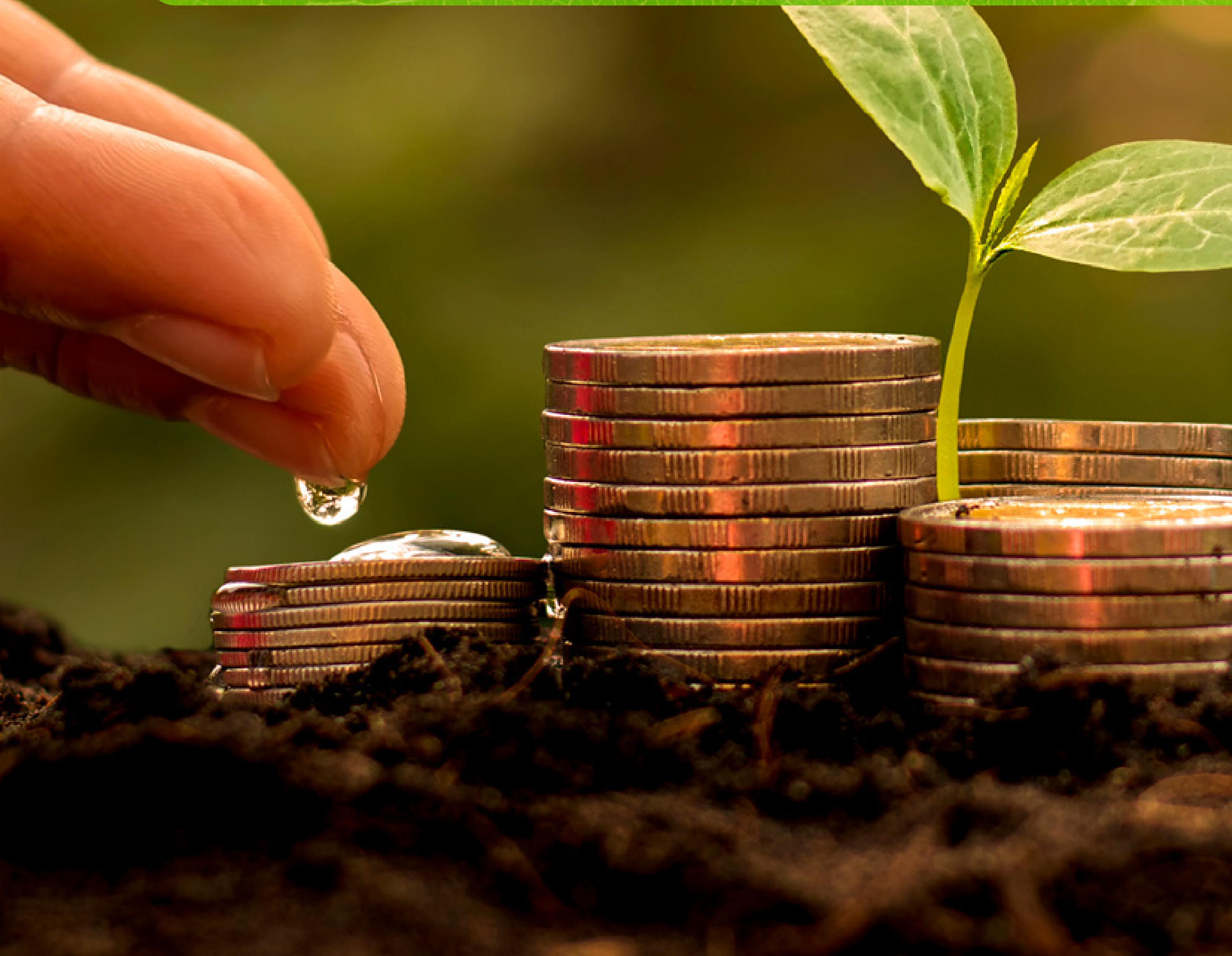
KCB

UN Principles for Responsible Banking - Reporting and Self-Assessment



KCB GROUP: UN Principles for Responsible Banking - Reporting and Self-Assessment

In 2019, the Bank embraced the PRBs (Principles for Responsible Banking), setting off a transformative journey. Since then, the Bank has been diligently reconfiguring its operations, aligning with top-tier global practices. This dedicated effort is aimed at empowering the Bank to effectively realize its SDG (Sustainable Development Goals) targets within the given timeframe of 2030.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, and the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

At KCB Bank, we take pride in serving a diverse range of customers, including corporate clients, MSMEs, and personal consumers. Our comprehensive support extends across key sectors such as Transport & Communication, Trade, Agriculture, Building & Construction, Real Estate, Manufacturing, Energy & Water, Financial Services, and hospitality Through our personalized and corporate loan offerings, we effectively address the financial needs of our customers. Guided by our 2020-2023 Beyond Banking Strategy, we have established four key pillars: prioritizing customer needs, driving efficiency and productivity, embracing digital leadership, and expanding our scale to achieve regional significance. Operating in six geographies, including Kenya, Tanzania, South Sudan, Uganda, Rwanda, and Burundi, and with a representative office in Ethiopia, KCB Group holds a strong market presence. In 2022 alone, our extensive network allowed us to serve an impressive customer base of 32.4 million, solidifying our position as a leading financial institution in the region.	2022 Integrated Report Pg 4 – 6 2022 Sustainability Report Pg 10 – 33, 126 - 133

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ UN Guiding Principles on Business and Human Rights

☒ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD and TNFD

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones:

☐ None of the above

At KCB Bank, we have made a diligent effort to align our operations with the six core principles of the Principles for Responsible Banking (PRBs). Our commitment to sustainability extends beyond this, as we actively work towards achieving the United Nations Sustainable Development Goals (SDGs). In 2022, we expanded our priority focus to 12 SDGs, demonstrating our dedication to building a better and more sustainable future for generations to come. By adopting the SDGs, we have integrated them into our company's business strategy, enhancing our economic, environmental, social, and governance performance. This alignment allows us to contribute meaningfully to the SDGs, while also addressing the objectives of the Paris Climate Agreement and relevant national and regional frameworks. Through internal output indicators, we continuously monitor our progress and strive to improve our alignment with these global frameworks. Our strategy is designed to create a positive impact on society and the environment, while also fostering sustainable growth and development.	*2022 Integrated Report* *Pg 5, 60 & 62* *2022 Sustainability Report* *Pg 46-56 & 164 - 170*

Our Adopted SDG and Agenda

- **SDG1 – No Poverty**: We aim to reduce poverty by expanding access to finance for sustainable livelihoods and economic growth.
- **SDG2 – Zero Hunger**: We work to reduce hunger among the most vulnerable populations.
- **SDG5 – Gender Equality:** We strive to enhance opportunities for females to improve education and employment prospects.
- **SDG6 – Clean Water & Sanitation:** We focus on improving access to clean water and sanitation.
- **SDG8 – Decent Work and Economic Growth**: We promote economic activities that create shared prosperity, stability, and business growth through innovation and diversification.
- **SDG9 – Industry Infrastructure and Innovation:** We support small-scale industries and enterprises by increasing access to financial services and developing digital products.
- **SDG10 – Reduced Inequalities:** We aim to reduce inequality by ensuring equal resource distribution and gender parity in the workforce.
- **SDG11 – Sustainable Cities and Communities:** We develop inclusive products, support youth and communities, and provide financing solutions for affordable housing and disaster recovery.
- **SDG12 - Responsible Consumption and Production**: We promote responsible finance and resource consumption, including proper waste management.
- **SDG13 – Climate Action:** We align our strategy with the Paris Agreement to transition to a net zero economy and reduce our carbon footprint.
- **SDG16 – Peace, Justice and Strong Institutions:** We establish ethical standards, regulatory compliance, and robust systems for a prosperous economy.
- **SDG17 – Partnership for the Goals:** We forge strategic partnerships to provide inclusive financial products and services.

Additionally, we uphold fair business practices, human rights, and long-term value for all stakeholders, aligning with the principles of the United Nations Global Compact.

In 2022, we embarked on aligning our practices to address climate change risks and opportunities. Following the recommendations of the Task Force on Climate-Related Financial Disclosures, we integrated climate risk management into our business decisions and operations through a structured and transparent roadmap

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[1] and fulfil the following requirements/elements (a-d)[2]:

a) ***Scope:*** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, and products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

The Bank is in the process of working on its impact analysis report, however we monitor our impact areas by conducting a material analysis on an annual basis. As part of our commitment to responsible banking, we conduct annual materiality assessments to identify the bank's impact on various ESG issues. In 2022, we conducted a workshop session to refine the Bank's theory of change model and review ESG risks. The following material issues were identified: • Climate Action • Enhanced Efficiencies • Protecting the Bank's Reputation • Employee well-being • Product Innovation • Customer Experience, • Staff Training and Development • Product Stewardship • Regulatory Compliance • Financial Performance, and • Gender Equality This assessment covers our core business areas and products/services as described under section 1.1. We continuously conduct a materiality analysis to identify our material and impactful areas to ensure comprehensive coverage of our operations. The Bank is continuously improving the process to ensure that areas that have not yet been included in the previous analysis, are well covered in the next analysis.	*2022 Sustainability Report Pg 4 -7 & 75 - 85*

b) ***Portfolio composition***: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide a proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries[3] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

1 That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
2 Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
3 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

At KCB (Kenya Commercial Bank), we place a paramount emphasis on the composition of our portfolio in our strategic analysis. This approach allows us to effectively manage risk, optimize returns, and align our investments with our long-term objectives. We recognize the importance of transparency in sharing information with our valued stakeholders. Below, we provide a proportional composition of our portfolio, both regionally and within specific geographical scopes.

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5.1) *FI Business Lines and portfolio distribution, including for portfolio supported by IFC and the Fis entire portfolio*

Portfolio	*Product line*	*Description*	*Total exposure outstanding for most recent FY year end (in US$)*	*Percentage of entire portfolio*	*Average loan or transaction size (in US$)*	*Smallest and Largest loan or transaction size (in US$)*
Financial Institution's Entire Portfolio	*Corporate Finance*		*317,121,233,203.46*	*48.67%*	*107,977,774.23*	*250,000,000 -25% of the core capital*

5.2) *Exposure by Industry Sectors*

	Corporate/Project finance		
	Total Exposure	***Corporate Book***	***% Corporate Portfolio***
Personal Households	*234,385,553*	*518,810*	*0.2%*
Manufacturing	*92,628,085*	*88,970,908*	*96.1%*
Real Estate - Commercial	*55,255,351*	*53,906,604*	*97.6%*
Real Estate - Residential	*53,110,111*	*1,038,525*	*2.0%*
Social Community & Others	*33,786,911*	*17,281,291*	*51.1%*
Wholesale and Retail Trade	*32,117,595*	*21,675,143*	*67.5%*
Tourism, Restaurant & Hotels	*26,886,481*	*25,778,399*	*95.9%*
Building & Construction	*23,507,604*	*18,343,588*	*78.0%*
Transport	*21,254,089*	*19,552,346*	*92.0%*
Communication	*19,061,090*	*16,838,318*	*88.3%*
Roads Construction	*18,110,013*	*17,947,232*	*99.1%*
Petroleum & Natural Gas	*14,105,006*	*13,361,750*	*94.7%*
Agriculture, Hunting, Fishing & Forestry	*11,203,645*	*8,872,636*	*79.2%*
Finance & Insurance	*8,083,969*	*5,237,431*	*64.8%*
Government	*6,950,133*	*5,930,911*	*85.3%*
Energy, Electricity & Water	955,958	559,802	58.6%
Mining & Quarrying	138,869	21,297	15.3%
Total	**651,540,463**	**315,834,990**	**48.5%**

c) ***Context***: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[4] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

4 Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

At KCB, we take a proactive approach to sustainable development and we understand that the challenges and priorities related to sustainability vary significantly across the countries and regions in which we and our clients operate.

One of the main challenges we face is a lack of buy in from many of our clients. This challenge is driven by the lack of knowledge on the opportunities related to sustainability. As a result, we face a lot of resistance in integrating sustainable practices within our clients projects. Many of our retailers face a challenge in conducting the Environmental Social Due Diligence, as the clients are not aware of the importance of identifying the social and environmental risks associated with their projects. This challenge has hindered the adoption of our green loans which aim to address the sustainable development.

We have addressed these challenges through in-depth capacity building for all our stakeholders. This has allowed us to synthesise them on the importance of green loans and identifying what value they bring now and for future generations

Adoption of sustainable practices has often been associated with incentivisation. As a result, we find that many clients expect incentives in order to incorporate sustainable measures in their projects. This has caused a significant challenge in the uptake of green loans which ultimately address the risks related to climate change. The slow uptake of green loans subsequently delays the actualisation of our sustainable goals. Ultimately, green products are expensive.

At KCB, we have ensured to set profitable pricing and concessional rates on our green loans in order to attract more clients in this space. We have actively embedded Environmental, Social, and Governance (ESG) principles throughout our organization. This includes integrating climate change-related risks within our risk framework. In addition, we have provided comprehensive training on various ESG aspects to our workforce, including climate-related topics. This empowers our employees to understand and address the main challenges and priorities related to sustainable development, both at the organizational level and within the countries and regions we operate in.

Another crucial challenge we have faced in relation to sustainable development has been the costs related to calculating our emissions. In order to conduct a comprehensive analysis on our emissions incurs significant costs. The consultants qualified to carry out the exercise or largely limited which means we need to source the services internationally thus incurring a greater cost. This limits our ability to get buy in from top management thus creating a significant challenge.

At KCB, we recognize that sustainable development is a dynamic and evolving field. We are committed to actively engaging with our stakeholders, staying informed about regional challenges, and adjusting our strategies to make a meaningful and positive impact on sustainable development in the countries and regions where we operate. By collaborating with our stakeholders, we aim to drive positive change and create shared value for all.

We engage with a diverse set of stakeholders, including local communities, governments, non-governmental organizations (NGOs), customers, employees, and investors.

We conduct regular surveys, hold consultation sessions, and collaborate with NGOs and sustainability experts to gain insights into the specific sustainability challenges and priorities in each region.

Our stakeholder engagements inform our sustainability strategies, allowing us to tailor our initiatives to the unique needs of the communities and markets we serve.

Through these efforts and stakeholder engagement, we strive to ensure that our green finance initiatives are aligned with the specific needs and priorities of the countries and regions where we operate, ultimately contributing to sustainable development on a broader scale.

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Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[5]? Please disclose.

Based on our strategic assessment of Environmental, Social, and Governance (ESG) factors, we have identified several positive and negative impact areas within our bank's operations. Some of the positive impact areas include:

Sustainable financing: We prioritize providing financial support to projects and initiatives that promote sustainability, such as renewable energy, energy efficiency, and sustainable agriculture. This contributes to positive environmental and social outcomes.

Financial inclusion: We aim to promote access to financial services for underserved populations, including low-income individuals and small businesses. By improving financial inclusion, we contribute to poverty reduction and economic empowerment.

Responsible lending and risk management: We prioritize responsible lending practices, ensuring thorough assessments of environmental and social risks associated with our loan portfolio. This helps mitigate negative impacts on communities and the environment.

In terms of significant impact areas that we prioritize to pursue our target-setting strategy, two key areas are:

Climate action: We recognize the urgency of addressing climate change and have set targets to increase our financing of green investments. This includes renewable energy projects, energy-efficient infrastructure, and climate adaptation initiatives. We have taken part in initiatives like;

- ***Tree Growing Initiatives*** *– We are partnering with branches and 12,684 secondary schools and women groups to plant and grow trees. KShs. 8.3 million has been committed to grow 12 million trees in the next 5 years.*
- ***LEMP*** *- We are fostering Low-emission Mobility Programme (LEMP) in Kenya in partnership with Basi-Go, UNITAR and County Government through KCBF.*
- ***LPG Support for schools*** *– We are supporting KCB learning institutions through liquefied petroleum gas (LPG) through the KCBF. KCB Foundation has set aside in its 2023 budget Kes 35 million to support learning institutions purchase LPG gas.*
- ***Climate Finance/ Green lending*** *– Our goal is to increase our green finance to 25% of the total loan book by 2025. We are tracking our green loan as well as helping our customers understand how to run a sustainable business.*
- ***Carbon footprint tracking*** *– We are tracking our resource consumption across paper, water, electricity & fuel. We recorded a 12.3% reduction in our carbon footprint in 2022.*

Social impact and inclusion: We place importance on initiatives that promote social well-being, such as supporting education and skills development, empowering women and marginalized groups, and fostering community development. Some of the initiatives include:

- ***FLME- Female Led & Made Enterprises -*** *In 2022, KCB launched the Female Led and Made Enterprises (FLME)*

- *proposition which aims to lend KShs. 250 billion in five years to women entrepreneurs. This will go a long way to supporting and promoting the development of women-owned enterprises, supporting job creation and strengthening KCB's reach into unique market segments.*

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5 To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

• ***Supply chain management supporting women service providers -*** *The Bank rolled out a supply chain and shared services sustainability strategy to enable suppliers to improve their sustainability practices and influence the supply chain for greater environmental and social outcomes. In line with this strategy, the Bank cascaded the supplier Code of Conduct, with 53% of suppliers signing up to the Code. This is a key commitment to responsible and sustainable procurement practices and supplier development support. We have a diverse pool of suppliers with focus on special interest groups of women, youth, and differently abled persons.* • ***Women & Youth Support -*** *880, People, thereof 30% women and 40% youth, supported with business development services* By prioritizing these impact areas, we align our business strategy with sustainable development goals and strive to create positive change in society and the environment while ensuring long-term business success.	
d) *For these (min. two prioritized impact areas):* ***Performance measurement:*** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. *The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*	
The Bank has just started off its process of calculation of its emissions in which we will be able to determine sectors with the actual negative and positive impacts. However, within our bank's strategic analysis, we have identified two prioritized impact areas for in-depth analysis: • The Social and Environmental Impacts of Financing • The Accessibility and Transparency of Financial Products. In assessing the performance of these impact areas, we have employed various indicators and approaches to measure their actual positive or negative impacts. **Social and Environmental Impacts of Financing** For these; • We assess the sectors and industries that receive our financial support and evaluate their environmental and social performance. • We consider indicators such as greenhouse gas emissions, energy efficiency, waste management practices, social inclusion metrics, and adherence to human rights standards. By analyzing the performance of these sectors and industries, we can identify areas where positive impacts are being made or where improvements are needed. **Accessibility and Transparency of Financial Products** For these; • We measure our performance by assessing the availability and affordability of our products to different customer segments. • We track indicators such as the percentage of underserved populations accessing financial services, the inclusivity of our product offerings, and the level of transparency in our communication and disclosure practices. These indicators help us gauge the effectiveness of our efforts in providing accessible and transparent financial products. In addition to sector-specific and customer-focused indicators, we have also conducted a comprehensive analysis of the climate change impact on our business using the Task Force on Climate-related Financial Disclosures (TCFD) framework.	*2022 Integrated Report* *Pg 2* *2022 Sustainability Report* *Pg 42 – 57, 65, 71, 164 – 170*

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[6]

Scope:	☐ Yes	☒ In progress	☐ No
Portfolio composition:	☐ Yes	☒ In progress	☐ No
Context:	☐ Yes	☒ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?
The impact analysis is yet to be completed but we are currently working with the areas highlighted; Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 6 months prior to publication
☐ Up to 12 months prior to publication
☐ Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately :

a) ***Alignment:*** which international, regional or national policy frameworks to align your bank's portfolio with[7] have you identified as relevant? Show that the selected indicators and 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 or regional frameworks.
You can build upon the context items under 2.1.

At KCB Group, we have set and published two targets that address different areas of most significant impact identified in our impact analysis. We prioritize aligning our operations with international policy frameworks such as the; • UN Sustainable Development Goals (UN SDGs) • The Paris Agreement • The United Nations Global Compact (UNGC) • The Equator Principles, and • The Task Force on Climate-related Financial Disclosures (TFCFD) • Taskforce on Nature-related Financial Disclosures (TFND) Through these commitments, we demonstrate our dedication to responsible and sustainable practices, driving long-term value for all our stakeholders.	*2022 Integrated Report* *Pg 7* *2022 Sustainability Report* *Pg 4-5, 14, & 46*

b) ***Baseline:*** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

6 You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.
7 Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

KCB Bank has embraced a comprehensive approach to sustainability by adopting twelve Sustainable Development Goals (SDGs) and adhering to annual reporting based on Global Reporting Initiative (GRI) standards. In line with its commitment to sustainability and responsible practices, the bank aligns itself with international standards and accountability mechanisms such as the NZBA (New Zealand Bankers' Association) and ABLC (African Business Leaders' Coalition). These efforts are aimed at achieving the Net Zero target and fostering a sustainable future. To establish a benchmark for measuring progress, the bank has identified the year 2020 as the baseline for its Key Performance Indicators (KPIs). KCB Group has proactively set targets and implemented a robust framework of nearly 70 indicators that align with the Sustainable Development Goals (SDGs). Recognizing the importance of global targets and indicators, we have made concerted efforts to enhance the connection and alignment with these broader sustainability goals. To facilitate effective monitoring and tracking of our progress, we have developed an internal data collection tool, which we rolled out successfully. This tool enables us to monitor and evaluate our performance across the twelve adopted SDGs. The usage of this tracker highlights our dedication to leveraging innovative solutions in pursuit of our sustainability objectives.	*2022 Integrated Report* *Pg 7, 62* *2022 Sustainability Report* *Pg 47 – 57 & 88 - 89*

KCB Group Sustainability Report | 2022 Shared Value For Impact

Impact Area	Indicator Code	Indicator	Response
Climate change adaptation.		Growth in the number of green loans	Our green loans grew to 12.3% of the total loan book. The baseline was determined through a portfolio analysis and review exercise conducted in 2021 and 2022.
Climate change mitigation		Loans screened through ESDD	Loans worth KShs. 270.4 billion underwent ESDD screening
Climate change mitigation		Carbon emissions reduction	Aggregate resource consumption, reduced by 7%. Carbon footprint reduced by 5% in 2021.
Climate change mitigation		Grants for LPG promotion	In the year, 24 schools were facilitated to develop LPG infrastructure with a total investment of KShs. 14.2 million
Climate change mitigation		Number of trees planted	KCB Bank planted 200,781 trees in the first six months of the exercise

KCB Group Sustainability Report | 2022 Shared Value For Impact

Impact area	Practice[8] (pathway to impact)									Impact[9]		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	**Climate strategy:** Does your bank have a climate strategy in place?	Yes / In progress / No **No** **We have identified the areas we need to focus on in tackling climate change and have developed an implementation plan to tackle these areas.**	A.2.1	**Client engagement process:** Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (*for business clients*), or towards low(er)-carbon practices (*for retail clients*)?	Yes / Setting it up / No; **Setting it up** *If yes:* Please specify for which clients (types of clients, sectors, geography, number of clients etc.) **We are in the process of setting one up. We are yet to identify our emissions, once we have determined our baseline we will be in a position to guide on the strategy we will implement. The sectors we intend to focus on include: real estate, energy sector, manufacturing, construction, and petroleum and gas sector and transport sector.** .	A.3.1	**Financial volume of green assets/ low-carbon technologies:** How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	**bln/mn USD or local currency, and/or % of portfolio;** **Currently our green loans investments stand at USD 223million of the total loan book.** ***please specify*** **the definition of green assets and low-carbon technologies used** **Green assets involve investments and projects for environmental sustainability, while low-carbon technologies are innovative solutions that reduce greenhouse gas emissions and environmental impact. Green assets include renewable energy and sustainable practices, while low-carbon technologies comprise renewable energy, energy efficiency, carbon capture, sustainable transport, green buildings, and waste-to-energy solutions. Both are crucial for a sustainable and eco-friendly global economy, combating climate change, and driving innovation.**	A.4.1	**Reduction of GHG emissions:** how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO_2e (or applicable metrics)[10] **We are currently in the process of calculating our data on the financed emissions.**
	A.1.2	**Paris alignment target:** Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / **Yes** **As a bank we have a target to achieve Net-Zero emissions by the year 2050. However, we are yet to identify a pathway to achieve this.** *If yes:* - please specify: to become **net zero by when**? 2050 - **Emissions baseline/ base year**: What is the emissions baseline / base year for your target? 2020 - **Climate scenario used:** What climate scenario(s) aligned with the Paris climate goals has your bank used? - **We are currently in the process of conducting a scenario-based analysis which will inform our strategy.**	A.2.2	**Absolute financed emissions**: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/ or investment portfolio?	Total GHG emissions or CO_2e (*please also disclose what is excluded for now and why*) **Currently the strategic focus has been on measurement and lending for mitigation of scope 1 & 2. However, regarding scope 3, the Bank is yet to determine these figures.**	A.3.2	**Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:** How much does your bank lend to / invest in carbon-intensive sectors and activities[11]? How much does your bank invest in transition finance[12]?	bln/mn USD or local currency, and/or % of portfolio	A.4.2	**Portfolio alignment:** How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (*please specify which portfolio; for corporate and business clients: % of sectors financed*) **12.4 % aganist a target of 25% by 2025.**

8 Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices
9 Impact: the actual impact of the bank's portfolio
10 If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.
11 A list of carbon-intensive sectors can be found in the Guidelines for Climate Target Setting.
12 Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

KCB Group Sustainability Report | 2022 Shared Value For Impact

Impact area	Practice[8] (pathway to impact)										Impact[9]		
	1. Action indicators			2. Output indicators				3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics		Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.3	**Policy and process for client relationships:** has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	**Yes / In progress / No** **Yes.** 1. **Sustainable sourcing policy, where we are encouraging suppliers to supply producs that are environmentally concious.** 2. **Social environmental managment system policy- Endeavours to ensure effective social & environmental management practices in all its activities, products and services** 3. **Sustainability policy- The policy ensures Bank's aspirations and procedures to be undertaken integrate the social and environmental management system into KCB Group operations; the internal eco-efficiency through the KCB Green Agenda; The Bank's Sustainability reporting; as well as the climate change aspect & Carbon credit and trading.** 4. **Credit policy that is aligned to green lending guidelines.** 5. **Risk Managment policy-Faciltate facilitate adequate management of risk associated with the roll out of our green lending portfolio.**	A.2.3	**Sector-specific emission intensity** (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (*depending on the sector and/ or chosen metric*): kg of CO_2e/ kWh, CO_2e / m2; kg of CO_2e/USD invested, or kg of CO_2e/revenue or profit **This analysis is ongoing in partnership with our stakeholders.**							
	A.1.4	**Portfolio analysis:** Has your bank analyzed (parts of) its lending and/ or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; **In progress** *If yes:* please specify which parts of the lending and investment portfolio you have analyzed.	A.2.4	**Proportion of financed emissions covered by a decar-bonization target:** What proportion of your bank's financed emissions is covered by a decar-bonization target, i.e. stem from clients with a transition plan in place?	% *(denominator: financed emissions in scope of the target set)* **Currently, 12.4% of our total loan book is covered by our decarbonization target.**							

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Impact area	Practice[8] (pathway to impact)										Impact[9]		
	1. Action indicators			2. Output indicators				3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics		Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	**A.1.5**	**Business opportunities and financial products:** Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; **Yes** Please specify which ones, and what financial volume and/ or % of the portfolio they account for. **KCB has introduced green financial products tailored for the renewable energy sector, including subsidized loan products for LPG (liquefied petroleum gas) adoption. Currently loan product stands at Kes 67million**										

c) *SMART targets* (incl. key performance indicators (KPIs)[13]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.	
The Bank has established and consistently reported on several Key Performance Indicators (KPIs) following the SMART approach. These KPIs align with the Bank's commitment to sustainable development and our adopted SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). **Our Targets include;** **Net zero carbon emission target by 2050 -**The Bank has set a long-term goal to achieve net zero carbon emissions by 2050, demonstrating its commitment to mitigating climate change. **Increasing the proportion of green lending book to 25% by 2025** - The Bank aims to expand its green lending activities, supporting projects and initiatives that promote environmental sustainability. **Reduce resource consumption by 5% annually** -This commitment reflects the Bank's efforts to operate in an environmentally responsible manner and promote sustainable resource management. **Screening facilities worth between 200 – 300 billion annually-** The Bank has implemented a rigorous screening process to assess the environmental and social impact of facilities. The Bank established 2020 as the baseline year for collecting and reporting SDG data, and all targets are measured against this baseline. This allows for accurate monitoring and evaluation of progress towards achieving the Bank's sustainability goals. Since 2017, the Bank has been engaged in portfolio reimagining, which involves assessing the negative impact of its lending portfolio. This strategic focus on environmental and social impact has enabled the Bank to maximize positive contributions to sustainability and align its operations with global best practices.	*2022 Integrated Report* *Pg 7* *2022 Sustainability Report* *Pg 154 – 155, 164 - 165 & 169*
d) *Action plan:* which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.	
To meet our set targets, we have defined several actions with specific milestones. In order to achieve our green loans target, we have established partnerships with Development Financial Institutions (DFIs) to enhance our financing capabilities in this area. In our pursuit of resource conservation and reducing our carbon footprint, we've partnered with KCB Group customer schools in a tree-planting initiative. Our goal is to plant encourage environment preservation through our tree planting initiative. Furthermore, we've introduced a branch-wide tree planting campaign, with a bold objective of planting 1.2 million trees by the year 2028. To ensure environmental responsibility, we have implemented a loan screening process for all loans above KShs. 50 million. This screening helps us assess the environmental impact of these loans and make informed decisions regarding their approval. Furthermore, we are prioritizing staff capacity building on Environmental, Social, and Governance (ESG) matters. By enhancing our employees' knowledge and understanding of ESG principles, we are better equipped to integrate sustainability considerations into our business operations.	*2022 Integrated Report* *Pg 7* *2022 Sustainability Report* *Pg 54-55*

13 Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... *(please name it)*	... second area of most significant impact: ... *(please name it)*	*(If you are setting targets in more impact areas)* ... your third (and subsequent) area(s) of impact: ... *(please name it)*
Alignment	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No
SMART targets	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No
Action plan	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

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 since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Net Zero by 2050 - Our commitment to achieving Net Zero GHG emissions by 2050 includes greening our portfolio and operations. KCB Group is making substantial strides in its sustainability efforts, setting clear numerical targets to reduce its environmental impact. We have set ambitious goals to limit global temperature rise to 1.5°C, demonstrating a commitment to combating climate change. In pursuit of these goals, KCB Group is taking concrete actions to manage its greenhouse gas emissions, with a particular focus on energy conservation, water management, and fuel efficiency. To efficiently manage resource consumption, KCB Group has implemented water harvesting mechanisms and rolled out LED lighting systems across its branches. Impressively, they have already installed LED lighting in 65% of their branch network, and plans are underway to expand to an additional 58 bank branches. Furthermore, KCB Group has put in place a robust Green Procurement Policy that encourages the adoption of environmentally friendly products and services. By embedding sustainability into every facet of their procurement process, from supplier selection to fostering collaboration, they are actively promoting ethical practices and minimizing their environmental and social impacts. Their comprehensive approach to sustainability is not only admirable but also underlines their dedication to the well-being of communities and the broader environment.	*2022 Integrated Report* *Pg 7, 61* *2022 Sustainability Report* *Pg 50 -53, 93 & 169*

Greening loan portfolio by 25% by 2025 - KCB Group has set an ambitious green lending target, aiming for 25% of its portfolio to be dedicated to green lending by the year 2025. This target isn't limited to the group level alone; it's also extended to subsidiaries and divisions within the organization. To ensure progress towards this goal remains a priority, the target is cascaded down to individual scorecards, ensuring continuous focus on its implementation and achievement. Looking ahead, the group is committed to establishing support mechanisms that will enhance the likelihood of success in reaching this target. These efforts align with the broader commitment of the group to achieve net-zero emissions by 2050. KCB Group's dedication to sustainable financing practices underscores its commitment to addressing environmental concerns and contributing to a more sustainable future. **Reduce resource consumption by 5% annually** -This will be achieved through initiatives such as awareness creation on resource efficiency and implementing measures such as sensor taps, virtual meetings and shifting to paperless operations to reduce consumption of paper. **Screening facilities worth between 200 – 300 billion annually-** We have a set a threshold of screening all loans being disbursed. This threshold now encompasses all projects that received disbursements of KShs. 50 million or more, whether they are directed towards Micro, Small, and Medium Enterprises (MSMEs) or Corporates. **Other initiatives being implemented** **Performance tracking on SDGs -** KCB Bank has made significant progress in its sustainability efforts under the twelve adopted Sustainable Development Goals (SDGs), expanding from the previously adopted nine. Through the SDG tracker, an online platform accessible to KCB staff, over 70 Key Performance Indicators (KPIs) were collected quarterly to monitor progress and achievements across each SDG. **Policy revision to align with the sustainability agenda** - In terms of governance, the bank revised five key policies to strengthen climate-related risk management and clarify the roles and responsibilities of different business units in addressing climate risks. Furthermore, KCB Bank cascaded the Supplier Code of Conduct, with an impressive 53% of suppliers signing up to the Code, demonstrating the bank's commitment to responsible and sustainable practices throughout its supply chain.	

Principle 3: Clients and Customers

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

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers[14] in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☒ In progress ☐ No

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[15]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

KCB Group is committed to engaging its subsidiaries in the sustainability journey, working collaboratively to develop innovative solutions for clients' sustainability goals. As a market leader, the Group focuses on achieving net-zero emissions by 2050 and supporting customers' transition to a low-carbon economy. By reducing greenhouse gas emissions, KCB aims to unlock the business potential of innovative solutions while promoting good risk management practices and providing thought leadership in sustainability. *The Group conducted qualitative physical visits to clients to establish the environmental and social (E&S) risk profile of our clients. This allowed the Bank to raise awareness of E&S risks with clients and also share with them opportunities that they can take advantage of in order to transition and introduce green projects to their businesses.* *KCB Group's sustainability efforts are reflected in its key policies, including the revision of the KCB Kenya Credit Policy, KCB Group Social Environmental Management System Policy, KCB Group Sustainability Policy, and KCB Group and Kenya Risk Appetite Policies to support our clients in the net-zero transition.* *As a member of the UN Global Compact, KCB upholds its 10 Principles and actively engages suppliers through increased procurement spend, targeting special interest groups and local suppliers. The bank implemented a supply chain and shared services sustainability program, including the adoption of a supply chain code of conduct, with 53% of suppliers signing on by the end of 2022.*	*2022 Integrated Report* *Pg 61, 92* *2022 Sustainability Report* *Pg 20 - 33*

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

14 A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
15 Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Through the 'Beyond Banking 2020-2023' strategy, KCB Group focuses on capacity building, financial inclusion, and digital banking channels. The number of MSMEs lent increased from 47,364 in 2021 to 63,514 in 2022. KShs. 193 billion was advanced in mobile loans in 2022, with a cumulative disbursement of KShs. 800 billion over five years. There has been a notable increase in the total value of loans extended to various sectors, including MSMEs, Corporates, and both Public and Private Water Service Providers, participating in the NBK WASH program to KShs. 300 million. Additionally, the number of beneficiaries gaining access to clean water through the NBK WASH program has also seen positive growth to 294,114 with 64, 007 individuals accessing improved sanitation stands. In 2022, KShs. 2.3 billion was disbursed to the agribusiness sector boosting production and yields in this sector. 21 ASAL counties in Kenya were supported with food donation during the extended drought supporting 6,000 household through a feeding programme. Under the Mifugo ni Mali program, support was provided to 70 farmer producer organizations, creating jobs, supporting businesses, and facilitating market linkages. Through the 2Jiajiri program, the bank created 4,386 jobs, supported businesses, trained youth participants, and facilitated employment opportunities in the maritime sector through a grant of KShs. 5.25 million.	*2022 Integrated Report* *Pg 7, 22, 66* *2022 Sustainability Report* *Pg 21, 39, 57, 61, 148-149 & 94 - 103*

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[16]) you have identified as relevant in relation to the impact analysis and target setting process?

☐ Yes ☒ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

KCB Bank is aware that stakeholder engagement is indeed a critical aspect of running a successful business. It involves actively connecting and maintaining relationships with individuals, groups, and organizations associated with the business. Engaging with stakeholders consistently throughout the year has several benefits, including building trust, fostering open communication, and staying informed about their needs and concerns. It also allows stakeholders to understand the company's approach to executing its business strategy. and takes action on identified issues authorized by the Board. The bank collaborates with local and international partners to enhance its sustainability impact. **Our stakeholders partnered with to improve the implementation of the principles** **African Business Leaders Coalition (ABLC)** In October 2022, KCB Group Plc signed up to the African Business Leaders Coalition (ABLC), to bolster actions in addressing the climate change crisis. **Issues Addressed -** By signing up to the coalition, KCB Group Plc is demonstrating its commitment to addressing climate change and taking collective action alongside other African business leaders. **Results Achieved -** KCB Group collaborates with other African business leaders in the coalition to collectively tackle climate change challenges. **Action Planning Contribution -** By actively participating in collaborative projects and initiatives, KCB Group enhances its action planning process by leveraging the expertise and resources available within the coalition. **Net Zero Banking Alliance (NZBA)** KCB Bank is a founding member of NZBA, which was established in April 2021. The bank has committed to becoming net zero by 2050, aligning with the goals of the Paris Agreement. **Issue Addressed -** Climate Change Mitigation **Results Achieved -** KCB Bank is taking proactive steps to reduce its greenhouse gas emissions and limit its contribution to climate change. This initiative aligns with the goals of the Paris Agreement, which aims to keep global warming well below 2 degrees Celsius. **Action Planning Contribution -** Being a founding member of NZBA, KCB Bank actively participates in the alliance's collaborative efforts to develop strategies, share best practices, and establish frameworks for achieving net-zero emissions. The engagement with other banks and stakeholders helps in shaping the bank's action plans and targets for mitigating climate change.	2022 Integrated Report Pg 61, 62, 108 2022 Sustainability Report Pg 14, 20, 45, 51, 169,

16 Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

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. The bank shares its experiences and best practices globally to implement and align with the Sustainable Development Goals (SDGs), promote sustainable lending, commit to a net zero goal by 2050, and support the objectives of the Paris Agreement.

Issue Addressed - Sustainable Finance, Green Lending, Climate Change Mitigation
Results Achieved - KCB Bank has been able to incorporate sustainable practices into its operations. This includes greening the lending portfolio and aligning with the Sustainable Development Goals (SDGs). The commitment to a net-zero goal by 2050 demonstrates the bank's dedication to climate change mitigation.
Action Planning Contribution -By actively participating in UNEP FI, KCB Bank gains access to global best practices, knowledge sharing, and collaboration opportunities. This input feeds into the bank's action planning process by helping to shape strategies for responsible banking, sustainable finance, and climate action.

United Nations Global Compact (UNGC)

KCB Bank has been committed to the principles of UNGC since 2014. The bank has completed a four-year compliance period and has been communicating its progress in implementing the principles since 2019.

Issue Addressed -Corporate Sustainability, Responsible Business Practices

Results Achieved - By communicating progress in implementing the UNGC principles, the bank showcases its efforts towards achieving the UNGC's goals, such as human rights, labor rights, environmental protection, and anti-corruption measures.

Action Planning Contribution -The UNGC principles provide a framework for KCB Bank to assess its performance and identify areas for improvement. The progress communicated by the bank helps in evaluating the effectiveness of the action plans and initiatives undertaken to adhere to the UNGC principles.

Green Climate Fund (GCF)

KCB Bank Kenya obtained accreditation from GCF in 2020 under the category of medium to large-size lenders. As the second commercial bank accredited by GCF, KCB Bank aims to accelerate adaptation and mitigation efforts in Kenya to combat climate change.

Issue Addressed - Climate Change Adaptation and Mitigation

Results Achieved – Access to funding and resources to support climate change adaptation and mitigation efforts in Kenya.

Action Planning Contribution - The partnership with GCF facilitates the identification and implementation of projects that align with the bank's sustainability goals and contribute to climate resilience and mitigation.

International Financial Corporation (IFC)

KCB Group partnered with KCB Bank Kenya to advance sustainable finance. The IFC approved a $150 million funding for KCB Bank as a lead syndicator, specifically to support the bank's sustainable climate finance portfolio and facilitate lending to micro, small, and medium-sized enterprises (MSMEs), including women-owned businesses.

Issue Addressed - Sustainable Finance, MSME Support, Climate Change Mitigation

Results Achieved - The approval of $150 million funding by IFC enables KCB Bank to expand its sustainable climate finance portfolio and enhance MSMEs, including women-owned businesses.

Action Planning Contribution - The bank can allocate the funding to specific projects and programs that align with its sustainability objectives and contribute to the bank's action plans.

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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 Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The KCB Group's Board and Executive Committee play crucial roles in overseeing and guiding the bank's sustainability initiatives. They are responsible for reviewing and approving the sustainability framework and strategy, which outlines the bank's approach to addressing environmental, social, and governance (ESG) issues. The committees include the Audit & Risk, Human Resources & Governance, Nomination Committee, Strategy & IT Committee, and Oversight Committee One of their key responsibilities is ensuring that the necessary resources and manpower are allocated for the implementation of the sustainability framework. This involves allocating financial resources, human capital, and technology infrastructure to support the bank's sustainability initiatives effectively. To integrate Environmental and Social Governance practices throughout the Group, the Bank conducted engagements with business teams in the subsidiaries with the intention to have sustainability initiatives implemented uniformly across the Group. KCB Group sets green lending KPIs to reach 25% target by 2025. Commits to net zero by 2050, aligning with Paris Agreement. Defines nearly 70 indicators aligned with SDGs, emphasizing global alignment. Working to improve linkage with international targets, demonstrating commitment to climate action and sustainability goals.	*2022 Integrated Report* *Pg 5, 22, 69-75* *2022 Sustainability Report* *Pg 62 - 67*

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

At KCB Group, we prioritise staff training and development as an integral part of our sustainability strategy. Recognising that our employees are the backbone of our organisation, we understand the importance of investing in their growth and empowering them with the necessary skills to navigate a rapidly evolving banking landscape. Through our comprehensive training programs, we aim to enhance the expertise and capabilities of our staff at all levels. We provide them with opportunities to expand their knowledge, develop new skills and stay abreast of industry trends and best practices. By doing so, we ensure that our workforce remains adaptable, innovative, and well equipped to meet the diverse needs of our customers. In line with this commitment, we have launched a range of initiatives throughout the year to foster skills across all group levels. The results are a statement of our efforts, with a remarkable 232% increase in average training hours per employee compared to 2021.	*2022 Integrated Report* *Pg 38, 51-53* *2022 Sustainability Report* *Pg 136, 141 - 167*

In comparison to the year 2021, there was an increase in the various training metrics: • The number of training days increased by 66% • There was an increase in the number of modules offered within the group by 99% • The number of learner days per staff increased by 57% • The average number of training hours increased by 57% In 2022, 1,050 group trainings on financial literacy were done with 5,512 staff undergoing anti-money laundering training. We continuously provide training to our business team and C-suite executives. This training aims to equip them with the knowledge and skills necessary to navigate the new green path. This ensures we foster a culture of sustainability and that all staff members are aware of the importance of incorporating environmental considerations into their decision-making processes. In 2022, we made significant strides in our ethics training efforts, with 96% of staff across various divisions completing an e-learning course on ethics. This achievement underscores the group's commitment to equipping our employees with the necessary knowledge and skills to make ethical decisions and act per our shared values. ESG-specific training is the responsibility of the Group Sustainability Manager, who works closely with the Human Resources department to roll out training modules to staff. In 2022, the focus was on upskilling staff on the Group's ESMS and specifically on how to perform ESDDs. In 2022, we organised a series of engaging webinars covering a wide range of topics. These webinars included discussions on financial performance and outlook, women empowerment, a brand refresh, mental health perspectives, HR connections, and fatherhood in the digital age. In addition, the Group Board considered and approved a new Group organization structure during the year. The structure places special attention on sharpening execution across the business, aligning Group business roles, and giving renewed attention to customer centricity.	

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[17] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

The KCB Group acts as a responsible lender by conducting Environmental and Social Due Diligence (ESDD) exercises on projects before providing financing. This exercise evaluates proposed and ongoing projects to ensure they do not pose any risks to the bank, the environment, or society. The process is guided by adopting the International Finance Corporation (IFC) performance standards, IFC exclusion list, and internal policies. During the reporting period, the bank increased the threshold for projects undergoing ESDDs to include all projects receiving KShs. 50 million disbursed to MSMEs and Corporates. The total value of facilities assessed for environmental and social impact in 2022 rose to KShs. 270.43 billion from KShs. 244.8 billion in 2021. Additionally, the bank conducted qualitative physical visits to clients to establish their environmental and social risk profiles. These visits allowed the bank to raise awareness of environmental and social risks with its clients.	2022 Integrated Report Pg 62 2022 Sustainability Report Pg 43, 45, 54 - 67

17 Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

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Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/ milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☐ Partially ☒ No

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI

☐ SASB

☐ CDP

☐ IFRS Sustainability Disclosure Standards (to be published)

☒ TCFD

☐ Other: ....

The KCB Group's sustainability reporting is aligned with globally recognized frameworks and standards. It follows the Global Reporting Initiative (GRI) standards, ensuring comprehensive disclosure of environmental, social, and governance (ESG) practices. The bank also adheres to the United Nations Principles for Responsible Banking (PRBs), promoting responsible banking in areas like climate change and sustainable financing. Furthermore, the KCB Group aligns its reporting with the United Nations Global Compact Principles, committing to sustainable policies and practices while upholding human rights and combating corruption. Importantly, the bank's reporting is also linked to the United Nations Sustainable Development Goals (SDGs), demonstrating its dedication to addressing global challenges such as poverty, inequality, and climate change	*2022 Integrated Report* *Pg 2* *2022 Sustainability Report* *Pg 4 – 7*

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[18], target setting[19] and governance structure for implementing the PRB)? Please describe briefly.

In the upcoming 12 months, the KCB Group plans to undergo a thorough exercise to analyze its impacts and identify the most significant areas of impact. This analysis will be conducted using the Consumer Modules of the Portfolio Impact Analysis Tools. The exercise will involve the Context Module, Identification Module, and Assessment Module, all in alignment with the Principles for Responsible Banking (PRB) Context Modules. As part of this process, the bank will actively participate in various activities, including working groups and capacity-building sessions throughout the year. These sessions will provide the bank with valuable insights and guidance to navigate the analysis exercise effectively.	

18 For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

19 For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.