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1. Statement

1.1 Overview

The Stanbic Kenya Group Environmental and Social (E&S) Risk Policy established herein is intended to complement and give effect to the principles outlined in the Standard in respect of all E&S risk emerging from its operations. The E&S Risk Standard , as updated periodically, represents the overarching policy framework governing environmental and social E&S risk across the Stanbic Kenya Group . In the event of conflict in interpretation arising, the Standard in force at the time will prevail.

1.2 Purpose

This policy has been formulated to provide a comprehensive framework within which all E&S risk incurred within Stanbic Kenya Group is properly identified, managed, monitored and controlled in order to proactively embed E&S risk management into lending processes and minimise the risk of reputational or financial loss. It is also intended to ensure global consistency of approach within the parameters outlined in the Standard, to the maximum extent possible given geographic differences in economic and social priorities, regulatory, compliance and legal frameworks.

The details of how E&S risks are assessed and managed using the applicable guidelines, tools and documents are set out in the Environmental and Social Management System (“ESMS”).

1.3 Scope

This Policy applies to Stanbic Holdings Plc and its Subsidiaries and covers all businesses and countries with the objective of ensuring that all businesses effectively assess and manage E&S risk associated with all client transactions, irrespective of size, nature of business or location with noted exceptions below. E&S risk impacts credit risk, operational risk, business regulatory and legal risk, shareholder risk and reputational risk. The policy is primarily applicable to the Corporate and Investment Banking (“CIB”), Business and Commercial Banking (“BCB”) and Personal and Private Banking (“PPB”) business units, covering main lending and investing activities and products such as loans, trade finance, debt and equity market services. It also covers subsidiaries involved in the above listed activities.

2. Roles and Responsibilities

All those within Stanbic Kenya Group involved in client transactions have responsibility for managing exposure to E&S risk.

Business unit (“BU”) business representatives have primary first line responsibility for managing E&S risk arising from client transactions, including:

- a) Ensuring that E&S related client risks and transaction risks are identified, screened and approved, including referral to E&S Risk as required in line with the provisions of the Policy and Standard;
- b) Identifying all project-related transactions, determining, and capturing relevant Equator Principles applicability and appropriate categorisation including referral to E&S Risk as required;
- c) Ensuring that transactions comply with the relevant national laws, international laws and established best practice aligned to SBG requirements including alignment to the Exceptions and Restrictions lists.

The **E&S risk function** has second line responsibility for managing E&S risk arising from client transactions. The E&S risk function across the group comprises a **centralised E&S risk team** operating at group level led by the Head of Group Environmental and Social Risk (“**Head GESR**” and the “**GESR team**”), and **BU E&S risk teams** operating at BU, country and legal entity level **comprising BU E&S Risk Managers and BU E&S Risk Coordinators**. BU E&S Risk Managers are nominated by the relevant BU CRO, and BU E&S Risk Coordinators by the relevant BU E&S Risk Manager or by the GESR team.

The **GESR team** is currently domiciled within CIB Risk and is responsible for defining, overseeing and maintaining the E&S risk management framework and associated tools for application on a groupwide basis by BU teams in CIB, BCB and PPB and all legal entities and countries. The key responsibilities of the **GESR team** include:

- a) Defining, overseeing and maintaining E&S risk management framework and minimum standards;
- b) Advising and supporting the Business Units in establishing and maintaining resources, tools and systems to ensure full adherence to the provisions of the E&S Governance Standard, the Policy, the Group E&S Exclusions List and the ESMS;
- c) Training, technical and advisory support to BU E&S business and risk teams in all presence countries;
- d) Reviewing new financial products and services to ensure they comply with SBG’s E&S risk requirements;
- e) Reporting of E&S data on a consolidated group basis to facilitate appropriate internal and external disclosure.

BU E&S Risk Managers have overall responsibility for:

- a) Implementation and execution of E&S risk management including approval of transactions and clients within the BU in alignment with the Policy, Standard and ESMS;
- b) Approving all BU high E&S risk transactions prior to credit approval in line with the relevant BU delegated authority;
- c) Managing resources for E&S risk management at BU level, including the Joint BU E&S Coordinators who are a shared resource across BU’s;
- d) Training, technical and advisory support to E&S business and risk managers and coordinators in all presence countries;
- e) Review potential new financial products and services within the BU to ensure they comply with the Policy and Standard;
- f) Capturing and reporting of BU E&S data on a consolidated BU basis to facilitate appropriate internal and external disclosure.

- g) Providing relevant information to the Head GESR and GESR team as requested and required.

BU E&S Risk Coordinators have responsibility for:

Assisting BU E&S risk managers and GESR with E&S risk management by executing relevant delegated authority provided by the BU E&S Risk manager to manage E&S risk within the BU in the relevant country or region. This may include:

- a) Evaluating the environmental compliance of a target client company with the Applicable Requirements; including through site visits, collection of necessary E&S documentation (e.g., information, certificates, authorizations), and preparation of ESG due diligence reports (or E&S section of the credit application);
- b) Ensuring that all investment decisions are supported by appropriate due diligence documentation, including, but not limited to, an E&S section in each final Credit Paper;
- c) Ensuring that the procedures are implemented for each project, and that records of environmental reviews are maintained;
- d) Ensuring appropriate environmental representations, warranties, and covenants are incorporated into all legal agreements;
- e) Supervising projects in the portfolio against on-going compliance with the Applicable Requirements on a regular basis including site visits, annual monitoring;
- f) Reporting any major E&S issues to senior management and annual reporting to external parties;
- g) Capturing E&S related data for reporting consolidation as requested and required by Group and BU E&S risk.

Head GESR has overall responsibility for managing the GESR team and:

- a) To consider and sign-off on whether an escalated transaction or credit teams consideration of financing or investing activity that is on the exceptions list (or is outside the allocated parameters) should proceed or be declined;
- b) Escalate any transaction to the relevant governance structure or Chief Risk Officer, whereby ambiguity may exist between the respective Transactor / Relationship Manager, supported by the Business unit head and the GESR.

3. Guiding Principles

3.1 Client engagement and reputation

E&S risk management must be proactively embedded into lending and investment processes in order to ensure that E&S risks are identified, managed and mitigated, and monitored. As part of this process, SBG aims to proactively partner with clients, where necessary, to assist them in managing and mitigating their E&S impacts and risks. This entails addressing client E&S risks and opportunities, with the intention of improving their reputation and potentially creating a competitive advantage, which strengthens and develops long term relationships and trust.

3.2 Decision making

The application of the E&S Risk framework must be done in a transparent and consistent manner, and such that its proper application in no way impedes efficient decision-making. The Policy and the Standard risk requirements are embedded in the risk appetite statements.

3.3 Driving a positive E&S impact

Stanbic aims to drive economic growth in through creating positive impact, which also leads to more innovative and profitable ways of doing business. In order to drive sustainable economic growth, Stanbic Kenya Group strives to invest in or finance transactions in industries that have a positive E&S impact.

3.4 Product Development

Potential new financial products and services must be reviewed to ensure they comply with Stanbic's E&S risk requirements. In addition, opportunities for innovative product development in new areas related to green / climate / social (sustainable) finance should be identified.

3.5 Public Commitments

SBGs internal policies and procedures reference additional good international industry practice such as the International Finance Corporation (IFC) Performance Standards and Environmental Health and Safety Guidelines, the Voluntary Principles on Security and Human Rights and the Forest Stewardship Council.

To demonstrate our commitment to international best practice with regard to managing E&S risks and driving positive impact we have endorsed or supported the following:

- a) Equator Principles
- b) G-20 Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations
- c) Green Bond Principles
- d) IFRS S1 and S2
- e) International Labour Organization's (ILO) Core Conventions
- f) Paris Agreement Capital Transition Assessment (PACTA)
- g) Partnership for Carbon Accounting Financials (PCAF)
- h) Principles for Responsible Banking
- i) Roundtable on Sustainable Palm Oil (RSPO)
- j) United Nations Environment Programme Finance Initiative (UNEP FI)
- k) United Nations Guiding Principles on Business and Human Rights
- l) United Nations Universal Declaration of Human Rights

4. Transaction Assessment

E&S risk associated with commercial client transactions, irrespective of size, nature of business or location, must be assessed and managed. The risk assessment process will be driven by whether the transaction is project-related or not.

Prior to engaging in business activity we assess the extent of E&S risks and impacts and work with our clients to apply a clearly defined set of international standards and good practice to mitigate and manage these environmental and social risks and impacts. The associated policies, standards, guidelines and frameworks are regularly updated in response to emerging risks.

We fully incorporate the Equator Principles (“EPs”), a credit risk management framework for banks to determine, assess and manage environmental and social risks for project-related transactions. The EPs define the approach to follow for project-related transactions, and apply in instances where the following criteria is met:

- 1) A transaction above relevant financial thresholds for the financial product type that has an identified use of proceeds directed to a specific physical asset or project;
- 2) Clients or transactions covered by one of our Sector Standards (including thermal coal, firearms, forestry, military equipment, nuclear, oil and gas, palm oil,); or
- 3) Transactions that trigger one of the High Risk areas defined by Stanbic.

4.1 Project related

Transactions falling within the following types of products are defined as project-related financing:

- Project finance (Lender looks primarily to the revenues/cash flows generated by a single project as the source of repayment and as security for the exposure);
- Project related advisory;
- Funding relates to an underlying project or physical development;
- Funding relates to an expansion that results in an increase in project footprint or a material change in output or function;
- Export Finance in the form of Buyer Credit (Export Credit Agency finance);
- Reserve-Based Financing in extractive sectors that is non-recourse where proceeds are used to develop one particular reserve;
- Project related corporate loans (PRCL) – loans to a business entity where the known use of proceeds is related to a single project (new or expansion);
- Where the borrower has effective operational control (i.e. has majority voting rights and / or authoritative influence on an operation);
- Project related bridge loans – intended to be refinanced by project finance or a PRCL;
- Acquisition finance (e.g. acquisition of a development or physical property); and
- Real estate finance (retail, large-scale residential, commercial).

The above list is non-exhaustive and may include additional transactions.

4.2 Non-project related

Transactions falling within the following types of products are defined as non-project related financing:

- Asset / equipment finance;
- Hedging;
- Letters of credit and supplier credit;
- Working capital;
- General-purpose corporate loans;
- Capex loans where repayment is not reliant on the underlying project and the bank does not take on construction risk;
- Refinancing of existing debt (unless single asset/project finance);
- Acquisition finance where the borrower does not have effective operational control (e.g. acquisition of shares); and
- Funding relates to an expansion that does not result in an expanded project footprint or a material change in output or function (i.e. funding related to replacement of equipment or upgrades of production systems).

The above list is non-exhaustive and may include additional transactions.

5. E&S Risk Assessment

5.1 Overview

Our E&S risk assessment processes have been developed based on international best practice and must be proactively embedded into lending practices. This enhances predictability and accountability in our investment decision-making and monitoring, assists clients in managing their E&S impacts and risks and, in so doing, improves their performance and guards against unforeseen risk.

The E&S risk assessment process includes a screening tool (consistent with the IFC Performance Standards and IFC Corporate Governance Guidelines), exceptions list, compliance with national laws, adherence to the Equator Principles (for relevant transactions) and in relevant cases, an enhanced internal or external due diligence.

5.2 E&S risk screening

E&S risk screening must be applied to all commercial transactions in line with thresholds stipulated within the relevant approved BU policies and frameworks, irrespective of whether they are project or non-project related. The screening, which is done using the E&S Screening Tool, or any other appropriate risk based approach or mechanism appropriate for the BU segment or portfolio as approved by the Head GESR, should provide an initial indication of possible environmental, financial, credit, reputational, regulatory and operational risks, associated with a client's ability to manage E&S issues, as well as those of the transaction itself.

The upfront screening outcome provides an indication of whether or not to proceed with a transaction, or whether further assessment is required. The type of finance, tenor, the

sector that the client operates in and the use of funds should be considered. The E&S screening includes elements of both client and transactional risk:

5.2.1 Client Risk Assessment (CRA)

This is a measurement rating of the risks associated with a client due to labour issues, negative media attention, NGO / activists interested in Client's activities (e.g. coal or palm oil / high risk sector guidelines for ESG and Climate Risk), community issues or reputational risk to the Bank. It includes risks associated with a client's ability to manage E&S risks, based on the client's commitment, capacity and track record. The rating is sourced from completion of the CRA in the E&S screening tool and is rated **High, Medium** or **Low** and substantiated through externally validated rating systems.

5.2.2 Transactional Risk Assessment (TRA)

This is a measurement rating of the Environmental and Social risks associated with a transaction due to the type of sector, activities to be undertaken and nature of finance. It also refers to risks associated with security over assets, e.g. contamination of land. The rating is sourced from completion of the TRA in the E&S screening tool (or any other appropriate mechanism as approved by the head GESR for these purposes, in line with BU portfolio characteristics and requirements) and is rated **High, Medium** or **Low**.

A detailed explanation of the ratings within the E&S Screening tool is shown in **Annexure A**.

5.3 Exceptions List

Both general and sector principles and guidelines regarding areas of high E&S risk and / or impact are outlined in the Standard. Using these principles and guidelines, Stanbic has developed a list of activities maintained by the GESR team ("Exceptions List") that are either prohibited from financing in all SBG operations, or to which specific restrictions apply in selected regions or activities, due to high E&S risks:

- a) The exclusions table highlights activities prohibited from financing in all Stanbic Kenya Group operations; and
- b) The restrictions table highlights activities are prohibited from financing in selected regional operations or have specific procedures and may change from periodically.

Should the transaction or credit teams consider a financing or investing activity that is on the Exceptions List (or is outside the allocated parameters), they must escalate to the Group or BU E&S risk teams.

The Exceptions List can be found on the CIB Risk SharePoint site (Environmental & Social Risk section).

5.4 National Laws and Regulations

Stanbic Kenya Group requires compliance with all applicable E&S laws. To do so effectively, Stanbic needs to be knowledgeable of the E&S laws of the countries in which it operates. A good understanding of the applicable E&S laws ensures that Stanbic will more effectively identify and assess the key E&S risks that might be associated with a transaction.

5.5 Equator Principles process

The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in **Project Related transactions**. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. Stanbic is guided on implementing Equator Principles through:

- “Guidance Note For EPFIs on Incorporating Environmental and Social Considerations into Loan Documentation” (2020)
- “Guidance Note to Support Effective Consistent Application of the Equator Principles” (2022)
- “Guidance Note: On the Selection and Scope of Work for Lender’s Independent Environmental and Social Consultants”
- “Guidance Note: On Climate Change Risk Assessment” (2023)*
- “Guidance Note: On Implementation of Human Rights Risk Assessments under the Equator Principles”

The Equator Principles apply to the financial products that are Project Related with the following thresholds:

1. Project Finance Advisory Services where total Project capital costs are US\$10 million or more.
2. Project Finance with total Project capital costs of US\$10 million or more.
3. Project-Related Corporate Loans where all of the following three criteria are met:
 - i. The majority of the loan is related to a Project over which the client has Effective Operational Control (either direct or indirect).
 - ii. The total aggregate loan amount and the EPFI’s individual commitment (before syndication or sell down) are each at least US\$50 million.
 - iii. The loan tenor is at least two years.
4. Bridge Loans with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described in 2 and 3 above.
5. Project-Related Refinance and Project-Related Acquisition Finance, where all of the following three criteria are met:
 - i. The underlying Project was financed in accordance with the Equator Principles framework.
 - ii. There has been no material change in the scale or scope of the Project.
 - iii. Project Completion has not yet occurred at the time of the signing of the facility or loan agreement.

While the Equator Principles are not intended to be applied retroactively, Stanbic Kenya Group will apply the Principles to the financing of expansions or upgrades of an existing Project.

As best practice, Stanbic Kenya Group applies the Equator Principles to all transactions that meet the above scope irrespective of financial threshold. GESR should be contacted to confirm if a transaction is an Equator Principles transaction.

GESR provides the categorization (based on the magnitude of its potential E&S risks and impacts) for Equator Principles transactions.

For all Equator Principles transactions, a human rights assessment and climate risk assessment must be performed according to the Guidance Notes provided.

The Equator Principles categorisation breakdown is shown in **Annexure B**.

5.6 Internal or external due diligence

A due diligence may be undertaken for high risk (and certain medium risk) transactions depending on the level and scale of E&S risk identified. The due diligence process may entail sector or issue specific due diligence questions, direct client engagement, site visits and risk mitigation plans. Group or BU E&S risk teams will determine if a full due diligence process, utilising independent external consultants, is required according to the relevant Guidance notes provided by the Equator Principles.

The due diligence outcome assists in highlighting any aspects requiring mitigation or management such as further baseline studies and provides recommendations that will need to be implemented to ensure transactions are in compliance with the required international and national standards.

6. E&S Governance

6.1 Governance and oversight

The process for ensuring regular assessment of our E&S risk policy and practices is outlined in the Group Standard. In particular, it ensures effective E&S risk management, in line with our risk appetite, in order to ensure our trustworthiness and sustainability.

The ESMS sets out the process for ensuring E&S risks are given consideration in the transaction process as well as the credit review process.

6.2 Approval and escalation

6.2.1 New Transactions/Business

The Transactor / Relationship Manager in charge of the client / transaction will be responsible for completing the initial E&S risk screening. The

information to be gathered can be ascertained on the basis of client relationships and desk-based research. E&S risks are identified upfront with adequate consultation internally in the bank (as well as with the client) on the best way to manage and mitigate risk.

For client on-boarding / off-boarding decisions where environmental or social counterparty risks are present, and where the exception/exclusion list is not clear and requires interpretation of/or additional guidance on the restricted list, which might result in reputational risk, proposals would need to be escalated to Client Risk Committee (CRC).

All project related transactions and instances of medium or high-risk non-project related transactions (as defined in Annexure A), are automatically reviewed by the Group or BU E&S risk teams. The Group or BU E&S risk team will be responsible for advising the Transactor / Relationship Manager and / or the New Business Approval Committee (“NBAC”) on the appropriate actions. This team will be provided with the outcomes generated from the E&S Screening Tool along with the identified issues and management recommendations. Further review may be necessary. The outcomes of this review must be submitted into the credit process.

The Head of GESR must sign off on all High E&S risk transactions which are deemed materially high at group level prior to credit approval. The BU E&S risk manager must sign off on all E&S risk transactions which are deemed as high at the respective BU level prior to credit approval. .

All instances of low risk non-project related transactions (as defined in Annexure A) may proceed with typical E&S compliance (see Section 7.5) unless the Transactor / Relationship Manager and/or NBAC wishes to escalate the matter to the Group or BU E&S Risk teams due to environmental and/or social concerns related to the transaction.

Should there be a difference of opinion between the respective Transactor / Relationship Manager, supported by the Business unit head, and BU E&S risk , the matter will be escalated to the BU E&S risk manager. The BU E&S risk manager may escalate any transaction to the relevant governance structure or Chief Risk Officer or the Head GESR.

6.2.2 Annual Reviews

The Credit Manager, Relationship Manager or Account Executive in charge of the client / portfolio / transaction will be responsible for completing the E&S risk screening for annual reviews.

All instances of high-risk related clients/portfolios/transactions (as defined in Annexure A) are automatically referred for review by the Group or BU E&S risk teams, where relevant. This team will be provided with the outcomes generated from the E&S Screening along with the identified issues and management recommendations. Further review may be necessary. The outcomes of this review must be submitted into the credit review paper and

the BU E&S risk representative must sign off on all high E&S risk clients / portfolios / transactions.

7. Applications for new and increased facilities

7.1 Facility or Project Initiation / On-boarding

The Business Function (Transactor), as first line of defence, in conjunction with the Transaction Management Unit (TMU) is primarily responsible for E&S risk management, control and optimisation during business generation.

The Transactor conducts E&S risk screening using the **E&S Screening Tool**, which includes a TRA and CRA (section 5.2 and Annexure A). The E&S Final Report and reference number generated by the E&S Screening Tool are captured in the Pre-Credit Approval Committee Paper. The relevant Pre-Credit Approval Committee is dependent on the origination of a transaction i.e. if a transaction originates within BCB or PPB, , the Business Development Forum would be the appropriate Pre-Credit Approval Committee, whereas the NBAC would be applicable to CIB client transactions. As per section 6.2, all project-related and medium or high-risk non-project related transactions must be referred to the BU E&S risk manager for review.

The Transactor must confirm if the transaction is on the **Exceptions List** (Section 5.3), which list activities that are either prohibited from financing in all Stanbic Kenya Group operations, or to which specific restrictions apply in selected regions/activities. If the sector or activity is on the Exceptions List, the transaction must be referred to the BU E&S risk team for review.

The Transactor / Relationship Manager must ensure that the transaction complies with the relevant **national laws** (Section 5.4). If the sector or activity does not comply with the national laws, the transaction must be referred to the Group or BU E&S risk teams for review.

The **Equator Principles process** (section 5.5 and Annexure B) is applied, by the Group or BU E&S risk teams, where relevant, to all relevant project-related financing or transactions.

7.2 Enhanced Screening & Due Diligence

An enhanced due diligence (section 5.6) will be required for transactions referred to Group or BU E&S risk, where relevant during the E&S risk screening process (section 7.1). This involves a tailored approach to ensure a comprehensive understanding of the transaction and associated risks. The level of due diligence depends on the financial product type, level of E&S risk and the industry sector.

Group or BU E&S risk, where relevant, will determine the scale of the diligence process (which may involve utilising independent external consultants) on a case-by-case basis. The due diligence or enhanced screening may result in placing some conditions on certain future activities or transactions.

7.3 Pre-Credit Approval Committee

Before the credit process is invoked and in accordance with the relevant mandate, all material lending proposals (and certain trading proposals) are to be placed before the relevant Pre-Credit Approval Committee. The Pre-Credit Approval Committee is required to review and ask appropriate questions around the CRAs and TRAs (which is a mandatory component of the appropriate pre-credit paper).

Group or BU E&S risk, where relevant, is required to complete commentary in the Pre-Credit Approval Paper for all project related and high-risk non-project related transactions.

The outcome of the Pre-Credit Approval process will determine the need for further detailed investigations and possible escalation to Group or BU E&S risk, where relevant.. This results in a decision on whether or not to proceed with the transaction.

7.4 Credit

Following approval to proceed from Pre-Credit Approval Committee, in addition to the approved Paper, the Originator of the credit paper will also receive the completed E&S Screening Tool and must conduct a sanity check to confirm that the E&S rating is rational.

If Credit hold a different opinion to that of Business, it should follow the escalation procedure. If warranted, and an E&S concern is identified by Credit, the Group or BU E&S risk team, where relevant, team will work with the credit team to conduct a due diligence commensurate with the potential level of E&S risk associated with the underlying transaction.

All project related and high-risk non-project related transactions require commentary from Group or BU E&S risk for inclusion in the Credit Paper and attendance at the Credit Committee meeting.

Should Credit determine at approval stage that Group or BU E&S risk input is required, then this could be a condition of the credit approval.

The **annual credit** review process must include a reaffirmation of the existing E&S risk rating or an escalation, to the Group or BU E&S risk team, in response to changed requirements or prospects. This includes contacting Group or BU E&S risk for previously rated high-risk transactions and re-conducting a sanity check to confirm that the E&S rating is rational for previously rated medium and low risk transactions. A Group or BU E&S risk team member must be included in the Credit Review meeting where requested by either GESR or Credit Committee.

7.5 Legal Documentation

Drafting of legal documentation in respect of new and increased facilities is the responsibility of Stanbic Kenya Group's Legal departments in conjunction with Group or BU E&S risk, where applicable.. SBG has standard E&S clauses for specific products. All transactions require compliance with National E&S Laws and Regulations. Where a project requires additional environmental or social actions (in order to meet International Standards), a legally binding action plan may be developed together with the client and documented in finance agreements. Action plans include risk mitigation actions, timeframes and resources to manage potential risks or remedy existing risks and evidence of completion.

Generally medium to long term commitments or commitments with a medium to high E&S risk (as defined in Annexure A) require appropriate mitigants such as E&S conditions & covenants, which may be invoked in the event of deterioration in E&S risk prospects.

8. Monitoring and portfolio reviews

8.1 Ongoing E&S risk monitoring

The designated TMU manager and business owners are jointly responsible for the ongoing monitoring of their respective portfolios. Group or BU E&S risk, together with Credit, will provide second line of defence by monitoring progress periodically under the mitigation strategy outlined in Section 7.5. In relation to managing E&S risk, this includes, but is not limited to, the following:

- Ongoing adherence to terms and conditions attached to the facilities in terms of the current sanction, including provision of financial and E&S reports required in terms of the sanction including ongoing monitoring of E&S project and deal progress;
- Testing of any E&S conditions & covenants in existence in keeping with the measurement frequency declared in the credit sanction.

8.2 E&S risk reviews

8.2.1 Transaction Reviews

All relevant transactions financed should be monitored to ensure that the E&S commitments (set as part of the loan agreement) are adhered to. If required, independent external professionals can be used to monitor the implementation and progress of remedial action for the tenure of the loan. In addition, where possible, Group or BU E&S risk, where relevant should undertake site visits to ensure that E&S performance is being managed appropriately. The frequency and duration of monitoring should depend on the type of project being financed and the level of perceived risk.

8.2.2 Portfolio Reviews

The Group or BU E&S risk teams, where relevant team will endeavour to conduct portfolio-wide reviews of companies engaged in certain industries. These reviews must occur where SBG has significant financial exposure or opportunity and there are particular activities which present an increased level of E&S risk. These portfolio reviews:

- Enhance SBG's decision-making during transaction approval processes;
- Provide a mechanism for proactive client engagement, independent of the timeline and context of a transaction review process, enabling SBG to partner with our clients in identifying risk management solutions; and
- Provide a basis to improve the future portfolio profile.

8.3 E&S reporting and assurance guidelines

8.3.1 Transactions and annual reviews

Any Business Unit (BU) or Legal Entity (LE) conducting E&S risk assessments should implement a consistent manner of data collection, storage and management for Group reporting purposes. At a minimum BUs and LEs are to provide the following information to GESR on a periodic basis as agreed with GESR:

- Total number of transactions and annual reviews assessed with granular information on the customer type, sector (as aligned to the accepted taxonomy), number of deals declined for E&S reasons, number of Equator Principles deals

with supporting deal information, the rating of risk on each deal from a transaction and client risk perspective and any other information as determined by GESR from time to time.


8.3.2 Assurance

Any BU or LE conducting E&S risk assessments should provide a consistent manner of data collection, storage and management for Group assurance purposes. At minimum BUs should be able to provide on a periodic basis as agreed with GESR:

- Self assessment of the implementation of the policy and standards as aligned with IFC standards;
- Training related information, including but not limited to, number of individuals trained on E&S awareness, screening procedures, climate risk related training, EP related training and other relevant categories as identified by GESR;
- Assurance information for SBG internal and external assurance providers based on the selected key performance indicators and scope and boundaries determined.

9. Policy Administration

Approved by the Board on this 7th day of August 2024

Chairman 
Joseph Muganda (Sep 2, 2024 17:27 GMT+3)

Company Secretary 
Nancy Kiruki (Aug 29, 2024 12:09 GMT+3)

Annexure A: E&S Screening Tool

The E&S screening tool is designed to be a quick assessment assisting the transaction teams to determine the risk category and includes both elements of client and transactional risk.

Categorisation Definition

As a result of the initial screening, the below categorization (which is aligned with the Equator Principles) is used to characterise the magnitude of the E&S impact:

Risk	Impacts	Examples
High	Transactions with potential significant adverse E&S risks and / or impacts that are diverse, irreversible or unprecedented.	Resettlement of people, critical habitat impact, cultural heritage impacts (often associated with extractives, linear, hydropower etc.). Client has negative press or has previous E&S transgressions, NGO campaigns, E&S fines, child/forced labour accusation etc.
Medium	Transactions with potential limited adverse E&S risks and / or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.	Extending project footprint, chemical manufacture, new projects in previously disturbed areas. Historical (past 5 years' negative press or E&S transgressions, NGO campaigns or fines etc.
Low	Transactions with minimal or no adverse E&S risks and / or impacts.	Expansion within existing footprint, refurbishment, upgrade of technology etc. No negative press, E&S transgressions, NGO campaigns, track record of good E&S management. .

Categorisation Allocation

For non-project related transactions, the following combinations of TRA and CRA ratings are categorised as follows:

TRA	CRA	Risk	Action
Low	Low	Low	<ul style="list-style-type: none"> No E&S commentary required.
Low Medium Medium	Medium Low Medium	Medium	<ul style="list-style-type: none"> Transactor to complete E&S commentary in Pre-Credit Approval Paper, explaining the risks leading to the medium risk rating. GESR must be involved in the credit process.
Low Medium High High High	High High Low Medium High	High	<ul style="list-style-type: none"> Contact GESR to complete commentary in Pre-Credit Approval Paper and attend Pre-Credit meeting. GESR must be involved during the credit process. Head of GESR must sign off on Transaction

All project related transactions are referred to GESR for E&S commentary. Projects that have a High CRA or TRA must be signed off by the Head: GESR prior to Credit approval.

For credit or client reviews, the E&S Screening Tool is used by Credit Managers, Relationship Managers and Account Executives to obtain an updated CRA. For transactions already ranked as High risk, E&S commentary must be provided by GESR. If the CRA changes from Low to Medium or from Low/Medium to High, E&S commentary must be provided by GESR. The Head of GESR must sign off on High risk transactions.

Annexure B: Equator Principles Categorisation

All Equator Principles Financing Institutions (including SBG) categorise projects proposed for financing based on the magnitude of its potential environmental and social risks and impacts. The categories are:

Category	Impacts
Category A	Projects with potential significant adverse E&S risks and / or impacts that are diverse, irreversible or unprecedented.
Category B	Projects with potential limited adverse E&S risks and / or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C	Projects with minimal or no adverse E&S risks and / or impacts.

For more information on the Equator Principles please [click here](#).