



# Co-operative Bank Sustainability Report 2018

## ‘The Future we want’

As a financial services firm, we are driven by our desire to enhance financial inclusion and help millions achieve their ambitions by fulfilling their financial services needs in a responsible and sustainable manner. This is aligned with the UN Sustainable Development Goals (SDGs), which aim to address development challenges to end poverty, protect the planet and ensure prosperity for all. The role of business is fundamental, both to transition away from practices that undermine the goals’ achievement and to proactively create solutions that solve existing challenges.



# Our 2018 Sustainability Review

To become a leading financial services organisation in the region, we recognize we must contribute to the long-term viability and success of the communities and countries we operate in by facilitating economic growth, social development and environmental protection. The very nature of our business, strategically positions us to help our customers and stakeholders manage social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of local and national economies. We are committed to having a positive impact without leaving a negative impact.



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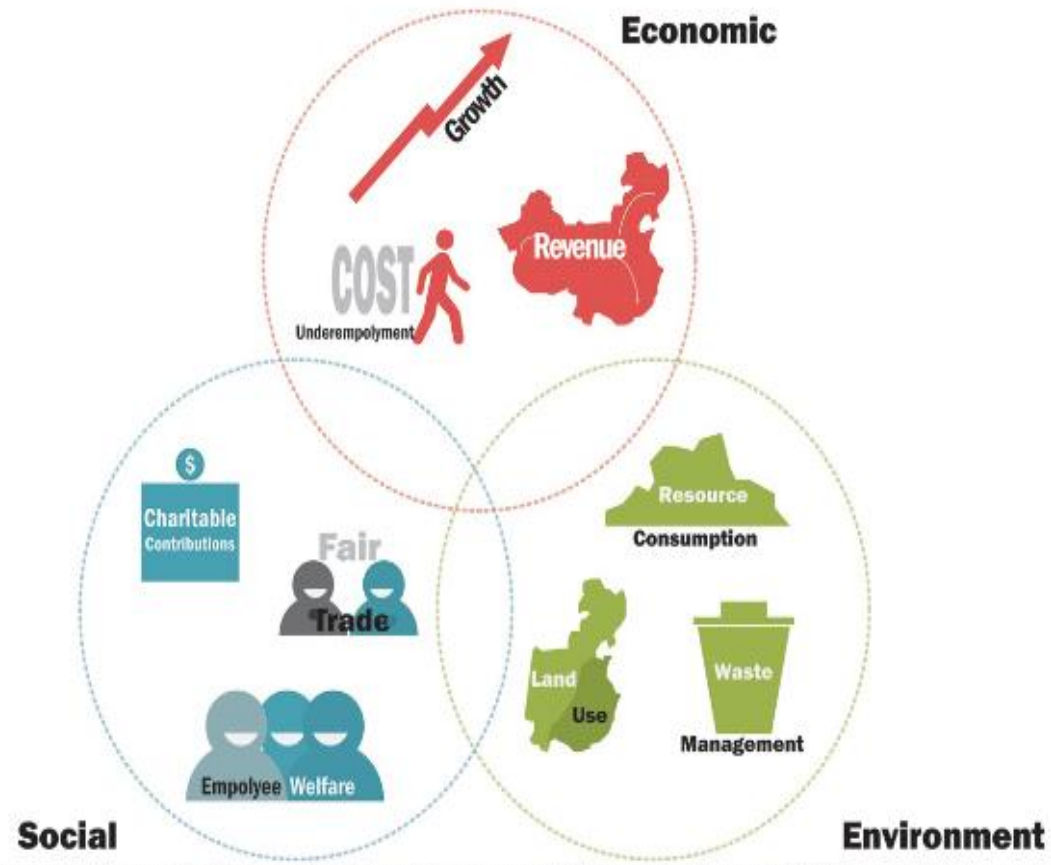
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# Our Sustainability Context



Co-op Bank believes in carrying out her business in an open and transparent way. Similarly, our stakeholders expect the bank to publicly declare its social and ecological impact. It is for this reason that the bank has chosen to entrench sustainability in all our operations. We do this by continually engaging with our stakeholders and finding out what we could do to ensure that our operations are tailor-made for mutual benefit without infringing on the ecological integrity.

*Sustainability strategy is integrated in our business model and consists of a three pronged approach of:*

- *Economic sustainability,*
- *Social sustainability and*
- *Environmental stewardship.*

We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable business. In our day to day activities, we position ourselves to help our customers and stakeholders manage economic, social and environmental challenges and invest for the future, which in turn contributes to the viability and sustainable growth of the economies in which we operate.

## About this Sustainability Review

This Sustainability Review augments the 2018 Co-op Bank Group Integrated Report and offers a detailed view of the bank's sustainability efforts, commitments and achievements in the 2018 financial year. It should be read in conjunction with the integrated report that in detail describes our strategy, approach to risk management, transformation, governance and ethics.

In producing this sustainability report, we identified our material issues and from these we developed sustainability goals that we would like to achieve and thereafter engaged in a strategy forum to prioritize them and derive our sustainability approach. Our approach aims to balance socioeconomic and environmental risks and opportunities through the deliberate use of our products and services, collaboration and partnership, and by managing our own impact.

# Chairman's Statement



John K. Murugu, OGW  
Chairman, Co-operative Bank

It gives me immense pleasure to present the 6<sup>th</sup> Sustainability Report of the Co-operative bank group.

In 2018, we achieved the goals that we set for ourselves for the year. We gained new customers and partners, secured new business, expanded our reach by opening new branches and over digital channels and continued to establish a leading position in our target markets. The strategies we implemented are coming to fruition as new products and technologies are gaining traction in areas that we had previously identified as growth markets. We have faced many challenges during the year and we have dealt with them by maintaining high standards in customer experience, innovate products and resolving problems with effective transformation. We will continue to do so into the future.

As we have entered the digital era, ensuring a successful digital transformation is an important requirement for each and every enterprise. Applying new technologies such as big data, cloud computing and artificial intelligence will help reach and serve wider markets more efficiently. We will work hard to turn challenges into opportunities and turn every incoming

storm into a driving force to propel us forward.

Co-operative bank group will always make health, safety and environmental protection its top priority and actively fulfill its social responsibilities. We have always been a responsible corporate citizen and have endeavored to give back to the society with solid actions as demonstrated by our wide network of physical infrastructure across the region as well as the impressive work of our subsidiaries' Co-operative bank foundation and Co-op Consultancy and insurance agency.

Sustainability is core to what we do and is integral to our strategy and long-term commercial success. Our sustainability approach focuses on delivering services linked to the most material issues for our business; upholding high standards of ethical conduct, supporting economic performance, ensuring health and safety, acquiring and developing talent, managing energy and climate change impacts, protecting human rights, and delivering sustainability services to our clients. It is through these programs that co-op bank generates value to society, both directly and through our customers. Going forward we seek to employ pioneering tools to estimate the impacts of our actions on the natural environment, employees, customers, stakeholder networks and wider society. We also seek to work together with our business partners and customers to drive business innovation and bring scale to the emerging green economy.

Only those who are dedicated can go far, and only those who have an inquisitive mind can innovate. We are committed to creating substantial value for our shareholders. When the new dawn emerges, co-operative bank has already set sail on a new journey, leading the way to overcome difficulties, meet challenges and chart new passages for the future of the company; the future that we want. Co-operative bank Group is well positioned to benefit from growing markets, and I look forward to reporting on our progress in the future.

Mr. John Murugu, OGW  
Bank Chairman





A well-functioning financial services system has always played a key role in both driving and supporting growth by providing capital, facilitating trade and financing infrastructure and innovation. Financial institutions must and will continue to play a pivotal role in providing innovative solutions to the social, economic and environmental challenges the world faces.

Africa expected to grow rapidly, there will be huge opportunities for trade, knowledge and skills transfer as well as wealth creation in the countries in which we operate.

11% of adult Kenyans have no access to financial services while 17.1% lack access to formal financial services. Though many Kenyans have formal accounts, they are rarely used because they are not solving real day-to-day problems for many households, smaller and micro scale businesses and farmers. Considerable reliance remains on the use of informal instruments. We are aware of the urgent need to find ways to support sustainable growth that benefits economies, the environment and society as well as the need to uphold good governance. business.

In our markets lie the greatest social and environmental risks and also the greatest opportunities for new solutions, services and ways to grow our business. We are committed to addressing issues that are meaningful to the countries in which we operate. This year we've joined hands with 4 other commercial banks with the backing of central bank of Kenya to roll out the 'Stawi' SME facility which targets Micro, small and medium enterprises (MSMEs). MSMEs will be able to access unsecured loan ranging between Sh30,000 and Sh250,000. Small and mid-size enterprises are the lifeblood of any economy, but many have struggled to secure the necessary financing in the current economic climate. We are excited to work with the central bank and the four banks to minimize the complexity of developing new and more accessible loan offerings as we bring much-needed capital to this underserved yet vital segment of the market.

Our sustainability approach extends beyond our internal initiatives to include our relationships with governments, customers, communities and suppliers. We partner with like-minded organizations such as the International finance corporation (IFC) and Agence Francaise De Development (AFD), Strathmore University amongst others, to ensure we turn aspiration into tangible results. We remain committed to upholding the principles of the United Nations Global Compact and believe that it is through partnerships with business, governments and the civil society that we will contribute to the achievement of the Sustainable Development Goals. We believe our focus to date on increasing access to financial services; educating children from disadvantaged backgrounds; empowering co-operatives; committing to diversity and inclusion in the workplace, as well as funding clean energy sources, is already contributing towards these goals. Our success allows us to contribute to local economies by facilitating trade, increasing human resource capabilities, supporting businesses and investing in local communities.

Global sustainability is not an easy goal to achieve, but financial services will be key to its delivery. We will continue to focus on a comprehensive agenda to build a sustainable business. In our organization, leadership means leading by example. This is why we pay so much attention to responsible business practice and on reducing our own environmental impacts. I am proud of what we have achieved this year.

Dr. Gideon Muriuki, CBS, MBS  
Group Managing Director & CEO

# Our Strategic Focus

## Vision

*“To be the dominant Bank in Kenya and in the Region riding on the unique Co-operative Model Providing innovative financial solutions for distinctive customer experience.”*

## Mission

- ❑ *Offer a wide range of innovative financial solutions*
- ❑ *Leveraging;*
  - ❑ *Heavy investment in multi channels*
  - ❑ *National and regional presence*
- ❑ *Focus on excellent customer experience*
- ❑ *A highly motivated and talented team”*

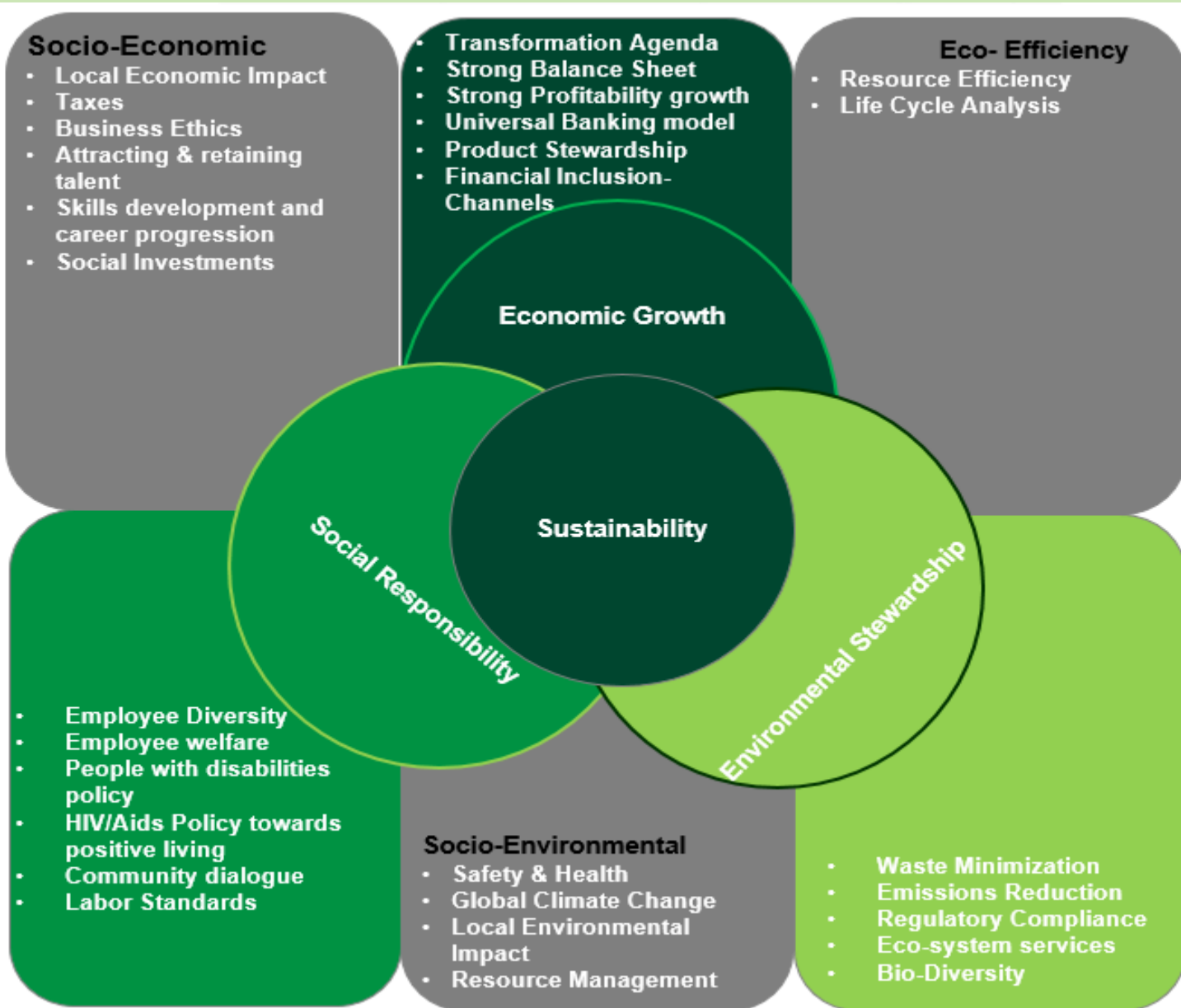
## Focus Objectives

- ❑ *To be the dominant Bank in the Region*
- ❑ *To enhance our overall customer experience*
- ❑ *To be the employer of choice*
- ❑ *To ensure that our internal capabilities enable optimum value creation for all our stakeholders*
- ❑ *To ensure that the group operates as a responsible corporate citizen*

## Our Values

- ❑ *Trustworthy*
- ❑ *Innovative and Agile*
- ❑ *Value our Customers/People*
- ❑ *Share and Collaborate*
- ❑ *Passion for Excellence*
- ❑ *Bold and courageous*





To remain a leading financial services organization in the region, we recognize we must contribute to the long-term viability and success of the communities and countries we operate in by facilitating economic growth, social development and environmental protection.

# Sustainable Economic Stewardship

As a significant players in our economic ecosystem, we know our actions impact the wider economy. We run our business in a way that ensures that our growth is sustainable in the long run and leaves minimal impact on natural resources and the environment for the future generations.



## Our Customers, Channels and Key Numbers

### Our Customers

#### Accounts

8.0  
Million

#### Mcoop Cash

4.0

#### Internet

82,000

#### Sacco- Link

1.1  
Million

#### Diaspora

14,600

#### Face Book

1.4  
Million

#### Twitter

300,000

Instagram,  
You Tube,  
Telegram  
Customers

### Our Channels

155 Branches

24 Hour  
Contact Centre

Mobile  
All Telco,  
All Product  
Mcoop Cash  
Channel

Over 464  
FOSA's

Over 12000  
Coop Kwa  
Jirani Agents

Dedicated  
Diaspora  
Banking  
Department

Over 580 ATMs

4 Subsidiaries  
1 Associate  
Company

Internet  
Co-opNet  
(Retail and  
Corporate)

Social Media  
Banking

### Other Key Numbers

#### Total Assets

413 Billion

#### Core Capital

59 Billion

#### Net Loan Book

245 Billion

#### Customer Deposit Book

260 Billion

#### Market Capitalizati on

83 Billion

#### PBT

18.2 Billion

#### Staff Numbers

4251



# Economic Growth: Universal Banking Model



## Retail and Business Banking

- ✓ Micro Credit
- ✓ Small Medium Enterprises (SME)
- ✓ Personal Banking (mass & affluent)
- ✓ Diaspora Banking
- ✓ Banking the youth (Yea & Jumbo Junior)
- ✓ Asset Finance

## Corporate, Government & Institutional Banking

- ✓ Corporate banking
- ✓ Government Banking
- ✓ Institutional Banking
- ✓ Structured, Trade & Commodity Finance
- ✓ NGO's
- ✓ Treasury

## Co-operatives Banking

- ✓ Large Saccos
- ✓ Housing Saccos
- ✓ Agri Business
- ✓ PSV/ Transport Saccos
- ✓ Investment Saccos

## Associates

We own 26% of CIC Insurance  
CIC Owns 31% of CIC Africa  
CIC has a Presence in Uganda, Malawi & South Sudan

## Fund management

- ✓ Over 36 Billion in Funds under management

## Consultancy and capacity building for the Co-operative movement

- ✓ Over 2500 consultancies

## Insurance Brokerage

- ✓ Insurance Premiums

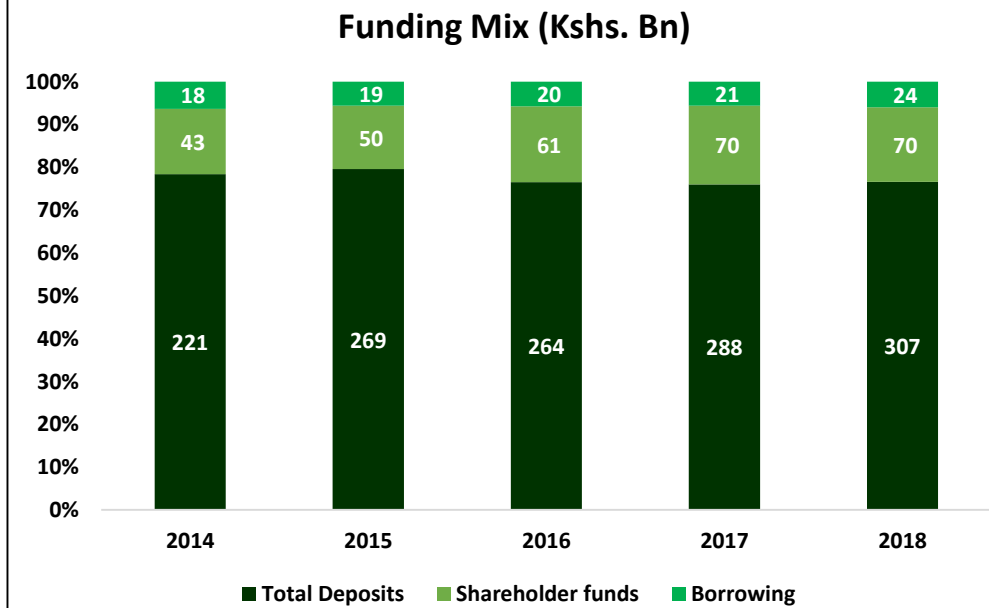
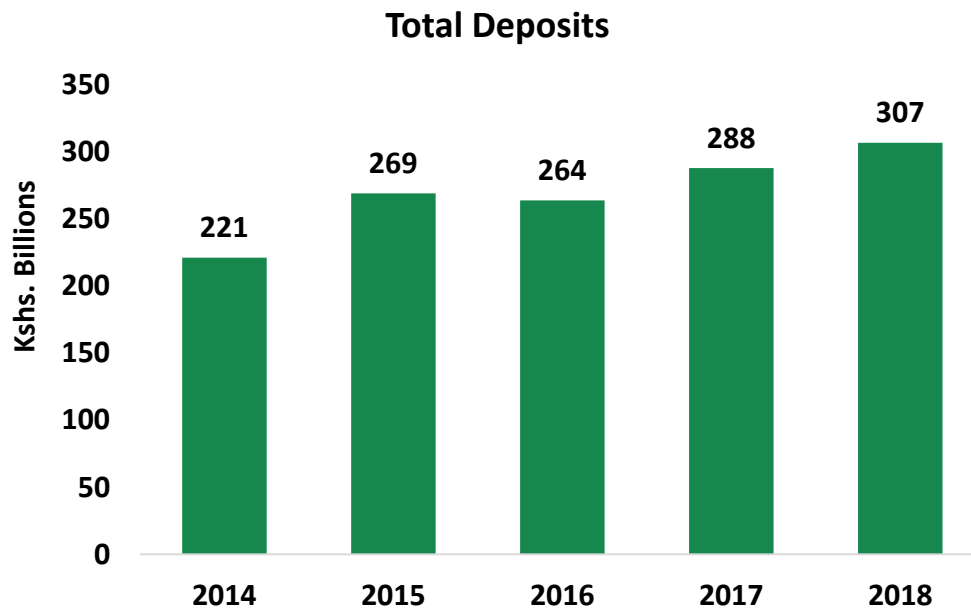
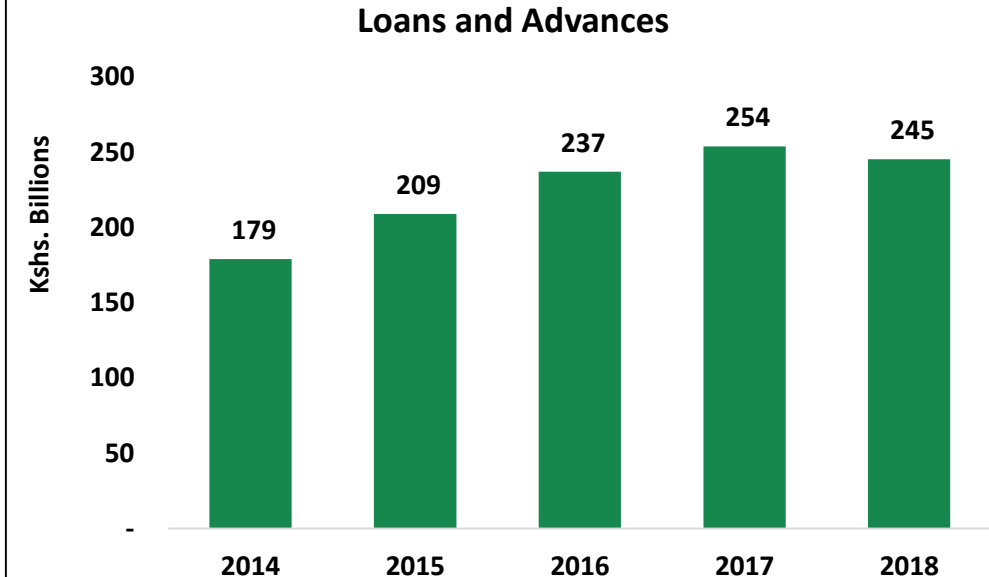
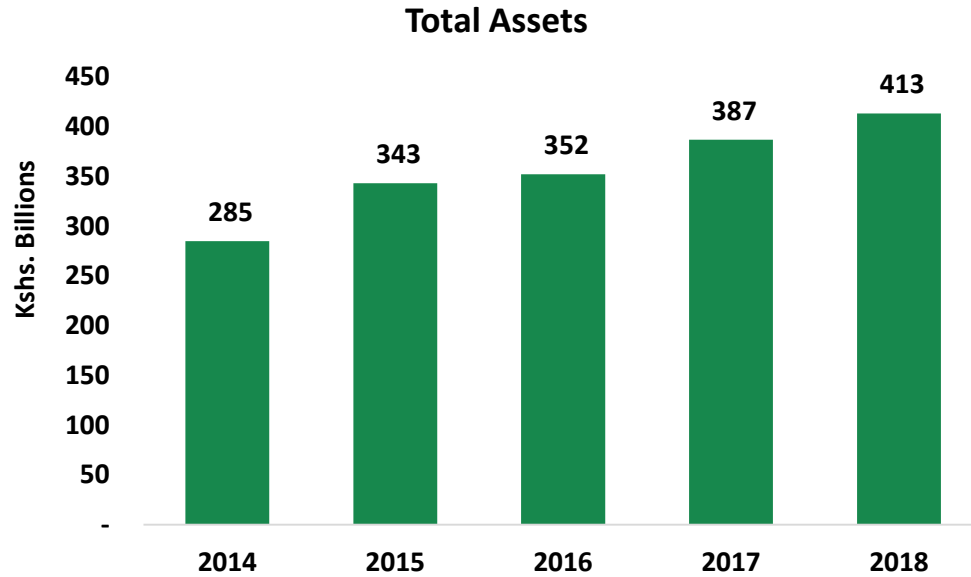
## Stock brokerage

- ✓ Share trading services
- ✓ Online Share Trading

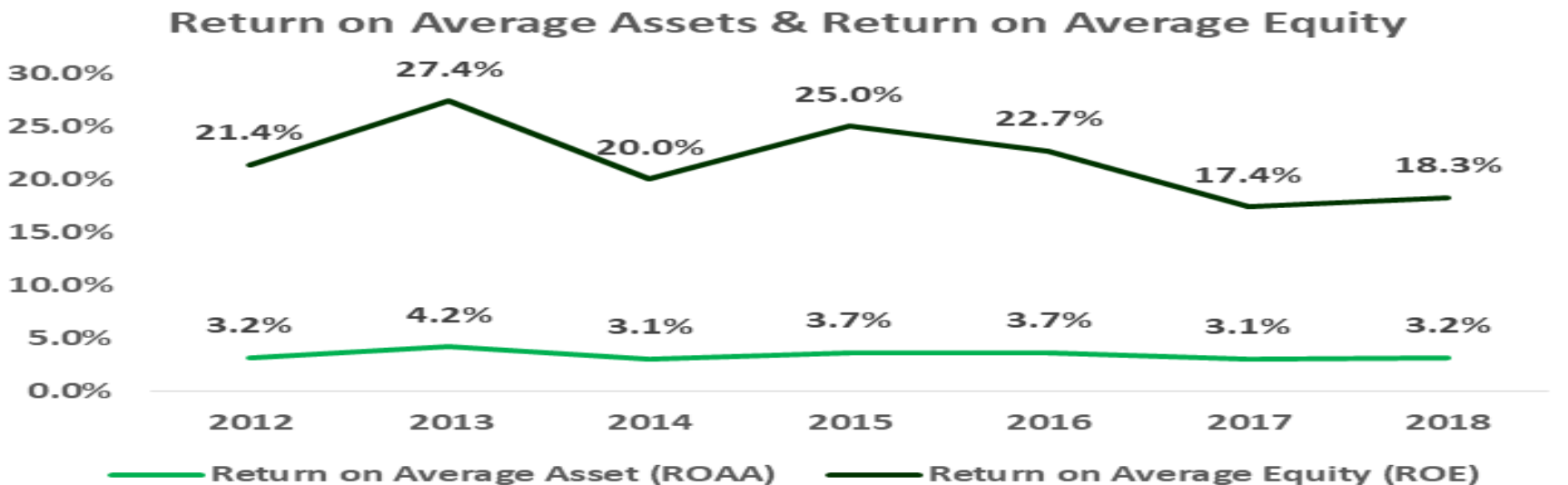
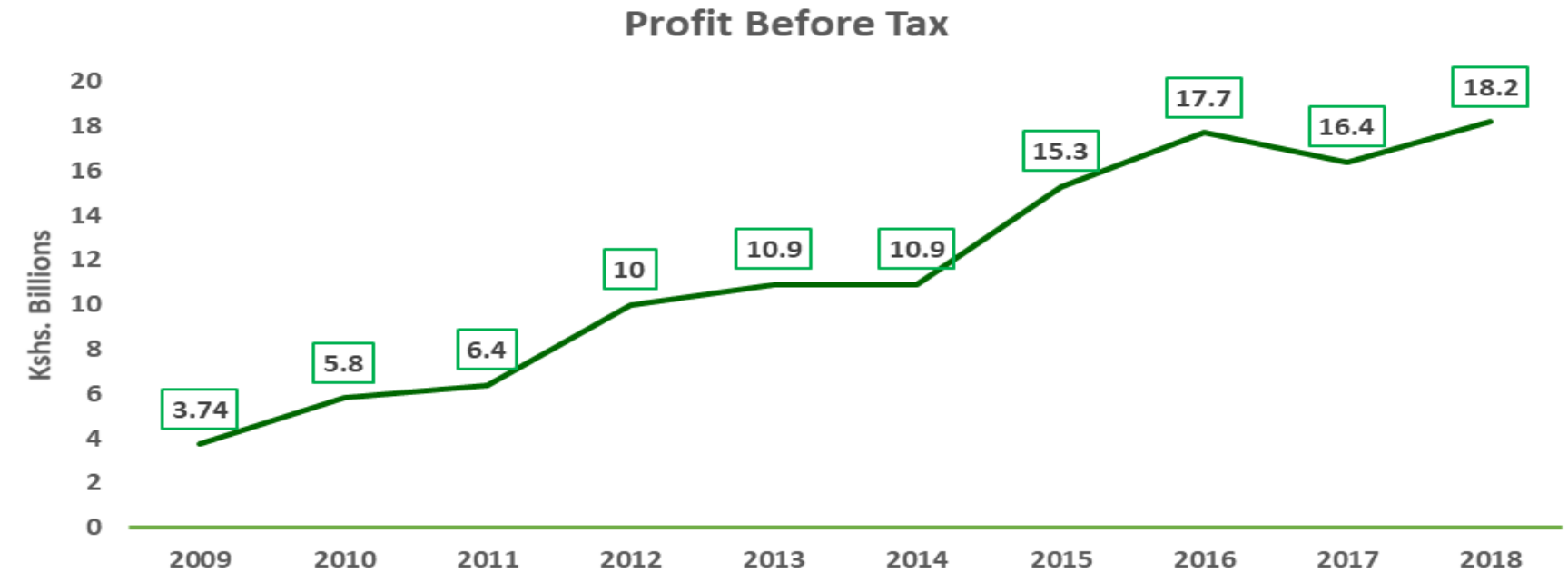
## Foundation

Co-op Foundation; Supporting Bright, Needy students in all counties

## Strong Balance Sheet Growth



Strong  
returns





## Economic Growth: Financial Inclusion (Our Channels)

Channel Transactions '000'



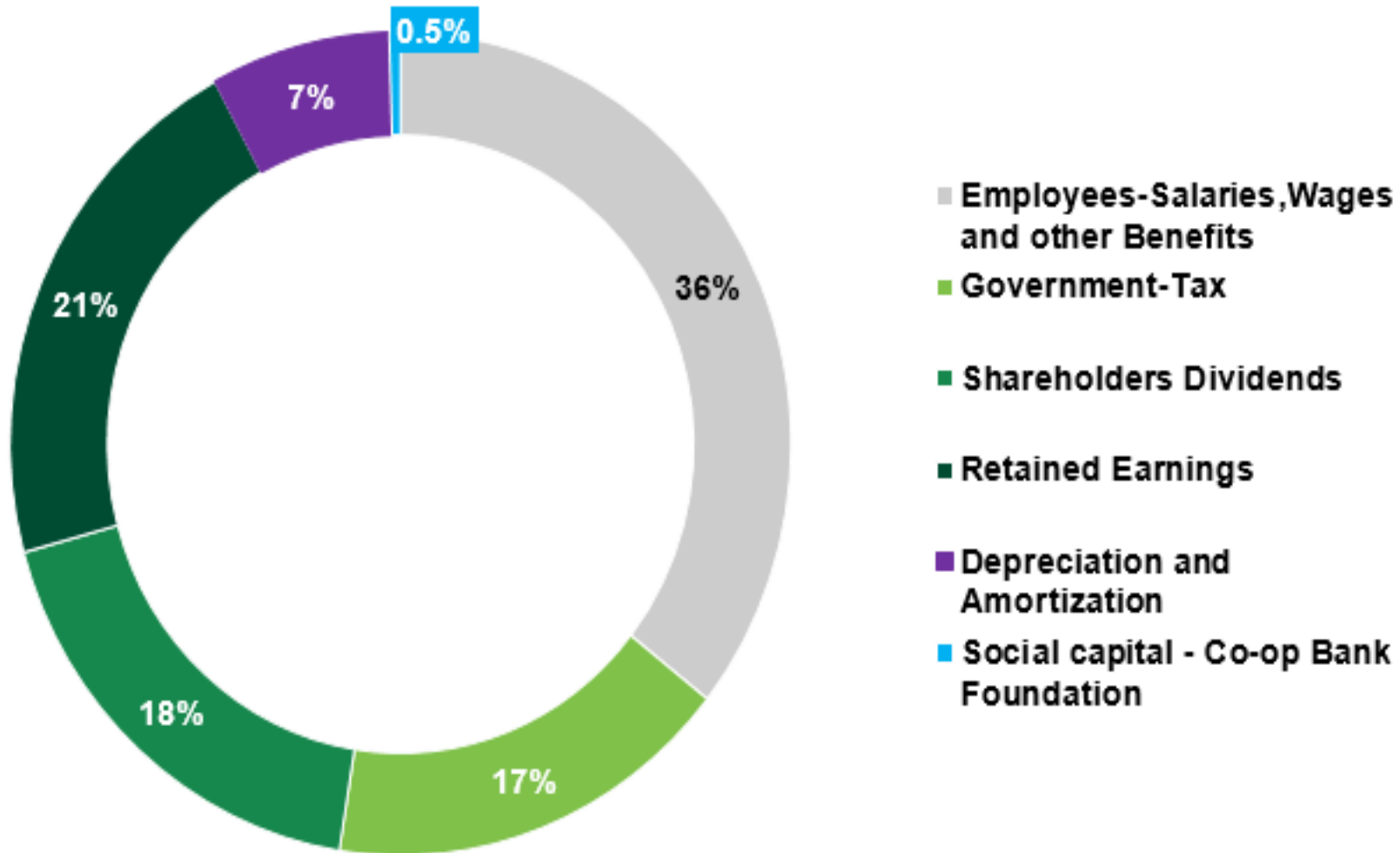
**92%** of our Transactions are on alternative Channels

**1.4** Million loans have been given through Mobile

**20** Billion has so far been disbursed

**E-Credit** lending key focus area in 2019.

**Value Distribution**  
Over Kshs. 32Billion Distributed (Kshs 29B- 2018)



## Social Economic Stewardship



### Local Economic Impact

- ◆ As one of Kenya's Top corporations we contribute to the country's economic growth through provision of responsible, innovative banking products and services.
- ◆ Credit is the fuel of economic engine; over the last 5 years our net loans and advances to customers has grown at a compound annual rate of 6%; as at December 2018, Kes.245 Billion was outstanding as loans and advances to public and private enterprises.
- ◆ We have 1269 Local suppliers and 45 foreign suppliers. In 2018, we paid over Kshs.11 Billion to our suppliers. Of this amount, 91% was paid to local suppliers. Sourcing and Facilities management is anchored on the following; Sourcing and Facilities management Manual, Sourcing and Facilities Management Policy, ICT Sourcing Policy.
- ◆ Co-operative Bank today represents the number one point of financial intermediation contact for Kenya's over 14 million member strong Co-operative movement with mobilized savings of over Kshs.305.3 Billion; equivalent to 30% of national savings.



### Taxes

- ◆ We contribute to the creation of prosperity and to the stability of our country through paying taxes. Taxes provide essential public revenues for governments to meet economic and social objectives. We view taxation as an essential part of our corporate social responsibilities
- ◆ In 2018 the bank paid over Kes.5.4 Billion in Corporate taxes and Kes.2.5 Billion in employee Payroll taxes to the Kenyan tax authorities.
- ◆ The bank is also KRA's appointed agent to assist the taxman in collection of various taxes across the country.
- ◆ The bank also directly invests in government securities as well as lending to various public entities.



### Business Ethics

- ◆ At Co-op Bank we strongly believe that ethics are the heart of any strong organization. In being Ethical we have managed to foster employee morale, boost brand reputation, encourage loyalty in all our stakeholders, and improve our bottom line.
- ◆ We're determined to do the right thing by our customers, our communities and the planet: that's how we have become one of the leading financial institution in Kenya and the Region



# Social Economic Stewardship

2018



- Best Retail Bank - Kenya
- Dr. Gideon Muriuki- Best Banking CEO Kenya



- Best Retail Bank - Kenya
- Best SME Bank - Kenya
- Best Investment Institution - Kenya



- Best Bank in Kenya
- Best product launch- MCo-op Cash v4.0 update



## KENYA BANKERS ASSOCIATION: CATALYST AWARDS

### Overall Winner

- 1<sup>ST</sup>- Client Case Study - Financing Commercial Clients
- 1<sup>ST</sup>- Bank Case Study - Bank Operations & Policy
- 2<sup>ND</sup> -Best Practice in Sustainable Finance
- 3<sup>RD</sup> - Sustainability Through Policy & Governance
- 3<sup>RD</sup>- Client Case Study - Financing Micro, Small & Medium-Sized Companies



Recognition for being **Socially Devoted**  
By Social bakers  
(a social media marketing platform)

The Kenya Bankers association, in its 2017 Catalyst Awards recognizing catalytic finance that impacts industry, economy and society declared us the most sustainable Bank and awarded us;

- Overall Winner
- 1<sup>ST</sup>- Client Case Study - Financing Commercial Clients
- 1<sup>ST</sup>- Bank Case Study - Bank Operations & Policy
- 2<sup>ND</sup> -Best Practice in Sustainable Finance
- 3<sup>RD</sup> - Sustainability Through Policy & Governance
- 3<sup>RD</sup>- Client Case Study - Financing Micro, Small & Medium-Sized Companies

Banker Africa Awards: Best Retail Bank - Kenya, Best SME Bank - Kenya, Best Investment Institution - Kenya

International Finance Awards: Best Retail Bank - Kenya, Dr. Gideon Muriuki- Best Banking CEO Kenya

EMEA Finance African banking Awards 2017 declared us the Best Bank in Kenya and Best product launch- MCo-op Cash (Version 4.0 update)



### Attracting and Retaining Talent

At Co-op Bank, we have made it a priority to continuously improve on our lead position as an employer of choice. We do this by primarily attracting and retaining the best talent in the market through appropriate investment in human capital development, inculcating high performance culture, rewarding outstanding performance, competitive remuneration packages and encouraging and appreciating innovations.

Of our staff, a high degree of professionalism and integrity is demanded. We are an equal opportunity employer with an inclusive and conducive environment for work-life integration.

### Skills Development and Career Progression

We believe that human capital is the most valuable asset of a great company, hence our commitment to the development and success of our staff through first-class continuous training, leadership-building and skills enrichment.

There is a clear effort in managing the careers of our employees through coaching and mentoring processes, role specific trainings as well as stretch assignments as part of growing our employees.

Our Leadership and Management Centre (LMC) is tasked with upskilling, re-skilling and developing our people. In 2018, 14,595 people underwent training in LMC over a cumulative 843 days.

We have Premium training and exposure for retention of key critical skills areas and capabilities e.g. Productivity & Engagement Coach programs, Data Analytics exposure visits and training, Digital capabilities exposure & premium training (design thinking and agile methodology)

We have a robust Key Performance Indicators (KPI) focused performance management process with clear linkages to rewards and better accountability mechanisms. The introduction of fewer KPIs focused on core deliverables, performance dialogues and daily huddles keep staff focused on their performance at all times, ensure that they focus on core deliverables and provide better ways to measure and ultimately reward great performance. As a result Staff productivity in 2018, measured by staff costs to total operating income increased by 26.2% mainly due to transformative initiatives in Sales Force Effectiveness (SFE), operational efficiencies, proactive retention, re-skilling, upskilling, coaching and clarity of performance expectations. This allows career progression, acceleration and growth opportunities for the young and energetic team with 90% being under 40years. This has further enhanced internal mobility of talent.



Margaret Chao (Beneficiary)  
Co-op Bank Foundation Scholarship

## Social Economic Stewardship

### Social Investments

The bank makes immeasurable social investments directly through two of its subsidiaries; Co-op bank foundation and Co-op Consultancy & Insurance Agency Ltd (CCIA).

#### Co-op bank foundation

In 2007, in recognition of the need to enhance the existing Corporate Social Investment (CSI) initiatives by the bank, the Co-operative bank foundation was established to complement public effort's to increase access to education for the young people both at secondary school and university level. The bank also offers mentorship and internship programmes to the beneficiaries to provide them with the necessary exposure to work environment. The secondary scholarship program has grown from an initial sponsorship of 30 students per region, to 60 students per region and another 5 students per county. Since inception the foundation has spent Ksh.1.03 Billion to support a total of 7002 students; 6492 in Secondary school education, 208 at university level, 34 to Co-operative university college and 268 to vocational institutions. In 2018 alone, the Foundation invested Kes.149.6 Million. There were 2826 and 145 students pursuing their secondary and university education respectively, in the year under review.

#### Co-op Consultancy & Insurance Agency Ltd

CCIA was formed in 2002 as a specialist subsidiary of the Bank to provide capacity building (Consultancy and financial advisory) services mostly to the Co-operative movement and other selected sectors of the economy at very concessionary terms. Its key objective is to enhance efficiency and profitability of the Co-operative movement through the provision of affordable solutions.

Since founding CCIA has successfully conducted over 2600 business advisory mandates since inception. In 2018, 3219 people with a majority of them drawn from 273 societies were trained with an estimated Kes.5 Million in concession value. Over 70% of CCIA staff costs are absorbed by the bank. The consultancy has 20 consultants and a small compliment of support staff. The bank has partnered with various donor partners including AGRA- Profit Project, We-Effect, KCEP-CRAL, DGRV and Global Communities who supported the consultancy with Kes.31 Million in 2018. The work of CCIA focuses on key areas of impact between business and society and develops creative solutions that draw on the complementary capabilities of both, to address major challenges that affect each partner.





## Sustainable Social Responsibility

*To ensure that the group operates as a responsible corporate citizen by investing in the communities, engaging in sustainable programs particularly on education, agriculture and environment, and financial deepening in the co-operative sector*

## Sustainable Social Responsibility



### Employee Diversity

The bank endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons.

This has created an inclusive environment where individuals and teams harness strengths in diversity to maximise potential and excel in performance. By way of internal staff forums, the bank raises employees' understanding of strength in diversity and ascertains the spirit of patriotism and oneness to maintain all-round staff wellbeing.



### Employee Welfare

We are determined to make the bank a great place to work, to encourage people to bring out the best of themselves in work and in helping each other realize their full potential. We view each other as part of one big family, and each member's welfare as our collective responsibility. Our Staff welfare club participates and contributes to the welfare of the members in both times of need and celebrations; such as newborns, marriages, Hospitalization and bereavement. We invest in out-of-office staff activities such as sports events, team-building and CSR activities in reflection of our deep commitment to staff wellbeing. In 2016, the Bank sponsored three teams in National leagues (Basketball men, Basketball ladies and volleyball men), all annual interbank events and marathon events (First lady half marathon, Sasumua Dam run among others) and several golf tournaments. The bank was ranked position 4 overall out of 29 in the 32nd annual KIB inter-banks games for Nairobi region. The bank emerged winners in Table Tennis, Athletics men and Athletics women. In the KIB Inter-Bank Quiz our team emerged 1st Runners up.

Performance Indicator	2018	2017
Total permanent staff	3638	3405
Total contract staff(Includes Sales Staff)	613	664
<b>Totals</b>	<b>4251</b>	<b>4069</b>
% of Foreign staff in Kenya	0.0%	0.0%
% of Foreign staff in South Sudan-(Staff on Secondment to COBSS)	0.5%	18.7%
Staff attrition (%) -Voluntary	3.8%	4.9%
Staff attrition (%) -involuntary	3.2%	3.8%
Sick off days	14,293	15,472
% Female staff members	44.2%	43.9%
% male staff members.	55.8%	56.1%
% of our staff who are younger than 40yrs	87.1%	90.2%
% of our staff who have a tenure of more than 10 years	17.3%	17.0%
% of our staff who have a tenure of more than 5 years	54.9%	53.3%
% of our staff who have disabilities	0.3%	0.5%
% Permanent staff	85.6%	83.7%
% Contract staff	14.4%	16.3%
No. of paternity applicants (actual taken)	282	347
No. of Maternity applicants (actual taken)	203	246
Average Increase in staff salaries	4.9%	4.8%

We have a proactive Human Resource Policy framework, procedures and manuals that guide us on HR related issues to ensure . These include;

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Disciplinary, Grievance Policy and Procedures</li> <li>• Sexual Harassment Policy</li> <li>• HIV/Aids Policy</li> <li>• People with Disabilities Policy</li> <li>• Occupational Health &amp; Safety Policy</li> <li>• Code of Conduct &amp; Ethics</li> <li>• Dress Code Policy For Bank Employees</li> <li>• Guidelines On The Use Of Motor Vehicles</li> <li>• Policy Guide On Employee Benefits And Allowances</li> <li>• Loan Facilities</li> <li>• Transfer Of Staff</li> <li>• Whistle blowing policy</li> <li>• Collective Bargaining Agreement</li> </ul> | <ul style="list-style-type: none"> <li>• Retirement Benefits Scheme</li> <li>• Bank's Medical Scheme Rules for Staff</li> <li>• Leave policy</li> <li>• Policy On Overtime</li> <li>• Promotion policy</li> <li>• Recruitment policy</li> <li>• Recruitment and employment documentation policy</li> <li>• Vocational employment</li> <li>• Performance Management policy</li> <li>• Performance Improvement Policy</li> <li>• Dress Code Policy</li> <li>• On job training procedure and work rotation policy</li> </ul> |
|--|---|

## Sustainable Social Responsibility

### Average work hours policy.

This is clearly spelt out in the Bank's Human Resource Manual/Guidelines as well as the Collective bargaining Agreement, which is binding for our unionizable employees. This aims at striking a healthy work-life integration.

The normal work hours are 164 per month. We have a policy on overtime that states all unionizable employees are entitled to special compensation for overtime work, work on rest days and public holidays according to the provisions of the Collective Bargaining Agreement. There is a policy guide on employee benefits and allowances This policy guide is applied together with the Collective Bargaining Agreement that guides on unionizable employees.



### People with Disabilities Policy

The Bank is committed to equal opportunity and access for people with disabilities. In accordance with our values and the law, the Bank does not exclude any qualified persons with disabilities from participating in employment opportunities and Bank programs or activities. We are a strong advocate that people with disabilities have the skills to pursue meaningful careers and play an important role in our society and contribute to the bank's success as well as the wider success of the society.



### HIV/Aids Policy towards Positive Living

The bank has developed a HIV/AIDS policy based on the understanding that we are a caring institution with staff welfare at heart. As a policy, the bank does not screen for HIV during employee recruitment nor does it discriminate in any way against HIV positive staff and such cases are treated like any other health condition for purposes of medical cover.

Our HIV/AIDS policy ensures that staff living with HIV/AIDS enjoy equal health and social discretion, including confidentiality, prevention of stigmatisation and discrimination. Further, emphasis is made to provide information on preventive measures through external professional counsellors and trainers. Structured informal discussions at office level are also managed through the Peer Education Programme to promote sharing of awareness information and material.

Our duty to accommodate involves taking deliberate steps to eliminate disadvantage to employees, prospective employees or clients resulting from a rule, practice or physical barrier that has or may have adverse impact on any individual or groups. This includes the hiring process as well as accommodating an individual once they are hired.



### Whistle-blowing policy

The Bank is committed to the highest possible standards of openness, probity and accountability and this is well captured by our whistle blowing policy. In line with that commitment, we encourage staff with serious concerns about any aspect of the bank's work to come forward and voice those concerns. It is recognized that certain cases will have to proceed on a confidential basis. The policy makes it clear that employees can do so without fear of reprisals. The Whistleblowing policy is intended to encourage and enable employees to raise serious concerns within the bank rather than overlooking a problem or simply reporting it outside of the defined channels within the Bank.

This policy aims to:

- ☐ Provide avenues for staff to raise concerns and receive feedback on any action taken.
- ☐ Reassure staff that they will be protected from reprisals or victimization for "whistleblowing" in good faith.

The policy provides that staff may report an issue if it is unlawful; fraudulent; contrary to the bank's policies and procedure; falls below established standards of practice; amounts to improper conduct and breach the Bank's code of Conduct. There are in place systems to encourage staff to raise concerns in a structured and protected way. The bank respects the confidentiality of staff raising concerns and sets out arrangements which include the opportunity to raise concerns outside the management structure.

This policy supplements other existing procedures relating to probity in the course of the bank's business or matters relating to the conduct of employees, including grievance, disciplinary, harassment and recruitment and selection policies and procedures.



## Community Dialogue

As part of the wider community in which we operate, the bank collaborates with various stakeholders involved in poverty eradication, advancement of education, inadequate access to health services and financial services and various other activities addressing local challenges.

In an effort to improve the use of modern agricultural technology in the Coconut Sector, we collaborated with Amiran Kenya. To extend the quality of health services offered to citizenry, the bank partnered with the Kenya Diabetes Management and Information Centre as well as the Kenya Psychological Association. The bank takes part in activities of national importance and we supported the Kenya National Assembly Prayer Day.

## Sustainable Social Responsibility



## Labor standards

We practice the virtuous value of mindfulness in appreciating the need for work-life balance for our staff and we have created an inclusive and conducive environment to cater for their different requirements. We support staff in child-rearing responsibilities by providing time off work for male and female staff in line with existing labour laws and best practice for enhanced productivity and employee engagement. In 2018, a total of 485 staff took time off to attend to their newborns, of which 282 were men and 203 women.

Our bank maintains cordial relations with the staff union and we continue to foster partnership to ensure that staff interests are addressed timeously. On a continuous basis we create an inspiring experience for our people by improving the employee engagement incrementally as a key success factor to great business results as well as staff productivity.



## Caring for the Environment

Climate change continues to be one of the biggest challenges facing the world today, as a global threat that may affect each and every aspect of our civilization. The climate change related risks for the banking industry in Kenya vary from the indirect rise in operating costs to largely non-existent legal guidelines. We appreciate that, banks that successfully handle and manage these risks from the onset, will not only be in a position to manage these costs but will also benefit from various opportunities such as being able to address changing customer profile expectations and meeting the financing needs of “green” investments. For this reason, we at co-op bank believes that climate change is a strategic issue that requires full integration with all business processes and decision-making mechanisms.

# Environmental Stewardship



## Waste Minimization

In order to reduce waste the bank has proactively adopted a 3Rs Model of Retain, Recycle and Re-use. Everything is useful to somebody else; Shredded papers are given to recyclers, Used envelopes are re-used internally and detailed catalogue of assets and users is maintained to facilitate internal shifting from idle (Excess) stations to where they are shortages instead of procuring new ones.



## Emissions Reduction

Finance plays a key role in the transition to a low carbon economy by helping our customers to mitigate their emissions, save energy and reduce costs by providing funding for energy efficiency and renewable energy generation projects from small to large enterprises.



## Regulatory Compliance

We maintain an open, honest and transparent relationships with the regulators and ensure compliance with all legal and regulatory requirements in order to ensure regulatory compliance. As one of Kenya's Big banks we understand our responsibility in constantly engaging regulators in order to promote the required soundness and stability



## Ecosystem Services

The bank has fully shifted to the use of green gases equipment's to be in compliance with the Kyoto protocol and the green environment envisaged in the future; For instance the bank has substituted air conditioning equipment that have green gases (R410A & R407) as opposed to the prohibited R22. These gasses that do not contain chloroform that enhances depletion of the ozone layer.



## Biodiversity

Biodiversity underpins life on Earth. Biodiversity ensures the sustainable productivity of soils and provides the genetic resources for all crops, livestock, and marine species harvested for food. We recognize the global threat posed by environmental issues such as climate change and loss of biodiversity. We ensure preservation of biodiversity by requiring our customers to provide requisite approvals from authorities tasked with environmental protection such as National Environmental Management Authority (NEMA)



# Eco-Efficiency

Eco-Efficiency promotes a transformation from unsustainable development to one of sustainable development. It is based on the concept of creating more goods and services while using fewer resources and generating less waste and pollution.

## Resource Efficiency

We have a four-way approach towards resource efficiency:

- ☐ Prudently managing company resources both financial and non-financial
- ☐ Financing green initiatives
- ☐ Protecting Kenya's forest cover through tree planting initiatives
- ☐ Supporting employee CSR activities that positively impact the environment

We support directly and indirectly (through funding of projects engaged) in:

- Construction or physical improvements related to energy and water performance
- Improvements of at-risk public lands, forests and waterways and the general cleanup
- Creating awareness of the benefits of energy and water conservation/efficiency and solid waste recycling amongst our staff.

In 2016, we conducted energy audits in our major establishments to gauge our resource efficiency, identify gaps and areas of improvement. The findings showed there was no energy management system in place, which undermined efforts of managing and accounting for energy usage. The following were the recommendations of the auditor and we are in the process of implementing the same. The bank has also established and staffed an office of an energy auditor to steer the process.

Some of the energy saving measures being championed by the energy team include:

- ☐ Use of standby and power saving modes on computers and monitors and switching off these machines at the end of the day and at other times when they're not in use
- ☐ Selection of appropriate print quality - for example low quality to be used for all internal documents, colour printing to be used only in specified circumstances
- ☐ Printing in batches wherever possible\*
- ☐ Avoidance of all unnecessary and non-essential photocopying and printing to be avoided - this will also reduce waste.
- ☐ For all the new premises we are adopting green technologies including LED bulbs for lighting while for older premises we are replacing LFL lighting fixtures with LEDs as they burn out.



# Eco-Efficiency

## Our Energy objectives

We are in the process of establishing an energy policy. A draft policy is under review. The policy contain commitments, objectives and targets that the bank has set to achieve. The objectives are outlined as follows;

- ❑ Maximise energy performance, reduce operating expenses and increase shareholder value by actively and responsibly managing energy consumption.
- ❑ Measure and understand our energy consumption in all its forms, to understand the drivers of that consumption, to inform and educate all our people about it and set ourselves achievable goals for reducing it.
- ❑ Demonstrate commitment to our community and leadership in our industry, by reducing environmental impacts associated with energy use.

Some of the recommendations contained in the energy audit report Short term/Medium Term

- LED Installations
- Controls in Lighting
- Energy Efficiency in HVAC Systems
- Energy Management Trainings
- Plug loads management
- Solar System Installations

Long Term energy management Measures

- Building Automation/Management Systems

## Energy Consumption (expenses) for 2018 and 2017

ITEM	2018 (Kes,Millions)	2017 (Kes,Millions)	2011-2018 (Average)
Electricity Cost	264.6	203.7	223.9
Diesel Costs	26.3	25.2	29.3

We are currently pursuing the following measures to contain energy expense:

- Active energy and cost monitoring month to month
- Connecting branches/facilities to fuel card
- Monitoring generator fuel consumption through CPH governance
- Training of staff on Energy Management Awareness
- Plug loads management(Switching off printers, computers, microwaves, water dispensers etc
- LED light retrofits
- Lighting controls in offices, corridors and washrooms
- Energy Efficiency projects in data centre
- Developing and adopting an energy policy for all the branches

The bank shall consider energy performance improvement opportunities and operational control in the design of new, modified and renovated facilities, equipment, processes that can have a significant impact on its energy performance

Our proposed measures for Containing Water Expenses:

- Connecting branches/facilities to piped water so that we eliminate buying water from vendors
- Monitoring water consumption and costs
- Installation of water efficient taps and accessories

# Socio-Environmental Stewardship

## Socio- Environmental

### Health, Safety & Wellness



We value and protect the health and safety of our employees and people who directly or indirectly may be affected by our business activities. A safe and secure working environment is a key priority and our work-spaces are specifically designed with this in mind. Adequate dressing and equipment arrangements are in place for employees whose work necessitates this, thus facilitating high staff productivity. Our processes and procedures prevent incidents of safety hazards, ill health and occupational diseases. Being proactive on health and safety continues to reduce costs associated with absenteeism and contributes to a high performance culture. As part of our broader wellness programme, we facilitate staff access to professional advisors and counsellors on matters relating to work, health, relationships and general social wellbeing. Further in 2016, the bank launched a Wellness program for all staff aimed at basic health and wellness checkup, body composition analysis and dental and optical screening. We believe this enhances staff productivity and has a direct impact on business performance. We are guided by a comprehensive Occupational Safety & Health Policy which provides for Health, Safety & Welfare of staff in line with the OSH Act.

### Global Climate Change



We are cognizant of our role in facilitating the decarbonization of the environment and enabling renewable-energy scale up. Bolstered by the Paris Agreement on climate change, there is now unprecedented international resolve to reconfigure the global economic system to address urgent human development needs without breaching crucial ecological and environmental limits. As a bank our activities will be guided by these globally agreed initiatives.

### Local environment Impact



We seek to establish partnerships with industry members, government agencies, relevant environmental bodies, suppliers, customers and the general public to promote and achieve a high standard of environmental care. Pursuant to this objective, the bank partnered with the Agence Francaise De Development (AFD) towards promoting Renewable Energy and Energy Efficiency investments in the country through a USD 37.1 Million (Euro 30Mn) credit agreement. The Bank has funded various entities undertaking projects in Wind power generation, solar power installation and acquiring/upgrading to green energy efficient machinery. We also have a long-standing link with the Nairobi City Council to maintain green-gardens around Co-operative House. We have also collaborated with schools and government agencies in tree-planting activities in support of Kenya's effort to increase forest cover to the recommended 10% of area

# Socio- Environmental Stewardship

## Resource Management

Our bank's environmental policy is aimed at conducting business in a responsible manner through conservation, optimal use of resources, energy saving mechanisms and reduction of waste. We believe operating digitally and paperless hence in our transformation journey we have phased out paper deposit slips and automated over 68 previously manual activities including establishing e-loans. We are also requesting our customers to switch to digital bank statements. We are selling idle assets and shredded paper for re-use. We are enhancing water harvesting at our properties to reduce reliance on public utility firms and free that capacity for access by currently un-connected citizenry. Towards our pursuit of a carbon-neutral operation, we migrated from diesel-powered generators to electric inverters as backup for our ATM machines.

### Less Paper

- Customer Relationship Management (CRM) System for bankers- CRM system with automated diaries for sales Appointments and follow-ups has eliminated the need for hard copy diaries.
- E-Loans- Digitization of credit processing via Mco-opCash E-Flexi and Flexi plus loans eliminating paper use. The e-loan book has grown from 59,000 loans in Q12015 to 1,389,000 loans in FY2018.
- Proactive Stationery and equipment management- Overproduction waste: Branch printers' settings standardized to hold and back to back enforced to reduce unnecessary printing and usage of excess paper. Identification and repatriation of all unused /excess stationery and equipment in branch stores for redeployment.
- Service champions driving customer migration to alternative channels- Through experiential marketing; guiding customers to carry out transactions through convenience channels namely Mco-opCash, Agency and Internet banking.
- 92% (2017- 87%) of transactions are now handled outside the branch, reducing paper previously used for these transactions.
- Email statements and Internet banking has saved on statement printing paper.
- Cash and check drop boxes- Self-service cash and cheque deposit channel uses SMS notification cutting deposit receipts by 50%.
- Customer service phones- Installation of customer service phones with a direct line to the call center- Customers can use phones for balance enquiry, ATM blocking, PIN resets and regeneration etc. reducing stationary used to print statements and requisition forms.
- Q-Matic machines for in-branch marketing-The Q-matic kiosk with TV screens running ads have reduced use of paper marketing fliers.
- Automated Real- time service floor reports have eliminated the need for performance and customer questionnaire survey on paper.
- Business intelligence (BI) reports- Branch daily reports previously printed have now been automated through BI reports cutting paper and printing costs.
- Sales call reports automated for Relationship Managers hence no need to maintain paper documentation.
- Instant Issuing- Inventory waste: Instant card issuing has saved the cost of wasted unclaimed cards which have to be destroyed after 6 months.

### Less Electricity

Proactive branch time management brought by branch transformation- Effective branch closure time 45 minutes after doors close has resulted to saving electricity across our branch network.

### Less Fuel

Sales Force Excellence- Transportation waste: Up-skilling of Bankers to cross-sell a basket of products has reduced the excessive single products sales trips to customers resulting in efficient fuel consumption.

E-Credit cutting down transportation of loan documentation from branches to Head office for disbursement.





## Corporate Governance

Our bank considers corporate governance to be a critical issue towards maintenance of business integrity and stakeholders' trust and is therefore an integral part of our business philosophy. Our corporate governance values are founded on the pillars of responsibility, accountability, fairness and transparency. Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya as developed by the Centre for Corporate Governance and the Capital Markets Authority (CMA), sets out the minimum standards which are part of the broader corporate governance best-practice principles the bank adheres to.

The Board of Directors is responsible for the Group's corporate governance practices and recognizes its responsibilities to shareholders and other stakeholders to uphold the highest standards in economic, social, environmental and ethical issues by ensuring that the Group conducts its business in accordance with global best practice. The Board is responsible for the bank's corporate governance practices and has in place mechanisms to ensure observance and report on its compliance status on a regular basis including with regard to provisions of the Prudential Guidelines from the Central Bank of Kenya under the Banking Act. The Board consists of twelve directors of whom only one, the Managing Director is executive. Apart from the full board meetings, the Board has in place the following sub-committees to run some of its day-to-day functions: -

Apart from the full board meetings, the Board has in place the following sub-committees to run some of its day-to-day functions: -

### Audit Committee

This committee's mandate include review and evaluation of the bank's financial condition, internal controls, performance and findings of the internal auditors and recommend appropriate remedial action. The team nominates external auditors for appointment by shareholders, reviews management reports and external auditor's reports concerning deviations and weaknesses in accounting and operational controls. It also coordinates between the internal and external audit functions, monitors the ethical conduct of the institution and the development of ethical standards and requirements for all group employees.

### Staff and Nomination Committee

The committee's mandate is to review human resource policies and make suitable recommendations on Senior Management appointments. It is also responsible for reviewing, vetting and recommending to the Board of Directors persons suitable for directorship positions before tabling the names to the General Meeting for appointment. The committee also assesses the performance and effectiveness of directors of the Company.

### Risk Committee

The committee's mandate is to review all credit and finance matters and risk management issues in terms of management, assurance, reporting and overseeing all such risks facing the bank.

# Corporate Governance, Ethics and Compliance

## Credit Committee

The mandate of this committee is to review and oversee the overall lending of the bank. The Committee is responsible for reviewing and overseeing the overall lending policy of the bank, deliberate and consider loan applications beyond the discretionary limits of Management as set out in the Credit policy, review lending by the Credit Board of Management Committee, direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management.

The board seeks to embed sustainability more effectively throughout the group by improving understanding of the strategic value of sustainability below the executive level, and particularly within our product and service portfolio and within our investment decisions. Our high standards of corporate governance are not an exercise in compliance, but a means of driving the performance of the business whilst managing and mitigating risk. The Bank's corporate governance structure has been feted by reputable reviewers, leading to recognition awards. The Board is guided by the Board of Directors Charter which is disclosed on our website.

## Ethics and Compliance

The Board has approved a Code of Conduct, which requires that stakeholders assign the utmost value to maintaining trust and abide by all relevant laws and regulations, uphold high ethical standards and act fairly and sincerely in the best interests of the company. The Code guides activities in dealing with directors, managers, employees, customers, suppliers, competitors, shareholders, regulators, government and the community at large. This code is in addition to compliance with the Central Bank of Kenya Code of Conduct as set out in the Prudential Guidelines. In addition, the Group has a whistle blowing policy that encourages staff and other stakeholders to raise any pertinent issues on the bank.

# PRODUCT RESPONSIBILITY

## Responsible competition

We carry out our business in full compliance of the Competition Act to ensure our customers are protected. We do not take part in;

- Restrictive trade practices.
- Controlling mergers, acquisitions, and concentration of economic power.
- Unfair and misleading market practices.
- Anti-competitive agreements.

## Responsible marketing and advertisement

Co-operative Bank is a corporate member of the Marketing Society of Kenya (MSK). As a member we are bound by the code of Advertising Practice and Direct Marketing developed between the Marketing Society and the Advertising Practitioners Association (APA). The Code of Advertising Practice is based upon the International Code of Advertising Practice (ICAP), prepared by the International Chamber of Commerce. Co-operative Bank abides by this code which provides general rules in advertising practice that include moral issues across East African region, all media and communication channels, guiding principles and recommended complaints handling procedures in circumstances where breach may occur.

The bank adheres to these principles both in letter and spirit and we actively seek to conform rather than seek to ingeniously go around the code. As a principle, all marketing communication the bank does conform to the Marketing Operations Manual approved by the bank, which ensures communication doesn't violate any of our national laws. Specifically the bank communication is deliberately structured to communicate honestly and truthfully. As a result, communication involving words like Free and New are only used where, in truth and fact, the offer is absolutely free of cost or there is something that has never been offered before. All images used in the bank's advertising are legally obtained and models are compensated appropriately. The bank doesn't compel any of its staff or of its associates to offer free services. The bank doesn't run advertising communication seeking to influence children or minors in any way. As a principle, the bank doesn't run comparative advertising where it directly compares prices or other product features with any of our competitor financial institutions. Whereas this may not necessarily be unethical, the bank is careful not to depict other institutions negatively.

## Product Stewardship

Our bank's products and brand propositions are designed to far exceed customer expectations and respond to the diversification and sophistication of their needs as well as changes in the business environment. By focusing on understanding our customers' needs, we have created a comprehensive range of ethical and excellent products. Our emphasis on operational excellence allows us to present the right product to the right person at the right time. The Bank has also invested heavily in innovative delivery channels, which has played a critical role in enhancing financial inclusion. We have positioned ourselves as a 'one-stop-shop' financial services provider. Across our network of outlets and channels, services offered go over and above the traditional banking services to include, Insurance, securities management, Custodial and trust services, stock brokerage, investments management and consultancy.

## Supplier Management

In dealing with our suppliers we do due diligence. We have a minimum set of requirements to ensure that our suppliers abide by good business practices;

- Provide Workers' compensation and employer's liability insurance as required by law
- Criminal Background Checks to the extent permitted by local law
- Supplier should not assign Supplier personnel whose background checks show any of the following
  - a. Felony or misdemeanor convictions involving dishonesty (e.g. bribery, fraud, embezzlement, theft, violations of securities laws), violence (including but not limited to sexual or child abuse crimes), or computer related crimes and/or convictions that are employment-related;
  - b. The existence of restrictions (such as court orders) that would prevent, or impose limitations on, a personnel's ability to provide the Services contemplated by the agreement.
  - c. Presents a higher than normal security risk to the Bank.
- Tax compliance (Valid Tax Compliance Certificate)
- Kenya Revenue Authority Pin certificate
- Business/ certificate of registration which the bank counterchecks with the registrar of companies.
- Certificate of registration with the requisite professional bodies
- Professional Indemnity cover for professional bodies
- Contractual liability cover for requisite firms offering services
- Relevant experience in carrying out the services or supply of goods
- Audited accounts for 3 years for assurance.

## Supplier Diversity

We have 1269 Local suppliers and 45 foreign suppliers. In 2018, we paid over Kshs 11 Billion to our suppliers. Of this amount, 91% was paid to local suppliers. Sourcing and Facilities management is anchored on the following; Sourcing and Facilities management Manual, Sourcing and Facilities Management Policy, ICT Sourcing Policy.





***‘Committed to creating a positive impact without leaving a negative impact’***