



# CO-OPERATIVE BANK OF KENYA LTD ESG REPORT 2021



<https://www.co-opbank.co.ke/sustainability/>



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# Introducing our ESG Report

This report presents how Co-operative Bank sustainable business model has led to long term value creation for all our stakeholders. The report supplements our 2021 Integrated Annual Report. This report provides a balanced and accurate reflection of our ESG performance, risks and opportunities, as well as Co-op Bank’s future outlook in relation to material financial, economic, social and governance issues. Our reporting process has been guided by the principles and requirements contained in the Global Reporting Initiative (GRI), Kenya Bankers Association’s sustainable finance principles and Nairobi Securities Exchange (NSE) Reporting standards.

## Reporting Scope and Boundary

This report covers the period from January 2021 to December 2021. We have referred to other periods for comparison purpose. The report covers Co-operative Bank of Kenya Ltd Group.

## Reporting Frameworks

Co-operative Bank will be issuing an updated report using the Global Reporting Initiative **(GRI) framework** for FY2022. This report provides an introductory view of some critical elements of GRI standards and the GRI Financial Services Disclosures. We have hosted our preliminary GRI content index [here](#)



## External Assurance

Select performance indicators were independently assured by Ernest & Young (EY) as referenced in our annual integrated <https://www.co-opbank.co.ke/investor-relations/integrated-reports/>



More information on the Independent Auditors’ Report is available in our Annual Integrated Report 2021 pg.124

## Currency

All currency is in Kenya Shillings (KES) unless otherwise noted.

## Supplementary Details

Company Name: **Co-operative Bank of Kenya Ltd**  
Headquarters: **Co-operative House, Haile Selassie Avenue, Nairobi, Kenya**  
Reach Us: [esg@co-opbank.co.ke](mailto:esg@co-opbank.co.ke) , Contact Center Tel:020 277 6000, 0703027000 | WhatsApp +254736690101

To download a copy of this report, or sustainability reports from previous years, please visit the Co-operative Bank website at <https://www.co-opbank.co.ke/sustainability/>  
We encourage our stakeholders to share their views on this report through [esg@co-opbank.co.ke](mailto:esg@co-opbank.co.ke)



## Our Commitments



### OUR COMMITMENT TO RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

We believe that climate change is a strategic issue that requires full integration with all business processes and decision-making mechanisms. Climate change is a critical environmental and business issue that requires long term collective effort of both public and private sectors to achieve the transition to a global low-carbon future. As a bank, we have observed and integrated ESG issues in our strategy and welcome the CBK guidelines on climate-related risk management.

Our transformation journey embarked in 2014 with the underpinning focus on operational efficiency, digitization and analytics, sales force effectiveness, cost management, and credit process improvement has been critical in ensuring resource efficiency.

The Bank is committed to supporting industrywide ESG effort through implementation of the CBK Guidance on Climate- Related Risk Management, TCFD and Nairobi Securities Exchange ESG disclosure guidance.

As an organization, we are cognizant of the environment in which we operate and this is affirmed by our strategic pillar number 6: **“Positive impact on the Economy, Society and Environment”**.



### OUR COMMITMENT TO OUR SOCIETY

Coop Bank is committed to enhancing access to financial services to the community through digital and physical channels. We are cognizant of the critical role that MSMEs play in economic growth and have continuously increased our lending to small businesses and women.

In bringing our purpose to life, we contribute to inclusive positive Economic & Social outcomes from four perspectives: as an employer, a business operator, a financial institution and as a corporate citizen.

The Bank has continued to attract recognition both locally and globally for its impact in fostering growth, reducing poverty, and improving financial inclusion and shared prosperity in Kenya.

Our ESG agenda is founded on our aim to enhance financial inclusion and help millions achieve their ambitions by fulfilling their financial services needs in a responsible and sustainable manner. Inclusion is the backbone of our vision, mission, purpose and strategy.



### OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

ESG oversight and governance are core to Co-operative Bank. The Board of Directors are committed to upholding the highest ethical standards, ensuring the Bank conducts its business in accordance with global best practices. Our corporate governance values are founded on the pillars of responsibility, accountability, fairness and transparency. We have designed our policies, principles and practices to focus our responsibilities to creating long-term value to shareholders and other relevant stakeholders.

We strongly believe in compliance and ethical code of conduct. The value of ethics and responsibility is indisputable as stakeholders are increasingly interested in building sustainable partnerships with businesses and markets which uphold such values. Our underlying corporate objective is thus to always be an ethical partner as we pursue business and relationships with our stakeholders.

# emeafinance

## African Banking Awards 2021



**BEST BANK  
IN KENYA  
*and*  
BEST BANK  
(IN FINANCIAL INCLUSION)  
AFRICA**

Co-op Bank Group is greatly affirmed on our unique business model with the Year 2021 Awards of Best Bank in Kenya and Best Bank in Financial Inclusion Africa; We are greatly honoured by these Awards granted to us for extending financial inclusion models to our customers and also offering shared prosperity, with consistent dividend payments notably to the over 15 Million-member Co-operative Movement that is the face of Kenya.

*“I will give you every place where you set your foot...”  
- Joshua 1:3*



# About Us

## THE CO-OPERATIVE BANK OF KENYA LTD GROUP

This report presents how Co-operative Bank sustainable business model has led to long term value creation for all our stakeholders. The report supplements our 2021 Integrated Annual Report. Within this report, we recognize and report on specific stakeholder interests regarding ESG issues. It has been prepared in accordance with the Global Reporting Initiative (GRI), Kenya Bankers Association's sustainable finance principles and Nairobi Securities Exchange (NSE) Reporting standards.

Customers served around the country  
**9+ million**



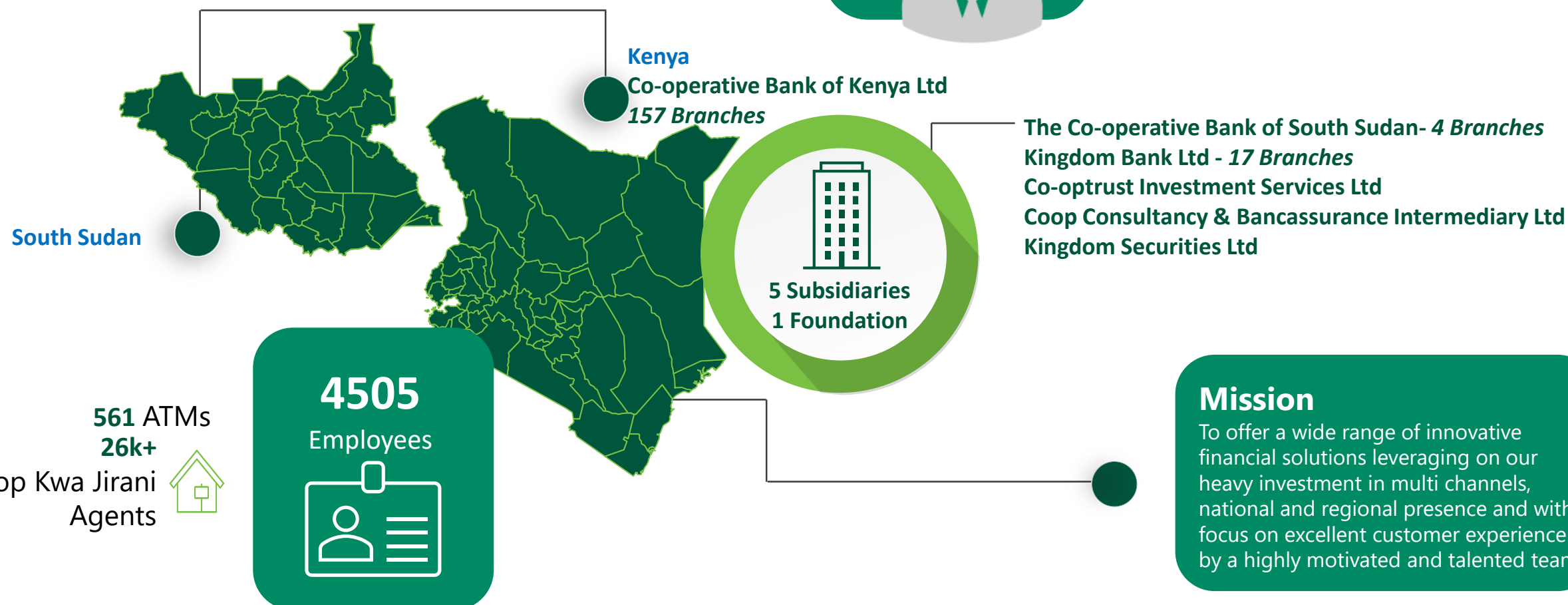
**207 million**  
Digital Channel transactions

**19k+**  
Diaspora banking customers

**88k+**  
internet banking customers



**207 million**  
Digital Channel transactions  
(Mobile transactions – 137Million)



### Purpose

A financial institution predominantly owned by the Kenyan Co-operative Movement transforming lives.

### Mission

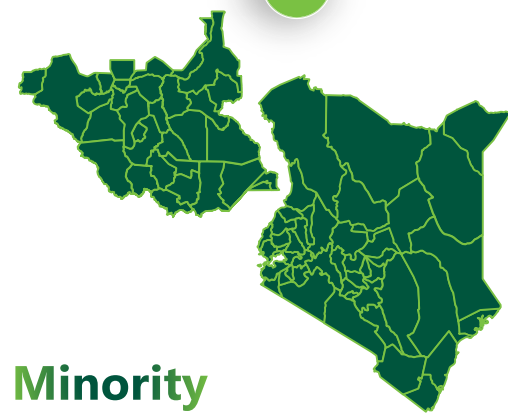
To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi channels, national and regional presence and with focus on excellent customer experience by a highly motivated and talented team.

### Vision

To be the dominant Bank in Kenya and in the region riding on the unique Co-operative Model providing innovative financial solutions for distinctive customer experience

# About Us

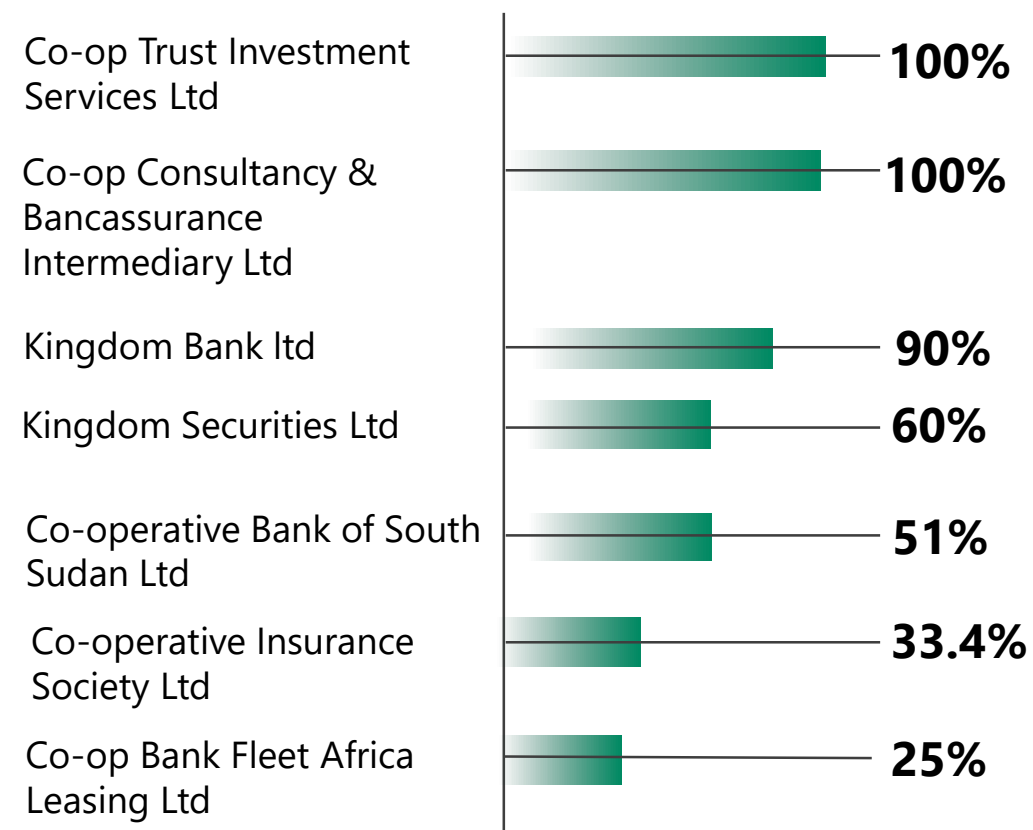
## THE CO-OPERATIVE BANK OF KENYA LTD GROUP



**Co-op Holdings**  
**Co-op Society Ltd 64.6%**

**Minority Shareholders 35.4%**

### Ownership Structure



Total Assets  
**KES 579.8Billion**

Profit before tax  
**KES 22.6 Billion**

Dividend per share  
**KES 1.00**

Customer deposits  
**KES 407.7 Billion**

Total capital  
**KES 87.3 Billion**

Cost to income  
**49.9%**

Borrowed funds  
**KES 42.9 Billion**

Debt to equity  
**42.8%**

Market capitalization  
**KES 76 Billion**

Average ROE  
**17.3%**

Non-performing loan  
**12.7% Bank**  
**14.0% Group**

**MOODY'S**  
Rating

**B2** Negative



# About Us

## OUR KEY BUSINESS

### What we do

#### Retail and Business Banking Division

Providing financial solutions to individual Customers, Micro, Small and Medium Enterprises

#### Corporate and Institutional Banking Division

Providing solutions to:

- Corporate
- Institutions
- Government
- Parastatals
- Non-Government Institutions
- International Financial Institutions

#### Co-operatives Division

Providing financial solutions to:

- Large sacco
- Housing Saccos
- Agricultural and other Co-operatives
- PSV/Transport Saccos
- Investment Saccos
- Housing Saccos

#### Kingdom Bank Ltd

A Niche MSME Bank

#### Co-optrust Investment Services Ltd

Fund Management Service

#### Coop Consultancy & Bancassurance Intermediary Ltd

- Bancassurance Services
- Consultancy and capacity building services to Co-operative Societies

#### Kingdom Securities Ltd

- Stock Brokerage Services

#### Co-op Bank Fleet Africa Leasing Limited

- Leasing Solutions



We provide detailed disclosure on our Co-op Bank value creation model in our Annual Integrated Report 2021 pg.42

### What we offer

- Deposit/Instance Access Accounts
- Saving Accounts
- Current Accounts
- Fixed/Call Accounts
- Forex Products
- Payment Solutions
- Funds Transfer
- Funds access across all our channels
- E-Credit
- Msamaria Women Loans
- Trade Finance
- MSME Loans
- Personal/Consumer Loans
- Working Capital Loans
- Asset Finance
- Insurance Premium Financing
- Mortgage Finance
- Executive Banking
- Diaspora Banking
- Investment Services
- Bancassurance
- Consultancy and Capacity Building
- Stock Brokerage
- Leasing



# About Us

## AN AWARD-WINNING BANK



### EMEAFINANCE AFRICAN BANKING AWARDS 2021

- CEO of the year – Pan Africa
- Best Bank –Kenya
- Financial Inclusion – Pan Africa
- Best Asset Manager , Cooptrust Investments Services – Kenya

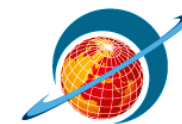
Best Bank in Kenya 2020 by EMEA Finance- African Banking Awards



### Visa Awards 2021

- Best SME acquire solution rollout
- Best contactless champion – Issuing Bank
- Most financially inclusive bank

### The Banker



Bank of the year Kenya 2020



The Kenya Banker Association in its 2019 Catalyst Awards recognizing catalytic finance that impacts industry, economy and society declared us the most sustainable bank and awarded us:

### Overall Winner

- Winner – Client case study Financing SMEs
- 1<sup>st</sup> Runner up – Best in Sustainable Finance
- 1<sup>st</sup> Runner up – Bank case study, Bank operations
- 1<sup>st</sup> Runner up – Financing the informal sector
- 2<sup>nd</sup> Runner up – Client case study commercial
- 2<sup>nd</sup> Runner up – Most Innovative Bank



**Winner:** Environmental Sustainability Reporting 2019  
ICPAK financial reporting awards



Best Bank in sustainable Finance Kenya 2019. **Kenya Association of Manufacturers**



John Murugu,  
OGW Chairman

## CHAIRMAN'S STATEMENT

### Enabling Responsible Business



It gives me immense pleasure to present the ESG Report of the Co-operative Bank group. Your support, and the support of all our stakeholders enabled us to remain resilient, grow our business and adapt quickly in a period that was marked by global economic disruption occasioned by the ongoing Covid\_19 Pandemic.

The Bank, in line with our vision and purpose, has continued to transform the lives of millions through the innovative products and sustainable solutions that we offer. We continued to show incredible resilience in the year 2021. We started the year with an outlook of strong growth supported by, among others, the recovery of the agricultural sector, reduced fiscal deficit cuts, payments of pending bills by the government, stronger growth in private sector credit following the repeal of interest rate caps, the continued implementation of the Big 4 agenda and a stable macroeconomic environment.

What started as a health crisis became an economic and social crisis as the Country acted to mitigate the spread of the highly contagious virus. Among the mitigants was the suspension of commercial flights in and out of Kenya, dusk to dawn curfews, and banning of public gatherings. The Government also went ahead to issue a cessation of movement in and out of Nairobi Metropolitan Area, Mombasa, Kilifi and Kwale, closure of schools, places of worship, entertainment spots, and a raft of other measures were issued. Since then, containment measures have continued to take place with the latest measures being around the containment of the third wave of the Pandemic.

As the country took the above measures to combat the spread ,the bank continued to proactively support all stakeholders throughout the Pandemic period. This saw the restructure of Kshs.49 billion in loans to support customers impacted by the pandemic.

The Bank's investment in Digital solutions paid off with a seamless execution of uninterrupted financial services and a work from home model that supported social distancing that was and continues to be critical to the pandemic containment. We worked collaboratively with the Government and the bank regulators in combatting the spread by supporting all the measures and guidelines including contributing Kshs.100 million to the private sector led Covid\_19 Task force.

In addition, a Kshs.5.8Billion Dividend was paid out to our majority shareholders, the 15-million-member Cooperative Movement, which was which provided critical support to the beneficiaries and their families. We secured USD 85 Million from our long-term funding partners towards supporting our customers in the MSME segment, the health sector and Businesses undertaking Climate-Smart Projects.

Despite the global position, effective 22nd August 2020, Co-operative Bank completed acquisition of 90% of the issued share capital of Jamii Bora bank (Now Kingdom Bank Ltd).

The Bank has since then appointed a new Board to drive the needed Transformation Agenda. This is a notable achievement in a year marked by a social and economic downturn. The former Jamii Bora Bank has also changed its name now operates as 'Kingdom Bank Limited'.

The Group has continued with a strategy for continued deepening and dominance in our domain market segment while harnessing sustainable opportunities for expansion through our various other subsidiaries.

As a bank we continue to work on our strategic goals to see our vision of being the dominant bank in Kenya and the region fulfilled. The Bank is now the third largest Bank in Kenya with an asset size of KES. 537 billion.

We are continually positioning ourselves to reach greater heights as far as sustainable banking and the global contribution to a greener and better economy.

Our strategic pillar number 6 'Positive impact on Economy, society and environment' enables us to increase our impact and build a sustainable financial institution.

We are cognizant that optimal ESG impact will require all organizations to act. Co-operative Bank is a leader in ESG and has been feted both locally and internationally.

We thank all our stakeholders who have collaboratively contributed to our success.

John Murugu,  
OGW Chairman



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## African Banking Awards 2021

### BEST BANK CEO IN AFRICA

**Co-op Bank Group deeply appreciates the Award bestowed upon  
our Group Managing Director and CEO,**

**Dr. Gideon Muriuki** CBS, MBS

The Board of Directors' bold decision to sustain the same level of dividend payments to shareholders despite the Covid-19 crisis offered a most timely relief, especially to the over 15 Million Member Co-operative Movement, whose livelihoods would have been severely impaired had the dividend been withheld.

The Bank notably also sustained a relentless focus on Staff Wellness with the unprecedented challenges occasioned by the Covid 19 pandemic; notably it undertook a bank-wide analysis to identify and address manpower inefficiencies spurred by the disruption, with a critical focus on staff redeployment/retention other than redundancies.



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

## GROUP MANAGING DIRECTOR & CEO STATEMENT

### Driving Green Transformation



Our ESG strategy reflects our purpose and commitment to a more sustainable future for all. Co-operative Bank provides banking, investment and insurance products and services to retail, commercial, corporate, public sector, and financial solutions to Saccos and the Co-operative movement in Kenya. This we do through 178 branches, and subsidiaries. As of December 2021, the Bank had 4,505 motivated and skilled members of staff.

The Co-operative Bank was formed by Co-operators through their Co-operative societies in 1968 with sustainability as the backbone. The aim was delivery of affordable financial services to the co-operative movement for the benefit of the societies' members.

To date, we hold strong the belief of transforming lives and being a responsible corporate citizen. We see sustainable development and sustainable profit growth as complementary to each other and supports positive impact on the economy, society, and environment.

Co-operative Bank is a responsible financier and supports the UN Sustainable Development Goals (SDGs - 2015). We continue to develop products and services aimed at addressing challenges identified by the SDGs with the support of our depositors, investors and other stakeholders who encourage socially responsible business and a sustainable society.

We are cognizant of the fact that environmental and social changes pose both risks and opportunities to the organization. We acknowledge that these risks and opportunities have the potential to significantly impact our ability to create and sustain value in the short, mid term, and long term.

#### Addressing the urgent challenge of climate change

Climate change is one of the pressing issues of our time. As a Bank we are committed to assist in the transition to a low carbon economy and support Kenya's contribution to the Paris Agreement's target of limiting global temperature rise. To contribute meaningfully to this transition, Co-operative Bank understands that its contribution to climate change is through financing of activities that contribute to this transition. We therefore operationalize this through ensuring that we have lending practices that promote a greener environment.

Starting in 2014, the Bank inaugurated the "Soaring Eagle" transformation project designed as a strategic enabler for efficiency and growth across the entire organization. This has enabled the Bank to increase efficiency from internal processes and digitization of customer transactions.

Looking ahead, Co-operative Bank will be increasing its involvement in climate related opportunities to adapt its business and develop relevant products and solutions to build a low-carbon economy, overcome local challenges and help people thrive in a changing world in collaboration with our customers, shareholders and other stakeholders.

#### Transforming the lives of millions

In order to fulfil our purpose of being a financial institution predominantly owned by the Kenyan Co-operative Movement transforming lives, we aspire to continue having positive impact in addressing global challenges such as the warming climate, rising inequality and the impacts of Covid-19 pandemic just to name a few. Integrating ESG within our business is imperative as it helps us deliver on our purpose of transforming lives.

In our 2020-2024 corporate strategic plan, the Board defined two strategic objectives that ensure the group operates as a responsible corporate citizen. This is by investing in the communities, financial deepening in the co-operative sector, engaging in sustainable programs particularly on education, agriculture and environment, leading as a bank in a micro, small and medium enterprises (MSME) in Kenya and proactively developing strategies to penetrate emerging frontiers particularly for youth and women empowerment and green economy.

#### Embedding ESG priorities across the Bank

The ESG strategy is coordinated across the Bank and increasingly being integrated into our business-as-usual practices including the establishment of a dedicated ESG Unit. We have further integrated ESG champions across all divisions within the bank.

#### Acknowledgement

On behalf of the entire Co-operative Bank Group, I extend my most sincere appreciation to our shareholders and customers for their steadfast loyalty that has seen us through the historically challenging Covid-19 operating environment. I also wish to most sincerely thank the Bank Chairman, Mr. John Murugu (OGW) and the entire Board of Directors for their wise counsel in steering the bank. My thanks also go to the entire Co-op Bank Group teams for their diligence and commitment that saw us prevail in 2021. Our challenge and shared purpose is to build on that good work and maintain the momentum into 2022 and beyond.

I have every confidence we can do so. May God richly bless you all

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



# Strategic Focus

## IMPLEMENTING OUR ESG STRATEGY

### Our groupwide strategic focus pillars

Our Corporate Strategic Plan 2020-2024 supports a growth and resource efficiency model. Pillar number 6 of our strategy enables us to pursue positive impact on the economy, society and environment.

### Our ESG Strategy

The Co-operative Bank was formed by Co-operators through their Co-operative societies in 1968 to deliver affordable financial services to the co-operative movement in general for maximum benefit of the societies' members. ESG is thus our backbone as we deliver innovative financial services and transform the lives of millions in the region. This continues to spur us forward as we work collectively towards a more sustainable future.

We aim to have a positive impact on the economy, society, and the environment through embedding ESG across the enterprise.

As a financial services provider we are a catalyst in promoting economic, social and environmental development in the country. The Bank emphasizes on financial performance while integrating ESG principles into day-to-day operations. Our ESG strategy is derived from our materiality assessment that focuses our attention to our most important topics while helping us deliver long-term value to our stakeholders.



# Strategic Focus

## IMPLEMENTING OUR ESG STRATEGY

### Our ESG Framework

As a financial services firm, our sustainability agenda is founded on our aim to enhance financial inclusion and help millions achieve their ambitions by fulfilling their financial services needs in a responsible and sustainable manner.

Our sustainability approach aims to balance social, economic and environmental risks and opportunities through the deliberate use of our products and services, collaboration and partnership, and by managing our own impact.

We enable people, businesses and society to grow in a way that is sustainable in the long-term. Our stakeholders expect the bank to demonstrate social and environmental impact. We do this by continually engaging our stakeholders and ensuring that our operations mutually benefit the bank and the community.

Sustainability strategy is integrated in our business model and consists of a three-pronged approach; Economic, Social and Environmental. Governance is driven from the Board level through execution of strategic pillar number 6: Positive impact on the Economy, Society and Environment.

**Our aim is to have positive impact on the economy, society, and the environment**

#### Environmental

Bolster environmental health through sustainable financial products & services and programs

Environment & Climate Change

Responsible Resource Use

#### Social

Contribute to inclusive economic outcomes through our business activities, philanthropy, supply chain and employer in our communities

Financial Inclusion

Social Inclusion

Economic Inclusion

#### Governance

Build enterprise resilience through ESG integration

ESG Business Integration



# Strategic Focus

## IMPLEMENTING OUR ESG STRATEGY



### Environmental

#### Environment & Climate Change

Supporting the transition to a low-carbon economy and reduce the impact of climate change on our business

1. Enabling climate mitigation and adaptation by improving access to sustainable energy sources
2. Identifying and measuring our financed emissions.
3. Developing targets to reduce Co-operative Bank's contribution to climate change; limiting climate risk to our business.

#### Responsible Resource Use

Encourage the responsible and efficient use of resources through the Bank's operations

1. Focus on reducing waste
2. Efficient use of energy and water
3. Digitization of internal processes and customer journeys



### Social

#### Financial Inclusion

Enable access to financial solutions that support economic development and reduce inequality

1. Increase convenience and access to financial products and services
2. Provide relevant financial education and advice
3. Increase access to credit
4. Address segment/sector-specific needs including small enterprises

#### Social Inclusion

Enabling members of the community, especially the underserved to become economically empowered and resilient

1. Investing in employee health, safety and wellbeing and financing health-related infrastructure
2. Supporting and increasing access to inclusive quality education through our Foundation and Sacco school fees loans.
3. Job creation and staff development
4. Corporate Social Responsibility/ Social investments
5. Continuous stakeholder engagement in our activities.

#### Economic Inclusion

Financial intermediation in the economy

1. Paying and facilitating collection of taxes to contribute to the prosperity and stability of our country
2. Providing investment capital and/or loans to initiatives that increase access to affordable housing, job creation, health, food security & manufacturing
3. Facilitating trade and investment flows between countries and key global markets
4. Financing infrastructural development and upgrades to improve sustainability and economic development.







### Governance

#### ESG Business Integration

1. Business ethics & integrity – doing the right thing by our customers, community, and the planet.
2. Enhancement of our ESG operating model






# OUR ESG STAKEHOLDERS

We communicate openly and transparently with our stakeholders through various stakeholder engagement initiatives, which in turn influence how we create value for Co-op bank as well as our stakeholders.

Stakeholders	Ways We Interact	Key ESG Concerns
 <b>Customers</b>	<ul style="list-style-type: none"> <li>▪ Solicit feedback by phone, in person, email and online including social media.</li> <li>▪ Formal complaint-handling process</li> <li>▪ Use of service surveys/questionnaires</li> <li>▪ Customer engagements in webinars, training workshops, product launches and exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customer service quality</li> <li>▪ Service fees and notification on changes</li> <li>▪ Credit decision TAT</li> <li>▪ Cybersecurity and data privacy</li> <li>▪ Digital channels availability &amp; uptime</li> <li>▪ Effective and responsible Product features</li> <li>▪ Accessibility of our channels</li> <li>▪ Continued impact of COVID-19</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>▪ Dedicated human resource business partners</li> <li>▪ Employee coaching and assistance</li> <li>▪ Employee complaint handling process &amp; hotline</li> <li>▪ Regular staff meetings</li> <li>▪ Employee engagement surveys</li> <li>▪ Employee training – virtual, face to face, eLearning, staff briefings etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee wellness including financial, mental health, work/life balance</li> <li>▪ Career and skills development</li> <li>▪ Improving work processes and tools</li> <li>▪ Effective performance and reward system</li> <li>▪ Openness and accountability</li> <li>▪ Equal opportunities for all staff</li> <li>▪ Upheld labor standards</li> <li>▪ Safe, accessible and healthy work environment</li> <li>▪ Diversity and inclusion</li> </ul>
 <b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>▪ Annual meetings – virtual or one on one</li> <li>▪ Shareholder relations phone and email channels</li> <li>▪ Quarterly investor briefings</li> <li>▪ Regular press releases</li> <li>▪ Regular meetings with investors</li> <li>▪ Industry conferences, summits</li> <li>▪ Investor relations website</li> </ul>	<ul style="list-style-type: none"> <li>▪ Governance, ethics, business conduct, internal controls, associated reputational impact</li> <li>▪ Sustainable value creation and protection.</li> <li>▪ Impacts of climate change and Covid-19 on Bank performance and strategy</li> <li>▪ Positive impact on Economy, Society and Environment.</li> <li>▪ Regular, accurate and timely information</li> </ul>
 <b>Co-operative Movement</b>	<ul style="list-style-type: none"> <li>▪ Virtual and in person meetings</li> <li>▪ Email, telephone engagements with Co-operative relationship managers, the Contact Center, Coop Consultancy</li> <li>▪ Feedback surveys and questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access to banking</li> <li>▪ Meeting the needs of Co-operative movement customers</li> <li>▪ Products/services value propositions and features</li> <li>▪ Capacity building for Saccos</li> <li>▪ Customer service and experience</li> </ul>



## Our Stakeholders cont.

Stakeholders	Ways We Interact	Key ESG Concerns
 <b>Government</b>	<ul style="list-style-type: none"> <li>▪ Dedicated Government banking department &amp; Relationship Managers</li> <li>▪ Banking various Government Bodies</li> <li>▪ Dialogue through industry associations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Working with government to help with post-pandemic economic recovery</li> <li>▪ Working towards economic inclusion and equality</li> </ul>
 <b>Strategic Partners</b>	<ul style="list-style-type: none"> <li>▪ Partnership meetings virtually or in person</li> <li>▪ Corporate events</li> <li>▪ Conferences and workshops</li> <li>▪ Calls and email engagements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reporting standards and frameworks</li> <li>▪ Transparency in disclosures</li> <li>▪ Human rights</li> <li>▪ Governance, conduct</li> <li>▪ Compliance with regulations, contract terms</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>▪ Supplier relationship management portal</li> <li>▪ Emails, teleconferencing, e-meets</li> <li>▪ Mainstream media – newspapers</li> <li>▪ Feedback surveys and questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance to contractual terms/agreements</li> <li>▪ Timely payments</li> <li>▪ Fairness in negotiations</li> <li>▪ Timely feedback</li> <li>▪ Transparency and efficiency in tendering</li> <li>▪ Close collaboration</li> </ul>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>▪ Co-op foundation teams</li> <li>▪ SACCO delegates</li> <li>▪ Micro-lending teams</li> <li>▪ Front Office Sacco (FOSA) teams</li> <li>▪ Marketing engagements</li> <li>▪ Business impact analysis reviews</li> <li>▪ Feedback surveys and questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>▪ Eradication of poverty</li> <li>▪ Capacity building</li> <li>▪ Environmental stewardship and protection</li> <li>▪ Access to financial services/banking and education.</li> <li>▪ Food security – agricultural support</li> <li>▪ Progressive Product features</li> <li>▪ Climate smart technologies</li> </ul>
 <b>Industry Associations</b>	<ul style="list-style-type: none"> <li>▪ Membership</li> <li>▪ Participation in forums, summits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engagement with members to support policy formulation.</li> <li>▪ Meeting customer needs and expectations</li> <li>▪ Support capacity building; MSME, Co-operative development</li> </ul>

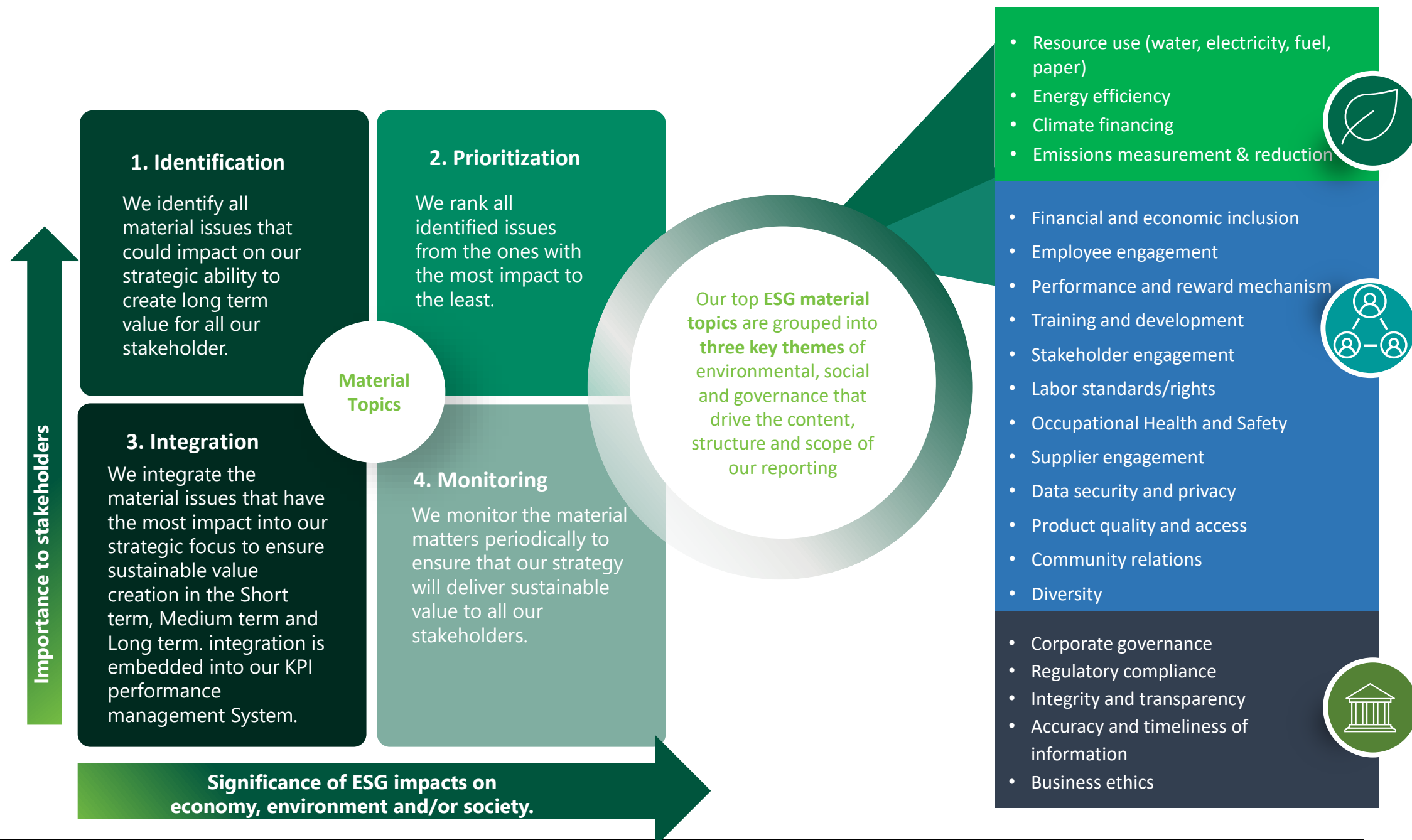
**We create long-term sustainable Value through stakeholder engagement**



# OUR ESG MATERIAL TOPICS

To play our part in creating a sustainable future for society, we focus on areas where our portfolio and service generates the most significant economic, social, and environmental impact. This is aligned to various Sustainable Development Goals indicators and other relevant national and international frameworks which define material factors to be referenced in building a more sustainable future .

In assessing the matters that materially impact value creation, preservation or erosion over time, we look beyond the financial reporting boundary to include matters that could materially impact our stakeholders and the environment, and to address the significant risks, opportunities and impacts associated with our activities





# OUR ESG SCORECARD

Objectives	Metrics	2021	2020
GOVERNANCE			
Be diverse and inclusive	Percent of women on Board of Directors	15%	15%
	Number of independent board members	5	5
	% of female staff members	47	46
Foster responsible conduct and compliance	Number of significant monetary fines or significant non-monetary sanctions for non-compliance with laws and regulations	0	0
	Number of staff who completed compliance trainings	5,813	2,480
	Average annual Board attendance	99.9%	99.9%
ENVIRONMENTAL			
Sustainable Finance Resource Use	Green lending book (in billions)	1.7	3.4
	Generator fuel cost (in millions)	14.4	15
	Water cost (in millions)	32.7	32
	Electricity Cost (in millions)	241.2	235
SOCIAL			
Financial and economic Inclusion			
Create value in the economy	Economic value distributed (in billions)	39.6	31.8
	Amount of taxes paid (in billions)	6.1	3.5
	Net loans and advances (in billions)	310.2	286.6
	Amount of taxes paid (in billions)	6.1	3.5

OUR ESG SCORECARD Cont.

Objectives	Metrics	2021	2020
Create value in the economy	Net loans and advances (in billions)	310.2	286.6
	E-credit disbursement (in billions)	70.5	58.5
	Dividend amount per share paid	1	1
	Profit before tax (in billions)	22	14.3
	Amount paid to suppliers (in billions)	13.7	13.1
Access to financial services	Total number of customers (in millions)	9	8.8
	Count of Branches	178	177
	Percent of transactions on digital channels (%)	94%	92%
	Count of MSMEs onboarded	144,956	116,000
Increase financial literacy	Count of entrepreneurs trained in business management	19,963	10,750
	Count of CCBI mandates (consultancies)	3057	2885
Social Inclusion			
Giving support to create change	Count of students sponsored by the Bank	8368	7713
	Private sector-led Covid-19 Emergency Response Fund.		100 M
	First Lady’s Beyond Zero Campaign		20 M
	Staff remuneration (in billions)	13.3	13.4
Customer Experience			
Digital Innovation	Digital channel transactions (in millions)	207	166
Deliver a distinctive customer experience	Queue time	<15 min	15 min
	Count of staff trained on distinctive CX	1722	2903
Diversity and Inclusion			
Supplier Diversity	Percent of local suppliers	88%	80%
Be diverse and inclusive and reflect the communities we serve	Count of staff employed in the Bank	4505	4628
	Percentage of staff who are female	47%	46%
	Percentage of staff who have disabilities	0.5%	0.4%





OUR ESG SCORECARD Cont.

Objectives	Metrics	2021	2020
Talent attraction, development, and retention			
Attract and retain a diverse and inclusive workforce	Employee satisfaction rate	91%	92%
	Employee retention rate	95%	96%
	Job acceptance offer rate	95%	95%
Support employees in their career journey	Training spend (in millions)	52.4	24.3
	Count of staff trained in instructor led training	8992	4019
	Percent of staff who met and exceeded performance	95%	93%
Health and Well-being			
Leave	Number of paternity and maternity leave applicants	345	396
Foster workplace health and safety	Count of staff who undertook counselling	100	209
	Lifestyle diseases and ergonomics training	25	

CREATING LONG-TERM SUSTAINABLE  
VALUE THROUGH GOVERNANCE

# Governance





# 16 PEACE, JUSTICE AND STRONG INSTITUTIONS



# 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Governance OUR APPROACH

The Board of Directors and the management of Co-operative Bank Group considers corporate governance to be a critical issue towards maintenance of business integrity and stakeholders' trust and it is therefore an integral part of our business philosophy. Our corporate governance values are founded on the pillars of responsibility, accountability, fairness, and transparency, which are aligned to CMA's code of Corporate Governance.

We have institutionalized Transformation agenda (Since 2014) ensuring that we are optimizing opportunities for efficiency and growth on a daily basis.

Our policies, principles and practices are designed to focus on our responsibilities to shareholders and other relevant stakeholders and on creating long-term shareholder value. These responsibilities include;



Setting the strategic direction of the Group and putting in place appropriate policies, systems and structures for their successful implementation.



Monitoring the Bank's performance and reporting this to shareholders especially at the Annual General Meeting.



Establishing and maintaining the Bank's overall systems of planning, accounting and internal controls that facilitate prudent risk assessment and management, setting policy guidelines for management and ensuring competent management of the business including the selection, supervision, and remuneration of Senior Management.

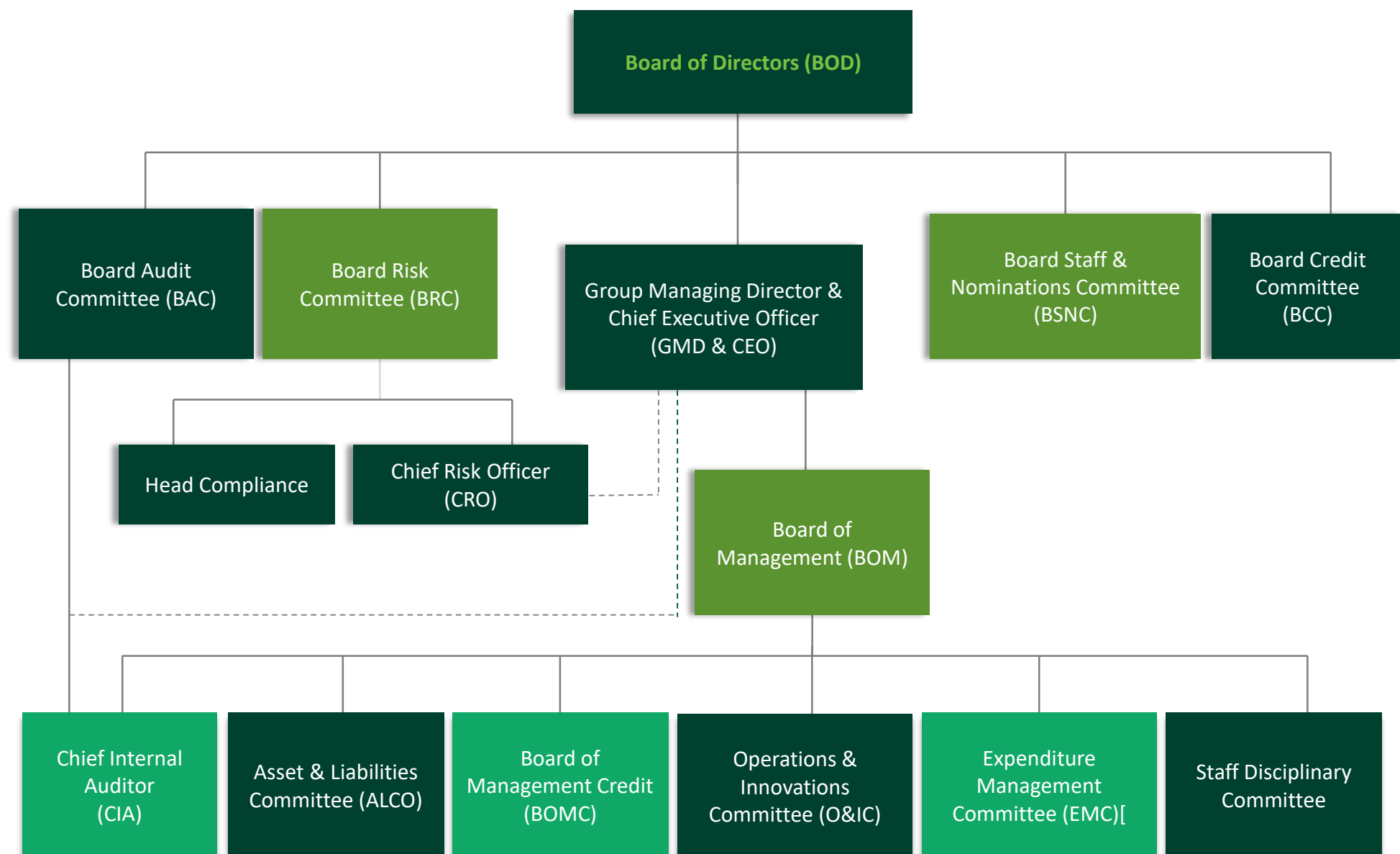


Ensuring that the business of the Bank is conducted in compliance with relevant laws and regulations.

# Our Governance Structure

## STATEMENT ON CORPORATE GOVERNANCE

The Board is responsible for the Group's corporate governance practices and has put in place mechanisms to ensure observance and reporting on its compliance status on a regular basis including with regard to provisions of the Prudential Guidelines from the Central Bank of Kenya. 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 business risks.



We provide detailed disclosure on our board governance & strategy in our Annual Integrated Report 2021 pg.104-111



## OUR PERFORMANCE IN 2021

The Board is responsible for corporate governance practices and embraces its responsibilities to shareholders and other stakeholders by upholding the highest ethical standards and ensuring that the Bank conducts its business in accordance with global best practices.

PROMOTING RESPONSIBLE CORPORATE GOVERNANCE PRACTICES	
Area	Performance
Board operations and control	<ul style="list-style-type: none"> <li>▪ The Board has a mix of diversity including experience, age, skills, and gender in its composition with a majority non-executive directors</li> <li>▪ A total of 13 Board members, 5 independent directors (one third independent non-executive Directors)</li> <li>▪ The Board periodically participates in corporate governance and risk management trainings</li> <li>▪ The Board has delegated authority to various sub-committees to enhance its breadth and depth of achieving its responsibilities. These committees include: the Board Credit Committee, Board Audit Committee, Board Risk Committee and the Board Staff and Nomination Committee</li> <li>▪ Additionally, the Board has put in place key Management committees which defined terms of reference and scope of authority and reporting structure. These committees include: The Board of Management, The Board of Management Credit, The Asset and Liability Committee, The Expenditure Management Committee, The Staff Disciplinary Committee and the Operations &amp; Efficiency Committee</li> </ul>
Code of Conduct <a href="https://www.co-opbank.co.ke/business-code-of-conduct-and-ethics/">https://www.co-opbank.co.ke/business-code-of-conduct-and-ethics/</a>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ The Code guides activities in dealing with all our stakeholders.</li> <li>▪ Ethical standards have been integrated into the Bank's operations as per the Code of conduct</li> <li>▪ This Code is in addition to compliance with the Central Bank of Kenya and CMA Code of Conduct and is available on our website.</li> </ul>
Whistle blowing <a href="https://www.co-opbank.co.ke/whistleblowing/">https://www.co-opbank.co.ke/whistleblowing/</a>	<ul style="list-style-type: none"> <li>▪ Provides a confidential reporting channel to employees, customers and third-party workers and members of the public to report their concerns regarding Co-operative Bank without fear of reprisal</li> <li>▪ The whistle blowing email address and hotline are hosted on the Bank's website</li> </ul>
Conflict of interest	<ul style="list-style-type: none"> <li>▪ Declaration of interest policy</li> <li>▪ The Board's policy provides that Directors, their immediate families and companies in which Directors have interests only do business with the Bank at arm's length.</li> <li>▪ Where a matter concerning the Group may result in a conflict of interest, the Director is obliged to declare the same and exclude themselves from any discussion or vote over the matter in question.</li> <li>▪ Directors also have a duty to avoid situations of appointment to positions or acquisition of significant interest in businesses competing with the Group.</li> <li>▪ Business transactions with Directors and related parties are disclosed in notes to the financial statements</li> </ul>

## OUR PERFORMANCE IN 2021 cont.

### PROMOTING RESPONSIBLE CORPORATE GOVERNANCE PRACTICES

Area	Performance
Accountability and Internal Controls	<ul style="list-style-type: none"> <li>▪ The Board Audit Committee (BAC) reviews effectiveness of internal control systems in place by taking into account results of work carried out, to audit and review activities of the Group by both external and internal assurance providers.</li> <li>▪ The Bank's Integrated report contains a statement by the external auditor about reporting responsibilities and opinion on the Bank's financial statements and performance.</li> <li>▪ The Directors monitor the effectiveness, objectivity and independence of the external auditor.</li> <li>▪ The Directors approve the annual audit engagement contract which sets out the terms of the auditors' appointment and the related fees.</li> </ul>
Risk management and compliance	<ul style="list-style-type: none"> <li>▪ The Board's Risk Committee is responsible for developing and monitoring the Group risk management policies established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.</li> <li>▪ The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.</li> <li>▪ The Board's Credit Committee oversees the overall lending policy of the Bank by directing, monitoring, reviewing, and considering all issues that may materially impact on the present and future quality of the Bank's credit risk management.</li> <li>▪ The Committee also ensures that the Credit Policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates.</li> <li>▪ The Risk and Compliance Departments directly reports to the Board Risk Committee.</li> <li>▪ The Risk Department is responsible for collecting and collating all data on operational risk loss events, risk indicators, and developing risk matrices aimed at reducing the Bank's Operational Risk Capital Charge.</li> <li>▪ The Compliance Department evaluates the Group's compliance framework, identifies, and monitors relevant legislation applicable to the Group and ensures adherence to the Group's policies as well as legislative and regulatory requirements including changes arising and their impact.</li> </ul>
Board Remuneration	<ul style="list-style-type: none"> <li>▪ The Board has in place established and approved formal and transparent remuneration policies and procedures</li> <li>▪ At Annual General Meeting (AGM), shareholders pass a resolution approving the remuneration of directors for the period under review. This is in line with the industry benchmarks and international practices.</li> <li>▪ Non-executive Directors are paid a monthly retainer as well as a sitting allowance for every meeting attended.</li> <li>▪ The Directors are not eligible for pension scheme membership and do not participate in the Bank's remuneration schemes</li> </ul>



# ENGAGING ON ENVIRONMENTAL AND SOCIAL MATTERS

Corporate citizenship, ESG and mitigation of E&S risks are key parts of the Bank’s overall business strategy and are managed within a governance structure that balances engagement across the Group while also providing line-of-sight accountability. The Board of Directors embed sustainability effectively throughout the group by improving understanding of the strategic value of sustainability at all levels in the bank within our investment decisions and particularly within our product and service portfolio.



We provide detailed disclosure on our board committees and responsibilities in our Annual Integrated Report 2021 pg.107

ENGAGING ON ENVIRONMENTAL AND SOCIAL MATTERS	
Board Committee	Summary of ESG related responsibilities
Board Risk Committee	<ul style="list-style-type: none"><li>Overseeing the Group’s independent risk management and compliance functions</li><li>Overseeing and reviewing of the information presented by Management to ensure that risk policies and strategies are effectively monitored and managed and taking account of performance and risk appetite, risk trends, risk concentrations, key performance indicators for risk</li></ul>
Board Credit Committee	<ul style="list-style-type: none"><li>Overseeing the overall lending policy of the bank, including monitoring, and considering all issues that may materially impact on the present and future quality of the Bank’s credit risk management,</li><li>Ensuring that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates,</li><li>Reviewing and analyzing Management’s proposed capital and recurrent budgets and supplementary and / or revised budgets of the Bank for presentation to the full Board of Directors</li></ul>
Board Staff and Nomination Committee	<ul style="list-style-type: none"><li>Reviewing the broad policy framework relating to Group’s human resources, including policies on the staff welfare, code of conduct, remuneration and all other matters as spelt out in the staff policy manual.</li><li>Reviewing the mix of skills and experience and other qualities of the Board</li><li>Reviewing the Board Evaluation procedures and results as well as considers, reviews and recommends to the full Board of Directors candidates for directorship as proposed by the shareholders and the Chief Executive.</li></ul>
Board Audit Committee	<ul style="list-style-type: none"><li>Assisting the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance, and reporting.</li><li>Monitoring the ethical conduct of the Group and considering the development of ethical standards and requirements, including effectiveness of procedures for handling, and reporting complaints</li><li>Reviewing management reports and reports from external auditors concerning deviations and weaknesses in accounting and operational controls, coordinate between the internal audit function and external auditors</li></ul>

Executive Committees and Business lines understand the impact of E&S risks on the business and operating environment in which they operate, in the short, medium, and long term, in order to be able to make informed strategic and business decisions. The Group is currently undertaking capacity building to optimize the opportunities and manage Environmental and Social Risks.

Executive Committee	Summary of ESG related responsibilities
Board of Management	<ul style="list-style-type: none"><li>Assisting the Group Managing Director in day to-day management of the bank's business, including formulation and implementation of business strategy and policy.</li></ul>
Board of Management Credit	<ul style="list-style-type: none"><li>Receives, reviews and consider material, high-value and sensitive credit cases and matters</li></ul>
Asset and Liability Committee (ALCO)	<ul style="list-style-type: none"><li>Assists the Board of Management in the overall management and strategy on the balanced mix of assets and liabilities, encompassing interest rates structures, liquidity, foreign exchange exposure, investment of surplus funds and capital adequacy</li></ul>
Expenditure Management Committee	<ul style="list-style-type: none"><li>Receives, considers, and approves capital and recurrent expenditure with reference to approved budget limits and annual cost efficiency targets</li></ul>
Staff Disciplinary Committee	<ul style="list-style-type: none"><li>Receives and reviews staff disciplinary cases referred by Human Resource Division and makes recommendations to the Chief Executive as is appropriate</li></ul>
Operations & Efficiency Committee (OEC)	<ul style="list-style-type: none"><li>Responsible for receiving and reviewing business process changes aimed at exceeding benchmarked industry/market standards on customer experience, operational risks management, profitable trading and processing efficiency</li></ul>



we continue to pursue and improve integration of ESG & climate related issues into the bank’s broader business strategies and oversight.



We provide detailed disclosure on executive committees and responsibilities in our Annual Integrated Report 2021 pg.107



# ENTERPRISE RISK MANAGEMENT

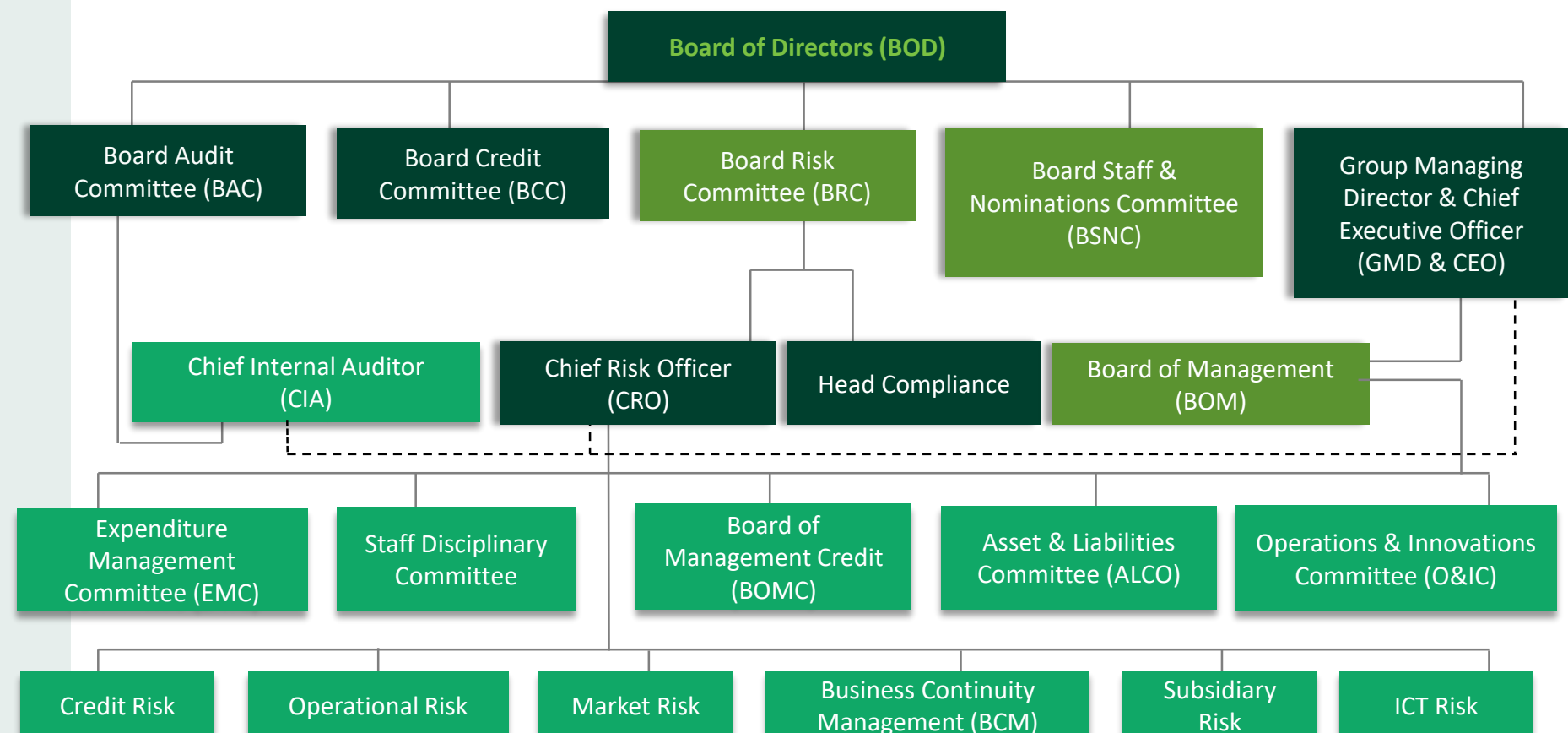
Effective Enterprise Risk Management is fundamental to the business activities of the Group. While we remain committed to increasing shareholder value by developing and growing our business within our Board approved risk appetite, we are mindful of achieving this objective in line with the interests of all key stakeholders.



The Group looks to the Risk Management Framework (RMF) as well as to its Risk Appetite Statement (RAS) for a common understanding at how the Group views risk and determines the type and amount of risk it is willing to take in order to deliver on its strategy and enhance shareholder value. The Bank's E&S risks are managed within the Bank's Risk Management Framework which defines clear accountabilities in management of risks through related policies and procedures across the enterprise.

The GMD & CEO is supported by the Board of Management (BOM) and Risk Management Department in discharging risk management in the Group. Business and operational functions in the enterprise are ultimately responsible for the risks within their respective portfolios and monitoring performance according to and in compliance with specific policies. The Bank's Risk Management Department has oversight accountabilities including but not limited to establishing relevant risk frameworks, policies, process and governance to identify, access, control, monitor and report on risks.

## Risk Governance Structure



## RISK IDENTIFICATION, ASSESSMENT, MEASUREMENT, MONITORING AND REPORTING.

Arising out of the Risk Management Framework (RMF) are material risk types identified, proper mitigation measures taken, and capital allocation done thereof. These include mainly: credit risk, operational risk, market risk, settlement risk on the trading book, credit concentration risk, interest rate risk, foreign exchange rate risk, liquidity risk, ICT risk, compliance risk, strategic risk, business continuity risk, reputational risk, country, and transfer risk.

The Bank's Risk Management function proactively monitors industry, regulatory and legislative developments and assesses the potential impacts of risks on the Bank's operations, lending portfolios, investments, and businesses. It escalates to the Board Risk Committee significant matters through its comprehensive report of assessments of the Bank's risk appetite and risk profile across the enterprise.

The Group has in place several policies including the Bank's business code of ethics and sourcing policies that reflects the Bank's commitment to manage its business responsibly and in compliance with applicable laws. The Bank's E&S risks management is embedded in our E&S policy guides our advances affecting the environment and society while taking into account industry, regulatory and legislative pronouncements.

ESG risk considerations have been incorporated into the Bank's Credit & Operational Risk frameworks to assess E&S risks and impacts associated with significant changes made to Co-operative Bank's products, processes, projects, services and initiatives. The Bank's Business Continuity Plan & Policy continues to support the management's ability to operate the Bank's businesses and operations in the event of a business disruption incident.



We provide detailed disclosure on Integrated Risk Management in our Annual Integrated Report 2021 pg.95

## COMPLIANCE

Co-operative Bank aims to maintain an open, honest, and transparent relationships with the regulators and ensure compliance with all legal and regulatory requirements. As one of Kenya's big banks we understand our responsibility in constantly engaging regulators in order to promote the required soundness and stability in the industry. We ensure that we abide with all laws and regulations pertaining to environmental protection, social responsibility, safety, labor, money laundering etc.

## CYBERSECURITY

Co-operative Bank recognizes significance of cyber security risks and the threat it possess to the payment system & customers. Through its strong digital management framework, we employ a proactive cyber security risk management approach to ensure customer information security. To this end, we have the Security information and event management ( SIEM ) system and a dedicated ICT information security department with specialized skills to ensure optimal safeguard of our customers

Our enhanced cyber security assessments and monitoring using the newly established **Security Operations Centre** ensures that all our financial solutions and customer data is well secured.





# Risk Management

## OUR RISK UNIVERSE


TYPES OF RISK WE FACE	KEY RISK INDICATORS	2021 RISK REVIEW	OUTLOOK
<p>Pillar 1 Risks</p> <p><b>Credit</b></p>	<ul style="list-style-type: none"> <li>Loan Book Growth</li> <li>Non-performing</li> <li>Loan Book growth</li> <li>Cost of risk</li> <li>Coverage</li> </ul>	<ul style="list-style-type: none"> <li>Loan Book Growth 8%</li> <li>NPL ratio 14% Group</li> <li>NPL ratio 12.7% Bank</li> <li>Cost of risk 2.7%</li> <li>IFRS Coverage 68.5% (51.8% 2020)</li> </ul>	<p>Successful implementation of the following 2 projects that have been <a href="#">(detailed in the strategic focus section of our annual Integrated Report 2021 pg. 61)</a></p> <ul style="list-style-type: none"> <li>✓ Credit Review Implementation Project “Project Kilele” with McKinsey &amp;Co.</li> <li>✓ Decentralization of loan portfolio management enabling Project 3C (Connect, Collect and Cure).</li> <li>✓ Project Connect &amp; Build (CB) – focused on co-creating solutions with our customers to grow the loan book and increase product holding.</li> <li>✓ NPL management initiatives under our Transformation Agenda.</li> </ul> <ul style="list-style-type: none"> <li>Ensure credit growth through Sales Force Effectiveness.</li> <li>Proactive implementation and review of our Credit Policy.</li> <li>Adherence to credit Risk Appetite and limits, credit risk early warning indicators,</li> <li>Proper credit appraisal and approval mechanisms, KYC, AML due diligence,</li> <li>Segregation of duties in credit analysis, administration, disbursement, collection,</li> <li>Portfolio management, valuation and general collateral management, and remedial, proper grading and classification of facilities, restructuring, and proactive NPL management.</li> <li>Stress testing &amp; sensitivity analysis of credit risks scenarios.</li> <li>Environmental &amp; Social Policy guides advances affecting the environment &amp; social impacts.</li> <li>Training – all credit approvers undertake training courses to acquire and upskill on credit approvals. This is delivered via external trainers like Omega and internally through our online E-Learning portal.</li> <li>Adherence to the CBK regulations stipulated in this regard</li> </ul>



We provide detailed disclosure on Integrated Risk Management in our Annual Integrated Report 2021 pg.95

# Risk Management

## OUR RISK UNIVERSE

TYPES OF RISK WE FACE	KEY RISK INDICATORS	2021 RISK REVIEW	OUTLOOK
Market	<ul style="list-style-type: none"> <li>▪ Maturity gap</li> <li>▪ Value at Risk</li> <li>▪ Position limits</li> <li>▪ Stop loss limits</li> </ul>	The indicators were within our risk appetite	Dynamic models such as duration analysis, PV01, simulation, value at risk and stress testing to simulate the uncertainties in the future values of the market risk indicators and ensure appropriate actions are affected.
Operational	<p>Gaps that may be identified in People, Processes or Technology especially:</p> <ul style="list-style-type: none"> <li>• New Products</li> <li>• Security (staff and assets)</li> <li>• ICT infrastructure efficiency and Cyber Security</li> <li>• Staff empowerment and productivity.</li> <li>• Business Continuity Plans.</li> <li>• Code of Business Conduct</li> <li>• Insurance adequacy</li> <li>• Outsourcing engagements</li> <li>• Fraud and forgeries</li> <li>• Agency Banking</li> <li>• Mobile Banking</li> <li>• Internet banking</li> <li>• Reputation</li> <li>• Customer satisfaction index</li> </ul>	<p>Within our risk appetite.</p> <p>We ensured Operational Risk was kept at the lowest level possible taking into account business strategy, market sentiment, regulatory requirements and the capacity to absorb losses through earnings and capital.</p>	<ul style="list-style-type: none"> <li>• Enhanced Risk and Control Self-Assessments (RCSA) at business unit level</li> <li>• Incident and Loss data Management Proactive Internal control policies and procedure guidelines.</li> <li>• Service Quality Charter for both internal and external clients.</li> <li>• Stress testing on identified Key Risk Indicators.</li> </ul> 
Concentration	Large exposures (Individual, Geographic, Industry / Sector, foreign currency loans or Collateral type)	Within our Risk Appetite, the Bank through its risk monitoring tools assesses and monitors concentration risk in both its Banking and Trading Books. The Group also leverages on the Herfindahl Hirschman index (HHI) to assess the concentration levels.	<ul style="list-style-type: none"> <li>• Leveraging on internal systems and procedures to identify, assess, control and monitor any substantial credit risk concentrations.</li> <li>• The Bank will continue with strict limitation of concentration. The same will apply to the deposit profile and Bank investments where efforts are made to ensure that there is proper diversification.</li> <li>• Risk limits have been set on industry concentration and incorporated in the Bank's approved Risk Appetite Statement</li> </ul>



# Risk Management

## OUR RISK UNIVERSE

TYPES OF RISK WE FACE	KEY RISK INDICATORS	2021 RISK REVIEW	OUTLOOK
Pillar 2 Risks			
<b>Legal and Contractual</b>	Litigation- net overall Bank exposure (settlement amounts in Kshs) in respect to pending litigations against and for the Bank.	Was within our Risk Appetite The cases are in our favor and we do not envisage the exposure materializing against us.	<ul style="list-style-type: none"> <li>Co-op Bank is committed to adhere to statutory, regulatory requirements and follow best practices and market standards in the areas of accountability, transparency and business ethics. The Bank aims at a zero tolerance of misconduct and corruption.</li> </ul>
<b>Interest Rate Risk in Banking Book (IRRBB)</b>	The Bank's 12 months repricing maturity gap between rate sensitive assets and liabilities	We are positively gapped in the aforementioned band (12 months) hence within our risk appetite	<ul style="list-style-type: none"> <li>IRRBB is managed by risk-taking business units.</li> <li>Independent IRRBB monitoring and measurement undertaken by RMD.</li> <li>ALCO will continue to steer and integrate IRRBB risk management across the Bank</li> </ul>
<b>Liquidity</b>	Liquidity Ratio <ul style="list-style-type: none"> <li>Maturity gaps</li> <li>(LCR) Liquidity Coverage Ratio.</li> <li>(NSFR) Net Stable Funding Ratio.</li> </ul>	Our liquidity, LCR, NSFR ratios have been within our internally set limits and the regulatory limits. The liquidity ratio has been above 30% since 2013. (Dec 2021 – 53.8%)	<ul style="list-style-type: none"> <li>Managing liquidity risks will continue to be an integral part of Co-op Bank's business operation. Thus, liquidity risk will be continuously forecast and analyzed using different time horizons, with the aim of ensuring that the Group is able to meet its obligations optimally.</li> <li>The group's liquidity risk &amp; contingency planning management framework will be reviewed on a regular basis.</li> </ul>
<b>Compliance &amp; Regulatory AML/CTF adherence</b>	Penalties and fines levied by the regulatory bodies to which the Bank and its Subsidiaries companies adheres to i.e., CBK, CMA, RBA, IRA, KRA etc.	We have sustained our compliance with the statutory and regulatory requirements.	<ul style="list-style-type: none"> <li>Co-op Bank is committed to adhere to statutory, regulatory requirements and follow best practices and market standards in the areas of accountability, transparency and business ethics. The Bank aims at a zero tolerance of misconduct and corruption.</li> </ul>

# Risk Management

## OUR RISK UNIVERSE

TYPES OF RISK WE FACE	KEY RISK INDICATORS	2021 RISK REVIEW	OUTLOOK
<p>Pillar 2 Risks</p> <p><b>Strategic</b></p>	<p>Current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes</p>	<p>The Group has a Corporate Strategic Plan (2020- 2024).</p> <ul style="list-style-type: none"> <li>• The objectives and goals enshrined in the Plan have been formulated in a KPI format and these were used to align the Bank's activities to its vision and strategy, improve internal and external communications, and monitor performance against strategic goals.</li> <li>• Group wide Biannual review of our strategic objectives and tactical plans was done to assess the implementation of Strategy taking into account the impact of the COVID-19 pandemic which inhibited the full attainment of the bank's 2021 targets.</li> <li>• The Bank also used budgets and financial modeling tools to assess strategic risk.</li> <li>• These tools amongst others are provided in the Group's Strategic Risk Management Policy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To continue with strategic response to changes in the industry as well as adequately address any other emerging risks due to COVID-19 pandemic.</li> <li>▪ To enhance and update the Strategic Risk Register.</li> </ul>
<p><b>Systemic</b></p>	<p>Systemic risks are caused by factors such as a significant bank run, bank closures, significant interbank exposures through bankruptcy of a counterparty, significant credit exposures in the banking book, significant exposures/ losses in the trading book and macroeconomic shocks such as high inflation, economic recessions, significant FX structural exposures and collapse of key institution/ banks within the industry</p>	<p>We conducted a systemic risk assessment as part of our ICAAP process and outcome affirmed the Bank's posture within our risk appetite.</p>	<ul style="list-style-type: none"> <li>▪ The Bank will continue to identify, assess, measure and manage systemic risk.</li> <li>▪ Stress testing both on a sensitivity analysis and scenario – based analysis will be conducted on a quarterly basis and based on the results of the tests, appropriate actions will be undertaken to inform strategies that need to be put in place to manage the adverse exposures.</li> </ul>



Positive impact on Economy and  
Society

# Social



# ECONOMIC & FINANCIAL INCLUSION

## Financial and Economic Inclusion

While the economy is beginning to recover from COVID-19, many individuals continue to struggle to save or maintain their financial health. To continue serving the unique needs of our customers and help them address the negative impacts of the pandemic, Co-operative Bank focuses on providing equitable access to banking and addressing our customers' financial health and education. Our investments in digitization have been critical in this Covid-19 environment and continue to foster financial inclusion and promote inclusive economic growth across our footprint.

Co-operative Bank's impact on the economy is both broad and deep. With the aim of success, the benefits will ripple through the economy, creating greater prosperity for the communities in which we operate. Currently our most direct contribution comes through maintaining a strong business with solid revenues, which enables us to pay our employees fair wages and benefits, pay our taxes, suitably compensate our suppliers and support small businesses and the larger community

**KES 70.5 billion**  
disbursed through e-credit in 2021 to individuals, small business and commercial clients

**KES 49 billion**  
restructured facilities to support COVID-19 impacted customers.

### Strengthening Business During Uncertainty

With the gradual easing of pandemic-related restrictions in 2021, business performance in the country began to improve; however, COVID-19 persists as such challenges and uncertainty remains. We have continued to provide essential support to our customers through loans and other credit facilities offerings of bank accounts, merchant services and cash management services to help manage payments. Our staff have been equipped with tools and knowledge necessary to maintain strong relationships with our customers as they offer various services and products during this period.

#### As a corporate citizen, business operator and employer we:

- ✓ Pursue financial deepening in the cooperative sector
- ✓ Provide a diverse, inclusive, and conducive working environment
- ✓ Engage in sustainable programs particularly in education, agriculture and environment
- ✓ Build an inclusive and diverse supply chain
- ✓ Invest in our communities by providing investment capital and/or loans to initiatives that increase access to affordable housing, jobs, and basic infrastructure.
- ✓ Support workers, businesses and communities impacted by the transition to a low-carbon economy, so its benefits are shared widely.

#### As a financial institution providing financial services and advice to our customers, we work to:

- ✓ Increase access to financial products and services
- ✓ Provide relevant financial education and advice
- ✓ Increase access to credit/capital
- ✓ Address segment specific needs

### Improving Access to financial Services

Our transformation from a Co-operatives-based model to a universal banking model has fostered financial inclusion in Kenya and South Sudan and has enabled us to provide a wide variety of comprehensive financial services including those tailored to retail commercial, corporate and investment services. This includes a strategic investment in CIC Insurance Group, Bancassurance business, a full-fledged subsidiary bank (Kingdom bank), and leasing through a strategic joint venture (Co-operative Bank Fleet Africa Leasing Ltd)

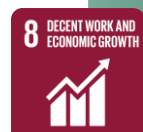
#### Our approach

We are committed to providing all customers with equal access to products and services regardless of location, physical ability, age, ethnicity, and gender. We open personal accounts regardless to whether a person is unemployed or employed subject to required conditions and have designed our products to be inclusive and accessible. We continue to actively monitor our engagement with our customers throughout their banking relationship with us as we aim at offering a distinctive customer experience.



# ECONOMIC & FINANCIAL INCLUSION

In 2021;



Economic Value  
KES 39.6 billion



Retained earnings  
KES 10.7billion



Dividends  
KES 5.7billion



Co-op Foundation  
KES 158million



Salaries, wages  
& other benefits  
KES 13.3 billion



**MAUREEN WEKA**

Welding Business – Co-operative Society Member



## SUPPORTING MEDIUM, SMALL AND MICRO-ENTERPRISES (MSMEs)

We understand the role that MSMEs play in our national economy, and we are committed to help them grow and overcome financial challenges through our universal banking model and effective business solutions. We are supporting their funding needs through traditional lending services and financial solutions tailored to meet their unique needs and continue to offer them technical assistance, financial literacy, and credit enhancement services. Part of the KES 42.9 billion advanced by our strategic partners goes to fund this segment.

We onboarded over 144,000 clients and conducted 50 webinars for the year 2021 and upskilled over 19,000 customers with requisite knowledge and tools to enable them to thrive. Our curated packages (Gold, Silver and Bronze) have seen an impressive average product holding improve to 3.4 products per client. Our understanding of the eco-system our MSMEs operate has grown our supply chain financing which hosts 91 Anchors and 512 counter parties.



### Supporting Women Enterprises

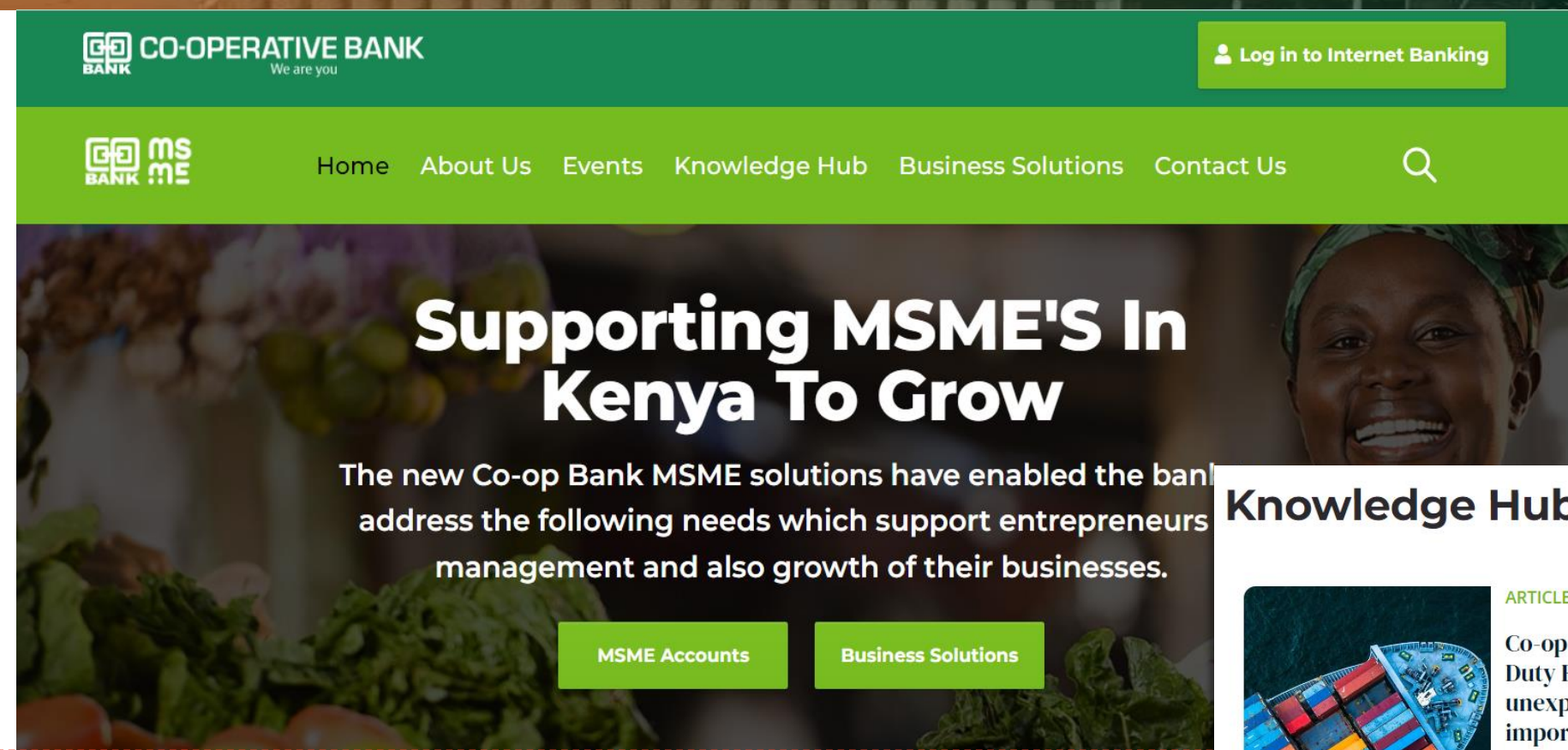
Many small businesses, particularly those owned by women, access to capital remains one of the greatest challenges. To provide vital financial resources and capacity-building to support such businesses, Co-operative Bank has a womens product known as Msamaria Women's loan product (Women can access up to 10 Million in unsecured loans).





# SUPPORTING MEDIUM, SMALL AND MICRO-ENTERPRISES (MSMEs)

To further support this critical segment, the Bank has undertaken key infrastructural enhancements including development of an online portal for MSMEs and continuous business digitization to improve service efficiency.



YouTube



## Knowledge Hub



ARTICLE

**Co-op Bank Launches an Import Duty Financing Solution to solve the unexpected costs incurred during importation**

As an importer, one of the challenges faced is unplanned costs that may arise from the import duties. During the different forums carried out in the different parts of the [...]

[Read more →](#)





# Social Investments CO-OP Foundation



A registered trust in recognition of the need to enhance the existing Corporate Social Responsibility (CSR) initiatives by Co-operative Bank of Kenya Limited.

Anchored within the Bank's Strategic Plan, Co-operative Bank Foundation (CBF), established in 2007, aims to implement CSR programs that increase both Economic and Social Investment in our local communities by offering sustainable solutions with shared value. Shared value aligns business strategy to genuine Social needs resulting in a Sustainable and Competitive Business entity.

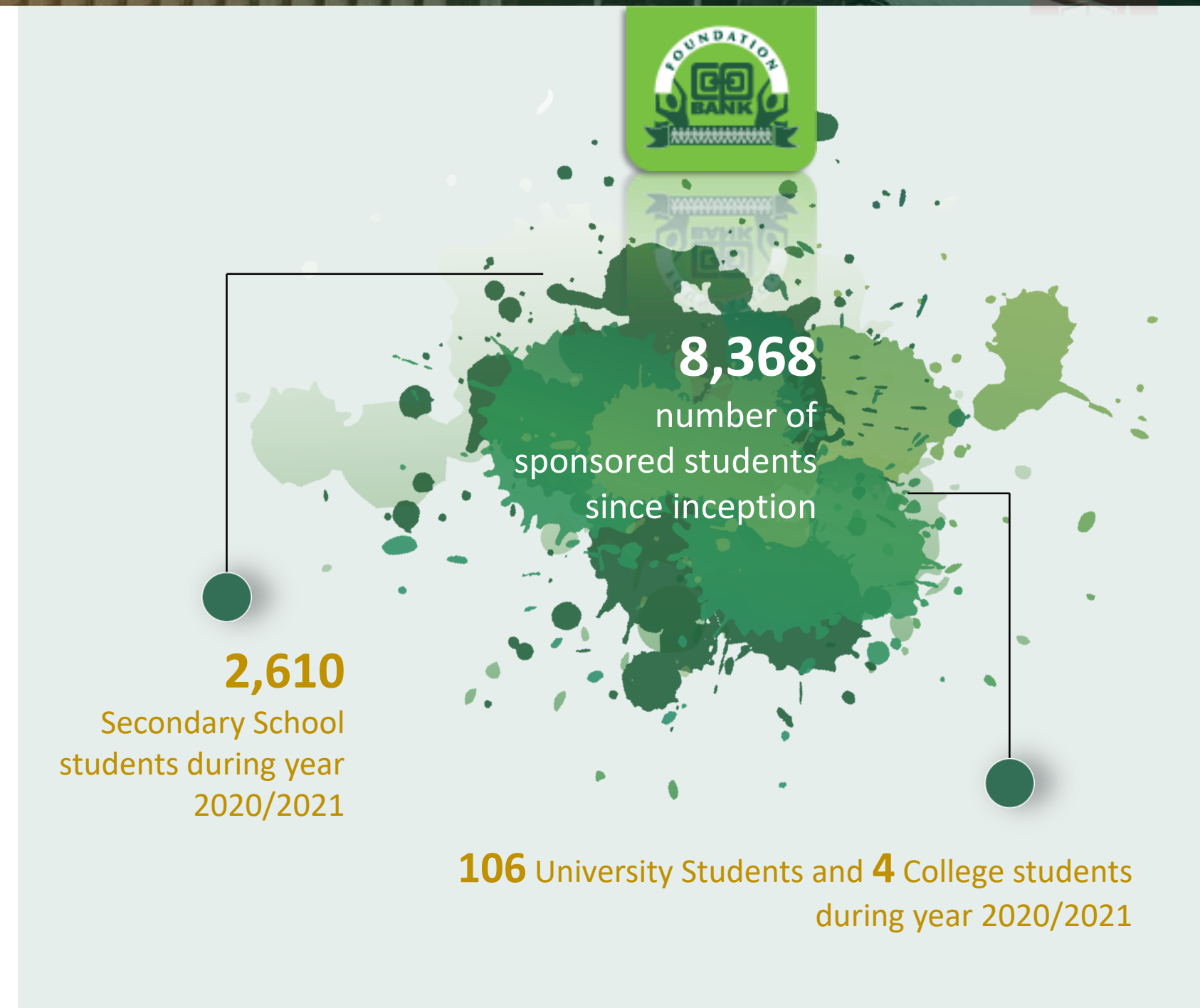
CBF programs are designed to contribute towards the achievement of the sustainable development goals as outlined in the Global Development Goals 2030. The foundation focuses on: Education, Youth and Women empowerment, Agriculture, Health and Environment as its five key pillars for poverty eradication.

## Helping Communities Thrive

To open doors for a more inclusive and sustainable future, the Co-operative Bank Foundation aims at implementing corporate social responsibility programs that increase both economic and social investment in our local communities offering sustainable solutions with shared value. It focuses on education, youth and women empowerment, agriculture, health, and environment resulting in a sustainable and competitive business entity.

Through its education program, the foundation has been able to decrease regional disparity in school enrollment and retention, promote gender equity in access to education, enhance household economic being and promote financial literacy amount youths and women.

**KES 158 million**  
spent on Co-op Foundation Education Program





## MY JOURNEY TO BEING A 10x COVERAGE & OUT OF STOCK LEAD FOR COCA- COLA AFRICA

My name is Margaret Wambui Kang'ang'i, the last born in a family of three girls. I was born and raised in Simbara village, Shamata ward, Nyandarua County. I am a Bachelor of Economics graduate from University of Nairobi with a First-Class Honors, a Certified Public Accountant in Kenya (CPAK) and I am currently pursuing an MBA in Project Management at Kenyatta University. I attribute my current success to various stakeholders, including Co-operative Bank Foundation. When I sat for my KCPE in 2009, my parents could not afford to pay for my secondary school education, because their resources had been exhausted in efforts to educate my 2 elder siblings.

My mother was a member of a Sacco and she managed to get me the Co-operative Bank Foundation scholarship via the Sacco. The Foundation fully paid for my secondary school education. I managed to pass well in my KCSE and the Foundation further offered me a scholarship for my university education after being amongst the top 28 beneficiaries. In addition, they provided me with internship opportunities throughout my campus studies. The internships enabled me to acquire the work experience that boosted my CV. This made it easier for me to get other job opportunities.

Before joining Coca-Cola, I explored working in various fields including consultancy as an Accounts Assistant, construction as a Credit Controller, and banking as an intern in various departments at The Co-operative Bank of Kenya. In August 2019, I received an opportunity to join Coca-Cola through their Graduate Management Program. The interview was conducted in four parts: including tests, group discussions and one on one interviews in South Africa. I was placed in the Customer and Commercial Leadership function, as the Commercial Analyst for East and Central Africa Franchise Unit.

## Social Investments CO-OP Foundation

I work as a 10X Coverage and Out of Stock Lead for Africa Operating unit, at The Coca-Cola Company. In my current role, I am responsible to quantum leap the combined coverage availability of our portfolio in the marketplace, through commercial programs, customer relationship engagement, and consistent supply chain fulfilment, driving high numeric distribution, which generates high share of visible inventory and outlet coverage, and therefore, increased market share. My current job gives me a lot of exposure as I get to work and interact with people from different countries and cultures- an example, my first manager was a Mexican based in Kenya, while my current manager is based in Nigeria. My teammates are also spread throughout Africa; therefore, we work in a networked manner.

I am grateful to The Co-operative Bank Foundation for all their support and for enabling me to realize my educational and career goals.

**Margaret Wambui Kang'ang'i**  
Co-op Foundation education program beneficiary



## JIJALI DEVELOPMENT PROGRAM

Social Investments  
CO-OP Foundation



Jijali is a three month training program offered to the Co-op Bank Scholarship Beneficiaries that was developed by Co-operative Bank Foundation in collaboration with a local NGO- Yusudi. Specific objective of the program is to enhance access to employment by developing their skills for a career start and entrepreneurship. Borrowed from Swahili word “Jijali”, the program seeks to foster a culture of innovation, intentionality and modernity among young people. In the past year, 110 Scholarship beneficiaries participated in the program. The training is delivered through a blended approach combining both face to face interaction with a mentor and online learning.

### Saisi Shiribwa, 28 years old, entrepreneur, founder of Pixel Design Agency

*I joined Jijali to push myself and make myself go the extra mile. I also wanted to view business from a different perspective. Having a mentor was the best part of the program. My mentor was really helpful and encouraging. In enrolling for the training, I sought to do better, but initially, I feared diving deep. Since taking the training, I have been able to perform a financial analysis of my business as well as projections. Sharing ideas with other people and getting out of my comfort zone has been fun.*

### Steve Onkeo, 26 years old, finance professional

*I had in mind the career I want to build. I needed direction though, so I joined Jijali’s Career Start Program. Through the program, I learnt how to write my CV and how to conduct myself and communicate in interviews. Prior to that, I did not know how to tailor my CV to different job positions. I also started enjoying self-learning. The workshops were awesome, very engaging and interactive. Having a mentor was my favorite part of the journey.*

Ambassador Tarja Fernández-Finland Ambassador to Kenya giving a speech to Jijali Learning participants at the Co-operative Bank Leadership and Management Centre-Karen, Nairobi.





## Social Investments

### CO-OP CONSULTANCY & BANCASSURANCE INTERMEDIARY LTD (CCBI)

Co-operative Bank today represents the number one point of financial intermediation contact for Kenya's over 15-million-member strong Co-operative movement. Directly and indirectly, Co-operatives account for 45% of Kenya's Gross Domestic Product and 30% of national savings and deposits.

Co-op Consultancy & Bancassurance intermediary -CCBI (formerly 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 on 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, CCBI has successfully conducted over 3057 business advisory mandates and trained thousands of people drawn from the co-operative movement and microfinance institutions. In 2021, CCBI conducted 87 physical pre-pandemic workshops, 16 virtual workshops and trained a total of 3,084. Over 70% of CCBI staff costs are absorbed by the bank.

The consultancy has 20 consultants and a small compliment of support staff. We worked with three donor projects (KCEP-CRAL Project, We-Effect and Bankable Frontiers Association (BFA). The work of CCBI 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.

#### Case Study

#### SACCO - A (Case Study, Nairobi County)

CCBI has been its principal advisor from formation in the year 2020 and has provided training on areas of formation, governance structure and member education on Cooperative business. CCBI has provided advisory on policy development, ICT system audit and business planning. In the year 2021 CCBI was instrumental in guiding the Sacco in complying with licensing requirements as a Deposit Taking Sacco under the Sacco Societies Act.

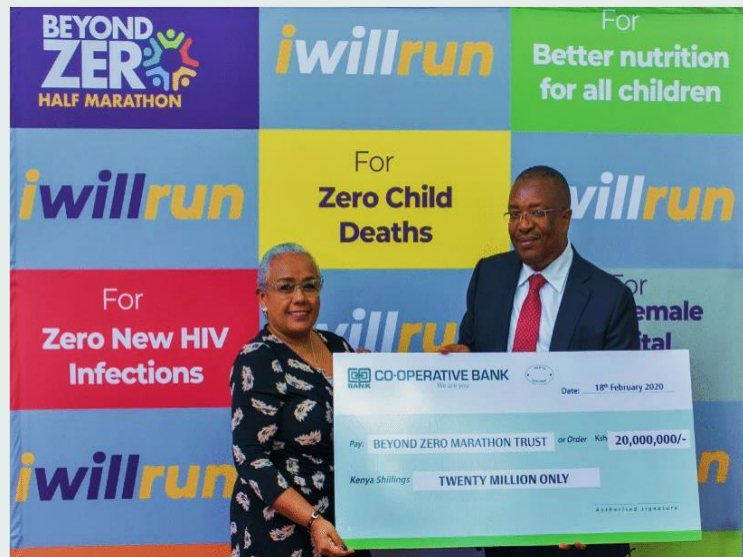
#### SACCO - B (Case Study, Kirinyaga County)

In the year 2020, CCBI worked with this farmer based Sacco in reviewing its operations for purposes of streamlining them for standardization and efficiency. In the year 2021, CCBI undertook employee and member engagements as a lead up to development of the Sacco's five-year strategic plan.

## PHILANTHROPY

### KES 20 Million

#### Donated toward the Beyond Zero Marathon



The Bank donated KES 20 million towards the Beyond Zero Marathon organized to raise awareness on various causes including access to better healthcare, zero child deaths, zero female genital mutilation, zero maternal deaths, zero child marriages amongst others.



In response to the COVID-19 pandemic, Co-operative Bank was the first institution to donate KES 100 million to the National Taskforce on COVID-19.

The Co-operative Bank staff welfare teams from various branches and departments visited various children's homes, offering relief food and other necessities during the pandemic period.

## Product and Service Responsibility

Customers expect that the products and services we provide will enrich their lives, address their needs, and support them in achieving their financial goals. We provide a wide range of product and service options to our customers while maintaining responsible sales practices so that our customers can have confidence in their banking choices and long-term financial security.

Our enterprise-wide Product Risk Management Policy provides a framework for the systematic and iterative use of available information to identify risks, including reputational risk, in our product and/or service design and post-market monitoring. It establishes consistent processes for the approval of any business activity undertaken to change or create a new product, or service respectively, including associated processes, offered to customers. Throughout the product life cycle, we work to ensure our assessment, review and approval processes account for features, risks, charges and benefits associated with the product or service.

Our staff are well trained and knowledgeable hence able to guide the customers to the financial solutions that best suit their needs. Through our Transformation Initiatives we re-engineered the teller role and now our tellers are Sales and Service advisors. We also retooled our relationship managers to be able to offer the best from our customer centric basket of products.

We have ongoing regional customer training for our MSME segments where we share best practice as we onboard them in the new MSME Packages. On dispute resolution, we have centralized all disputes through our CRM (Customer Relationship Management) system where all disputes are logged in and resolved. Enhanced cyber security assessments and monitoring using the newly established Security Operations Center ensures that all our financial solutions and customer data is well secured. We are on course in the implementation of the Kenya Banking Sector Charter.



We provide detailed disclosure on our products, services and manufactured capital in our Annual Integrated Report 2021 pg.14, 45



## Responsible Sourcing

Our Sourcing and Facilities Department works to ensure that we have a responsible and diverse network of suppliers who deliver high-quality and appropriate goods and services. We aim to procure our products and services from suppliers who share our values and demonstrate responsible practices.

When registering suppliers, we apply due diligence on parts of our supply chain that are most relevant to ESG issues including fundamental human rights, child labor, freedom of association, working conditions, equal pay, health, safety and business ethics. Our procurement processes and policies are embedded in our sourcing and facilities management manual and policy, ICT sourcing policy, fintech engagement policy and vendor management policy.

We engage our suppliers through Newspapers, Meetings, telephone calls, teleconferencing, emails and SRM (Supplier Relationship Management portal on our website) .

We ensure that our suppliers are well informed on issues to do with our strategy, market aspirations and growth to enhance our competitive edge. This is done through monthly meetings with the business teams, quarterly meetings with technical teams and business and half-yearly meetings with our senior level executives.

Sourcing and Facilities management is anchored on the following;

- Sourcing and Facilities management Manual.
- Sourcing and Facilities Management Policy.
- ICT Sourcing Policy.

We paid over **Kshs 13.7** Billion to our suppliers. Of this amount, **88%** was paid to local suppliers.

ERP system implemented for faster payments processing Vendor Propositions improved through Vendor relations office and Sourcing Department

**1378**  
local  
suppliers

**63**  
foreign  
suppliers





# Customer Experience

Co-operative Bank is committed to delivering a distinctive customer experience across all our customer touchpoints to deliver personal and connected interactions with our customers. Covid-19 drastically shifted how customers engage with their Bank, with millions of customers turning to digital banking. Because the pandemic has changed customer's expectations and financial behaviors, the Bank continues to make significant investments in technology infrastructure, digital platforms and other new technologies and solutions with a goal of exceeding market and customer needs. Complaint management is done at our Customer Experience Department which also hosts our 24/7 contact center. We view complaints as an opportunity to learn and improve and we keep customer experience at the heart of problem resolution.

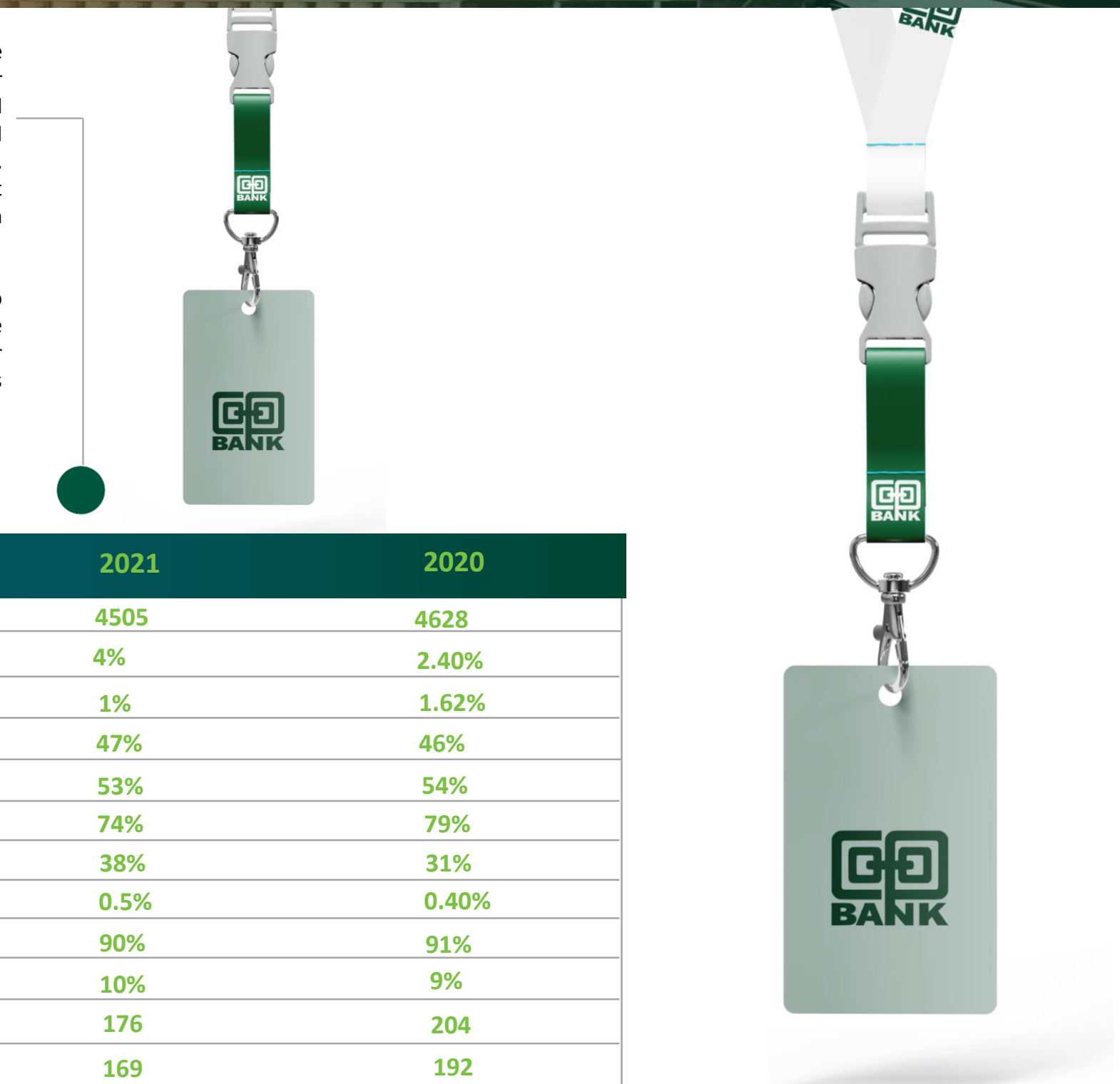
Strategic Theme		Key Strategic Performance Indicator		Key achievement	
Customer Experience that is seamless across all our touch points		<ul style="list-style-type: none"><li>Digitization of customer journeys.</li><li>Staff training on DCE (Distinctive Customer Experience)</li><li>Customer Centric Model</li></ul>		<ul style="list-style-type: none"><li>We continued implementing key customer journey digitization journeys to meet customer expectations (94% of transactions were on digital channels). Key customer project rolled out was the Omnichannel</li><li>1722 Staff members underwent training virtually and at our Leadership and management Centre on Distinctive Customer Experience.</li><li>We sustained our focus on customer centricity in our business model.</li></ul>	

Our response				
Throughout the pandemic period, we have provided safe banking channels and restructured facilities for customers who are unable to service their facilities. This response is detailed above in the Covid-19 assessment, impact and response section of this report.	Implementation of the recommendations of the Banking Industry PwDs (People living with disabilities) Pilot Project Report, by InABLE in collaboration with Kenya Bankers Association and Financial Sector Deepening (FSD Kenya). Cooperative bank Ltd was among the 7 banks that participated in the PWDs digital accessibility study.	Continued financial inclusion through all our channels; (178 branches spread in 43 counties, Mobile, Internet and Agent banking channels) to reach our customers in the most convenient and efficient manner.	Heavy investment in customer experience infrastructure such as CRM, 24-hour contact Centre, a customer centric business model and secure systems (SIEM application).	A dedicated ICT Risk Unit to ensure proactive management of cyber/data risks.
Queue time of less than 15 minutes.	Dedicated social media resources to respond to customer feedback, queries and complaints.	Optimum systems availability (over 99%)	Implementation of the Kenya Banking Sector Charter is on course.	

# Diversity & Inclusion

Co-operative Bank reflects the diversity of the communities which we serve. We create opportunities for staff to be frank and have open discussions and brainstorm ideas that enrich our diverse and inclusive work environment. the Bank endeavors to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons. Diversity includes, but not limited to, religious beliefs, gender, ethnicity, education, socioeconomic background, and geographic location. This has created an inclusive environment where individuals and teams harness strengths in diversity to maximize potential and excel in performance.

The Bank appreciates strength in diversity and ascertains the spirit of patriotism and oneness to maintain all-round staff wellbeing. Our duty to accommodate involves taking steps to eliminate disadvantage to employees, prospective employees or clients resulting from a rule, practice or physical barrier that has or may have an adverse impact on any individual or groups. This includes the hiring process as well as accommodating an individual once they are hired.





# Health & Wellbeing

The Co-operative bank demonstrates leadership and commitment in anticipating, recognizing and controlling hazards arising in our working environment that could impair the health and wellbeing of workers, and the operating environment. The protection of our staff against sickness, disease and injury related to the working environment is central issue in achieving sustained decent working conditions and a strong preventive safety culture. In achieving occupational health and safety the bank is guided by a comprehensive Occupational Safety & Health Policy, in line with the OSH Act. Of Kenya (OSHA).

Since 2016, the bank through its Wellness program has supported staff in basic health and wellness checkups i.e., body composition analysis, dental and optical screening among other health checkup packages. Other areas under our wellness program include talks and webinars on health and lifestyle.

## Mental Health

Developing a healthy and productive pool of human capital has led to better efficiency, productivity and business performance. As part of our broader wellness programs, we facilitate staff access to professional clinical advisors and counsellors on matters relating to work, health, substance abuse, relationships and general wellbeing. Supporting mental health in the workplace remains a crucial point of action as it enables our employees to cope with everyday stressors, work productively and reach their full potential.

## 2021 corporate wellness plan key focus was on financial wellness & family health

3 GOOD HEALTH AND WELL-BEING

25

Webinar talks on nutrition, lifestyle diseases and ergonomics

13

Fully furnished lactating rooms for lactating mothers

Awareness of alcohol and drug abuse through our Employee Assistance Programs (EAPs)





# Environmental

Global climate change is a reality that is permeating every area of our lives. There's increasing urgency for collective action to address the risks related to climate change, which could have a significant negative effect on the economy if mitigative and adaptive actions are not put in place.

# Environmental

Eco-Efficiency promotes 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 producing less waste and pollution.

## Resource Efficiency

We have a four-way approach towards resource efficiency:

1. Prudently managing resources (both financial and non-financial).
2. Financing green initiatives
3. Protecting Kenya's forest cover through tree planting initiatives
4. Supporting employee CSR activities that positively impact the environment

We directly and indirectly fund projects engaged in:

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

We conducted our first energy audit in 2016. We completed the second in 2020 aimed to gauge our resource efficiency, identify gaps and areas of improvement. The system enables manageable and accounting for energy usage. The bank has also established and staffed the Energy Manager office to steer the process.

## Our energy management roadmap

The bank has also drawn an Energy Management Policy Statement as a demonstration of its commitment to fulfilling the requirements of the Energy Management regulations and ultimately a cleaner, greener environment. Energy management is critical in ensuring that Cooperative 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 2020. The regulations outline various aspects that the bank has to comply with as a minimum requirement.

We report key environmental initiatives in our integrated report (Page 88-93)

<https://www.co-opbank.co.ke/wp-content/uploads/2022/05/Co-op-Bank-2021-Annual-Report-Final-Online-Version-Updated-1.pdf>

Caring for the environment



Emissions Reduction



Biodiversity



Waste Minimization/resource management



Regulatory Compliance



Ecosystem Services



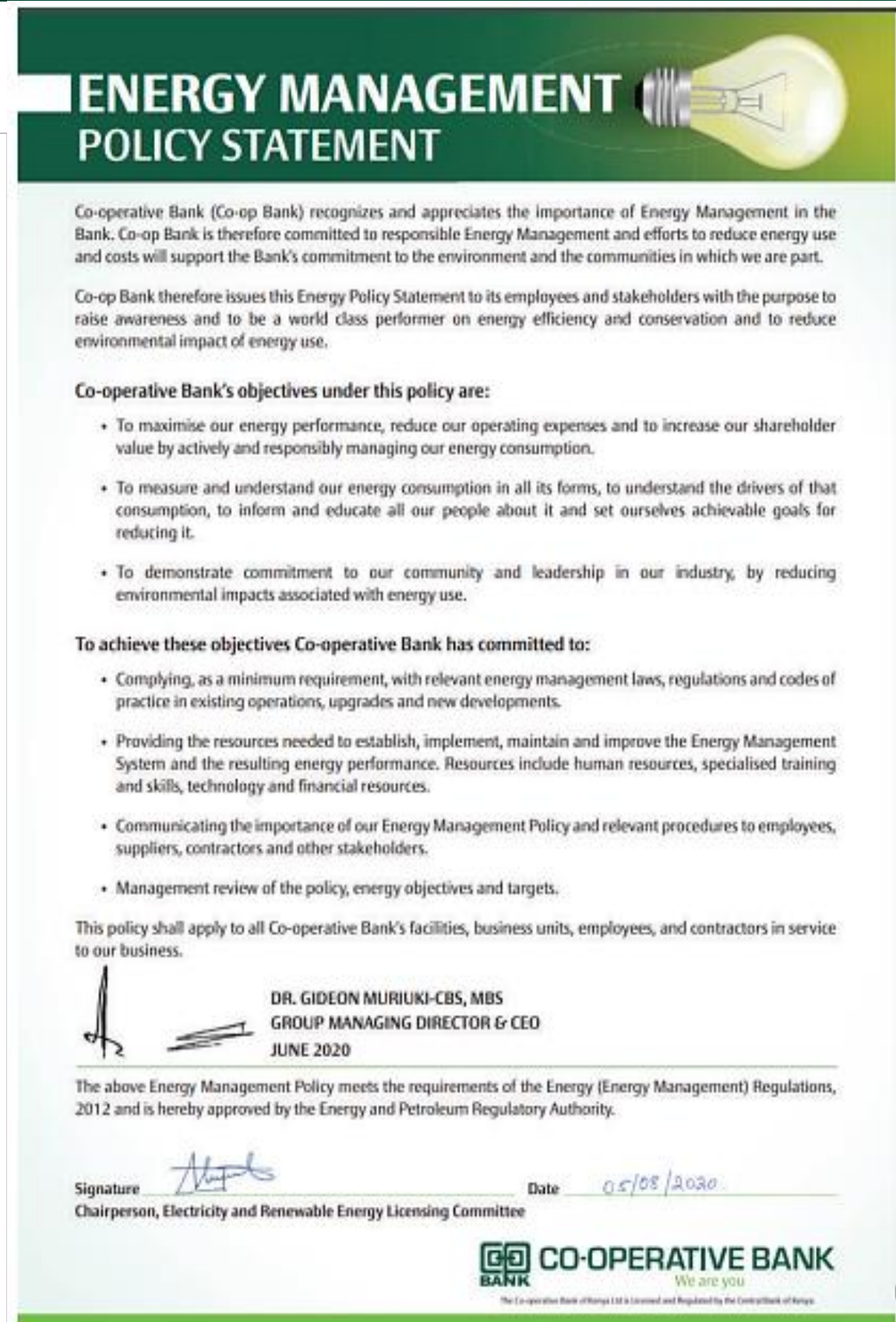


# Environmental

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:

## 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-op Cash E-Flexi and Flexi plus loans eliminating paper use. The e-loan book disbursements grew by 70.5 Billion in 2021.
- 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.
- 94% 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 advertisements 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.



# GRI content Index

Global Reporting Initiative (GRI) - Index	Disclosure	Integrated Report 2021 Reference	ESG Report 2021 Reference
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details		pg.14
	[-] Legal name of the organization	pg.6	pg.14
	[-] Ownership & legal form	pg.10,11	pg.14
	[-] Location of headquarters		
	[-] Location of operations		
	2-2 Entities included in the organization’s sustainability reporting	pg.6	pg.8,20
	2-3 Reporting period, frequency, and contact point	pg.6	
	[-] Reporting period aligned to financial reporting period	pg.6	pg.8
	[-] Publication date of report or reported information	pg.8	
	[-] Contact point for queries on the Sustainability report	pg.6	pg.8
	2-4 Restatements of information (terms of restatement provided)		
	2-5 External assurance (policy & practice process)	pg.124	
	[-] Assurance standards & basis	pg.124	
	[-] Link or reference to external assurance report(s) or statement(s)		
	[-] Relationship between the organization & assurance provider	pg.124	
	2-6 Activities, value chain and other business relationships (activities, products, services, markets served & changes in relation to any previous reporting period)	pg.11,14	
	[-] Organizations activities, products, services	pg. 11,14	
	2-7 Employees	pg.82	pg.55,56
	[-] Total number of employees by gender and region	pg.83	
	[-] Total number of permanent employees	pg.83	
	[-] Total number of temporary employees	pg.83	
	[-] Full-time employees		
	[-] Part-time employees		
	[-] Describe methodology used in collecting employee data		
	[-] Describe any significant fluctuation in the numbers of employees during the reporting period and between reporting periods.		
	2-8 Workers who are not employees (whose work is controlled by the organization)	pg.83	
	[-] Most common type of contractual work		
	[-] Describe methodology and assumptions use for data collection		
	2-9 Governance structure and composition	pg. 11,14	pg.19
	[-] Committees of the highest governance body responsible for overseeing ESG impact.	pg.26-32, 96	
	[-] Executive & Non-executive members	pg.26- 32	
	[-] Independence	pg.105	
	[-] Tenure of members on the governance body	pg.26- 34	
	[-] Number of other significant positions and commitments held by each member and the nature of the commitments	pg.109	
	[-] Gender	pg.37- 43	
	[-] Under-represented social groups		



# GRI content Index

Global Reporting Initiative (GRI) - Index	Disclosure	Integrated Report 2021 Reference	ESG Report 2021 Reference
	[-] Competencies relevant to the impacts of the organization	pg.37- 45	
	[-] Stakeholder representation		
	2-10 Nomination and selection of the highest governance body	pg.108	pg.28
	[-] Describe the nomination and selection processes for the governing body committees	pg.108	pg.28
	[-] Describe criteria used for nomination and selecting highest governance body members	pg.105,108	pg.28
	2-11 Chair of the highest governance body	pg. 26	pg.9,11
	2-12 Role of the highest governance body in overseeing the management of impacts		pg.28,31
	2-13 Delegation of responsibility for managing impacts		
	2-14 Role of the highest governance body in sustainability reporting	pg.107	pg.28,31
	2-15 Conflicts of interest	pg.106	pg.29
	2-16 Communication of critical concerns	pg.85, 107	pg.20,29
	2-17 Collective knowledge of the highest governance body	pg.105	pg.31-33
	2-18 Evaluation of the performance of the highest governance body	pg.109	
	2-19 Remuneration policies	pg.108,110	pg.30,32
	2-20 Process to determine remuneration	pg.108,110,118	pg.30,32
	2-21 Annual total compensation ratio		
	2-22 Statement on sustainable development strategy		pg.16
	2-23 Policy commitments	pg.84	pg.28.31
	[-] Policy commitments for responsible business conduct	pg.84	
	[-] Policy commitments to respect human rights	pg.84	28,30
	2-24 Embedding policy commitments		
	2-25 Processes to remediate negative impacts		
	[-] Grievance Mechanism		
	2-26 Mechanisms for seeking advice and raising concerns	pg.85,107	pg.20,29
	2-27 Compliance with laws and regulations	pg.106	pg.30
	[-] Instances of non-compliance		
	2-28 Membership associations: Industry, national, international and other membership associations.	pg.72-77	pg.20-21
	2-29 Approach to stakeholder engagement	pg.72-77	pg.20-22
	2-30 Collective bargaining agreements	pg.84	
	[-] Total employees covered by the collective bargain agreement		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pg.62-71	pg.23
	3-2 List of material topics	pg.62	pg.23
	3-3 Management of material topics	pg.62- 71	pg.23
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	pg.17	
	Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government.	pg.17	
	201-2 Financial implications and other risks and opportunities due to climate change		pg.31-,34

# GRI content Index

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	201-3 Defined benefit plan obligations and other retirement plans	pg.85, 159,234	
	201-4 Financial assistance received from government		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		
	202-2 Proportion of senior management hired from the local community		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported		
	203-2 Significant indirect economic impacts	pg.43, 79-81	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	pg.86	pg.23
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption		
	205-2 Communication and training about anti-corruption policies and procedures	pg.34,100	
	205-3 Confirmed incidents of corruption and actions taken		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	pg.46,86	
GRI 207: Tax 2019	207-1 Approach to tax	pg.160	
	207-2 Tax governance, control, and risk management	pg.160	
	207-3 Stakeholder engagement and management of concerns related to tax		
	207-4 Country-by-country reporting	pg.191	
GRI 301: Materials 2016	301-1 Materials used by weight or volume		
	301-2 Recycled input materials used		
	301-3 Reclaimed products and their packaging materials		
GRI 302: Energy 2016	302-1 Energy consumption within the organization		
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	302-3 Energy intensity		
	302-4 Reduction of energy consumption		
	302-5 Reductions in energy requirements of products and services		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource		
	303-2 Management of water discharge-related impacts		
	303-3 Water withdrawal		
	303-4 Water discharge		
	303-5 Water consumption		
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
	304-2 Significant impacts of activities, products, and services on biodiversity		
	304-3 Habitats protected or restored		
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		
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	305-3 Other indirect (Scope 3) GHG emissions		
	305-4 GHG emissions intensity		
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GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	pg.64,76,86	
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GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pg.84,87	pg.57
	403-2 Hazard identification, risk assessment, and incident investigation		
	403-3 Occupational health services	pg.87	pg.57
	403-4 Worker participation, consultation, and communication on occupational health and safety	pg.87	
	403-5 Worker training on occupational health and safety	pg.87	
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	403-8 Workers covered by an occupational health and safety management system	pg.87	
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	pg.84.73.74	pg.57
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	404-3 Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	pg.82,83	pg.55
	405-2 Ratio of basic salary and remuneration of women to men		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	pg.46,75-76	pg.51
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GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	pg.46,75-76	pg.51
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GRI 415: Public Policy 2016	415-1 Political contributions		
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	417-2 Incidents of non-compliance concerning product and service information and labeling		
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### Supplementary Details

Company Name: **Co-operative Bank of Kenya Ltd**

Headquarters: **Co-operative House, Haile Selassie Avenue, Nairobi, Kenya**

Reach Us: [esg@co-opbank.co.ke](mailto:esg@co-opbank.co.ke) , Contact Center Tel:020 277 6000, 0703027000 | WhatsApp +254736690101

To download a copy of this report, or sustainability reports from previous years, please visit the Co-operative Bank website at <https://www.co-opbank.co.ke/sustainability/>

We encourage our stakeholders to share their views on this report through [esg@co-opbank.co.ke](mailto:esg@co-opbank.co.ke)