Governance Element	Governance principle that promotes the integration of sustainability and responsible business practices	Implications for governance practices
1. Board and Directors		
Role and function of the board The Board has ultimate responsibility for promoting ethical leadership and corporate responsibility based on the four values underpinning good governance: responsibility, fairness, transparency and accountability and embedding sustainability into the way the Bank conducts business.	Board to provide effective leadership based on the four values of good corporate governance (responsibility, fairness, transparency and accountability) and ensure that the Bank is and is seen to be a responsible corporate citizen.	The board takes ultimate responsibility for: 1. Directing and setting the strategy, policies and operations to build a Bank that responds to the basic tenants of sustainable finance. 2. Overseeing not only the financial performance but also the short and long term impact of Bank strategy on the economy, society and the environment and acting accordingly. 3. Promote business strategies that fundamentally protect, enhance and invest in the well-being of the economy, society and the environment. 4. Ensure the alignment of interests and incentives through the promotion of long-term compensation structures that include both financial and sustainability and governance performance metrics. 5. Ensuring that business is conducted ethically. 6. Taking account of the company's impact on internal and external stakeholder and acting accordingly.
	Board to ensure that the Bank's ethics are managed effectively.	Board to: 1. Build and sustain an ethical corporate culture across the Bank. 2. Publish a code of conduct and ethics-related polices, communicate them and take measures to ensure they are complied with. 3. Ensure ethical risks and opportunities are incorporated into risk management processes. 4. Assess, monitor and disclose company's ethics performance.
	Board to appreciate that strategy, risk, performance and sustainability are inseparable and to ultimately ensure a model of governance that puts sustainability at the centre of how the Bank is governed and its strategic agenda.	The board should: 1. Set a sustainable strategy that enables a company to create and protect value over the long-term for its shareholders, while contributing to a sustainable society. 2. Ensure that the strategy is aligned with the legitimate interests and expectations of its stakeholders and that it minimises negative externalities associated with its core business activities and those of its portfolio of assets. 3. Ensure that the strategy has been informed by potential opportunities and innovations that realise positive impact such as inclusive financial products & services, financing cleaner technologies, water infrastructure & services,

		energy efficiency improvements and renewable energy and in particular the sustainable growth and development needs of the country. 4. Satisfy its self that the strategy and business plans are not going to be encumbered by risks that haven't been thoroughly assessed, including E&S risks.
	Board to ensure that the organisation's leadership meets the needs of the Bank.	The board should ensure: 1. The Bank has the requisite skill and diversity within its leadership structure (range of backgrounds, gender, competence and experience) including directors, board committee members and management to set and implement a more sustainable strategic direction and innovate with respect to new products, processes and business models.
Director development	Ongoing development of directors should be conducted through formal processes.	1. Directors and management to receive regular briefings on changes in risks, laws (hard & soft), codes of conduct, standards relevant to the concept of sustainable finance and in particular the implementation of the Kenya Sustainable Finance Principles. 2. Induction and regular training for the Board and management on risk governance and in particular the integration of E&S considerations and on developments in the field of sustainable finance.
Board committees	The board should delegate certain function to well-structured committees but without abdicating its own responsibilities.	1. Responsibility with respect to sustainability to be allocated to appropriate board committees and incorporated into the committee terms of reference. Committees which will have sustainability responsibilities include: a. Risk Committee b. Credit Risk Committee c. Audit Committee 2. In time the Bank may wish to constitute a committee with specific oversight of the Bank's commitment to sustainable development. For example the Integrity Committee of Deutsche bank which continually advises and monitors the Management Board with regard to - whether the management is committed to the economically sound, sustainable development of the company while observing the principles of sound, responsible management, fulfilling the company's social responsibilities and protecting the natural resources of the environment (environmental, social and governance (ESG) issues), and- whether the business management is aligned to these values with the objective of a holistic corporate culture.

		The Basel Committee on Banking Supervision, Consultative Document on Corporate governance principle for banks October 2014 indicates that risk and audit committees are required for systemically important banks; for banks of large size, risk profile or complexity it is strongly advised and for all other banks it remains strongly recommended. Ethics/compliance committee is also recommended to provide a bank with the means to promote proper decision making and compliance with laws, regulations and internal rules. It would provide oversight of the compliance function.
2. Governing stakeholder relationships		
Stakeholder management	The board should appreciate that stakeholders perceptions affect a Bank's reputation.	1. Bank to track the gap between stakeholders perceptions and the performance of the company and manage it to protect the Bank's reputation. 2. The company's reputation and its linkage with stakeholder relationships should be regular board item.
	The board should strike to achieve an appropriate balance between different stakeholder groupings in the best interests of the Bank.	1. Board to ensure that the Bank to take account of the legitimate interests and expectations of its stakeholders in its decision making.
	The board should delegate management to proactively handle stakeholder relationships.	1. Board to identify important stakeholder groups and approach policies and strategies developed by management for the management of the relationship with each grouping. 2. Establishment of mechanisms and processes for constructive engagement. 3. In the integrated report also disclose the nature of the Bank's dealing with stakeholders and the outcomes.
	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	1. Board to oversee the establishment of a responsible communication programme with stakeholders. 2. The Bank to provide reliable and timely information that is understandable to stakeholders whilst having regard to legal and strategic considerations.
Dispute resolution	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	1. The board should adopt formal dispute resolution processes for internal and external disputes. 2. The board to select the appropriate individuals to represent the Bank in an alternative dispute resolution.
3. Role of risk governance structures sustainability matters		

Board responsibility for risk governance	The board should be responsible for the governance of risk.	1. Ensure that leadership has a thorough appreciation of risk to the Bank, how to manage and mitigate them and is kept abreast of emerging risks. 2. Ensure the Bank has an approved comprehensive risk management policy, system and procedures that integrates E&S risk management into financing decision making processes, know your client and anti-money laundering processes and operational risk matters. 3. Board to ensure that E&S risk management is integrated through the three lines of defence: 1) Business lines, 2) Risk management function and a compliance function that is independent from the first line of defence and 3) an internal audit function independent from the first and second lines of defence. 4. Ensure that E&S risk management approaches are adding value to the company's performance. 5. Ensure continual monitoring of risk management and internal audit assessments of effectiveness of systems and controls.
	The board should determine the levels of risk tolerance.	1. Board to clearly set the Bank's position with respect to specific environmental and social issues and/or sectors with high E&S risks and how the Bank is to pursue business strategy with respect to those issues and sectors. 2. Board to monitor that Bank is operating in accordance with associated policies, procedures and controls.
	The risk committee should assist the board in carrying out its risk responsibilities.	1. Responsible for advising the board on its risk management policies and overseeing their implementation and ensuring they respond to E&S issues that can affect credit, market, operational, compliance and reputational risks.
Management responsibility for risk management	The board should delegate to management the responsibility to design implement and monitor the risk management plan.	1. Management to implement and monitor the risk policies and strategies and drive the integration of E&S considerations through the three lines of defence. 2. Induction and regular training for the CRO with respect to developments in the sustainable finance field.
Risk assessment	The board should ensure that risk assessments are performed on a continual basis.	1. Risk assessments should deepen understanding on: a. Exposures to E&S risks and the resilience of portfolio of assets to future policy changes and environmental (e.g. increased frequency of droughts and flood events; water scarcity; natural disaster) and socio-economic scenarios; and b. The changing interests and expectations of stakeholders and implications for the Bank's business model and maintaining brand reputation.

Risk response	The board should ensure that management considers and implements appropriate risk responses	1. Management to be able to demonstrate that their risk response does improve the Bank's performance.
Risk monitoring	The board should ensure continual risk monitoring by management.	1. Ensure continual monitoring of the change landscape with respect to E&S risks. 2. Allocate responsibility for E&S risk monitoring and provision of recommendations.
Risk assurance	The board should receive assurance regarding the effectiveness of the risk management process	1. Management to provide assurance that E&S risk management along with other enterprise risks is integrated into the daily activities of the Bank. 2. Internal audit should provide written assessments on the effectiveness of the E&S risk management strategies, systems and internal controls to the Board.
Risk disclosure	The board should ensure that there are processes in place enabling complete, timely, relevant accurate and accessible risk disclosure to stakeholders.	1. Ensure that integrated reports include disclosure on critical E&S risk concerns with a move towards disclosure on resilience of the Bank's portfolio of assets to future policy changes and environmental and socio-economic scenarios.
4. Compliance with laws, rules, codes & standards		
	The board to ensure that the Bank complies with applicable laws and considers adherence to non-binding rules, codes and standards.	1. Ensure that it is understood across the Bank that compliance is an ethical imperative which affords others rights and protections and not simply as an obligation.
	The board and each individual director should have a working understanding of the applicable laws, code and standards with respect to the sustainable finance landscape.	1. Ensure induction and ongoing training programmes of directors on current and any changes to relevant laws, codes and standards concerning sustainable finance e.g. could range from changes in environmental liability regulation through to good practice standards on reporting
5. Role of independent assurance structure, internal audit and external assurance providers		
Audit committee and responsibilities	The board to ensure that the Bank has an effective and independent audit committee and assurance structure as an integral part of the Bank's risk management processes.	1. Ensure that assurance activities undertake objective assessments of the effectiveness of risk management systems by systematically analysing and evaluating business processes and associated controls including those managing environmental and social risks associated with financing activities, illicit fund flows and unethical behaviour. 2. Establish a competent independent internal audit function to undertake the above and reports directly to the Board.
	The audit committee should over-see integrated reporting and ensure the inclusion of sustainability issues.	1. The audit committee should: a. Review the disclosure of sustainability issues in an integrated report to ensure that it is reliable and does not conflict with the financial information.

		b. Recommend the engagement of an external assurance provider on material sustainability issues.
5. Governance of information technology		
	The board to provide oversight of information technology and ensure that it is there to create value and not just provide a support service.	Board to ensure that 1. Information technology strategy is fully integrated into Bank strategy, facilitates innovation in new business development and in the management of information. 2. There are processes in place to identify and exploit opportunities to respond to ask of the Kenya Sustainable Finance Principles, improve its operating efficiencies and management of information for reporting.
6. Integrated reporting & disclosure		
Transparency and accountability	Sustainability reporting and disclosure should be integrated with the Bank's financial reporting.	1. Bank to adopt integrated reporting practices in accordance with good practice.
	The board should ensure the integrity of the reports.	1. Bank to institute controls to verify and safeguard the integrity of its integrated report. 2. Board to delegate to the audit committee to evaluate sustainability disclosures.
	Integrated reporting and disclosure to be independently assured	1. Audit committee to assist the board by reviewing the integrated report to ensure reliability and that it is free of contradictions. 2. Audit committee to oversee the provision of assurance over sustainability issues.