
CPF Financial
Services Limited

SUSTAINABILITY REPORT 2023

**Sustainable Practices.
Lasting Impact.**

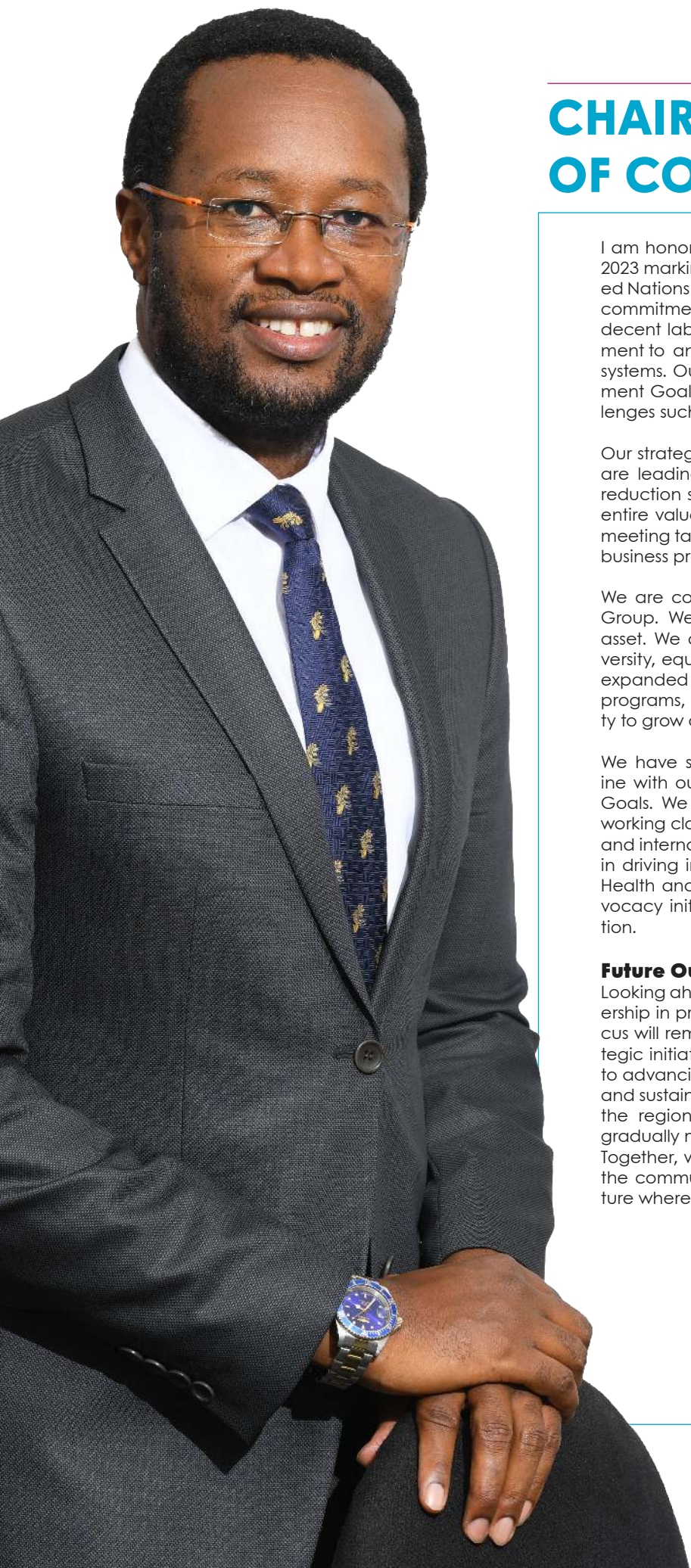


2023

CPF Financial Services Limited Sustainability Report

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CHAIRMAN'S STATEMENT OF COMMITMENT

I am honored to share our sustainability report for the year 2023 marking a significant milestone in our journey as a United Nations Global Compact signatory. This report reflects our commitment to the principles of human rights, promotion of decent labor practices, care for the environment, commitment to anti-corruption and embrace of sound governance systems. Our commitment to the UN's Sustainable Development Goals (SDGs) drives us to address critical global challenges such as poverty, inequality, and climate change.

Our strategic vision emphasizes sustainability at its core. We are leading by example with our comprehensive carbon reduction strategy, aiming for net-zero emissions across our entire value chain by 2040. These efforts are not just about meeting targets but about pioneering a path for sustainable business practices.

We are committed to empowering Our Workforce at CPF Group. We believe that our employees are our greatest asset. We are thus dedicated to fostering a culture of diversity, equity, and inclusion. This year, we have significantly expanded our mentorship and professional development programs, ensuring that every employee has the opportunity to grow and succeed.

We have strengthened partnerships and collaborations in line with our commitment to SDG 17 – Partnerships for the Goals. We are creating synergies that amplify our impact by working closely with local communities, government bodies, and international organizations. Our partnerships are crucial in driving initiatives that support Economic empowerment, Health and Wellbeing, environmental stewardship and advocacy initiatives geared towards improving social protection.

Future Outlook

Looking ahead, the CPF Group is poised to continue its leadership in promoting sustainability and social impact. Our focus will remain on driving meaningful change through strategic initiatives and strong partnerships. We are committed to advancing our mission of providing diversified, innovative and sustainable financial solutions to our stakeholders across the region, ensuring protection of the environment and gradually moving towards a zero-carbon economy. Together, with our stakeholders, development partners and the communities where we operate, we are building a future where prosperity and sustainability go hand in hand.

Thank you for your continued support.
Best regards,

Maurice Nduranu

CEO'S STATEMENT OF SUPPORT

Social Impact Report

This report shares highlights and ongoing progress as a United Nations Global Compact signatory in our fourth year. This report affirms CPF Group's ongoing support of the 10 Principles of the UN Global Compact on human rights, labor, environment, and anti-corruption. CPF Group has also committed to advancing the UN's Sustainable Development Goals, which aim to unite global stakeholders to end extreme poverty, fight inequality and injustice, and protect our planet by 2030. At CPF Group, our primary focus is on the following goals because they align with our mission: #1 No Poverty, #3 Good Health and Well-Being, and #8 Decent Work and Economic Growth, #13 Climate Action, #17 Partnership for goals. The past year was notable for progress on key milestones to advance carbon reduction goals, create a more diverse and inclusive workforce, and reduce financial risk for our stakeholders.

Advancing our carbon reduction strategy

We set science-based targets to reach net-zero emissions across the value chain by 2040. We commit to reducing absolute scope 1, 2, and 3 GHG emissions by 30% by 2030 from a 2019 base year and by 90% by 2040 from a 2019 base year.

Driving diversity

We continue to enhance engagement and recruitment resources to attract and retain a more diverse workforce. We've also expanded our mentorship and internship programs.

Creating change through our work

We provide industry-leading expertise as pension administrators to understand disparate impact. We are working on innovative solutions, including Rukisha, an award-winning product that helps people save as they spend (SAYS).

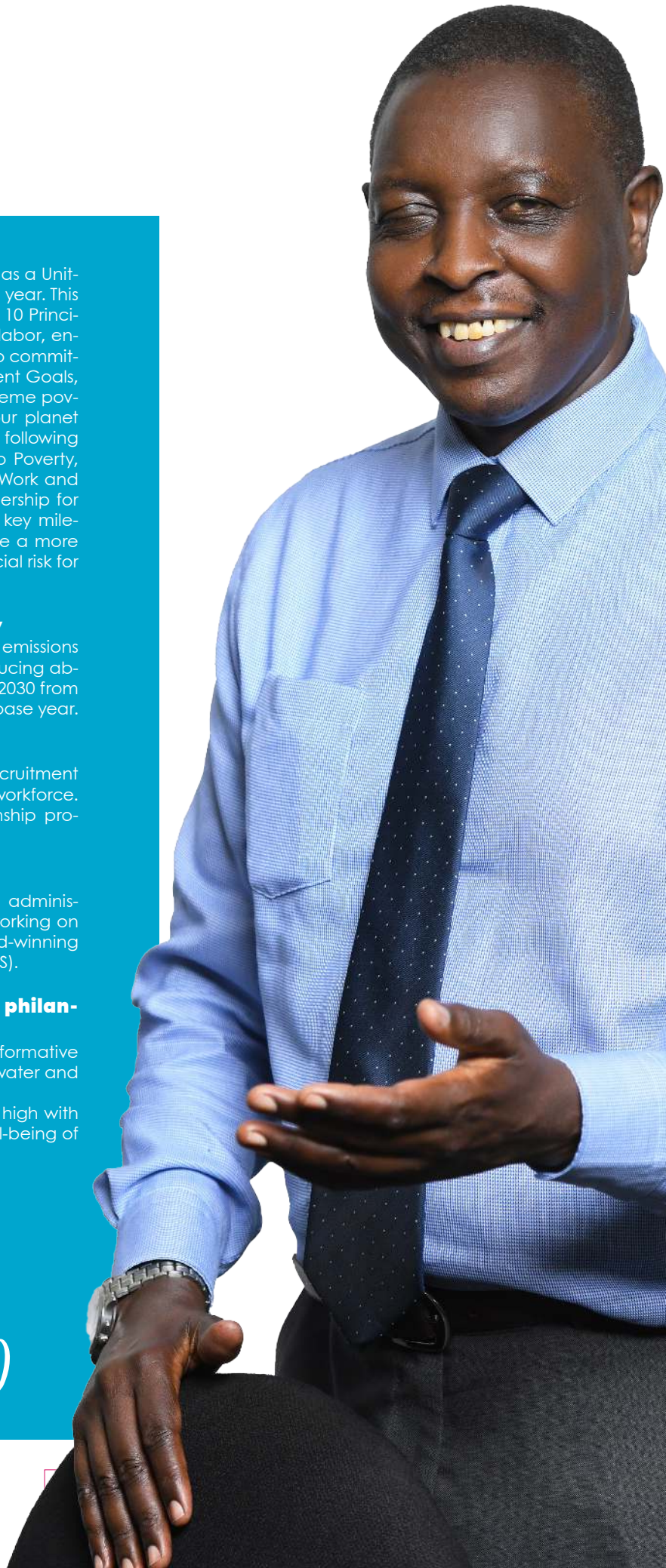
Living our mission through employee-led philanthropy

The employee and the CPF Group supported transformative programs, including mentorship programs, clean water and sanitation, and community health and well-being. In our work and partnerships, we continue to aim high with our clients to improve the health and financial well-being of people across the region.

Best regards,



Dr. Hosea Kili - OGCW



THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT.

CPF Group has four ways to ensure all employees are aware of and compliant with our standards:

1. Each employee reviews select policies at the outset of their employment, and all policies are available on our platform to all staff. The Group head of Risk & compliance emails all employees when policies are updated.
2. Education and training are available through CPF Group's e-learning platform. Specific training, such as anti-harassment, is required annually.
3. Each line of business within CPF Group has a peer review process to assess risks, compliance, business effectiveness, and ethics. The firm also has an internal audit process that reports to our board's audit committee.
4. The compliance officer provides requisite reporting on an annual basis.

1 HUMAN RIGHTS.

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

CPF Group policies on human rights are reviewed and affirmed annually.

Principle 2

Make sure that they are not complicit in human rights abuses.

CPF Group is committed to supporting and upholding fundamental human rights for all individuals. Our operations are governed by policies and processes that ensure that work is of high quality and provided legally and ethically. Specialized committees oversee various business areas, including a Social Impact and Sustainability and an Enterprise Risk Management Committee.

The CPF Group Foundation directs and provides oversight of CPF Group's social impact and sustainability program. It sets the organization's annual strategic direction, priorities, and budget for social impact initiatives.

The Risk Management Committee (RMC) ensures that all laws, rules, regulations, and CPF Group policies are followed. Our Risk and Quality Assurance department executes this responsibility. The compliance program conducts a global risk assessment to identify the regulatory risks associated with CPF Group's services.

Training and acknowledgment

We inform each employee of their human rights obligations. Training on topics including anti-discrimination and anti-bribery is available on CPF Group e-flex.

Auditing standards

The Group Head of Risk and Quality Assurance monitors policies for effectiveness and compliance and makes necessary changes or additions. Focus areas are determined through the risk assessment completed by the Group Head of Risk & Quality Assurance, which audits these annual focus areas and reports critical findings to the RMC.

Handling policy violations

Potential violations may be reported in several ways, as outlined in the Whistleblower and Anti-Retaliation Policy, detailed in the Employee Handbook and our CPF platform. Once a violation is reported, a senior employee performs an investigation. Suppose a breach of law or policy is confirmed. In that case, disciplinary action is based on the violation's nature and severity and may include employment termination and reporting to law enforcement agencies.

Annual report to the board

The CPF Group Foundation reports annually to the board on program developments and ongoing initiatives.

Principle 3

Businesses should uphold freedom of association and effectively recognize the right to collective bargaining. CPF Group recognizes that laws associated with freedom of association and collective bargaining exist in various locations where we do business and ensures that employees' rights related to these laws are protected.

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT.

2 LABOUR.

Principle 4

The elimination of all forms of forced and compulsory labor.

Principle 5

The effective abolition of child labor.

Modern slavery/child labor:

Modern slavery, human trafficking, and child labor are fundamental violations of a person's rights and freedoms. These practices are strictly prohibited in any CPF Group office. CPF Group does not use or allow the use of forced or compulsory labor, modern slavery, servitude, or supply chain as a whole. We maintain a zero-tolerance policy, and any vendor violating this policy will be terminated immediately.

Principle 6

The elimination of discrimination in respect of employment and occupation.

Discrimination

With the full support of our board of directors and executive staff, we're committed to protecting the rights of all applicants and employees. We recruit, train, promote, and consider qualified applications for employment in all positions without regard to age, ancestry, citizenship status, color, creed, familial status, genetic information, marital status, national origin, political ideology, race, sex, sexual orientation, gender identity, status as an individual with a disability, or veteran status. We prohibit discrimination against any individual or any other characteristic protected by law.

Labor concerns CPF Group's Unlawful Harassment Policy states that all employees are responsible for ensuring our workplace is free from unlawful discrimination and harassment. Employees are required to avoid any action or conduct that could be viewed as harassment, including unwelcome sexual advances, offensive conversations or comments, requests for sexual acts or favors, or other verbal or physical conduct of a harassing nature. Employees must also avoid any action or conduct viewed as violent or threatening behavior toward a coworker, coworker's family, supervisor, or visitor.

Labor concerns are protected by three policies/training at CPF Group that all employees must abide by and are a condition of employment: annual Anti-harassment Training, annually attesting to the CPF Group Code of Conduct and attesting to the Employee Handbook upon their hire. The Code of Conduct contains five key areas: values, values in action, reporting misconduct, and re-

sponse. Values in action encompass Responsibilities,

1. **Equal opportunity**
2. **Unlawful harassment and discrimination**
3. **Conflicts of interest, Illegal activity**
4. **Appropriate use of technology and company resources,**
5. **Privacy rights and obligations,**
6. **Health, safety, and well-being.**

The Code of Conduct also details critical areas and methods of response to report violations, such as our whistleblower policy and our commitment to non-retaliation.

Diversity, equity, and inclusion

Our diversity strengthens our firm and drives innovation. In 2022, The HR Champions were implemented to drive efforts in our firm to increase awareness and build a more diverse workplace. We promote equality and diversity in the workplace through anti-harassment training and classes about cross-cultural considerations, unconscious bias, understanding gender identity, and creating a more inclusive workplace via the CPF welfare department.

Professional development

We strengthen our company by encouraging employees to grow and build new skills to support their career development and cultivate the next generation of leaders. Our Professional Development Committee identifies and explores opportunities to help employees advance professionally and develop technical and consulting skills that supplement their expertise. CPF Group also has robust learning and development resources, e-flex, and a focus on providing advancement opportunities for employees.

Employee Health & Safety

The CPF Group is an employee-owned company. Together, we have committed that our business and the firm's mission, vision, and values will be passed on equitably from generation to generation. Given our ownership structure and business philosophy, the health and safety of our CPF Group colleagues is a primary concern. Each office provides safe working conditions that are conducive to creating high-quality work. Each office must develop a disaster plan focusing on employee safety in emergencies. During the pandemic, we brought doctors to speak at virtual all-employee meetings about COVID-19 and answer questions. The firm created guidelines for a safe return to work, including flexible options for remote and in-office arrangements.

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT.

3

ENVIRONMENT.

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Undertake initiatives to promote greater environmental responsibility.

Principle 9

Encourage the development and diffusion of environmentally friendly technologies. CPF Group is working with our landlords/property management companies Laser Properties to include green lease language and implement energy conservation strategies, such as switching to LED light bulbs.

4

ANTI-CORRUPTION.

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Anti-bribery

The CPF Group's Anti-Bribery Policy prohibits all types of bribery or the appearance of corruption to public officials and private entities. We educate our employees on this policy through communication and training. CPF Group's Audit Committee oversees financial audits by internal and external auditors and compliance.

Conflicts of interest

CPF Group is committed to a conflict-free environment. As a privately held company, we retain our independence. The CPF Group's policy requires any employee aware of a conflict or potential conflict to report it promptly. Conflicts are managed through a series of procedures, starting with a conflict check before entering into any client work and continuing with conflict reporting and management throughout the project. Conflicts are analyzed and addressed either through conflict mitigation or disclosure.

fFraud

We're committed to legal and ethical behavior throughout the

organization, as stated in the CPF Group Code of Conduct. Internally, this is maintained through a series of policies, including our Anti-Bribery Policy and Whistleblower and Non-Retaliation Policy. CPF Group also acts to prevent fraud from outside the company. Our CPF Group Information Security Policy and various policies relating to data protection require all employees to take steps to ensure that threats from outside the company are detected and prevented where possible. All employees are required to take monthly training on information security and threats.

Money laundering

The CPF Group prohibits money laundering in all aspects of our business. We work to detect and prevent any service or support provided to any individual or entity engaged in money laundering. Several business units globally are legally required to implement anti-money laundering programs. These robust programs are tailored to the types of services provided and the clients who receive the services. An expert in the business unit periodically reviews each program, and any suspicious activity must be reported. We provide employees with training to identify and detect money laundering.

OUR APPROACH TO SUSTAINABILITY.

MATERIAL MATTERS

When determining the materiality of the business, CPF Group considers input from critical stakeholders. These inputs inform CPF Group's approach and contribute to refining the strategy. Stakeholders are all parties with a direct or indirect interest in CPF. The CPF Group has mapped stakeholders based on critical inputs required to operate and realize related strategic objectives, such as shareholders, investors, employees, and partners. Other stakeholders include segments served, such as customers, society, and communities.

ESG Materiality Assessment:

Not all stakeholder concerns are material to CPF Group and do not always carry the same weight for implementation. Materiality

is based on whether the fears raised can impact the long-term sustainability of the business. A sustainable financial institution is envisaged to deliver consistent value to shareholders and prospective investors and respond to the needs of critical stakeholders. Rating of the material matters allows CPF Group to assign a priority to each, focusing its attention on the issues that will drive value, including achieving the business strategy.

ESG MATERIAL MATTERS

The 2023 ESG material matters identified and addressed during the year have been summarised. These material matters were addressed through strategy, employee training, and development. This allows CPF Group to innovate its product offering and shift its approach to the market while maintaining its strategic ambitions.

The ESG material matters defined in 2023 are summarised as follows:

→ Governance

Ensuring Group stewardship activities are undertaken responsibly, ethically, and with due care by institutional values and ethos, meeting fiduciary obligations while remaining transparent and accountable.

→ Culture

Dual engine success is predominantly achieved through the CPF culture based on the primacy of social consciousness, high performance, innovation, and a willingness to disrupt conventional models and drive operational efficiency.

→ Client-centric

Focus on clients ensuring that products, services, and channels are convenient and reliable, their best interests include customer protection, and that client engagement is centered on mutual benefit and shared value creation.

→ Financial Inclusion

Provide relevant integrated and inclusive financial services, including digitizing products and services, to ensure they are fit-for-purpose and leverage the social and commercial engines to deliver on the Group's brand promise of "Fulfilling Lives."

→ Supply chain

The CPF Group is implementing measures to de-risk the supply chain's social, environmental, and governance components while supporting suppliers through financial and non-financial interventions.

→ Value to society

The Group places high regard on the value created by its activities for society, including but not limited to financial inclusion, the expansion of economic opportunities, being a disruptor, giving people dignity, and transforming lives.

→ Diversity, Equity, and Inclusion (DEI)

The Group aims to achieve enhanced DEI within its area of influence, including its customer base and employees, by implementing policies and providing access to products, services, and resources.

→ Climate risk

The Group recognizes that risks associated with climate change cannot be eliminated but aims to drive a strategy and partnerships that allow clients and their supply chains to adapt to and mitigate these impacts. By doing so, CPF Group reduces the potential risks of delivering sustainable products and solutions to the market while protecting the quality of services offered.

→ Investor relations

Ensuring investor confidence in the Group is critical for delivering on the Group's aspirations. Investor confidence is built on the Group's ability to deliver on its strategy, maintain competitive advantage, and offer a fair return on investment.

→ Employees

Employees form the backbone of the Group's success. Investing in employees is fundamental to delivering on the CPF employee value propositions and remaining an employer of choice. Adherence to responsible employment practices underpins this.

→ Partnerships

The Group seeks aligned strategic partnerships with businesses, private organizations, foundations, governments, and multilateral to deliver products and services and catalyze and maximize the Group's impact on society.

→ Environmental Protection

By delivering on environmental stewardship, CPF Group protects nature and the environment for future generations. Further, it enhances business sustainability by reducing risks and operating costs while financing projects with a positive environmental impact.

SUSTAINABLE DEVELOPMENT GOALS.

The lessons gleaned from recent global challenges, focusing on society, including the care for older persons, the economy, and climate change mitigation, highlight businesses' integral role in addressing pressing global issues. Profits and purpose can merge to benefit all stakeholders. As a responsible company, we acknowledge our duty to contribute to the United Nations Sustainable Development Goals (SDGs). We recognize the contemporary emphasis on environmental, social, and governance (ESG) factors as fundamental considerations for institutional investors,

including pension funds.

These societal challenges serve as a poignant reminder that overlooking environmental risks and the well-being of older persons can render society and the economy vulnerable to crises, potentially impacting pension fund assets. Acknowledging our leadership role in Kenya's social security sector, we proactively take comprehensive measures to mitigate our exposure to ESG risks and capitalize on sustainable investment opportunities, staying abreast of current trends.

SUSTAINABLE DEVELOPMENT GOALS.

In this context, we are collectively committed to pursuing five ambitious SDGs that align with our vision and values for the years 2022-2023

1. **No poverty (SDG 1): Ensuring financial well-being through responsible and inclusive financial practices.**
2. **Good Health & Well-being (SDG 3): Safeguarding retirees' interests with secure, sustainable post-retirement solutions.**
3. **Decent Work & Economic Growth (SDG 8): Promoting a culture of saving and wealth creation for enhanced financial stability.**
4. **Sustainable Communities (SDG 11): Promoting social and economic well-being, inclusivity, and community resilience.**
5. **Climate Action (SDG 13): Taking decisive actions to combat climate change and its adverse environmental and community impacts.**

SDG 1

No Poverty

CPF prioritizes innovation and developing new financial products and operating models to contribute meaningfully to the beneficiaries. They utilize various distribution channels, including mobile banking, to promote financial inclusion and enhance social protection. The aim is to maximize the pension benefits of deceased members and ensure that beneficiaries attain decent living standards, access affordable medical care, receive assistance in establishing small businesses, and support vulnerable, semi-orphaned, or orphaned individuals. Below are the initiatives implemented to alleviate poverty.

- Payment of school fees and related expenses.
- Provision of essential upkeep based on genuine needs rather than wants.
- Reimbursement of medical expenses.
- Payment of rent.
- Support in setting up or enhancing small businesses to sustain family livelihoods.
- Assistance in building homes for beneficiaries to secure shelter.

SDG 3

Good Health & Well-being

During the year, the Foundation partnered with the Ministry of Social Development to support the Day of the Older Persons Celebration in Nanyuki. During the event, attended by over 1000 seniors, the participants benefited from health screenings and informative sessions; this event actively promoted the holistic well-being of elderly individuals.

The Organisation partnered with the Kenya Society for the Blind during the 'Climb for the Blind' at Mount Longonot. This dynamic initiative aimed to raise public awareness about the risk of blindness, the challenges of visual impairment among school-going children, support for learners with visual impairment, and the need to highlight the provision of learning materials and assistive devices.

The CPF Mwamba Trust Fund ensures that all beneficiaries access affordable healthcare. To this end, the Trust Fund covers the annual National Health Insurance Fund (NHIF) contributions for beneficiaries enrolled in tertiary institutions. It also reimburses medical expenses for younger beneficiaries in high school, primary school, and preschool.

To facilitate affordable healthcare further, the Trust Fund collaborates with Laser Insurance Brokers, a subsidiary company within the CPF Group. Together, they strive to provide accessible healthcare services to beneficiaries nationwide.

SUSTAINABLE DEVELOPMENT GOALS.

SDG 8

Decent Work & Economic Growth

Target 8.2 focuses on enhancing economic productivity through innovation and technology.

The Mwamba Trust Fund has played a significant role in establishing small businesses for beneficiaries of deceased members, enabling them to earn a livelihood and support their children's essential needs, apart from education, which the Trust Fund covers. Moreover, the Trust Fund has extended support to vulnerable beneficiaries facing mental or physical challenges that render them unable to engage in gainful employment. It has achieved this by constructing rental houses; the rental income generated from these properties helps sustain the beneficiary's primary livelihood. Additionally, the rental income covers the expenses of a specialized caregiver, ensuring that these vulnerable individuals can maintain a semblance of everyday life despite their unfortunate circumstances.

SDG 11

Sustainable Cities & Communities

Our initiatives have made significant strides towards this goal in alignment with SDG 11, which aims to make cities and human settlements inclusive, safe, resilient, and sustainable. The sustainable renovation of the Mji wa Huruma Kitchen elevated community well-being and hygiene standards and marked a step towards creating a resilient and sustainable community. Additionally, installing an eco-friendly Jiko at Mji wa Huruma exemplifies our commitment to sustainable practices. This initiative caters to the immediate needs of older persons and paves the way for longer-term sustainable projects, demonstrating a proactive approach towards environmental sustainability and community resilience.

The Christmas Cheer Celebration further showcased our dedication to inclusivity and community care, cultivating a supportive environ-

SDG 13

Climate Action

In pursuing SDG 13: Climate Action, we have undertaken significant measures to mitigate climate change and promote sustainability. Our national tree planting campaign is key among our efforts, highlighted by planting mature indigenous seedlings at Oloolua Forest during National Tree Planting Day. This initiative engaged the community and raised ecological awareness, both critical for fostering sustainable communities. Demonstrating our commitment to reducing environmental impact, we achieved a notable 15% reduction in greenhouse gas emissions over the past year, setting a benchmark for future endeavors. Our offices have seen the implementation of energy efficiency measures, including the transition to LED lighting and a substantial reduction in paper usage, underscoring our dedication to operational sustainability. We have pledged to source 100% of our electricity from renewable energy by 2030, aligning our actions with global efforts to combat climate change and advance toward a more sustainable and resilient future.

SUSTAINABLE DEVELOPMENT GOALS.

Renewable Energy



The CPF Group has installed solar power plants in all its properties: Freedom Heights, CPF House, Pension Towers, and Metro Park, which collectively have a capacity of 228 kW. From the plant commissioning to 31st December 2023, they produced 92,031 kWh of energy, resulting in financial savings of \$12,884. Additionally, these solar power plants saved approximately 36 tonnes of Carbon (IV) Oxide emissions and planted the equivalent of 6069 trees.

Electric Vehicle (EV)



Our Electric Vehicle (EV) stands as a beacon of sustainability and financial prudence in transportation. Offering unparalleled cost-effectiveness, our EV slashes fuel expenses by up to 80% per kilometer compared to traditional vehicles, equating to approximately Ksh. 4 or more savings for every kilometer traveled. Moreover, its maintenance costs are meager, amounting to savings of around Ksh—60,000 per month, presenting users with an economically enticing proposition.

Embracing cutting-edge technology, our EV ensures a swift and seamless driving experience, shielding users from the volatility of conventional fuel costs. With zero emissions, it not only provides a clean and eco-conscious alternative but also delivers an exceptional driving experience unmatched by its fossil-fueled counterparts.

Furthermore, the convenience of charging options at home, work, or any charging station amplifies user empowerment, underscoring our commitment to fostering a sustainable and forward-thinking approach to personal transportation. Join us in embracing a future where sustainability and savings converge on every journey with our Electric Vehicle.

Paper Use



In the previous fiscal year, our organization made significant strides toward sustainability by successfully implementing a paperless initiative. This strategic move resulted in substantial gains across various dimensions. Financially, the organization achieved considerable cost savings, with reduced paper consumption leading to decreased expenditure on reams of paper and toner cartridges. The procurement records indicate that we saved Kenya Shillings 7,467,745.00, funds that could be reallocated towards more strategic initiatives. The transition to a paperless environment enhanced overall efficiency, streamlining workflow processes and minimizing the time spent handling physical documents. Additionally, our commitment to environmental sustainability was reinforced as we contributed to reducing our carbon footprint by significantly decreasing paper usage. Beyond the quantitative gains, the paperless initiative has positioned our organization as a forward-thinking and environmentally responsible entity, strengthening our reputation and brand in the eyes of stakeholders. Despite initial challenges, the realized benefits underscore this sustainability effort's importance, motivating us to continue exploring innovative solutions for a more environmentally friendly and efficient future.

CPF Financial Services Limited

SUSTAINABILITY REPORT 2023

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