

Public

Environmental and Social Data Sheet

Overview

Project Name:	PROCREDIT EU SMES MID-CAPS & CLIMATE ACTION	MBIL
Project Number:	2019-0299	
Country:	Bulgaria and Romania	
Project Description:	EUR 30 loan aimed at supporting small and medium-scale investments promoted by SMEs and Mid-Caps, including a dedicated 30% Climate Action window to target financing of low-carbon transport, renewable energy and energy efficiency improvements.	

EIA required: Some sub-projects may require an EIA

Project included in Carbon Footprint Exercise¹: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The two intermediaries under this operation, ProCredit Bank SA ("PCB RO") Romania and ProCredit Bank Bulgaria AD ("PCB BG"), are small, development-oriented, commercial banks, focused on small and medium enterprises and private individuals, and members of ProCredit group.

Most sub-projects under the envisaged operation are expected to be small scale and with limited environmental impact.

Sub-projects under the climate window will generally generate positive environmental impacts, notably by reducing energy consumption, GHG emissions and thus helping to mitigate climate change. However they may include renewable energy projects that carry environmental and social risks.

E&S risk management process and organisational capacity

In order to avoid any potentially negative social and environmental impacts, ProCredit has developed an environmental and social management system across all banks of the ProCredit group. This system is based on three pillars:

Pillar 1: The Internal Environmental Management System aimed at improving internal performance;

Pillar 2: E&S Risk Management for Loans; and

Pillar 3: Green Finance and Reporting – both aimed at external performance.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 16.12.2019

The Environmental and Social Risk Assessment Framework (Pillar 2) is an integral part of ProCredit's environmental strategy. As part of the E&S risk assessment, client activities are screened against an exclusion list which is based on the guidance documents of IFC, EBRD, UNESCO, WHO, UN among others.

Each activity is then classified according to its E&S risk into low, medium or high risk projects, supported by sector-specific Environmental and Social Assessment Form and Environmental Sector and Social Assessment Guidance Notes which have been developed with the help of an external consultant. Based on the size of the exposure and the category of the environmental risk, a specially trained Environmental and Social Risk Officer (ERO) is involved in the assessment process.

ProCredit may require an Environmental and Social Impact Assessment (ESIA) before financing certain medium or high-risk projects, even if not required by law:

- Whenever required by the Group Standards for Managing the Environmental and Social Impact in Lending;
- For all hydropower projects, regardless of the size or loan amount;
- Whenever decided in a credit committee.

Conclusions and Recommendations

The E&S risk management process of the Financial Intermediary complies with the requirements of the EIB for financial intermediaries, i.e. enables the appropriate identification, assessment and management of E&S risks and impacts, including:

- Screening of all final beneficiaries against the relevant list of excluded sectors and activities and any other restrictions in the legal agreements set out between the EIB and the Financial Intermediary.
- Ensuring that the final beneficiaries/sub-projects act in accordance with relevant laws and regulations related to environmental and social issues, including environmental and health and safety regulation, planning permissions, operating licenses and permits in the jurisdiction in which they operate.
- ProCredit requires compliance with environmental and social standards that may go beyond legal requirements of the respective country.
- Screening and assessment of all projects for their environmental and social impact with dedicated staff to perform environmental and social due diligence, to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified.

Additionally, the Bank will require the following:

- Sub-projects with significant negative impacts on areas with high biodiversity value, involuntary resettlement of persons, or potentially adverse impact on indigenous communities and/or peoples, will be excluded.
- Specifically for hydropower projects, ensure that these projects are assessed in line with the EIB hydropower assessment guidelines, including a copy of the climate change risk and independent dam safety assessments, to the Bank's satisfaction.

Under these terms, it is considered that the procedures carried out for individual schemes, verified and monitored by the Financial Intermediaries and the Promoter, will appropriately address environmental and social issues and ensure that the schemes to be financed under this Loan meet the Bank's requirements.