

Internal Memo



To	:	KCB GROUP CEO	Date	:	19 October 2016
From	:	Head Of Corporate & Regulatory Affairs,	Department	:	Corporate & Regulatory Affairs
Subject	:	UN GLOBAL COMPACT COMMUNICATION ON PROGRESS REPORT.			

The United Nations Global Compact (UN Global Compact) is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. It is a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals. Currently the UN Global compact has 12,000 signatories in 170 countries both developed and developing representing nearly every sector and size. The KCB Bank Group signed and committed to the UN Global Compact in November 2014. One of the commitments for signatory organizations is to submit an annual Communication on Progress (COP) Report, failure to which, the organization is purged from the UN Global compact publicly. In this regard we would like to submit the attached annual COP Report before the deadline.

Approval

We therefore seek approval of the COP by appending your signature on the same.

Yours Sincerely,
For: KCB BANK KENYA LTD.


HEAD OF CORPORATE & REGULATORY AFFAIRS
Judith Sidi Odhiambo, *Peter Mwaura for:*

Head Of Corporate & Regulatory Affairs.

We kindly request for approval by sign off, on the below, in line with the above memo summary.

Approver's Name: Joshua Oigara Approver's Designation: GROUP CEO / MD

Approver's Signature:  Date: 25-10-2016

COMMUNICATION ON PROGRESS (COP)

BASIC TEMPLATE

Period covered by your Communication on Progress (COP)

From: To: 2015

1. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER (OWNER OR PRESIDENT IN THE CASE OF SMALL BUSINESSES)

Please use the box below to include the statement of continued support signed by your company's chief executive

18th October 2016

To our stakeholders:

I am pleased to confirm that [KCB GROUP] reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,



[Joshua Njirau]

[KCB Group Chief Executive Officer and MD Kenya]

2. DESCRIPTION OF ACTIONS

Human Rights

Please use the box below to describe **actions** your company has taken in the area of human rights. Examples include:

- Under the Sustainability pillar number 9 that touches on Diversity, KCB has an employee profile that closely mirrors the natural population, more effort is being put to attract and retain women at the higher management levels of the organization.
- In the same bid to achieve a diverse approach towards obtaining the Banks Sustainable goals, KCB has maintained a No Discrimination policy towards any staff or customer that strictly prohibits such acts and subsequent consequences are also in place if it happens to occur.
- The KCB Sustainability Department is in the process of introducing Disability mainstreaming efforts within the workplace so as to promote a financial inclusion programme entails building capacity of staff and reviewing their service delivery to their customers to ensure they are inclusive
- KCB Group also has a Disciplinary and Grievance Handling policy that forms the framework for handling grievances. The Employee Grievance Handling Committee comprises various members who have been appointed from the business to listen to and determine grievances from employees.

Labour

Please use the box below to describe **actions** your company has taken in the area of Labour. Examples include:

- The KCB Human resources division has also ensured that it observes the recommended minimum wages and remuneration in concern with its employees across the East African region to ensure that they comply with the international Human Resource guidelines.
- The Bank is indeed responsible for promoting sustainability awareness with stakeholders. We have also engaged with our suppliers through our annual suppliers' conference to adhere and practice with the set sustainability guidelines and principles put in place within the UN Global Compact Initiative by signing the Sustainable Finance Initiatives Code of Ethics.
- Pillar 3 of the KCB Sustainability Agenda focuses on Employee development where we consider our employees as are our most important asset. As such we continued to improve our employee value proposition to address remuneration, our employee retention strategy and skills and knowledge development through our e-learning channels as well as classroom-based learning.
- We make it a priority to listen to our employees and understand their views. Every year we engage external consultants to deploy an online survey to all staff. Through this survey, we gain feedback from employees on satisfaction and engagement. We also engage with employees informally through internal communications channels and regular team meetings. In 2015, the response rate for the employee satisfaction survey/index was 69%. Following the employee engagement forums, clear action plans were developed to respond to the feedback obtained from the employee opinion surveys. This feedback will form the basis of future programs and interventions.
- The safety of our employees is of fundamental importance to us. We have in place an Occupational Health and Safety (OHS) Committee, which meets on a quarterly basis to review and advice on the current status of OHS issues for the Group.

Environment

Please use the box below to describe **actions** your company has taken in the area of environment. Examples include:

- The KCB Group Occupational Health and Safety (OHS) Committee has 96 OHS Committees composed of management and unionisable staff representatives for branches that have more than 20 employees. All workplaces have trained Fire Marshals and First Aiders who are in place to prevent and address accidents affecting the environment and human health.
- In our commitment to protecting and preserving our environment, we have over the last two years engaged with various partners and like-minded organizations. We have subscribed to various international frameworks, agreements and initiatives, as well as various organizations who share the same values as us so as to promote various environmental initiatives including reducing our environmental impact as well as demonstrating our commitment to ensuring we become a responsible environmental leader in the banking industry.
- We are a signatory to UN Global Compact, a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. We have also signed a statement of support for the Women's empowerment principles with the United Nations Women in Kenya.
- KCB Group endorsed the NDC which is a declaration by the financial services sector demonstrating their commitment at the Rio+ 20 Earth Summit to work towards integrating National Capital considerations into our financial products and services for the 21st century.
- As our business continues to grow, we are committed to reducing our environmental impact and work towards becoming a carbon-neutral bank. Our carbon footprint emissions decreased by 11% from 22,445.00 (tCO₂e) to 19,880.50 (tCO₂e) between the years 2014 and 2015 and we have been successful in launching a 100% solar powered branch in use at the Maasai Mara. These outstanding results have been achieved through using an electronic document management system, which has resulted in reduced paper usage and use of less paper-based storage facilities. We have also been able to install hand dryers in some of our buildings which has led to the reduction in paper towel use. We have reduced paper consumption through adopting paperless transactions by giving our customers the opportunity to move to mobile and internet banking and electronic forms of communications.
- In order to understand and assess how our clients are managing the environmental and social risks associated with projects they are running, we have introduced rules and regulations, in the form of our Social and Environment Management System Framework, for lending to Corporate Banking clients. These regulations involve social and environmental assessments done in-house and apply to projects debt-financed by the Group and credit products with an exposure of over Kshs. 500 million. Our SEMS framework serves as our independent assessment tool that ensures that qualifying financed projects are in compliance with social and environmental standards both locally and internationally. The framework integrates social and environmental risk management into business process and aids KCB to avoid and manage loans with potential social and environmental risks by conducting social and environmental due diligence prior to loan disbursement.

Anti-Corruption

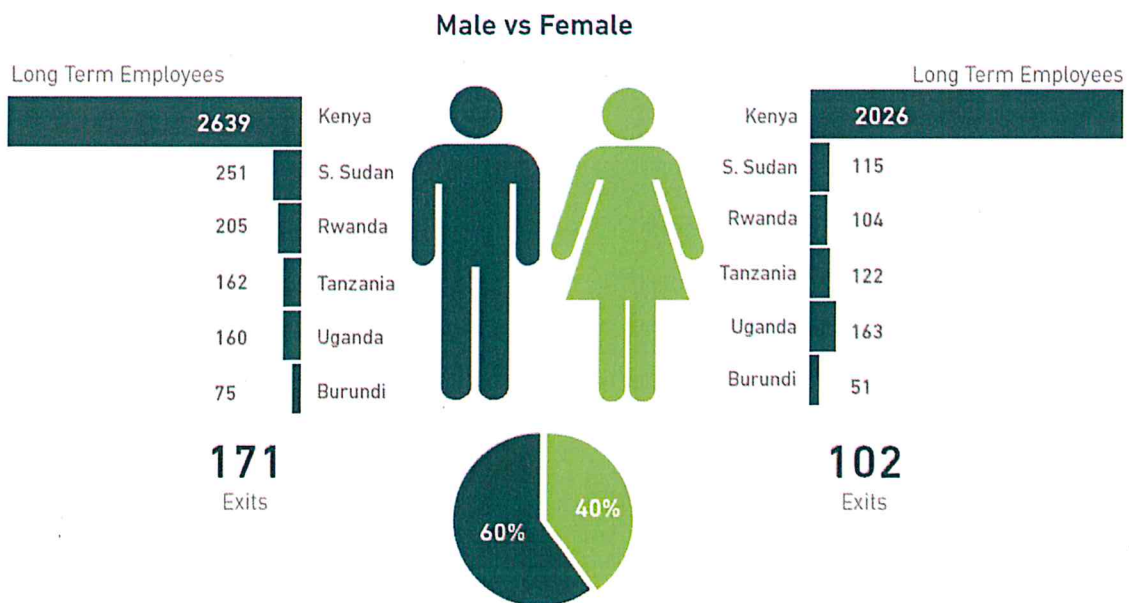
Please use the box below to describe **actions** your company has taken to fight corruption. Examples include:

- Pillar 5 within the KCB 10 Action Plan touches on Ethics and Integrity where as a bank we maintain that 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.
- We pride ourselves in having a Zero Tolerance to Corruption Policy. The Group Code of Conduct and Ethical Business is available to all staff through the intranet. Further, an ethics e-learning course has been availed to all staff across the Group and at all levels, including the Board of Directors. Our Group Code of Conduct requires staff to observe the highest standards of ethical behaviour in their interactions with our stakeholders.
- The Board has shown its commitment to ethics and anti-corruption by approving the Whistle-blower Policy that is in use throughout the Group. The Group has an established internal process and open door policy where staff are empowered and encouraged to openly discuss issues and seek support on ethical and lawful behaviour from the line managers. Every branch and division in each country has an appointed Ethics Champion who provides support to their respective unit and liaises with the Ethics Department team.
- There is also an externally hosted channel, "VOICE YOUR CONCERN" for staff to report on any issues anonymously via the email kcb@tip-offs.com. Staff are encouraged to raise their concerns on unethical and unlawful behaviour and on matters related to organizational integrity through the established channel. Internally, staff report to the Head of Compliance Risk & Ethics through Telephone Number: +254 20 3270 547 and +254 20 2852 547 or via email through ethics@kcb.co.ke

3. MEASUREMENT OF OUTCOMES

In the box below, please include the most relevant indicators to **measure outcomes**. Examples include:

- 71 employees participated in the Group Development Exchange Program.
- 82 interns were hired across the KCB Group within the 2014 - 2015 period.
- 200 participants in the Women in Leadership program.
- 297 job rotations were done within 2015.
- Senior Executive programs; Fast Forward (3 Exco Members, Group HR Director, CIO, Director Corporate Banking and Head of Corporate and Regulatory Affairs)
- Senior Executive program at the London Business School (1, Group CEO).
- 513 employees received training on human rights.
- Average training days for our 7,509 employees was 7.32 days per employee for the reporting period.

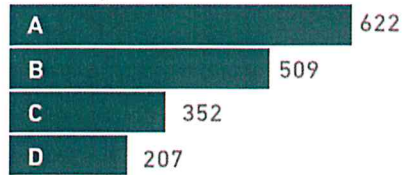


Separation statistics

Gender	End of Contract	Deceased	Redundancy	Resignation	Retired	Termination	VER	Total
Female	1	3	1	81	3	13		102
Male	4	5		115	7	37	3	171
Total	5	8	1	195	10	50	3	273
Distribution	1.8%	2.9%	0.3%	71.8%	3.7%	18.4%	1.1%	

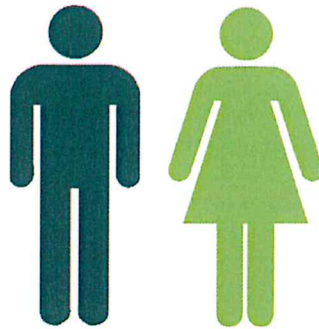
Male vs Female

Management Levels
(Level D being the Lowest)

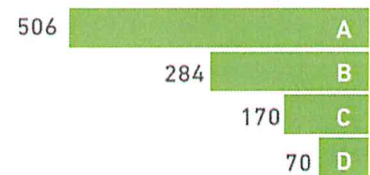


Employees Hired and Turnover

109 Hired
24 Turnover

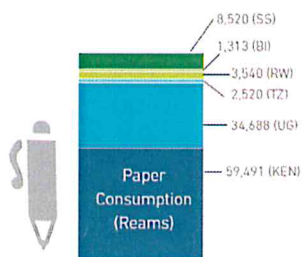
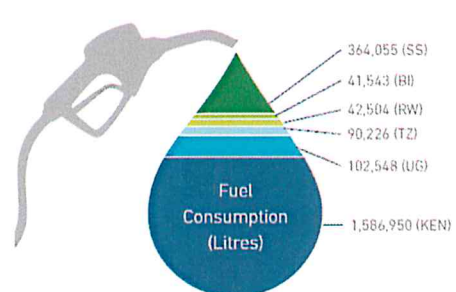
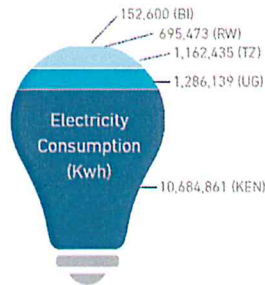
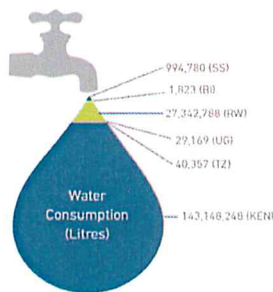
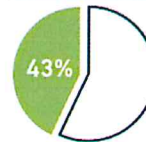


Management Levels
(Level D being the Lowest)



Employees Hired and Turnover

55 Hired
19 Turnover



Kenya
(KEN)

Uganda
(UG)

Tanzania
(TZ)

Rwanda
(RW)

Burundi
(BI)

South Sudan
(SS)