



GDC SACCO SOCIETY LTD

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

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Table of Abbreviations

Acronym	Abbreviation of
SACCO	Savings and Credit Cooperative Organization
ESG	Environmental, Social, and Governance
ESAP	Environmental and Social Action Plan
IFC	International Finance Corporation
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standards
SASRA	Sacco Societies Regulatory Authority
SAFER	Supporting Access To Finance And Enterprise Recovery
ESRM	Environmental and Social Risk Management
PWDs	Persons with disabilities
KPIs	Key Performance Indicators
GESI	Gender Equality and Social Inclusion
GBV	Gender-Based Violence
AML	Anti-Money Laundering
CFT	Countering The Financing Of Terrorism
NEMA	National Environment Management Authority
KDC	Kenya Development Cooperation Limited

Introduction

GDC Sacco Society Limited (hereafter referred to as GDC Sacco)¹ is committed to promoting sustainable development by integrating ESG considerations into all aspects of its operations. As a member-driven, deposit-taking SACCO in Kenya, GDC Sacco recognizes that responsible financial stewardship must go hand-in-hand with care for the environment, respect for people, and sound governance.

This policy is aligned with the Cooperative Societies Act (Cap 490), the Sacco Societies Act (Cap 490B), SASRA Prudential Guidelines (2020), ESAP requirements, and the National Treasury's P175017 SAFER ESMS. GDC Sacco further commits to applying the National ESMS Guidelines, and aligning with the World Bank ESS, and IFC Performance Standards.

2. Purpose of the ESG Policy

The purpose of this ESG Policy is to:

- i. Guide GDC Sacco in embedding ESG principles into its strategy, operations, lending decisions, and community engagements.
- ii. Ensure that GDC Sacco's growth supports the UN Sustainable Development Goals (SDGs).
- iii. Build long-term value for members, employees, stakeholders, and the environment.
- iv. Ensure compliance with SASRA Prudential Guidelines, ESAP deliverables, and P175017 ESMS requirements.
- v. Provide a framework for risk categorization, exclusion screening, due diligence, monitoring, and reporting, consistent with national ESMS templates.

3. Scope

This policy applies to:

- i. All employees, management, and board members of GDC Sacco.
- ii. All business operations, investment decisions, procurement, and community engagements.
- iii. All partners and third-party service providers.

¹ GDC Sacco refers to the entire organization, including the Sacco and the subsidiaries (GDC insurance agency and GDC foundation).

- iv. All credit risk assessments and loan approvals, which must integrate ESG, ESAP, SASRA, and P175017 ESMS climate and social risk considerations.

4. ESG Policy Pillars

A. Environmental Responsibility

GDC Sacco shall:

1. Promote green financing and climate smart agriculture projects that support renewable energy, water conservation, and waste reduction.
2. Minimize the environmental impact of its operations by reducing paper usage, improving energy efficiency², and promoting digital solutions.
3. Support members in adopting environmentally friendly practices in farming, housing, and businesses.
4. Comply with all relevant environmental laws and regulations in Kenya.³
5. Implement the ESRM framework as per the National Treasury's P175017 ESMS.
6. Apply ESMS risk categorization⁴ to all credit facilities and ensure due diligence for moderate and high-risk projects.
7. Ensure that exclusion screening aligns with the National ESMS "Excluded Activities List."
8. Maintain ESMS-compliant monitoring logs, corrective action plans, and periodic reviews.
9. Annual reporting on green loan allocation, energy use reduction, and environmental KPIs using ESMS templates.

Environmental Initiatives Include:

- Paperless banking especially through e-statements to reduce deforestation.
- Eco-loans for solar panels, biogas units, and water tanks
- Tree-planting and clean-up initiatives in partnership with local communities

B. Social Responsibility

GDC Sacco shall:

1. Uphold cooperative values of equity, inclusiveness, and social justice.
2. Promote financial inclusion by providing access to affordable credit and financial literacy for all members, including youth, women, and PWDs.

² All branches to be powered by solar by 2030

³ Examples are laws on wastage, disposal of items, and pollution.

⁴ Low/Moderate/High

3. Provide a safe, respectful, and inclusive workplace for employees.
4. Contribute to community development through education programs, health campaigns, and member welfare initiatives.
5. Adopt and implement a GESI policy in line with ESAP and ESMS.
6. Comply with the Employment Act and the Occupational Safety and Health Act, and safeguard against workplace harassment and GBV.
7. Integrate social risk screening into credit appraisal as prescribed by the National ESMS.

Social Initiatives Include:

- Financial literacy training for youth and rural members.
- Support food security and smallholder farmer resilience.
- Gender equity in leadership and hiring.
- Promote decent work and fair wages.
- Scholarship funds or bursaries for members' children.
- Annual diversity, equity, and inclusion disclosures in audited reports aligned with SASRA and ESMS reporting.

C. Governance

GDC Sacco shall:

1. Adhere to high standards of transparency, accountability, and integrity.
2. Maintain compliance with SASRA, the Cooperative Societies Act, and all relevant Kenyan regulations.
3. Ensure that the board and management are competent, diverse, and operate free of conflicts of interest.
4. Implement strong risk management, internal controls, and audit processes.
5. Regularly disclose ESG performance to members and stakeholders.
6. Embed ESAP and ESMS governance mechanisms, including ESRM oversight and GESI mainstreaming.
7. Ensure compliance with Anti-Money Laundering⁵ laws and reporting obligations.
8. Establish a whistle blowing mechanism and grievance redress system consistent with ESMS stakeholder engagement guidelines.

Governance Initiatives Include:

- Annual board training on ESG, SASRA, ESAP, and ESMS compliance.

⁵ AML/CFT laws and regulations

- Member engagement through member education, workshops, and digital platforms.
- Whistleblower and ethics reporting mechanisms.
- Periodic independent ESG/ESMS compliance audits.

5. ESG Exclusion List

GDC Sacco will not fund or provide credit to members engaging in the following activities:

Environmental Exclusions:

- Projects that cause air, water, or soil pollution.
- Deforestation or unsustainable exploitation of natural resources.⁶
- Activities that fail to comply with Kenyan environmental laws or NEMA standards.
- High-carbon or environmentally harmful ventures that contradict the Sacco's green financing agenda.
- Any activity included in the National Treasury's ESMS Exclusion List (P175017⁷).

Social Exclusions:

- Businesses involving child labor, forced labor, or unsafe working conditions.
- Projects that discriminate against vulnerable groups.⁸
- Gambling, illicit alcohol production, and other harmful activities that undermine community welfare.
- Predatory or exploitative lending schemes.

Governance Exclusions:

- Activities involving corruption, bribery, or fraud.
- Illegal trade such as counterfeit goods, money laundering, or unlicensed businesses.
- Non-compliance with SASRA, the Cooperative Societies Act, or relevant regulations.
- Enterprises with poor governance structures; lacking accountability and integrity.
- Any activity that violates ESAP, ESMS, or World Bank ESS requirements.

⁶ Examples are illegal logging and sand harvesting.

⁷ P175017 lists 25 activities that are excluded from financing.

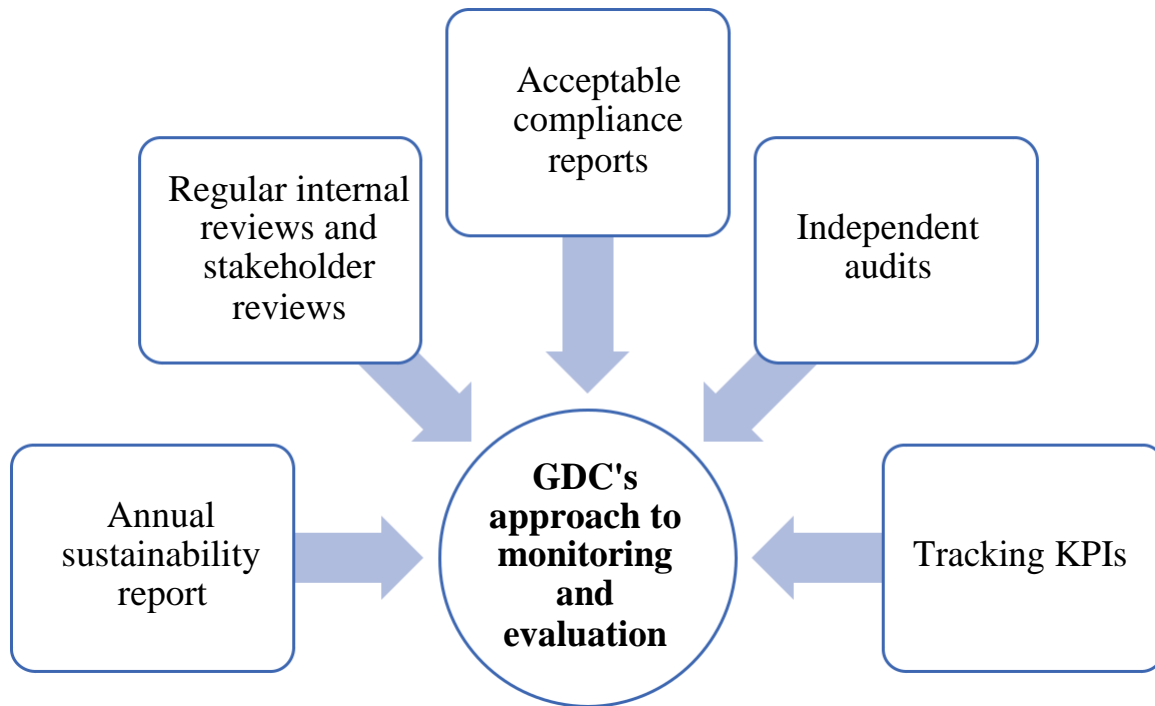
⁸ vulnerable groups include youth, women, the aged, and PWDs.

ESG Implementation Framework

Area	Responsibility	Tools/Mechanisms
ESG Strategy and Oversight	Board of Directors	Annual ESG/ESAP/ESMS plan
Day-to-day ESG Operations	Management	ESG KPIs and reporting
Risk Management	Internal Auditor	ESRM integration with ESMS templates
Member Education	Marketing and Education Team	Workshops SMS alerts Flyers
Monitoring and Reporting	ESG Committee	Quarterly reports Annual ESG impact summary
Compliance Oversight	Compliance Officer	SASRA filings ESAP tracker ESMS compliance reports to KDC and World Bank

6. Monitoring and Evaluation

- ESG progress will be monitored through regular internal reviews and stakeholder feedback.
- Key ESG metrics will be included in the Sacco's annual sustainability report.
- The Sacco shall prepare compliance reports acceptable to SASRA, KDC, the World Bank, and National Treasury auditors, in line with ESAP and ESMS requirements.
- Independent audits or assessments will be conducted annually to validate ESG, ESAP, and ESMS compliance.
- KPIs to be tracked include: the percentage of green loans, gender and inclusion ratios, ESRM compliance, and number of staff trained under ESAP and ESMS.



7. Policy Review

This policy shall be reviewed annually or as needed to respond to changes in regulatory frameworks, stakeholder expectations, or emerging ESG risks and opportunities. The reviews shall explicitly consider SASRA guideline updates, ESAP conditions, and the National Treasury's P175017 ESMS revisions.

Compliance Annex-SASRA, ESAP, and P175017/ ESMS Mapping

Policy Section	ESAP Deliverable	SASRA Requirement	P175017/ ESMS Requirement	Audit Evidence Required
Environmental Pillar	ESRM policy adoption	Risk management and disclosure	ESMS risk categorization and templates	Board-approved ESRM framework, loan screening records.
	Climate risk screening	Credit risk management	ESMS due diligence requirements	Climate risk guide, loan appraisal forms.
Social Pillar	GESI policy	HR, inclusion and equity reporting	ESMS social risk management	Adopted GESI policy, gender/diversity data in audits.
Governance Pillar	Grievance and whistle blowing	Governance, accountability	ESMS stakeholder engagement and grievance redress	Whistle blowing logs, grievance redress mechanism.
	AML/CFT compliance	Prudential regulations	ESMS compliance with Kenyan law	AML training records, compliance officer reports.
Implementation Framework	Training and capacity building	SASRA governance and training	ESMS capacity building requirements	Training manuals, attendance lists.
Monitoring and Evaluation	ESG dashboard and compliance tracker	Annual disclosures	ESMS monitoring and reporting	ESG dashboard, quarterly reports.
	Audit and reporting to KDC and the World Bank	SASRA audited returns	ESMS reporting obligations	Submission-ready ESAP/ESMS reports.

