



Summarized Environmental and Social Risk Policy



Contents

Our Commitment.....	1
Purpose and Objective	1
Scope and Application	2
Governance and Oversight.....	2
ESG Focus Areas.....	2
Environmental Stewardship	3
Social Responsibility	3
Governance and Ethics	3
Risk and Compliance.....	3
Reporting and Disclosure.....	4
Confidentiality and Ownership.....	4
Annex 1: Prohibited list.....	5
Annex 2: The Bank’s Exclusion List.....	6
Annex 2: The Bank’s Exclusion List.....	7
Annex 2: The Bank’s Exclusion List.....	8

1. Our Commitment

At Kenya Women Microfinance Bank (KWFT), sustainability is at the heart of our business model. As a financial institution dedicated to empowering women and promoting financial inclusion, KWFT recognizes that long-term success depends on balancing economic growth with social responsibility and environmental stewardship. The Environmental, Social, and Governance (ESG) Policy demonstrates our unwavering commitment to operate ethically, safeguard the environment, promote gender equality, and uphold sound governance principles across all areas of our operations.



2. Purpose and Objective

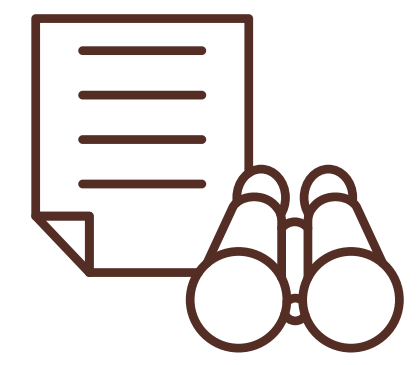
The Bank's ESG Policy serves as a guiding framework for integrating sustainability principles into all aspects of our business. The purpose of the policy is to articulate the Bank's commitment to responsible banking, sustainable finance, and the long-term well-being of our clients, employees, partners, and communities.

Through this policy, the bank aims to:

- Align its business strategy and operations with both national and international ESG standards.
- Proactively identify and manage ESG risks and opportunities; and
- Embed sustainability awareness and accountability at every organizational level.

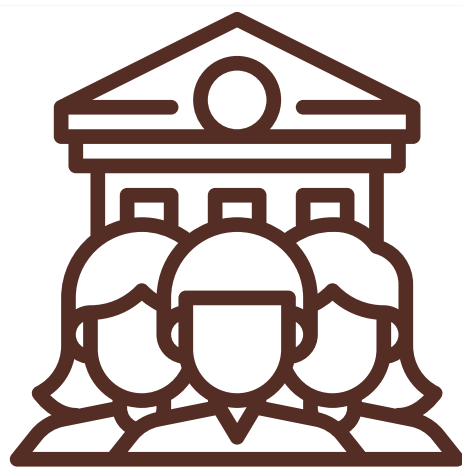
3. Scope and Application

The ESG Policy applies to all employees, departments, as well as to external stakeholders with whom the Bank maintains business relationships. It covers a wide range of activities including credit and lending processes, procurement, operations, investments, and stakeholder engagement.



By applying the ESG lens across our business value chain, the Bank ensures that its growth remains inclusive, transparent, and sustainable — contributing to Kenya's national development goals and the United Nations Sustainable Development Goals (SDGs).

4. Governance and Oversight



Strong governance is the backbone of effective ESG implementation. The Bank has established a clear governance structure to oversee the policy's application, ensuring accountability at all levels.

- ➔ The Board of Directors provides strategic direction and approves ESG-related frameworks and policies.
- ➔ Senior Management ensures operational integration of ESG principles and regular reporting to the Board.
- ➔ The Risk and Compliance, Internal Audit, and Social Performance teams monitor compliance, evaluate performance, and support continuous improvement.
- ➔ This structure guarantees that sustainability remains a shared responsibility across the Bank.

5. ESG Focus Areas

The bank's ESG focus areas are guided by its mission to transform lives through financial inclusion and reflect the issues most material to its stakeholders. The policy prioritizes the following key areas:

1

Employee Welfare and Gender Inclusivity:

Promoting equal opportunities, safe workplaces, and fair labour practices.



2

Environmental and Climate Finance:

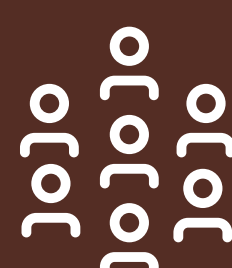
Supporting eco-friendly and climate-resilient investments.



3

Community and Social Engagement:

Strengthening local economies and empowering communities through financial literacy and outreach programs.



4

Financial Inclusion and Responsible Banking:

Expanding access to financial services for under served populations.



5

Customer Experience and Digital Transformation:

Leveraging technology to deliver secure and efficient financial solutions.



6

Ethical Governance and Transparency:

Upholding accountability, integrity, and compliance in all operations.



These focus areas form the foundation of the Bank's sustainability strategy and drive measurable impact across its business operations.

6. Environmental Stewardship

The Bank recognizes the critical role financial institutions play in mitigating climate change and promoting environmental sustainability. The Bank integrates environmental considerations into its lending decisions, operations, and risk management framework. KWFT's environmental practices do not only reduce operational risks but also enhance long-term resilience and value creation.



7. Social Responsibility



Social responsibility is deeply embedded in the Bank's identity as a women-focused financial institution. The Bank strives to create inclusive economic opportunities and improve the quality of life within the communities it serves.

Through initiatives outlined in the ESG strategy, KWFT reinforces its role as a driver of equitable and sustainable development.

8. Governance and Ethics

The Bank upholds strong governance principles that guide ethical decision-making and promote transparency, accountability, and compliance.

The Bank adheres to all applicable regulatory frameworks including the Microfinance Act, Central Bank of Kenya guidelines, and the Data Protection Act. It maintains a zero-tolerance policy toward corruption, money laundering, bribery, and unethical practices.

Through continuous monitoring, policy reviews, and capacity building, the Bank ensures that integrity and professionalism remain central to its corporate culture.



9. Risk and Compliance



The Bank's ESG Risk Management Framework is integrated within its Enterprise Risk Management (ERM) structure. This enables KWFT to identify, assess, and mitigate ESG risks related to its lending, operations, and supplier engagements.

The Bank uses risk screening tools, exclusion lists, and sector-based assessments to prevent exposure to activities that harm the environment, violate human rights, or conflict with its values. Continuous monitoring and reporting ensure that ESG risks are managed proactively and responsibly.



10. Reporting and Disclosure

Transparency is a key pillar of the Bank’s sustainability agenda. The Bank periodically reports its ESG performance to the Board and key stakeholders. It also prepares annual sustainability disclosures in line with leading global frameworks such as the Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), and the UN Global Compact (UNGC).

These disclosures demonstrate KWFT’s commitment to accountability and provide insights into the Bank’s impact, progress, and continuous improvement efforts.



11. Confidentiality and Ownership



This summary is a public overview of the internal KWFT Environmental, Social and Governance (ESG) Policy. The full policy document remains confidential and proprietary to Kenya Women Microfinance Bank (KWFT). It may not be reproduced, shared, or distributed, in whole or in part, without written authorization from the Managing Director or the Bank’s designated representative.



Annex

Annex 1: Prohibited list



THE BANK will not knowingly engage in illegal activities including:

- Bribery – Including giving, offering, receiving or requesting of bribes.
- Child labor forced labor or human trafficking – Including engaging with companies or transactions in which a customer is directly involved in child labor, forced labor or human trafficking.
- Illegal logging or uncontrolled fire – Including transactions in which a customer engages in illegal logging or uncontrolled use of fire for clearing forest lands; and
- Transactions for illegal purposes – Including transactions involving internet gaming in certain jurisdictions

In addition, The Bank will not knowingly engage in the following types of activities that, while not illegal, are contrary to our values, operating principles or Code of Conduct:

- Predatory lending – Including securitization of assets obtained through predatory lending practices.
- Natural resource extraction in UNESCO World Heritage sites – Engaging in transactions focused on natural resource extraction within UNESCO World Heritage sites, unless there is prior

consensus between UNESCO and the host country governmental authorities that activities will not adversely affect the natural or cultural value of the site;

- Transactions designed to manipulate financial results – Including transactions or activities designed to artificially or unfairly manipulate or change the reported value of a client, instrument or transaction or inappropriately reduce tax liabilities; and
- Transactions for speculative purposes, with no clear source of repayment.



Annex 2: The Bank's Exclusion List

In order to reduce E&S risk linked to lending activities, Kenya Women Microfinance Bank forbids financing of the activities listed hereunder. The bank Credit Policy has also defined various activities in which the lending arm of The Bank shall avoid.

- i. Production or sale of any illegal product or unlawful activity under the laws of the Republic of Kenya or under international regulations, conventions and/or agreements.
- ii. Any sector or any service subject to an embargo by the United Nations, the European Union in a particular country and with no absolute or relative restriction regarding the amount.
- iii. Products or activities that use forced labour or child labour, and/or that are directly or indirectly involved with human trafficking, and/or that are in breach of Kenyan Labour legislation.
- iv. Trade in animals, plants or any natural products not complying with the provisions of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) convention and the International Union Conservation for Nature Red List (e.g. Ivory, African Lion, Grevy's Zebra, Black Rhinoceros, African Elephant, Cheetah, etc.)
- v. Refer to redlist index for the updated lists; <https://www.iucnredlist.org/about/searching>
- vi. Any activity dealing with or promoting Animal Trophy or trade in ivory and products of endangered species.
- vii. Gambling, casinos or any equivalent undertaking.
- viii. Any production or trade related to human trafficking, drug trafficking, pornography or prostitution.
- ix. Destruction of High Conservation Value areas, conversion or degradation of Critical Forest Areas or forest-related Critical Natural Habitats.
- x. Production or activities involving illegal deforestation, and encroaching on lands belonging to indigenous peoples or tribes such as the Maasai people, the Ogiek people, the Sengwer people, the Waata people, the Sanya People, etc., or for which legal actions have been sought in order to assert their rights, or to demonstrate failure to comply with prohibitions and to respect cultural habits.

- xi. Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests.
- xii. Any operation, without an environmental permit or license officially issued by the National Environment Management Authority (NEMA), any project leading to or requiring the destruction of a critical habitat, or any forestry project which does not implement a plan for improvement and sustainable management.
- xiii. Drift Net fishing, deep sea bottom trawling, or fishing with the use of explosives or cyanide.
- xiv. Construction of new and extension of any existing coal fired thermal power plants.
- xv. Construction of dams that significantly and irreversibly:
 - a. Disrupt natural ecosystems upstream or downstream of the dam; or
 - b. Alter natural hydrology; or
 - c. Inundate large land areas; or
 - d. Impact biodiversity; or
 - e. Displace large numbers of inhabitants (5,000 persons or more); or
 - f. Impact local inhabitants' ability to earn a livelihood.
- xvi. Any activity involving or leading to an irreversible modification, damage or significant displacement of an element of culturally critical heritage.
- xvii. Production, use or sale of any dangerous materials such as asbestos fibers, radioactive materials, or products containing Polychlorinated Biphenyls (PCBs) or having irreversible impacts on the marine and coastal environment (e.g. overfishing, destruction of coral reefs, etc.).
- xviii. Production, use or sale of any products or activity deemed illegal under Kenyan or host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceutical products, pesticides/herbicides, ozone layer depleting substances or any other dangerous substances being progressively phased out internationally.

Annex 2: The Bank's Exclusion List

- xix. Activities or companies known to be in violation of local applicable law related to environment, health, safety, labour and public disclosure.
- xx. Transboundary trade in wastes, except for those accepted by the Basel Convention and its underlying regulations.
- xxi. Production and distribution, or investment in, media that are racist, antidemocratic or that advocate discrimination against a part of the population.
- xxii. Illegal gemstone mining operations and exploitation of diamond mines and commercialization of illegally exploited diamonds and gemstones.

Further, The Bank shall always insist on a Certificate of Compliance from bodies charged with the responsibility of managing the environment when considering facilities that appear to be environmentally unfriendly.

- a. Arms and munitions:** Our AML/KYC Policy establishes an enhanced due diligence standard for customers and transactions involved in arms and munitions trade finance which prohibits onboarding and termination of established business relations that engage in arms and munitions.
- b. Biodiversity and ecosystems:** We recognize that there are many areas of the planet with rich biodiversity and sensitive ecosystems that are particularly vulnerable to negative impacts from irresponsible development and unsustainable practices. As an organization, we evaluate potential biodiversity impacts as our business changes and the science on biodiversity evolves. When issues of concern are identified by the front-line unit or a control function, they are escalated for further review.
- c. Agricultural commodity trading:** We recognize the risks associated with trading in agricultural commodities, where certain types of financial trading or speculation have the potential to increase the cost of food and/or food poverty, especially in developing economies. The Bank does not take significant market risk in agricultural commodities; however, we continue to monitor this issue.
- d. Forestry:** The world's forests play a vital role in the carbon cycle and can help

mitigate global climate change. THE BANK shall refrain from business that supports or results in forest destruction or explicit prohibition of illegal logging and practices involving uncontrolled fire.

- e. Energy and extractives:** Activities involving mineral or resource extraction raise the risk of disturbing sensitive environments, with impacts on both biodiversity, and the human communities that depend on them. THE BANK shall develop customer and transaction standards and guidance, informed by international standards and best practices, to govern particularly sensitive areas where energy and extractive activity occur.
- f. Coal:** Energy companies and their subsidiaries focused on coal face significant challenges. These include greater regulatory scrutiny related to both extraction and combustion, changes in economic conditions, and increased pricing pressure from the proliferation of natural gas and new energy technologies. THE BANK shall ensure that we will continue to play a role in promoting the responsible use of coal and other energy sources, while balancing the risks and opportunities to our shareholders and the communities we serve. Other ongoing transactions involving companies focused on coal mining are subject to enhanced due diligence that incorporates evolving market dynamics, as well as specific risks and regulations related to coal mining. In keeping with our commitment to reduce credit exposure to extraction companies focused on coal mining, THE BANK will continue to reduce our exposure to coal mining companies that utilize Mountaintop Removal Mining practices.



Annex 2: The Bank's Exclusion List

g. Large dams : THE BANK recognizes the construction of dams to control water flow can bring much needed economic opportunity and development to regions. It can also have impacts on the ecological systems in which it is constructed and connected to, as well as potential social impacts on the surrounding communities. Any transactions in which the majority use of proceeds is identified as supporting large scale dam construction for hydroelectric generation, or lands involved in such construction, are subject to enhanced due diligence. This scrutiny includes adherence to the Equator Principles and the Hydro power Sustainability Assessment Protocol as guidance.

h. Nuclear energy: Nuclear power delivers an important part of many nations' energy portfolios and is an alternative to carbon-intensive fuels. THE BANK understands the particular sensitivities regarding use of nuclear energy, including safety and handling of nuclear fuel and waste. Transactions in which the majority use of proceeds is identified as or are clearly for the development of nuclear projects are subject to enhanced due diligence, which includes a requirement that customers adhere to regional, national, international and industry best practices in this sector.

i. Oil Extraction: We recognize the concerns raised over extraction of bitumen and its refinement into crude oil, particularly in sensitive ecosystems. As such, THE BANK shall conduct enhanced due diligence for any transactions in which the majority use of proceeds is identified as or are clearly for the development of oil sands. This is in addition to meeting the requirements of the Equator Principles, if applicable.

j. Sand extraction: THE BANK shall ensure that business touching sand harvesting are licensed and the requisite environmental regulatory documents are in place.

k. Renewable energy: THE BANK has increased focus on renewable energy sources as part of efforts to finance the transition to a low-carbon economy. We recognize that some renewable energy projects pose other environmental and social issues, and we include review of these risks in our due diligence processes. When environmental or social issues of concern are identified, they undergo further review.

l. World heritage sites: We respect the designation of United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites, including areas of cultural and natural value and deemed to be of national or international significance. THE BANK will not knowingly engage in transactions focused on natural resource extraction within UNESCO World Heritage sites unless there is prior consensus between UNESCO and the host country's governmental authorities – such that the activities will not adversely affect the natural or cultural value of the site.



