sustainable financial services to SMEs and support local business activities. We work with companies that drive innovation through state-of-the-art investments and which strive to reduce their environmental impact. Our business clients, who are mostly active in the manufacturing, agricultural and service sectors, follow long-term business strategies and generate employment.

PRUDENT CREDIT RISK MANAGEMENT

In our lending operations we strive to minimise potentially harmful economic, environmental and social impacts. We therefore do not allow our clients to become over-indebted and we do not finance ecologically unsound projects. We support our clients throughout their economic cycles and our lending operations are tailored to the risk profile of our MSME clients. As environmental and social risks may turn into financial risk for the client and reputational risk for our banks, we consider effective E&S risk management to be indispensable for a sustainable credit institution.

SUSTAINABLE FINANCE

We apply an economically, socially and environmentally inclusive approach to responsible finance. When evaluating the economic soundness of an investment, we take all possible negative environmental and social impacts into account. We provide financial instruments that enable our client groups to realise innovative projects that are relevant for the local economies. Our green loans promote climate-friendly technologies. We achieve our sustainable finance objectives through the strict application of our > Exclusion List and by maintaining an active dialogue with our clients.

CORPORATE GOVERNANCE

Our clear values, guidelines and organisational structures are designed to enable our employees to act responsibly and foster our clients' trust. We prioritise flat hierarchies, timely and transparent communication, and small, focused teams, so that our banks can (re)act quickly and appropriately. Our standards often go beyond the local regulatory requirements, and we foster a culture of compliance among all staff. These and other values are documented in our > Code of Conduct. We set ourselves high standards of corporate governance and demand that our clients do the same.

RELIABLE PARTNERSHIPS AND TRANSPARENT SERVICES

We seek to build long-term reliable and stable partnerships with our business and private clients. Our staff analyse our clients' business models and investment ideas closely so that they can provide sound advice. This contributes to sustainable development for our business clients and prevents them from becoming over-indebted. We also support private individuals, including business owners, with transparent well-structured account services, savings options and lending products, primarily via convenient and secure digital channels.

TECHNOLOGY AND INNOVATION

We promote digital transformation in our banking operations to deliver secure and convenient services to our clients and we maximise efficiency in our internal processes. By investing in and promoting the uptake of innovative and high-quality digital banking solutions, we strive to be a technological trailblazer in our countries of operation. We also continue to strengthen our defences against cyberattacks to ensure a consistently secure and reliable banking environment both for our staff and for our clients.

INTERNAL ENVIRONMENTAL MANAGEMENT

To minimise our environmental footprint, we continuously analyse and monitor the impacts resulting from our activities. We set objectives that are designed to reduce emissions by improving energy efficiency, promoting renewable energies, and reducing resource consumption. We set an example to companies in our countries of operation by adopting green building standards and having our efforts visibly certified. We regularly publicise our environmental achievements with a view to raising awareness among employees and clients alike.

ETHICAL VALUES AND WORKING ENVIRONMENT

We seek to promote a positive working environment characterised by diversity, flat hierarchies and open communication. We pride ourselves on having developed an approach to staff that does not solely rely on monetary compensation. Our ethical approach to banking is fully integrated into our corporate culture. We heavily promote independence and critical thinking, responsibility, gender equality and fairness among our staff. Ensuring the health and safety of our employees is among our foremost priorities. Our values are manifested in our Code of Conduct, which serves as the ethical compass of the ProCredit group.

FAIR RECRUITER AND EMPLOYER

To attract and retain the right employees, we have developed a transparent selection process complemented by fair internal promotion opportunities and remuneration. Fairness and openness are the key distinguishing features of our recruitment procedures. Our merit-based approach treats every applicant in the same way, regardless of gender, origin or connections. We also place great value on a transparent salary structure and consciously refrain from offering short-term, performance-related bonuses. Fair remuneration is ensured by capping the ratio between the highest and median salary levels.

STAFF DEVELOPMENT

We develop staff capacity through comprehensive knowledge and skills training, regular performance reviews and clear career options. Our approach emphasises the importance of investing in ongoing personal and professional development. We support our employees by providing regular opportunities for dialogue and feedback, and by offering continuous training. Our professional development curricula include not only banking skills, but above all courses on humanities, encouraging our staff to reflect on their own values and role in society and to think independently.

Note: Involvement with topic-related negative impacts which occurs mainly through our business relationships is depicted in red.
Involvement with topic-related negative impacts which occurs mainly through our activities is depicted in green.

ProCredit
HOLDING

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