



REIMAGINING SOCIETAL VALUES



2017 **SUSTAINABILITY
REPORT TO SOCIETY**

ABOUT THIS REPORT

In 2008, KCB Group launched the first Sustainability Report demonstrating the Bank's commitment to social and environmental concerns while still supporting our customers in meeting their financial ambitions.

As the largest financial service provider in Eastern Africa, we play a fundamental role in society by lending money to people and businesses and investing capital on behalf of our customers to achieve good risk-adjusted returns. Therefore, integrating sustainability perspectives in these activities is both an opportunity and a responsibility for our business.

In this fifth report for the year 2017, we are taking a look back over the progress we have made in the last 10 years. The integration of Sustainability into our business has been progressive and steadily internalized by our employees, customers and the wider stakeholders in the industry. Through the lens of sustainability, we highlight the business activities for the year aligned to our 10-point Action Point Plan that constitutes also our material issues. In addition, we have included the environmental and social risk governance for our clients who have also shared their journey towards internalization of sustainability into their business that has led to their growth.

The report also highlights the progress made in integrating Sustainable Development Goals (SDGs) in Kenya and across all our International Businesses in Tanzania, South Sudan, Uganda, Rwanda and Burundi. The elaborate process of engaging all our employees across the business to identify eight goals that were aligned to our strategic

vision as a bank. We are reimagining what we believe a bank can and should offer towards the path to sustaining the trust of all our stakeholders including investors, employees, and customers through transparent and responsible banking.

This report has been prepared in accordance with the Global Reporting Initiative (GRI-4) framework, the most recognized and comprehensive guidelines for sustainability reporting globally. The summarized version is in the KCB Group Integrated Report.

To download a copy of the report please visit the KCB website at www.kcbbankgroup.com

Contact Us:

Company Name:

KCB Group PLC

Address of Headquarters:

KENCOM House, Moi Avenue, Nairobi, Kenya

Post Code: 48400-00100 GPO

Tel: 254 (20)327000 | +254 (711) 087000 | +254 (732) 187000

SMS: 22522

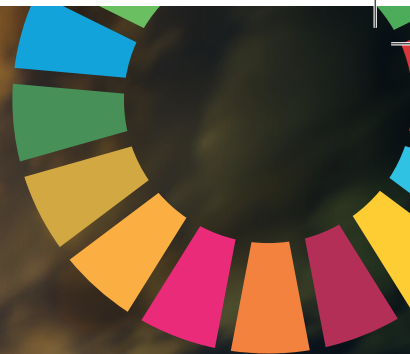
Website: www.kcbgroup.com

Email: contactcentre@kcbgroup.com

Contact Department:

Corporate and Regulatory Affairs Division

We value feedback and welcome any comments or suggestions you might have on our sustainability report and our performance, which can help us improve our reporting. Please contact us at sustainability@kcbgroup.com



We are
reimagining what
we believe a bank can
and should offer.

Over the past decade,
we have stretched
ourselves to operate
beyond **societal**
expectations.

And we are challenging
the notion of banking as
we know it, to uphold
the **values**
that matter most.

OUR 2017 REPORT TO SOCIETY



KCB



Editor-in-Chief

Judith Sidi Odhiambo

Editor

Peter Mwaura

Project Editors

Harun Kiogora

Jacob Unda

Felix Okwany

Special Thanks to:

Anne Mathenge

Charllotte Obado

Russel Mwadena

Irene Wambui Odhiambo

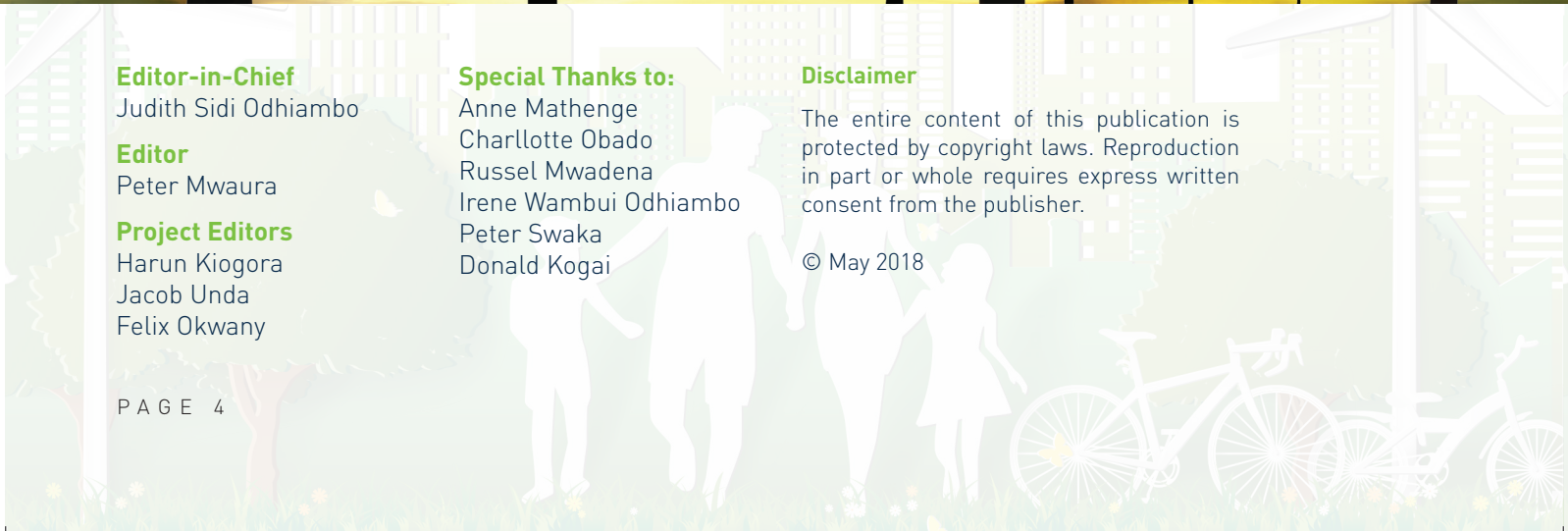
Peter Swaka

Donald Kogai

Disclaimer

The entire content of this publication is protected by copyright laws. Reproduction in part or whole requires express written consent from the publisher.

© May 2018



2017

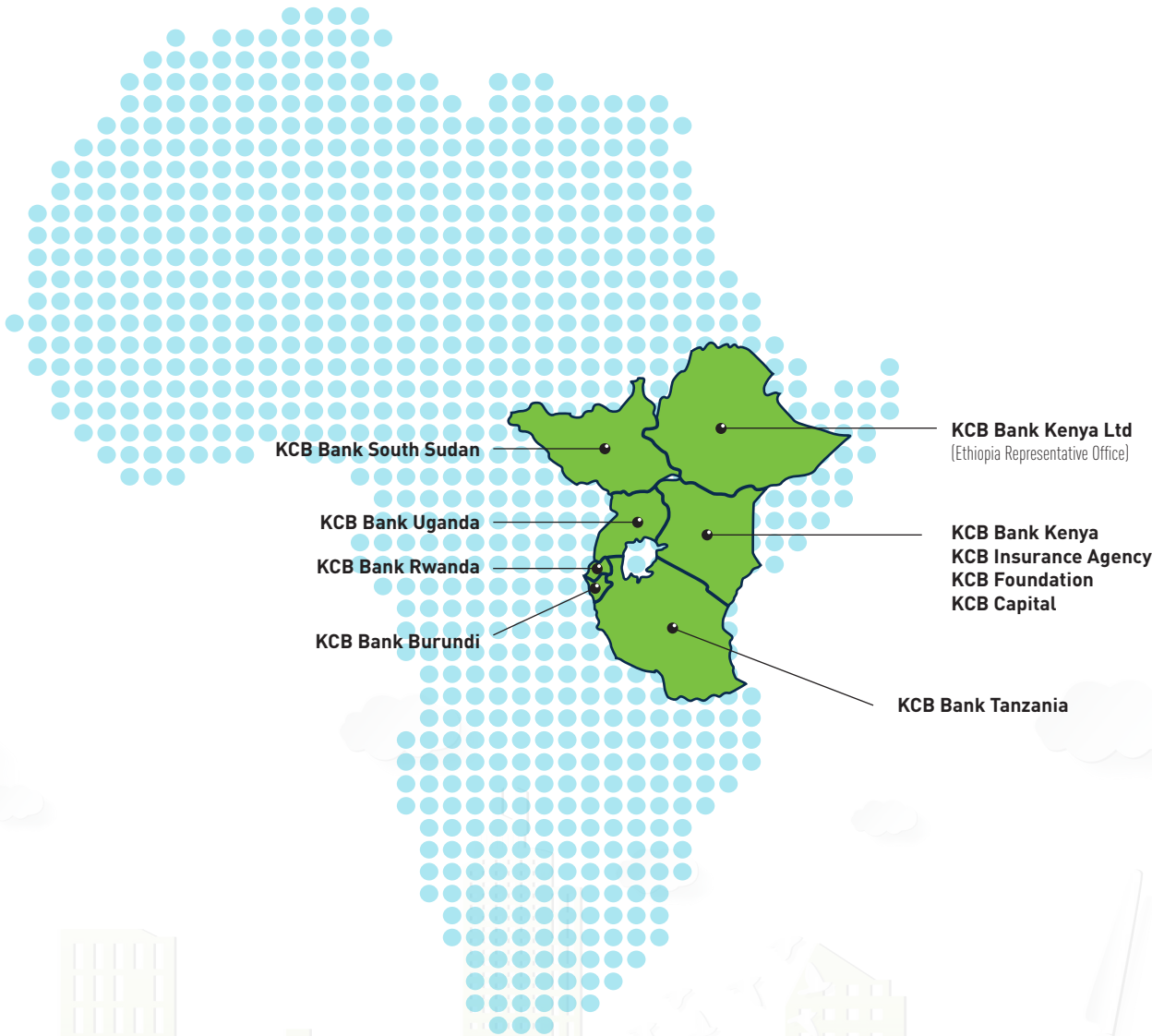
SUSTAINABILITY REPORT



TABLE OF CONTENT

About this Report.....	2
Regional Footprint and Presence	6
Societal impact results and business highlights	7
Group Chairman's Statement	8
Group CEO and MD's message	10
About KCB and its road to creating shared value	13
Material issues and strategic responses	25
Employee empowerment	33
Transforming the World through SDGs	39
Community Impact	59
Customer testimonials	65
Embracing best practices	73
Measuring our Impact.....	81
Social Return on Investment.....	89
Product innovation highlights	95
Moving forward	101
GRI compliance	104
Acronyms	106

REGIONAL FOOTPRINT AND PRESENCE



6,483
EMPLOYEES



263 Branches, 962 ATMs, 15,000 Agents
CHANNELS



NSE, DSE, USE, RSE
LISTINGS



KShs. 105b
TOTAL EQUITY



SOCIETAL IMPACT RESULTS AND BUSINESS HIGHLIGHTS

RESPONSIBLE LENDING



No. of social-environmental assessments undertaken



No. of site visits undertaken to assess E&S risk



Value of facilities that have undergone social-environmental assessments.

FINANCIAL INCLUSION



No. of registered KCB M-Pesa users



No. of transactions processed under mobile banking



No. of loans processed through mobile banking

KShs. 29.6b ▲

Value of loans processed through mobile banking

TALENT MANAGEMENT AND DIVERSITY



Employee satisfaction rate



Average training days per employee



No. of employees having undergone sustainability awareness training



No. of female permanent and pensionable employees



No. of women trained under the Women in Leadership Programme



Composition of women on the KCB Board (Group Board and country Boards)



Composition of women at senior management

EMPOWERING YOUTH AND COMMUNITY



No. of scholarships awarded under Scholarship Programme



No. of KCB Insurance Agency policies



Amount disbursed in through Inua Jamii Program.



No. of KCB Insurance Agency claims



Amount allocated to mobilization through partnerships to support Livestock Project



Value of KCB Insurance Agency claims paid out.



No. of youth upskilled under 2Jiajiri



No. of farmers reached under the Mifugo ni Mali project



Proportion spent on local procurement

Group Chairman's Statement

REIMAGINING SOCIETAL VALUES TO MAINTAIN OUR RELEVANCE TOMORROW

KCB has been in business for over 120 years. And, as East Africa's leading financial services provider, our goal is to maintain our relevance into the next century.

The Group longevity cannot be attributable to its financial success alone. Its strength rather, lies in its ability to adjust the lens through which it views its responsibility to society. In this way, we are reimagining what we believe a bank can, and should, offer its staff, clients, community and shareholders.

Over the past decade, we have stretched ourselves to think outside the box, while challenging the notion of a typical financial services provider. Underlying all that we do are the important goals of attaining equality for all – rich or poor, men or women, young or old – and eliminating poverty. These are not attainable by ourselves alone. But by working in partnership with other like-minded organizations and government, they are achievable.

Many of our new products and services provide bottom up solutions that are relevant, effective, successful and sustainable. This sets us apart from internationally-based lenders, who are typically more risk averse in such offerings due in some cases to a more limited view of the opportunities available within a society.

We are now commemorating 10 years of sustainability integration into our overall business operations. The journey has been defined not only by our financial responsibilities, but also by our ability to balance our business goals with larger development priorities and socio-environmental concerns. The Group has therefore worked tirelessly to bring financial services innovation and community-driven responses to the most vulnerable persons.

Most recently, the Group formally launched the process of integrating achievement of the United Nations' Sustainable Development Goals into operational goals. The SDGs, as they are commonly known, provide us with a new way of looking at how our business is contributing to the needs and ambitions of developing the international community as a whole.





Sustainability is not a new concept for business leaders around the world, those who have taken a holistic approach to understanding the potential opportunities in the face of risks, are more likely to be the front-runners of tomorrow.” — Ngeny Biwott

As a result, they are also challenging us to provide new solutions that further help anticipate consumer needs and enhance our position as a market leader, while allowing us to better manage our risks.

We have confirmed that embracing and blending environmental and social aspects of sustainability has enabled the bank to drive stronger business performance over the last decade.

We do appreciate that sustainability has enabled us to generate revenue, manage costs, attract talent and future-proof our business.

To ensure we maintain this momentum, we will continue to hold our-

selves accountable to the highest standards of governance throughout our operations. We will push technology to the limit in order to bring innovative financial products and services. This is essential to adding value to the society and will remain so moving forward.

It has also allowed us an opportunity to transition to a green economy by financing projects that accelerate greening and support clients that provide practical solutions to environmental and social challenges in the market.

We have therefore spent the past year reflecting upon how the Group can make the greatest contribution to achieving these goals, while maintaining the level of quality

services which customers and shareholders have come to expect from KCB. This report provides further insight into the process, how the SDGs go hand-in-hand with our strategy, and what we hope to achieve in the coming years.

On behalf of KCB Group, we wish to thank you for picking up this 5th anniversary edition of Our Report to Society. We hope it is inspiring and that it helps jumpstart the conversation beyond the Group to boardrooms and organizations throughout the region. Such dialogue is essential to safeguarding what we value most in our society.

Ngeny Biwott
Group Chairman

Group CEO and MD's message

“The bottom line is that if we do not invest in our society today, our business will not be around tomorrow. Reducing inequalities and eliminating poverty are essential to the future success of our society whether we are in East Africa or anywhere else in the world.”

– Joshua Oigara



REFLECTING ON A DECADE OF REDEFINING BANKING EXPECTATIONS

Over the past decade, KCB Group has made considerable progress in terms of redefining herself to be more to our stakeholders than just a lender.

We have made a concerted effort to step beyond societal expectations of solely offering services in return for profit, to building long-term relationships necessary to offer the latest technology and create innovative solutions to reach customers previously left behind.

In 2007, we launched KCB Foundation. To date, we have invested an estimated KShs. 1 billion in customized community programs

aimed at providing opportunities in enterprise development and education to those who would otherwise be left without. Over 10,000 people have received vocational skill building support through our 2Jiajiri program alone.

Meanwhile, over 13 million customers have access to competitively priced loans through our KCB M-PESA platform which processed loans worth over KShs. 40 billion by the end of 2017, with an average loan size of KShs.2,450, we have enabled greater access to financial services to many including the non-banked individuals. Last year alone, over KShs.580 million was paid out to policyholders of KCB Insurance Agency.



rate capping. This may have deterred many organizations from pursuing their sustainability-related goals, but it should not. At KCB, our experience is that these goals are central to seizing opportunities that lead to better business in both the short and long-term.

We believe responsible business is about establishing and nurturing the foundation of growth for the next generation. This year, the Group underwent an internal stakeholder engagement to determine how it could best integrate the United Nations' Sustainable Development Goals into its operations. We started by identifying the goals which most closely aligned with our current strategy, its sustainability-related material matters and where we would like to position KCB in the future.

As a result of this process, the Group adopted eight of the seventeen SDGs. These are the goals upon which the Group believes it can, and will continue, to have the greatest impact over the next three to five years. We are therefore challenging ourselves to work towards contributing to the relevant targets within these goals. We are also committing ourselves to three larger initiatives, which include launching our first green bond by 2020, attaining carbon neutrality and providing products which increase access to finance for all by 2027. Our hope is that if we lead by example, others in region will follow.

It is thanks to our stakeholders—staff, clients, shareholders, suppliers, and government—that we are here today. We invite them and challenge them to join us in not only envisioning the society in which they wish to operate, but in solidifying their contributions to its improvement as well.

Joshua Oigara
Group CEO and MD

The Group has also ramped up its international participation in sustainability-related forums to share our experiences, while learning from others and adopting relevant best practices. We launched our first Sustainability Report in 2008, which helped pave the way for the launch of the our first Integrated Report in 2015.

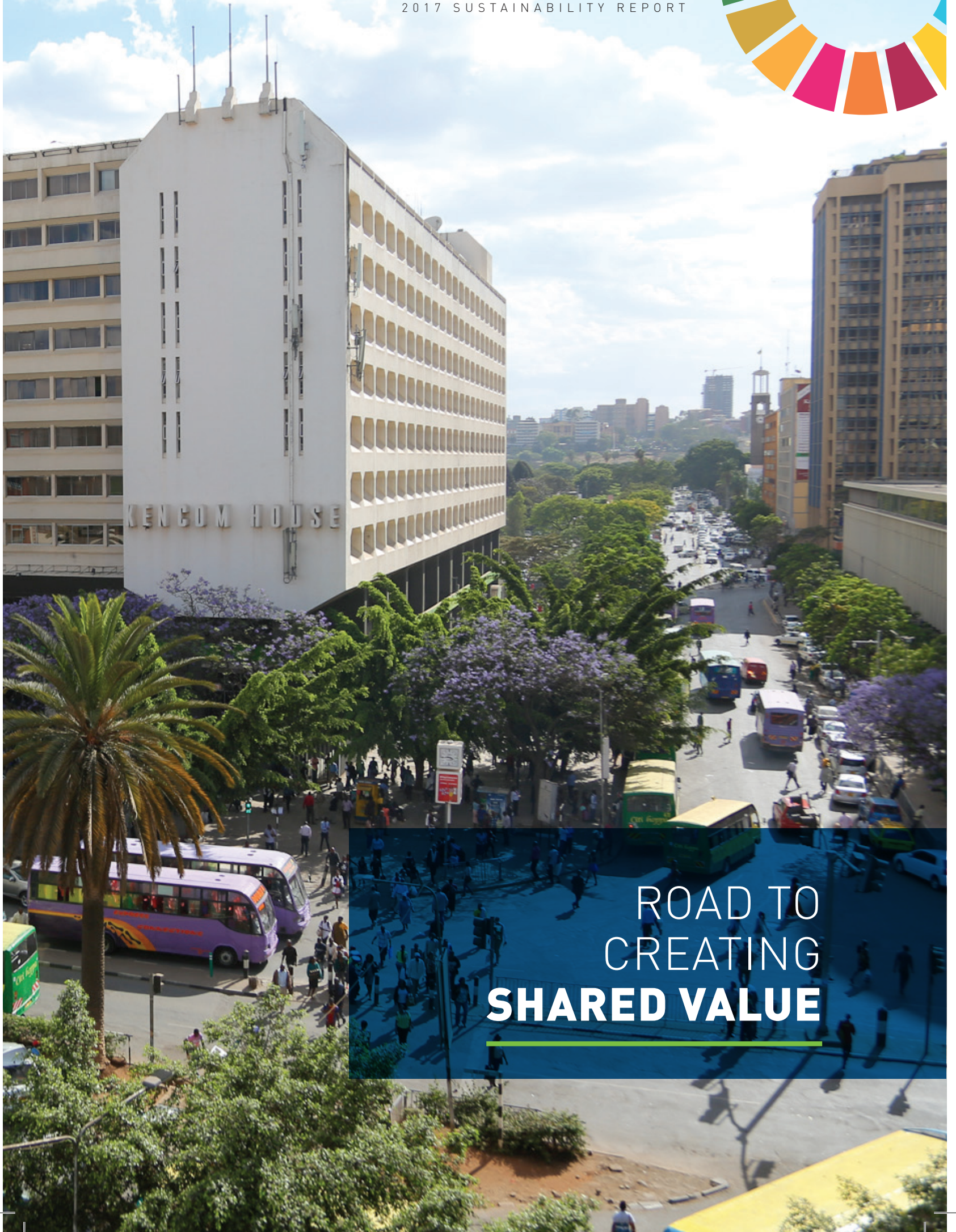
We believe we have reached this success because we had the foresight to think outside the box by challenging the notion of what a financial institution should provide and embracing what it values most. In recent years, our industry has witnessed increasing regulatory requirements and industry challenges, such as the interest



KCB

REIMAGINING SOCIETAL VALUES





ROAD TO
CREATING
SHARED VALUE

ROAD TO CREATING SHARED VALUE



Our Mission

To drive efficiency whilst growing market share in order to be the preferred financial solutions provider in Africa with global reach

Our Vision

To be the preferred financial solutions provider in Africa with global reach

Our Purpose

Simplifying your world to enable your progress

Our mission vision and purpose strive to create shared value for our stakeholders.

Our journey

The oldest financial institution in East Africa, KCB has not always been known via the three letters that have gained it such global recognition today.

At the time it first launched operations in Zanzibar, Tanzania in 1896, it was then known as a branch of the National Bank of India. After entering the Kenyan market eight years later, it would be almost another 70 years before the government of Kenya would acquire a 100 percent stake in the company and rename it, Kenya Commercial Bank Limited.

During the next five decades, KCB expanded throughout the East African region. Today, registered as a non-operating holding company, "KCB Group Plc" started operations as a licensed banking institution on January 1, 2016. The holding company oversees KCB Kenya – incorporated with effect

from January 1, 2016 – and all KCB regional units in Tanzania, South Sudan, Uganda, Rwanda, Burundi and a representative office in Ethiopia. It also owns KCB Insurance Agency, KCB Capital, KCB Foundation and all associate companies.

The holding company was set up to, among other things, enhance the Group capacity to access unrestricted capital. In addition, it also enables investment in new ventures outside banking regulations, enhances operational and strategic autonomy for the Group operating entities, improves corporate governance across the Group, as well as oversight in management of its subsidiaries.



Our Stakeholders



Investors

- Shareholders
- Fund Managers
- Analysts



Employees

- Long-term employees
- Short-term employees
- Executives



Regulators, key players & government

- National Treasury
- Central Banks
- Capital Market Regulators
- Securities Exchange
- Bankers Associations



Communities

- Beneficiaries
- Corporate Social Investment
- Partners
- Media
- Advocacy Groups

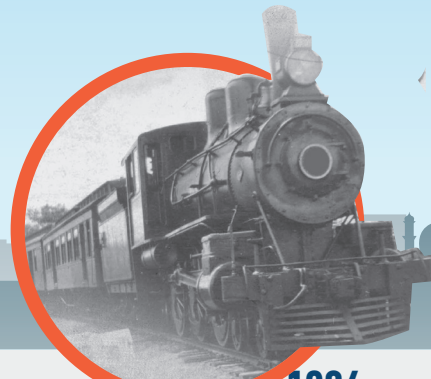


Customers

- Retail
- Corporate
- Asset Manager
- Intermediaries



1896
KCB starts operations



1904
KCB extends operations to Nairobi

OUR **122** YEAR JOURNEY

1 1896 – The Beginning
KCB, Eastern Africa's oldest and largest commercial bank started its operations in Zanzibar as a branch of National Bank of India.

2 1904 – The East African Railway
The bank extended its operation to Nairobi, which had become the headquarters of the expanding railway line to Uganda

3 1957 – The Merger
Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank which upon independence was to spearhead the economic empowerment of local citizens.

4 1970 – Government Acquisition
The Government of Kenya acquired majority shareholding and changed the name to Kenya Commercial Bank

5 1972 – KCB acquires S&L
In order to provide access to home ownership, the bank acquired Savings and Loan (K) Ltd, the largest mortgage finance company.

6 1988 – KCB IPO
The Government sold 20% of its shares at NSE through an IPO that saw 120,000 new shareholders come on board

7 1997 – First Subsidiary
KCB Tanzania opened first branch in Tanzania

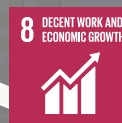
8 2003 – KCB Rebrands
Rebranded to KCB Bank Limited

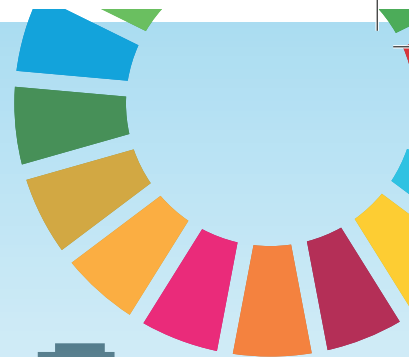
9 2006 – KCB South Sudan
KCB entered South Sudan market making it the first Kenyan Bank to invest in the new country

8 2007 – KCB Uganda & KCB Foundation
KCB opened its first branch in Uganda | KCB Foundation was launched



2017
KCB selects and adopts 8 Sustainable Development Goals (SDGs)





1957
Grindlays Bank merges with the National Bank of India to form the National and Grindlays Bank



1970
The Government of Kenya acquires majority shareholding and changes the name to Kenya Commercial Bank

1988

The Government offloads 20% of its shares at NSE through IPO bringing on board 120,000 new shareholders



10

2008 – KCB Rwanda

KCB entrance to Rwanda | Launch of the first KCB sustainability Report | KCB implemented T24 core banking system in all countries of operation

11

2011 – KCB Posts Record profits

KCB posted a record KShs. 15.1 Billion trading profit making it the most profitable bank in Eastern Africa.

12

2012 – KCB Burundi

KCB completed its Eastern African Regional presence with the opening of the KCB Bank Burundi

13

2015 – KCB spreads into Ethiopia

Launch of Representative office in Ethiopia

14

2017 – KCB adopts UN SDGs

KCB Executive Committee approved the selection and adoption of 8 Sustainable Development Goals (SDGs)



REIMAGINING SOCIETAL VALUES

2007

KCB Foundation established to implement the Group's corporate social responsibility programs and as a sign of commitment to sustainable development to alleviate poverty and enhance well-being.

2009

KCB launched its Green Agenda. The environmental blue-print guided KCB's focus on issues related to waste management, carbon and greenhouse gas emissions, as well as global warming.

2011

KCB pioneered agent banking (KCB Mtaani) an alternative channel aimed at supporting the available channel network of branches and ATMs | Launched internet banking solutions..

2008

Launch of KCB's first Sustainability Report. Showing the world that it was ready to share how it aimed to meet such goals and that it was holding itself accountable for such | Launched Tuungane Account for women and youth groups.

2010

KCB Insurance Agency Ltd commenced business.

2012

KCB launched its Diaspora Banking

The road to creating shared value...

The KCB Group approved its Social and Environmental Management System (SEMS) in March 2015. Later that same year, KCB began to utilize the provisions of the SEMS in assessing loans above KShs 500 million and trained 50 key staff on environmental and social risks assessment.

The SEMS helps identify ways in which clients may contribute to reducing waste, maximize efficient use of resources, reduce social and environmental risk and improve overall sustainability of operations.

Also in March that same year, KCB Group partnered with Safaricom to launch a new mobile banking product enabling customers to obtain loans using their mobile phones and pay at a rate of 2 percent per month. KCB M-PESA, as it is known, offers loans with

repayment periods ranging from one to six months.

KCB Sahl Banking was introduced in April 2015. In an effort to meet the growing demand for Islamic financial products across the East African region, KCB introduced the Sharia-compliant products as part of the Group long-term vision to embrace innovation to reach more citizens across the region, who have been otherwise left out of the traditional banking system.

In November, KCB partnered with the Alliance for a Green Revolution in Africa (AGRA) on a project largely funded by the Mastercard Foundation to develop and implement a platform that enables smallholder farmers across the East African region to access credit, savings, and insurance immediately through their mobile phones. Known as KCB

“Twenty years ago, there was little talk of sustainability except perhaps with respect to the concept of inclusion. Over the past four years however, the intensity with which the topic has become mainstreamed into our conversations has become apparent. Sustainability is no longer a strange topic. It has become embedded in the way we do things and the way we think.”

– KCB Group Chief Operating Officer
Samuel Makome

2013

KCB launched its Sustainability Framework. Centred around four key pillars—financial, economic, social and environmental sustainability—outlining ways in which corporate strategy could help the Group drive revenue, reduce costs, risks and build on its brand and reputation.

2015

KCB Group approved its Social and Environmental Management System (SEMS)

2017

Adopted Sustainable Development Goals

2014

KCB signed onto UN Global Compact | KCB M-Benki was rolled out | KCB Foundation launched Mifugo Ni Mali program | Biashara Smart in partnership with Safaricom | KShs. 850 million availed to SMEs in the health sector.

2016

Launch of KCB 2Jiajiri Program | Inua Program launched.



Mobigrow, the banking system also links smallholders to other players across the agricultural value chains from inputs to markets thereby boosting their creditworthiness.

At the Second CEO Roundtable on Sustainable Finance held on March 31, 2015, the Kenya banking industry, through its umbrella body, Kenya Bankers Association (KBA), adopted the Sustainable Finance Initiative (SFI) Guiding Principles. These principles enable banks to balance their business goals with the economy's development priorities and socio-environmental concerns.

In addition to new partnerships, the year saw increased scrutiny within Kenya's banking industry following the closure of two banks by the regulator due to unsound banking practices. At the same time, KCB worked to comply with the Finance Act, 2015 (which,

among other things, introduced the vetting of influential non-significant shareholders and amended the Proceeds of Crime and Anti-Money Laundering Act, thereby requiring and permitting the seeking of information and documents related to the financing of terrorism.

Meanwhile, the Group also prepared itself for compliance with the Companies Act, 2015, aimed at enhancing corporate governance. The Act does this by increasing the responsibilities and skill requirements for board members to enhance accountability of company boards.

In 2015, implementation of the requirements surrounding the Prevention of Terrorism Act, 2012 and the Persons with Disability Act, 2003 also began. The year further marked the launch of the first Integrated Report. Stepping beyond its traditional annual

report, integrated reporting aims to more fully communicate how KCB manages its long-term value creation by taking an integrated approach to both traditional risks and greater sustainability risks.

The same year, KCB launched a five year Women in Leadership Program to encourage women within the Group to apply for and assume leadership roles within the company.

In March 2016, KCB Foundation launched 2Jiajiri, a job creation initiative targeted at today's youth operating within the informal sector. The initiative aims to provide beneficiaries with the vocational and enterprise development skills necessary to drive employment and wealth creation in select sectors, such as agricultural enterprise, automotive engineering, construction, beauty and domestic services. The initiative also launched the televi-



sion series, "Lion's Den," which features promising entrepreneurs pitching their business ideas to a panel of successful entrepreneurs who will evaluate them for possible funding opportunities.

KCB announced a partnership with the MasterCard Foundation in 2016 to promote financial inclusion for at least two million smallholder farmers and pastoralists in Kenya and Rwanda, 60 percent of whom are female. Through the partnership, KCB pledged to extend mobile-based financial services to some of the most excluded rural populations of Kenya and Rwanda. MasterCard and KCB each pledged to contribute US\$ 15 million to the effort.

KCB also formally became known as KCB Group Limited in 2016 when it became registered as a non-operating holding company to oversee all KCB regional units including KCB Bank Burundi, Ethiopia, Kenya, Rwanda, South Sudan, Tanzania and Uganda. It also owns KCB Insurance Agency, KCB Capital, KCB Foundation and all associate companies.

The Group joined the Global Banking Alliance for Women in 2016. Membership in the Alliance provides financial institutions access to a unique global community of peers that have proven the business case for serving women. Membership provides a wide range of services to help organizations design, implement and refine effective women's market programs. The Alliance also seeks to use its

collective voice to advocate for greater awareness of women's vital economic roles as consumers, investors and job-creating entrepreneurs.

The year also saw KCB partner with UnionPay International to roll out the UnionPay Prepaid Travel Mate Card. Using near field communication technology, the card enables the user to make payments quickly without the need to even swipe the card, showcasing the next generation in payment processing. Perhaps more importantly, the technology is highly secure, eliminating most risks inherent in electronic payments.

In September 2017, KCB Group CEO, Joshua Oigara, as the only CEO from the African continent, attended the UN Global Compact Leaders' Summit in New York where he participated in a panel discussion on how today's business leaders have, and can continue to, embed sustainable practices into their philosophy and operations. This further helps demonstrate that leadership and innovation is coming from within the continent, combined with learnings and adoption from global experience.

The year also saw the beginning of the UN Sustainable Development Goals (SDG) integration process. During the year, KCB underwent an internal stakeholder engagement to determine which of the 17 SDGs most closely align with KCB vision and strategy. Those selected are outlined in this report.

“ In 2017, we began a portfolio review to identify customers with potential for refinancing or funding through a green bond program. Moving forward we are also looking to expand our corporate portfolio in green lending, such as through financing more green buildings and cleaner technologies in line with international green standards.”

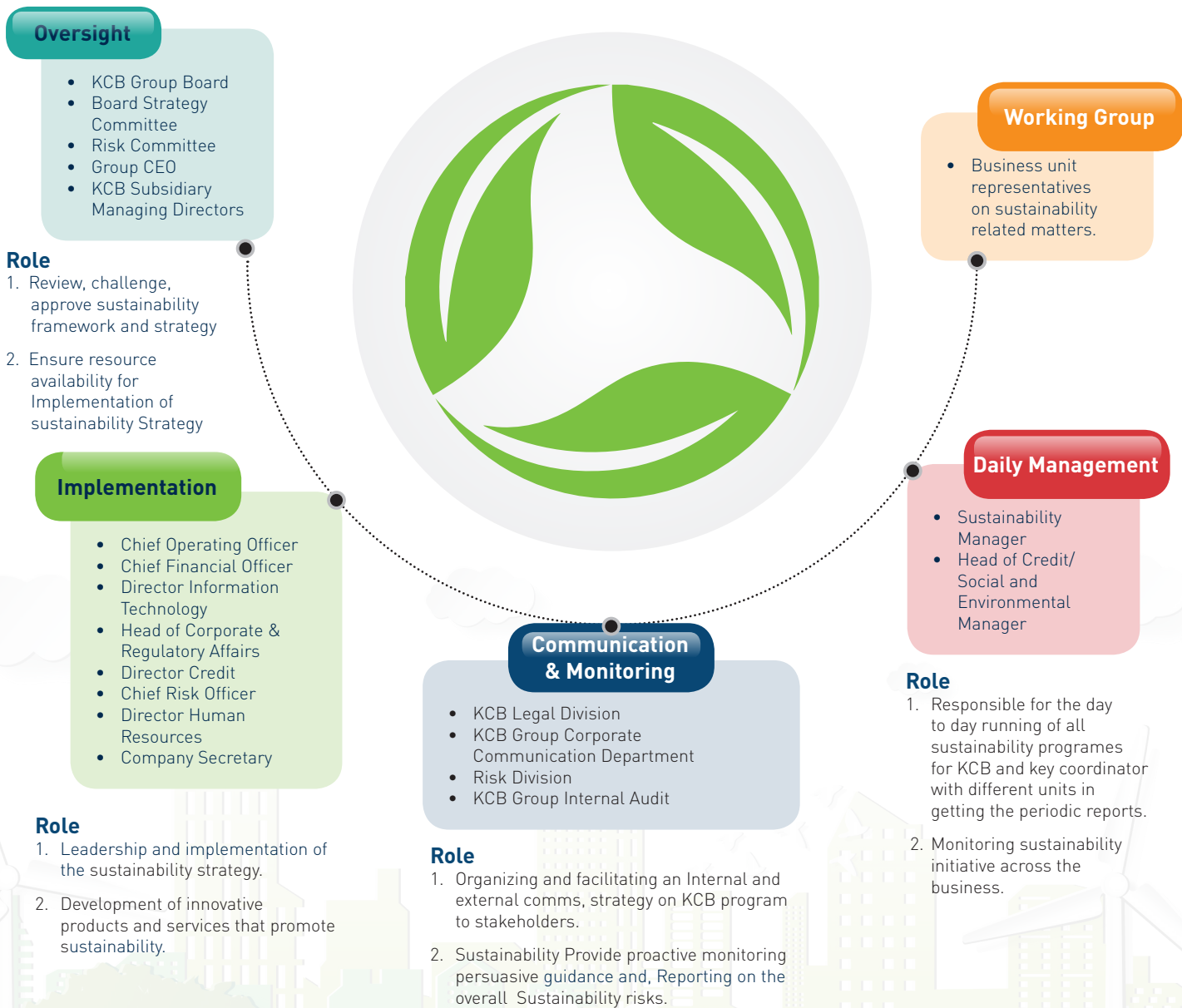
– KCB Director Corporate Banking
Moezz Mir





Sustainability Governance Framework

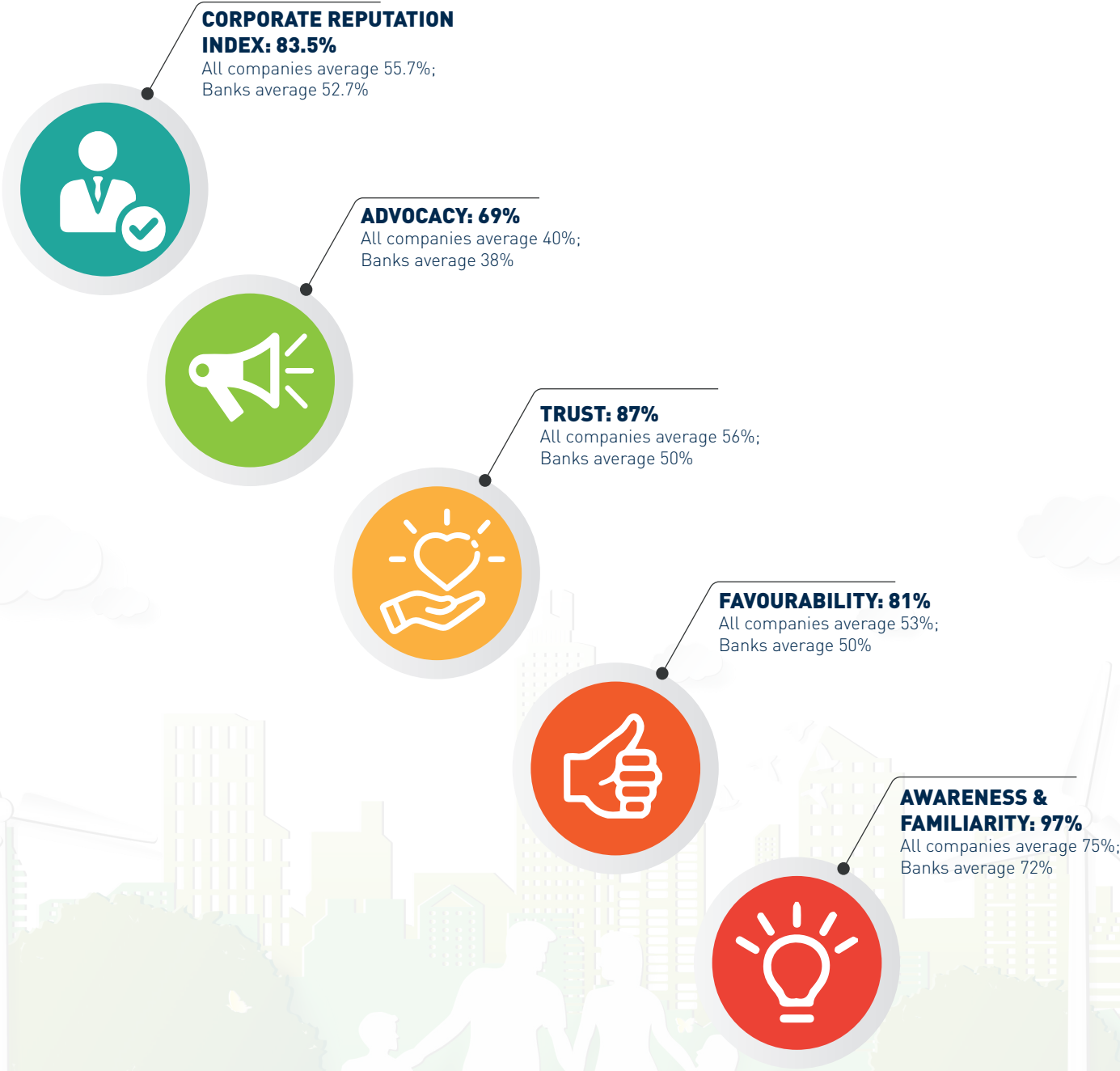
The Group sustainability framework is executed as outlined in the diagram below:



Brand positioning

KCB Bank Kenya carried out a Corporate Reputation Index survey in 2017 to gauge on reputation of the bank from thought leaders in the market and influencers. The survey focussed on five areas which include: advocacy, trust, favourability, familiarity and awareness

benchmarking among local and global peers. By tracking the bank's overall reputation index enables us to plan well on programmes and activities to be adopted to address the weak points.





CASE STUDY

KCB Towers: Setting the trend in green building technology



Solar panels

Fitted with solar panels to reduce the consumption of power



Natural lighting

Design incorporates use of natural lighting during the day



Energy efficiency

Low wattage energy saving technology is employed



Water harvesting

Facilities for rainwater harvesting and greywater recycling have been installed



Ventilation

Tapping of natural ventilation with no mechanical systems employed



Atrium

An atrium and triple storey landscaped sky courts allows for natural ventilation





REIMAGINING SOCIETAL VALUES





MATERIAL ISSUES AND STRATEGIC RESPONSES

SUSTAINABILITY MATERIAL ISSUES AND STRATEGIC RESPONSES

KCB Group is committed to doing its part to help safeguard our society. It is embracing innovation by leveraging technology and foresight to create financial products and solutions with the greatest reach. It has built and will continue to build upon its solid foundation through like-minded partnerships and sound governance, which are positioning it to take a lead in helping address the most relevant challenges the region faces.

Factors affecting our economic, environmental and social impact

Broadly speaking, our ability to create, preserve and erode its economic, environmental and social impact, depends on six identified main factors, based upon our knowledge of industry trends and realities. These factors, often referred to as “material issues” have been, and will continue to be, key drivers in influencing our sustainability strategy as they influence the company’s ability to deliver upon its economic, environmental, and social impacts. While representing potential risks as much as possible opportunities, the following themes

are likely to significantly impact our ability to deliver in the short to long terms:

- Empowering youth and community
- Resource scarcity & environmental challenges
- Technology and innovation
- Cyber security
- Governance and integrity
- Strategic partnerships



Material issues defined



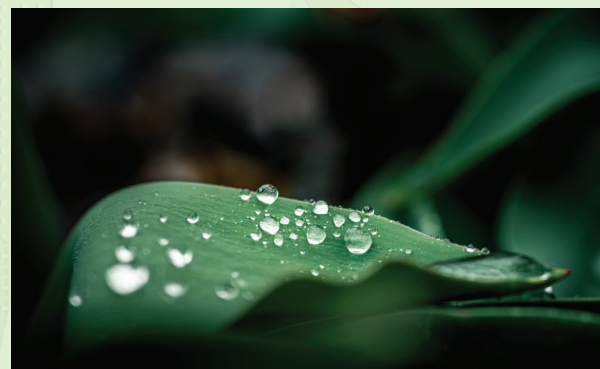
i) Empowering youth and community

It is no secret that management across the business world faces constant pressure to make their businesses thrive. Most often essential to this goal is the ability to attract new customers, in addition to retaining existing ones. With today's youth population, those 35 years and younger, comprising over 75 percent of the population in Sub Saharan Africa, KCB Group understands the value in supporting today's youth to thrive, which in turn will support them in becoming potential bankable customers tomorrow. In the same stead, the Group has extended this approach to the community at large and aims to reach as many people as possible, including those individuals who would otherwise have been unable to access finance. In supporting youth and local communities today, KCB is further harnessing the opportunity to gain potential life-long customers tomorrow.

ii) Resource scarcity and environmental challenges

Kenya's economy is highly dependent on its natural resources base—more than 50 percent of the

country's GDP comes from agriculture, mining, forestry, and fishing. Over the past year alone, severe water shortages brought upon by climate change in many parts of the region were just as unfortunately, counterbalanced with rampant flooding elsewhere. Meanwhile, domestic and industrial pollution, ongoing deforestation, soil erosion, desertification, and poaching have further depleted our resources. As a result, livelihoods of more people today than ever before are more likely to be threatened due to some unforeseen event resource depletion.





It is therefore imperative efforts begin today to invest in mitigation and adaptation investments which will lessen the negative effects.

The world's natural resources are a shared good. It is important therefore that organizations assume responsibility in managing them responsibly. Internally, KCB Groups has, and will continue to practice sound resource consumption and management practices. It has also begun working with its corporate clients to help them do the same and is also placing strategic emphasis on further expanding its lending portfolio in sectors that provide solutions to these challenges, such as green real estate, cleaner technologies relating to energy and water and climate smart agri-business practices. Its new product line of Bancassurance products are further helping safeguard individual clients and small businesses from such unforeseen circumstances.

iii) Technology and innovation

Today's customers are smart and savvy. They know what they want and when they want it. Businesses that do not innovate and find new solutions to help make lives easier are therefore at risk of losing potential and current customers. KCB Group understands this. Competition is fierce. We are therefore in the business of simplifying your world to enable your progress. This has led us to harness the power of technology, including through the use of mobile phones to bring financial services directly to you. Our 2.9 million active mobile customers in Kenya and in the region now have direct access to financial services at their fingertips.

iv) Cyber security

For as much as technology has simplified our world, it has also brought with it important security-related challenges. It is therefore imperative KCB continue to meet these challenges head on by installing, monitoring and constantly upgrading our state of the art security systems to safeguard the integrity of our systems and our customers' personal data. In doing so, it boosts confidence in investors, customers and staff that their information and finances are secure.

v) Governance and integrity

A company or organization is only as good as those that it employs and those that it serves. It is therefore important for those operating within the banking sector to uphold themselves to the highest governance standards, both internally, as well as when working with external stakeholders. This brings increased confidence to investors, customers and staff. Without abiding by such standards, companies are less likely to attract investors and are more susceptible to opening themselves up to cases of theft, fraud and reputational risk. KCB Group has therefore built a strong, qualified Board of Directors, established a clear governance policy, board charter and code of ethics to ensure it holds itself to the highest standards.

vi) Strategic partnerships

Across the world, companies are working together with other like-minded companies to offer new products and services as a way of meeting customer demand. KCB Group is open to forming new partnerships which contribute to its overall vision of becoming the preferred financial solutions provider in Africa with global reach.



Aligning strategy with material matters

In general, company strategy is informed by industry risks and opportunities in relation to its strengths and weaknesses. In terms of sustainability, these factors are directly reflected in the material matters. Today, as more and more organizations adopt sustainable practices, strategy becomes the main driver of the ways in which a company creates shared value as well.

The past decade has seen KCB Group integrate sustainability into its operations and overall business strategy. While it has a philanthropic history which precedes the past ten years, it formalized the Group CSR activities when it launched KCB Foundation in 2007. The birth of the Foundation was a component in KCB strategy for 2005-2009.

Between 2010 and 2014, KCB strategy focused on the following pillars: customer service, financial, opera-

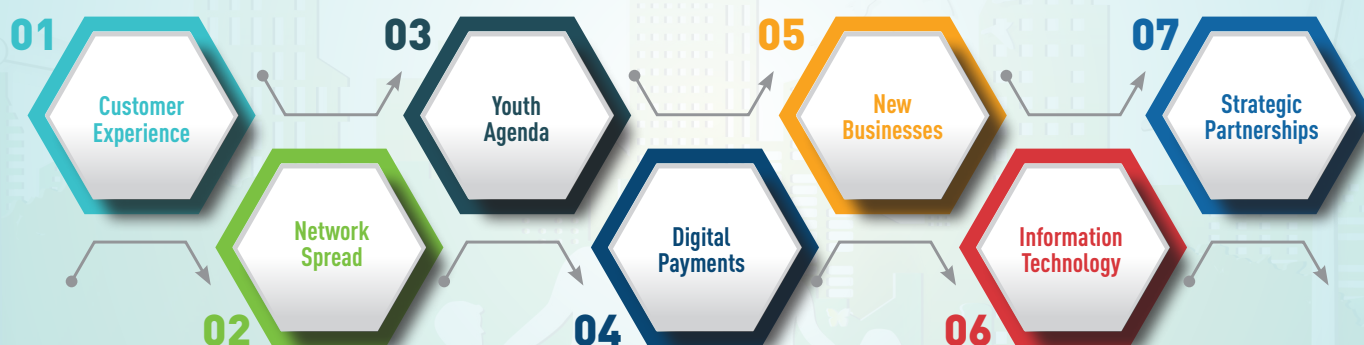
tions and technology, risk management, regional markets, human resources and social relevance as key to the businesses' future growth.

In 2011, aligned with its social relevance pillar, KCB launched its "transformation journey" aimed at maintaining our relevance into the coming decades by examining ways in which it could further deliver upon business growth, increase productivity, drive efficiency, rationalize costs, enhance stakeholder value and launch KCB Group to the next level.

“The way in which KCB is associated with economic development and growth has made us a trusted partner. We want to continue to see the success of markets in which we are involved from a sustainable growth perspective. We have therefore incorporated this aim into our strategy and will continue to do so moving forward.”
– KCB Head of Strategy Reginald Kikwai

Maintaining the momentum of its journey, KCB strategy for 2015 to 2019, with the theme of "Transformative Partnerships," became more people centric and is based upon seven pillars. During the midterm strategy review, the Group assessed progress made at achieving its goals and reassessed areas in which it should focus its energies for realization the strategy. Over the next year, in addition to other areas of focus, the Group will expand upon its "customer experience" pillar to focus more closely on the internal employee experience.

KCB Transformative Partnerships KCB Strategy for 2015 - 2019



Material Issues in Summary

Empowering youth & community

In supporting youth and local communities today, KCB is further harnessing the opportunity to gain potential lifelong customers tomorrow.



Resource scarcity & environmental challenges

KCB Groups has, and will continue to practice sound resource consumption and management practices.



Technology & innovation

Our 2.9 million active mobile customers in Kenya and in the region now have direct access to financial services at their fingertips.



Cyber security

KCB continue to meet these challenges head on by installing, monitoring and constantly upgrading our state of the art security systems



Governance & integrity

It is therefore important for those operating within the banking sector to uphold themselves to the highest governance standards, both internally, as well as when working with external stakeholders.



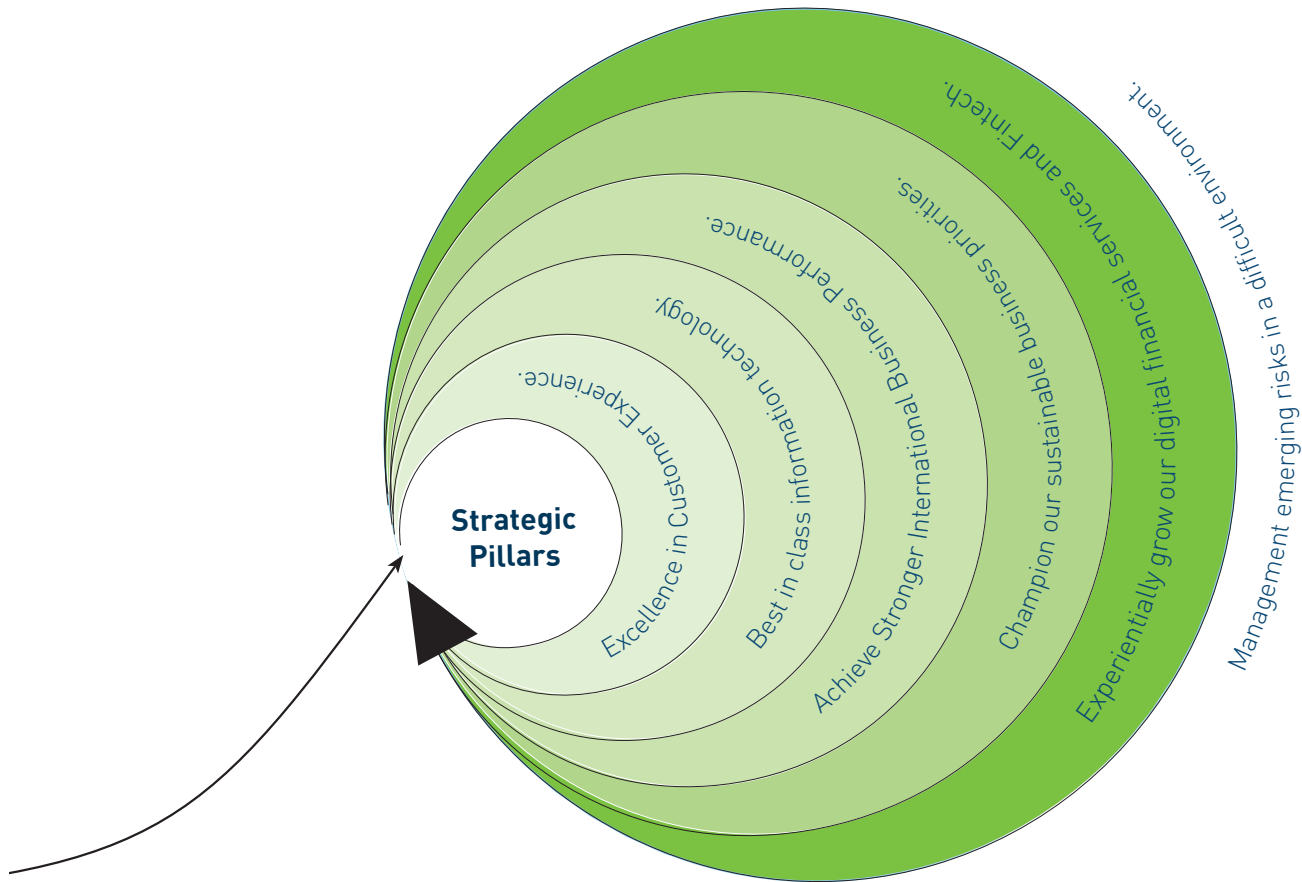
Strategic partnerships

KCB Group is open to forming new partnerships which contribute to its overall vision of becoming the preferred financial solutions provider in Africa with global reach

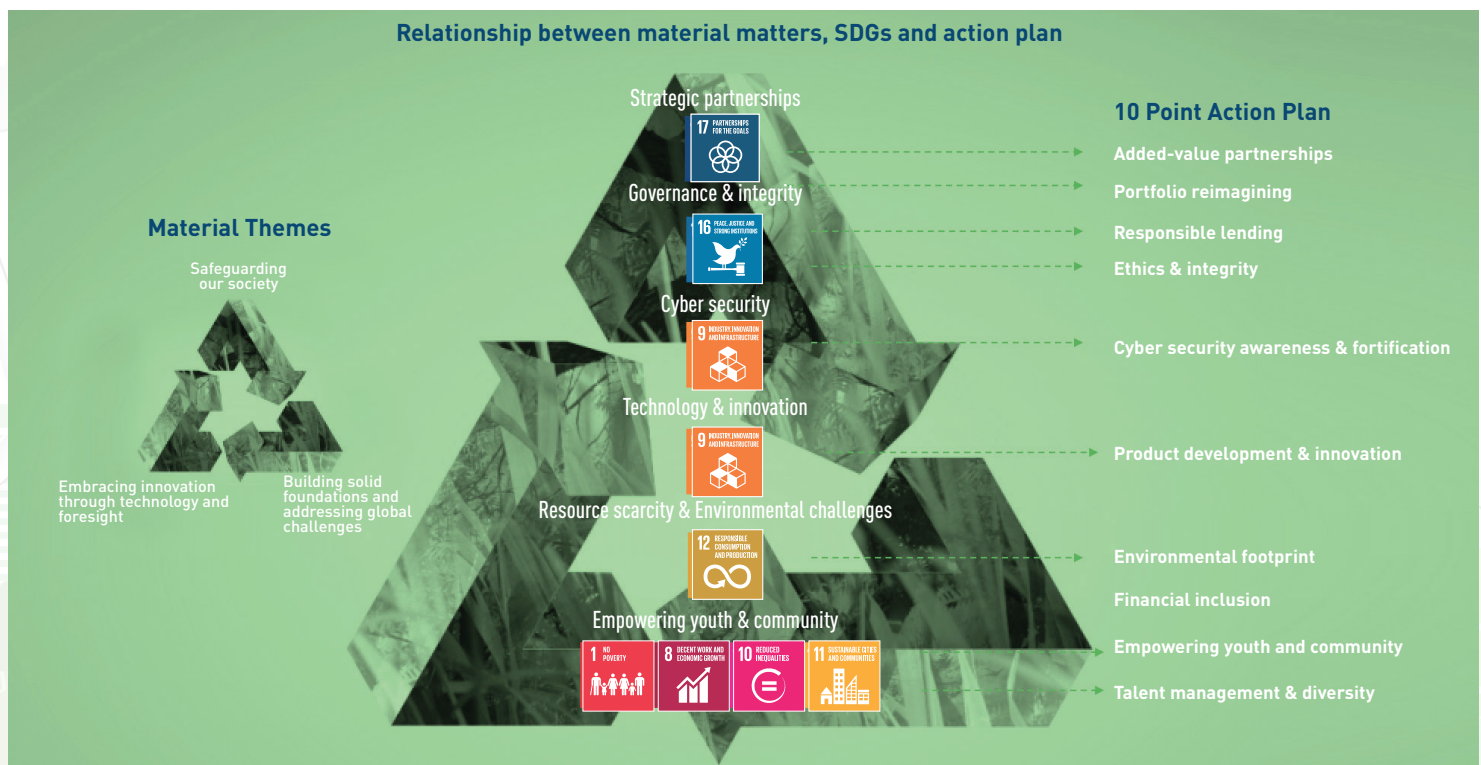
Material Issues



Business Strategic Objectives



How they all relate





KCB

REIMAGINING SOCIETAL VALUES





EMPLOYEE EMPOWERMENT



KCB staff during a staff engagement session.

EMPLOYEE EMPOWERMENT

At the centre of all we do lies our team of 6,483 staff working across the region. They are a key component in our effort to reimagine societal values. They help the Group work towards achievement of our strategic goals.

They alone have the ability to help us achieve the Sustainable Development Goals. They are doing this by supporting the Group in its efforts to safeguard our society, embrace innovation and build solid foundations that help address the most pressing global challenges.

Staff engagement survey

One of the ways in which we assess how our staff view our organization and their place within it, is through the bi-annual employee engagement survey. The survey helps us assess how we are doing in terms of supporting our staff in their day to day tasks, but as importantly, how we are helping them grow as individuals.

We make this a priority because we understand that motivated employees contribute to business success. Research also shows that companies that engage with their staff are



more likely to see quality work performance, thereby significantly impacting financial and operational results. Employees who are more engaged are also less likely to be absent, claim workers' compensation, or terminate employment. Businesses with highly engaged employees enjoy higher customer satisfaction, have lower turnover rates, and outperform businesses with lower levels of employee engagement.

Today, KCB Group engagement score is 87 percent—one of the highest engagement scores in the region. The level of employee engagement is measured by asking employees the extent to which they agree with the following items.

Employee development and diversity

According to the 2016 Staff Engagement Survey, 62% of staff felt favourably toward their career development within the Group, while 21% felt neutral, while 17% felt unfavourably

“For many years, our staff turnover has been less than 1%, which means as an institution we must be doing some things right. But we consistently challenge ourselves to do better for our employees. As a forward thinking institution, we also understand the need to adapt existing staff to the future needs of the company as much as possible.”

—KCB Group HR Director Paul Russo

to it. This was among the lowest scoring indicators.

Since that time, the Group has worked to address some of these concerns to provide development and career opportunities by helping develop career path and development options for employees in various roles to help them understand their options (e.g. lateral or rotational positions, not just upward) and create training programs that provide employees with the skills needed for the next job and ensure employees are given the time to take advantage of training

opportunities. In addition, the Group is looking inward to place internal staff in senior management positions. In 2017 alone, three new managers were promoted internally.

The Group is also committed to working with its female staff to encourage them to apply for senior level positions. As a result, 99 female employees were promoted to “E” level in 2017. Internally, KCB aims to continue to reduce inequalities by targeting to have 50% of women in managerial positions by the year 2020. It also aims to fill at least 15% of new positions with the under 30 population.

99

Female employees promoted to Senior Management Level



250

Commissioned as wellness champions

87%

KCB Group employee engagement score

- Staff head count: **6,483**
- Permanent employees: **5,393**
- Short term employees: **1,090**
- Male: **57%**; Female **43%**



Occupational health and safety

A financial institution such as KCB has different health and safety priorities than a factory, for example. However, it does not make them any less important to the overall wellbeing of our staff. Although our staff may not need to wear hardhats into the office, it is our responsibility that they are provided a safe and sanitary working environment.

In 2015, we hired a Health and Safety Manager responsible for overseeing evaluation of all our offices to ensure they are not only in compliance with legal requirements, but to also create an action plan to ensure all sites meet KCB Group standards. Some of the basic standards include ensuring all branches have

proper sanitary facilities, water and lighting.

A dedicated clinical officer to serve as the staff wellness manager has also been hired. Through KCB Wellness Program, employees and their family members are assisted in making voluntary behaviour changes which reduce their health and injury risks, improve their health consumer skills, and enhance their individual productivity and well-being. It also covers support to manage chronic illnesses, lifestyle diseases and case management. To date, at least 250 staff from various regions have been trained and commissioned as wellness champions, to propagate the wellness agenda.

Part of the Wellness Program included the setting up of the KCB Group Choir.



KCB Group CEO and MD Joshua Oigara with Safaricom CEO Bob Collymore during the launch of the business and sustainable development commission report in Nairobi.



KCB staff at an Islamic finance conference.



KCB E-Learning Coordinator Ken Mwaniki during an induction for interns at the KCB Leadership Centre.

Daystar University Vice Chancellor Prof. Timothy Wachira, KCB Bank Senior Manager Digital Payments Johnson Ondicho, HELB CEO Charles Ringera, and Credit Information Sharing Kenya CEO Jared Getengwa in a panel discussion during the the 2017 Universities Consultative forum held in Machakos.





KCB

REIMAGINING SOCIETAL VALUES



2017 SUSTAINABILITY REPORT



TRANSFORMING THE WORLD THROUGH SDGs

TRANSFORMING THE WORLD THROUGH SDGs



What are the Sustainable Development Goals and why are they applicable to KCB Group?

The Sustainable Development Goals (SDGs) are the set of 17 goals, together with their 169 targets outlined in the 2030 Agenda for Sustainable Development aimed at transforming the world. Adopted by the international community in 2015, and entered into force in January 2016, the SDGs promote shared prosperity, while protecting the planet.

Building off the momentum of the Millennium Development Goals, these new goals aim to mobilize private sector, government and civil society, together with the United Nations, from every country in the world to jointly end all forms of poverty, fight inequalities and tackle climate change. And, this is to be done while ensuring no one is left behind.

Although the SDGs are not legally binding, governments are expected to take ownership of them and establish national frameworks for their achievement.

Acknowledging that achievement of these goals is a shared responsibility, KCB Group is also committed to doing its part. In September



2017, our KCB Group CEO attended the UN Global Compact Leaders' Summit in New York where he participated in a panel discussion on challenging the status quo and the business-as-usual mindset.

The participation of our CEO highlights the importance of regional participation in such forums to ensure that solutions to our unique challenges come from within. We cannot wait for solutions to be brought to us. We must take the lead in this new revolution to empower ourselves to create innovative solutions, which allow us to contribute to advancing the global SDG agenda.

In 2017, the Group underwent an internal stakeholder engagement to determine which goals it could

reasonably focus on to make progress over the next five years. These goals are the ones we feel are most closely intertwined with our strategy and will enable us to make the most impact, while building support, both internally and externally for the SDGs.

In the following pages, we have therefore highlighted the most relevant targets for each goal that apply to our business. By including the goals and targets in this report, we are therefore holding ourselves accountable for doing our part in contributing to achievement of these SDGs.

The Group remains committed to these goals and their relevant targets as we continue to simplify worlds to enable progress.

“ If we don't make responsible decisions today we will have exhausted many of our possibilities for tomorrow. The need for thinking sustainably is therefore both our greatest risk, as much as our greatest opportunity. By championing sustainability integration at the management level, the Group is taking tremendous strides in pushing the agenda forward.”

– KCB Group Chief Financial Officer
Lawrence Kimathi



SDGs Vision Statement

Through sound systems and partnerships, KCB Group is reimagining societal values. This vision includes a world free from poverty and inequality, resulting from employment and growth opportunities, which arise from enhanced innovation and infrastructure. We see a future with cities that are thriving sustainably and adhering to the principles of responsible consumption and production.

Integrating Sustainable Development Goals



KCB Group is committed to SDG 1 and contributing to the achievement of the following targets:

- **Reducing poverty** by 2030 (1.2)
- Supporting the implementation of appropriate **social protection systems** (1.3)
- Helping ensure all men and women have **equal rights to economic resources**, basic services, **ownership of land and property** (1.4)
- **Reducing exposure to economic, social and environmental shocks** to help build resilience of the poor and vulnerable (1.5)

To support our commitment to contributing to the achievement of the SDGs, the goals were chosen based upon their relevance to the Groups' Sustainability material matters, which in turn, directly relate to KCB Group strategy.

KCB Group is committed to do its part in ending poverty in all its forms. We believe that eliminating poverty has the trickle down benefit of helping achieve many of the other SDGs as well, especially those related to hunger (SDG No. 2), health (SDG No. 3) and education (SDG No. 4).

Our products aimed at enhancing access to finance for those who would otherwise be left behind, are one way in which we contribute to this goal. By making banking more accessible to everyone everywhere through KCB M-Benki, KCB M-PESA, KCB Mobigrow, Sahl Banking, and table banking, to name a few, KCB has revolutionized the way banking is done.

KCB has further partnered with the government of Kenya to help deliver its national social protection system, the National Safety Net Programme. Launched in 2015, Inua Jamii runs three cash transfer programmes in 47 counties aimed at orphans and vulnerable children; older persons; and persons with severe disabilities. Under the programme, beneficiaries receive a stipend of KShs. 2,000 in monthly support. Based on pre-set criteria, the cash transfers aim to mitigate chronic or shock-induced poverty, address social risks and reduce economic vulnerability.

Through our Foundation flagship programs such as : Mifugu ni Mali, 2Jajiri and scholarships, KCB has been contributing for years in the fight against poverty. The bank has enhanced access to loans for women segment that was previously excluded.

Meanwhile, KCB Bancassurance products aim to empower and improve the quality of life for customers through the provision of affordable, value-adding and appropriate insurance solutions.

Measurement | Results to date | Target

- **Poverty reduction:** (New indicator to be included in 2018 reporting cycle)
- **Social protection systems:** Total amount disbursed through Inua jamii to date: KShs. 40.7 billion since 2014
- **Financial inclusion:** (New indicator to be included in 2018 reporting cycle)
- **Property ownership:** (New indicator to be included in 2018 reporting cycle)
- **External shock reduction (Bancassurance):** Total amount disbursed via Bancassurance: KShs. 1.1 billion via 4,164 claims since 2014

Moving forward. As a regional financial services provider, we believe our contribution to inequality and poverty reduction begins with our ability to expand access to finance to all. In terms of our social protection systems, KCB Group will continue to work with the government of Kenya to help distribute funding to seniors and persons with disability through its Inua Jamii program.

The Group will also explore ways in which it may work more closely with government and developers to finance more low cost housing where it is needed the most.



CASE STUDY



“The funds received from Inua Jamii help me to buy food, pay medical bills and pay for Kimberley’s day care. This money has really helped compliment my salary and has impacted me both socially and financially. I am now able to pay rent and afford our basic needs. I am also able to pay for Kimberlee’s medication and her NHIF insurance cover.”

– Inua Jamii beneficiary
Eunice Kibira

Kenya’s social protection system at work in Ruiru

Eunice Kibira (above) has an all too common story in that she is a mother responsible for caring for her child all alone. The difference in her case is that she has a daughter who is physically challenged. Upon realising the condition of her daughter, Kimberley, her husband left her to fend for both of them.

“It was a time in my life when I was filled with many different emotions. I was both excited for the birth of my new baby, but then at the same time, scared of what our future would look like and how I would take care of my daughter. I overcame these fears because she is a blessing to me,” said Eunice reminiscing about the birth of Kimberley.

In Kimberley’s case she was born

with hydrocephalus, a condition in which there is excessive accumulation of fluid in the brain. This means that she requires round the clock general care and daily medication to prevent convulsions. When her mother is working, Kimberley spends her time in day care. Kimberley is almost immobile, relies on her mother to take her to school, church and family visits. The wheelchair she owns is not effective on the rough roads in their rural setting.

In 2016, she heard about Inua Jamii through a local Baraza gathering. She went to register in Ruiru where she was approved for support. Shortly after, she received her Inua Jamii card. Since then, every two months she receives KShs. 4,000.

“The funds received from Inua Jamii help me to buy food, pay medical bills and pay for Kimberley’s day care. This money has really helped compliment my salary and has impacted me both socially and financially. I am now able to pay rent and afford our basic needs. I am also able to pay for Kimberley’s medication and her NHIF insurance cover,” stated Eunice.

She also plans to create more awareness on hydrocephalus and plans to lobby for an increase in local therapeutic centres. She hopes that more people learn about the benefits of Inua Jamii and that both KCB and the government will reach out to more beneficiaries.



KCB Group is committed to SDG 8 and contributing to the achievement of the following targets:

- Achieving **higher levels of economic productivity** through diversification, technological upgrading and innovation (8.2)
- Achieving **full and productive employment and decent work for all women and men**, including for young people and persons with disabilities (8.5)
- **Reducing the proportion of youth not in employment**, education or training (8.6)

The Group product line is aimed at simplifying customers' worlds to enable their progress. KCB has stood out in its innovative product offerings, specifically those related to harnessing the power of mobile technology, such as KCB M-BENKI, KCB M-PESA, and MobiGro, as well as offering the latest in safe card technology.

KCB Foundation's Mifugo ni Mali program aims to increase income for communities working in the agricultural and livestock sectors through training, mentorship and provision of business development grants.

Meanwhile, Foundation initiatives, such as 2jiajiri are helping empower today's youth. At the same time, KCB Scholarships Program has also opened the doors for many bright, yet disadvantaged youth.

Measurement | Results to date | Target

- **Economic productivity:** (New indicator to be included in 2018 reporting cycle)
- **Productive employment:** Number of youth assisted with vocational training and/or educational support 10,740 through 2jiajiri (10,020) and KCB Scholarships (720).
- **Reducing youth unemployment:** (New indicator to be included in 2018 reporting cycle)

Moving forward. KCB will continue to work to create opportunities in the above mentioned sections. The Group intends to act upon many of the recommendations provided in the 2017 Social Return on Investment study to further enhance our reach and ability to provide the most relevant support where it is needed the most.



A vet administers a vaccine during a Mifugo ni Mali event.



KCB Foundation's Mifugo ni Mali program aims to increase income for communities working in the agricultural and livestock sectors through training, mentorship and provision of business development grants."



CASE STUDY



“ From using rudimentary fishing methods that yielded low returns, I now sell 100 tins of Omena (sardines) a day up from 50 per day. This achievement is thanks to my motorised boat and new fishing nets that I bought using the loan.”

– KCB 2Jiajiri beneficiary
David Owino

Increasing economic productivity along the shores of Lake Victoria

Fisherman David Owino (above) Odhiambo has been plying his trade along the shores of Africa's largest freshwater body, Lake Victoria for years. While his basic fishing skills and manual boat provided him some income, it was not consistent. As a result, David's income from his fishing business always fell short. In need of additional income to provide for his family, he was relentlessly pursuing supplementary activities just to make ends meet.

In 2016, KCB Foundation sponsored David for six months to study fish farming and entrepreneurship at Jaramogi Oginga Odinga University of Science and Technology in Bondo Town, Siaya County.

According to David, “The course enabled me to sharpen my fishing and marketing skills for my business, Hakuna Kulala Investments, located in Lake Victoria's Uhanya Beach. After

the training, KCB Bank gave me KShs. 100,000 loan to expand my business.”

David has been receiving 2Jiajiri business development services support from a marketer, lawyer and accountant. Through the support of an accountant, David has been able to generate and keep records of his business and track his profits. Now able to better track his revenue, David adds, “From using rudimentary fishing methods that yielded low returns, I now sell 100 tins of Omena (sardines) a day up from 50 per day. Each tin weighs 1 kilogramme and sells at between KShs. 240 and KShs. 400 depending on the season. This achievement is thanks to my motorised boat and new fishing nets that I bought using the loan.”

Thanks to marketing advice received through 2Jiajiri's services, his customer base has also expanded as he has been able to increase his reach through diverse

marketing strategies. Not one to be left behind in the new media era, David has created a Facebook account where he interacts with his customers.

Meanwhile, support he received to develop a comprehensive business plan is helping him reach his established business goals, which enable him to provide for his family now solely from his fishing business while repaying his loan to KCB. In addition, David's expanding business has created employment opportunities for two people—a boat crew member and one labourer at his landing bay shop.

The future is bright for David, who plans next to venture into cage fish farming and acquire two more boats by next year. He has also commanded admiration and respect from his peers due to his business prowess and is empowering them to help modernise fishing in the area.



KCB Group is committed to SDG 9 and contributing to the achievement of the following targets:

- Increasing **access of small-scale industrial and other enterprises to financial services**, including affordable credit, and their integration into value chains and markets (9.3)
- Supporting the **development of sustainable infrastructure and/or industries** and/or the retrofitting of such to ensure increased resource efficiency and the adoption of environmentally friendly processes (9.4)

For many people, when they first read the word infrastructure, roads, bridges and waterways often come to mind. In the financial services industry however, infrastructure relates to the established structures and processes in place which enable customers to access finance or any of the other products and services offered by the institution. In this way, KCB plays an important role in bringing this service to as many people as possible across the region.

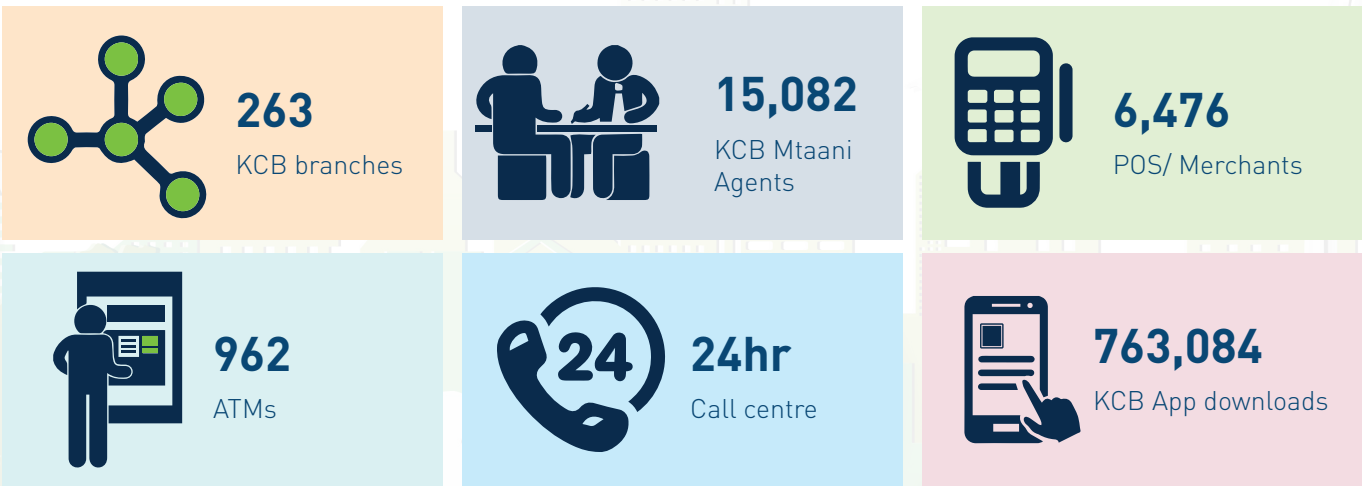
KCB Group has empowered its staff to understand the value and purpose behind expanding access to banking, insurance and financial services for all.

Measurement | Results to date | Target

- **SME access to financial services:** (New indicator to be included in 2018 reporting cycle)
- **Sustainable infrastructure/retrofitting:** (New indicator to be included in 2018 reporting cycle)

Moving forward. The Group sees future possibilities in terms of its ability to influence corporate clients in adopting sustainable infrastructure within their industries. Following the implementation of the Group Social and Environmental Management System (SEMS), the Group has been more able to ensure it finances clients who are aware of such environmental, social and governance standards and similarly wish to meet them. Moving forward, KCB hopes to finance more clients in the green building, renewable energy and other infrastructure sectors.

KCB Customer Touch Points in 2017





CASE STUDY

Growing the nation's food supply one seed at a time

Nestled in Western Kenya's former Rift Valley Province of Trans-Nzoia County, lies Kireka Farm. Spanning over 460 acres, the third generation family farm specializes in growing seeds to support the country's agribusiness value chain.

With 12 permanent staff and some 300 casual workers depending on the season, Kireka Farm produces KEPHIS-certified high quality seeds, which are an important mainstay in ensuring the future of the country's food security. With 300 acres dedicated to maize, 40 acres to grass, 25 acres to beans, 20 acres to coffee, 30 acres to wheat, 5 acres for dairy and 47 acres currently under forest cover, the farm caters to a wide variety of needs.

Over the past decade, the father and son duo, Regem and Michael Lugonzo, have expanded the farm to increase its acreage of production. For this, they reached out to KCB for both operational and mechanization capital which helped improve the farm's efficiency and expand. The partnership also enabled staff to receive training in ways to better manage capital.

According to Regem Lugonzo, "We chose KCB because they had a realistic outlook of the agribusiness sector that made the partnership easier. In five years' time alone, KCB financing helped expand the farm from 60 to 450 acres, growing revenue



from US\$ 30,000 to US\$ 300,000. As a result, the number of annual casual employees required to run the farms also increased from 50 to 300."

In addition to increased profitability and productivity, KCB financing has also helped Kireka Farm access new markets, receive product certification, enhance employee skills, and improve upon its environmental, health and safety practices.

A significant proportion of the farms' value creation is in the impact it has made to Kireka Farm staff and casual employees, many of whom are part of families that have been with the farm for decades. For three generations, the farm has provided respectable employment empowering workers to help feed, educate, and facilitate healthcare for their families.

In the future, the Lugonzos plan to convert the farm to a limited company to facilitate ease of management and leverage it as a single purpose investment vehicle.

In addition, Regem Lugonzo states, "In the next two to five years, we aim to become the leading seed multiplier in the North Rift region. We hope to secure further asset financing to purchase additional equipment to help us reach our goals, such as more powerful tractors and a harvester."

For Kireka Farm, more powerful tractors will increase efficiency of land preparation activities and reduce preparation costs. Meanwhile, a dryer and combined harvester is expected to reduce post-harvest losses by 70 percent, up from the current 40 percent.



KCB staff Miranda Ndegwa (left) and Rosemary Wamucii during a Women in Leadership Network forum.



KCB Group is committed to SDG 10 and contributing to the achievement of the following targets:

- Achieving and **sustaining income growth of the bottom 40 percent** of the population (10.1)
- Empowering and promoting the **social, economic and political inclusion** of all (10.2)
- Ensuring **equal opportunity and reducing inequalities and promoting appropriate legislation, policies and action** in this regard (10.3)

KCB Group believes that reducing the number of people living in poverty cannot be achieved without reducing existing inequalities. We therefore believe that all individuals have the right to access some form of appropriate financial services, which address their needs. Providing access to such services for all via many of the aforementioned programs can provide the necessary support enabling micro and small business owners to grow their businesses, increase their income, employment and livelihoods of those they touch regardless of age or sex. Foundation activities similarly support this aim.

Internally, KCB has also worked to ensure more females take on leadership positions within our offices. In 2015, KCB launched a five year Women in Leadership Program. The following year it became a member of the Global Banking Alliance for Women. The

Measurement | Results to date | Target

- **Income growth:** (New indicator to be included in 2018 reporting cycle)

Inclusion: (New indicator to be included in 2018 reporting cycle)

Equal opportunity outside of KCB: (New indicator to be included in 2018 reporting cycle)

relevant policies are also in place in credit and employees to manage this strategic direction.

Moving forward. Internally, KCB aims to continue to reduce inequalities by targeting to have 50% of women in managerial positions by the year 2020. It also aims to fill at least 15% of new positions with the under 30 population. Externally, KCB will continue to implement the plausible recommendations on its Social Return on Investment study to improve upon its program reach and ability to help reduce inequalities. As KCB moves forward in its integration journey, specific targets will be set more clearly.



CASE STUDY

Empowering Baringo's beekeepers to receive fair market value

Baringo County, commonly referred to as the land of great diversity, is largely known for goat rearing. But along the Nakuru-Marigat Road lies a small centre, which is home to Rachemo Marketing Honey Cooperative Society.

Started in 1996 as a self-help group, the Society was formally registered by the Ministry of Industry, Trade and Cooperatives in 2015. Retired teacher, Jackson Kiplagat, was appointed Chairman. "After two decades as a self-help group, we registered Rachemo as a cooperative society. Our vision was to scale up operations, but we couldn't access financing, so with the help of the county government we registered as a cooperative in 2015," said Kiplagat.

One of the most successful beekeeping societies in Baringo County, Rachemo Marketing Honey Cooperative Society is comprised of more than 800 beehives in Radat, Marigat and Mogotio. The Society brings together more than 200 beekeepers and supports the members by processing, branding and marketing the honey. In order to ensure that they produce quality honey, the society carries out quality control tests on the product.

"Beekeeping is practiced by rural farmers, mostly who either hawk the honey along the road or sell to other traders at low prices. Society membership is therefore import for their bargaining power to ensure they received fair market value for their product," said Kiplagat.

In 2015, KCB Foundation through its Mifugo ni Mali program gave the society an interest-free loan of KShs. 1.5 million to help the beekeepers scale up operations. In addition to this, the Foundation trained them on industry best practices to help maximise product output.

The cooperative used the money to procure modern beekeeping hives for members and to build a processing plant at Radat Market. The Society attained their biggest milestone in 2017, when they got an offer to supply a local supermarket.

Today, Rachemo Honey is a leading supplier of honey to two supermarkets in Nairobi and plans to produce up to 500 tonnes of honey for the local market, targeting supermarkets in Nairobi, Nakuru and Eldoret. In addition, members have more reasons to smile since they now receive regular payments, which are also often higher than what they were previously receiving.



“

Beekeeping is practiced by rural farmers, mostly who either hawk the honey along the road or sell to other traders at low prices. Society membership is therefore import for their bargaining power to ensure they received fair market value for their product.”

– KCB Mifugo ni Mali beneficiary Jackson Kiplagat (pictured left)


11 SUSTAINABLE CITIES AND COMMUNITIES

KCB Group is committed to SDG 11 and contributing to the achievement of the following targets:

- Ensuring access to adequate, safe and affordable housing (11.1)
- Reducing direct economic losses caused by disasters, including water-related disasters, with a focus on protecting the poor and person in vulnerable situations (11.5)
- Financing sustainable and resilient building utilizing local materials (11.7c)



Measurement | Results to date | Target

- **Increase access to affordable housing:** (New indicator to be included in 2018 reporting cycle)
- **Reducing direct economic loss:** Total amount disbursed via Bancassurance: 1.1 billion KShs. via 4,164 claims since 2014
- **Sustainable building:** (New indicator to be included in 2018 reporting cycle)

In spite of the efficiency gains that can be realized by high city density, such rapid urbanization exerts pressure on fresh water supplies, sewage, the living environment and public health. Proper city planning is therefore necessary to ensure access to adequate, safe and affordable housing and transportation for all. Air quality and waste management must also be kept in check. Meanwhile, sustainable communities require individuals who are protected in one way, shape or form from direct economic and health losses due to disasters and otherwise unforeseeable events.

KCB Bancassurance products help cushion the blow for families affected by such uncontrollable losses. Thanks to a wide array of insurance offerings, a business owner may continue to rebuild her business after a fire or a delivery professional may be able to buy a new motorcycle following an accident. Loved

ones can also feel less financial stress during times of medical emergencies, enabling them to focus their energies on what really matters. In this way, Bancassurance products offer economic continuity for those affected. In turn, such peace of mind directly contributes to keeping communities thriving.

In addition, through partnerships with government and other stakeholders, KCB S&L Mortgages

is actively involved in an affordable housing project in which shelter is provided to everyone. The project uses local materials to manage costs and time taken to complete projects.

Moving forward. As mentioned in the section related to SDG 1, KCB Group is exploring ways in which it may work more closely with government and developers to finance more low cost housing where it is needed the most. In addition to that, the Group is also aiming to help finance more green building and in doing so, hopes to be able to encourage a local industry capable of supplying such products.

“ KCB Group is exploring ways in which it may work more closely with government and developers to finance more low cost housing where it is needed the most.”



CASE STUDY

Sustaining our cities, one person at a time

Nestled in Western Kenya's Baringo County, Eldama Ravine is a town of about 18,000 people. It is largely an agricultural trading town that produces popular Fairtrade certified roses for export. It is also home to Ravine Medical and ENT Clinic, a private practice run by Clinical Officer, James Tumo.

According to Tumo, "I learned of KCB in 1993 when I started my clinic. It was the only bank that was here by then and I opened an account with them. In 2015, I learned about KCB Bancassurance from a local KCB Agent and took out a Simba Health cover."

In January 2017, Tumo's wife, Margaret Tumo fell ill. She had to travel to a hospital in Eldoret where she was diagnosed with a brain tumour. Her treatment included two months of radiotherapy and three months of chemotherapy. Then, she was told she required brain surgery urgently if she was to survive. After her surgery, she spent one week to recover in hospital. While Tumo had been able to offer a comfortable life for his family, such treatment and surgery costs millions of Kenyan Shillings, much more than his life savings would have covered. Thanks to KCB Simba Health cover, all of Tumo's medical bills incurred for his wife's surgery and treatment

were paid. As a result, he was able to continue to help the roughly 175 people who visit his clinic each month, while feeling confident his wife was receiving the best possible care. Given Tumo runs one of the few clinics in Eldama Ravine, it means his services provide critical support where it is needed most.

"Without the Simba Health coverage we would not have been able to afford the surgery. I honestly don't know what we would have done. Having the cover made a big difference as we were able to treat my wife without any additional strain on ourselves," said Tumo.

This is the true value of KCB Bancassurance product line. It aims to help people in their greatest times of need to avoid additional financial strains.

Today, Margaret Tumo is doing well and has made a full recovery. She is a great farmer and looks forward to a long and prosperous future.

Meanwhile, Tumo is happy to have his wife comfortable and by his side. He continues to see patients at his clinic and says life is good. He is a proud proponent of KCB Bancassurance having witnessed firsthand its benefits.

“Without the Simba Health coverage we would not have been able to afford the surgery. I honestly don't know what we would have done. Having the cover made a big difference as we were able to treat my wife without any additional strain on ourselves.”

– KCB Bancassurance customer
James Tumo (pictured left)





KCB Group is committed to SDG 12 and contributing to the achievement of the following targets:

- Achieving sustainable management and **efficient use of natural resources** (12.2)
- Substantially **reducing waste generation** through prevention, reduction, recycling and reuse (12.5)
- **Encouraging companies**, especially large and transnational companies, **to adopt sustainable practices** and to integrate sustainability information into their reporting cycles (12.6)
- **Promoting public procurement practices that are sustainable**, in accordance with national policies and priorities (12.7)

Since the launch of its Green Agenda in 2009, KCB has taken the initiative to become a responsible consumer and producer. The 24 point blueprint for green office practices focuses on resources utilization and management and environmental impacts of the business. The Group has considerably cut back on paper consumption, instilling a “print only when necessary” psyche around the office and installed user codes for photocopying. We have further automated the majority of its paper heavy processes, such as those related to Board meetings and dealing, the credit process, deposits, etc.

The bank has also worked to replace all lightbulbs with more efficient LED lighting. In 2017, we opened the doors of our new green office building in Nairobi’s Upper Hill district. The building relies upon natural light to

minimize the need for electrical lighting during the day and solar hot water heating and is set up to harvest rainwater for use within the building.

To shuttle between offices around Nairobi, the Group also utilizes a van which helps cut back on individuals driving alone to meetings in other offices around town.

Measurement | Results to date | Target

- **Efficient use of natural resources:** (New indicator to be included in 2018 reporting cycle)
- **Reduce waste generation:** (New indicator to be included in 2018 reporting cycle)
- **Encourage companies:** Number of corporate clients undergoing SEMS assessments 69 and number of site visits to assess E&S 93
- **Public procurement:** Number of active local suppliers 1,028 and local spend on procurement 91% of procurement budget

Moving forward. KCB is working with suppliers to determine in which ways it can help further instill the need for responsible consumption and production in their operations as a prerequisite for working with KCB.

The bank hopes to finance more clients in the green building, solar and other infrastructure sectors.

We are also exploring undertaking at least one initiative in the next five years in partnership with government or private sector, which speaks to the importance of embracing sustainable lifestyles and/or operations.



KCB is working with suppliers to determine in which ways it can help further instill the need for responsible consumption and production in their operations as a prerequisite for working with KCB.”



CASE STUDY



Radisson Blu Hotel Nairobi, Upper Hill: Transforming the way hotels operate

Elgon Road Developments Limited is a local company incorporated in 2005. It developed the hotel under the Radisson Blu brand located in Upper Hill, Nairobi. Officially opened in January 2016, the 271 room hotel is fast emerging as the premiere venue for summits, conferences, corporate dinners and cocktails, weddings, seminars and launch events.

“As a relatively new hotel, we had both the opportunity and, we felt, the responsibility, to design our hotel in a way that not only satisfied the market demand for our services, but also one which considered the environment and local community. As a result, we have worked to create a modern facility which leverages environmentally friendly technology, while creating jobs for the local community,” stated

Ian Rydin, General Manager, Radisson Blu Hotel Nairobi.



KShs. 4.6b
Amount KCB extended to the Radisson Blu project



95%
Waste water is recycled for sanitation and gardening



271
Rooms
(accommodation capacity)

The Radisson Blu Hotel is proudly certified with the international Green Key eco-label. The Green Key award is the leading standard for excellence in the field of environmental responsibility and sustainable operation within the tourism industry. This

prestigious ecolabel represents a commitment by businesses that their premises adhere to the strict criteria set by the Foundation for Environmental Education.

According to Ian Rydin, General Manager, “The hotel was built sustainably to rely upon natural lighting from its large central atrium, while residents may benefit from its green wall concept. Its lighting system runs on energy-saving bulbs, while its water is heated from solar panels. In fact, it has the largest solar heating system of all hotels in East Africa.”

A carbon offsetting program further leverages the use of green meetings, which seek to conserve energy and offset carbon emissions through tree planting initiatives in Limuru.



KCB Group is committed to SDG 16 and contributing to the achievement of the following targets:

- Reducing corruption and bribery in all their forms (16.5)
- Developing effective, accountable and transparent institutions at all levels (16.6)
- Ensuring responsive, inclusive, participatory and representative decision-making at all levels (16.7)

Over the past decade, the region has seen many regulatory changes affecting the way financial institutions do business. The Group has fully embraced changes and remains at the forefront in adopting best practices in corporate and risk management. The Board and management of the Group continue to comply with the Corporate Governance Guidelines as prescribed by the Central Bank of Kenya being the primary regulatory authority of the Group and KCB Bank Kenya Limited as well as the Capital Markets Authority Code of Corporate Governance Practices.

“KCB adopts a zero tolerance position to all forms of corruption, bribery and unethical business practice at the workplace, and requires all persons associated with the Group to adhere to standards defined in the Group Code of Ethical Conduct.”

KCB Group has also updated the Anti-Money Laundering system. The Group is also in compliance with the 2015 Companies Act and the 2015 Finance Act.

In 2015, KCB established itself as a non-operating holding company – KCB Group Limited and a new subsidiary – KCB Bank Kenya Limited, with

effect from 1 January 2016. The Group underwent an Internal Capital Adequacy Assessment Process (ICAAP) and approved implementation of the subsequent recommendations.

The Board has adopted a Board Charter and a Group Governance Policy that clearly defines its role and how its powers and responsibilities are exercised, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter regulates Board composition, the Board meeting process and defines the relationship and interactions between the Board and management.

The roles and responsibilities of the Group Chairman and the Group Chief Executive Officer are separate with a clear division of responsibility between the running of the Board and the executive responsibility of running KCB business.

In terms of ensuring responsive, inclusive, participatory and representative decision-making at all levels, members of the Executive Management Committee have regular meetings with staff to discuss issues of most relevance and relies upon departmental management teams to further assist in driving the participatory process home.

Measurement| Results to date | Target

- **Reducing corruption:** Number of unsuccessful internal fraud attempts **73**
- **Transparent institution:** Number of suppliers signed up to Code of Ethics **100%**
- **Representative decision-making:** (New indicator to be included in 2018 reporting cycle)

Moving forward. KCB has been, and will continue to be, a proponent of governance standards. It will also continue to speak on behalf of the importance of good governance in creating and operating businesses that are built to last.



CASE STUDY

Working with ethical supply chain partners

Since 2014, KCB Group has been a participant in the United Nation's Global Compact. A voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals, the Compact sets out ten principles for business leaders to incorporate into their strategies, policies and procedures, thereby establishing a culture of integrity.

These principles assist companies to not only uphold their basic responsibilities to people and planet, but also set the stage for their long-term success. By holding themselves accountable to such standards, they are also better positioned to request those with whom they work, namely their suppliers, to uphold similar ideals.

Committed to the fundamental values of integrity, transparency, and accountability, KCB has also adopted a zero tolerance policy towards all forms of corruption, bribery and unethical business practices. The Group's Code of Ethical Conduct outlines the behaviours and standards of conduct required of staff and others acting for the Group. Ethics training is conducted for all staff while internal and external whistle-blowing channels are available.

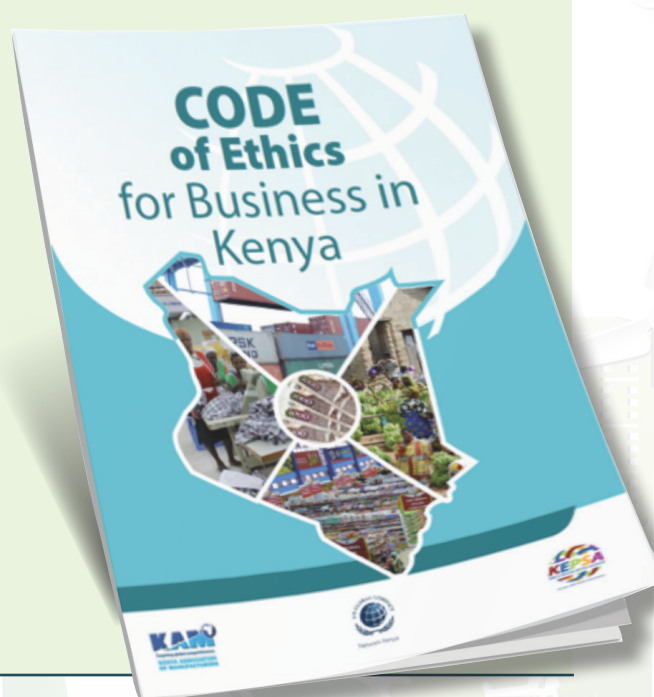
The Human Resources Department is in charge of reporting cases of bribery to the Ethics and Anti-Corruption Commission after disciplinary processes. Meanwhile, an anti-money laundering monitoring framework is also in place.

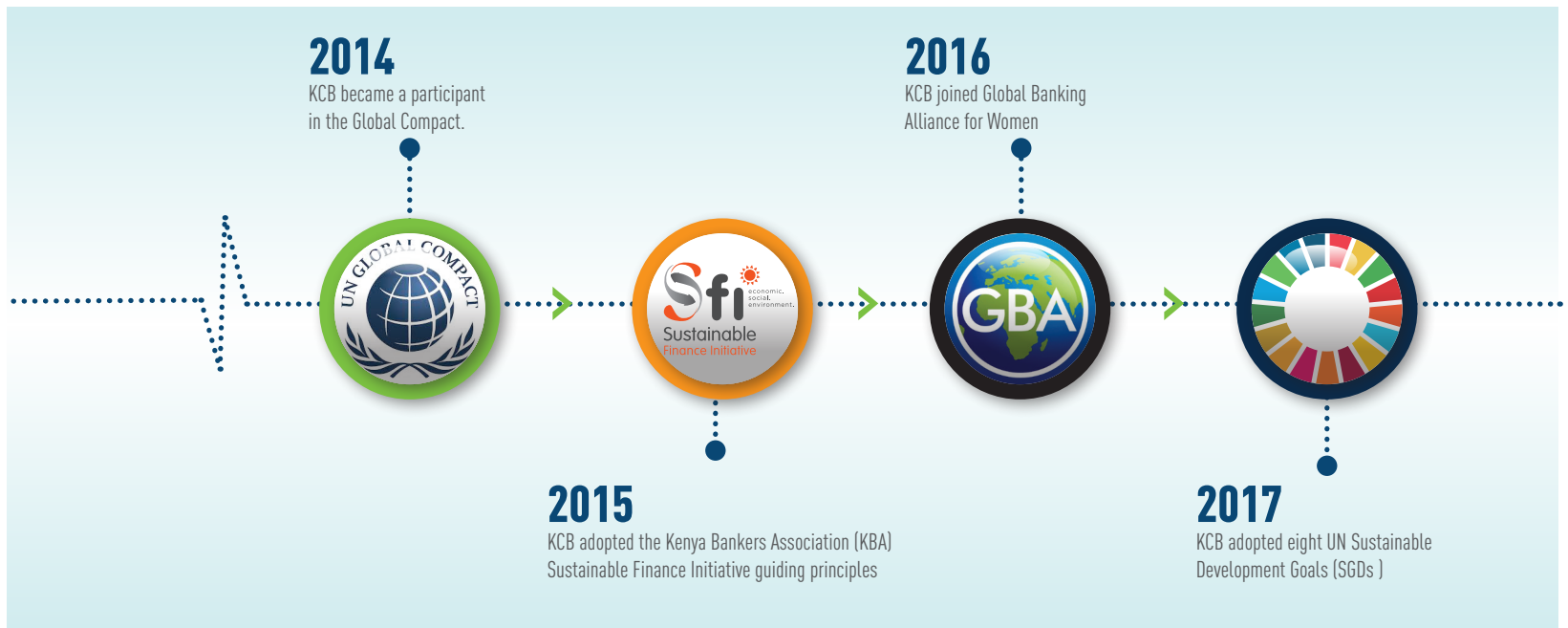
One such way the Group is effecting change outside of its own walls has been by embedding the Code of Ethics for Business in Kenya not only its own operations, but also into its supply chain policy. As a result, all KCB suppliers are now required to sign the Code of Ethics if they wish to work with the Group.

Those adhering to the Code pledge to treat stakeholders with respect, run businesses responsibly, act in compliance with applicable laws, and be actively involved in corruption prevention.

According to Christopher Tiren, KCB Head of Procurement, "The Group continuously reviews its existing policy to address areas of weakness and strengthen the supply chain process. At the same time, we examine our own policies to ensure they align with best practice, especially with respect to good governance."

Moving forward, "KCB will continue to support the activities around supply chain management, whose main objective is to enhance the supply chain practitioner role and professional competences. The Group will also push for greater awareness and acceptance of the Sustainable Development Goals by the Group's partners to optimize due diligence, protect reputations and credibility," stated Mr. Tiren.





17 PARTNERSHIPS FOR THE GOALS



KCB Group is committed to SDG 17 and contributing to the achievement of the following targets:

- Enhancing the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of SDGs (17.6)
- Encouraging and promoting effective public, public-private and civil society partnerships (17.7)

Attaining the Sustainable Development Goals will require partnerships. They cannot be achieved alone. KCB understand this, and as such, has worked to forge relevant partnerships which further add-value to promoting the goals.

We also believe that our potential to innovate and give back to society through a wide array of products and solutions is strengthened thanks to our partnerships with other organizations that share the same goals.

Meanwhile, working together with the MasterCard Foundation is promoting financial inclusion for at least two million smallholder farmers and pastoralists in Kenya and Rwanda, 60 percent of whom are female. And, through the use of near field communication technology from UnionPay, KCB has been able to offer a next generation debit card, which is not only quick, but highly secure, eliminating much of the inherent risk during electronic payments.

KCB also collaborates with the Ministry of Labour, Social Security and Services in helping distribute funding to Kenyan's receiving social security payments. KCB also works closely with local schools to offer them ease with which they may collect student school fees into one account.

Since KCB launched its Sustainability Framework in 2013, it has developed a measurement system to track its contributions to sustainable development. It has been doing this through its 10 Point Action Plan. Having met many of the goals set out in the original Action Plan, this year, the Group is introducing an updated Action Plan to track KCB progress for the next five years.

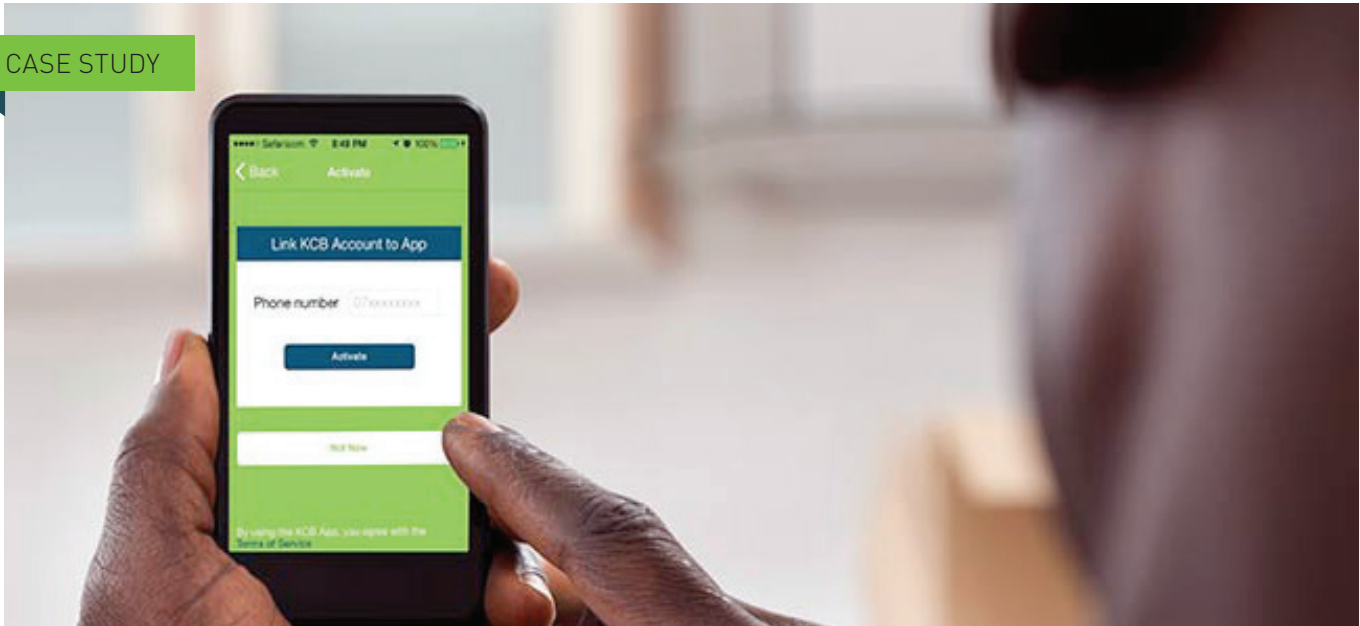
Measurement| Results to date | Target

- **Enhancing global partnership:** (New indicator to be included in 2018 reporting cycle)
- **Encouraging partnerships:** (New indicator to be included in 2018 reporting cycle)

Moving forward. KCB will continue to work with local, regional and international partners to promote the achievement of the SDGs.



CASE STUDY



Partnering with Safaricom to create products that improve livelihoods

In the middle of Nyeri Town, Nyeri County, lies a small cereal stall operated by one budding entrepreneur, Beatrice Maina. A graduate in business finance, Ms. Maina has run her own cereal business for the past two years serving as the middle woman between cereal producers and buyers.

According to Beatrice, “The business has been good due to the demand for my products. I faced a few challenges meeting the growing demand when I started due to limited resources, namely capital.”

Although Beatrice has had her own bank account with KCB since 2012, she only learned about and joined KCB M-PESA in 2017. Familiar already with Safaricom’s M-PESA service and their loaning service Mshwari, it was an easy transition for her

to begin using KCB M-PESA which was readily available on the Mpesa platform. As a result, she was able to gain access to additional financing needed to expand her business to meet customer demand.

Earnings from her cereal business enable Beatrice to support three family members, including two younger siblings and her daughter. As her husband’s work consists of short-term contracts, at times, she may be the family’s only income earner. Her business therefore provides money for school fees and supplies, as well as groceries and other basic needs.

“KCB-MPESA has worked quite well for me. First of all, it is very easy to use. Having been an M-PESA user before, it was simple for me to learn. It is also reliable, cheaper and offers a

good savings plan that gives me confidence that I can save, yet still have access to my money when necessary,” said Beatrice.

The App has really impacted her as it has motivated her to save more and plan for the future. To date, Beatrice has saved enough money in KCB Mpesa to expand her business and open a general hardware store supplying construction materials on wholesale. These savings have come in handy when she needs money and doesn’t wish to borrow from friends or family.

“I recently found myself in a situation where I was admitted in hospital and didn’t want to bother my friends so I used part of my savings in KCB Mpesa to pay for the bills,” said Beatrice. She plans to expand her business to other areas.



KCB

FOUNDATION





COMMUNITY
IMPACT

“ KCB Foundation programs are customized in each of the subsidiary to ensure that they address the most relevant development priorities.”



KCB 2Jiajiri beneficiaries in their mobile food van.

COMMUNITY IMPACT

KCB Foundation

In 2007, KCB Foundation was established to implement the Group corporate social responsibility programs and as a sign of commitment to sustainable development to alleviate poverty and enhance well-being.

Foundation programs are designed to address issues of relevance specifically within the thematic areas of education, enterprise development, health, environment and humanitarian intervention. The programs are customized in each of the KCB countries to ensure that they address the most relevant development priorities. To date, KCB Foundation has invested an estimated KShs. 1 billion in community programs in Burundi,

Kenya, Rwanda, South Sudan, Tanzania and Uganda.

Flagship Foundation activities include: 2jiajiri, Mifugo ni Mali and KCB Scholarships.

KCB Foundation's 2Jiajiri program aims to help match young entrepreneurs with the skills required specifically to fill positions in high demand, including "blue collar" trades such as plumbing,

electrical work and mechanics. It also aims to close the skill and financing gap for small business owners in need of further credentials and skills to grow their businesses and apply for financing.

The program contributes to this mission by:

- Providing technical skills scholarships for out of school youth aged 18-35 years (upskilling) and existing micro entrepreneurs (skilling);
- Offering business development services and discounted as-



set and capital financing for the graduates of the above; and

- Supporting necessary market and industry linkages, for example, to link suppliers together with buyers.

The KCB Foundation Mifugo ni Mali program aims to address some of these concerns based upon stakeholder needs, to assist households relying upon livestock as a source of income to better utilize their animals more effectively. To access program benefits, livestock owners are required to constitute and register with cooperative societies through their county livestock ministries.

KCB supports solutions that are therefore customized to meet individual needs by working with county governments to help identify the greatest needs. Such supports mostly focuses on:

- Pro-poor value chain development in Arid and Semi-Arid Lands (ASAL), including the types of

livestock that are dominant within various localities such as goats, bees, and camels;

- Smallholder dairy and fisheries on the Coast; and
- Herd improvement in Western Kenya lowlands.

A total of KShs. 83 million has been advanced to livestock farmers to support enterprises in community ranches, cooperative societies and beach management units. To date, 10 partnership agreements have been signed with various counties namely; Baringo, Taita Taveta, Kwale, Kilifi, Narok, Mombasa, Samburu, Laikipia, Marsabit and Kajiado. Through these partnerships, KShs. 833 million has been committed to support productivity, value addition, market access and access to credit. A total of KShs. 100 million has been advanced to livestock farmers to support enterprises and cooperative societies. In the last two years, the Foundation has disbursed KShs. 110 million in interest-free loans to cooperatives.



While KCB has focused on activities which are either philanthropic in nature, or that fall under the category of Corporate Social Responsibility for many years, in recent years our shift has been to work more on projects within communities that create shared value for society. Essentially, we look at challenges in community and try to solve a problem. In doing so we aim to economically empower individuals to not only have the financing to contribute to today's immediate need, but are working to prepare them for tomorrow's needs as well." – KCB Foundation

Executive Director Jane Mwangi



The KCB Foundation provides secondary education scholarships for bright students, who would otherwise be unable to continue their education due to lack of finances. The program targets 240 beneficiaries annually, including 40 of whom are living with a physical disability. Students benefit from a full four year scholarship to enable them to complete their secondary education in government schools. The programme has a completion rate of 98 to 99 percent.



240
scholarships
awarded in 2017



40
Students with special
needs were awarded



1,312
KCB scholarships
awarded since 2007

Additional KCB Foundation initiatives and contributions to society



Inua Jamii beneficiaries during the launch of the Older Persons Cash Transfer Programme in Kitui.

In addition to its flagship activities, over the past decade, KCB Foundation has also supported a number of other initiatives, which contribute to improving health, education, enterprise development, and environmental preservation. These include:

- Through the “My School, My Community Initiative,” the Foundation has supported the construction and refurbishment of over 200 school structures, as well as learning materials—desks, books, and water harvesting equipment—for over 500 schools.
- KCB Foundation partnered with Ahadi Trust Kenya to support the Banana Livelihoods project in Kigumo in 2013.
- In 2013, in partnership with the African Sand Dams Foundation, KCB Foundation donated KShs. 9 million for the construction of four sand dams in Kibwezi, set up more than 30 water tanks in different schools and also built four rock catchment areas in places without rivers. The project provided access to clean water for domestic purposes, livestock, and agricultural use for over 5,000 people.
- KCB Foundation partnered with the Baringo

County Government beginning in 2014 to revive and support the annual goat auction. The main objective of the auction is to create a market for goats and ensure farmers get fair returns. During the 2016 goat auction, a total sale of KShs. 24 million was raised, with goats going for an average of KShs. 12,000. On a normal market day, the same goat would fetch about KShs. 3,000.

- KCBF has supported the Kidney for Life Program since 2011.
- Over the years, the Foundation has undertaken a number of projects to protect the environment including: Planting 20,000 seedlings on Mau Likia, Kenya in partnership with the local communities (The seedlings planted in the forest are sourced from the communities’ nurseries). In Burundi, KCB staff planted trees at the Wangari Maathai corner in Bujumbura. County environment days and clean-up activities through branch network in Kenya. In Rwanda all the branches participate in the Umuganda ‘National cleanup day’. In Rwanda, Gitarama Health Centre in Muhanga received new environment friendly roofs to replace the harmful asbestos roofs. Now they can harvest rain water.



KCB Insurance Agency

Established in 2010, KCB Insurance Agency offers both life and non-life insurance products and services. It has partnered with leading and reputable insurance companies in the market to ensure that it provides customers with optimal insurance solutions and unmatched service to meet their expectations.

In 2014, KCB Insurance Agency launched an array of Bancassurance products to empower and improve the quality of life for our customers through provision of affordable, value-adding and appropriate insurance solutions focusing on the micro, retail and small & medium enterprises. The expanded offering includes insurance solutions suited

for the agriculture, healthcare, motor vehicle, life assurance, and pension sectors, in addition to its already existing portfolio of risk management and professional insurance advisory services to its corporate clients.

KCB Insurance Agency currently has a staff compliment of 172 dedicated insurance staff comprising of management, officers and sales representatives.

Our integrated technology offers the capability to effectively and efficiently distribute a wide range of insurance products to diverse market segments of insurance consumers across all KCB branches countrywide.



We are proud of our wide array of Bancassurance products, which appeal to individuals as well as the smallest business owners. These offerings have been made possible because we don't assume irresponsible risk. We know that if we do that, our underwriters will assume huge losses and will be unable to sustain the business moving forward."

– KCB Insurance MD & Principal Officer Peter Kathanga

KCB Capital

KCB Capital Ltd. offers both advisory and brokerage services as the Group investment arm. Essentially, it provides strategic and financial advice to meet the growing and dynamic needs of the Group institutional and individual clients, as well as governments.

Launched in 2014, the subsidiary has been instrumental in helping introduce KCB Foundation activities to its corporate clients that share similar values. This may lead to partnership on Foundation program or activity.

KCB objective is to integrate Environmental, Social and Governance (ESG) across all its business operations, including its investment banking services. This is exemplified by evaluating the short, medium and long-term ESG risks and opportunities related to any given transaction.



KCB Director Corporate Banking Moezz Mir, presents a certificate to KCB Assistant Manager Investor Services Christine Adhiambo during a KCB Capital Market Authority Certification program at the KCB Towers.

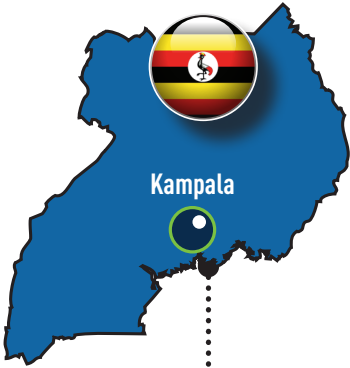
Uganda

We financed Tasco Industries Ltd to expand its operations through the finance and purchase of a state of the art refinery plant.



Oil Refinery

Expansion financed by KCB



Kampala

Rwanda

We approved a facility of US\$ 18 Million to Africa Improved Foods Rwanda Ltd to support its working capital needs.



US\$ 18m

Working capital facility
(KShs. 1.8b)



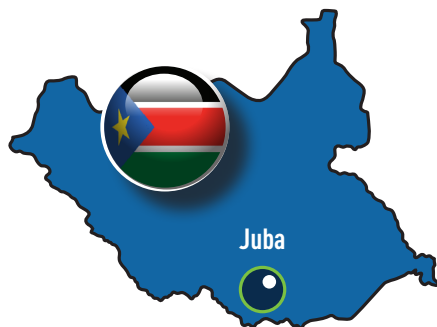
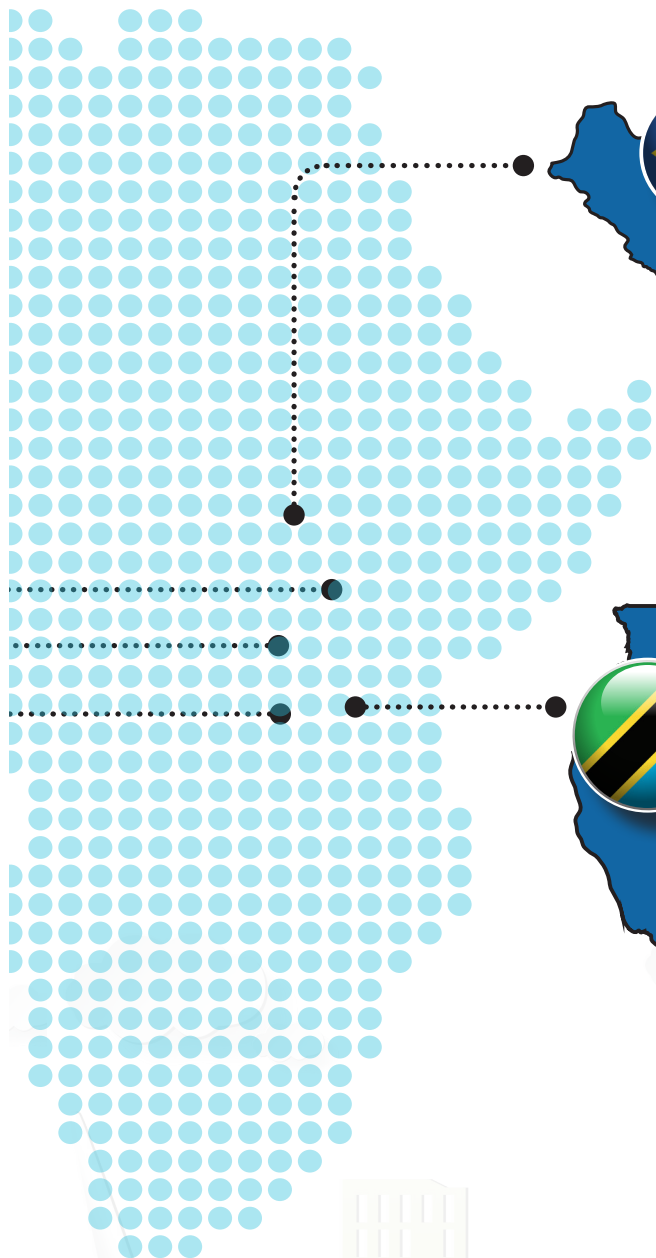
Kigali

Burundi

We financed a local printing enterprise, Hope Design, to purchase a plot of land for business expansion. The new business has created 45 new jobs in the next five years.



Bujumbura



South Sudan

We supported a contractor helping to transition from working with a wheelbarrow to using a bulldozer, grader and an excavator all worth US\$ 1.5 Million



US\$1.5m

KCB funding for heavy machinery (KShs.150m)



Tanzania

We approved an SME financing loan of TShs. 800 Million to help construct Texpalace Hotel. The hotel's turnover has improved to TShs. 6.5 billion per year, from TShs. 5 billion in 2015.



TShs.800m

KCB funding for Texpalace Hotel construction (KShs.35m)

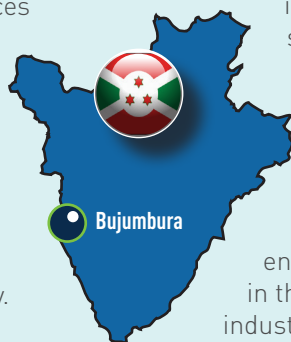
*Maps not not drawn to scale

CUSTOMER TESTIMONIALS

BURUNDI

From small enterprise to a printing industry

Hope Design launched its operations in 2009 as a small printing company responding to the need for high quality products such as business and invitation cards. Three years later, it also launched sister company, BURUNDI Eco newspapers, a socio-economic weekly print newspaper that produces 3,000 copies per week. Today, the company has grown tremendously and even makes its own environmentally friendly professional stamps and runs a communication agency.



KCB Bank has been financing Hope Design since 2013. According to Hope Design CEO, Mr. Mélance Buregeya, "We chose KCB Burundi because we liked their quality of service. It was professional and they rapidly responded to our requests. KCB financing allowed us to purchase printing machines and raw materials which were instrumental in

helping us expand our business."

An increase in revenue following these upgrades further allowed the company to acquire high performance machines from its own funds that have allowed Hope Design to significantly improve quality, expand its product range and shorten delivery times. The development of the digital and offset departments allows Hope Design to print a variety of quantities and sizes, which have enabled it to be competitive in the country's graphic industry.

Hope Design has also emerged as a local leader in the professional stamp field having reduced delivery times from three days to 30 minutes with a two-year warranty. To contribute to the protection of the environment, its stamps and all its components are ISO 14001: 2004 certified and ISO 9001: 2008 quality certification.

Its printing business, communications agency and sister company, are also doing quite well. Since 2012, the printer has expanded from seven permanent staff to 37. Its profitability has also increased significantly—by 40% — during that time.

In January 2016, KCB Burundi helped finance the purchase of Hope Design's first plot of land upon which it will build its own office and printshop in 2018. The plot of 7500 square meters, located in Bujumbura's industrial area, affords enough space so that Hope Design can expand its operations. New business generated following the expansion is also expected to create 45 new jobs in the next three years.

"Moving forward we are looking to expand our partnership with KCB as we look into innovative ways to offer new products that enhance our customers' experience. KCB has helped us improve livelihoods and reduce unemployment," stated Mr. Buregeya.



Moving forward we are looking to expand our partnership with KCB as we look into innovative ways to offer new products that enhance our customers' experience. KCB has helped us improve livelihoods and reduce unemployment."

– KCB customer
Mélance Buregeya



Hope Design staff collate and bind printed material



RWANDA

**1,700,000**

Refugees and Internally Displaced Persons supplied

**300**

People directly employed

**25,000t**

Metric tonnes of food exports in 2017

**90,000**

Expectant mothers have benefited

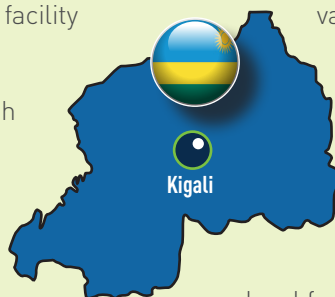
**USD 18m**

KCB extended facility to meet working capital needs

Bringing affordable nutritious food to Rwanda and beyond

Since 2015, Africa Improved Foods Rwanda Ltd. has focused on ending malnutrition by making available nutritious foods from locally sourced grains. With a manufacturing facility in Kigali's prime economic zone that produces high quality food from locally grown soya and maize for infants, pregnant and breastfeeding women, products are manufactured to European quality standards.

Formed as a result of an initiative between the government of



Rwanda and the Clinton Health Access Initiative, its activities also assist farmers to produce the required high quality maize and soybeans at competitive prices.

In this way, it creates shared value for local farmers and consumers alike. And for AIF, it firmly believes that the social impacts of its business go hand in hand with long-term commercial success.

"Buying maize from local farmers at a fair price improves local livelihoods and also makes economic sense as local maize is often cheaper than imports. If possible, we would buy all our grains locally," stated Amar Ali.

For consumers, the benefits are equally as valuable. According to Ali, "Our products are rich in essential vitamins and minerals that many Rwandans currently lack in their diet."

The products are made available to the poorest via a subsidized programme sponsored by the Rwandan Ministry of Health and the Clinton Health Access Initiative.

Products are purchased at cost price by the Ministry and distributed to all health centres where registered pregnant and breastfeeding mothers can receive enough free nutritious porridge to feed themselves and their children three times per day."



REIMAGINING SOCIETAL VALUES

SOUTH SUDAN

From Wheelbarrows to Bulldozers

“
You could say that KCB
changed my life. That
set of machines made all
the difference in helping
me to become a verified
contractor”

– KCB South Sudan customer
Peter Atem Ngor

As a child, when Peter Atem Ngor (pictured right) was forced to join the Sudan People's Liberation Movement to fight for his native South Sudan, he had no idea what the future had in store for him.

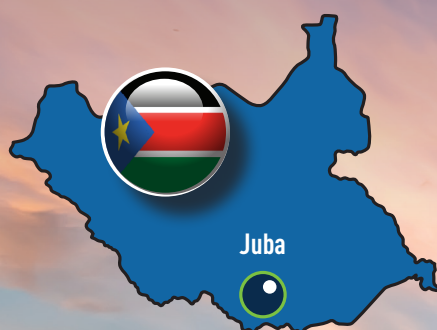
Today, married with two children, Atem owns a construction company and a maize flour factory thanks to his experience and KCB South Sudan's loan services.

Born in 1973 in Juba, Atem learned everything he needed to know about building and repairing bridges during his military service. One of the defining moments of his military career, happened when he used his know-how to repair the River Aswa Bridge for South Sudanese President Salva

Kiir, which facilitated his passage through Nimule to Uganda in 2007.

“At the time I was a volunteer. I did not have a ‘dream’ per say because I was just doing my job which required me to repair bridges for free. It was a service I was happy to do for my community,” Mr. Ngor recalls.

According to Atem, that recognition helped him create a name for himself. When USAID began to work in country, it contracted him





overdraft document they supplied me, to help me secure funding to pay my workers at the Kator water project. I saw the former Managing Director who asked me how much I needed. When I told him I needed US\$ 10,000, he referred me to the loan department”.

One week later Atem received the funding. He used the money to buy food for the workers and some materials to finish the work.

After repaying the first loan, he received another overdraft from KCB to repair a bridge in Juba. “At the time, I was working with wheelbarrows. In 2011, KCB helped me finance a bulldozer, a grader, an excavator and a roller worth over US\$ 1.5 million. This helped me open Rhino Star Construction Company,” added Atem.

“You could say that KCB changed my life. That set of machines made all the difference in helping me to become a verified contractor, and eventually one of the leading construction local companies in South Sudan,” he says. With the help of KCB Uganda, he later managed to acquire a maize flour factory in Uganda upon recommendation from KCB South Sudan.

out to repair five bridges for which he was paid US\$ 350,000. This was the first time he had ever received compensation for such service.

Following this contract, he received another for a water project in Kator and Munuki. For this project, he required assistance to finance the work. Having his money stuck for the third time in another local commercial bank, he was advised to open an account at KCB to help him buy food for his workers.

“The first time I went to KCB in 2008, it was with a USAID



5 bridges

Constructed successfully



\$1.5m

KCB funding for heavy machinery



Flour Mill

Acquired in Uganda

TANZANIA

Diversifying from beverage supplier to hotelier



Patrick Munishi

About 200 kilometers west of Dar es Salaam, lies the town of Morogoro in Eastern Tanzania. Home to about 300,000 people, it is the country's largest city and commercial centre. It is also home to Manyunu Traders Ltd.

Established in 2010 to meet local demand from beverage sellers seeking to deal specifically with a beverage distributing company rather than individuals, Manyunu Traders Ltd. has been a wholesale supplier of hard and soft drinks ever since. Over the years, the business has expanded from its beginnings as a beverage supplier to operate a mini supermarket, a bar and eventually, the KCB-financed, Texpalace Hotel.

"In Morogoro Town, there was no spacious, clean lodging. There was also demand for an appropriate establishment in

which government could host its conferences and seminars," stated Manyunu Traders Managing Director, Focus Patrick Munishi.



Although the business was doing well, in order to create our vision, we needed to secure financing.

According to Munishi, "I chose financing from KCB because we had built a good rapport having had a personal account with them for many years. In 2009, they reached out to me to see if I needed any additional financing to help grow my business."

This eventually led to an SME financing loan from KCB Tanzania in the amount of TShs. 800 million, which helped to complete construction of the hotel. With the excess income generated from the hotel, the business has started a pig farm due to the demand of pigs within Morogoro and Dar es Salaam.

"The hotel is also working towards operating in a green manner. Trees have been planted in the hotel garden and near the bar. In the future we are also planning to recycle water and paper. In addition, the company plans to invest in social services to cater across additional areas in need," stated Mr. Munishi.

Since the hotel opened in 2015, the company has increased its revenue from TShs. 5 billion Tanzanian to TShs. 6.5 billion per year. Aside from the additional revenue growth, company expansion has generated employment opportunities for more than 60 citizens.



UGANDA

Creating shared value in Uganda's manufacturing sector

Kampala based Tasco Industries Limited, is a leading manufacturer of cooking oil and laundry bar soaps in Uganda. In 2013, the company launched its soap making operations following the importation of the appropriate equipment. Two years later, the company went on to expand its operations into the cooking oil sector following the importation of an oil refinery machine from India.

The company's vision is to leverage its competitive advantages in cost to bring an affordable quality product to the Ugandan market, while exploring opportunities for exporting to neighbouring Congo, Rwanda and South Sudan.

In 2015, Tasco was looking to expand its operations through the finance and purchase of a state of the art refinery plant to improve efficiency and capacity, to in turn, improve cost efficiency. The company secured a term loan, letter of credit and overdraft with KCB.

According to Tasco Financial Controller, Prabaharan, "We chose KCB because it is known for its commercial banking and trade finance operations that support investments, especially those in the manufacturing sector. They structured facilities for us at affordable rates which

enabled us to achieve substantial growth in the last two years, while offering timely support on any banking questions we had. We consider them a trusted partner."

The new refinery helped them increase revenue by over 50% between 2015/2016 and 2016/2017.

Meanwhile, the expanded business required the support of an additional 125 people to raise its total to 250 staff, 30% of whom are female.

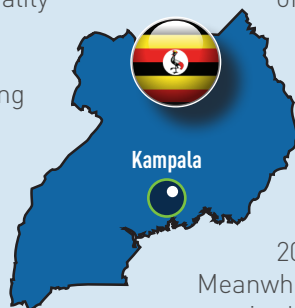
When securing financing in 2015 through KCB, Tasco was also one of the first clients in Uganda to apply for a loan through KCB Group newly launched Social and Environment Management system.

"The application process for the financing really opened our eyes to the future of lending practices and what financial institutions are truly looking for. Our employees are above all, our number one priority. We have

therefore issued safety equipment and taken appropriate measures to ensure their safety at all times. We have also adopted energy saving methods that are already saving us at minimum US\$ 5 per ton of production," said Tasco Financial Controller, Prabaharan.

Aside from securing its certification with the Uganda National Bureau of Standards, Tasco has also implemented essential occupational health and safety requirements. Employees working in factory areas are provided and expected to wear protective gear and clothing, including a helmet. In addition, the workplace has been planned and arranged in a safe manner with proper signage of any potential hazards and all fire exits are clearly marked. All staff must also undergo proper training on workplace safety.

With almost 20% of the current market shared in its industry, Tasco's CEO envisions that the company will grow at a faster pace assuming a larger market shared in the coming two to five years and emerge as one of the country's prominent consumer goods manufacturing companies. In doing so, it envisions its shared value coming from increased employment opportunities and additional tax revenue for the state.



\$5
Savings per
tonne (EE*)



250
People
employed

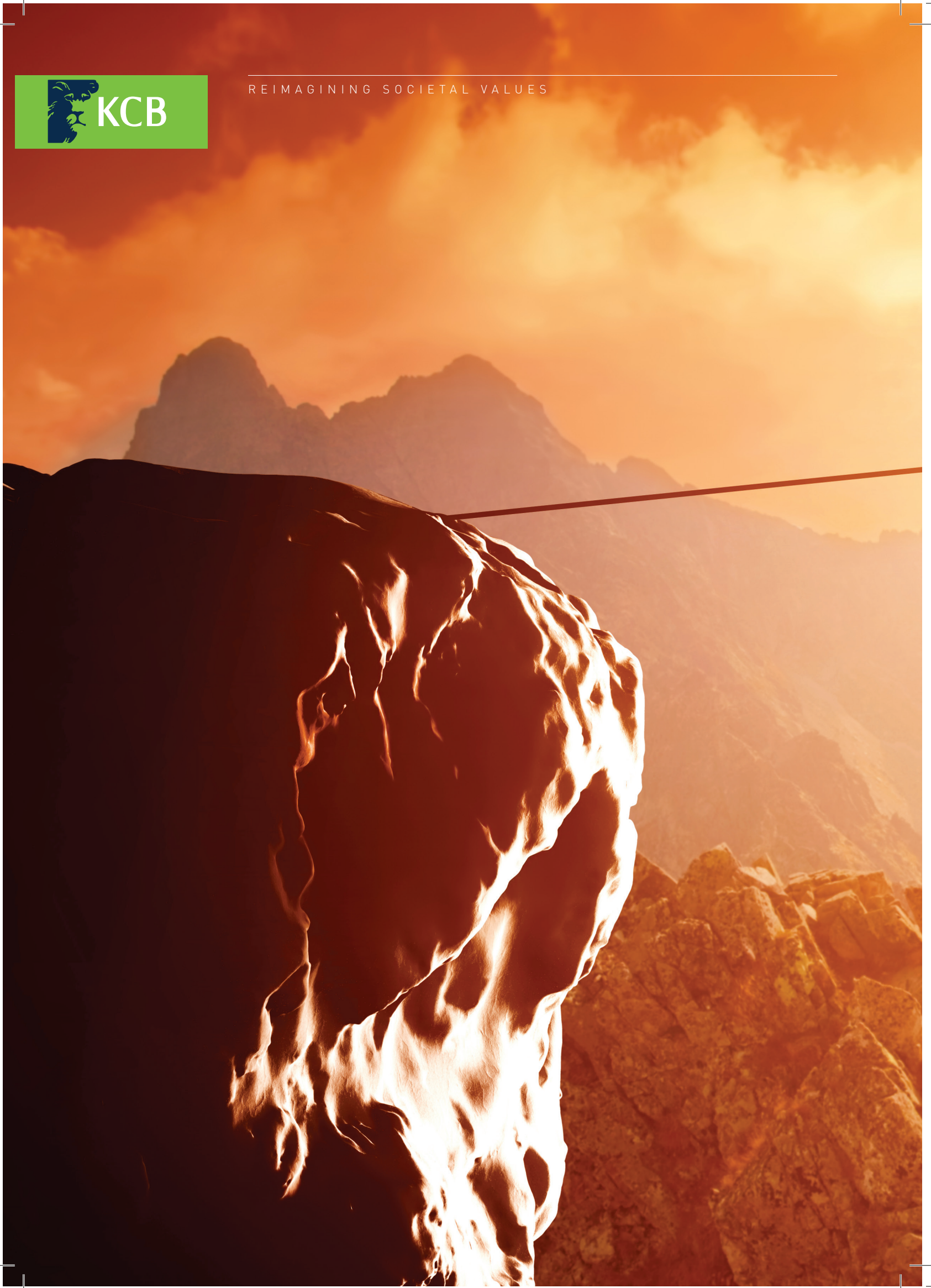


30%
Employees
are female



KCB

REIMAGINING SOCIETAL VALUES



2017 SUSTAINABILITY REPORT



EMBRACING
BEST PRACTICES

EMBRACING BEST PRACTICES IN ENVIRONMENTAL, SOCIAL AND GOVERNANCE WITHIN KCB SYSTEMS



Most company failures are attributable to substandard governance. At KCB, we recognize this and have therefore worked toward adoption of a clear governance policy, board charter, and code of ethics, which help ensure directors act in the best interest of company strategy, assume full responsibilities, and operate along the lines of international best practices.”

– KCB Group Company Secretary Joseph Kania

Governance, risk and incentives

Over the past decade, KCB Group has worked to embrace international best practices for financial institutions into its systems and operations. Such best practices aim to make institutions more sustainable by providing guidance to pre-empt or address challenges in internal governance, risk, credit departments and human resources departments.

Governance

The banking industry is, above all, founded upon trust. If a customer entrusts his or her money to a financial institution, that person or company expects that it is in good hands. It is therefore imperative that financial institutions operate in a manner in which they are accountable to their customers, shareholders, staff and society at large. Such accountability starts in the boardroom. By ensuring first and foremost that boards are structured and operate properly, they are better equipped to ensure the proper oversight of corporate functions and risk management, while guiding the long-term strategic vision.

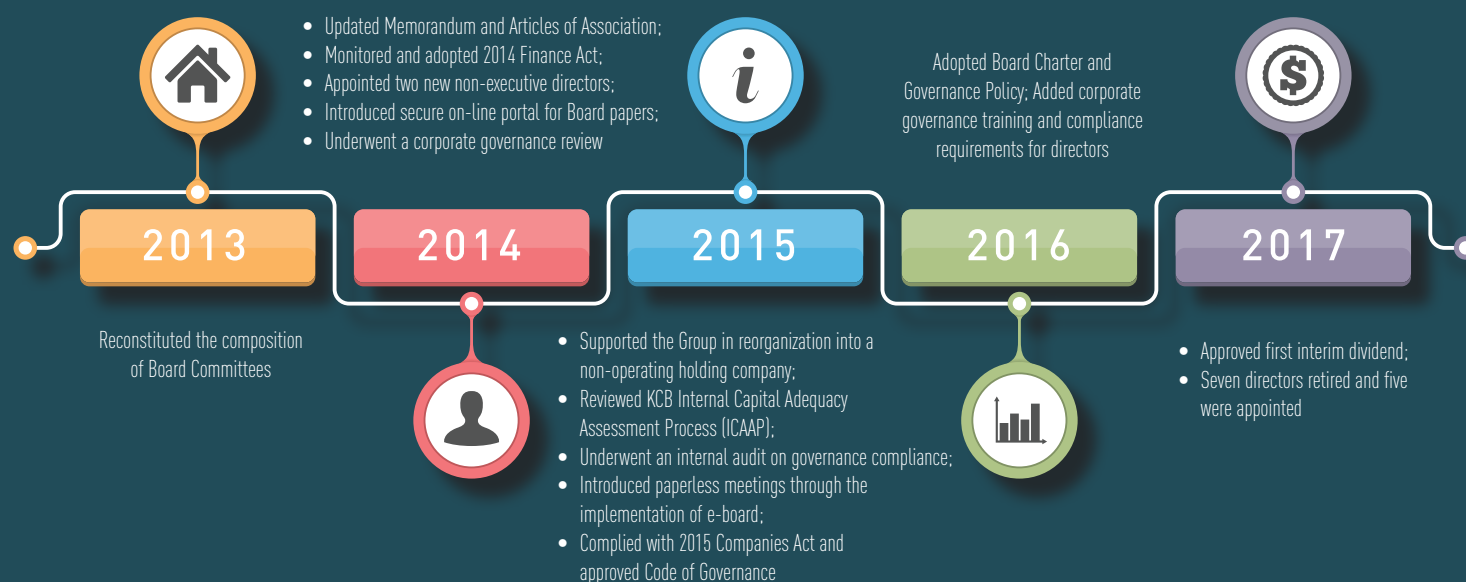
KCB Group Plc. is governed by a Board of Directors elected largely by its shareholders, with the exception of the Group Chief Executive Officer and the Group Chief Financial Officer. The Board is accountable to the shareholders for the overall Group performance and is collectively responsible for the 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.

KCB Group has built a strong, qualified Board of Directors. With a clear governance policy, board charter and code of ethics, today's directors are fully aware of their roles and responsibilities and assume full ownership of them. The Board's Risk Management Committee meets quarterly to discuss issues pertaining to sustainability integration. Every year board members undergo a review process and every three years they meet with an external service provider to do a formal review of internal governance practices.





KCB Governance Milestones



Risk management

KCB maintains a robust enterprise-wide risk management framework in line with Basel II and Basel III Standards. Covering credit, operational and market risk, as well as information, compliance, reputational and environmental and social risk, the framework places emphasis on ethics and fraud prevention. Staff are trained to detect, analyse and manage risk on a regular basis.

Long-term risks and opportunities relating to E&S issues are regularly monitored by the Board's Risk Management Committee. The Committee oversees the enterprise-wide view of risks and controls and brings together

the overall risk appetite and risk profile of the business. It meets quarterly to advise the business on all matters pertaining to risks.

Business continuity issues are also discussed by the Committee. Current and/or potential risks are then escalated to the Board for decision, with a recommendation from the Committee.

Credit, operational and market risk

Over the past decade, KCB Group has worked to integrate the importance of risk management into the psyche of its staff. Whether it is risk from bad credit or fraud, today, KCB is prepared to address it head on. Since 2007, a specialized Risk Department was born, breaking away from the

Credit Department under which it was previously housed.

Today, staff are encouraged to talk openly about credit risk. Staff are required to take a mandatory risk training to increase their ability to detect operational errors or fraud. It also discusses how to manage any cases of such, once spotted. In addition, every month, branches dedicate an entire day to discussing risk. Any significant issues raised during these meetings that cannot be mitigated at branch level, are escalated to regional teams. Meanwhile, at Group level, a risk committee chaired by the CEO has been set up to discuss pressing issues, in addition to the Group regular risk assessment.



1. Credit risk

To manage the risk associated with our lending business and without compromising the ability of our qualifying clients to access the credit they need.

- A fair, comprehensive and robust credit assessment in compliance with the standards set by the CBK to ensure customers do not become over-indebted and to protect the Group reserves.
- We have increased the amount of information that is provided to customers about forthcoming changes in conditions attached to our facilities, including our rates.
- KCB has developed a dynamic internal risk rating system to evaluate the risk that a borrower

may fail to meet their obligations. By assigning a credit risk rating to individual customers, the Group is better equipped to remain within its acceptable risk appetite threshold.

- KCB has also established behavioural credit scoring models to enable lending decisions based on information extracted from customer accounts.

2. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group processes, personnel, technology and infrastructure.

- Strict requirements related to responsibilities and monitoring,

contingency planning and training and professional development.

- Resource efficient (green) buildings and infrastructure is also an operational risk consideration for KCB.
- The Group has a forensics team embedded within the Risk Division, which provides training and awareness for staff on fraud prevention.

3. Market risk

At KCB, market risk typically includes: interest rate risk, foreign exchange risk, investment risk, settlement risk, liquidity risk and country risk.



This year we worked to embed a risk culture into the Group by communicating the message that risk is everyone's businesses. In this way, it has become an integral part of day-to-day operations and staff have become more comfortable to discuss it. We have become more proactive in using data to help us catch irregularities, while we have increased our anti-fraud and anti-money laundering awareness. By better managing our risk we are helping ensure longevity of the Group."

– KCB Group Chief Risk Officer
John Mukulu



- We regularly monitor this risk against appetite limits, such as exposure and risk limits and liquidity and solvency ratios contained in the market risk framework, which incorporates market and country risk policies approved by the board.
- KCB is expanding its outlook to investigate ways in which it may better consider regional climate-related risk within its country risk profile.

4. Information risk

Any threats arising from weaknesses in data integrity, system availability or weaknesses in the ICT environment, constitute KCB information risk.

- KCB maintains a tight IT security policy, regularly

monitors its IT systems and processes.

- KCB has established business continuity plans
- Maintains stringent information protection processes and policies.

5. Compliance risk

Risk arising from violation of applicable laws and regulation.

- KCB has worked to remain compliant with all new required regulations.
- Identification of changes to the regulatory compliance universe, gap analysis and enhancement of the internal policy environment.
- Compliance training for staff.

6. Reputational risk

Publicity regarding the Bank's business practices, whether true or not, will cause a decline in customer confidence, costly litigation or a reduction in revenue.

- KCB has worked to position itself first and foremost as a responsible lender.

7. Environmental and social risk.

KCB has worked to integrate environmental and social considerations into its risk framework. The following table highlights ways in which KCB has or will work to continue integrating E&S into its risk system.

Incentives

ESG integration cannot happen without relevant sustainability objectives and targets incorporated into collective and individual performance management and evaluations. Such process incentivizes staff to consider sustainability during their regular operations and business. At KCB, our human resource policies on performance management incorporate our corporate targets which are cascaded to management level, to department level to individual level.

By the end of 2018, all staff will see at least one relevant sustainability-related key performance indicator with corresponding target included in their performance scorecards. Over the next three years, we expect to improve upon these indicators to ensure they are the most relevant and best indicators. These individual indicators will further feed into our overall department and management scorecards, which will also be enhanced to ensure we are capturing the most relevant environmental and social indicators which help KCB Group in created true value to its stakeholders.

KCB Social and Environmental Management System

Since 2015, KCB has incorporated a social and environmental management system (SEMS) into our lending process. This system, which is aligned with IFC Performance Standards, adheres to the principles of best practice. The SEMS is enabling us to better identify and manage exposure from environmental and social risks posed by our clients. The roughly 100 questions posed during the loan application process for our corporate clients include:

- Does the project/company have a history of environmental, social incidents and fines?
- Has the company allocated resources to support capacity building of relevant staff on E&S issues?
- Does the company have a mechanism for identifying its stakeholders (affected communities and other interested stakeholders in the company's activities)?
- Has the company established a grievance mechanism for workers to review and address employee complaints?
- Does the company implement measures for improving efficiency in its consumption of energy, water, and other resources
- and material inputs that are in line with good international industry practice?
- Does the company have procedures for storage, handling, and disposal of solid wastes?
- Does the company have safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or to minimize exposure of local communities to those materials?
- Has there been any physical and/or economic displacement as a result of land acquisition for this project?
- Has the company identified and assessed the impacts on biodiversity as part of its operations?

Lessons learned incorporating sustainability into the credit process

Since our implementation of the SEMS, we have noted several lessons we wish to share as they may be helpful to others venturing along the same path.

Lesson 1. Establishing a separate unit on sustainability will make the sustainability integration process smoother and more efficient. In terms of the credit department, current lack of capacity in terms of monitoring, follow-up and mitigation is a challenge. KCB is therefore looking into ways in which it can work with branch-based sustainability champions in order to help mitigate some of these challenges.

Lesson 2. Although we are increasing financial inclusion, at this stage, we cannot expect all our smallest clients to immediately and openly embrace sustainability measures. It will take time for such thinking to become ingrained in the regional practices, even though today's youth are more in-tune with this way of thinking. KCB is therefore working with, and training, its corporate clients first in adopting sound E&S practices at this time, with plans to focus on its retail customers in the future.

Lesson 3. Learning by doing it ourselves: By incorporating technology into our credit process, we have been able to save a lot of time and resources. Cutting back on our paper usage has therefore been as beneficial to the environment as it has been to our bottom line. KCB will is therefore a proponent of automation and is sharing best practices to help other organizations in the region on ways in which it may automate its processes to create similar efficiencies.



Best Practices Recommendation	Best Practices Recommendation
Integrate E&S risks in the risk appetite statement (RAS)	Starting in the 2018 Integrated Report, KCB Group will include qualitative and, where possible, quantitative statements on acceptable E&S risks in the RAS. In order to do this, we will begin by developing a tool and/or method for translating such qualitative statements into quantitative risk management controls.
Integrate E&S factors in capital models	In recent years, KCB has been exploring ways in which E&S factors are already included in its capital models. In the next two years, it will work to establish at least one viable business case for full integration of E&S into one of its capital models. It will also work with the Kenya Bankers Association to promote the inclusion of E&S factors in capital models.
Further integrate E&S factors in bank models for credit risk analysis	In 2017, KCB underwent a Social Return on Investment study (discussed later in the report) to further integrate E&S factors into its business models. Over the next 2 to 5 years, the Group will also aim to develop an assessment framework for client and transaction due diligence that capture externalities and assess the likelihood and materiality of these externalities.
Integrate E&S factors in portfolio monitoring and management	In 2015, the Group introduced its social and environmental management system (SEMS) into the Group lending practices. In the coming two years, KCB will also increase its ability to monitor more closely and better follow-up on its clients' E&S practices to ensure they are adhering to all environmental and social procedures.
Apply a more top-down approach on managing opportunity-driven activities and strategies	Over the next 2 years, KCB Group will undergo an exercise to map its activities that create a positive impact; identify opportunities for leveraging these activities in a cost-effective manner (e.g. information sharing on product development, applying strategies across sectors); develop a top-down strategy for financing activities that create impact and/or contribute to the transition to a more sustainable economic model; and set realistic targets and KPIs for lines of business in the annual capital allocation and budgeting process.
Advance structuring and arranging capability to facilitate sustainable investment	By 2020, KCB aims to launch its first green bond.
Involve middle management in managing E&S risks and opportunities	In 2017, the Group actively embraced an open risk culture. However, given that financial objectives often outweigh E&S-related objectives due to more advanced performance measurement techniques on financial objectives, KCB is also reviewing how it may include E&S targets and KPIs in the performance dashboards of departments and business managers.
Integrate E&S factors in performance management	In 2018, KCB will include a minimum of at least one relevant sustainability-related key performance indicator in every employee's scorecard.
Stimulate dialogue on E&S risk and opportunity management within the organization	In 2017, KCB saw the mainstreaming of risk into every employee's responsibilities. Moving forward, it will continue to reinforce the relevance of incorporating E&S risks and opportunities during its regular risk discussions.
Improve E&S risk reporting	Moving forward, the Group will work to actively discuss in its annual reports its sustainability strategy as well as any E&S trends that impact the way clients do business and any risk associated with engaging with such clients (i.e. real estate developers) and how the bank has worked to integrate this risk.



KCB

REIMAGINING SOCIETAL VALUES





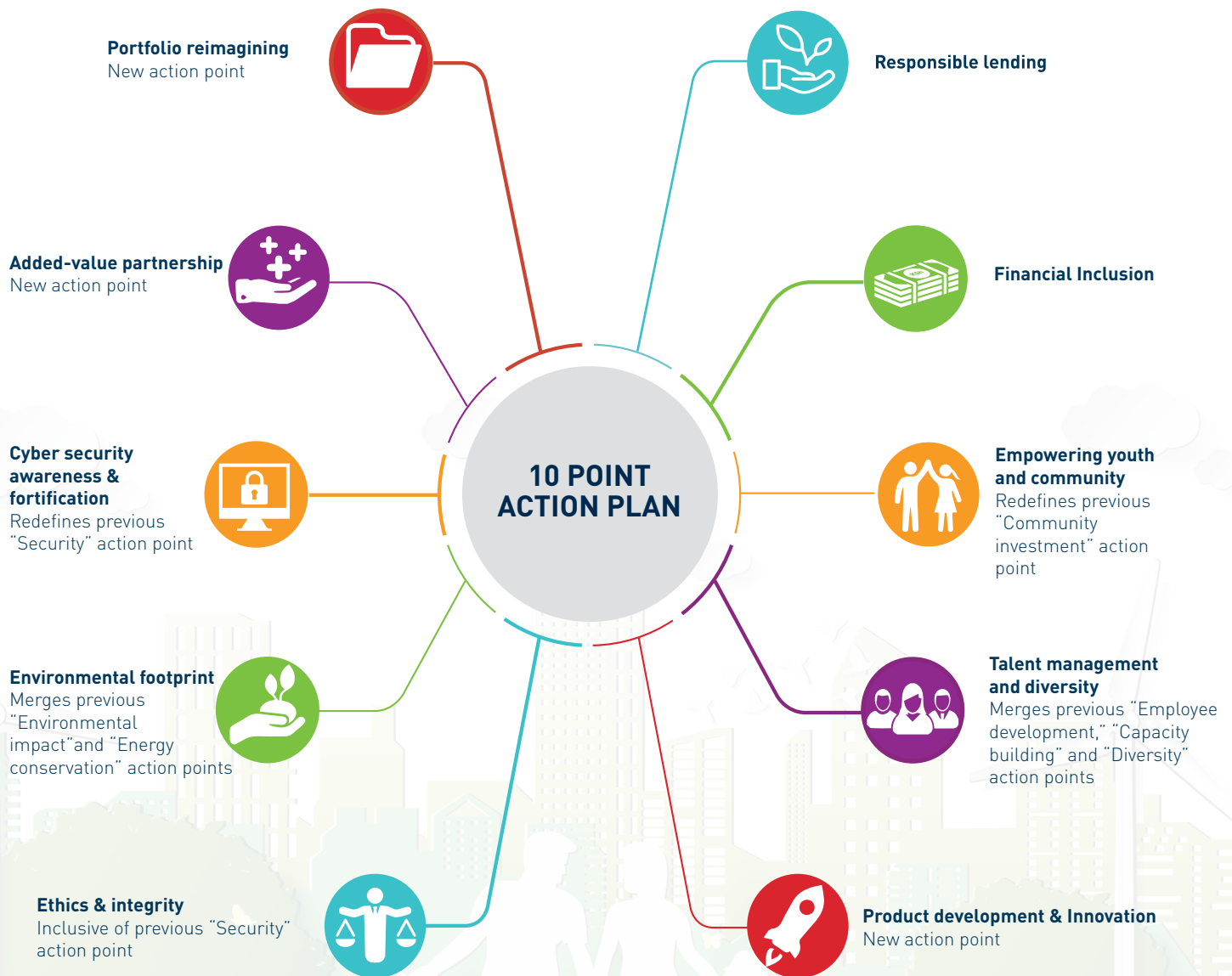
MEASURING **OUR IMPACT**

MEASURING OUR IMPACT

Redefined 10 point action plan

KCB launched its 10 Point Action Plan in 2013 to help it better track and monitor its progress in contributing to creating societal value. Having been met with much success and achievements in reaching many of its short term goals, the plan has been slightly redefined to help challenge KCB further over the next five to ten years.

How it all relates









10 Point Action Plan

* New indicator, no data available for that year ** New indicator, target to be determined

Point Action Plan	Target	YOY change 2016 & 2017	2017	2016	2015	2014
 Responsible Lending						
Non-performing loans (% or value)	Less than industry average (9.5% in 2017)	=	8.36%	7.70%	5.97%	5.18%
Non-performing loans in microlending portfolio (% or value)	n/a	=	14.73%	12.54%	7.62%	9.40%
Number of social-environmental assessments undertaken in the year	100	+	69	42	41	25
Number of site visits undertaken to assess E&S risk	1 site visit per year for high and medium-risk clients	+	93	50	30	20
Number of corporate clients with environmental & social or OHS policies	100% of high and medium-risk clients	+	50	50	30	20
Value of facilities that have undergone social-environmental assessments (in KShs. billion)	>100 m	-	61.3	89.1	98.7	61
Percentage integration of Social and Environmental Management System (SEMS) in the Group	100%	+	100%	100%	50%	50%
Percentage achievement rate on Business Process Reengineering (BPR) implementation i.e. simplification of products and services	100%	+	100%	100%	50%	0%
Cost to income ratio (CIR)	49%	+	46.2%	47.6%	50%	50%
Customer satisfaction index	85%	=	74%	74%	n/a	77%
 Financial Inclusion						
Number of agency banking outlets	20,000	+	16,085	13,562	11,948	10,102
Number of transactions processed under agency banking (in millions)	24.6	+	22.8	15.8	7.6	3.3
Number of registered mobile banking users (in millions)	4	-	2.9	3.3	>2	>1.08
Number of registered KCB M-Pesa users (in millions)	10	+	12.1	7.8	4.7	-
Number of transactions processed under mobile banking (in millions)	50.9	+	39.2	33.7	21.6	9.7
Number of loans processed under mobile banking (in millions)	8.90	+	8.30	5.70	4.20	.10
Value of loans processed under mobile banking (in KShs. billions)	31.7	+	29.7	13.6	7.8	0.6

Point Action Plan	Target	YOY change 2016 & 2017	2017	2016	2015	2014
 Empowering Youth and Community						
Number of scholarships awarded under the Scholarship Programme	240 p.a.	⚖️	240	240	240	n/a
Amount disbursed in the Inua Jamii Program (in KShs. billions)	n/a	🟡	8.7	18.0	9.2	n/a
Amount allocated to mobilization through partnerships to support Livestock Project (in KShs. millions)	80	⬆️	512.60	166.20	268.90	180.0
Number of youth upskilled under 2Jiajiri	10,000	⬆️	10,020	3,000	-	-
Number of farmers reached under the Mifugo ni Mali project	50,000	⬆️	39,008	30,000	26,000	10,812
Number of Bancassurance policies	TBD	⬆️	25,327	22,370	16,954	6,545
Number of Bancassurance claims	TBD	⬆️	1,932	1,427	699	106
Value of Bancassurance claims paid out (in KShs. millions)	TBD	⬆️	582	274	255	<1
Percentage spent on procurement - local spend	60%	⬆️	91%	89%	83%	90%
Percentage spent on procurement - international spend	40%	⬆️	9%	11%	17%	10%
 Talent Management and Diversity						
Total number of Group employees at year end	n/a	n/a	6,262	7,344	7,509	5,627
Number of new hires	n/a	n/a	144	55	1,024	946
Number of employee exits	n/a	n/a	745	195	273	43
Employee Development						
Employee satisfaction rate (%)	85%	⚖️	87%	87%	82%	80%
Staff attrition rate (%)	>5%	⬆️	10%	6%	5%	5%
Average training days per employee	5	⬆️	7.1	8.3	7.3	5.7
Number of employees who have undergone online training	6,262	⬆️	6,753	5,506	5,475	6,113
Capacity Building						
Number of employees having undergone sustainability awareness training	6,262	baseline	2,582	n/a	n/a	n/a
Number of staff trained on environmental and social risk assessments	100%	n/a	n/a	3633	300	0
Number of staff trained on the industry Sustainable Finance Initiative (SFI)	3786	n/a	n/a	3786	0	0
Diversity						
Number of male permanent and pensionable employees	50%	⬆️	3,074	4,221	4,229	3,078
Number of female permanent and pensionable employees	50%	🟡	2,331	3,177	3,283	2,461



Point Action Plan	Target	YOY change 2016 & 2017	2017	2016	2015	2014
Number of women trained under the Women in Leadership Programme	250	+	250	250	200	100
Percentage composition of women on the KCB Board (Group Board and country boards)	33%	-	20%	27%	27%	27%
Percentage composition of women at senior management	33%	-	22%	30%	27%	27%
Incentives						
Number of sustainability-related targets included in KPIs	Minimum 1 per employee	baseline	0	n/a	n/a	n/a
 Product Development and Innovation						
Number of new products developed	**	=	8	8	n/a	n/a
Number of new products launched	**	+	10	8	n/a	n/a
 Ethics and Integrity						
Number of fraud cases reported	All cases (100%)	+	27	22	33	20
Percentage of staff undergoing anti-fraud training (%)	100%	+	99%	98%	73%	82%
Number of employees having undergone annual mandatory ethics e-learning courses across the Group	6,262	+	5,928	5,506	5,475	6,113
Number of employee dismissals relating to fraud	All confirmed employee fraud	+	34	31	33	20
Number of successful internal fraud attempts (incidences)	0	+	401	447	528	267
Number of unsuccessful internal fraud attempts (incidences)	100% detection of unsuccessful fraud attempts	+	173	75	111	87
Number of suppliers signed up to the code of ethics (all signing completed in 2016)	100%	+	200%	100%	50%	NA
Percentage achievement of anti-money laundering awareness across the group	100%	+	95%	70%	80%	50%
 Environmental Footprint						
Environmental Impact						
Adoption of KCB Green Agenda (%)	100%	+	35%	30%	20%	5%
Fuel for generators and fleet (Millions of litres)	5% Reduction p.a.	-	2.0	2.9	2.2	6.8
Electricity consumption (MWh)	5% Reduction p.a.	+	16,423	20,970	13,982	13,243
Water (Millions of litres)		+	236	249	304	295
Paper (Reams)		+	68,850	84,629	110,073	60,894

Point Action Plan	Target	YOY change 2016 & 2017	2017	2016	2015	2014
Additional targets related to achieving carbon neutrality	Carbon Management Plan to start in 2019		n/a	n/a	n/a	n/a
Energy conservation						
Green technology adoption (%)	100%	+	35%	30%	20%	5%
LED lighting adoption (%)	100%	n/a	n/a	30%	20%	5%
Indirect emissions/value chain footprint	TBD	n/a	n/a	n/a	n/a	n/a
Number of in-person meetings requiring travel replaced by video-conferences	100	+	60	60	50	50
Cyber Security Awareness and Fortification						
Number of staff trained on cyber security	100%	-	1,545	2,460	*	*
Number of cyber attacks prevented	New Target	*	*	*	*	*
Added-value Partnerships						
Number of external partners with whom KCB engages on institution-wide initiatives	New Action Plan	n/a	n/a	n/a	n/a	n/a
Number of schools operating accounts through KCB	New Action Plan	n/a	n/a	n/a	n/a	n/a
Number of active local suppliers	New Action Plan	baseline	1,028	700	500	500
Portfolio Reimagining						
Percentage of portfolio in lending for affordable housing	15% increase over next 5 years	*	0	*	*	*
Percentage of portfolio financing agribusiness (including small scale agri)	15% increase over next 5 years	*	2.8	4	*	*
Percentage of portfolio in green lending, ie. green buildings, cleaner technologies in line with international green standards	15% increase over next 5 years	*	10	*	*	*
Percentage of portfolio lending to SMEs	15% increase over next 5 years	*		39	*	*

* New indicator, no data available for that year

** New indicator, target to be determined

“ Since the launch of our social and environmental management system, we have started to see a gradual shift in client perception and how they think about social and environmental risks. For KCB, the system helps us avoid and manage loans with potential social and environmental risks by conducting relevant due diligence prior to loan disbursement.” – KCB Group Director of Credit Apollo Ong'ara



Playing our part in reducing Carbon Footprint

Promoting sustainable consumption and production are important aspects of sustainable development, which depends on achieving long-term economic growth that is consistent with environmental and social needs. The bank continues to promote responsible consumption, and

we track our power, water, fuel and paper consumption. We have made deliberate efforts to minimise the environmental impact of our resource consumption. Below is a comparative resource consumption for the period under review.



Resources Consumed 2014 - 2017

Group Resources / Year	2014	2015	2016	2017
Power (MWH)	13,243	13,982	20,970	16,423
Water (Litres)	295,042,027	303,887,505	248,743,161	235,842,269
Paper (Reams)	60,894	110,073	84,629	68,850
Fuel (Generators & Vehicles) Litres	6,833,590	2,227,826	2,937,797	2,017,229

Calculation of Scope 1 and 2 carbon footprint

Power	12,448,420.00	13,143,080.00	19,711,800.00	15,437,620.00
Paper	392,909.49	710,229.68	546,056.05	444,244.40
Fuel	18,514,086.84	6,035,797.29	7,959,305.25	5,465,231.73
Carbon footprint (tonnes)	31,355.42	19,889.11	28,217.16	21,347.10

Assumptions	Co2 Equivalent
1 KWH	0.94Kg CO ₂
400 Reams of paper	5690 Lbs CO ₂
1 Lbs	0.45Kg CO ₂
1 Gallon Fuel	22.61 lbs CO ₂
1 Gallon Fuel	3.79 Litres
1Tonne	1000 Kgs



KCB

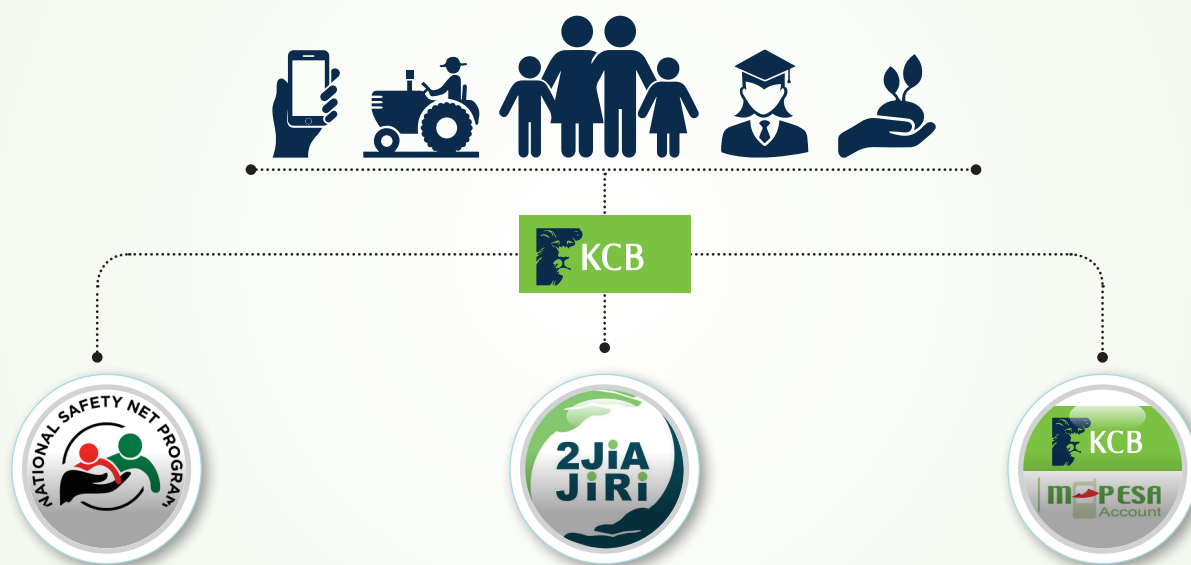
REIMAGINING SOCIETAL VALUES





SOCIAL RETURN ON INVESTMENT

Additional impact on Inua Jamii, 2Jiajiri and KCB



INUA JAMII

- For every **KShs. 1** invested in the programme, each beneficiary received **KShs. 11** in additional benefits
- **KShs. 185 billion** estimated amount of total social value created by the programme
- **KShs. 17 billion** total invested in the programme to date

2JIAJIRI

- 1:2 to 1:7 overall SROI for every **KShs. 1** invested in the programme, each beneficiary received between **KShs 2 -7** in additional benefits
- **KShs. 166 million** total invested in the programme to date
- **KShs. 238 million to KShs. 1 billion** estimated amount of total social value created
- Indicators of change:
 - Increased career perspective
 - Improved communication skills
 - Gained professional and entrepreneurial skills

KCB MPESA

- **KShs. 1.8 trillion** total social value impact
- **KShs. 47 million** total human resource impact
- **KShs. 875 million** total investment in KCB-Mpesa
- **KShs 1 billion** total economic impact
- **KShs 108 million** total environmental impact

In 2017, KCB Group commissioned a social return on investment study on the three KCB products with the greatest reach — Inua Jamii, 2Jiajiri, and KCB M-PESA — to help shed light on who these products were helping, in what ways they were creating shared value and also to discover any challenges customers were facing. The following provides a breakdown of what the study revealed per product.

Inua Jamii

The Inua Jamii Programme was launched in 2015 by President Uhuru Kenyatta as one of the channels that the government of Kenya use to aid in tackling poverty in the region and catering for the underprivileged in society and boosting economic growth. The three major cash transfer programmes running in 47 counties go to the Orphans and

Vulnerable Children (OVC), Older Persons (OP) and Persons with Severe Disabilities (PwSD). Under the programme, beneficiaries receive a stipend of KShs. 2,000 monthly support.

The cash transfers are based on a pre-set criteria, and aim at mitigating chronic or shock-induced poverty, address social risks and reduce economic vulnerability. The initiative was created to assist

poor people in meeting their basic consumption needs and improve livelihood opportunities.

Based upon a sample size of 230 people out of the programmes' 557,551 beneficiaries, the SROI ratio for the Inua Jami programme is 1:11.19. This means that for every one KShs. invested into the programme, there is a return to beneficiary individuals of just over KShs. 11 (KShs. 11.19 to be precise) each. The programme provides benefits to community groups that otherwise do not receive any support from any other organisation. Additionally, it demonstrates the high impact on beneficiaries, their families, and overall society.



A KCB staffer registers Inua Jamii beneficiaries.



Time efficiency

79% of the beneficiaries have stated that they spend **less time queuing** at the disbursement centres, which helps them manage their time and **concentrate on other daily activities**.



Easy access

Due to the widespread of KCB branches across the country and their strategic locations, **56%** of the beneficiaries said they requires **less travel time** to the disbursement centres which saves them time to do other things during the day.



Sense of security

KCB has placed high security systems as a result **80%** Of the beneficiaries find KCB system to be **reliable and efficient** which gives them a sense of satisfaction. Moreover, **75%** of the beneficiaries have a **sense of security** as KCB handles the process privately.



Enable education

30% of the beneficiaries are able now to **pay school fees** for their children and grandchildren.



Improve living standards

39% have used the funds received to enhance their business which has led to increased income and raise the living standards.



Better Health Condition

82% of the beneficiaries received the funds have stated that it enabled them pay their hospital bills hence **live healthier life**.



Afford basic needs

The programme has enabled **61%** of the beneficiaries to afford their **basic needs** such as (food, clothing, shelter) in addition **9%** are able to afford the cost of public transport thus they are able to **visit and interact with their families**.





2Jiajiri

2jiajiri is a skills development and job creation program being implemented by KCB Foundation that seeks to catalyse employment and wealth creation among existing 'jua kali' entrepreneurs and the youth. The program seeks to reach 50,000 youth and informal sector entrepreneurs in the next 5 years.

The programme aims to empower and equip unemployed and out-of-school youth to grow micro enterprises by providing them with technical skill training opportunities as well as up-skilling and certifying existing micro-entrepreneurs who wish to move their business from the informal to the formal sector.

The study was based upon a sample of 74 face to face interviews; 97 questionnaires; and 10 valuation games throughout Ahero, Busia, Eldoret, Kisumu, Mombasa, Nairobi, Nakuru, Nyeri, and Mombasa

counties out of the program's 2,234 beneficiaries. The SROI study's calculated results involved three different methods: primary, secondary and combined sources revealing a SROI ratio between 1:2 to 1:7, meaning that for every one Kenyan shilling invested in the programme, each beneficiary received between KShs. 2 and 7 in additional benefits based upon a total value creation between KShs.238 million to KShs. 1 billion.

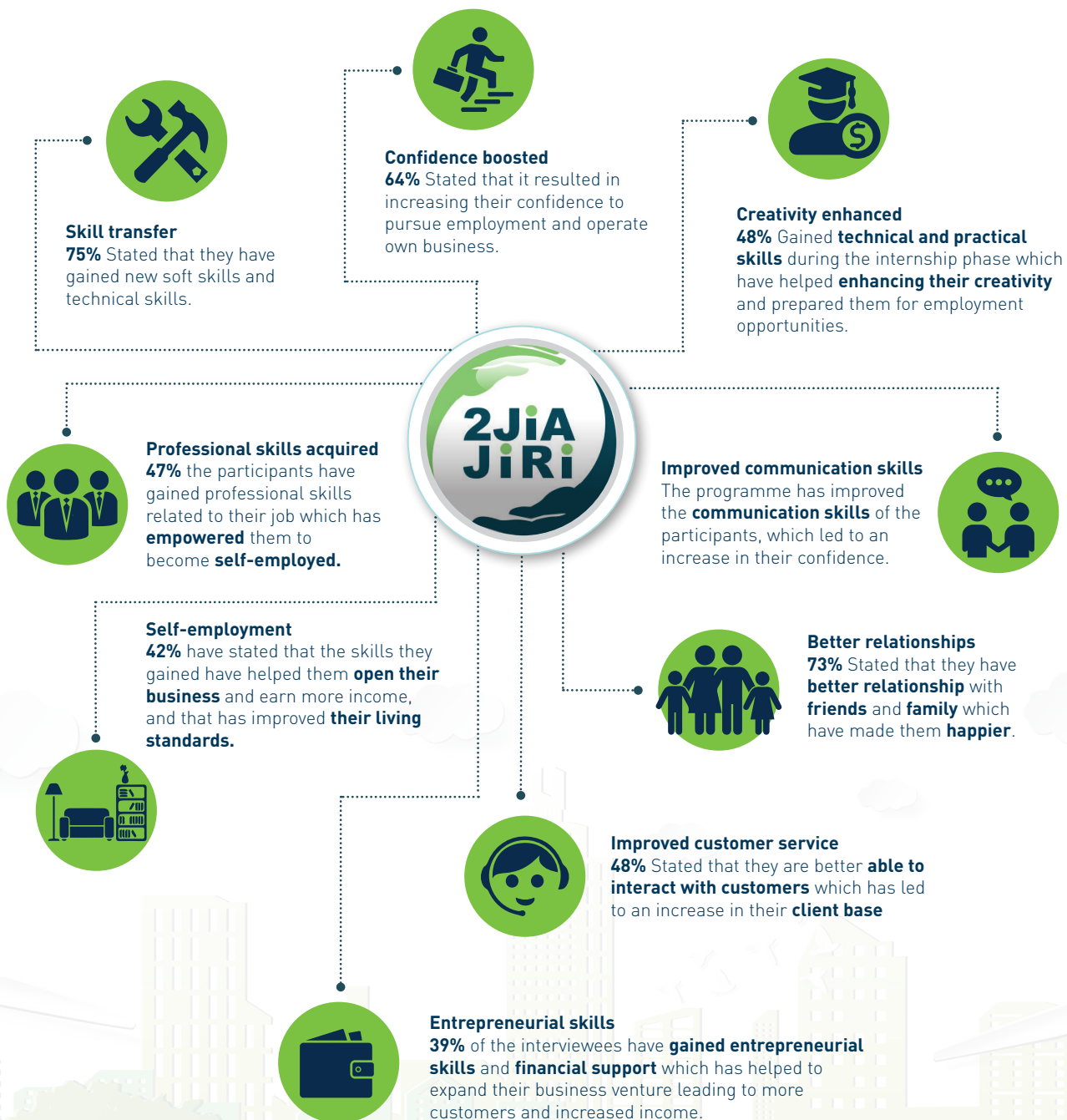
The first primary sources scenario relies upon values driven directly from stakeholders. The values reflect stakeholder feelings, emotions, and other social impacts, thereby capturing local reality. The values indicated by stakeholders are four times above the global average values, resulting in an above average SROI ratio of 1:7.56 based upon a total social value creation of KShs. 1,073,725,406.56. Given the programme has been running for

two years, stakeholders might have over-claimed the value of changes resulting from the programme. There is a risk if the programme continues to run in the same way and other organisations add more elements to their programmes, stakeholders will value less about the programme and the ratio will drop in the future.

The secondary source scenario drew upon values that were benchmarked against global values and adjusted to inflation and country value. It reflects a more accurate value of a programme that has been running for a longer period. These values have been studied and assessed by experts in the field, yet they take into consideration the local reality of the study area, therefore it might miss some elements that are unique to the Kenyan context. A 1:2.43 SROI is derived based upon a total social value creation of KShs. 238,218,648.87.



KCB 2Jiajiri beneficiaries undergoing training at Toyota Center, Nairobi.



Beneficiaries have experienced various personal, financial, and mental changes as a result of 2JiAjiRi Program. They have also gained key professional skills that has empowered them to become entrepreneurs

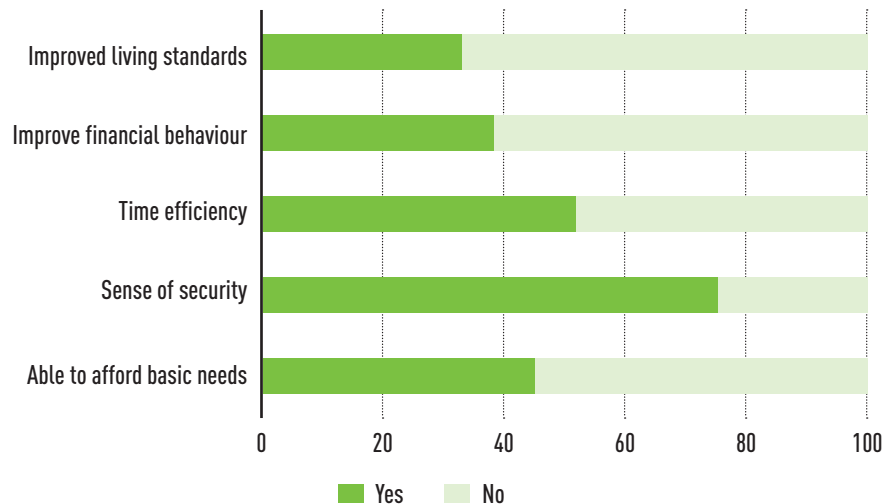


The combined sources scenario examined the secondary sources and adjusted against the inputs received from primary sources. It takes into consideration factors that may have been omitted by using only secondary sources such as programme duration, local context of Kenyan regions, and participants feelings of the programme. Under this scenario, 1:4.94 SROI ratio is derived based upon a total social value creation of KShs. 655,972,033.55.

KCB M-PESA

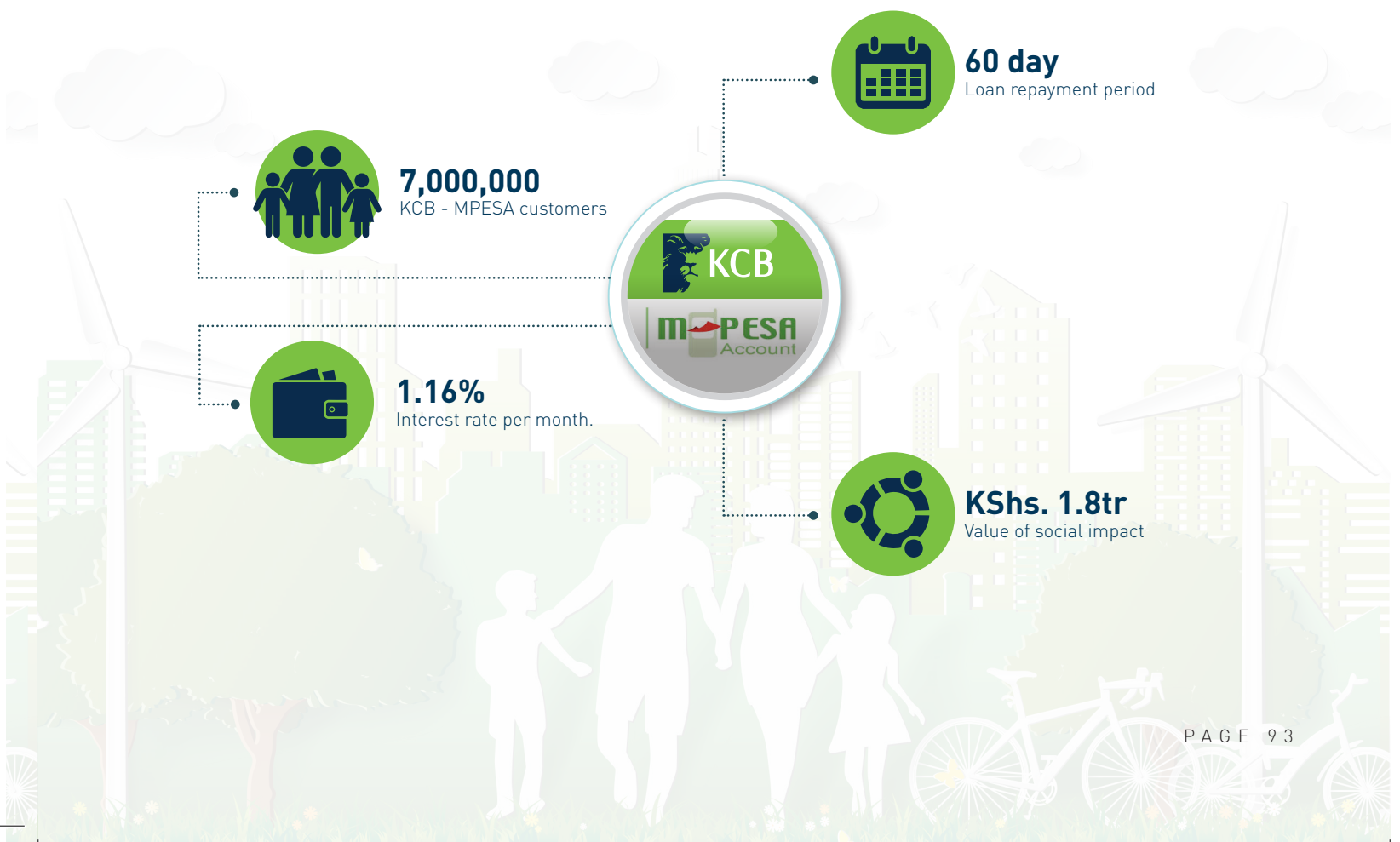
With some 7 million beneficiaries, KCB M-PESA is a mobile based account offered exclusively to M-PESA customers. Possible due to a partnership with Safaricom, KCB M-PESA enables customers to save or access loans through their mobile

Beneficiaries have experiences various changes as a result of KCB-MPESA service



phones at attractive low interest rates of 1.16% per month with a one off negotiation fee of 2.5% with a 60 day loan payment period.

Based upon a sample size of 278 beneficiaries the study found that the KShs. 875 million investment in KCB M-PESA resulted in total social value impact of KShs. 1.8 trillion.

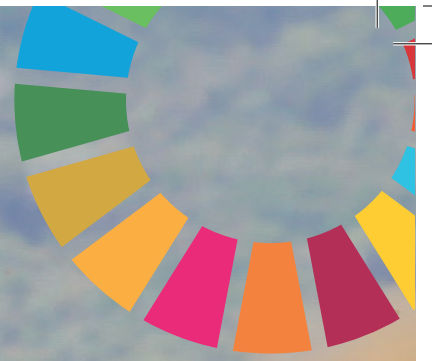




KCB

REIMAGINING SOCIETAL VALUES





PRODUCT INNOVATION



KCB Head of SME Naomi Ndele presents a token to KCB Biashara Club members during a trip to Maasai Mara.

PRODUCT INNOVATION HIGHLIGHTS

Over the past decade, KCB Group has worked tirelessly to create a portfolio of financial solutions tailored to meet the needs of its diverse customer base.

In addition to its personal and corporate accounts and services offerings, the Group has taken innovation to a new level by leveraging technology, regional knowledge and partnerships enabling it to offer customized solutions for persons operating both in and outside of the formal sector.

Many of our new products and services provide bottom up solutions that are relevant, effective, successful and sustainable. This sets us apart from internationally-based lenders, who are typically less risk averse in such offerings due to their limited knowledge of the environment.

In 2017, we launched a Goal Saving Account that enables our customers to save towards their business goals, which banked deposits

of KShs. 4 billion over three months alone. We also launched Mobi Salary Advance via mobile phone service for times when a little help is needed before that next paycheck. At some 5,000 merchants across the region, with a scan of a code, customers can also now pay with their mVisa mobile wallet through an app or USSD service. Thanks to our ATM Recyclers, cash may now be disputed instantly at any ATM. During our pilot phase alone we collected KShs. 1 billion through 40,000 transactions. Thanks to Mykash, users are not able to send money and make payments to paybill or till numbers straight from their KCB accounts. Two card acquiring services were also launched: Union Pay Int and Verve. We have also launched our social platform, Workplace, which enables staff to interact and share experiences within Facebook.

KCB plans to launch an education insurance cover called Elimisha in the beginning of 2018. An online checkout digital wallet called Masterpass will also be launched extending the reach of our cashless checkout options.



Product	Category	Description
KCB M-Benki	Account	M-Benki is an ordinary mobile-based bank account possible to open using the M-PESA Pay Bill option, thereby excluding any in-person registration requirement. ID and further registration is only required should you wish to transact sums larger than KShs. 140,000, take out a loan, make SWIFT transactions, etc. It is purely a KCB product that uses Safaricom platform for some functions.
KCB M-PESA	Account	A mobile based account offered exclusively to M-PESA customers enabling you to: Access loans at attractive low interest rates of 1.16% per month with a one off negotiation fee of 2.5%. The cost for the one month loan is 3.66% with excise duty applicable on fees. Save for a fixed period of time (Fixed Deposit Account) or save a little at a time for a set period (Target Savings Account) and earn interest of up to 7% p.a. Transfer money in and out of the KCB M-PESA Account for free.
PesaLink	Account	An interbank switch providing the banking industry with a capability for bank customers to transfer money directly from their accounts to accounts held in other banks on a real time basis. The service also allows transfers to a mobile number linked to an account in a bank.
MyKash	Account (money transfer app)	Mobile app that enables individuals and businesses carry out transactions instantly by accessing their bank account, using their mobile phone. MyKash allows you to receive and send up to KShs.. 1 million, to any bank account pay bills directly from your bank account; and borrow money.
Pepea	Prepaid card	A load and transact, a tap and go card available to both KCB and non KCB customers.
Me Cash	Prepaid card	A safe and convenient alternative to cash available to both KCB and non KCB customers.
Unsecured personal	(Unsecured) Loan	This loan is granted to individuals in order to meet their personal needs without the requirement for a security deposit.
Unsecured Check-off	(Unsecured) Loan	A special type of loan that is open to employees of Government institutions and companies that have a check-off agreement with KCB.
Masomo	(Unsecured) Loan	Intended for educational advancement, this loan can be taken out by parents/guardians for students or by salaried individuals who wish to further their studies.
Salary advance	(Unsecured) Loan	This short term loan is open to all salaried employees who have a KCB bank account in order to meet their urgent needs.
KCB M-PESA Loan	Loan	Accessible to those with MPESA account. Access loans at attractive low interest rates of 1.16% per month with a one off negotiation fee of 2.5%. The cost for the one month loan is 3.66% with excise duty applicable on fees.
Diaspora Banking	Investment solutions	Enables East African citizens living overseas to invest back home with KCB investment solutions.

Product	Category	Description
Business		
Tuungane Current	Micro current account	This is a current account targeted for Investment groups
Boresha Biashara	Micro transactional account	This is an attractive and affordable transactional account tailor-made to help your business grow to the next level. The account is targeted for small scale traders.
Bankika Business	Micro transactional account	Aimed at young upcoming businesses, this account has no monthly fees for affordable day-to-day trading. The account is targeted for youth in business.
Tuungana Investment	Micro transactional account	This is a savings account targeted for Investment groups
Boresha Biashara Loan	Micro loan	This short-term loan is specially designed for individual traders who require financing to run their business on a daily basis. For individuals operating informal business or a registered business entity.
Boresha Biashara Plus Loan	Micro loan	This loan is designed to finance micro entrepreneurs with annual sales turnover of up to KShs. 10 million who require working or investment capital to grow their business.
Boda Boda Tuk Tuk Loan	Micro loan	Loans aimed at financing purchase of Boda Bodas (motorcycles) and Tuk Tuks
Tuungane Chama Loan	Micro chama loan	These loans target group members running successful micro enterprises who have been brought together by common interests.
Tuungane Investment Loan	Micro chama loan	These loans are designed to avail financial solutions to investment groups through financing collective groups' projects and not for individuals. The loans provide financing for purchase of property, for construction, asset finance, shares, bonds and agribusiness.
Mobi-CHAMA	Micro mobile	Allows members of a Chama to perform various transactions at their convenience through their mobile on the KCB Mobi platform. This solution allows for accountability of deposits and withdrawals, request for loans as well as empowering officials of the chama to approve loans through the mobile platform.
SMEs	KCB offers a wide array of products and services for its small business clients.	
School Account	SME current account	A charge free account tailored to meet the needs for learning institutions seeking a collection account for school fees.
Entrepreneur	SME transactional account	Tailored to meet the SME proposition of cheaper banking service that match their financial needs as it's charges are applicable per transaction
Community	SME transactional account	A charge free account to meet the needs of Non-Profit Organizations, charities and religious bodies.
Overdraft Facilities	SME financing	We offer fantastic overdraft facilities to extend your credit and enable you drive business growth.
SME Term Loans	SME financing	Secured short-term loans give you quick and convenient access to cash to meet your daily business needs.

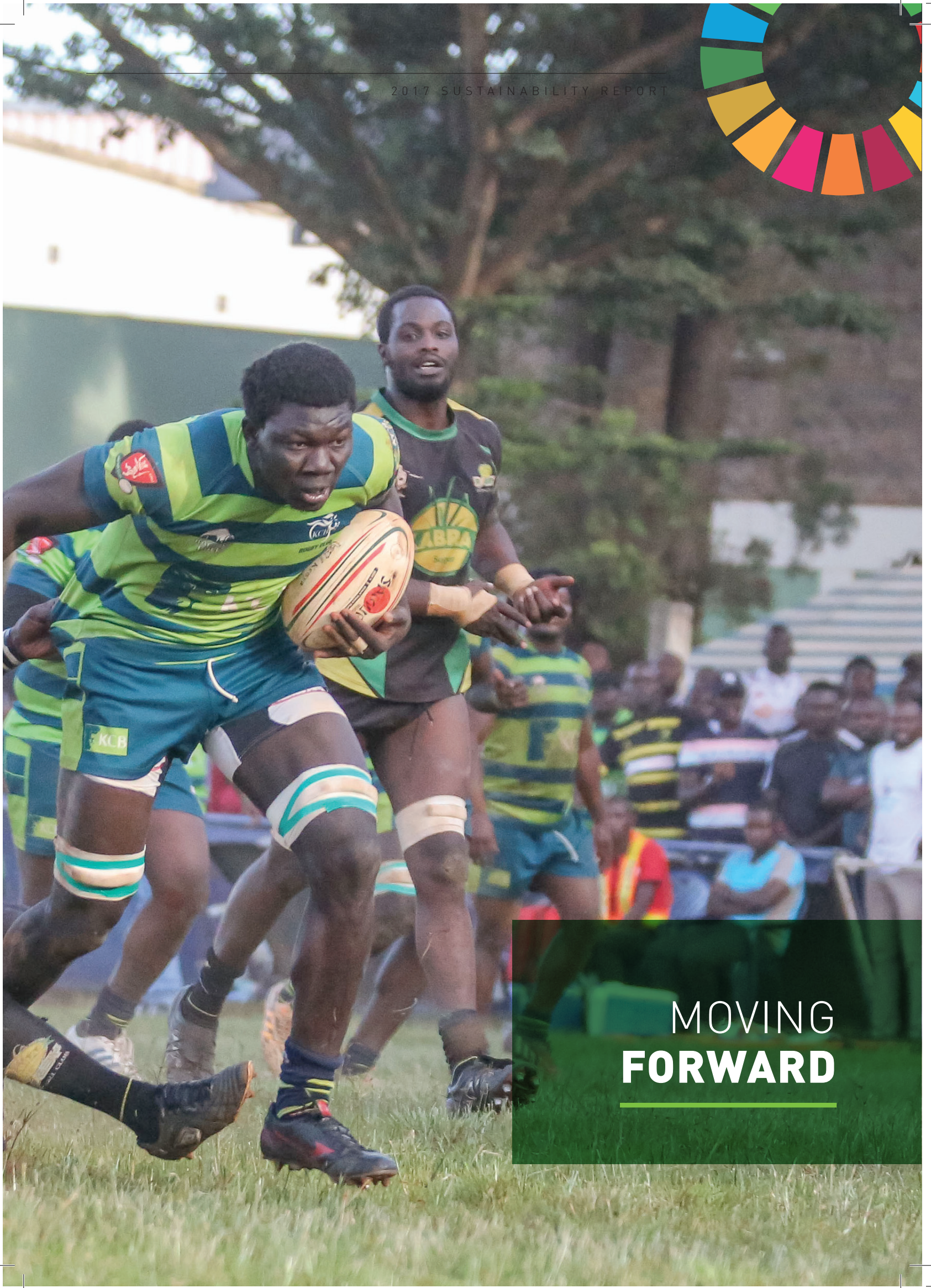


Product	Category	Description
Invoice Discounting	SME financing	This unique solution offers you financial backing against issued invoices, while you await payment.
LPO Financing	SME financing	We offer you financing against a local purchase order from any reputable organization to enable you to deliver the goods / services.
Biashara@smart	SME solution	KCB partnered with Safaricom to offer a suite of services aimed at helping small business owners open a bank account, purchase a website domain and pay for mobile usage through the business. The SME solution also allows small business owners to access additional tools for business, such as M-Pesa, insurance, business tips and payroll processing services.
Mobigrow	Agri financing	A platform that enables smallholder farmers across the East African region to access credit, savings, and insurance immediately through their mobile phones. The banking system also links smallholders to other players across the agricultural value chains from inputs to markets thereby boosting their creditworthiness. A result of KCB partnership with the Alliance for a Green Revolution in Africa (AGRA) on a project largely funded by the Mastercard Foundation.
Mavuno Account	Agri account	This is an affordable account for farmers with a minimum operation balance
Mavuno Tea Loan	Agri financing	This loan is specifically designed to give tea farmers seasonal credit for farm inputs, working capital or farm development
Dairy Instalment Loan	Agri financing	These targets individual farmers and Cooperative in need of working capital and acquisition of dairy herd. The loan is available to both new and existing KCB clients who are engaged in dairy production.
Dairy Herd Improvement Loan	Agri financing	This medium term semi working capital loan allows farmers to boost production by giving them financing to buy better breeds of dairy cows.
Mavuno Sugarcane Working Capital	Agri financing	This targets Sugarcane farmers contracted by reputable sugar companies looking for working capital or farm development.
Mavuno Sugarcane Advance Payment Loan	Agri financing	This targets Sugarcane farmers contracted by reputable sugar companies looking for working capital or farm development.
Corporate	KCB offers a wide array of financial products and services for its corporate clients.	
SACCO Banking & Non-Banked Financial Institutions	Corporate services	In addition to providing deposit and loan facilities to Savings and Credit Cooperative Organizations (SACCOs), we also offer on-lending to members of these SACCOs.



REIMAGINING SOCIETAL VALUES





MOVING
FORWARD

MOVING FORWARD

This year we did many things well. But as always, there are some things we can do better. After all, we are challenging our business and ourselves to continually hold true on our promises to deliver products and services that add value to our society.

Over the next five years, KCB Group will continue to mainstream the relevant Sustainable Development Goals into its business and operations. In doing so, it will monitor progress in achieving the targets set forth within the 10 Point Action Plan, most notably those that relate directly to KCB eight adopted SDGs. We will also remain committed

to building support for SDG adoption within the larger business community. We will therefore seek out further opportunities to work with government, private sector, and civil society where relevant, to determine possibilities for future collaboration.

The Group has also set three flagship goals, which will drive its efforts and ability to contribute to SDG achievement. These are: launching KCB first green bond by 2020, achieving partial carbon neutrality by 2022, and achieving complete carbon neutrality and increasing access to financial services for all by 2027.

KCB Group flagship sustainability goals



In addition, KCB Group aims to achieve the below as they relate to each adopted SDG. Over the next year, as KCB advances in its integration journey, clearer targets will be established to benchmark its progress.

- **Affordable housing:** Increase financing for affordable housing projects to ensure more men and women have equal rights to economic resources, basic services, ownership of land and property.

- **Increase lending to SMEs and Youth:** Act upon recommendations from the Social Return on Investment study to further expand our ability to help others achieve higher levels of economic productivity and reduce the proportion of youth not in employment, education or training.
- **Green lending:** Increase our portfolio of clients in the green building, renewable energy and other infrastructure sectors



to support the development of sustainable infrastructure and/or industries.

- **Gender equality:** Continue to reduce inequalities by targeting to have 50% percent of women in managerial positions by year 2020, fill at least 15% percent of new positions with the under 30 population and continue to implement recommendations made in our 2017 Social Return on Investment study to improve upon program reach.

- **Sustainable cities:** Action in this area is captured by the actions in SDGs 1 and 9.

- **Sustainability in the supply chain:** Work with suppliers to determine ways in which KCB can help further instil the need for responsible consumption and production and undertake at least one regional-wide initiative in the next five years in partnership with government and/or private sector which speaks to the importance of becoming

responsible consumers and producers.

- **Governance:** Speak on behalf of the importance of good governance in creating and operating businesses that are built to last.
- **Partnerships:** Partner with government and/or private sector to undertake at least one public awareness initiative aimed at increasing public awareness of the Sustainable Development Goals to those in our region.

Further integration of environmental and social (E&S) opportunities into Group processes

Over the past decade, KCB Group has worked to embrace international best practices for financial institutions into its systems and operations. Such best practices aim to make institutions more sustainable by providing guidance to pre-empt or address challenges in internal governance, risk and credit departments. Having made many changes over the past five years to ensure our corporate governance policies and procedures are aligned with best practice, we are now focusing our attention to further integrating E&S into our risk process.

Incentives: In 2017, risk was mainstreamed into every employee's responsibilities. In 2018, we will include a minimum of at least one relevant sustainability-related key performance indicator in every employee's scorecard, which will then feed into updated performance dashboards of departments and business managers.

Credit risk weighting models: In recent years, KCB has been exploring ways in which E&S factors

can be quantified and accounted for in its risk weighting models. In the next year, it will work to establish at least one viable business case for full integration of E&S factors into its risk weighing model, with the end goal of this being reflected in loan pricing. KCB will seek to further work with the Regulator, Kenya Bankers Association and the Sustainable Finance Initiative Principles to promote the inclusion of E&S factors in risk weighting and regulatory capital risk weighting models.

Credit risk assessment and new business opportunities: In the coming two years, we will also increase our ability to monitor more closely and better follow-up on our clients' E&S practices based

on the social and environmental management system to ensure they are adhering to environmental and social procedures. Over the next two to five years, the Group will also aim to develop an assessment framework for client and transaction due diligence that captures externalities and assesses the likelihood and materiality of these externalities.

Social Return on Investment: Over the next two years, KCB Group will undergo an exercise to map its activities that create a positive impact. We will also work to further integrate relevant recommendations from the 2017 Social Return on Investment Study into our business models.

“ KCB will seek to further work with the Regulator, Kenya Bankers Association and the Sustainable Finance Initiative Principles to promote the inclusion of E&S factors in risk weighting and regulatory capital risk weighting models.

GRI COMPLIANCE

Background

Sustainability reporting, as promoted by the GRI (Global Reporting Initiative), is an organization’s practice of reporting publicly on its economic, environmental, and/ or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.

The GRI Standards create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood. The Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organizations.

Through this process, KCB Group as an organization has identified its significant impacts based upon identified material issues (See pages 28 to 33 of this report) on the economy, the environment, and/ or society and discloses them in accordance with a globally-accepted standard.

The information made available through sustainability reporting allows internal and external stakeholders to form opinions and to make informed decisions about an organization’s contribution to the goal of sustainable development.

Application to KCB Group

The GRI Standards are structured as a set of interrelated standards. As adopted by KCB Group, they have been developed primarily to be used together to help an organization prepare a sustainability report which is based on the Reporting Principles and focuses on material topics.

Preparing a report in accordance with the GRI Standards demonstrates that the report provides a full and balanced picture of an organization’s material topics and related impacts, as well as how these impacts are managed.

The tables below summarize the topics covered in this report and the alignment to the GRI Standard showing the various sections where they have been highlighted and referenced.

Table 1. General Standard Disclosure

GRI Category	GRI Indicator	Report page and page reference
Statement from the executive	GRI 101, 102, 103	11, 13
Key impacts, risks and opportunities	GRI 101, 103	27, 84- 93
Organizational profile	GRI 102, 103	2, 7, 17- 24
Commitments to external initiatives	GRI 102, 103	39, 42- 59
Identified material aspects and boundaries	GRI 101, 102 103	28- 33
Stakeholder engagement	GRI 101, 102, 103	19, 24, 58, 59
Report profile	GRI 101	2- 3
Governance	GRI 101, 102, 103	16, 76- 81
Ethics and integrity	GRI 101, 102, 103	76- 81,
Disclosures on Management approach	GRI 101, 102, 103	16, 76- 81, 102- 103

**Table 2. Specific Standard Disclosures**

GRI Category	GRI Indicator	Report page and page reference
Economic indicators	GRI 201, 202, 203, 204, 205, 206	66- 73
Environmental indicators	GRI 301, 301, 302, 303, 305, 306, 307, 308	9, 22, 23
Social indicators: labour practice and decent work	GRI 401, 402, 403, 404, 405, 406, 408, 409	8, 35- 38, 42- 59
Social indicators: Society	GRI 410, 411, 412, 413, 414, 415	18, 19, 61- 64, 89
Social indicator: Product Responsibility	GRI 416, 418, 419	17, 96- 99

Table 3. Financial Services Disclosure

GRI Category	GRI Indicator	Report page and page reference
Active Ownership		
Local Communities	GRI 407, 412, 413, 419	61- 64, 89



ACRONYMS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CFO	Chief Finance Officer
COO	Chief Operating Officer
CMA	Capital Markets Authority
CSR	Corporate Social Responsibility
CRO	Chief Risk Officer
EBS	Environmental Burdens Sustainability
E&S	Environmental and Social
ESG	Environmental, Social and Governance
ESRA	Environmental Samp; Social Risk Analysis
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
ICT	Information communication Technology
KPIs	Key Performance Indicators
KShs.	Kenya Shilling
KYC	Know your Customers
LED	Light-emitting Diode
MD	Managing Director
NGO	Non-governmental Organizations
NSE	Nairobi Securities Exchange
RAS	Risk Appetite Statement
SMEs	Small and Medium-sized Enterprises
SEMS	Social and Environmental Management System
SDGs	Sustainable Development Goals
SFI	Sustainable Finance Initiatives
SROI	Social Return on Investment
UN	United Nations
USAID	United States Agency for International Development





GROUP

Group headquarters

KCB GROUP PLC

Kencom House
Moi Avenue
P.O. Box 48400 - 00100
Nairobi, Kenya

Regional subsidiaries

KCB BANK BURUNDI LIMITED

Boulevard Patrice Lumumba
P.O. Box 6119
Bujumbura, Burundi

KCB GROUP PLC (ETHIOPIA REPRESENTATIVE OFFICE)

Morning Star Mall, 4th Floor
Bole Medhanialem
Addis Ababa, Ethiopia

KCB BANK KENYA LTD

Kencom House
Moi Avenue
P.O. Box 48400 - 00100
Nairobi, Kenya

KCB BANK RWANDA LIMITED

Avenue de la Paix
P.O. Box 5620,
Kigali, Rwanda

KCB BANK SOUTH SUDAN LIMITED

KCB Plaza
Ministry Road
P.O. Box 47
Juba, Southern Sudan

KCB BANK TANZANIA LIMITED

Harambee Plaza
Ali Hassan Mwinyi Road/Kaunda Road
Junction
P.O. Box 804
Dar es Salaam, Tanzania

KCB BANK UGANDA LIMITED

Commercial Plaza
7 Kampala Road
P.O. Box 7399
Kampala, Uganda

<https://kcbgroup.com/sustainability>

www.kcbgroup.com

