



PRINCIPLES FOR RESPONSIBLE BANKING

KCB GROUP PRBs - Self-Assessment Report

The following table sets out the Group’s reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Below is a report on our implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>KCB Bank is a financial institution focused on provision of financial services to its customers within East Africa. KCB Bank’s main customer segments are Corporate and SME which are further segregated into sectors which include; Transport & Communication, Trade finance, Agriculture, Building & Construction, Real Estate, Manufacturing, Energy & Infrastructure, Financial Services, and Diversified industries.</p> <p>The Bank has put in place a 2020-22 strategy called Beyond Banking, focusing on the individual customer. The four strategic pillars are putting customer first, driving a step change in efficiency and productivity, being a digital leader and building scale to achieve regional relevance.</p> <p>KCB Group operates in seven geographies: Kenya, Tanzania, South Sudan, Uganda, Rwanda, Burundi, and Ethiopia (representative office).</p> <p>In 2020, the Bank was serving 25.2 million customers through the largest branch network in the region, with 359 branches, 1,104 ATMs and 23,460 point of sale merchants and agents on a 24/7 basis</p>	<p>https://kcbgroup.com/wp-content/uploads/2021/05/KCB-SUSTAINABILITY-REPORT-2020.pdf</p>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement,</p>	<p>In 2017, the Bank went through a rigorous consultation and assessment exercise that resulted in the adoption of eight of the 17 SDGs which are listed below.</p> <p>SDG 1 No Poverty SDG 8 Decent Work and Economic Growth SDG 9 Industry Innovation and Infrastructure SDG10 Reduced Inequalities</p>	

<p>and relevant national and regional frameworks.</p>	<p>SDG 11 Sustainable Cities and communities SDG 12 Responsible Consumption and Production SDG 16 Peace, Justice and Strong Institutions SDG 17 Partnerships for the Goals. A ninth one, SDG 13 Climate Action was adopted in 2019.</p> <p>With the adoption of the SDGs, the bank through its various division set to have annual SDGs targets, aligned with different divisions for monitoring and reporting. The Bank collects data on several metrics that align with the SDGs and reports them annually in a Sustainability report. Examples of programmes under the SDGs are:</p> <p>SDG 1 – Loans to SMEs. Inua Jamii (Lift the communities) cash transfer program to protect vulnerable children, older persons and persons with severe disabilities.</p> <p>SDG 8 – 2 jiajiri (A youth employment program that means, lets employ ourselves) that supports youth entrepreneurship.</p> <p>SDG 10 – Loans to women under Women Value Proposition. Tracking of Gender in KCB employees.</p> <p>SDG 11 – Mortgages provided for Affordable Housing program.</p> <p>SDG 12 – We track our resource consumption across fuel, water, electricity and paper annually with goals to reduce waste.</p> <p>SDG 13 – We are conducting a portfolio analysis to gauge our emissions profile and take appropriate action as well as increasing our green lending portfolio by 25% by 2050. Major projects we fund undergo ESDD analysis</p> <p>SDG 17 – Mifugo Ni Mali (livestock is wealth) program for livestock farmers where support different livestock Groups within the scope of our operation.</p> <p>Inline with the Paris Agreement of 2015, and the country’s National Determined contribution of reducing Kenya’s CO2 emission by 32% against the BAU of 143Mt CO2 by 2030 as set out by the government the bank has gone a step further to support this by setting an internal target for financing of green projects that will help in reducing carbon emission.</p>	
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	<p>The bank has set a target for achieving a portfolio financing of 25% of the book as green by 2025.</p>	
<p>Principle 2: Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis: <i>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</i></p> <ul style="list-style-type: none"> a) <u>Scope</u>: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) <u>Context & Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. 	<p>KCB Bank has been reporting annually on its sustainability since 2013. The Sustainability reports are prepared in accordance with the Global Reporting Initiative (GRI) standards. The GRI standards require all reporting entities to conduct a comprehensive materiality assessment, as does the Integrated Reporting framework, which KCB Bank also adheres to.</p> <p>KCB group conducts annual materiality assessments to identify the Bank’s impact on a range of environmental, social and governance issues. These were identified under the four pillars of social, environmental, economic and financial stability.</p> <p>Social Stability – Talent Management, Customer Centricity, Shared Value, Diversity and Inclusivity Environmental Stability – Shared Value (KCB Green Agenda and the SDGs) Economic Stability – Business Growth and Operational Financial Stability – Corporate Conduct and Risk Management.</p> <p>These seven material issues were analysed further, and appropriate strategic responses to enhance their positive impact were prepared accordingly. The findings and improvements reported annually under the Bank’s Ten Point Action Plan.</p> <p>All the material issues affect our major customer segments comprising of Corporate and SME</p> <p>In order to contextualize the bank’s emissions exposure, the bank is in the processing of assessing its emission baseline that will inform the climatic target to be set. However as part of its environmental negative impact reduction, the bank started by working on its scope 1&2 emission assessment where comprehensive assessment of its internal carbon footprint according to the GHG protocol</p>	

<p>d) <u>Scale and intensity/saliency of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/saliency of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p><i>Show that building on this analysis, the bank has</i></p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>was done, identifying its scope 1 & 2 with 2017 as the baseline year. The emission boundaries included Scope 1 – stationary combustion, mobile combustion, and air conditioning; Scope 2 – electricity consumption and Scope 3 –</p> <p>The findings were that KCB Group's emissions are much lower than its regional peers with an emissions of 8,739 tCO₂e under scope 1&2 emissions. Moving forward scope 1&2 forms part of an annual reduction target by the group by utilizing and integrating efficient technologies and renewable power. Target setting for scope 3 emission will be communicated as part of the public communication.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
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<p>2.2 Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p><i>Show</i> that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show</i> that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>The Bank has set and reported on key aspects of reducing scope 1&2 emission as follows;</p> <ol style="list-style-type: none"> 1. Adopted LED lighting throughout its bank branches, set at 5% against an achievement of 35% 2. Reduced its carbon emissions by 23% in 2020 as compared to 2019 3. Reduced its portfolio environmental and social negative impact through rigorous assessment of E&S risk achieving a facility book worth KSh 91.8 billion in 2020, against a target of over KSh 70 billion. <p>All these initiatives are linked to the Bank’s adopted SDG 13 Climate Action.</p> <p>The Bank has also identified 2020 as the baseline year for collecting and reporting SDG data, and all targets will be reported against this baseline.</p> <p>On gender and financial inclusion. The bank set a target of achieving 10% of our suppliers to be people living with disability while developing products that are oriented towards reaching out for women customers more.</p>	
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>KCB Group has defined approach to ensure that it meets its PRB integration and set targets;</p> <ol style="list-style-type: none"> 1. The bank is undertaking a baseline setting for its emission for climate target setting towards net zero 2. The bank is integrating gender and financial inclusivity as a core item in its agenda. Already inclusivity is monitored and reported annually. 3. The bank is working on process improvement of its climate data since this is a new initiative done on voluntary basis from clients point of view. 4. The bank annually set SDGs targets for various division to enable implementation of the SDGs while constantly reviewing for possible adoption of the rest of the SDGs 	
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p><i>Show that your bank has implemented the actions it had previously defined to meet the set target.</i></p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p><i>Report on your bank’s progress over the last 12</i></p>	<p>KCB Bank reported progress under the targets through its Ten Point Action Plan. Over 90 KPIs were collected under Responsible Lending, Empowering Youth and Community, Talent Management and Diversity, Product Development and Innovation, Ethics and Integrity, Environmental Footprint, Cybersecurity Awareness, Partnerships and Portfolio Reimagining.</p> <p>However, in 2021, we are moving towards reporting the KPIs aligned under the SDGs, and will be discontinuing the Ten Point Action Plan, for greater transparency and alignment with global standards. In 2021, we have also introduced an internal data collection tool for collecting quarterly updates on the KPIs under the nine adopted SDGs. This is a secure online platform accessible by KCB staff in different divisions. It collects the data, and visually represents the achievements and progress under each SDG.</p>	

<p>months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>For scope 1&2 emission target The bank is oncourse achieving an annual 10% internal footprint reduction. Scope 3 reduction is yet to be assessed as a baseline is being assessed</p> <p>Gender and Financial inclusion. The bank achieved a 22% on its suppliers being people living with disability. The Bank is focused on providing financial inclusion to our customers through digital Banking channels through its new strategy “Beyond Banking” for 2020-2022. KSh 106.1 billion worth of loans were restructured for clients.</p>	
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Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

Principle 3: Clients and Customers

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

<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>The Bank has three sustainability policies in place – Sustainability policy, Social and Environmental Management System (SEMs), and Gender and financial inclusion policy. These policy are in harmony internationally accepted standards such as the IFC Performance standards, relevant national laws such as the Environmental Management and Coordination Act. The polices are usually updated every five years to reflect new updates.</p> <p>The Bank’s 2020-23 strategy firmly puts the customer first serving them through an upgraded IT architecture and digital services. The Bank’s sustainability policy specifically addresses creation of value for customers through sustainability. This is embedded in procedures relating to lending as well as across the supply chain of the Bank.</p> <p>If the client’s project passes the KCB Exclusion list review, the appraisal process continues with a thorough environmental and social due diligence, including an environmental social impact assessment (ESIA) study for green field projects and environmental audits for existing projects. It is mandatory for all projects categorized as A & B respectively as per E&S risk categorization matrix for the RMs to do a site visit for verify and validate possible</p>	
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	<p>project's social and environmental issues as may be called out by the technical experts in the provided ESIA report.</p> <p>The Bank processed facilities worth 91 billion for social environmental assessments in 2020 and screened over 87 loans through ESDD. Relationship managers work closely with clients to raise environmental and social impact concerns to mitigate them in time.</p> <p>The Bank is a member of the UN Global Compact and upholds the Ten Principles of the UNGC. The Bank has been conducting annual supplier conferences for the past 4-5 years, themed around sustainability. In 2020 this was a fully virtual conference with over 200 participants.</p>	
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>The Bank is focused on providing financial inclusion to our customers through digital Banking channels through its new strategy "Beyond Banking" for 2020-2022. KSh 106.1 billion worth of loans were restructured for clients.</p> <p>There was a tenfold growth in mobile Banking between January and December 2020. Mobile loans advanced increased to KSh 212 billion in 2019 from Kes. 54 billion in 2018, and 400 million in 2014. The cumulative disbursement over the last five years totalled to KSh 319 billion shillings via mobile. This represents numerous individuals whose shelter was secured, thousands of small, medium and micro businesses that remained in operation, thousands of school fees invoices settled on time and countless other forms of bills that were paid.</p> <p>Additionally, the customers are supported by thousands of agent and merchant outlets across the region. During COVID, mobile Banking charges for transactions up to 1000, balance inquiry and transfers were waived. These actions resulted in a significant growth in mobile Banking volumes to Kes. 900 billion.</p> <p>Despite COVID, the Bank managed capacity building for 73 livestock groups to help with production and record management trained 219 leaders of livestock groups on governance and planning and trained 1,095 farmers on productivity and records management. We also helped in the establishment of 12 demonstration farms to support livestock productivity, supported livestock tagging in Laikipia and Taita Taveta counties and linked 15 livestock groups to off takers. KCB Bank Rwanda partnered with SPF</p>	

	Ikigega to boost agribusiness MSMEs linking 22,685 farmers to inputs and training 6,855.	
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Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The Bank engages with customers, employees, shareholders and suppliers as part of its annual materiality assessment. It works on the identified issues through actions authorized by the Board in accordance with Group strategy. The Bank also works with various local and international partners to improving the Banks’ sustainability impact. Kenya Banker’s Association The KCB Group CEO is the Chairman of the Kenya Bankers’ association and leads efforts on implementing the Sustainable Finance Initiative (SFI) in Kenya. SFI provides online training to Bankers with e-learning modules on environmental and social risks, green financing, new investment opportunities and more. UNEP FI KCB Group is founding Bank and active partner in the UN’s Principles for Responsible Banking, sharing experience and best practices globally on implementing and aligning with the SDGs, greening the lending portfolio, committing to a net zero goal by 2050 and meeting the goals of the Paris Agreement.</p> <p>KEPSA The Kenya Private Sector Alliance works with companies in Kenya to align with the SDGs. High performers are recognized for their achievements, and KCB has been nominated and won many such awards.</p>	
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Principle 5: Governance & Culture
We will implement our commitment to these Principles through effective governance and a culture of responsible banking

<p>5.1 <i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>The Bank has three sustainability policies in place – Sustainability, Social Environmental Management policy, and gender and financial inclusion policy. These refer to international standards such as the IFC Performance standards, relevant national laws and policies which are updated every five years to reflect new updates.</p> <p>These policies were updated in in 2020. Further, in 2021, the Bank is updating its policies to align with Green</p>	
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	<p>Climate Fund accreditation including the procurement policy.</p>	
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>KCB Group has always prioritized sustainability and responsible Banking. The values and culture around responsible Banking are embodied by the leadership and cascaded throughout the organization through Sustainability Champions appointed in every division.</p> <p>Sustainability Champions are responsible for spreading awareness about sustainable measures, collected data around KPIs aligned with SDGs and ensuring responsible Banking stays top of mind for KCB employees. The Champions are engaged weekly on the latest updates in sustainability news and policies through curated and targeted content.</p> <p>The Bank also carries out annual sustainability awareness and training in accordance with the Kenya Banker’s Association’s Sustainable Finance Initiative. The Bank is a strong supporter of empowering women, both for customers and employees.</p> <p>The Women Proposition product was rolled out in August 2020, to support more women led businesses, leading to loans of almost KSh 10.8 billion. Internally, women employees have coaching and mentorship available to fast track career growth.</p> <p>The bank has in place a continuous capacity building programme where staff a trained on sustainability initiatives aligned to the banks agenda. This is done both through e-learning platform and also through virtual trainings.</p> <p>The bank is further working towards formulating key performance indicators aligned to the principles of responsible banking across different teams in the coming months.</p>	

<p>5.3 Governance Structure for implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>The bank has a well structured management to implement PRB with a a KCB Group Board, KCB Executive Committee, Risk Committee, KCB Subsidiary Managing Directors and the Group CEO review, challenge and approve the sustainability framework and strategy for the Bank.</p> <p>They ensure there are enough resources and manpower available for implementation. The target setting is done through a consultative process; policies implementation is tracked by the Group Board. The KCB Legal division, Risk division and Group internal audit provide monitoring and reporting on overall sustainability risks.</p>	
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Please provide your bank’s conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Principle 6: Transparency & Accountability

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

<p>1.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has</p>	<p>The Bank is working to improve its processes in accordance with the adopted SDGs. The 90 plus KPIs are being streamlined to align with the SDGs. The Bank is working to report according to the updated GRI standards, the Principles for Responsible Banking as well as the IFC Performance standards and the GCF.</p> <p>Its sustainability policies monitor and ensure compliance with national laws and priorities for sustainability, such as the Climate Change Act of 2016, Energy Act of 2019, National Climate Change Action Plan (2018-2022) and other relevant plans are put in consideration as we conduct our businesses.</p> <p>The Bank has updated its policies in 2020. It is piloting a new SDG tool to streamline, automate and collect data on indicators internally from each division. It is aligning these actions with the Principles.</p>	
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<p>defined priorities and ambitions to align with good practice.</p> <p><i>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</i></p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p>		
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Annex: Definitions

- a. **Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. **Significant Impact:** Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.