



**ProCredit Bank**

# Environmental Management Policy of ProCredit Bank Albania

Based on Group Environmental Management Policy



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## 1. Introduction

Promoting environmental awareness and protection, and helping to mitigate climate change, has always been a matter of concern for the ProCredit Albania and is a critical part of our business model – not only in connection with business operations, but also in our day-to-day work. Ensuring that economic development is environmentally and socially sustainable is a central component of the group's development mission.

The bank set high standards regarding the environmental and social impact of our operations, and we make continuous efforts to increase the awareness of our staff, clients, counterparties, and the public regarding environmental and social issues. We achieve this through the implementation of a comprehensive and sustainable environmental management system (EMS) aimed at improving the environmental and social impact of our activities.

## 2. Purpose of the Policy

The Environmental Management Policy defines the approach employed by the ProCredit bank in the management of their environmental and social impact. For the ProCredit bank, part of its corporate social responsibility entails the protection of the environment, be it physical, natural or cultural.

Furthermore, this social responsibility aims to protect the surrounding communities in the group's countries of operation, prevent the violation of human rights as well as improve labour conditions, help reduce global warming, and create economies that are resilient against the impacts of climate change wherever possible.

**The main objectives of the policy are to:**

- Implement and maintain a comprehensive and sustainable system for managing all environment-related activities.

- Raise environmental awareness inside the institutions and help reduce the negative environmental and social impact of bank operations by increasing the level of knowledge among staff and clients regarding environmental and social topics.
- Continuously improving the bank internal environmental performance.
- Support market positioning as an environmentally sound institution.
- Integrate environmental protection as a corporate value into each institution's philosophy.
- Present the environmental performance and activities of the institution, both, both internally to staff and externally to the public and relevant stakeholders.

### 3. Scope of the Policy

The Environmental Management Policy is applied by ProCredit Bank Albania in the course of its banking operations. It sets the framework for achieving the objectives defined above.

**The policy is divided into the sections listed below:**

- **Environmental Principles:** an overview of the key principles applied by the Bank to achieve continuous improvement in environmental and social performance.
- **Environmental Management within the Bank:** an overview of the general approach used by ProCredit Bank Albania in implementing its Environmental Management System, including the application of the other pillars within the Bank.
- **Organizational Structure and Main Responsibilities:** an overview of how the EMS is implemented at ProCredit Bank Albania.

- Monitoring and Reporting: an overview of communication related to EMS performance with internal and external stakeholders

## 4. Environmental Principles

We conduct our business activities in a sustainable and environmentally friendly manner.

**We adhere to the following key principles to continuously improve our environmental performance:**

- Identify the environmental aspects and impacts of our business activity.
- Develop and implement measures to mitigate negative environmental impact.
- Use resources as efficiently as possible.
- Ensure compliance with relevant environmental and social legislation and international standards.
- Raise awareness regarding environmental and social issues among our staff.
- Minimise the negative environmental and social impact of our lending operations.
- Encourage our clients to invest in an environmentally sound manner.
- Seek to work with suppliers who conduct their business in line with our environmental and social standards; engage in communication to positively influence the environmental and social impact of our suppliers' products and/or operations.

ProCredit Bank supports a forward-thinking approach to environmental and social management that enables us to detect and avoid potential negative environmental and social impacts at an early stage.

The institutionalization of the EMS through the efforts of the institutions' management teams and through the consistent implementation of improvement measures has been a key factor in the success of our approach.

Annual environmental plans, which contain a clear set of objectives and concrete activities, are carried out in accordance with the priorities set by the respective environmental committees.

As a result of adopting green new business areas and holding regular informational events for all employees as well as specialised staff training events, an increasing level of environmental awareness and a sense of identity as a bank that is strongly committed to ecological principles have developed within our institution.

The management and all staff of the ProCredit bank are obliged to comply with the regulations of the environmental management system.

## 5. Definitions

**For the purposes of this document, and to ensure a unified approach, the key terms are defined as follows:**

- ProCredit Institutions or ProCredit Group includes ProCredit Holding (PCH) as the parent company.
- The Bank or ProCredit Bank refers to ProCredit Bank Albania.
- Green Finance: all financial services related to energy and resource efficiency, renewable energy sources, and other environmentally friendly investment measures, as defined below:

**Green Lending: any lending activity that falls into the categories below:**

- Energy Efficiency (EE): measures that reduce the amount of energy consumed to provide the same or higher level of output.
- Renewable energy (RE) investments: investments in harnessing natural resources that are inexhaustible within human time scales (e.g. wind energy, solar energy) or that are replenished much more quickly than they are depleted (e.g. biomass)
- Environmentally friendly investments (GR): other environmentally friendly investments, which have a direct positive effect on environmental protection, even though there may not always be measurable reductions in energy demand or greenhouse gas (GHG) emissions (e.g. resource efficiency, organic agriculture, water and soil protection, consulting and planning services to reduce environmental pollution etc.) water and soil protection, consulting and planning services to reduce environmental pollution etc.)
- Environmental and social impact: any change (positive or negative), potential or actual, to the physical, natural, or cultural environment, as well as impacts on the surrounding community and workers, resulting from a business activity.
- Environmental and social risk: potential for having a negative environmental and social impact caused by an action and/or decision by the institution.
- Environmental management system: a system of strategies, procedures, norms, and organisational structures designed to manage and continuously improve the environmental impact of the institution, its employees (internal measures), and its clients (external measures).

## 6. Environmental Management in ProCredit Bank

ProCredit bank Albania seeks to continuously reduce its negative environmental and social impact and increase the positive impact of its own operations, as well as those of its clients and suppliers, based on the three pillars listed below. ProCredit bank Albania has developed its own environmental management policy adhering to these pillars, in line with group policies, wherever applicable:

### 6.1 Pillar 1: Internal Environmental Management System

The goal of this pillar is to improve the institutions' internal environmental performance.

**This is achieved by means of the following measures:**

- Implementing in-house energy and resource efficiency measures, both technical and behavioral.
- Defining objectives to reduce greenhouse gas (GHG) emissions deriving from the institution's own operations.
- Raising the level of environmental awareness and knowledge among staff.
- Implementing communication measures to provide staff with relevant environmental information.
- Complying with local environmental standards and regulations.
- Assessing the sustainability of a supplier's business practices, in addition to actively engaging in conversation to increase their awareness and improve their environmental and social impact, seeking to work with suppliers who operate in line with the environmental and social standards set by the ProCredit Bank.

The implementation of these activities in all departments and procedures within the ProCredit bank is crucial. These measures are accompanied by ongoing monitoring and are subject to continuous improvement.

At least one employee should be assigned responsibility for Pillar 1 by the Environmental Committee.

## 6.2 Pillar 2: Management of Environmental and Social Risk in Lending

The goal of this pillar is to reduce the bank negative indirect environmental and social impacts caused by its lending and investment activities, while increasing their positive impact. This also helps to reduce reputational risk as well as credit risk, as an environmental and social risk may become a financial risk for the client and thus for the bank.

**The following measures are part of managing environmental risk in lending:**

- Applying an exclusion list of activities (part of our Code of Conduct) for which we neither engage in any business relationship nor provide financing.
- Assessing and monitoring the environmental and social performance of all business clients based on their activities.
- Incentivizing the improvement of environmental and social performance and disseminating the application of good environmental and social practices among clients, rejecting business relationships and/or the financing of clients engaged in activities that are environmentally or socially harmful.

The Standards for Managing the Environmental and Social Impact of Lending establish the details, scope, responsibilities, and organizational aspects related to the assessment of the environmental and social impact of lending.

At least two employees should be assigned responsibility for Pillar 2 by the Environmental Committee.

### 6.3 Pillar 3: Green Finance/ Green Credit Services

The goal of Pillar 3 is to improve the ProCredit bank indirect environmental performance by designing and offering special (green or environmental) credit services for investments in energy efficiency, renewable energies, and other environmentally friendly measures. By financing such investments, the banks support environmentally friendly and energy-efficient businesses and households.

The design of these credit services considers the circumstances within the bank markets, and the approval process takes into consideration the technical aspects supporting the investment. Loans disbursed for this purpose are classified as green loans in the bank core system, allowing for the simple identification of these loans in the various systems used and, in the reports, generated.

A detailed description of green loans is available in the Group Guidelines for Green Finance. These guidelines establish the basic criteria for green investments, the responsibilities for green lending activities, and the organizational aspects related to the processing of green loans.

At least one employee should be assigned responsibility for Pillar 3 by the Environmental Committee.

## 7. Organisational Structure and Key Responsibilities

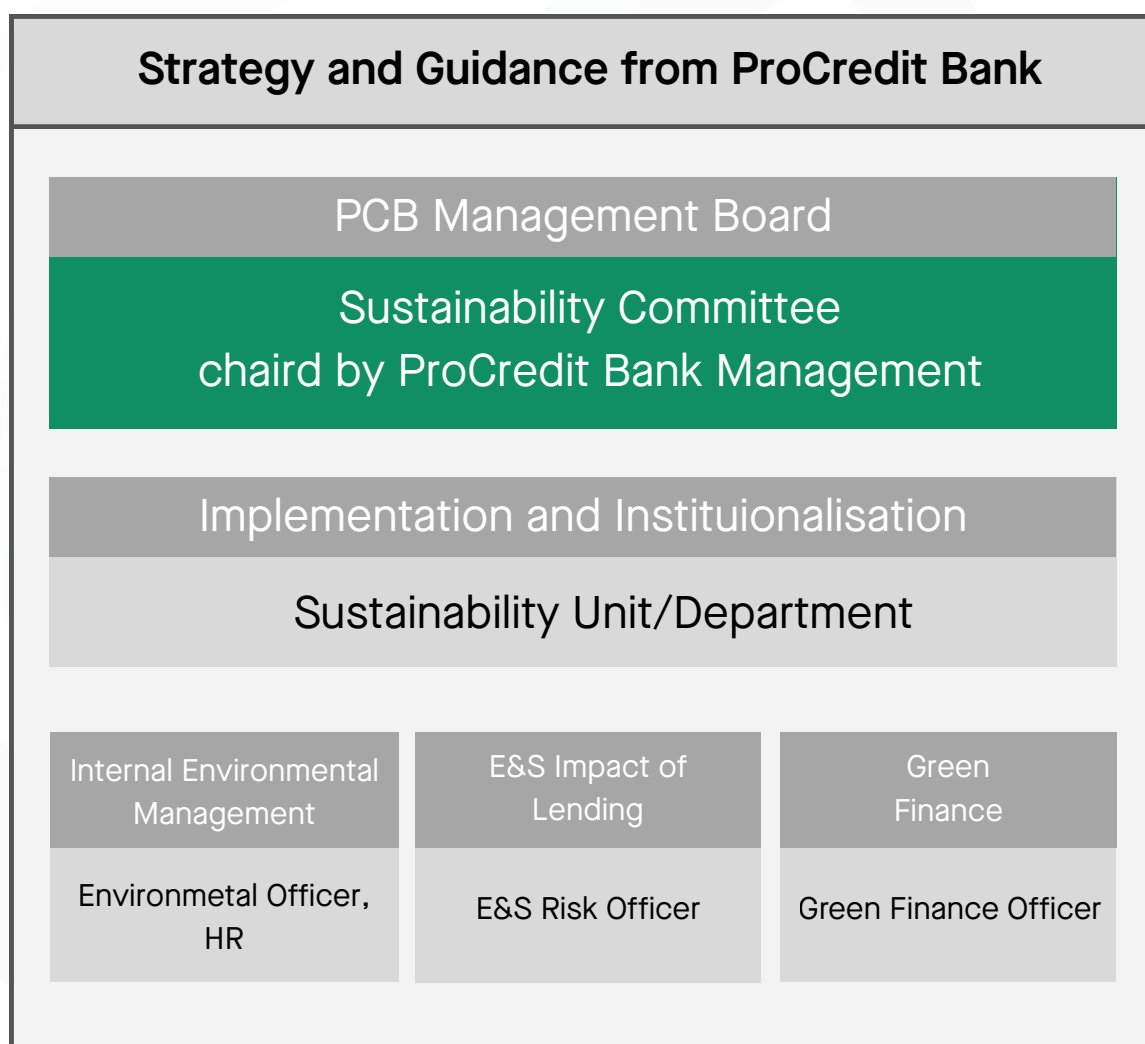
ProCredit bank Albania is responsible for the establishment of its own environmental policies and environmental management systems in line with the Group Environmental Policy. It is the responsibility of the bank to identify, evaluate, manage, monitor and report on its environmental impact.

The management board of the institution has the active role of ensuring the effectiveness of the established environmental management system across all departments of the institution, its communication with internal and external parties, and the promotion of continuous improvement.

ProCredit bank must further develop and monitor procedures, processes and instructions for the corresponding operational units, which support the implementation of the bank policy in line with the Group Environmental Policy and the group standards and guidelines developed.

They must also ensure full compliance with the set objectives at all levels. This includes, but is not limited to, specific tasks and responsibilities for staff positions, the terms of reference for the sustainability committees, and guidelines for the assignment of decision-making authorities, which reflect the respective organizational structures.

## 7.1 Bank Level



## **Management Boards**

The management board of the bank approves the bank policies and standards applicable to sustainability, in accordance with the related group policies and standards, and keeps its supervisory board informed regarding internal environmental performance, environmental and social risks in lending, and the status of sustainable lending. The assignment of responsibilities to the sustainability unit/department and the nomination of employee(s) to support, implement or oversee the development of and activities related to sustainability are also subject to management board decisions.

## **Sustainability Committees**

The committee, chaired by the management board member responsible for sustainability, supervises the proper implementation and functioning of the environmental management system in the institution; it designs and approves strategies to address environmental issues; it ensures that appropriate resources and staff are allocated for each of the three pillars. Moreover, the committee has the task of overseeing the implementation of these strategies and the overall environmental performance of the institution.

The committee is also responsible for approving external and internal communication measures with regard to environmental management. Detailed tasks and procedures of the committee are set out in the terms of reference for the sustainability committee, which are defined by each institution individually. The committee is to meet at least once per quarter.

## **Sustainability Department**

The bank should have a separate organisational unit responsible for their environmental management policy; this unit is referred to in this document as the Sustainability unit or department. This unit/ department reports directly to a member of the management board of the bank.

## **The general responsibilities of the unit/department are:**

- Supporting the introduction, implementation and maintenance of the environmental management system at the institution, including co-ordination with all relevant units/departments involved/responsible for each area / pillar of the system.
- Developing annual environmental plans, in co-operation with other relevant units and departments, for the environmental goals and measures planned in each area and the monitoring thereof.
- Following and analysing the development, risks, and opportunities related to green finance and environmental management in the local market, and incorporating them into the strategy in place at the bank concerning the related area.
- Co-ordinating, participating in and following-up on the staff environmental training programme.
- Reporting environmental management plans and results to the management board and environmental committee.
- Co-ordinating bank-level reports related to sustainability.

The sustainability unit/department must consist of at least the following two functions: head of the sustainability unit/department and at least one technical expert, depending on the size of the bank and the targeted portfolio.

The sustainability unit/ department also supports the tasks related to each pillar and coordinates with those assigned responsibility for Pillar 1, Pillar 2 and Pillar 3 activities. The sustainability unit/department may also include additional specialists or members depending on the requirements and sustainability strategy of the institution. Additional experts for inclusive finance may be added if that decision supports the overall banks strategy for sustainability.

The environmental officer, the environmental risk officer and the green finance officer, who are typically employees from other departments, are nominated to assist in Pillar 1, Pillar 2 and Pillar 3 environmental activities.

## **Head of Sustainability Unit/Department**

The head of sustainability unit/department is responsible for organising the sustainability committee meetings, supervising compliance with agreed measures and ensuring internal and the external communication of these measures. He/she cooperates and coordinates with the staff responsible for the three pillars to ensure the full implementation of the environmental management policy.

Furthermore, the head of sustainability unit/department organises management and departmental staff activities within the scope of the implementation and operation of the environmental management policy. Detailed tasks and procedures of the head of sustainability unit/department are set out in the job description developed by each bank individually.

## **Technical/Sustainability Experts**

The sustainability department/unit must have one or more technical/sustainability experts, as required by the scope and extent of the institution's operations. The responsibilities of these staff members with regard to green finance involve the provision of technical support and expertise during the introductory phase of a new green product (i.e. market research of the legal and regulatory framework, technology level, etc.). The technical/sustainability expert should also provide support and expertise during the calculation and analysis of technical assessments for individual green investments.

Furthermore, the technical/sustainability experts are expected to perform tasks related to inclusive finance and provide support in proposing solutions and analysis aimed at improving the bank's internal environmental performance. The banks shall outline further responsibilities in their environmental policy and other internal procedures; these duties shall be reflected accordingly in the job description, which is to be developed by the bank.

## **Environmental Officers**

The environmental officer is, in general, responsible for Pillar I activities and is usually a member of administration or a similar department. The environmental officer monitors the bank's internal environmental performance and supports initiatives to reduce the negative internal environmental impact of the bank. The environmental officer is also responsible for internal awareness raising campaigns and may participate in environmental training sessions. The banks shall outline further responsibilities in their environmental policy and other internal procedures; these duties shall be reflected accordingly in the job description, which is to be developed by each bank individually.

## **Environmental & Social Risk Officers**

The environmental risk officer is responsible for tasks concerning Pillar 2 and is usually a member of the credit risk department. The number of environmental risk officers required depends on the size and scope of the bank's portfolio. To ensure continuity, there should be at least two environmental risk officers.

The environmental risk officer is responsible for issuing opinions in the particular cases explained in the Standards for Managing the Environmental and Social Impact of Lending. The bank shall outline further responsibilities in the environmental policy and other internal procedures; these duties shall be reflected accordingly in the job description, which is to be developed by the bank individually.

## **Green Finance Officers**

The green finance officer is an employee, typically a member of the business department, nominated by the bank to be responsible for the implementation of Pillar 3. 2 The main responsibilities of the green finance officer are to develop strategies for the expansion of the green portfolio and to perform monitoring activities related to the green portfolio.

The bank shall outline further responsibilities in the environmental policy and other internal procedures; these duties shall be reflected accordingly in the job description, which is to be developed by the bank individually.

## 8. Monitoring and Reporting Procedures

The bank must ensure that the environmental and social performance is communicated internally (to staff and management) and externally (to shareholders, interest groups, clients, and the general public) in a clear and effective manner.


This communication is facilitated at the group level by the annual ProCredit Group Impact Report and the Environmental Statement for the German ProCredit institutions, whose preparation is coordinated by the Group Sustainability and approved by PCH Management. Related strategies, policies, and guidelines may also be made public if deemed necessary. Furthermore, to ensure proper monitoring and management of each institution's environmental and social performance, all ProCredit institutions are to implement a system to document, supervise, and report on internal and external measures.

Each bank's green lending portfolio projections and statistics must be included in the bank's business plan. Whenever exceptions to, deviations from or changes to a group-wide strategy related to environmental management arise at the institutional level, they must be reported ad hoc to Group Sustainability. The decision on how to proceed with such instances will be discussed on a case-by-case basis at ProCredit Holding and escalated to the Management if deemed necessary.

## 9. Related Documents

**The documents below provide further details regarding the specific responsibilities, processes, and procedures mentioned in this policy:**

- Terms of Reference to Procredit bank Sustainability Committee
- Guidelines – Green Finance Definitions, Operations, Reporting
- Standards for Financing Renewable Energy Projects
- Standards for Managing the Environmental and Social Impact of Lending



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