



*ProCredit Bank*

# PROCREDIT BANK ALBANIA'S CLIMATE ACTION STRATEGY

Based on Group Climate Action Strategy



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# 1. Our journey and commitment to sustainability

As the effects of global warming continue to intensify, climate change remains a significant challenge and poses risks for entire societies. Given their influence over the allocation of capital and the direction of economic activity, banks have an important role to play in supporting climate change mitigation and adaptation efforts.

Banks also face significant risks associated with climate change, including physical risks from extreme and chronic weather events, as well as transition risks from policy changes, technological innovations, and shifting consumer preferences.

Reducing and managing the adverse environmental and social impacts of our operations and lending activities has always been a key objective of the ProCredit group, including ProCredit Bank Albania.

Internally, we have successfully done so through our Environmental Management System, which we implemented in 2015 to minimize the impact of our own operations on the climate and environment.

Our green loans and thorough environmental and social (E&S) risk assessment further enable us to promote climate awareness among our clients. Our green lending criteria, verified by a third-party, are disclosed in our Green Bond framework, issued on the group level.

**We are now taking the next step in contributing to the climate change mitigation and adaptation process by supporting our clients in their efforts to decarbonize and build up their resilience to withstand physical and transition risks. This strategy is aligned with Group Climate Action Strategy.**

We cannot do this alone, however. We need to do it together with our staff, clients and suppliers, and all other stakeholders who are as committed as we are to building a more resilient and green society.



“  
**Global challenges need to be addressed as a society, and that is our strategy. We want to walk together with our staff, clients and suppliers in the transition to net zero and adaptation to climate change.**  
”

**2015**

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

**2018**

We invested in distributed PV-s in the rooftop of our Head office and started promoting investments in rooftop PVs as a sustainable way of energy consumption to our business clients.

**2021**

100% of our car fleet in Albania was ecologic (electric and plug-in hybrid).

**2023**

On the group level we calculated and reported our portfolio emissions following the Partnership for Carbon Accounting Financials (PCAF) standard.

**2017**

All our business units certified under ISO 14001.

**2018**

We set the target to achieve carbon neutrality in our own operations on the group level and a 20% green portfolio by in Albania and on the group level.

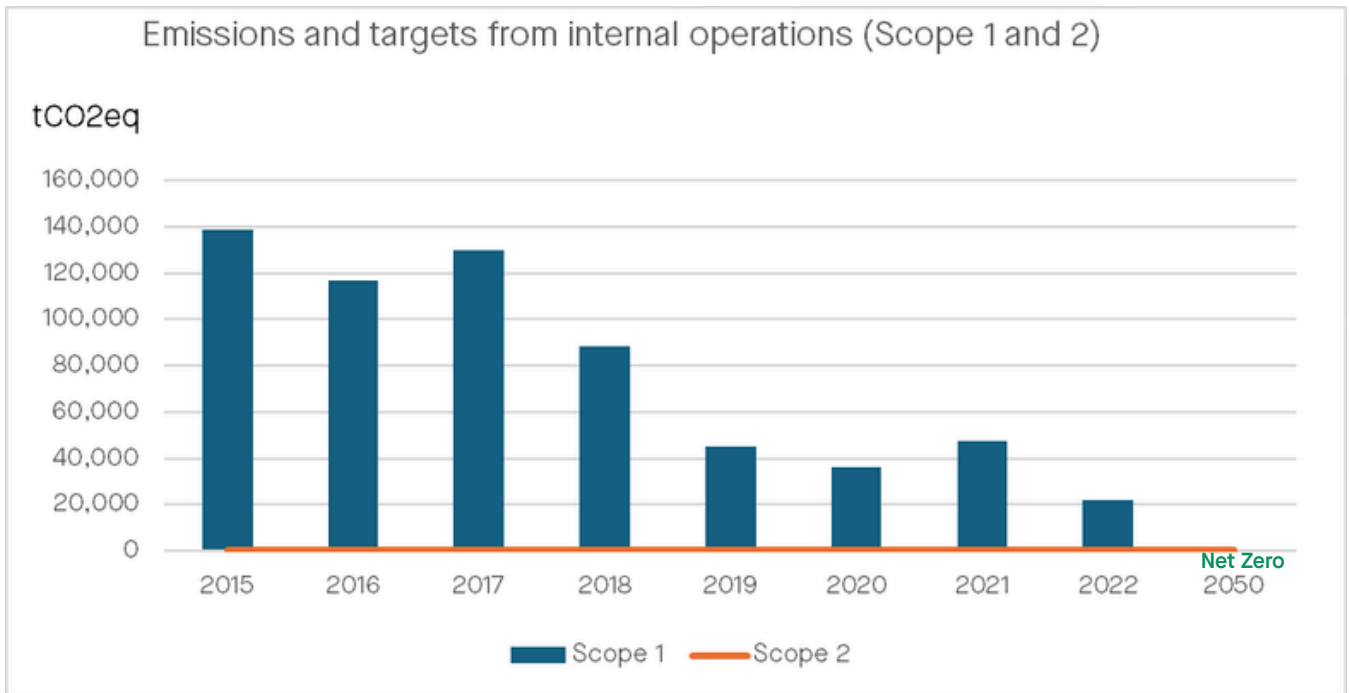
**2022**

On the group level we joined the Net-Zero Banking Alliance (NZBA). We achieved our target of allocating 20% of total loan portfolio to support green investments in Albania (2023) and on the group level. We have set the next target mid-to-long term to 25%.

**2024**

Net Zero targets set and validated externally by the SBTi (Science Based Target initiative) as ambitious enough to comply with the Paris Climate Agreement, at the group level.

# ProCredit Albania emission reduction since 2015



## 2. Where we stand

### 2.1 Where we stand: Our impact

Sustainability is a central part of our business strategy. This is reflected in our continuous yearly reduction of CO<sub>2</sub> emissions and the improvements made to our environmental and social assessment system to identify possible negative impacts and risks posed by our clients' business activities. Of course, there is still work to do, so it is important to know where we stand.

### Scope 1 and 2 emissions 2022 in Albania

0.02 ktCO<sub>2</sub>eq

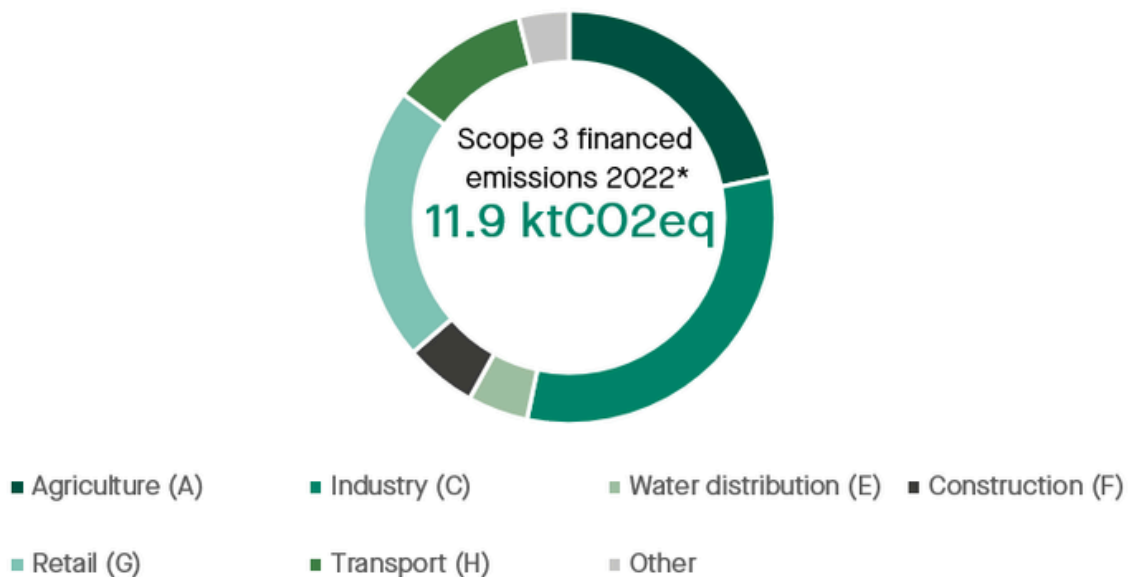
#### Scope 1 & 2 by source FY 2022



### Scope 3 financed emissions 2022

11.9 ktCO<sub>2</sub>eq

#### GHG emissions of lending portfolio by sector activity 2022 in Albania



Using the GHG Protocol and PCAF standards at the group level, we account for our Scope 1 and 2 emissions and our most relevant Scope 3 emissions related to our lending activities. We define 2022 as our baseline year for setting our net-zero targets.

## 2.2 Where we stand: Our risks

Given our geographical outreach and loan portfolio composition, we are exposed to different physical and transition risks that arise from climate change.

Our long-standing, borrower level E&S risk assessment approach has now been complemented with analyses of:

### Transition risk

- Our exclusion list significantly reduces a priori the group's exposure to transition risk. Fossil fuel extraction is just one example of an intensive emissions activity that is excluded from financing, which also limits the risk of stranded assets.
- At the group level we have set key risk indicators (KRIs) for transition risk and the risks arising from the environmental impact of our loan portfolio, and we monitor these on a quarterly basis.
- At the group level, we assess our clients' and our own transition risk exposure by analyzing the following aspects: policy and regulation risk, technology risk, and market risk arising from changes in consumer preferences.
- Forward-looking stress-tests based on the Network for Greening the Financial System (NGSF) scenarios help us to quantify the potential effects of climate change on our loan portfolio at the group level.

\*0 € exposure to crude petroleum & natural gas extraction

### Transition risk

- At the group level we identify geographies in our portfolio that have an elevated exposure to acute and chronic physical risk such as flood, drought, wildfire, etc. This knowledge paves the way for targeted adaptation and mitigation measures to safeguard our clients and our portfolio. Currently, our green loans help clients to become early movers in this area, and we aim to support them further in building more resilient businesses.
- As the impact of climate hazards is likely to increase over time, we are conducting stress tests to estimate the future climate risk exposure in our loan portfolio on the group level.
- To make our clients' businesses – and in turn our portfolio – more resilient to the effects of climate change, at the group level we take physical risks into account when assessing client credit risk. Client geolocation data helps us monitor our exposure to physical climate risks via defined KRIs.

### 3. Our Group Strategy

Given our geographical outreach and loan portfolio composition, we are exposed to different physical and transition risks that arise from climate change. Our long-standing, borrower level E&S risk assessment approach has now been complemented with analyses of:

#### 1. Net zero by 2050

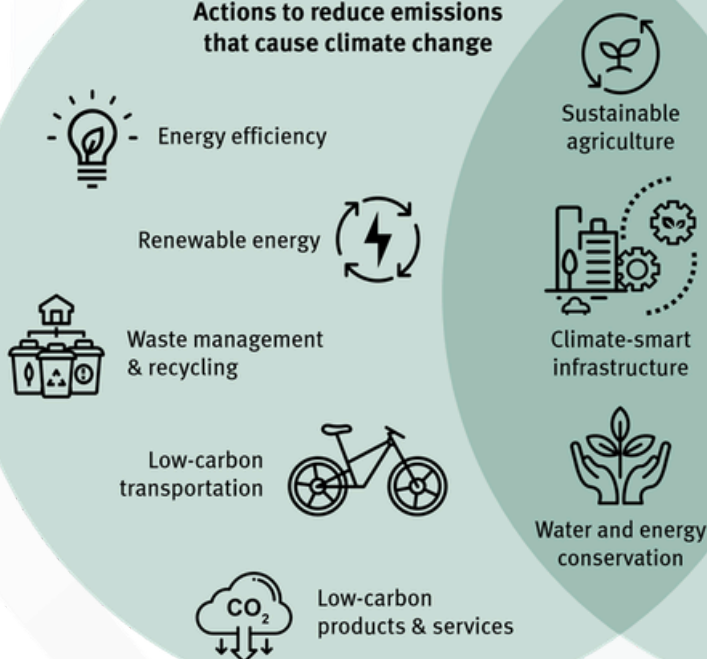
We have committed to reaching net zero emissions by 2050. This includes reducing our own emissions (Scope 1 and 2) as well as those related to our loan portfolio (Scope 3, category 15).

#### 2. Building a climate-resilient portfolio

We strive to take account for climate change-related (physical and transition) risks throughout our risk management framework and we support our clients in making their businesses more resilient in coping with such risks.

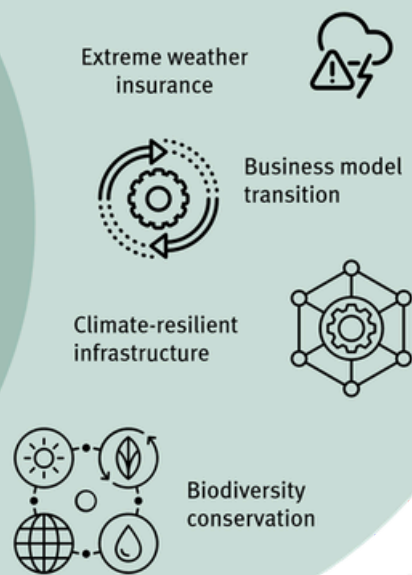
#### Mitigation

Actions to reduce emissions that cause climate change



#### Adaptation

Actions to manage the impacts of climate change



Together with green suppliers and our staff, we aim to reduce our own emissions by 42% before 2030 (2022 as baseline year) in Albania, in line with the group targets. We plan to achieve this goal by increasing the share of renewable electricity suppliers and electric cars and by introducing energy efficiency measures both at our premises and in our processes.

### 3.1 Our group strategy: Net zero by 2050

#### Net zero by 2050



We have committed at the group level to reaching net zero emissions 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) at the group level.

#### 1. Reducing our own footprint first

We will help our clients in their efforts to decarbonize, from emissions accounting and setting reduction targets to getting the financial support they need to implement their strategies. We want to continue to be their “Hausbank” during this transition. Our target for 2027 at the group level is to engage with the clients responsible for 28% of the total emissions arising from our portfolio, supporting them in setting their own targets.

As ProCredit Bank Albania we will give our contribution through active green lending and promotion of the usage of CO2 Calculator tool for business clients to achieve the group targets for client engagement and Scope 3 emission reduction.

#### 2. Prioritizing low-carbon activities

By implementing even stricter environmental and social criteria in lending, we steer growth in the business loan portfolio towards less carbon intensive activities in Albania and at the group level.

### 3. Increasing support for green investments

Currently, 20% of our portfolio in Albania is allocated to supporting our clients in the acquisition of green assets, such as energy efficient equipment, PV systems, green buildings, e-cars, waste management equipment and other items. In the next 7 years, we aim to increase this share to 25%.

## 3.2 Our strategy: A climate-resilient portfolio

### Building a climate-resilient portfolio

We strive to take account for climate change-related (physical and transition) risks throughout our risk management framework and we support our clients in making their businesses more resilient in coping with such risks.

#### At the group level: Integrating climate risk into our risk management framework


- 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, and subsequent rollout to subsidiary banks.
- Defining key indicators for climate risk monitoring and management.

#### At the group level: Identifying climate risk clusters in our portfolio

- Conducting regular analyses and mapping transition risk and physical climate risk, at the level of economic subsectors and specific geographies.

#### 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.



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