



ProCredit
H O L D I N G

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



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1 Context

The exponential growth in plastic production worldwide has led to unsustainable levels of consumption and drastic problems with regard to disposal. Furthermore, the plastics sector in all economies is still far from contributing to a circular economy.¹ And yet plastic production continues to thrive:

- Plastic has a wide range of useful material properties and can be produced at a very low cost. As a result, plastics have replaced and continue to replace more sustainable materials.
- Since 1950, more than 8 billion tonnes of plastic have been produced. Under the “business as usual” scenario, yearly production is projected to reach 600 million tonnes/year in the next 20 years worldwide.²

This poses an urgent challenge from an environmental perspective:

- Most plastic materials do not decompose. Instead, they break down into smaller units (microplastics). As a result, plastic waste remains in our environment and contributes to water and soil pollution, with adverse effects for nature, wildlife and humans. This waste is even present in our food chain, posing increasing health risks.
- Plastic is able to attract and accumulate toxins and heavy metals, which contaminate water and are harmful to human health. Moreover, the use of toxic additives (e.g. softeners) in the production process is not sufficiently regulated.
- In spite of their durability, most plastic, such as packaging, ends up in landfills (packaging accounts for more than a third of all plastics produced globally). Less than 10% of the plastic that has been produced since 1950 is recycled.³
- A significant amount of greenhouse gas emissions emerge in the plastics industry, as production still mainly relies on fossil fuels.

2 Aim and motivation

The ProCredit group welcomes all initiatives and efforts to reduce the unnecessary or irresponsible use of plastics and to decrease plastic waste. In line with our corporate identity and ethical values, we apply a comprehensive environmental approach (visit our [website](#) to learn more). As a consequence, ProCredit has developed a group-wide strategy which aims to achieve direct and indirect reductions in plastic use, specifically by:

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

¹ i.e. an economic system aimed at eliminating waste and the continual use of resources

² Geyer et al. (2017): Production, use, and fate of all plastics ever made (<https://advances.sciencemag.org/content/3/7/e1700782.full>)

³ Heinrich Böll Foundation (2019): Plastic Atlas (https://www.boell.de/sites/default/files/2019-11/Plastic%20Atlas%202019.pdf?dimension1=ds_plastic_atlas)

These objectives and measures will be implemented **gradually**, as the plastic value chain in the economy is very complex, spans all economic sectors, and includes all types of products with different lifecycles. The measures and actions presented below may be expanded when feasible and needed.

3 Areas of action

In order to achieve these objectives, ProCredit has defined three main areas of action.

3.1 Internally reducing the plastic footprint of all ProCredit institutions

In recent years, ProCredit institutions have significantly reduced their consumption of single-use plastic materials. However, other items with longer lifecycles still need to be considered. In order to further reduce our direct use of all types of plastic in our business operations and on our premises, the following steps have been planned:

Short-term:

- Increasing awareness among staff and support staff about the importance of reducing the use of plastic in the office and on an individual basis
- Developing internal criteria to reduce the purchase and use of plastic items commonly found in offices or to substitute these items with environmentally friendly alternatives
- Developing a guidance document and providing staff training regarding the use of plastic in a circular economy

Medium-/long-term:

- Adjusting our operational and procurement procedures, in order to progressively phase out the purchase of items containing plastics in our office space (e.g. furniture, office equipment, stationery, floors, products used by outsourced service providers)

3.2 Assessing and managing risks related to plastics in our client portfolio

Companies involved in the production or processing of plastic materials not only incur environmental risks but also are exposed to "transitional risks" that may affect or disrupt their business models. Examples include changes in policies, stricter regulation, higher costs due to producer responsibility, limitations for the production of individual products, and changes in consumer preferences. Accordingly, ProCredit banks will include such specific considerations in their respective Environmental and Social (E&S) Risk Assessment system when reviewing their business operations.

Short-term:

- Identifying producers of relevant⁴ plastic products in bank loan portfolios according to E&S risk classification
- Updating our group-wide ProCredit Exclusion List with regard to internal compliance procedures as well as adapting it to new country or international regulations and policies⁵
- Training staff in all credit risk and compliance departments on the assessment of E&S risks and on market restrictions for plastic products
- Adjusting our existing E&S risk tools to better assess the E&S risks of companies involved in plastic production and processing

⁴ Relevant plastic products: relevant products in the markets in which the ProCredit group operates

⁵ For example, EU Directive 2019/904 regulating and restricting single-use plastics

Medium-/long-term:

- Expanding E&S risk assessment tools for other related sectors that use plastics that are harmful to the environment in their operations (e.g. cosmetics, textiles, trade), in order to better assess E&S risks and the impacts of plastics arising from financing these clients

3.3 Adopting a business and lending approach that promotes the reduction or substitution of plastics

The ProCredit group aims to make a positive impact through its lending activities by promoting investments that may help to increase sustainability in plastic use. To that end, a series of actions (which can be expanded in the future) are planned:

Short-term:

- Conducting an enhanced analysis of all potential and existing clients involved in plastic production and processing (e.g. those that produce single-use plastics or harmful types of plastic) in order to promote more responsible production (e.g. recycling) and the use of substitutes, or, if this is not possible, refrain from collaborations and business relationships with these clients
- Offering loans to support clients whose business models explicitly aim to reduce the use and disposal of plastic, e.g. clients who use alternative materials in their production processes or take back used plastics for recycling
- Promoting awareness of best practices by making expertise available through business events or case studies on innovative clients that substitute plastics

Medium-/long-term:

- Defining general, group-wide criteria for promoting or avoiding collaborations with clients involved with plastics



ProCredit Holding AG & Co. KGaA
Rohmerplatz 33-37
60486 Frankfurt am Main, Germany
Tel. +49-(0)69 - 95 14 37-0
Fax +49-(0)69 - 95 14 37-168
www.procredit-holding.com

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