KENYA BANKERS
ASSOCIATION
One Industry. Transforming Kenya.

CATALYST AWARDS 2019

RECOGNISING CATALYTIC FINANCE THAT IMPACTS INDUSTRY, ECONOMY & SOCIETY

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KEY DATES

Call for Entries: 10th June 2019
Nominations Deadline: 10th September 2019
Shortlisting of Nominees: September 2019
Awards Ceremony: November 2019

AWARD CATEGORIES

1. Best in Sustainable Finance
2. Case Study
    - Client Case Study – SME
    - Client Case Study – Commercial
    - Bank Case Study – Operations
    - Bank Case Study – Promoting Gender Inclusivity
    - Bank Case Study – Financing the Informal Sector
3. Most Innovative Bank
4. Special Award – Best in Sustainable Finance in the East African Region
5. Best in Customer Service
6. Best Overall Award
7. Most Improved Bank Award

WHY ENTER THE CATALYST AWARDS?

Since 2016, KBA has been at the forefront in ensuring financial institutions are recognized for their commendable progress in creating long-term value for their clients, firm, economy and the environment under its Sustainable Finance Initiative (SFI) Catalyst Awards.

The Award accords firms with a unique opportunity to showcase their industry leadership and their role towards promoting sustainable development through embedding the KBA SFI Guiding Principles.

SFI CATALYST AWARDS OVERVIEW

Kenya's financial services sector has been identified as a key engine of real economic growth. Due to the sector's active involvement in financing various critical sectors, KBA has actively built capacity and promoted Sustainable Finance practices to enable financiers to have an appreciation of creating long-term value.

To this end, the Association is honoured to have established a unique platform where firms which exemplify their sustainability prowess can be celebrated. Institutions that are honoured through the Awards will have an opportunity to leverage on the recognition to attract clients and partners which will further contribute to their successes.

ABOUT THE AWARD CATEGORIES AND NOMINATION PROCESS

CATEGORY 1
Best in Sustainable Finance

Financier's perspective of Sustainability entails balancing the quest for financial returns with the diverse priories within economic, social and environmental contexts. In addition to firms balancing their financial returns, firms are called to uphold responsible corporate behaviour to avoid reputational risk emanating from poor governance.

Based on KBA's SFI Guiding Principles, financial institutions should provide the required information as directed below to be eligible for the Best in Sustainable Finance and Sustainability through Policy and Governance Award.

Best Practice in this award category will be demonstrated by:

- Stimulating real economic development through value creation from financed activity and an institution's operations. The indicators for this Award Category include how the institution has helped contribute to economic growth (gross domestic product/GDP), through financing its clients; thereby stimulating industry growth and enterprise development, and employment creation;
- How the institution leverages new technology to innovate and enhance service delivery while creating new markets and reaching untapped or marginalised market segments with economic potential;
- Partnering with Development Finance Institutions to extend green financing or special credit lines that contribute towards sustainable economic development;
- Undertaking comprehensive risk management, which goes beyond traditional credit risk processes to actively measure economic, social and environmental risks;
- Ensuring optimal management of both financial resources and natural capital through productivity programs and efficient utilisation; and
- Enhancing business practice, leadership and governance through internal policies aligned to the SFI Principles and enhanced management and board oversight.

CATEGORY 2
Case Study

This award category covers three focus areas: namely commercial banking, retail banking and the bank's own operations. Firms are required to only share ONE CASE study.

- **CLIENT CASE STUDY – SME**
  This category mainly focuses on firms that have created long-term value through financing Small and Medium-sized Enterprises (SMEs). Firms are encouraged to highlight how they have extended credit to SMEs who are in green growth activities.
- **CLIENT CASE STUDY – COMMERCIAL**
  Submit a case study on how your institution has financed a commercial client's business operations, projects or investments. As a result, long-term value has been created leading to growth, efficiency, innovation and expansions to new markets for the commercial client.
- **BANK CASE STUDY – OPERATIONS**
  In this category, firms will be assessed on their commitment and investment in ensuring optimal management of financial resources and natural capital through productivity programs and efficient utilization of operational resources and energy such as paper, water as well as waste management including electronic waste.
- **BANK CASE STUDY – PROMOTING GENDER INCLUSIVITY**
  This category focuses on a firm's commitment to promote gender parity through policy formulation and implementation. Firms are encouraged to showcase their role in encouraging women to be formally included in the financial services sector, creating opportunities for their female employees to take-up leadership roles and development of products geared towards empowering female entrepreneurs.
- **BANK CASE STUDY – FINANCING THE INFORMAL SECTOR**
  This category seeks to recognize firms that have actively supported and financed the informal sector (Jua Kali) and enabled them to create long-term value for the economy, society and environment.

This Award Category is open to case study-based nominations. Institutions need to submit the following:

1. Situational Analysis – 400 Total number of words
2. Financial and economic opportunity – 400 Total number of words
3. Financial and non-financial risks – 350 Total number of words
4. Outcomes in terms of performance and value creation – 350 Total number of words
5. Lesson learned – 300 Total number of words

CATEGORY 3
Most Innovative Bank

This category focuses on how technology can be leveraged to reach untapped and marginalized market segments. It also focuses on ways firms can innovate and enhance their service delivery to customers. Institutions should demonstrate their most innovative product and mode of service delivery that has enhanced productivity and efficiency after leveraging on technology.

CATEGORY 4
Best in Sustainable Finance in the East African Region

This category focuses on firms with a regional foot print. It seeks to recognize institutions that have had a positive impact on East Africa's economy, society and environment. The entry should cover the indicators of category 1, providing country specific examples.

CATEGORY 5
Best in Customer Service

This Award will be given to a firm that has demonstrated exceptional performance in the area of creating commendable customer experience. KBA will conduct a survey to collect this data.

CATEGORY 6
Most Improved Award

Firms that participated in the 2017 awards will be eligible to win this category if their score for 2019 has considerably improved.

CATEGORY 7
Best Overall Award

Firms that have entered category 1 and integrated the "Big Four Agenda" will be shortlisted to win the overall award.

NOMINATION PROCEDURE

- A template is provided for ease of submissions and consistency for the judging process.
- Applicants must sign the entry application form and submit the required information through a PDF.
- Applicants must have the entry application form signed by their Chief Executive Officer.
- The nomination must cover the best practice areas that are indicated under each Award Category. Do not exceed the word limit. Only submit one client example in the client case study category.
- Photographs and collateral associated with the nomination are encouraged.
- Nominations should be emailed to **sfi@kba.co.ke** no later than the deadline date.
- Applicants may make use of their corporate communications resources to ensure that the nomination is clear and concise and brings out the required best practice areas.
- All nominations will be acknowledged by the Kenya Bankers Association team via email correspondence.
- If there is confidential information, firms should indicate clearly. However, applicants can use a pseudo name in place of their clients' real name.
- All applicants are expected to participate in the judges site visits during which further qualitative and quantitative information can be shared.
- Award winners will be announced during the Awards ceremony and not before.

Eligibility and the Judging Process

Members of the KBA are eligible to submit entries for the Catalyst Award.

Non-KBA members, mobile network operators offering financial services or financial institutions, including development finance institutions, micro finance banks, FinTechs, pension funds, insurance companies and government agencies are also eligible.

All initiatives should have been undertaken between **March 2017 to March 2019.**

The Awards Criteria will be scored based on four Levels, namely: Level 0- Not Demonstrated; Level 1 - Poor; Level 2 - Fair; Level 3 - Good; and Level 4 - Excellent.

1. **Level 0 – Not demonstrated:** Nomination documentation submitted does not have the information and evidence of the institution's structured approach. Stipulated requirements based on this category are not met.
2. **Level 1 – Poor demonstration of indicators**: Nomination documentation has little information and evidence as stipulated in the award category. No quantitative indicators in the submission.
3. **Level 2 – Fair:** Nomination documentation is basic and general with limited information and evidence of how the institution has met the criteria. The specified indicators based on the Award Category are partially met. Low quantitative indicators.
4. **Level 3 – Good:** Nomination documentation qualitatively and quantitatively demonstrates that the institution employs most or all of the specified indicators based on the Award Category. The bank has demonstrated a strategic approach that incorporates sustainable practices in the institutions' strategy, organisational planning, policies and procedures.
5. **Level 4 – Excellent:** Nomination documentation qualitatively and quantitatively demonstrates that the institution employs all of the specified indicators based on the Award Category. Additional best practice standards that go beyond the award requirements are articulated. The bank is exemplary in integrating sustainability practices into the organisation's strategy, organisational planning, policies and procedures.

ABOUT THE SUSTAINABLE FINANCE GUIDING PRINCIPLES & INDUSTRY STANDARDS

The Kenya banking industry has adopted the Sustainable Finance Initiative (SFI) Guiding Principles that guide banks in balancing their business goals with the economy's development priorities and socio-environmental concerns. The banking industry, through the Kenya Bankers Association (KBA), adopted the Principles during the 2nd CEO Roundtable on Sustainable Finance held on 31st March 2015. The Sustainable Finance Guiding Principles were formerly launched on 1st December 2015 by the Central Bank of Kenya Governor Dr. Patrick Njoroge.

The development of the Principles, which are in line with international best practices and form the industry wide minimum standard, was directed by a Working Group consisting of the KBA Secretariat and 12 banks. In addition, external partners including Dutch Development Bank (FMO), German Investment Corporation (DEG), UNEP Finance Initiative, and International Finance Corporation (IFC) contributed their expertise based on their leadership in similar initiatives in other countries. KBA thanks these partners for their support.

Kenya Banking Industry Sustainable Finance

Priorities

The Sustainable Finance Initiative (SFI) is grounded in three main priorities, namely equipping the financial services sector to perform optimally in the area of comprehensive risk management; enhancing best business practice, leadership and governance through engagement and capacity building at the board and senior management levels; and promoting industry growth and development by fostering a culture of innovation and inclusivity enabled by new technology.

Guiding Principles

The process of developing the Sustainable Finance Guiding Principles commenced on 10 September 2013, when KBA convened the First CEO Roundtable on Sustainable Finance and is motivated by the industry's desire to support efforts towards making Kenya and the East Africa Community (EAC) more globally competitive.

The Principles draw from and harmonize several global best practice standards, including the Equator Principles, IFC Performance Standards, Nigeria Sustainable Banking Principles, African Development Bank (AfDB) Green Growth Policy, Global Reporting Initiative (GRI) Reporting Guidelines, UNEP Finance Initiative (UNEP-FI) Guidelines, UN Global Compact Principles, ISO 26000:2010, and Kenya's National Climate Change Policy (Draft).

The Sustainable Finance Guiding Principles, which were formerly adopted on 31st March 2015 by the KBA Member Banks as an industrywide policy, are as follows:

PRINCIPLE 1

Financial Returns versus Economic Viability.

Financial institutions should consider both financial returns and the economic viability of their financing activities. Economic viability, defined as the ability to realise sustained long-term growth/returns, should be factored into the decision-making process, particularly in the financing of commercial activities. The Guiding Principle is that financial viability is necessary from an investment perspective; but is not a sufficient condition for sustainable economic development.

PRINCIPLE 2

Growth through Inclusivity & Innovation.

Financial sector players seek to grow and enhance service delivery for the markets they currently serve, as well as, reach out into diversified markets with economic potential thereby fostering financial deepening. The Guiding Principle is that financial institutions in pursuit of growth should innovate and leverage on existing and emerging technology to reach current and potential markets while economically empowering communities.

PRINCIPLE 3

Managing & Mitigating Associated Risks. Economic development is intertwined with social, humanitarian and environmental concerns; therefore, financiers are materially affected by these concerns despite the fact that these risks may be perceived as indirect or secondary. The Guiding Principle is that firms should seek to mitigate social and environmental risks associated with their financing activities through client engagement and effective policies and risk assessment procedures; and in addition, firms should actively measure and report on the financial impact of these risks on their business performance.

PRINCIPLE 4

Resource Scarcity and Choice.

In meeting present needs, financial institutions should ensure optimal management of resources, including financial resources and natural capital, so as to avoid compromising the future generation's needs. The Guiding Principle is that optimal resource management is realized through productivity and efficient utilization of resources; and is guided by comprehensive opportunity cost assessment.

PRINCIPLE 5

Business Ethics & Values.

Promoting enhanced oversight of business practices at both the Management and Board levels contributes towards effective, resilient Organisations. The quest for ethical practice, efficiency, productivity and waste minimization should be fostered from the leadership and enabled by adequate governance structures. The Guiding Principle is that the leadership of financial institutions should ensure the organisation to deliver returns in the long-term, and in a responsible manner that sees optimal utilization of resources towards achieving positive externalities.

Kenya Banking Industry Sustainable Finance

Minimum Standards

Whereas the SFI Principles guide and inform the financial services sector on the philosophy and expectations around sustainability and sustainable finance, the SFI Standards are specific actions to be undertaken by KBA member banks as a way of ensuring compliance with SFI Principles.

STANDARD PRINCIPLE 1

Financial Returns versus Economic Viability.

Economic viability of financing activity should be factored into the organisational strategic priorities and business development planning, with the board of directors and management ensuring that the firm demonstrates the realisation of "Sustainable Finance Principle 1: Financial Returns versus Economic Viability". The ability to realise sustained long-term growth/returns should be factored into the credit analysis and decision-making process undertaken in all commercial lending activity. Therefore, credit policies should be adjusted to factor in not only the financial viability but also the economic viability. The investment climate and near-term macroeconomic projections influence the viability of financing activity. An understanding of macroeconomic impacts on current and long-term business performance should therefore be a formalised with regular monitoring and analysis undertaken by management. This includes establishing at the firm level a process for assessing the impact of national and county-level fiscal and monetary policies, other government regulation, political stability and other factors that both directly and indirectly affect the investment climate.

STANDARD PRINCIPLE 2

Growth through Inclusivity & Innovation.

A process should be established by management to enable and promote the development of innovative products and services that target segments with economic potential, including Small and Medium-sized Enterprises, agriculture, women-owned micro businesses, and the youth segment. Business development strategies undertaken by management should enable product and process innovation, and also seek to promote job creation; enhance efficiency and service delivery through new technology; and introduce new business lines and products, which by their very nature provide net benefits to the society (for example green credit leasing, or green bonds). There is need for the management and board of directors to formerly proactively engage and partner with other economic players so as to be aligned with market and societal expectations. As a matter of Consumer Protection, potential and current customers should be well informed and educated about the services offered by the firm.

STANDARD PRINCIPLE 3

Managing & Mitigating Associated Risks.

The management should establish an Environmental and Social Risk Management System (ESMS) to strengthen and mitigate impacts as defined in "Sustainable Finance Principle 3: Managing & Mitigating Associated Risks". The credit analysis process should include the review and categorisation of environmental and social risks; and consist of

(a) risk categorisation,
(b) assessment of risks,
(c) benchmarking compliance with the local laws and regulations, and
(d) defining the mitigation measures.

There is a need to develop an internal monitoring system to monitor commercial clients' associated risks over time, and to ensure compliance with agreed environmental, social and corporate governance (ESG) requirements defined in the loan agreement. This includes expanding consideration of indigenous people and protected land and wildlife through proactive engagement (dialogue) and comprehensive risk analysis for commercial Procedures should be established by management to ensure compliance with the local laws and regulations on labour standards, including health and safety, persons with disabilities, and labour rights. This also entails the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and elimination of discrimination in respect of employment and occupation. Management should dedicate a resource person(s) towards realising "Sustainable Finance Principle 3: Managing & Mitigating Associated Risks". The resource person(s) would have designated ESG responsibilities that cut across institutional departments. For large and medium-sized institutions as defined by the Central Bank (Tier I and Tier II), there should be at least one (1) dedicated resource person with relevant experience in environmental and social risk management. For the small financial institutions (Tier III), this requirement can be met through shared responsibility roles. A grievance and dispute resolution mechanism to receive and facilitate resolution of concerns and grievances about the environmental and social impact of financed activities should be established by the management with reporting of material disputes to the board of directors.

STANDARD PRINCIPLE 4

Resource Scarcity and Choice.

The "Sustainable Finance Principle 4: Resource Scarcity and Choice" applies to both financiers and their clients. For financiers, management should establish a process of monitoring, evaluation and third-party validation, of the organisation's operations (including head office, branches and fleets). Through this process, the management should demonstrate optional operational efficiency, while realising minimal carbon emissions (carbon footprint) and waste reduction.

The board of directors should define a policy on natural capital, to ensure that the firm through its organisational planning process, as well as its financing activity, does not invest in or finance operations that adversely impact the country's natural resources. This policy should help guide the management in its decision-making framework and opportunity cost assessment.

In the relationship management process, business units should engage their commercial clients (business and corporate customers), and determine the clients' capacity to reduce environmental and social risks and enhance sustainable development over time. Commercial clients should be provided with relevant information in order to strengthen their capacity.

STANDARD PRINCIPLE 5

Business Ethics & Values.

In the board planning process, there is the need for reorienting growth strategies and the organisational vision, mission and objectives to ensure that equal weight is given to the economic, social and environmental dimensions of organisational sustainability.

The board of directors and management should adopt to publish a comprehensive sustainability report once every two years (at a minimum). Reporting on the institution's contribution to sustainable economic development (beyond financial performance) and progress towards realisation of the "Sustainable Finance Principles" should be incorporated in the annual integrated financial reports.

The board of directors and management should establish formal governance structures to enable the review and reporting of progress in meeting the "Sustainable Finance Principles" and best practice procedures.

The board of directors and management should disclose the institutional Values, Sustainability Priority Areas, as well as industry standards on Sustainable Finance, to internal and external stakeholders to facilitate accountability within the institution. Institutional Values should include the pursuit of good governance, and corporate citizenship that promotes economic empowerment, and enhances social and environmental aspects in the communities

Sfi economic, social, environment.

CATALYST AWARDS 2019

For more information regarding the Catalyst Awards and the KBA Sustainable Finance Initiative, please address correspondence to the following:

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