

Building a Future of Shared Prosperity



Communication on Progress Report 2021



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SUSTAINABLE DEVELOPMENT GOALS



As a participant in the UNGC since 2019, we hereby disclose our progress on the implementation of the Ten Principles and the activities in support of the 2030 Agenda for Sustainable Development. By embedding the principles across our operations, we continue to use our knowledge and skills to make a difference for our stakeholders. We value our membership and look forward to working together to ensure that our business is run in a sustainable manner for the good of current and future generations.

~ Rebecca Miano

Managing Director and CEO, KenGen

MANAGING DIRECTOR AND CEO's STATEMENT



To our stakeholders,

The world economy is making steady progress towards recovery as we emerge from the COVID-19 crisis which completely altered the way we do business. As we start to look beyond it, I am optimistic that we shall continue implementing the Ten Principles of the United Nations Global Compact (UNGC) in the areas of Human Rights, Labor, Environment, Ethics, and Governance in accelerating the attainment of Sustainable Development Goals (SDGs).

The KenGen family has demonstrated our values, purpose, professionalism, and teamwork for sustained positive societal and environmental outcomes. I am humbled by the countless positive actions, big and small, that our people have taken to help each other and the society to tackle the COVID-19 pandemic. As a participant in the UNGC since 2019, we hereby disclose our progress on the implementation of the Ten Principles and the activities in support of the 2030 Agenda for Sustainable Development. By embedding the principles across our operations, we continue to use our knowledge and skills to make a difference. We value our membership and look forward to working together to ensure that our business is run in a sustainable manner for the good of current and future generations.

We take pride in joining the elite list of global multinationals and becoming the first company in Kenya's public sector to commit ambition for a 1.5-degree campaign.

With this commitment, KenGen is firmly on the path towards achieving carbon neutrality by 2050.



This Communication on Progress Report describes our actions to integrate the Global Compact and its principles into KenGen's business strategy, culture, and operations. The annual reporting increases transparency and accountability and ensures that we live up to the expectations set by the UNGC and the United Nations while showcasing our sustainability ambitions. We commit to continue sharing this information with our stakeholders through the Company website and our Integrated Annual Report and Financial Statements for the year under review.

I would like to thank the Board of Directors, employees and other stakeholders for their dedication, resilience, and commitment to our business sustainability agenda during the year. We shall continue to live up to our mission and mandate towards supplying reliable, safe, green and competitively priced electricity.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read "Rebecca Miano".

Rebecca Miano, MBS



ABOUT KenGen

Kenya Electricity Generating Company PLC (KenGen) was incorporated in 1954 under the Companies Act (Cap 486) as Kenya Power Company Limited (KPC) and renamed Kenya Electricity Generating Company Limited (KenGen) in 1998. It is listed on the Nairobi Securities Exchange with the Government of Kenya owning 70% shareholding and the public 30%. KenGen is domiciled in Kenya and has a branch in Ethiopia.

The Company is propelled by the Good-to-Great Transformations Strategy that strives to create sustainable value from generation to generation. We operate in a liberalized environment and strive to remain the market leader in the provision of reliable, quality, safe, and competitively priced electricity to drive the economy as envisioned in the Vision 2030 and the Big Four Agenda.

Backed by a wealth of cutting-edge expertise, KenGen has distinguished itself as Africa's leading geothermal energy producer, which has propelled Kenya into the league of top ten geothermal power producers in the world. KenGen also has a strong track record of over 66 years of expertise in running hydropower plants. The Company pioneered wind generation in East Africa with the first wind farm in Ngong in the 1990s.

Our total installed capacity is
1,818MW Comprising of:

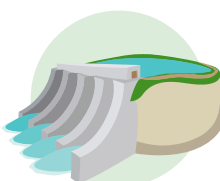
Geothermal
713MW



Thermal
253MW



Hydro
826MW



Wind
26MW



Vision



To be the market leader in the provision of reliable, safe, quality, and competitively priced electric energy in the Eastern Africa region.

Mission



To efficiently generate competitively priced electric energy using state-of-the-art technology, skilled and motivated human resource to ensure financial success. KenGen shall maintain market leadership by undertaking the least cost and environmentally friendly capacity expansion.

Core Values

Team Spirit



Integrity



Professionalism



Safety Culture



Corporate Theme



Energy Footprint

KenGen's footprint is in six operational regions: The Geothermal Region, found in the Rift Valley, has a total installed capacity of 713MW.

The Eastern Region has five hydro power plants along the Tana River comprising of Masinga, Kamburu, Gitaru, Kindaruma, and Kiambere Power Stations, with a total installed capacity of 600MW.

The Western Region consists of four hydro power stations, Turkwel, Sondu Miriu, Sang'oro, and Gogo with an installed capacity of 190MW and a thermal

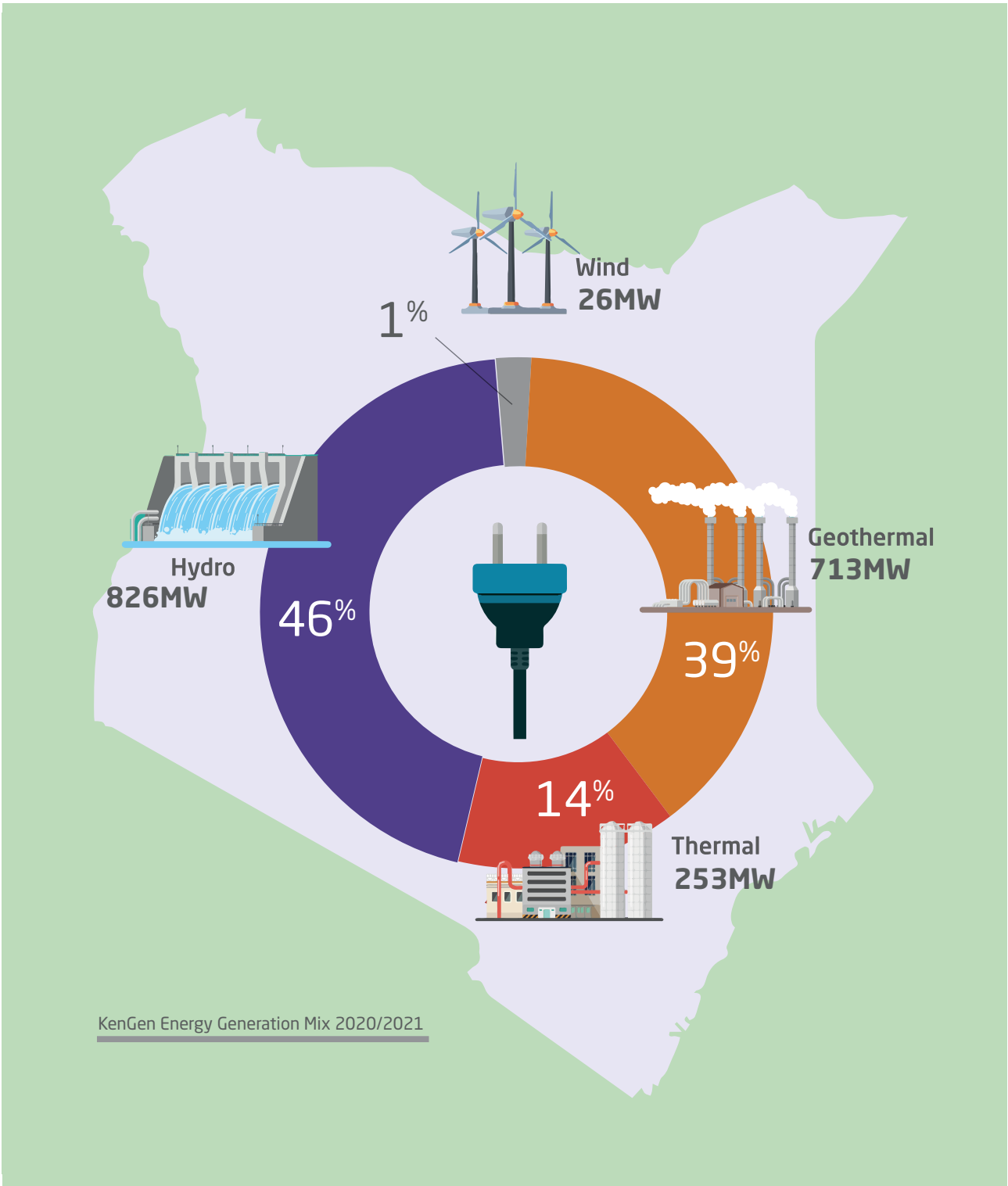
plant, Muhoroni Gas Turbine, with a total installed capacity of 60MW. Thermal Region has two thermal plants located in Mombasa County with an installed capacity of 194MW.

The Upper Tana area comprises of four hydro power plants: Mesco, Wanjii, Sagana, and Tana. The area has been developed with an installed capacity of 35MW. Ngong Wind plants are in the Central Office Region with an installed capacity of 26MW.



ABOUT KenGen

KenGen Energy Generation Mix 2020/2021



HIGHLIGHTS OF 2021

Sustainability



86% of electric energy generated from **renewable sources**



181,031 trees planted

contributing to the removal of 42,257 tonnes of CO₂ from the atmosphere

Certified Emissions Reductions (CERs) of 4,617,309 tonnes of carbon dioxide equivalent (tCO₂e) registered from Clean Development Mechanism projects. KenGen joined the "UN-backed Global Campaign Business Ambition for 1.50C"



BUSINESS AMBITION FOR 1.5°C   **OUR ONLY FUTURE**



Achieved **ISO Recertification Quality Management System (ISO 9001:2015)** and **Environmental Management System (ISO 14001:2015)** up to 2024



Realized total energy savings of **1,622,950kw** in the year amounting to **CO₂ reductions of 535,574Kg**



EDUCATION - SCHOLARSHIPS

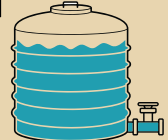
187 students

sponsored and mentored through their secondary and university education



WATER AND SANITATION

Water tanks distributed totalling to a capacity of **70,000 litres**



HUMAN CAPITAL

For succession planning and business continuity:

- Youths constitute about 29% of the total employees
- Rolled out Competencies E-Lab online learning platform



INFRASTRUCTURE

- Construction of Naivasha level 5 hospital
- Maintenance - 36km between Kivaa-Kiambere, 12km Kaewa- Masinga Road, Kainuk- Turkwel road 3.8km, 6km of road at Gogo
- Masinga Ogee spillway rehabilitation
- 2 classrooms (Ngong and Seven Forks) and 1 library at Ngong

ALIGNING SUSTAINABILITY TO KenGen's BUSINESS STRATEGY

The Company's vision is to be the market leader in the provision of reliable, safe, quality, and competitively priced electric energy in the Eastern Africa region. To achieve this vision and to transform the Company into a high-performing organization, KenGen embarked on a "Good-to-Great" (G2G) transformation strategy in 2007. The strategy was revamped in 2016 with three aspirations of increasing capacity, value creation, and providing power at competitive tariffs. The Company's sustainability agenda aims at doing business responsibly, empower future generations, and build a resilient business that weathers turbulent times while conserving the environment

KenGen invests in people living around the operational areas through sustainable social and environmental activities.

The 2030 UN Agenda for Sustainable Development gives us a significant role to play in the achievement of the Sustainable Development Goals (SDGs) by embracing wider responsibilities to the environment in which the Company operates. KenGen has also embarked on a diversification strategy that stretches beyond Kenyan borders through sustainable exploitation of the geothermal resources in Djibouti and Ethiopia.

Sustainable Development Goals

In 2015, the United Nations proposed the Sustainable Development Goals (SDGs) be implemented by 2030. The 17 SDGs are described as "a new plan of action for people, planet, and prosperity".



THE TEN PRINCIPLES of the United Nations Global Compact



- 1 Support and respect the protection of internationally proclaimed human rights.
- 2 Not be complicit in human rights abuses.
- 3 Uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Support the elimination of all forms of forced and compulsory labour.
- 5 Support the effective abolition of child labour.
- 6 Support the elimination of discrimination in respect of employment and occupation.
- 7 Support a precautionary approach to environmental challenges.
- 8 Undertake initiatives to promote greater environmental responsibility.
- 9 Encourage the development and diffusion of environmentally friendly technologies.
- 10 Work against corruption in all its forms, including extortion and bribery.

SUSTAINABLE DEVELOPMENT GOALS



Source: UNGC

The value of sharing principles

The SDGs agenda has an integrated approach recognizing that there are deep interconnections and many cross-cutting elements across the goals and targets. Embedding sustainability efforts at the core of Company's strategy has positively impacted business performance.

KenGen business sustainability practices include:

- i. At a minimum, do not harm people or the planet
- ii. At best, create value for stakeholders
- iii. Focus on improving environmental, social, and governance (ESG) performance in the areas where the Company operates, and there is potential for environmental or social impact from its activities.

KenGen's Membership to the Global Compact

The Global Compact Kenya Network was launched in the Country in 2005 by the United Nations Development Programme (UNDP). The Company joined UNGC in May 2019 to accelerate the

sustainability efforts and scale up the positive environmental, social, and governance impact across the globe.

Aligning the Company's Strategy to SDGs

The KenGen strategy is anchored on three key aspirations of increasing generating capacity, value creation to shareholders, and provision of lower tariffs to support sustainable economic growth.

The three (3) aspirations are realized through seven (7) priority areas/initiatives as follows:




1. Improve returns of current plants.
2. Ensure profitability of future projects.
3. Improve Power Purchase Agreements/Tariff Regulation.
4. Pursue new financing approaches.
5. Establish new structures to execute and finance projects.
6. Deliver current project pipeline and access new geothermal fields.




ALIGNING SUSTAINABILITY TO KenGen's BUSINESS STRATEGY

These aspirations and the Seven Priority Initiatives resonate well with the Sustainable Development Goals as follows:

Capacity Increase

Priority SDG	Priority Initiative	Key Activities/ Successes
	Delivery of current project pipeline and access to new geothermal fields.	The pipeline comprises of renewable energy sources including, Geothermal 87% and Wind 13%. Currently 83.3MW Geothermal plant is under construction.
	Delivery of current project pipeline and access to new geothermal fields.	Dedicated Environment and Sustainable Development program to spearhead environmental sustainability. Registered six (6) CDM projects under the United Nations Framework Convention on Climate (UNFCCC). Offsetting approximately 1.5 million tonnes of CO ₂ equivalent annually and yielding USD 3.627 million since inception and during the period 2020- 2021, KenGen issued with 4.6 million tonnes of CO ₂ equivalent.
	Improve returns of current plants (OPEX) to improve operational processes and structure	<p>To ensure the sustainability of life underwater, the following measures are in place:</p> <ul style="list-style-type: none"> • Conservation of water catchment areas and hydropower dams through desilting and protection of riparian lands • Control of water abstraction and usage through water permits. 15 permits were acquired from Water Resource Authority for hydropower generation. KenGen ensured compliance to water abstraction permit conditions through regular monitoring. • Quarterly clean-up of Makupa shoreline and mangrove planting along the Kenyan coast.

Priority SDG	Priority Initiative	Key Activities/ Successes
	Delivery of current project pipeline and access to new geothermal fields.	<p>Some of the power plants operated by KenGen are in National parks and forest reserves. These sites are habitats of biodiversity.</p> <p>Environmental conservation and restoration are key during the construction and operation of power plants.</p> <p>Measures put in place include:</p> <ul style="list-style-type: none"> • Use of noise silencers at Olkaria Power Plants. • Color-blended steam pipes on the animal corridors at Geothermal fields. • KenGen issued 181,031 tree seedlings for growing in the operational areas. • 35 environmental audit reports were submitted to National Environment Management Authority. • All capital projects have Environmental Social Impact Assessment licenses whose Environmental Management Programmes were monitored for compliance with license conditions.




Value Creation- Provide adequate return to shareholders




Priority SDG	Priority Initiative	Key Activities/ Successes
	Improve Organizational Health	<p>KenGen is a leading employer, with a staff headcount of 2,552 and attrition of less than 5.7%. Staff Remuneration stands at USD 86M per annum, which guarantees the people and their dependents quality life.</p> <p>The company promotes empowerment of women, youth, and persons with disability, through the Access to Government Procurement Opportunities Program, the Company allocated USD 43.1M.</p>
		




ALIGNING SUSTAINABILITY TO KenGen's BUSINESS STRATEGY

Value Creation - Provide adequate return to shareholders

Priority SDG	Priority Initiative	Key Activities/ Successes
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Improve Organization Health (Innovation, ICT Infrastructure)	<ul style="list-style-type: none"> The Company has developed a digital Innovation Platform, "Ignite", where staff can share innovations. To date, 578 ideas have been submitted through Ignite. KenGen undertook various diversification projects and services: Geoscientific Studies and Drilling Services in Ethiopia, trained 50 participants at the Geothermal Center of Excellence on SDGs exploration and development of the geothermal resources. Cumulatively 800 participants have been trained since the inception of the Center. To institutionalize innovation culture, the Company held the G2G Annual Innovation Seminar (23 Ideas and 1200 participants) and 5 Community of Practice and Innovation forums across the Company with 43 innovative ideas presented.
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Improve Organization Health	<p>Regular drug and substance abuse awareness was done to employees, families and contractors in collaboration with National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA).</p> <p>Promotion of psycho-social health well-being through the engagement of an in-house and external counselors.</p> <ul style="list-style-type: none"> 23 health articles were published and circulated to employees. HIV and AIDS sensitization programs and interventions across the company through peer educators. Health Programs such as a gymnasium at Stima Plaza II, Eastern and Western regions, and sponsored subscriptions to health clubs to promote staff wellbeing.
 <p>4 QUALITY EDUCATION</p>	Improve Organizational Health	<ul style="list-style-type: none"> From 2019 to 2021, the Company has provided 1,292 training opportunities to the youth to acquire industry knowledge and experience in various fields, including Power Plant Operations, Geothermal Exploration, Corporate Communications, ICT, and engineering. The Company offered 187 Education Scholarships for Secondary and University to needy and bright students. The Company also employed Early Childhood Development Education Teachers and Caretakers for KenGen ECD Centres. The Company provided 1,776 textbooks and learning materials for the learners.

Priority SDG	Priority Initiative	Key Activities/ Successes
	Improve Organization Health	<ul style="list-style-type: none"> The Pink Energy forum held various meetings to develop women's potential, to enable them to make progress in professionalism, career growth, health, and wellness. The Company was awarded the Annual Trailblazers Award for Gender Mainstreaming category by the Ministry of Public Service and Gender. KenGen-sponsored leadership program for Women in Leadership through Strathmore University. AGPO Allocations for deliberate procurement programs targeting women amounted to KShs. 637 million.
	Improve Organization Health	<p>70,000 cubic meters worth of water tanks were distributed to 70 households in Sondu.</p> <p>233,110,502 cubic meters of water was distributed to communities through Company water points in the operation areas.</p>
		KenGen hosted the celebration of the National World Habitat Day at Olkaria Geothermal Spa. The theme of the celebration was "Accelerating Urban action for a Carbon Free World."

Lowering Tariffs - Profitably supplying affordable renewable electricity to the country.






Priority SDG	Priority Initiative	Key Activities/ Successes
	Improve Power Purchase Agreements/ Tariff Regulation	<ul style="list-style-type: none"> KenGen is leading the provision of affordable electric power through low-cost tariffs. KenGen's average tariff to Kenya Power stands at Kenya Shillings 5.4 per unit, making it the most affordable compared to other Independent Power Producers in the Country. KenGen contributes on average 70% of the total electricity consumed in the Country. This positively contributes to the improvement of the lives of people and enhances prosperity.



Ngong Wind Farm



SUSTAINABLE LEADERSHIP AND GOVERNANCE

PRIORITY SDGs Relevant to Sustainable Leadership and Governance	
5 GENDER EQUALITY 	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.
	5c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.
8 DECENT WORK AND ECONOMIC GROWTH 	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including young people and Persons Living With Disabilities, and equal pay for work of equal value
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
10 REDUCED INEQUALITIES 	10.2 By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or another status.
	10.3 Ensure equal opportunity and reduce inequalities of outcome by eliminating discriminatory laws, policies, and practices and promoting appropriate legislation, policies, and action in this regard.
	10.4 Adopt policies, especially fiscal, wage, and social protection policies, and progressively achieve greater equality.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	16.6 Develop effective, accountable, and transparent institutions at all levels.
	16.7 Ensure responsive, inclusive, participatory, and representative decision-making at all levels.
KEY PRINCIPLES	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	
MOST RELEVANT ISSUES	
<ol style="list-style-type: none"> 1. Corporate Governance Statement 2. Statement of Compliance 3. Principles of Corporate Governance 4. The Board 5. The Board Charter 6. Board Composition 7. Board Meetings 8. Board Committees 9. Succession Management in the Board 10. The Office of the Inspectorate of State Corporations 11. Board Effectiveness 	



SUSTAINABLE LEADERSHIP AND GOVERNANCE

Corporate Governance Statement

KenGen's Corporate Governance framework;

- Defines how the Company is governed, providing transparency and accountability for decision-making.
- It provides the basic principles that enable the Board to provide requisite oversight in the running of the Company.
- It provides guiding principles that lead to explicit lines of responsibility.

This ensures that the business has appropriate ethical decision-making processes and controls to balance the interests of all stakeholders.

KenGen has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization. This complies with the requirements of applicable laws and regulations, including but not limited to the Capital Markets Act and Regulations, rules and guidelines thereunder on Corporate Governance and the Nairobi Securities Exchange (NSE) regulations, rules, policies, and procedures.

Corporate Governance matters are described in the 2021 Integrated Annual Report and Accounts which can be found on the corporate website.

Statement of Compliance

As a Company listed in Nairobi Stock Exchange, KenGen strictly adhere to the continuing obligations in compliance with the Capital Markets Authority (CMA) Corporate Governance Guidelines - Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and the ethical standards prescribed in the Company's Code of Conduct. KenGen also subscribe to the tenets of governance as provided in Chapter 6 (Leadership & Integrity) in the Constitution of Kenya.

At the same time, the Board is guided by the principles of good governance as stipulated in the code of Governance for Government Owned Entities (Mwongozo).

Corporate Governance Audit is regularly conducted by an accredited external governance auditor in compliance with the applicable rules and regulations set out by the CMA for listed companies.

The Company has adopted ISO Management Systems as strategic decision-making tools to improve overall business performance and provide a sound basis for sustainable development. During the year, KenGen attained recertification in ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System. This shows our determination for the pursuit of excellence.

The following are some of the Acts and Regulations KenGen complies to:



SUSTAINABLE LEADERSHIP AND GOVERNANCE

Principles of Corporate Governance



The Corporate Governance principles are entrenched in KenGen's strategic and operational objectives to accelerate growth and increase stakeholder value. The Board is ultimately responsible for enhancing Corporate Governance in the Company.

The Board

The top Management in KenGen is responsible for Corporate Governance, spearheaded by the Board, the Managing Director and CEO, the Executive Committee, and cascaded through the business operations.

The Board Charter

The Board is governed by a Board Charter, a policy document that defines the respective roles, responsibilities, and authority of the Board of Directors in setting the direction, and control of the Company. It is a commitment by members of the Board to discharge their mandate in KenGen and outline the rules that guide them. Each Director subscribes to the Charter and in doing so acknowledges the Company's values and commits to uphold them.

The Charter sets out the powers of the Board Committees, the separation of roles between the Board and Management, as well as policies and practices of the Board in respect to Corporate Governance matters. The Charter complements and does not change or interpret any statute, law, or regulation.

The Board Charter is the guide in onboarding new Board Members, forming Board Committees, induction, remuneration, rotation, training, and conducting of Board meetings.

Board Composition

The KenGen Board comprises of eleven (11) members; an independent and Non-Executive Chairman, one (1) Executive Managing Director and CEO, the Cabinet Secretary-The National Treasury, Principal Secretary-Ministry of Energy, plus seven (7) independent and Non-Executive Directors. The Board composition is outlined in the Articles of Association of the Company.

Board Meetings

The Board, as per the Annual Workplan, meets quarterly or additionally when necessary to consider matters relating to the overall control of the business.

The Board work plan and calendar are prepared at the beginning of the year and adequate notice, agenda, and Board papers are circulated within the stipulated timelines.

Board Committees

To effectively execute its oversight role, the Board has established five (5) Standing Committees with specifically delegated mandates. The Board Committees are run with clearly articulated terms of reference as approved by the Board of Directors.

Board Committee	Roles towards Sustainability and Business Strategy	Key Achievements
Audit, Risk & Compliance Committee	To assist the Board in areas of financial reporting and compliance with the applicable financial reporting standards, oversight of the internal and external audit function, and the operating controls.	<ul style="list-style-type: none">Reviewed quarterly reports of the Internal Audit & Risk Department.Review quarterly Compliance and Governance report.Reviewed and recommended to the Board for approval the audited financial statements for the year ended 30th June 2020.



SUSTAINABLE LEADERSHIP AND GOVERNANCE

Board Committee	Roles towards Sustainability and Business Strategy	Key Achievements
Strategy Committee	The Committee reviews and recommends to the Board matters about the business strategic plan, investment decisions, annual business, financial plans, and budgets.	<ul style="list-style-type: none"> Reviewed quarterly progress updates on the G2G Strategy. Reviewed the proposed 2021/2022 Annual Budget of the Company. Reviewed quarterly status updates on KenGen Projects. Reviewed the quarterly status of the GoK Performance Contract. Reviewed quarterly reports on the performance of Operations, Geothermal Development, and Corporate and Regulatory Services Divisions.
Human Resource & Nomination Committee	The Committee is responsible for appointment and reappointment to the Board and its committees, recruitment, and performance review of senior management. It also reviews Human Resource policies and Company Staff Welfare and reward system.	<ul style="list-style-type: none"> Review quarterly reports on the performance of the Human Resource & Administration Division. Reviewed and recommended the required optimum skill set in the KenGen Board, based on the expected retirement of incumbent members. Reviewed Human Resource Policies.
Governance Advisory Committee	The Committee deals with Governance matters of the Company.	<ul style="list-style-type: none"> Reviewed the 2020/2021. Procurement Plan of the Company Reviewed the quarterly Procurement Awards reports. Reviewed the proposed participation in Sourcing2Equal Program facilitated by IFC. Considered the governance principles used in the material transactions of the Company.
Finance Committee	The Committee oversees Corporate Finance and Capital Market matters, capital raising activities of the Company, and appraises expenses and investments of the company.	<ul style="list-style-type: none"> Receive the Financial Due Diligence Report and the Balance Sheet Restructuring, Debt Affordability and Sustainability Reports. Oversee the implementation of the overall investment plan for the PIBO funds to ensure adequate and competitive returns. Review at least semi-annually the repayment of the PIBO funds to ensure fulfillment of repayment obligation; and Monitoring every quarter, the Company's key financial ratios.

Succession Management in the Board

As per the Articles of Association of the Company, the CMA Corporate Guidelines, and Mwongozo (A Code of Governance for Government Owned Entities), a third of the Board of Directors retire at every Annual General Meeting. Further, any casual vacancy on the Board is immediately filled, and the Director appointed in such manner retires at the next AGM for election by shareholders. These mechanisms ensure continuity in business and continuous refreshing of skills in the Board.

During the year and as per the Company's Articles of Association on Rotation of Directors; three (3) members retired from the Board and were replaced by three (3) new members of the Board.

The Office of the Inspectorate of State Corporations

In accordance with Section 18 (2) (c) of the State Corporation Act, the Inspector General (Corporations) has the powers to attend meetings of any State Corporation including the Board's meeting and its committees. During the year, Mr. Peter Nyutu, Deputy Inspector General, was appointed to represent the Inspector General (Corporation) in all KenGen Board meetings.

Board Effectiveness

Separation of Powers and Duties

The Chairman and the Managing Director and CEO have distinct and clearly defined duties and responsibilities.

The separation of the functions of the Chairman (Non-Executive Director) and Managing Director and CEO (Executive Director) supports and ensures the independence of the Board and Management. The role of the Chairman is to lead the Board, approve meeting agenda, promote a culture of open debate, ensure effective communication with the shareholders and uphold high standards of Corporate Governance. The Managing Director and CEO is responsible for the Company's day to day management.

Induction

New members of the Board are inducted to apprise with an overview of the company, installations, operating environment, and any new developments as well as any regulatory changes. As part of the induction program, detailed presentations are made by management so that the Directors gain a good sense of the Company operations. They visit KenGen installations to familiarize themselves with the different modes of power generation. During the year, three new members of the Board were inducted.

During the year the new Board members were engaged in an elaborate induction program and visited various KenGen installations.

Board Development Programme

Every year, Board members undergo regular capacity development programs to enhance their knowledge in areas such as Corporate Governance, leadership, and specialized relevant professional courses. They also attend energy-related forums and conferences on best industry practices and Continuous Professional Development Programs. These measures are geared towards equipping them with the knowledge that enables them to fulfil their responsibilities for effective decision-making. During the year, the Board attended various courses and conferences and attained the requisite twelve hours on Corporate Governance Programs as stipulated in the CMA. All KenGen Directors are members of the Institute of Directors of Kenya (IOD) for skills and knowledge upscaling.

Board Evaluation

Every year, the Board undergoes a rigorous Performance Evaluation, conducted by the State Corporations Advisory Committee. This involves a 360-degree evaluation of the Chairman by the individual Directors, each Director by the Chairman, MD & CEO by all Directors, and peer evaluation of each Director. The outcome of this evaluation is used to create remedial development and training programs for the Board.

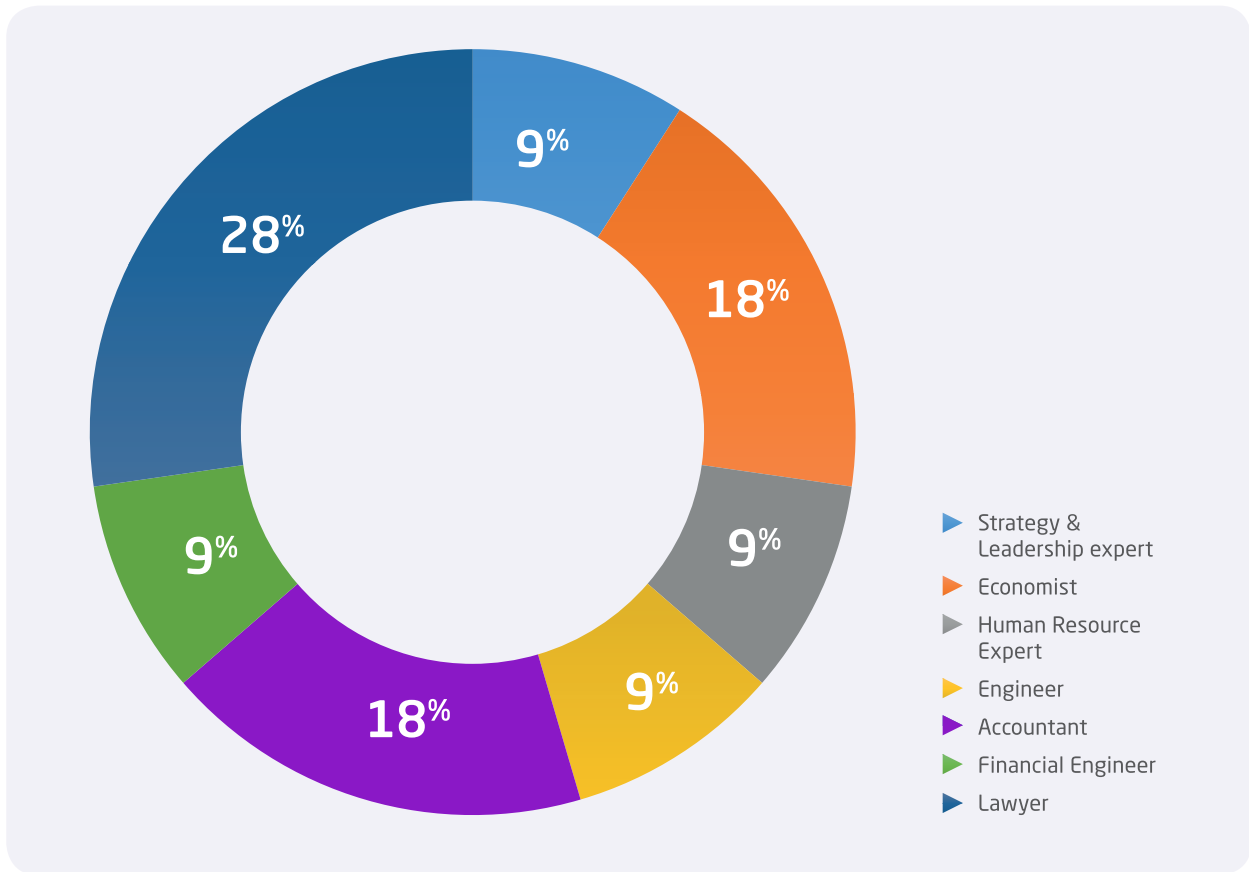
Board Diversity

KenGen is proud of the mix of skills, experience, diversity, and perspectives the Directors bring on board. It has helped in fostering a culture of inclusion which is an important attribute as the Company continues executing the diversity strategy and goals.

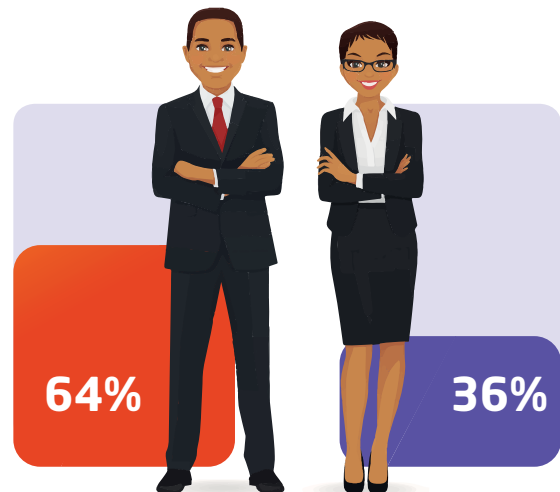


SUSTAINABLE LEADERSHIP AND GOVERNANCE

Number of Board Members Vis-A-Vis Expertise



KenGen continues to comply with the 2/3 gender parity rule as outlined in Article 27 (8) and Article 172 (2) of the Constitution of Kenya. This also contributes to the attainment of the objective of SDG5 on Gender equality.



Conflict of Interest

The Board fully discloses any real and potential conflict of interest which comes to the Director's attention, whether directly or indirectly. All business transactions with all parties, Directors, or their related parties are carried out at arms' length.

At the start of all meetings of the Board, the Directors declare any conflict issues or any interest they may have in the business under discussion. The Directors exclude themselves from the quorum and the vote in respect of any matters in which they have an interest. No material conflicts were reported by Directors in the year under review.

Executive Committee (ExCo)

The Executive Committee is the highest management leadership organ led by the Managing Director and CEO and comprises of all the Divisional Directors. This Committee serves as a link between the Board and Management. The Executive Committee has a mandate and responsibility to ensure implementation of the Company's strategic objectives, compliance with the statutory and regulatory framework, guidelines, and adherence to company policies and procedures. It convenes its meetings every week or as the business may dictate to discuss strategy formulation and implementation, policy matters, and financial performance.

Legal and Compliance Audit

Enforcement of legal compliance is a key component of KenGen's Risk Management Strategy which seeks to mitigate the Company's exposure to potential risks. The Company carries out Legal and Compliance Audit every two years to establish the status of compliance with statutory, regulatory, and policy requirements as well as providing updates on how the Company and the Board observe and uphold Good Corporate Governance practices in all its activities. Non-compliance with the law can be costly to the Company in terms of resources and its right standing as a responsible corporate citizen. KenGen's last Legal and Compliance Audit was carried out in 2020.

Risk Management

The Company remains committed to robust risk management as an integral part of strong governance and good management. The Board, through its Audit, Risk & Compliance Committee, exercises its oversight role on the

implementation of Enterprise Risk Management (ERM) processes by management. KenGen has adopted a Risk Management Framework and has borrowed from ISO 31000 International Risk Management Standard, including control activities of the Committee of Sponsoring Organizations. This ensures the strategic and operational risks are identified, reported, and mitigated consistently. KenGen review the risk management framework to ensure continuous improvement and enhancement of the Company's risk management processes to remain responsive to the business environment. We continuously embed risk management in our business systems, processes, and projects so that the responses to risk remain current and dynamic.

KenGen has also adopted the Three Lines Model to continue supporting the effective implementation of the ERM framework. The Three Lines Model helps KenGen to identify structures, processes, roles, and responsibilities that best assist the achievement of objectives and facilitate strong governance and risk management.

Stakeholders Engagement

Building strong relationships with the stakeholders give us social capital to deliver on the Company's core mandate in line with the long-term values. KenGen's Community Engagement Strategy continues to define the needs of the stakeholders and the day-to-day relations with the stakeholders and the communities neighbouring our operational ecosystem.

While the Company has endeavoured to focus on enabling manufacturing on the Big Four Agenda, we have gone a step further to foster the Universal Healthcare Initiative through the construction of a mega Level 5 Hospital in Naivasha. The hospital will be key in serving the greater Rift Valley Region and contributing towards the attainment of SDG3 on good health and wellbeing for all. KenGen continues to remain intentional about positively impacting the communities around us through diverse Stakeholder Coordination Committees.

KenGen's commitments in 2022

In the year 2022, we have set out to do and commit to the following;

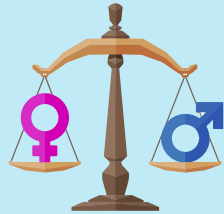
1. Hold quarterly Board meetings as per the Annual Board Workplan.
2. Hold both local and international training for Board Members.
3. Conclude the Corporate Governance Audit
4. Holding the 2022 AGM.



Olkaria Geothermal drilling team in action

PEOPLE FIRST

High Priority UNGC Principles Relevant to Employees



Human Rights

- 01** Business should support and respect the protection of internationally proclaimed human rights
- 02** Make sure that they are not complicit in human rights abuses



Labour

- 03** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- 04** The elimination of all forms of forced and company labour
- 05** The effective abolition of child labour
- 06** The elimination of discrimination in respect of employment and occupation

High Priority SDG Targets Relevant to Employees

SDG	Target
3 GOOD HEALTH AND WELL-BEING 	3.8: Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all.
4 QUALITY EDUCATION 	4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
8 DECENT WORK AND ECONOMIC GROWTH 	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including young people and Persons Living With Disabilities, and equal pay for work of equal value.
10 REDUCED INEQUALITIES 	10.2: By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or another status. 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies, and practices and promoting appropriate legislation, policies, and action in this regard. 10.4: Adopt policies, especially fiscal, wage, and social protection policies, and progressively achieve greater equality.

PEOPLE FIRST

Professionally strong and compassionate

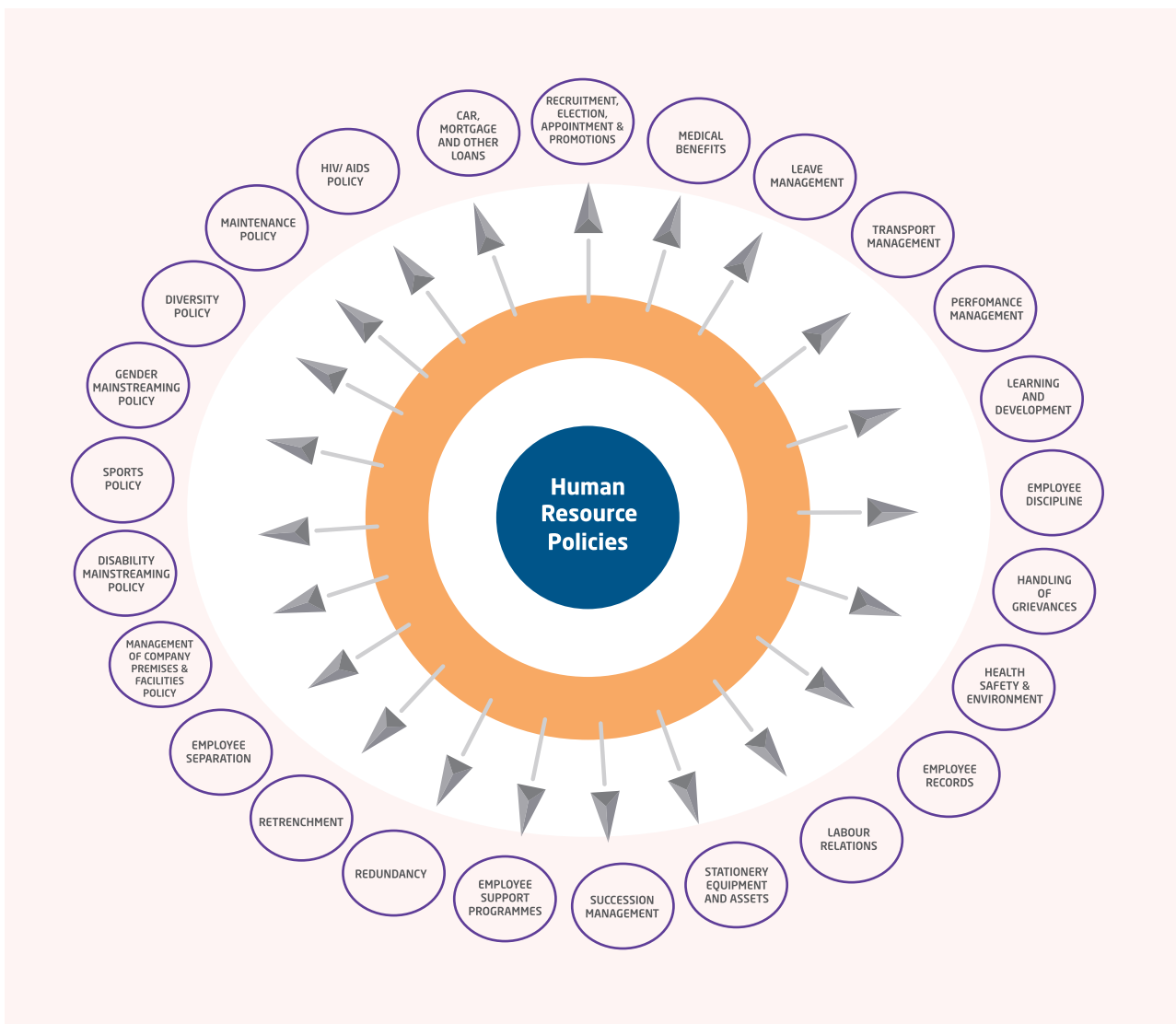
KenGen is an equal opportunity employer that upholds the rights of every person as stipulated in the Human Resource Policy on recruitment, selection, appointment, and promotions, and in line with the United Nations Global Compact (UNGC) principles on Human Rights and Labour as well as Sustainable Development Goals (SDGs).

The Company deliberately ensures all business units have appropriate representation of work experience, expertise and gender, to enhance capacity and productivity.

During the year, the Company had a complement of 2,552 employees spread across all business areas in Kenya, Ethiopia, and Djibouti. The turnover rate stood at 5.7%, which is less than the global average of 10.9%, owing to the comprehensive employee retention programs in place.

Human Resource Policy

The Human Resource Policy ensures employee rights are protected and proper benefits provided for their work. The policy has helped in addressing complaints, problems, and grievances. This is in line with the UNGC principle 10.4: 'Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.'





Strength in diversity and inclusivity

KenGen believes in diversity and inclusivity irrespective of gender, physical ability, ethnicity, or age. In line with the Human Resource policy on Gender Mainstreaming, Gender Equality (SDG5), and Reduced Inequalities (SDG10), the Company is committed to ensuring gender equality at the workplace.

Equally, the policy on diversity stipulates the resolve to recognize and appreciate the unique beliefs, values, skills, attributes, and characteristics of all employees in an environment that promotes an all-inclusive representation of people.

Persons Living With Disabilities

Not disabled, just differently-abled



KenGen is committed to ensuring that the people living with disabilities are accorded equal opportunities at the workplace, including equal employment opportunities. The Company has provided facilities to accommodate them and ensures adherence to provisions of the Persons Living With Disability Act and other laws and regulations governing Persons With Disabilities (PWDs).

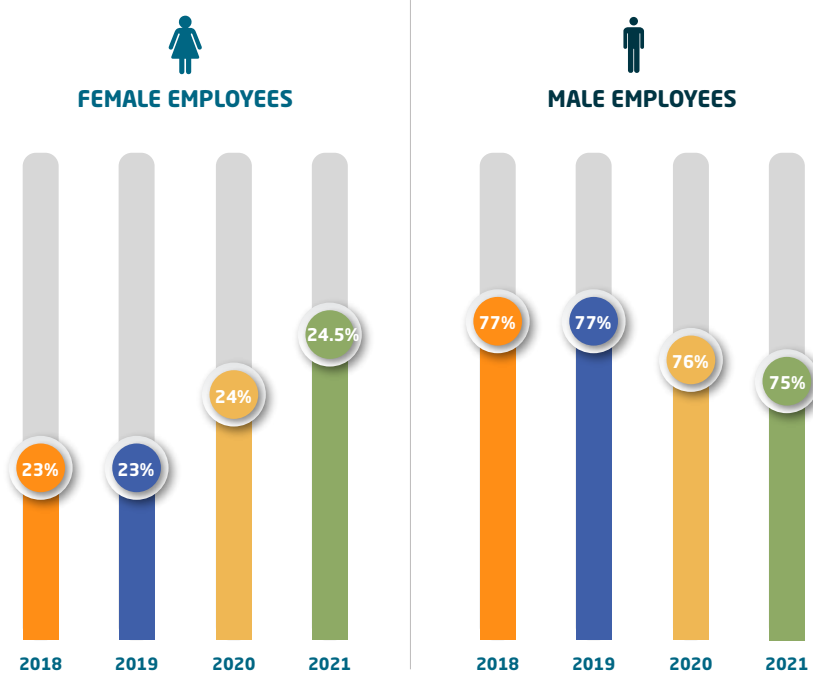
Currently, 1.1% of all employees are PWDs. To ensure better interaction among all employees, the Company has trained 31 employees in basic sign language, 234 on disability awareness, and facilitated an accessibility audit by the National Council for People with Disability (NCPWD) at



PEOPLE FIRST

Gender Equality

The company has made a deliberate effort to meet the two-third gender requirement. In the last two years, the ratio of women to men increased from 23.3% to 24.5%. While KenGen is proud of the progress made towards gender parity, the Company recognizes that there is more work to do to attain gender equality sooner than later by deliberately recruiting more women under affirmative action to meet the threshold of not less than 30% representation of either gender in the workplace.



KenGen is committed to increasing the numbers through partnering with institutions such as the Institution of Engineers of Kenya Women Engineers chapter, Kenya Association of Manufacturing; Women in Manufacturing, the Brands and Beyond Women in Energy Awards, Women in Engineering South Africa, Women in STEM launch in Makueni, a rural region, amongst others.

Pink Energy

To accelerate the resolve for gender parity, a forum dubbed Pink Energy, aimed at empowering female employees was established. Through the forum, several milestones have been achieved including the creation of a conducive work environment for women, raising gender awareness, and helping institute gender mainstreaming across the company.

The company is partnering with the UN Global Compact and USAID in targeted programs aimed to deepen the implementation of the Women's Empowerment Principles (WEPs) and to strengthen the contribution to SDG 5, which calls for women's full participation and equal leadership opportunities, including in economic life, by 2030. After completion of the WEP tool Gender Gap assessment, the Company achieved a score of 58%, which is noted as an achiever on Gender Equality matters.



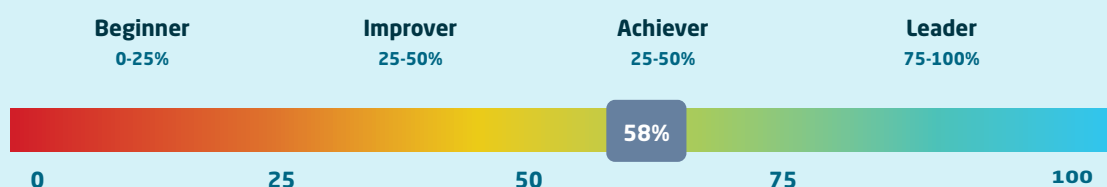
KenGen

Results, Completed on: September 16, 2021

Your Score Is
58%

Achiever

Well Done! Your company has developed and implemented several policies and practices across business functions of your organization. Your company recognizes that while formalizing policies is important, in order to create change you need to support those policies with practice, measurement, and reporting. The next step are to address the remaining gaps in your implementation, fully integrate, and increase your transparency to your stakeholders, and you will become a true leader on gender equality!



KenGen results after **Women Empowerment Program** Gender Gap assessment

Prof. Margaret Kobia, Cabinet Secretary, Ministry of Public Service and Gender Affairs presents an 'Annual Trailblazers Award for Gender Mainstreaming category' to KenGen in recognition of its effort on Gender Mainstreaming and Women Empowerment through the **Pink Energy** initiative.



Annual **Trailblazers Award** for gender mainstreaming category



PEOPLE FIRST

Blue Energy Forum

To address some of the issues affecting men, the Blue Energy forum was established, with membership drawn from all male employees. This is a platform that helps men address issues that revolve around career, investments, family, relationships, lifestyle, among others, to bring the best out of them.

Several talks have been organized, with the latest one dubbed “Kwa Kinyozi”, held in November 2021, with a total of 169 participants.



Mwanaume ni.....



Honor



Duty



Care

THANK YOU for attending
the “Kwa Kinyozi”
virtual chat!



Young Generation (Y-Gen)

To address issues affecting the young employees in the Company, Young Generation (Y-Gen) forum was established. The main purpose of this forum is to maximize the potential of employees who are 35 years of age and below, towards performance excellence and ultimately achieve the G2G (Generation to Generation) strategy.

The Young SDG Innovators Program provides an opportunity for participating companies of the UN Global Compact to identify young talent within their organizations, collaborate, and accelerate business innovation towards the Sustainable Development Goals (SDGs). Towards this end, KenGen participated in a 10-month accelerator program to develop and drive innovative solutions through new technologies, initiatives, and business models and deliver on the company's sustainability objectives.

Training Opportunities; a Journey to Excellence.

The Company is committed to the provision of quality training to all employees to enhance their performance. Considering the austerity measures instituted in the wake of the COVID-19 pandemic, it is almost certain we must approach learning and development differently, taking into consideration that skills shelf life is short, with research indicating that 53% of employee skills become obsolete within three years.

KenGen is therefore committed to reskilling and upskilling employees for improved performance, considering global digitalization and technology.

KES

180m



Training Budget
FY2020/2021



1,399



Number of Employees
who benefited

Mentoring and Coaching

Recognizing the importance of coaching and mentorship in making the employees more valuable and skillful, the Company has developed a comprehensive policy on learning and development that incorporates the identification of employees for coaching and mentoring programs. 80 mentors and coaches were nominated based on experience, performance, and emotional intelligence and trained in the process.

E-Learning

To enhance the employee skills and competencies and address challenges brought about by the COVID-19 pandemic, the Company implemented blended learning by introducing e-learning to complement in-person classroom training. The Company introduced competencies e-lab, an online learning platform that offers training content and services with 100% cloud access, anytime, anywhere. As a result of these interventions, KenGen enhanced the competency of 1,399 employees.

To promote knowledge management among the people, the Company held the G2G Annual Innovation Seminar and four Communities of Practice and Innovation (COPI) forums during the year.



Skills and Capacity Enhancement

KenGen recognize the importance of fundamental skills such as critical thinking, problem-solving, and decision-making in preparation for the future work environment. These are the building blocks that help employees identify changes in the environment quickly and adapt response strategies, targeted at producing the desired outcome.

Geothermal Centre of Excellence

Geothermal Centre of Excellence was established in 2006 to offer various courses relating to Geothermal Resource Development. Since its inception, over 800 participants have been trained at the Centre.

The annual Sustainable Development Goals (SDG) Short Course on Exploration and Development of Geothermal Resources 2021 program was conducted with 50 participants graduating on 4th December 2021.

The program is a partnership between UNESCO GRÓ Geothermal Training Programme (GRÓ GTP), Iceland, KenGen, and Geothermal Development Company (GDC). This is to build a pool of specialists in Geothermal Resource Development in the Continent, through capacity building, in line with the Sustainable Development Goals (SDG No. 7) on "access to affordable, clean and reliable energy."

PEOPLE FIRST

Career Guidelines

Informed Choices for the Future

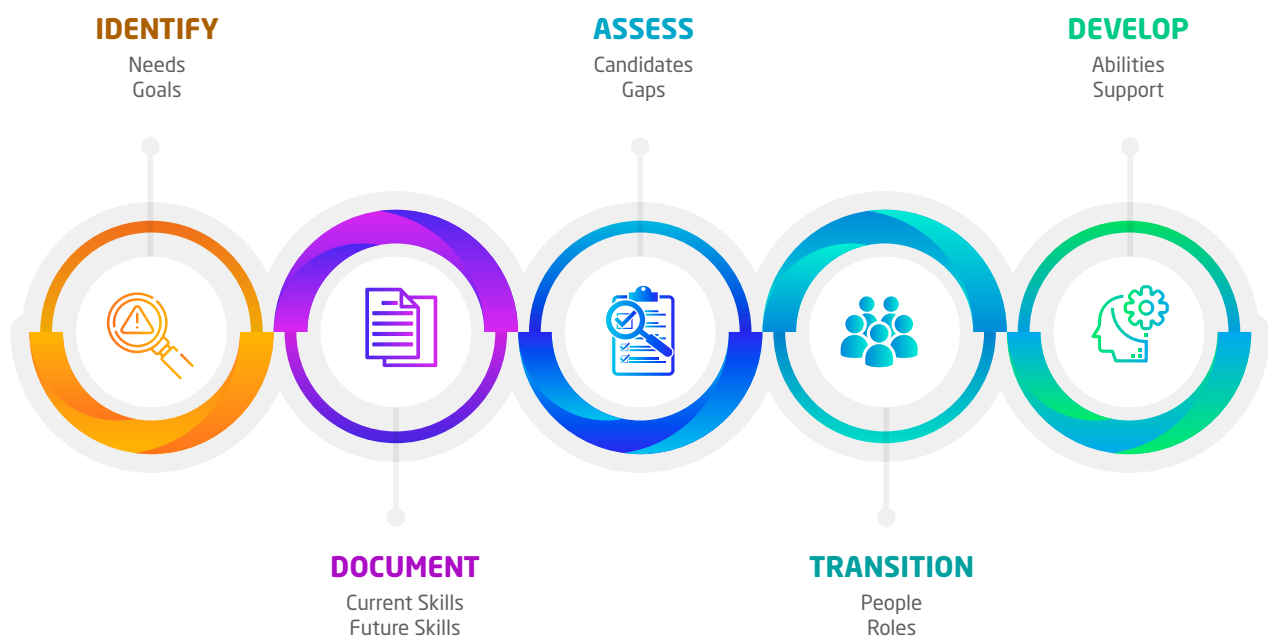
The Company has developed a robust career framework that addresses skills gaps, skills growth, and employee general career development. This framework defines, attracts, motivates, and facilitates the retention of critical and support skills required for business operations. To guide the Company in the acquisition and management of talent, career progression guidelines were published and disseminated. Further, skills gap analysis and career conversations were conducted to help employees manage their careers better.



Succession Management

Your future is created by what you do today, not tomorrow

To ensure that the Company has the requisite bench strength for the operations from generation to generation, we have developed a policy on succession planning. The policy is supported by leadership development and other performance enhancement programs that are aligned with the Human Resource Development strategies. Mentorship and coaching are important elements of the succession planning process and various programs have been rolled out.



Organisational Health

Organization, no matter how well designed, is only as good as the people who work in it

During the year, the Company conducted an Organisational Health assessment, and the overall index was 70%. The leadership is keen to ensure it abides by its commitment to address the issues and gaps identified through this survey by implementing the survey recommendations.

Activity	Focus Area/Activity
1	Run quarterly meetings to review training and development interventions.
2	Implement 70:20:10 training philosophy.
3	100% return rate on Performance Management Appraisal by 2022.
4	Start Personal Improvement Plan (PIP) for staff with performance challenges.
5	Continuously carry out and implement training needs assessment based on the relevant competencies.
6	Implement departmental learning hours to encourage the exchange of knowledge amongst employees.
7	Conduct informal forums and staff retreats to strengthen staff relationships and build trust.
8	Review processes and identify synergies to drive efficiencies and effective ways of working.
9	Continuously create awareness on existing gender and women empowerment policy.
10	Consider instituting forums for male employees and other employee affinity groups (Pink Energy, Blue Energy, and Y-Gen).
11	Integration of gender parity targets in the company strategy to drive diversity and create a plan to achieve this.
12	Partnership programs with academic institutions that sponsor women to take up the technical courses.

Health, Safety, and Wellness

Response to the COVID-19 pandemic

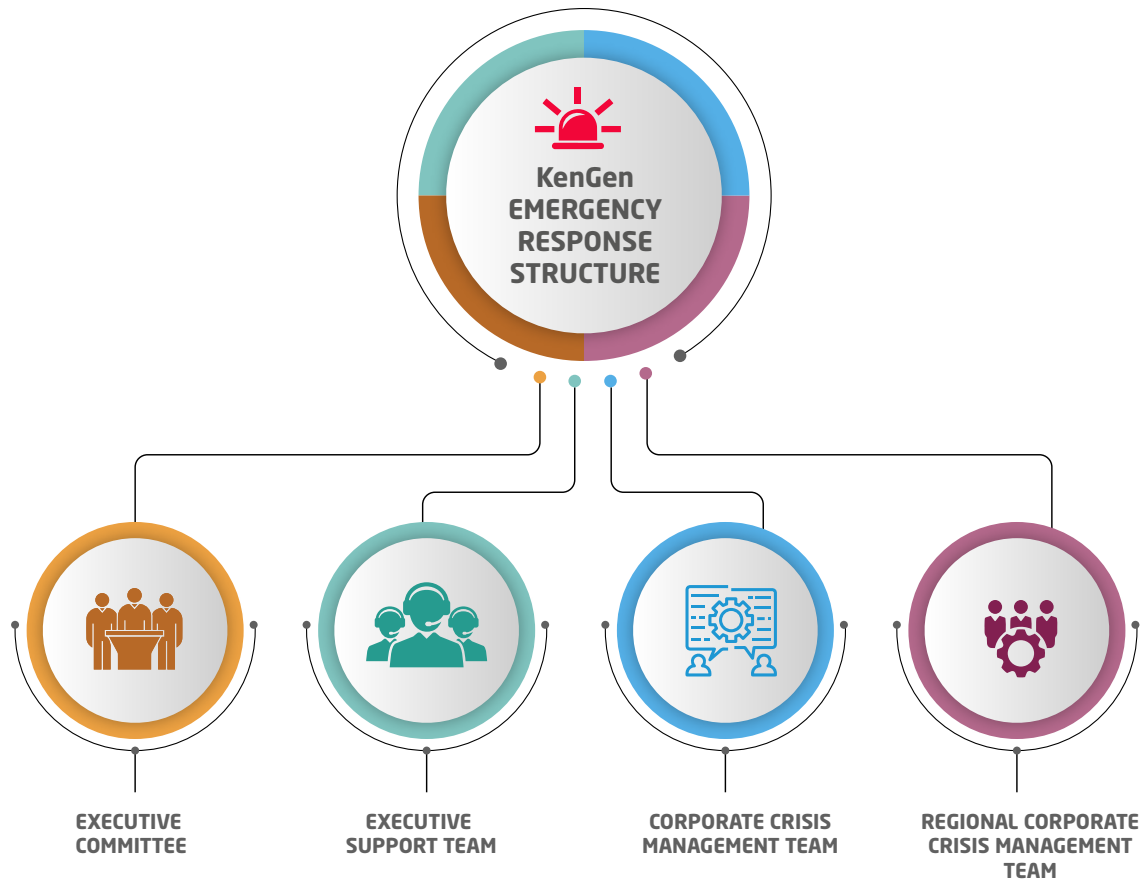
With the emergence of the COVID-19 pandemic, the Company ensured that employees remained resilient, agile, and committed to ensuring the availability of reliable power to support health services and other sectors and the economy.

KenGen's Medicare Scheme was enhanced to cover testing and treatment costs associated with COVID-19 and professional counselling services procured to deal with the emerging mental health and psychosocial issues. During the period, weekly voluntary COVID-19 testing was facilitated at all the operational areas in partnership with various service providers and addressed the fears, concerns, and stigmatisation associated with COVID-19.

The Company also organised vaccination for employees and family members, service providers, and communities around us and encouraged healthy living by eating the right food and exercising. This has borne fruit with over 85% of the people vaccinated, compared to the national rate of 20%.

To ensure provision of the necessary personal protective equipment and vaccination of employees, a business continuity strategy was activated that included the appointment of the Executive Committee, Executive Support Team, Corporate Crisis Management Team, and Regional Corporate Management Team to work in conjunction with the Ministry of Health.

PEOPLE FIRST



Operations and Logistics

- Regular fumigation and deep cleaning of all our offices
- COVID-19 testing in partnership with the Ministry of Health
- Continuous awareness on the pandemic through weekly updates from the MDs desk, push SMS and KenGen Weekly newsletter
- Medical talks and psycho-social support from medical professionals



Staff Protection and Communication

- Alternative control rooms in power stations
- Parallel Dispatch Centre for Kamburu
- Redundant shifts rota were developed
- Working from home
- Provision of Personal Protective Equipment (PPEs)
- across our business areas
- COVID-19 medical fund - response and treatment

Business Sustainability

- In the interest of business continuity, we conducted online business meetings and trainings

Other measures instituted include; remote working, staggered shift rotas, virtual meetings, social distancing in the offices, restriction of physical interactions to only critical and essential services, restricted access of office premises by external parties, provision of hand sanitizers and face masks to employees, and frequent deep cleaning and fumigation of all office premises.





PEOPLE FIRST

Employee Welfare and Wellness

KenGen's People

Mortgage and Car loan Facilities

Recognizing the need to improve the people's welfare and retention strategies, the Company implemented a mortgage and car loan scheme in 2013. The scheme is funded by the Company and partnering with KCB Bank and Stima Sacco Society as administrators.

To date, over KShs 1 billion has been disbursed to finance house purchases, construction, and acquisition of personal cars.



Health and wellbeing

Creating a safety culture is the foundation for sustainable business and support for the vision of becoming a market leader in the provision of reliable, safe, quality and competitively priced electrical energy.

KenGen is committed to providing and maintaining work conditions, equipment, and systems of work which are safe and healthy for all the employees and other stakeholders including, contractors, visitors, and persons at or near the operational areas.

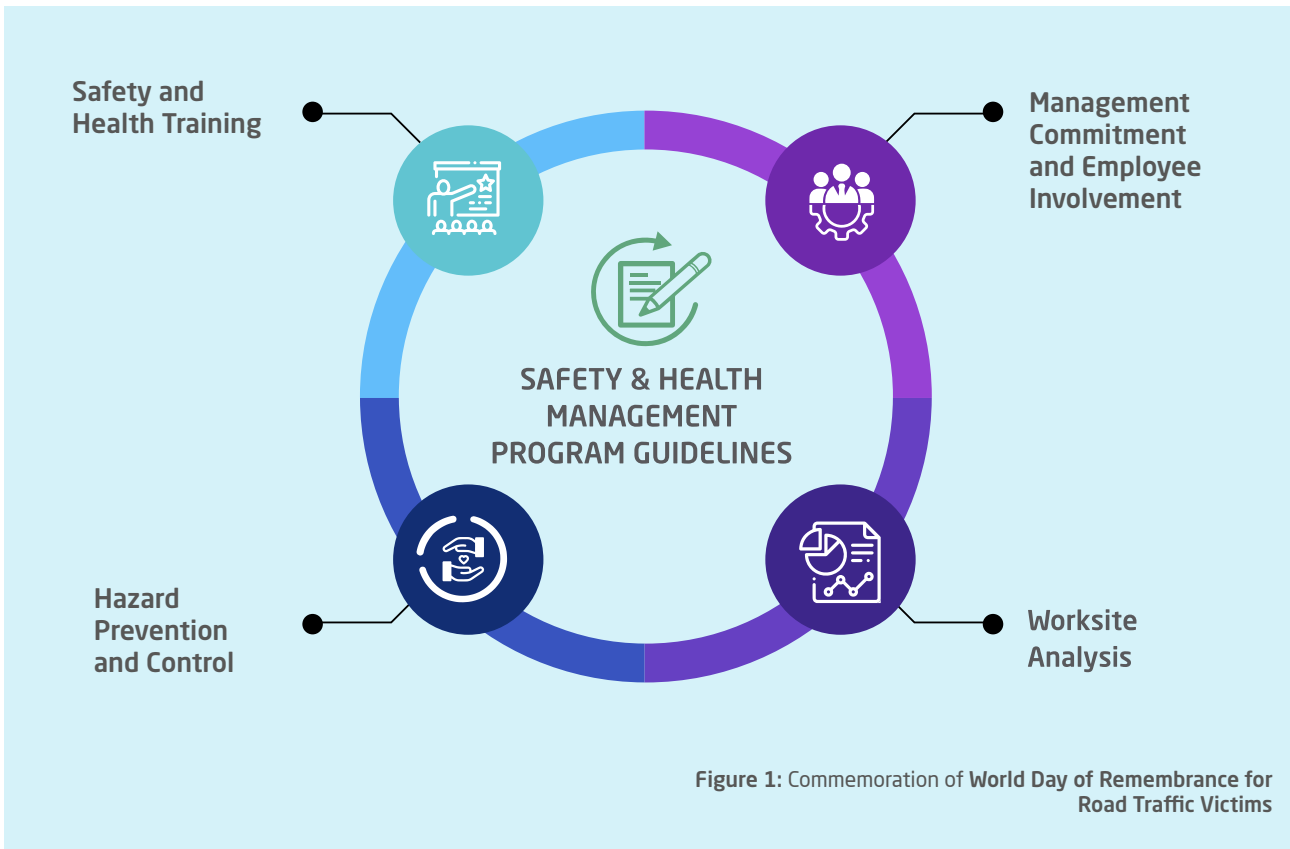
This is in line with Sustainable Development Goal 3, regarding **"Good Health and Well-being"**.

Promoting safety culture in the workplace and undertaking reasonable and practical Health and Safety measures is anchored in the core values, Human Resource Policy on Health, Safety, and Environment and Occupational Health and Safety Act 2007.



Providing employees with appropriate Personal Protective Equipment (PPE) provides additional protection to workers exposed to workplace hazards

This is aligned zero accident target within KenGen's facilities.



KenGen staff during a safety training



PEOPLE FIRST

Our ultra-modern office block - Hydro Plaza



Transport Safety

KenGen is committed to providing an efficient, reliable, and cost-effective transport system that supports the operations as stipulated in the Transport Management Policy. The policy emphasizes adherence to safety requirements, compliance with applicable legal and statutory regulations, optimum fleet size, selection and configuration determined by operational needs, operation and maintenance

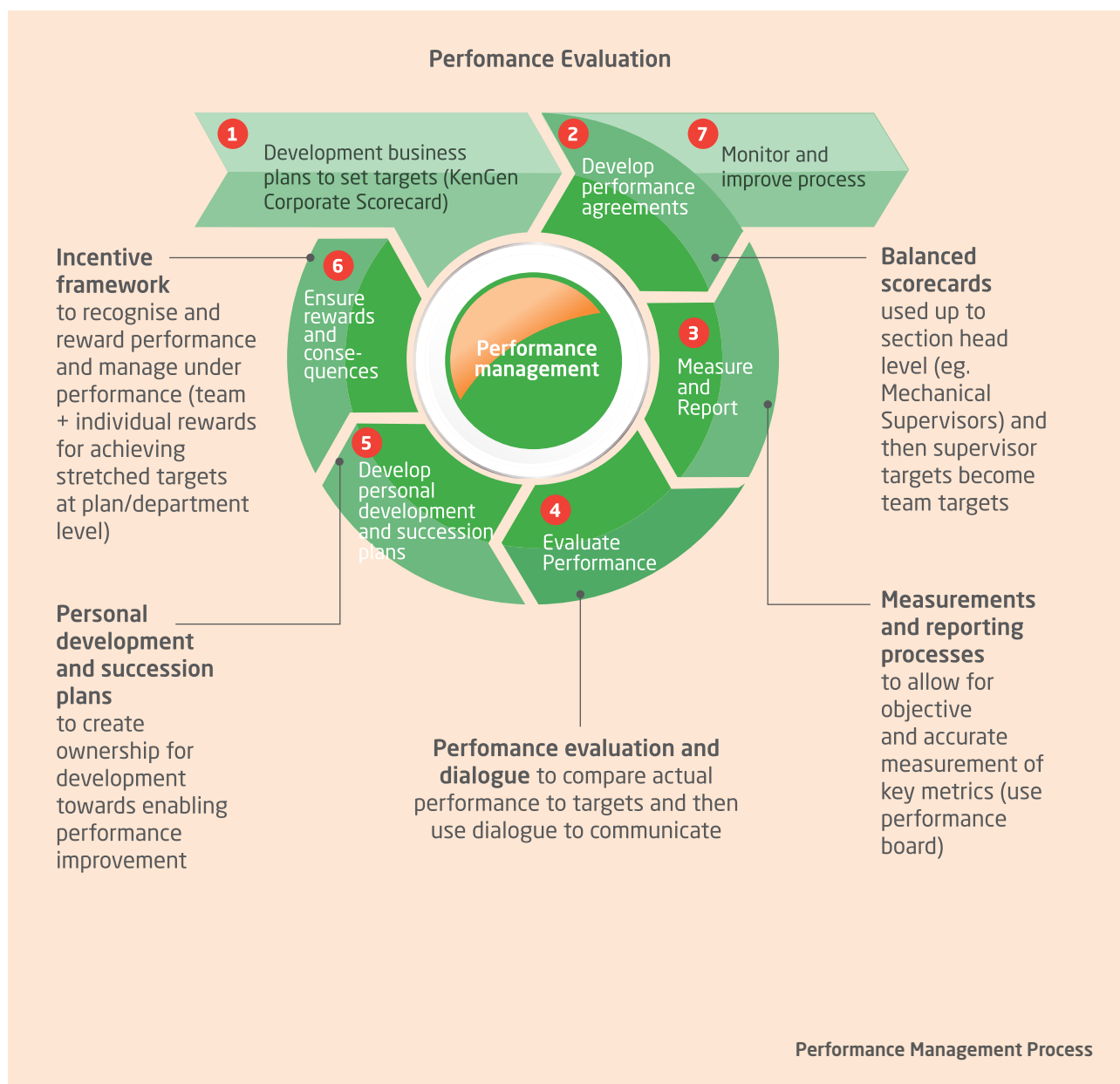
process optimization, effective and efficient management of drivers, workshops, equipment, fleet, and accessories.

To ensure proper use and safety of the 396 motor vehicles, KenGen has installed a motor vehicle tracking system that monitors vehicle movement in real-time, fuel consumption, and maintenance.



Performance Accountability Framework

KenGen has a robust performance management system which is key in monitoring employee performance at all levels. Performance contracts are signed with the Government of Kenya and cascaded through the management levels. Monitoring of these targets against Key Performance Indicators set is done weekly while evaluation is bi-annual. The Company's performance management policy guides the process.





PEOPLE FIRST

Industrial Relations

In living the spirit of one of the themes “**building relationships**”, the Company recognises Kenya Electrical Trade and Allied Workers Union (KETAWU) as a representative of employees. This has provided an environment to articulate people’s issues within the Union through a mutually acceptable recognition agreement that legitimises joint negotiation and consultation as a mechanism for fostering cooperation and mutual understanding between the parties.

As a result, the Company and KETAWU have amicably negotiated and implemented various collective Labour Agreements about terms and conditions of employment, health, safety, and environment at the workplace and other matters of mutual interest to the Company and the people.

Building An Innovation Culture



In this ever-changing world, no organisation can survive without innovation. This is the lifeline that drives business today as KenGen continually seeks ways to create and improve its business models and practices. The innovative nature and resilience of the workforce are showcased at the annual G2G Innovation Seminar which successfully exploits new ideas that improve our business processes and embrace new solutions.

This innovative corporate culture has given us a distinct competitive edge which is driving the diversification agenda. As a result, the Company has been awarded Geothermal Drilling Contracts in Ethiopia and Djibouti. KenGen prides itself in that the employees solely learn the contracts with skills and expertise grown within KenGen.

KenGen has secured the intellectual property against possible violations by partnering with the Kenya Industrial Property Institute and administering non-disclosure agreements.

The Internet of Things (IoT) revolution has undoubtedly arrived and permeated all sectors. IoT is one of the main drivers of the ongoing digital adaptations that are radically changing the way KenGen does business. The Company is resetting digitally to attain the value proposition of efficient business processes, increased productivity, alternative revenue and cost savings, increased compliance and data protection and customer satisfaction.

KenGen Kept the Promises

2020 Commitment	Achievements
Working with the World Bank to develop a Gender Strategy.	Gender Strategy developed, awaiting approval.
KenGen has been selected to participate in Power Africa's engendering utilities program.	Participated fully.
KenGen shall continue developing partnerships with like-minded institutions to continue empowering women.	Partnership with UNGC, World Bank, Institution of Engineers of Kenya Women Engineers Chapter, Kenya Association of Manufacturers, Women in Engineering South Africa.
KenGen shall continue monitoring the percentage of women within its suppliers and subcontractor database to expand women's participation particularly in non-traditional categories of supplies.	KenGen continued to engage women suppliers during the period. However, due to the COVID- 19 pandemic there was a 38% reduction in the value of contracts awarded .
KenGen shall engage in increased coaching, mentorship, and personal development to enable women to reach greater heights.	80 Mentors and Coaches trained.
As the organisation continues to monitor statistical data on women, the Company shall continue to take action to increase the number of women in senior positions.	Executive position representation increased from 20 to 40%.
More partnerships to improve the livelihoods of women and women's participation in STEM being an Engineering Company.	Partnership with UNGC, World Bank, Institution of Engineers of Kenya Women Engineers Chapter, Kenya Association of Manufacturers and Women in Engineering South Africa.
Continue enhancing gender awareness leading to a more suitable workplace for women.	Pink Energy forum for women activities continued culminating in 'Annual Trailblazers Award for Gender Mainstreaming Category' in Kenya.

KenGen's Commitments in 2022






In the year 2022, we have set out to do and commit to the following;

1.	Approve and implement the Gender Strategy.
2.	Continued implementation of UNGC principles and SDGs.
3.	More partnerships to improve the livelihoods of women and women's participation in STEM.
4.	Embrace Artificial intelligence and innovation.
5.	Implementation of a leadership development framework
6.	Institutionalize succession management.
7.	Embed Coaching & mentorship programs.
8.	Implement a Fleet management system (Lot II- fuel management solution) to optimize transport costs.

Tree Planting exercise at Koguta Forest in Sondu, Western Region



SOCIAL IMPACT

PRIORITY SDGs	
3 GOOD HEALTH AND WELL-BEING 	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all.
4 QUALITY EDUCATION 	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
6 CLEAN WAT AND SANITA 	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
15 LIFE ON LAND 	15.1 By 2020, ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains, and drylands, in line with obligations under international agreements.
	15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, to enhance their capacity to provide benefits that are essential for sustainable development.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	16.6 Develop effective, accountable, and transparent institutions at all levels.
	16.7 Ensure responsive, inclusive, participatory, and representative decision-making at all levels.
KEY PRINCIPLES	
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
Labour	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
MOST RELEVANT ISSUES	
<ol style="list-style-type: none"> 1. KenGen's Community Engagement Strategy 2. Livelihood Improvement 3. COVID-19 Response, Health, and the Communities 4. Ecosystems Restoration and Conservation 5. Education Scholarships and Learning Support 6. Addressing Community Water and Sanitation Needs 	

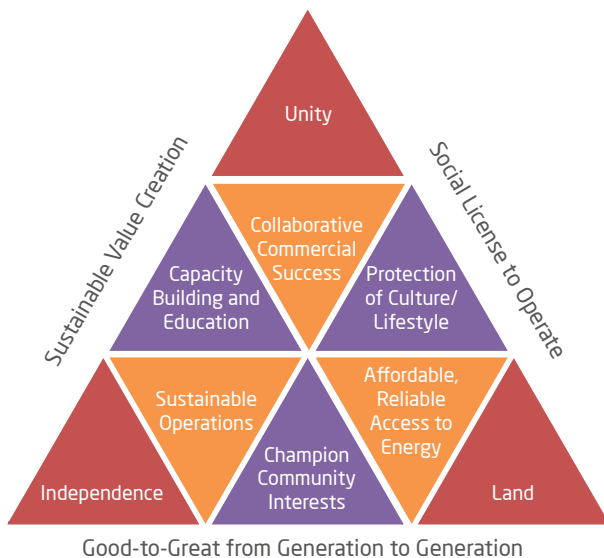
SOCIAL IMPACT

KenGen's Community Engagement Strategy

The Company's Community Engagement Strategy has nine (9) dimensions anchored on three (3) pillars, namely:

1. Good to Great from Generation to Generation
2. Sustainable Value Creation
3. Social License to Operate

During the year under review, a draft Stakeholder Engagement Policy was developed, awaiting review and submission for approval.



Livelihood improvement

As KenGen sustains the Corporate Social Investment programs, the Company is alive to the emerging issues that were affecting ordinary Kenyans and communities during these challenging times.

KenGen's existing CSI structures quickly adapted to the new normal as the basis of the stakeholders' engagement agenda. The KenGen Foundation's sustainable pillars of Environment, Education, and Water and Sanitation were established for the strongest impacts on the livelihoods of the communities and Kenyans who the Company interacts with.

COVID-19 Response, Health and Communities

While the rapid development of vaccines against COVID-19 is an extraordinary achievement, successfully vaccinating the national population and especially the vulnerable, presents many challenges.

During the onset of the pandemic, the Company's COVID-19 preventive measures in its operational areas included a donation of KShs.32 million for the purchase and distribution of Personal Protective Equipment including hand sanitizers, liquid soap, water tanks, and medicine, and also assorted food items to households affected by the pandemic.

KenGen's efforts also incorporated a sustained awareness campaign, which promoted good handwashing behaviour, hygiene, social distancing, and the use of facemasks for its employees and the community the Company interacts with.

During the year, KenGen actively participated in its continued support of vulnerable groups by participating in international day activities such as World Aids Day and World Malaria Day.

Additionally, the repair of Lorogon Dispensary in Turkwel and completion of construction of Naivasha Level-5 Hospital were funded by the Company in partnership with the County Government of Nakuru. The project will contribute immensely to the Country's health sector.



KenGen team giving out face masks to a school in Western Region



KenGen Foundation Managing Trustee receiving book donation from KenGen Managing Director and CEO

Ecosystems Restoration and Conservation

The continuous negative trends in environmental degradation may be seen as a slower-moving crisis than the speed of the global pandemic, but its long-term effects are likely to be far more threatening. Ecosystem restoration remains a key priority for KenGen to manage the unavoidable impacts of climate change and build the resilience of communities that will be most impacted.

The Schools' Green Initiative Challenge is a flagship conservation project, spearheaded by KenGen Foundation, in partnership with the Ministry of Education and Better Globe Forestry Limited. In the year under review, 28 new schools in Turkana and West Pokot Counties, and 100 new schools in Eastern Region were enrolled in the program. 256 new 'green' teachers were trained on the basics of environmental conservation for dissemination to over 2,000 Primary and Secondary School students.

Currently, in Phase VI, the GIC is an ongoing program that has so far seen the greening of over 380 acres in 600 school Compounds with approximately 180,000 drought-resistant tree species since 2015, especially in the semi-arid Counties of Kitui, Machakos, and Embu.

Likewise, KenGen employees joined hands with other corporates through the Company's Employee Giver Initiative to address forest and vegetation cover loss at Nairobi National Park, Eburru Forest, and Koguta Forest by planting 20,000 trees for climate change mitigation. The Company's afforestation efforts were backed up by an additional 181,031 trees planted through its power stations community engagement initiatives.

Additionally, KenGen marked key international days on environment such as World International Desert and Desertification Day and World Environment Day as a show of solidarity with the global community in climate change mitigation and adaptation.



SOCIAL IMPACT



Sondu Miriu Community members in Western Kenya receive water tanks funded by KenGen Foundation

Education Scholarships and Learning Support

Since 2005, KenGen has invested in education scholarships for tomorrow's leaders with over 700 students benefiting from the program by the year 2021. This is in line with Sustainable Development Goal 4 of ensuring inclusive and equitable quality education.

During the Annual Books Drive, over, 1,776 books for charity were collected, spearheaded by KenGen Foundation, to complement the achievement of the education scholarship program of the Corporate Social Investment. Currently, the Company is sponsoring 187 students through Secondary School and University.

With the explicit mandate in providing national infrastructure support, the Company continued its investments in improving learning conditions in preparation for post-pandemic recovery through the construction of classrooms and a library at Kajiado, West Pokot and Mandera Counties to benefit more than 2,000 students.

Addressing Community Water and Sanitation Needs

Access to water, sanitation, and hygiene (WASH) services, which are crucial in curbing the spread of COVID-19 risked disruption through lockdown

measures and other related protocol, posing further threats to the livelihood of communities. Safely managed WASH services are also critical during the recovery phase of a disease outbreak to mitigate secondary impact on community livelihoods and wellbeing.

Through the KenGen Foundation, water tanks of total capacity of 70,000 m³ were distributed to 70 vulnerable households at Sondu Miriu, with an additional 300,000 m³ earmarked for the Olkaria community.

During the vulnerable period under review, the Company also supplied vulnerable communities with 233,110,502m³ of water through its community water points and the supply of water tanks.

KenGen's Commitments in 2022

In the year 2022, we have set out to do and commit to the following:



- Enhance Public Relations and Stakeholder Engagement.
- Enhance Community Engagement.
- Enhance Corporate Social Investments through KenGen Foundation.
- 100 schools within our areas of operation to be enrolled in the Schools Green Initiative program.
- Implement the Corporate Social Responsibility (CSR) plan.

Ngong Wind Farm





KenGen's CLIMATE AMBITION

PRIORITY SDGs	
	Target 13.2 Integrate climate change measures into national policies, strategies, and planning
	Target 15.1: By 2020, ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains, and drylands, in line with obligations under international agreements.
KEY PRINCIPLES	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies
MOST RELEVANT ISSUES	
<ol style="list-style-type: none"> 1. Kenya Climate Strategies in Energy Sector 2. KenGen's efforts towards Net-Zero transition 3. KenGen's efforts towards Net-Zero transition 4. KenGen's Carbon Emission Reductions Portfolio 5. Environmental Sustainability Statement 6. Global Leadership in Climate Change 7. Sustainable Environmental Management 8. Projects appraisals and Monitoring 9. Biodiversity Conservation and Catchment Restoration 10. Partnership in Celebrating World Environment Celebrations 	

Introduction

The UN Global Compact has designated this decade the “decade to deliver” on the UN SDGs and the promise of a greener, more equitable future. Meaningful climate action requires collaboration between stakeholders including government, multinational organizations and development partners. The Company is committed to the development of renewable power projects that create value for the Nation considering that energy is an enabler of the socio-economic pillar of Kenya's Vision 2030 national blueprint. The energy sector is the most significant contributor to GreenHouse Gas emissions (GHG) globally and is responsible for nearly three-quarters of human-caused greenhouse gas emissions.

These emissions must be reduced substantially while ensuring energy for all. This is vital in accelerating the attainment of Sustainable Development Goal 7, aimed at ensuring access to affordable, reliable, sustainable, and modern energy for all, and Goal 13 aimed at combating climate change and its impacts.

Kenya Climate Strategies in Energy Sector

In December 2015, the Paris Agreement (PA) was adopted at the 21st Conference of the Parties (COP 21) of the UNFCCC in Paris. The PA charts a new course in the global climate effort by building upon the UNFCCC and, for the first time, bringing nearly all nations into a common cause in combatting climate change. The PA's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C through low carbon development.

Parties are required to undertake and communicate ambitious efforts to contribute to the achievement of these goals in the form of Nationally Determined Contributions (NDCs) communicated to the UNFCCC. Kenya's NDC, which was submitted to the United Nations Framework Convention on Climate Change (UNFCCC), includes mitigation and adaptation actions.

Kenya is committed to tackling climate change and has pledged through its updated NDC submitted to the UNFCCC in December 2020 to reduce greenhouse gas (GHG) emissions by 32% by 2030. This pledge focuses on Energy Sector as one of the key contributing sector by deploying more renewable energy sources especially geothermal, solar, and wind.

Climate change impacts has been experienced in Kenya and notably in the Energy Sector where the Company has experienced prolonged droughts which led to electricity outages. Clean and sustainable energy is therefore essential for Kenya's sustainable development and is considered one of the infrastructure enablers of the socio-economic pillar of Vision 2030.

The National Climate Change Action Plan (NCCAP -2018-2022), the tool to implement Kenya's NDC, indicates that Kenya's energy sector contribution to GHG emissions is expected to increase sharply from 2015 to 2030. The energy sector (excluding transport and industry), accounted for 7.1% of total emissions in 2015 and is projected to rise to 29.7% of total emissions in 2030. The NCCAP 2018-2022,

therefore, seeks to ensure an electricity supply mix based mainly on renewable energy that is resilient to climate change.

The actions to achieve this objective are through the development of 2,405MW of new renewables (Geothermal: 913MW, Solar: 442MW, Hydro: 93MW, Wind: 800MW, Biomass/Biogas: 157MW, and Distributed solar and mini-grids: 30MW) by 2022.

KenGen's Efforts Towards Net-Zero Transition

The pledge to reduce GreenHouse Gas (GHG) emissions by 32% by 2030 focuses on the Energy sector as one of the key contributing sectors through the deployment of more renewable energy sources especially geothermal, solar, and wind.

KenGen has adopted a green energy strategy in expanding its generation with an emphasis on renewable sources such as geothermal, hydro, wind, and solar. This is a critical role in moving Kenya towards a green economy trajectory. Currently, the Company is developing an 83.3MW Olkaria I Unit 6 Geothermal plant and undertaking rehabilitation and upgrade of Wanjii Hydro Power Station to 9.6MW.

KenGen has committed to aligning its activities to the ambition of keeping warming to 1.5°C through the implementation of renewable energy projects that contribute to emissions reductions, considering that over 80% of the energy consumed in the country is from Renewable Energy Sources.

The Company has firmed up the path towards carbon neutrality by 2050 by joining the elite list of Global Multinational and becoming the first Company in Kenya's public sector to commit to business ambition for the 1.5°C campaign. On 8th June 2021, KenGen received confirmation on admission to the Business Ambition for 1.5°C, thus joining the list of visionary leaders on the UN Global Compact website and their partner websites at CDP- <https://www.cdp.net/en> and We Mean business - <https://www.wemeanbusinesscoalition.org/>

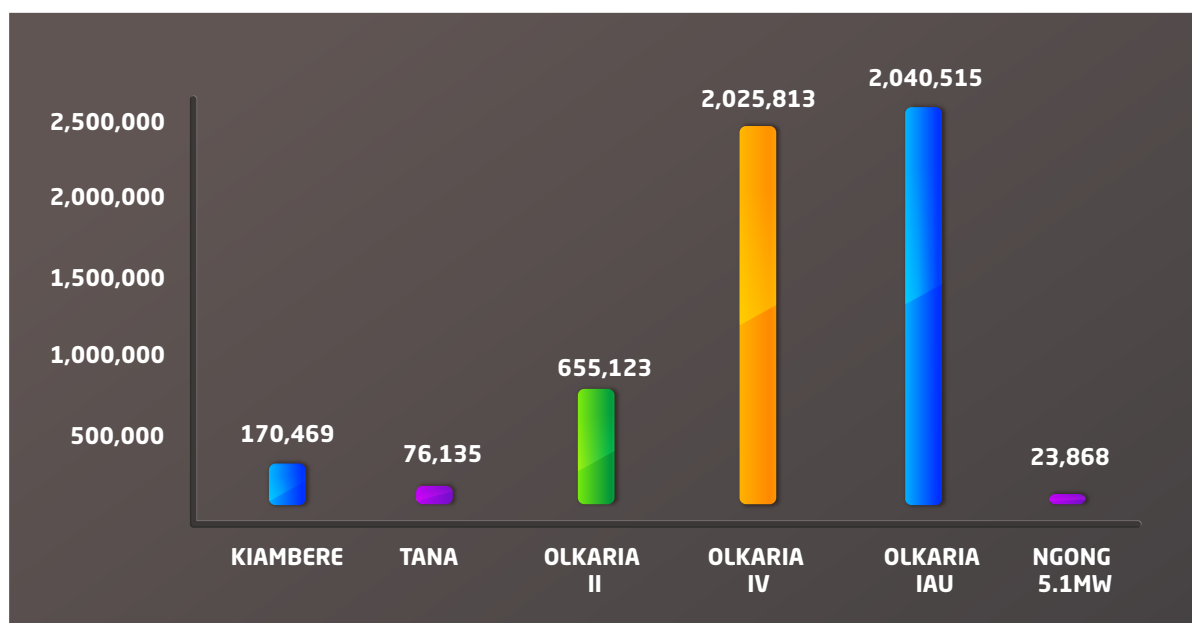
KenGen's CLIMATE AMBITION

The Company is developing its Science Based Targets towards a 1.5°C campaign. KenGen participated in the Climate Ambition Accelerator program from June to December 2021, and two members of Staff completed the program and were awarded certificates. The Company is currently undertaking pilot Carbon Footprint analysis in two of its Business Areas, namely Geothermal Division and Central Office, covering Direct Emissions (Scope 1) and Indirect Emissions (Scope 2 and 3). This analysis will go into the establishment of a Baseline for the development of the science-based targets by 2023.

KenGen's Carbon Emission Reductions Portfolio

In line with the United Nations Framework Convention on Climate Change (UNFCCC), the Company has developed and registered six Clean Development Mechanism (CDM) projects which contribute to approximately 1.5 Million tCO₂e annually. To date, the verified projects have resulted in the issuance of 4,991,923 tCO₂e Certified Emissions Reductions (CERs).

CERs ISSUED TO DATE



During the period 2020/2021, we obtained 4,617,309.00 tCO₂e Certified Emissions Reductions (CERs) issued;

No	Project	Mode of Generation	Issued CERs (tCO ₂ e)
1.	Kiambere	Hydro	160,160
2.	Tana	Hydro	57,458
3.	Ngong 5.1MW	Wind	23,868
4.	Olkaria II	Geothermal	309,495
5.	Olkaria I AU 4&5	Geothermal	2,040,515
6.	Olkaria IV	Geothermal	2,025,813



KenGen Managing Director and other Panellists at the **World Leaders Summit**

Environmental Sustainability Statement

In an emerging economy gravely affected by a ranging pandemic, heavily regulated by stringent climate change policies and conflict adherence programs, KenGen weathered through its environmental sustainability agenda which is anchored on Environmental Social Governance (ESG) and interrelated conflict resolution mechanisms.

The environmental sustainability programs encompass responsible interaction with the natural resources in the business and avoid jeopardising the ability of future generations to meet their needs. Responsible environment management, biodiversity conservation, projects monitoring and appraisal, and climate change services are at the core of various modes of sustainable energy generation.

Global Leadership in Climate Change

KenGen participated in the World Leaders' Summit at the COP26 in Glasgow, United Kingdom, on November 2, 2021, with the focus being 'Accelerating Clean Technology Innovation and Deployment'. The Managing Director and CEO delivered her speech

at the panel discussion focusing on power, road transport, hydrogen, and steel. She showcased the acceleration of Renewable Energy by KenGen in Kenya and the Region through the services the Company offers, including Geothermal Drilling and Consultancy. This is in line with Kenya's commitment to have 100% Renewable Energy by 2030.

KenGen Managing Director and CEO also participated in a panel discussion during the launch of the Carbon Dated Report by the Standard Chartered Bank on 15th July 2021 that looked at the risk and opportunities for suppliers as multinational corporations transition to Net-Zero.



KenGen's CLIMATE AMBITION



From left Executive Director, AFDB Eastern Africa, Cheptoo Amos Kipronoh, PS Environment, Dr. Chris Kiptoo, Energy CS, Dr. Monica Juma, KenGen MD and CEO Rebecca Miano, KenGen Director, Mary Maalu, and other representatives of #TeamKenya at COP26.



KenGen MD and CEO participated in a panel discussion during the launch of the **Carbon Dated Report** by the Standard Chartered Bank on 15th July 2021

Sustainable Environmental Management

KenGen's Environment Sustainability Policy, guides the operations and activities to comply with applicable environmental laws, regulations, standards, and requirements that the Company subscribes to.

KenGen has continued to implement an Environmental Management System that complies with International Standards and has maintained ISO 14001 Certification from 2009 to date with regular external certifications audits. In the year under review, KenGen was recertified to both ISO 9001 and ISO 14001 Standards, demonstrating the commitment to running of the business responsibly and sustainably.

During the year under review, the following environment management activities were accomplished;

Environment Social Impact Assessment studies conducted and Environment Impact Assessment license issued for the following projects:

- Proposed Energy Research & Development Centre and Corporate Archive Building in Upper Tana
- Proposed Ngong Wind Farm Borehole Project
- Renewal of EIA license for Seven-Forks PV Solar Project (42.5MW).

Initial Environment audits were carried out for:

- Olkaria Geothermal Wellheads (OW-37, OW-39, OW-905 & OW-919)
- Turkwel Power Station facilities (Incinerator, wastewater treatment lagoon & asbestos bunker)

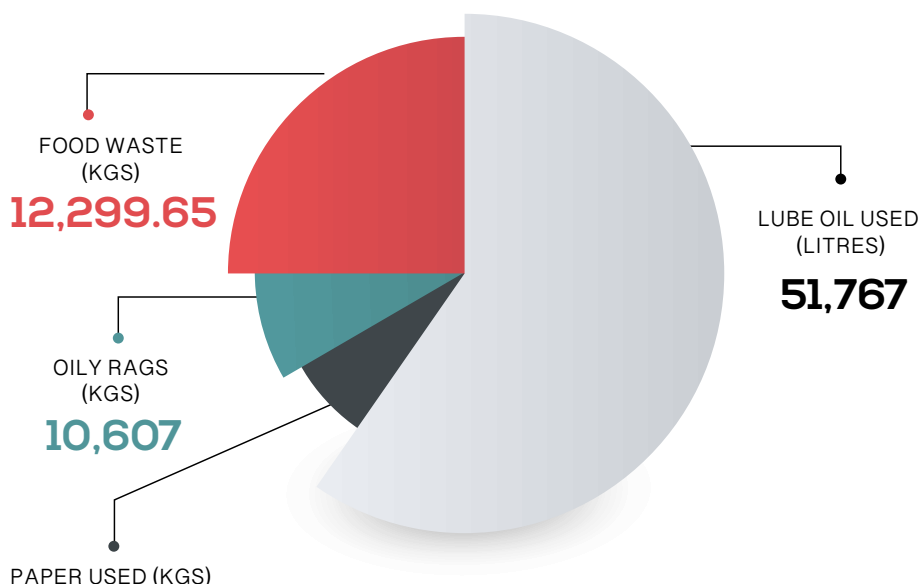
Statutory self-annual audits were similarly carried out in 35 KenGen facilities and installations

Pollution Control and Waste Management (Wastes Stream)

KenGen has put in place pollution control measures and mitigated negative environmental impacts, while at the same time enhancing positive environmental impacts resulting from the activities, products, and services.

The waste is managed and disposed of by firms registered by the National Environment Management Authority as required by waste management regulations of 2006. A culture of waste segregation has been inculcated through regular awareness sessions, signages, and the provision of appropriate waste bins.

WASTE GENERATED FROM ALL OPERATION AREAS AS AT 30TH JUNE 2021





KenGen's CLIMATE AMBITION

During the year under review, KenGen acquired emission licenses for the incinerators and Thermal Plants (Muhoroni Gas Turbines 1 & 2 and Kipevu I & III). We also acquired effluent discharge licenses for applicable facilities such as Turkwel lagoon, Muhoroni oil-water interceptor, Kipevu I and III oil-water interceptors as provided in Kenya's Water Quality Regulations, 2006.

Stack emission monitoring and measurement

The Company carried out quarterly monitoring and reporting of air quality emissions in 18 power generation and affiliated facilities in fulfilment of legal and regulatory requirements.

Projects appraisals and Monitoring

The ongoing projects were appraised and monitored during the period under review including:-

- Preliminary Environmental and Social Impact Assessment under feasibility for the Floating Solar Photovoltaic (PV).
- Environmental and Social Impact Assessment studies for upgrading of Gogo Power Station.
- The Marsabit wind project Environmental & Social Impact Assessment.
- Scoping for the raising of Masinga Dam project.
- Waste to Energy Preliminary Environmental and Social Impact Assessment.
- Environmental and Social Management Plan (ESMP) for Olkaria IV and I AU 4 and 5 uprating.
- Seven Forks Solar PV Stakeholder consultation and archaeological survey.

Biodiversity Conservation and Catchment Restoration

KenGen recognizes the significance of ecological restoration and enhancement in key catchment areas of Mt. Kenya, Mau Complex, and Eburru forest. In the year under review a total of 181,031 trees were planted which have a net potential of absorbing 42,257 tons of CO₂ annually.

The 2 billion Trees Campaign

KenGen continues to support the Government of Kenya's commitment of planting 2 billion trees campaign to accelerate the achievement of the 10% tree cover by 2022 of the land area of Kenya. Towards this objective, KenGen has distributed to the communities and institutions over 1.9 million tree seedlings which are equivalent to 3,167 acres for the last 7 years to enhance sustainability of the ecosystem



Ngong hills catchment conservation project

Partnerships

Partnership in Celebrating World Environment Day

KenGen, during the year, partnered with three (3) other National Institutions in the commemoration of the World Desertification and Drought Day held at Dr. Ribeiro Secondary School. The national event was held at Marsabit County, Chalbi Desert, with the participation of three (3) KenGen staff. 110 seedlings were issued and planted at Dr. Ribeiro Secondary School in celebration of the World Drought and Desertification Day and in the national event for the commemoration of World Environment Day held on 5th June 2021 at Garissa University.

During the year, the Company also hosted the National Observance of World Habitat Day themed: "Accelerating Urban Action for a Carbon-free World," at Olkaria Geothermal Spa, where two Government Ministers graced the occasion.



KenGen Managing Director and CEO welcoming the Government Ministers to Olkaria Spa for the Celebration of the

The celebration aimed to amplify the global Race to Zero Campaign and UN-Habitat's Climate Action for Cities and encourage local governments to develop actionable zero-carbon plans in the run-up to the International Climate Change Summit COP26 in November 2021.

KenGen's CLIMATE AMBITION

Partnerships for enhanced conservation

KenGen is a key player in the implementation of the Kenya Energy Sector Environment Program (KEEP) project which is steered by the Ministry of Energy. This project is supporting the achievement of the GoK Agenda on attaining the 10% forest cover by 2022 and conservation of water catchment areas with a view of sustaining hydropower generation. During the year under review, projects have been initiated and are at different levels of implementation including the following:

- 100Ha of catchment rehabilitation in Aberdare catchment,
- Restoration of 20Km of riparian land along Mathiyoa river in Muranga County,
- Restoration of 107Ha at Londiani forest within Mau complex,
- Ngong hills soil conservation/land reclamation project procurement for the rehabilitation works underway. Rehabilitation to be affected in 2021/2022 Financial Year.

Further, KenGen has committed to contributing 2 Million seedlings to National Environment Trust Fund (NETFUND), 2 Billion trees growing campaign between 2021-2025.

Energy efficiency

The Company regards prudent energy efficiency as an important component of business sustainability. The Energy Efficiency program is focused on putting in place measures that comprise energy-saving devices, rational saving methods, and using alternative energy sources.

In this regard, KenGen has developed and implemented an energy policy and energy management program to conform with Energy (Energy Management) regulations in 2012 and reap the benefits of energy management through cost savings.

In the last one-year KenGen conducted energy audits in Kipevu I, Kipevu III, Masinga, and Gitaru power plants and is implementing the following recommendations:

Efforts that have been put in place to manage energy consumption in KenGen facilities include:

- Implementation of solar Photovoltaic (PV) project in Kipevu; Installation of solar street lights in Kipevu, Kamburu, and Gitaru;
- Replacing high energy-consuming lighting fixtures with Light Emitting Diode (LED) lighting in all KenGen facilities; and
- Minimizing energy imports from the grid through load management during curtailment.

The Company is implementing a revamped technical assurance framework to support OPEX optimization efficiency and improve maintenance practices. This is done by carrying out root cause analysis on recurrent Operation and Maintenance challenges to reduce revenue leakages (root cause analysis for Olkaria I Unit 4 & 5 currently ongoing) and execution support during major maintenance works to optimize the maintenance costs currently being done during Masinga Unit 2 rehabilitation.

- KenGen has so far realized total energy savings of 1,622,950kWh, amounting to CO₂ reductions of 535,574Kg. annually.
- Energy management teams in all the regions to oversee energy management programs
- 40 employees have gone through the Certified Energy Manager training.





2020 Commitments	Status in 2021
1. Enhance monitoring and evaluation of the environmental aspects and prepare a corporate report.	Annual Monitoring and Evaluation of the Environmental Aspects was done during the year and reported during the Annual Environmental Self-Audits done from October to December 2021.
2. Carry out all the statutory environment audits.	28 environmental audit reports were done and submitted to the National Environment Management Authority. Environmental management plan being implemented on the issues raised.
3. Register new green projects including three projects under implementation i.e. Olkaria V, Olkaria I Additional Unit 6, Olkaria I rehabilitation.	The registration of the new projects was delayed due to the postponement of COP26 that was expected to determine continuity of Kyoto Protocol projects post-2020 due to the COVID-19 pandemic. A decision on Article 6 was finally agreed at COP26 in Glasgow, the UK including the transition of Kyoto Protocol projects Article 6 projects in November 2021.
4. Continue to engage in initiatives aimed at piloting operationalization of Article 6 of the Paris Agreement which is the successor to the Kyoto Protocol to take advantage of the emerging opportunities in the Climate Finance arena.	During the period, KenGen participated in a World Bank Pilot on the operationalization of Article 6 of the Paris Agreement.



KenGen's CLIMATE AMBITION

2020 Commitments	Status in 2021
5. Continue with the engagement of National Stakeholders including the Climate Finance Unit of the Government of Kenya National Treasury, the Climate Change Directorate, and Development Finance Institutions (DFI) to benefit from the emerging opportunities in the Climate Finance arena.	The Company participated in engagements organized by the Climate Change Directorate in the year 2021 including participating in the COP26 meeting at Glasgow, UK in November 2021.
6. Seek other avenues to trade the company's CERs considering the changes in the global Climate Change arena which includes the end of the Kyoto Commitment period and coming into force of the Paris Agreement.	KenGen is currently in the process of selling its issued carbon credits through an open international tender.
7. Enhance resource sustainability by growing 150,000 tree seedlings within the KenGen operation areas.	181,000 tree seedlings issued.
8. Implement a 10-year tree planting project for schools with a target of 1,000 schools by 2023.	100 schools in Makueni, Kitui, and Machakos enrolled in the Schools Green initiative program, making a total of 700 schools that are participating.

KenGen's Commitment in 2022


In the year 2022, KenGen have set out to do and commit to the following;

- Enhancement of Sustainability /Environmental Social Governance and Revenue Diversification.
- Implement UNGC Program on Business 1.5°C Commitment by 2023.
- Carry out environmental and social audits in all the installation.
- Support Conservation through enhanced partnership (Kenya Energy Sector Environment Program (KEEP), NetFund, KenGen Foundation).
- Provide 180,000 tree seedlings to catchment area communities within the operation areas.
- Commemoration of three national environment conservation events.
- Enhance Operational Efficiency and Safety.
- Participate in at least three UNGC programs at national and Global levels.
- Create awareness on at least 50% of KenGen's employees on Sustainable Development Goals and the ten principles of UNGC.

Kamburu Dam



KenGen's ETHICAL PERSPECTIVE

PRIORITY SDGs	
	16.5 Substantially reduce corruption and bribery in all their forms .
	16.6 Develop effective, accountable, and transparent institutions at all levels .
KEY PRINCIPLES	
Anti-corruption	Principle 7: Businesses should support a precautionary approach to environmental challenges;
MOST RELEVANT ISSUES	
<ol style="list-style-type: none"> 1. KenGen's Policies & Procedures 2. KenGen's Integrity Structure 3. KenGen's resilience towards honest business 4. Guiding our Stakeholders Behaviour 5. KenGen's partners in enhancing ethics and integrity 6. KenGen kept the promise 7. 2021/2022 commitments 	

Introduction

Corruption erodes trust, weakens democracy, hampers economic development, and further exacerbates inequality, poverty, social division, and the environmental crisis. The Government introduced the Public Service Integrity Programme (PSIP) in 2003 to mainstream and institutionalising the prevention of corruption in all public institutions. Kenya has enacted laws to facilitate corruption prevention and promotion of sound ethical standards and practices in society, which include; the Ethics and Anti-Corruption Commission Act, Leadership and Integrity Act, Bribery Act. And 2018, National Ethics & Anti-Corruption policy.

Kenya Electricity Generating Company (KenGen) is committed to promoting high standards of ethical practices in all its business processes and areas. The company adopted the framework under the PSIP program and has institutionalised strategies to be implemented to ensure ethics and integrity is mainstreamed in all its business functions and corruption risks are kept at a minimum.

Policies and Procedures

KenGen is committed to conducting business with honesty and accountability to the interest of all the stakeholders. The Company, therefore, adopted several strategies aimed at building a resistant culture to corrupting and unethical behaviour. The Company has demonstrated due care and diligence in the fight against corruption by developing policies that guide employees, Board members and other stakeholders, including vendors. The Anti-Corruption and Bribery policy provides clear guidelines on prevention measures within which our employees, management, and other stakeholders operate. The policy defines the corruption prevention operating framework.

KenGen's Gift and Entertainment Policy guides the employees to make the right decisions when giving or accepting gifts, courtesy, entertainment or travel while conducting business on behalf of the Company. In the year under review, 35 employees declared gifts received.

The Company has provided various channels of reporting actual or suspected wrong-doings committed by employees, suppliers, service providers, contractors, or other stakeholders dealing with the Company. Anonymous reporting is also done through the hotline number <https://www.KenGen.co.ke/index.php/anonymous-report22.html>.

The Company's Whistleblowing Policy provides assurance that any employee or stakeholder making a report will be protected from reprisals, retaliation, or any adverse treatment.

KenGen has developed a Conflict of Interest Policy to give measures to identify, manage and avoid existing and potential conflicts of interest within the business environment and set out the roles and responsibilities of relevant parties.

During the year ended, 50 employees declared a conflict of interest. The Employees' Code of Conduct and Ethics stipulates employees' expected behaviour both with the Company and in Public as per the Public Officers Ethics Act. Every new employee is expected to sign the Code of Conduct and abide by it. All employees have signed the Code of Conduct. While suppliers are independent entities from the Company, the business practices and actions of suppliers, when conducting business with or on behalf of the Company, may significantly impact reputation and relationship of trust with the Company clients, employees, and other stakeholders.

The Suppliers' Code of Conduct outlines guidelines that suppliers must abide by while doing business with us. To ensure that the recruitment process is transparent and that the Company attracts employees who are qualified, KenGen carries out due diligence for all recruits before joining the company. During the year under review, 185 due diligence was carried out in the recruitment process.

KenGen's Integrity Structure

- (i) Establishment of an Integrity Office
To promote ethics and integrity in the Company, KenGen has established a fully-fledged integrity office with the mandate of coordinating anti-corruption activities. The office is headed by a senior officer who reports to the top management. This ensures the top management is well versed with integrity-related issues.
- (ii) Corruption Prevention Committees: To monitor implementation of integrity activities, KenGen has an established and vibrant corporate Corruption Prevention Committee (CPC), which has undergone integrity training. This committee was trained by the constitutionally mandated government anticorruption oversight agency (Ethics & Anti-Corruption Commission) to empower the committee with the latest skills in dealing with the ever-emerging forms of integrity breaches. The committee chaired by the Managing Director and CEO meets regularly to monitor progress on the implementation of integrity initiatives. As



Integrity Champions' Training



KenGen's ETHICAL PERSPECTIVE

part of ensuring that Integrity management is entrenched in all the business areas, KenGen has established regional Corruption Prevention Committees, which are chaired by the respective Region Managers. In the year under review, 6 meetings were held by the corruption prevention committees.

- (iii) Integrity Champions: to champion ethics and integrity in all its business processes, some employees are nominated as Integrity champions. These are drawn from all the company's business areas. The officers are taken through comprehensive training by Ethics & Anti-Corruption Commission (EACC). The champions are tasked with the role of spearheading ethics and integrity within their functional areas. A total of 106 Integrity champions have been trained.

KenGen's Resilience Towards Honest Business

- (i) Corruption Risk Assessment and Mitigation Plan: The Company developed a Corruption risk diagnostic tool that seeks to identify weaknesses within the system which may present opportunities for corruption to occur. The tool has enabled us to build a comprehensive picture of the risks that KenGen faces, evaluate controls, likelihood, and impact of these risks. The Company conducted Corruption Risk Assessment and developed Risk Mitigation Plan. Monitoring of implementation of risk mitigation plans identified was done continuously and quarterly reports were prepared and submitted to the Ethics & Anti-Corruption Commission.

Risk Identified	Mitigation Measures	Measures Undertaken (implemented)
Compromised quality of goods	<ul style="list-style-type: none"> • Strict Inspection of goods • Signed off verification forms and inspection and acceptance certificates. • Create awareness of the inspection and acceptance procedures under the PPADA, 2015. 	A corporate-wide awareness by Public Procurement Regulatory Authority (PPRA) was carried out.
Declaring of usable assets for disposal	<ul style="list-style-type: none"> • Joint verification before disposal of any item • Clear criteria be developed and enforced on procedures of identifying items before declaration for disposal 	<ul style="list-style-type: none"> • A procedure on identifying items before declaration for disposal has been developed
Skewed floating of quotations	<ul style="list-style-type: none"> • Rotation of pre-qualified suppliers. 	Rotation of pre-qualified suppliers (except for Persons Living With Disability) is done after every two months
Fixed assets misappropriations	<ul style="list-style-type: none"> • Impromptu physical counts and verification • Asset tagging • Integration of System Application and Products (SAP) and Bar code scanner 	All assets have been barcoded

Guiding the Stakeholders Behaviour

The Company has been engaging with employees to communicate the expectations on matters relating to ethics and integrity while doing business. During the period under review, 180 suppliers were trained.



Awareness Creation Session.

As a way of communicating the commitment to ethical business, KenGen has made it a practise to include a clause about the commitment and the contact for reporting unethical behaviour in all the advertised tenders, either online or through local dailies.

As part of rallying employees to embrace the global call in the fight against corruption, the Company has joined the world every year on 9th December to commemorate the International Anti-corruption Day. During the year under review, 635 members of staff attended the event.

The Company conducts awareness creation session to enhance behaviour. Through an online weekly newsletter, we encourage our employees to commit to good behaviour by writing articles in the KenGen Weekly. Under the period reviewed, 15 articles touching on integrity were published. KenGen also evaluates employees' knowledge on integrity matters by administering quizzes and awarding those who excel. During the period under review, 521 members of staff participated in the integrity questionnaire.

KenGen's ETHICAL PERSPECTIVE

As guided by the Public Officers Ethics Act, all the employees declare their wealth every two years. The declaration is part of the accountability mechanisms that ensure that employees working in the public sector do not accumulate illegal wealth. The Company has continued to implement the national values and principles of governance as enshrined in Article 10 of the Constitution of Kenya.

KenGen submitted the Annual Report which indicated the progress and measures taken towards mainstreaming of the values the Company and has continued to implement values and principles of public service as enshrined in Article 232 of the Constitution of Kenya. A progress report was submitted to the Public Service Commission.

Enforcing stakeholders behaviour

As part of processing the incidences received on integrity breaches, the Company has established investigations, where incidences reported are investigated and disciplinary action taken depending on the severity of the breach. During the period under

review, 23 incidences were investigated and action taken. Disciplinary action: As part of enforcing the Code of Conduct, disciplinary action is taken against the employees whose cases have been investigated and recommended for disciplinary action. During the period under review, 20 employees were put through the disciplinary process.

Partners in enhancing ethics and integrity

KenGen understands the importance of partnering with other government agencies in enhancing the implementation of initiatives aimed at promoting ethics and integrity within the Company. The partners assist in awareness creation and the law enforcement agencies assist the Company when conducting investigations where members of the public are involved.



Objective Indicator	Activities/process	Output	Status
Implementation of Vendors Code of Conduct	Approval of the code of conduct	Code of conduct approved	This is pending the board' approval
	Dissemination and Administering of code of conduct to suppliers	70% of suppliers reached	Dissemination has been done in Eastern Region, Western Region. 40 % of suppliers reached. The pending areas are the Central office, Kipevu, and Turkwel
Integrity Risks Management	Review of the Corruption Risk Assessment and Mitigation Plan	Reviewed Corruption risk assessment & Mitigation plan	The risk assessment was reviewed and continuous monitoring of the risks
Staff awareness programs	12 integrity-related articles on KenGen weekly	80% of staff reached	15 integrity-related articles on KenGen weekly were published
	One (1) virtual sensitization meeting	70 % of staff reached	11 awareness sessions were held. 1864 employees were reached
Implement ISO 37000:2016(E) Anti-bribery Management system	Purchase the standard manual	ISO 37000:2016(E) Anti-bribery Management system manual purchased	The training on the ISO standards is still ongoing
	Review KenGen anti-bribery practices & Policies	Best Practices developed	The review of the Anti-Bribery Policy is pending approval of a model procedure from the Ethics & Anti-corruption commission

KenGen's commitments in 2022


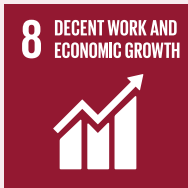



In the year 2022, the Company has set out to do and commit to the following;

1. Enhanced monitoring of corruption risks within the Company.
2. Continue engaging stakeholders more sore suppliers into doing clean business with KenGen.
3. Implement targeted awareness sessions on employees working in high-risk functions.
4. Conducting an annual integrity week.
5. Implement ISO 37000:2016(E) Anti-bribery Management system.
6. Working with Ethics and Anti-Corruption Commission (EACC) in developing anti-bribery policy.

Kamburu Power Station



SUSTAINABILITY IN KenGen's SUPPLY CHAIN

PRIORITY SDGs	
5 GENDER EQUALITY 	4. a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources, by national laws.
	5. b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.
8 DECENT WORK AND ECONOMIC GROWTH 	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
11 SUSTAINABLE CITIES AND COMMUNITIES 	12. a Support positive economic, social, and environmental links between urban, peri-urban, and rural areas by strengthening national and regional development planning.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse.
	12.7 Promote public procurement practices that are sustainable, by national policies and priorities.
17 PARTNERSHIPS FOR THE GOALS 	17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.
KEY PRINCIPLES	
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
MOST RELEVANT ISSUES	
<ul style="list-style-type: none"> <input type="checkbox"/> Legal Compliance <input type="checkbox"/> Procurement during the COVID-19 Environment <input type="checkbox"/> Embracing Technology in Procurement <input type="checkbox"/> Opportunities and Diversity in the procurement <input type="checkbox"/> Buy Kenya Build Kenya <input type="checkbox"/> Value Creation for Sustainability <input type="checkbox"/> Stakeholder management <input type="checkbox"/> KenGen's 2022 Commitments. 	

SUSTAINABILITY IN KenGen's SUPPLY CHAIN

Introduction

One of the key objectives as a responsible business is to help build supply chains that are more sustainable and inclusive. KenGen achieved this by encouraging a mindset of responsible buying both inside and outside Kenya, hence helping to generate a mutually beneficial relationship with the stakeholders. Supplier inclusion, diversity, and sustainability are at the core of the procurement strategy. The Company takes pride in operating a responsible business, where everyone benefits through buying for long-term value, which is one of the many ways KenGen is delivering change, both on a national and global scale.

Legal Compliance

The Public Procurement and Asset Disposal Regulations 2020 have been incorporated and

operationalized in the supply chain processes to ensure compliance. KenGen update and publicize complete information on all tenders and procurement contracts awarded as required by Executive Order No.2 of 2018. This is done to deepen accountability and transparency in the procurement process

Procurement During the COVID-19 Period

The global supply chain has been adversely disrupted due to the pandemic. However, through insights and strategic partnering, the Supply Chain team worked through solutions to keep operations alive. Detailed planning and meticulous execution under framework contracting ensured seamless provision of critical and strategic spares to avail our generation fleet.



Elaborate initiatives were employed to improve inventory efficiency and accelerate response to changing demand. Comprehensive contract management guaranteed protection of our money value while building stronger and healthier relationships with the suppliers.

The Company has embraced long-term contracts and engagements with Original Equipment Manufacturers (OEM), ensuring that spares are available to improve plant availability and reliability and ensure steady power generation from the plant installations, for example, the one between KenGen and Manitoba Hydro.

Embracing Technology in Procurement

During the year, our e-Procurement system was effectively deployed and through this, most of the tendering processes were conducted on this platform with a target of 100% transition. KenGen has adopted e-Procurement to increase efficiency, reduction of waste, and shorten procurement turnaround time

through the Supplier Relationship Management system. By doing so, the Company has increased visibility and transparency of the procurement processes; improved reporting and is a step ahead in the paperless pandemic protocols.

Opportunities and Diversity in our Procurement

In the endeavour to promote inclusivity and empower the marginalized/disadvantaged groups, the Company awarded Youth, Women, and Persons With Disability procurement opportunities worth KShs.1.1 billion against a target of KShs.2.7 billion. The absorption was affected by the COVID-19 pandemic as supply chain processes were greatly affected.

KenGen also adopted priority procurement to preserve cash flows and only engage in strategic critical procurement. These measures brought cost optimization to the Company impacting negatively on the available opportunities for special groups and thereby drastically lowered the absorption rate.



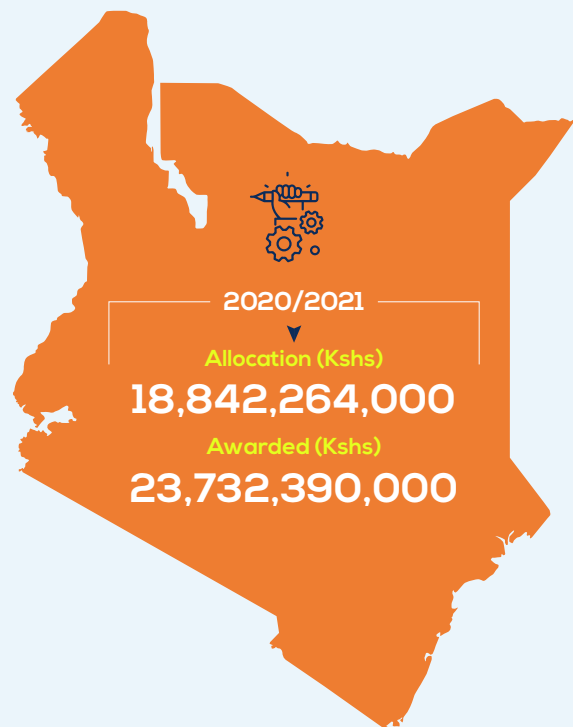


SUSTAINABILITY IN KenGen's SUPPLY CHAIN

Buy Kenya Build Kenya

Local content in procurement was promoted through embracing the Buy Kenya Build Kenya initiative. The total procurement opportunities awarded to local contractors were worth KShs.23.7 billion against a target of KShs.18.8 billion.

BUY BUILD KENYA ABSORPTION



Value Creation for Sustainability

The Company embarked on procuring goods, works, and services at competitive prices, within the available budget, and strictly within the prevailing market rates indices. This is done through a rigorous baseline setting informed by surveys of market rates to guide the procurement process.

Stakeholder management

KenGen strives to continuously engage and build collaborative relationships with key stakeholders by conducting sensitization forums on procurement opportunities within KenGen and the requirements

needed for them to participate in doing business with the Company. A total of 226 members participated in these sessions across the company.

KenGen's Commitments in 2022

In 2022, the Company has set out to do and commit to the following;

- Enhance the business value for special groups.
- Embrace technology to improve the efficiency of the procurement processes.
- Enhance the engagement with business stakeholders.

Turkwel Dam





AWARDS AND RECOGNITION



The Annual Trailblazers Award for Gender Mainstreaming category winner in Trailblazers Award by the Ministry of Public Service and Gender through the Pink Energy initiative



FiRe Award-IFRS category Winner of State Corporation and Semi-Autonomous Government Agencies

FiRe Award Category Winner in Environmental and Social Reporting or Corporate Social Responsibility category



Best Public Procurement Project of the Year by the Kenya Institute of Supplies Management



Winner in Public Sector Law Department of the Year by The Law Society of Kenya, Nairobi Branch

FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

INSTALLED CAPACITY [MW]

CAGR 2.8%

2021	1,818
2020	1,818
2019	1,631
2018	1,631
2017	1,631

UNITS SOLD [GWH]

CAGR 2.8%

2021	8,443
2020	8,237
2019	8,277
2018	7,989
2017	7,556

ASSETS [Kshs Millions]

CAGR 3.1%

2021	425,658
2020	412,927
2019	401,422
2018	379,353
2017	376,730

TOTAL REVENUE [Kshs Millions]

CAGR 1.4%

2021	45,901
2020	44,110
2019	45,966
2018	45,290
2017	43,432

ELECTRICITY REVENUE [Kshs Millions]

CAGR 4.8%

2021	35,011
2020	33,783
2019	29,797
2018	28,286
2017	29,007

OPERATING EXPENSES [Kshs Millions]

CAGR -1.8%

2021	20,065
2020	18,334
2019	24,119
2018	22,925
2017	21,538



FINANCIAL HIGHLIGHTS

EBITDA [Kshs Millions]

CAGR 3.7%

2021	26,331
2020	26,249
2019	25,645
2018	21,590
2017	22,790

PROFIT BEFORE TAX [Kshs Millions]

CAGR 6.5%

2021	14,762
2020	13,790
2019	11,654
2018	11,745
2017	11,461

OPERATING PROFIT [Kshs Millions]

CAGR 2.9%

2021	14,810
2020	14,220
2019	12,105
2018	12,492
2017	13,202

PROFIT AFTER TAX [Kshs Millions]

CAGR -39.7%

2021	1,188
2020	18,377
2019	7,884
2018	7,891
2017	9,006

***CAGR - Compound Annual Growth Rate**

NOTES




KenGen

Energy for the nation.

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