PRINCIPLES OF RESPONSIBLE BANKING (PRB) SELF-ASSESSMENT
1. Describe (high-level) your bank’s business strategy to be consistent with and contribute to its society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

KCB Bank’s main customer segments are Corporate, SME and individuals. We support customers across various key sectors in Transport & Communication, Trade, Agriculture, Building & Construction, Real Estate, Manufacturing, Energy & Water, Financial Services, hospitality.

Our main services entail, financial service in form of loans, personal and corporate loans. The Bank has a new strategy for 2020-2023 called Beyond Banking, focusing on the individual customer. The four strategic pillars are putting customer first, driving a step change in efficiency and productivity, being a digital leader and building scale to achieve regional relevance.

KCB Group operates in seven geographies: Kenya, Tanzania, South Sudan, Uganda, Rwanda, Burundi, and Ethiopia (representative office). In 2021, the Bank was serving 28.4 million customers through the largest branch network in the region.

1.1 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society’s goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Our Sustainability framework is anchored under four key pillars—financial, economic, social, and environmental sustainability. In 2017, the Bank went through a rigorous consultation and assessment exercise that resulted in the adoption of eight of the 17 SDGs — growth, SDG 9 Industry Innovation and Infrastructure, SDG10 Reduced Inequalities, SDG 11 Sustainable Cities and communities, SDG 12 Responsible Consumption and Production, SDG 16 Peace, Justice, and Strong Institutions and SDG 17 Partnerships for the Goals. A ninth one, SDG 13 Climate Action was adopted in 2019. The Bank has set KPIs under each adopted SDG and are reported annually.

SDG 1 (no poverty) – Loans to SMEs. Inua Jamii cash transfer program to protect vulnerable children, older persons, and persons with severe disabilities.

SDG 2 (adequate work and economic growth) – 2 jqi program that supports youth entrepreneurship.

SDG 10 (Reduced inequalities) – Loans to women under Women Value Proposition. Tracking of Gender balance in KCB workplace.

SDG 11 (sustainable cities and communities) – Mortgages provided for Housing program.

SDG 12 (Responsible consumption & production) – We keep in check of our resource consumption tracking key resources; fuel, water, electricity, and paper annually with goals reduce us. We set annual target that we operate towards.

SDG 13 (climate action) – We are conducting a portfolio analysis to gauge our emissions profile while we are setting targets for decarbonization.

SDG 16 (peace, justice & strong institutions)

SDG 17 (partnerships for the goals) – Engage in strategic partnerships for improvement of our SDGs implementation e.g., GCF, IFC, NZBA GFANZ, among others partnerships.

2.1 Impact Analysis: Show that your bank has identified its material topics. It has its most significant (positive and negative) impacts. It has a negative impact through an impact assessment that satisfies the following elements:

a) Scope: The Bank’s core business areas, products/services across its main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) Scale of Exposure: In determining the areas of most significant impact the bank has considered where its core business/ its major activities lie in terms of industries, technologies, and geographies.

c) Context & Relevance: Your Bank has considered the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) Scale and intensity/salience of impact: In determining the areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic, and environmental impacts resulting from the Bank’s activities and provision of products and services.

Your bank should have engaged with relevant stakeholders to help understand the impact (under elements a and d) and describe

Show that building on this analysis, the bank has:

- Identified and disclosed its area of most significant (positive and negative) impacts.
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.

Scope: KCB Bank has been reporting annually on its sustainability progress since 2008. The Sustainability report is prepared in accordance with the Global Reporting Initiative sustainability reporting standards (GRI Standards: Core Option). The GRI standards require all reporting entities to conduct a comprehensive materiality assessment, as does the Integrated Reporting framework, which KCB Bank also subscribes to other international ESG frameworks such as IFC’s Environmental and Social Performance Standards as well as Equator Principles.

KCB Group conducts annual materiality assessments to identify the Bank’s impact on a range of ESG issues. The topics identified were as follows:

- Digital Banking

- Sustainable Finance and Climate Action

- Customer Experience

- Employee Welfare

Meaningful Partnerships

These 15 material issues were analysed further, and drilled down to identify five material topics consisting of digital banking, sustainable finance and climate action, customer experience, employee welfare and meaningful partnerships.

All the material issues affect our major customer segments comprising of Corporate and SME, Transport & Communication, Trade, Agriculture, Building & Construction, Real Estate, Manufacturing, Energy & Water, Financial Services, tourism, Restaurant & Hotels.

Scale of Exposure: Our core areas of impact that have exposure are Infrastructure and Energy & We have analysed the impact of our loan portfolio in relation to green investments. Currently we stand at 8.4% and we have set to accelerate the ambition to scale green investments to 12.4% of our total loan portfolio in 2022 and achieving 25% in 2025.

Enhancing of Environmental and Social Governance (ESG) due diligence through automation of the ESGD platform to increase risk identification and mitigation.

In advancing our commitment to accelerate our commitment to climate action, we committed to a Net Zero target by 2050 including joining the Net Zero Banking Alliance (NZBA) in April which is part of Glasgow Financial Alliance on Net Zero process of advancing the Net Zero ambitions and Sustainable Development Goals (SDGs) setting targets for 2050.

Contact & Relevance:

Also, we trained more than 800 staff on anti-money laundering and ethics as well as shifted to digital channels with 79% of our transactions taking place outside our Banking halls. In the process of establishing a Brand Strategy Framework, which will better position KCB as a leader in all the markets of operation. Also, we completed the acquisition of Banque Populaire du Rwanda (BPR) and merged it with KCB Rwanda to establish the largest commercial bank in Rwanda known as BPR Bank Plc.

Scale and intensity/salience of impact

We assess the strategic relevance of ESG factors based on two criteria: their relative importance to external stakeholders, (as defined in the ‘Engaging our stakeholders’ section of the KCB Annual Integrated Report 2021) and their influence on our business success. This helps us to prioritise and govern our activity, ensuring that we are closely aligned with our stakeholders’ expectations. We have also looked at how the COVID-19 pandemic has impacted our business and used this as a factor across multiple material topics.

In line with the nature of our business, we are focusing our analysis on the following areas:

- social and environmental impacts of financing including climate change,
- biodiversity and human rights
- the accessibility and transparency of our financial products.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

In 2019 the Bank adopted the PRBs, since then the Bank has been realigning itself with best global practices to ensure it is able to meet its SDG targets by 2030. The introduction of the SDG Tracker as a self-assessment tool is an excellent mechanism which will help the Bank to actualize its ambitions.
3. Target Setting

Show that the bank has set and published a minimum of two specific, measurable (can be qualitative or quantitative), achievable, relevant and Time-bound (SMART) targets, which address at least two of the identified ‘areas of most significant impact’, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national, and regulatory frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDGs (climate change/poverty/gender and so on). The bank should have set out relevant actions to be implemented / needed to be implemented to address these impacts and to maximise the net positive impact of the set targets.

Show that the bank has set targets that are relevant, specific, and measurable, and have set targets and the impact your bank is aiming to achieve, including timeframe.

For each target separately:

- Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting year), or 18 months in your first reporting year after becoming a signatory).

- Explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

- Show that your bank has defined and monitored progress against the set targets.

3.1 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, and any relaxing of baselines should be transparent.

KCB Group has defined targets and almost 70 indicators that are aligned with the SDGs, and work is going to improve the linkage with global targets and indicators.

The Bank piloted an internal data collection tool for progress on indicators for its nine adopted SDGs. The tool is currently being improved to embed a multifactor authentication as well as enhance user experience including expanding utility from one to more than three users. Over and above this tool, we also leverage other tools to track progress of the above targets as highlighted below.

<table>
<thead>
<tr>
<th>Targets</th>
<th>Measuring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted a Net Zero carbon emission target by 2050</td>
<td>Science Based Targets Initiatives (SBTi)</td>
</tr>
<tr>
<td>Increasing the proportion of green lending book to 25% by 2025</td>
<td>Environmental and Social Due Diligence (ESDD)</td>
</tr>
<tr>
<td>Reduced our carbon emission footprint by 11.25% as compared to 23% target of 2020</td>
<td>Green House Gas (GHG) protocol</td>
</tr>
<tr>
<td>The Bank conducted social-environmental assessments of facilities worth Ksh 244.8 billion in 2021, against a target of over Ksh 91.8 billion in 2020</td>
<td>Environmental and Management Systems (EMS) Assessments</td>
</tr>
</tbody>
</table>

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

The Bank has fulfilled the requirements of Plans for Target Implementation and Monitoring. The Group has started reporting on the nine SDGs as its framework going forward.
We believe that transparency of information in our products and services is key to empowering consumers to make good financial decisions. Our aim at KCB Group is to offer an accessible, empathetic and inclusive service for our customers, including for those who may typically face barriers to accessing banking services, such as customers living with disabilities, complex needs or experiencing difficult life events. We have made significant progress, but we know there is more to do. The Sustainability Policy provides a strong foundation for the Bank on its sustainability promise including initiatives and impact. Mainstreaming sustainability on major key policies has underpin our effort to promote responsible banking including accelerating sustainable finance including augmenting our relationships with our customers. Through our credit policy we have been able to extend guarantee schemes to SMEs to enable them recover from the COVID-19 pandemic including enhancing our social protection via our mobile money platform KCB M-pesa. In line with our target to redirect 25% of our total loan portfolio to green investment we deployed a Social Environmental and Management Policy to accelerate this commitment as well as enhance our investment initiatives to strengthen resilience, via adaptation and mitigation.

The Bank’s 2020-23 strategy firmly puts the customer first serving them through an upgraded IT architecture and digital services. We enhanced our digital infrastructure that translated to over 4.5 billion transactions across all channels including advancing our Ksh.2.1 trillion on mobile phones. The Bank is a member of the UN Global Compact and upholds the Ten Principles of the UN Global Compact. The Bank has been conducting annual supplier conferences for the past five years, themed around sustainability. In 2021 this was a fully virtual conference with over 200 participants.

We will collaborate responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

The Bank is focused on enhancing capacity building and sensitization consequently enhancing financial inclusion to our customers through digital banking channels through its new strategy. “Beyond Banking” for 2020-2023. Ksh 480 million worth of loans were advanced to SMEs from Ksh 95 million in the previous year. There was an impressive growth on mobile loans during the reporting period. Mobile loans advanced increased to Kshs 157 billion from Kshs 81 billion in 2020. The cumulative disbursement over the last five years totalled to Kshs 407 billion shillings via mobile. This represents numerous individuals whose shelter was secured, thousands of small, medium, and micro businesses that remained in operation, thousands of school fees invoices settled on time and countless other forms of bills that were paid. Additionally, the customers are supported by thousands of agent and merchant outlets across the region.

During COVID-19, mobile Banking charges for transactions up to 1,000 were waived by Central Bank of Kenya back in 2020, however the charges were reinstated in April 2021. The Mifugo ni Mali livestock enterprise development program made key strides in 2021 with 65 Farmer Producer Organizations (FPO) getting trained in various leadership and financial management courses for capacity building and exposure to various livestock value chains. A total of 612 farmers were trained on how to maximize the value of their investments and 1,673 livestock were tagged to enable traceability and thus improve export marketability. Tracking also plays a significant role in reducing insecurity and cattle rustling activities.

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

The Bank engages with customers, employees, shareholders, and suppliers as part of its annual materiality assessment. It works on the identified issues through actions authorized by the Board in accordance with Group strategy. The Bank also works with various local and international partners to improve the Bank’s sustainability impact.

Net Zero Banking Alliance (NZBA)
The KCB Bank is a founding member of NZBA which was established in April 2021.

Also, as part of accelerating the Paris Agreement, the Group committed to going Net Zero by 2050 augmenting our climate change commitment including deploying a Net Zero strategy.

United Nations Environment Programme Finance Initiative (UNEP FI)
KCB Group is a founding Bank and active partner in the UN’s Principles for Responsible Banking, sharing expertise and best practices globally on implementing and aligning with the SDGs, greening the lending portfolio, committing to a net zero goal by 2050 and meeting the goals of the Paris Agreement.

United Nations Global Compact (UNGC)
KCB Bank has committed to the UNGC principles since 2014 and we finished our four years compliance period and for the last two years we have been communicating on the progress in implementing the principles since 2019.

Green Climate Fund
KCB Bank Kenya became accredited by OCF in 2020 under the category of medium to large size lender. The Bank became the second commercial bank to be accredited by the bank and is keen to accelerate adaption and mitigation in Kenya.

International Financial Corporation (IFC)
KCB Group entered into partnership with KCB Bank Kenya to accelerate sustainable finance and initially received an approval for US$150 million, from IFC as a lead syndicator, to support the growth of the Bank’s sustainable climate finance portfolio and scale-up lending to micro, small and medium enterprises including women-owned businesses.
**Principle 5: Governance & Culture**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

**5.1 Governance Structure for the Principles**

Describe the relevant governance structures, policies, and procedures your bank has in place/plans to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

The Bank developed six sustainability policies during the reporting period in line with the progress started in 2020, the bank fortified its sustainability utility by engaging a consultant on climate risk analysis to align with the Central Bank climate related guideline. The Bank also conducts a yearly capacity building programme. The Bank trained up to 8,025 staff on anti-money laundering compared to 2020 to 8,648. Also, during the reporting period, the Bank trained 6,819 staff on ethics as where we achieved a 100% awareness rate as compared to 94% in 2020.

Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

The Bank has been at the forefront in clarifying sustainable finance through designing innovative training among staff. During the reporting period over 6500 staff have been trained on sustainability. Apart from the six sustainability aligned policies we also restructured to establish a Group Director Marketing Corporate and Citizenship. Also, we established a sustainability champions group across the business to augment peer to peer learning as a function of enhancing sustainability actions across the business.

The Bank piloted its SDG tracking tool as well as enhancing its functionalities to include a multifactor authentication method that is aligned with the bank cybersecurity standards.

The KCB Group Board, Board Strategy Committee, Risk Committee, KCB Subsidiary Managing Directors and the Group CEO review, challenge and approve the sustainability framework and strategy for the Bank. They ensure there are enough resources and manpower available for implementation. The target setting is done through a consultative process, policies implementation is tracked by the Group Board. The KCB Legal division, Risk division and Group internal audit provide monitoring, assurance and reporting on overall sustainability risks.

- KCB has established KPI on green lending with the aim of achieving the 25% green lending target by 2025.
- As part of accelerating the Paris Agreement, the Group Committed to going Net Zero by 2050 augmenting its climate change commitment including deploying a Net Zero strategy.
- KCB Group has defined targets and almost 70 indicators that are aligned with the SDGs, and work is going to improve the linkage with global targets and indicators.

The Bank is continuously working to improve its standing on the six principles of the PRB, including the main/learns the principles across the business for action. In our scale to regional relevance, we are streamlining operations across the subsidiaries to ensure the principles are felt and aligned with the regulatory landscape of the countries we operate in.

**6.1 Progress on Implementing the Principles**

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/ is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

The Bank has fulfilled the requirements of Progress on Implementing the Principles for Responsible Banking. The Group has sustained its efforts to give comprehensive reporting on its sustainability efforts, through annual integrated and sustainability reports.