

Second-Party Opinion

ProCredit Group Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the ProCredit Group Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the (i) energy efficiency, (ii) renewable energy, and (iii) environmentally friendly measures will lead to positive environmental impacts and advance several UN Sustainable Development Goals.



PROJECT EVALUATION / SELECTION ProCredit's processes for project selection and evaluation is aligned with market standards. Project selection is decentralized: conducted by the business client advisers in the respective countries, which are then evaluated by the respective credit committee. ProCredit's Group Environmental Steering Committee, which consists of members of the management board and the environmental coordinator has, in cases of doubt, the ultimate responsibility for selection and evaluation.



MANAGEMENT OF PROCEEDS Aligned with market practice, ProCredit has systems in place to monitor and track use of proceeds. Unallocated proceeds will be invested in cash or cash equivalents.



REPORTING ProCredit committed to publish a dedicated green bond report on an annual basis on allocation of proceeds to the eligible categories and geographical segments. In addition, ProCredit committed to report on impact indicators, including renewable energy generated, CO2 emissions avoided for renewable energy as well as loan volumes, numbers and geographical distribution for the other eligible categories. ProCredit also commits to disclose individual case studies. Sustainalytics recommends to also report on the amount of unallocated proceeds and to develop additional relevant impact indicators for each eligible category.

Evaluation date	3 October 2018
Issuer Location	Frankfurt, Germany

Report Sections

Introduction.....	2
Sustainalytics' Opinion.....	3
Appendices.....	8

For inquiries, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
 Project Lead
 lili.hocke@sustainalytics.com
 (+31) 20 205 00 40

Jean-Claude Berthelot (Amsterdam)
 Client Relations
 Jean-claude.berthelot@sustainalytics.com
 (+31) 20 205 00 15

Introduction

ProCredit Holding AG & Co. KGaA, based in Frankfurt am Main, Germany, is the parent company of the development-oriented ProCredit Group, which consists of commercial banks for small and medium enterprises. The banks of the group operate in South-Eastern and Eastern Europe, in South America, and in Germany and provide account services, financial advice and loan services. A majority of the group's lending is dedicated to small and medium enterprises.

ProCredit has developed the ProCredit Group Green Bond Framework (the "framework") under which it is planning to issue multiple green financial instruments, e.g. green bonds or green Schuldscheindarlehen, and use the proceeds to finance and refinance, in whole or in part, existing and future projects that increase the group's green loan portfolio and promote environmental awareness and protection. The framework defines eligibility criteria in three areas:

1. Energy efficiency
2. Renewable energy
3. Environmentally friendly measures

Examples of eligible projects, which at the same time are examples for expected allocations for the 2018 green bond issuance, are provided on ProCredit's corporate website.¹

ProCredit engaged Sustainalytics to review the ProCredit Group Green Bond Framework and provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),² and the framework's environmental credentials. This framework has been published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of ProCredit's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of ProCredit's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the ProCredit Group Green Bond Framework and should be read in conjunction with that framework.

¹ https://www.procredit-holding.com/wp-content/uploads/2018/08/Our_Clients_Green_Investments_2018.pdf

² ICMA's Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

³ <https://www.procredit-holding.com/investor-relations/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ProCredit Group Green Bond Framework

Summary

Sustainalytics is of the opinion that the ProCredit Group Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of ProCredit's green bond framework:

- Use of Proceeds:
 - The eligible projects are aligned with the use of proceeds categories recognized as impactful by the Green Bond Principles.
 - ProCredit intends to use part of the bonds' proceeds to refinance existing projects. While a lookback period for refinancing is not disclosed in the green bond framework, ProCredit intends to report on the age of the financed loans in its annual reporting.
- Project Selection Process:
 - ProCredit's processes for project selection and evaluation are aligned with market standards. Project selection is conducted by the business client advisers in the respective countries, which are then evaluated by the credit committee in the respective countries, according to the group's E&S standards and the eligibility criteria for green loans. ProCredit's Group Environmental Steering Committee, which consists of members of the ProCredit Holding management board and the environmental coordinator has, in cases of doubt, the ultimate responsibility for selection and evaluation.
 - Additional assessments are conducted for complex cases and/or cases above EUR 250,000 by the technical specialist of the environmental management unit in the respective ProCredit bank, which is considered market best practice.
- Management of Proceeds:
 - Aligned with market practice, ProCredit has a system in place to track and monitor the green bond proceeds. For the eligible loans, ProCredit established a green loan portfolio. The eligible loans are tracked via the company's IT system. Unallocated proceeds will be invested in cash or cash equivalents.
- Reporting:
 - ProCredit has committed to publish a dedicated green bond report on an annual basis on allocation of proceeds to the eligible categories and geographical segments and on the amount of unallocated proceeds. In addition, ProCredit commits to report on impact indicators, including renewable energy generated, CO₂ emissions avoided for renewable energy as well as loan volumes, numbers and geographical distribution for the other eligible categories. While for some eligible categories the green bond framework does not define further impact indicators, ProCredit commits to disclose individual case studies in the annual reporting to demonstrate the impact of the projects/ assets financed.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that ProCredit's green bond framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to ProCredit's sustainability strategy and targets

ProCredit's business strategy is focussed on small and medium-sized businesses in South Eastern and Eastern Europe, mainly transition and developing economies characterized by high energy intensity, high levels of pollution, an energy mix dominated by high dependency on fossil fuels⁴ and a low level of environmental awareness.

ProCredit has a Group Environmental Steering Committee, responsible for the development of environmental management plans, strategies and priorities and specialized Environmental Management Units in each bank that report directly to the Management Board.^{5,6} ProCredit's environmental management system (EMS) aims to minimise internal environmental impact and resource consumption within ProCredit and among its clients as well as mitigate the environmental and social impact of lending and promote green investments. To raise environmental awareness, ProCredit's employees are trained to explain to clients how their businesses can be made more sustainable and to promote green investments, which benefit the environment and the client alike, including technologies such as e-mobility.⁷

ProCredit's Green Loan Portfolio consists of loans focused on energy efficiency, renewable energy, and environmentally friendly measures. In June 2018, green loans made up almost 13.9% of the total loan portfolio.⁸ ProCredit aims to achieve a share of 15% green loans of the total loan portfolio by the end of 2018. Among other measures to support this growth, are also finalizing the implementation of group standards for financing renewable energy projects in all banks outside Germany by December 2019, providing comprehensive training to responsible staff on renewable energy finance by December 2018, and reporting the CO₂ emissions reduction achieved by financed renewable energy projects.⁹

Given ProCredit's environmental strategy and commitments, as well as products and targets to promote low carbon technologies and environmentally friendly services, Sustainalytics believes that ProCredit is well positioned to issue green bonds and that its green bonds will advance its overall sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics considers the use of proceeds as impactful, Sustainalytics acknowledges that there are environmental and social risks associated with the use of proceeds, mainly relating to biodiversity and community relations risks related to the construction of large-scale renewable energy power plants, buildings and infrastructure, as well as health and safety issues of workers involved in the construction. Sustainalytics considers ProCredit to be well prepared to manage related risks due to the following:

- i) ProCredit confirmed that it limits financing of renewable energy projects to small scale projects, including hydropower plants of up to 15 MW installed capacity, decreasing the risks associated with large scale power plants.
- ii) ProCredit excludes financing to companies involved in exploitative forms of labour, activities regarded as illegal under national environmental regulations, international conventions and agreements, such as: biodiversity; environmentally harmful activities, such as unsustainable commercial logging operations; controversial activities, such as production and trade in weapons, gambling, narcotics; activities involving the release of genetically modified organisms into the natural environment without approval by competent authorities or where the relevant authority has declared itself as GMO free; large power stations; and activities considered as exploitative of the environment, e.g. coal mining, crude oil production.¹⁰
- iii) ProCredit conducts environmental risk assessments related to the activities of its clients before on-boarding, which classifies businesses into environmental risk categories of low, medium and

⁴ ProCredit Holding, Annual Environmental Performance Report 2016: https://www.procredit-holding.com/wp-content/uploads/2017/10/Annual_Environmental_Performance_Report_2016.pdf

⁵ Ibid.

⁶ ProCredit Holding, Environmental Management Policy, revised August 2016: https://www.procredit-holding.com/wp-content/uploads/2017/07/Group_Environmental_Management_Policy.pdf

⁷ ProCredit Holding, ProCredit Group Impact Report 2017: https://www.procredit-holding.com/wp-content/uploads/2018/08/ProCredit_Impact_Report_2017_2.pdf

⁸ ProCredit Bank Bulgaria, ProCredit Group achieves strong loan portfolio growth of 8.9% in the first half of 2018, August 2018: <https://www.procreditbank.bg/en/procredit-group-achieves-strong-loan-portfolio-growth-of-89-in-the-first-half-of-2018/page/300/item/34196>

⁹ ProCredit Holding, ProCredit Group Impact Report 2017: https://www.procredit-holding.com/wp-content/uploads/2018/08/ProCredit_Impact_Report_2017_2.pdf

¹⁰ ProCredit Bank Exclusion List, updated August 2018, https://www.procredit-holding.com/wp-content/uploads/2018/08/Code_of_Conduct.pdf

high. ProCredit developed a methodology classifying each business activity to ensure a standardized assessment. Medium to high risk classified businesses are further analysed using an assessment that takes into consideration working conditions, waste management, water, air and soil pollution, hazardous materials and various other aspects. Based on these assessments, ProCredit may reject potential clients or include special conditions to ensure environmental compliance of the client. After disbursement, ProCredit regularly checks on the compliance with recommendations pertaining to environmental risks.¹¹

- iv) ProCredit has training manuals and conducts regular trainings and refresher courses on Management of environmental and social risk in lending, including on its Standards for Managing the Environmental and Social Impact of Lending;¹²
- v) In 2016, ProCredit employed IPC consultants, a consultant specialized in green finance and environmental management projects (which has been supporting ProCredit Group since 2011 in implementing and continuously developing their environmental management system) to monitor the implementation of the Group Standards for Managing the Environmental and Social Impact of Lending at ProCredit banks in Albania, Bulgaria, Kosovo, Macedonia, Serbia and Ecuador. IPC consultant confirmed alignment with ProCredit standards.¹³

Section 3: Impact of Use of Proceeds

The eligible activities under the ProCredit Group Green Bond Framework are recognized as impactful by the GBP. Sustainalytics has focused on the activities below where the impact is specifically relevant in local context, i.e. Albania, Bosnia and Herzegovina, Bulgaria, Greece, Kosovo, Macedonia, Romania, Serbia, Georgia, Moldova, Ukraine, Ecuador, Colombia, and Germany.

Overall, air emission and thus bad air quality is an urgent problem in most South-Eastern European countries, with some countries in the region repeatedly exceeding air emission limits.^{14,15} The EU names burning of fossil fuels in electricity generation, transport, industry and households, as well as agriculture as major sources of air pollutants,¹⁶ indicating the importance to improve air emissions from these sources. Below we have outlined the contribution of some of the financed technology to reducing air and GHG emission.

Contribution of renewable energy to GHG and air emission reduction in Eastern and South Eastern Europe

ProCredit intends to use part of the bonds' proceeds to finance renewable energy projects, as well as related services and production and supply of related equipment. Sustainalytics considers these activities as impactful, given that mitigating the effects of climate change is a key priority for the European Union. The EU aims to reduce EU GHG emission by 20% by 2020, and by 40% by 2030, while increasing the share of renewable energy to 20% by 2020, and to 27% by 2030.¹⁷

Moreover, while South-Eastern Europe is considered to have great potential to produce renewable energy from wind, solar and biomass,¹⁸ the region still relies to a large extent on coal, with an increased number of plants being major polluters and, thus posing environmental and health risks,¹⁹ demonstrating the need to move to cleaner forms of energy production. Given that limited financial capacity and quality equipment still poses a barrier to an energy transition, Sustainalytics considers the financing of renewable energy projects as well as the production of equipment as enabling an energy transition in the region and contributing to the EU GHG emission and renewable energy targets.

¹¹ ProCredit Holding, Annual Environmental Performance Report 2016: https://www.procredit-holding.com/wp-content/uploads/2017/10/Annual_Environmental_Performance_Report_2016.pdf

¹² Ibid.

¹³ ProCredit Holding, Annual Environmental Performance Report 2016: https://www.procredit-holding.com/wp-content/uploads/2017/10/Annual_Environmental_Performance_Report_2016.pdf

¹⁴ EU European Environment Agency, Air Quality in Europe- 2017 Report: <https://www.eea.europa.eu/publications/air-quality-in-europe-2017>

¹⁵ The Wall Street Journal, Europe Sues Largest Members Over Air Pollution Levels, May 2018: <https://www.wsj.com/articles/europe-sues-largest-members-over-air-pollution-levels-1526567974>

¹⁶ EU European Environment Agency, Air pollution, October 2017: <https://www.eea.europa.eu/themes/air/intro>

¹⁷ European Commission, EU climate action, accessed September 2018: https://ec.europa.eu/clima/citizens/eu_en

¹⁸ New Strategy Center & IRMO, Energy and its impact on development in Southeast Europe and the Black Sea area, February 2017:

<https://newstrategycenter.ro/wp-content/uploads/2017/02/2017-February-Energy-and-its-impact-on-development-in-South-East-Europe-and-the-Black-Sea-area-NSC-and-IRMO.pdf>

¹⁹ Climate Action Network Europe, South East Europe, accessed September 2018: <http://www.caneurope.org/energy/south-east-europe>

Importance of energy efficiency in buildings and industrial processes in South Eastern and Eastern European countries

The EU names burning of fossil fuels in electricity generation, industry and households as major sources of air pollutants.²⁰ In many Eastern European countries the energy mix is still mainly based on GHG intensive sources such as coal and lignite.²¹ For example according to International Energy Agency 2015 data, Kosovo derives 97% of their energy mix from coal, Serbia 71%, Bosnia and Herzegovina 64%, Bulgaria 45%, Macedonia 58% and Romania 27%. Moreover, Greece and Bulgaria are among the countries with the highest production of electricity from lignite, the most CO₂-intensive fossil fuel²² and governments in Serbia, Kosovo, Bosnia and Herzegovina plan to build new lignite power plants.²³

The building sector is considered "one of the major consumers of energy" in Central as well as South-Eastern Europe,²⁴ and the industrial sector is a significant consumer of energy in the EU (25.3% in 2015)²⁵ and some Eastern European markets, such as Ukraine with 34.5% of energy being consumed by the countries industry (2015 data)²⁶ and Romania 29% (2013 data).²⁷ Given the importance of the building and industrial sector in regards to energy consumption, Sustainalytics considers ProCredit's financing of energy efficiency measures in buildings, such as improved insulation and windows, more efficient heating and ventilation systems, as well as investments in energy efficiency in industrial processes important to preserve energy and reduce GHG emissions in the relevant markets.

Contribution of clean transportation to reducing GHG and air emissions in Eastern and South-Eastern Europe

ProCredit intends to use part of the bonds' proceeds to finance electric and hybrid passenger vehicles, as well as related services including production and supply of related equipment.

Transport and agriculture are a main source of air pollution in the EU, continuously posing problems for member states in meeting EU and United Nations air pollution limits.²⁸ Air pollutants that commonly exceed air quality standards in the EU are PM₁₀ and NO_x, with the road transport sector being the main contributor of the latter,²⁹ accounting for 38% of NO_x, and 20% of CO₂ emission in the EU in 2017,^{30,31} indicating the importance of the sector to improving air quality. Thus, Sustainalytics considers the financing of e-mobility infrastructure and vehicles to contribute to decreased air pollutants in the regions where ProCredit operates.

Contribution to air, water and soil protection in South Eastern and Eastern European countries

ProCredit intends to use part of the proceeds to finance activities that increase air, water and soil protection under the "environmentally friendly measures" category.

Some of the countries in which ProCredit operates are considered water stressed, such as Macedonian, Kosovo and Bulgaria, with high water use for irrigated agriculture and cooling in industry.³² Water resources are further constrained through the lack of wastewater treatment in Eastern and South-Eastern Europe, where the proportion of population connected to wastewater treatment is still relatively low compared to Central and Northern Europe.³³ In addition, Eastern and Southern Europe is affected by desertification, which can ultimately lead to soil degradation and erosion,³⁴ reducing the capacity of soil to retain carbon.³⁵

²⁰ EU European Environment Agency, Air pollution, October 2017: <https://www.eea.europa.eu/themes/air/intro>

²¹ Union of Concerned Scientist, Environmental Impact of Natural Gas, accessed September 2018: <https://www.ucsusa.org/clean-energy/coal-and-other-fossil-fuels/environmental-impacts-of-natural-gas#.W6i3qEkUICo>

²² Agora Energiewende and Sandbag (2018): The European Power Sector in 2017. State of Affairs and Review of Current Developments: <https://sandbag.org.uk/wp-content/uploads/2018/01/EU-power-sector-report-2017.pdf>

²³ CCE Bankwatch Network, Coal in the Balkans: <https://bankwatch.org/project/coal-in-the-balkanst>

²⁴ European Commission, Guide on for Central and South Eastern Europe, 2018: https://ec.europa.eu/energy/sites/ener/files/documents/brochure_easme_04_web.pdf

²⁵ EuroStat Archive: Consumption of energy: https://ec.europa.eu/eurostat/statistics-explained/index.php/Consumption_of_energy

²⁶ EuroStat, European Neighbourhood Policy - East - energy statistics: https://ec.europa.eu/eurostat/statistics-explained/index.php/European_Neighbourhood_Policy_-_East_-_energy_statistics

²⁷ Romanian Energy Regulatory Authority Energy Efficiency Department, Energy Efficiency trends and policies in Romania, September 2015: <http://www.odyssee-mure.eu/publications/national-reports/energy-efficiency-romania.pdf>

²⁸ EU European Environment Agency, Air pollution: agriculture and transport emissions continue to pose problems in meeting agreed limits, August 2018: <https://www.eea.europa.eu/highlights/air-pollution-agriculture-and-transport>

²⁹ EU European Environment Agency, Improving Europe's air quality – measures reported by countries, 2018: <https://www.eea.europa.eu/publications/improving-europe-s-air-quality>

³⁰ EU European Environment Agency, Emissions of the main air pollutants in Europe, 2017: <https://www.eea.europa.eu/data-and-maps/indicators/main-anthropogenic-air-pollutant-emissions/assessment-5>

³¹ EU European Environment Agency, Air Quality in Europe- 2017 Report: <https://www.eea.europa.eu/publications/air-quality-in-europe-2017>

³² Climate Change Post, 2018, <https://www.climatechangepost.com/bulgaria/fresh-water-resources/>; European Environmental Agency, 2008: <https://www.eea.europa.eu/themes/water/featured-articles/water-scarcity/>; The Borgen Projects, Water Quality in Kosovo, November 2017: <https://borgenproject.org/water-quality-in-kosovo/>

³³ European Environmental Agency, Quality of Europe's water for people's use has improved, but challenges remain to keep it clean and healthy, 2016: <https://www.eea.europa.eu/highlights/quality-of-europes-water-for>

³⁴ WWF, Soil erosion and degradation, 2016: <https://www.worldwildlife.org/threats/soil-erosion-and-degradation>

³⁵ European Court of Auditors, Background Paper Desertification in the EU, June 2018: https://www.eca.europa.eu/Lists/ECADocuments/BP_DESERTIFICATION/BP_DESERTIFICATION_EN.pdf

Therefore, Sustainalytics is of the opinion that ProCredit's investments in activities that reduce water consumption, such as drip irrigation, or activities that increase water quality through water treatment plants, contribute to reduce water stress in the region. Moreover, Sustainalytics views ProCredit's financing of activities to reduce soil erosion and desertification, such as minimal soil tillage or organic agriculture, positively and contributing to soil protection.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy Environmentally Friendly Measures	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency.
Energy Efficiency Environmentally Friendly Measures	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Production and Consumption	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

Conclusion

ProCredit has developed the ProCredit Group Green Bond Framework to finance projects and assets in the eligible categories of (i) energy efficiency, (ii) renewable energy, and (iii) environmentally friendly measures that increase the group's green loan portfolio and promote environmental awareness and protection. The eligible categories are aligned with those recognized by the Green Bond Principles and Sustainalytics considers them to contribute to reducing GHG emission in Eastern and Southern Europe.

In addition, ProCredit's processes for project selection, evaluation and proceed management are aligned with market practices. Based on the above, Sustainalytics is of the opinion that the ProCredit Group Green Bond Framework is robust, credible and impactful.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	ProCredit Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	ProCredit Group Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible projects are aligned with use of proceeds categories recognized as impactful by the Green Bond Principles.
In addition, ProCredit intends to use part of the bonds' proceeds to refinance existing projects. While ProCredit's lookback period for refinancing is not disclosed in the green bond framework, the company intends to report on the age of the eligible loans in its annual reporting.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

ProCredit's processes for project selection and evaluation are aligned with market standards. Project selection is conducted by the business client advisers in the respective countries, which are then evaluated by the respective credit committees. ProCredit's Group Environmental Steering Committee, which consists of members of the management board and the environmental coordinator has, in cases of doubt, ultimate responsibility for selection and evaluation.
Additional assessments are conducted for complex cases above EUR 250,000 by the technical specialist of the environmental management unit in the respective ProCredit bank, which is considered market best practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Aligned with market practice, ProCredit has a system in place to track and monitor the green bond proceeds. For the eligible loans, ProCredit established a green loan portfolio. The eligible loans are tracked via the company's IT system. Unallocated proceeds will be invested in cash or cash equivalents.

Tracking of proceeds:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner | |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds | |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

ProCredit committed to annual reporting on allocation of proceeds to the eligible categories and geographical segments and on the amount of unallocated proceeds in a dedicated green bond report or in their annual impact report. In addition, ProCredit commits to report on impact indicators, including renewable

energy generated, CO₂ emissions avoided for renewable energy as well as loan volumes, numbers and geographical distribution for the other eligible categories. While for some eligible categories the green bond framework does not define impact indicators, ProCredit commits to disclose individual case studies in the annual reporting to demonstrate the impact of the projects/ assets financed.

Use of proceeds reporting:

- | | |
|--|---|
| <input type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (please specify): eligible category |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators: geographical distribution of projects, individual case studies |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): In sustainability report or dedicated green bond report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

ProCredit Corporate website: <https://www.procredit-holding.com/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

© Sustainalytics 2018. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the "Opinion") are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the "Green Bond Framework" in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

