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Heritage
Insurance Company
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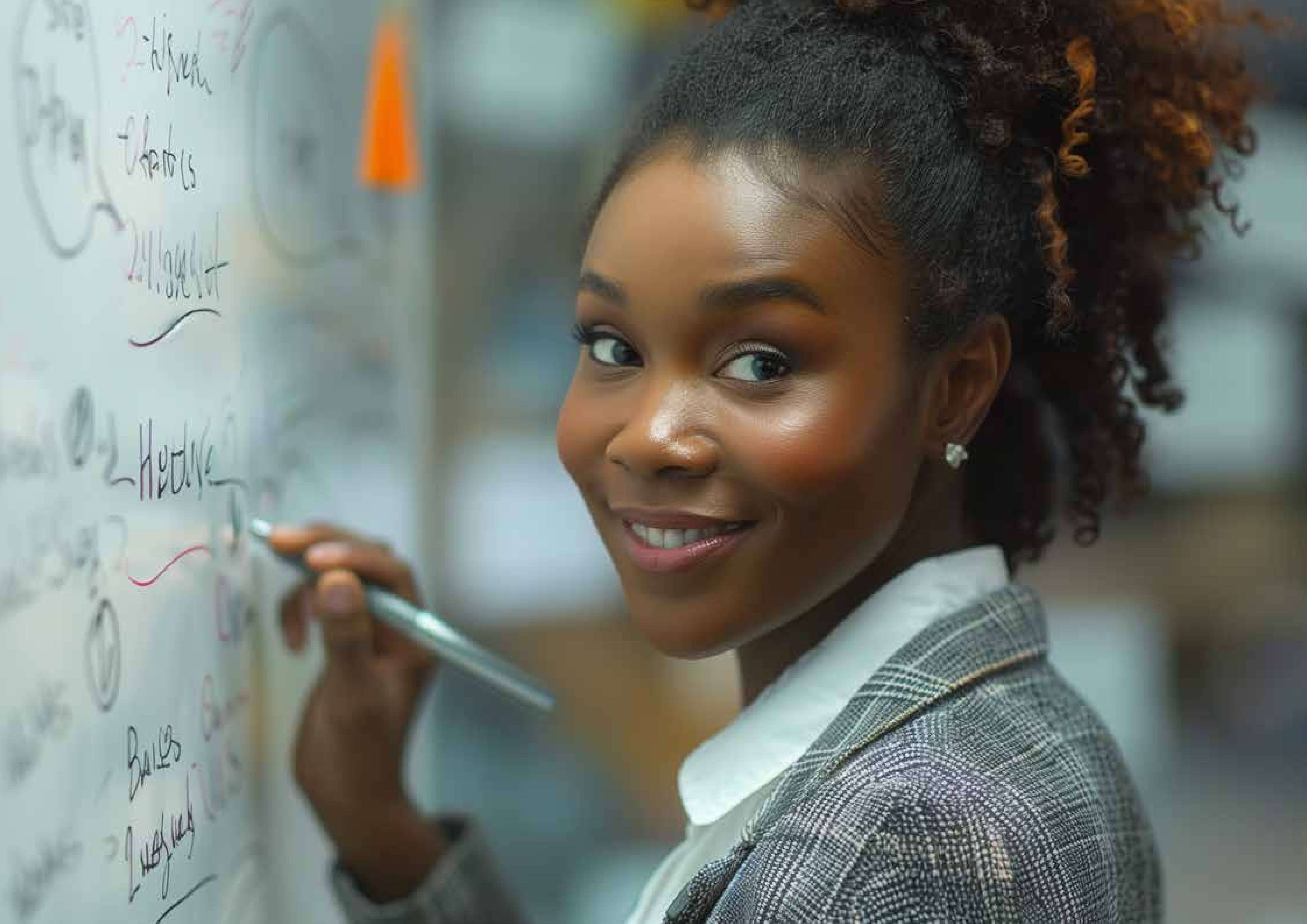
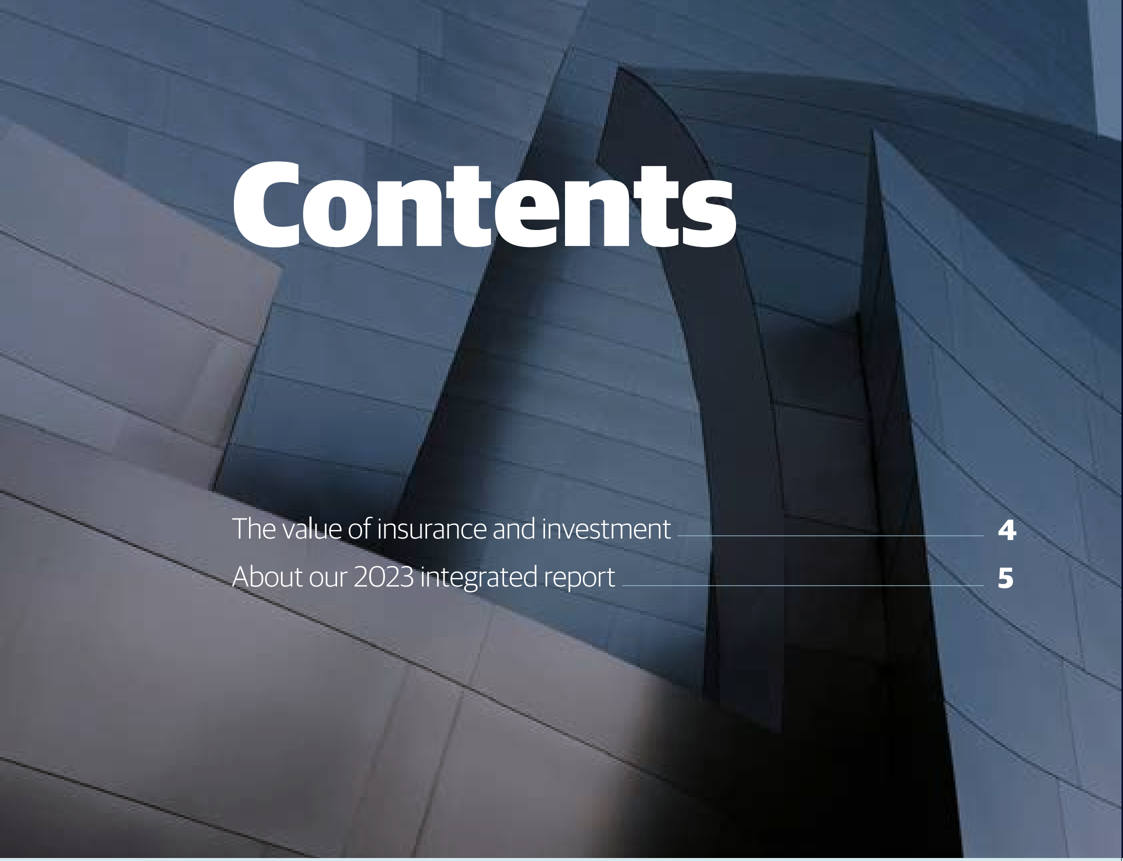
Integrated Report

Liberty Kenya Holdings Plc

for the year ended 31 December 2023

Making Financial Freedom Possible





Contents

Our strategy to create value

Our business

A review of 2023

The value of insurance and investment

Insurance and investments are contracts in which an individual or entity pays an insurance company a fixed, agreed amount in exchange for financial security or reimbursement of losses resulting from a covered event. Through the pooling of risk and sound investment strategies, the insurance industry plays a critical role in the economic development of a community, region or country.

Insurers facilitate an efficient way to accumulate wealth toward a goal for example, provide funding for retirement.

General insurance provides protection against the occurrence of uncertain events such as accidents, loss, fire and theft.

Long-term insurance and investment products offer mechanisms to save for example for retirement or a child's education.

Life insurance provides the insured with peace of mind that their beneficiaries and themselves will receive financial support in the event of their death, disability or critical illness.

Medical insurance is a hedge against unexpected health related expenses.

The long-term nature of insurance contracts and the industry's regulated risk based approach, mean that the assets entrusted to the industry remain in the financial markets for extended periods of time. This capital formation creates a stable environment through the allocation of assets according to market forces.

Through insurance, enterprises and individuals can expand and assume economic risk without setting aside or raising additional capital to protect against the risk of an adverse event. Insurance encourages investment, innovation and competition. Economies grow through the taking of risks, and a well-developed insurance market encourages this.

Long-term (life) insurers, through their understanding of an individual's risks and needs, promote solutions that efficiently allow for saving for that individual's retirement and preservation of lifestyle. This activity complements the objectives and benefits of insurance.

Through the pooled pricing of risk, insurance cover encourages efficient risk management. Both client and insurer are therefore incentivised and benefit from sensible risk management, reducing the client's premiums and claims against the insurer. This process influences investment decisions and contributes to the development of the economy.

Private insurance (be it health, third-party motor vehicle, disability or redundancy protections) represents an important additional pillar to or alongside the protections provided by the state. Reducing the state's obligations in these areas promotes investment into other economic growth priorities.

Due to global events, communities are at increased risk of adverse events which have significant negative impacts on their lives. If these communities are to survive and thrive, the provision of insurance products is vital. If these economies are to grow, the provision of insurance products is vital. Through innovative insurance products and their increasing ability for digital distribution, insurance fosters sustainable financial growth for individuals, families and micro- and small-scale businesses.

About our 2023 integrated report

"An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term."[1]

Our reporting scope and boundary

This report is the primary report of Liberty Kenya Holdings Plc (the company) and its subsidiaries (together, Liberty or the group) to its stakeholders, and is a concise, material and relevant assessment, reviewed and authorised by our board of directors (the board) of how we create and preserve long- term value and how we deliver on our purpose of improving people's lives by making their financial freedom possible.

The report provides an overview in terms of the six capitals of our strategy and value creation model, operating context, material risks and opportunities, operational and governance performance and activities for the financial year ended 31 December 2023. Any notable or material events after this date and up until the approval of this report by the board are also included. Financial amounts provided are for the group, the long-term insurance operating subsidiary or the combined results of the short-term operating subsidiaries, unless expressly stated otherwise. Non-financial indicators are only provided for the Kenya based operating subsidiaries.

Our audience

We identify our key stakeholders as being those individuals or organisations that have an interest and impact on our ability to create and preserve value in the short, medium and long term.

Clients	**Employees**	**Shareholders and investors**
Partners	**Regulators and governments**	**Communities and civil society**

Frameworks and other reports

This report has been prepared in accordance with the International <IR> Framework (January 2021) of the Value Reporting Foundation, the Capital Market Authority's Code of Corporate Governance for Issuers of Securities in Kenya (the Code), the Kenya Companies Act, 2015 (the Act) and the Nairobi Securities Exchange (NSE) Listings Requirements.

PwC issued an unmodified opinion on the group's 2023 annual financial statements. The group's financial information has been prepared in accordance with IFRS® Accounting Standards and in conformity with the Act.

Materiality

We consider material matters to be those issues that could substantively affect our ability to create value over time. As part of our commitment to understanding and providing information on our material matters, we involve senior decision-makers within the group to identify them, considering our business model, strategy and operating environment, and the interests of our key stakeholders as expressed by them during our normal business engagements with them.

In providing the basis for a broader understanding of the risks and opportunities inherent in our business, our process of determining the material matters that pertain to our activities is central in guiding our decision-making and underpinning our strategy.

Through research and analysis, and our engagement with stakeholders, we strive to identify and gain insight into the environmental, social and governance (ESG) issues that present significant risks, and/or provide opportunities to our business and our ability to create and deliver value for stakeholders.

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance and operations, and refers to certain global, regional and domestic political, social and or macroeconomic conditions. By nature, these forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict, and therefore beyond our control. The conditions described could thus cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

[1] International <IR> Framework January 2021

About our 2023 integrated report continued...

Our six capitals

Liberty's ability to create sustainable value is reflected in increases, decreases or transformations of the capitals caused by our business activities and outputs. Value can be considered to be that created for Liberty itself, for stakeholders and society in general.

Our relevance and ability to create long-term value, now and in the future, are interrelated and fundamentally dependent on the capital available to us. This includes how we use this capital to realise positive returns to the capital providers. It also includes the value it delivers to business growth and sustainability as well as to communities and society.

We consider six forms of capital:

Financial capital Shareholders' equity and funding from investors and clients, which is used to support our business and operational activities.

Manufactured capital Business structure and operational processes, including our physical and digital infrastructure, which provide the framework and mechanics of how we do business.

Human capital Culture and our people, investing in their development and our collective knowledge, skills and experience to enable delivery of innovative and competitive solutions for our clients.

Social and relationship capital Citizenship and stakeholder relationships, including relationships with our clients, partners, intermediaries, and the communities in which we operate.

Intellectual capital Brands, strategic partnerships, innovation capacity and the products we offer clients.

Natural capital Impact on natural resources through our operations and business activities.

Assurance

We employ a combined assurance model to assess and assure various aspects of the business operations, including elements of external reporting. The group audit and risk committee oversees our combined assurance model. Assurances provided to the board are underpinned by management, relevant functions and external sources, and reviews performed by internal and external audit.

The scope of services performed by our external assurance providers refers to the Liberty Kenya Holdings Plc annual financial statements (AFS). While this integrated report has not been audited, it does contain certain information extracted from the aforementioned AFS, on which PwC issued an unmodified audit opinion.

Directors' approval

As a fundamental principle of its commitment to full and transparent compliance with all laws, regulations and standards applicable to it, the board ensures adherence to the standards and practices of good corporate governance, and to the principles, practices and recommendations set out under the Code as well as the Act.

The board acknowledges its responsibility to ensure that reports issued by Liberty enable stakeholders to make informed assessments of its performance and its short-, medium- and long-term prospects. It also acknowledges its responsibility to ensure the integrity of Liberty's external reports, including the 2023 integrated report. The board believes it has fulfilled these responsibilities.

The board further considers that the integrated report is prepared and presented materially in compliance with the International <IR> Framework (2021). The directors have applied their judgement to the disclosure of Liberty's strategic plans and ensured that these disclosures do not place Liberty at a competitive disadvantage.

The board unanimously approved this report and authorised its release on 24 May 2024.

For and on behalf of the board:

Philip Odera
Chairman

Kieran Godden
Group Chief Executive Officer

Our business

History and ownership

Liberty Kenya Holdings Plc (Liberty) is the investment holding company of The Heritage Insurance Company Kenya Limited (including a 60% controlling interest in Heritage Insurance Company Tanzania Limited) and Liberty Life Assurance Kenya Limited. Liberty is a subsidiary of Liberty Holdings Limited (Liberty Holdings), which is a wholly owned subsidiary of Standard Bank Group Limited. These two South African based financial services groups offer a broad range of financial services to individuals and businesses.

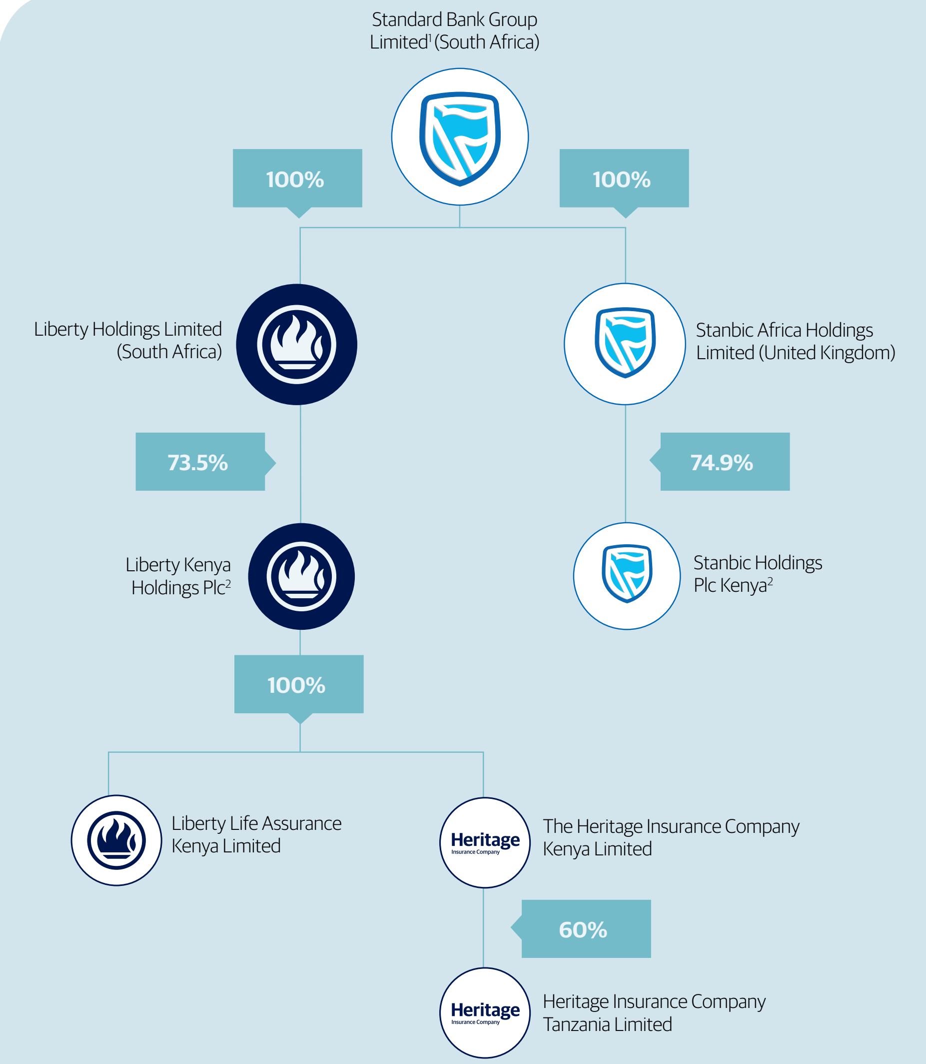
Standard Bank regards Kenya as a strategic growth market that will support its vision to be a leading insurance organisation across sub-Saharan Africa, delivering exceptional experience and superior value to the group's clients.

Liberty Life Assurance Kenya Limited (Liberty Life)

Liberty Life has provided insurance services in Kenya since 1964 and continues to offer a range of attractive investment, retirement, life and education solutions to individuals and businesses.

The Heritage Insurance Company Kenya Limited (Heritage)

Heritage Insurance has provided a range of insurance services for over 50 years. The company's origins trace back to 1976 with the merger of Norwich Union Fire Insurance Society and The Legal and General Insurance Company. Heritage Insurance Kenya has a 60% ownership interest in Heritage Insurance Tanzania.



[1] Listed on the Johannesburg Stock Exchange
[2] Listed on the Nairobi Securities Exchange

How we work

We are driven by our commitment to do the right business the right way. This commitment is supported by our purpose, strategy and leadership principles.

Why we exist

To assist in providing financial freedom for our customers

We nurture our relationships and skillfully navigate risks to deliver products that help our clients mitigate life's unplanned traumatic events and grow their wealth. We are focused on creating shared value and having positive impacts on the lives of our clients, partners, employees, and the greater society.

We remain resolute in developing competitive value propositions for our clients, driving efficiency through simplification and managing risk appropriately while deploying capital efficiently and effectively.

Strategy

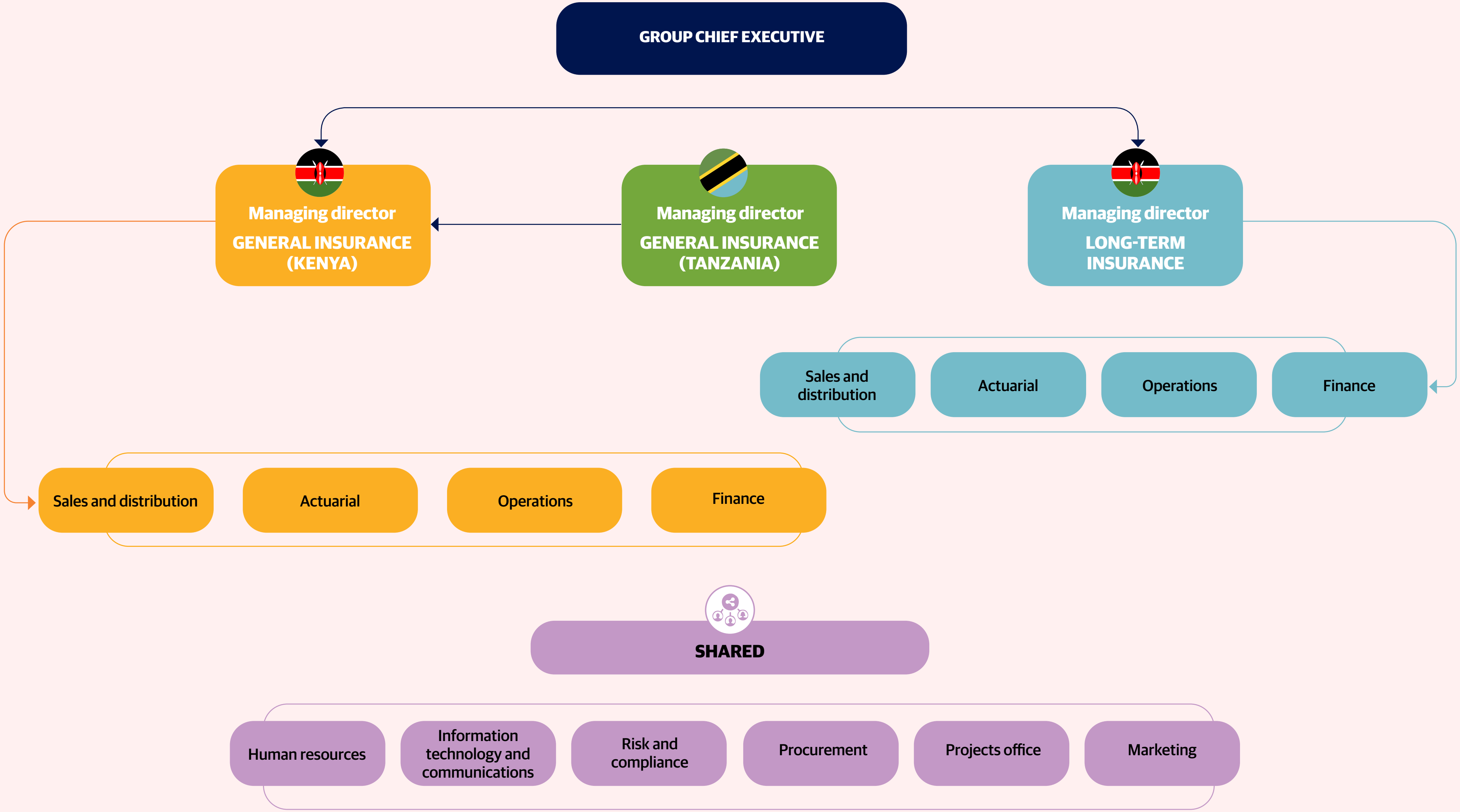
Liberty's medium-term strategy is to achieve a leading position in the Kenyan insurance market through focused initiatives which build on the strategy of the Standard Bank insurance and asset management business unit, modified to accommodate both the internal and external contexts of Liberty. We aim to create value for all our stakeholders while exceeding our clients' expectations relating to value adding products and best-in- class service levels.

Leadership principles

Liberty strives for a culture where each employee takes accountability and responsibility for ensuring that we do the right business the right way and that our resources are managed responsibly. This is influenced by setting the tone at the top and having values, ethics and practices to support the achievement of our purpose.

Imagine it's possible. **Act with humanity.** **Do what matters.**

Operating structure



Our operating environment

Liberty operates in a dynamic and complex environment, with constantly emerging risks and opportunities.

Our markets

Insurance penetration in Kenya increased marginally from 2.29% of GDP in 2022 to 2.33%. Kenya has the fourth highest insurance penetration in Africa after South Africa, Morocco, and Egypt (2021 statistics). The market spans 56 insurance companies, 5 reinsurance companies, 13 808 intermediaries and 415 insurance service providers, skewed towards the general insurance market. Corporate-based general, life and health insurance play a prominent role in the market, as do compulsory lines, such as third-party motor insurance. Total gross written premiums in the 2022 calendar year approximated KShs 141 billion (USD 1.07 billion) for the life insurance sector and KShs 170 billion (USD 1.26 billion) for the non-life sector[1]. To further enhance growth of the sector; the Insurance Regulatory Authority has rolled out a Micro-insurance Framework that will contribute to increased penetration coverage for individuals with low income.

In 2022, the Tanzanian insurance sector consisted of 36 insurance companies, 4 reinsurance companies, 108 insurance brokers and 922 insurance agents. The industry's total premiums reached TZS 1,155 billion in 2022 (USD 602 million) of which 77% related to non-life products. Commercial insurance penetration in Tanzania has remained steady at approximately 0.7% of GDP[2].

What remains a low level of insurance penetration in both countries can be attributed to a variety of factors, including:

- Low level of awareness among customers
- Low disposable incomes for much of the population
- A perceived credibility crisis of the industry, particularly regarding the settlement of claims
- A lack of a savings culture
- Inadequate tax incentives to encourage the purchase of life insurance products
- A community culture that reduces the need for insurance as the burden is shouldered by the community, through fundraisers and group contributions.

The principal emerging trends or conditions that could significantly impact Liberty's strategy, financial strength, competitive position, or reputation in the medium to long term (three years or more) are:

- Economic conditions
- Macro-policy uncertainty
- Regulation- both change and consistent enforcement
- Technology developments
- Competition
- Climate change.

[1] Insurance industry report 2022. Association of Kenya insurers
[2] Insurance market performance report 2022. Tanzania Insurance Regulatory Authority. October 2023

Economic conditions

Kenya's real gross domestic product was projected to grow by 5.1% in 2022. While still Throughout 2023, both the Kenyan and Tanzanian economies demonstrated remarkable resilience in the face of global challenges. In Kenya, the economic landscape was marked by a blend of opportunities and obstacles, with several sectors contributing significantly to its overall performance. The key highlights are:

Growth outlook: Kenya's economy displayed resilience with a moderate growth outlook of approximately 5.3% in 2023, supported by robust performances in sectors such as agriculture, manufacturing, services, and construction. Factors influencing GDP growth included government policies, global economic trends, and domestic investment, albeit tempered by the escalating debt burden.

Agriculture: The agricultural sector remained a cornerstone of Kenya's economy, with crops like tea, coffee, horticulture, and maize playing pivotal roles. Ongoing efforts to boost productivity, enhance value addition, and expand market access contributed to the sector's stability.

Manufacturing and industrialisation: Kenya continued its emphasis on industrialisation and manufacturing as primary drivers of economic expansion. Initiatives aimed at bolstering local industries, attracting investments, and enhancing infrastructure supported the sector's growth trajectory.

Services sector: The services sector, encompassing finance, real estate, tourism, and information technology, remained integral to Kenya's economic fabric. Innovations in fintech and digital services bolstered the sector's growth and competitive edge.

Infrastructure development: Strategic infrastructure projects such as roads, railways, ports, and energy facilities played a vital role in facilitating economic activities and regional trade. However, investments in infrastructure were constrained, with nearly half of total expenditure allocated to debt servicing, limiting room for development.

Investment climate: Kenya continued to attract foreign direct investment (FDI) across various sectors, reflecting confidence in its economic potential. Improvements in the business environment, regulatory frameworks, and ease of doing business bolstered investment inflows.

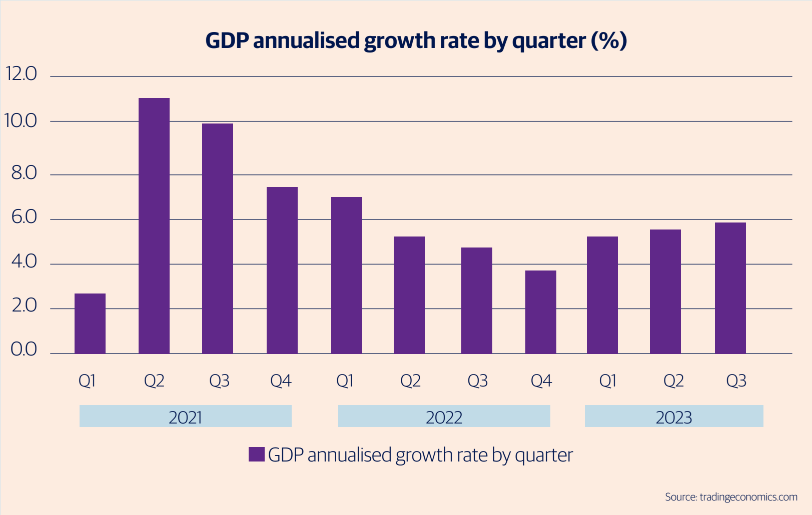
Inflation and monetary policy: Inflation rates, closely monitored alongside monetary policies, aimed at maintaining price stability and supporting economic growth. The Central Bank of Kenya implemented measures to balance inflationary pressures while aiding economic recovery.

Our operating environment continued...

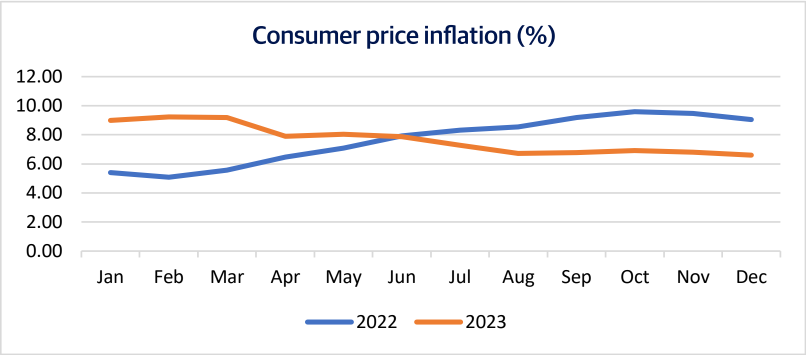
Challenges: Despite positive indicators, Kenya grappled with challenges including fiscal deficits, debt sustainability, unemployment, and socio-economic disparities. Addressing these necessitated a multi-faceted approach focusing on prudent fiscal management, job creation, and inclusive economic policies. Implementation of these policies has not been optimal.

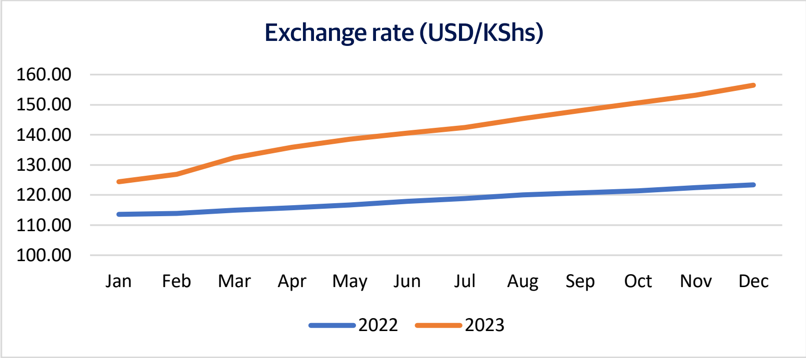
In addition, rapidly increasing yields on government debt, reflecting negative investor confidence negatively impacted returns achieved on these investments.

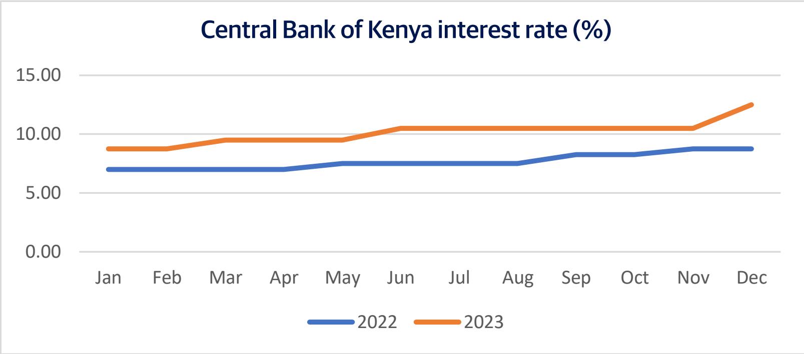
Kenya's full-year real GDP was projected to grow by 5.3% in 2023, a notable increase from 4.8% in 2022, surpassing the Sub-Saharan Africa average growth of 3.9%. The Central Bank of Kenya's inter-bank rate reached 12.50% in December 2023, the highest since September 2012, reflecting tightened monetary policy.



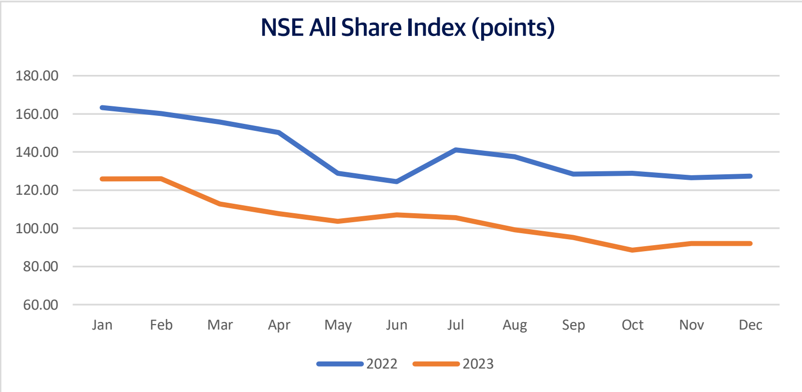
Inflation averaged 7.7% in 2023, up from 7.6% in 2022, driven by rising commodity prices in transport, housing, utilities, and food. The Kenyan shilling depreciated by 27% against the US Dollar, closing the year at KShs 156.46, with the NSE All Share Index ending 28% lower.



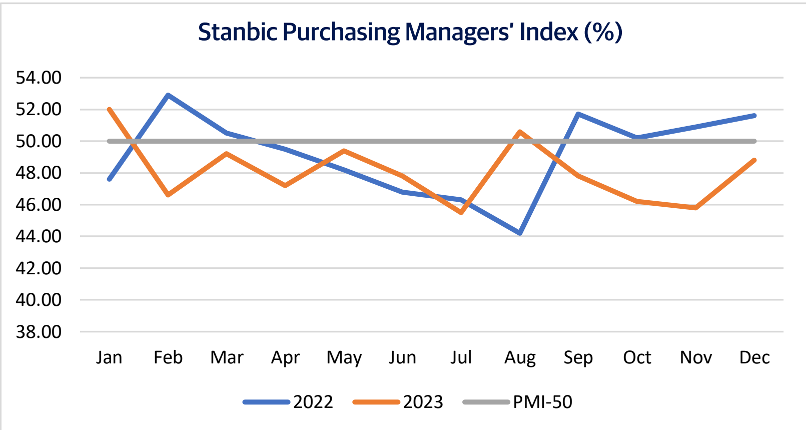




Our operating environment continued...



These factors have made 2023 another difficult year for Liberty to deliver investment returns for clients and secure new business as the increasing interest rates, rising cost of living, and falling investment markets have all inhibited spending and investment by corporate and individual clients. Internally, cost control has been key during this period. While prudently managing policyholder funds has proved challenging, Liberty has ensured it remained within fund mandates.



The Stanbic PMI generally trended below 50 indicating an ailing economy.

Macro-policy uncertainty

Kenya enjoys a stable macroeconomic environment. 2023 began with the new Kenya government settling in after difficult elections and an unsuccessful petition to the supreme court. The new government was formed amidst high debt, a depreciating shilling, high inflation, high costs of living and a generally ailing economy.

In 2023, Kenya's macroeconomic policy was strategically oriented towards ensuring robust economic stability, sustainable growth, and resilience amidst prevailing domestic and global challenges. The key facets of Kenya's macroeconomic strategy during this period included:

Fiscal prudence: The government stated it intended to adhere to a fiscal policy framework designed to optimise budgetary management, enhance revenue generation, and prioritise expenditures judiciously. This approach was aimed at reducing fiscal deficits, managing public debt levels effectively, and fostering greater efficiency in public spending. During the year the government implemented additional tax measures on employed individuals and businesses through an increase in PAYE, an increase in the turnover tax rate, and the attempted reintroduction of minimum tax among others. Housing levy and social health insurance fund increases were also seen as attempts by government to raise revenue.

Monetary stability: The Central Bank of Kenya (CBK) implemented a prudent monetary policy focused on maintaining price stability, supporting sustainable economic expansion, and safeguarding the stability of the financial sector. This included strategic interest rate adjustments, liquidity management measures, and vigilant monitoring of inflationary trends.

Exchange rate management: Kenya maintained a flexible exchange rate regime, with the CBK intervening as necessary in the foreign exchange market to mitigate undue volatility and ensure the stability of the Kenyan shilling vis-à-vis major global currencies. The government allowed the shilling to depreciate in 2023 to find its true value, resulting to a steep depreciation of the currency.

Inflation control: The CBK adopted an inflation-targeting framework, endeavouring to keep inflation within a defined target range conducive to economic growth. Monetary policy decisions, including adjustments to policy rates, were made with a keen focus on prevailing inflation dynamics and broader economic indicators.

Debt sustainability: Recognising the importance of prudent debt management, Kenya pursued strategies aimed at optimising debt structures, diversifying funding sources, and accountability in debt-related transactions to ensure sustainable debt levels.

Sectoral support: Targeted support measures were extended to pivotal sectors, specifically agriculture, through the import and distribution of subsidised fertilizer. This was aimed at lowering the cost of food and by extension inflation.

Social welfare initiatives: In response to socio-economic challenges exacerbated by the COVID-19 pandemic, Kenya bolstered social safety nets and welfare programs. These initiatives were aimed at supporting vulnerable segments of society, promoting inclusive growth, and mitigating poverty and inequality. This was seen through the advancement of the housing levy to support affordable housing and the social health insurance fund.

Our operating environment continued...

Regulation- both change and consistent enforcement

2023 saw several regulations enacted that either impacted or affected the insurance industry. The Insurance (Amendment) Act, 2023 introduced various offences under the Insurance Act. Offences now attract significant penalties of up to KShs 30 million for insurers and KShs 10 million for their authorised representatives (individuals). According to the insurance regulator, these changes have been introduced as deterrent measures to motivate accountability and observance of the fiduciary duties of directors/principal officers of insurers, as well as to ensure senior management of insurers discharge their professional responsibilities with the highest standard of care (due diligence).

The Social Health Insurance Act and Social Health Insurance Regulations, 2024 was enacted to establish the Social Health Insurance Fund (SHIF) to replace the NHIF. The SHIF Regulations, 2024 were gazetted in March 2024 to give effect to the provisions of the SHIF Act by facilitating a mandatory registration of every person resident in Kenya and the access to the highest attainable standards of health. The government's target date for mandatory registration of all Kenyan citizens with the SHIF is 1 July 2024.

The AML/ CFT Laws (Amendment) Bill, 2023 was enacted and aims to empower Regulators in various industries (IRA, CMA, CBK) to enforce compliance by their licensees with applicable AML/CFT Regulations. IRA, for instance, now has the power to enforce compliance of its licensees (consolidated with group-wide / affiliated companies) with AML laws.

The Retirement Benefits Act (subsidiary legislation/ Regulations) on Income Drawdown Funds; Individual Retirement Benefit Schemes; Occupational Retirement Benefit Schemes and Umbrella Retirement Benefit Schemes was enacted and the impact is that affected insurers will be required to review the Trust Deed and Rules (TDRs) of their respective schemes and align them accordingly, within twelve months from the commencement date. The amendments include the requirement for individual income drawdown clients to receive an annual member statement containing certain minimum information.

From a Liberty perspective, regulation, particularly in Kenya, is generally improving the framework of the financial services industry but enforcement remains an area of improvement (consistency and capacity).

Technology

Technological trends in the insurance industry are shaping how companies operate and interact with customers. Key trends noted globally include:

Digital transformation: Insurance companies are increasingly adopting digital technologies to streamline processes, improve customer experience, and enhance operational efficiency. This includes digitizing paperwork, implementing digital claims processes, and offering online policy management. This has been taking place at various levels of technological integration and at varied speed within the different companies.

Customer experience enhancements: Technologies like mobile apps, self-service portals, and personalised recommendations based on data analytics are enhancing the overall customer experience, making it more convenient and tailored to individual needs.

Data analytics and AI: Insurers are leveraging big data analytics and artificial intelligence (AI) to gain insights into customer behaviour, assess risk more accurately, detect fraud, and personalise offerings. AI-driven chatbots are also being used for customer service and support.

Insurtech innovation: The rise of Insurtech startups is driving innovation in areas such as peer-to-peer insurance, on-demand insurance, parametric insurance (based on predefined triggers), and digital platforms that connect insurers with customers and partners.

Cyber insurance: With the increasing threat of cyberattacks, cyber insurance has become a crucial product for businesses. Insurers are developing specialised policies to cover cyber risks and offering services such as risk assessments and incident response.

Competition

The insurance sector in Kenya comprises 56 resident companies, while Tanzania has 36, all engaged in intense competition within a limited market characterised by low insurance penetration and more focussed towards corporate business. The primary classes of insurance uptake include motor, medical and fire industrial. The large number of insurance companies within small economies makes the environment very competitive. This heightened competitive environment has led to aggressive pricing strategies including undercutting and non-compliant remuneration structures. Identifying profitable segments aligned with market growth objectives remains a significant challenge. Traditional distribution channels for product sales have primarily relied on brokers and agents. However, challenges arise from weak enforcement of regulations prohibiting intermediary administrative fees and ongoing premium collection by brokers and agents, resulting in increased costs and higher capital requirements to cover outstanding debts. The fierce competition has also led to client driven insurance solutions in the life assurance space, leading to many companies developing products with guarantees as demanded by clients.

Advancements in technology and digitalization present opportunities to reduce dependence on intermediaries (agents and brokers) by establishing direct customer channels. This approach enables the delivery and monitoring of superior customer service, reducing reliance on third-party relationships in insurance product distribution. However, these opportunities also bring heightened competition from standalone Insurtech firms focused on customer-centric models from inception. Additionally, traditional competitors can leverage point solutions provided by enabling Insurtech companies for functions such as underwriting, claims processing, and online distribution platforms, enhancing their customer-facing capabilities.

Climate change

The impact of climate change is reflected in increasing global temperatures and warming oceans. These changes have resulted in changing weather patterns, in particular related to rainfall – both the timing and the extent. East Africa has experienced both drought and flooding impacting people and food supply chains.

The concentration of carbon dioxide in the atmosphere is now 50% higher than before the industrial revolution[1]. As a result, 2023 was on average the hottest year since accurate records began. Climate change mitigation and adaptation remain at the very top of the global and African agendas.

These changes are expected to result in increased claims for insurers, particularly general and health insurers. Many reinsurers are raising prices, limiting coverage, and even exiting certain markets to improve returns. Close monitoring of claims patterns has become crucial in order to respond proactively.

Kenya, like most African countries, is disproportionately affected by climate change while having limited responsibility for the underlying causes. Kenya is actually leading in a number of areas of climate responsibility. Renewable energy sources generate over 80% of Kenya's electricity currently, placing the country well on its way to meeting its goal of transitioning to 100% clean energy by 2030. However, this will require creativity, not only to expand on Kenya's rich natural potential for geothermal energy, but also to harness the country's wind and solar resources. Kenya is also a strong player in the voluntary carbon credit market (VCM). In 2022, Kenya was the second largest issuer of VCM carbon credits in Africa, after the Democratic Republic of the Congo, with large global companies the leading buyers.

[1] NASA.

Stakeholder engagement

Our stakeholders are the individuals, groups and organisations that affect or could be materially affected by our business activities through the provision of products and services. Liberty is committed to understanding and responding to the interests and expectations of all legitimate stakeholders.

Our stakeholder management mandate is to build a superior image and reputation for Liberty. This image and reputation is evaluated by the level of trust of our clients and partners. Our legitimacy depends on demonstrating social relevance through creating and sharing value with all stakeholders and is achieved through a proactive approach to engaging with them.

Our primary stakeholders are those aligned with Liberty's strategic value drivers, being:

Clients – both retail and corporate

Partners – including brokers, agents, banks and affinity partners

Employees – the foundation of what we do

Regulators – including industry regulators, governments and tax authorities

Shareholders and investors – controlling and minority non-controlling shareholders including prospective investors

Civil society – our immediate and related communities, including consumers and non- governmental organisations

Direct, one-on-one engagement with stakeholders is our preferred approach. This method is possible with direct clients, partners, employees, regulators and the majority shareholder.

Direct client communication occurs through authorised agents (intermediaries), client experience centres and the relationship managers within the operations. The client experience centres perform reactive engagements through various mediums, including call centres, emails and branch walk-ins. Clients have access to a variety of other channels to communicate with us, including social media and web-based platforms. Proactive engagements regarding renewals, policy maintenance and premium collection are conducted by client portfolio managers.

Many of our corporate client engagements occur through partners.

Health insurance members receive annual health screenings, regular health talks and product education.

All partner engagements are direct, using Liberty's dedicated business development teams embedded in our operating structures to target distinct partners, from agents to brokers, with appropriate and necessary communication. Most of our partner engagements are targeted at delivering a client's needs. Engaging with the Association of Kenya Professional Insurance Agents provides a further avenue to understand and appreciate the needs of our agents, both tied and independent.

Employee engagements are conducted through the line management structure within Liberty, using both formal and informal mechanisms to gain insight into their needs and ensure they understand their roles. Employees undergo regular review appraisals during which they are encouraged to express their concerns and issues which impact on their productivity. Townhall meetings and other less structured communication channels are also used to engage with our employees.

We engage directly with regulators and tax authorities on specific Liberty issues. As a member of the Association of Kenya Insurers (AKI) we engage with regulators and government on an industry basis.

Engagement with civil society is through our boards, employees and corporate social responsibility activities. We also work closely with AKI by dedicating human resources to appropriate AKI committees that lobby for consumer awareness and protection. The group is an active member of several forums organised by AKI that are focused on the growth and advancement of the insurance industry.

We regularly communicate with our non-controlling shareholders through shareholder notices, press announcements and reports on our website. At our annual general meeting, shareholders are afforded the opportunity to ask questions of the board and management.

The majority shareholder deploys representation to the boards of every Liberty group company. In addition, management support and oversight is provided by both a dedicated team of professionals focused on Africa regions outside of South Africa and various control functions that set Liberty Holdings group policies.

Legitimate stakeholder concerns

Liberty is committed to understanding and responding to the needs and expectations of all stakeholders and partnering with them to find lasting solutions. The following primary concerns of our stakeholders, identified through proactive and reactive engagements are considered in setting Liberty's long-term strategy as well as our operating structures and processes.

Stakeholder concerns

Clients

- Appropriate solutions that meet their needs
- Meeting investment return expectations
- Appropriate pricing and transparency of products
- Quality service
- Sustainability of the business

Employees

- Job security
- Career progression
- Skills development
- Fair remuneration
- Ethical culture

Regulators and governments

- Treating clients fairly
- Capital adequacy and sustainability
- Compliance with laws and regulations
- Adequate protection over cybercrime and data privacy
- Collection and payment of taxes
- Participation in industry forums to enhance industry competitive opportunity, sustainability, reputation and relevance

Partners

- Joint value generation
- Quality service
- Product training, support and marketing
- Competitive products and services
- Sustainability of the business

Shareholders and investors

- Sustainable and adequate financial returns
- Delivery of strategy
- Capital adequacy and sustainability
- Appropriate governance, ethics and market conduct
- Accurate and transparent reporting
- Achievement of growth targets

Communities and civil society

- Fair business practices
- Corporate social investment
- Access to financial services
- Appropriate ethics and market conduct
- Consumer education

Our leadership at 31 December 2023

Liberty Kenya Holdings board of directors

Philip Odera (65)

Group chairman

Appointed: September 2016
Completed years of service: 7

Mr. Philip Odera was appointed as a non-executive director of Liberty Kenya Holdings Plc in September 2016, and as chairman of the board in October 2018. Philip is a banker by profession, having held a variety of assignments across different geographies over the last 31 years, including in Kenya, Uganda, Tanzania, Malawi, Nigeria, Democratic Republic of Congo, Pakistan, Malaysia, and Singapore.

Philip was with Standard Bank for 15 years, where he held various senior positions, including CEO of Stanbic Bank Kenya, South Sudan, Uganda, and Malawi. He was also the deputy managing director of Stanbic Bank Tanzania and CEO of Citibank in the Democratic Repulic of Congo.

Philip completed his entire pre-university schooling in Kenya before admission to St. Lawrence University in New York, USA for a degree in Economics, obtained in 1980. This was followed by an MBA in Finance obtained from Suffolk University in Boston. Subsequently, he has attended several leadership programmes conducted by leading institutions such as Duke, Harvard and Cambridge universities, as well as Standard Bank and London Business School. Philip is the chairman of the director's affairs and remuneration committee.

Kieran Godden (49)

Group Chief Executive Officer and Executive Director

Appointed: August 2023
Completed years of service with the international Liberty group: 25

Mr. Kieran Godden was appointed Group Chief Executive Officer and Director in August 2023. He is a highly regarded actuary and statistician with a BSc (Hons) and MSc from the University of Johannesburg. He is also a fellow of the Actuarial Society of South Africa.

He began his career as an actuarial assistant in 1998 and rose through the ranks to become the head of actuarial services for the Liberty South Africa Corporate Benefits Division in 2002. He later held positions as a divisional director and chief financial officer of Liberty Corporate in South Africa.

Kieran worked in Nigeria for a total of five and a half years, working for both Liberty Insurance Nigeria and Total Health Trust Limited, a subsidiary of the larger Liberty Group, where he served as Chief Financial Officer and later, Chief Executive Officer.

Mike du Toit (61)

Non-executive director

Appointed: August 2008
Completed years of service: 15

Mr. Mike du Toit is a professional banker with qualifications from South Africa and the United Kingdom. He has had a successful career in the financial services industry in sub-Saharan Africa, having worked and lived in Botswana, Mozambique, South Africa, and Uganda.

He joined Liberty in 2008 and served as the company's Managing Director and Liberty Group's Regional Executive for East and Central Africa until his retirement in March 2022, during which time he was primarily responsible for strategic growth initiatives, governance and stakeholder engagement.

Prior to this he was Managing Director of Stanbic Bank Limited, having led the merger of the Stanbic and CFC groups. His extensive experience and strategic leadership extend to his roles on the boards of all group associated insurance companies across the region.

Peter Gethi (58)

Non-executive director

Appointed: December 2009
Completed years of service: 14

Mr. Peter Gethi, who was appointed to the board in December 2009, is a notable alumnus of the University of London with a BSc (Hons) degree in Agriculture Economics. He has extensive managerial experience in agriculture business management, having served as general manager of Kilimanjaro Plantations Limited (TZ) and senior group manager of SCEM Limited (formerly Standard Chartered Estate Management).

He works as an Agricultural Consultant and is involved with Real Estate Development as the Managing Director of Nebange Ltd. He is the immediate past chairman of Heritage Insurance Kenya Limited and Liberty Life Assurance Kenya Limited and a director of The Heritage Insurance Company Tanzania Limited, Stanbic Holdings Limited and Stanbic Bank Limited.

Peter serves on the group audit and risk committee and the director's affairs and remuneration committee. He is also chairman of SBG Securities Limited in Kenya.

Liberty Kenya Holdings board of directors continued...

Jeff Hubbard (59)

Non-executive director

Appointed: June 2017
Completed years of service: 6

Mr Hubbard is currently the Liberty Holdings representative on the Liberty Kenya Holdings board. He holds a BCom degree from the University of Cape Town and is a registered chartered accountant with SAICA.

Jeff has 39 years' working experience, including extensive experience in financial reporting and management. Having begun his career at Deloitte and Touche in 1985, Jeff has held several financial director roles for large entities across different industries. He joined Liberty South Africa in 2004 as head of financial reporting, responsible for group financial and regulatory reporting and oversight and training of business area chief financial officers. Subsequently, Jeff has held various positions in Liberty including the position as the group's chief financial officer and sponsoring executive over Liberty's non-SA operations on the African continent.

Jeff serves on the director's affairs and remuneration committee.

Rachel Mbai (58)

Independent non-executive director

Appointed: August 2020
Completed years of service: 3

Ms. Rachel Mbai, a renowned lawyer specialising in real estate and property management, property acquisition/disposal, and development, was appointed as a director of the company in August 2020. She holds an LLB (Hons) degree and is a partner at Kaplan & Stratton, a firm she joined in 1991 after being admitted to the High Court of Kenya as an Advocate.

She is the head of the firm's real estate practice, which is widely recognized as a market leader by international ranking agencies Chambers Global and Legal 500. Her work includes property acquisition, disposal, and development, property law, property finance, loan securities, and private client work. In addition to her professional accomplishments, Rachel is a director of the Bob Collymore Foundation, the Muthaiga Country Club, the Kenton College Trust, and a trustee of The Njenga Karume Trust.

She is a highly accomplished professional who has made significant contributions to the real estate industry. She is also a dedicated philanthropist who is involved in a number of charitable organisations.

Rachel serves on the group audit and risk committee.

Catherine Mitchem (52)

Independent non-executive director

Appointed: October 2023

Ms. Catherine Mitchem has over 20 years' cross-discipline experience in financial services, ICT and the pharmaceutical sector. She holds a Bachelor of Science degree from Delaware State University.

She is currently serving on the board of the Heritage Insurance Company Kenya Limited, besides holding leadership roles in the financial services sector. She has supported the growth of several African companies through her innovative technology solutions and financing counsel.

She is a Co-founder of Barani Capital Limited. Barani is a corporate finance and investment advisory services company. She is currently an executive director at QED Solutions Ltd (QED), a Kenyan IT solutions provider.

Catherine is the chairman of the group information technology committee.

Rajesh Shah (66)

Independent non-executive director

Appointed: May 2020
Completed years of service: 3

Mr. Rajesh Shah is a fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Kenya (ICPAK), with a career spanning over 40 years in professional services.

He graduated in 1979 from the University of Leeds with first-class honours with distinction in mathematics. He articled with Ernst & Young, England and qualified as a chartered accountant in 1982. He trained as a computer audit specialist in 1983 and joined Price Waterhouse, Kenya in 1985 and worked in all lines of service of PwC. Rajesh is known for leading complex advisory and tax assignments in various sectors across the region.

Rajesh is the executive chairman of V2R Managing Limited, a business consultancy, and chairman of the Jain Social Group Nairobi, a charitable organisation. He serves as the chairman of the group audit and risk committee and is a member of the group information technology committee.

Liberty senior management

Godfrey Kioi (59)

Managing director – The Heritage Insurance Company Kenya Limited

Appointed: 2014
Completed years of service with the Liberty group: 10

Mr Godfrey Kioi holds an MBA (Finance) and a BSc (Hons) in Accounting. He is a CPA(K) and a CPS(K), and is SAP certified.

Godfrey is currently the managing director of The Heritage Insurance Company Kenya Limited and a board member of Heritage Insurance Company Tanzania Limited. Prior to this, he held senior positions in finance and investments at leading insurance companies in Kenya. He has sector experience in auditing, manufacturing, banking and insurance. Over the years, he has served on various committees of the Association of Kenya Insurers (AKI), contributing to the development of the insurance industry in Kenya.

Nkoregamba Mwebesa (56)

Managing director designate – Liberty Life Assurance Kenya Limited

Mr Nkore Mwebesa holds a Masters in Business Administration, a Bachelor of Arts Degree from the University of Nairobi and is a registered member of the Institute of Certified Investment and Financial Analysts.

Nkore has 33 years of experience in the financial services sector. He joined the group from the Central Depository and Settlement Corporation Limited where he held the role of Chief Executive Officer. Nkore previously worked at Stanbic Bank as the Chief Executive of SBG Securities and Head of Equities East Africa; and was the managing director STANLIB Kenya.

In September 2023, Nkore was identified as the designated replacement for the retiring managing director. He will assume this role once the necessary regulatory approvals have been received.

Fostering value creation – corporate governance

Well-defined governance structures are embedded, supporting our ability to create and preserve value, while guarding against value erosion.

Liberty Kenya Holdings Plc views the application of good corporate governance practices as key to achieving an appropriate and sustainable return on investment for its shareholders, while fulfilling its social mandate to improve the quality of life for all stakeholders.

The board has embraced the Capital Market Authority's (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code).

The board of directors is responsible for the governance of the company and is committed to fulfilling its fiduciary responsibilities. It has instituted various frameworks to ensure that the company maintains the highest standards of good governance.

Corporate governance assessment report

To assess the level of compliance with sound governance practices, the Code requires that a competent and recognised professional, accredited by the Institute of Certified Public Secretaries of Kenya, performs an annual external governance audit. An issuer is eligible for a two-year governance audit cycle where it has demonstrated that the findings of the audit are being proactively implemented.

A corporate governance audit was conducted for the 2021 financial year and the governance auditor's opinion was that the board had established, implemented and overseen an effective governance framework structure, and the control environment was consistent with the legal and regulatory requirements, internal policies, and good governance practices in the interest of all stakeholders. The company has addressed the recommendations from the 2021 governance audit and intends to commission the next governance audit in the financial year ending 31 December 2024. The outcome of the governance audit will be published on the company's website.

Liberty conducted a corporate governance self-assessment for the year ended 31 December 2022 and submitted the results to the CMA. After considering management's responses to the provisional CMA findings, the CMA issued its final report, concluding "the company has continued to demonstrate its commitment to good governance and sustainability". The company received an overall governance leadership score of 80%, an improvement from the previous year where the company scored 75%.

A governance self-assessment for 2023 has been completed by the end of the first quarter of 2024 to confirm the company's progress, and the board's intention is that all outstanding matters are resolved by the end of the 2024 financial year.

The company's self-assessment for 2023 is available on our website at https://www.libertykenya.co.ke/corporate_governance.php

Legal and compliance

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy.

The Code requires that a comprehensive independent legal audit be conducted at least once every two years. For those years in which an independent legal audit is not performed, an internal legal and compliance audit should be conducted. The company has not undertaken an external legal and compliance audit to date, except for the work undertaken by the company's external auditors. This was an area noted by CMA for implementation. The board appreciates the need for the external legal audit and is committed to undertaking one in the financial year ending 31 December 2024. The outcome of the external legal audit will be reported to the shareholders.

The board has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards, and is supported by legal and compliance professionals. The group assesses the impact of proposed legislation and regulation. The group and subsidiary audit and risk committees receive quarterly reports on the status of compliance with applicable laws and monitor the status of any non-compliance matters.

In addition, the group's external tax consultants conduct annual tax health checks to confirm compliance with tax legislation. The board and the operating companies' audit and risk committees receive quarterly updates on tax matters and controls. The group is also in the process of establishing a specialist tax function.

The board has mandated an internal audit assessment of the group's compliance with the Data Protection Act, to be conducted in the 2024 year.

Statement of compliance

During 2023, Liberty Kenya and its subsidiaries were compliant in all material respects with the requirements of the Companies Act and Regulations, the Insurance Act and Regulations and Guidelines, the Retirement Benefits Act and Regulations, and all tax legislation.

No material fines or legislative penalties were incurred or paid by any group companies.

Code of ethics

Liberty understands that where there is trust, business and society flourish. The board subscribes to the highest level of levels of ethics and integrity in conducting Liberty's business and in dealing with stakeholders. All Liberty employees and representatives are expected to act in a manner that reflects the company's values and culture, builds trust and inspires confidence in the brand.

The board has approved a formal code of ethics that prescribes the group's approach to business ethics and its obligations to clients, partners, advisers, shareholders, employees, representatives, suppliers, the public, and the authorities.

The group ensures that its governance framework monitors the ethical climate within the organisation. Towards this end, all employees, upon joining the company and on an annual basis, are required to commit to the code of conduct and ethics. The board is not aware of any breaches of the company's code of ethics.

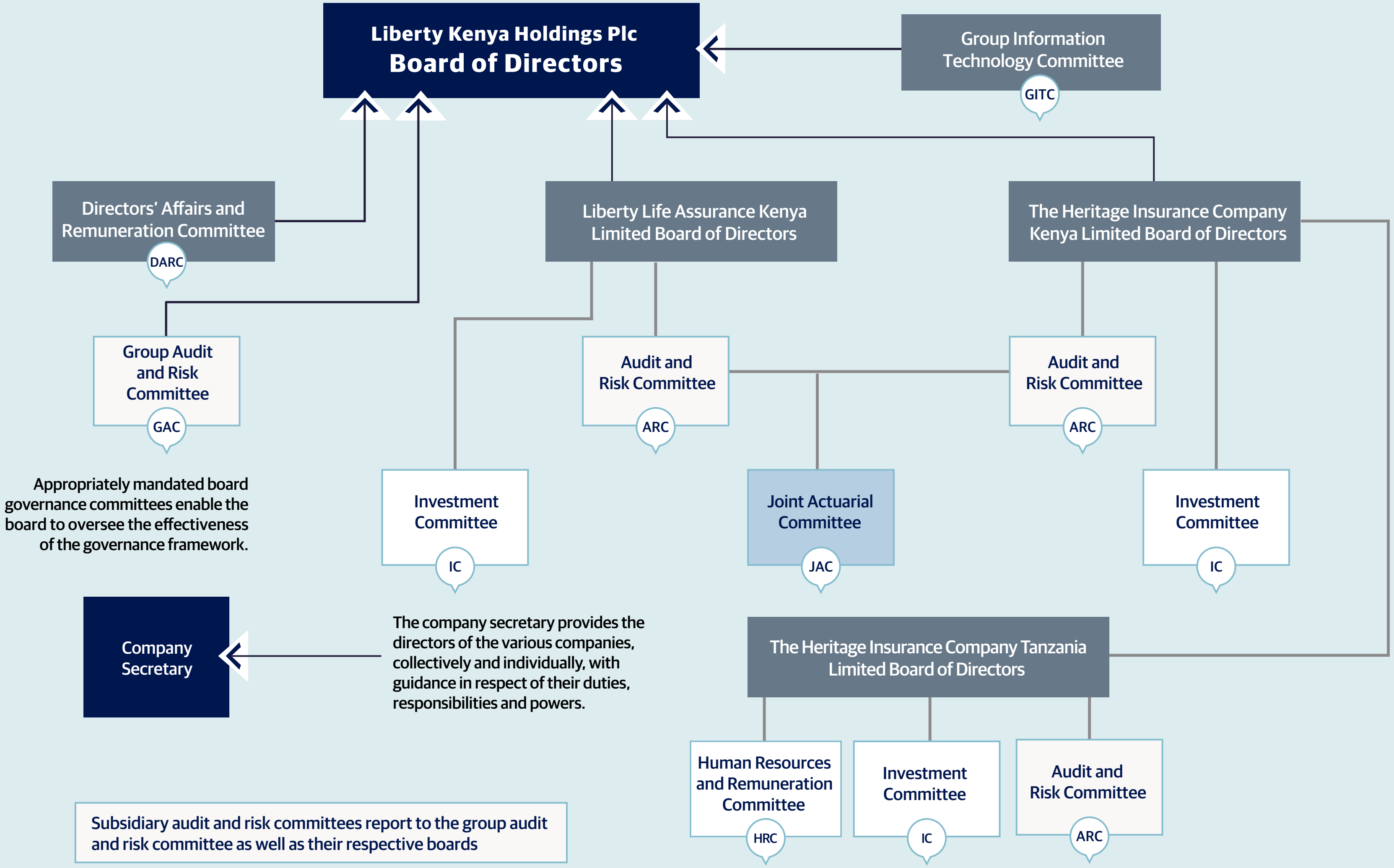
More detail regarding our code of ethics can be found on our website at https://www.libertykenya.co.ke/corporate_governance.php

Our code of ethics

Liberty and its subsidiaries are committed to maintaining the highest standards of ethical behaviour, to upholding ethical standards in all its activities, and to complying with all prevailing laws that are applicable to its business and the public and private environments in which it operates. For Liberty to be regarded as ethical, we will strive towards a shared commitment to the same principles and behave according to the same ethical standards.

Governance structures at Liberty

The board applies responsible governance in managing the business within the approved risk appetite through various committees and subsidiary boards. The boards and standing committees depicted below are appointed under the guidance of the group directors' affairs and remuneration committee. The board is accountable for effective governance within Liberty. Furthermore, the board is responsible for establishing clearly defined roles and responsibilities, thereby ensuring that its responsibilities are delegated to the appropriate individuals, functions or committees.



Governance approach at Liberty

Liberty's governance structures and processes provide sound and prudent management and oversight of the group's businesses in the interests of all stakeholders. These structures and processes support and enhance the ability of those responsible for the governance of the business (the board, senior management and heads of key functions) to manage the business effectively and create value.

Liberty's governance structures and processes create value for all stakeholders by

- Enhancing our understanding of risk
- Balancing upside return opportunities with the cost of the risk taken
- Allocating financial capital and resources to value-creating activities
- Building legitimacy through ethical leadership
- Protecting the Liberty brands and reputations through responsible behaviour
- Adopting an inclusive approach to business

The board of directors

The company has a unitary board structure. At 31 December 2023, the board consisted of eight directors, drawn from diverse backgrounds and bringing a wide range of experience, insight and professional skills to the board. Their particulars are set out on pages 18 and 19.

The duties of individual board members include:

- Exercising independent judgement and objectivity in decision making
- Acting in good faith, honestly, with integrity and reasonably
- Exercising due care and diligence
- Acting in the best interests of the group and its clients.

The board directs the group and provides an independent review of all issues of strategy, performance, resources and standards of conduct. The board meets on a quarterly basis and holds an annual strategy meeting. Additional meetings are arranged when necessary.

To facilitate full and effective discussions at the meetings, comprehensive board papers are circulated ahead of time. Members of the board have regular contact with the executive management of the operating subsidiaries, both formally and informally.

Details of board and committee meeting attendance are provided in the table on page 28.

Board accountability and delegation

The board acknowledges its responsibility for the effective governance of Liberty and ultimate control of the group's various businesses, as well as providing clear strategic direction. It is the responsibility of the board to ensure clearly defined roles and responsibilities for its committees, subsidiary boards and the group chief executive, and that key functions are in place.

The board is satisfied that all the group entities have operated in conformity with their Articles of Association in all material respects.

Board independence

The executive element of the board is balanced by a strong group of independent directors so that no individual or small group of individuals can dominate the board's decision-making, ensuring that all stakeholders' interests are protected. In addition, there is a majority of non-executive directors that are not influenced by the controlling shareholder. Key principles that enhance overall shareholder value and protection are:

- The roles of the non-executive chairman and group chief executive are separate
- Seven of the directors are non-executive, with three of the seven non-executive directors being independent
- Non-executive directors do not hold service contracts with the group
- All directors have access to the advice and services of the company secretary and are entitled to seek independent, professional advice on the affairs of the group, at the group's cost. No director sought such advice during 2023.

Changes in board membership

All appointments to and resignations from the board are conducted in accordance with the Articles of Association and are disclosed to the shareholders and the public. In accordance with the Articles of Association, at least one-third of the directors retire by rotation at each annual general meeting and are eligible to seek re-election. At the 2023 AGM Mr. Philip Odera and Mr. Jeff Hubbard retired by rotation and, being eligible for re-election, were re-elected as directors.

Following the retirement of Mr Mike du Toit as chief executive in 2022, Mr Kieran Godden, having received regulatory approvals, was formally appointed as Liberty Kenya Holdings PLC chief executive officer and managing director effective 1 August 2023. Ms. Gladys Ogallo resigned as a member of the company's board effective 30 September, 2023. To fill the casual vacancy created by Ms. Ogallo's resignation, the board appointed Ms. Catherine Mitchem to the board effective 1 October 2023. Ms. Catherine Mitchem will be subject to election at the company's Annual General Meeting. More details of Ms. Mitchem's qualifications and experience are provided on page 19.

More details of Mr. Godden's qualifications and experience are provided on page 18.

Induction of new board members and director development

Newly appointed directors undergo a comprehensive induction programme to ensure their effective contribution to the board. The induction, amongst others, covers the nature of the group's business and its organisational structure, board and committee mandates, financial performance review over the previous financial periods as well as the role, duties and responsibilities expected of directors.

Directors receive an induction pack which comprises the Memorandum and Articles of Association, board mandates and directors' code of ethics, committees' terms of reference and minutes from previous board meetings.

To ensure maximum participation in continuous learning for directors, themes for training are scheduled in advance and form part of the board-approved annual calendar. Directors continuously enhance their knowledge to increase their effectiveness in overseeing the company and the group. In 2023, board trainings met the minimum training requirement by the CMA and the following topics were covered:

- Treating Customers Fairly principles;
- AML and Financial Crime;
- Corporate governance;
- IFRS 17 Refresher trainings; and
- Sustainability.

Separation of powers and duties of the chairman and the group chief executive

The chairman and the group chief executive have distinct and clearly defined duties and responsibilities. The separation of the functions of the chairman (a non-executive director) and the group chief executive supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities, and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

Director independence

The board, through the directors' affairs and remuneration committee, conducts an annual assessment of each director's independence to ensure that the board maintains a ratio of at least one-third of directors being independent. The group considers a director who meets the requirements of the CMA Public Offers, Listing and Disclosure regulations as independent.

At 31 December 2023

3/8

of the company's directors were independent

To ensure efficacy and enhance business understanding efficiency, appropriately skilled directors of the holding company may be appointed to the boards of the company's operating subsidiaries. Liberty does not believe that these appointments impact on the directors' independence as they serve a single shareholder base. As part of its commitment to good governance, the board is gradually reducing cross-directorships, where a director on the holding company board also sits on a subsidiary board. As at the date of this report, no director classified as an independent non-executive director serves on more than one subsidiary board. The board has taken note of the changes to the CMA Regulations, reducing the period of service within which a director may be classified as an independent director from 9 to 6 years, and is reviewing its succession planning matrix. Notwithstanding a director's status on the board, all directors recognise that they are collectively responsible to the shareholders and stakeholders for the long-term sustainability of the company.

Closed sessions

Non-executive directors meet without management present in closed sessions as the need arises. The primary objective of these sessions is to provide non-executive directors with an opportunity to test thoughts and insights among peers. The chairman provides feedback from the closed sessions to the group chief executive.

The company secretary

There have been no changes in the holder of the office of company secretary in the year, being Ms. Doreen Onwong'a. Ms. Doreen Onwong'a is a partner at Qwasha Corporate Services LLP, part of KN Law LLP. She is an advocate of the High Court of Kenya and holds a Bachelor of Law (LLB) degree from the University of Nairobi. She is a member of the Law Society of Kenya, a registered practicing certified secretary and an accredited governance auditor. Doreen also oversees the company secretarial duties for the company's Kenyan subsidiaries.

The company secretary, in consultation with the group chief executive and the board chairman, ensure effective flow of information within the board and its committees and between senior management and non-executive directors. She is also a central source of guidance and advice to the board, and the company, on matters of statutory and regulatory compliance and good governance.

The board of directors has considered and satisfied itself that the company secretary is competent, appropriately qualified and experienced to fulfil her role as company secretary of the group. Furthermore, the board is satisfied that the company secretary maintains an arm's length relationship with the board of directors. The company secretary is not a director of the company.

Board mandate

The board operates in terms of a mandate. This mandate sets out the key values and principles of the board of directors. It provides a concise overview of the roles and responsibilities of the board of directors, powers of the board and board committees, separation of roles between the board and management, and the practice of the board in respect of corporate governance matters.

The board mandate includes the following key responsibilities:

- Approve and review the composition and mandate of the group board of directors, the board committees, and the chairs of all board committees
- Consider the removal, resignation and retirement of directors, appoint or remove the managing and other executive directors, statutory actuary and the group company secretary
- Ensure consideration is given to succession planning for the chairman and group chief executive as well as other executive directors and executive managers
- Agree the group's objectives considering that its strategy and risk profile are aligned with the performance levels and sustainability concerns of stakeholders
- Agree the strategies and plans for achieving these objectives
- Be responsible for corporate governance and risk governance of the group, including information technology (IT) governance
- Delegate to the group chief executive or any director holding any executive office or any senior executive any of the powers, authorities and discretions vested in the board's directors, including the power of sub-delegation
- Ensure that disputes with stakeholders are resolved as effectively and efficiently as possible and that alternate dispute resolution processes and mechanisms are in place for all key stakeholders
- Ensure compliance with applicable laws, non-binding rules, codes and standards
- Assume ultimate responsibility for financial, operational and internal systems of control and ensure adequate reporting on these by the committees to which they are delegated
- Approve the remuneration of non-executive and executive directors on the board and board committees and recommend to the shareholders for approval, where necessary
- Ensure that an adequate budget and planning process exists, and that performance is measured against budgets and plans
- Approve annual budgets for the group
- Approve significant acquisitions, mergers, take-overs, divestments of operating companies, equity investments and new strategic alliances by the company or its subsidiaries, and disclose all material interests in such proposed corporate activity
- Consider and approve any significant changes proposed in accounting policy or practice and consider the recommendations of the audit and actuarial committee
- Consider and approve the annual financial statements, interim statements, dividend announcements and notices to shareholders
- Review and monitor the performance of the group chief executive and the executive team.
- Consider any related party transactions
- Regularly perform an evaluation of the board, its committees and the contribution of each individual director, the chairman and any executive directors, and report results of evaluations to the board
- Review complaints handling and complaints reporting procedures whether from within or outside the company, about possible improprieties in matters of financial reporting, accounting practices and internal audit or the content and/or auditing of financial statements, internal financial controls or any other matter to ensure that arrangements are in place for suitable and independent investigation of such matters and appropriate follow-up
- Assume ultimate responsibility for treating clients fairly.

The complete board mandate is available at https://www.libertykenya.co.ke/corporate_governance.php

A review of the board mandate was completed and approved by the board on 10 March 2023. The revised mandate is available on the company's website as per the link above. There have been no further changes to the board mandate. A review is scheduled in the current year to check alignment with changes to the CMA (Public Offers) (Listing and Disclosure) Regulations, 2023, published in September, 2023.

Board evaluation

The board reviews its performance and that of the board committees annually. The evaluation is conducted by the governance centre at Liberty Holdings Limited electronically and in a confidential manner. The results are collated confidentially, reviewed, and feedback is presented to the board.

The 2023 evaluation included a peer-to-peer evaluation in addition to a general evaluation. The feedback was presented at the Q4, 2023 board meetings. All the boards, including the subsidiary boards, recorded an improvement in their rating. The outcome of the peer-to-peer evaluation was shared with the individual directors and the Board Chairman with provision for further feedback sessions with the Board Chairman. The recommendations have been integrated into the 2024 Annual Governance Plan and include the setting of KPIs by the boards to measure performance.

Meetings and attendance, and key deliberations during 2023

Four scheduled board meetings and a two-day strategy session were held in 2023. Three directors' information sessions were held during the board cycles.

In addition to the scheduled board meetings, the chairman holds one-on-one meetings with the other non-executive directors to encourage a free flow of information and the sharing of any concerns.

Board meeting attendance from 1 January to 31 December 2023

	Board meetings[1]	GAC[2]	DARC
Philip Odera	6/6		4/4
Mike du Toit	6/6		
Peter Gethi	6/6	4/5	4/4
Jeff Hubbard	6/6		4/4
Rachel Mbai	6/6	5/5	
Gladys Ogallo	5/5		3/3
Rajesh Shah	6/6	5/5	
Catherine Mitchem	1/1		
Kieran Godden	3/3		

(1) The board meetings included special meetings to consider for approval the 2023 half year and 2022 annual financial statements.

(2) One of the five GAC meetings was a special meeting to consider the approval of the 2022 financial statements and the 2023 internal audit plan.

Key deliberations by the board

During the year under review, the key areas of focus for the board's activities and topics discussed included the following:

- Reviewed the implementation of the operating subsidiaries' strategies and considered changes to the strategy for 2023 to 2025
- Approved the 2023 annual budget and monitored the group's performance against this budget
- Considered the group's capital management, adequacy and dividend proposals
- Monitored the progress of the IFRS 17 implementation programme and the adequacy of human resources with sufficient expertise to ensure its effective implementation
- Approved the required changes to the group's accounting policies and key accounting judgements
- Approved external communications including the financial results, press release and commentary for the year ended 31 December 2022 and the interim period for the six months ended 30 June 2023
- Discussed and improved the board's understanding of key risks facing the group, with a focus on economic risk, cyber threats, poor performance of the group's long-term business, climate change and emerging geopolitical risks
- Reviewed and considered management's proposals on capital optimization, goodwill impairment and other matters
- Reviewed and considered various policies including the personal account trading policies, various data and information policies, conflict of interest policy and the business continuity and management policy
- Considered the board evaluation report and agreed action points for implementation
- Discussed the CMA assessment report based on the company's governance self-assessment and agreed action points for implementation
- Reviewed the company's compliance with the NSE/global standards/requirements on ESG and sustainability matters and disclosures
- Reviewed senior leadership succession plans and matrices and approved a succession planning policy for implementation
- Approved director changes to subsidiary boards
- Reviewed compliance and market conduct of the group's business
- Supported the appointment of the group's chief executive and managing director of Liberty Life Kenya
- Supported the annual remuneration outcomes.

Board committees and subsidiary boards

To effectively carry out its governance responsibilities, the board has established standing committees (as listed below) and delegated specific mandates to them. These committees operate under clearly articulated terms of reference which clarify their responsibilities and scope of authority. The committees have unrestricted access to any information within the company and to the company secretary and independent professionals to enable them to effectively discharge their functions.

All committees report to the board at each board meeting, highlighting matters discussed and recommended actions. Each committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The following standing committees of the board were in place during 2023:

Group audit and risk committee (GAC)

The mandate of the GAC is to assist the board in the following five key areas: financial reporting and compliance with applicable financial reporting standards; oversight of the internal audit function and its review of financial and operational controls; liaising with external auditors including receiving and reviewing their reports and letters; monitoring compliance with legal and regulatory requirements; and reviewing risk management issues within the group. The GAC also oversees the activities of the subsidiary audit and risk committees.

Membership at 31 December 2023

2 Independent non-executive directors	Rajesh Shah (chairman) Rachel Mbai
1 Non-executive director	Peter Gethi

During the year under review, the key areas of focus for the committee's activities and topics discussed, in addition to those mandated under the Code, included the following:

- Considered the internal auditor, business risk and compliance reports
- Approved the company and consolidated financial statements for the year ended 31 December 2022
- Considered the external auditor's fees and proposed the external auditor engagement for the 2023 financial year
- Reviewed the status of the company's outstanding tax matters
- Monitored progress against the IFRS 17 implementation plan and considered and approved key judgements and accounting policies related to its implementation
- Assessed capital sustainability and recommended regulatory minimum capital ratios, dividend considerations and capitalisation where necessary
- Assessed the group's identified risks and risk mitigation plans.

Group information technology committee (GITC)

In the year, the board approved the reconstitution of the joint IT Committee to a group IT Committee (GITC). The committee has been constituted to consider, review, advise and approve (where applicable) the governance of IT in Liberty Kenya. This includes the promotion of an ethical IT governance culture, awareness adoption and implementation of an IT control framework, and the monitoring of significant IT investments and expenditure. The responsibility of the GITC encompasses the company and its operating subsidiaries Liberty Life Assurance Kenya Limited (LLK) and The Heritage Insurance Company of Kenya Limited (HIK). As at the date of this report, the GITC mandate has been approved by the DARC and the company's board and its membership approved as below:

2 Independent non-executive directors	Catherine Mitchem (chairperson) Rajesh Shah
1 Executive director	Kieran Godden

The managing directors of the operating companies, the group chief information officer and the head of IT Liberty Africa Insurance are permanent invitees to the meetings of the GITC. In the year, the GITC, as formerly constituted, focussed on the following matters:

- Reviewed management's strategies for the protection of personal information and other business information
- Evaluated significant IT investments and projects. In this regard the evaluation of the migration of the short term business to a new IT platform Orbit was a focus
- Assessed risks associated with IT including disaster recovery, business continuity, compliance with relevant laws (in this regard the interface between IT and data protection laws was a focus) and IT security
- Reviewed the company's information and cyber security practices to ensure incorporation of the relevant measures to ensure the security, confidentiality, integrity and availability of all information
- Monitored the resolution of IT findings from the internal audits arising from the IT audit conducted in the year
- Reviewed and monitored various business enablement initiatives spearheaded by group IT to improve business efficiencies through implementation of the integrated risk management system
- Reviewed the various management initiatives on the use of data and analytics.

Directors' affairs and remuneration committee (DARC)

This committee reviews all new nominees to the board and is mandated to assess the performance, remuneration and effectiveness of directors of the company and its subsidiaries. The DARC also facilitates board evaluations to measure and monitor its performance in corporate governance matters.

In addition, the DARC provides guidance oversight and monitors employee remuneration, including any incentive schemes and related matters. All variable remuneration, employee benefits and annual pay adjustments are recommended by the DARC to the respective boards.

Membership at 31 December 2023

3 Non-executive directors	Philip Odera (chairman) Peter Gethi Jeff Hubbard

The group chief executive is a permanent attendee to all meetings of the DARC and other directors and / or executives attend on an invitation basis.

During the year under review, the key areas of focus for the committee's activities and topics discussed included the following:

- Reviewed the board composition, concluded recruitment processes and nominated directors for consideration including the chairpersons of the various subsidiary boards
- Reviewed staff remuneration for the year ended 31 December 2023, as well as director remuneration
- Reviewed and recommended for board approval, the adoption of the succession policy and the director remuneration policy
- Reviewed remuneration parameters for the 2023 annual remuneration review cycle, including non-executive directors' fees
- Reviewed culture alignment at company and group level in line with the implementation of the integration with the Standard Bank Group
- Oversaw senior leadership succession engagement for the 2023 financial year
- Reviewed and recommended changes to the groups' governance structures and in particular the joint actuarial committee and the group information technology committee
- Reviewed current employee benefits and provided recommendations of certain adjustments.

Boards of directors of subsidiary companies

The group's subsidiaries have their own boards of directors. The DARC considers the appointment of directors on all operating subsidiary boards. The role of these boards involves maintaining strategic direction and policy, reviewing operational performance, approval of major capital expenditure, consideration of significant financial matters, risk management, compliance, succession planning and any other matters that may impact materially on the subsidiary companies' activities.

Liberty Kenya Holdings Plc respects the fiduciary duties of its representatives on subsidiary boards.

In turn, the subsidiaries are required to establish policies that are permissible within the policies of Liberty Kenya Holdings Plc.

The members of the company's subsidiary boards as at 31 December 2023 are detailed below

Liberty Life Assurance Kenya Limited

3 Independent non-executive directors	Gladys Ogallo (chairman) Imtiaz Khan Rajesh Shah
4 Non-executive directors	Mike du Toit Peter Gethi Andrew Lonmon-Davis Rachel Mbai

The Heritage Insurance Company Kenya Limited

2 Independent non-executive directors	Anne Mutahi (chairman) John Sturgeon
4 Non-executive directors	Mike du Toit Peter Gethi Andrew Lonmon-Davis Catherine Mitchem
1 Executive director	Godfrey Kioi (MD)

Heritage Insurance Company Tanzania Limited

7 Non-executive directors	Yogesh Manek (chairman) Geetha Sivakumar Peter Gethi Mike du Toit Godfrey Kioi Augustina Kirabo Ravi Singh

Changes to subsidiary boards effected during 2023

In the 2023 financial year, the board appointed Ms. Gladys Ogallo and Ms. Anne Mutahi as the chairpersons of Liberty Life Assurance Kenya and Heritage Insurance Kenya Limited respectively effective 1 January 2024.

Mr. John Sturgeon was appointed as a member of the board of Heritage Insurance Kenya Limited and appointed as chairman of the audit and risk committee.

Mr. Imtiaz Khan was appointed as a member of the Liberty Life Assurance Kenya board and as at the date of this report, following his approval by the IRA, nominated by the DARC as a member of the Liberty Life audit and risk committee. The Liberty Life Assurance Kenya board approved Mr. Khan's appointment as a member of the Liberty Life audit and risk committee.

The board of Heritage Insurance Kenya Limited also appointed Mr. Ravi Singh as a member of its audit and risk committee, following his nomination by the DARC, to ensure the Heritage Insurance Kenya ARC has sufficient capacity to effectively execute its mandate.

Mr. Rajesh Shah and Ms. Rachel Mbai resigned as members of the Heritage Insurance Kenya Limited board. Ms. Catherine Mitchem resigned as a member of the Liberty Life Assurance Kenya board.

Both the operating subsidiaries are now fully compliant with IRA Corporate Governance requirements and none of the directors classified as independent non-executive directors serve on any other subsidiary or group board.

Governance policies

Conflicts of interest and other commitments

The board has adopted a directors' code of ethics and conduct. One of the key principles underlying ethical business conduct is the avoidance and disclosure of any conflict of interest. Directors are under a statutory obligation to avoid a situation in which the director has, or can have, a direct or indirect interest that conflicts or may conflict with the interests of the company. The board maintains an annual register of director declarations of other directorships and interests or conflicts of interest declared by directors at all board and board committee meetings.

The board is aware of the directors' other commitments and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively.

Insider trading policy

The Capital Markets Act has prescribed certain regulations that expressly prohibit the use of unpublished insider information, which is information that:

- Relates to the company and the company's securities
- Has not been made public, and
- If it were made public, is likely to have a material effect on the price of the securities

The company has adopted an insider trading policy, with the objective of promoting transparency and accountability by directors and employees of the company and its operating subsidiaries. The company's insider trading policy prohibits directors and employees from trading in its securities at any time they are in possession of insider information. The company is not aware of any insider trading during the year ended 31 December 2023. At 31 December 2023, none of the directors held shares in their individual capacity of more than 1% of the company's total equity.

Promotion of diversity policy

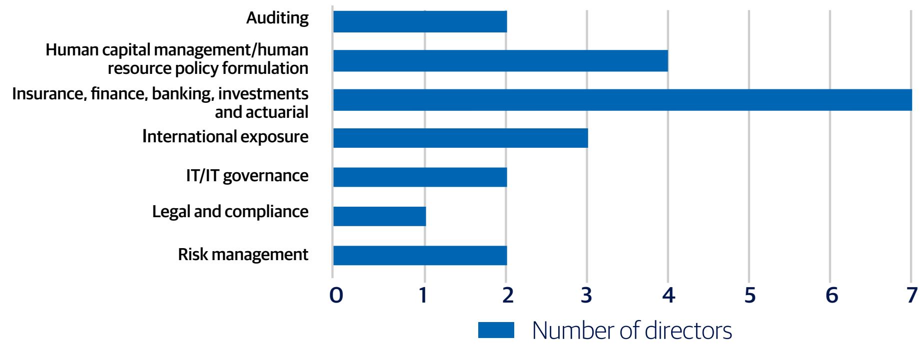
Liberty recognises the importance of and value added by diversity in the composition of the board of directors. We recognise that diversity of skills, experience, background, knowledge, thought, culture, race and gender strengthens the board's ability to effectively perform its duties and add value to the group. This mitigates the risk of 'group think' and improves the group's resilience. This policy seeks to articulate the group's approach regarding the promotion of diversity on its boards of directors in compliance with the Code and specifically considers the promotion of gender, age, skills, ethnic and race diversity.

At 31 December 2023

2/8

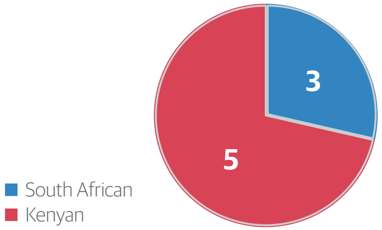
of the company's directors were female

Director skills and experience

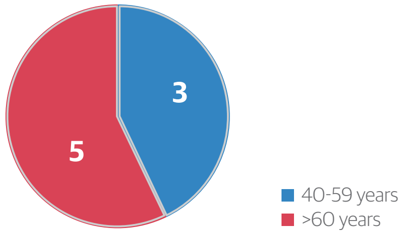


Fostering value creation – corporate governance continued...

Director nationalities



Director ages



Whistleblowing policy

Liberty views its commitment to its values, business principles and ethical and legal behaviour in a serious light. There are mechanisms in place to facilitate reporting. Employees can report valid concerns regarding the following:

- Conduct which is inconsistent with Liberty's stated vision, its code of ethics, policies and procedures
- Violations of law
- Abuse of company resources and assets
- Danger to the health and safety of any individual
- Deliberate concealment of information.

The group's directors, employees and stakeholders are expected to perform their duties and conduct themselves in a professional manner and in ways that bring credit to themselves and the group. Employees are required to observe high standards of business and personal ethics, honesty and integrity in fulfilling their responsibilities within all applicable laws and regulations. The whistleblowing policy is intended to guide all stakeholders who have concerns over any wrongdoing within the company and its subsidiaries relating to unlawful conduct, financial malpractice or dangers to the public or the environment. The policy provides for confidential and anonymous communication channels to raise concerns. These communication channels are supported and monitored independently.

The whistleblowing policy aims to:

- Provide avenues for employees to raise concerns and receive feedback on any action taken
- Allow the employee to take the matter further if they are dissatisfied with the group's response
- Reassure employees that they will be protected from reprisals or victimisation for whistleblowing in good faith.

The policy describes the principles, accountabilities and responsibilities around the obligation that exists for Liberty, to enable its employees to disclose and report any unlawful, irregular or unethical conduct.

Board remuneration policy

The company has a clear remuneration policy for executive and non-executive directors. The policy is deemed to be fair and equitable and is also benchmarked to the market to attract and retain the required skills and experience. The remuneration of the non-executive directors is reviewed by the DARC.

More details regarding the remuneration of directors is provided in the group's annual financial statements at https://www.libertykenya.co.ke/investor_relations.php

Procurement policy

Each of Liberty's operating subsidiaries maintain a procurement policy. Procurement is conducted through a shared procurement office, which reports to a management joint procurement committee comprising representatives from each of the subsidiary companies. The policies set out the minimum requirements and procurement framework aimed at:

- Optimising the total cost of ownership in the procurement of goods and services
- Ensuring all procured goods and services are fit for purpose and meet minimum quality and technical standards specified
- Ensuring that procurement of goods and services is conducted in an efficient, cost effective, uniform, transparent and ethical manner
- Ensuring applicable procurement practices, related legislation and statutory requirements are complied with
- Aggregating the business' procurement spend and leveraging economies of scale to create value
- Ensuring risk is identified, assessed and mitigated when selecting and contracting of potential suppliers.

Related parties

The group discloses any related party transactions in accordance with the requirements of IFRS.

Sustainability

The group adheres to the Liberty Holdings Limited sustainability policy. This policy can be found at https://www.libertyholdings.co.za/sustainability.

Safeguarding value - risk management

Liberty's risk processes consider both internal and external environments, and their impact on customers, shareholders and other stakeholders. The group is committed to increasing shareholder value through the prudent management of risks inherent in the production, distribution and maintenance of its products and services. The group is mindful of achieving this objective in the interests of all stakeholders.

Risk environment

Liberty's significant risk categories are strategic and business, insurance, market, credit, liquidity, operational, business conduct, and legal and compliance. Management continues to drive actions to enhance the control environment to deal with the risks the business faces.

Risk and strategy

The group's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board.

Our strategic objectives provide clear direction for management, with detailed execution plans being constructed around each objective. Risk preferences are considered in the formulation of detailed plans, and in any supporting operational capabilities that are built.

The impact of decisions taken during the formulation and execution of detailed strategic plans are considered against the planned risk profile, and form part of the broader feedback loop of business decision-making (with particular attention paid to the extent that a decision may push the group outside risk appetite).

Liberty's risk preferences	Business risks
Risks that the group actively seeks because of being in the business of investing, under-writing and managing risks – all of which are viewed as value-enhancing	Risks that arise as a consequence of being in busi-ness and which are managed to an acceptable level to protect value

Risk appetite

Risk appetite is defined as the maximum amount of risk that the group is prepared to accept in pursuit of its business objectives. As such, risk appetite defines the group's willingness and capacity to accept high or low levels of exposure to specific risks or groups of risks.

Qualitative risk appetite

The group's qualitative risk appetite statement provides boundaries on what is acceptable and unacceptable in pursuit of business goals as it relates to reputation and conduct.

Reputation

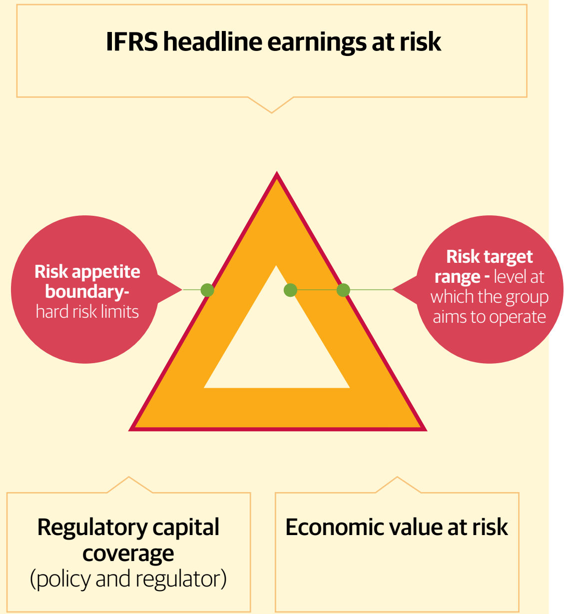
We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty, Liberty Holdings group, or Standard Bank today or into the future. We proactively protect and uplift the Liberty and Standard Bank brand in all our interactions.

Conduct

We place the client at the heart of everything we do and operate in a manner where fair play and ethical behaviour underpin all our business activities and relationships. We have no appetite for deliberately and knowingly breaching legislative, regulatory and internal policy requirements.

Quantitative risk appetite

The group's quantitative risk appetite contains state-ments which express the quantitative limits for measur-able risks that can be taken by the business as reflected in the graphic below.



Safeguarding value – risk management continued...

Risk identification, assessment and measurement

The identification and assessment of key risks is a top-down process, which provides the business with another lens with which to identify the risks that could prevent the organisation from achieving its business objectives. Key risks are defined as elevated, material risks potentially occurring within a relatively short time frame and are currently on the minds of the board of directors and executives. This spans all risks faced across the business and may include strategic as well as operational risks. In addition, risks identified through the business unit operational processes provide a bottom-up view.

The business performs regular and robust risk quantifications to measure the risk profile at an aggregate level, per legal entity, per business unit and at a material risk type level to ensure that the business is being managed within the risk limits and risk appetite and close to the risk target range.

Risk management

Our risk management system is an integral part of Liberty's overall governance, management, reporting processes, policies and culture. Liberty has adopted an enterprise risk management (ERM) approach. Liberty's risk framework is based on the ERM principles embodied in the Solvency II Principles and the Insurance Regulatory Authority (IRA) ERM guidance.

The board is accountable for the effective governance of risk management. The board delegates its oversight and responsibilities in terms of the three lines of defence risk governance model.

Once the level of risk that Liberty is willing to take has been set by the board and the risks ranked and prioritised, management (the first line of defence) is able to determine the mitigation strategy deemed to be most effective. Mitigants used depend on the risk type. The mitigants are subject to oversight by the second line of defence, and controls are audited by the third line (internal and external audit).

Effectiveness of the risk management system

The effectiveness of Liberty's risk management system and its control environment is continuously appraised through the application of a combined assurance approach. Liberty's combined assurance model is aligned to the roles and responsibilities as articulated in the three lines of defence risk governance model. There is regular communication between business unit management, heads of control functions as well as independent assurance providers, including internal and external audit.

Key risk indicators for each risk are tracked monthly across the internal lines of defence, namely: business unit managers; compliance and risk management functions. Consistency of risk assessments across each line of defence provides a level of comfort.

Risks in 2023

The process of enhancing the risk review and tracking of actions for Liberty is conducted every month internally by management and reviewed by the board every quarter. The consolidated risk register for Liberty is developed and agreed actions to mitigate the identified risks are documented.

The risk heat maps reflect the ratings of the various risks of the operating subsidiaries on a residual basis. Residual risk is the risk remaining in the business after considering the eradication of risks, mitigating factors of internal controls or other countermeasures. The residual impact is defined as the possible effects the residual risks may have on the business, plotted against the likelihood of the risk occurring.

The group's audited annual financial statements for the year ended 31 December 2023 provide a comprehensive risk report, including a list of the top risks facing the organisation and management's actions to mitigate them.

Our strategy to create value

Materiality and our material matters

We involve senior decision-makers within the group to identify our material matters, considering our business model, strategy and operating environment, as well as the interests of our key stakeholders.

Materiality

The identification of this report's subject matter is dictated by the guiding principles and proposed content elements included in the International <IR> Framework. This approach allows us to provide a holistic assessment of how the group creates value in the short, medium, and long term.

Our materiality determination process follows four stages:

- Identify matters based on their ability to impact value creation
- Evaluate the importance of the matters identified
- Prioritise the matters and set a hurdle for inclusion in the report
- Determine the information to disclose concerning the matters surpassing the hurdle

Matters can be either positive (opportunities or favourable performance or prospects) or negative (risks or unfavourable performance or prospects). The identification is not limited to financial information but includes non-financial information. Matters may either have a direct or indirect impact on the capitals used by the organisation to create value.

Our materiality determination process is integrated throughout our management processes, from the identification of emerging risks to board discussions and strategy setting. The results of this process are reflected below.

Our material matters

Long-term insurance product propositions: Legacy administration systems combined with a declining deposit administration book result in increasing fixed cost inefficiency.

Our main sustainability challenge lies in our long-term insurance business (Liberty Life Kenya) where our unit linked products are currently unable to commercially absorb all allocated business costs, resulting in the shareholder absorbing more costs, having a negative impact on earnings.

We are urgently reviewing our target operating model and product construct to ensure that it is both appropriate and resilient to meet the needs of our strategic plans.

Economic challenges: Sovereign risk increasing, risk of credit losses and investment returns falling short of investor expectations and impacting earnings.

Global economic conditions remain challenging, influenced by wars in Ukraine and the Middle East, nationalism and deglobalisation, and strong developed market currencies. While equity performance was strong in the United States, this was not the case in other large economies. Significant elections in key countries in 2024 also have the potential to disrupt stability. The Kenya Shilling continued to depreciate throughout 2023 and local interest rates increased significantly.

Kenya taxation increases have also reduced available spending power and increased operating costs. Weak local currencies drive imported inflation, increasing the input costs for our short-term insurance business and higher interest rates lead to lower values of the treasuries held within the long-term insurance and investment business.

A substantial decline in value of local equities in 2023, combined with lower fair values of fixed rate government securities, led to shareholder subsidies of mismatched positions, particularly guarantees supporting the deposit administration business. In addition, the Kenyan sovereign credit rating has deteriorated. The company's decision to suspend guaranteed pensions, together with the disappointing capital market performance negatively affecting our unitised products, impacted the company's ability to attract and retain investment clients. We continue to adjust our investment holdings and evaluate our client mandates to ensure relevance and competitiveness.

Price competitive market: The industry's focus largely on price rather than value leads to price undercutting, excess commissions and fees, and insufficient capital among some market participants. This challenges the group's ability to compete for new business and places strain on the industry by reducing capital efficiency.

Non-compliant behaviour threatens the trust placed in the insurance industry by clients and consumers.

Liberty has chosen to create trust in its brand through zero tolerance of non-compliant behaviours. Even if, in the short term, this is a disadvantage to market practices such as supplementary broker remuneration. We continue to encourage regulatory authorities to enforce regulations in a fair and consistent manner.

Solvency: Meeting capital adequacy requirements in the long-term insurance business.

Disappointing investment returns and a challenging economic climate continue to place pressure on the solvency of our long-term insurance business. The 2023 earnings improvement has assisted in maintaining solvency levels and Liberty Life has remained capitalised at cover levels. The Heritage subsidiary remain well above targeted capital coverage levels.

Liberty, as a whole, from a minimum solvency cover requirement perspective, is in the top tier of Kenyan insurers.

Risk mitigation actions include capital allocation optimisation, detailed sensitivity analysis, monitoring capital budget ratios, and improving liquidity options. Liberty was able to recommend a shareholder dividend to the 2024 AGM after several years of no dividend.

Technology disruption and cybersecurity: Technology disrupters and the risk of a breach of our information technology security.

As the business becomes more digitised, it is exposed to greater cybersecurity risks and data management risks. We are working closely with the broader Standard Bank group to ensure our policies and processes are fully in line with the evolving world. We have implemented a range of cybersecurity tools and continue to focus on this.

Competitive pressure from new digitised industry players is attracting clients, especially younger clients. We are also expanding partnerships with fintechs and exploring new partnerships.

Attracting and retaining talent: Actuarial resources and technology skills are in high demand, both locally and internationally.

The shortage of actuarial skills is driven by the global implementation of IFRS 17. Retention of experienced actuarial resources is challenging because of the demand from both insurers and consultancies.

The opening of Africa-hubs by major technology players, such as Amazon and Microsoft, has increased demand for skilled technology resources.

These skill shortages place pressure on both employee resources and operating costs.

We continue to motivate, empower and equip our employees to enable them to meet the needs of the business while achieving personal growth. This approach supports the recruitment and retention of talent.

We leverage the Liberty group capabilities as much as possible to mitigate any Kenyan or Tanzanian skills gaps.

Our purpose, value driver model and opportunities

We exist to make financial freedom possible for all our customers by being the trusted provider of client experiences through own and partner solutions.

Our value driver model

We have adopted the strategic value-driver model as the foundation for our strategy setting and for monitoring progress in addressing our material matters. Our six value drivers and the relevant stakeholders are summarised below:

VALUE DRIVER	STAKEHOLDER
ENHANCE THE CLIENT EXPERIENCE	Clients, brokers, agents and affinity partners
BE THE PARTNER OF CHOICE	Brokers, agents, banks and affinity partners
PEOPLE WANT TO WORK FOR LIBERTY	Employees
HAVE A RISK-CONSCIOUS CULTURE	Employees, clients, shareholders and regulators
DELIVER INVESTOR EXPECTATIONS	Shareholders and lenders
WE ARE PART OF THE FABRIC OF SOCIETY	Civil society

Opportunities

Often a corollary to risks, opportunities represent situations that the group can capitalise on to the benefit of itself and its stakeholders.

East Africa growth: Kenya and Tanzania are top-performing economies in the region.

Despite the recent economic pressures resulting from ongoing geopolitical conflicts, higher inflation and contractionary monetary policy, the growth prospects for the region remain strong.

The region's population is expected to continue to grow at a rate above the world average, promising a future youth dividend. Economic growth will support urbanisation and a likely increase in insurance demand.

Kenya's life insurance industry has in recent years reported lacklustre growth impacted by covid and general tough consumer environments.. Enhanced regulation, changes to distribution models and better consumer understanding should lead to industry growth above GDP growth in time.

The underserved micro, small and medium enterprises and lower middle-income segments, where general income levels are increasing, provide growth opportunities.

Standard Bank Group (SBG): Liberty's membership of SBG offers several advantages.

This relationship provides Liberty with a larger potential footprint and access to bank clients.

The bancassurance agreement with SBG makes a positive contribution to new business volumes and earnings.

In addition, Liberty has access to knowledge, skills and capacity not readily available to other market participants. Liberty can quickly incorporate successful strategies and processes tried and tested in other African markets in which the larger group operates.

The opportunity to link insurance, wellness and banking solutions in a seamless, digitally enabled channel is an exciting potential differentiator for Liberty and SBG generally.

The adoption of technology: The Kenyan and Tanzanian industries are very traditional and have not, as yet, fully embraced new technologies.

Disruption through technology, i.e. automation and digitization, can be realised in two key areas: servicing clients by adapting products and services; and improving operational efficiencies. The growing middle class in Kenya is seen as the country's route to continuing economic growth and increased insurance penetration.

Our purpose, value driver model and opportunities continued...

Distribution revamp and product review: The productivity of our distribution force is at levels below best practice. In addition, from a risk appetite perspective, we have deliberately excluded ourselves from the largest market segment, namely guaranteed pensions savings (including retirement investment products). We are taking a number of actions to address this challenge:

- Increasing collaboration across distribution teams for improved alignment and increasing cross-selling
- Focussing on improving relationships with brokers, banks and other partners
- Expanding our Mind My Money program to reach more people
- A comprehensive restructuring of our pensions offering
- Fully reviewing our retail product offering

Targeted solutions for targeted segments: Increased focus on underserved segments and segments in which Liberty is under-represented.

Improved data analytics will aid our ability to gain deeper client insights and deliver personalised client and partner experiences to a younger demographic.

Research of the small and mid-sized -business segment, combined with the group's access to knowledge regarding other African markets will allow us to develop targeted solutions.

Retail insurance solutions distributed on a fully digital basis will enable increased penetration into this segment.

Build a single brand: Although Heritage is the larger operation, Liberty is the predominant brand regionally.

Work towards a co-operative branding of the group's products, moving away from isolated generic brands and towards product names. Build closer client and partner facing functions of the two brands.

Develop a unified culture within Liberty.

Our strategic focus areas

In 2022 we refreshed our strategy to 2025. The strategic focus areas were priorised and coupled with clear deliverables, allowing the board to monitor progress. The strategic intent is to create a solid foundation and position the business for growth.

Strategy to 2025

The refreshed strategy was prepared in response to the material matters, both risks and opportunities. It was prepared with confirmation that the East Africa region and Kenya in particular is a key focus growth area.

The strategy identified four primary focus areas, being:

- Enhancing the client experience
- Building partnerships to assist in delivering our purpose of enabling financial freedom
- Being the partner of choice for organisations, individuals and intermediaries
- Ensuring the necessary foundations are in place for growth

For each of these focus areas, strategic initiatives and action plans were developed, together with an IT strategy targeting the transition from a mainframe technology estate to the cloud and embracing digital services and access to solutions. Implementation timelines for these initiatives were set.

Strategic initiatives are programmes with delivery timelines exceeding one year. Enhancements and other business-as-usual requirements have shorter timelines for delivery. In 2023, the governance for prioritisation and delivery of initiatives was shortened and simplified. This enabled greater focus from key resources and singular focus on strategically important items.

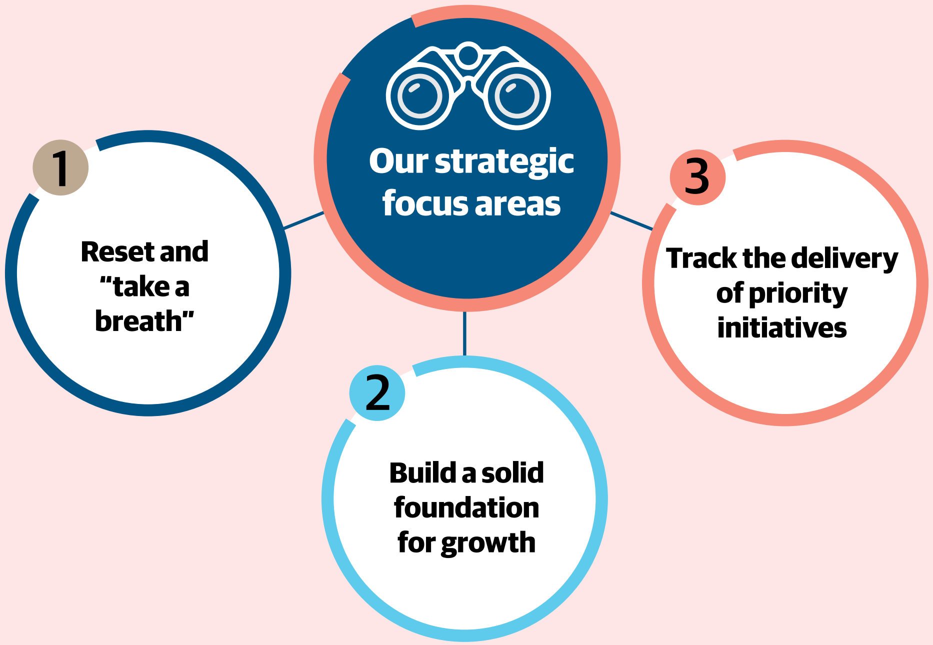
The strategy deliveries during the year were largely to create the necessary foundation while also addressing pressing concerns. Creating a single business market-facing approach, ensuring the roll-out and reinforcement of a single culture, closing out long standing project deliverables and implementing new products and product enhancements were major areas to be delivered on. Important steps were taken to ensure acceleration of deliverables in 2024.

Pleasing progress has been made on the strategic initiatives, both those implemented and those where work was completed enabling future implementation. The group is on track to meet its agreed targets.

Strategic priorities for 2024

The board confirmed the priority deliverables for 2024, summarised in to the categories of Product, Capital Efficiency, Digital Enablement and Structural Alignment.

This process confirmed three key principles that will continue to form the basis of delivery:



Our strategic focus areas continued...

Seven primary strategic directions are used to prioritise, revise and introduce new strategic initiatives:

Culture: Single business culture change and client focus

Financial capital efficiency: Focus on managing to model and continually assessing performance through adopting consolidated key measurement metrics

Simplify and restructure: Sustainable cost management; closer alignment across businesses; unified teams; automation and controls; local prioritisation; and governance

Sales and distribution: Close collaboration across both businesses; incentive and remuneration review; and improve the Stanbic partnership

Technology architecture: Single policy administration system for Liberty Life; actuarial modelling; digitisation leveraging Standard Bank capability; medical business systems upgrades; and API/digital readiness

Product: Reinvigorate Auto-Correct motor insurance; retail medical products. Complete the alternative guaranteed pension product.

Pensions business: Full review of customer value proposition.

Key performance outcomes

The board also agreed on overriding objectives and metrics against which success will be measured.

Capital efficiency: Achieve the targeted return on deployed capital

Growth: Achieve an increase in profitable market share through new business written at sustainable margins

Innovation: Improve the client experience while improving productivity through appropriate investment in technology and removal of duplication

Shareholder value: Pay sustainable dividends and achieve the targeted share price to adjusted net asset value ratio

How Liberty differentiates itself

Liberty is a well respected and recognised brand in sub-Saharan Africa. To enhance our brand we continually strive to differentiate ourselves by being better or simply different in selected areas of competence.

Our key differentiators

Relationships: We continue to build strong partnerships, reflected in trusted brands recognised for their integrity, service, stability and technical competence. We pride ourselves in our relationships with agents and brokers. Relationships with Liberty Holdings, Standard Bank and Stanbic Bank afford access to group skills and innovation, and a broader distribution base.

Governance: We have a strong governance framework and implement a robust risk management system that benefits all our stakeholders. We are committed to doing the right business the right way – we have high ethical standards – and comply with all laws and regulations. We have a positive reputation for paying claims and treating clients fairly.

People: We target the best people. We strategically recruit for key positions and then invest in both employees and intermediaries to ensure they develop a successful career at Liberty. We empower our employees and intermediaries with technology to best serve our clients.

Finance: We are among the best capitalised regional insurers and surpass the capital adequacy ratio requirements. We maintain the strong independent credit ratings. We operate within a risk appetite that protects both our clients and shareholders.

Product: We offer a wide range of products that meet the needs of a broad range of clients in both the retail and corporate markets. We lead the market when applying technology to products as demonstrated with the use of telematics for the Auto-Correct motor product. We continuously review our product offerings to ensure best possible value for clients.

Strategic execution – the way we work

A high-level implementation plan exists for both strategic and operational initiatives. Execution has been planned after considering the strategic importance, availability of resources, and output dependencies.

Strategic delivery

Our strategy will be delivered using consistent execution of clear priorities by empowered employees. Our employees are clear at all times on the most important priorities, from deliverable setting in performance agreements, clarity on strategic priorities, and consistent priority setting. Our employees are part of the planning process for implementation to ensure buy-in and commitment, so that we realise value in the shortest possible time.

Our employees work in Agile Release Trains (ART) a long-lived group of Agile Teams, which incrementally deliver and, where applicable, operate one or more solutions in a value stream. A value stream is a set of actions that ensures that a proposed action delivers value from a client perspective. An Agile team is a cross-functional group of between five and eleven individuals who define, build, test and deliver an increment of value in a short time frame.

There are currently three ARTs in Liberty: the client engagement and experience ART; assurance ART; and solution delivery ART. The structure of teams and the nature of what they deliver is categorised as follows: station ART; and solution delivery ART. The structure of teams and the nature of what they deliver is categorised as follows:

Client engagement and experience	Assurance	Solution delivery
• Marketing strategy and brand • Client engagement (client and advise) • Advise journey (broker and direct sales agents) • Servicing journey • Client care journey • Claims journey • Product and pricing	• Human capital • Finance • Actuarial • Risk and compliance • Legal	• All the systems teams • Quality assurance • Business analysts • IT teams

The features being executed by the various teams in the ARTs fall into several categories of delivery. These are:

- Small enhancements
- Keep the lights on
- Regulatory
- Strategic enablers

A review of 2023

Chairman's message

The board has clearly categorised our strategic focus areas and the group's strategic priorities in 2023, creating the foundation for growth and ensuring the sustainability of the group's businesses. This clear focus on our strategic priorities is starting to positively impact the operational performance, with the group delivering much improved earnings in challenging economic conditions. We remain committed to making a meaningful difference in the lives of individuals and communities by making their financial freedom possible.

The ongoing geopolitical conflicts continue to impact global economic stability, negatively affecting developing nations such as Kenya and Tanzania.

The year evidenced continued growth from the East African regions, standing out as positive anomalies across the African continent. However, growth was isolated to specific sectors and not more broadly based. Spending power in Kenya was also negatively impacted by ongoing Shilling depreciation, inflation and increasing taxes.

Business performance and strategy

I am pleased to report that, despite the volatile economic and geopolitical background that prevailed in 2023, Liberty Kenya Holdings Plc (LKH) reported a significant increase in basic earnings per share to KShs1.22 for the year ended 31 December 2023, compared to KShs0.42 in the prior year, primarily as a result of improved insurance service results. The group's earnings were reported on an IFRS 17 basis for the first time. The LKH earnings were supported by improved earnings performances from both Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited for the year ended 31 December 2023.

The businesses remain well capitalised. Recently published independent credit ratings place the group as one of the best creditworthy insurance groups in Kenya.

The directors are pleased to recommend a dividend per ordinary share of KShs0.373 (2022: KShs Nil) to shareholders. This dividend reflects the strong capital position and the board's confidence in the businesses following the group's improving operational performance.

During the year, we categorised our strategic focus areas into three broad classes: Fix, Rejuvenate, and Grow. This will enable us to better focus on doing the right things to create the foundation for growth and improve the performance across the businesses through having the most suitable competitive product mix at the right margins, being brought to the market by a focused and effective distribution force and utilising our capital as efficiently as possible. Our efforts in this regard are starting to positively impact our results.

For close to two decades, the group has taken deliberate steps to reach out to our surrounding communities. Our integrated efforts in education, health and caring for the environment are expanded on in this report and reflect our commitment to social responsibility and sustainable development. By investing in education, supporting health initiatives, conserving the environment, and empowering future leaders, we continue to make a meaningful difference in the lives of individuals and communities across Kenya.

Climate change

The board is in no doubt that climate change is the single most pressing global issue of our time. We are equally clear that Africa has the right to sustainable economic and human development, and Liberty is committed to supporting such development. Climate resilience is a powerful source of protection against disruption and value loss. We recognise that achieving the optimal balance on climate-related matters, and on ESG in general, is complex.

ESG, including climate change, is now a permanent board agenda item and going forward we will develop appropriate KPIs to track and monitor our contributions.

Governance

On 1 August 2023, we were pleased to welcome and formally appoint Mr Kieran Godden to the board as the Liberty Kenya Holdings PLC group chief executive officer and managing director.

We also welcomed Ms Catherine Mitchem to the board as an independent non-executive director on 1 October 2023.

Ms. Gladys Ogallo resigned from the main board on 30 September 2023. I would like to thank her most sincerely for her contribution to LKH over the past four years. Ms. Ogallo is not lost to the group and chairs the board of our subsidiary, Liberty Life Kenya.

There were no other changes to the company's board during the year.

Mr. Abel Munda retired as managing director of our subsidiary, Liberty Life Kenya Limited, after over thirty years with the group. The board would like to thank Mr. Munda for his dedicated service and valuable contribution over many years.

We simplified the group's governance structures during 2023 to clarify responsibilities, enabling corporate governance issues and strategy to be dealt with at the Liberty Kenya Holdings PLC level, providing guidance and clarity to the operating subsidiaries. The governance structures are set out on page 23 in this report.

To enable the board to better fulfil its responsibility in terms of the board charter for the group's IT governance, and the board's responsibility under the Capital Markets Authority (CMA) Code of Corporate Governance 2015, the board approved the reconstitution of the joint IT Committee to become the Group IT committee (GITC), now being a board committee of LKH.
The mandate of the directors' affairs committee was expanded during the year to include director and executive remuneration. The committee's name was accordingly changed to the directors' affairs and remuneration committee (DARC) and the committee was reconstituted. The DARC reviewed and recommended the succession management policy for board approval and considered the succession plan for all entities within the group during the year.

The implementation of Liberty Kenya Holdings PLC level policies which commenced last year continued in 2023. In addition to the succession management policy refered to above, a further nine policies were implemented during the year, demonstrating the growing maturity of our business. The Kenyan boards again undertook a board self-evaluation process. Overall, the performance of the LKH board was excellent, with 79% of the responses to the survey rating the board leaning towards exceeding expectations consistently.

Areas for improvement relate to a more strategic focus required for sustainability and ESG, growing market share and profitability, and succession planning for board and senior executives. The board is focused on and actively addressing these issues in 2024. The outcomes of the subsidiary board evaluations were closely aligned with the LKH evaluation outcomes.

LKH also received an overall governance leadership score of 80% on its governance assessment from the CMA, an improvement compared to the prior year score of 75%,

Economic outlook

Global economic growth, estimated at 3.2% in 2023, is projected to continue at the same pace in 2024 and 2025, albeit below the historical annual average of 3.8%. This is reflective of restrictive monetary policies and the withdrawal of fiscal support, as well as low underlying productivity growth. Global headline inflation is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and to 4.5% in 2025.

The risks to the outlook are balanced but tilted to the downside in the near term. On the downside, new price spikes from geopolitical tensions and persistent core inflation could raise interest rate expectations and reduce asset prices. On the upside, fiscal policy could turn out to be more expansionary than currently anticipated in the context of the US elections, although at the risk of a costly adjustment later, while advances in artificial intelligence and timely structural reforms have the potential to boost productivity.

Kenyan GDP is expected to grow by approximately 5.5% in 2024, compared to an expectation of 5.6% in 2023. This growth is supported by prudent fiscal and monetary policies as well as an improved global growth outlook. Leading indicators point to continued strong performance of the

Kenyan economy in the first quarter of 2024, reflecting robust activity in the agriculture and service sectors, particularly accommodation and food services, and information and communication. Kenya's inflation averaged 7.7% in 2023, while for the first quarter of 2024 it has averaged 6.3% and is expected to drop further toward the 5% midpoint targeted by the government through fiscal and monetary policies.

Tanzanian GDP grew at 5.2% in 2023 and is expected to grow at 5.6% in 2024, supported by an improving business environment and the steadfast implementation of structural reforms. Inflation is expected to remain low at about 3.4% compared to the 3.8% estimate for 2023.

Appreciation

My heartfelt thanks go to our intermediaries, partners, and employees for their commitment and dedication to fulfilling Liberty's purpose and remaining focused on addressing the evolving needs of our customers with relevant advice and products.

I would also like to thank my fellow board members for their dedication and unwavering support, during a challenging year. To our investors, thank you for your continued support by entrusting us with your capital.

Looking ahead

We will stay focused on our strategic priories for 2024, which are to implement suitable new products in the Kenyan market, utilise our capital as efficiently as possible and maximise the return on equity. Digital enablement is a key focus, and we will continue to refine our distribution and governance structures, while optimising our partnership with Stanbic Kenya. Making financial freedom possible for all our customers will remain at the heart of everything we do.

Philip Odera
Chairman

Group chief executive's review

Despite global events causing uncertainty, Kenya and Tanzania showed resilient economic growth. However, growth was hampered by a range of country specific headwinds. A raft of relatively sudden taxation changes, an ongoing higher interest rate environment, as well as rising fuel prices and the increased cost of basic commodities like food exacerbate the challenges, and have contributed to a noticeable rise in the cost of living. The continued depreciation of the Kenyan Shilling has led to increased insurance expenses. The rising interest rate environment had a significant negative impact on the investment returns, which unfortunately depressed net returns generated for our customers.

Death and disability claims paid during 2023

KSHS 640 MILLION

Pensions and annuities payments in 2023

KSHS 1,530 MILLION

General insurance claims raised during 2023

KSHS 6,481 MILLION

Business performance and strategy

Despite these headwinds, our general insurance business in Kenya stabilised its claims experience through careful risk selection and accurate pricing. While the claims costs increased due to increases in the costs of imported motor parts, pharmaceuticals and medical equipment, the claims ratio reduced from 2022. Two large claims in Tanzania increased claims raised by KSh2.6bn. However, these are fully reinsured and did not impact the net earnings. Claims in the group risk book continued to reduce, and are at levels expected in the long-term pricing basis. We are extremely proud of the fact that we continue to pay all valid claims quickly and this continues to set the businesses apart from our competitors.

The management team made significant progress in the implementation of the recently revised post-Covid strategy. Strategic progress is closely tracked and discussed quarterly with the board to ensure ongoing alignment and input. A number of important deliverables were achieved during the year which strengthened the customer proposition and simplified the operations of the business. A clear strategic delivery plan is in place, ensuring all staff focus on the most important aspects of the strategy.

The key strategic initiative of ensuring greater collaboration and alignment across the group and building a unified culture and identity was advanced during the year. This included very close alignment of the sales teams to ensure optimum performance. Technology and robust management of data remain at the core of providing our clients with solutions in a seamless manner. During 2023, we implemented a new medical administration system with no impact on customers or hospital partners. The new system enables the business to seamlessly implement further refinements to equip customers and medical providers with state-of-the-art tools as well as improve efficiency and controls internally. We also launched a new retail medical product, addressing market gaps in that segment.

We are especially proud of our capital management which despite COVID, economic uncertainty, and depressed investment markets, has delivered consistent capital levels above Regulatory guidelines. No capital raises have been required and the group has been independently recognised as one of the most sound in the industry.

During the next year, we look forward to implementing additional solutions and initiatives aimed at making the group more responsive to changes in the business environment.

Our strategy remains solely focussed on living our purpose of creating financial freedom for all our customers.

Standard Bank's acquisition of Liberty Holdings Limited in South Africa has enabled our businesses to access a greater pool of expertise as well as leverage off new technology solutions. We expect to begin rolling out new technology driven client propositions during the coming year. The business continues to leverage the wider Liberty group capabilities and expertise, especially in the area of cyber security, data privacy and IFRS 17 implementation.

Digital transformation and enabling technologies pose new risks, such as those concerning data protection and the possibility of cybercrime and fraud. Regulatory changes are also complex and challenging.

During 2023, the new IFRS 17 accounting standard came into effect. IFRS 17 is the new standard for measuring insurance contracts and sets out principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The disclosure requirements will give the informed user greater ability to assess the performance of each insurer. The group has invested significant time and resources to ensure its readiness and has successfully implemented the standard. The 2023 results contained in this report and the annual financial statements are all based on IFRS 17.

The usefulness of the new standard to investors and regulators will take time to emerge, given its complexity. However, as understanding develops, we believe it will allow strong insurers to be more easily recognised.

The Data Protection Act came into force in 2019 and the Regulator, the Office of the Data Protection Commissioner (ODPC) was established in 2020. Regulations to guide the implementation of the Act covering General Application, Registration and Complaints & Enforcement Management were published from early 2022. In 2023, sector specific guidelines were pronounced to enhance the compliance in communication, healthcare, digital credit providers and education sectors.

In Tanzania, the Government of Zanzibar issued a revocation of the requirement that companies incorporated in Tanzania mainland should register as foreign subsidiaries in Zanzibar. This has removed the potential increase in risk and cost for our Tanzanian operation. The Personal Data Protection Act (PDPA) became effective from May 2023, five months after it was passed in Parliament and regulated by the Personal Data Protection Commission (PDPC). In 2023, the Tanzanian government published the Collection & Processing of Personal Data and Complaints Settlement Procedures Regulations.

The Mind My Money financial education programme remains a key driver for the business in widening access and improving understanding. During the year 79 workshops were conducted, reaching over 4000 individuals. Customers purchasing solutions as a result continues to grow strongly.

Our sustainability agenda focused on investing in the communities we operate in. During the year, we continued with our corporate social investment (CSI) initiatives anchored on the pillars of education and health. We will continue to integrate sustainability in the delivery of our CSI initiatives.

The impact of climate change is fast becoming a very important area to understand and adapt to. We will be investing in our capabilities in researching this area.

Continued strong performance recovery

The return of claims to levels expected in the pricing bases as well prudent pricing management, resulted in reduced claims in the Kenyan businesses. However, this was partially offset by the rising cost of replacement parts and medical supplies, due to the depreciating currency in Kenya. The businesses also faced economic headwinds from a range of factors. Rising costs, reduced consumer spending, and a broad fall in capital markets had the greatest impact. Despite these external factors, the businesses performed well and the group's earnings in 2023 continue to reflect pleasing growth. New business volumes grew 27% from 2022, primarily driven by the medical and group risk lines. Subdued investment markets led to lower investment fee income that had a significant negative impact on the life insurance business. The short-term insurance businesses produced strong earnings, while the group's long-term insurance business reported a profit for the first time in a number of years.

The operating subsidiaries have maintained a strong capital base and both Kenyan businesses received confirmation of their credit rating of A-, the best possible credit rating. This is confirmation of our ongoing financial strength.

Insurance revenue grew 12%, while insurance service expenses grew 27%. This was positively offset by an 82% reduction in net reinsurance contract expenses, resulting in a 148% increase in the insurance service result. A 10% reduction in net investment income in the life insurance business (off an already low base), driven by falling bond and equity markets, negatively impacted the earnings in that business. The strong operating performance by the underlying businesses demonstrates solid business fundamentals that are a positive indicator for the future.

The Kenya general insurance business, in particular, benefitted from increased productivity where gross written premium reached record high levels. The Tanzanian business grew its gross written premium by 13% and increased its earnings 18% from the prior year.

A continued focus on management of expenses at sustainable levels resulted in ongoing operating expenses increasing below inflationary levels while acquisition expenses increased due to premium growth. The group's cost to income ratio increased slightly, primarily as a result of once-off implementation costs for IFRS 17 and the medical administration systems.

As a result of the above, cash flow from operating activities increased 418%, and group profit after tax increased by over 150%. We are particularly pleased that the group was able to declare a dividend to the shareholders after several years of no declarations..

More details regarding the performance of the operating companies are provided in the financial review section of this report and the annual financial statements.

Appreciation

Thank you to all our clients for their continued confidence in Liberty Kenya. I am grateful to and thank our employees, intermediaries and the leadership across the Liberty subsidiaries for their exceptional efforts to unfailingly show compassion for and serve our clients.

On behalf of the management teams, allow me to express enormous thanks to all the directors and the Liberty group for the consistent commitment, guidance and support.

I wish to recognize the contribution of each member of the Liberty Kenya family in enabling the company to continue realising its purpose of making financial freedom possible for all our customers.

I would like to thank Mr. Abel Munda (previous MD of Liberty Life Kenya) who retired in 2023 after 36 years of dedicated service to the group.

Kieran Godden
Group Chief Executive Officer

Our primary financial performance indicators

Liberty Holdings Kenya Plc

	Return on equity (%)	Earnings per share (shillings)	NAV per share (shillings)	Share price (shillings)
2023	7.8%	1.23	17.20	3.69
2022	3.2%	0.42	15.90	4.99
	(2022 restated on adoption of IFRS 17)	(2022 restated on adoption of IFRS 17)	(2022 restated on adoption of IFRS 17)	

Liberty Life Assurance Kenya Limited

	Solvency (times) Capital adequacy ratio	Net client cashflows (KShs million)	Persistency ratio (%)	Value of new business (KShs million)
2023	2.05	927	78%	128
2022	2.27	(568)	80%	95

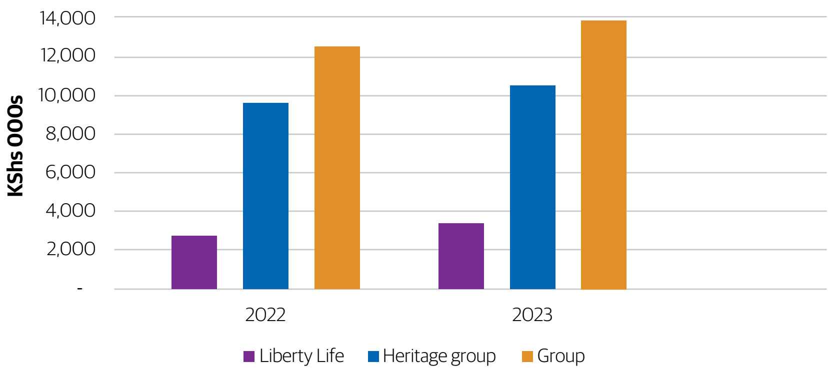
The Heritage Insurance Company Kenya Limited group
(incorporating Heritage Insurance Company Tanzania Limited)

	Solvency (times) * Capital adequacy ratio	Expense ratio (%)	Gross claims ratio (%)	Net insurance service result (KShs million)
2023	4.51	39	47%	590
2022	4.49	37	53%	379

* Heritage Insurance Company Kenya Limited

2023 performance review

Gross insurance revenue

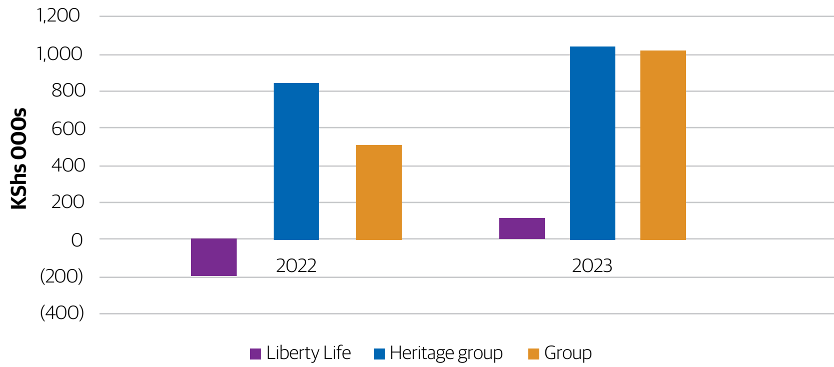


* 2022 insurance revenue was restated on adoption of IFRS 17.
The group recorded solid growth in 2023 with 27% growth from the long-term business and the Kenyan short-term business reaching record high premiums.

Net client cash flows (Liberty Life Kenya)

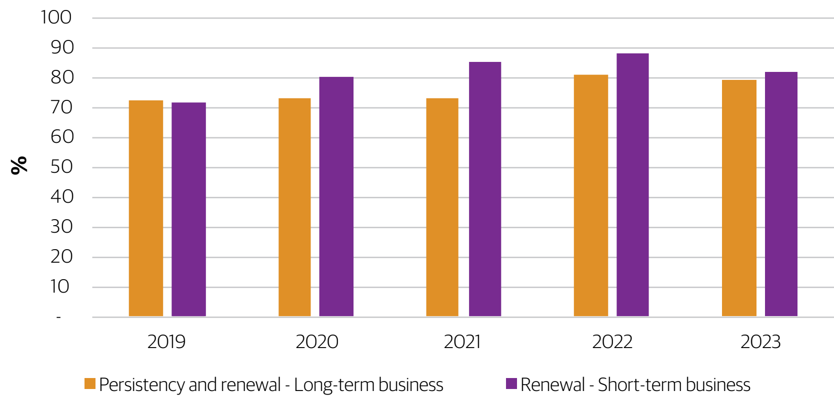
Cash flows are at the highest level for 5 years. This is mainly due to pricing basis adjustments and lower claims in the group risk products as well as strong new business growth.

Profit before tax



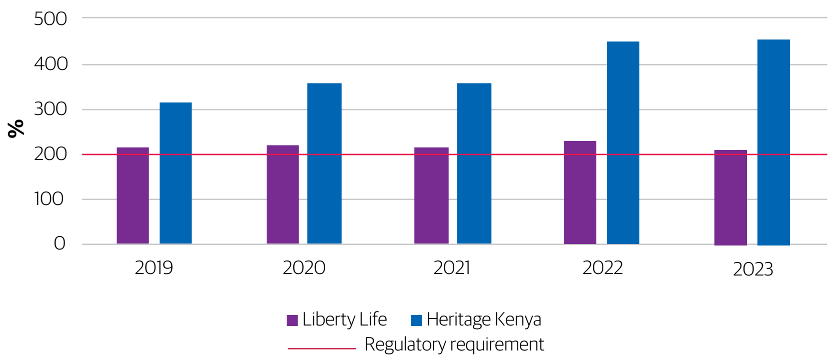
* 2022 was restated on adoption of IFRS 17.
Improved claim ratios in all the businesses contributed, together with premium growth resulted in a 149% increase in the insurance service result. However, the challenge of generating above-inflation yields on our long-term assets persists due to the falling capital markets. Despite this, the long-term business returned to profitability.

Persistency and renewal



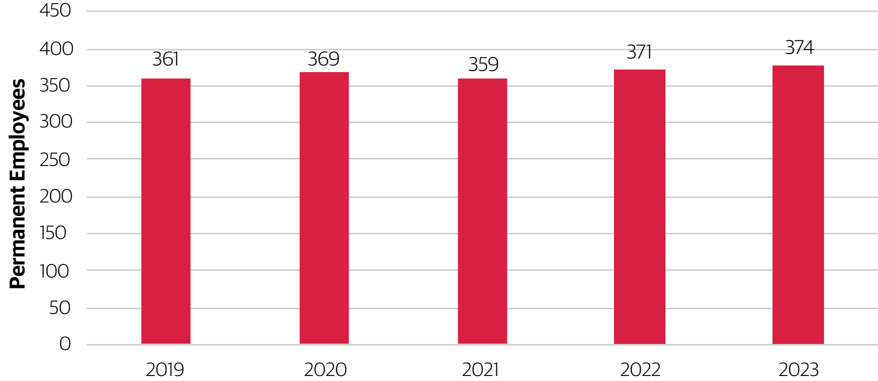
Renewal levels remain stable at acceptable levels in the long-term business. Renewals dropped in the short-term business, reflective of a competitive market and selective risk acceptance. Renewal levels, at around 80%, continue to demonstrate the strong partner and client relationships.

Capital adequacy ratio



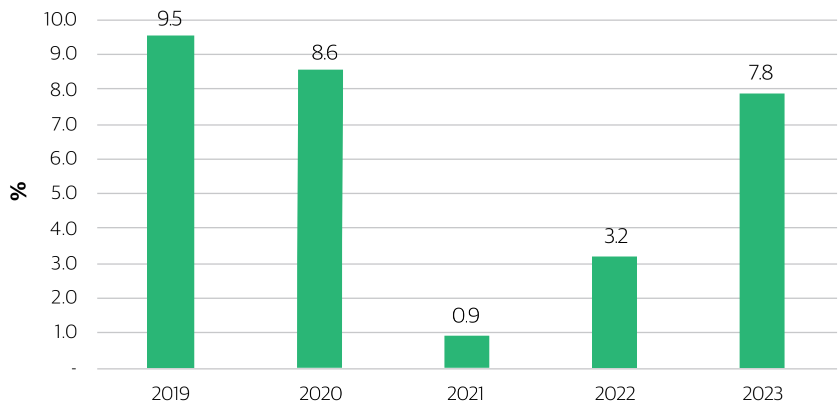
Prudent management of capital ensured the businesses remain strongly capitalised, well above industry averages.

Human capital



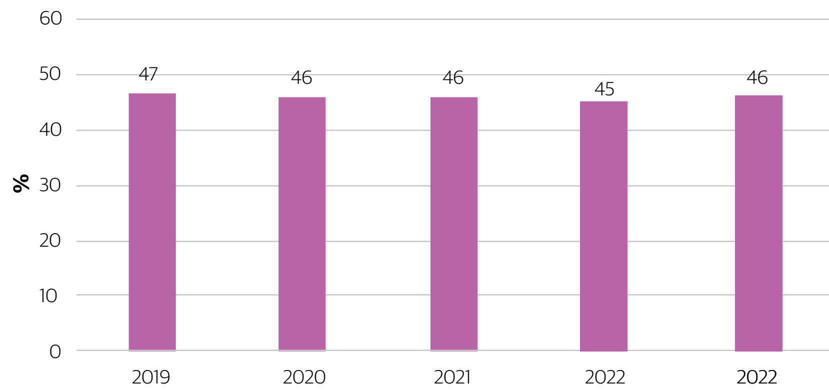
The stable permanent employee levels demonstrate our deliberate policy of investing in our people and avoiding significant restructures.

Return on equity



2023 and 2023 reported under IFRS 17; prior years on an IFRS 4 basis
Improved earnings, combined with prudent capital management, as noted on the preceding page, have enabled a strong recovery in the return on equity.

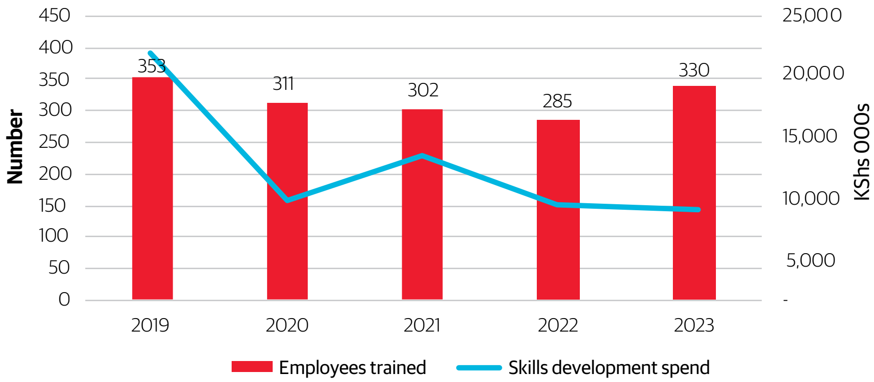
Diversity – female employees



Maintaining diversity in our employee base allows various factors (not only gender ratios) we believe are vital to remaining relevant in an increasingly diverse customer base.

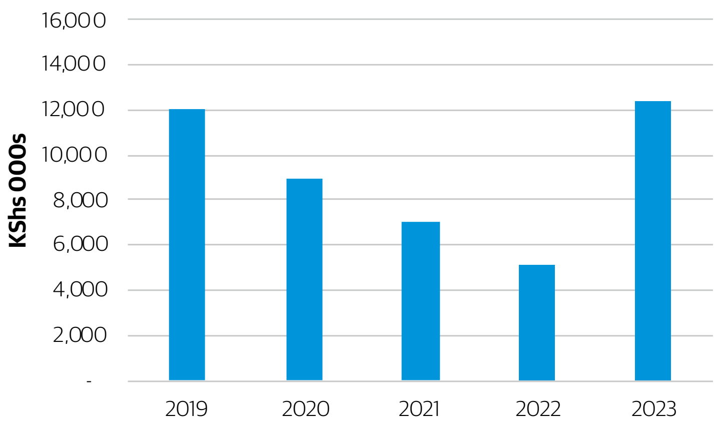
2023 performance review continued...

Employees trained and skills development spend



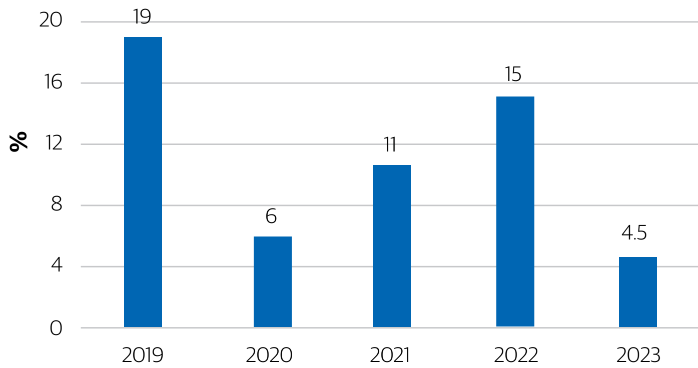
We remain committed to providing our employees with the skills necessary for them to perform their jobs and succeed in their chosen careers. We provide our employees with all the training required to meet our obligations under the various regulations governing our industry. The focus has moved to internal or "on the job" skill development, rather than increasing external spend, with various more standardised programmes.

CSI spend



The group's CSI spend has returned to pre-pandemic levels coupled with greater focus on impact and reach. Cost control remains critical and spend is intended to increase further as profits grow.

Voluntary employee turnover



Improved stability in the business, strengthening of the leadership team and a focus on a unified culture resulted in lower turnover.

A focus on our clients and partners

Driven by making financial freedom possible for all our clients, through own and partner solutions, we bring humanity to our client interactions. Through scalable digital platforms we strive to develop services and products that meet the needs of our clients and make insurance a simple and stress-free experience.

Value created for clients is primarily by prompt and accurate settlement of all valid claims, be they general or life insurance in origin. Our risk solutions provide peace of mind while our investment and retirement products allow individuals, families and employees to achieve their long-term savings goals. Payment of pensions and annuities enables clients to meet their financial obligations in their retirement.

Claims and policyholder benefits paid in 2023

Death and disability	Pensions and annuities	General insurance
KShs 640 million	**KShs 1 530 million**	**KShs 6 481 million**
(2022: KShs 833 million)	(2022: KShs 2 074 million)	(2022: KShs 4 187 million)

Treating customers fairly

Liberty is committed to treating all its customers fairly. Treating customers fairly ("TCF") is about establishing a culture of fairness throughout the business that creates an understanding of the customer's needs and providing appropriate products and services. Liberty operates in a manner where fair play and ethical behaviour underpin all business activities and relationships. Our embodiment of these principles begins at product development and approval stages where senior management are required to validate that all products adequately meet the TCF outcomes, including the requirement that it will perform as customers are led to expect.

We provide our customer with a clear summary of the product sold with the objective of ensuring an understanding of the product they are buying. We monitor and act on feedback, complaints and suggestions received from customers, intermediaries, or staff that identify the need for improvements in types of products, services or service standards. We provide contact details of the person or team dealing with the complaint to ensure accountability and resolution of issues. Lastly, the empowerment of customers to complaints service standards is key to us and this has been well articulated in our service charters across all our touch points.

All risks that may influence the client outcome across the value chain are dealt with as part of business conduct risk, including aspects such as product design, approval of marketing material, policyholder investment performance, client complaints and claims management. The client fairness committee, supported by the executive committees in each operating subsidiary, assists in achieving fair outcomes for all Liberty's clients. TCF is the legislative and regulatory embodiment of a fair and more transparent consumer environment and promotes more efficient and equitable financial services, and we seek to internalise TCF as part of our culture by training our employees and sales teams. By using the TCF outcomes to inform our client service principles, we have embedded TCF across the organisation, elevating it beyond regulatory compliance.

Key initiatives for clients and partners delivered in 2023

A. New products and enhancements:
   1) In response to the lower returns emanating from the capital markets in 2023, the life business introduced the cash portfolio for both Retail and Pension for clients who have a lower risk threshold.
   2) The life business obtained the National Social Security Fund (NSSF) registration to administer tier II contributions for corporates opting out of the NSSF for these enhanced contributions.
   3) Improved our SME proposition within the Bancassurance Channel, achieving significant impact with the top bank partners.
   4) Launched a retail health product to serve the individual and small business segments.

B. Technology / system enhancements:
   1) Enhanced our systems to improve clients' claims and servicing journey via our USSD platform and the policy administration systems.
   2) Rolled out a new platform for the administration of the corporate medical book laying a solid foundation for the digitisation of this aspect of our business.

C. Channels and partnerships:
   1) Partnered with peer insurance companies to grow the Group Life Assurance book.
   2) Launched Direct Sales Agents as a channel – Recruitment and integration of the agents within Stanbic Bancassurance Intermediary impacted on the growth of new business.
   3) Built new strategic partnerships to boost new business sales – onboarded seven new partners within the retail general business and several new SACCOs and MFIs (Micro-Finance Institutions) within the Corporate Life business.
   4) On-boarded consortiums with key banks as well as co-created embedded solutions for key retail life products such as income protect.
   5) Implemented an improved profit share model for intermediaries.

D. Customer retention
   1) Through a deliberate focus on retention, we continued building the intermediary relationships to ensure that we raise the bar on customer retention. As a result, renewal premium income from existing customers increased in aggregate, demonstrating client satisfaction with their solutions.

Growing the brands among independent distribution partners

A significant percentage of revenue for both Liberty Life and Heritage Insurance is generated through financial institutions, brokers and agents. During the year, we:

- Implemented pension acquisition and retention initiatives by hosting a football tournament, a pre-retirement training and a regional pension forum.
- In addition, we participated in and sponsored multiple events in support of our partners:
  - The Association of Insurance Brokers of Kenya's annual conference - an opportunity for insurers and brokers to discuss industry developments.
  - The inaugural Bancassurance Association of Kenya conference. Bancassurance is the fastest growing intermediary channel. Our participation cemented our keen interest.
  - The Association of Independent Agents of Kenya conference. A forum of independent agents, one of the largest block of intermediaries.
  - The Association of Kenya Insurers' agent gala awards where top-performing agents are recognized.
  - The Insurance Institute of Kenya's annual seminar, a knowledge enhancement forum.
  - Think Business Awards - an industry milestone recognition event.

Heritage achieved recognition at the Association of Kenya Insurers' agent gala awards for the agent with the highest professional indemnity insurance volume.

Client and intermediary training

In-order to ease the customer journey, we conduct various capacity building forums to educate and empower existing clients and partners on our products and services to:

- Improve our relationships with clients and partners.
- Mitigate the risk of clients misunderstanding product coverage and benefits.
- Retain the client and partner in-order to foster business acquisition and retention.
- Identify client needs and effectively provide solutions that address these.

In 2023, we conducted 15 intermediaries training sessions, with over 1 000 independent agents participating, across our branches. In addition, we held a masterclass boot camp training for our top tier direct sales agents, unit leaders and agency managers within the agency team. In 2023, Heritage conducted over 40 training sessions on various products to clients either directly or through sales intermediaries.

Further, we introduced a financial knowledge series on our YouTube channel, dubbed "Money Master" which we used to engage clients to improve financial literacy. The series generated over 1.5 million views.

Mind My Money

Our financial literacy program, "Mind My Money", continues to make in-roads in the employment space as we engage with employees, to increase financial knowledge and insurance penetration. We conducted 140 Mind My Money sessions to over 9 000 individuals. Annualised premium from the Mind My Money / financial literacy sessions grew in 2023 recording an additional KES 30 million from 503 customers. Cumulatively, over the past 4 year period, this program has generated KES 86 million in premiums

Risk surveys

As part of our risk evaluation, we conduct risk surveys for clients. This assists our understanding of the clients' operations and allows us to better underwrite the risks appropriately. The surveys also enable us to highlight risks and possible mitigation measures clients could implement to reduce their risks and premiums. A total of 308 risk surveys were conducted in 2023 – free of charge.

Monitoring our performance

In the 2022 report, we alluded to the work being done to develop metrices that will help us assess client experience and track our progress. With the Data Protection Act now fully implemented, over the last six months of 2023, we were in a position to now include 'voice of the customer surveys' for our general insurance customers as shown below. For life insurance customers, only the NPS has been developed for 2023 while the rest of the matrices will be in place for 2024.

Voice of the customer (VoC)

The Voice of the Customer surveys are carried out on customers who have consented to be surveyed. The VoC metric seeks to survey customers and gauge their level of satisfaction from the following aspects:

a) **CSI (Customer Satisfaction Index)** is overall level of customer satisfaction when a customer purchases and consumes our product/service.

b) **NES (Net Effort Score)** This measure indicates how much effort a customer must exert to get an issue resolved, a request fulfilled, a product purchased/return or a question answered.

c) **NPS (Net Promoter Score)** demonstrates long-term loyalty and determines which customers are brand ambassadors and which could defect to other products.

d) **Empathy** is understanding the underlying needs and feelings of customers. It goes beyond recognizing and addressing their tactical requirements and puts things into further context by viewing things from their perspective.

	General insurance customers		Life insurance customers	
	Annual average	Target	Annual average	Target
CSI	51%	78%	-	-
NES	65%	78%	-	-
Empathy	53%	50%	-	-
NPS	41%	50%	37%	50%

Where no scores are disclosed this is because they are not currently measured for the life insurance business. These are being investigated for inclusion.

A focus on our clients and partners continued ...

Our main products

LIBERTY

Individuals and families	
Hekima Plan	Provides peace of mind knowing that your beneficiaries' financial needs are taken care of when you can no longer do so in the case of critical illness, disability or death.
Legacy Plan	A comprehensive funeral plan that protects your legacy, by providing you and your family with financial support for the most urgent expenses at a difficult time.
Lifevest Plan	A unique and flexible investment and insurance solution that provides both choice and cover.
Boresha Maisha Individual Pension Plan	Enables clients to save securely.
Boresha Ustaafu Income Draw Down	An income drawdown product suited to balancing the need to achieve controlled growth of our income and to ensure we have sufficient funds to support us during our golden years.
Income Builder	A comprehensive protection plan that secures your family's future by providing for your changing needs.
Triple Diamond Plan	A flexible insurance plan which guarantees you three payouts during the policy term.
Soma Savings Plan	Provides guaranteed interest rates over a fixed-term investment.
Scholar Plan	Insures the life of your child from the age of three months for 15 years or more.
Educator Plan	Designed as a savings and protection plan to provide for the future education needs of your child.
Businesses	
Group life cover	An employee benefit offered by an employer or an organised group.
Group funeral cover	A group life policy which pays claims upon the death of an employee.
Group credit life/ mortgage protection	Pays off a member's outstanding loan debt in the event that they pass away, become disabled, suffer an illness or retrenchment.
Family protector plan	Provides peace of mind during the difficult times that result from the death of a loved one.

Heritage Insurance Company

Individuals and families	
Motor insurance	Available for a broad range of vehicles. Cover can be limited to third party, third party fire and theft or comprehensive cover.
Retail insurance health cover HeriAfya	An insurance health cover targeting individuals, families and small business/ group.
Auto Correct	Builds on our motor insurance product by using telematic monitoring to reduce pricing through encouraging better driving habits. It also allows for greater client engagement, notification of accidents and a points-based loyalty program.
Domestic package	Provides insurance cover designed especially for your residence, including the structure and contents. Cover includes fire, theft and accidental damage. The policy extends to include personal liability.
Personal accident cover	Provides compensation for physical and visible body injury caused in an accident.
Travel insurance	Provides 24-hour emergency and medical assistance anywhere in the world.
Businesses	
Medical insurance health cover	A suite of health insurance products offering a comprehensive and flexible set of health benefits to employer groups in Kenya.
Business motor insurance	Provides comprehensive cover for business vehicles and motor fleets.
Group personal accident (GPA) cover	Provides compensation for physical and visible body injury caused in an accident.
Professional liability insurance	Protects against financial loss as a result of malpractice, errors, and negligence.
Combined solution	An insurance package that combines all of the typical coverage options into one bundle. They simplify the insurance buying process and can save you money.
General liability insurance	Protects against financial loss as the result of bodily injury, property damage, medical expenses, libel, slander, defending lawsuits, and settlement bonds or judgments.
Product liability insurance	Protects manufacturers, wholesalers, distributors, and retailers of a product against financial loss as a result of a defective product that causes injury or bodily harm.
Commercial property insurance	Protects your business against loss and damage of company property due to a wide variety of events such as fire, smoke, wind and hail storms, civil disobedience and vandalism.

Be the employer people want to work for

Our people are deeply connected to our purpose. Our employees are vital to the sustainability of our business and are empowered to execute their roles confidently and successfully.

We aim to create value for all our employees. We offer competitive pay and benefits aligned to the market for diverse functions and skills. Other value metrics are qualitative such as meeting our strategic objective to "provide an environment for our people to thrive". Such an environment is represented not only by the physical working conditions but by a collegiate culture, underpinned by common ethics. We want our people to be proud to work for Liberty and truly consider their colleagues as family.

Employee benefits

Liberty offers a range of benefits that mirror best people practice to its employees.

Peace of mind
- Group life insurance
- Personal accident cover
- Medical scheme
- Employee wellness programme
- Leave allowance

Financial wellbeing
- Retirement funding (pension)
- Preferential rates for insurance products
- Preferential loan rates

Growth opportunities
- Training programmes
- Leadership development
- Professional membership for work related associations

Time off
- Vacation
- Study
- Special
- Sick
- Maternal and paternal leave
- Sabbatical

In 2022, we continued to embed our employee experience. We believe that for everyone at Liberty to thrive, we must be doing our best work and living our best lives. Building on the progress we made in 2021, we focused on solidifying our holistic employee experience framework in 2022.

Deliberately creating an employee experience that brings the moments that matter to life

Enabling an employee experience that effectively attracts and retains the right talent

Focussing on creating value for our employees, clients, partners and Liberty

Employee experience framework

Living and doing
Integrating our employees' lives at work with their personal working circumstances and preferences, creating true work-life integration.

Moving in and moving on
Enabling a seamless onboarding experience for our people while allowing them to move onto the next phase of their career with dignity, remaining connected to the organisation

Growing and evolving
Creating the platform for our people to take control of their career, role and learning evolution, encouraging non-linear and self-driven growth

Connecting and belonging
Uniting our people across functions, levels and backgrounds to create a cohesive organisation where everyone feels included and valued

Realising and recognising
Aligning employee performance outcomes and Liberty's business outcomes, shifting the cultures and habits around performance management

Inspiring and innovating
Driving meaningful and inspirational work that aligns with our purpose and values, creating an engaged and motivated organisation

Strategic and operational initiatives for our people

Strategic initiatives

Unified culture

Evolution of the way we work

Focus on performance excellence

Workforce succession planning and future skill sets

Operational initiatives

Skills review and alignment

Workplace practices review, performance management

Talent management and succession

Reward and recognition methodology

Leadership principles and behaviours

Our leadership initiatives are crucial to the culture and character of Liberty, and we invest significantly in developing leaders across all levels of our business.

Our leadership programmes work on embedding performance excellence, leadership principles and a fostering a unified culture.

Our culture programmes enable each Liberty employee to take ownership of behavioural change, while our leadership programme supports our leaders as they navigate significant changes and transformation – helping raise awareness, deepening empathy and understanding, and sharpening their leadership skills.

Workforce plan - strategic appointments

Liberty Kenya received formal approval leading to the appointment of Kieran Godden as the Chief Executive for Liberty Kenya Holdings after meeting all the statutory regulatory requirements.

In March 2023, the Liberty Life Assurance Managing Director retired after serving the organization for over 37 years. A substantive successor for the role was recruited in September 2023. His appointment is pending regulatory approval.

Other key strategic placements in the year included, appointment of the General Manager Finance & Administration (Liberty Life Assurance), Chief Information Officer and Group Head of Distribution.

Strategy cascade and culture shift

In 2023, under the visionary leadership of our Chief Executive, Liberty Kenya embarked on a transformative journey to cascade strategic objectives and foster a culture shift aimed at driving organizational excellence. The strategy cascade process commenced with the articulation of our purpose setting the strategic direction for the organization. This was followed by the development of strategic objectives and key performance indicators (KPIs) aligned with the overarching goals. Through a collaborative approach involving senior leadership, department heads, and frontline employees, these objectives have been cascaded down to every level of the organization, ensuring alignment and clarity of purpose.

Concurrent with the strategy cascade, we began a culture shift journey to foster a more inclusive, performance driven and collaborative workplace environment. Employee sessions led by the Chief Executive played a pivotal role in driving this cultural transformation. Effective communication was critical in ensuring buy-in and participation from employees at all levels. A series of employee engagement sessions, departmental briefings, and internal communications were organized to introduce the culture shift initiative, explain its purpose, and highlight the benefits of a positive workplace culture. Leadership played a crucial role in championing the initiative and setting the tone for the entire organization.

The culture shift journey is an ongoing process that requires continuous support and reinforcement. To sustain momentum, regular check-ins, progress reviews, and feedback mechanisms have been established.

The strategy cascade and culture shift journey led by the Chief Executive in 2023 have laid a solid foundation for Liberty Kenya's future success. By aligning strategic objectives with our purpose and empowering employees to drive change, Liberty Kenya is better positioned to achieve its long-term goals and thrive in an ever-evolving business landscape.

Some of the key actions to support the transformation that have been realised are:

- Formation of the single leadership forum for Liberty Kenya - Liberty Kenya Holdings, Executive Management Committee (Group EXCO).
- Office optimisation- to reinforce the one culture one business philosophy, we have reorganized our seating arrangement to optimize our current office space and create a more collaborative and functional work environment that will lead to the realization of our strategic intent of one organization. The Executive, Finance and Actuarial functional units for the short and long-term business now sit on one floor. The office reorganisation will be done in phases targeting functions that will ordinarily work and function well when placed together.
- Optimisation of distribution functions - the sales and distribution teams are closely aligned with a unitary purpose. Relationship managers have been empowered to interact with customers and partners about our full range of solutions, increasing customer satisfaction and enabling greater cross-selling.
- Prioritisation - A clear plan has been rolled out to all staff, ensuring they focus on the most important issues for strategic delivery. A culture of performance excellence is being reinforced between staff and not only from leaders.

Growing our people

Employee development is key to ensuring the technical and soft skill capability of the workforce is at the required levels. With the organization's support, the following training and development courses have been provided:

Program	Comments	Participants
Diploma in Insurance	Technical insurance course	32 employees
LOMA (Life Office Management Association)	Technical Life insurance course	20 employees
Certified Internal Auditor	Professional qualification for Audit	2 employees
Actuarial studies	Professional qualification for Actuaries	7 employees
Institute of Certified Public Accountants of Kenya	Professional qualification for accountants	3 employees
Chartered Institute of Marketing	Professional qualification for Marketing	1 employee
International School of Marketing	Technical program	1 employee
Project Management Institute	Technical program	1 employee
Anti Money Laundering Training	Compliance training	All employees
Financial Crime training	Compliance training	All employees
Bullet Proof Training	Leadership Training	1 employee
Data Privacy Training	Regulatory	1 employee
Journey to Implementing IFRS 17	Finance & Actuarial Program	3 employees
Disruptive Thinking, Strategic Problem Solving & Persuasion Skills training	Soft skills program	2 employees
Industrial Training Levy Enhancements in iTax.	Regulatory	3 employees
Underwriting Training - General underwriting tips	Internal program	61 employees
Training on the White Label Platform	Internal program	81 employees
Travel Insurance Training	Internal program	83 employees
Marine Cargo Training	Technical program	80 employees
Association of Kenya Insurers Underwriting Managers Forum	Industry stakeholders meeting	2 employees
Labour Audits at the Workplace	Human Resources	2 employees
Bonds and Trade Credit Training	Internal program	71 employees
Contemporary Issues in Labour Laws and Industrial Relations in Kenya	Human resources	2 employees
Business Continuity Plan (BCP)	Internal program	176 employees
Professional Indemnity Refresher	Internal program	70 employees
Marine Cargo Surveillance	Technical program	2 employees
Financial Lines Program	Technical program	2 employees
Boosting Insurance Sales	Technical program	6 employees
Certified Data Privacy Solutions Engineer (CDPSE)	Information security	1 employee
UCT Claim Assessor	Technical program	1 employee

Talent management and succession plan

We believe in fostering internal growth of our employees, this has been made possible via our talent management framework. Talent validation for 2023 was done with each business unit to assess bench strength of our talent. A total of 17 employees assumed higher roles through internal placement and movements. The retention rate as at end December 2023 was greater than 90% which was within the required threshold.

Performance management and remuneration

A key element of our employee experience framework is "realising and recognising". This entails the evaluation of an employee's performance against Liberty's needs and expectations. Performance management is a critical element of our approach to people management, remuneration and reward.

The Liberty performance management cycle runs on a calendar year basis. Performance ratings are then used to inform annual salary increases, effective 1 March of the following year, as well as performance bonuses, also payable in March. Salary increases are intended to reward performance as well as to compensate for inflation. Performance bonuses are to reward individual performance. An overall pool for bonuses is set aside as part of the year-end financial process and this informs the total level of bonuses payable. Performance bonuses are also informed by the financial performance of the organization but are not intended to be a profit share arrangement. Therefore, performance bonuses may still be paid even if the organisation does not meet its financial targets in full.

The aggregate increase percentages recommended for the underlying businesses are based on estimated inflation and other credible market information. These are also assessed against significant expected changes in the inflation rate and input on the competitiveness of Liberty's remuneration.
Increases and bonuses are informed by each employee's appraisal rating. Different levels of employees may have different levels of increase and bonuses applied. An employee listing with applicable increases and bonuses is prepared and approved by executive management, based on the approved tables. The applicable numbers are verified against available budgets. The boards of the companies are ultimately responsible for approving all remuneration reviews and bonus awards.

All Liberty employees completed year-end performance reviews in 2023 and employee feedback was finalised in the first quarter of 2024.

Employee engagement sessions

We connect with our employees at all levels through various engagement channels: townhalls, departmental meetings and themed companywide events. The townhalls led by the senior management and Chief Executive have been held in each quarter. This includes the Liberty Africa townhalls. Through these forums key messaging relating to the organization is passed on to the employees for their general awareness. Employees are provided opportunities to interact with members of the board.

Employee wellness:
Mental health forms part of our wellness proposition and programs and is a key pillar in our employee experience framework (Living & Doing). Mental health is an important aspect of our employees' wellbeing which directly impacts performance and productivity at work. As an organisation we have put in place measures to ensure accessibility to professional help through ICAS as well as other clinical psychologists and psychiatrists in our health panel. Mental health awareness sessions were held in the year touching on the different areas to help employees in managing self. In 2023, we held several webinars on depression, Managing the 3-B's (boreout, burnout and brainout) and providing support for affected employees. We also had a physical medical camp. In addition, we have provided avenues for social support mechanisms from colleagues and superiors to help alleviate the prevalence of mental health disorders by providing a buffer against stress and anxiety. Other themed wellness sessions held within the year focused on financial wellness, hypertension, and diabetes.

Team cohesive activities is part of the bonding sessions for our employees. We held departmental team building sessions in Q4 2023, geared towards enhancing teamwork as well as cement the messaging of our renewed ways of work (culture).

During the year, all our employees were fully based in the office. We firmly believe that this improves a sense of belonging, improves collaboration and drives unity of purpose.

Regulatory changes affecting employer and the employee (Finance Act 2023, National Social Security Fund)

The regulatory changes in the Finance Act 2023 enacted in the year impacted both the employer and the employee in real income. The cost of doing business increased for the business and the employees felt the burden of an increase in the taxation/ levies being proposed.

Highlights:

a) Employment Tax

Tax bands increased from current 3 to 5.

- Tax rates for earnings of KES 500,000- KES 799,999 per month taxed at rate of 32.5%,
- Earnings of KES 800,000 per month and above taxed at rate of 35%.

b) Employment Act

Introduction of housing levy of 1.5% of gross pay for employees and the employer.

c) National Social Security Fund Changes

Changes to the National Social Security Fund implemented in February 2023. This has had an impact to the monthly contributions to both the employee and employer.

To support our employees with the changes, timely communication was done for all employees followed by finance wellness sessions to appraise the employees of what to expect and help them to better manage their financial situation.

Awards

Liberty Kenya was recognised for being a market leader in Innovation and Productivity during the Federation of Kenya Employers (FKE) Employer of the Year Awards held on 6th October 2023.
We also participated in the industry wide Association of Kenya Insurers (AKI) Games and Quiz events. Whereas we did not proceed beyond the semifinals on the quiz, there was notable achievement in the AKI games: we were 1st runners up in the field events and swimming, and the 2nd runners up in the auxiliary events. Overall, Liberty was position 4 out of the 27 participating teams.

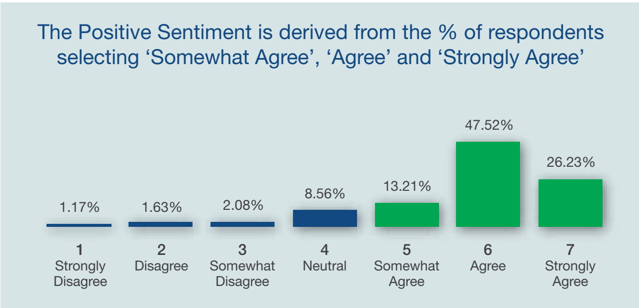
Employee engagement and employee net promoter score (eNPS)

Our annual employee experience check-in survey provides us with the opportunity to check in with all our employees. The collective results provide a view of the general sentiment of our people, and where we could focus our efforts in moments that matter.

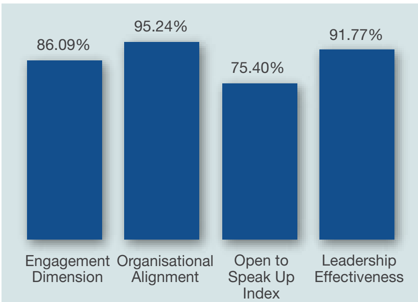
We conducted our annual employee check-in survey in Q4. The survey was conducted across the entire Liberty group and provides us with an eNPS. The eNPS indicates overall employee satisfaction and loyalty and allows the organisation to understand the underlying reasons contributing towards our employee sentiment, including areas where we could improve. A net promotor score is a widely used market research metric based on a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague.

Respondents	Invitations	Participation	eNPS	Positive Sentiment
252	313	80.51%	+20.24	86.96%

Positive sentiment



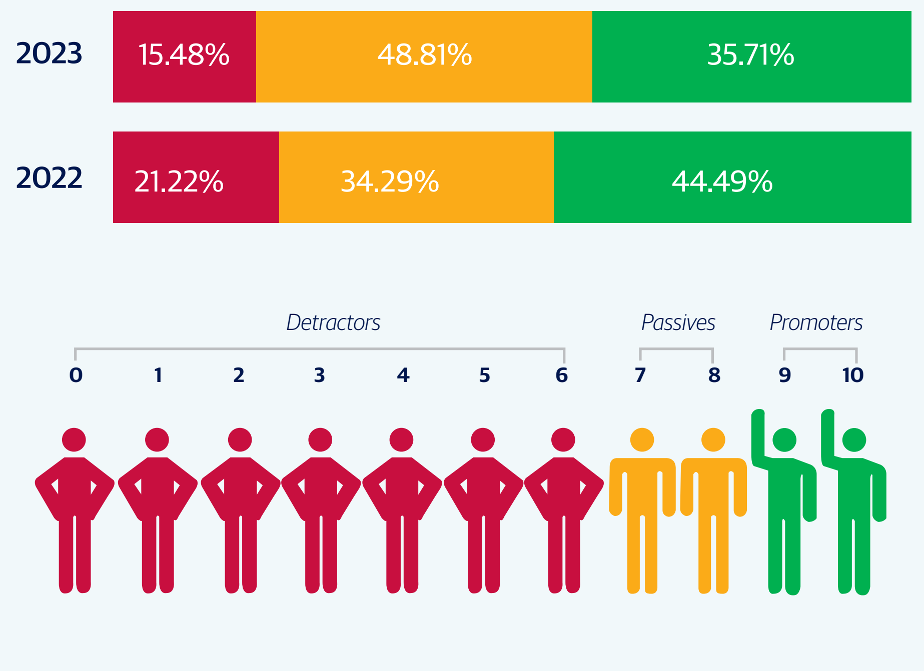
Measures by dimension



The eNPS assumes a subdivision of respondents into "promoters" who provide ratings of 9 or 10, "passives" who provide ratings of 7 or 8, and "detractors" who provide ratings of 6 or lower. The eNPS results from a calculation that involves subtracting the percentage of detractors from the percentage of promoters collected by the survey item.

We had a total of 252 respondents out of 313 employees translating to an 80.51% participation rate. The net result was an overall employee positive sentiment score of 86.96% and eNPS score of +20.24. An eNPS above 10 is considered satisfactory while any score above 20 is good. In 2022, the overall eNPS was 23.27. It is noted that the questions and dimensions were altered in the 2023 survey because of the newly established IAM business unit, and do not give an accurate like for like comparison.

eNPS Score



Fulfilling our regulatory obligations

Regulators govern financial stability and market conduct to promote the fair, transparent and responsible treatment of customers. We proactively manage our response to evolving regulations.

Our stakeholders expect us to manage business risk and behave in an ethical manner that ensures compliance with the form and substance of laws, regulations, codes and standards. Through our governance structures and processes, we aim to anticipate, apply and comply with the requirements of the increasing regulation of our industry.

Ultimately, our risk and conduct value driver goal is to manage our business in a safe, secure and profitable manner for the benefit of all stakeholders, to build trust and enhance our reputation.

Liberty is approved by the Capital Markets Authority (CMA) as an issuer of securities to the public. By reason of the listing off its shares, Liberty also engages with the Nairobi Securities Exchange (NSE) and the Central Depository & Settlement Corporation (CDSC). Liberty and its subsidiaries are registered as companies limited by shares by the Registrar of Companies and therefore have certain compliance obligations to the Registrar. Its two subsidiaries are regulated by the Insurance Regulatory Authority (IRA). Liberty Life Kenya is also regulated by the Retirement Benefits Authority (RBA). Other key regulators include the Financial Reporting Centre (FRC) responsible for oversight of Anti-Money Laundering (AML), the Office of the Data Protection Commissioner (ODPC) responsible for oversight of Data Privacy regulations and the Unclaimed Financial Assets Authority (UFAA) responsible for oversight of long outstanding unclaimed assets.

Heritage Insurance in Tanzania is regulated by the Tanzania Insurance Regulatory Authority (TIRA).

Liberty believes in constructive and productive relationships with regulators and policymakers of our industry. Our primary engagements are with the IRA, RBA, CMA and KRA. We also participate and engage with industry associations, notably the Association of Kenya Insurers (AKI), the Association of Kenya Professional Insurance Agents (AKPIA) and the Association of Insurance Brokers of Kenya (AIBK).

The development of regulations is targeted at enhancing trust and integrity in the financial sector, as well as improving client outcomes and benefiting society at large. There are growing expectations of management of non-financial risks including conduct risk and culture. ESG and sustainability disclosures and reporting continue to be an area of focus, with a shift towards more standardised reporting expected as reflected in NSE ESG Disclosures Guidance Manual, published in November 2021.

Financial inclusion in the financial sector is critical for the industry and regulators. The IRA continues to play a role in financial inclusion including consumer protection and consumer education. During 2023, the IRA published additional regulations on AML focused on enhancing compliance by industry players. Liberty supports these regulations and continues to develop strategic responses to new and emerging regulations, and to leverage our capabilities to monitor and assess the implications of regulatory developments and engage with external stakeholders to understand and constructively influence regulation.

Managing regulation

Liberty operates in a complex and evolving regulatory landscape. The developing regulations in this environment are driven by international trends (arising from the G20, International Association of Insurance Supervisors and the International Accounting Standards Board), regulatory goals for consumer protection, prudential regulation and accounting standards. These regulations must be considered and prepared for while complying with existing legislation.

Considerable effort is invested in anticipating and understanding both emerging and developing regulation. This is necessary to ensure that risks and opportunities, which may impact on the existing operating environment, are identified and adequately prepared for. The management of regulation occurs through a regulatory programme review and oversight process. This process identifies and prioritises pending requirements and develops the appropriate response after assessing the proximity and potential impacts as well as both positive and negative strategic considerations. Board members are informed quarterly of new and anticipated legislation.

The IRA conducted on-site risk-based supervision inspection of Liberty Life Kenya and Heritage Kenya in 2021, rating them as medium risk. The businesses have fully addressed the issues raised by the authority. The Capital Markets (Public Offers) (Listing and Disclosure) Regulations, 2023 were published in September 2023. The company is assessing the impact of the new regulations to ensure compliance but does not envisage that there will be material changes to its corporate governance framework, which has always adhered to the CMA's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Details of Liberty Kenya Holdings Plc compliance with the CMA's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 are provided in the corporate governance section of this report.

Solvency ratio

Over recent years, we have deliberately strengthened our financial position by maintaining a prudent and disciplined approach to trading across both underwriting and investing activities. Accordingly, while considering how the local and global challenging economic conditions have weighed on our results, we maintained solid surplus operating capital.

	Requirement	2023	2022
Liberty Life Kenya	200%	205%	227%
Heritage Insurance Company Kenya	200%	451%	449%
Heritage Insurance Company Tanzania	100%	131%	122%

Liberty Life Kenya began to experience a potential capital shortfall during 2021 because of the Covid-19 pandemic. However, by 31 December 2021 management actions had restored the company's capital position to 210% of the regulatory requirement. In 2022, continuing economic headwinds resulted from supply chain challenges as the world's economies reopened, the Russia/Ukraine conflict and global inflation placed further earnings strain on the long-term insurance business.

Liberty Life's actuarial department produces a full analysis of surplus on an annual basis. This exercise is verified by an external third-party statutory actuary. The analysis of surplus provides the board and management with sight of the sources of profits and losses by business class and product.

Liberty's long-term insurance subsidiary, Liberty Life Kenya, was given a KShs 130 m capital injection, funded by internal group resources, during 2022 to prevent a breach in the group's risk appetite. Forward projections, based on implementing management actions, indicate the likelihood of a stable capital environment.

IFRS 17 Insurance Contracts, which became effective from 1 January 2023, was implemented across the operating insurance businesses for the first time, resulting in mandatory restatement of prior year results. A review of the capital deployed will be conducted in 2024 with a view of optimizing the capital allocation to each respective business to enhance shareholder value in the group.

Treating clients fairly (TCF)

At Liberty, we place the client at the heart of everything we do and operate in a manner where fair play and ethical behaviour underpin all our business activities and relationships. Liberty has no appetite for deliberately or knowingly breaching legislative, regulatory or internal policy requirements.

All risks that may influence the client outcome across the value chain are dealt with as part of business conduct risk, including aspects such as product design, approval of marketing material, policyholder investment performance, client complaints and claims management.

The client fairness committee, supported by the executive committees in each operating subsidiary, assists in achieving fair outcomes for all Liberty's clients.

TCF is the legislative and regulatory embodiment of a fair and more transparent consumer environment and promotes more efficient and equitable financial services. Liberty Kenya seeks to differentiate itself in the market by providing products that clients perceive to have value. It is our responsibility to balance shareholder value and client fairness in the creation of client value. By adopting a client-centric approach, we seek to internalise TCF as part of our culture.

By using the TCF outcomes to inform our client service principles, we have embedded TCF across the organisation, elevating it beyond regulatory compliance.

Fulfilling our regulatory obligations continued...

Six core consumer outcomes of TCF

Clients can be confident that they are dealing with firms where the fair treatment of clients is central to the firm's culture.

Products and services marketed and sold in the retail market are designed to meet the needs of identified client groups and are targeted accordingly.

Clients are given clear information and kept appropriately informed before, during and after the time of contracting.

Where clients receive advice, the advice is suitable and takes account of their circumstances.

Clients are provided with products that perform as firms have led them to expect and the associated service is both of an acceptable standard and what they have been led to expect.

Clients do not face unreasonable post-sales barriers to change product, switch provider, submit a claim or make a complaint.

Client complaints

The group has a client complaints policy, the objective of which is to deliver an urgent, empathetic, consistent, transparent and fair response to all complaints, in line with clients' expectations and regulatory and supervisory requirements.

We have taken various actions to reduce the number and severity of complaints, including:

- Training of sales teams, including intermediaries, in product knowledge and claims service, leveraging on technology in disseminating electronic policy documents and employee training in product knowledge and business processes to enhance the client experience;
- Implementing real-time gross settlement (RTGS) payment option and embedding mobile money platform payment options;
- Enhancing process accountability and guard rails to improve on customer touch point turnaround times and quality of information provided; and
- Introducing clients to self-service tools and automating communication with clients to ensure consistency and empowerment for self-service using the online portal and mobile application functionality.

For both operating companies, the payment of claims remains the largest root cause of complaints, followed by administration and communication related to onboarding and policy benefits.

In recent years, we have analysed the underlying reasons for complaints, allowing us to direct our action to areas that will have the greatest impact on client satisfaction by reducing the number of complaints or reducing our turn-around times. In 2023, the group reduced the number of client complaints by 39%.

Anti-money laundering (AML)

The operating businesses adopted a risk-based approach to compliance with the AML regulations. During the year, new regulations were proclaimed for the industry with the aim of enhancing compliance requirements and Liberty Kenya adopted these changes in its Business Operating Standards (BOS). Automation of the risk-based approach was concluded in the year and enhancements to automated continuous real-time screening are planned in 2024.

Preventing fraud

We continue to use the industry's Integrated Motor Insurance Database System (IMIDS). The system, domiciled at the AKI secretariat, helps address increasing cases of fraud by providing a portal where insurers can verify the underwriting and claims history of an insured and at the same time receive fraud indicators.

We utilise the system at underwriting stage to evaluate and price cover and consult the fraud watch reports generated by the system during claims processing.

IT governance

Enterprise IT governance at Liberty continues to receive appropriate consideration from the board and executive leadership.

The group's IT governance framework provides a consistent approach, integrated and aligned with the enterprise governance approach. IT-related decisions must be made in line with the group's strategies and objectives to ensure that the desired value is realised.

The five IT governance principles are as follows:

Strategy: Organisational goals and IT governance plans must be aligned to allow both to work together as one to benefit the enterprise.

Value delivery: Executing value proposition throughout the delivery cycle is important. Organisational goals are unlikely to be realised unless IT delivers the promises against the strategy.

Resource management: Successful IT performance is dependent on the optimal investment, use and allocation of IT resources (people, assets and third parties).

Performance measurement: Measuring IT performance is a key concern of business and IT executives as it demonstrates the effectiveness and added business value of IT.

Risk management: IT is integral to the achievement of the group's strategic ambition and therefore its related risks and constraints are well governed and controlled.

IT strategy focus areas

ALWAYS ON, ALWAYS AVAILABLE
Ensuring all IT service are always available and reliable through effective monitoring. Business continuity plan.

ALWAYS SECURE
Enhance cybersecurity posture through effective controls throughout the IT landscape. Audit and risk compliance.

OPERATIONAL EXCELLENCE
Improved operational efficiency through automation and simplification.

BUSINESS ENABLEMENT
Support the implementation of technology-driven initiatives to allow for increased productivity and to enhance business growth.

DATA AND ANALYTICS
Enable single view of the client across the business via the implementation of a data analytics ecosystem.

CLOUD JOURNEY
Identify cloud migration opportunities and document a cloud adoption roadmap.

The current strategy has six focus areas but will evolve as the business strategy develops and is implemented. Many of the focus areas target the delivery of features and enhancements for the existing portfolio of systems. During 2023, focus on building new capabilities resulted in implementation of a new medical administration system and motor insurance application while continued effort to transform existing solutions enabled new products and services to clients enhancing value to product offerings.

Fulfilling our regulatory obligations continued...

Taxes collected and paid

During the year, the group collected and remitted to the appropriate revenue authorities a total of KShs 1.31 billion (2022: KShs 1.13 billion).

ESG disclosures

In November 2021, the NSE published its guidance manual for ESG disclosures for companies listed on the exchange. The focus of the document is to illustrate and guide how listed companies in Kenya can collect, analyse, and publicly disclose important ESG information using an approach that meets international standards on sustainability reporting. This manual can also act a guide on how to progressively integrate ESG in strategy, operations, and performance management. The manual recommends the adoption of the Global Reporting Initiative (GRI) Standards as the common framework for ESG reporting. A common set of ESG metrics is proposed for reporting by all listed companies and additional sector-specific ESG disclosures are provided.

Collecting complete data for some of the quantitative disclosures will require the introduction of systems and processes and oversight before we are able to report reliable information. We strive to disclose all information material to our stakeholders.

Playing a role in our communities

We are part of the fabric of society

Long-term, sustainable value growth can only be achieved through the growth and success of the communities in which we operate.

Our sustainability policy

We strive to maximise our positive social, economic and environmental (SEE) impacts while mitigating and managing potential negative impacts. We aspire to deliver value by focusing on issues that matter to our employees, financial advisers, partners, clients, other stakeholders, and the broader community.

Liberty is committed to integrating ESG considerations into our core business model. This will enable Liberty to create sustainable value and manage risk and financial challenges. In this regard Liberty will:

- Consider ESG factors (for example, climate change and social inequalities) in product development, and integration of non-financial issues in our risk management processes
- Comply with applicable existing and emerging legislation and regulation in all our markets
- Demonstrate transparency and accountability in our conduct, and
- Proactively and responsibly engage and partner with relevant stakeholders to achieve our sustainability goals.

Greater detail regarding the group's sustainability policy can be found at www.libertyholdings.co.za/sustainability/

In Kenya, our sustainability agenda, focuses on investing in the communities we operate in. We have a clear corporate social investment (CSI) policy that spells out our corporate values, the role of the company, our internal assessment vis-a-vis our action plan, and the management approach towards the various projects. This policy is executed through a dedicated and passionate CSI team.

Our CSI policy focuses on education but also incorporates other areas of national importance:

70% EDUCATION INITIATIVES

20% HEALTH INITIATIVES

5% AD HOC REQUESTS

5% EMPLOYEE MATCH FUND

Our CSI policy applies the following principles:

- **Strategic relevance -** concerned primarily with the education needs in society
- **Substance -** sufficient to make a real, measurable impact on society
- **Sustainability -** sustainable projects to ensure the impact is felt by the targeted group(s)

Education

Our CSI initiatives are aligned to the United Nations Sustainable Development Goals (SDGs) with our key pillar focused on SDG 4 – quality education. In line with this we continued to provide sponsorship opportunities for needy and high-performing children from disadvantaged families across the country. The education support is aimed at ensuring the beneficiaries access secondary and tertiary education. We believe the positive impact of our scholarship support is felt within the families and community long after the actual payments cease. Our programme contributes to making financial freedom possible for all our customers through this sustainable, long-term impact. Liberty provides these sponsorships in partnership with the Starehe Boys and Girls centres, in addition to other institutions across the country.

In 2023, we continued our commitment to education by sponsoring 192 students in various high school institutions and universities across Kenya, with a total scholarship spend of Kes. 10.1 million. Our sponsorship ensures that students receive comprehensive support that includes tuition as well as accommodation and essential study material especially for university studies. Our scholarship support programme has positively impacted almost 400 families, particularly those facing economic hardships.

In addition to tuition fees, the sponsorships extend to the cost of living while in school on a need basis. Additionally, we run an annual mentorship programme focused on equipping students with necessary life skills and providing a safe space for the students to interact with their peers, and to learn and grow into responsible members of the community.

Playing a role in our communities continued...

Environment

Liberty has instituted environmental initiatives as a key pillar in its CSI operations. To address environmental challenges in Kenya, the CSI team engages with staff and selected schools by joining the government initiative to plant more than 15 billion trees across the country by 2032.

Annually, Liberty's CSI team joins the insurance industry under the umbrella of the Association of Kenya Insurers (AKI) in a tree planting exercise along a buffer zone adjacent to the Ngong Hills forest on a 5-acre piece of land adopted by AKI in support of the SDG 13 – climate action.

Through Liberty's partnership with Rhino Ark, in particular regarding an activity called Rhino Charge, the programme has been able to raise support towards the conservation of Kenya's mountain forests.

Health

In support of sustainable health in communities where we operate, Liberty promotes well-being for all at all ages through partnerships with like-minded organisations that have the capability and infrastructure to leverage the support provided.

In 2023, we continued to partner with the Faraja Cancer Support Trust which offers palliative care and support to cancer patients and their care givers, through its annual fund raiser walk.

In partnership with the AKI, we continue to support the community by providing medical services to people in select localities where medical service is required.

Corporate information

Liberty Kenya Holdings Plc (LKH) is incorporated in Kenya under the Kenyan Companies Act, 2015 as a limited liability company, and is domiciled in Kenya. Liberty Holdings Limited (LHL), a South African registered investment holding company, owns 73.5% (2021: 73.5%) of LKH.

The company was listed on the Nairobi Securities Exchange on 21 April 2011.

Directors	First appointed
Mr P Odera (group chairman)	2 September 2016
Mr M du Toit (non-executive)	17 December 2008
Mr P Gethi (non-executive)	17 December 2009
Mr J Hubbard (non-executive)	16 June 2017
Ms R Mbai (independent non-executive)	27 August 2020
Mr R Shah (independent non-executive)	26 May 2020
Ms C Mitchem (independent non-executive)	01 October 2023
Mr K Godden (executive)	01 August 2023

Secretary

Ms D Onwong'a (CPS No. 3627)
Qwasha Corporate Services LLP
5th Floor, The Pavillion,
PO Box 27547-00100,
Nairobi

Principal bankers

Stanbic Bank Kenya Limited
Stanbic Centre, Chiromo Road,
PO Box 72833-00200,
Nairobi

Share registrar

Image Registrars Limited
Securities, Registrars and Trustees
5th Floor, Barclays Plaza, Loita Street,
PO Box 9287-00100 GPO,
Nairobi

Subsidiaries

- Liberty Life Assurance Kenya Limited (100%)
- The Heritage Insurance Company Kenya Limited (100%)
- Heritage Insurance Company Tanzania Limited (60%)
- CFC Investment Limited (100%)

Independent auditor

PricewaterhouseCoopers LLP
Certified Public Accountants
PwC Tower, Waiyaki Way,
PO Box 43963 - 00100,
Nairobi

Lawyers

Coulson Harney Advocates (Bowmans)
5th Floor, ICEA Lion Centre,
Riverside Park, Chiromo Road,
PO Box 10643-00100,
Nairobi

Registered office

LR No 209/8592/2
Liberty House, Mamlaka Road,
PO Box 30390-00100,
Nairobi

Websites

www.libertykenya.co.ke
www.liberty.co.ke
www.heritageinsurance.co.ke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