



KCB GROUP PLC SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEMS POLICY

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Contact Person:	Head of Corporate and Regulatory Affairs
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	Authority:	KCB Group Board Risk Audit and Risk Committee	Policy Owner:	Group Chief Executive Officer



KCB GROUP SOCIAL AND ENVIRONMENTAL MANAGEMENT SYSTEM POLICY

1.0 Purpose:

KCB Group establishes this overarching Social and Environmental Management Systems (SEMS) policy that articulates how KCB Group integrates environmental and social governance considerations into its decision-making, operations and investment activities to effectively manage social and environmental risks and impacts and improve outcomes. The policy details procedures and processes to be undertaken for the effective implementation of this policy.

2.0 Policy Statement:

KCB Group continually endeavours to ensure effective social and environmental management practices in all its operational and investment activities, including products and services. Through the implementation of this policy, KCB Group shall ensure that all its subsidiaries` operations, investments and financed projects are socially and environmentally sound by respecting affected stakeholders` and communities` rights. It shall also ensure that the Bank identifies inherent climate-related risks and opportunities in its lending process. This shall be achieved by absolute adherence to the national social environmental regulations and frameworks, regulator`s guidance, as well as adopting best regional and international best practices.

3.0 Definitions:

Keywords and definitions are as per Annexure 12

4.0 Key Principles /Policy Procedures:

KCB Group shall be guided by and shall embrace strong social, environmental and corporate governance principles, as well as principles of fairness, transparency and accountability. KCB Group shall also embrace a rights-based approach in the design and implementation of its projects and shall conform to the precautionary principle while actively advocating on behalf of vulnerable and marginalized groups through the application of the principle of Free Prior and Informed Consent (FPIC), and gender equality and non-discrimination.

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4.1 Key Principles of the SEMS Policy:

The Social and Environmental Management System (SEMS) Policy sets out the principles, rules, guidelines and procedures the KCB Group shall use to assess the environmental and social risks and impacts of the Bank’s investments. It contains measures and plans to identify, avoid, reduce, mitigate and/or offset adverse risks and impact provisions for estimating and budgeting the costs of such measures. It also provides information on the agencies responsible for addressing project risks and impacts, including its capacity to manage environmental and social risks and impacts.

KCB Group and its operating entities shall ensure that all borrowers are reviewed and evaluated against the existing social and environmental regulations and requirements where applicable.

Within this context, the key principles guiding the KCB Group Social and Environmental Management Systems Policy are;

- 4.1.1 To promote social and environmental sustainability integration in the Group`s business operations, investments and financing activities.
- 4.1.2 To enhance leadership in social responsibility and environmental sustainability, including climate change, by ensuring senior management is informed of the Group’s Social and Environmental performance.
- 4.1.3 To embrace Environmental and Social Governance (ESG) risk metrics in the key lending decisions and generate new business opportunities for Environmental and Social (E&S) risk mitigation and remediation.
- 4.1.4 To ensure professionalism, training and building capacity for the business, credit, legal, lending risk, audit and quality assurance team on identification and assessment of E&S risks in the financed projects.

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- 4.1.5 To evaluate and manage environmental & social risks and impacts when developing any policy, product or major change initiative.
- 4.1.6 To build partnerships with clients and encourage other institutions to pursue environmental protection through the Bank's lending and technical assistance programs, including environmental due diligence enquiries in risk assessment and management.
- 4.1.7 To define the respective roles and responsibilities of KCB Group and its clients in achieving sustainable outcomes in line with this policy and performance requirements.
- 4.1.8 To ensure that borrowing clients and all other clients adhere to the KCB Group performance standards and the existing local and country-specific domesticated international legislation.
- 4.1.9 To ensure that SEMS is continuously updated to reflect changes in legislation and internal reviews to improve its functioning and implementation.
- 4.1.10 To promote the identification of climate-related risks of financed projects and corresponding opportunities

4.2 KCB Group Performance Standard Requirements

KCB Group has adopted the International Finance Corporation (IFC) Performance Standards as international best practices to be the specific KCB Group Environmental and Social Performance Requirements, covering the key areas of Social and Environmental impacts and issues that clients are expected to meet during pre-project Environmental and Social due diligence and during the loan tenor (See Annexure 1 & 4).

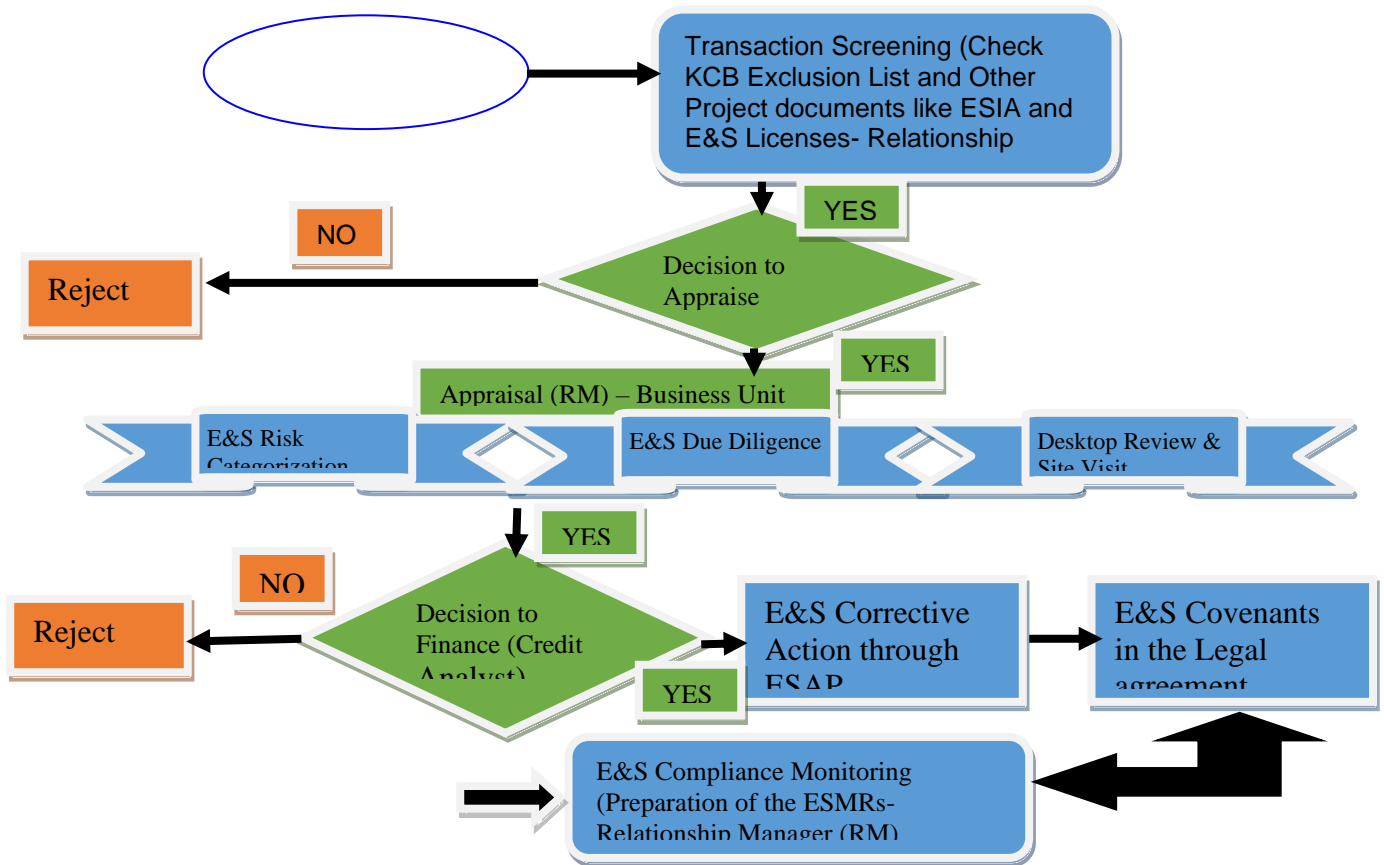
Each performance requirement defines its objectives, desired outcomes and specific requirements for clients to help them achieve the outcomes. The Group expects its clients to assess and manage the environmental and social issues associated with their projects so that projects meet the applicable performance requirements. Assessment of

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performance financed projects will be effective through the Social and Environmental Due Diligence tool (Annexure 1) and the procedures as outlined.



4.3 Monitoring of Environmental and Social Performance of Projects

- (i) Monitoring of projects financed shall be carried out by both the KCB Group operating entity and the client in accordance with the performance requirements specifying the

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appropriate monitoring tools based on the results of the due diligence and within the framework of the legal agreement concluded with the client. This shall be validated by filing a half annual E&S Monitoring and Progress Report for Category A/I-1 & B/I-2 projects.

- (ii) KCB Group operating entities shall monitor progress on the proper and timely implementation of the Environmental and Social Action Plan (ESAP) and adherence to agreed environmental and social covenants on an ongoing basis as long as it maintains a financial interest in the project and shares the results with the client.

The monitoring of the environmental and social performance of projects is to ensure that: -

- a. The applicable performance requirements and the various environmental and social components included in the letter of offer/legal agreement, such as the implementation of ESAP, are being sustainably met;
- b. To keep track of the ongoing environmental and social impacts associated with investments, and by tracking the improvements achieved during project implementation, the Impact Report indicates the effect of the Group`s investments on sustainable development.

4.4 Resources and Capabilities

5.2.1 The Head of Corporate and Regulatory Affairs and Director Credit shall work with management to ensure that adequate resources have been committed to allow for the effective implementation of the Social and Environmental Management System Policy.

5.2.2 The Head of Credit and Head of Corporate and Regulatory Affairs shall carry out their respective roles as envisioned in this policy.

5.2.3 The Head of Credit and/or Head of Corporate and Regulatory Affairs shall maintain a file of qualified environmental consultants who may be called upon to assist in conducting environmental reviews. The key responsibilities are as indicated in section 8.0.

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5.0 Related Internal Policies:

KCB Group Plc has relevant internal policies related to KCB Group Social and Environmental Management Systems Policy.

6.0 Roles and Responsibilities

6.1 KCB Group Plc Board of Directors

The KCB Group PLC Board has the responsibility to institute policies across the KCB Group (Policy Approver). The Board has delegated its authority to approve policies and auxiliary policy matters to the Board Audit and Risk Committee, subject to where other Board committees maintain delegated Board authority for Policy approval in their respective areas of oversight. The KCB Group Plc Board Audit and Risk Committee shall, therefore, be responsible for approving this policy.

6.2 The Group PLC Chief Executive Officer

- The Group Chief Executive Officer is the “Responsible Executive” and “Policy Owner” responsible through the EXCO for the overall execution of this policy.
- The CEO shall be responsible for enforcing the strict implementation of this policy through EXCO and shall periodically update the Board and stakeholders on the impact of this policy on business.
- The CEO shall also ensure regular reviews on the progress and achievement of social and environmental initiatives.

6.3 KCB Head of Corporate and Regulatory Affairs

The Head of Corporate and Regulatory Affairs shall be the “Contact Person” for the implementation and execution of this policy with the following responsibilities.

- Carrying out the process for obtaining policy approval and consulting appropriately with stakeholders. The Contact Person of this policy has the functional responsibility for implementation and accountability in the area covered by the policy and to monitor

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and deal with non-compliance issues. The Contact person for this policy shall be accountable for the timely review, updating, and disseminating policy and procedures.

- Engage the state authorities in a timely manner for the provision of approval of certified Environmental Impact Assessment (EIA), Serious Adverse Event (SEA), Initial Environmental Evaluation (IEE), and Environmental Management Plan (EMP) reports.
- Avail resources for effective implementation of this Policy.
- Engage the project proponents for acceptance of sustainability practices as good for business.
- Provide a quarterly report on the state of implementation of the SEMS Policy, its impact on business, and the improvements needed to make it more effective.
- Presenting the public face, organizing and facilitating an effective internal and external communication strategy on the KCB Group Sustainability programme to stakeholders as deemed appropriate. The policy owner shall ensure an up-to-date grievance mechanism is in place.
- In conjunction with the General Counsel and Risk Divisions, ensure that the other relevant policies are aligned with the sustainability policy and environmental legislation so that the Group takes an integrated and coherent approach to sustainability.
- All projects financed under on-lending or blending arrangements with KCB Group development partners that require public disclosures without compromising the said client confidentiality and the Central Bank prudential guidelines will be displayed on the KCB Group Website and any other applicable display for public view and scrutiny. Refer to *Annexure 11* for details on KCB Group's public disclosure and grievance redress mechanism guidelines.

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7.0 Acknowledgements

No external source document other than material that is freely available from the internet has been used in the preparation of this policy.

In the development of this policy, we acknowledge the partnership and knowledge sharing with our development partners, including, but not limited to, the International Finance Corporation (IFC), African Development Bank (AfDB), Green Climate Fund (GCF), Dutch Development Bank (KfW)

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8.0 ANNEXURES:

Annexure 1: Social and Environmental Due Diligence Forms

Social and Environmental Due Diligence Form for Corporates & Large SMES¹

Project Name:		Location:			
Address:		Contact Person and Telephone:			
Industry:	Activity:			Facility Amount and Type:	
Type of project (tick x):	New	Extensi on	Existing	E&S Category:	
Date of Site Visit:		Prepared/Updated by:			
		Position:			
Brief Project Description:					
Total Project and Bank Financing (USD Equivalent)					
Sector Specific E&S Issues:					

¹ For the purpose of this large SMEs classification, any facility above KShs. 50M will use the SEDD template

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Specific Potential Climate Related Risk:²

Instructions:

- Please provide as much information as possible in the ‘additional information’ section to support the responses provided.
- Please provide a summary of the key issues after completing the questionnaire and include a categorisation for the project.
- Please include an action plan if required.

For sector-specific information on E&S risks, please refer to the First for Sustainability Factsheets and the IFC EHS Guidelines:

- <http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/>
- www.ifc.org/ehsguidelines

For specific climate-related risk

- <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf>

Assessment of Applicable Requirements

Applicable Requirements	Requirement	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Exclusion List:	Is the activity on the Exclusion List?				

² Refer to table on climate risk

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National Laws: Does the activity comply with National regulatory requirements?	Does the company have proof of valid environmental permits and licenses?				
Performance Standards:					
Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	a. Does the company have an E&S Policy/Management System ?				
	b. Please describe the system/procedure in place to identify, assess and manage the potential risks and impacts related to the company's business activities/projects.				
	c. Has the company designated an E&S Officer to manage E&S issues? Please provide the name of the designated employee.				
	d. Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g. grievance mechanism, stakeholder engagement plan).				
	e. Does the company have an emergency response plan ?				
Performance Standard 2: Review of Labor and Working Conditions	a. How many employees does the company have?				
	b. Does the company have a Human Resource (HR) Policy that is consistent with the requirements of the				

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	<p>national labour laws? Please highlight the major policies covered.</p> <p><i>i. Does the company have policies and procedures for managing and monitoring the performance of third-party employee contractors in terms of labour and working conditions?</i></p> <p><i>ii. Has the company established a grievance mechanism for workers and third-party contract workers?</i></p>				
	<p>c. Does the company provide its workers with a safe and healthy work environment?</p> <p><i>i. Where applicable, does the company provide workers with and mandate that workers use personal protective equipment (PPE)?</i></p> <p><i>ii. Does the company have occupational health and safety procedures?</i></p> <p><i>iii. Does the company track and report on rates of injury, occupational diseases, lost days, and the number of work-related fatalities? Please provide recent data.</i></p> <p><i>iv. Does the company have training programs in place for workers on occupational health and safety?</i></p>				

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	<p>d. Please confirm that the company is not involved in harmful child labour or forced labour (including supply chain for Agri-commodity clients)</p> <p><i>For solar projects, the client to confirm his/her interaction level with the solar supply chain, i.e. ,retailer-customer, wholesaler-customer, manufacturer-customer.</i></p> <p><i>For projects that are on the level of manufacturer-customer, where traceability of the source of module is permissible, the customer will ensure that the purchased modules are not from areas in contravening the use of forced labour regardless of the manufacturer tier. Clear confirmation to be provided by the customer to this effect in the form of origin of the modules and clear affirmation from the manufacturer on the production source of the modules and non-use of forced labour.</i></p>				
<p>Performance Standard 3: Resource Efficiency and Pollution Prevention</p>	<p>a. Does the company implement measures for improving efficiency in its consumption of energy, water, raw materials and other resources and inputs?</p>				
	<p>b. Does the company generate any air, liquid or solid waste emissions during construction and/or operational phases? If yes, please provide details.</p>				<p>Air: Liquid: Solid Waste:</p>
	<p>c. Please describe the procedures in place for monitoring air and water</p>				

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	<p>emissions. Please provide a copy of any effluent discharge permit issued by the local authorities.</p>				
	<p>d. Does the company have procedures to guide the storage, handling, and disposal of solid wastes (including hazardous waste) emanating from its business? If yes, provide brief details.</p>				
	<p>e. Are the diesel storage tanks fitted with secondary containment bunds?</p>				
	<p>f. Is there a response procedure in place to manage spills or accidental discharges?</p>				
<p>Performance Standard 4: Community Health, Safety and Security</p>	<p>a. Are there local communities in close proximity to the company’s facilities? Does the company have procedures to address community health, safety and security issues in the context of its operations?</p>				
	<p>b. Does the company have safety procedures in place to deal with hazardous material release, transport and disposal to avoid or minimise exposure of local communities to those materials?</p>				
	<p>c. Does the company engage armed security personnel to provide security services at their facilities? If so, do the contract provisions include guidelines on how security personnel</p>				

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	shall interact with communities in close proximity to the facility?				
	d. Is there a traffic management plan for managing additional traffic associated with the company's activities?				
Performance Standard 5: Land Acquisition and Involuntary Resettlement	a. Is there any land acquisition planned/happened for/in the proposed investment?				
	b. Has there been any physical and/or economic displacement as a result of land acquisition for this project?				
	c. Has the company disclosed all relevant information, consulted with affected persons and communities and facilitated their informed participation in the decision-making process relating to resettlement?				
	d. Did the company consider alternative designs to avoid or minimize economic and physical displacement ?				
Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management	a. Does the company's activities impact on biodiversity ? Has the company minimized impacts and implemented mitigation measures ?				
	b. Does the business operate in a legally protected area ? If yes, confirm that the company has the requisite approvals to operate in such an area.				

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	c. Are there any biodiversity impacts associated with your supply chain (e.g. agri-commodity supply chain)?				
Performance Standard 7: Indigenous Peoples	a. Is it likely that Indigenous Peoples will be adversely impacted as a result of the company's operations?				
Performance Standard 8: Cultural Heritage	a. Is the project located in an area where cultural heritage objects, sites and structures (e.g. artefacts, archaeological sites, graves, and sacred forests) can be found?				

Summary of E&S Issues *(Please provide a summary addressing the management of the main E&S issues associated with the client's business)*

Action Plan

Issue Identified	Action Required	Completion Date

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Social and Environmental Due Diligence Form For SME³ Projects

Project Name:	Location:		
Address:	Contact Person and Telephone:		
Industry/Sector:	Activity:	Facility Amount and Type:	
Type of project (tick x):	New	Extension	Existing
	E&S Category:		
Product/Service:	Main Markets: (Domestic/Export) If export specify country:		
Capacity:	Current Total Number of employees:	Male:	Female:
Date of Site Visit:	Prepared/Updated by:		
	Position:		
Brief Project Description:			
Total Project and Bank Financing (USD Equivalent)			
Sector Specific E&S Issues:			
Instructions: <ul style="list-style-type: none"> - Please provide as much information as possible in the 'additional information' section to support the responses provided - Please provide a summary of the key issues after completing the questionnaire and include a categorization for the project. - Please include an action plan if required. <p>For sector-specific information on E&S risks, please refer to the First for Sustainability Factsheets and the IFC EHS Guidelines:</p> <ul style="list-style-type: none"> • http://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/risk-by-industry-sector/ 			

³ SME projects refer to facilities below 50Mn KES

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- www.ifc.org/ehsguidelines

Assessment of Applicable Requirements					
Applicable Requirements	Requirement	Yes	No	N/A	ADDITIONAL INFORMATION (Please provide additional information to support all responses)
Exclusion List:	Is the activity on the Exclusion List?				
National Laws: Does the activity comply with National regulatory requirements?	Does the company have proof of valid environmental permits and licenses?				
Environmental & Regulatory Compliance:	a. Has the company conducted Environmental and Social Impact Assessment (greenfield projects) or any other type of E&S assessments (limited or focused E&S assessments, EIA, E&S audits) for the project financed? If yes, attach copies.				
	b. Does the company possess all required Health, Safety & Environmental (HSE) permits and approvals? (If yes, attach copies)				
	c. Has the Company paid excess charges or fines/penalties for non-compliance with HSE regulations and standards in the last two years? (please attach copies of the most recent inspection report(s))				
	d. Is the company exposed to potentially significant HSE liabilities, such as those arising from land, and water contamination, related to the company's past or ongoing operations? If yes, specify the magnitude.				
	e. Has the company had any significant accidents or incidents in the last two years, e.g. oil spills, fires, etc., involving				

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	deaths or multiple serious injuries and/ or significant environmental damage?				
Main Environment and Social Issues (identified or suspected)					
House Keeping in the work area:	a. Is there evidence of liquid and solid wastes in the work area?				
	b. Is there a high level of noise (intermittent/continuous)?				
	c. Are there strong smells/irritants?				
	d. Is the work area easily accessible with clear exits?				
	e. Is there an emergency preparedness and response system to take care of fire risks?				
Waste management	a. Does the company generate a significant amount of waste? (solids/liquids/Gases-				
	b. Is the waste generated hazardous?				
	c. If waste is hazardous, does the company have procedures for storing, handling, and disposing hazardous materials in line with good industry international practices?				
	d. Has the company assessed alternatives to the use of hazardous materials?				
	e. Do third parties conduct hazardous waste disposal?				
	f. If so, has the company ensured the contractors are reputable and legitimate enterprises licensed by the relevant government regulatory agencies and obtain chain of custody documentation to the final destination?				
Pollution Prevention	a. Does the company monitor the air, land and water release of pollutants?				
	b. Does the company have procedures/practices/techniques to avoid, minimise and/or control the intensity and mass flow of their release?				
	c. Where historical pollution, such as land or groundwater contamination exists, has the company sought to determine whether it is responsible for mitigation				

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	measures?				
	d. If it is determined that the company is legally responsible, has the company resolved these liabilities in accordance with national law, or where national law is silent, with good international industry practice?				
Social and labour issues:	a. Has the company documented and communicated in an understandable way working conditions and terms of employment to all workers directly contracted (including information on working hours, rest days, overtime procedures, wages, frequency of payments, sick and maternity leave, vacations)?				
	b. Does the company allow workers to form and join workers' organizations and bargain collectively?				
	c. Has the company established a grievance mechanism for workers to review and address employee complaints?				
	d. Does the company have documented transparent procedures to ensure that employment decisions are not made on the basis of personal characteristics unrelated to job requirements?				
	e. Does the company have any preferential employment policies in place?				
	f. Where applicable, does the company provide workers with and mandate that workers use personal protective equipment (PPE)?				
	g. Does the company provide its workers with a safe and healthy work environment?				
	h. Has the company established and implemented occupational health and safety procedures in line with good international industry practices to prevent accidents, injury, and disease?				
	i. Does the company track and report on rates of injury, occupational diseases, lost days, absenteeism and the number of				

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	work-related fatalities?				
	j. Does the company have training programs in place for workers on occupational health and safety?				
	k. Does the company have a fire, life and safety plan?				
	l. Does the company have a history of labour related fines?				
Community Relations, Health and Safety	a. Are there communities in close proximity to the company's facilities?				
	b. Does the company have procedures to address community, health and safety issues in the context of its operations?				
	c. Do those procedures/practices take into account the safety of the company's infrastructure (including buildings and structures) and equipment for local communities?				
	d. Does the company have safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or minimise exposure of local communities to those materials?				
	e. Have there been or are there any objections to the project and/or to project-related issues due to environmental or social factors				

Summary of E&S Issues *(Please provide a summary addressing the management of the main E&S issues*

associated with the client's business)

Action Plan

Issue Identified	Action Required	Completion Date

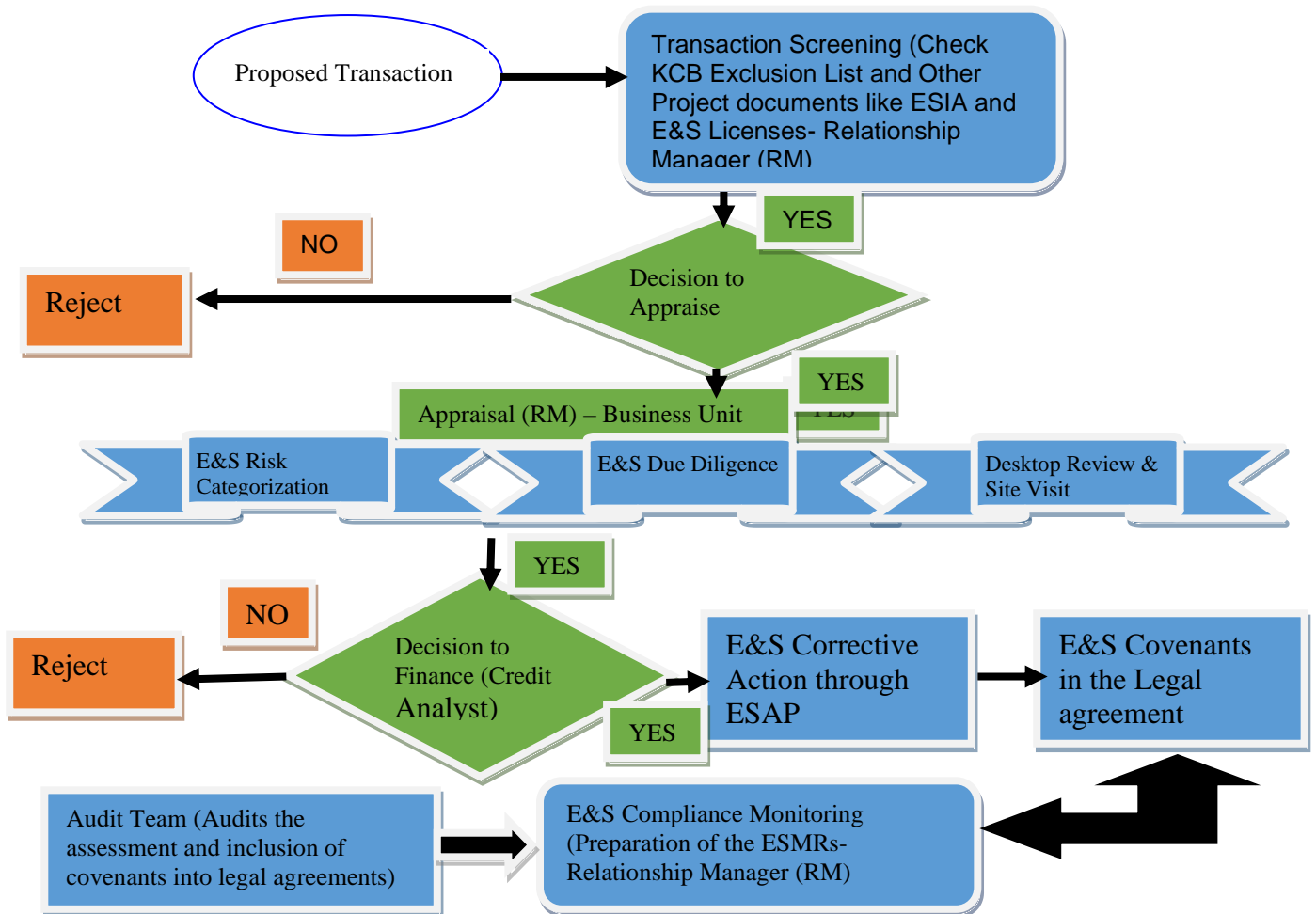
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Annexure 2: Procedures on Social and Environmental Due Diligence (SEDD)

The procedures and tools for conducting Social and Environmental Due Diligence (SEDD) include the following steps: -

Diagram 1: KCB GROUP E&S issues Management for Finance Projects



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ANNEXURE 3: The KCB Group Exclusion List

As reference to the best international practice for financed projects KCB Group shall apply the following exclusions to the following activities while considering investments and financing projects.

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco¹.
- Gambling, casinos and equivalent enterprises¹.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where KCB Group considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibres. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced labour ²harmful child labour ³.
- Commercial logging operations for use in primary tropical moist forests.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

NOTES:

[1] *This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.*

[2] *Forced labour means all work or service, not voluntarily performed that is extracted from an individual under threat of force or penalty.*

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[3] *Harmful child labor means the employment of children that is economically exploitive or is likely to be hazardous to, or to interfere with, the child’s education or to be harmful to the child’s health or physical, mental, spiritual, moral, or social development.*

ANNEXURE 4: IFC Performance Standards

The eight Performance Standards (PS) and the objectives of each are as follows:

PS1: Assessment and management of environmental and social risks and impacts

- (a) Identify the funding proposal’s environmental and social risks and impacts;
- (b) Adopt mitigation hierarchy: anticipate, avoid, minimise, compensate or offset where residual impact remains;
- (c) Improve performance through an environmental and social management system;
- (d) Engagement with affected communities or other stakeholders throughout the funding proposal cycle;
- (e) Set up a grievance mechanism to manage communities and other stakeholders affected by the project.

PS2: Labour and working conditions

- (a) Fair treatment, non-discrimination, equal opportunity;
- (b) Good worker–management relationship;
- (c) Comply with national employment and labour laws;
- (d) Protect workers, in particular those in vulnerable categories;
- (e) Promote safety and health;
- (f) Avoid use of forced labour or child labour.

PS3: Resource efficiency and pollution prevention

- (a) Avoid, minimise or reduce project-related pollution;
- (b) More sustainable use of resources, including energy and water;
- (c) Reduced project-related greenhouse gas emissions.

PS4: Community health, safety and security

- (a) To anticipate and avoid adverse impacts on the health and safety of the affected community;
- (b) To safeguard personnel and property in accordance with relevant human rights principles.

PS5: Land acquisition and involuntary resettlement

- (a) Avoid/minimize adverse social and economic impacts from land acquisition or restrictions on land use:

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(i) Avoid/minimize displacement; (ii) Provide alternative project designs; (iii) Avoid forced eviction.

(b) Improve or restore livelihoods and standards of living of displaced persons;

(c) Improve living conditions among displaced persons by providing:

(i) Adequate housing; (ii) Security of tenure.

PS6: Biodiversity conservation and sustainable management of living natural resources

(a) Protection and conservation of biodiversity;

(b) Maintenance of benefits from ecosystem services;

(c) Promotion of sustainable management of living natural resources;

(d) Integration of conservation needs and development priorities.

PS7: Indigenous peoples

(a) Ensure full respect for indigenous peoples

(i) Human rights, dignity, aspirations; (ii) Livelihoods; (iii) Culture, knowledge, practices;

(b) Avoid/minimize adverse impacts or compensate;

(c) Sustainable and culturally appropriate development benefits and opportunities;

(d) Free, prior and informed consent in certain circumstances.

(e) Maintain a relationship based on Informed Consultation and Participation throughout the project life cycle

(f) Respect and preserve cultural knowledge

PS8: Cultural heritage

(a) Protection and preservation of cultural heritage;

(b) Promotion of equitable sharing of cultural heritage benefits.

The International Finance Corporation (IFC) PS can be viewed on the website:

<http://www.ifc.org>.

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ANNEXURE 5: E&S RISK CATEGORIZATION GUIDANCE NOTE

Categorisation: Definitions and Requirements for Environmental Assessment

Category A & or 1-1 High level of intermediation: The project is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented. A potential impact is considered “sensitive” if it may be irreversible (e.g., lead to loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites. A full Environmental Social Impact Assessment (ESIA) study report is required.

Category B & or 1-2 Medium level of intermediation: The project may result in specific environmental impacts, but these impacts are site-specific, and few, if any, of them are irreversible. In most cases, mitigation measures are predetermined Performance Standards, Guidelines, or design criteria. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of Category A projects. Although a full EIA study report is not required, an environmental assessment project report focusing on the anticipated impacts is required.

Category C & or 1-3 Low level of intermediation: The project is likely to have minimal or no adverse environmental and social impacts. No further environmental assessment is required.

Category FI: The project involves investment of funds through a financial intermediary in subprojects that may result in adverse environmental impacts, or the FI has operations which may have adverse environmental impacts (e.g. project finance). Verification that the project sponsor is capable of and committed to conducting environmental reviews of projects and managing relevant operations to ensure that financed projects meet certain environmental requirements. NB, Projects and Sub-projects in FI operations and funding can be interchangeably further classified as I-1, I-2 or I-3 when such projects fall under categories A, B or C, respectively, depending on the developmental partners’ classification preference.

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Typical Category A Projects	
Projects affecting indigenous peoples	Construction of dams and reservoirs
Projects involving resettlement of communities/families	Pesticides and herbicides: production or commercial use
All projects which pose serious socio-economic concerns	Major irrigation projects or other projects affecting water supply in a given region
Projects associated with induced development (e.g. inward migration)	Domestic or hazardous waste disposal operations
Projects which impact cultural property, e.g. religious and archaeological sites	Hazardous chemical, manufacture, storage or transportation above a threshold volume
Projects which pose serious occupation or health risk	Oil and gas development, including pipeline construction
Impacts on protected natural habitats or areas of high biological diversity, including wetlands, coral reefs and mangroves	Large infrastructure projects, including development of ports and harbours, airports, roads, rail and mass transit
Forestry operations	Metal smelting, refining and foundry operations
Mining (opencast and pit)	Large thermal and hydropower developments

Typical Category B Projects	
Breweries	Hotel/ tourism developments
Cement manufacture	Mining small scale
Dairy Operations	Metal plating
Food processing	Modernization of existing plants
General Manufacturing plants	Pulp and paper mills
Hospitals	Textile Plants

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Typical Category C projects	
Software development	Factoring companies
Consulting firms	Share registries
Service industries	Stock brokering
Technical assistance	Retail Banking

NB: Several factors influence the categorization of a project, including scale, location, sensitivity and magnitude of impacts. The examples provided below are therefore not categorical - for example, some hotel/tourism developments may be categorized as A/I-1 rather than B/ 1-2.

ANNEXURE 6: GENDER AND FINANCIAL INCLUSION

In accordance with the best global practices and subscribed by KCB Group Development Financial Institutions (DFIs), we endeavour to undertake our business operations with the uttermost regard to gender parity and sensitivity. KCB Group recognizes the importance of gender considerations in terms of impact and access to climate funding as expressed in our KCB Group policies underpinning the following principles: -

- “KCB Group shall strive to maximize the impact of its funding for adaptation and mitigation and seek a balance between the two while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.”
- “KCB Group shall provide simplified and improved access to funding, including direct access, basing its activities on a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.”
- Develop a skilled and competent team that will be dedicated to ensuring the implementation of the gender policy and practices.
- Prepare and submit reports on lending projects for both men and women upon accreditation.
 - i. Exhibit and submit Evidence to show that projects to which the entity lends have non-discriminatory practices in terms of benefits and remuneration for male and

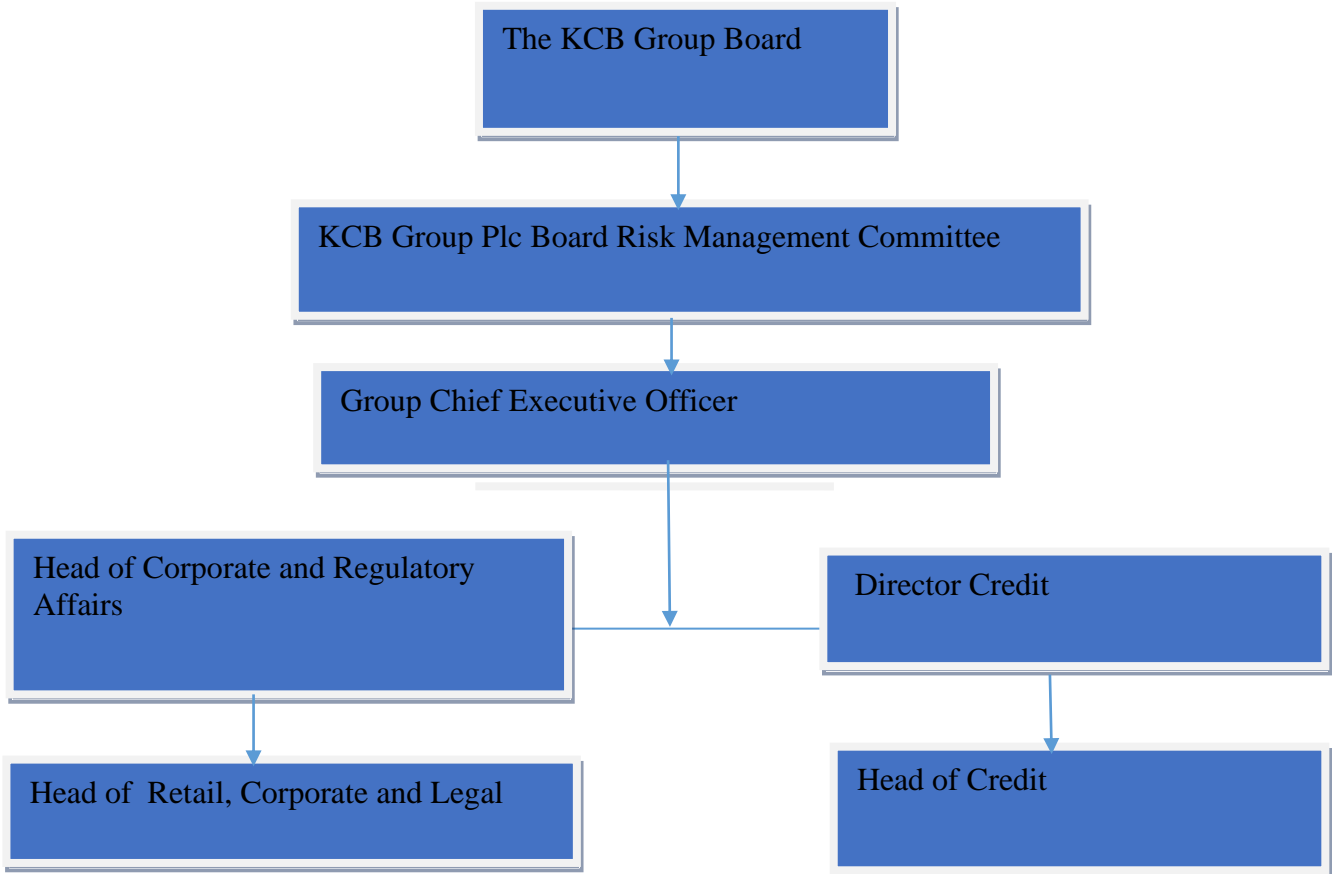
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female employees have been provided

- ii. Submit Data on lending to women as compared to overall lending since the inception of the programme with the Development Finance Institution (DFI) approved projects.

Annexure 7: Key Group Responsibilities Chart for Execution of this Policy:



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ANNEXURE 8: KCB GROUP PUBLIC DISCLOSURE AND GRIEVANCE REDRESS MECHANISM GUIDELINE

These guidelines shall apply to the funded projects and investments that are of public interest due to our funding partners’ interests and demands without contravening the local legislations and regulations, including, but not limited to, privacy and data protection of the clients and customers. KCB Group funding partners include international and regional development organizations commonly known as Development Financial Institutions (DFIs).

1. E&S assessment Disclosure in line with the DFIs Information Disclosure Policy Requirement:

(i) Disclosure of Environmental and social reports.

KCB Group shall avail publicly relevant environmental and social reports related to the DFIs funded projects and investments in fair, adequate and transparent communication channels as envisaged in our stakeholders’ disclosure expectations. KCB Group operating entities shall have a robust disclosure system through various channels in a bid to ensure a fair, appropriate and correct information disclosure; equal access and treatment of all participants /stakeholders; appropriate management of confidential information and in total compliance with law and regulations. The applicable communication channels include but are not limited to stakeholder mailing, website disclosures, etc.

KCB Group operating entities shall endeavour to publicly disclose the following S&E documents that explicitly capture the purpose, nature, scale, project beneficiaries and key information of the DFI Funded projects. These include: -

- Environmental Social Impact Assessments (ESIA), Environmental Social Management Plan (ESMP), Environmental Social Due Diligence (ESDD), Project Stakeholders consultations and engagements reports etc.

a) in the case of Category B projects, the KCB Group operating entities clients’ Environmental and Social Impacts Assessments (ESIAs) and an Environmental and Social Management Plan (ESMP) **at least 30 days** and

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- b) in the case of Category, I-2 programmes, the KCB Group operating entities fiduciary clients' ESMS **at least 30 days** in advance of the KCB Group's or Development Financial Institutions (DFI) Board decision, whichever is earlier.

The reports will be available in both English and the local language (if not English). The reports will be available via electronic links in both the KCB Group's and the Development Financial Institutions (DFIs) website. Funding proposals relating to projects and programmes that do not have any significant environmental or social impact (i.e. Category C project or Category I-3) shall not require any additional advance information disclosure.

(ii) Stakeholder Engagement Plan

KCB Group operating entities shall ensure effective engagement and consultation of communities and individuals, including transboundary, vulnerable and marginalized groups and individuals affected or potentially affected by its activities and project. To guarantee the achievement of this objective, every project will include a Stakeholder Engagement Plan describing the disclosure of information, meaningful consultation and informed participation processes that will be implemented in the project in a culturally appropriate and gender-responsive manner. This information will be designed and undertaken in a manner that takes into consideration the risks and impacts, including, where appropriate, transboundary impacts as well as opportunities to enhance environmental and social outcomes of the proposed activities, starting from the design and development of activities and will continue throughout the lifecycle of the activities.

2. KCB Group Institutional Level and Executing Entity Level Grievance Redress and Accountability Mechanism (GRAM)

The Grievance Redress and Accountability Mechanism (GRAM) for the DFIs funded projects will be addressed at two levels as discussed below;

a) Institutional Level:

- i. The Grievance and Complaint Redress Mechanism (GCRM) for funded projects and programmes will adhere to KCB Group's grievance redress and accountability mechanism (GRAM) applicable to complaints received from a person or a group of

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two or more persons or communities who have been or may be affected by adverse impacts through the failure of a project or programme, or by clients, and entities regarding DFI funded projects and programmes.

- ii. KCB Group’s Grievance and Complaint Redress Mechanism (GCRM) for funded projects and programmes are designed to assist people negatively affected by a DFI-funded project or programme to submit their complaints freely and have their grievances redressed. KCB Group operating entities shall ensure that the Complaint Mechanism functions effectively, efficiently, legitimately, and independently in a manner that is accessible, equitable, predictable, transparent, and allows for continuous learning.
- iii. The objective of the Grievance and Complaint Redress Mechanism (GCRM) for DFI funded projects and programmes is to receive complaints regarding a DFI-funded project or programme and forward them to the project implementers through the relevant KCB Group operating entities, respond to the complaints in collaboration with the project implementers and resolve the issues in the best possible way.

b) “Borrowers” Executing Entity Level:

- (i) KCB Group shall ensure that its executing entities establish grievance redress mechanisms at the activity level to receive and facilitate the resolution of concerns and grievances about the environmental and social performance of DFI-financed activities. These mechanisms will seek to resolve complaints in a manner that is satisfactory to the complainants and other relevant parties that will be identified, depending on the nature of the complaint.
- (ii) KCB Group shall identify where this already exists at the activity level grievance redress mechanism or establish and maintain appropriate and effective mechanisms to receive complaints and facilitate the resolution of such in connection with the DFI financed activities.
- (iii) Where KCB Group operating entities are acting in an intermediary function, KCB Group shall require the executing entities to fulfil the activity-level grievance mechanism requirements discussed in this document while maintaining

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responsibility for its grievance redress mechanism and will conduct the necessary due diligence and oversight to confirm that these requirements are fulfilled.

Grievance Redress Procedures (GRP)

At the institutional level, the following are the operational procedures set out in detail: how complaints are to be submitted by an individual, organisation and entity, what channels are to be used for submitting complaints, how the complaints will be received, how the eligibility of the complaint will be determined, how the complaint will be solved, how to report on the complaint, and how to close the complaint. KCB Group operating entities shall follow these procedures to handle complaints regarding projects or programmes funded by the DFI on lending programmes.

(A) Rights and responsibilities of the KCB Group Designated Group Division for Grievance and Complaint Redress Mechanism (GCRM) of DFI-funded projects and programmes:

- (i) The KCB Group Risk Division shall monitor the implementation of the procedures and effective resolution of complaints.
- (ii) The Operational Risk Department will take corrective actions to solve the issue in collaboration with other units of the bank that are directly responsible for the issue based on the explanations, clarifications and information received.
- (iii) The Operational Risk Department can monitor the resolution of complaints with the comments and information received from clients and, where necessary, request additional information.
- (iv) Where necessary, the Operational Risk Department can contact the project implementers regarding complaints to have the issue solved.
- (v) KCB Group’s Grievance and Complaint Redress Mechanism (GCRM) for projects and programmes is only responsible for solving issues related to projects or programmes funded by the DFIs.

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(B) Submitting complaints

- i. The complaint must include the following critical information, i.e., Full name of the complainant, Phone number, Address, Email address, Name of the DFI-funded project or programme at issue,
- ii. Further to the above, the harm or negative impact that has been caused or is expected to be caused by the DFI-funded project or programme needs to be well-captured
- iii. Whether the complainant has contacted the project implementer or the other stakeholders to resolve the harm. If yes, the name of the point of contact, how and when the complainant contacted them, the response the complainant received and whether there is any evidence to prove the communication. If no, comments on why the complainant did not contact the project implementers (optional);
- iv. The results or the outcome the complainant expects by submitting the complaint to KCB Risk Division through various channels as outlined in (Vii) below. The Suggestions by the complainant on resolving the issue can also be outlined;
- v. Supporting documents, evidence or photos regarding the complaint (optional).
- vi. The complainant may submit their complaint in English or Kiswahili language.
- vii. The complainant may submit their complaint through the following channels:
 - Hand-deliver or mail the complaint in a letter form to KCB Group’s head office addressed to the Operational Risk Department
 - Email the complaint to OperationalRisk@kcbgroup.com or contactcentre@kcbgroup.com well labelled “Complaints”
 - Submit the complaint online by filling out the online complaint form on the KCB Group web page for the Complaint mechanism for projects and programmes.
 - Social media channels like X (formerly known as Twitter), Instagram, and the complaints must be well labelled.

(C) Who to submit complaints

Complaint can be submitted by the following persons:

- A person or a group of two or more persons or communities who have been negatively affected or expected to be negatively affected by a DFI-funded project or programme.

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- Authorised representative of the complainant.
- i. If the complainant has requested for confidentiality and the complainant’s identity does not need to be revealed to solve the issue, the identity of the complainant will be kept confidential. However, the identity of the complainant shall be disclosed to the KCB Group Division in charge of the Grievance and Complaint Redress Mechanism (GCRM) for projects and programmes and the project or programme.
- ii. Suppose the Grievance and Complaint Redress Mechanism (GCRM) team for projects and programmes decides that the identity of the complainant must be revealed to the project implementers and the other stakeholders to solve the issue. In that case, the Complaint Mechanism will ask the complainant for their consent. If the complainant objects to revealing their identity in a situation where the identity must be revealed to solve the issue, the complaint will be dismissed on the basis that agreement could not be reached.

(D) Receiving complaints

- i. Complaints submitted by email, S&E complaints website form or through other channels of the Bank will be registered and forwarded to the officer in charge of the Grievance and Complaint Redress Mechanism (GCRM) department within 1 business day by the Customer Service Unit and S&E complaints for projects and programmes register maintained by Operational Risk Department.
- ii. The Operational Risk Department shall notify the complainant within **2 business days** that their complaint has been received.

(E) Determining the eligibility of complaints

- i. Within 10 days after receiving the complaint, the officer in charge of the Grievance and Complaint Redress Mechanism (GCRM) for projects and programmes will determine the eligibility of the complaint by contacting or meeting the complainant to receive more information.
- ii. If the complaint includes any of the following components or attributes, the complaint shall be regarded as ineligible:

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- a) Complaints submitted 2 years after the DFI-funded project or programme has been closed;
 - b) Complaints submitted 2 years after the date that the complainant became aware of the negative impacts by a DFI -unded project or programme;
 - c) Complaints that do not relate to a DFI-funded project or programme;
 - d) Complaints submitted again regarding an issue that has been resolved by the Complaint mechanism for projects and programmes; (complaints containing elements or evidence that was previously not included can be submitted again);
 - e) Complaints submitted again regarding an issue that has been resolved by the project implementers or other parties involved;
 - f) Complaints submitted by minors or persons judged by the court as lacking legal capacity without the guardians' consent;
 - g) Complaints submitted on behalf of someone without authorisation to represent them;
 - h) Complaints that would require the breaking of the Kenyan laws or regional subsidiaries' legislations to be solved;
 - i) Complaints containing elements that are insulting, mocking, slanderous, unreasonable, or ostentatious;
 - j) Complaints submitted to gain competitive advantage;
 - k) Complaints submitted regarding environmental or social issues that have been caused by illegal activities or not fulfilling their duties of an organization that is not related to DFI-funded project or programme;
 - l) Complaints that do not contain the name and information of the complainant.
- iii. If the officer in charge of the complaints determines that the complaint is eligible, the complaint will be presented to the Grievance and Complaint Redress Mechanism (GCRM) team for further processing and registered on the Grievance and Complaint Redress Mechanism (GCRM) webpage.
- (iv) If the officer in charge of the complaints determines that the complaint is ineligible, the complaint will be forwarded to the direct manager, and the decision will be made

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either to dismiss the complaint or forward the complaint to the Customer Service Unit in the case the complaint is regarding other operations of the KCB Group operating entities.

- (v) Upon determining the eligibility of the complaint, the officer in charge of the complaint will notify the complainant.
- (vi) If the officer in charge of the Grievance and Complaint Redress Mechanism (GCRM) for projects and programmes determines that the complaint can be made eligible with certain changes made, the complainant will be advised to make changes to their complaint and submit it within 10 business days for it to be accepted.

(F) The Problem-Solving Process

The Operational Risk Department shall follow the following steps when resolving issues:

- (i) The Bank will collect all evidence and information about the issue, visit the site and conduct a thorough analysis regarding the issue in a way suitable to the nature of the issue raised. In this stage, the KCB Group operating entities can seek assistance from an independent professional or consulting company to determine if the harm has been caused or could be caused by a DFI-funded project or programme. If, in this stage, it is concluded that the issue cannot be solved or there cannot be more done to solve the issue, or it is proven that the harm has not been caused by a DFI-funded project or programme, the complaint will be dismissed;
- (ii) Explanation, clarification and evidence will be collected from The Operational Risk Department, the project implementers, and the relevant parties. If, in this stage, it is found that the issue is being addressed by the project implementer and the relevant parties, it will be taken into consideration.
- (iii) The officer in charge of the complaint shall present the findings to their direct manager to receive further guidance on resolving the issue.
- (iv) Upon discussing the issue with the relevant parties, the KCB Group operating entities shall determine the actions to be taken to reduce or mitigate the negative impact that has been caused or is expected to be caused by a DFI funded project or programme and to redress the grievances of the complainant.
- (v) The final decision will be made upon approval by all of the parties involved.

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- (vi) If the harm has been caused or it is proven that a situation has arisen where harm could be caused because of the KCB Group operating entity's non-compliance with its own policy and procedures, corrective measures will be taken to ensure the same breaches will not be repeated again. If the issue has been caused by the employee's unethical behaviour, the issue will be forwarded to the Group HR Division for appropriate disciplinary measures as per KCB Group HR policies .
- (vii) If the complaint cannot be solved by the Grievance and Complaint Redress Mechanism (GCRM) team for projects and programmes, the issue will be presented and forwarded to the Group Chief Risk Officer (CRO) to be resolved.
- (viii) The Operational Risk Department will contact the complainant and present the solutions to resolve the complaint as the outcome of the previous steps. If the complainant agrees to the solutions offered, the implementation will be initiated. If the complainant objects to the solutions offered by the Complaint mechanism for projects and programmes, further solutions will be offered based on discussion with the relevant parties.
- (ix) If the Grievance and Complaint Redress Mechanism (GCRM) for projects and programmes decides that the requirements of the complainant are not possible to be met and it is evident that an agreement cannot be reached with the complainant, the complaint will be dismissed, and the complainant will be notified.
- (x) After the complaint has been resolved, the Operational Risk Department will prepare a Complaint resolution report on the complaint resolution, the outcome, and the next steps to take.
- (xi) The report will be delivered to relevant parties for their approval. If the report is approved by the relevant parties, the report will be finalized and posted on the webpage of Complaint Mechanism for projects and programmes within 5 business days. If the relevant parties object to disclosing the report, short description of the complaint and the outcome of the problem-solving process will be posted on the complaints registry section of the webpage and the status of the complaint will be changed to 'resolved'.

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(G)Monitoring

- (i) The issue will be kept open for two years after the issue has been solved based on mutual agreement of all parties. During this period, Grievance and Complaint Redress Mechanism (GCRM) will be open to receiving feedback and comments and shall monitor the process.
- (ii) The complaint will be closed 2 years after the decision has been made to resolve the complaint. The complaint status will be updated within 5 business days after the complaint has been closed.

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ANNEXURE 9: DEFINITIONS				
Climate Risk		Refers to potential negative impact of climate change to an organization and is divided into two categories, Physical risk and Transitional risk		
Development Partners (IFC, AfDB, GCF, FMO etc.)		These are established international development financial institutions that the bank collaborates and partner with in the development agenda, IFC – International Finance Corporation, AfDB- African Development Bank, GCF – Green Climate Fund, FMO- Netherlands Development Bank		
Environmental and social impact assessment (ESIA)		Refers to a process or tool based on an integrated assessment where the scale and type of potential biophysical and social, risks and impacts of projects. It involves Environmental and social policy reviews to predict, acknowledge, evaluate alternatives and designing appropriate mitigation, management and monitoring measures to manage the predicted potential impacts;		
Environmental Social Action Plan (ESAP)		Environmental Social Action Plan is a document outlining identified social and environmental issues that RM prepares after reviewing the financed project and its documents agreeing on actionable items by the clients, which are duly tracked		
Environmental Social Monitoring Reports (ESMR)		These are progress report of unaddressed E&S issues of a financed project prepared by the Relationship Manager along other covenant tracking items		
E&S Risk Categorisation		To ensure that the extent of the review is commensurate with the nature of risk, categorization is a useful step in procedures where based on basic information about a project such as sector and scale, the level of S&E risk the project could pose is determined. This also enables the bank to determine the extent and sophistication of the S&E review. Examples of E&S risk categorization include: High, Medium, and Low risk or commonly referred by Category A, B, C implying 1-1, 1-2, 1-3 respectively, Also there is the FI category denoting Financial institution		
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EXCO	This is an acronym of Executive Committee for KCB Group
Group Designated Shared Services Centre	Group Designated Shared Services Centre – refers to the unit within KCB Group designated to provided specialist advice, guidance and operational services to support the matters relevant to the Policy
KCB Group	KCB Group Plc and KCB Group Plc Subsidiaries and entities in which KCB Group has an interest
KCB Group operating entities	The entities within KCB Group that shall be maintained as actively operating businesses
KCB Group Plc Board Risk Committee	The KCB Group Plc Board Risk Management Committee
Record keeping	This is a vital aspect of any SEMS where the review and analysis conducted and the mitigation or corrective measures required as applicable as per the Procedure are recorded in the credit decision documents.
Social and Environmental Management System (SEMS)	It is a management system (both formal and informal) consisting of procedures, processes, management commitment, delineation of roles and responsibilities and guidance that a bank follows to identify, analyze, assess, review and manage the S&E issues and risks associated with its investments.
S&E	These are the social and environmental issues due to a Bank`s investment or financed projects
Social Environmental Due diligence (SEDD)	As outlined in KCB Group environmental and social management system policy, it means the process of investigating potential investments to confirm all facts, such as reviewing environmental and social safeguards, audits, assessments, and compliance before consideration of funding or entering into an agreement with a client
S&E Procedure	The Procedure detailing how the organization addresses S&E and sustainability issues as part of its investment operations. Procedures are normally step by step instructions focusing on what needs to be done and by whom at various stages of the investment

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	<p>cycle (including supervision). Reference is often made to guidelines.</p> <p>A procedure may be stand-alone or constitute part of the Credit or other Operational procedures of the Bank fund.</p> <p>Procedures should be documented and communicated to ensure that all existing and new staff are aware of the process.</p>
Stakeholders	<p>Refers to individuals or groups, communities, or governments who: (a) are affected or likely to be affected by the activities, and (b) may have an interest in the activities (other interested parties). The KCB Group has mapped the following as stakeholders. They include Communities, shareholders (investors), regulators, suppliers, and employees. The stakeholders of an activity will vary depending on the details of the activity and may include local communities and national and local authorities, including neighbouring governments, neighbouring projects, and non-governmental organisations.</p>

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