

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Kenya Mortgage Refinance Company (KMRC) PLC

26 March 2026

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainable Finance Instruments¹

Relevant standards

- Green Bond Principles (GBP) and Social Bond Principles (SBP) as administered by the International Capital Market Association (ICMA) (as of June 2025)
- Green Loan Principles (GLP) and Social Loan Principles (SLP) as administered by the Loan Market Association (LMA) (as of March 2025)
- Sustainability Bond Guidance (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)

Scope of verification

- KMRC Sustainable Finance Framework (as of March 25, 2026)
- KMRC Eligibility Criteria (as of March 25, 2026)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

¹ The Issuer's framework includes green bonds, social bond, green loan and social loan.

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SCOPE OF WORK

Kenya Mortgage Refinance Company PLC (“the Issuer,” “the Company” or “KMRC”) commissioned ISS-Corporate to assist with its sustainable finance instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. KMRC’s Sustainable Finance Framework (as of March 25, 2026), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidance (SBG); Loan Market Association’s (LMA) Green Loan Principles (GLP), Social Loan Principles (SLP)
2. The eligibility criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific management of environmental and social risk indicators (see Annex).
3. Overview of KMRC’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

KMRC OVERVIEW

Kenya Mortgage Refinance Company (KMRC) PLC is a non-deposit taking financial institution. It provides long-term funds to primary mortgage lenders (PMLs) for purposes of increasing availability of affordable home loans and market home loans to Kenyans. KMRC offers concessional, fixed, long-term finance to the primary lenders who include Banks and Saccos. KMRC is regulated by the Central Bank of Kenya (CBK), with the Capital Markets Authority (CMA) providing oversight over its bond issuance operations. The company was founded on April 2018 and is headquartered in Nairobi, Kenya.

ESG risks associated with the Issuer's industry

KMRC is classified in the Mortgage & Public Sector Finance industry, as per ISS Sustainability's sector classification. Key sustainability issues faced by companies² in this industry are Sustainability impacts of lending and other financial services/products, Customer and product responsibility, Statutory ESG-standards linked to the geographical allocation of the lending portfolio, Employee relations and work environment.

This report focuses on the sustainability credentials of the issuance. Part III of this report provides an overview of the Issuer's overall sustainability strategy.

Rationale for issuance

The Sustainable Finance Framework provides a structure and basis for KMRC to raise funding that aligns with its sustainability-related activities. Given its role in offering long-term refinancing to Primary Mortgage Lenders, the Framework sets out how green, social, or sustainability instruments may be issued to support housing initiatives in Kenya. Under this structure, the company may issue various forms of debt or related instruments, and the resulting proceeds will be allocated to finance or refinance assets that meet the eligibility criteria defined within the Framework.

² Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within this industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part I:</p> <p>Alignment with GBP, SBP, SBG, GLP AND SLP</p>	<p>The Issuer has defined a formal concept for its Sustainable Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, SBG, GLP and SLP.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the eligibility criteria</p>	<p>The Sustainable Finance Instruments will (re)finance the following eligible asset categories:</p> <p>Green categories: Green Residential Buildings.</p> <p>Social categories: Affordable Housing, Socioeconomic advancement and empowerment.</p> <p>Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:</p> <div data-bbox="576 1122 1273 1240" data-label="Image"> </div> <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are outlined in part II.B.</p>	
<p>Part III:</p> <p>KMRC's sustainability strategy</p>	<p>The Issuer has disclosed its ESG pillars. Internal performance targets are set for these pillars. Progress on the sustainability strategy is being publicly reported.</p>	

³ The evaluation is based on the KMRC's Sustainable Finance Framework (March 25, 2026), on the eligibility criteria as receive on March 25, 2026.

⁴ Green Residential Buildings, Affordable Housing, Socioeconomic advancement and empowerment.

SPO ASSESSMENT


PART I: ALIGNMENT WITH THE GBP, SBP, SBG, GLP AND SLP


This section evaluates the alignment of the KMRC’s Sustainable Finance Framework (Mar. 25, 2026) with the GBP, SBP, SBG, GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
<p>1. Use of proceeds</p>	<p>✓</p>	<p>The use of proceeds description provided by KMRC’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The Issuer’s green/social categories align with the project categories as proposed by the GBP, SBP, SBG, GLP and SLP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category have been provided.</p> <p>The Issuer provides a quantitative analysis of the environmental and social benefits of the projects categories, defines the percentage of assets that are refinanced or financed, which projects will be refinanced and defines a look-back period of one year, in line with best market practice.</p>
<p>2. Process for project evaluation and selection</p>	<p>✓</p>	<p>The process for project evaluation and selection description provided by KMRC’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines exclusion criteria for harmful project categories.</p> <p>The Issuer identifies the alignment of their sustainable finance framework and their green</p>

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
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projects with official or market-wide taxonomies and references any green standards or certifications used, in line with best market practice.

<p>3. Management of proceeds</p>		<p>The management of proceeds provided by KMRC’s Sustainable Finance Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple green/social bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds and confirms that each loan tranche will be clearly labeled as green/social/sustainable.</p> <p>The Issuer has defined an expected allocation period of 36 months.</p>
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<p>4. Reporting</p>		<p>The allocation and impact reporting provided by KMRC’s Sustainable Finance Framework is aligned with GBP, SBP, SBG, GLP, and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer’s website if the outstanding instruments include bonds. In the event that the Issuer would have solely other Green Debt instruments than bonds outstanding, the reporting will be available to the institutions participating in the loan. KMRC has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the portfolio level. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE U.N. SDGs⁵



Financial Institutions support the advancement of SDGs through their lending activities. The Bank’s borrowers can either finance the production of solutions with positive social and environmental impacts or work on minimizing potential negative externalities.

The assessment of Use of Proceeds (UoP) categories for (re)financing/investing activities is based on a variety of internal and external sources, such as ISS Sustainability’s SDG Solutions Assessment, which evaluates the impact of financed activities on the U.N. SDGs, as well as other ESG benchmarks (e.g., the EU Taxonomy Climate Delegated Act, the Green/Social Bond Principles, and relevant regional taxonomies, standards, and sustainability criteria).

The assessment of UoP categories for (re)financing specific UoP categories is displayed on a three-point scale:



Each of the Sustainable Finance Instrument’s use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:


USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Refinancing pools of mortgages that are tied to buildings which comply with one of the following criteria:</i></p> <p><i>Residential units that meet green building standards certification requirements⁶</i></p>	<p>Contribution</p>	
<p>Green Buildings</p> <p><i>Refinancing pools of mortgages that are tied to buildings which comply with one of the following criteria:</i></p> <ul style="list-style-type: none"> ▪ <i>Buildings must achieve equal to or more than 20% emissions/ energy</i> 	<p>Contribution</p>	

⁵ The impact of the UoP categories on U.N. SDGs is assessed with proprietary methodology and may therefore differ from the Issuer’s description in the Framework.

⁶ The assessment of ISS-Corporate is limited to the green building certifications spelled out below.

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><i>performance improvements (or primary energy demand)⁷</i></p> <p>Green Buildings</p> <p><i>Refinancing pools of mortgages that are tied to buildings which comply with one of the following criteria:</i></p> <ul style="list-style-type: none"> ▪ <i>have Leadership in Energy and Environment Design “Gold” certification.</i> ▪ <i>be in the Green Star 4 category or above.</i> ▪ <i>be Excellence in Design for Greater Efficiencies (EDGE) certified by the International Finance Corporation’s EDGE partners.</i> 	<p style="text-align: center;">Contribution</p>	
<p>Affordable Housing</p> <p><i>Refinancing of affordable housing that meets the Affordable & Social Eligibility Criteria where the underlying mortgage loans support access to homeownership for previously underserved groups, including middle to low-income households, vulnerable persons, and women-headed households. This includes mortgages for units offered at concessional mortgage terms; units specifically allocated to low-income or disadvantaged populations in line with the Affordable Housing Act, 2024; All qualifying loans must meet affordability parameters as per the eligibility criteria and relevant PML underwriting standards.</i></p>		<p style="text-align: center;">Contribution</p>

⁷ When applying the ≥20% primary energy demand or energy performance improvement requirement, the company will rely on third-party-verified calculations embedded within recognized green building certifications (such as EDGE), which use standardized energy-modelling tools to assess and validate the efficiency gains.

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><i>These are pools of mortgages that fit within the criteria below.</i></p> <ul style="list-style-type: none"> ▪ <i>Mortgages priced below prevailing market mortgage rates – below 10%</i> ▪ <i>Affordable Mortgages/Middle Income: - Between Kes. 4Million and Kes 10.5Million</i> ▪ <i>Social Mortgages/Lower Income: - Below Kes. 4Million</i> <p>Socioeconomic Advancement and Empowerment</p> <p><i>Refinancing of mortgages for women borrowers or women-headed households, including: (i) mortgages where the primary borrower is a woman; (ii) mortgages where a woman is an active co-borrower with real economic participation; or (iii) mortgages supporting women-headed households.</i></p> <ul style="list-style-type: none"> ▪ <i>Affordable Mortgages/Social Mortgages: - Below Kes 10.5Million</i> 	<p>Contribution</p>	

B. KMRC'S MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS

Financial institutions are exposed to E&S risks through their financing of economic activities that impact E&S factors and, to a lesser extent, through their own operations and impacts they themselves generate on the environment and society in which they operate.

The table below describes sustainability-related risks considered relevant to the Bank's operations and the types of projects (re)financed via the Framework.

The assessment covers all business lines and locations across Kenya.

Integration of ESG guidelines into the financing process

Environmental and Social Risk Management (ESRM) is embedded in KMRC's overall Risk Management Framework and integrated into all refinancing decisions. KMRC operates an Environmental & Social Management System (ESMS) tailored to mortgage refinancing. KMRC confirms that the E&S risk management framework is aligned with IFC Performance Standards, the World Bank ESF, the UN Global Compact Principles and the Kenya Bankers SFI Guiding Principles. The ESMS applies to every refinancing request and remains in force throughout the life of each facility via informative acceptance, covenants, corrective actions, ongoing supervision and reporting. E&S risks considered include land tenure, legality, health & safety of properties, borrower vulnerability, and climate risks (e.g., floods, landslides, riparian land). Each refinancing request undergoes a four-step ESRM workflow:

- Screening & categorization using the KMRC Exclusion List and KMRC E&S Screening Criteria
- E&S due diligence (institutional and, commensurate with risk, portfolio-level) against the KMRC E&S Policy and E&S covenants
- Risk evaluation & decision by the Risk function (approve/defer/reject and/or require corrective actions)
- Portfolio monitoring through periodic E&S compliance reports, thematic audits, annual reviews, and supervision visits.

KMRC applies risk-based proportionality approach for refinancing. E&S due diligence is performed at the Primary Mortgage Lenders (PML) institutional level and, depending on risk profile, extends to the specific mortgage portfolios presented for refinancing. To address risks identified at loan origination, portfolios that fail KMRC's E&S requirements are rejected or deferred. KMRC may require time-bound corrective actions from the PML (e.g., policy enhancements, borrower disclosure improvements, incident reporting) as conditions of refinancing. High-risk properties or loan types (e.g., in protected areas or non-compliant developments) are excluded at screening. For controversies and high ESG risk cases, KMRC has escalation measures in place which includes immediate rejection or deferral of high-risk portfolios, mandatory corrective action plans for PMLs, intensified monitoring, incident-reporting obligations, and Board-level oversight through the Credit & Risk Committee. Post-disbursement, KMRC requires periodic E&S compliance reports from

PMLs, conducts thematic audits and annual reviews, and undertakes supervisory visits to verify policies, procedures, staffing, and documentation that underpin the PML's E&S screening and performance. Findings may trigger additional supervisory measures or corrective actions with timelines agreed with the PML. KMRC maintains a formal Exclusion List of mortgage/housing loans ineligible for refinancing due to associated E&S risks or impacts. The Exclusion List is applied at initial screening and forms part of the acceptance criteria for portfolios.

Due diligence measures for labor, health, safety, biodiversity, community dialogue

All of the refinanced portfolio is in Kenya, where aspects related to human rights, non-discrimination, health and safety standards are subject to Occupational Safety and Health Act (OSHA), 2007 (safety policy, audits, committees, employer duties), the Employment Act, 2007 (minimum employment conditions, anti-discrimination, harassment provisions), and the Work Injury Benefits Act, 2007 (compensation and reporting for work injuries/diseases). KMRC requires all PMLs to comply with these standards and confirms alignment through institutional E&S due diligence, mandatory PML compliance documentation, contractual covenants, periodic audits, and annual E&S reporting. KMRC conducted training on occupational safety and to ensure employees' health, safety and welfare in line with the Occupational Safety and Health Act (OSHA). Additionally, KMRC follows Kenyan labor law, IFC-aligned ESMS procedures and has grievance mechanism for labor related concerns. KMRC has a [code of ethics and business conduct](#) and whistleblowing policy in place which prohibits any form of harassment, unethical behavior, misconduct and discrimination for its employees. As a part of due diligence process to ensure KMRC's PMLs respect labor, health and safety standards, KMRC has a questionnaire on labor and working conditions for financial intermediaries setting minimum institutional capacity expectations which is verified as an element of transaction assessment and ongoing supervision.

For the projects financed in Kenya, Environmental Management and Coordination Act (EMCA) establishes NEMA, mandates environmental impact assessment and environmental audits and contains biodiversity conservation provisions (e.g., protection of wetlands, hilly/mountain areas, biological diversity, and environmentally significant areas). Additionally, KMRC's ESRM framework includes exclusion list and E&S screening criteria for the initial screening of projects to exclude developments encroaching on protected or environmentally sensitive areas, properties that cause significant degradation or conversion of critical habitats, using definitions aligned with global practice (e.g., IUCN Red List categories; HCV areas via the HCV Resource Network). KMRC does not directly finance construction activities. However, it ensures that all refinanced assets comply with EMCA as part of its environmental risk management obligations via screening all mortgage portfolios using EMCA-aligned environmental criteria, verifying PML compliance with NEMA requirements, permits and EIA licenses.

KMRC states that all properties refinanced by the company undergo environmental risk assessments which include community dialogue as EIAs approved by NEMA under the

Environmental Management and Coordination Act (EMCA, 1999) must incorporate public participation and community consultation. Additionally, KMRC's ESMS and stakeholder-engagement mechanisms reinforce ongoing community dialogue across our refinancing operations. KMRC has [grievance redressal policy](#) in place which allows any person or organizations including individual borrowers of the housing loans to raise any issues or the impacts of products or services on communities or the environment. KMRC ensures that its grievance mechanism and ways to submit complaints are known to the public, customers (PMLs), individual users of the housing loans and communicated through various channels, such as KMRC website. KMRC confirms to align with the Physical and Land Use Planning Act (PLUPA), 2019, including Section 58, which requires local communities and stakeholders to be engaged in the development and approval of physical plans and land-use projects.

Governance over ESG topics

KMRC embeds ESG considerations systematically into its environmental and social risk management (ESRM) framework which is approved by Board of Directors (BOD). BOD also ensures that ESRM considerations are integrated in refinancing decision making process and approves the environmental and social strategies, resources and budgets prepared by the senior management. Risk and compliance function is responsible for preparing E&S reporting, and revisions of the ESRM policy and procedures. Legal function ensures that E&S covenants are included in the Master Refinancing Agreements with PMLs. Credit/Refinancing function performs E&S screening of PMLs, verification of E&S screening process conducted by PMLs. Refinancing function supports Risk Management Unit in training staff with E&S risk management responsibilities. Externally, PMLs are central to execution, and they should maintain E&S screening capacity, provide tranche confirmations and annual E&S performance reports, subject to KMRC supervision or visits. KMRC's climate related goals and targets include integrating climate-risk analysis into refinancing decisions, reducing operational carbon footprint, developing a Net Zero strategy, expanding green mortgage products, and aligning with CBK Climate Risk Guidelines.

However, executive compensation is not linked to ESG or sustainability KPIs. Currently, KMRC does not have a dedicated ESG/Sustainability Committee at Board level and ESG oversight is carried out by the Board Credit & Risk Committee (BCRC) where board is informed of ESG/ESRM matters periodically through compliance reports, risk reports, and structured ESG reporting defined in the Sustainability Strategy.

Other elements of the risk management framework

KMRC integrates additional elements into its risk management framework, including a defined risk appetite statement for maintaining lowest possible risk profile. The company's Risk Appetite Statement (RAS) is regularly updated and used to set operational risk limits establishing thresholds for credit, market, liquidity, and operational risks, aligned with company policies. KMRC has The Board Credit & Risk Committee (BCRC) which is

responsible for integration of ESG principles in the company's risk management framework. KMRC also conducts stress tests on collaterals and NPLs which assess property sensitivity to physical climate risks such as flooding, landslides and environmental non-compliance. NPL stress testing captures the downstream impact of these climate shocks on borrower repayment behavior and overall portfolio quality. ESG and climate-related risks are incorporated indirectly into capital adequacy evaluation through their impact on collateral values, credit quality, NPL performance, and portfolio concentration in climate-sensitive areas.

Inclusion (non-discrimination)

KMRC ensures that borrowers have equal access to credit through its ESMS, sustainability policy and mandatory PML compliance with Kenyan laws by preventing discrimination based on age, disability, ethnic origin, family status, race, religion, gender, sexual orientation, nationality, or social origin. KMRC frames refinancing agreements and conducts monitoring to ensure non-discrimination is followed by PMLs. Other applicable legislation includes, Consumer Protection Act, National Gender & Equality Commission Act, Persons with Disabilities Act, Fair Administrative Action Act & CBK Climate Risk Guidelines.

Responsible lending practices

In terms of responsible lending practices, financial institutions in Kenya are required to abide by The Banking Act and Consumer Protection Act to implement responsible sales and marketing practices, with due care for customer protection.

Sales practices

Financial institutions operating in Kenya must follow Consumer Protection Act, 2012 which prohibits false, misleading or deceptive representations; transparency on pricing, complaint resolution mechanisms to support responsible sales practices. Central Bank of Kenya (CBK) Regulations, Competition Act and Banking Act of Kenya requires clear communication of loan terms, transparent disclosures, prohibition of aggressive loan collection and misleading or deceptive sales conduct. KMRC as a wholesale mortgage refinancing institution, it does not originate, market or sell mortgage products and therefore does not employ sales personnel or operate sales-related incentive structures. Sales activities occur exclusively at the level of regulated Primary Mortgage Lenders (PMLs), which are subject to applicable Kenyan consumer-protection and financial-sector regulations requiring transparent pricing, fair disclosure, and the prohibition of misleading or aggressive sales conduct. KMRC conducts proportionate oversight of PMLs through its Environmental and Social Management System (ESMS) and periodic lender reviews, including examination of mortgage documentation, monitoring of complaints and adverse regulatory findings, and implementation of corrective actions where material issues arise.

Responsible marketing

KMRC is a wholesale institution and does not originate or sell mortgages, hence responsible marketing requirements do not directly apply to KMRC. Marketing and customer-facing communications are performed solely by PMLs. The PMLs' marketing activities fall under statutory requirements such as the Consumer Protection Act, the Competition Act, the Banking Act or SACCO Societies Act and Central Bank of Kenya market-conduct guidelines. For the PMLs KMRC has ESMS and E&S due diligence process which requires compliance with these regulations. KMRC conducts compliance reviews and monitoring of publicly available information or adverse media, provides an additional layer of assurance to ensure responsible marketing practices, including transparent pricing, fair disclosure, non-discriminatory treatment, clear communication of product risks, proper documentation and transparent communication in cases of loan rejection.

Responsible treatment of customers with debt repayment problems

KMRC, being a wholesale refinancing institution, does not interact directly with retail borrowers but relies on PMLs to manage customer engagement and repayment challenges in accordance with Kenyan financial-sector regulations that require fair treatment, appropriate complaint-resolution mechanisms and responsible conduct throughout the credit lifecycle. KMRC has set requirements for PMLs refinanced under this framework to comply with the Banking Act, Saccos society Act, Consumer Protection Act, CBK guidelines, Competition Act, Fair Administrative Action Act, and constitutional non-discrimination requirements.

Through its ESMS and lender review procedures, KMRC assesses the adequacy of PMLs lending and customer-handling practices by reviewing credit and mortgage documentation and monitoring complaints or regulatory findings. Where significant non-compliance or borrower-related concerns are identified through these channels, KMRC may request corrective actions as part of its ongoing oversight of participating lenders. This is to ensure that all assets refinanced under the Framework originate from lenders that apply responsible lending, transparency, fair restructuring practices, and borrower-protection measures in compliance with Kenyan law.

PART III: KMRC'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Core ESG pillars</p>	<p>The Issuer focuses on the following ESG pillars:</p> <ul style="list-style-type: none"> ▪ Sustainable Finance & Climate Action <p>The institution’s refinancing exposure extends over the full life cycle of housing assets; making climate-related factors (e.g., flooding, heat) relevant to credit risk management which can affect collateral value, insurability, habitability and repayment performance. The company is developing green, social, and sustainable mortgage products and plans to set refinancing criteria and that reference energy-efficiency and climate-resilience standards, including for new builds and retrofits.</p> <ul style="list-style-type: none"> ▪ Housing Impact <p>The institution addresses housing affordability and accessibility to housing finance through long-tenor, fixed-rate refinancing structures designed to support Primary Mortgage Lenders (PMLs) in extending credit to underserved low- and middle-income households. The Housing Impact pillar focuses on reducing repayment burdens, strengthening borrower stability, and enabling broader mortgage market participation.</p> <ul style="list-style-type: none"> ▪ Leadership & Governance <p>The company’s governance framework emphasizes oversight of environmental, social and governance (ESG) risks and alignment with regulatory and compliance expectations relevant to Kenya’s housing finance system. The Board is responsible for supervising long-term strategy, sustainable finance objectives, and risk management. Internally, the organization applies controls, compliance structures, and risk processes for operation in a public-interest context and participation in capital markets.</p> <ul style="list-style-type: none"> ▪ Partnerships <p>As a wholesale refinancing institution, company identifies partnerships as a material area of focus. Activities under this pillar include engaging with PMLs to strengthen environmental and social</p>

TOPIC	ISSUER APPROACH
	<p>(E&S) risk management, collaborating on policy and market reforms that support longer mortgage tenures and appropriate funding structures, and working with development partners to mobilise external capital.</p> <ul style="list-style-type: none"> ▪ Employee Welfare <p>The company considers workforce capability and well-being as necessary conditions for effective operation in a technical and risk-sensitive sector. Relevant measures include fair employment practices, training and professional development, attention to health and well-being, and promotion of ethical conduct. By prioritising these aspects, the institution aims to maintain the internal capacity required to manage ESG risks, support partners, and deliver on its functional responsibilities within the mortgage market.</p> <ul style="list-style-type: none"> ▪ Customer experience <p>KMRC works with PMLs to promote transparent mortgage terms, predictable repayment structures (including fixed-rate products), and improved credit assessments through refinancing criteria and guidance to PMLs. It also incorporates feedback mechanisms to monitor service quality.</p> <ul style="list-style-type: none"> ▪ Corporate Social Investment (CSI) & Community Impact <p>KMRC participates in CSI activities by focusing on areas linked to housing sector, including capacity building for PMLs to reach target beneficiaries. These programmes aim to support community-level outcomes related to affordable and sustainable housing without duplicating market functions ensuring that the benefits of improved housing finance extend beyond direct borrowers.</p>
<p>Definition of core ESG pillars</p>	<p>The ESG pillars of the Issuer have been defined through a materiality assessment conducted in 2022 and through stakeholder engagement. The material topics and assessment methodology are explained in the annual report 2022. Issuer states that each year, the material topics are assessed for relevance considering new strategic priorities, stakeholder feedback, and national/international developments.</p>
<p>ESG targets and timeline</p>	<p>To achieve its ESG commitments, the Issuer has set the following targets for the period of 2024-2029:</p>

TOPIC

ISSUER APPROACH

- Issuance and refinancing of green, social, and sustainable mortgages, integrate climate risk screening into lending and refinancing processes
- Expand affordability through long tenor, fixed rate mortgages, increase access for low- and middle-income households, strengthen borrower resilience through responsible lending and financial literacy.
- Strengthening governance oversight of ESG risks, enhance transparency and alignment with global sustainability reporting standards, maintain disciplined risk management and compliance systems.
- Deepen collaboration with PMLs, regulators, DFIs, and industry bodies, support sector reforms promoting long tenor housing finance, catalyzing private and concessional capital for affordable housing.
- Strengthen staff skills in ESG, risk, and sustainable finance, promote employee wellbeing, inclusion, and ethical culture, build an institutional structure that supports KMRC’s long term mandate.
- Enhance end borrower experience across affordability, transparency, and repayment predictability, promote customer centric lending standards among PMLs, improve service quality monitoring across the refinancing value chain.
- Support CSI initiatives aligned with housing, resilience, and financial inclusion, build community trust and strengthen social license, expand impact driven programs benefiting previously underserved communities.

The Issuer has set climate-related targets for the period of 2024-2029 as follows:

- Increase the share of KMRC’s refinancing portfolio allocated to climate-aligned housing including energy-efficient and climate-resilient residential properties over 2024–2029, including properties meeting recognized green building standards or demonstrating measurable energy-performance improvements in line with the Sustainable Finance Framework.
- Strengthen the integration of climate-related risk considerations within KMRC’s ESRM framework through the systematic application of environmental and social risk assessments across all refinanced mortgage portfolios.

TOPIC	ISSUER APPROACH
	<ul style="list-style-type: none"> ▪ Build climate-risk awareness and capacity among participating Primary Mortgage Lenders through provision of guidance, engagement activities and ongoing compliance monitoring related to environmental and social requirements. ▪ Incorporate climate-related factors into portfolio and collateral risk analysis, including use of stress testing and scenario analysis where relevant. ▪ Apply climate-related targets on a phased basis, with periodic review to reflect updates in data availability, regulatory guidance and market practices. ▪ Monitor and report progress against climate-related targets annually through KMRC’s sustainability and sustainable finance reporting processes.
SBTi Targets	The Issuer has not set any SBTi targets.
Financial budget to achieve the ESG targets (CapEx, OpEx, Product Mix)	Issuer’s budget for ESG-related objectives is integrated into its core financial planning processes. Funding for activities such as climate-resilient and affordable housing refinancing, environmental and social risk management, data systems and reporting is incorporated into the annual operating budget, capital expenditure planning and product mix decisions. ESG-related costs, including investments in systems, tools and governance processes, are reviewed and approved through the standard budgeting and strategic planning cycle, with expenditures monitored alongside other operational and capital allocations.
Association/ Collective commitments	<p>The Issuer is a member of:</p> <ul style="list-style-type: none"> ▪ Member of African Union for Housing Finance since 2020 ▪ International Secondary Mortgage Market Association (ISMMA) since 2020 ▪ The Blue company since 2022 ▪ UN Global Compact since 2023.
Sustainability reporting	The Issuer report on ESG initiatives in the annual report which is prepared in accordance with International Integrated Reporting Council (IIRC). The report includes financial, non-financial information and disclosures on ESG matters. The company references international standards such as GRI and the TCFD framework while preparing its disclosures.

TOPIC	ISSUER APPROACH
Previously issued sustainable/sustainability-linked issuances or transactions and publication of sustainable financing frameworks	-

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
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ANNEX: QUALITY MANAGEMENT PROCESSES

SCOPE

KMRC commissioned ISS-Corporate to compile a Sustainable Finance Instruments SPO. The second-party opinion process includes verifying whether the Sustainable Finance Framework aligns with the GBP, SBP, SBG, GLP, SLP and assessing the sustainability credentials of its Sustainable Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles (GBP) and Social Bond Principles (SBP) as administered by the International Capital Market Association (ICMA) (as of June 2025)
- Green Loan Principles (GLP) and Social Loan Principles (SLP) as administered by the Loan Market Association (LMA) (as of March 2025)
- Sustainability Bond Guidance (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)

ISSUER'S RESPONSIBILITY

KMRC's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risk management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS STOXX, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the Sustainable Finance Instruments to be issued by KMRC has been conducted based on proprietary methodology and in line with the ICMA GBP, SBP, SBG, and LMA GLP, SLP.

The engagement with KMRC took place in March 2026.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS STOXX Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS STOXX.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For more information on SPO services, please contact SPOsales@iss-corporate.com.

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