



Co-operative Bank Sustainability Report 2019

‘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 2019 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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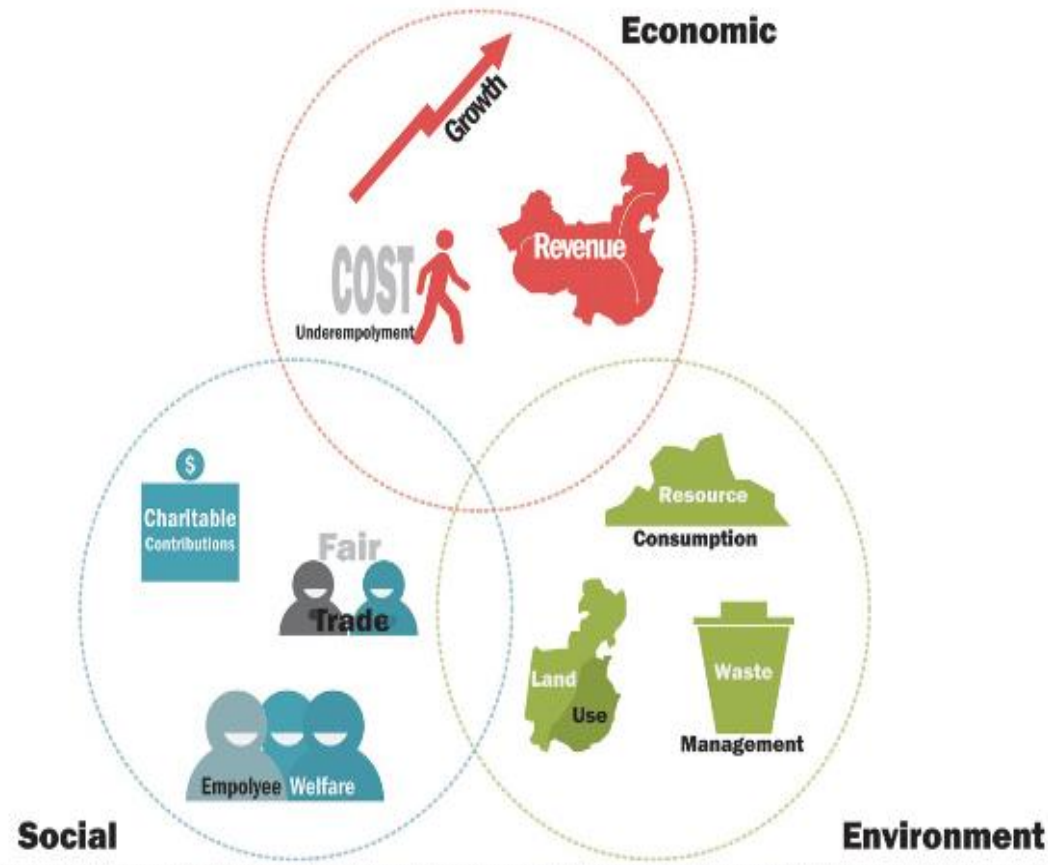
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Our Sustainability Context



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.*

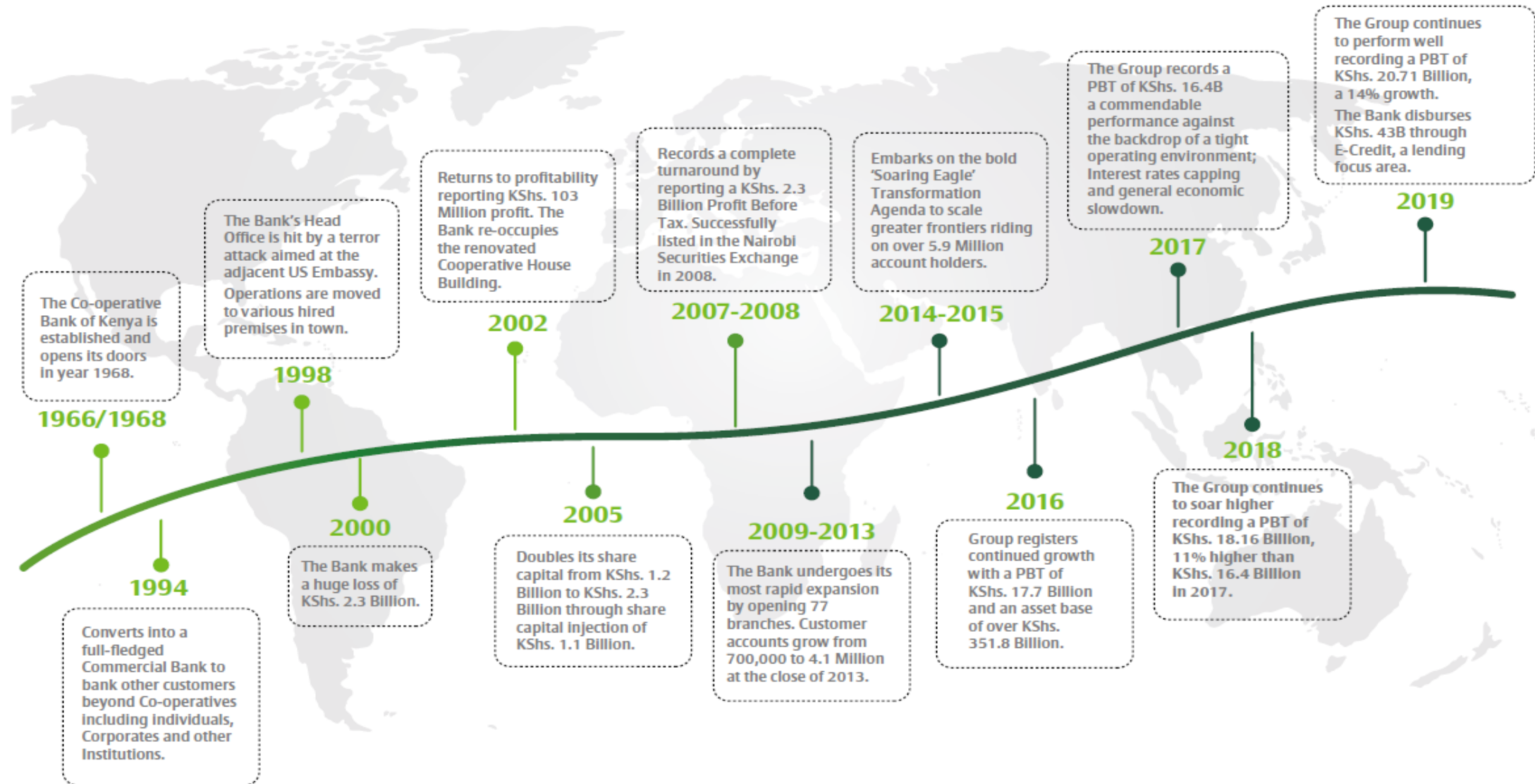
We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable business. In our day to day activities, we position ourselves to help our customers and stakeholders manage economic, social and environmental challenges and invest for the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

About this Sustainability Review

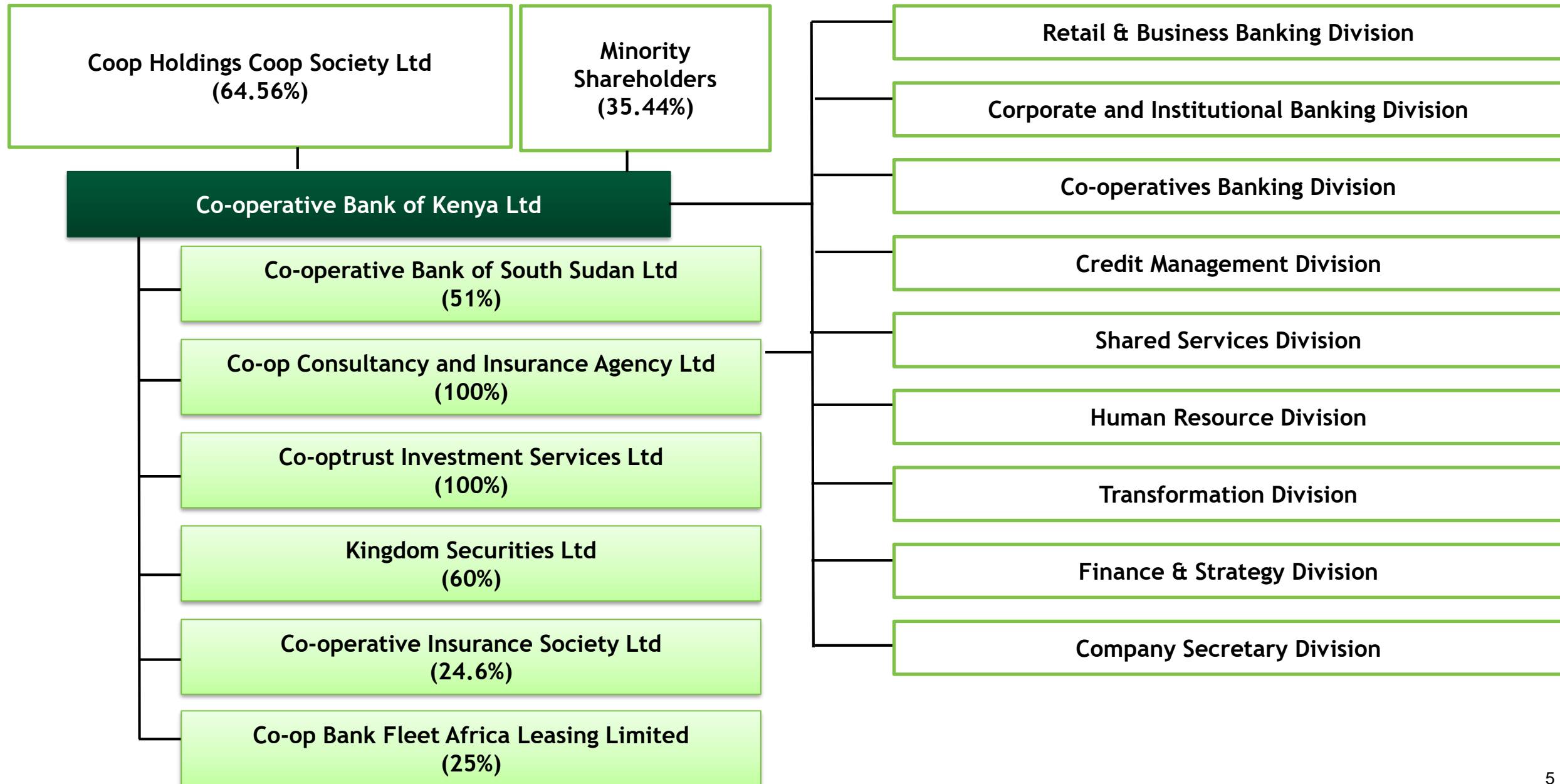
This Sustainability Review augments the 2019 Co-op Bank Group Integrated Report and offers a detailed view of the bank's sustainability efforts, commitments and achievements in the 2019 financial year. It should be read in conjunction with the integrated report that in detail describes our strategy, 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.

Historical timeline



Co-operative Bank of Kenya Group Structure



Our Presence

159

Branches

90K

Internet banking Customers

583

ATMs

464

Sacco Front Offices Branch network

8.8M

Account holders

16.5K

Diaspora Banking Customers

4.8M

Mcoop Cash Customers

**24
Hr.**

Contact Centre

16K +

Co-op Kwa Jirani Agents

4541 Staff

Our Values:

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



“We are you”

We are all our stakeholders. We seek to meet the needs of all our stakeholders through our sustainable business model



Key enablers:

‘Soaring Eagle’ Transformation is an efficiency and growth project that we began in 2014 and it continues to be a key strategic enabler in every area of our Business. It is discussed in detail in the Strategic Focus Review section of this report.



Financial Capital

Total Assets

Kshs **457.1B**
(2018 Kshs. 413.7B)

Customer Deposit

Kshs **332.8B**
(2018 Kshs. 306.1B)

Borrowed funds

Kshs **26.4B**
(2018 Kshs. 24B)

Profit Before Tax

Kshs **20.71**
(2018 Kshs. 18.16B)

Retained earnings

Kshs **62.4B**
(2018 Kshs. 54B)

Total Capital

Kshs **64.7B**
(2018 Kshs. 59.4B)

Liquidity of

46.2%
(2018 41.5 %)



Human Capital

4422

(2018-4251)

diverse staff members capable of meeting our present and future human capital needs.



Social & Relationship Capital

An optimal relationship with all our stakeholders to ensure long-term value addition. See Stakeholders Engagement section of this report.



Manufactured Capital

Efficient, Innovative delivery channels and touchpoints that enable us to serve our 8.8 million customers optimally. Adequate ICT infrastructure to support all our strategic initiatives.

159

Branches

583

ATMs

Mcoop Cash
mobile banking platform
(4.8M)

Agency Banking
(16,783)

CoopNet
internet banking platform
(89959)

Omnichannel
platform.

Core Banking
System & other
infrastructure.



Intellectual Capital

The skills/knowledge of our staff.

Our brand positioning and reputation.

Dynamic policies and frameworks covering all areas of our business.

Risk management framework.

Good Governance and Corporate planning skills.

Intellectual property.

Dynamic IT capabilities.



Natural Capital

Contributing positively towards preserving the natural resources that we employ in our value creation process.

See Creating Sustainable Value section of this report.

OTHER KEY INDICATORS	2019	2018	
Staff numbers	4422	4251	▲
Training spend Ksh. M	70	84	▼
Remuneration Kshs. B	12.4	11.5	▲
Sick leave (days)	14073	14293	▼
Female staff ratio	58%	60%	▼
Digital channel transactions (Million)	136	122	▲
Wide branch network	159	155	▲
Branches County presence	42	40	▲
ATMs	583	581	▲
Renewable energy lending Ksh. B	2.59	3.11	▼
CCIA consultancies	2800	2600	▲
Coop Foundation students to date	7657	7002	▲
Electricity cost (Million)	261	265	▼
Generator fuel cost (Million)	19	26	▼
Water cost (Million)	35	39	▼
Stationery (Million)	119	156	▼

Chairman's Statement



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

It gives me immense pleasure to present the 7th Sustainability Report of the Co-operative bank group.

In 2019, 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.

In the year 2019 we were honored both locally and internationally with a myriad of accolades. The bank was a big winner at the 2019 Kenya Bankers Association Sustainable Finance Catalyst Awards, emerging as the Overall Winner with awards in 8 categories as a result of entrenching sustainable finance initiatives in our operations and lending practices. This will enable our customers and other stakeholders to continue patronizing the bank services and products in the long term. The bank was also named Best Bank in Kenya in the EMEA African Banking Awards 2019, re-affirming our Co-operative banking financial model as the most sustainable model for inclusive growth.

To build a leading African financial services organization, 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 care for the environment to protect the life-support systems necessary for sustainable development.

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



I am once again delighted for the opportunity to highlight to you our progress in our sustainability journey. We have put great effort and achieved impressive milestones. For us at co-operative bank, we take sustainability at its essence to mean ensuring prosperity and environmental protection without compromising the ability of future generations to meet their needs.

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 is 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. This presents us a challenge to urgently find solutions that solve real life challenges and support sustainable growth that benefits economies, the environment and society as well as the need to uphold good governance.

We believe that our most important contribution to sustainable development is to operate an effective, efficient and profitable group. The very nature of our business 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 markets and national economies.

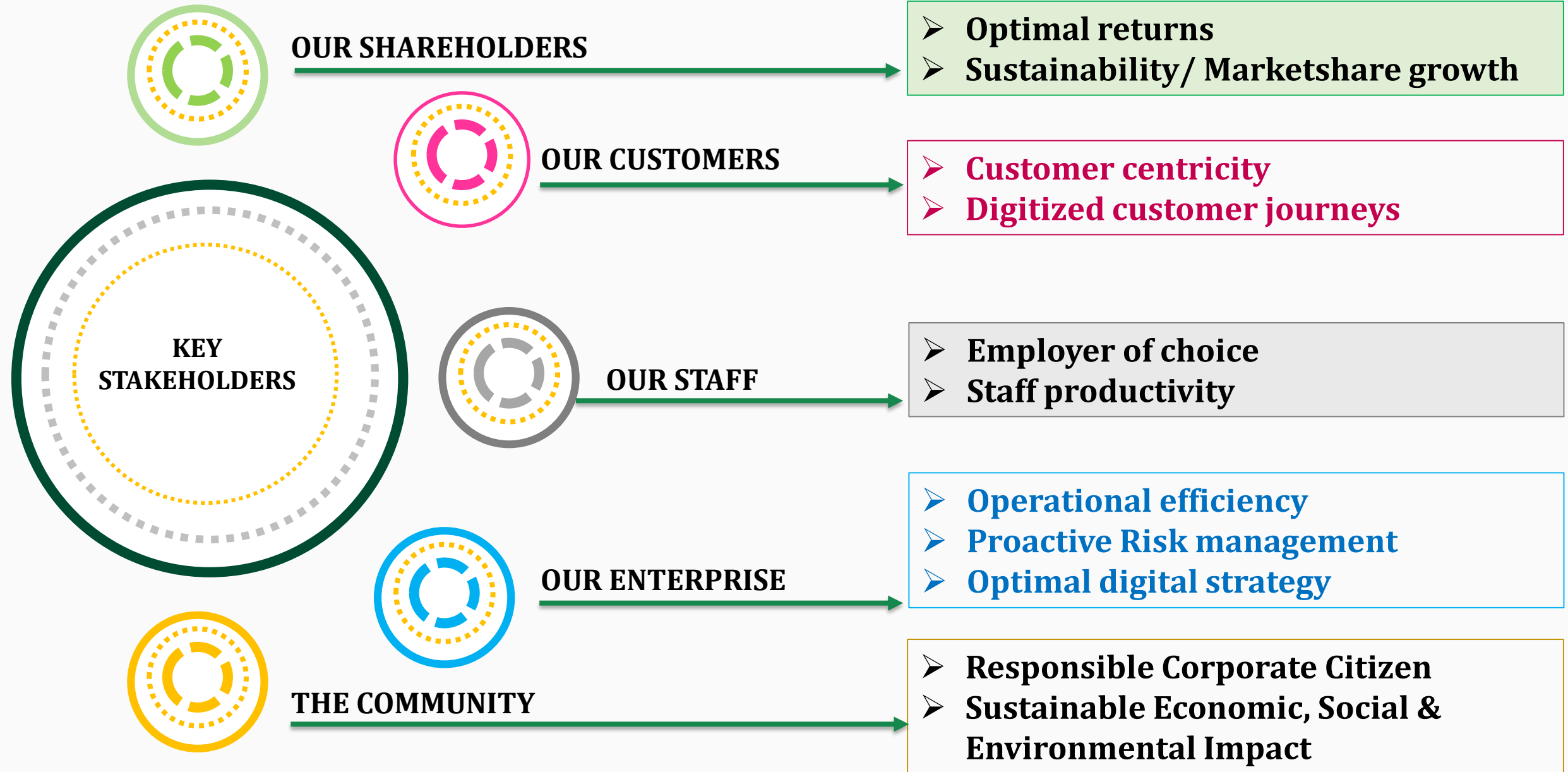
In our markets lie the greatest social and environmental risks and also the greatest opportunities for new solutions, services and ways to grow our business. We are committed to addressing issues that are meaningful to the countries in which we operate. This year we've joined hands with 4 other commercial 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



KENYA BANKERS ASSOCIATION: CATALYST AWARDS 2019

Overall Winner

- Winner: Client case study- Financing SME
- 2nd - Best in sustainable finance
- 3rd - Client Case study-Financing Commercial Clients
- 2nd - Bank case study-Bank Operations
- 2nd - Bank case study- Financing and supporting clients in the informal sector
- 3rd - Most Innovative Bank

GLOBAL SME FINANCE AWARDS 2019

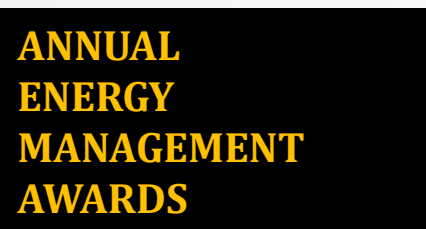
- Product innovation of the year

FINANCIAL REPORTING AWARDS 2019

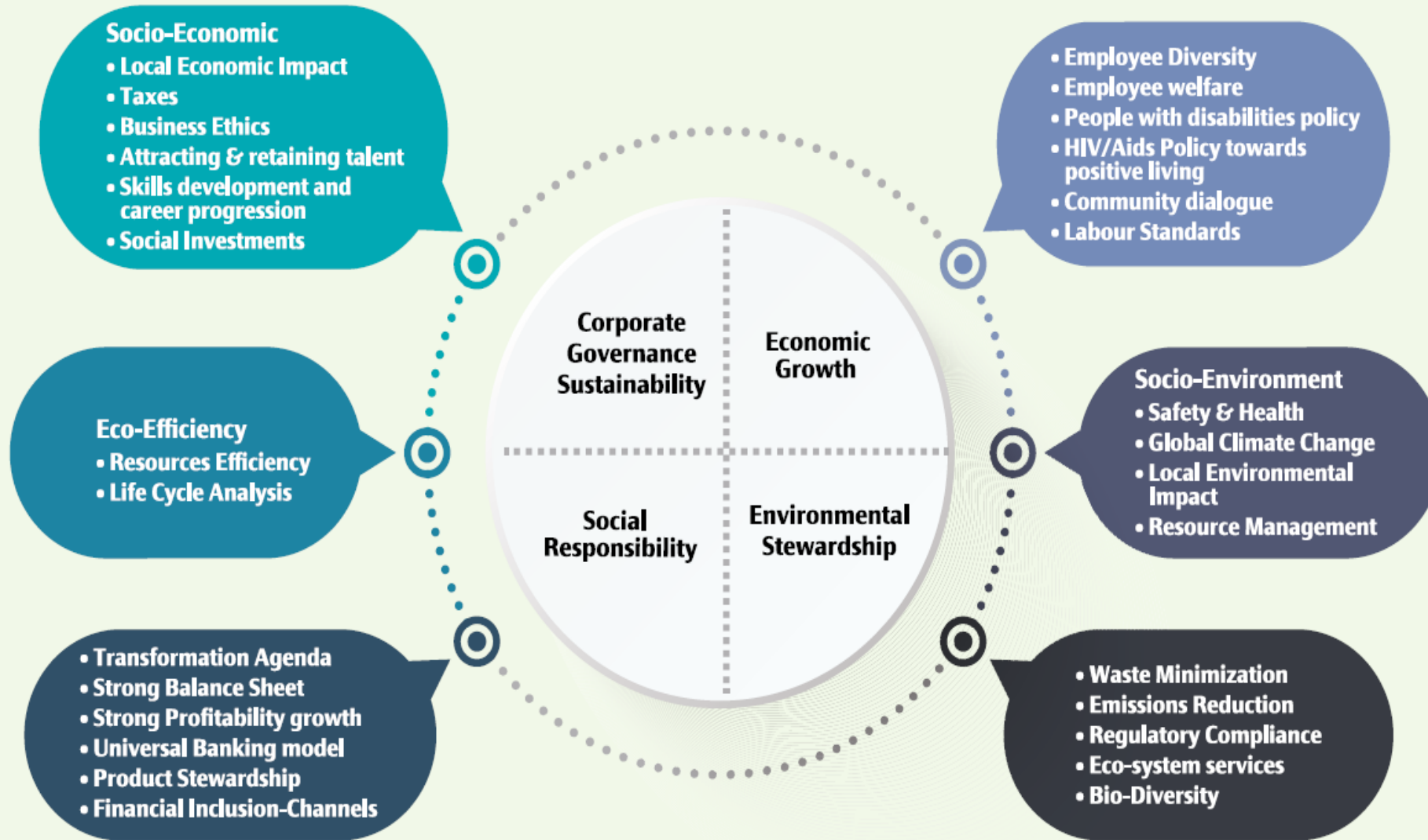
- Winner: Environmental Sustainability Reporting

KENYA ASSOCIATION OF MANUFACTURERS

- Best Bank in Sustainable Finance in Kenya - 2019



OUR APPROACH TO SUSTAINABILITY



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.

Our environmental and social management policy approved at the board level fully integrates the Kenya Bankers Association Sustainable Finance Guiding Principles. It governs and guides the Bank on Social, Economic and Environmental issues. The Policy is applied in conjunction with all Bank Policies and Risk Management Framework.

Sustainability through Policy and Governance in Co-op Bank is deep rooted in our commitment to contribute sustainably to the achievement of the following;

1. Kenya Bankers Association Sustainable Finance Initiatives guidelines
2. IFC Sustainable Development Goals
3. Kenya's Vision 2030 and the Big Four Agenda (accelerates Vision 2030)
4. Our Corporate Strategic Plan (Our new 2020-2024 plan)

In this report we illustrate how these four are integrated in our sustainability strategy. The policy incorporates best practice by ensuring:

- i. We have an Environment and Social Management System (ESMS) that is integrated in our day to day activities.
- ii. We have a formal Environmental & Social (E&S) Policy that guides us in our day to day functions.
- iii. We apply the E&S policy in conjunction with other policies within our enterprise risk management framework hence assuring of a holistic approach to risk.
- iv. The Environmental and Social (E&S) Policy and Environmental and Social Management System (ESMS) are governed and owned right from the Board of Directors level hence in line with our strategic objectives, mission and vision.
- v. We have referred to the guidelines provided by the International Finance Corporation (IFC) in developing our policy, which we have customized based on our view of our portfolio, structure and responsibilities.
- vi. Our ESMS includes application of the IFC exclusion list for all our lending.
- vii. We have adopted the Kenya Bankers Association Sustainable Finance guiding principles and minimum standards in totality.
- viii. We invest directly on E&S by partnering with development financial institutions (upto Kshs. 26.4B in December 2019) to provide special credit lines that promote E&S sustainability.
- ix. We ensure continuous training for all our staff to ensure best practice.
- x. We have leveraged on technology to ensure that all the covenants reached in the projects we lend are tracked electronically hence making sure they are all achieved.
- xi. We conduct our own activities with regard to the environment and the communities within which we operate.

Sustainable Economic Stewardship

As a significant player 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
8.8
Million

**Mcoop
Cash**
4.8
Million

Internet
Over
89,900

**Sacco-
Link**
1.1
Million

Diaspora
Over
16,500

**Face
Book**
1.6
Million

Twitter
Over
370,000

**Instagram,
You Tube,
Telegram
Customers**

Our Channels

159 Branches

Mobile
All Telco,
All Product
Mcoop Cash
Channel

Over 16000
Coop Kwa
Jirani Agents

Over 580 ATMs

Internet
Co-opNet
(Retail and
Corporate)

24 Hour
Contact Centre

Over 464
FOSA's

Dedicated
Diaspora
Banking
Department

4 Subsidiaries
1 Associate
Company

Social Media
Banking

Other Key Numbers

Total Assets
413.4
Billion

**Core
Capital**
59 Billion

**Net Loan
Book**
266.7
Billion

**Customer
Deposits**
332.8
Billion

**Market
Capitalizati
on**
83 Billion

PBT
20.7 Billion

**Staff
Numbers**
4422

Economic Growth: Universal Banking Model



A Successful 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 24.6% of CIC Insurance
CIC Owns 31% of CIC Africa
CIC has a Presence in Uganda, Malawi & South Sudan

Fund management

- ✓ Over 100 Billion in Funds under management

Consultancy and capacity building for the Co-operative movement

- ✓ Over 2800 consultancies

Insurance Brokerage

- ✓ Insurance Premiums

Stock brokerage

- ✓ Share trading services
- ✓ Online Share Trading

Foundation

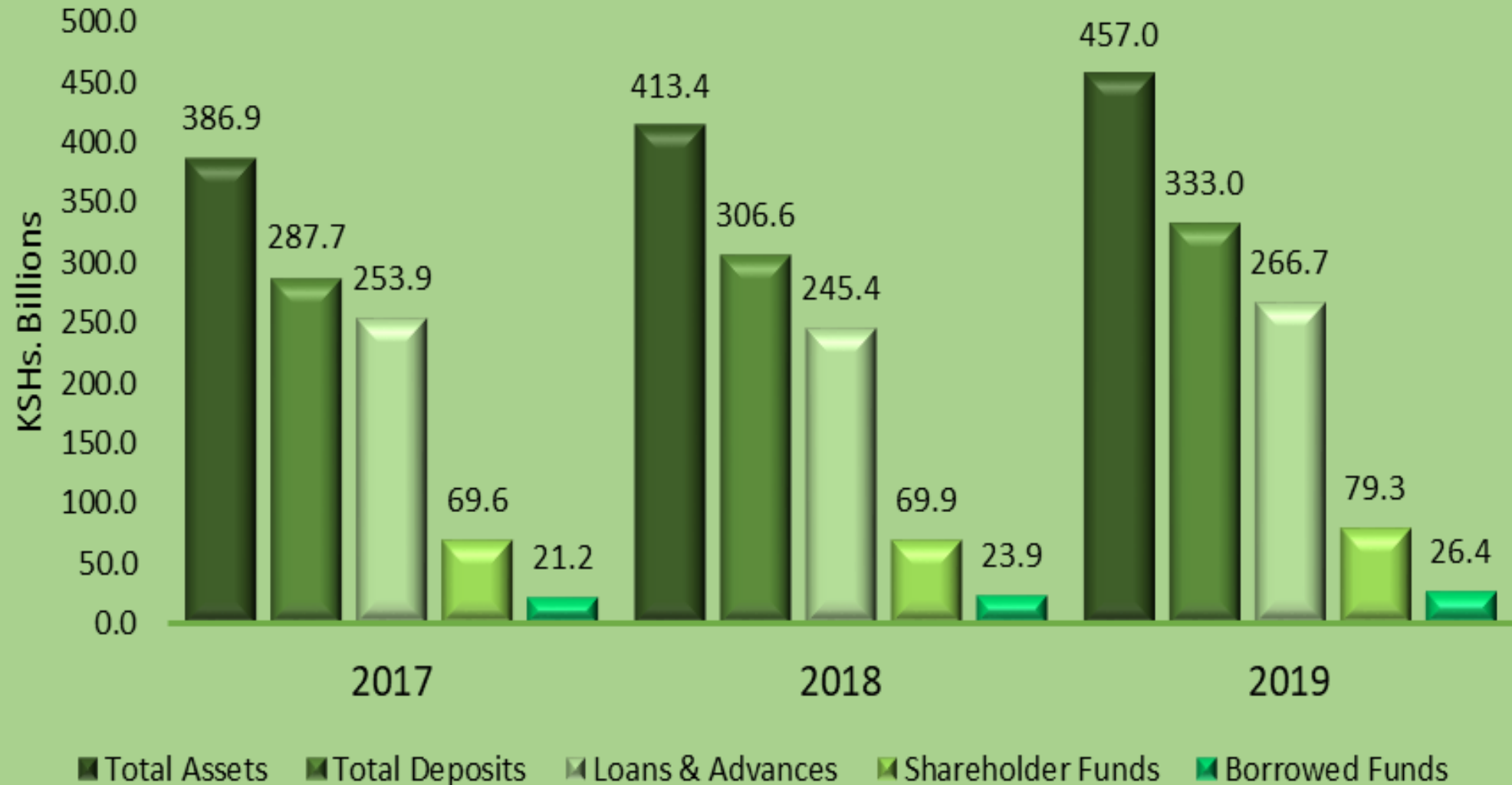
Co-op Foundation; Supporting Bright, Needy students in all counties

A Successful Universal Banking Model

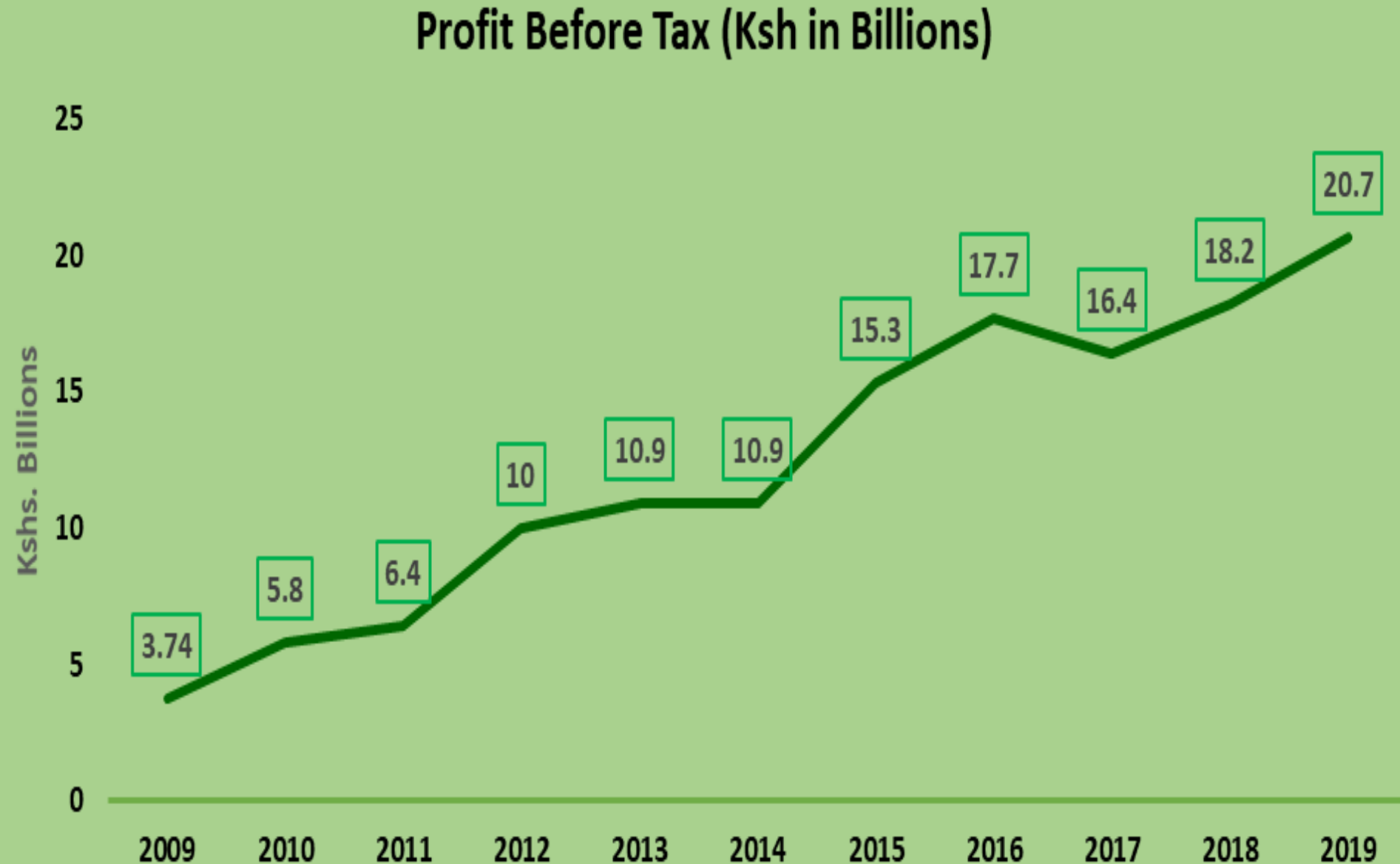


**Strong
Balance Sheet
Growth**

Strong & Expanding Financial Position



**Strong
Growth in
Profitability**



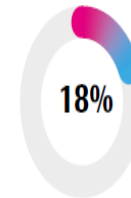
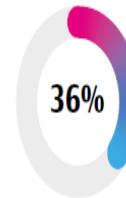
Economic Growth: Value Distribution



Wealth creation and distribution

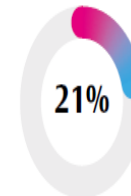
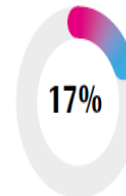
Value Distribution KShs. 36.6B (2018 – KShs. 32B)

Employees-Salaries,
Wages and other Benefits



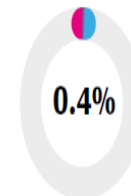
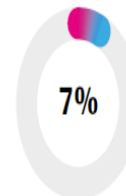
Shareholders Dividends

Government-Tax



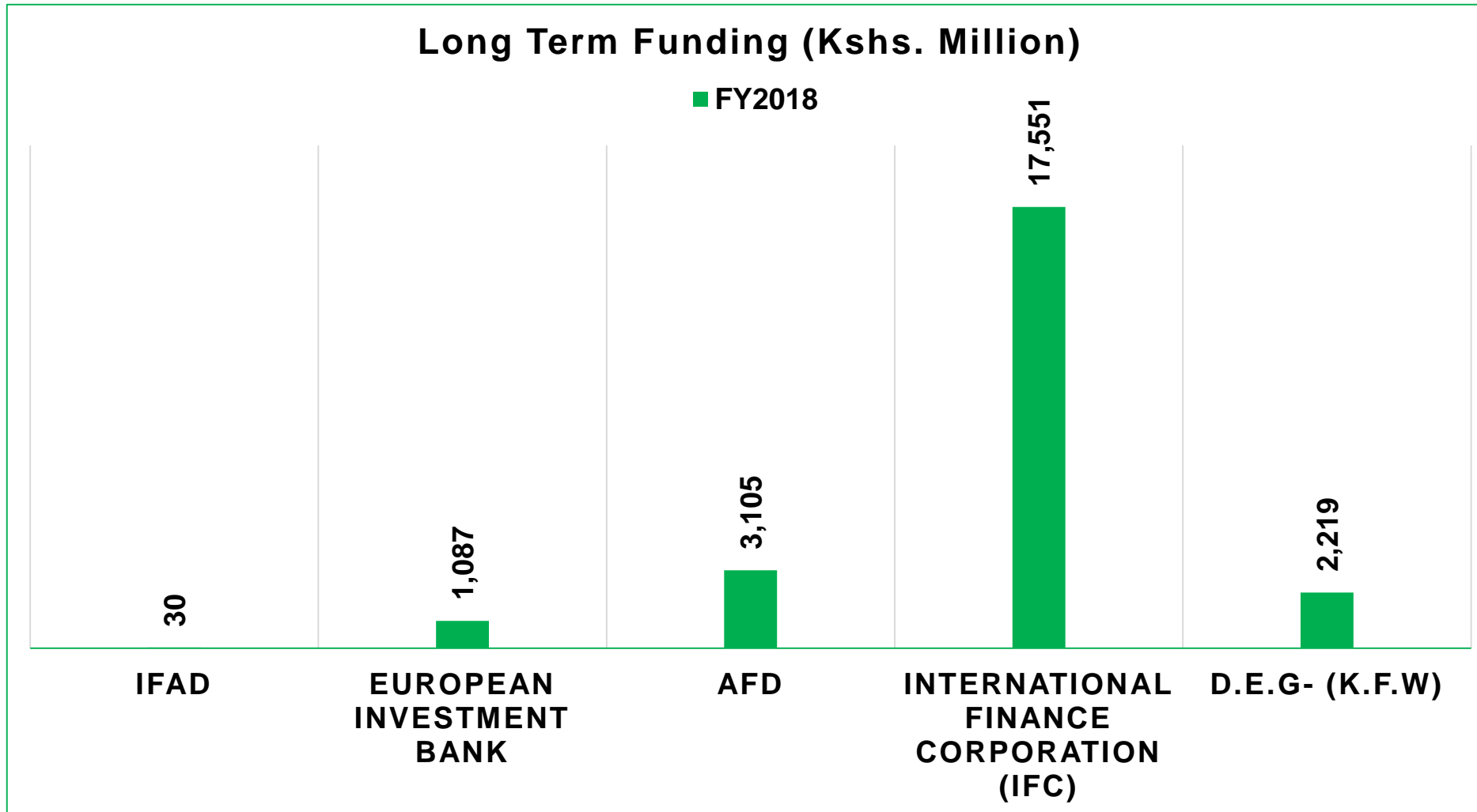
Retained Earnings

Depreciation and
Amortization



Social capital –
Co-op Bank Foundation

Economic Stewardship: Development Funding



Funding Purpose;

- SME
- Energy Efficiency
- Renewable energy
- Agribusiness
- Construction
- Mortgage
- Corporate
- Horticulture

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 have grown at a compound annual rate of 5.1%, As at December 2019, Kes.268.5 Billion was outstanding as loans and advances to public and private enterprises.

The Government also borrows from us in order to realize the achievement of sustainable development projects. We have spurred economic growth through our strong balance sheet growth over the years as detailed in the financial performance section of this report.

We contribute to the country's economic growth through provision of responsible, innovative banking products and services through our various channels.

We are an ardent follower of the Kenya banking industry Sustainable Finance Initiative (SFI) Guiding Principles that guide the industry in balancing business goals with the country's economic development priorities and socio-environmental concerns.

Our procurement practice is anchored on clear on clear guidelines such as Sourcing and Facilities management Manual, Sourcing and Facilities Management Policy and ICT Sourcing Policy. This ensures that Kenyans from all walks of life have an equal chance to supply goods and services to us as long as their product meet specified standards.

Co-operative Bank today represents the number one point of financial intermediation contact for Kenya's over 15 million member strong Co-operative movement with mobilized members' savings and deposits in excess of Kshs. 732 billion, an asset base of approx. Kshs. 1 trillion and hold a loan portfolio of KShs 700 billion. Directly and indirectly, Co-operatives account for 45% of Kenya's Gross Domestic Product and 30% of national savings and deposits.

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 2019 the bank paid over Kes.6.4 Billion in Corporate taxes and Kshs. 2.64 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



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 2019, 16,033 people underwent training in LMC over a cumulative 949 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 2019, measured by staff costs to total operating income was 25.5% 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 83% being under 40 years. 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.1.18 Billion to support a total of 7657 learners in high school, universities, colleges and vocational institutions. In 2019, the foundation spent Kes.151.2 Million to support 2,834 students in various stages of their education; 2,680 in Secondary school education, 150 in university and 4 in Co-operative University College. The bank pays the learner's full school fees plus a monthly stipend for out of pocket expenses.

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 inception CCIA has successfully conducted over 2700 business advisory mandates and trained thousands of people drawn from the co-operative movement and microfinance institutions. In 2019 alone, CCIA trained 4200 people drawn from 245 societies and microfinance institutions comprising of 876 board members, 2,121 staff members, 1,122 society members and delegates and 20 individuals from microfinance institutions. Over 70% of CCIA staff costs are absorbed by the bank. The consultancy has 20 consultants and a small compliment of support staff. In 2019 we worked with three donor projects (KCEP-Cral Project, We-Effect and Bankable Frontiers Association (BFA)) with a total of approx. Kshs 19 Million

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 2019, the Bank sponsored the annual interbank events and the First lady half marathon (among others) and several other tournaments. The bank was ranked position 4 overall out of 29 in the 34th annual KIB inter-banks games for Nairobi region. The bank emerged winners in Table Tennis and tug of war. In the KIB Inter-Bank

DIVERSITY AND INCLUSION



Performance Indicator	2019	2018
Total permanent staff	3883	3638
Total contract staff (Includes Sales Staff)	539	613
Total Staff Number	4422	4251
No. of staff on secondment to S. Sudan	19	22
Staff attrition (%) –Voluntary	3.22%	3.82%
Staff attrition (%) –involuntary	1.73%	3.17%
Sick off days	14073	14,293
% Female staff members	58%	60%
% male staff members	42%	40%
% of our staff who are younger than 40 years	83%	87.1%
% of our staff who have a tenure of more than 10 years	24%	17.3%
% of our staff who have disabilities	0.36%	0.37%
% Permanent staff	88%	86%
% Contract staff	12%	14%
No. of paternity applicants (actual taken)	207	282
No. of Maternity applicants (actual taken)	196	203
Average Increase in staff remuneration %	8%	13%
No. of staff on secondment outside Co-op Bank group*	2	1
Subordinate staff%	0.82%	0.94%
Senior Management %	2.16%	2.15%
Grievances as a percentage of total employee base %	<1%	< 1%
Number trained on Leadership and Coaching	741	204
List the wellness initiatives carried out	320	250

*Two Staff members seconded fulltime to i) Mortgage Refinancing and ii) Co-operatives Alliance of Kenya, for technical support and capacity building.

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

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

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 2019, a total of 403 staff took time off to attend to their newborns, of which 207 were men and 196 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 adopting 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

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

Eco-Efficiency

OUR ENERGY MANAGEMENT ROADMAP

Energy management is critical in ensuring that Co-operative Bank manages its energy costs in a sustainable way. It also ensures that the bank complies with the energy management regulations of 2012 as outlined in the Energy ACT of 2006 that has since been revised to Energy ACT of 2019. The regulations outlines various aspects that the bank has to comply with as a minimum requirement.

The bank is also keen on reducing its carbon footprint by adopting clean and sustainable energy sources to power its operations. Strategic objectives of Energy Management are as follows;

- Cost Management
- Regulatory Compliance: Energy Management Regulations of 2012
- Environmental Protection

WHERE WE ARE

ELECTRICITY COSTS

YEAR	2017	2018	2019	VARIENCE 2018/19
KES	226,586,581.66	263,670,507.75	260,882,647.00	(2,787,860.75)

DIESEL COST

YEAR	2017	2018	2019	VARIENCE 2018/19
KES	25,196,937.55	26,281,681.05	19,239,023.23	(7,042,657.82)

WHAT WE ARE DOING

1. Lighting upgrade installations

This has been going on and we intend complete all the LED lighting replacements by Quarter 1 of 2022. All new branches have LED lighting installed including lighting controls.

Training of service managers/branches

We are in the process of training the branches to monitor their electricity costs on a regular basis and check their meter readings before making any electricity payments. We are also in the process of training Service Managers on a continuous basis on this to ensure that they fully understand the subject properly.

2. Energy management policy development

- The policy will guide the whole organization in terms of its overall energy management goals and objectives. The policy is under review by various stakeholders and is targeted for adoption in 2020.
- 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.

3. Water management - Ensure all facilities are connected to piped water and that water fixtures installed at the branch are the most efficient.

4. Energy audits - We are the process of conducting both investment grade and general energy audits for banks facilities. The energy audit is not only a regulatory requirement but also a measure to identify opportunities for energy conservation and efficiency.

Eco-Efficiency

5. Measurement and verification

We carry out computations with measured data and analysis of electricity bills to establish energy and cost savings. This enable us to determine whether we are making positive impact after implementation of the initiative or not.

6. Regulatory compliance

The energy Management Regulations of 2012 came in to effect in 2012 and mandates the bank to do the following;

- Conduct energy audits once every three years-Ongoing
- Develop an energy policy- Under Review by stakeholders
- File implementation reports-Derived from the Energy Audit Report
- Designate an Energy Manager- Done
- Develop an Energy Investment Plan-To be developed from the ongoing Energy Audit Report
- Implement Energy Audit recommendations to achieve at least 50% of the recommended savings-Ongoing
- Carry out monitoring of the energy efficiency projects-ongoing
- Keep a record of production and consumption data-ongoing

7. Major facilities

Our identified major facilities consumes approximately 31% of the total energy demand of the bank. Some of the ongoing energy management initiatives targeting these facilities include:

- Lifts Modernization
- Data Centre Inrow Containment
- Data Centre Infrastructure Management System
- Installation of Chillers
- Power Factor Correction
- Solar Water Heating where necessary

Immediate gaps to address

Establish energy management policy at each facility. Enforcement works well with policies.

Plug-in equipment consumed most of the energy supplied followed by air conditioning and lastly lights.

There were no signage's for energy awareness for example "switch off computer/lights when not in use"

Well kept billing records to track consumption.

Have a designated energy officer per facility.

Train staff on energy management.

Record backup generator fuel usage against generator run hours.

Generator fuel was being stored in plastic cans. This poses a risk incase of fire.

Labelling of circuits on Low Voltage Boards for proper load isolation needs to be done.

Generators were oversized. This increases maintenance and operational costs. Installation of correctly sized generators to be done when an opportunity arises.

Socio-Environmental Stewardship

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. In 2019, our green lending book stood at Kshs. 2.58 (Kshs. 3.11 billion in 2018). 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 unconnected 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. Disbursed over Kes.43Bn in e-credit.
- 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.
- 89% 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 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.

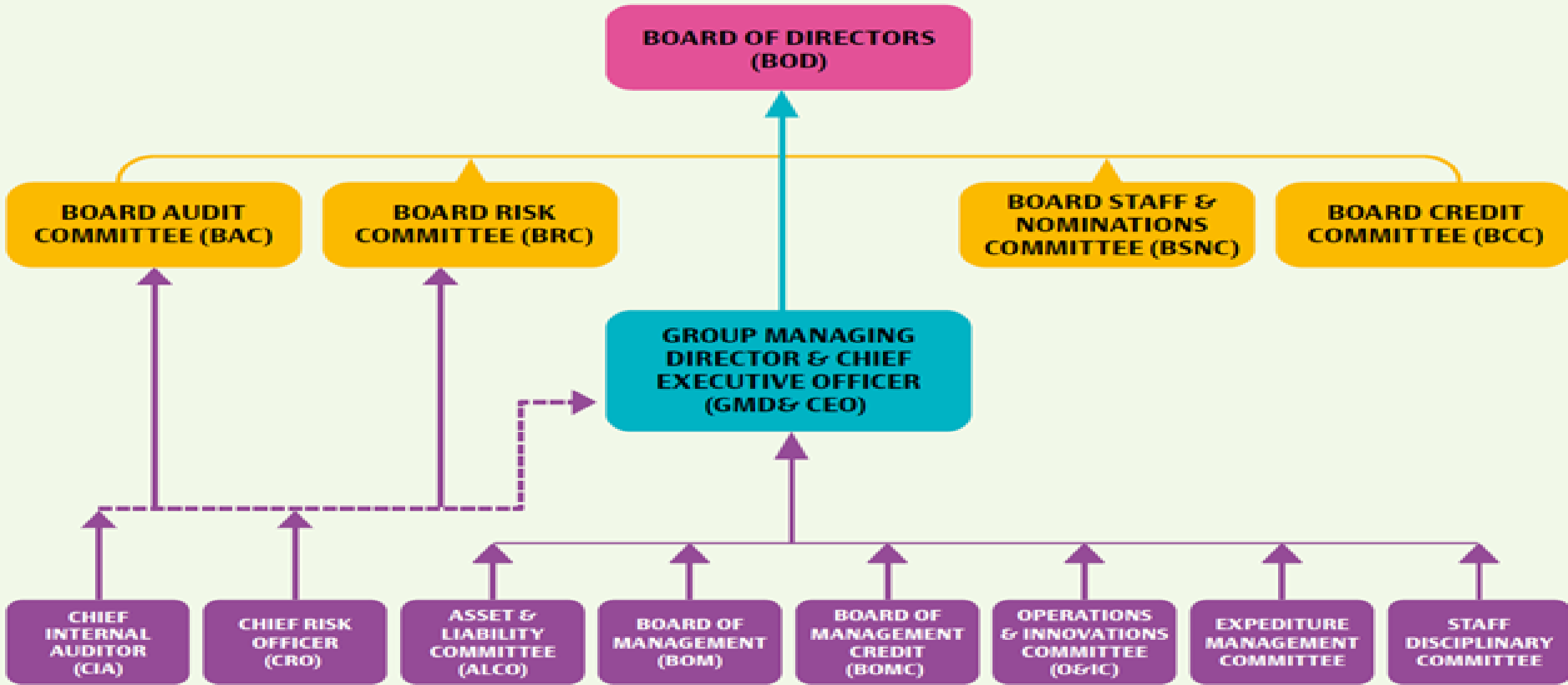
E-Credit cutting down transportation of loan documentation from branches to Head office for disbursement.



Corporate Governance

Governance Structure

Our Governance structure is as follows;



Corporate Governance, Ethics and Compliance

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.

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 confirm rather than seek to ingeniously go around the code. As a principle, all marketing communication the bank does conforms 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.





- ❑ KSHs. 12 Billion
- ❑ 1420 Local Suppliers
- ❑ 52 Foreign Suppliers

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 laws
- Supplier should not assign Supplier personnel whose background checks show any of the following
 - 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;
 - 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.
 - 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.

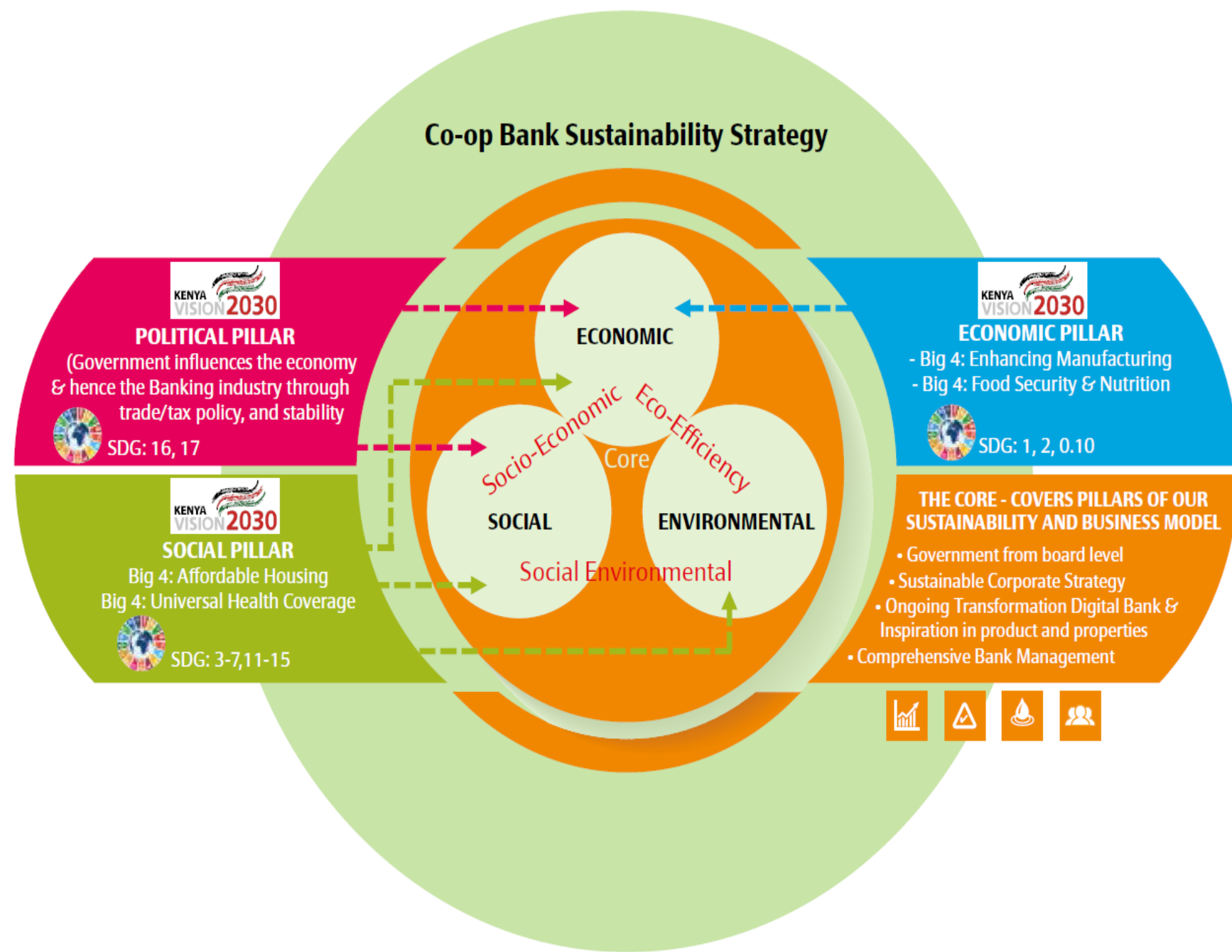
Supplier Diversity

We had 1420 Local suppliers and 52 foreign suppliers in 2019, we paid over Kshs 12 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. Sourcing and Facilities management is anchored on the following; Sourcing and Facilities management Manual, Sourcing and Facilities Management Policy, ICT Sourcing Policy.

Sustainability Integration

As illustrated below, our sustainability strategy closely responds to

- ❖ Kenya Bankers Sustainable Finance Initiatives principles
- ❖ Vision 2030
- ❖ Big Four Agenda
- ❖ UN Sustainable Development Goals





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