



*In Conversation with*  
*Mr. Matu Mugo*  
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*Central Bank of Kenya*

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**1. When and why did your institution join the NGFS?**

The Central Bank of Kenya (CBK) joined the Network of Greening Financial Systems (NGFS) in April 2022. This followed the issuance of the Guidance on Climate-Related Risk Management<sup>1</sup> to the banking sector in October 2021.

In developing the Guidance, our Bank Supervision Department (BSD) drew extensively from existing guidance issued by global standard-setting bodies, the NGFS as well as supervisory authorities in other jurisdictions. The Guidance, targeting commercial banks and mortgage finance companies, sought to guide them on how to integrate climate-related risks into their overall risk management frameworks. Specifically:

- It set CBK's expectations for financial institutions to consider climate-related and environmental risks when formulating and implementing their business strategy, governance, and risk management frameworks.
- It also sought to promote transparency in the assessment and mitigation of climate risks by setting out reporting and disclosure requirements.

In its consideration to join NGFS, CBK noted the critical role the NGFS had played since its inception in 2019. In particular, NGFS has been instrumental in entrenching climate-related and environmental risk management in the global financial system. Accordingly, CBK wishes to leverage on NGFS's diverse membership and experiences as it operationalizes the vision of greening Kenya's financial sector. On its part, CBK stands ready to share its experiences with other NGFS members as we all collectively transition towards a global sustainable economy.

**2. Can you share with us the key elements of the Central Bank of Kenya's climate strategy and how it fits into the broader national strategy in your jurisdiction?**

<sup>1</sup> [www.centralbank.go.ke/2021/10/15/guidance-on-climate-related-risk-management/](http://www.centralbank.go.ke/2021/10/15/guidance-on-climate-related-risk-management/)

Over the past eight years, CBK has worked with other stakeholders to build a financial sector that *works for and with Kenyans*. An important plank of this vision has been the greening of the financial sector. The vision was operationalized through the issuance of the Kenya Banking Sector Charter<sup>2</sup> in 2019. The four pillars underpinning the vision are *customer centricity, risk-based credit pricing, transparency, and ethical banking*.

Additionally, CBK supported the Kenyan banking sector in rolling out the Sustainable Finance Initiative (SFI) in 2015. The SFI has been working on entrenching environmental, social and governance considerations in the strategies and business models of banks. Further, CBK was part of the Kenya Green Bonds Programme<sup>3</sup> launched in 2017, to formulate a framework for issuance of green bonds in Kenya. Subsequently, Kenya's first green bond, issued by a private sector entity, was listed on the Nairobi and London Stock Exchanges in January 2020.

The issuance by CBK of the Guidance on Climate-Related Risk Management<sup>4</sup> in October 2021, is a milestone that will accelerate Kenya's journey towards being a green finance hub. This initiative will attract global funds that are looking for opportunities to finance initiatives that build climate resilience, and thus positioning Kenya as a premier green finance hub.

Kenya's Nationally Determined Contributions (NDC)<sup>5</sup> estimates that USD62 billion will be required for climate change adaptation and mitigation measures between 2020 and 2030. The government will mobilise 13 percent (USD8 billion) of this amount with the remainder USD54 billion expected to be mobilised from the private sector and development partners. Accordingly, Kenya's banking sector is expected to play a pivotal role in financing Kenya's Nationally Determined Contributions.

### **3. To which extent did the Central Bank of Kenya leverage the work of the NGFS in its own domestic journey? Any concrete examples?**

The work of the NGFS has been instrumental in Kenya's journey. The NGFS First Comprehensive Report was an important reference for the Guidance on Climate-Related Risk Management. While we were developing the Guidance in 2021, climate-related risk management was fairly novel and the NGFS was a valuable reference point.

More recently, we have initiated second generation reforms encompassing the development of a green finance taxonomy and aligning climate-related risk management disclosures to the recently issued standards by the International Sustainability Standards Board. In developing the concept note for the proposed green finance taxonomy, we have found the NGFS Report on "Enhancing Market Transparency in Green and Transition Finance"<sup>6</sup> to be a useful guide.

### **4. One last word?**

CBK has started the journey of greening Kenya's banking sector. We have made progress but much more remains to be done. We shall continue to leverage on the NGFS, learning from others, while also sharing our experiences.

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<sup>2</sup> [www.centralbank.go.ke/wp-content/uploads/2020/03/Kenya-Banking-Sector-Charter-2019.pdf](http://www.centralbank.go.ke/wp-content/uploads/2020/03/Kenya-Banking-Sector-Charter-2019.pdf)

<sup>3</sup> [www.greenbondskenya.co.ke/](http://www.greenbondskenya.co.ke/)

<sup>4</sup> [www.centralbank.go.ke/2021/10/15/guidance-on-climate-related-risk-management/](http://www.centralbank.go.ke/2021/10/15/guidance-on-climate-related-risk-management/)

<sup>5</sup> [unfccc.int/sites/default/files/NDC/2022-06/Kenya%27s%20First%20%20NDC%20%28updated%20version%29.pdf](http://unfccc.int/sites/default/files/NDC/2022-06/Kenya%27s%20First%20%20NDC%20%28updated%20version%29.pdf)

<sup>6</sup> [www.ngfs.net/sites/default/files/medias/documents/enhancing\\_market\\_transparency\\_in\\_green\\_and\\_transition\\_finance.pdf](http://www.ngfs.net/sites/default/files/medias/documents/enhancing_market_transparency_in_green_and_transition_finance.pdf)