

Message From The Corporate Administrator (continued)

Measures Adopted to Deal with the COVID-19 Pandemic

The year under review was without doubt a difficult year for individuals, corporates and governments across the globe. However, the County pension Fund rendered services to its members uninterrupted. As a responsible corporate citizen, the County pension Fund was quick to make several adjustments to ensure the well-being of its Members and Stakeholders in compliance with the Government directives.

To this end, the robust ICT infrastructure put in place by the Corporate Administrator – CPF Financial Services - ensured seamless delivery of services as well as timely-payout of benefits; which were key to the growth and sustainability of the fund. Notable mitigating measures adopted by the fund administrator in the year under review included:

- Installation of sanitization stations in all premises and properties. Additionally, all offices and properties were fumigated and sanitizers provided at all points of entry with all persons entering the premises required to sanitize their hands and register for contact tracing, should the need arise.
- In line with the directive shared by the Ministry of Health, the fund effectively scaled-down on its physical operations and adopted cost-cutting measures in order to minimize the chances of exposure to corona virus for staff, members and stakeholders. This was guided by our robust Business Continuity Plan (BCP), which was activated to ensure that all operations continue to run normally but largely virtually.
- The scheme was quick to sensitize members of the fund to leverage the CPF mobile app to access their statement and carryout transactions from the comfort of their homes. Furthermore, pensionable members were given the option of receiving their monthly pension remitted via the M-Pesa platform. This was in a bid to minimize points of contact thus staving off the spread of covid-19.
- While the coronavirus can infect anyone, it is older adults - ages 60 and over - that are more likely to get seriously ill from it. Cognizant of the fact

that a majority of our members are the elderly, we encouraged pensioners to stay home for the prescribed duration as advised by the Ministry of Health in order to reduce the chances of infection. Owing to this, we put in place the provision to remit monthly pension to our members without the provision of a life certificate in the ensuing period. Members were therefore not required to physically visit our offices to provide a life certificate in order to have their pension and/or retirement benefits remitted for the ensuing period.

- The administrator continues to closely monitor the situation and commits to approaching all future decisions and undertakings with caution, and reiterate our commitment to providing professional, timely and efficient services to our members and all stakeholders.

Delivering Sustainable Value

One thing that the COVID-19 crisis has taught us is the vital role business can have in helping to solve some of the world's most urgent problems. Profits or purpose need not be a choice and, instead, can work together in service of all stakeholders.

Additionally, we also recognize our responsibility to contribute to the United Nations Sustainable Development Goals (SDGs). The SDGs are a globally agreed framework to help protect the planet, end poverty, and ensure peace and prosperity. Economic, social and corporate governance (ESG) factors constitute material risks as well as business opportunities for institutional investors, such as pension funds. There is a clear business case for ESG integration, in addition to a moral one.

The COVID-19 pandemic again demonstrates that neglecting environmental risks can expose society and the economy to natural disasters as well as pandemics that can suddenly hurt the value of the assets held by pension funds, destabilize their actuarial positions and jeopardize their obligations to beneficiaries. As frontrunners in Kenya's social security sector, we are taking comprehensive steps to mitigate our exposure to ESG risks and as we pursue opportunities associated with sustainable investing.

To this end, we have committed our concerted efforts to six broadly ambitious SDGs. Namely:

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Delivering Sustainable Value (continued)

- **SDG 1:** To eradicate poverty in all its forms everywhere.
- **SDG 7:** Ensure access to affordable, reliable, sustainable and modern energy for all.
- **SDG 8:** To promote sustained, inclusive, and sustainable economic growth; full and productive employment; and decent work for all.
- **SDG 11:** To make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable.
- **SDG 13:** To take urgent action to combat climate change and its impacts.



We are cognizant of the fact that access to social security allows people to protect themselves from the risk of old age poverty and helps them become, and remain, prosperous and resilient in old age. As a major player in Kenya's pension sector, we are

expected to use our core capabilities to help communities and society become more resilient to these interconnected risks. Our Sustainability Statement best captures this: At the CPF Group we seek to fulfill the lives of our stakeholders and the community at large by conducting our business in a socially, environmentally and ethically responsible manner.

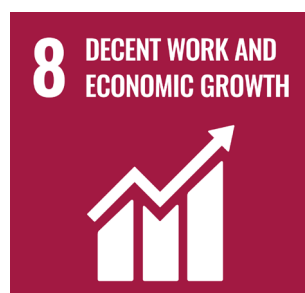
In the year under review, cognizant of the fact that a key stakeholder among our members are the elderly, we set up the provision to remit monthly pension to our members without the provision of a life certificate in the ensuing period. This ensured that none of our members was required to visit our offices in person to provide a life certificate in order to have their pension and/or retirement benefits remitted. Furthermore, we enhanced payment of monthly pension through mobile payments (Mpesa and Airtel Money) which went a long way towards enhancing service provision to all members; especially our rural-based customers.



Through the installation of a solar PV system at the CPF Headquarters, we managed to generate over 61, 800 KWH of power; subsequently saving our members over Kshs. 1.2 Million in power costs in the period under review.

The Solar PV system is grid-tied without battery backup and is the most cost-efficient type of solar solution to install in commercial buildings where maximum load demand is realized during the day. In this case, when the grid goes down, load requirements send the signal to the grid-tie inverter system to shut down immediately so that it does not send the electricity to the grid. The system gives priority to power generated by solar.

To further the objectives under SDG 7, we also successfully provided connectivity to over 3400 households through the Last Mile Connectivity project, undertaken in partnership with the African Development Bank (AfDB). Additionally, the project has also provided access to clean water using electric pumps, access to refrigeration for hospitals and improved security because of better street lighting.

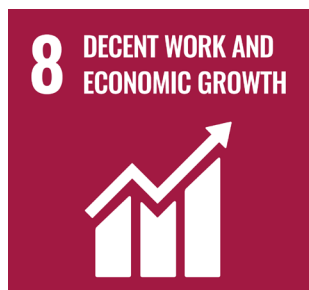


The International Labor Organization's definition of decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all people.

In 2019, management reviewed and updated the policies and programs to protect against the infringement of labour laws and statutes. Our Code of Business Conduct communicates our expectations and specifically prohibits forced and compulsory labor.

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Delivering Sustainable Value (continued)



In the period under review, we put in place programs and policies to action by rolling out the flexi-time and facilitating remote working for all staff; in order to adequately stem risks emerging from the COVID-19 pandemic whilst contributing to sustained, inclusive growth, reduced congestion and improved employee productivity.

In the interest of safety for all staff as well as our members, the management also moved with haste to suspend all trainings, non-essential meetings and travel. This was enhanced by provision of sanitization stations in all premises. It is worth noting that members of staff did not receive salary cuts and no employees lost their lives or livelihoods in the year under review. This was a great feat given the circumstances.

Our target is to reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



To this end, we undertook the greening of our headquarters in the period under review as we sought to reduce concrete fatigue for members of staff as well as purify the air within the office.

The negative effects that are brought about by climate change cover a range of different issues, such as an increasing number of natural disasters caused by abnormal weather conditions, depletion of water resources, effects on the supply of and demand for food. To this end, we have set out a goal of reducing our carbon emissions footprint CO2 emissions to zero by 2030, and reducing CO2 emissions from the whole supply chain by cooperating with suppliers and partners.



Based on these efforts, we are contributing to reductions in greenhouse gases on a national scale. By offering energy-saving products and services through the Laser Infrastructure and Technology Solutions (LITES) subsidiary, we will contribute to the efforts our customers and society are making to address climate change.

In the period under review, we also started the process of importing electric cars through LITES, the ICT and Technology subsidiary of the company. Electric Vehicles (EVs) are an important part of meeting global goals on climate change due to reduced emissions that contribute to climate change and smog, improving public health and reducing ecological damage. To this end, we have also installed - at our headquarters - a charging station that will not only encourage our members, suppliers, partners and strategic stakeholders to adopt EVs but will drive visibility of our commitment to combat climate change.

Our existence is geared toward fulfilling the lives of our clients, stakeholders, and the communities within which we operate.

Our Sustainability Foundations

As evidenced by our membership to the UN Global Compact, our commitment to sustainability is longstanding. Hence, our sustainability framework is anchored on the four UN Global Compact pillars of: Labour, Environment, Anti-bribery/Anti-Corruption and Human Rights.

Environment

Our environmental commitments are in line with the CPF Financial Services' Sustainability Policy; Health, Safety, Security, and Environment Policy; and ISO 9001:2015. To this end, we actively seek to comply with environmental regulations and reduce the environmental impact of our operations. We actively track and report our carbon footprint and have programs in place to conserve resources.

In the year in review, we actively took part in the World Rivers Day celebrations by leading tree-planting efforts along the Mathare riverbanks. CPF Financial Services planted over 100 bamboo tree seedlings and leveraged its owned media channels to create and build awareness on the threats rivers in Kenya are facing owing to pollution and increase in population.

Additionally, we also participated in World Tourism Day where we donated over 300 tree seedlings, subsequently planted in the County of Nairobi. Furthermore, we also participated in the sixth edition of the Beyond Zero Marathon where CPF Financial Services staff planted over 50 trees at the John Michuki Memorial Park.

Message From The Corporate Administrator (continued)

Our Sustainability Foundations (continued)

Anti-bribery and Anti-corruption

In addition to anticipating the risks associated with the immediate and secondary effects of the COVID-19 pandemic, managing the funds' key enduring risks, such as our exposure to bribery and corruption, remains essential.

Corruption continues to be an obstacle to our economy as it impedes innovation, affects the allocation of resources leading to widening income disparities, slows economic development and results in an overall increase in the cost of doing business. There is therefore a need by all stakeholders to strengthen institutions that maintain checks and balances over political power; enforce anti-corruption legislation; and support civil society.

Our code of conduct explicitly prohibits engaging in bribery or corruption in any form. Our group wide anti-bribery and corruption, anti-money laundering and anti-tax evasion policy and procedures include measures and guidance to assess risks, understand relevant laws and report concerns.

To this end, CPF Financial Services is a member of the Blue Company Initiative. The Blue Company Initiative is a coalition of corporations and institutions that have public interest at heart with the objective of encouraging companies to fight corruption in all its forms.

The Blue Company Initiative is focused on fighting corruption in the long run, capacity-building activities, and embracing the judicial infrastructure and political will to hold those who transgress accountable.

The Board in recognition of the role that ethics plays to the success of the Group, has established the Safe Reporting (Whistle Blowing) Framework which provides various mechanisms for employees, suppliers, and other stakeholders to raise concerns regarding any unethical practices that may come to their attention. Further, the safe reporting policy is available on the Company's website and stakeholders have been sensitized on it. The various reporting channels established include but are not limited to reporting to HR, a dedicated email address, and feedback boxes on all CPF Floors and branches, hotlines. Management has set up an Ethics Committee which meet on a regular basis to develop initiatives to improve the safe reporting framework. During the past financial year no major reports were made under this framework and in addition no fraud or unethical practice was reported.

Labour and Human Rights

One of the key challenges in the year under review was the outbreak of COVID-19. It disrupted work patterns and made in-person assessments/oversight more difficult. We recognized this early in the COVID-19 pandemic.

In order to track potential impacts, we utilized existing monitoring processes, worker interviews and grievance mechanisms to understand workers' situations and impact on their rights. We took action to support our employees by ensuring they had access to safe means of transport, Wi-Fi and airtime to facilitate the execution of their tasks whilst ensuring their safety.

Throughout, our primary focus was on workers' health and measures to control the spread of the virus. COVID-19 may be with us for some time and we need to find ways to stay connected with our workforce as well as carry out ongoing assessment and monitoring activities despite the physical limitations. To support this, we rolled-out a performance management platform that would integrate the Balanced Score Card (BSC) metrics in order to keep track of productivity levels of employees working remotely.

Protection of human rights is embedded into CPF Financial Services' corporate systems and policies, including our Code of Conduct Policy, Equal Employment Opportunity Practices as well as Harassment and Discrimination Policy.

Risk Management

The Corporate Trustee has put in place a robust Enterprise Risk Management Framework (ERMF) designed to identify and manage all the risks within the agreed risk appetite thresholds, which may affect the Scheme's operations and ability to achieve its strategic objectives. The Trustee has benchmarked its ERM framework against the Committee of Sponsoring Organization (COSO) Enterprise Risk Management- Integrated Framework and ISO 31000:2018 Risk Management Guidelines. The Trustee receives quarterly risk mitigation reports from the Corporate Administrator - CPF Financial Services Ltd for discussion at its quarterly meetings. The Trustee evaluates risks based on the following broad categories: