



CEO Roundtable on Sustainable Finance Initiative

Nairobi, September 10, 2013

- Final Abbreviated Report -

Background

The Kenya Bankers Association (KBA) wishes to take a leadership role in the enhancement of Environmental & Social (E&S) Management in Kenya's financial sector through a sector wide Sustainable Finance Initiative (SFI). Following exploratory discussions with its members in the past two years, KBA organised a CEO Roundtable for its 43 members on September 10, 2013. The Roundtable was supported by UNEP FI, and FMO and DEG funded the consultant firm Steward Redqueen to moderate the discussion.

Objective and Results

The objectives of the CEO Roundtable were:

1. to build awareness among KBA members about E&S risk management, sustainability and the related opportunities
2. to have a dialogue among CEOs of KBA members on the benefits and challenges of a sector wide approach to E&S management
3. to secure CEO approval of the proposed Sustainable Finance Initiative (SFI) and industry commitment statement

The event was a success and KBA was mandated to take the SFI further:

1. Participants agreed on the need for the industry to develop a harmonised approach to sustainable finance;
2. They gave their explicit commitment to further explore opportunities for an industry-led initiative;
3. The proposed commitment statement was read and approved by the members, thus giving the KBA the mandate to set up a Working Group on behalf of the industry and further develop the SFI.

CEO Survey

Prior to the Roundtable an online survey was sent out to all the CEOs of KBA member banks. The feedback provided relevant insight in expectations and opinions regarding the SFI. Responses indicate among other things that the initiative should create harmonised and clear guidelines for E&S management practices leading to a level playing field for all banks in Kenya. With respect to the rationale behind such an initiative, respondents mentioned (i) the fulfilment of Kenya's Vision 2030, and (ii) the benefits that derive from improved E&S management practices in terms of risk management, stakeholder relations and access to finance.

Program of the CEO Roundtable

A total of 32 participants, either CEOs or senior managers, attended the meeting representing 30 banks. Another 10 participants from organising parties KBA, DEG, FMO, UNEP FI and Steward Redqueen joined the breakfast meeting.

The Vice Chairman of KBA's Governing Council and CEO of Commercial Bank of Africa, Mr. Jeremy Ngunze, opened the meeting. He expressed hope that the KBA members present in the meeting would support the KBA in taking the next step in developing a sector wide initiative. Thereafter a video message was shown of Mr. Aigboje Aig-Imoukhued, CEO of Access Bank Nigeria, in which he shared the experiences of the Nigerian banking industry with their initiative and his lessons learned. To put sustainable development in a national context, Mr. Julius Kipng'etich, Chief Operating Officer of Equity Bank, held a presentation on the environmental and social challenges to Kenya's society and the need for a radical change in economic growth. The last presentation was from Mr. Wouter Scheepens of Steward Redqueen. He presented the latest trends on sustainable finance and the business case for a sector wide initiative.

Findings of the Discussion

Subsequently there was a discussion with all participants on E&S management in the Kenyan financial sector and the potential need, challenges and opportunities for a sector wide approach of sustainable finance. The session was moderated by Mr. Wouter Scheepens, and Mr. Willem Vosmer of Steward Redqueen. The discussions can be summarized as follows:

1. KBA members acknowledge the benefits of an SFI and committed to the initiative

Participants recognised the environmental and social challenges that Kenya and its economy are facing as well as the need for sustainable economic growth. It was concluded that it is inevitable that the financial sector has a responsibility in this development. A pro-active and industry-led initiative is the preferred response. It will however be important to define the bounds of its responsibilities. In other words: the sector has to do what it can, while also other constituencies have to take their responsibility.

2. KBA members recommend addressing several issues to ensure a successful SFI

Participants believe the SFI should be market-based which means that it should anticipate needs and characteristics of the client base of KBA members. As a basis, the SFI should create a level playing field for KBA members defining minimum standards for E&S management practices. Moreover the SFI may promote best practices, or sustainable opportunities and it should give guidance on disclosure or reporting. The SFI should be generic enough for all members to agree on and adhere to, but it should also leave room for a customised application of its principles and standards given the different characteristics of the KBA members. Besides principles and standards, it is recommended that the SFI will focus on specific economic sectors in order to make the industry's effort as concrete as possible. Although participants did not yet agree on how, there was consensus on the need for some sort of enforcement of the SFI.

3. KBA members favour strategic involvement of stakeholders

Participants note that stakeholder support for the SFI may be helpful. It is yet to be decided who to involve and at what stage. Especially involvement of regulators, international development finance institutions and maybe also industry sector organizations is to be considered at the right time.

4. KBA members are willing to contribute to the further development of the SFI

Participants support KBA's lead in developing the SFI and agree with its proposal to develop a Working Group of KBA members reflecting a fair representation of the different banking types in the association. It was agreed that the Working Group would represent the interests of banks across the industry— tier I, tier II and tier III. CEOs agreed to nominate their banks to form the Working Group.

Next Steps

The meeting was wrapped up by closing statements of KBA's Chief Executive Officer, Mr. Habil Olaka; and the KBA Chairman and Managing Director of Barclays Bank, Mr. Jeremy Awori. They emphasised that the KBA will thoroughly and ambitiously manage the next phases of this challenging process to take sustainability to the core of the banking industry.

