



ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT STATEMENT

Family Bank Limited (FBL) is committed to managing the environmental and social risks associated with its financial services business.

The Bank is committed to supporting and integrating responsible banking practices that encompass sustainable business practices.

In addition to financial Due Diligence (DD), the Bank shall perform Environmental and Social Due Diligence (ESDD) of all projects and loan proposals considered for financing. This will ensure that all the projects it finances are environmentally and socially sound and are operated in compliance with the governing Environmental and Social Principles and Standards below, international best practice and the national environmental and social laws and regulations.

The bank shall ensure that all financing is consistent with the requirements of the following Kenya Bankers Association Sustainable Financing Initiative guiding principles:

- a) Principle 1: Financial Returns versus Economic Viability.
- b) Principle 2: Growth through Inclusivity & Innovation.
- c) Principle 3: Managing & Mitigating Associated Risks.
- d) Principle 4: Resource Scarcity and Choice.
- e) Principle 5: Business Ethics & Values.

As part of its commitment to promote environmental and social sustainability, the Bank shall;

- a) Ensure that ESG risks are assessed in all its business activities, that these are mitigated in its loan portfolio, and that the ESG framework and procedures are integrated with the overall Credit approval process.
- b) Ensure appropriate action plans as needed to mitigate adverse social and environmental impacts are contractually articulated in the customer offer letters with specific timelines assigned.
- c) Continually monitor projects so as to ensure compliance with its environmental and social covenants as stipulated in the offer letters; and that all projects are operated in compliance with the applicable requirements on an ongoing basis, during the term of the financing.
- d) Act as a good corporate citizen by applying best practices in environmental management in its internal operations (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, work/life balance, health and safety), and also to identify with projects



that provide environmental or social benefits such as in renewable energy, energy efficiency, water and wastewater sectors.

The bank shall seek to work with vendors, suppliers and contractors who follow similarly high environmental and social standards. The Bank shall take into account sustainability issues for the procurement of internal goods and services. The Bank shall further seek to ensure that management and shareholders of companies it finances understand the policy commitments made by Family Bank in this area.

Our Product Development Committee and other business review committees – together with external input obtained from clients and other stakeholders – shall ensure that Family Bank’s products and services are responsive in line with our values and are clear and easily understood. In addition, we are committed to fairly and consistently meeting the credit needs of our clients while ensuring compliance with the applicable consumer laws and regulations. This includes fair and non-discriminatory access to credit products, terms and conditions, and services throughout the entire credit life cycle.

The Bank is committed to promoting openness and good governance in all its operations and to maintaining an open dialogue with its stakeholders. The Bank is further committed to its business ethics and to fight fraud and corruption in all its activities. This commitment shall be reported through the Bank’s website and annual reports.

In addition, the Bank is committed to the following:

- Compliance with the Central Bank Guide on Climate Risk Management.
- Financing Clients’ activities which are environmentally and socially-sustainable;
- Following all legal regulations and obligations and key stakeholders’ requirements on environment, operational health and safety, social such as labour and working conditions, ensuring full compliance with them in all its business activities, and seeking to ensure that its clients comply with existing and applicable host country laws and regulations;
- Paying special attention to clients’ activities that, if financed, would pose reputational or ethical risks to the Group and/or its shareholders;
- Not engaging in any activities or relationships where there is clear evidence of human rights violations and damage to the environment;
- Paying attention to creating positive impact on community health, safety and security;
- Promoting gender equality and poverty reduction through its operations;
- Monitoring its environmental and social impact performance periodically and reporting on its performance on a regular basis;



- Evaluating loan applications in accordance with its environmental and social risk management system (ESRM) framework, screening, categorizing and managing the Environmental and social risks of each eligible application, as well as monitoring them throughout the term of the loan/facility,
- Not providing funding to any activity which does not comply with its Environmental and Social Risk Management Policy or those activities included in its “Prohibited/Discouraged Business/Negative List” as described in the Credit Policy or “Exclusion List” annexed to the Environmental and Social risk management policy,
- Sharing its environmental and social performance with its stakeholders publicly through the Bank’s website.