

CPF FINANCIAL SERVICES
SUSTAINABLE BUSINESS REPORT 2021

THEME: Delivering Sustainable Value

CPF FINANCIAL SERVICES AT A GLANCE

CPF Financial Services was incorporated on 16 June 2011 and started operations on 1 January, 2012.

The Company is wholly owned by the Local Authorities Pension Trust, the Laptrust Umbrella Retirement Fund (County Pension Fund), and CPF Individual Pension Plan.

It is a holding company, with subsidiary companies being Laser Infrastructure and Technology Solutions, Laser Property Services, and Laser Insurance Brokers.

The Company was set up with the primary objective of offering Scheme Administration, Training and Consultancy services. As an investment of the CPF Group pension schemes, the Company provides an avenue for investment in new ventures while enhancing corporate governance and strategic autonomy for the Group's entities.

The Company operates nine regional offices across the Republic of Kenya and serves clientele from 47 Counties. CPF Financial Services has a staff contingent of 235 professionals drawn from diverse areas of practice.

345 Employees

CPF Financial Services – 261 Employees

Laser Property Services – 58 Employees

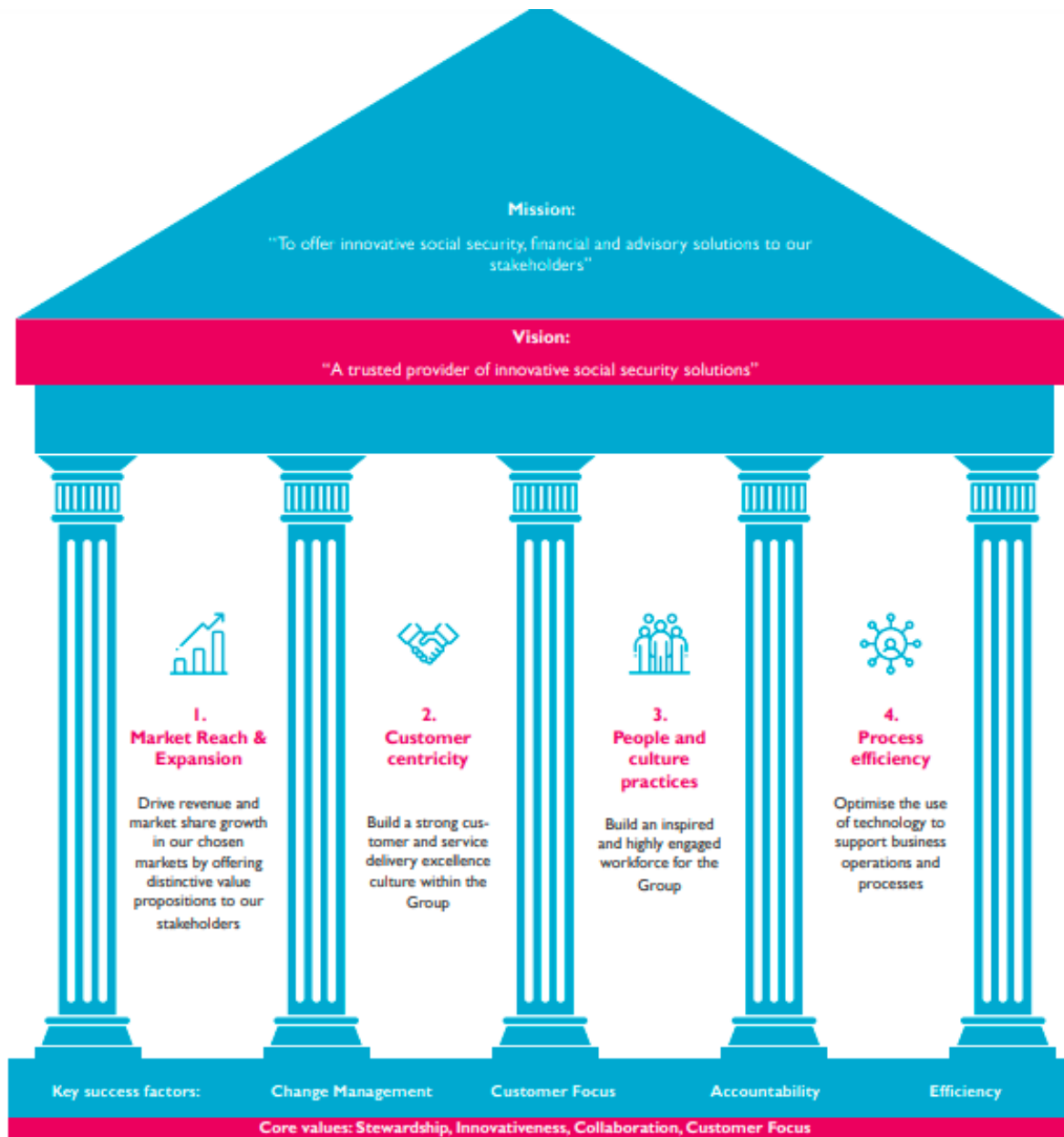
Laser Insurance Brokers – 10 Employees

Laser Infrastructure & Technology Solutions – 16 Employees

Turnover = Kshs. 1.866 Billion

Profit Before Tax (PBT) = Kshs. 249 Million

OUR STRATEGIC PILLARS



ABOUT THIS REPORT

This Sustainable Business Report, sets out to disclose our efforts to achieve our goal of fulfilling Lives. We report transparently on our successes and our setbacks. This report can be accessed via: <https://cpf.or.ke/annual-reports-landing/>

We cover highlights, stakeholder issues, the manner in which we went beyond the expected in Financial Year (FY) 21 and our future focus areas, all of which are important to our business and of interest to our various stakeholders. This report covers our fiscal year from 01 January 2021

to 31 December 2021. For a more detailed overview of the value we bring to our stakeholders and our impact on society, this report should be read together with the 2021 CPF Financial Services Annual Report and Financial Statements.

OUR REPORTING STANDARDS

This report has been prepared in accordance with the UN Global Compact (UNGC) reporting standards and serves as our Communication on Progress – an explicit responsibility of our continued membership of the UNGC.

RESPONSIBILITY FOR OUR REPORTING

The Board of Directors is responsible for ensuring that sustainability is at the heart of our overall business strategy. For more information on our governance structure and the responsibilities of the relevant governing bodies, please refer to the governance section of the 2021 CPF Financial Services Annual Report.

On behalf of the Board, we acknowledge that our responsibility is to ensure the integrity of this sustainable business report and we are confident that it presents the progress we have made towards our goal of building a more sustainable future with satisfactory accuracy and impartiality.

Maurice Nduranu
Board Chairperson

Hosea Kili, OGW
CPF Group Managing
Director/CEO

OUR APPROACH

“Sustainability is embedded in our culture and the way we do business. We empower our employees to act and think sustainably, extend our principles across our supply chain and support our customers on their sustainability journey.”

Hosea Kili, OGW – CPF Group Managing Director/CEO

OUR RESPONSE TO COVID-19




FY 2021 was, without doubt, a challenging year for individuals, corporates, and governments across the globe. However, CPF Financial Services rendered services to its customers uninterrupted.

As a responsible corporate citizen, CPF Financial Services quickly made several adjustments to ensure its members and stakeholders' well-being complied with the Government directives. To this end, the robust ICT infrastructure put in place by CPF Financial Services ensured seamless delivery of services and timely-payout of benefits, which were key to the growth and sustainability of the Company.


Considerable mitigating measures adopted by the fund administrator in the year under review included:

The Company monitors the situation closely, commits to approaching all future decisions and undertakings with caution, and reiterates our commitment to providing professional, timely, and efficient services to our members and stakeholders.

Support to Staff

-  Voluntary, free COVID testing for staff and dependants. Over 300 tests conducted.
-  We established a robust Virtual Private Network (VPN) to ensure uncompromised data security and supported 345 staff with data connections and laptops to enable work from home.
-  Personal protective equipment (PPE) provided to our frontline staff at the CPF Headquarters, branches and in the field.

Support to Customers

-  We continued to sensitize members of the CPF Group Schemes to leverage the CPF mobile app to access their statements and carry out transactions from the comfort of their homes.

- ✚ 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.
- ✚ Cognizant 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 to reduce the chances of infection. Owing to this, we put in place the provision to remit monthly pension to our members without a life certificate in the ensuing period. Therefore, members were not required to physically visit our offices to provide a life certificate to have their pension and/or retirement benefits remitted for the ensuing period.
- ✚ We built on progress earned in FY 2020 to effectively scaled down on our physical operations and adopted cost-cutting measures to minimize the chances of exposure to coronavirus for staff, members, and stakeholders. Our robust Business Continuity Plan (BCP) guided this, which was activated to ensure that all operations run normally but primarily virtually.
- ✚ We reinforced the use of sanitizers and handwashing through 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.

MESSAGE FROM THE CHAIRPERSON

2021 was another year of extraordinary global turbulence, with recovery from COVID-19 a mixed picture across the globe. Many of our colleagues were adversely impacted in their personal or work lives. Even now, we continue to see new COVID-19 variants emerging and we have had to adapt to a constantly changing landscape.

Throughout this period, our colleagues have continued to focus on protecting the interests of members and stakeholders, while ensuring the wellbeing of colleagues and supporting our communities. The spirit our colleagues have shown throughout, despite the often difficult circumstances, has been exemplary and I am extremely proud of how we have all come out of 2021.

We continue to enhance our governance and culture

Members of the Board of Directors attended a number of subsidiary board and committee meetings and held virtual Board-workforce engagement sessions across our regions during the course of the year. The Board hopes to be able to once again engage colleagues in person during 2022.

During the year, we refocused our Brand, Core Values as well as the Company's Culture and Sustainability. This has served to support the Board and business in relation to our net zero approach.

Our outlook is bright despite an uncertain environment

Whilst uncertainties persist in relation to COVID-19 and the geopolitical landscape, we see plenty of opportunities that are compelling.

Global growth is expected to continue in 2022 albeit somewhat slower after the sharp recovery we saw in 2021. Asia, our largest region, is poised to remain the fastest growing area in the world.

We expect policy support to scale back, as a number of central banks tighten policy to counter inflation leading to rising interest rates, and fiscal programmes are eased.

We continue to see accelerated change across the global business ecosystem, from the digital space, to trade flows and supply chain shifts, and these are just some of the reasons why we are excited at the prospects of the Group.

The Board will continue to oversee the task of striking the right balance between the opportunities and risks that we see. I am confident that, with the actions we have outlined to continue driving and indeed accelerating our strategic priorities, we will create long-term and sustainable value for our stakeholders.

our sustained commitment to our three-year Vision 2018-2020 strategic Plan enabled us to achieve several key objectives. I am even more elated by the prospects of CPF Financial Services as we usher in a new strategic period 2021 -2023.

Culminating from the collective efforts of the CPF Financial Services Board of Directors, Management, Staff, and Stakeholders, I am proud of the CPF Financial Services' new strategic blueprint 2021-2023 Strategic Plan.

We have taken strides to reimagine, redefine and reengineer our Company to innovative modern standards that ensure the Group can meet future needs. Through the new mission "To offer innovative social security, financial and advisory solutions to our stakeholders," the Group has brought to the forefront its identity as a customer-centric organization that is committed to leveraging innovation and technology in driving industry and stakeholder growth. This Plan demonstrates our commitment to achieving operational excellence across our industry focus areas and stakeholder engagement.

In pursuit of our commitment to stakeholders and future prosperity, CPF concentrates on growing a high-performance culture across the Group, creating an enabling environment for staff to deliver on excellence, and providing exceptional governance and infrastructure to support the Group's mandate. The Plan is thus anchored on the theme "Reimagine and Thrive," aimed at rejuvenating the Group's performance, culture, and adaptability. We hope that we will aggressively target new business during this strategic period and expand our market share while maintaining the highest level of customer excellence and robust risk management practices.

We strive to incorporate the lessons learned from the previous Strategic Plan through continuous monitoring and evaluation to ensure the Plan is not overtaken by events nationally, regionally,

and globally. We hope that at the end of this Plan period, the Group will have enhanced its brand visibility and improved the capacity and revenue of its established and emerging business lines.

Acknowledgments

I take this opportunity to thank the Board of Directors, our partners, customers, and the CPF Financial Services staff members for their continued loyalty and support; we remain committed to delivering quality and excellent services.

Although our business is up against several challenges, in light of the covid-19 outbreak, we are confident in our ability to manage these risks and ensure continued growth.

Looking ahead, we will continue to reinvent our business, invest in new areas of growth and realign our priorities to position CPF Financial Services as a business that is fit for the future.

MAURICE NDURANU

Chairperson, Board of Directors

CPF Financial Services

MESSAGE FROM THE MANAGING DIRECTOR/CEO

The previous financial year was an extremely challenging period. The COVID-19 pandemic altered the environment for all businesses and ours was no exception. In responding to the pandemic, we remained true to our purpose of Fulfilling Lives. I am pleased with the work we have done to support our stakeholders, especially our members and stakeholders, to navigate through this difficult period. I am also proud of what we have been able to achieve and most importantly the critical role that we played in keeping the country connected during the pandemic and in delivering a sound return to our investors.

One of the vital lessons learnt during this turbulent period was the importance of maintaining continuous dialog with our stakeholders and how critical it is to our long-term success. The valuable insights we have gained from these interactions has enabled us to align our sustainability initiatives to stakeholder requirements and ensure we deliver value to society.

In the last 12 months, we stepped up these engagements with a keen focus on customers and employees. These included regional workshops, sustainability ambassador engagement at the branch and departmental level and virtual events for broad audiences. Alongside the mechanisms described below, our stakeholders have played a fundamental role in informing our new sustainability strategy and broader value to society.

The CPF Foundation

In the year ended 31 December 2021, we registered the CPF Foundation. The CPF Foundation will concentrate on solving social problems and reacting to un-met social needs. CPF Foundation

is thereby expected to strengthen company communication on Corporate Social Responsibility (CSR) as well as serve as a dialogue platform.

The CPF Foundation will uphold the principles of the Code of Ethics and Professional Conduct of CPF Financial Services. In line with this, the foundation will aim to focus on four key pillars namely;

- ✚ Economic empowerment
- ✚ Education
- ✚ Post Retirement Welfare
- ✚ Sports and Health
- ✚ Any other area relevant to the objectives of the CPF Financial Services.

Additionally, the CPF Foundation will be the driver of all CSR activities that will be run across CPF Financial Services.

Outlook

CPF Financial Services remains in great shape and in an enviable position. We exit the second year of the pandemic rooted in strong growth prospects. We have the right strategy, business model and ambition to deliver on this potential.

Finally, I would like to highlight the remarkable efforts of our 345 colleagues again this year. Their commitment and endurance in challenging circumstances has delivered a seamless service to our customers and communities that we serve.

HOSEA KILI, OGW

CPF Group Managing Director/CEO

CPF Financial Services

DELIVERING SUSTAINABLE VALUE

The COVID-19 crisis has taught us the important 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 the service of all stakeholders. 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 and business opportunities for institutional investors, such as pension funds. Thus, 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:

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.


SDG 1: TO ERADICATE POVERTY IN ALL ITS FORMS EVERYWHERE

We contribute to SDG 1 by implementing nationally appropriate social protection systems and measures for all, including social protection floors. SDG 1 seeks to achieve substantial coverage of the poor and the vulnerable by 2030.

At CPF Financial Services, we remain cognizant 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 key 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.

In the year under review – in line with our mission: *to offer innovative social security, financial and advisory solutions to our stakeholders* - we developed new financial products, operating models and distribution channels; that included mobile banking. These solutions served to advance financial inclusion and increase social protection with a view to substantially increase pension coverage of the uncovered and unreached countrywide.

These included:

-  Ladybag – a bundled financial product that enables women engaged in enterprise to save for their pension whilst getting insurance and access to the last respect benefit. The product was rolled-out in partnership with the Women in Business Community Network – an organization that endeavors to promote, assist and enhance economic and business development for all our members at both National and County Chapters so as to stimulate wealth at all levels of governments right from the communities they represent.

- ✚ Auto SMS Function – We rolled-out a revamped automated SMS function for all schemes to facilitate member notification on contribution position. This has enhanced customer knowledge on the real-time position of contributions made by members and/or scheme sponsors leading to increased awareness of their debt position.
- ✚ The Laser Insurance Brokers (LIB) USSD Channel – In the year under review, we rolled out the USSD *290#; which nests all of LIB's products and services.

SDG 7: Ensure access to affordable, reliable, sustainable, and modern energy for all

By installing a solar P.V. system at the CPF Headquarters, we saved our members over Kshs. 4,395,902 in power costs in the period under review.

The Solar P.V. 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 to not send the electricity to the grid.

Energy-related emissions make up the bulk and they are the only ones that could, based on existing technologies, be eliminated. For power generation, the wide range of existing clean energy technologies can be complemented by smart demand-side management. We are committed to managing our operations responsibly by embracing clean, renewable, and affordable energy. With this in mind, we have focused on the massive installation of the solar PV system at CPF Headquarters, Freedom Height Shopping Mall, and Pension Towers. This is a grid-tied system 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.

The system operates in such a way that it gives priority to power generated by solar. Utility power will supplement any excess load demand over and above what is generated by Solar Photovoltaic. This system is designed such that it does not supply back the KPLC power grid.

LOCATION	Commission Date	PERCENTAGE SOLAR CONTRIBUTION	ANNUAL CARBON SAVING PER TON	EQUIVALENT TREES PLANTED PER YEAR	ANNUAL SAVING IN KES
CPF Headquarters	12/08/2019	22%	43.3	217 Trees	Kshs. 1,112,400
Pension Towers	12/07/2021	8%	35.5	178 Trees	Kshs. 869,162

Freedom Height Shopping Mall	01/02/2021	22.4%	98.6	493 Trees	Kshs. 2,414,340
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Annual Summary- Solar Power Generation System.

SDG 8: To promote sustained, inclusive, and sustainable economic growth; full and productive employment; and decent work for all

The International Labor Organization's definition of decent work states that decent work sums up people's aspirations 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 the year under review, we continued to observe the 1/3rd gender rule with the current ratio being 1:1.2. Furthermore, we continued to reinforce fairness and equity in providing employment opportunities for all cadres of employees within the company.

Additionally, we set up a lactation room - at CPF headquarters - for new mothers at the workplace to provide for them an enabling atmosphere to nurture their young ones as they also work to meet their set targets.

Furthermore, we continued to provide targeted internships for young people from disadvantaged backgrounds to promote social mobility whilst also enhancing company performance through increased workforce diversity. CPF creates opportunities for lower paid workers to develop their skills and gain access to improved professional opportunities, both within and outside of the financial services sector.

We are committed to creating an inclusive workplace where health and safety is top priority for all employees and subcontractors. The company remains committed to ensuring healthy workplaces to create a work environment that leads to fulfilled lives of all stakeholders.

SDG 11: To make Cities and Human Settlements Inclusive, Safe, Resilient and Sustainable

Our target is to reduce the adverse per capita environmental impact of cities by paying particular 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.

SDG 13: To take urgent action to combat climate change and its impacts

The adverse effects 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 to reduce our carbon emissions footprint CO2 emissions to zero by 2030 and reduce 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. In addition, 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 have planted 100,000 trees this year in Makueni, Machakos, and Embu. The International Tree Foundation estimates that each tree planted sequesters 14.7kg of CO2 each year for 20 years. By planting 100,000 trees, we have reduced our annual carbon footprint by 1,470 tonnes.