



SUSTAINABILITY
REPORT

2023

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SUSTAINABILITY REPORT | **2023**

FINAL REPORT



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TABLE OF CONTENTS

Abbreviations	3
About the Report	4
Message from the CEO	5
1. KEP Trust at a Glance	7
1.1. Organizational Structure and Senior Management	7
1.2. History	9
1.3. Vision, Mission, Values	9
1.4. 2023 Performance	10
2. Sustainability Approach	11
2.1. Sustainability Strategy and Management	11
2.2. Materiality Analysis	12
2.2.1. SDG Map of Activities	13
3. Corporate Governance	16
3.1. Corporate Governance Principles and Policies, Ethical Principles	16
3.2. Transparency and Reporting (Internal Audit, Legislation and Compliance)	18
3.3. Risk Management Approach	19
4. Social Responsibility	21
4.1. Value for Society	21
4.1.1. Products and Services	21
4.1.2. Financial Inclusion	23
4.1.3. Client Protection	23
4.1.4. Corporate Social Responsibility Approach	24
4.2. Value for Employees	25
4.2.1. Employee Profile	26
4.2.2. Human Resources Approach	27
4.3. Digitalization	29
5. Environmental Responsibility	31
5.1. Environmental Footprint	31
5.2. Environmental and Social Risk Assessment in Lending Activities	32
5.3. Combating Climate Change and Future Goals	33



Abbreviations

BoD: Board of Directors

CBK: Central Bank of Kosovo

CCO: Chief Commercial Officer

CDD: Customer Due Diligence

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CHRO: Chief Human Resources Officer

E&S: Environmental and Social

EBRD: European Bank for Reconstruction and Development

ESG: Environmental, Social and Governance

GDPR: Information/Cyber Security, Data Protection

HOPMD: Head of Organization and Process Management

ICMC: International Catholic Migration Commission

IFC: International Finance Corporation

IFRS: International Financial Reporting Standards

KPI: Key Performance Indicator

KRI: Key Risk Indicator

KYC: Know Your Client

MSMEs: Micro, Small, and Medium Enterprises

NGO: Non-Governmental Organization

SDG: Sustainable Development Goals

SEMS: Social and Environmental Management System

About the Report

KEP Trust's first Sustainability Report, covering the 2021-2023 period, aims at providing a comprehensive overview of the Organization's environmental, social, and governance (ESG) performance, outlining its sustainability goals which create a positive impact on society and the environment.

This Sustainability Report provides a comprehensive overview of KEP Trust's environmental, social, and governance aspects between January 1 to December 31, 2023. This report demonstrates KEP Trust's commitment to sustainability and highlights KEP Trust's ongoing initiatives in these areas. To ensure meaningful comparison, the data between 2021 and 2023 where applicable to demonstrate the actual progress made was included. The primary objective of this report is to transparently showcase how KEP Trust has fulfilled its sustainability mission during the reporting period and outline KEP Trust's plans to enhance sustainability performance in the future. It outlines KEP Trust's specific initiatives and strategies that will drive further improvements in sustainability performance moving forward.

This report has been developed through an extended consultation process with a wide range of stakeholders, including employees, customers such as SMEs and local banks, suppliers, business partners, NGOs, and international organizations. This process has provided KEP Trust with valuable perspectives on the social, economic, and environmental impacts on the future operations of KEP Trust. The feedback collected has guided KEP Trust's materiality assessment, helping the Organization to prioritize critical areas of focus. The report details the commitments and actions KEP Trust has undertaken to make a meaningful contribution to global sustainability goals. Rather than following a strict format segmented by topics like environmental or social issues, the relevant information was integrated into the appropriate sections. It addresses the impacts, risks, and opportunities related to our business and partnerships, and outlines our sustainability strategy, management practices, and specific initiatives.

KEP Trust invites comments, suggestions, or ideas for improving this report to be directed to our Organization and Process Management Department via kepesg@keptrust.org. We value your feedback and involvement in our sustainability efforts and journey.



Message from the CEO

Dear Stakeholders,

As we reflect on our journey over the past year, it is with great pride that I present our sustainability report. At KEP Trust, our commitment to fostering financial inclusion and driving positive change in Kosovo remains constant. This report encapsulates our dedication to not only providing innovative financial products and services but also to operating with the highest standards of corporate governance and ethical principles.

Our diverse range of financial products is designed to empower individuals and small businesses, providing them with the resources they need to thrive. We believe that financial inclusion is a cornerstone of sustainable development, and we continuously seek to enhance our offerings to better serve our clients. In line with this, we continued to expand our portfolio in 2023 through the services we offer. KEP Trust's total assets increased by 30.2%, reaching 100.5 million EUR compared to the previous year.

In alignment with our corporate governance principles, we prioritize transparency and accountability across all levels of our organization. Continuously, we have strengthened our internal audit processes and risk management approach, ensuring that our operations adhere to both local legislation and international best practices. Our sustainability strategy is built on a foundation of ethical

decision-making, which is essential in fostering trust with our stakeholders. Building on this foundation, since 2021, KEP Trust has also implemented a Social and Environmental Management System (SEMS) based on International Finance Corporation (IFC) guidelines. This system allows us to assess environmental and social risks in our lending activities, ensuring our growth aligns with sustainability goals.

The value we create extends beyond financial metrics. Through our commitment to corporate social responsibility, we actively engage with our communities, supporting initiatives that align with our values. For instance, KEP Trust proudly sponsors the “Kosova Makers League”, providing resources for robotics education in public schools, and collaborates with the “Instituti ATOMI” to support gifted students. Our collaborations, donations, and sponsorships demonstrate our dedication to creating a lasting impact, while our focus on employee well-being ensures that our team is equipped and motivated to drive our mission forward.

As we continue to navigate the complexities of the financial landscape, we remain committed to environmental and social sustainability. Our environmental footprint and social risk assessments in lending activities are key components of our approach, ensuring that our growth does not

come at the expense of our planet or our communities. In 2024, we plan to conduct a comprehensive gap analysis and establish measurable ESG targets to further embed sustainability in our operations. Additionally, we will begin calculating and monitoring our carbon footprint to minimize environmental impact.

Our first sustainability report also outlines our progress in capacity building and digitalization, recognizing that a skilled workforce and modern technology are vital to our success. By investing in our employees and embracing innovation, we are positioning ourselves to meet the evolving needs of our clients.

I firmly believe that together, we are not just achieving financial success; we are making a meaningful difference in the lives of those we serve and the communities we inhabit.

On behalf of myself and our Board of Directors, I would like to thank all of our stakeholders, especially our employees, who have contributed so valuably to KEP Trust’s performance this year.

Sincerely,

Shpend NURA
Chief Executive Officer

1. KEP Trust at a Glance

KEP Trust was established in 1999 by the International Catholic Migration Commission (ICMC) based in Geneva and the Klubi i Afaristëve të Prizrenit. Today, it stands as the leading microfinance institution in Kosovo, offering a diverse array of financial products and services to its clients. KEP Trust is dedicated to helping clients achieve their financial objectives and fostering long-term relationships, thereby contributing significantly to job creation and the overall economic development of the country. Beyond its main office in Pristina, KEP Trust operates a network of 31 modern branches throughout the country, making its services more accessible to the people. The Organization's mission is to enhance living standards and support national economic growth by providing financial services to both individuals and businesses.

Since its registration with the Banking and Payments Authority of Kosovo (now the Central Bank of Kosovo) in 2002, KEP Trust has been functioning as a prominent local microfinance institution.

1.1. Organizational Structure and Senior Management

KEP Trust's organizational structure is designed to promote its corporate governance principals, operational efficiency, and sustainable growth. The governance framework is built upon a clear division of responsibilities between the Board of Directors (BoD) and the Management Board, ensuring that strategic oversight and daily operations are well-coordinated.

The BoD consists of five independent members, none of whom are involved in the day-to-day operations of KEP Trust. This independence and diversity ensure impartial governance and strong oversight. The primary role of the BoD is to set the long-term strategic direction of KEP Trust, ensuring that the organization remains true to its mission and values while driving sustainable development.

In fulfilling its role, the BoD sets and guides the overall strategies of KEP Trust, ensuring that these strategies are consistent with the organization's commitment, stakeholder engagement and effective risk management. The BoD also conducts regular performance evaluations, not only of the Management Board but also of the BoD itself, fostering a culture of continuous improvement and accountability throughout the organization. In addition, the BoD promotes a holistic decision-making process to ensure that management decisions are well-informed, balanced and reflect the diverse interests of all stakeholders.

To reinforce the sustainability strategy, KEP Trust has appointed the Head of Organization and Process Management (HOPMD) as the ESG Officer. This role is responsible for leading the implementation of sustainability initiatives, ensuring alignment with KEP Trust's strategic goals across departments. Additionally, the Chief Financial Officer (CFO) oversees E&S issues at the senior management level, providing high-level guidance and integrating sustainability criteria into financial operations and reporting.

Management Board, led by the Chief Executive Officer (CEO), is responsible for overseeing the day-to-day operations of KEP Trust and implementing the strategic objectives set by the BoD. This team includes key members such as the CFO, Chief Commercial Officer (CCO), Chief Human Resources Officer (CHRO) and other senior managers who oversee critical departments including Agro, SME, Marketing, Business Development, IT, Risk Management and Human Resources. CFO oversees environmental and social (E&S) issues at the senior management level.

Management Board plays a critical role in ensuring the smooth and efficient operation of all departments, aligning them with KEP Trust's strategic goals. They are also responsible for performance management, guiding the activities of various departments to foster operational excellence, innovation, and continuous improvement. Moreover, they work to integrate sustainability practices into all areas of the organization, from financial management to human resources, ensuring long-term viability and responsible growth.

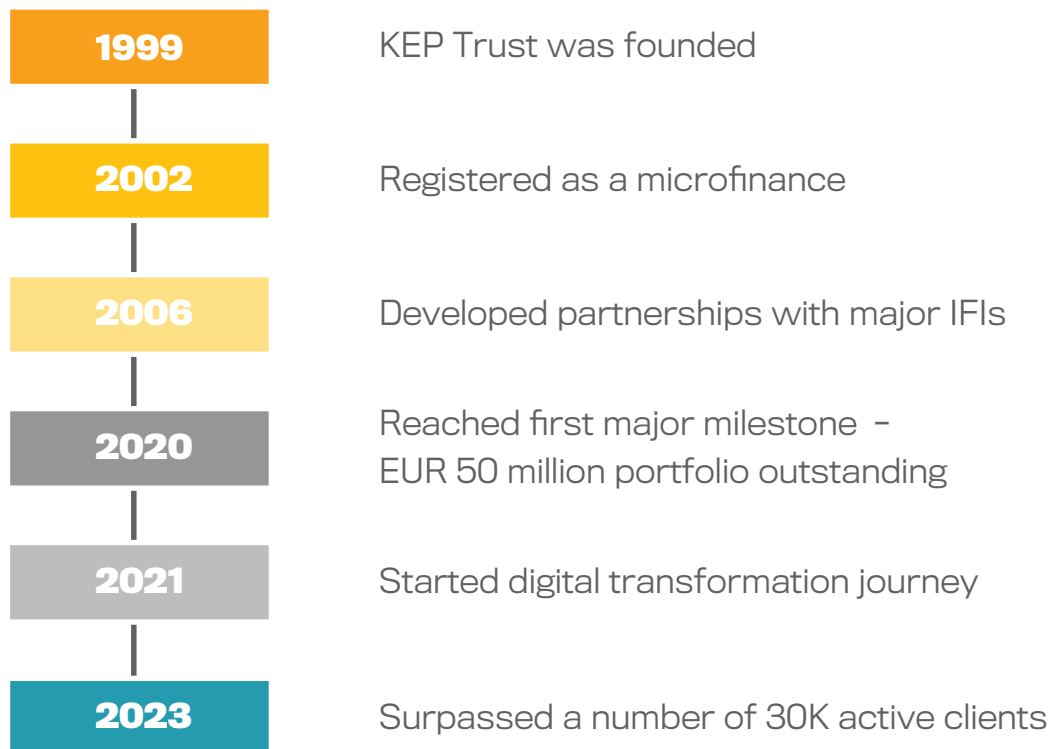
Collaboration and coordination among departments enhance organizational efficiency and improve service quality. At KEP Trust, resources and support are provided at all levels, from management to field operations, to maximize employee competencies. This framework not only fosters the professional development of staff but also ensures the provision of effective and high-quality services to our clients.

The Board of Directors of KEP Trust is tasked with approving an organizational structure that aligns with the Organization's operational nature, ensuring that adequate organizational regulations are in place to implement the strategy endorsed by the Board. This structure is designed to promote effective decision-making and uphold good governance practices.

Key elements of this structure includes:

- A clear and transparent organizational framework.
- Specific goals established for each administrative unit.
- Clearly defined functional tasks and responsibilities for each administrative unit.
- Established authorities, communication channels, and direct supervision lines for positions across different management levels, facilitating dual oversight that balances the roles of the Board and Executive Management, along with appropriate allocation and segregation of responsibilities.
- Comprehensive evidence, policies, and procedures to support operational execution and oversight, accompanied by job descriptions for all levels within the organizational structure, detailing the qualifications and experience required for each role.
- Assurance that our organizational structure fully supports and enhances sound governance practices.
- The ESG Officer will work closely with the Risk, Audit, and Compliance teams to proactively manage and address sustainability-related risks and opportunities.

1.2. History



1.3. Vision, Mission, Values

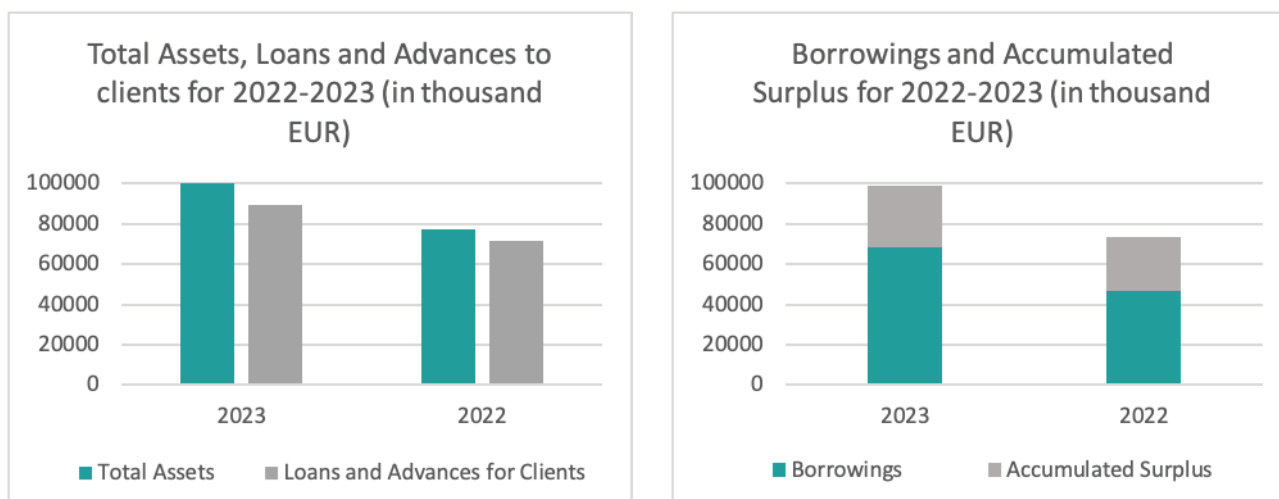
KEP Trust's vision, mission, and values are centered on improving the standard of living and supporting the economic development of Kosovo. KEP Trust's mission is to provide financial services to individuals and businesses to help achieve these goals. The importance of building ongoing relationships with the clients are emphasized and this is directly contributing to job creation and the overall economic development of the country. The organization also has a strong social mission aimed at reducing poverty among communities by supporting those with limited access to financial resources.

As part of its evolving commitment to sustainability, KEP Trust has expanded its mission to address pressing environmental challenges. The organization now actively integrates ESG principles into its strategy, with clear objectives for responsible growth and resource efficiency. Our sustainability strategy includes initiatives to reduce KEP Trust's own environmental footprint and to support clients in adopting sustainable practices through tailored financial products, such as green loans.

In developing this sustainability mindset, KEP Trust aims to achieve measurable ESG targets by 2024, including the reduction of its carbon footprint and enhanced monitoring of environmental risks associated with lending activities. These efforts align with our core mission and reflect our commitment to creating a lasting, positive impact in the communities we serve.

1.4. 2023 Performance

In 2023, KEP Trust experienced notable financial growth. Total assets rose by 30.2%, reaching 100.5 million EUR compared to the previous year. Loans to clients, after accounting for provisions for losses, made up 88.3% of total assets. By December 31, 2023, the total gross loans had increased by 26.5% to 91.3 million EUR. Provisions for loan losses also grew by 33.8%, emphasizing the MFIs dedication to maintaining a robust and sustainable portfolio in line with IFRS 9.



KEP's borrowing liabilities climbed to 67.5 million EUR, a 37.4% rise despite global economic uncertainties. The surplus reached 30.5 million EUR, which included 3.8 million EUR earned from economic activities throughout the year. The net income after tax was 3.8 million EUR, a slight increase of 0.14 million EUR from the previous year. Interest from loans remained the main source of KEP Trust's total income.

As of December 31, 2023, personnel expenses totaled 4.1 million EUR, reflecting a 6.8% increase from the previous year. This rise was due to adjustments in compensation for inflation and investments in training and development, which are crucial for the team's growth and advancement.

General and administrative expenses, excluding provisions, reached 2.6 million EUR, marking an 18% increase from the previous year. Nevertheless, the ratio of net income to general expenses, excluding loan loss provisions, stayed consistent at under 60%, demonstrating KEP Trust's ongoing commitment to cost management.

2. Sustainability Approach

2.1. Sustainability Strategy and Management

In 2023, KEP Trust focused on understanding its current position regarding sustainability by evaluating existing practices and setting the stage for future improvements. KEP Trust is currently engaged in the development of a comprehensive sustainability framework, the objective of which is the integration of ESG principles into the entirety of its operational activities. Although a formal sustainability strategy is currently being prepared, KEP Trust has already initiated significant measures to mitigate environmental and social risks, thereby laying the foundation for a more comprehensive sustainability approach in the forthcoming years.

In the present organizational structure, the responsibility for the supervision and implementation of sustainability initiatives within KEP Trust is held by the HOPMD as explained in Section 1.1. KEP Trust has already established a Social and Environmental Management System (SEMS) in 2021, based on International Finance Corporation (IFC) guidelines. The SEMS outlines the principles and procedures for identifying and assessing E&S risks related to KEP Trust's lending activities. A key component of KEP Trust's sustainability management is the SEMS Policy and Procedure, which details the roles, responsibilities, and processes for managing E&S risks within the organization. The policy includes a clear categorization system for assessing risk levels:

- Category A: High Risk
- Category B: Medium Risk
- Category C: Low Risk
- Category D: Positive Impact

This system ensures that all lending activities are subjected to a thorough review and categorization process, with a view to assessing their potential E&S impact. In accordance with the standards set forth by the IFC, KEP Trust has also implemented an Exclusion List, delineating the activities that will not be financed due to their inherent social or environmental risks. The SEMS Procedure stipulates that the E&S risk assessment must be conducted for all loans, irrespective of the amount involved.

Although the sustainability strategy is still under development, KEP Trust is firmly committed to the following core actions:

- KEP Trust will formally begin its sustainability journey in 2024 by conducting a comprehensive gap analysis, which will identify where the institution's operations, lending practices, and governance structures need improvement to meet international sustainability standards.
- By the end 2024, KEP Trust will have completed the development of its sustainability strategy, which will set out specific, quantifiable ESG targets.
- KEP Trust will reinforce its lending practices by integrating ESG criteria, thereby ensuring responsible growth and adherence to E&S standards.
- KEP Trust will begin calculating the carbon footprint of its operations and set limits on emissions as part of its broader commitment to environmental sustainability.
- KEP Trust will engage with its stakeholders through transparent communication and initiatives designed to support sustainable practices.

2.2. Materiality Analysis

It is of the utmost importance to gain an understanding of the priorities and concerns of stakeholders in order to construct an effective and pertinent sustainability roadmap. KEP Trust's materiality analysis enables the organization to identify the sustainability issues that are of greatest importance to both its internal and external stakeholders. By concentrating on these pivotal subjects, KEP Trust guarantees that its endeavors are aligned with the expectations of its stakeholders, the requirements of the relevant legislation, and the KEP Trust's long-term sustainability vision. The materiality analysis process was conducted in three structured steps to ensure a comprehensive understanding of sustainability concerns.

The identification of key sustainability topics is the fundamental and the first aspect of the analysis. A comprehensive list of sustainability topics was developed through a process of benchmarking against peer companies within the microfinance industry. The next step was to engage with stakeholders. KEP Trust contacted a number of stakeholders, representing both internal (employees, management) and external stakeholder groups (clients, regulators, partners). The aforementioned stakeholders were then requested to assign scores and ratings to a variety of sustainability topics, thereby providing indispensable input for the subsequent analysis. Finally, the responses from the surveys were subjected to analysis and plotted on a materiality matrix, thus enabling KEP Trust to visualize the importance of each topic from both an internal and external perspective.

The topics were then classified into two levels of priority:

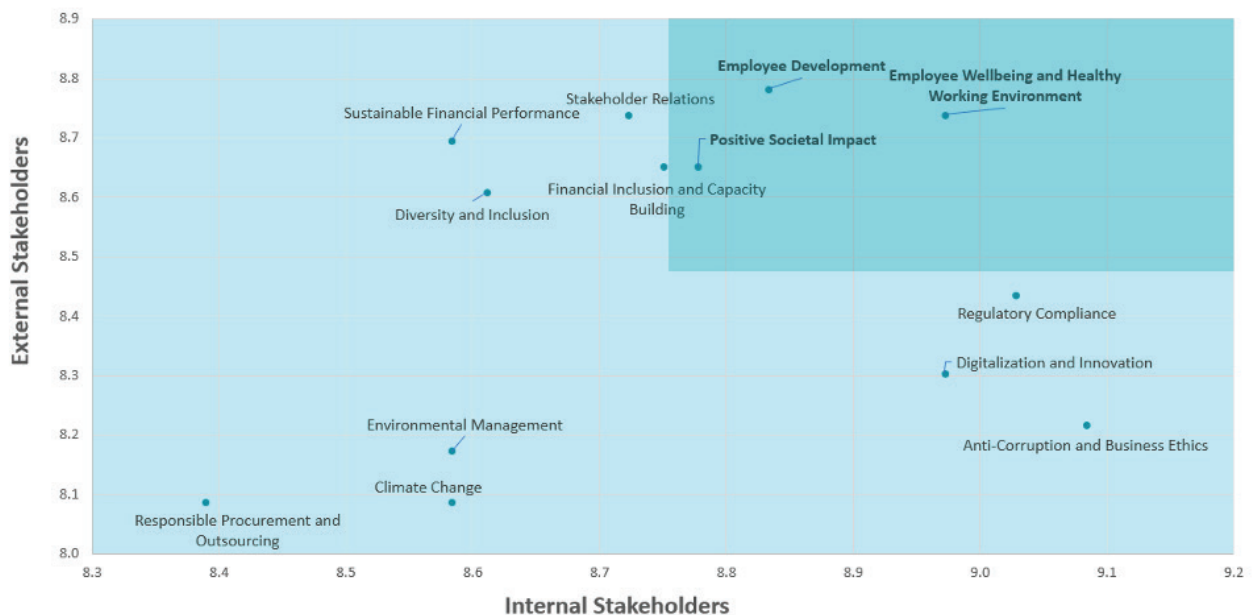
Very High Priority:

- Employee Wellbeing and Healthy Working Environment
- Employee Development
- Positive Societal Impact

High Priority:

- Financial Inclusion and Capacity Building
- Regulatory Compliance
- Stakeholder Relations
- Anti-Corruption and Business Ethics
- Digitalization and Innovation
- Sustainable Financial Performance
- Diversity and Inclusion
- Environmental Management
- Climate Change
- Responsible Procurement and Outsourcing

The materiality matrix provides a visual representation of these priorities, with internal stakeholders' assessments displayed on the horizontal axis and external stakeholders' assessments on the vertical axis. The matrix assists KEP Trust in concentrating its resources and efforts on areas that are considered the most significant for both its operations and stakeholder expectations, thereby ensuring that the organization's sustainability strategy addresses the issues of greatest relevance.



2.2.1. SDG Map of Activities

The United Nations Sustainable Development Goals (SDGs), established in 2015, constitute a universal call to action to eradicate poverty, safeguard the planet, and guarantee that all individuals enjoy peace and prosperity by 2030. The 17 interconnected Goals provide a framework for addressing the world's most pressing challenges, which include climate change, economic inequality, sustainable consumption and peacebuilding.

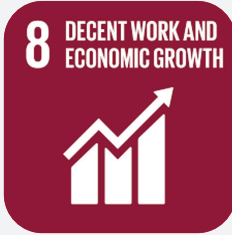
For businesses, alignment with the SDGs represents not only a matter of social responsibility but also an opportunity to drive long-term value by contributing to the global agenda. The incorporation of SDGs into corporate strategies enables businesses to facilitate the development of resilient economies, reinforce community cohesion, and protect the environment. This, in turn, allows businesses to enhance their own sustainability and growth.

At KEP Trust, adherence to the SDGs is fundamental to ensuring that the organization's long-term vision and mission are aligned with global sustainability efforts. In accordance with the findings of the materiality analysis and in alignment with the core values of KEP Trust, the following SDGs have been identified as priority areas for the organization's future activities. These goals provide a framework for KEP Trust's sustainability journey, enabling the institution to concentrate its efforts on the most impactful areas of its operations and stakeholder relations.



SDG 5: Gender Equality

KEP Trust is committed to promoting gender equality, which is an essential aspect of building a fair and inclusive society. As part of this commitment, KEP Trust has dedicated at least 30% of European Bank for Reconstruction and Development (EBRD) funding to women-led MSMEs (Micro, Small, and Medium Enterprises), ensuring greater access to financial services for women entrepreneurs. Additionally, KEP Trust places great importance on maintaining gender balance within its own workforce.



SDG 8: Decent Work and Economic Growth

KEP Trust's objective is to facilitate sustainable economic growth by providing access to financial services that generate employment opportunities and support the development of small businesses. By pursuing ongoing investment in technology, branch modernization and staff development, KEP Trust is able to ensure that it is able to respond to the evolving needs of its client base while also contributing to broader economic stability.



SDG 10: Reduced Inequalities

Inclusiveness is a fundamental tenet of KEP Trust's organizational values. By incorporating SDG 10 into its operational framework, KEP Trust aims to diminish social and economic disparities, guaranteeing equitable access to financial services for all individuals, irrespective of gender, race, or socioeconomic status. This objective is reflected in the organization's Human Resources Policy and its ongoing endeavors to promote diversity and inclusion.



SDG 11: Sustainable Cities and Communities

KEP Trust's overarching objective is to promote the creation of sustainable and resilient urban communities. This is achieved by enhancing access to affordable financial services. This commitment serves to empower underserved populations, thereby enabling them to achieve economic security and resilience, while also enhancing KEP Trust's role in fostering social responsibility.



SDG 13: Climate Action

In accordance with SDG 13, KEP Trust is dedicated to confronting the challenges posed by climate change through the implementation of sustainable lending practices and operational efficiencies. The institution has established climate-related objectives and integrated E&S risk assessments into its SEMS with the objective of mitigating the environmental impact of its lending portfolio and operations.



SDG 16: Peace, Justice, and Strong Institutions

KEP Trust asserts the significance of well-functioning institutions that advance peace, justice, and transparency. By forging collaborative relationships with national organizations and helping community-driven initiatives, KEP Trust plays an active role in promoting good governance and social stability. Furthermore, the organization is committed to maintaining an inclusive and ethical workplace that reflects these values.

3. Corporate Governance

3.1. Corporate Governance Principles and Policies, Ethical Principles

Corporate governance approach adopted by KEP Trust demonstrates its consistent commitment to upholding high standards of corporate governance and ethical conduct. These principles are seen fundamental to fostering stakeholder trust, achieving long-term success and made possible sustainable development. KEP Trust’s governance framework emphasizes openness, responsibility, and fairness, guiding the organization’s strategic decisions and daily operations while ensuring compliance with legal and ethical standards aligned with its mission.

KEP Trust’s Corporate Governance Principles

Transparency and Disclosure	Accountability	Fairness and Equal Treatment
<p>KEP Trust is committed to ensuring transparency by consistently providing accurate and timely information regarding its financial and operational performance. This is achieved through a comprehensive reporting system that includes detailed annual reports, interim statements, and updates on significant activities. Additionally, open communication channels allow stakeholders to access this information, promoting an atmosphere of trust and clarity.</p>	<p>Accountability is essential for KEP Trust to operate responsibly and stay aligned with its mission and values. Regular performance evaluations of both the Board of Directors and the Management Board are conducted to ensure continuous improvement. These evaluations reinforce the accountability framework, ensuring leadership actions are consistently aligned with the organization’s strategic goals and objectives.</p>	<p>KEP Trust is dedicated to treating all stakeholders with fairness and ensuring that decision-making processes are equitable. The institution has mechanisms in place to resolve conflicts of interest, ensuring impartiality in its operations. This commitment extends to all stakeholders reinforcing the organization’s dedication to equality and justice.</p>
Legal Compliance and Ethical Conduct	Board Structure and Composition	Strategic Oversight
<p>Compliance with legal and regulatory requirements is a foundational aspect of KEP Trust’s operations. The institution ensures that all practices align with statutory obligations. A key element of this framework is Code of Ethics, which guides the conduct of all employees, promoting integrity and ethical decision-making throughout the organization. KEP Trust aims to uphold the highest standards of behavior, fostering a culture of respect and integrity across all areas of the institution.</p>	<p>KEP Trust’s board consists of individuals with diverse skills, experiences, and backgrounds, enhancing the quality of decision-making and ensuring that a range of perspectives is considered. This diversity strengthens governance by ensuring the interests of all stakeholders are represented. Additionally, the inclusion of independent board members ensures impartial oversight, contributing to balanced and objective governance.</p>	<p>Establishing the strategic direction is crucial for ensuring that KEP Trust’s objectives are aligned with its mission and values. This oversight promotes sustainable and responsible growth while ensuring the smooth operation of the institution. Effective risk management is a key aspect of strategic oversight, encompassing the identification, assessment, and mitigation of risks. Strong risk management practices safeguard KEP Trust’s assets and reputation, ensuring long-term stability and success.</p>

Internal Controls	Stakeholder Engagement	Ethical Leadership and Culture
<p>KEP Trust has implemented robust internal control systems, ensuring compliance and operational efficiency. Regular internal controlling activities and internal audits are conducted to monitor and assess adherence to both compliance standards and performance goals. These audits help maintain accountability and ensure that all processes align with the organization's objectives and regulatory requirements.</p>	<p>Despite operating as a non-governmental organization (NGO) without shareholders, KEP Trust proactively engages with a diverse range of stakeholders, including lenders, beneficiaries, and partners. The Organization places a high value on the input of its stakeholders and ensures that their interests are considered during the decision-making process. Such engagement is an essential component of the institution's governance framework, ensuring that stakeholders are kept informed and that their feedback is duly considered.</p>	<p>KEP Trust fosters an organizational culture that exemplifies ethical leadership, wherein the management team serves as a role model and establishes a rigorous standard for conduct throughout the institution. Such ethical leadership is vital for the creation of a work environment that is characterized by integrity. The institution endeavors to integrate these values at all levels, thereby ensuring their reflection in the institution's daily operations and decision-making processes.</p>

In order to guarantee the effective implementation of corporate governance principles, KEP Trust has established a comprehensive set of internal documents. Some of the key policies include:

- Human Resources Policy
- Code of Conduct
- Procurement Policy
- Credit Risk Policy
- Risk Management Policy
- Operational Risk Policy
- Internal Control Policy
- Privacy and Data Protection Policy
- Prevention of Fraud, Bribery, Corruption, and Whistleblowing Procedures
- Information Technology Policy

These policies are regularly reviewed and updated to ensure they remain relevant and effective, reflecting KEP Trust's commitment to continuous improvement. Regular training and development programs keep management and staff informed of the latest governance standards, enabling them to adopt evolving best practices.

Ethical principles of KEP Trust are designed to uphold the highest standards of integrity, thereby ensuring that the Organization operates with respect for all stakeholders and maintains a culture of ethical conduct.

These principles are integrated into the Organization's culture, influencing decision-making processes and guiding everyday actions. A Code of Conduct is in place, delineating the anticipated standards of ethical conduct. The Code provides guidance on how to approach ethical decision-making and handle ethical dilemmas in a manner consistent with the Organization's values. It serves as a principal point of reference, ensuring that actions across all levels of the institution reflect integrity and professionalism. It is a requirement that all employees sign the Code of Conduct on an annual basis, thereby confirming that they have read and understood its contents.

The Disciplinary Procedure applies to all KEP Trust employees and is designed to ensure fairness and consistency in disciplinary matters. This procedure sets out a range of rules, penalties and actions to be taken in cases where employees fail to meet the expected level of professional standards and performance as defined by KEP Trust's policies and procedures. The procedure also ensures that all employees are adequately informed of their rights and responsibilities in relation to disciplinary action in the workplace. It fulfils the legal obligations arising from the applicable laws of Kosovo, in particular the Labor Law.

3.2. Transparency and Reporting (Internal Audit, Legislation and Compliance)

KEP Trust is relentless in its commitment to transparency and accountability across all its operations. This commitment is upheld through the implementation of solid internal audit processes with a comprehensive legal and compliance framework, ensuring the institution adheres to both internal standards and external legal obligations.

The Internal Audit Department of KEP Trust maintains the integrity of the organization's operations. One of its core responsibilities is to perform regular audits of essential policies to ensure compliance and operational efficiency. The Department employs a risk-based audit planning methodology, which focuses on regularly assessing the organization's most critical areas, ensuring thorough oversight where it is most needed.

In 2023, as part of its annual review, the Internal Audit Department conducted audits of the Code of Conduct and the Fraud Prevention Procedure. During this audit, an opportunity for improvement was identified. It was recommended that all employees undergo additional training to strengthen their ability to identify and report potential concerns or misuse. This recommendation was swiftly implemented, reinforcing KEP Trust's internal controls and further embedding a culture of integrity and accountability throughout the organization.

In terms of compliance, all laws and regulations in Kosovo are diligently adhered to. Reporting is conducted quarterly to update the management and the Board of Director's Risk Committee. Furthermore, notifications and reports regarding new legislation are regularly communicated to the management and the Risk Committee.

Adhering to all relevant legal and regulatory requirements is achieved through the institution's Legal and Compliance Policy, which ensures that all practices comply with both national and international requirements. The policy establishes the framework for KEP Trust's strict adherence to legal standards, guaranteeing that all activities are conducted responsibly and in full compliance with applicable laws and regulations.

Additionally, KEP Trust operates under a comprehensive Complaints Handling Policy, which provides an open mechanism for stakeholders including clients, employees, and partners to raise concerns. This policy helps that all complaints are addressed in a fair, prompt, and efficient manner. By maintaining a clear and accessible process for managing complaints, KEP Trust fosters trust and strengthens relationships with its customers, while continuously improving its operational transparency and accountability.

Throughout 2023, KEP Trust's Legal Department maintained its ongoing monitoring and ensured that management and risk committees were kept informed of any legal updates, including ESG considerations. In accordance with the increasing significance of sustainability, KEP Trust is looking to progressively incorporating ESG tenets into its reporting frameworks. This includes the establishment of a standardized ESG data collection process across departments to facilitate consistent and comprehensive reporting.

By enhancing both its internal audit procedures and legal compliance frameworks, KEP Trust evinces its preparedness to fulfill prospective reporting obligations, particularly in matters pertaining to sustainability. Specifically, KEP Trust is preparing to implement ESG-focused compliance audits within its internal audit system by next years, which will assess adherence to sustainability practices, especially in lending and operational activities. As international lenders increasingly priorities ESG criteria, KEP Trust's strategic approach is well-positioned to facilitate sustained success and responsible growth.

3.3. Risk Management Approach

KEP Trust attaches considerable importance to risk management, which is a crucial element in ensuring the long-term sustainability and success of the organization. This approach is not only focused on identifying potential risks but also managing and mitigating them to safeguard the institution's operations. Through its commitment to best practices and evolving strategies, KEP Trust fosters a risk-aware culture that aligns with its core values and promotes responsible financial practices.

KEP Trusts's risk management framework is based on a structured process encompassing risk identification, measurement, management, and continuous monitoring. Furthermore, KEP Trust guarantees the implementation of intelligible policies (Credit Risk Policy, Liquidity Risk Policy, Risk Management Policy, and Operational Risk Policy) at all organizational levels. The collaboration with the Management Board ensures that risk exposure is subjected to continuous evaluation and kept within acceptable limits, thus allowing for informed decision-making and long-term planning. The principal areas of risk management encompass credit risk, operational risk, liquidity risk, interest rate and funding risk, and environmental and social risk.

Credit risk, one of the most significant risks confronting KEP Trust, is mitigated through a comprehensive assessment of borrowers' repayment capacity and an active monitoring of loan performance. By cultivating enduring client relationships and upholding a superior quality loan portfolio, the institution mitigates the probability of defaults. Furthermore, provisions for potential loan losses guarantee that KEP is adequately prepared to cope with any financial repercussions that may arise from non-performing loans.

Operational risk is addressed through the active participation of employees, who are encouraged to engage in identifying and assessing risks. This collaborative approach is reinforced by the utilization of Key Risk Indicators (KRIs), which function as early warning signals for any emerging issues. The creation of contemporary, user-friendly digital platforms facilitates a transparent working environment, wherein personnel can effectively oversee operational procedures, thereby reinforcing risk mitigation strategies.

Liquidity risk management focuses on ensuring sufficient cash flows to meet both current and future obligations. KEP Trust's portfolio, which consists of numerous small loans with predictable repayment terms, enhances forecasting accuracy

and provides cash flow stability. Regular liquidity stress testing is conducted to assess potential vulnerabilities and to help the institution maintain a strong liquidity position, even in periods of external shocks.

Although foreign currency risk is considered to be insignificant because assets and liabilities are expressed in EUR, interest rate and funding risks are actively managed. KEP Trust maintains low leverage ratios through the utilization of a robust equity base, which serves to ensure predictable financial outcomes. Maturity gap analyses are also performed to align asset maturities with liabilities, minimizing the risk of adverse effects on profitability due to interest rate mismatches.

Since 2021, KEP Trust has operated its SEMS to identify and assess E&S risks associated with lending activities, ensuring that all financial decisions reflect the organization's commitment to sustainable development. This structured approach enables KEP Trust to thoroughly review and classify lending activities based on their potential E&S impact, thereby aligning financial activities more closely with sustainability goals. Detailed information is provided in Sections 2.1 and 5.2. As part of its continuous improvement efforts, KEP Trust emphasizes the importance of robust internal controls and professional development. Furthermore, KEP Trust allocates resources towards the implementation of specialized training programs for its employees, thereby facilitating the enhancement of their abilities in the identification and management of risks. Over the last three years, training has focused on critical areas such as risk management, further empowering staff to contribute to a secure and efficient operational environment.



4. Social Responsibility

4.1. Value for Society

KEP Trust envisions creating significant value for society by fostering sustainable economic growth and community well-being in Kosovo. KEP Trust's commitment extends beyond financial performance to actively addressing social and environmental challenges. KEP Trust aims to drive positive societal impact through responsible lending practices, supporting local businesses and entrepreneurs, and investing in initiatives that promote education, health, and environmental sustainability. This emphasis aligns with the findings of our materiality analysis, where Positive Societal Impact emerged as one of the top priorities for both internal and external stakeholders. By prioritizing ethical practices, inclusivity, and community engagement, KEP Trust strives to enhance the quality of life for Kosovars, contribute to the country's development goals, and ensure that the growth of organization aligns with the broader interests of society.

4.1.1. Products and Services

Microfinance institutions play a crucial role in enhancing access to financial services for low-income individuals and small businesses, thereby contributing significantly to economic development. KEP Trust, in parallel with its mission, expands economic opportunities within the community by offering a diverse range of financial products and services designed to promote financial inclusion. KEP Trust's offerings include diverse range of loans such as agro loan, business loan, housing loan, super express loan, all tailored to meet the needs of those who are often excluded from traditional banking systems. These loans empower entrepreneurs or individuals to realize their aspirations and foster growth, while enhancing their financial security. Through these financial products and services, KEP Trust not only supports individual financial empowerment but also contributes to the broader economic development of communities, working towards a more sustainable future.

KEP Trust is dedicated to ensuring that all applications are evaluated impartially based on their merits and the established criteria. Following the approval of a loan, clients are thoroughly informed about the loan's terms and conditions. KEP also supports these clients in completing the required documentation.

KEP Trust is dedicated to ensuring that all applications are evaluated impartially, based on their merits and adherence to criteria. Once a loan is approved, KEP

Trust guarantees that clients are thoroughly informed about the loan's terms and conditions. Additionally, KEP Trust always supports its clients by helping them complete the required documentation.

Types of Loans

- **Business Loan**

Business Loan offered by KEP Trust is available for amounts up to 25,000 EUR and can be utilized for a variety of purposes, including investing in infrastructure, renovating facilities, purchasing new equipment or technology, increasing working capital, and other essential business investments. This loan comes with several advantages, such as favorable interest rates, no administrative fees, and credit approval within 24 hours. Additionally, clients can access loans of up to 15,000 EUR without the need for a mortgage, with flexible payment terms extending up to 60 months.

- **Express Business Loan**

The terms and conditions for express business loans include loan amounts ranging from 200 EUR to 3,000 EUR, with repayment periods of up to 36 months. These loans do not require collateral or a guarantor and are offered with no administrative fees.

- **Agro Loan**

Agribusiness Loans from KEP are available for amounts up to 25,000 EUR and can be utilized for various purposes, including increasing production capacity, expanding farms, increasing livestock numbers, purchasing agricultural equipment and machinery, and preparing for seasonal demands. Key advantages of these loans include a flexible payment plan, favorable interest rates, and no administrative fees, with loan issuance within 24 hours. Additionally, clients can secure loans up to 5,000 EUR without the need for a guarantor or collateral, along with a grace period of up to six months and repayment terms extending up to 60 months.

- **Super Express Loan**

With Super Express Loan that applies to all products, KEP Trust offers a loan of up to 3,000 EUR on favorable terms, with repayment options extending up to 36 months and zero administrative costs. For those seeking quick and straightforward solutions, the Super Express Loan presents an ideal option.

- **Housing Loan**

The terms and conditions for the Housing Loan include loan amounts ranging from

3,000 EUR to 25,000 EUR, with repayment periods of up to 60 months. The loan features favorable interest rates without administrative fees. Approval is granted within 24 hours, and loans of up to 5,000 EUR do not require a guarantor or collateral.

- Express Consumer Loan

For the clients who need to purchase household appliances, register a vehicle, or cover any other immediate personal expenses, KEP Trust offers a solution via an Express Consumer Loan. The terms and conditions include loan amounts ranging from 200 EUR to 2,000 EUR, with repayment periods of up to 36 months. These loans do not require collateral or a guarantor and are provided with no administrative fees.

- Express Loan for Improvement of Housing Conditions

The terms and conditions for express loan for improvement of housing conditions include loan amounts ranging from 200 EUR to 3,000 EUR, with repayment periods of up to 36 months. These loans do not require collateral or a guarantor and are offered with no administrative fees.

KEP Trust's diverse loan offerings empower individuals and communities, supporting both personal financial growth and broader economic development. The table below outlines the investments made from 2021 to 2023 across various themes, including support for women entrepreneurs, small and medium enterprises (SMEs), and individual entrepreneurs. Notably, our commitment to sustainability is evident through targeted 'green loans,' which fund environmentally responsible projects such as energy efficiency upgrades, sustainable agricultural practices, and renewable energy initiatives.

Through these investments, KEP Trust not only enhances financial inclusion but also strengthens social and environmental responsibility, aligning our financial products with a vision for a more resilient and sustainable future.

The table below demonstrates the types of loans in which KEP Trust has invested, along with the amount in EUR of their investments.

Theme	Investment for Projects (EUR)		
	2021	2022	2023
Women Entrepreneur/Women Empowering	1,780,303	2,509,733	3,632,979
SME	1,629,051	4,791,396	7,757,388
Entrepreneurs	11,198,429	13,970,998	18,645,890
Green Loans	1,585,405	1,745,669	4,354,179
Other	9,036,972	12,435,359	17,685,098

4.1.2. Financial Inclusion

As stated in KEP Trust's mission, as a microfinance institution, financial inclusion is one of the most crucial values for the organization. It supports low-income individuals and small businesses in accessing economic opportunities by providing financial services for them. Therefore, KEP Trust has been promoting sustainable development and fostering a broader level of prosperity within communities. Thanks to this approach, it aims to empower communities and enhances their economic independence.

\ Developing educational content to enhance financial literacy for both current and prospective clients is crucial. This content includes informative articles, videos, webinars, workshops, and seminars. By organizing educational events and providing content, KEP Trust aims to help clients gain a better understanding of financial products and services. This perspective enables clients to make informed decisions about their financial needs and responsibilities, thereby promoting responsible financial inclusion.

4.1.3. Client Protection

Client protection is one of the most fundamental aspects for KEP Trust. As a microfinance institution, KEP Trust adopts a highly sensitive approach to prioritize its clients' needs and safeguard their rights. In this regard, ensuring that the financial services the Organization provides are fair, transparent, and reliable are valuable and important for the sustainable development of the community. The principles of client protection not only form an integral part of the organizational culture but also reflect its commitment to supporting its clients' economic independence.

As a testament to KEP Trust's commitment to client protection and sustainable practices, it has been recognized for its efforts in the sector. Its dedication to ethical service delivery and client empowerment has resulted in several prestigious awards.

KEP Trust has received Client Protection Certification from MFR Certification, achieving the Gold level in client protection. The Gold level represents the highest standard of achievement and indicates that KEP Trust complies with the most stringent client protection criteria outlined in the Universal Standards for Social and Environmental Performance Management.

These certifications highlight KEP Trust's dedication to upholding principles and practices that ensure the protection and fair treatment of its clients. The recognition KEP Trust has received serves not only as validation of its approach but also as motivation to continue striving for excellence in all aspects of its operations.

4.1.4. Corporate Social Responsibility Approach

KEP Trust is committed to supporting initiatives that contribute to the well-being and development of the community in Kosovo, including cultural heritage, health, sports and environmental sustainability.

In the field of culture, KEP Trust supports numerous festivals and initiatives aimed at promoting and preserving Kosovo's rich cultural heritage. These events do not only maintain the traditions and history, but also strengthen ties between cultural communities. By supporting these initiatives, KEP Trust plays a vital role in ensuring that the cultural heritage is valued and passed on to future generations. In other words, KEP Trust fosters a culture that values community service and social responsibility, making it a norm for employees to engage in such activities. By motivating employees to engage in these activities and initiatives that align with the company's strategic objectives, such as sustainability and financial literacy, KEP Trust strengthens its commitment to long-term success and positive societal impact.

KEP Trust persists on enhancing its brand visibility and corporate responsibility by engaging in sponsorships and making donations. The Organization will concentrate on supporting sports federations and cultural events with national reach, with a special emphasis on promoting the advancement of women, individuals with special needs, and other vulnerable groups.

KEP Trust has been providing donations to support health-related causes, especially for individuals requiring medical treatment abroad. These charitable efforts reflect the Organization's dedication to social responsibility and its ongoing commitment to enhancing community welfare.

4.1.4.1. Collaborations, Donations, and Sponsorships

KEP Trust actively engages in collaborations, donations, and sponsorships to reinforce its commitment to community welfare and social responsibility. KEP Trust partners with various organizations and initiatives, focusing on impactful projects that align with its values. For example;

- In the field of education, among others, KEP Trust contributes through sponsoring the organization "Kosova Makers League", in the purchase of robots for public school students in Kosovo, who then participate in the state robotics competition. At the same period, we have sponsored "Instituti ATOMI" who aims to identify, and support gifted and talented individuals with extraordinary intelligence.
- Regarding assistance in professional and financial literacy, KEP has established an Agricultural Development Foundation- "Agrodev" with aim to boost Kosovo's agriculture sector through information, development and promotion.
- KEP Trust also financially assists dozens of cases requiring medical treatment abroad, demonstrating our commitment to the health and well-being of our fellow citizens. KEP Trust also collaborates with various organizations that focus on general health initiatives and mental health activities throughout Kosovo. By contributing to these critical health programs, the organization aims to improve the quality of life for individuals and families in need.
- In the field of sports, KEP Trust plays a prominent role as one of the main sponsors of the Kosovo Handball Federation.



The Organization's support continues beyond handball, as it also sponsors activities in football, basketball, and tennis, with a special emphasis on being the main sponsor of the Kosovo Tennis Federation.

Through these sponsorships, KEP Trust aims to promote physical activity, teamwork, and the pursuit of excellence among athletes of all ages. Moreover, recognizing the importance of environmental protection, KEP Trust finances organizations dedicated to the protection and preservation of the natural environment. In this area, the Organization also contributes to the creation of educational materials and initiatives that increase awareness of environmental issues and encourage sustainable practices.

In 2023, KEP Trust's investment in community and corporate social responsibility projects is greater than the sum of the investments made in 2021 and 2022.

	2021	2022	2023
Budget spent in community investment and CSR Projects (EUR)	89,593	81,382	199,292

This sum of investments correspond to 5.25% of Institution's 2023, net surplus.

4.2. Value for Employees

At KEP Trust, employees are highly valued and are considered the cornerstone of the organization's success. KEP Trust is dedicated to fostering a supportive and enriching work environment that prioritizes both professional and personal growth, a commitment that aligns closely with the findings of our materiality analysis, where Employee Wellbeing, a Healthy Working Environment, and Employee Development emerged as top priorities for both internal and external stakeholders.

KEP Trust's comprehensive benefits package is designed to support both professional and personal well-being. KEP Trust offers health, life, and disability insurance to ensure the employees' comfort and happiness. They can also benefit from performance and end-of-year bonuses that reward their hard work. KEP Trust is committed to its ongoing development, providing opportunities for continuous professional growth and personal time off for university exams. KEP Trust's flexible work arrangements include work-from-home options and adjustable working hours to fit employee's lifestyle. Additional perks include a car allowance, phone expenses coverage, and the possibility of receiving one salary in advance with up to 12-month installment payments. KEP Trust also provides

KPIs	2021				2022				2023			
Number of Employees Under 30 Years of Age	13		26		10		29		12		26	
	39				39				38			
Number of Employees Aged 30-50	Male		Female		Male		Female		Male		Female	
	96		77		96		74		92		81	
	173				170				173			
Number of Employees over 50 Years of Age	Male		Female		Male		Female		Male		Female	
	19		10		21		15		23		15	
	29				36				38			
Number of Employees by Working Hours	FTE		PTE		FTE		PTE		FTE		PTE	
	236		9		243		4		246		4	
Number of Disabled Employees	Male		Female		Male		Female		Male		Female	
	1		3		1		3		1		3	
	4				4				4			
Number of Newly Recruited Employees	Male		Female		Male		Female		Male		Female	
	8		11		7		7		8		15	
	19				14				23			
Number of Female Employees on Maternity/Parental Leave	10				11				12			
Number of Female Employees Returning to Work After the End of Maternity/Parental Leave	10				11				11			
Proportion of Female Employees Returning to Work After the End of Maternity/Parental Leave (%)	100%				100%				91%			
Employee Turnover Rate (%)	11.97%				4.89%				7.96%			

4.2.2. Human Resources Approach

KEP Trust is dedicated to honoring diversity and ensuring equal opportunities for everyone. The recruitment practices of the organization focus exclusively on an individual's skills and qualifications, without considering personal aspects such as background, age, gender, race, disability, or religion.

Furthermore, KEP Trust has a zero-tolerance policy towards discrimination, harassment, or abusive conduct. This applies to all employees, customers, suppliers, contractors, and any other individuals engaged with the institution. Unacceptable conduct includes threats, physical contact, derogatory comments, teasing, or any other offensive or abusive actions that violate a person's dignity, create an offensive environment, or cause an individual to feel uncomfortable, threatened, offended, or distressed.

The employment of individuals with disabilities is carried out in accordance with the HR Policy and current legislation, which states: 'Every employer is required to employ one person with a disability for every 50 employees. Employers who do not fulfill this obligation must pay a monthly fee equivalent to the minimum wage in effect in the Republic of Kosovo for each person with a disability, with the aim of encouraging the employment of individuals with disabilities.'.

KEP Trust adheres to fair labor practices, including the prohibition of child labor, forced labor, and ensuring safe and healthy working conditions. Employees have the right to freely associate and bargain collectively.

KEP is providing accessible and effective grievance mechanisms for employees, stakeholders, and affected communities to raise concerns about human rights violations.

Human Rights at KEP Trust

An organization's approach to the protection of human rights involves a comprehensive and proactive strategy that integrates human rights considerations into all aspects of its operations, from internal policies to external partnerships, ensuring that it contributes positively to the well-being and dignity of individuals and communities.

KEP Trust is transparent about its human rights practices and impacts ensuring compliance with national human rights laws and regulations. Human rights protection and promotion in KEP Trust are part of internal HR set of Policies approved by the Board of Directors. Conducting business with transparency and treating clients and staff with dignity are integral to KEP Trust's institutional culture at KEP Trust.

4.2.2.1. Performance Management, Capacity Building and Training

Employee development is critical to the sustainability of KEP Trust's operations and the effective delivery of services. Enhancing staff competencies not only improves KEP Trust's overall performance but also elevates the quality of the services the Organization provides. Therefore, KEP Trust places significant emphasis on capacity building, aiming to strengthen the professional skills of its team members and provide ongoing support for their growth.

The evaluation of the employees' performance is done at least once a year. KEP Trust considers these evaluations as a positive way aimed at improving individual efficiency at work as well as helping the professional development of all employees in the Institution. This is achieved through performance evaluation for all employees through the use of performance evaluation forms. The employee's performance is also evaluated whenever the employee completes the probationary period, is transferred or promoted or transferred to another position. Human Resources Department informs all employees about the performance evaluation process and sends the performance evaluation forms to the Supervisors. The Human Resources Department also announces the deadlines for the process.

Performance evaluation must be clear and understandable for the employees. They should also provide good feedback for building professional development and/or employee training plans, focusing on specific objectives, career orientation and changes in motivation systems.

Training plays a vital role in achieving KEP Trust's strategic objectives. Developing the knowledge and skills of its employees is essential for both individual and organizational success. At KEP Trust, the training process is viewed as an ongoing and dynamic endeavor rather than a one-time event. With this perspective, KEP Trust clearly demonstrates its dedication to the structured and systematic development of its employees, regardless of their current skill level or position within the Organization. This commitment ensures that all team members have access to tailored training programs and resources that foster continuous improvement and professional growth.

By adopting a proactive approach, KEP Trust supports its employees in adapting to changing market conditions and delivering the highest quality of service. In doing so, the Organization does not only contribute to their personal growth but also reinforce its commitment to the communities they serve.

In 2023, KEP Trust invested a total of 40,000 EUR in employee training, emphasizing a range of crucial areas to support professional growth and operational excellence. The training programs focused on certification, digitalization, and soft skills, addressing essential topics such as Risk Management, Certified Auditor, IT Auditor, Data Analytics, and Agile-Scrum methodologies. Other key areas included Information/Cyber Security, Data Protection (GDPR), Project Management, Power BI, GEFf loans, and Financial Statements. KEP Trust also prioritizes Customer Service, Digital Marketing, Customer Due Diligence (CDD), and Know Your Client (KYC) practices. These diverse training initiatives are designed to enhance employee engagement and ensure the team is well-equipped to navigate the evolving financial landscape while fostering continuous professional development.

The table below indicates relevant data of trainings provided by KEP Trust over the past three years.

Trainings	2021	2022	2023
Total Number of People Trained	45	251	180
Total Training (Hours)	2,132	4,593	3,621
Total Training (Person x Hour)	47	18	20

In today's rapidly evolving financial world, digitalization is reshaping the MFI industry, altering how institutions function and connect with customers. MFIs are embracing advanced technologies to enhance operational efficiency, reduce costs, and deliver personalized, continuous customer experiences. These innovations enable financial institutions to offer real-time, tailored solutions, to foster greater engagement and accessibility, and to eliminate human errors while dealing with data. That's why KEP Trust gives priority in digitalization and innovation and has Digitalization Steering Committee to evaluate and to implement operational actions.

As part of its ongoing commitment to sustainability, KEP Trust has made great progress in streamlining its lending procedures and became less dependent on conventional paper-based techniques by utilizing global platforms like DocuSign and incorporating electronic solutions. The Organization has able to reduce unnecessary paperwork and streamline processes thanks to this change. A significant achievement in digital transformation approach is the significant decrease in printed documentation related to loan administration. KEP Trust successfully reduced paper consumption by 25% in the last year, which has helped save money and the environment. Furthermore, Organization's training plan focuses on digitalization, equipping employees with the necessary skills to navigate and contribute to the evolving digital landscape in this year. In addition to

traditional training, these programs aim to provide certifications that enhance both individual qualifications and overall organizational capacity. Moreover, KEP Trust has an e-learning platform where the trainings can be completed in online whenever and wherever they want. There are KPI's of KEP Trust are given in the table below for the past years.

KPIs	2021	2022	2023
Number of Digitally Acquired Customers	1,249	1,178	1,839
Number of Mobile Banking Application Customers	N/A	N/A	N/A
Share of Digital Channels in Sales (%)	5.28	4.52	5.98
Paper Consumption Savings Through Digitalization (tons)	10.15	12	8.59

5. Environmental Responsibility

KEP Trust has recognized its critical role in supporting sustainable future by prioritizing the environmental responsibility. Using its positive impact on reduction in environmental footprint in financial institutions among the customers and employees might be helpful through encouraging sustainable practices. Within this context, KEP Trust is responsible to manage its internal environmental impact and promoting broader environmental sustainability through their financing activities.

Over the years, several key environmental sustainability related regulations have been established in KEP Trust to provide reliable and transparent evaluation and the Environmental Protection Law was introduced in 2009, followed by the Water Management Law in 2013. The Air Protection Law and the Environmental Impact Assessment Law were approved in 2022 and 2023, respectively. In the following year, new Renewable Energy Sources Law will be introduced further strengthening the regulatory framework for sustainability.



5.1. Environmental Footprint

As is the case with all financial institutions, KEP Trust's environmental footprint corresponds to the direct and indirect impact of its operations on the environment depending on waste generation, carbon emissions, and consumption of natural resources such as energy and water. Even though financial institutions are not generally seen as resource-intensive industries, their operations related to office buildings, data centers, and logistics can contribute significantly to environmental degradation. Starting its efforts toward environmental sustainability today, KEP Trust plans to strengthen its role in advising clients on how to integrate it into their businesses by organizing training sessions, workshops, and other educational initiatives. By this way, KEP Trust will help its clients for better understanding and implementing sustainable practices.

- KEP Trust has already organized training sessions in collaboration with Agro Department and agriculture faculty professors, providing valuable counseling to farmers on topics such as animal well-being and sustainable crop production. This practice contributes to be ensured that its clients are equipped with the knowledge and resources in agricultural topics.
- As a part of its sustainability approach, KEP Trust is working towards the elimination of plastics from all KEP Trust office&branches. This practice aligns with the Organization's future goal of reducing waste and minimizing its environmental footprint.
- KEP Trust has made significant efforts to renew its vehicle fleet with more efficient ones that environmentally friendly cars reducing the CO2 level in all departments.
- KEP Trust demonstrates good practices by recording consumption data across all locations and implementing projects to enhance energy management and sustainability. Key direct environmental impacts, such as resource consumption and operational activities, are closely monitored by the Administration Department. The Organization tracks electricity, water, paper, and printing material usage for all locations, as well as fuel consumption for its vehicle fleet.

- .In collaboration with its administration, KEP Trust implemented further improvements, such as replacing outdated air conditioning systems in all branches with modern, split super-efficient systems. These upgrades have not only enhanced energy efficiency but also reinforced its commitment to sustainability across all operations.

Ongoing sustainability projects and investments of KEP Trust include transitioning to LED lighting, upgrading air conditioning systems, applying glass insulation, and reducing paper usage by the help of digital transformation application. Furthermore, the Organizaton plans to install solar panels at the head office to further promote energy efficiency.

Waste	Unit	2021	2022	2023
Paper/Cardboard	tons	10.15	12.00	8.59
Total	tons	10.15	12.00	8.59
Water Consumption	Unit	2021	2022	2023
Mains Water	m ³	3,600	3,766	3,941
Ground Water	m ³	84	84	84
Total	m³	3,684	3,805	4,025
Energy Consumption	Unit	2021	2022	2023
Electricity	kWh	491,049	486,889	462,208
Total	kWh	491,049	486,889	462,208

5.1. Environmental and Social Risk Assessment in Lending Activities

To guarantee adherence to the sustainable strategy, it contains an IFC-compliant Exclusion List that lists the activities that will not be funded. The SEMS Procedure outlines that the evaluation system for lending applies to all credits without any threshold. The process begins with the loan officer determining if the activity falls under the Exclusion List. Subsequently, the project is categorized as low, medium, or high risk, in line with the Project Categorization guidelines. Depending on the project's complexity, a site visit or desk review is conducted and the client is assessed against potential E&S risk indicators and regulatory compliance, as detailed in E&S Project Verification Guide and Checklist document. Following this evaluation, the E&S Assessment Form is completed, marking the conclusion of the process. In compliance with the SEMS Procedure, any potential cases of elevated risk require ongoing monitoring by an ESG officer, along with the development and implementation of an action plan to mitigate such risks. In the following period, KEP Trust plans to comprehensively re-assess its outstanding credit risks and portfolio in terms of E&S risk to enhance the evaluation of the exposures.

5.3. Combating Climate Change and Future Goals

As one of the most significant global challenges in today's world, climate change has to be put in financial institutions' agenda due to their powerful position to affect climate action by encouraging sustainable projects and businesses that prioritize reducing greenhouse gas emissions. To achieve this, KEP Trust regularly tracks resource consumption, including electricity, water, paper, printing materials, and fuel for its fleet in all locations. Current sustainability efforts focus on further, upgrading air conditioning systems, applying glass insulation, and reducing paper usage across operations. In line with its goals to enhance energy efficiency, KEP Trust is also planning to install photovoltaic

panels at its head office, further reducing its carbon footprint.

Environmental responsibility of KEP Trust covers both reducing own footprint and contributing to global efforts to fight against climate change by embedding environmental sustainability approach into operations and financing strategies. KEP Trust will be focusing on expanding environmental sustainability related initiatives, with a long-term commitment to embedding sustainability into all aspects of its operations. Future goals cover the establishment of an operational Environmental Management System to better control environmental risks, set measurable targets, and enhance our ability to monitor and report on sustainability performance. KEP Trust's future sustainability goals reflect its ongoing commitment to environmental responsibility, contributing to a greener future.

As part of KEP Trust's ongoing commitment to sustainability and reducing its environmental impact, the Organization has conducted a comprehensive assessment of its carbon footprint for 2023, covering both its headquarters and all branch offices. The total emissions for this year amount to 1,052.56 tCO₂e, distributed across three scopes.

First, Scope 1 emissions, which are direct emissions resulting from KEP Trust's on-site energy use, such as fuel consumption for generators or vehicles that directly controlled by the Organization, account for 161.54 tCO₂e. Scope 2 emissions are caused by indirect sources for the electricity consumed across all KEP Trust locations. This category represents the largest share of KEP Trust's carbon footprint, contributing 718.64 tCO₂e. Despite of year by year increased volume of operations, KEP Trust have reduced the Scope 2 emissions for 6% compared to 2021. Lastly, Scope 3 emissions covering other indirect emissions such as those from business travel, waste disposal, and other activities within the value chain, amount to 172.38 tCO₂e. These emissions which are not directly controlled by KEP Trust are critical to consider as part of KEP Trust's broader environmental responsibility.

Scope	Emission Amount 2023 (tCO ₂ e)
Scope 1: Direct Emissions	161.54
Scope 2: Indirect Emissions	718.64
Scope 3: Other Indirect Emissions*	172.38
Total	1,052.56

*Financed emissions are not included.



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