

2014 - 2016

# SUSTAINABILITY REPORT



KCB

BANK



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## About this report

We at KCB Group Limited are pleased to present our 2014 - 2016 sustainability report. This report explores our sustainability performance for the period January 1, 2014 to December 31, 2016. Any material events after the cut-off date and up to March 31, 2017 are included as applicable. This report should be read in conjunction with the many other supplementary reports and reviews we produce to cater for the needs of our diverse stakeholder groups, all of which are publicly available on our website at: [www.kcbbankgroup.com](http://www.kcbbankgroup.com).

## Scope and reporting framework

In general, unless indicated otherwise, this report covers our operations in Kenya, Uganda, Tanzania, Rwanda, Burundi and South Sudan. The boundary of the report includes all KCB operations as defined, and we have included all material aspects with regard to financial, economic, social and environmental performance.

It should be noted that this report contains some forward-looking statements. Such statements may be based on a number of uncertainties related to the future, and therefore actual performance and results may vary.

Within the report, we focus on the most material aspects of our business. We consider an issue to be material if it is likely to impact our ability to achieve our strategy, and to remain commercially sustainable and socially relevant over a short, medium or long term period. We also take into account the factors that affect the economic growth and social stability of the countries and regions in which we do business. These issues are detailed in the material issues section within this report.

We have leveraged the Global Reporting Initiative (GRI) G4 reporting guidelines (2013) and the GRI Financial Services Sector Supplement, supported by our internally developed policies. Our disclosures in relation to the GRI G4 indicators are available in the annex of this report.

For brevity and convenience, KCB Group Limited is referred to as "KCB" or "the Group" or "we" or "us" in this report.

To download a copy of the report please visit the KCB website at: [www.kcbbankgroup.com](http://www.kcbbankgroup.com).

## Contact Us:

### Company Name:

KCB Group Limited

### Address of Headquarters:

Kencom House, Moi Avenue, Nairobi, Kenya

**Post Code:** 48400-00100 GPO

**Tel:** +254 (20) 3270000 | +254 (711) 087000 | + 254 (732) 187000

**SMS:** 22522

**Website:** [www.kcbbankgroup.com](http://www.kcbbankgroup.com)

**Email:** [Contactcentre@kcb.co.ke](mailto:Contactcentre@kcb.co.ke)

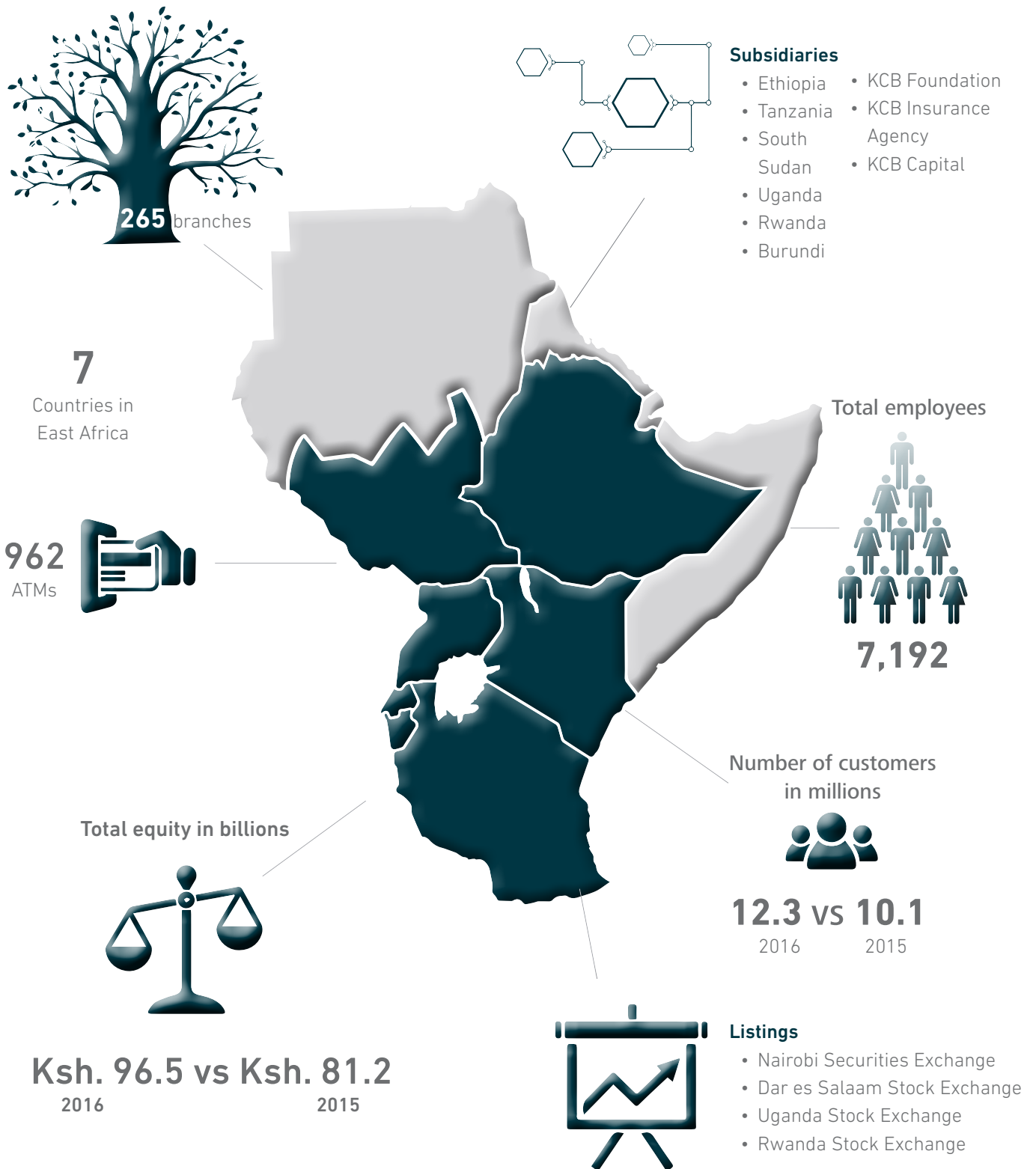
### Contact Department:

Office of Corporate and Regulatory Affairs

*We value your views and feedback on our sustainability reporting. For any inquiries on matters related to this report, please contact us at [sustainability@kcb.co.ke](mailto:sustainability@kcb.co.ke)*



## Report boundary











01

# EXECUTIVE SUMMARY



# KEY HIGHLIGHTS

## Financial Performance



Item	Change	2016 (Ksh)	2015 (Ksh)	2014 (Ksh)
Total Assets	Up 7%	595.2 billion	558 billion	490.3 billion
Net Loans and Advances	Up 11%	385.7 billion	346 billion	284 billion
Customer Deposits	Up 6%	448.2 billion	424.4 billion	377.3 billion
Shareholder Funds	Up 19%	96.6 billion	81 billion	75.6 billion
Long Term Debt Funding	Up 14%	23 billion	20 billion	12.7 billion
Profit after Tax	Up 1%	19.7 billion	19.6 billion	16.8 billion
Net Interest Income	Up 20%	47 billion	39.2 billion	35.9 billion
Fees and Commissions	Down 11%	12.6 billion	14.2 billion	12.7 billion

## Information technology advancements



- 2016 – Successfully upgraded the core banking system, T24, within time and budget, resulting in increased capacity for over 30 million customers.
- 2016 – 53% of customer interactions on mobile banking platforms.

## Network spread



- 2016 – 12.5 million customers, up from 10.1 million in 2015.
- 2016 – 10.3 million mobile banking customer accounts (includes KCB mobile banking, KCB Mbenki and KCB-M-Pesa) up from 6.5 million in 2015.
- 2016 – 13,562 agency outlets up from 11,948 in 2015.

## Digital payments



- 2016 – 90% of loans processed on mobile banking platforms.
- 2016 – 5.7 million loans (worth Ksh. 14 billion) disbursed via KCB mobile banking, up from 3.5 million loans (worth Ksh. 8.5 billion) in 2015.
- 2016 – 5.3 million loans (worth Ksh. 9.9 billion) disbursed via KCB-M-Pesa, up from 3.2 million loans (worth Ksh. 6.6 billion) in 2015.
- Main revenue collection agent for 5 counties (Kiambu, Nakuru, Mombasa, Kisumu and Meru).

## Youth agenda



- 2016 – 2,234 students were enrolled in the pilot phase of the 2jijiri programme (a wealth and job creation programme of the KCB Foundation targeting the youth and small business owners) in 114 vocational training centres in 20 counties. 40% female, 60% male.
- 2016 – 600,000 new accounts opened for the youth on Bankika.
- 2015 – Launch of 2jijiri programme.

## Customer experience



- 2016 – Customer retention rose 10% from 89% to 99%.
- 2016 – Employee satisfaction rose to 87% from 82%.
- 2015 – Launch of the 'Quest for Purpose' at KCB, a flagship brand purpose process.
- 2015 – Established a dedicated 24 hour Contact Centre.
- 2015 – Electronic Queueing Management System (eQMS) operational in 55 branches.
- 2014 – Established a Customer Experience Division.

## New businesses



- 2015 – KCB successfully obtained a license to operate a representative office in Ethiopia.
- 2014 & 2015 – KCB successfully established Bancassurance, KCB Capital and Islamic Banking.

## KCB's Credit rating



- Moody's – B1.
- Standard & Poor's (S&P) – B+/B.
- KCB's international credit rating is at par with Kenya's sovereign credit rating.
- Global Credit Ratings Co (GCR) – AA (KE).



### Strategic partnerships



- 2016 – Our partnership with Safaricom Limited continued to grow and saw us register over 7.8 million customers on KCB M-Pesa platform. This has facilitated disbursement of Ksh. 9.9 billion in loans to date.



- 2015 – KCB was part of the Kenya Bankers Association (KBA) working group that helped constitute the Sustainable Finance Initiative (SFI).



- 2015 – Partnered with the Government of Kenya to launch Inua Jamii to aid the national social protection scheme, National Social Safety Net program, being implemented by the Ministry of Labour, Social Security and Services.



- 2015 – Signed up for Green Growth Initiative alongside Kenya Association of Manufacturers (KAM) to support transformation of sustainable lifestyles.



- 2015 – KCB committed to support the Government of Kenya by funding contractors under the Kenya Infrastructure/ Road Annuity Program.



- 2014 – Partnered with United States Agency for International Development (USAID) and General Electric (GE) to provide health financing across Kenya.

#### 2015 Think Business Banking Awards

- Best Bank in Customer Service
- Best Bank in Asset Finance
- Best Bank in Mortgage Finance
- Best Bank in Product Innovation
- Best Bank in Mobile Banking

#### 2015 PRSK Awards

- New Media Campaign of the Year, awarded for the #KCBBacktoSchoolCampaign
- Overall Campaign of the Year
- Sponsorship campaign of the year awarded for KCB Foundation Mifugo ni Mali project
- Social Responsibility Campaign of the Year awarded to KCB Foundation

#### 2015 The Banker Africa Awards

- Best Regional Bank
- Best Commercial Bank
- Most Socially Responsible Bank

#### 2015 The Euro Money Awards

- Best Bank in Kenya
- Best Bank in Africa



#### 2016 Think Business Banking Awards

- Winner – Chief Executive of the year
- Winner – Best Bank in Mortgage Finance
- Winner – Best Bank in Product Marketing

#### 2016 Kenya Bankers Association (KBA) Sustainable Finance Catalyst Awards

- Winner – Best overall
- Winner – Tier 1 Best practice in sustainable finance
- Winner – Sustainability through policy & governance
- Winner – Case study on bank operations (green policy/ green branch/ green headquarters)

#### 2016 PRSK Awards

- Winner, Consumer Relations Campaign of the Year – Lions' Den

#### 2016 The Banker Africa Awards

- Best retail bank in East Africa
- Best commercial bank in Kenya
- Best commercial bank in East Africa
- CEO of the year

#### 2016 OLX SOMA awards

- Winner, Social Corporate – Financial Services Award

# GROUP CHAIRMAN'S STATEMENT



**“Sustainability has the power to create immense value. We have people who can greatly impact the future of generations to come through sustainability.”**

## **How does KCB's sustainability strategy fit into the vision of the Group?**

Sustainability is an important part of how we do business. It directly informs our growth strategy. In 2016 we continued with the implementation of our revised Group Strategy which was re-launched in 2015, whereby we redefined our purpose to 'Simplifying your world; enabling your progress'. Simply put, we are committed to ensuring our customers get services in the quickest and shortest possible time by simplifying our processes and being transparent and approachable. We shall enable our clients' progress by availing resources and creating transformative partnerships aimed at enabling growth and bringing positive change.

As we move towards embedding sustainable banking practices, our approved sustainability framework and policy articulate the Group's four key pillars that drive our current and future sustainability vision. The four pillars are hinged on financial, economic, social and environmental factors.

## **What drives your sustainability focus?**

Our sustainability focus is determined by our corporate strategy. Our sustainability agenda has been integrated into our Group Corporate Strategy and contributes towards our financial, economic, social and environmental growth and the maintenance of a stable society in line with our corporate values. At KCB, sustainability makes business sense and it is mainstreamed into business operations. Simply put, it is our way of doing business.

## **What is the progress of the Bank's sustainability strategic focus to date?**

2016 marked the ninth year since we began implementing sustainability initiatives as part of our strategy. I am pleased to report that, over the years, we have made significant progress on our ten point action plan which outlines strategic areas of focus for KCB in its journey towards becoming a sustainable financial services institution. The action plan, described further in this report, has seen KCB contribute to long term business

success while contributing towards economic and social development, a healthy environment and a stable society. Throughout the report we have outlined our achievements in these areas to date, and I believe we are on the right track.

## **What were some of the key KCB sustainability highlights in 2014 through to 2016?**

As our geographical footprint and network spread continues to increase with the establishment of more branches and agency outlets in the region, we are cognisant of the need to ensure long term business success by contributing to the economic, social and environmental stability of the societies we operate in.

During the inaugural Kenya Bankers Association (KBA) 2016 Sustainable Finance Catalyst Awards for banks and other financial sector players that have demonstrated leadership and innovation in sustainability, KCB won a total of six awards (including best overall award), cementing our leadership role in driving sustainable initiatives.



As a Bank, we adopted the Sustainable Finance Initiative (SFI) guiding principles in 2015 having envisioned that the principles outlined in the initiative were consistent with our sustainability framework. We continue to equip our stakeholders with the right capabilities, commitment and enthusiasm by adopting the industry based Sustainable Finance Initiative (SFI) e-learning platform where we managed a certification score of 84% during the period.

Our environmental conservation efforts are aimed at protecting our planet and natural resources. During the period, KCB was involved in various activities to promote these efforts. For example, we have a 100% solar powered branch in Maasai Mara, our building located in Upperhill Nairobi is a green building, the roll out of internet and mobile banking has reduced our consumption of paper reams and we have installed energy efficient lighting with motion sensors and LED lighting in some of our branches.

2016 witnessed the full integration of our Environmental and Social Management System (ESMS) into our lending process, further aligning our key business operations with our sustainability framework. A total of 42 social-environmental assessments were undertaken for facilities worth Ksh. 89 billion.

Through partnerships with like-minded institutions, we have also been able to contribute to society by providing solutions aimed at enhancing service delivery to citizens in the ongoing devolution process in Kenya. We launched a programme aimed at facilitating the collection of taxes in some counties. We also introduced cashless payments for the transport sector through the multi-functional transit debit card "Pepea card". To promote financial inclusion, we have developed products and services such as the KCB M-Pesa, mobile banking, internet and agency banking

and expanded our agency network to over 13,500. These initiatives have gone a long way in ensuring paperless banking, promoting contactless digital payments and reduced our carbon footprint. Further details on these partnerships can be found under the community investment and financial inclusion sections of this report.

The KCB Foundation has also been involved in a number of corporate social responsibility initiatives. Ksh. 438,874,290 was allocated to the KCB Foundation in 2014 and 2015. We continue to focus on enterprise development, to which effect we have rolled out two flagship programmes in livestock development dubbed "Mifugo ni Mali," and Youth empowerment dubbed "2jiajiri". These programmes address the needs for economic empowerment of our people in East Africa and through partnerships and collaborations we shall see the impact of this social investment in the medium term.

#### What is KCB looking forward to going into the future?

I am delighted that sustainability is now part and parcel of the way we do business at KCB. We continue to take the necessary steps in training our staff on the implementation of the various sustainability strategies adopted by the Bank in our operations.

We look forward to entrenching technology and innovation to drive efficiencies in our operations in order to serve our customers better with relevant products that meet their expectations. This will not only result in the generation of higher growth rates, but also achievement of our sustainability strategic and sustainability initiatives.

**Ngny Biwott**  
CHAIRMAN

# GROUP CEO'S STATEMENT

"In our journey towards prosperity, we at KCB are guided by our purpose of why we exist as an organization; Simplifying your world, enabling your progress. We continue to monitor our financial, economic, social and environmental impact and maintain 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, willingness to change and caring for the community."

## What does Sustainability mean to KCB?

As Eastern Africa's leading financial solutions provider with significant influence on the socio-economic prospects of the region, we owe it to our stakeholders to be considerate of the impact our operations have not only to our profitability, but also on the society and the environment we operate in. In this respect, we view sustainability as a key driver of our corporate strategy and a means for creating a competitive advantage to and for our stakeholders.



## What are your sustainability goals?

Our sustainability initiatives have been embedded into our business as part of our long term strategic vision. Measurement is an important component of our management approach as we are constantly looking for opportunities to improve our performance. In this respect, our sustainability performance is measured against our 10 point action plan that provides our short, medium and long term targets.

In the short term, we aim to boost our capacity building proposition on sustainability matters; enhance our lending model through responsible lending practices; develop our employees and build a critical human capital mass to drive the business in the years to come and implement projects to drive down energy, transport, water and waste costs across the Group.

In the medium term, we are looking to enhance the external compliance process and improve transparency while adopting zero-tolerance to unethical behaviour; undertake analysis of community investment programmes to identify value at stake, benefits delivered and opportunities;

manage our energy consumption through utilization of green energy and intelligent building technologies; and ensure we maintain state-of-the-art security measures on our operations and continually monitor our business for weakness and breaches.

In the long term, we plan to ensure that diversity is a key determinant of our decisions with a focus on attracting and retaining women at the higher management levels of the organization, and promote financial inclusion in our region by adoption of technology and embracing innovation to deliver services to all marginalized communities.

## What are the most significant highlights on sustainability since the last report?

I am very proud of what we have accomplished in the period since our last report for 2013. None of our achievements would be possible without the dedication of our employees—more than 7,000 across the seven countries in which we operate. Beyond the daily improvements we make around our operations, the most important changes relate to our ability to have a positive impact on our society, economy and environment.



2015 saw the adoption of the Sustainable Finance Initiative (SFI) Guiding Principles by the banking industry in Kenya through the umbrella body, the Kenya Bankers Association (KBA). As KCB, we are proud to have been associated with this initiative as one of the 12 banks selected in conjunction with the KBA Secretariat to help constitute these principles which will go a long way in guiding a good balance between business goals, the economy's development priorities and socio-environmental concerns.

In 2015, we launched our enterprise development programme, 2jiajiri, expected to benefit at least 500,000 entrepreneurs in 5 years, thereby creating at least 2.5 million direct and indirect jobs. The main objective of the programme is to provide the beneficiaries with vocational and enterprise development skills necessary to drive employment and wealth creation in selected sectors such as agricultural enterprise, automotive engineering, construction, beauty and domestic services

#### **What do you look forward to in the future?**

For many years now, we have continued to innovate and improve our operations in a bid to make meaningful progress on our sustainability journey.

Going forward, we are planning to align our sustainability strategy to the Sustainable Development Goals (SDGs). These are a set of 17 global goals and 169 objectives that replaced the Millennium Development Goals (MDGs) agreed upon by the United Nations (UN) member states, ranging from social and economic issues to be achieved by the year 2030.

The Group is planning to release its first True Value Report in the year 2017. The purpose of this report is to create value to all our stakeholders through the various products and services in our business. This monetization methodology will assess earnings, economic value add, social externalities, environmental externalities and quantify them into financial earnings.

We will continue entrenching our Environmental and Social Management System (ESMS) into our financing decisions for lending to Corporate and small and medium-sized enterprise (SME) clients. In 2017, this process will also be implemented in micro-lending.

We are committed to being a sustainability leader by contributing to the green economy which is new to the industry. We plan to partner as an industry to raise Green Bonds (issued to fund projects that have a positive environmental impact). The Group is also looking at raising funds from the Global Climate Fund to support some of the green financing projects such as Mifugo in Mali, agribusiness and Inua Jamii.

It is our belief that these efforts, combined with continuous improvement towards our goals, will raise our sustainability performance and help all of our stakeholders understand our intense desire for continued progress. We recognize the importance of our work for the future of our business and the communities we serve and we are ready to deliver on our promise to our stakeholders.

**Joshua Oigara**  
GROUP CEO









02

ABOUT  
KCB GROUP

# WHO WE ARE

KCB is the oldest financial services institution in Eastern Africa having been established in 1896 in Zanzibar before opening a branch in Kenya 8 years later. Over the years, the Group has grown and spread its wings to Uganda, Tanzania, Rwanda, Burundi, South Sudan and Ethiopia. Today KCB has the largest branch network in the Region with 265 branches, 962 ATMs and 13,562 agents offering banking services on a 24/7 basis in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda. Our large geographic footprint supports our mission to grow our market share in the African markets.

The operations are complemented by mobile and internet banking services and a 24-hour contact centre for our customers to get in touch with us. The Group has a wide network of correspondent relationships totalling to over 200 banks across the globe. Our customers are assured of a seamless facilitation of their international trade requirements wherever they are.

## Our History

# 1896

### First operations

Commenced operations in Zanzibar as a branch of National Bank of India



# 1904

### Kenya market entry

Entrance into the Kenya market



# 1957

### Merger

Merger between National Bank of India and Grindlays to form National and Grindlays Bank



# 1972

### Mortgage

Acquired Savings and Loan (Kenya Limited) the largest specialist mortgage finance company



# 1970

### Acquisition

Government of Kenya acquired 100% shareholding. Bank renamed to Kenya Commercial Bank Limited



# 1997

### KCB Tanzania

Opened first branch in Tanzania

# 1988

### Government of Kenya

Kenya Government sold 20% of its stake on NSE through an IPO







# 2015

- KCB was the first Bank in Kenya to issue an integrated report. The Bank also launched KCB M-Pesa and Sahl banking which is governed by Sheriah laws.
- KCB Group entered the Ethiopia market via a representative office.



# 2016

Appointed as the first bank receiver of a local Kenyan bank under receivership by Kenya Deposit Insurance Corporation (KDIC) with the endorsement of the Central Bank of Kenya (CBK)

# 2014

## Launch

KCB Capital and KCB Insurance launched



# 2012

## KCB Burundi

Completed our East African Regional Presence with opening of KCB Burundi



# 2008



**KCB Rwanda**  
Entrance into Rwanda

## T24

Implemented T24 core banking system in all countries of operations

## Sustainability Report

Launched the first KCB Sustainability Report

# 2011

## Record Profit

Posted a record Ksh. 15.1 Billion trading profit



# 2007

## KCB Uganda

Opened our first branch in Uganda



## KCB Foundation

Launch of the KCB Foundation

# 2003

## Rebranding

Rebranded to KCB Bank Limited



# 2006

## KCB South Sudan

Entered the South Sudan market



# WHAT WE DO

KCB Group operates through its various established subsidiaries across the region. Our products can be broadly categorized as below:

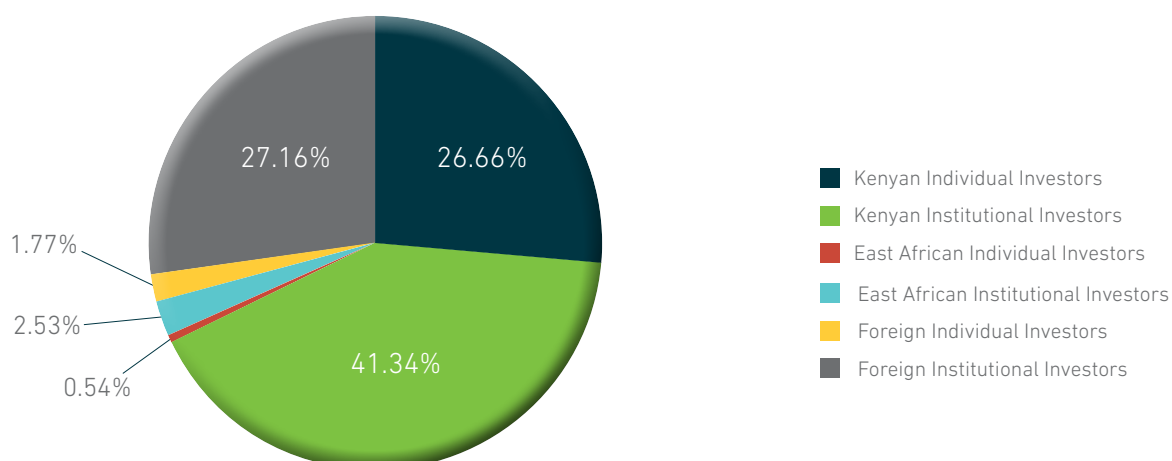
KCB Bank	Brands		Products	
	Personal	Business	Personal products	Business Products
Core brands	<ul style="list-style-type: none"> <li>• Cub</li> <li>• Me Banking</li> <li>• Bankika</li> <li>• Advantage</li> <li>• Home Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Business Solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Current Accounts</li> <li>• Simba Savings</li> <li>• Transaction Accounts</li> <li>• Term Deposits</li> <li>• Unsecured Personal Loans</li> <li>• Secured Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Current Accounts</li> <li>• Transaction Accounts</li> <li>• Fixed Deposits</li> <li>• Commercial Loans</li> <li>• Special Loan Schemes</li> </ul>
Flanker brands	<ul style="list-style-type: none"> <li>• Diaspora Banking</li> <li>• Mavuno</li> <li>• Sahl Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Tuungane</li> <li>• Boresha Biashara</li> <li>• Community Accounts</li> <li>• SME Solutions</li> </ul>		
Service channels	<ul style="list-style-type: none"> <li>• Mobi-Bank</li> <li>• i-Bank</li> <li>• Mtaani Agents</li> </ul>	<ul style="list-style-type: none"> <li>• Quick Serve ATMs</li> <li>• Contact Centre</li> <li>• Me Service Centres (NEW)</li> </ul>	<ul style="list-style-type: none"> <li>• Branches</li> <li>• Cards</li> </ul>	
Specialist services	<ul style="list-style-type: none"> <li>• Asset Finance</li> <li>• Trade Finance</li> <li>• Custodial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Banking</li> <li>• Insurance Services</li> <li>• Money Transfer Services</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Services</li> <li>• Mortgage Services</li> <li>• Islamic Banking</li> </ul>	

## Shareholders

KCB was the first bank in the region to cross list its shares in the stock exchanges of the region, namely: Nairobi Securities Exchange, Dar es Salaam Stock Exchange, Uganda Securities Exchange and Rwanda Stock Exchange.

Foreign investors have expressed confidence in KCB by buying the Bank's shares, and as of December 31 2016, they owned 29% of the total shares issued.

The Government of Kenya through the Principal Secretary to the Treasury of Kenya owns 17.3% of KCB shareholding and is the majority shareholder.





## Stakeholders

We rely on input and support from a variety of internal and external stakeholders for the continued success and sustainability of our business. Our broad base of stakeholders include those we have a direct relationship with, and who we communicate with on a regular basis. These priority stakeholders include investors, employees, customers, regulators, government, and communities. More widely, there are those stakeholders we engage with on specific issues, who have an indirect impact on the business and who may be impacted by our business activities. These stakeholders include suppliers, the media and the civil society.

With the evolution of our business strategy, and our continuous drive to understand the dynamic needs and perceptions of all our stakeholders, we are proactive in identifying and responding to misalignments between our actions and our stakeholders' expectations. To this extent, we have engaged in various stakeholder forums at various levels across the business and have even bigger plans to elevate our level of stakeholder engagement in 2017 and beyond.



## Overview of Corporate Governance practices

Corporate Governance is central to the Group's approach toward the enhancement of shareholder value. The KCB Board of Directors ("Board") recognizes that the maintenance and consistent practice and application of good corporate governance practices is key to the long term success of the Group's business and will enable the businesses deliver sustainable shareholder value.

Over the last three years, the regulators in the countries in the region in which the Group operates, have enhanced regulatory and risk management guidelines. The Group has fully embraced the changes and remains at the forefront in adopting best practices in corporate governance and risk management in the rapidly evolving financial services business environment.

Throughout the period, the Board and management of the Group have continued to comply with these regulations and requirements, including the Companies Act, Banking Act, Capital Markets Authority, Central Bank of Kenya (being the primary regulatory authority of the Group and KCB Bank Kenya Limited) and the regulations and requirements of the countries in which our subsidiaries operate. This has enabled the Group to undertake, in an effective manner, the prudent risk-taking activities which are the basis of our business.

KCB is governed by a Board of Directors ("Directors" or "Director") each of whom is, with the exception of the Group Chief Executive Officer and Group Chief Financial

Officer, elected by the Company's shareholders. The Board is accountable to the shareholders for the overall Group performance and is collectively responsible for the long term success of the Group. The Board achieves such success by setting appropriate business strategy and overseeing delivery against the set strategy. It ensures that the Group manages risks effectively and monitors financial performance and reporting.

## Group structure

KCB Group Limited is registered as a non-operating holding company with effect from January 1, 2016. The holding company oversees KCB Bank Kenya - incorporated with effect from January 1, 2016 - and all of KCB's regional units in Tanzania, South Sudan, Uganda, Rwanda, Burundi and Ethiopia. It also owns KCB Insurance Agency, KCB Capital, KCB Foundation and all associate companies.

The Holding Company was set up to enhance the Group's capacity to access unrestricted capital and also enable investment in new ventures, achieve operational and strategic autonomy for the Group's operating entities and enhance corporate governance across the Group and oversight in management of subsidiaries.

A comprehensive statement of corporate governance, including a detailed description of the Group's Corporate Governance Framework, Board of Directors and senior management, our approach to corporate governance and remuneration and Group shareholding structure, are presented in KCB Group 2016 Integrated Report and Financial Statements; page 60 – 68 available on this link: [https://ke.kcbbankgroup.com/images/downloads/Integrated\\_Report\\_2017.pdf](https://ke.kcbbankgroup.com/images/downloads/Integrated_Report_2017.pdf)





# RISK MANAGEMENT

Risk management is an integral part of our business and is embedded in our business strategy and planning cycle. KCB identifies, monitors and continuously manages various types of risks throughout the Group. We continuously improve our risk visibility and management process on an ongoing basis.

Risks are owned and managed by the business units as the first line of defence while the Risk Management function provides oversight as the second line of defence and the Group Internal Audit function maintains an overall assurance role as the third line of defence.

Risk Management Policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Below is an illustration of the interactions and the roles and responsibilities of KCB's Enterprise Risk Management and related functions.



Details regarding our Enterprise Risk Management Framework (ERM) are presented in the KCB Group 2016 Integrated Report and Financial Statements; pages 20 – 23 available on this link [https://ke.kcbbankgroup.com/images/downloads/Integrated\\_Report\\_2017.pdf](https://ke.kcbbankgroup.com/images/downloads/Integrated_Report_2017.pdf)







# 03 OUR SUSTAINABILITY STRATEGY

# SUSTAINABILITY AT KCB

Our business model is focused on sustainable value creation. We exist for our customers and as such we approach all aspects of our business from this perspective. The KCB Corporate Strategic Framework covers the period 2015 – 2019 and focuses on seven key areas of customer experience, network spread, youth agenda, digital payments, new businesses, robust Information Technology and strategic partnerships.

Sustainability has become an essential element of competitive advantage, something which our business cannot ignore. It is for this reason that our sustainability framework has been integrated into our Group Corporate Strategy and contributes towards our financial, economic, social and environmental growth.

## Sustainability vision

Our vision is to grow our existing business competitively in the market place and deliver long lasting financial benefits to society.

## Approach to sustainability

KCB has recognized the role of sustainability within the Group and we have therefore implemented sustainability initiatives and embedded them into our business as part of our long term strategic vision. This has been done through our Sustainability Framework which addresses four key areas – financial stability, economic, environmental and social sustainability.

The purpose of our sustainability framework is to formalize sustainability across the Group and to provide guidelines for the introduction, development, maintenance and implementation of proactive social and environmental management processes and procedures.

In order to achieve our overall Sustainability Strategy, we have developed a 10 point action plan that outlines the various short, medium and long-term initiatives that we are pursuing. Our strategic progress against this plan is discussed in the subsequent pages of the report.

## Sustainability framework



### FINANCIAL STABILITY

- Economic development
- Financial performance
- Sustainable banking products and services
- Embracing technology and innovation
- Regulatory compliance



### ECONOMIC STABILITY

- Long-term profitability
- Risk management and mitigation
- Community investment strategy
- Market strategy and analysis



### SOCIAL STABILITY

- Employee development
- Community health and well being
- Corporate social responsibility
- Enterprise development
- Employment practices

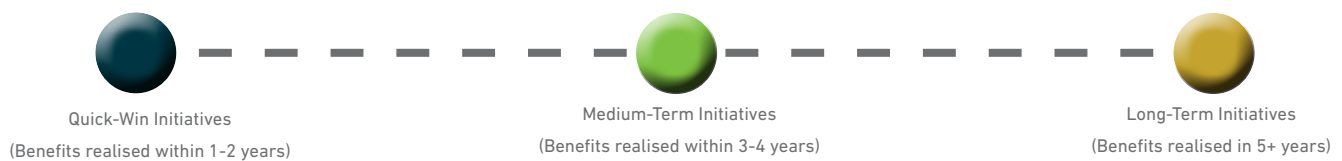


### ENVIRONMENTAL STABILITY

- Energy efficiency
- Business travel
- Resource usage
- E-waste
- Water management
- Supply chain

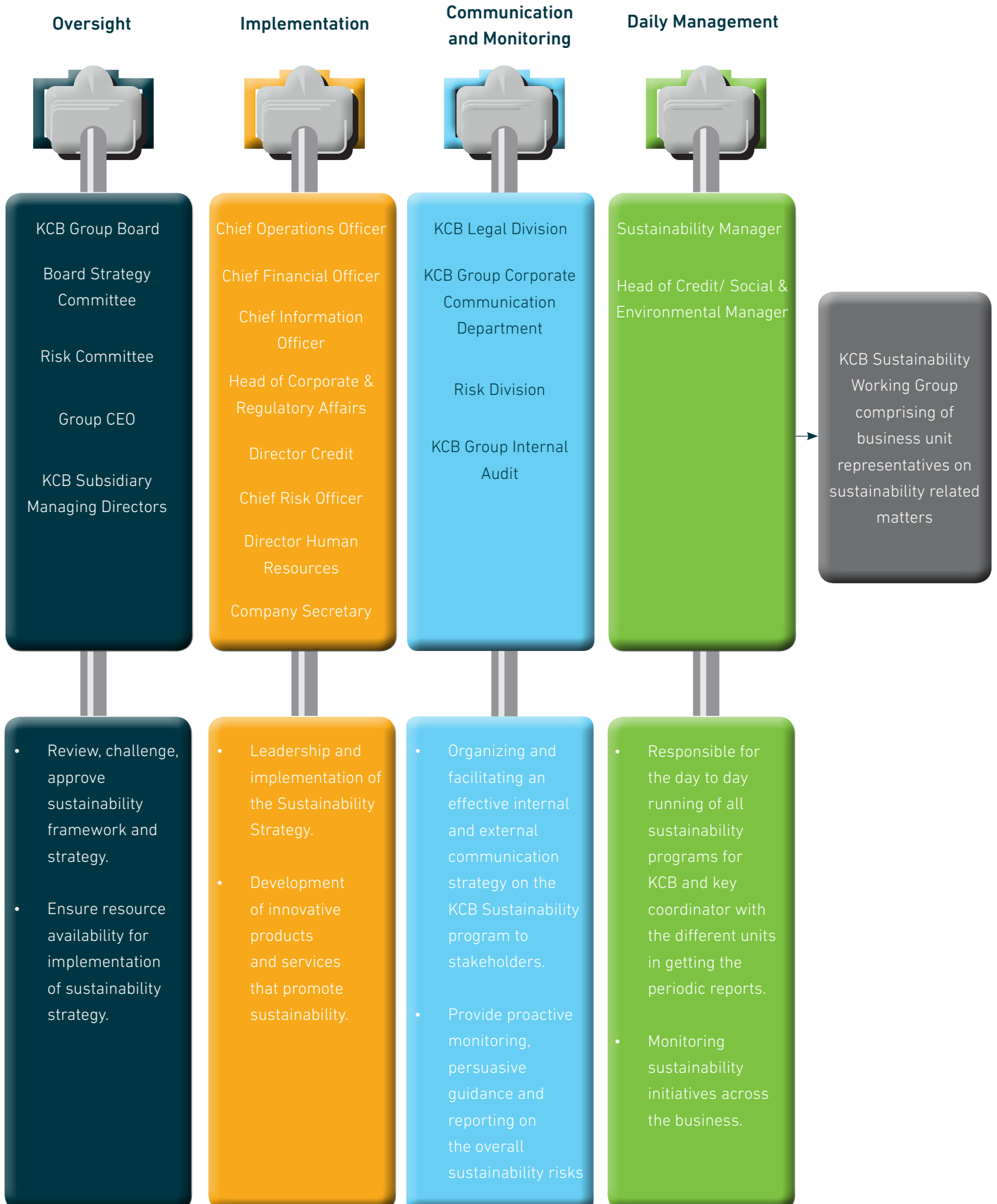


## The 10 point action plan driving the sustainability agenda



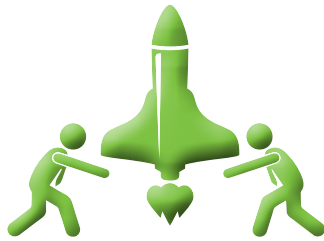
## Sustainability governance structure

The Group Sustainability Framework is executed as outlined in the diagram below:





## KCB Group sustainability journey



2008

The KCB Group formally takes up the Sustainability Agenda by launching the first Sustainability Report



2009

Rolling out of the KCB Green Agenda as a blue print for addressing the Bank's carbon foot print



2013

Launch of Industry Sustainable Finance Initiative (SFI)



2014

- Approval of the Sustainability Framework & the comprehensive adoption of Social & Environmental Management System (SEMS)
- Self Regulation on Industry Code of Ethics

2015

The KCB Group Board approves the Group SEMS policy and the Group Sustainability policy



2016

Signing of Code of Ethics by Group Suppliers

## Executive Management Committee views on sustainability at KCB



“We believe that business is no longer about just making profits but about transforming the lives of communities in markets where we operate. It is our firm conviction that sustainability must go hand in hand with increasing shareholder value and I believe we have found the right balance. We don't operate in a vacuum but in an environment where we have to ensure that we are a good corporate citizen.”

**Joshua Oigara – Group Chief Executive Officer**



“At the heart of our management approach to operational excellence is customer centricity, robustness and simplicity. As part of enhancing our overall customer experience, we have embarked on various long term strategic investments in order to enhance operational efficiency and make every customer contact a delightful and memorable experience.”

**Samuel Makome – Group Chief Operating Officer**



“We continue to focus on initiatives that will enable us to produce, maintain and access timely and relevant information needed to make informed decisions, monitor performance effectively, conduct reliable analyses and provide for transparent and reliable financial reporting.”

**Lawrence Kimathi – Chief Financial Officer**



“With the stringent regulatory environment in which we operate in, we continue to establish robust governance structures to address the dynamic legal and compliance requirements on an ongoing basis. Our evaluation of board performance this year was quite satisfactory and we look forward to consistently upholding these standards as the Group grows.”

**Joseph Kania – Company Secretary**



“We cannot just add sustainable development to our current list of things to do but must learn to integrate the concepts into everything that we do. Sustainability is not a particular programme, it's what we do every day, maximizing positive impact and minimizing risks.”

**Rose Kinuthia – Director, Special Projects**



## Executive Management Committee views on sustainability at KCB

“ We continuously endeavour to reach out to people who remain unable to participate in the modern economy due to lack of access to financial services. At the same time, continue to monitor risk and take pre-emptive action to adjust our products, services and progress to ensure we do not expose the Group or our customers to undue risks resulting from our lending practices. We have made great strides this year in undertaking social and environmental assessments on our portfolios and seek to further enhance these procedures as we engage more with stakeholders across the region and globally. ”

**Apollo Ong'ara – Director, Credit**



“ Our human capital is our greatest asset and as such, we continue to focus on setting up platforms and running initiatives aimed at building capacity and developing our existing employees. Over the last two years we have made use of innovative ways to engage and develop our staff and are going to be building on this in the coming years. We are also addressing retention issues with the use of various remuneration strategies such as staff awards and competitive benefits for our staff across the region. ”

**Paul Russo – Director, HR**



“ Without a vision for sustainable development, we would be limited in achieving our strategic objectives, given the level of influence we have in the societies and environment in which we operate. Our continued focus on our sustainability strategy has and will continue to enable us to grow our existing business competitively in the regional market place and deliver long lasting financial benefits to society. ”

**Judith Sidi Odhiambo – Group Head of Corporate and Regulatory Affairs**



“ Boosting the economy and empowering people through partnerships is critical to our overall sustainability vision. To achieve our sustainability goals and bring positive change, we continue to build transformative partnerships with several public and private organizations, who share in our vision of sustainable growth, in a variety of sectors from telecommunications, social welfare schemes, education, agriculture, transport and energy. ”

**Jane Mwangi – Executive Director, KCB Foundation**



“ We strive for financial success while accepting responsibility for our impact on relationships with our diverse group of stakeholders. For this reason, we manage risks within our risk management framework which aligns profit goals with our internal green strategies and policies. Our goal is to make this alignment efficient enough to sustain and grow our business while ensuring we have a positive impact in society and preserve the environment. ”

**John Mukulu – Ag. Chief Risk Officer**











# 04

## OUR MATERIAL ISSUES






Our material issues represent the primary risks and opportunities that could have a significant impact on our ability to deliver and create value to our key stakeholders, the social, economic and environmental boundaries within which we operate and which have a direct impact on our future.


An issue is material when it has the potential to impact our ability to remain commercially viable and socially relevant to the societies we operate in. Effectively managing our material issues is critical to achieving our strategic objectives. We have over the last few years reassessed and undergone an extensive exercise across the business to identify our material issues that will enable us to achieve our overall sustainability strategy. We have developed a 10 point action plan that outlines the various short, medium and long-term initiatives that form the basis of our material issues.

Our approach going forward will be to continuously assess the relevance of these issues to the dynamic nature of our business and update them as need be.


### Progress against our 10 Point Action Plan


	YOY change	2016	2015	2014	Target
 <b>Capacity Building</b>					
Sustainability awareness	▲	80%	30%	10%	90%
Number of staff trained on Environmental and Social Risk Assessments	▲	3,633	300	-	5,000
Number of staff trained on the Industry Sustainable Finance Initiative (SFI)	▲	3,786	-	-	5,000
 <b>Responsible Lending</b>					
Number of Social-Environmental Assessments undertaken in the year	▲	42	41	27	100
Value of facilities that have undergone Social-Environmental Assessments (in Ksh. Billion)	▼	89.1b	98.7b	61b	N/A
Percentage integration of Environmental and Social Management System (ESMS) in the Group	▶	100%	100%	50%	100%
Percentage achievement rate on Business Process Re-engineering (BPR) implementation i.e. simplification of products and services	▲	100%	50%	-	100%
Cost to Income Ratio (CIR)	▼	47.6%	50%	50%	49%
Customer Satisfaction Index	▼	74%	N/A	77%	85%
 <b>Employee Development</b>					
Employee satisfaction rate (%)	▲	87%	82%	80%	85%
Staff attrition rate (%)	▲	4.7%	4.5%	5%	<5%
Average training days per employee	▲	8.3	7.32	5.7	5
Number of employees who have undergone online training	▲	5,506	5,475	6,113	7,723







	YOY change	2016	2015	2014	Target
 <b>Environmental Impact</b>					
Adoption of KCB Green Agenda (%)	▲	30%	20%	10%	100%
Diesel consumption for generators and fleet (ℓ)	▲	2,937,797	2,227,826	6,833,590	Annual 5% reduction
Electricity consumption (MWh)	▲	20,970	13,982	13,243	Annual 5% reduction

\* South Sudan electricity consumption are not disclosed above. This is because the branches in South Sudan are run entirely on generators and hence do not have information on electricity but fuel for generators.

 <b>Ethics and Integrity</b>					
Fraud cases	▼	22	33	20	NIL
Fraud training (%)	▲	98%	73%	82%	100%
Number of fraud cases reported	▼	57	87	111	NIL
Percentage completion of annual mandatory Ethics E-Learning course across the Group	▲	71%	57%	72%	100%
Number of employee dismissals relating to fraud	▼	31	33	20	NIL
Number of successful fraud attempts (incidences)	▼	447	528	267	NIL
Number of unsuccessful fraud attempts (incidences)	▼	75	111	87	NIL
Number of suppliers signed up to the code of ethics	▲	100	-	-	125

 <b>Community Investment</b>					
Number of scholarships awarded under the Scholarship Programme	▶	240	240	240	240 per year
Amount disbursed in the Inua Jamii Program (in Ksh. Millions)	▲	18m	9m	NIL	18m
Amount allocated to mobilization through partnerships to support Livestock Project (in Ksh. Millions)	▼	166m	268.9m	180m	70m
Number of youth upskilled under the Youth project	▲	3,000	-	-	10,000
Number of farmers reached under the Mifugo ni Mali project	▲	30,000	26,000	10,812	50,000
Percentage spent on procurement - local spend	▲	89%	83%	90%	60%
Percentage spent on procurement - international spend	▼	11%	17%	10%	40%

	YOY change	2016	2015	2014	Target
 <b>Energy Conservation</b>					
Green technology adoption (%)	▲	30%	20%	5%	100%
LED Lighting adoption (%)	▲	30%	20%	5%	100%
 <b>Security</b>					
Percentage achievement of anti-money laundering awareness across the group	▼	70%	80%	50%	100%
 <b>Diversity</b>					
Number of women trained under the Women in Leadership Programme	▲	250	200	100	250
Percentage composition of women on the KCB Board (Group Board and country boards)	▲	30%	27%	27%	33%
Percentage composition of women at senior management	▲	30%	27%	27%	50%
 <b>Financial Inclusion</b>					
Number of agency banking outlets	▲	13,562	11,948	10,102	12,500
Number of registered mobile banking users (in Ksh. Millions)	▲	3.3m	2m	1m	4m
Number of registered KCB M-Pesa users (in Ksh. Millions)	▲	7.8m	4.7m	-	10m
Number of loans processed under mobile banking (in Ksh. Millions)	▲	5.7m	3.5m	105,857	4m
Value of loans processed under mobile banking (in Ksh. Billions)	▲	14b	8.5b	0.598b	12b



# 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."*

We support and encourage all employees working across the Group to ensure that they have the right capabilities, commitment and enthusiasm to achieve our business goals.

## Partnership with the Kenya Bankers Association (KBA)

KBA is the umbrella body of the banking sub-sector with a membership of 42 financial institutions that are licensed and regulated by the Central Bank of Kenya. The main ambition of the Association is to promote industry development and economic growth by engaging the government and sector regulator, Central Bank of Kenya, on behalf of its members.

In order to guide its member banks in balancing their business goals with the economy's development priorities and socio-environmental concerns, KBA directed a Working Group consisting of the KBA Secretariat and 12 banks to assist in the development of the Sustainable Finance Initiative (SFI) Guiding Principles. KCB was one of the 12 banks selected in conjunction with the KBA Secretariat to help constitute the SFI Principles.

The Guiding Principles, which were drawn and harmonized from several best practices include Financial Returns versus Economic Viability, Growth through Inclusivity & Innovation, Managing & Mitigating Associated Risks, Resource Scarcity and Choice and Business Ethics & Values. These industry Guiding Principles can be relied on by banks to underpin sustainability in their day to day operations and decision making.

During the 2016 Sustainable Finance Catalyst Awards, KCB was recognized as a catalyst to the SFI. KCB scooped six awards in various categories cementing its leadership profile in adopting, embedding and executing sustainability into its business strategy and making it a way of life. This recognition has been a journey, and as a Bank, we are proud to benchmark ourselves with the best in the industry and learn from our peers and those who have excelled in this field.

For more information on Kenya Bankers Association and the SFI guidelines, please visit their website <https://sfi.kba.co.ke/>

## Training

Once the Sustainable Finance Guiding Principles were adopted, KBA started work on a capacity building program, including an e-learning platform developed to deepen an understanding of the concept of sustainable finance, sustainable development and the role of the banking community in achieving such an ideal. The course is designed for employees of all participating financial institutions who have since been encouraged to take it up. As a business, we are focused on creating sustainability awareness with our stakeholders. To achieve this, we have adopted the industry based SFI e-learning platform.



We anticipate that this number will continue to grow to meet our target of 5,000 employees.

Over the last three years, we have also continued with the implementation of our Environmental and Social Management System (ESMS). A total of 3,633 of our staff have been trained on Environmental and Social Risk Assessments.

## Outlook

As part of our ongoing actions to promote capacity building, KCB intends to implement the 'KCB purpose': Align and sustain employee value propositions that are relevant to our operating environment; develop and attract talent and enhance talent cover across the Group through various programs and initiatives.



Phyllis Wakiaga, Chief Executive, Kenya Association of Manufacturers presents the Commercial Award in banking Category during the SFI catalyst Awards Ceremony to Judith Sidi Odhiambo, Head of Corporate and Regulatory Affairs KCB, Caroline Wakesho Sonje Sustainability Manager, George Mutiga, KCB Bank Head of Trade, Finance and Financial Institutions and Apollo Ong'ara, Director Credit KCB.



Kenya Bankers Association Chief Executive Officer Habil Olaka and KCB Group Chief Executive Officer Joshua Oigara during the launch of the Sustainable Finance Initiatives.



KCB Staff pose for a group photo after the DSR Induction at the Karen Leadership Centre.



KCB staff training at KCB Karen leadership centre.



KCB Staff during a training session at the KCB Karen Leadership Centre.



# 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."*

KCB is focused on enhancing responsible banking through improving access to financial services while being a social and environmental leader in the industry.

## Environmental and Social Management System (ESMS)

We are committed to being a sustainability leader in our social and environmental initiatives by introducing green finance as a core element of our banking practices by embedding environment and social risk considerations into our financing decisions.

In order to understand and assess how our clients are managing the environmental and social risks associated with projects they are running, we introduced rules and regulations, in the form of our Environmental and Social Management System (ESMS), for lending to Corporate Banking clients. These regulations are a set of policies, procedures and tools to identify and manage our exposure to the environmental and social risks of our clients in relation to projects debt-financed by the Group and credit products with an exposure over a defined threshold.

Our ESMS 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 ESMS process ensures that the projects we finance:

- Are socially and environmentally sustainable;
- Respect the rights of the affected workers and communities;
- Operate in compliance with the regulatory requirements and best international practice in the countries of operation.

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.

Over the last three years since its launch, we have fully integrated our ESMS into our lending decisions to align our key business operations with our sustainability framework. This process began in 2014, where we utilized the provisions of the ESMS in assessing loans above Ksh. 500 million in corporate banking and SME lending.



## 89 Million

worth of facilities were undertaken in 42 social-environmental assessments after the assessment threshold was revised downwards in 2016 to 100 Million

## Outlook

We intend to introduce the ESMS in micro-lending process, maintain the 100% Integration of ESMS in the loan process and sustain our Cost to Income Ratio below the 50% mark as achieved at the back-end of 2016.



## >50%

Cost to Income ratio

## EMPLOYEE DEVELOPMENT

*"Our employees are our most important asset. As such we continue 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."*

KCB continues to pride itself as the employer of choice in the East African region. We have been successful over the years because of our employee value proposition on remuneration, learning and development programmes, staff wellness programmes, performance management, rewards and recognition, employee retention strategy, diversity and staff engagement, all of which are covered in our various Human Resource policies and procedures.

2015 saw the launch of the 'Quest for Purpose' at KCB, a flagship brand purpose process aimed at redefining the existence of KCB beyond merely making money to building the frameworks that will create future markets and customers. We have since invested in multi-level leadership training for all employees and branch managers across cadres to reinforce the values of our brand purpose.

Every year we engage external consultants to gain feedback from employees on satisfaction and engagement. In 2016, the results of the employee satisfaction survey/index was 87%, indicating a healthy engagement score.

In 2016, our Group Human Resource Director, Paul Russo, was named among the top 100 most influential Global HR Professionals at the 24th edition of the Global HR Excellence Awards. The annual awards are meant to recognize top organizations across Africa, which have excelled in building the employer brand as an employer of choice and have of late emerged as a stimulus in creating a culture of contribution and innovation at work.

At the same event, KCB was feted with three other awards:

- Best Employer of the year.
- Best Group in managing health at work.
- Best HR in line with business.

*"We have over the years worked out a comprehensive employee proposition guided by the understanding that human capital is the most important arsenal for any organisation which will define its future, sustainability and competitiveness. This is a recognition of our brand's excellence and brand supremacy and most befitting of our position as an industry leader. The various employee reform programmes we have put in place in the recent past have put us on the global map. A healthy workplace has become a cornerstone of our culture and we continuously seek to improve our healthy workplace across the seven markets we operate in,"*

**Mr. Paul Russo – KCB Group Human Resource Director speaking during the 24th edition of the Global HR Excellence Awards**

### Our employees

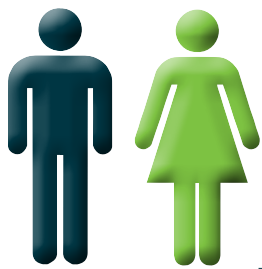
As at December 31, 2016, KCB's workforce comprised of a total of 7,192 employees who included both pensionable and contract staff. Our HR policy involves monitoring of all the elements that affect its execution, in particular: Personnel statistics on the number of permanent and contract staff by gender, region and job grade; employee hire and turnover rates; training hours and medical costs statistics. Some of these are illustrated below:



## Headcount summary as at December 31, 2016

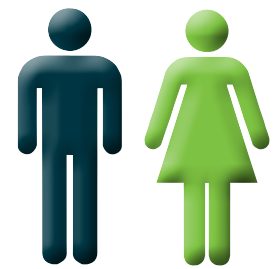
Subsidiary	Permanent & Pensionable	Contracts (12 Months and Above)	Graduate Trainees	Long Term Total	Direct Sales Agents	Contracts (< 12 Months )and Casuals	Interns	Short Term Total	Total
Burundi	134	-	-	134	13	8	7	28	162
Ethiopia	1	-	-	1	-	-	-	-	1
Kenya	4487	34	8	4529	913	183	70	1166	5695
Rwanda	305	-	-	305	14	2	-	16	321
S. Sudan	314	-	-	314	-	-	-	-	314
Uganda	302	-	6	308	-	9	-	9	317
Tanzania	317	-	2	319	58	5	-	63	382
<b>Total</b>	<b>5860</b>	<b>34</b>	<b>16</b>	<b>5910</b>	<b>998</b>	<b>207</b>	<b>77</b>	<b>1282</b>	<b>7192</b>

## Combined statistics



Group employees

**7,192**  
2016

**7,509**  
2015


Employees Hired

**1,114**  
2016

**1,024**  
2015

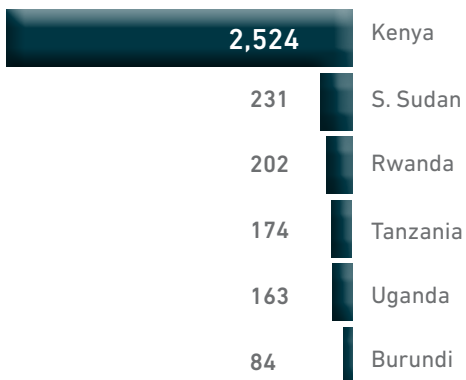
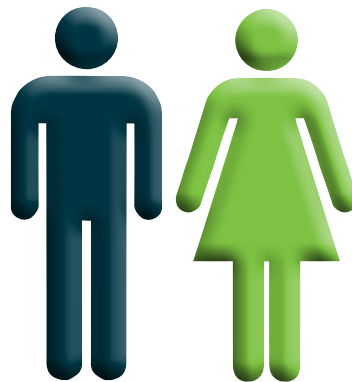
Employees Turnover

**195**  
2016

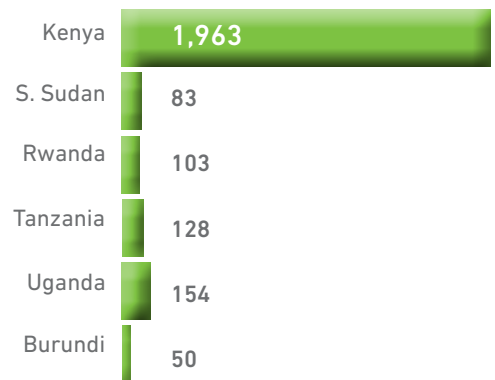
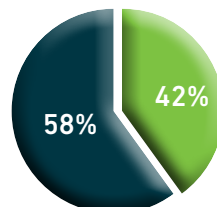
**273**  
2015

## Male vs Female

Long Term Employees


**140**  
Exits


Long Term Employees


**239**  
Exits


## Male vs Female

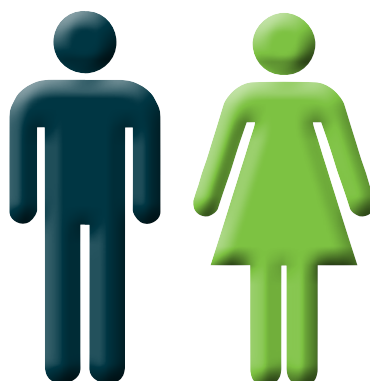
Employees: Permanent and Pensionable

3,378

2016

4,229

2015



Employees: Permanent and Pensionable

2,482

2016

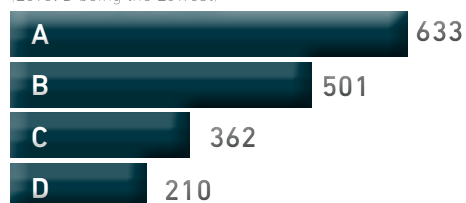
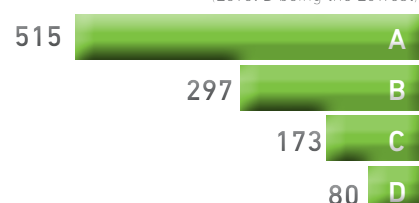
3,283

2015

## Separation statistics

Gender	End of Contract	Deceased	Resignation	Retired	Termination	VER	Total
Female	7	2	94	14	20	3	140
Male	10	8	153	21	40	7	239
Total	17	10	247	35	60	10	379
Distribution	4%	3%	65%	9%	16%	3%	

## Male vs Female

Management Levels  
(Level D being the Lowest)Management Levels  
(Level D being the Lowest)

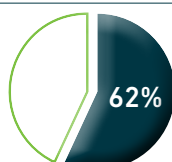
Employees Hired and Turnover

649

Hired

239

Turnover



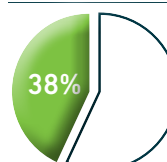
Employees Hired and Turnover

465

Hired

140

Turnover





## Learning and professional development

We offer a motivating and inclusive workplace where we recognize and develop talent and promote wellbeing. We believe we are at our best when our people are at theirs.

We have an approved training and development strategy that is implemented throughout the Group via development and training programs to ensure we have the skills and talent needed to grow our people and our business. These programs are aligned with KCB's core purpose – Simplifying your world, enabling your progress. They help our employees gain new skills and experiences through formal training, on-the-job experience and mentoring.

The trainings are delivered as either classroom based or e-learning courses.

We analyze our training needs across the business annually, to identify priorities and ensure that learning plans support our strategy. In 2015, the results of the training needs assessment survey conducted across the Group resulted in development of a five-pillar staff development strategy as follows:

- Multilevel leadership development certification
  - 2 year program was rolled out in 2016 with 180 top leaders from across the group being enrolled. The leaders subsequently attended their second study block.

- Branch managers development program
  - 264 branch managers from across the group were enrolled in the program and completed phase one of the program. 125 managers attended the classroom modules last year with the balance scheduled to attend in 2017.
- Staff on-boarding program
  - The program was refreshed culminating in the roll out of the new induction program.
- Staff career development program – Deferred to 2017.
- Role competency framework library – Deferred to 2017.

## Expediting career development

A good example of how we are involved in our staff career development is the development of Information and Technology skills for the ICT department through various learning and development opportunities. We have an e-learning portal where IT personnel can access various online courses to improve their knowledge that can assist them in their daily operations. In addition, we sponsor our staff for various external trainings and conferences on IT related issues such as Certified Information Systems Auditor and Certified Information Security Manager.

The IT department also absorbs a number of graduates from the Group's Management Trainee Program.



KCB staff during KCB brand purpose training at the Karen Leadership Centre in 2015.



KCB staff pose with the new adopted KCB Brand Purpose.

## Employee engagement

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.



**87%**  
the result in 2016 of the  
employee satisfaction  
survey, indicating a healthy  
engagement score, up from  
**82%**  
in 2015.

Additionally, we have 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. Other channels of raising grievances/complaints include:

- Personal calls to HR –Employee Relations
- Through shop stewards/employee representatives
- Through line managers

In 2015 through to 2016, leadership visibility and credibility was a key agenda for employee engagement. This was achieved through a series of Group-wide informal sessions bringing together staff and leadership including the CEO and Executive Committee members. HR breakfast sessions also provided an open forum for discussions with staff members on their HR concerns. In addition, Women in Leadership sessions took place with the aim of facilitating dialogue among female staff members on various issues of leadership and skills enhancement.

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.

## Employee benefits

KCB offers a number of employee benefits across the various regions, all of which are covered in our Human Resource policies and procedures. These include:

- Life insurance
- Health care
- Disability and invalidity coverage
- Parental leave
- Retirement provision
- Stock ownership
- Pension

## Employee wellness

Several initiatives were undertaken during the period to improve employee wellness. These are highlighted below:

- To ease transition back to the workplace, a lactarium (KCB NEST) was provided for breastfeeding mothers, who also got the additional support from a new benefits policy.
- Introduction of flexible working hours for mothers during the first six months after return from maternity leave (mothers are allowed to come in either two hours late or leave two hours earlier).
- A staff pharmacy was set up to ensure that staff members have easy access to cost effective and good quality medicine. In addition, the medical programme was realigned to better serve the staff.
- In many branches, Zumba fitness sessions are now conducted daily to improve the physical well-being of employees.

## Employee health and safety

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. The OHS committee for the Head Office has the following membership:

- Chairperson – Head of Employee Relations and Wellness;
- Members – Head of Facilities & Property Management,
- Head of Operational Risk, Head of Security and Retail
- Customer Service Manager; and
- Secretary – Health and Safety Manager.

In addition, there are 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.



## Internal operational efficiency, rewards and recognition

In 2015, KCB developed a clear framework for staff rewards and recognition with clearly spelt out criteria for pay raises, bonuses, enhanced staff loan propositions and other benefits. The recognition of best performing employees is now anchored in this framework which also maps behaviour and performance in line with KCB values.

The KCB Simba Awards Program is used to measure and recognize employees or teams for exceptional contributions made in addressing challenges or issues in the workplace in line with our corporate values. The annual program evaluates employees who display one or more of the three KCB values in the course of business execution according to the Situation, Task, Action and Result analysis approach. The three values are: inspiring, simple and friendly. Awards are presented in the following categories: service, controls and governance, business growth, community initiative, innovation, leadership, behavioural, best employee of the year, unsung heroes/ heroines, team behaviour and team service.

In June 2014, we awarded Wilfred Ijaa, an employee under the lending and risk unit, the Innovation Award as he took the initiative to develop the Debt Recoveries System, which in turn saved KCB Ksh.100 million. Over the years, we had made several unsuccessful attempts to procure a Debt Recovery System. Aside from his daily duties and despite his lack of previous knowledge of the requisite technologies (Web development), he took it upon himself to learn web development and came up with a comprehensive, operational and well-functioning system.

In 2015, there were seven recipients of the Simba Award, six of whom were from the Kenyan offices and one from

the Tanzanian Head Office. The recipients were drawn from different banking units ranging from Treasury to Consumer Credit Unit as well as the KCB Foundation.

In 2016, 21 KCB employees were feted for their exemplary performance under the Simba Awards. The 21 winners were made up of 14 individuals and 7 teams out of 517 nominations reviewed. These individuals and teams have shown true passion for their calling and embracing the KCB Values of Inspiring, Simple and Friendly. Jane Wanjiku Nyasio was the proud winner of a Service commendation. Jane joined the Bank on 3rd April 1975. She has diligently served the Bank for over 41 years and is currently based at the Industrial Area Branch.

## Outlook

We will continue to actively implement our employee development programs across the Group. A variety of tools have been developed to capture relevant information and analyse it to drive improvement. One pillar in the development program is health education that deals with both occupational and general awareness on health. The program is intended to:

- Reduce and maintain staff attrition rate below 5%.
- Maintain the high Employee Satisfaction rate.
- Facilitate implementation of the 'KCB purpose' by driving employee productivity and engagement as well as engaging in multi-level leadership development across the Group.



Simba Awards 2015 – KCB Group CEO & MD Kenya, Joshua Oigara presents an award to the best team during the 2015 Simba Awards.

# ENVIRONMENTAL IMPACT

*"Our energy and emission information was expanded to include all our operations to formally baseline our carbon footprint during this period. In addition to an increased scope of reporting on energy, we commenced measuring our water usage and waste management practices."*

We continue to measure our carbon footprint and engage experts in this area to advise and guide us on measures to reduce our carbon footprint across the various business activities that we undertake and support. Our sustainability policy and framework offer key provisions for protection and enhancement of the natural environment.

## Partnerships in environmental conservation

In our commitment to protecting and preserving our environment, we have over the last three 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.



### Natural Capital Declaration (NDC)

2013

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.



### Global Reporting Initiative (GRI)

2015

In early 2015 the KCB Group signed up for the GRI Organizational Stakeholder program.



### Global Green Growth Initiative

2015

In May 2015 KCB Group signed up alongside Kenya Association of Manufacturers (KAM) for the Initiative which seeks to spur economic development through green growth initiatives.



UNEP Finance Initiative  
Changing finance, financing change



International Finance Corporation  
World Bank Group



### Social and environmental assessments

We base our approach on social and environmental assessments on the following guiding principles.

- United Nations Environmental Programme - Finance Initiative
- Equator Principles
- International Finance Corporation (IFC)
- Social and Environmental Due Diligence (SEDD)
- Environmental and Social Risks Assessments (ESRA)



United Nations  
Global Compact



2014

### United Nations Global Compact

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.



2015

### Kenya Bankers Association (KBA)

We are members of the KBA working Group that helped constitute the Sustainable Finance Initiative. These are industry guiding principles that banks can rely on to underpin sustainability in their day to day operations and decision making.



2015

### National Environment Management Authority (NEMA)

The KCB Sustainability Manager, Caroline Wakesho Sonje was in May 2015 appointed to the NEMA Board of Directors to serve for a period of three years.



## Group carbon footprint

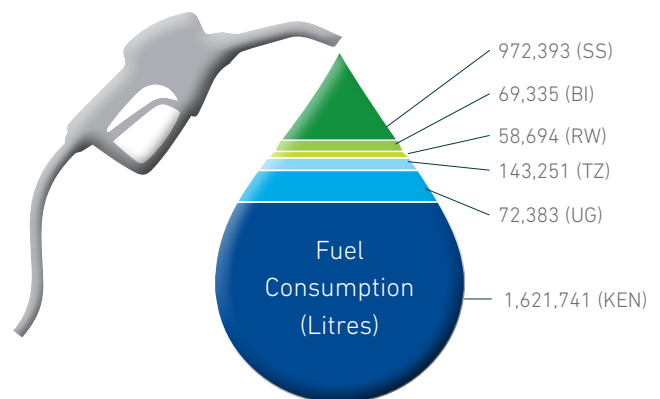
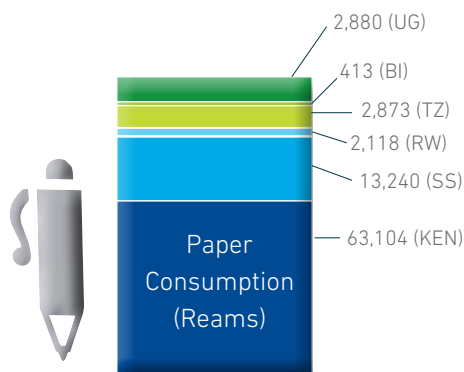
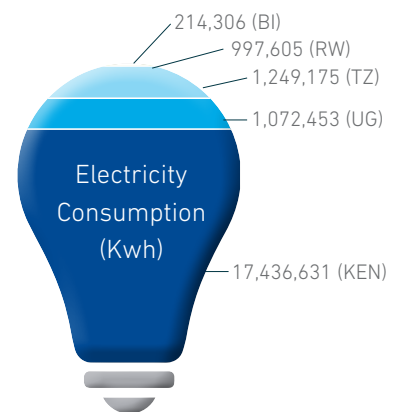
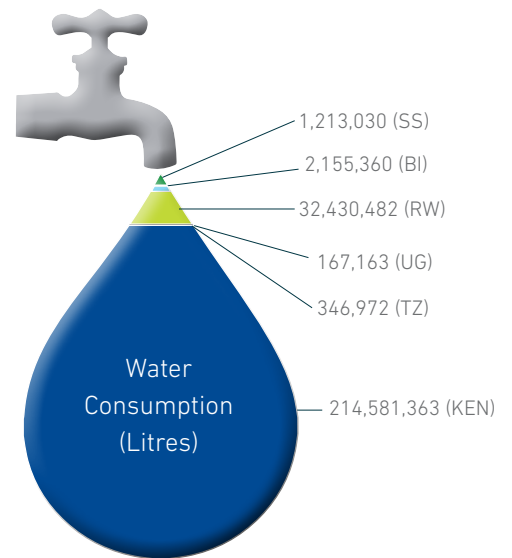
As our business continues to grow, we are committed to reducing our environmental impact and work towards becoming a carbon-neutral bank.

KCB is keen on maintaining operational efficiencies on all aspects contributing to our carbon footprint. We monitor progress at the Group level, cascaded down to the subsidiaries and all the way to the branches. Our carbon footprint emissions increased from 10,555 (tCO<sub>2</sub>e) in 2015 to 14,751 (tCO<sub>2</sub>e) in 2016 owing to expanding operations across the region. The Bank has however put in place measures that are expected to manage this trend, including:

- Introduction of video-conferencing and e-boards for our Board meetings;
- Adoption of the KCB Green Agenda initiative across the Group, currently at 30% (up from 20% in 2015);
- Investing in low carbon emitting vehicles and leasing as opposed to buying and outsourcing transport; and
- Use of an electronic document management system and adoption of paperless transactions (mobile and internet banking and online electronic forms).

These interventions are expected to lead to a 10-15 percent drop in the Bank's carbon footprint in 2017 and beyond.

We have outlined below our performance in the various areas.



The disclosures above relate to FYE 2016

Consumption	GHG Emissions 2015	GHG Emissions 2016	GHC Emissions per employee 2015	GHC Emissions per employee 2016
Diesel consumption (generators and fleet in litres)	6,833,590	2,227,826		
<b>Scope 1 emissions (tCO2e)</b>	<b>3,956.99</b>	<b>5,899.00</b>	<b>0.79</b>	<b>1.07</b>
Electricity consumption (MWh)	13,242.73	13,981.50		
<b>Scope 2 emissions (tCO2e)</b>	<b>4,350.24</b>	<b>4,592.92</b>	<b>0.61</b>	<b>0.94</b>
<b>Total scope 1 and 2 emissions (tCO2e)</b>	<b>8,307.23</b>	<b>19,880.50</b>		

#### Scope 1 Emissions

All of KCB's direct combustion fuels for the six countries: 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 2014-16.

#### Scope 2 Emissions

Electricity purchased from the grids in the five (Kenya, Uganda, Tanzania, Rwanda and Burundi) countries for 2014-16.

#### Notes:

- South Sudan electricity consumption is not disclosed above. This is because the branches in South Sudan are run entirely on generators and hence do not have information on electricity but fuel for generators.
- Electricity consumption data has been sourced directly from the utility companies through respective monthly bills.

## Outlook

- We are committed to integrating environmentally sound practices into all our business activities and initiatives. We look forward to incorporating environmental risks into our corporate risk models.
- We plan on harnessing greater benefits of green buildings as well as renewable energy sources, such as solar where possible.
- We further plan on introducing sustainability assurance audits for our carbon footprint figures and achieve a 100% adoption rate on the Green Agenda across the Group.



KCB Staff planting trees during a tree planting session in 2014.



KCB rally drivers and staff pose for a group photo, during a tree planting at the Meru Technical institute in 2015 before the Meru Rally.



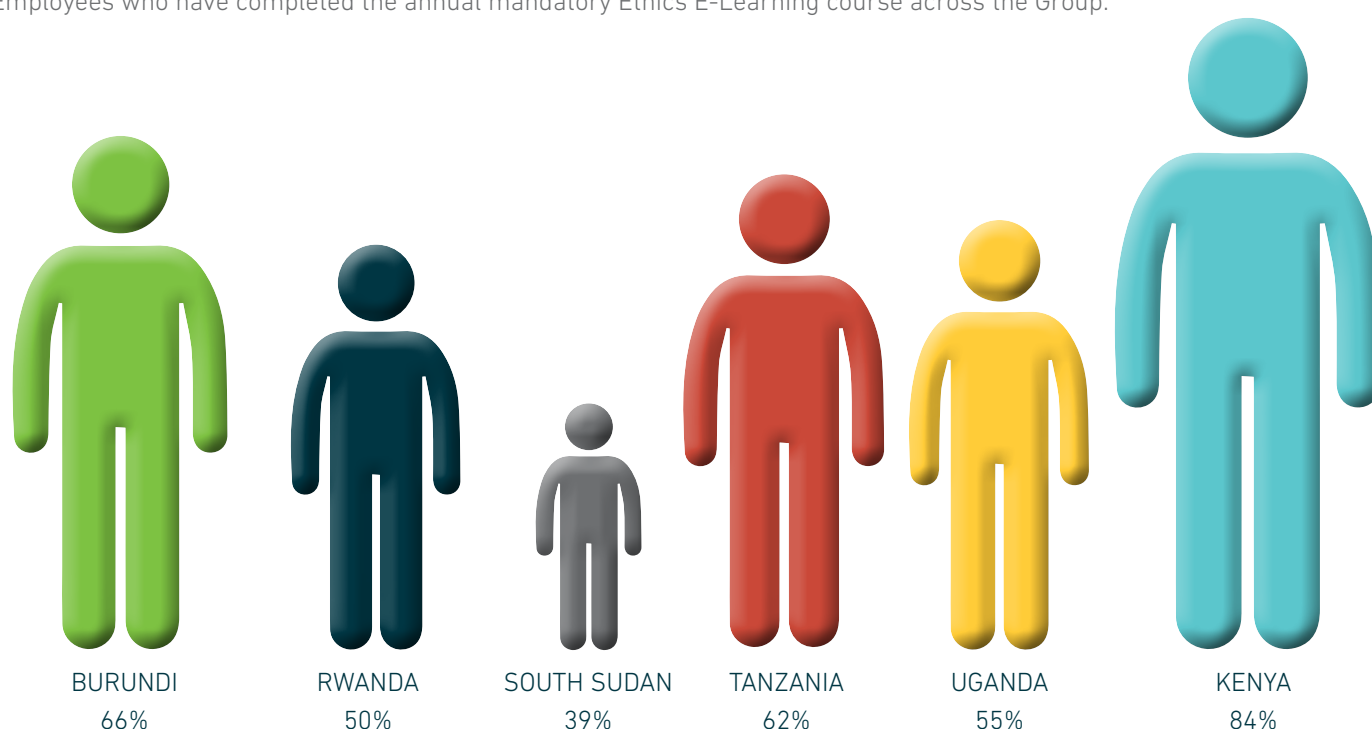
# ETHICS AND INTEGRITY

*"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."*

Our business is run on trust, and public and investor confidence in the market. Therefore issues of governance, integrity, accountability and transparency are at the forefront of our day to day operations.

The issue of fraud, both internally and externally is a prevalent risk in the financial services industry. As a Bank, we have taken proactive steps to monitor and manage fraud risk by making use of various anti-fraud measures including risk assessments, fraud risk awareness training, whistle blowing hotlines and audit reviews. We also benchmark ourselves against other financial institutions through engagement in forums like the Kenya Bankers' Association (KBA) security & forensics committees with independent assurance provided through both internal and external audit functions. These measures have resulted in more robust reviews of fraud cases in the period leading to an increased detection rate and subsequently increase in number of dismissals.

Employees who have completed the annual mandatory Ethics E-Learning course across the Group.



\* Note that the Ethics course was issued in October, 2016 as it was being updated, hence the fair rate of completion.

Fraud and Ethics Measures	2016	2015	2014
Fraud Cases	22 cases	33 cases	20 cases
Fraud Cases - Dismissals	31 cases	33 cases	20 cases
Corruption cases - No. of cases reported	57 cases	87 cases	111 cases
Corruption cases - Disciplinary warnings	132 cases	—	—
Corruption cases - Dismissals	31 cases	20 cases	33 cases

## 71%

Employees who have completed the annual mandatory Ethics E-Learning course across the Group.

## Group Commitment to Ethics and Integrity

We pride ourselves in having Zero Tolerance to Corruption. Our code of ethical conduct, which requires staff to observe the highest standards of ethical behaviour in their dealings with our stakeholders, is available to all staff through the intranet. The Code addresses expected behaviour related to bribery and corruption, harassment and whistle blowing, business relationships, competition, consumer protection, conflict of interest, respect for intellectual property, confidentiality of customer information, environmental stewardship, political contributions, insider dealing and business gifts. Further, an ethics e-learning course has been available to all staff across the Group and at all levels, including the Board of Directors.

The Group has policies that are carefully crafted to provide an adequate internal control environment that upholds the Group's zero tolerance policy on corruption and bribery. Key areas such as procurement, Information Technology, lending and employment are closely monitored and supported by robust and well defined procedures.

In 2016, KCB Bank Kenya through the umbrella body of the KBA signed the "Code of Ethics for Business in Kenya", developed on behalf of the private sector by Kenya Private Sector Alliance (KEPSA), Global Compact Network Kenya and Kenya Association of Manufacturers (KAM) and endorsed by the President of Kenya as a key intervention towards addressing corruption and unethical practices within the government and private sector. This code was designed to change the way we do business, in line with global best practices (the ten principles of the UN Global Compact in the areas of Human Rights, Labour Standards, Environment and Anti-corruption) and has been extended to our suppliers and service providers as part of KCB's strategic agenda in enhancing the ethics of business conduct within our supply chain.

## Whistle-blowing procedures

The Board has shown its commitment to ethics and anticorruption 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](mailto:kcb@tip-offs.com). This channel, which is managed by an external provider, is used by employees to raise their concerns on unethical and unlawful behaviour and on matters related to organizational integrity.

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](mailto:ethics@kcb.co.ke)

**VOICE YOUR CONCERNS**

Any form of unethical business conduct by any member of staff.

Any form of discrimination, harassment or unfair people practices.

Suspicion of fraud, corruption and related malpractices.

Any other concerns that you would like to raise through a confidential platform.

Use any of the following confidential channels:

- Call for free in Kenya (0800 720 990)
- Standard number for international calls from Uganda, Sudan, Rwanda and Burundi (+27 315 715 795)
- Call for free in Tanzania (0800 11 00 25)
- International postal address for letters and documentation – Tip-offs Anonymous, PO Box 774, Umhlanga Rocks, KwaZulu-Natal, South Africa, 4320;
- and/or Deloitte Consulting Limited, Deloitte place, Waiyaki Way, P.O. Box 40092 – 00100, Nairobi, Kenya.
- International fax number for transmitting tip offs or sending documentation to support a telephone conversation (0027 31 560 7395)
- E-mail: [KCB@tip-offs.com](mailto:KCB@tip-offs.com)
- Web portal: [www.tip-offs.com](http://www.tip-offs.com)

Regulated by the Central Bank of Kenya

Interactive 24h chat on [www.kcbbankgroup.com](http://www.kcbbankgroup.com) SMS: 22522 ☎ 0711 087 000 / 0732 187 000 ✉ [contactcentre@kcb.co.ke](mailto:contactcentre@kcb.co.ke)

KCB Making the Difference

## Outlook

We will continue to promote our code of ethical conduct and the related ethics policies to safeguard KCB's reputation from any damage that may arise from business activities and internal operations by upholding a strong risk management and ethics culture. The Board and senior management will provide oversight on the ethical issues and lead by example through setting the tone at the top of what is required.

We also intend to achieve 100% Group Ethics training and reduce annual fraud cases to below 10.



# 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 by placing more emphasis on the indirect benefits these initiatives provide to KCB."*

KCB carries out its community initiatives through the KCB Foundation. Among the many initiatives supported through the Foundation, "2jiajiri" (youth empowerment programme), "Mifugo ni Mali" (agriculture) and KCB scholarships programme (education) stood out in 2016 in line with our sustainability pillars.

The Group also partners with public and private organizations in a variety of sectors from telecommunications, social welfare schemes, education, agriculture, transport and energy.

## Government of Kenya National Social Safety Net Program

As part of the Kenya Vision 2030, the Government of Kenya (GoK) is committed to ensuring that Kenya is a country with a thriving economy and a network of policies that provides a strong social safety net for the vulnerable. Through the Ministry of Labour, Social Security and Services, the Government has implemented the roll out of the National Social Safety Net (Cash Transfer) Program. The objective of the program is to enable the vulnerable section of the population to meet basic human needs by providing Ksh.2,000 monthly as cash transfers to identified households in all the 290 constituencies. This includes:

- Increasing the reach of cash transfers to attain universal coverage for Older Persons and Persons with Disabilities;
- Creating a new legislative framework to place cash transfers for the needy on a solid foundation through a system of Social Protection; and
- Ensuring that our country is safe for our children, the youth and the elderly.

With a budget of at least Ksh. 29 billion for the initial 400,000 government-targeted beneficiaries, the GoK through the Ministry of Labour, Social Security and Services launched

a biometric registration program with recipients given unique identification numbers for the program linked to their fingerprints. The data is received by KCB and an e-card issued out after verifying each beneficiary at the point of registration. After registration, the e-card holder can access the cash disbursed on a monthly basis at the registered branch after biometric verification.

The e-card, known as the KCB "Inua Jamii" card was launched on 29 April 2015 by President Uhuru Kenyatta. As per the agreement between KCB and GoK, recipients are not charged for the services rendered. The e-card system is aimed at increasing the scale and improving the quality and coordination of social assistance interventions in government cash transfers to beneficiaries. Due to our vast geographical footprint (265 branches and over 13,562 agents) and reliable card business, we have been able to offer convenient means of availing the funds to the registered beneficiaries in various parts of the country.

For more about the National Social Safety Net program, please visit the Ministry of Labour, Social Security and Services website here: <http://www.labour.go.ke/>.



## County Governments

Public revenue collection is recognized as an integral component of fiscal policy and administration in County Government operations. It is the fuel of every government as it is the main instrument through which government funding is ensured.

In line with the national agenda of automating all public revenue collections in the country, including at County Government level, KCB has rolled out a program aimed at facilitating the collection of taxes in the counties. With most counties complaining of a drop in revenue collection due to the manual systems used and leakages therein, the cashless based e-system ensures revenue pilferage and collection loopholes are sealed.

This initiative is part of the Group's investment in digital payments as Kenya increasingly moves into a cash lite economy. It allows the counties to plan well within the budget. At a glance, they can account for revenues collected on a daily, weekly, monthly and annual basis to allow for better allocation of resources.

In March 2015, the Group rolled out the system solution in Kiambu County by unveiling the Kiambu County Card, which is part of the Kiambu County Digitika Program to aid revenue collection and management. In the next phase of the Kiambu Digitika Program, businesses will soon be able to apply for their licenses online, complete the process and print the licenses at the comfort of their businesses.

To learn more about the Kiambu County Digitika Program, please visit the Kiambu County Government website here: <http://www.digitika.kiambu.go.ke/>.

"This solution is aligned to the national agenda of automating all public revenue collections in the country. It allows the counties to plan well within the budget. At a glance, they can account for revenues collected on a daily, weekly, monthly and annual basis to allow for better allocation of resources and support intelligence expenditures"

**KCB Chief Operating Officer Mr. Samuel Makome speaking during the Huduma card launch at the Kiambu County offices**



Inua Jamii Beneficiaries line up to receive their monthly stipend at one of the KCB Inua Jamii community booths.



## United States Agency for International Development (USAID) and General Electric (GE)

USAID is the principal United States federal agency providing development and humanitarian assistance to over 150 countries around the world. USAID uses public private partnerships (known as Global Development Alliances, or GDAs) to leverage the resources, expertise and creativity of the private sector as well as non-governmental organizations to tackle development challenges worldwide.

Since the GDA mechanism was launched in 2001, the agency has engaged in more than 1,000 public-private alliances with over 3,000 individual partners. This has allowed USAID to leverage billions of dollars in private funds, and access extensive private-sector expertise to promote market-led development in developing countries.

General Electric (GE) is an American multinational conglomerate corporation incorporated in New York and headquartered in Fairfield, Connecticut, USA. As at 2016, the company operated through the following segments: Appliances, Power and Water, Oil and Gas, Energy Management, Aviation, Healthcare, Transportation and Capital which cater to the needs of Home Appliances, Financial services, Medical device, Life Sciences, Pharmaceutical, Automotive, Software Development and Engineering industries.

In 2014, KCB partnered with USAID and GE to provide Health Financing across the country. The partnership marked the first time that a Development Credit Authority facility was established directly with the support of a multinational company.

The new partnership was established to make up to US \$10 million in local financing available to small and medium enterprises for the development of private health facilities, including small clinics, diagnostic centres and hospitals in Kenya. It was designed in response to the lack of local

credit for health facilities in Kenya to purchase much needed medical and diagnostic imaging equipment.

Under the program, qualifying healthcare providers will have the opportunity to access more favourable financing through improved risk-sharing, training and services.

Advantages include longer loan terms, competitive interest rates and small upfront capital investments.

For more information on USAID, please visit their website here: <http://www.usaid.gov/>

For more information on GE, please visit their website here: <http://www.ge.com/>



Signing the partnership from left: President & CEO, GE Africa, Jay Ireland, KCB Group CEO, Joshua Oigara and USAID Associate Administrator, Mark Feierstein. The agreement with KCB specifically covers access to financing for a range of GE Health care equipment, manufactured globally, including at several U.S. locations.



US Ambassador, Robert Godec, KCB Bank Retail Director - Ms. Annastacia Kimtai and dignitaries pose for a photo.



## The KCB Foundation

The KCB Foundation is a charitable organization under the Group structure which focuses on transforming lives in the community through a range of partnerships and programs. It focusses on community development initiatives in the areas of agriculture, education, health, enterprise development, environment, and humanitarian relief.

In 2014, 68% of the Foundation's budget of Ksh.201 million was invested in enterprise development through the Mifugo Ni Mali program and in scholarships under the education program. Health, environment and humanitarian relief programs received 32% of the funds.

In 2015, Ksh 272.8 million was allocated to the KCB Foundation. Of this, Ksh. 117 million was spent on education, Ksh. 93.6 million on enterprise development and the rest spread out amongst community initiatives in health, environmental causes and humanitarian relief.

In 2016, the Foundation spent a total of Ksh. 315 million in the same areas of education, enterprise development, environmental and humanitarian interventions. This was a 34% increase from 2015. Enterprise development initiatives received the largest share of investments in line with our long term sustainability goals under community investment.

## Agricultural sector

In our commitment to tackling challenges presented by extreme poverty, the KCB Foundation launched the "Mifugo Ni Mali" livestock value chain development programme in 2014, targeting livestock keepers living in the Arid and Semi-Arid Lands (ASALs). This is a pro-poor livestock value chain development initiative that seeks to help livestock farmers commercialize the sector. The program seeks to address a myriad of issues that have plagued the livestock sector specifically; productivity and nutrition challenges, access to financial services such as loans for value addition equipment and processes, working capital, herd improvement, animal feeds and fodder production, animal health services, value chain trade and market access services. The program was launched in Baringo, Taita Taveta and Kwale Counties.

KCB Foundation, AgriPro Focus, Kenya Livestock Producers Association, Kenya Livestock Marketing Council and Eastern Africa Farmers Association launched the

first extensive Livestock Expo Exhibition in Kenya that took place on 4th to 6th November 2015 in Nairobi at the University of Nairobi, Upper Kabete Campus.

The Expo brought together local, regional and international livestock stakeholders and value chain players, (12,365 farmers and 1,150 delegates) drawn from Netherlands, Germany, Kenya, Ethiopia, Tanzania, Rwanda, Uganda and Ghana. The objective of the expo was to commercialize the livestock sector as well as profile the investment opportunities the sector offers.

Key highlights from the Expo included:



# 250 million

worth of business deals were transacted



# 719 million

mobilized from partners including AgriPro focus, SNV Netherlands Development Organization, Kenya Markets Trust, and the Kenya Livestock Marketing Council

The Mifugo ni Mali program continued to be a centre piece of the KCB Foundation's work, with marked progress made in 2015 where it expanded from the original counties to encompass three new counties: Narok, Mombasa and Kilifi. Progress in 2016 saw the number of farmers positively impacted by the programme increase to 30,000.

Mifugo ni Mali measures	2016	2015	2014
Amount allocated to mobilization through partnerships to support Livestock Project	KSh. 166,190,274	KSh. 268,940,000	KSh. 180,000,000
Mifugo ni Mali project - No. of farmers reached	30,000	26,000	10,812



## Education

Education remains a core thematic area for the KCB Foundation owing to its continued relevance and impact. Of the five thematic areas of the Foundation, education provides the most direct and strategic avenue for KCB to engage with the youth population and in turn, the households that they represent.

In 2014 an additional 212 scholarships were awarded to the already existing scholars being sponsored, which brought the total scholars under our program to 596. As in the past, the need for scholarship is far higher than what the Foundation and other stakeholders provide due to the escalating fees and levies from schools. Through the program, the Foundation received additional support from Western Union Foundation which provided KSh. 8.7 million towards the scholarships.

In 2015, KSh. 117 million was spent on education mainly the provision of scholarships. A total of 240 scholarship beneficiaries were recruited to the program, 40 of them being students with disability. The scholarship beneficiaries undergo a mentorship process with each being assigned to a mentor from their home branch, peer to peer mentorship in school as well as the annual group mentorship forum. The forum aims to instill leadership values and promote academic excellence among the beneficiaries.

In 2016, 240 scholarships were awarded under the KCB scholarship programme.



# 240

scholarships awarded  
annually since 2014

## Health

### Midwives Training

In September 2014, KCB Bank Tanzania Limited entered into a partnership with AMREF Health Africa. The partnership was set up to train 10 midwives and educate the public through radio on basic health issues related to maternal health and mother-to-child HIV transmission and prevention. KCB presented TSh. 48 million for the training and education program.

### Kidneys for Life

We remain committed to investing in our Kidney Health program. The commitment has been achieved through the provision of dialysis machines in public hospitals and support paediatric kidney transplants in Kenyatta National Hospital, public health messages and medical screening camps for chronic kidney disease. In 2014, we donated a dialysis machine to the Muranga Level Three Hospital, Machakos Level Five Hospital and the Eldoret Moi Teaching and Referral Hospital.

## Enterprise development

As part of our commitment to help develop enterprise in our communities, we have implemented programs that support groups in our society that face barriers to enterprise success in the region. These are particularly women, youth and the unbanked.

### KCB 2jajiri programme

In March 2016, KCB launched an ambitious Ksh. 50 billion enterprise development programme geared towards birthing a new cadre of youthful entrepreneurs within the informal sector to ease the country's unemployment crisis. The programme dubbed "Formalizing the Informal Sector," that seeks to create jobs and wealth, founded on the concept of "shared value"; a management strategy that focuses on creating measurable business value by identifying and addressing social problems that intersect with businesses. The program has three phases namely:

- Vocational skills training;
- Incubation for business start-ups; and
- Linkage to commercial products and services.

The pilot phase of this program kicked off in 2015 where 2,000 students underwent skills training in various crafts in the areas of Construction, Automobile Engineering, Domestic Skills, Beauty, Personal care and Agribusiness. The programme is expected to benefit at least 500,000 entrepreneurs in 5 years, thereby creating at least 2.5 million direct and indirect jobs.



KCB Group Board Director and Foundation Chairman, Catherine Kola, KCB Group Chairman, Ngeny Biwott, US Ambassador, Robert Godec and KCB Group CEO & MD Kenya, Joshua Oigara during the launch of the KCB 2jajiri launch at Kasarani Stadium in 2016.



Hon. Benjamin Cheboi, Governor of Baringo County, Ngeny Biwott KCB Group Chairman and Jane Mwangi KCB Foundation Executive Director during the 2016 KCB Kimalel Goat auctioning event. Kimalel Goat auction yard was fenced and commissioned by KCB Foundation. A total of Ksh 28, 242,000 was raised from a sale of 2326 goats.

H.E The President of Kenya, Hon. Uhuru Kenyatta presents a certificate to Dennis Barasa Keya, a graduate of 2016 class of KCB FOUNDATION 2jajiri program.



KCB Foundation Programme Manager, Pauline Ndonga Gakuo poses for a photo just after presenting an award to Sembua Mbingu Prudence, a form 3 student at Moi Girls- Eldoret for being the best performing female student at her level. Sembua scored an A-.



## KCB Lions' Den

Launched in 2016, this is a reality TV show format featuring entrepreneurs pitching their business ideas in order to secure investment finance from a panel of established entrepreneurs and venture capitalists (referred to as "the Lions") who have the cash and the know-how it takes to succeed. Kenya's most daring entrepreneurs were given an opportunity to step into the den to convince the Lions that their business is worth investing in and offer a share of their company in return. The show was being run in partnership with KCB and local TV stations and produced by Quite Bright Films (QBF) Kenya licensed by Sony Pictures Television.

The first season saw thirty businesses receive Ksh. 153 million in funding. The successful businesses represent 42% of 72 businesses that took part in the 12-episode season. The Lions' Den show came through the 2jijiri initiative of KCB which aims to tackle the unemployment scourge facing the youth in Kenya today. The show attracted close to 5 million unique viewers in the 12 weeks of airing on NTV Kenya and trended Number 1 on Twitter every Monday during the airing period.

Applications for participants in the second season of Lions' Den open in March 2017.

For more information on the Lions' Den, visit the website: <https://bankika.co.ke/lionsden/>

"In line with the 2jijiri initiative, Lions' Den came as a response to the entrepreneurs' call for more opportunities as more than 40 per cent of the youth in Kenya between the ages of 15 and 34 years old face unemployment,"

**KCB Marketing Director, Angela Mwirigi.**

## Other initiatives

Other KCB Foundation initiatives that have taken place in the last three years include:

- The provision of medical equipment for maternal units in five hospitals in Tanzania.
- KCB South Sudan donated bedding to Malakal Hospital and we fully furnished a medical ward at the Juba Military Hospital in South Sudan.
- We sponsored the Banana Livelihood Project in Murang'a County.
- KCB Foundation donated milk coolers in Baringo County.
- Through the KCB Made in Uganda Project, which is a partnership between the KCB Foundation and the Uganda Small Scale Industries Association, 264 small businesses run by women and youth have been established. The project's goal is to enhance entrepreneurship competencies to create jobs and reduce poverty. It is envisioned that with the growth of each business, additional employment opportunities shall be created. In addition, the mentorship component has enabled 24 entrepreneurs to undergo a four month mentorship program with industry professionals to assist in business growth and development.

## Outlook

As we continue to make meaningful impacts on the overall environment and economies we operate in, we shall seek to deepen our partnerships to provide financial solutions to existing and potential customers and look forward to engaging with like-minded partners in the future to impact the communities around us.

We are set to roll out similar system solutions like the Kiambu County Revenue Solution System up to a minimum of 15 more counties by December 2017.



From Left; Kris Senanu, CEO of Blackrock Entertainment; Wandia Gichuru, Co-Founder and MD of Vivo Activewear; Darshan Chandaria, Group CEO and Director of Chandaria Industries; Olive Gachara, Founder and Publisher of Couture Magazine Africa; Myke Rabar, CEO Homeboyz Entertainment.



# ENERGY CONSERVATION

*"While we intend to grow our operations, we are mindful of innovations in energy efficiency and changing technologies. We will look to harness greater benefits of green buildings as well as renewable energy sources, such as solar, where appropriate."*

KCB is mindful of innovations in energy efficiency and changing technologies with respect to energy conservation even as we continue to grow our operations. We have put in place several measures to manage efficient energy use including:

- Use of green building technology in our new headquarters in Upperhill;
- Use of energy efficient lighting with motion sensors and LED lighting in some of our branches;
- Energy saving devices; and
- Occupancy sensors.

As our business continues to grow, we are committed to energy saving initiatives through conservation and efficiency improvements. We have therefore been proactive in managing our energy use by, for example investing in a 100% solar power branch in 2013-2014 at the Maasai Mara and implementing the KCB Green Agenda.

To ensure that we keep minimizing our energy consumption, energy efficient lighting with motion sensors and the use of Light-Emitting Diode (LED) lighting have been recommended for all new buildings we acquire or let, including the newly built KCB Headquarters in Kenya.

In September 2015, we engaged an energy consultant to conduct a general energy audit at our Disaster Recovery Services Centre. The audit was done to identify opportunities for energy efficiency and conform to the Kenya Energy (Energy Management) Regulations 2012 issued by the Energy Regulatory Commission.

The audit entailed interviews with site management and staff, measurement of energy parameters using various audit instruments, identification of energy efficiency opportunities and a financial analysis of the energy conservation (efficiency) measures. The scope of the audit included assessment of power consumption, lighting, air conditioning and water supply. The audit, which was conducted in September 2015 identified opportunities for energy efficiency in the following areas:

- Lighting improvements- Use of LED Lamps.
- Air conditioning energy savers.
- Occupancy Sensors.
- Server Room Air Conditioner improvements.

From the audit done, a proposed Energy Investment Plan for the above areas with an estimated investment cost of Ksh. 2.8 million, will later result in savings of approximately Ksh. 1.2 million per annum if implemented.

## Outlook

We acknowledge our below par performance on energy conservation/carbon footprint over the years, and are focused on putting in place measures to remedy the same.

- In March 2017 we conducted face to face awareness creation on resource consumption/ Internal KCB Green Agenda for all the units and divisions. Plans are underway to replicate the same to all the subsidiaries.
- We have planned a continuous staff engagement calendar/ programme which highlights the need for eco-efficiency.
- All units/ divisions through their respective sustainability working group members/ champions have been tasked to come up with initiatives to reduce our resource consumption.
- We have tasked the Facilities Department within the Group to upgrade existing buildings with the latest green technology to match our new headquarters/ KCB Towers in Upper hill. However this is a long term process and will be conducted in phases.
- We are tracking our resource consumption on a quarterly basis.
- We have captured Resource consumption target as a KPI in every individual's appraisal all the way from the CEO with a target of reducing our consumption by 5% annually.

*"KCB considers security, both physical and technological, as being of paramount importance to our business. We continue to run anti-fraud, anti-phishing and anti-corruption programmes to protect our data and that of our customers by state-of-the-art security measures on our operations and continually monitoring our business for weakness and breaches."*

## Technology

Technology and systems ensure we are consistently reliable, secure and agile. Our future depends on how we deploy various technological enhancements. We are committed to ensuring that existing and future applications of technology will allow our employees to do their jobs to the best of their ability and our customers to get the best service possible, irrespective of what channel they choose to engage us through.

The above would not be possible without leveraging on the relevant technology. Our primary source of data is the core banking system - the main customer transactional platform. The T24, core banking system has integrated specific peripheral systems that accurately capture unit transactions. For financial reporting and monitoring, we have heavily invested in Oracle Financials, which is a specialized financial processing and reporting software. Data is integrated in-country and from the various subsidiaries.

## IT risk management

Information security remains a key area of focus for us as we increasingly implement new technological solutions. In 2014, we focused on strengthening our network's security by undertaking various network vulnerability tests performed by in-house and external consultants. These tests focused on authentication methodology and logical access control.

In our continued efforts to enhance data security in order to mitigate risk, we selected and formed an agreement with the Swiss firm NetGuardians to use one of their solutions. The solution has helped us stay ahead of evolving fraud tactics and IT risks by using smart behavioural analysis to monitor and analyse all user activities in real time. Alerts allow rapid intervention when potential risk is detected and automated reports facilitate reporting and auditing.

## Infrastructure management and service delivery

KCB's banking data is managed by our core banking system, T24. In order to improve the efficiency of our processes and the quality of our customer experience, the board approved the project plans for implementation of the T24 platform upgrade from version R8 to version R14. As at 31 December 2016, the upgrade was complete, and resulted in increased capacity for a better customer service experience where we can now handle more than twice the number of transactions on a daily basis. We have invested USD 6 million in the upgrade so as to achieve a 99.5% reliability on T24.

We strive to ensure minimal disruptions to normal business activities are realized by ensuring any outages, disruption or system failures to normal business are addressed immediately. Internally, we have Service Level Agreements with several business units whereby our performance is rated in terms of the support provided to the business units.



## Anti-Money Laundering (AML)

KCB has maintained a well-defined AML control framework for many years and formalized the AML policy and procedures in 2005. Since then, we have continuously enhanced the AML control framework through employee training and automated transaction monitoring. Automated Transaction Monitoring was implemented in 2014 to cover the widest range of activities. Any suspicious activities detected are duly reported as required by Law and the Banking Regulations. Staff training is achieved through induction and targeted contact training as well as through a mandatory annual computer based E-Learning assessed course which is availed to all staff.

## Partnership with MasterCard

MasterCard is a leader in global payments solutions and a technology company that connects billions of consumers, thousands of financial institutions and millions of merchants and businesses.

Our partnership with MasterCard came at a time when Kenya's financial sector was seeking to migrate from the magnetic strip cards to the more secure chip and PIN cards using the latest Europay, MasterCard and Visa (EMV) technology. We were one of the first banks to migrate all existing and new customers to this technology across our Group offices.

We partnered with MasterCard to roll out 5 million MasterCard-branded prepaid, debit and credit cards in Kenya over a period of five years (from 2014 to 2019). As a result of the partnership, KCB cardholders are able to use their chip enabled prepaid, debit or credit cards at any of the over 36.9 million point of sale terminals in over 210 countries and territories where MasterCard is accepted.

In our efforts to sustain a shift to cashless transactions, we partnered with the leading regional East African retail chain, Nakumatt Holdings Limited and MasterCard to launch the Nakumatt Global Prepaid MasterCard card. The card enables users to shop on credit and pay later or have it deducted from their KCB accounts. The new card, which is EMV compliant, replaces the Nakumatt Cash loyalty smartcard and provides a range of enhanced benefits and security features. The cards are available from all Nakumatt outlets in the various countries where they operate and also from select KCB branches. As a regional bank our customers across Eastern Africa will enjoy more convenience and choice.

In August 2014, we became the second bank in Eastern Africa to complete the MasterCard PayPass certification that was administered by Compass Plus, an international provider of retail banking and electronic payments software to processors and financial institutions. This means that the Group is now able to offer acceptance of contactless cards based on MasterCard PayPass technology. We were chosen to complete the certification by the Government of Kenya as part of a large-scale project to implement contactless technology in the region.

Following the certification and as principal members of MasterCard, we are now able to accept MasterCard PayPass cards.

For more information about MasterCard, please visit their website: <http://www.mastercard.com>.

For more information on Nakumatt Holdings Limited, please visit their website: <http://www.nakumatt.net>

## Outlook

We will continue to invest in reassuring our customers on the security of transacting through our various digital channels by continually engaging in acquisition and implementation of robust security controls. The Bank is also diligently tracking its internal processes and updating them accordingly in order to keep up to date with any developments in order to secure their customer's security.

We plan to introduce cloud computing capabilities and achieve a cost efficiency of 48%.

In the contactless payments frontier, we plan to become certified in Visa Paywave for both issuing and acquiring, JCB and UnionPay cards.

We plan to achieve 100% awareness on AML trainings and awareness by the end of 2017.

# 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."*

At KCB, we value diversity, and our current focus is on gender balance within teams and at all levels of the business. To understand and strengthen gender balance, we analyse the proportion of male and female staff, new hires and leavers.

## Gender diversity

Part of our sustainability agenda is to incorporate gender diversity as part of a strategic initiative to ensure that we encourage more women to take up key roles at all levels of management.

In 2015, we launched a five year Women in Leadership Program to encourage women to take up senior leadership positions in the Group. To date a total of 260 women have attended a four-day training under this program, up from 200 and 100 in 2015 and 2014 respectively.

In addition, we have achieved 30% composition of women on the KCB Board of Directors. We aim to have above 33% composition of women in the Board. Despite having a female composition of 30% at the senior management in 2016, up from 27% in both 2014 and 2015, we target to achieve a 50% composition in this category.

In 2016, KCB signed up to the Global Banking Alliance for Women, a global consortium of financial institutions dedicated to supporting banks as they capture the opportunity of the women's market. For more information about the consortium and their initiatives, visit their website on <http://www.gbaforwomen.org>

"KCB has over the years made deliberate investments to support women's entry into entrepreneurship across the country. We believe that women are key drivers of economic expansion, and they sit right at the apex of determining Kenya's growth trajectory in the coming years."

**Mr. Samuel Makome – KCB Group Chief Operating Officer, speaking with the Global Banking Alliance for Women about KCB's decision to join the Alliance.**

As we transition into the green economy, we acknowledge that women are the majority in agriculture and trade in Kenya and we are therefore proactive in adopting specific strategies targeting their work environment and return on investments.

## Women's empowerment

KCB was among the first signatories of the statement of support for the Women's Empowerment Principles with United Nations Women in Kenya. The Empowerment principles present the seven steps that businesses and other sectors can take to advance and empower women. By signing the statement, KCB has committed to express support for advancing equality between women and men to:

- Bring the broadest pool of talent to our endeavours
- Further our companies' competitiveness
- Meet our corporate responsibility and sustainability commitments
- Model behaviour within our companies that reflects the society we would like for our employees, fellow citizens and families
- Encourage economic and social conditions that provide opportunities for women and men, girls and boys
- Foster sustainable development in the countries in which we operate

During the period, the Board approved a policy guaranteeing paid flexible working hours for mothers during the first six months after return from maternity leave, to be agreed and scheduled with their line managers. This allows mothers who have resumed from maternity leave to come to work either two hours late or leave two hours earlier (whichever is applicable) to enable them to breastfeed and spend more time with their babies during the first six months.

## Outlook

There is a gap between men and women at senior managerial roles. We are therefore looking at several long term initiatives to employ, empower and retain women in top management positions by:

- Achieving a target of 33% of women in the Board of Directors.
- Achieving a target of 50% of women in Senior Management Roles.

# 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."*

As the largest regional bank by assets in Eastern Africa, we continue to work tirelessly to remove barriers and make banking more accessible for customers, particularly for the vulnerable and under-served populations. Our broad geographic footprint within the Eastern African region means that we service a diverse portfolio of clients from individuals to SMEs to corporates and governments.

## Banking Channels

### Islamic Banking (Sahl)

In April 2015, we launched our Islamic Banking solutions (KCB Sahl banking) to reach out and provide banking solutions to a wider community of individuals. KCB has created various asset and liability products under the Sahl Banking proposition. These include Mudharaba, Qard Hassan, Wadia, Murabhaha, Musharaka and Ijara. These products are consistent with the principles of Islamic Sharia Law.







### Table Banking for Women Entrepreneurs

In our support of women entrepreneurship, KCB has been investing in a new form of banking known as "Table-Banking" that is quickly taking shape in Kenya. This is a Group-funding strategy where about 10 members pool their resources together, meet at least once monthly, give their contributions which are loaned to members at "friendly" interest rates as well as make strategic plans on how to invest their savings to earn bonuses. KCB has so far trained over 2,500 women entrepreneurs under the Joyful Women Organization (JOYWO) on business acumen and financial education and has put over Ksh. 20 million towards supporting JOYWO's annual conferences.



### Diaspora Banking (Banking without boundaries)

With over 12 million East Africans in the diaspora, we created Diaspora Banking to provide reliable banking and investment services for Eastern Africans in foreign countries. The 'Banking without boundaries' products offer round-the-clock electronic and mobile banking. Eastern Africans living abroad can transact online, pay utility bills as well as transfer money from the KCB Diaspora account to other accounts globally even outside the KCB system.



### Internet Banking

In 2013, we unveiled our new and faster portal [www.kcbbankGroup.com](http://www.kcbbankGroup.com) which allows our customers to carry out transactions online conveniently and to utilize our other internet banking services such as KCB Bankika, KCB Mobi Bank and the KCB Diaspora Banking.

### Youth Banking

With the growth in the youth market, we are committed to introducing innovative products and services that will appeal to the youth. We have introduced internet and mobile banking (M-Benki app) which provides more accessibility to banking solutions. We have also created and tailored several accounts such as the Bankika personal and Bankika business accounts for the youth.

### Agency Banking

As part of our goals to promote inclusive banking and support Kenya's Vision 2030 objective to increase access to formal banking services in the country, we continue to promote agency banking via our KCB Mtaani agents. KCB Mtaani is a cost-effective way to expand our reach without the necessity of investing in brick and mortar.



## 15.5 Million

transactions processed by  
KCB Mtaani agents  
as at December 31, 2016.

## 13,562

agency outlets as at  
31 December 2016

### Tailored Agricultural Products and Services

We have established a specialized agribusiness unit whose primary goal is to reach out to players in the sector. The unit continues to make progress in achieving the national Agricultural Sector Development Strategy (ASDS) aimed at transforming the sector into a profitable economic activity capable of attracting private investment and providing gainful employment for the people.

The ASDS strategy is expected to achieve the 10 % annual economic growth rate expected under the Economic Pillar of Vision 2030. KCB has aligned itself to be a key enabler in this sector.

In order to be fully supportive of the sector, KCB offers accounts and loan facilities designed for small, medium and large scale farmers.



## Partnership and Innovation

While we recognize that we need to evolve to remain competitive, we remain conscious of the fact that our skill sets and systems need to be able to cope with this level

of innovation so as to ensure the stability and effective risk management upon which KCB has built its reputation.

Below are some of the highlights on innovative products which were actualized between 2014 and 2016:



### KCB M-Benki

The annual growth rates of mobile phone penetration in the developing world have ranged between 30% and 50% or higher and penetration has been rapidly increasing (Hausman, 2010). The use of mobile banking has offered commercial banks a costless expansion strategy since it reduces geographical constraints and transaction costs. We have been on the frontier in partnering with mobile operators to play a crucial role in deepening financial inclusion in the country and the region.

In 2014, we partnered with Safaricom Limited to introduce the mobile banking product dubbed M-Benki. The product has enabled new customers to open accounts with KCB using their mobile phones without having to go to an agent to do the same. The mobile application enables one to access their account, send money and withdraw cash.

### KCB M-Pesa Account

In March 2015, together with Safaricom, we released the 'KCB-M-Pesa Account' product. This flagship product enables one to get loans using their mobile phone with a flexible repayment period ranging from one month to six months. One need not have a KCB account to access the loan facility. KCB has provided low facility fees for the loans which start from as low as two percent per month.

The customer's loan limit is determined by a number of factors including, but not limited to; the amount of savings that the customer has, the customer's usage of M-Pesa and their savings on other KCB platforms. Customers also have the option of two fixed savings options, a fixed deposit account and a target savings account. In addition to offering access to instant loan facilities on request, the customer can save, place standing orders or make fixed deposits on their mobile phones.

In 2016, our partnership with Safaricom in delivering on the KCB M-Pesa banking channel continued to grow and saw us register over 7.8 million customers on the platform. This has facilitated Ksh. 9.1 billion in loans to date.





## Biashar@Smart

To increase financial accessibility for the “unbanked” population under the SME sector, we partnered with Safaricom Limited to establish a one-stop solution platform to enable SMEs to scale up their growth while nurturing enterprise health through smart tips on cost management, loyalty programs and preferential business opportunities. The product, Biashar@ Smart, is a solution that is a set of communication and financing products, capacity building initiatives and reward programs aimed at connecting, empowering and growing SMEs.

KCB brings to the partnership flexible products and services including advisory services, KCB SME Banking, competitively-priced KCB SME loans, insurance, online banking registration, pre-paid cards and credit cards which will help unlock the potential of entrepreneurs in the rural and urban areas to scale up and grow.

Safaricom Limited complements the existing offerings with Cloud Software as a Service (Cloud SaaS) which offers human resources, accounting and payroll applications online to SME’s, saving them the cost of buying the software, as well as domain hosting and professional email services. Through Biashar@Smart, SMEs can enjoy access to networking events and forums, exposure to new markets, new supply sources and trade partners, which allow them to grow their businesses sustainably.

## Pepea Card

Another innovative product and one that we are especially proud of was the launch of a Multi-Functional Transit Debit Card “Pepea”. The Point Of Sale system is a standard digital device that can read any EMV card, which uses Near Field Communication technology.



The cash-lite focus allows us to offer our financial services to the over Ksh. 200 billion-turnover public service vehicle industry in a way we were not able to do before.

The card, which was introduced on December 1, 2014, enables customers to pay for transport using cards instead of cash, offering them a secure and convenient way of paying their fares.

Commuters just need to tap their cards on the special machine and with that they get a physical/ electronic receipt indicating the date, route and time of travel. The system seeks to boost Kenya's confidence in electronic transactions, e-commerce and online banking in the country.

## KCB Insurance Agency (KCBIA)

In April 2015, we launched our expanded insurance agency business where we offer seven different varieties of insurance. These include Property, Liability, Motor, Healthcare, Agriculture, Micro, and Marine Insurance. In addition, KCB Insurance Agency offers Risk Management and professional insurance advisory services to its clients.

The Agency has laid a firm foundation for the Bancassurance Business by successfully rolling out a 5-year Strategic Plan, helping KCB Group to consolidate its position towards realizing the goal of being a leader in provision of financial services. The Agency has a new robust Bancassurance structure to support roll-out of insurance business across the branches. We now have 172 dedicated Insurance staff to drive the insurance business across the KCB branch network which has enabled KCBIA to operationalize the offering of insurance products and services across approximately 150 branches.

We have established partnerships with a number of strategically aligned underwriting partners, developed and rolled-out a whole range of insurance products to address the diverse needs of the Kenyan market.

We are currently focusing on growing our short-term business but we are looking at getting a share of the life Insurance and Pension business within the medium term. KCB Insurance will continue to drive non-funded income through digital distribution of insurance products, roll out individual life insurance products, branch sales activation, and systems integration to manage turn around time (TAT) and controls.

To drive new business, KCB insurance will support the regional subsidiaries to commence Bancassurance and develop capability for rolling out Personal Pension business.

## Customer experience

Our Promise: To make every customer contact a delightful and memorable experience.

We are committed to continually enhancing our performance in all areas that affect our customers' experience. As part of this commitment, we embarked on various strategic investments during the period to bring in more engagement, accessibility, availability, presence, innovation and technology for a seamless experience for our clients.

Below, we expound on the various initiatives and programs we have in place around the three main areas (i.e. engagement, availability and presence), and the impact they have had on our customers.

### Engagement

We continue to carry out customer satisfaction surveys in order to gain insights on our customers' views on our products and services, complaints and suggestions. Even though customer satisfaction dropped from 77% in 2014 to 74% in 2016, we still managed to raise the customer retention rate by 10% from 89% in 2015 to 99% in 2016.

### Availability

It is important to us that our customers are able to connect with us at all times. We therefore continue to make changes that will cater to our customers' needs and improve their experience with us by:

- Extended working hours across some of our branches.
- Operationalization of the 24/7 KCB Contact Centre.
- The launch of our online portal which allows our customers to carry out transactions online at their convenience. In addition, we talk to our customers via our branch hotlines and feedback kiosks, Interactive Voice Response and intelligent call routing, web chat, email, SMS, Facebook (KCB Bank Group), LinkedIn (KCB Bank Group) and Twitter (@KCBGroup).

We have utilized Social Media platforms to reach out to our remote, tech savvy, diaspora and on-the-go customers. With features and products such as the KCB Group App and KCB Mobi Bank, we noted more interactions with customers on our social media platforms than from our contact centre. These platforms have allowed us to pick up numerous customer insights which we continue to use to enhance the overall customer experience.

### Presence

We are committed to ensuring that we are present everywhere our customers are as we believe this plays a vital role in enhancing their experience. We are present in the 7 Eastern Africa countries (Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan and Ethiopia) as well as all 47 counties in Kenya. We continue to grow our networks through various services particularly agency banking - KCB Mtaani. In 2015, we opened up a representative office in Ethiopia and refurbished existing branches across the Group offices to provide a cleaner, spacious and comfortable environment for our customers.

One of the major challenges we experience with our online customer services is system failures with an associated loss of contact with the customer, which has a direct impact on experience and satisfaction. In 2015, we rolled out our new Customer Relationship Management system to address this issue. The new system has assisted with:

- Gathering information on customers and being able to get better insights on their needs.
- Having a single view of the customer.
- Know Your Customer as part of regulatory requirements.
- Real time problem resolution.
- Proactive problem resolution rather than reactive.



**918,000**  
Likes



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**17,000**  
Followers



## Outlook

Promoting financial inclusion will continue to be a key agenda for the Group. We intend to do this by investing further in our digital capabilities by providing more services through online and mobile channels. Cognizant of the opportunities afforded by the ever-growing mobile market, we intend to triple our mobile transactions and agency footprint to enhance our digital payments.

We plan on growing awareness and pushing usage of alternative channels in particular online banking and mobile banking. In addition, we have set out targets to increase mobile banking customers and grow the agency network to 20,000 agents.

As KCB, we believe in continuing to explore technological avenues to further engage our clients/ customers by making their banking experience easier, faster and more manageable in the upcoming year. We look forward to creating innovative solutions in contactless card payments, cashless transport systems and enhancing initiatives towards cashless National and County governments.

We shall continue with the youth engagement programs under the Bankika accounts.

For 2017, we intend to further increase our customer numbers and improve our customer experience by improving customer satisfaction to 85%, maintaining employee satisfaction above 85% and growing brand affinity.



## General Standard Disclosure

GRI Category	GRI Indicator	Report Page and Page reference
Statement from the executive	G4-1	11 – 12
Key impacts, risks and opportunities	G4-2	25
Organizational Profile	G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-10, G4-13	16 – 21
Commitments to External Initiatives	G4-15, G4-16	44
Identified Material Aspects and Boundaries	G4-17, G4-19, G4-20, G4-21	25, 32 – 34
Stakeholder Engagement	G4-24, G4-26	19
Report Profile	G4-28, G4-29, G4-30, G4-31, G4-32	4
Governance	G4-34, G4-35, G4-36, G4-38, G4-39, G4-40, G4-41, G4-42, G4-46, G4-47, G4-48	20
Ethics and Integrity	G4-56, G4-57, G4-58	47
Disclosures on Management Approach	G4-DMA	24 – 26, 28 – 29

## Specific Standard Disclosures

GRI Category	GRI Indicator	Report Page and Page reference
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Environmental Indicators	G4-EN1, G4-EN3, G4-EN4, G4-EN7, G4-EN8, G4-EN15, G4-EN16, G4-EN32, G4-EN33	45 – 46
Social Indicators: Labour Practices and Decent Work	G4-LA1, G4-LA2, G4-LA9, G4-LA10	38 – 43
Social Indicators: Society	G4-S01, G4-S03, G4-S04, G4-S05, G4-S06, G4-S010	38 – 43, 47
Social Indicators: Product Responsibility	G4-PR5	32, 65

## Financial Service Disclosures

GRI Category	GRI Indicator	Report Page and Page reference
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Local Communities	FS14	60 – 66

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