



**KCB Group**  
Sustainability Report

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Figure 1: KCB Key Facts and Operating Regions

The boundary of this report includes all KCB operations for the 2011, 2012 and 2013 years. All information disclosed with regards to financial, economic and social performance covers KCB Kenya and all subsidiaries for the period. The exceptions are: 1. Social Performance, where all HR data quoted is limited to Kenya only for the same period; and 2. Environmental Performance, where all information disclosed pertains to KCB Kenya alone for 2012 and 2013 only. We are currently implementing process improvements to increase both the granularity and completeness of the data collection process that underpins the output of this report. The intension is to improve reporting capability across all areas and enable reporting across all metrics, operating regions and future periods.



Group Chairman  
Mr. Ngeny Biwott

*Key to our success is the quality and continuity in the leadership of our organisation.*

## Our Sustainability Journey

The United Nations World Commission on the Environment and Development first defined sustainable development in 1983 as "development that meets the needs of the present without compromising the ability of future generations to meet their needs." In 2012, the United Nations Conference on Sustainable Development (Rio+20) calls on all countries "to secure renewed political commitment for sustainable development, to assess the progress to date and the remaining gaps... and address new and emerging challenges."

Last year in August, 2013, the KCB Main Board through the Risk and Strategy Committees approved the KCB Group Sustainability Framework for the Bank and embedding it progressively into our day to day business. As we move towards a future of sustainable banking, the framework has identified four key pillars that will drive our sustainability agenda vision now and into the future as follows:

**Financial Stability:** To ensure that KCB anticipates, prepares for and manages risk, credit control and all compliance requirements to run our business in the most efficient way possible.

**Economic Sustainability:** To actively contribute to the broader economies we operate in through job creation, financial contribution and exemplary corporate behaviour to ensure that we earn our licence to operate in all our markets.

**Social Sustainability:** To operate in a growing economy where KCB is an integral enabler helping to provide secure livelihoods and actively participate in the communities in all our markets.

**Environmental Sustainability:** To maximise the reduction, reuse and recycling of materials and non-renewable resources we use in our business to protect the natural environment for future generations.

These four pillars form the foundation of our corporate strategy in helping the Bank to drive revenues, reduce costs, reduce risks and build on our brand and reputation. This is informed from the perspective that KCB has a broader societal role that goes beyond delivering profits. The Bank plays an active role in driving economies of the different sectors, developing communities and improving the lives of our customers.

KCB Group Sustainability Reporting started in 2007 but 2013 marks the first year of sustainability being embedded in our core business strategy. As we examine

our 2012/2013 achievements in this Sustainability Report, ideas keep surfacing for how we can do better and improve on its content. We believe that KCB is in a unique position to build a truly sustainable legacy for East Africa and the whole continent at large in the banking industry. We are determined to exploit every chance we have to do so as we take this journey.

Among the highlights in the 2013 Sustainability Report is our contribution towards community social investment programmes, innovation and technology driven products and services, growth in agency banking, review of the organisation structure, financial inclusion agenda and continued profitability of our business. These are well outlined in the report and going forward, we have now defined our short term, medium term and long term objectives for the business. As our sustainability intelligence matures in the coming years, we will begin to introduce sustainability assurance audits, raising the bar on our determination to demonstrate the actual impact of our business on the economy, society and the environment.

I trust that the Sustainability Report for 2013 provides new insights into the KCB Group role, activities and sustainability impact. I can confidently assure our stakeholders that sustainability has been elevated to a new level of importance in KCB and that the Board oversight is vigilant.

Thank you.

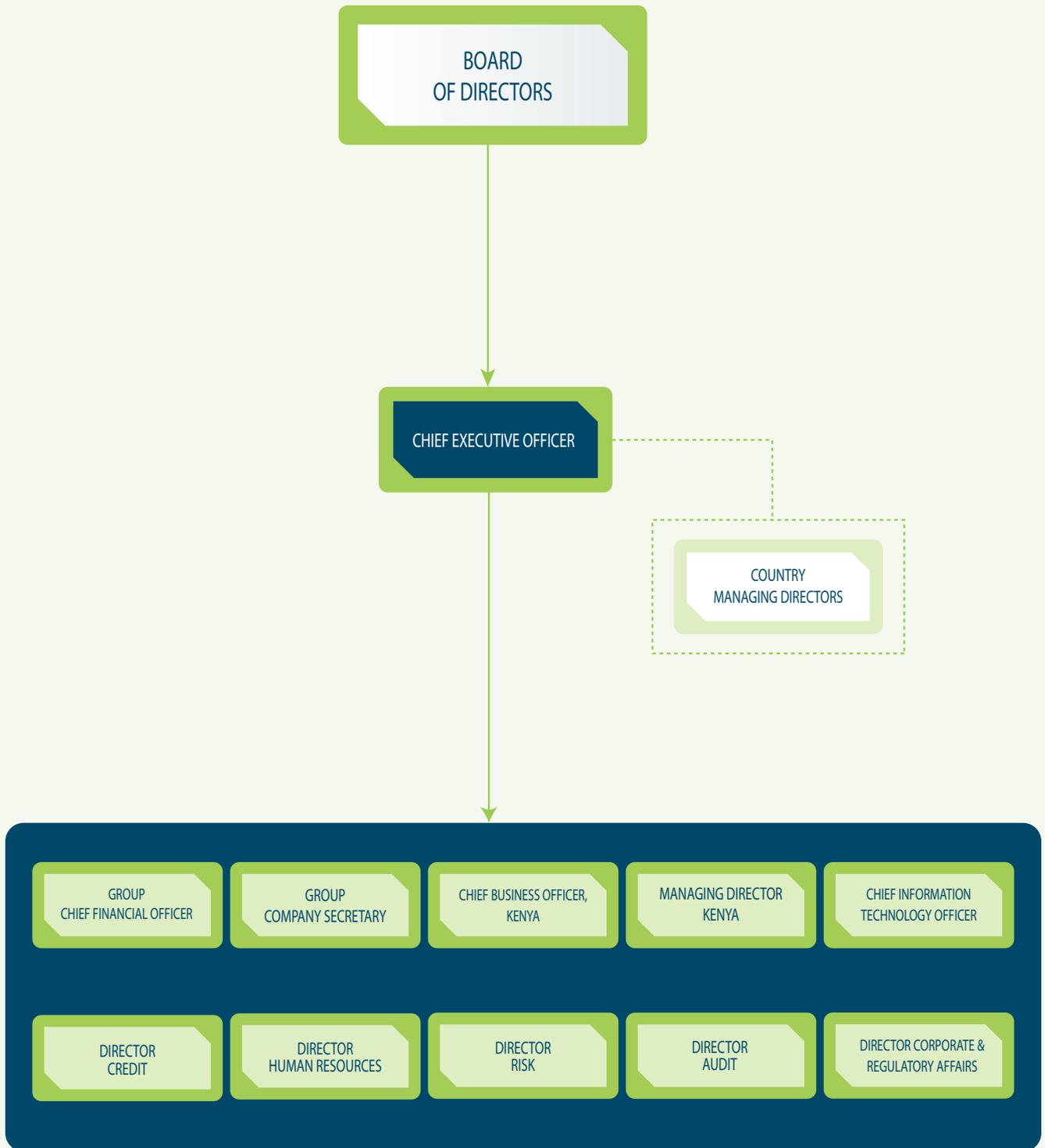


Figure 2: KCB Organisational Design for 2013



Chief Executive:  
Mr. Joshua Oigara

## Sustainability: Our Way of Life

We are happy to release our 2013 KCB Group Sustainability Report. This comes after the KCB Group Board approved the Sustainability Framework allowing for the formal implementation of sustainability in the Bank's business. KCB's sustainability journey started in the year 2007 and today it is a fulfilment of our vision to deliver long lasting benefits to society through a comprehensive integration process.

We must be able to look back with pride on KCB Group's contribution towards a stronger economy, a more equitable society, and a protected natural environment in the region. Today, our commitment to stakeholders is to demonstrate every year, in a Sustainability Report, how decisions and actions in our banking businesses are rooted in a deep concern for sustainability in all we do. Our objective is to progressively implement sustainability initiatives in our business operations to result in tangible business benefits.

The Sustainability Report for 2013 is organised to reflect the financial, economic, social and environmental dividends that KCB Group has delivered and to show where our sustainability efforts are now focused in terms of priority. This report becomes our benchmark for improving our

*We believe that providing the right opportunities for local entrepreneurs of all sizes will stimulate the economy and drive our society forward.*

sustainability performance going forward and will be our platform for embracing sustainable management practices as a way of life at KCB.

In this report, among the key highlights for the year 2013 are:

- **Managing our carbon emissions through operational efficiency, cost management initiatives and shared services.**
- **Embracing technology in all our operations and automating operational processes through innovation.**
- **Empowering our local communities through capacity building, entrepreneurial skills, market-value addition and financial inclusion.**
- **Implementing our 10 point action plan for sustainability in the short, medium and long term priorities for our business.**
- **Approval of the Group Sustainability Framework that forms the road map for its implementation and entrenchment in our business.**
- **Implementation of Social and Environmental Management Systems (SEMS) in the credit and risk processes.**

None of our achievements would be possible without the dedication of our employees—nearly 6,000 across the six countries in which we operate. Our workforce provides creative and innovative ideas and solutions to our customers to make banking accessible and convenient. Our people have embraced our sustainability efforts through the KCB Green Agenda programme and we could not succeed without their tireless commitment. Together, through partnerships and collaborations in this sustainability journey, we will leave a lasting legacy to the next generation.

*None of our achievements would be possible without the dedication of our employees—nearly 6,000 across the six countries in which we operate and drive our society forward.*



Chief Executive Officer:  
**Habil Olaka**

*I acknowledge that KCB was the first indigenous Bank in Kenya to release this report in the Banking Sector .*

I take the opportunity to congratulate KCB Group for releasing its 2013 Sustainability Report. This report is a starting point and reference of the Bank's long-term vision of embracing Sustainability that started in the year 2008 with the release of the Group's first report.

Traditionally in the banking sector, reporting primarily consists of material financial information, namely the balance sheet, the profit and loss account, and the accompanying directors' report to outline the company's performance. In the past few years, a shift has occurred in how banks report on performance and impact.

We have continued to see leading companies explain their shareholders and other stakeholders the externalities associated with the firm's commercial activities, including impacts on the environment and society. I acknowledge that KCB was the first indigenous Bank in Kenya to release this report in the Banking Sector and now serves as a benchmark to other institutions to embrace sustainability reporting, which is fast becoming a measure of good corporate governance and in some markets is a regulatory requirement.

KCB is also member of Kenya Bankers Association (KBA) the umbrella body of

commercial banks operating in Kenya and has continued to work with KBA members in working on a set of universal principles that will guide the financial services sector in balancing immediate business goals with the economy's future priorities and socio-environmental concerns. The development of these sustainability principles commenced in September 2013, when KBA convened a CEO Roundtable in Nairobi with the support of UNEP Finance Initiative (UNEP-FI), DEG (German Investment Corporation), and Netherlands Development Finance Company (FMO).

The process of developing the principles and building industry-wide capacity is motivated by the industry's desire to support efforts towards making Kenya's banking industry more globally competitive. It demonstrates that apart from deepening financial inclusion and contributing towards sustainable economic growth, banks are also concerned about the other challenges that Kenya currently faces in the areas of environmental degradation, social exclusion and resource scarcity.

The Kenya Sustainable Finance Principles, which KCB as a member of the SFI Working Group will contribute towards, will be in line with international best practices and

consistent with the banking industry's environmental and social risk management aspirations. The Principles are also expected to be relevant to banks in general and responsive to individual banks' credit risk policies.

Therefore, we thank KCB for their contributions towards promoting sustainability in finance across the East Africa Community. We also congratulate the Group for adopting best practice in integrated reporting.

*The process of developing the principles and building industry-wide capacity is motivated by the industry's desire to support efforts towards making Kenya's banking industry more globally competitive.*

# Key Highlights of our Performance

## Financial Stability

**58 Billion**

Kenya Shillings in revenues generated by the group (KShs 37.3bn in 2011, KShs 52.2bn in 2012)

**14.4 Billion**

Kenya Shillings in profit after tax posted by the group (KShs 10bn in 2011, KShs 12.2bn in 2012)

**5.6 Billion**

Dividends paid to shareholders (KShs 5.4bn in 2011, KShs 5.5bn in 2012)

**100%**

The percentage of staff that completed courses in ethical business practice

**August 2013**

KCB board signs off Sustainability Framework

**4.82KShs**

Earnings per share in 2013 (KShs 3.72 in 2011, KShs 4.11 in 2012)



## Social Sustainability

**1,500**

Employees trained in Environmental and Social Risk Assessment (ESRA) and the KCB Green Agenda

**10**

Number of paediatric kidney transplants KCB sponsored

**600**

The number of entrepreneurs assisted in 2013 by KCB Foundation

**44%**

of KCB employees are Female  
600 Million - The amount of Kenyan Shillings invested in community building since 2007

**100%**

KCB products and services information aligned to the new Consumer Protection Act requirements

**200**

Number of secondary school bursaries granted by KCB Foundation in 2013



## Economic Sustainability

6

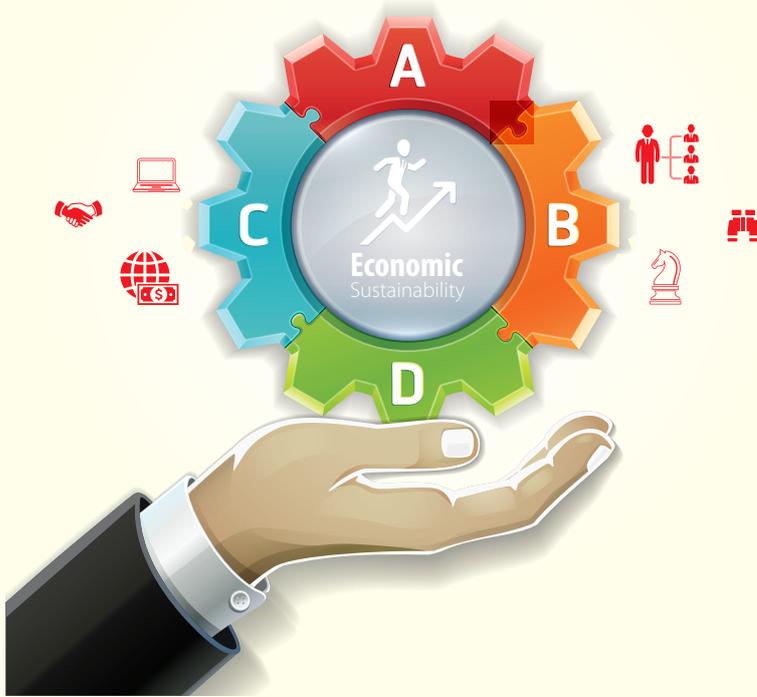
Number of countries in which KCB operates

5.7 Billion

Kenya Shillings spent on contributions to the broader economy through income taxes

100%

Integration of Social and Environmental Management Systems (SEMS) into the credit process



6,489

The number of employees in KBC Group, a growth of 1% in 2013 (4,743 in 2011, 4,788 in 2012)

7.4%

KCB attrition rate

5.58 Billion

Kenya Shilling invested in local business through procurement

## Environmental Sustainability

100%

Solar powered branch in Masai Mara

750

Solar lamps donated to school children to assist in studying at night



6,513

Tonnes of CO2 emissions in 2013 in Kenya

1.09

Tonnes of CO2 emitted per employee in 2013

20,000

Number of saplings planted to offset our paper usage

KCB operates in six markets: Kenya, Tanzania, South Sudan, Uganda, Rwanda and Burundi. KCB offers a wide range of financial service products and services and is committed to serving our customers and clients by efficiently and responsibly providing finance for sustainable economic growth. KCB provides innovative and sustainable value-added financial services to our customers and clients in the East Africa region. The Bank provides credit to help people and businesses to improve their livelihoods and support economic development. Credit is extended to micro-enterprises, SMEs and corporates.



South Sudan

### Taking care of the injured

KCB Bank South Sudan constructed a medical ward at the Juba Military Hospital to cater for the military fraternity and their immediate families that benefit from the facility. At the completion of construction, the Bank equipped the medical ward with 30 patient beds and mattresses and 30 bedside lockers. The nurse's inbuilt office was also furnished with a desk, visitors' chairs and a locker.

KCB Bank made an impact on the local population, especially the military fraternity, as they lacked facilities to adequately cater for the injured. In fact, in mid-December, the facility came in handy when violence erupted in the country and the affected communities used the ward to accommodate the injured from all affected areas.

The facility was completed at a cost of SSP 480,000 (equivalent to KShs 13 million)



Burundi

### Making banking more accessible

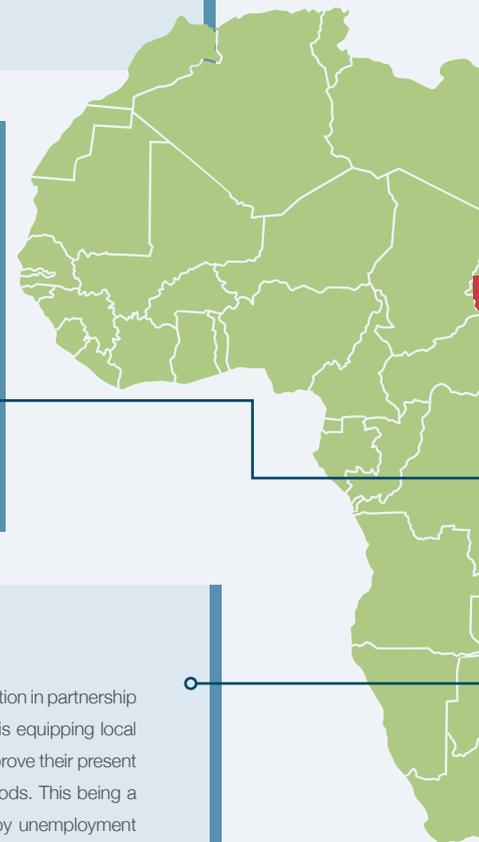
2013 was an exceptional year for KCB Burundi. Not only did the Bank celebrate its 1st anniversary but it also launched Internet banking in the Burundi banking space, significantly increasing the number of corporate customers who turned to KCB Burundi for banking services. Diaspora banking was also launched in 2013, making KCB Burundi the only bank in the country that has such an offering for Burundians living out of Burundi. This eased the transfer of funds from the diaspora and resulted in not only an increase in the bank's customer base but also increased inflows of foreign exchange into the economy.



Uganda

### Equipping entrepreneurs with skills

The KCB Made in Uganda Project is a corporate social responsibility initiative of KCB Foundation in partnership with the Uganda Small Scale Industries Association (USSIA). This project's primary focus is equipping local micro and small-scale entrepreneurs with cottage industry skills to either enable them to improve their present business, or diversify into a new business with a focus on promoting locally produced goods. This being a CSR project, the project sought to work with the most disadvantaged groups affected by unemployment and low skills levels, namely youth, women and the urban poor. We however did not exclude other deserving individuals. The project was implemented in the following districts: Kampala, Jinja, Mbale, Lira, Gulu, Arua, Hoima and Mbarara.



Primary Products and Services 2013

Check off loans	Money market products
Card products and systems (acquiring and issuing)	Trade finance products
Mortgage products	Asset based finance/ insurance premium finance
Housing development bonds	Custody services
SME & micro products	Corporate finance services
High net worth proposition – KCB Advantage	Diaspora banking
Forex products	

Table1: KCB Primary Products and Services 2013

KCB Core brands: Personal



Figure 3: KCB Personal Brands 2013

KCB Flanker Brands 2013

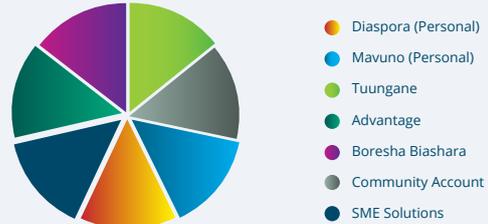


Figure 4: KCB Flanker Brands 2013

### A healthy nation is a wealthy nation

The KCB Foundation's health pillar is anchored in its commitment and determination to improve the quality of and access to health services through provision of hospital equipment and treatment services. Kidney ailments have a major and continuous impact on families across the region on a daily basis and as such present an opportunity for intervention. In March 2013 the Foundation handed over a cheque of KShs 5 million to support 10 children suffering from kidney failure. August 2013 will forever be etched in the hearts and minds of 15 year-old Teddy Juma, 13 year-old Christine Kamau, 13 year-old Yvonne Wangari, 17 year-old Phillip Karanja and their families. These children were the first group of four to undergo kidney transplants funded through a partnership between the KCB Foundation and the Kenyatta National Hospital. Moreover, their operations were the first ever successful paediatric kidney transplants to be conducted in Kenya



Kenya

### Giving light to a nation

KCB Rwanda invested RWF 12,010,000 in installation of LED electricity in 55 houses belonging to Bumbogo genocide survivors. This investment went a long way towards improving the living standards of the survivors.



Rwanda

### Improving schools to foster learning

In the year 2013, KCB Bank Tanzania ran a "buy 10 and get 90 desks" campaign as a CSR initiative whereby seven selected government schools were requested to contribute at least TShs 1,000,000 each.

The objectives: To raise funds in order to add to the limited 2013 CSR budget (TShs 7 million was raised), help schools utilise their limited budget for purchasing desks, an important element of a quality education, and increase KCB visibility.

The success story: 731 desks were donated and 1,931 students in the seven government schools are currently benefiting, improving the learning environment at these schools. In addition, KCB received excellent publicity and it is today considered an education-friendly bank.



Tanzania

## KCB's Sustainability Vision 2013

KCB's Sustainability Agenda guides the long term business success of KCB Group in accordance with our mission to grow the Group's existing business whilst continuously building on the platform to be the preferred financial solutions provider in Africa with global reach.

With a growing footprint beyond our borders, across Africa and in global markets, we are creating value both directly through our products and services, and indirectly through our initiatives with global partners including the UNEP Finance Initiative and the World Bank Group's International Finance Corporation.

This Sustainability Agenda contributes towards the Group's financial, economic, social and environmental growth and to the maintenance of a stable society in line with the Group's corporate values of putting the customer first, working together as a team, being professional in everything that we do, being willing to change and caring for the community.

We are committed to leveraging existing synergies in our concerted efforts towards building a sustainable world. We will continue to invest in long-term business, customer relationships and robust governance and prudently manage risk. Our corporate vision for sustainability is underpinned by four Sustainability Pillars that will incrementally contribute to achieving these goals over time.



## Key Achievements in 2013

Following the consistent growth in the Bank's profitability, the value of KCB shares at the Nairobi Securities Exchange (NSE) increased from KShs 29.75 at the end of 2012 to close the year 2013 at KShs 47.25. The stock achieved a high of KShs 50.50 in the course of the year (equivalent to a market cap of KShs 150 billion) The Bank's stock total return as at the end of 2013 was 66.3% against the NSE return of 42.4%. KCB was amongst the most liquid stocks with a turnover of KShs 21.1 billion year to date, ranking it third on the FTSE NSE Kenya 25 Index. Subsequently, the Bank's market capitalisation stood at KShs 141 billion as of 31st December, 2013.



**From Left to Right:** 1st Runners Up Leading Custodian; Winner Best Performing NSE 20 Share Index Company; Winner Best Quoted Company of the Year



**2012 PRSK Awards for Excellence:** Technology Award Campaign for the Year Winner for KCB Mobi-Bank



**2012 PRSK Awards for Excellence:** Corporate Publication of the Year Winner For *Cascade* magazine

Figure 5: KCB Awards 2013

## Our 10 Point Action Plan

### Quick-Win Initiatives (Benefits realised within 1-2 years)

#### 1) Capacity building

Guided by our sustainability framework, we will be developing staff and updating our existing business processes to embed sustainability in everything we do.

#### 2) Responsible lending

We will continue to monitor risk and take pre-emptive action to adjust products, services and progress to ensure we do not expose KCB or our customers to undue risks.

#### 3) Employee development

Our employees are our most important asset. As such we will continue to improve our employee value proposition to address remuneration through improved flexibility of remuneration options available, revise our employee retention strategy to help us retain our best staff and encourage our staff to utilise our e-learning channels as well as classroom-based learning for skills and knowledge development.

#### 4) Environmental impact

Our energy and emission information will be expanded to include all our operations to formally baseline our carbon footprint in 2014. In addition to an increased scope of reporting on energy, we will commence measuring our water usage and waste management practices.



### Medium-Term Initiatives (Benefits realised within 3-4 years)

#### 5) Ethics and integrity

We will maintain our focus on anticipating legislative and regulatory changes. We continue to cultivate our relationships with the relevant authorities and governing bodies to understand changes and adjust our operations accordingly.

#### 6) Community investment

Our communities are the lifeblood of our business. We will continue to invest in worthy causes that are of importance to our society. We will be placing more emphasis on the indirect benefits these initiatives provide to KCB and continue our support of initiatives in health and wellness, education, enterprise development and humanitarian causes.

We will also be focusing more investments on locally-based supplier to further support SMME (small medium and micro enterprise) growth

#### 7) Energy reduction

While we intend to grow our operations, we are mindful of innovations in energy efficiency and changing technologies. While we reduce the energy intensity of our business operations through the implementation of electricity and water efficiency equipment in our new and existing buildings, we will look to harness greater benefits of green buildings as well as renewable energy sources, such as solar, where appropriate.

#### 8) Security

KCB considers security, both physical and technological, as being of paramount importance to our business. While we have, during the 2013 year, implemented the chip and pin (EMV) ATM cards, we continue to run anti-fraud, anti-phishing and anti-corruption programmes to protect our data and that of our customers. In the medium term, we will ensure that KCB maintains state-of-the-art security measures on our operations and continually monitor our business for weakness and breaches.

### Long-Term Initiatives (Benefits realised in 5+ years)

#### 9) Diversity

Although KCB has an employee profile that closely mirrors the natural population, more effort must be put in to attracting and retaining women at the higher management levels of the organisation. Although programmes and initiatives are underway, the change will be slow, as it takes time to gain the relevant experience required to operate effectively at these levels.

#### 10) Financial inclusion

KCB is aware that there are many people who remain unable to participate in the modern economy due to lack of access.

We will strive to reach all demographics through adoption of technology and embracing innovation to deliver services to all marginalised communities.

In conjunction, we will continue our programmes to educate people to make sound financial decisions while using these grassroots interactions to gain insights into products and services that are relevant to the group.



Figure 6: KCB Sustainability Vision 2013

# Our Customers

The bank prides itself on its ability to serve the whole range of customers from children to personal, micro, SME, construction and corporate customers. These sectors are served in all our markets with a variation in the concentration levels, depending on the market and customer needs.

Through its investment in technology and its wide array of products and services, KCB is a one-stop shop for all financial services to customers. Further, our state-of-the-art core banking platform enables customer to access all our services irrespective of the market in which they walk into a KCB outlet.



## KCB Micro Banking for Innovative Minds



We believe in equipping people with the tools and resources they need to prosper. Our economy is buoyed by small entrepreneurs, who face significant challenges in accessing finance to enable them to run their business from day to day. KCB acted on this gap in the market and launched our KCB MicroBanking product, specifically targeted at these innovative minds to help them grow. The product allows for loans of between KShs 5,000 and KShs 1 million, more flexible security requirements, longer repayment terms and a low loan fee, payable up front. This new product was designed specifically based on customer needs and has been a successful addition to our product portfolio. Hot Topic: Banking products tailored specifically for women (microloans for small business owners)

## Customer Satisfaction

At KCB, we understand that customers are the key to our business; and that without them, we would have no business. It is for this reason that we place great emphasis on their wellbeing, and the symbiotic relationship that we share with them. We classify our customers according to the bouquet of services that we offer, namely:

**Customer Banking:** Private, personal banking for the individual; and

**Corporate Banking:** For owners of businesses of all sizes.

A major part of monitoring/maintaining our relationship with our customers comes in the form of internal KCB run surveys of customer satisfaction, as well as external, independently run assessments.

According to the Africa Banking Industry Customer Satisfaction Survey 2013, an independent analysis run by KPMG, KCB is the 2nd most customer focused bank

in Kenya. This report ranks banks across 5 key customer satisfaction parameters including customer care, convenience, transaction methods and system, products and services and pricing. KCB scored in the top 3 in both convenience, and products and services.

Internally, KCB conducts a customer satisfaction survey every two years. As per Figure 6: KCB Customer Satisfaction Survey Results, there is a continued upward trend across the previous survey results, showing the increasingly positive relationship between KCB and our customers.

The 2012 survey was held back due to the substantial restructuring within KCB; however, responses to our increasing portfolio of customer-centric products would suggest that customer satisfaction is only increasing steadily.



Figure 7: KCB Customer Satisfaction Survey Results



Financial stability is internally focused, and ensures that the Bank is managing risk, compliance and operations effectively, supporting our efforts to manage our long-term licence to operate. KCB manages risk daily using rigorous and robust processes and regular reviews of our corporate risk register, overseen by the Board of Directors. Compliance, an integral part of our business, has during this year been redeployed as a separate department, working closely with the legal department to ensure that all compliance issues, economic, legislative, social and environmental, are effectively handled. To make our business more efficient, we have, over the past year, centralised many of our banking processes to allow the group to leverage opportunities of harmonised and standardised processing.



## Reducing Risks by Embracing Centralised Systems.

During the 2013 year, KCB took steps to improve our efficiency and transparency across several processes. This initiative was twofold in purpose: one, to standardise core banking processes to decrease time and cost of the process and, two, to ensure that we better manage changes in our operating environment by being more agile with simple shared approaches to solving problems. Being a multi-country bank, we were presented with some processes that were subject to specific regulations, preventing us from centralising them at group level. These processes, such as clearing, security documentation and archiving, were centralised at a country level, across all branches and head offices. For the more common processes, KCB capitalised on the opportunities to harmonise and standardise processes across the region. These cross-border centralisation processes included account opening, SWIFT payment services, internal treasury operations for settlement and authorisation and suspense account reconciliations. This specialised project has decreased the complexity of our business and significantly shortened the time of processing. Our operations will continue to innovate to drive efficiencies in our business. Two key process centralisation initiatives were launched in 2013 year:

### Distributed Cheque Truncation Process

KCB has implemented a system whereby there is no need to physically approve and process cheques. Cheques can now be scanned, electronically security verified and processed.

Unlike other institutions, this model serves three purposes:

1. Reducing costs through the elimination of courier costs and improved efficiency through paperless processing
2. Enhancing the customer experience through online real-time processing of cheques irrespective of location
3. Improving controls and risk management through the implementation of electronic processing, limiting human error and loss of paperwork.

The most notable savings were achieved in the following areas

- a) Moving from same day deliveries to overnight deliveries; achieved 50% savings in courier costs
- b) Moving from labour and time-intensive paper processes to paperless processes; achieved a significant improvement in staff efficiency who could better use their time to serve our customers (while eliminating overtime)

### Establishment of Currency Centres

Instead of a single site from where all cash and currency transactions were managed, the process was regionalised to 7 specific currency centres, two of which are hosted in Kenya under the auspices of KBA. The benefits include:

1. Cost management through a reduction in cash-in-transit costs
2. Service improvement through improved efficiency of cash replenishment turnaround time
3. Risk management improvements through a decrease in the frequency of cash-in-transit, increasing the security thereof and enabling branches to decrease their cash holding limits, limiting liability and "attractiveness" for incidents.

## Risk

Risk is an integral part of our business, as we understand that continued success requires a certain appetite for it. We are however careful to ensure that the risks we expose ourselves to are manageable and support our growth agendas.

KCB identifies, monitors and continuously manages various types of risks throughout our organisation. The performance of each of these risk categories has varied over the past three years, depending on the risk profile, as we continue to improve our visibility and management process on an ongoing basis.

Each risk is assigned a rating (high, medium or low) based on the likelihood and severity of the risk being realised based on the following formula:

$$RATING = \frac{(Severity\ Rating + Livelihood\ Rating)}{2}$$

Risk	Risk Description (as per policy)	Example of Risk Managed or Mitigated	Stakeholders Responsible for Managing Risk	Mechanisms and Processes to Identify, Manage and Adjust Operations to Adapt to Risks
Information Risk	KCB defines information risk as weaknesses in data integrity, availability, confidentiality and consistency as well as inherent weaknesses in ICT systems	Data Phishing Data Fraud Data Privacy Breaches	IT Risk and Security Chief Information Officer (CIO) Risk Committee  Divisional Directors (Business)	KCB manages information risk by: Continuous renewal of its IT security policy to identify, measure, monitor, and control the risks inherent in institutions' ICT systems to provide the relevant early warning mechanism Operations Monitoring: Continuous monitoring of the data warehouses and associated systems, enabling early threat detection and mitigation to ensure reliable operation Stringent personal information protection processes and policies, especially where sensitive information is concerned, i.e. HR data
Market Risk	KCB defines market risk as our readiness to react to sudden shifts within the East African banking sector	Insolvency Reputational Risks	Chief Risk Officer (CRO) Risk Committee Divisional Directors (Business)	KCB manages market risk by: Daily monitoring to enable informed changes to our investment profile based on changes in the stock markets in the regions in which we operate Finance processes to effectively manage liquidity and solvency ratios
Compliance Risk	KCB defines compliance risk as the current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations.	Introduction of new or changes to existing legislation, regulations and prudential guidelines	GORCCO (Group Operational Risk and Compliance Committee) Chief Risk Officer Divisional Directors (Business)	KCB manages compliance risk by: Identifying changes to the regulatory compliance universe, gap analysis and enhancement of the internal policy environment to ensure compliance with the new regulations Reporting incidents through monthly compliance self-assessments and compliance validations Identifying and analysing root cause of compliance gaps Following up to ensure closure of identified compliance gaps Continuous compliance training for staff
Reputational Risk	KCB defines reputational risk as the potential that negative publicity regarding the bank's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from the bank's failure to effectively manage any or all of the other risk types	Negative publicity in a local daily in Sudan indicating an anticipated KCB national staff strike following a strike by their colleagues in another bank. Ultimately, arising from timely identification of the risk and a swift senior management response including press briefings, staff and public concerns were addressed, thereby averting the strike	Board, EXCO  Reputational Risk & Ethics Management Committee  CRO & Compliance team,  Head, Corporate and Regulatory Affairs  Divisional Directors (Business)	KCB manages its reputational risk by: Issuing identification through internal/external incidents, outsourced media monitoring for print, electronic and social media Following up to ensure resolution of raised issues, proper Senior management oversight through the committee

Table 2: KCB Risk Summary with Stakeholders and Mitigation Actions in 2013



Figure 8: KCB Internal Risk Rating by category over time

KCB Revenues and Costs

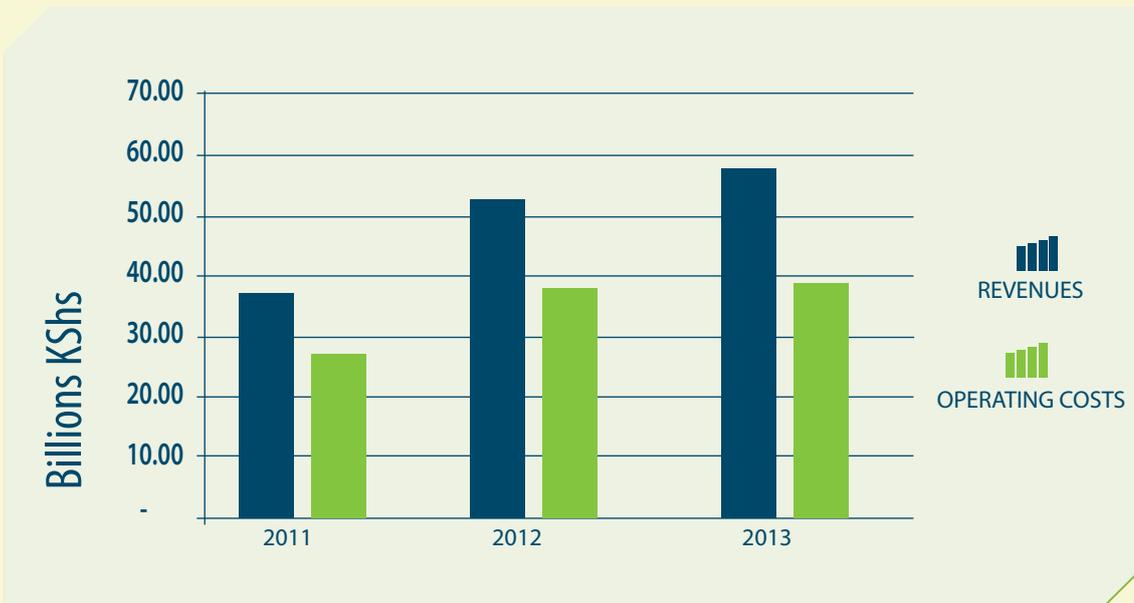


Figure 9: KCB Revenues and Costs Over Time

KCB is currently in a strong financial position. The business has been continuously growing our revenues over the past three years. These results are due to several factors combined including, geographical expansion, additional branches and regions (Burundi), new product portfolios such as Bancassurance and Investment Banking and the realisation of revenues from maturing longer term investments.

Concurrently, we have managed to largely stabilise our cost basis due to increased operational efficiencies through staff

restructuring, automation of processes as well as strategic divestments from non-core business assets and move towards leasing agreements.

The combination of these two complimentary activities has resulted in a consistently increasing profitability over the past three years - a total of 87% growth since 2011. This is clearly illustrated by the data in Figure 9: KCB Revenues and Costs Over Time, which shows revenues increasing, while costs taper off.

.....

***Strong revenue generation and prudent cost management has resulted in a consistently increasing profitability over the past three years – a total of 87% growth since 2011***

.....



## KCB Foundation: Up-Skilling Small Businesses

Our own success depends on the success of the customers and clients we serve. A large portion of our revenues are generated from small businesses. It is our responsibility to help develop these businesses through economic development initiatives, such as skills to write a business plan. By up-skilling our small scale businesses, we are preparing these customers for success, which will in turn help our business

In Burundi, the KCB Foundation facilitated the training of 20 young entrepreneurs who participated in the country's only business plan competition. Through the Up-Skilling Burundi Artisans Project, a further 20 entrepreneurs underwent training in product finishing, production technique and manufacturing standards. On completion of the course, these beneficiaries unanimously agreed to each train and mentor 20 Burundians, thus setting the platform for a mentorship cycle. The foundation also partnered with the Federal Chamber of Commerce and Industry of Burundi (CFCIB) to fundraise for the restoration of Bujumbura's city market after it burnt down at the beginning of the year

In Rwanda, the Foundation organized business management skills training in the area of budgeting and control and donation of laptops to rural Saccos in all of the country's five provinces. A community group in Remera received 30 sewing machines to help boost their dressmaking business, goats were donated in Nyamasheke and the Umugisha Association in Gasabo received a boost towards their poultry project. In support of the growth of Africa's newest nation, South Sudan, the Foundation funded a capacity building tour for the Parliamentary Committee for Economic Development and Finance. Some 533 SMEs received capacity building training in Tanzania and they will be linked to the bank's Biashara Club in order to help them grow.



Figure 10: Leonard at work during the leather products training in Bujumbura

### Alice's Story

*I am an entrepreneur dealing in handicrafts in Jinja town. I sell a number of handicrafts including shoes, belts, money purses etc. Some of these products are made locally, but most are imported from the East African region. I attended the KCB Made in Uganda training in basketry and related handicrafts and all I can say is that it was a practical and entrepreneur centred training. The training was delivered by a competent trainer whose hands-on approach to teaching helped us learn within a short period of time. I am using these skills to make basketry products that are in high demand by*

*tourists who visit Jinja town. In this particular training, I also recommended a number of young people (apprentices) who were trained and are supporting me in my enterprise. As a result of the KCB training, I was profiled in the Pakasa pullout of the New Vision... In fact, Transparency International has nominated me to represent Ugandan SMEs in Botswana in Business Code of Ethics training.*

*Alice Dramundu, KCB "Made in Uganda" training in basketry in Jinja, 1st-4th July 2013*

KCB is committed to delivering value to the broader economy and understands the importance of our role as a good corporate citizen. Our Group's contribution to economic sustainability in terms of payments to government in the form of taxes has increased by from KShs 5 billion in 2011 to KShs 5.7 billion in 2013. As one of the region's largest employers, we understand the impact our contribution to staff makes on the larger economy. We strive to employ local people wherever possible, inspiring them to grow with experienced leadership and investment in their professional development, with almost 90% of our staff attending classroom-based learning and more than two thirds of our staff using our e-learning tools in the year 2013.



## Increasing Access through Agency Banking



KCB's initiative to increase access of products and services has been hugely successful in KCB across the regions. In 2011, KCB pioneered Agent banking and we have since recruited over 7000 agents who are transacting an average of 10,000 transactions daily and generated over KShs 45 million in revenue. In 2013, we acquired a new Agent banking platform that offers service to customers at agent outlets through a POS terminal. It has improved capacity and reliability and enables the bank to offer a wide range of services to customers including:

1. Cash withdrawal & deposits
2. Account opening
3. Balance inquiry
4. Mini-statement
5. Bill payment (Cash and Card)
6. Loan repayments
7. Funds Transfer within KCB accounts/Mobi Cash (transfer to any phone number) Loading of credit and debit cards.

## Contributions to Society

Payments to Government (taxes)

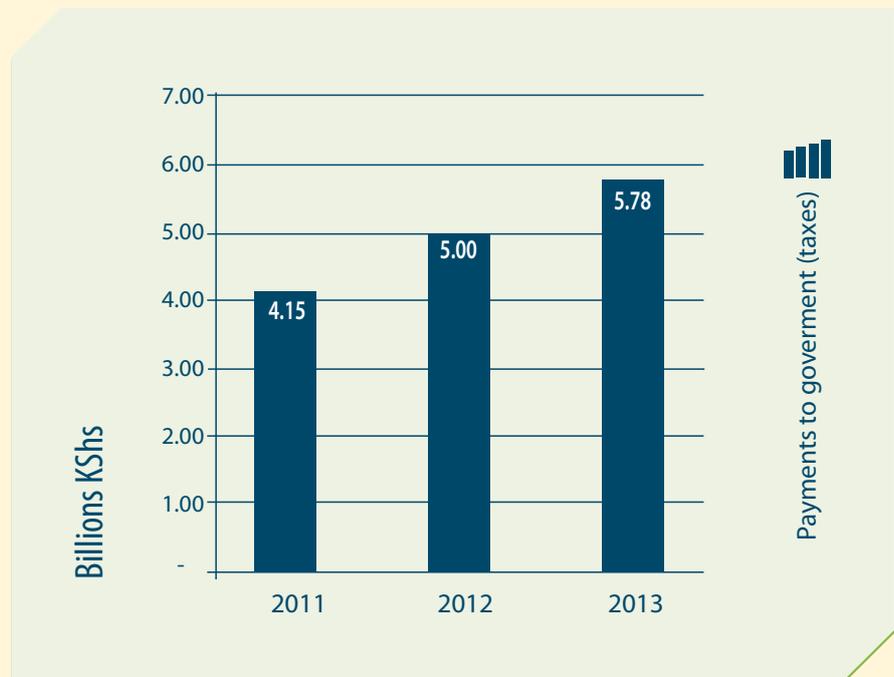


Figure 11: Payment to Government (income tax)

KCB's continuous growth has allowed us to make an increasingly bigger contribution to society through our payments to government in the form of taxes. In 2013 alone, we paid KShs 5.78 billion in income tax contributions, an increase of some 40% since 2011.

*One of our major goals is to shift the mind-set of our workforce to increase the e-learning penetration*

## Staff Numbers

2013 Regional Employee Distribution

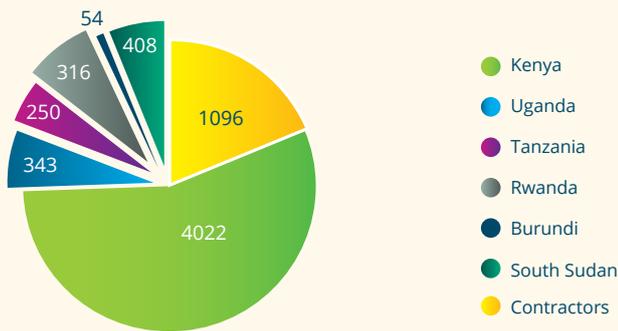


Figure 12: KCB Regional Employee Distribution

KCB's workforce is made up of 5,393 permanent staff as well as 1,096 long term contract workers, (short term contracts refer to 3-12 month agreements and are therefore not considered part of the count.) Long term refers to any contract longer than 12 months. At KCB, we pride ourselves on hiring, training and growing the best possible talent in order to ensure quality services and products to our customers. We make a conscious effort to employ local talent in each of our six regions and support them with experienced leadership who assist them with their professional growth. Where specialised staff are required to deliver on special projects, they are usually brought on board on contract and are required to complete a formal knowledge transfer to u- skill the local staff as part of their agreement.

## Staff Training

2013 Group Training Penetration

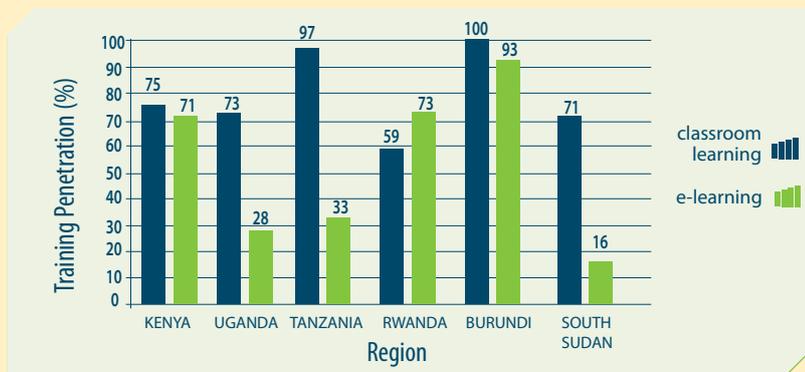


Figure 13: KCB Group Training Penetration

Staff development is a key imperative for KCB; our focus is not only on recruiting the best and brightest talent, we are also interested in empowering them to be the most effective and highly skilled workforce in their respective areas of expertise. As such, we provide various mechanisms for staff to develop professionally; these include e-learning, classroom-based learning, on the job learning and academic bursaries related to job context. We have formal mandatory training in ethics that our employees must complete annually; we also encourage staff to attend business relevant classroom-based trainings or access the numerous e-learning courses available internally.

## Staff Gender Balance

Males vs. Female's in Management Roles

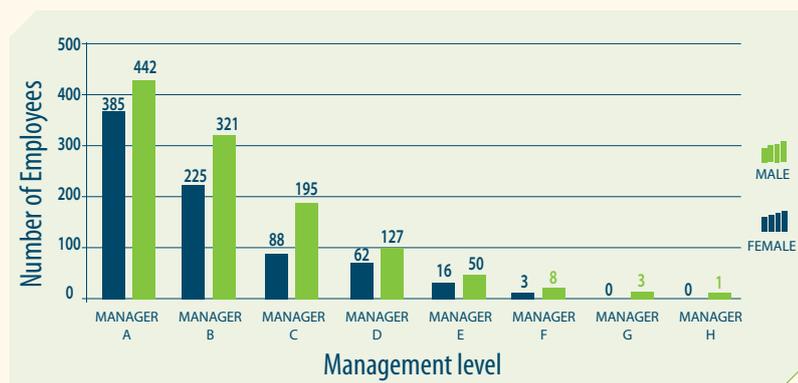


Figure 14: KCB Males vs. Females in Management Roles

KCB strives to have a representative population at all levels of our organisation. Even within a heavily gender-biased banking sector, we pride ourselves on our continued efforts to empower women, particularly with regard to management roles; currently, we have a 60/40 split overall. There is a challenge however, as seen in the increasing gap between men and women as management roles become more senior (Manager C) - Figure 14: KCB Males vs. Females in Management Roles. KCB is looking at several longer term initiatives to employ, empower, and retain women in top management positions.

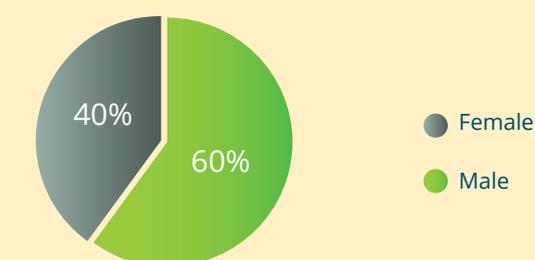


Figure 15: KCB Female/Male Management Split

For 2013, all regions utilised the KCB provided learning channels; the majority went for classroom-based learning, which has a very high penetration, averaging at 85% across the regions (see Figure 13: KCB Group Training Penetration.) E-learning penetration at 55% is still immature due to resistance to change within the traditional training context of the East African banking sector. Only Rwanda exhibited an e-learning penetration that superseded its classroom learning penetration; this is due to the Rwandan "tech-savvy culture" that continues to openly embrace new technology. One of our major goals is to shift the mind-set of our workforce to increase the e-learning penetration

## Staff Recruitment

KCB Employee New Hires by Gender

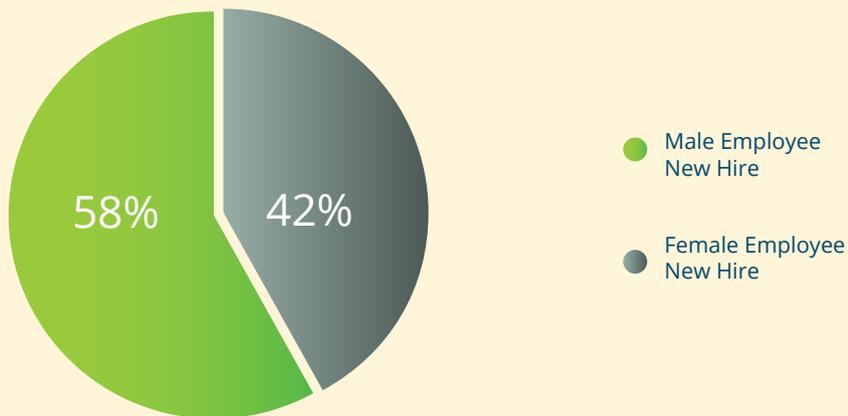


Figure 16: KCB Employee New Hires by Gender

KCB strives to handpick the brightest/ best fit candidates for every role that opens up within the organisation. For the year 2013, we recruited an approximate 10% addition to the workforce. Of the total number of new recruits, 58% were male, with 42% being female. In comparison with Figure 15: KCB Female/ Male Management Split, this shows a slight improvement in curbing the gender bias.

KCB Employee New Hires by Age

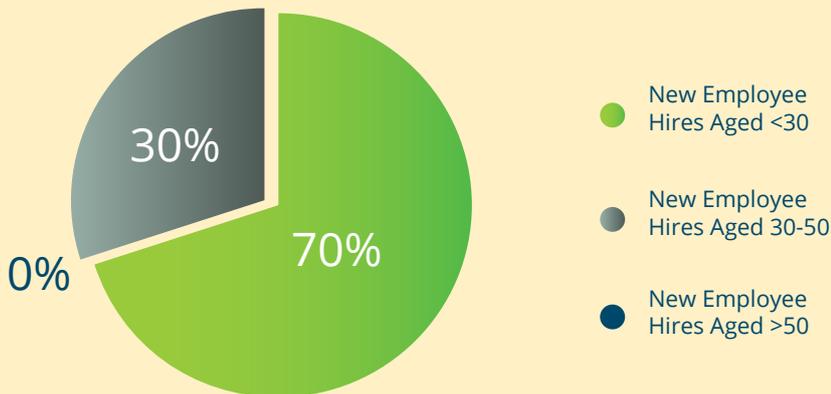


Figure 17: KCB Employee New Hires by Age

Our recruitment drive also highlights that the majority of our recruits are under the age of 30 (70%), further illustrating our emphasis on hiring, training and grooming our employees into leaders.

## Staff Separations

KCB Group Separations by Reason.

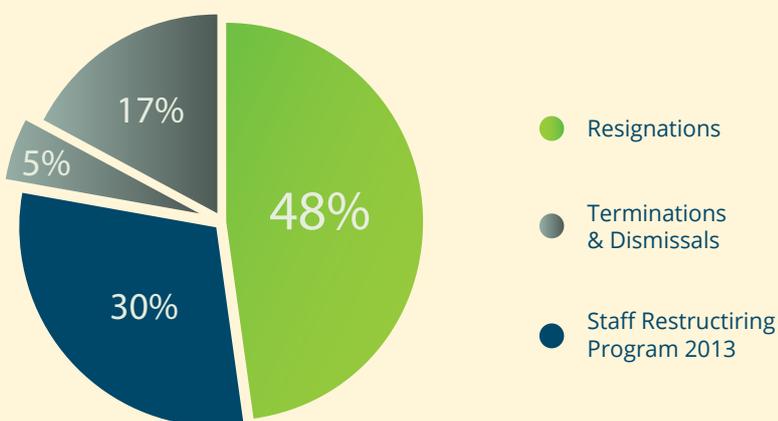


Figure 18: KCB Group Separations by Reason for Separation.

At KCB, we endeavour to retain our top talent, particularly as their tenures increase. Over the past year, our attrition rate has been roughly 5% excluding staff separated through our restructuring programme. This figure increases to approximately 8% when staff restructuring is included. With an attrition rate of 5-8%, we are proud to be net accumulators of talent.



## Banking the Unbanked

KCB is a bank that prides itself not only on strong consistent economic performance, but in continued community and societal development as well. It is for this reason that one of our main focus points has been “banking the unbanked;” that is, extending our suite of products and services to cater for all sectors of the banking market, from Islamic banking solutions, right up to student banking, (as seen in Table 3: KCB Product Suite 2013

The previous 2-3 years have seen KCB narrow its focus towards paperless banking in an attempt to further “bank the unbanked.” We have developed a specialised suite of products that allow our customers to open and transact on their bank accounts without the need for physically visiting a KCB branch, or the use of increasingly outdated paper processes.

CORPORATE		KCB GROUP			
Sub-Brands	KCB Bank	KCB Insurance		KCB Capital	KCB Foundation
KCB Bank	BRANDS			PRODUCTS	
	PERSONAL	BUSINESS		Personal Products	Business Products
<b>Core Brands (6)</b>	1.Cub 2.Self-Service 3.Bankika 4.Advantage 5.Home Loans	1.Business Solutions		1.Current Account 2.Simba Savings 3.Mapato 4.Jiinue 5.Student 6.Agent Float a/c 7.Term Deposit 8.Check-off 9.Salary Advance 10.Personal Loan 11.Masomo Loans	1.Current Account 2.Fixed Deposits 3.Commercial Loan 4. Special Loan Scheme
<b>Flanker Brands (8)</b>	1.Diaspora 2.Mavuno 3.Islamic Banking	1.Tuongane 2.Micro Finance 3.Community a/c 4.SME Solutions			
<b>Service Channels (7)</b>	1. Mobi-Bank 2.I-Bank 3.Mtaani Agents	4.QuickService ATM 5. Contact Centre 6. e-service Centres(NEW In 2014)		7.Branches	
<b>Specialist Services (8)</b>	1.Asset Finance 2.Trade Finance 3.Custodial Services	4.Investment Banking 5.Insurance Services 6.Money Transfer Services		• Treasury Services • Mortgage Services	
<b>Partnerships</b>					

Table 3: KCB Product Suite 2013

## Mobile Banking: KCB Mobi Bank



Figure 19: KCB Mobile Banking advert

KCB became the first bank in Kenya in 2006, to launch a mobile phone based banking platform, which was dubbed “KCB Connect” through which customers could access their bank accounts and perform various transactions.

In 2012, KCB developed a new mobile banking platform – KCB Mobi Bank - that was more robust and opened up the system to all customers irrespective of mobile

phone network. The platform offers more services and is accessible through 3 points – USSD (\*522#), Call back and through the internet via WAP, or GPRS.

At the close of 2013 KCB had over 1 million registered customers; 250,000 of those, actively used the service on a day to day basis.

## Internet Banking: KCB i-Bank

To ease banking for our customers, KCB introduced Internet banking in 2011. The original platform, however, extended this service to individual customers only.

In 2013, the bank invested in a new platform that offers customers improved reliability and capacity by enhancing the number of services that a customer can access.

In addition, the platform offers Internet banking to both individual and business customers. The rollout of the services is phased, with phase one fully available to customers. Phase 2 is on track for full rollout in 2014

As at end of 2013, we had over 5,500 customers registered on KCB i-Bank and actively using the service



Figure 20: KCB Internet Banking advert

# Social Sustainability

KCB has a responsibility to contribute to social sustainability across our operations. The Bank sees three key areas - enterprise development, basic education and health - as areas of strategic importance not only for KCB, but for society as a whole. In 2013, KCB invested KShs 34 million to help over 600 small-scale entrepreneurs build capacity and provided production equipment for 10 small-scale enterprises. Education, not only of our employees, but also of our children is the key to uplifting society and developing talent. In the past year, KCB invested KShs 57 million to provide learning material and equipment to over 200 learning institutions across the region and 240 secondary school scholarships to students. During 2013, KCB also invested KShs 33 million in health initiatives, in both preventative and curative programmes such as kidney transplants, heart operations and screening equipment to hospitals and clinics.



## Reaching out to Rural Entrepreneurs

In the era of globalisation, generating economic growth in developing countries while reducing poverty is a fundamental development challenge. With this in mind, the KCB Foundation supports small-scale enterprises and the cottage industry, contributing to the growth of the economy in terms of employment and nurturing a new crop of entrepreneurs. Rural Outreach Africa Programme (ROP) introduced groups of small scale farmers in Western Kenya to soya bean farming and since embracing it, their fortunes have changed for the better. Through a donation of three soya flour milling machines by KCB Foundation, the farmers from Western Kenya are now reaping the benefits of value addition.

The milling machines produce soya flour, which fetches much more in the market than the raw bean. Additionally, the waste from the milling process can be used for animal feeds by the soya farmers. The machines also provide an income generating avenue for the groups that operate them and an outlet for other farmers in the area and the local trading centres to mill their grain.



Figure 21: The soya flour milling machine in action



Figure 22: Roslyda Awinja prepares chapatis using the soya flour

*“Previously our beans would rot in the stores since there was no market to sell the produce, but now with the new milling plant at Vihiga, we are assured of value addition for our products not only locally but to other counties”*

Roslyda Awinja, soya bean farmer, Mbale

## Procurement Policy



Figure 23: KCB Local vs. International Procurement Spend

As KCB, we understand from a corporate perspective, that we have an upstream business as well as a responsibility to the broader economy. As such, we have a

formal supplier selection process for all products and services procured that is reviewed every two years. Furthermore, we also have a mandate to empower local suppliers. The trend illustrated in

Figure 23: KCB Local vs. International Procurement Spend shows a heavy bias towards local suppliers in 2011 and 2012. Over the course of 2013, significant outlays on software solutions and their international licences i.e. the T24 (Branch Network System) system upgrade, the AML (Anti Money Laundering) system required by the regulator and the EMV (EuroPay MasterCard Visa). This is a new PIN and Chip Technology to improve security for our cards project resulted in a spike in international spending. Once these special projects are completed, the intention is to return to local suppliers as far as possible.

*We have a formal supplier selection process for all products and services procured that is reviewed every two years. Furthermore, we also have the mandate to empower local suppliers*

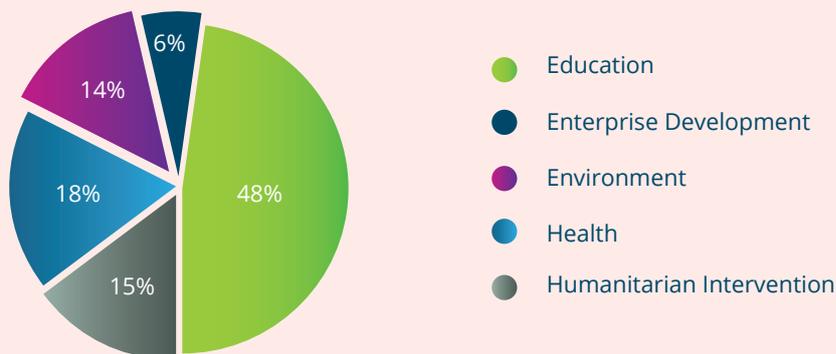
From a social perspective, we as KCB are committed to improving the lives of those we touch, both directly and indirectly, and we understand the impact that our products, services and operations have on communities, stakeholders and employees. As such, KCB invests in our employees and in the communities in which we operate.

In 2013, our biggest contribution was made in the form of investment in education, as per *Figure 24: KCB Foundation Funds Distribution by Thematic Area*.

We see education as the cornerstone of building a strong society by equipping our children with the skills to succeed. Our investment of KShs 56 million during 2013

provided learning materials and equipment to over 200 learning institutions across the region and 240 secondary school

scholarships to students. These investments were supported by 3-day mentorship programmes to motivate students through learning and interaction with professionals.



*Figure 24: KCB Foundation fund distribution by thematic area*



## Making Secondary Education Affordable

Education is the cornerstone of building a strong society, and ensuring a constant supply of well-equipped and adjusted potential employees. KCB Foundation focuses on contributing to bettering the opportunities afforded to all children. The influx of children in primary schools due to the free primary education policy has implications for secondary school education and in turn for addressing the skills gaps in Kenya. While primary education may be affordable even for the poorest communities, secondary education comes with heavy financial obligations for families. In Kenya, the highest dropout rate is experienced in the transition between primary and secondary school. The major cause of the dropout is the cost of secondary schooling, especially for bright children who have attained the necessary entry points but whose families are unable to afford the fees. The KCB Foundation scholarships seal some of these gaps and afford access to disadvantaged groups. This year, 200 children from across Kenya received full secondary scholarships. The beneficiaries were selected through a rigorous branched process. In addition to payment for tuition and other learning materials, the students are assigned to a mentor whom they meet every school holiday. Further, we held the inaugural Mentorship Activity over the August holiday where we brought together all the beneficiaries for three days

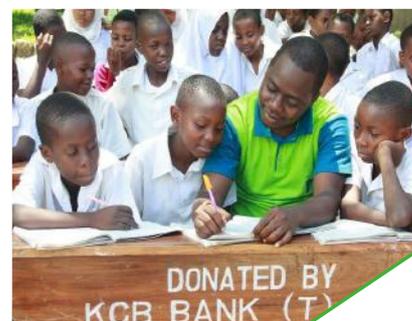
of learning, interaction and motivation. From a humble selection of four students in 2005, the foundation through the scholarships has thus far changed the lives of 386 Kenyan children and their households. In South Sudan, 80 students have received secondary school scholarships since 2012 and these have been distributed equally across all states. In support of Rwanda's switch of language of instruction from French to English, the Foundation partnered with the Kigali Institute of Education (KIE) to provide scholarships to teachers from each of the 30 districts.



*Figure 25: Refurbished ablution block for Kiaria High School, Kenya*

In further support of the learning process, over 200 learning institutions have received learning materials such as desks, books, laboratory equipment, water harvesting equipment and even construction of some schools facilities across the region.

In Tanzania, schools were encouraged to partner on a desk matching programme where the schools fundraised for 10 desks and the foundation matched these with 90 desks. Seven government ward schools have so far benefited from this project and many schools have shown an interest in joining the next phase of the programme.



*Figure 26: Uhuru branch Relationship Officer Innocent Makaso sharing ideas with the students at Sinza Primary School during handover of the desks.*



*Figure 27: KCB Group Chairman Dr. Edward Mndolwa hands over the desks to the head teacher of Mbuyuni Primary School, a beneficiary of the desk matching programme.*



Being a good corporate citizen includes being aware of our impact on environmental sustainability. The Bank measures our energy usage and has over the past year implemented several energy efficiency programmes, resulting in a 36% reduction in electricity usage during the period. Operating across different markets requires travel for many of our staff. Wherever possible, we have harnessed the power of technology and utilise virtual meetings in place of face-to-face meetings, including Board meetings, to minimise the impact of travel. These and other measures have shown a 52% decrease in tonnes of carbon equivalent emitted from 2011 to 2013.



## Investing in the Sun

Renewable energy has been a topic of increasing interest over the past few years. KCB understands that it is in our interest as a bank and that of the society in which we operate, to utilise resources efficiently and create demand for alternative energy. In this spirit, we have invested in a pilot programme in the Masai Mara running a branch 100% on solar power. The pilot is successful and we plan to roll this technology out to other outlying areas. The Foundation has provided over 750 solar lamps to schoolchildren to help them study at night, a solution that is both safer for the households than paraffin lamps and has no impact on the electricity grid.



Figure 28: Children in Uganda receiving solar lamps

## KCB's Carbon Footprint

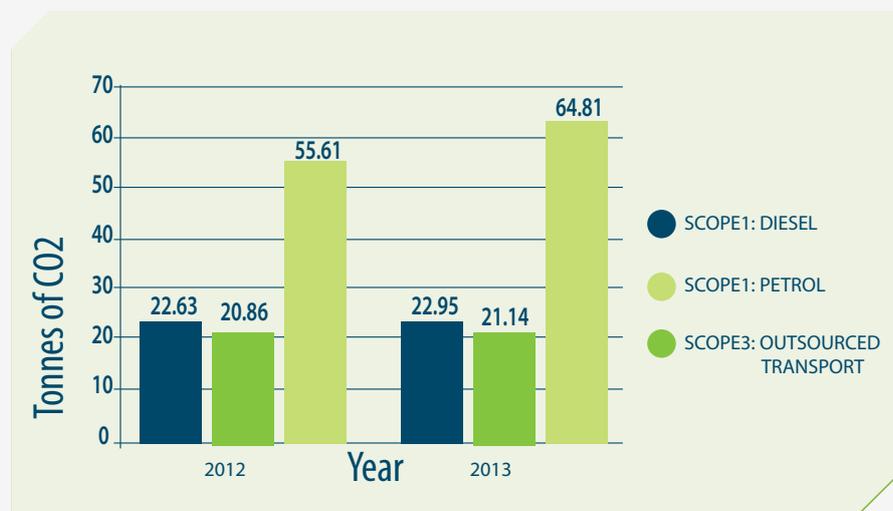


Figure 29: KCB scope 1 CO2 Emission for Transportation: Owned, leased, rented as well as taxis

KCB as a bank is becoming growingly concerned about our impact on the physical environment. The steps we are taking to minimise these impacts include investing in energy efficient lighting with motion sensors and motion sensing water taps in new branches that will minimise our energy and water usage across our operations. We plan to retrofit our existing operations over time so that all our branches and head offices run using minimal resources.

As part of our growing sustainability awareness, we are intent on measuring, monitoring, and lowering our carbon footprint. We have therefore embarked on putting the relevant processes in place to do so. Our carbon emissions for 2012/2013 have been measured according to the generally accepted standards of the Greenhouse Gas (GHG) Protocol. We have limited the scope to take into account our energy consumption (grid electricity consumption as well as diesel generator consumption) and motor vehicle mileage and fuel consumption) and motor vehicle

mileage/ fuel consumption (owned, leased and rented vehicles) to calculate our carbon emissions. Going forward, our aim is to broaden our carbon foot print scope to include air travel and water consumption as our processes mature.

Our transport carbon footprint consists of diesel and petrol emissions from KCB's fleet, both owned and leased cars, as well as outsourced transport emissions from rental cars and taxis. From 2012 to 2013, our carbon emissions from transport increased across the board due to the increase in operational size of the Bank. As the carbon data develops year by year, our aim is to reduce our emissions as we move towards a more environmentally friendly way of operation. Strategies such as renting and outsourcing transport, investing in low-carbon emitting vehicles as well as leasing (as opposed to buying) are all being favoured at KCB as we aim to become more environmentally responsible.

**Scope 1:**

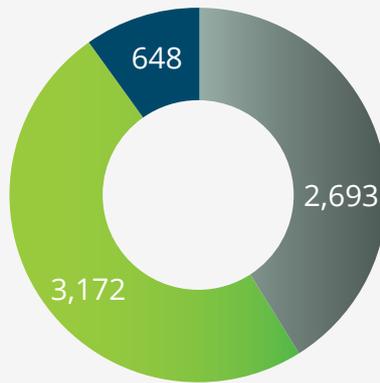
All of KCB's direct combustion fuels for Kenya: Diesel and petrol combustion for leased and owned cars, as well as diesel generator electricity consumption) and motor vehicle mileage and fuel consumption for all diesel generators for 2013

**Scope 2:**

Electricity purchased from the grid, Kengen, for 2013

**Scope 3:**

Indirect emissions from all of KCB's rented cars and taxis for 2013



**2013 Total Emissions, Tonnes of CO<sub>2</sub>/Year**

- Scope 1
- Scope 2
- Scope 3

*Figure 30: KCB Scope 1, 2 and 3 emissions for 2013 year in tonnes of CO2*

*KCB understands that it is in our interest as a bank and that of society, and the children from whom we borrow the planet, to utilise resources efficiently and create demand for alternative renewable energy*



### Helping Communities to Benefit from Reafforestation

Care for and protection of the environment remains a strategic investment of the KCB Foundation given the numerous challenges being experienced in the region due to negative impacts resulting from the degradation of the environment. While there has been a spirited effort across the country to plant trees, it is not yet at par with the mostly illegal deforestation that is taking place. In a bid to recover some of the lost forest and to contribute towards government efforts to attain the Millennium Development Goal 7 which aims to safeguard environmental sustainability, we have designed environment programmes that have evolved over the course of time.

Through the year, KCB has implemented several initiatives to decrease our paper usage. These include an electronic document management system to limit the amount of paper kept for record purposes. Newspapers that were delivered in hard copy to the office have been replaced by digital copies. Several



*Figure 31: KCB Group Chief Operations Officer Paul Tikani planting a tree at the Mau Likia forest*

banking application and transaction processes such as card applications in Rwanda, have been made completely electronic. Our reliance on electronic devices has led KCB to investigate initiatives to limit electronic waste (e-waste). We are in the process of drafting an e-waste disposal policy with IT and are moving from owned to leased hardware.

To offset our impact, we have concentrated our efforts on the rehabilitation of the Mau Likia block. In 2013, we planted 20,000 seedlings in partnership with the local communities drawn from the surrounding Community Forest Associations (CFAs). This was in addition to the 10,000 planted in the previous year. The local communities are reaping handsome benefits from their participation in the reafforestation exercise. The seedlings are sourced from their nurseries and our foundation has funded environmentally friendly economic



*Figure 32: KCB staff participate in a tree-planting exercise at the Mau Likia*

activities within the forest that include bee keeping. The Foundation has also this year supported county environment days and clean-up activities through our branch network in areas such as Mpeketoni, Kapsabet, Kajulu in Kisumu and Bomet.

In Rwanda, Gitarama Health Centre in Muhanga received new environment friendly roofs to replace the harmful asbestos roofs. Subsequently, they can now collect rain water. In Burundi, they planted trees at the Wangari Mathaai corner. In Tanzania, the Foundation planted 2,800 trees with the schools that were beneficiaries of the desk matching programme.



# Our Progressive Performance

## Financial\*

Number of Countries	2011	2012	2013
Revenues	37.2 Bn	52.2 Bn	58.7 Bn
Operating Costs	26.4 Bn	37.2 Bn	38.6 Bn
PBIT (Profit before Interest and Tax)	10.8 Bn	15.0 Bn	17.7 Bn
NPAT (Net Profit after Tax)	10 Bn	11.1 Bn	12.4 Bn
Dividends	5.4 Bn	5.6 Bn	5.6 Bn
EPS (Earnings Per share)	3.72 KShs	4.11 KShs	4.82 KShs

\*For a detailed view of KCB's financial performance, refer to 2014 Financial Statements\*

KCB Foundation Spend	2011	2012	2013 (Baseline Year)
	97.8m	151m	172m

Table 4: Summary financial performance information from 2011 to 2013

## People and Values

Number of Countries	2011	2012	2013
East African Regions	5	6	6

Total Headcount	2011	2012	2013
Group Total	4743	4788	5393
Growth	-	45	605
Growth percentage	-	1%	12%

Regional Split of Headcount	2011	2012	2013
Kenya	80%	80%	74%
Uganda	5%	5%	6%
Tanzania	5%	5%	5%
Rwanda	5%	5%	6%
Burundi	0%	1%	1%
South Sudan	6%	5%	8%

Headcount Percentage by Age Group	2011	2012	2013 (Baseline Year)
Under 30	-	-	17%
30 to 50	-	-	75%
Over 50	-	-	8%

Headcount Separation Percentage	2011	2012	2013
Employee Attrition Rate	-	-	7.4%

Employee Years of Service	2011	2012	2013
0 to 5 years	-	-	54%
6 to 10 years	-	-	12%
11 to 15 years	-	-	4%
16 to 20 years	-	-	12%
Over 20 years	-	-	18%

Employee Gender Split (Permanent Employees Only)	2011	2012	2013
Female Representation Group	-	-	2373
Percentage Female Representation Group	-	-	44%
Male Representation Group	-	-	3020
Percentage Male Representation Group	-	-	56%
Female Executive and Non-Executive Directors including Chairman	-	-	16
Percentage Female Executive and Non-Executive Directors including Chairman	-	-	29%
Male Executive and Non-Executive Directors including Chairman	-	-	39
Percentage Male Executive and Non-Executive Directors including Chairman	-	-	71%

Employee Learning and Development	2011	2012	2013
Percentage Classroom Learning Penetration Group	-	-	88%
Percentage E-Learning Penetration Group	-	-	64%
Average Learning Days Per Employee Group	-	-	4.8 Days

Recruitment	2011	2012	2013
Female New Hires Group	-	-	260
Male New Hires Group	-	-	192

*Table 5: People and values performance information from 2011 to 2013*

## Environment

KCB Geographic Area	2011	2012	2013	Units
Net Area of property occupied	-	-	78 379	m <sup>2</sup>
Net Area per Full Time Employee	-	-	14.53	m <sup>2</sup>

Greenhouse gas emissions (absolute)	2011	2012	2013	Units
Scope 1 Emissions (combustion Fuels)	-	-	2693.14	Tonnes CO <sub>2</sub> / year
Scope 2 Emissions (purchased Electricity)	-	-	3172.09	Tonnes CO <sub>2</sub> / year
Scope 1 & 2 Emissions	-	-	5865.22	Tonnes CO <sub>2</sub> / year
Scope 3 Emissions (Outsourced transport: Taxis and Rental Cars)	-	-	648.12	Tonnes CO <sub>2</sub> / year
Total Scope 1, 2 & 3 Emissions	-	-	6513.34	Tonnes CO <sub>2</sub> / year

Greenhouse Gas Emissions (Intensity)	2011	2012	2013	Units
Scope 1 & 2 Emissions/ m <sup>2</sup>	-	-	0.07	Tonnes CO <sub>2</sub> / year/ m <sup>2</sup>
Scope 1 & 2 Emissions/ FTE*	-	-	1.09	Tonnes CO <sub>2</sub> / year/ FTE
Scope 3 Emissions /FTE *	-	-	0.12	Tonnes CO <sub>2</sub> / year/ FTE
Scope 1, 2 & 3 Emissions/ m <sup>2</sup>	-	-	0.08	Tonnes CO <sub>2</sub> / year/ m <sup>2</sup>
Scope 1, 2 & 3 Emissions/ FTE*	-	-	1.2	Tonnes CO <sub>2</sub> / year/ FTE

*Table 6: Environmental performance information from 2013 only*

*\*FTE = Full Time Employees only (no long-term contractors or service providers)*

## Additional Notes/ Assumptions to Environmental Data

- All environmental data is calculated as per the generally accepted Greenhouse Gas (GHG) standard;
- All base-lines are as per 2013; this is to ensure the best possible data quality as the sustainability performance management processes were only introduced in 2013;
- Outsourced transport data Scope 3 was calculated under the conservative assumption that all emissions were diesel based; this was due to the unavailability of information about the type of fuel that rental cars/ taxis use;
- All diesel generator consumption data is based on the assumption that each of KCB's diesel generators has an uptime of 6 hours per week;
- Water consumption and air travel have been prioritised as key data that will be reported as of 2014. The relevant sustainability performance management processes have been put in place to enable this.

## GRI Indicator Table

GRI Category	GRI Indicator	Report Page & Page Reference
Strategy & Analysis	G4-1; G4-2	pg 12-13
Organisational Profile	G4-3; G4-5; G4-6; G4-7; G4-8; G4-9; G4-10; G4-11; G4-12; G4-13; G4-14; G4-15; G4-16	pg 5
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Social: Labour Practices and Decent Work	LA1; LA2; LA3; LA4; LA5; LA6; LA7; LA8; LA9; LA10; LA11; LA12; LA13; LA14; LA15; LA16	pg 20-22
Social: Human Rights	HR1; HR2; HR3; HR4; HR5; HR6; HR7; HR8; HR9 ;HR10; HR11; HR12	pg 20-22
Social: Society	SO1; SO2; SO3; SO4; SO5; SO6; SO7; SO8; SO9; SO10; SO11	pg 24-25
Social: Product Responsibility	PR1; PR2; PR3; PR4; PR5; PR6; PR7; PR8; PR10	pg 15



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