Liberty Kenya Holdings Plc

Integrated Report 2022

for the year ended 31 December

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The value of insurance and retirement savings

Insurance is a contract 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.

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 retirement or a child's education.

Life insurance provides the insured with peace of mind that their beneficiaries will receive financial support in the event of their death.

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, often 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 and 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.

Communities in developing economies are most at risk of adverse events which have significant negative impacts on their lives. 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 2022 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 truthful assessment, reviewed and authorised by our board of directors (the board) of how we create 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 2022. Any notable or material events after this date and up until the approval of this report are also included. Financial figures 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. The Tanzanian subsidiary's non-financial indicators are not reported.

Our audience

We identify our key stakeholders as being those individuals or organisations that have an interest and impact on our ability to create 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 unqualified opinion on the group's annual financial statements. The group's annual financial statements conform to International Financial Reporting Standards (IFRS) and 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 2022 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 business. It also includes the value it delivers to business growth and sustainability as well as communities and society.

We consider six forms of capital:

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

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

Human capital - Our 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 - Our citizenship and stakeholder relationships, including relationships with our clients, partners, intermediaries, and the communities in which we operate.

Intellectual capital - Our brands, strategic partnerships, innovation capacity and the products we offer clients.

Natural capital - Our 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 are provided by management, board committees and the board through rigorous internal reporting and external sources.

The scope of services performed by our external assurance providers refers to the Liberty Kenya Holdings Plc annual financial statements (AFS). PwC issued an unqualified audit opinion on the group's AFS.

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 2022 integrated report. The board believes it has fulfilled these responsibilities. The board has applied its collective mind to the preparation and presentation of the integrated report.

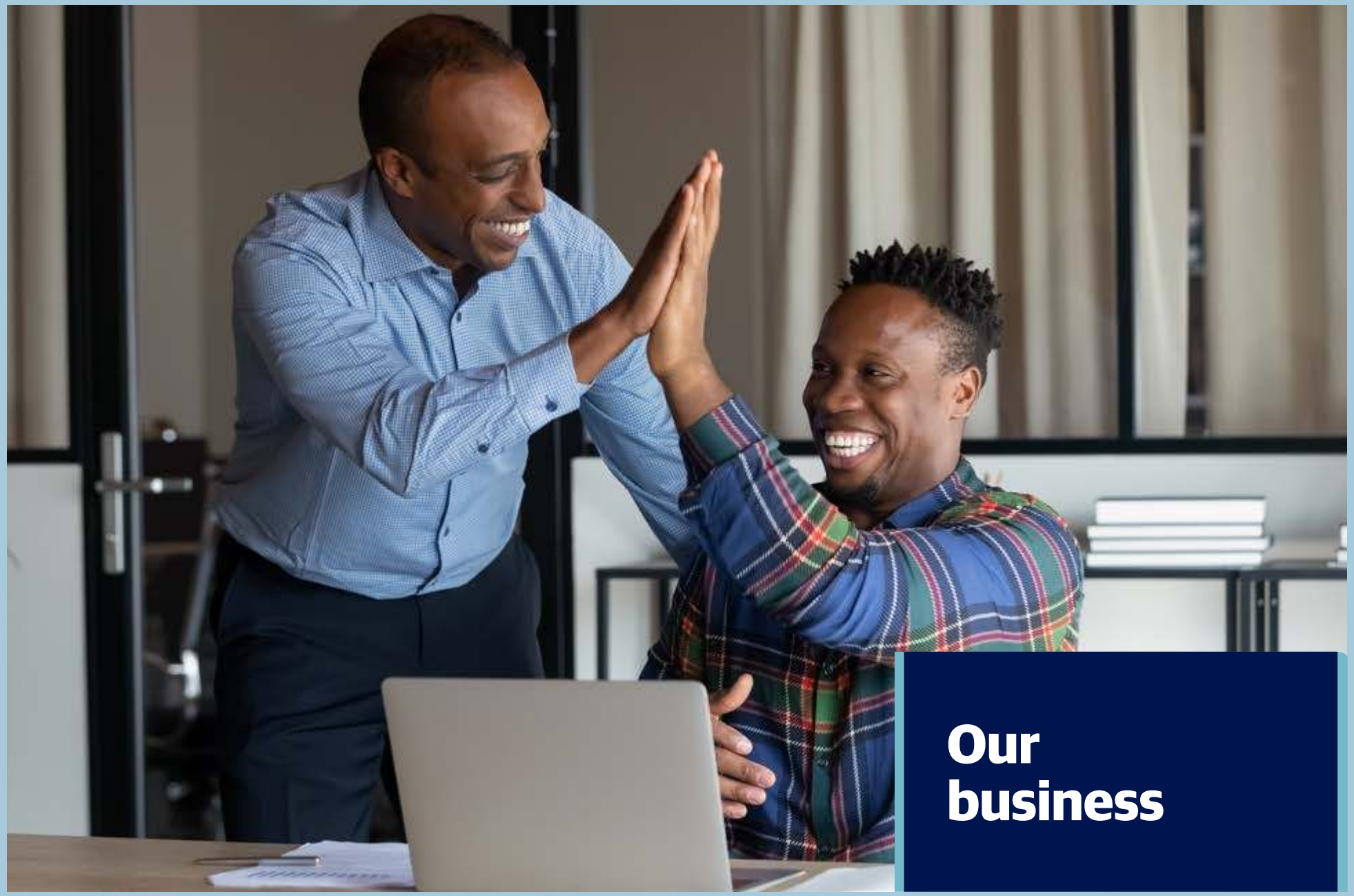
The board further believes that the integrated report is presented in compliance with the International <IR> Framework (2021). The directors have applied their judgement to the disclosure of Liberty's strategic plans and ensured that these disclosures do not place Liberty at a competitive disadvantage.

The board unanimously approved this report and authorised its release on 12 May 2023.

For and on behalf of the board:

Philip Odera
Chairman

Rajesh Shah
Chairman: Audit and risk committee



Our business

History and ownership

Liberty Kenya Holdings Plc (Liberty) is the investment holding company of The Heritage Insurance Company Kenya 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 banking, investment, insurance and wellness offerings to individuals and businesses.

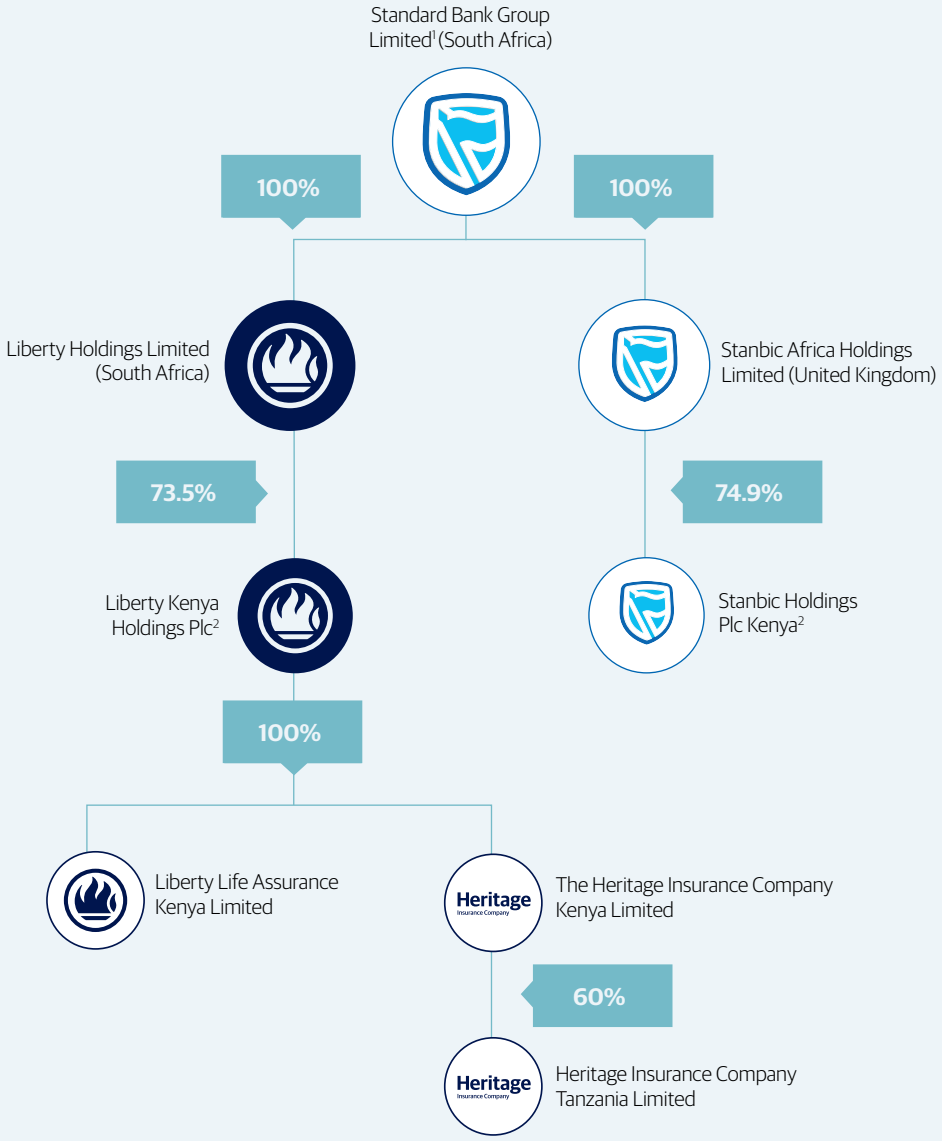
Liberty Holdings regards Kenya as a strategic growth market that will support its vision to be a leading insurance organisation across sub-Saharan Africa, delivering exceptional experience and superior value to the group's clients.

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 holds 60% of Heritage Insurance Tanzania.



[1] Listed on the Johannesburg Securities 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.

Our purpose

Improving people's lives by making their financial freedom possible

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

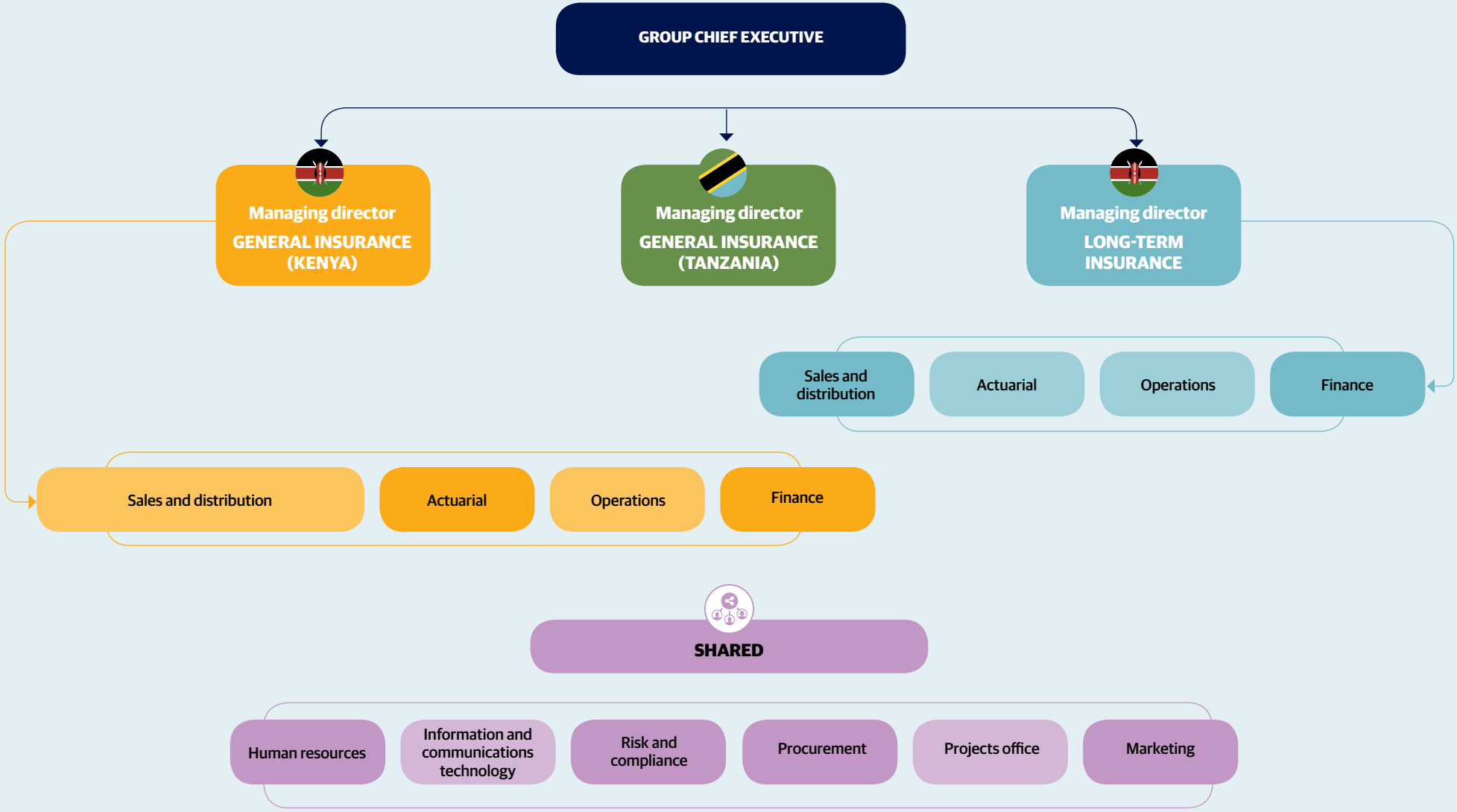
Liberty's medium-term strategy is to achieve a leading position in the Kenyan insurance market through focused initiatives which build on the strategy of Liberty Holdings, modified to accommodate both the internal and external contexts of Liberty. We aim to create value for all our stakeholders while 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 and vision.

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

Operating structure



Our operating context

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

Our markets

Despite the insurance market's recent decline to 2.6% of GDP (2021), Kenya has the fourth highest insurance market penetration in Africa. The market spans 56 insurance companies, five reinsurance companies, over 12 000 intermediaries and more than 350 insurance service providers. There is a bias toward general insurance products and the corporate customer segment. Compulsory lines, such as third-party motor insurance, play a prominent role in the market, as does corporate-based general, life and health insurance[1]. Total gross written premiums in the 2021 calendar year approximated KShs 125 billion for the life insurance sector and KShs 150 billion for the non-life sector.[2]

In 2021, the Tanzanian insurance sector consisted of 31 insurance companies, two reinsurers, 85 insurance brokers, and over 800 insurance agents. The industry's gross written premiums reached TZS 912 billion in 2021, 82% of which related to non-life products. Commercial insurance penetration in Tanzania was approximately 0.6%.[3]

The low levels of insurance penetration can be attributed to a variety of factors, including:

- A lack of a formalised savings culture among Kenyans and Tanzanians (state and community backed support is preferred)
- Low disposable incomes for a substantial portion of the population
- A lack of tax incentives encouraging the purchase of life insurance products
- Consumer skepticism of the insurance industry, particularly regarding the payment of claims
- Poor or no financial literacy throughout the populace
- In general, employers do not emphasise the benefits of life protection and savings beyond the state compulsory schemes

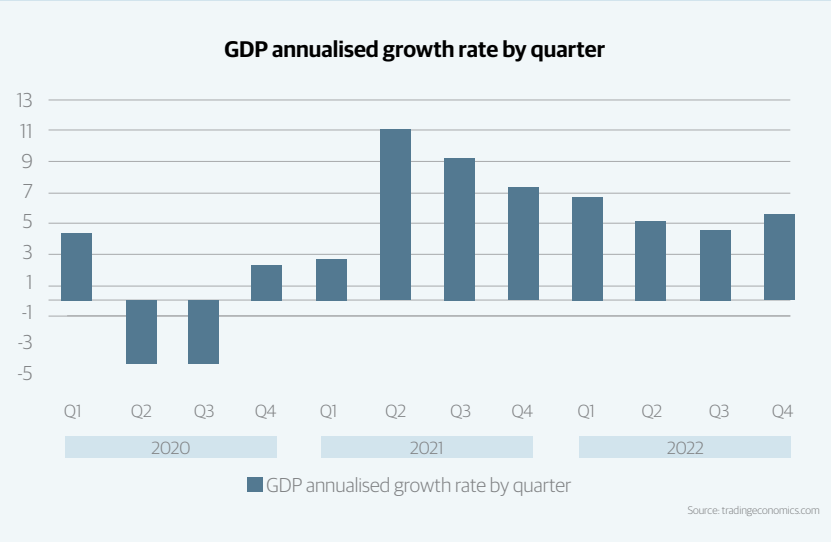
The principal emerging trends or conditions that could impact Liberty's financial strength, competitive position or reputation in the medium to long term (three years or more) are:

- Economic headwinds
- Macro-policy uncertainty
- Regulation
- Technology developments
- Competition and
- Climate change

[1] Insurance innovation portrait – Kenya, Cenfri (March 2022)
[2] Insurance industry report 2021. Association of Kenya Insurers
[3] Insurance market performance report 2019 - 2021, Tanzania Insurance Regulatory Authority (August 2022)

Economic headwinds

Kenya's real gross domestic product was projected to grow by 5.1% in 2022. While still strong, this will be a moderation following the recovery in 2021 (7.5%) from the economic effects of the pandemic, and much higher than the estimated average growth in sub-Saharan Africa of 4%.



Both the Kenyan and Tanzanian economies were impacted by global events in 2022, notably the war in Ukraine and Covid-19 restrictions in China. A strengthening of the US dollar, supply chain constraints and increasing oil prices led to higher inflation and interest rates. Concerns over global growth resulted in flagging equity markets. These impacts are reflected in the accompanying charts of Kenyan consumer price inflation, the Central Bank of Kenya interest rate, the Kenyan shilling against the US dollar and the Nairobi Securities Exchange All Share Index. An increasing concern is the ability of the Kenyan treasury to service its outstanding debt, in particular the USD2 billion Eurobond, maturing in 2024. This is adding pressure to the country's sovereign credit rating, reflected in increasing interest rates.

Our operating context continued...

Farming is a mainstay of the Kenya economy, accounting for almost a quarter of total output and employing more than 70% of rural inhabitants. Overall economic growth was dragged down by agriculture as the worst drought in four decades decimated crops and animal herds and left more than five million people confronting food shortages. Key exports including tea, flowers and vegetables were also hit by rising input costs. The resulting higher food prices have undercut people's ability to grow crops, raise livestock, and buy food. Electricity has been rationed in Tanzania because of the drought.

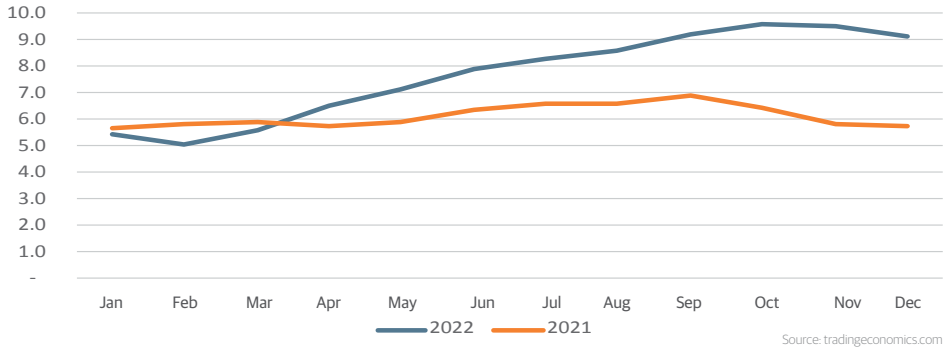
Kenyan consumer price inflation was expected to reach 9.1% for the 2022 year and the Central Bank of Kenya's interest rate was 8.75% on 31 December (2021: 7.0%). During 2022, the Kenyan shilling weakened by 9% against the US dollar and the NSE All Share Index closed 31% lower.

These factors have made 2022 a difficult year for Liberty to manage investment returns and secure new business as the threat of recession, cost of living and low or negative investment returns 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.

Global pressures are expected to ameliorate towards the end of 2023.

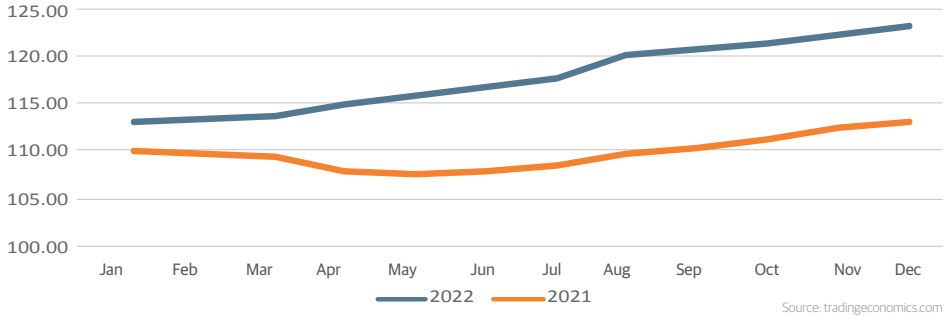
Locally, the improvement in the Stanbic Purchasing Managers' Index during the last quarter of 2022 offers a promising lead indicator of improved economic growth in 2023. Recent rains, expected fiscal discipline and economists' comments are providing further optimism of a Kenyan recovery and an improved sovereign credit rating in 2024.

Consumer price inflation (%)



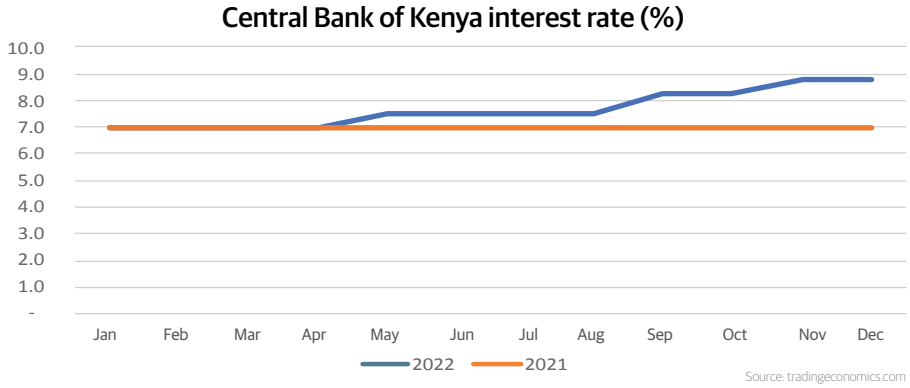
Source: tradingeconomics.com

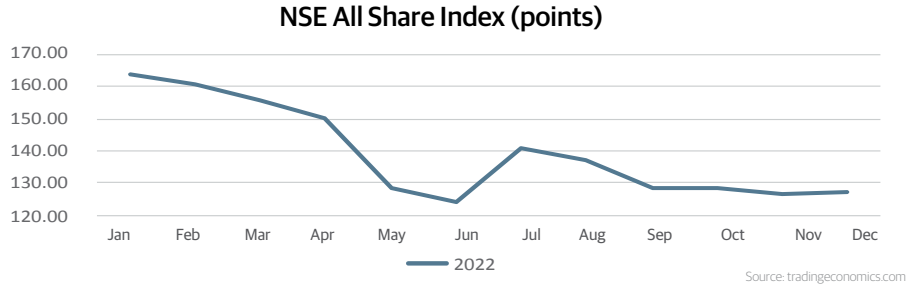
Exchange rate (USD/KShs)

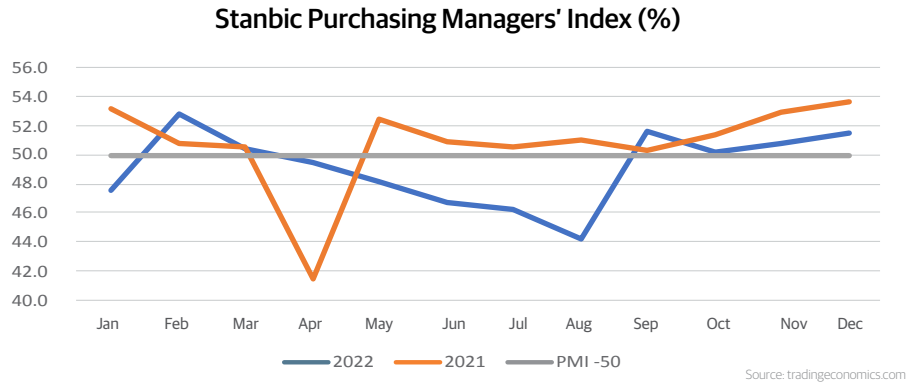


Source: tradingeconomics.com

Our operating context continued...







Macro-policy uncertainty

Kenya enjoys a stable macroeconomic environment. The government operates sound macroeconomic policies that promote growth by providing a secure environment for private sector investment decisions.

General elections were held in August 2022. These included the fourth presidential election since the introduction of the 2010 Constitution and was won by William Ruto of the United Democratic Alliance. The Supreme Court dismissed a challenge to the election results. All presidential candidates and many candidates who lost governorship or local races were credited for their commitment to democracy by disavowing violence and political magnanimity in concession speeches.

To contain debt and boost growth, President Ruto's administration has proposed cutting expenditure by USD 3 billion and tripling annual tax collections to KShs 5 trillion (USD 41 billion). The focus areas for investment include agriculture, small businesses, affordable housing, healthcare and the digital economy. As witnessed in past elections and as evidenced in the quarterly GDP chart above, pre- and post- election uncertainty impacted investment and spending decisions, including insurance.

The current high burden of servicing government debt is creating concerns over sovereign credit. Consequently, the threat of higher interest rates is elevated. In addition, the KRA's ability to collect sufficient taxation is challenging and the likelihood of refunds of tax overpayments remains low, despite recent legislative changes.

In Tanzania, the sudden death of President John Pombe Magufuli in March 2021 propelled his vice-president, Samia Suluhu Hassan, to the helm of political leadership. During her time in office, President Hassan has reversed many of her predecessor's policies, from Covid-19 control to media freedom and foreign relations. After a period of international isolation, President Hassan has improved the profile of Tanzania. The country is now attracting increased foreign investment and improved goodwill.

Regulation

In Kenya, the Insurance Act established the Insurance Regulatory Authority (IRA) and empowers its key functions, including ensuring the effective administration, supervision, regulation and control of insurance and reinsurance businesses. In Tanzania, the Tanzania Insurance Regulatory Authority is the government agency responsible for the supervision of the insurance sector.

A key issue for the global insurance industry is the required transition to IFRS 17: Insurance Contracts on 1 January 2023. The aim of IFRS 17 is to standardise insurance accounting globally to improve comparability and increase transparency, and to provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance and risk exposure.

Our operating context continued...

The adoption of this standard, particularly for insurance contracts which extend beyond 12-months, will require a significant change in the measurement of these contracts. Liberty is working closely with the IFRS 17 implementation team at Liberty South Africa to secure efficiencies and align key judgements and accounting policy choices. The challenges associated with the adoption of this standard has required a significant investment of time and additional expenditure.

The Data Protection Act (DPA) was enacted in Kenya in 2019. The DPA regulations came into force on 11 February 2022. The regulations provide guidance on governance requirements for the processing of personal data for commercial purposes. This legislation is consistent with that applied in South Africa and Liberty is well advanced in its process to fully comply.

Globally, companies are placing greater emphasis on ESG considerations to supplement the management of risks not reflected by traditional financial metrics. In Kenya, the increased scrutiny by policymakers, government and regulators was reflected by the November 2021 release of the Nairobi Securities Exchange ESG Disclosures Guidance Manual. Additionally, shareholders within the insurance sector have become more aware of ESG matters and are demanding accountability from their investee companies. Even when pricing and distributing insurance products, insurers need to incorporate ESG aspects as part of a risk-based approach. Liberty has, for some time, applied ESG frameworks over all aspects of its business. However, further refinement is planned in line with best practice

In his 2022/2023 budget presentation, the Kenyan Minister for Finance and Planning made the following proposals affecting the insurance sector:

- Mandatory public liability insurance for public places
- Mandatory insurance for marine vessels and ferries
- Waiver of government-to-government policy in the insurance industry to allow competition

The recommendations were accepted, and the industry is waiting for formal directives related to the above.

Our operating context continued...

Technology developments

The fourth industrial revolution (4IR) technologies (robotics, artificial intelligence, quantum computing, the ubiquitous internet, and 5G wireless) are driving change across all industries and economies. Globally, insurers are applying these technologies to their operations in three key areas:

- Embracing cloud-based infrastructure, offering faster innovation, flexible resources and economies of scale
- Automating and simplifying business processes (digital transformation) and simplifying them
- Selecting programmes and systems to meet client-centric strategies

Today's clients expect seamless, intelligent processes from financial services providers. An enhanced client experience is at the heart of these expectations. Technologies and digital processes that deliver against these expectations must be implemented with a client-first rather than an administration-first mindset.

Online and digital marketing processes are necessary to reach online buyers to sustain growth. Self-service portals and automated workflows will reduce advisers' administrative workloads, allowing them more time to build enduring relationships with clients.

Continuous and rapid technological development, new ways of working, flexible working and, most importantly, working for a purpose all make the task of managing human capital ever more challenging. There is an increasing need to update employees' skill sets and adapt business practices.

Technology brings increased risks, from the obvious cyber risk to changes in employees' skills requirements. Changing client profiles, 4IR technologies and a challenging economic environment have seen increased competition targeting the traditional insurance and asset management markets.

Technology development is a key priority in Liberty's strategy.

Competition

The 56 insurance companies resident in Kenya and 31 in Tanzania compete fiercely for business in the limited market characterised by low insurance penetration. Retail insurance uptake is predominantly in the motor, fire and personal accident (mainly group medical cover) classes.

This competitive landscape is reflected in low pricing. Identifying areas where the collective risk adjusted return is above the cost of capital remains a key challenge.

Traditionally, product sales have been undertaken through brokers and agents. Challenges associated with the use of brokers for distribution include the weak enforcement of regulations outlawing the payment of intermediary administrative fees and the ongoing collection of premiums by brokers and agents, which result in higher costs and increased capital requirements to cover the non-recovery of debtor assets respectively.

Ever advancing technology and digitalisation are seen as opportunities to diversify distribution by providing direct channels to clients and to deliver and monitor high levels of customer service rather than being reliant on a third party's relationship with the consumer of insurance products. However, these opportunities have also led to increased competition from stand-alone InsurTechs designed for client-centricity from their launch. The more traditional competitors can benefit from point solutions offered by enabling InsurTechs in underwriting, claims, and online distribution platforms, among other client-facing functions.

Climate change

The impact of climate change is reflected in increasing global temperatures and warming oceans. The results of these macro changes are stronger and more frequent natural disasters, including droughts, floods, storms and wildfires. The increasing intensity of weather anomalies places entire food supply chains at risk.

The increased frequency and severity of weather-related natural catastrophes, poses a significant challenge to insurers and reinsurers. Many reinsurers are raising prices, limiting coverage and even exiting some markets to improve returns.

Stakeholder engagement

Liberty is committed to understanding and responding to the interests and expectations of all stakeholders and partnering with them in finding lasting solutions to meeting life's challenges.

Our stakeholder management mandate is to build a superior image and reputation for Liberty. This image and reputation is supported by the 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 – including minority shareholders and prospective investors

Civil society – beyond our immediate community, 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 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 intermediaries.

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 employees and corporate social responsibility activities. We also work closely with the 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 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.

Stakeholder engagement continued...

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 products that meet their needs
- Meeting investment return expectations
- Appropriate pricing and transparency of products
- Quality service
- Financial strength to meet our product promises

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

Partners

- Value generation from selling Liberty products
- Quality service
- Product training, support and marketing
- Competitive products and services
- Financial strength to meet our product promises

Shareholders and investors

- Sustainable 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 2022

Liberty Kenya Holdings board of directors

Philip Odera (64)

Independent group chairman

Appointed: September 2016
Completed years of service: 6

Mr Philip Odera was appointed as a non-executive director of Liberty Kenya Holdings Plc on 2 September 2016 and as chairman of the board on 24 October 2018. Philip is a banker by profession, having a variety of assignments across different cultures and geographies over the last 30 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 served as the chief executive officer of Stanbic Bank Kenya, Stanbic Bank South Sudan, Stanbic Bank Uganda and Standard Bank Malawi. He was also the deputy managing director of Stanbic Bank Tanzania and chief executive officer of Citibank in the DRC.

Born near Kisumu, Philip completed his entire pre-university schooling in Kenya before admission to St. Lawrence University in New York, USA for a degree in Economics, which he 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 frequently asked to speak about and address the concern for effective leadership in today's organisation, particularly given the cross-generational and technological conflicts that abound in rapidly changing economies.

Philip is the chairman of the directors' affairs committee. His primary skills include budgeting, business planning, banking, management, and mergers and acquisitions.

Mike du Toit (60)

Non-executive director

Appointed: August 2008
Completed years of service: 14

Mr Mike du Toit holds various professional banking qualifications obtained in both South Africa and the United Kingdom. Mike is the former group managing director who joined Liberty in 2008. During this time, he was also Liberty South Africa's regional executive for East and Central Africa, responsible primarily for strategic growth initiatives, governance and stakeholder engagement up until March 2022. Prior to joining Liberty, Mike was managing director of Stanbic Bank Limited, having led the merger of the Stanbic and CfC groups.

As a career banker, he has experience in the financial services field across sub-Saharan Africa having worked and lived in, amongst others, Botswana, Mozambique, South Africa and Uganda. He is a member of the boards of all group insurance companies across the region.

Peter Gethi (57)

Non-executive director

Appointed: December 2009
Completed years of service: 13

Mr Peter Gethi holds a BSc (Hons) degree in Agriculture Economics from the University of London and has extensive managerial experience in agriculture business management. He has been a general manager with Kilimanjaro Plantations Limited (TZ) and senior group manager with SCEM Limited (formally Standard Chartered Estate Management).

He currently works as an agricultural consultant and is involved with real estate development as managing director of Nebange Limited. He is the 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. He serves on the audit and risk committees of Liberty Kenya Holdings Plc and Heritage Insurance Company Tanzania Limited.

Peter serves on both the group audit and risk and the directors' affairs committees.

Liberty Kenya Holdings board of directors continued...

Jeff Hubbard (58)

Non-executive director

Appointed: June 2017
Completed years of service: 5

Mr Hubbard is currently the Liberty South Africa group business development cluster executive, responsible for Liberty's businesses outside of South Africa as well as components of the South African insurance operations. He holds a BCom degree and is a registered chartered accountant with SAICA.

Jeff has 37 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 unit chief financial officers. Subsequently, Jeff has held various positions in Liberty including the position as the group's chief financial officer. During his tenure, Liberty South Africa ranked first in the EY's Excellence in Integrated Reporting Awards 2015.

Jeff serves on the directors' affairs committee.

Rachel Mbai (57)

Independent non-executive director

Appointed: August 2020
Completed years of service: 2

Ms Rachel Mbai holds an LLB (Hons) degree and is a partner at Kaplan & Stratton, a firm she joined in 1991 after admission as an Advocate of the High Court of Kenya. Rachel heads the firm's real estate practice that is widely recognised as a market leader by international ranking agencies, Chambers Global and Legal 500.

Her work encompasses property acquisition, disposal and development, property laws, property finance, loan securities and private client work. A well-known name in the real estate sector, Rachel has received several accolades and commendations from international law ranking agencies, which recognise her as "a talented real estate specialist and go-to practitioner in the field."

Rachel is a director of the Art of Music Foundation, the Muthaiga Country Club, the Kenton College Trust and a trustee of The Njenga Karume Trust.

Rachel serves on the group audit and risk committee.

Gladys Ogallo (56)

Independent non-executive director

Appointed: June 2019
Completed years of service: 3

Ms Gladys Ogallo holds MBA and Bachelor of Education degrees. She is an experienced and accomplished board member, serving on both African and international boards. She has sector experience in telecommunications, banking, insurance, investment and education, with special reference to managing human capital.

Gladys is currently the managing director of Virtual Human Resources Services Limited, a human resource consulting company that offers services to leading organisations across the continent, deploying expertise in talent management, talent development, assessment tests, labour law, recruitment and performance management.

Gladys serves on the board of Kenyatta University Teaching, Referral & Research Hospital, a state corporation, and the board of Kenya Climate Innovation Center which offers incubation, capacity building and financing options to new small and medium business ventures and Kenyan entrepreneurs developing innovations to address the challenges of climate change.

Rajesh Shah (65)

Independent non-executive director

Appointed: May 2020
Completed years of service: 2

Mr Rajesh Shah is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Certified Public Accountants of Kenya (ICPAK).

Rajesh 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. Rajesh trained as a computer audit specialist in 1983 and joined Price Waterhouse, Kenya in 1985. He served PwC Kenya as a partner for 25 years, retiring in 2017.

For over 40 years, Rajesh has led complex assignments in nearly all sectors across the United Kingdom and Africa. He has helped organisations to effectively navigate complex transformations and business matters. He has unrivalled expertise critical to understanding complex business and tax matters, and the accounting, commercial and financial analyses needed for these matters.

Rajesh is executive chairman of V2R Managing Limited, a business consultancy, and chairman of the Jain Social Group Nairobi, a charitable organisation.

Rajesh is the chairman of the group audit and risk committee.

Liberty senior management

Godfrey Kioi (58)

Managing director – The Heritage Insurance Company Kenya Limited and acting group chief executive officer

Appointed: 2014
Completed years of service with the Liberty group: 9

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.

Abel Munda (60)

Managing director – Liberty Life Assurance Kenya Limited

Appointed: 2005
Completed years of service with the Liberty group: 15

Mr Abel Munda holds an MBA and a BSc in Accounting. He is a CPA and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Abel attended several executive development programmes including LOMA (USA) and SIDA (Stockholm), and has extensive experience in financial and general business management, working as a finance head for over 20 years in medium to large companies. He has served as the managing director of Liberty Life Kenya for 14 years. Abel gained international experience working in several countries during his career.

Kieran Godden (48)

Group chief executive officer designate

Appointed: To be confirmed
Completed years of service with the international Liberty group: 24

Mr Kieran Godden completed his actuarial undergraduate studies at the Rand Afrikaans University (now the University of Johannesburg). Subsequently, he completed both BSc (Hons) and MSc degrees in statistics and actuarial sciences. Kieran is a fellow of the Actuarial Society of South Africa.

Kieran's entire working life has been with the international Liberty group where he has participated in various leadership development programmes, including at the Standard Bank Global Leadership Centre presented by Duke University.

Kieran began his employment with Liberty Holdings Limited as an actuarial assistant in 1998 and was appointed head of actuarial services for the corporate benefits division in 2002. He soon moved into managerial roles, first as a divisional director of Liberty Corporate in South Africa and then as the division's chief financial officer in 2011.

In 2016, Kieran and his family moved to Nigeria. Here Kieran was the chief financial officer of the Liberty Nigeria holding company. He spent a total of 5½ years in Nigeria with both Liberty Insurance Nigeria and Total Health Trust Limited (Nigeria), a subsidiary of the larger Liberty group. His roles included chief financial and chief operating officer as well as being an executive director.

In January 2022, Kieran was identified as the designated replacement for the retiring group managing director. He will assume this role as well as the role of group chief executive once the necessary work and residency permissions have been received from the Kenyan government.

Fostering value creation – corporate governance

Effective corporate governance within an ethical environment creates and preserves value for all stakeholders.

Commitment to, and compliance with, good corporate governance

Liberty Kenya Holdings Plc views the application of good corporate governance practices as key to achieving a healthy 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 – 2021

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 applied for and received an exemption from the CMA from the requirement to conduct an external governance audit for the 2022 financial year while it addresses the findings of the 2021 audit and self-assessment. As at the date of this report, the company has implemented at least 45% of the recommendations of the governance auditor as adopted by the board, and has put in place a work plan to ensure completion of the remaining recommendations in the course of 2023.

Liberty conducted a corporate governance self-assessment for the year ended 31 December 2021 and submitted the results to the CMA. After considering management's responses to their provisional 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 75%.

A governance self-assessment for 2022 is scheduled to be completed by the end of the first quarter of 2023 to confirm the company's progress, and the board's intention is that all outstanding matters are resolved by the end of the 2023 financial year.

Both the company's self-assessment and the governance auditor's opinion for the 2021 financial year are available on our website at 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. The company applied for and received an exemption from the CMA from the requirement to conduct a legal audit for the 2022 financial year.

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 reports from the tax consultants. The board has mandated an external assessment of the group's compliance with the Data Protection Act, to be conducted in the 2023 year.

Fostering value creation – corporate governance continued...

Statement of compliance

During 2022, 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 when there is trust, business and society flourish. The board subscribes to the highest 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, 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 www.libertykenya.co.ke/corporate_governance.php

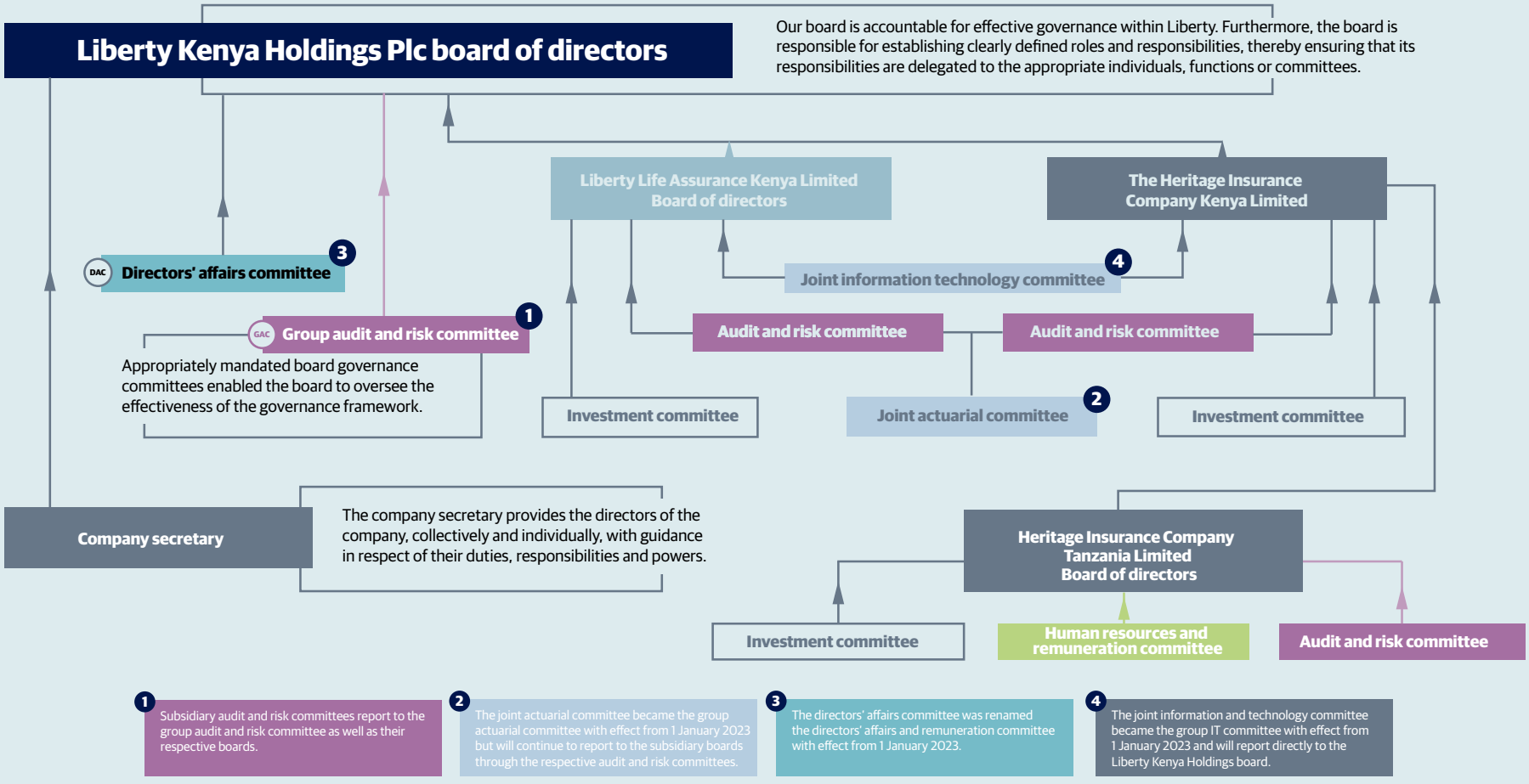
Our code of ethics

Liberty and all its associate companies and 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 vision and principles and behave according to the same ethical standards.

Fostering value creation – corporate governance continued...

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 committee.



Fostering value creation – corporate governance continued...

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 risk
- 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

Fostering value creation – corporate governance continued...

The board of directors

The company has a unitary board structure. At 31 December 2022, the board consisted of seven 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 17 and 18.

The duties of individual board members include:

- Exercising independent judgement and objectivity in decision making
- Acting in good faith, honestly 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 on 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 27.

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 managing director, 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, the board's independence from the daily executive management team is ensured by adhering to several key principles, including:

- The roles of the non-executive chairman and group chief executive are separate
- All seven of the directors are non-executive, with four 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 2022

Fostering value creation – corporate governance continued...

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. However, at the 2022 AGM only one director retired by rotation. This will be rectified from the 2023 AGM.

On 31 March 2022, Mr Mike du Toit retired as an executive director and was appointed to fill a casual vacancy as a non-executive director. Mr du Toit was subsequently elected as a non-executive director at the company's AGM held on 17 June 2022.

Mr Godfrey Kioi, the managing director of The Heritage Insurance Company Kenya Limited was appointed as acting group chief executive officer. Mr Kioi has not been appointed to the board.

Mr Kieran Godden, former chief executive of Total Health Trust in Nigeria (a subsidiary of Liberty Holdings Limited) was designated as group chief executive in 2022. He will assume this role once his appointment and right to work in Kenya are approved by the necessary authorities. More details of Kieran's qualifications and experience are provided on page 19.

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 2022, board trainings met the 12-hour minimum training requirement by the CMA as follows:

- Data protection legislation
- Regulatory updates over the last three years, including data privacy and IFRS 17, and
- Sustainability reporting

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 (an independent 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 committee, conducts an annual assessment of each director's independence to ensure that the board maintains a ratio of at least of 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 2022

57%

of the company's directors were independent

To ensure efficacy and enhance 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. The group, with effect from 1 January 2024, will limit holding company directors to serve on only one subsidiary board.

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.

Fostering value creation – corporate governance continued...

The company secretary

During the year, the former company secretary, Carol Kioni resigned from Liberty. Her role was filled by the appointment of Doreen Onwong'a, 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. 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, ensures 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 role 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 chairmen 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 managing director 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 managing director 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 www.libertykenya.co.ke/corporate_governance.php

Following the recommendations of the CMA, the governance auditor and in line with best practice to periodically review the sufficiency of the board mandate, the directors and company secretary have commenced a review of said mandate, which will be completed during the 2023 financial year.

Fostering value creation – corporate governance continued...

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 2022 evaluation, presented at the December board meeting, included the recommendations to increase the board's capacity and alignment of the group's governance framework for a more strategic focus and to increase its focus on sustainability issues. The recommendations have been integrated into the 2023 board work plan for implementation.

Meetings and attendance, and key deliberations during 2022

Four scheduled board meetings and a two-day strategy session were held in 2022. 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 2022

	Board meetings[1]	GAC[2]	DAC
Philip Odera	7		2
Mike du Toit	7		
Peter Gethi	7	5	2
Jeff Hubbard	7		2
Rachel Mbai	7	5	
Gladys Ogallo	7		
Rajesh Shah	7	5	

1. Three of the seven board meetings were special meetings of the board to consider for approval a proposal for the additional capitalisation of Liberty Life Assurance Kenya; consider for the approval of the 2022 budget; and review the 2023 budget and approve the annual financial statement.

2. One of the five GAC meetings was a special meeting to consider the approval the 2021 financial statements and the 2022 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 2020 strategy for 2023 to 2025
- Approved the 2022 budget and monitored the group's performance against budget
- Considered the group's capital management, adequacy and proposed dividends
- 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 2021 and the interim period for the six months ended 30 June 2022
- Discussed and improved the board's understanding of key risks facing the group, with a focus on Covid-19, cyber threats, poor performance of the group's long-term business, climate change and emerging geopolitical risks
- 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 the transition of the change in company secretary.
- Assessed the evolving Covid-19 threat and approved the return to office policy adapted for increased flexibility around new ways of working

Fostering value creation – corporate governance continued...

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 2022:

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 2022

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 2021
- Considered the external auditor's report and proposed the external auditor engagement for the 2023 financial year
- Reviewed the results of an independent tax health check report
- 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

Directors' affairs committee (DAC)

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 DAC also facilitates board evaluations to measure and monitor its performance in corporate governance matters.

Membership at 31 December 2022

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

The group chief executive is invited to attend all meetings of the DAC and other 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 of the operating subsidiaries and made recommendations on director and secretarial nominations and resignations from these boards
- Considered the adequacy and retention of resources allocated to the implementation of IFRS 17
- Reviewed remuneration parameters for the 2023 annual remuneration review cycle, including non-executive directors' fees
- Oversaw senior leadership succession
- Reviewed and recommended changes to the groups' governance structures

Boards of directors of subsidiary companies

The group's subsidiaries have their own boards of directors. The DAC considers the appointment of directors on all material or significant 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.

Fostering value creation – corporate governance continued...

The members of the company's subsidiary boards at 31 December 2022 are detailed below:

Liberty Life Assurance Kenya Limited

3 Independent non-executive directors	Rachel Mbai Rajesh Shah Catherine Mitchem
3 Non-executive directors	Peter Gethi (chairman) Mike du Toit Andrew Lonmon-Davis
1 Executive director	Abel Munda (MD)

The Heritage Insurance Company Kenya Limited

3 Independent non-executive directors	Rachel Mbai Rajesh Shah Catherine Mitchem
3 Non-executive directors	Peter Gethi (chairman) Mike du Toit Andrew Lonmon-Davis
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 Juma Mwapachu Ravi Singh

Agreed changes to subsidiary boards effected on 1 January 2023

During 2021 the Insurance Regulatory Authority (IRA) formally raised concerns with the composition of the subsidiary boards observing that the directors classified as independent sat on the boards of both Liberty Life Kenya and Heritage Insurance Kenya. The Regulator's interpretation nullifies independence if directors are appointed to another group insurance Kenya regulated entity. Whilst we differ with this independence assessment, we respect the Regulator's interpretations.

Consequently, we agreed to address the IRA's concerns regarding Liberty Life Kenya and Heritage Insurance Kenya. To achieve an acceptable balance of independent directors on the subsidiary company boards, with effect from 1 January 2023, none of the independent directors sit on any other insurance regulated subsidiary board. In addition, the group is recruiting new independent chairmen for both subsidiary boards and expects to conclude this process during 2023..

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 2022. At 31 December 2022, none of the directors held shares in their individual capacity of more than 1% of the company's total equity.

Fostering value creation – corporate governance continued...

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.

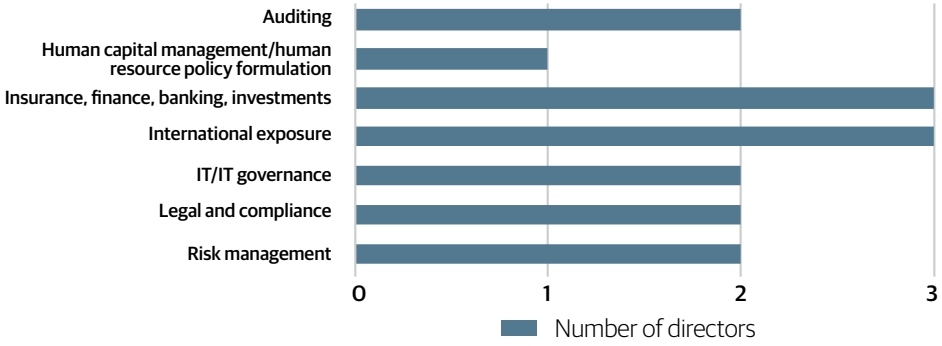
At 31 December 2022

29%

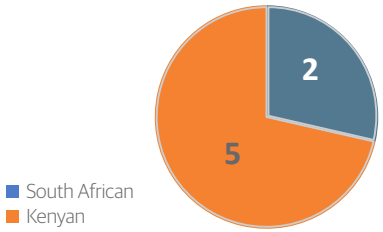
of the company's directors were female

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.

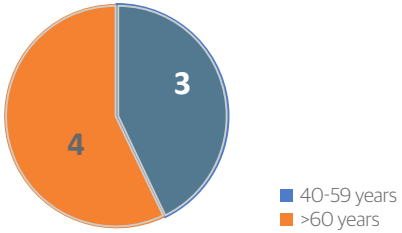
Director skills and experience



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, for its employees to disclose and report any unlawful, irregular or unethical conduct.

More detail regarding our whistleblowing policy can be found on our website at www.libertykenya.co.ke/corporate_governance.php

Fostering value creation – corporate governance continued...

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 DAC.

More details regarding the remuneration of directors is provided in the group's annual financial statements at www.libertykenya.co.ke/documents/group Liberty_Holdings_Kenya-Annual_Financial_Statements_and_reports_2022_full.pdf

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 www.libertyholdings.co.za/sustainability. More details regarding Liberty's approach to sustainability are available on page 65.

Safeguarding value – risk management

The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences for both policyholders and shareholders. Accepting and managing risks within an appropriate risk appetite is the key element of our value creation journey.

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 is 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 underwriting and managing risks – all of which are viewed as value-enhancing	Risks that are not actively sought, but arise as a consequence of being in business and which are managed to an acceptable level to protect value

All other risks are avoided as far as possible.

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.

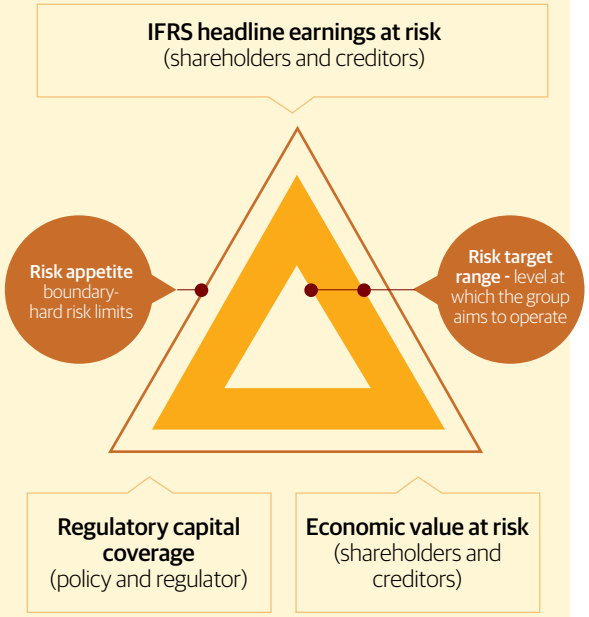
We will not deliberately and knowingly engage in any business, activity or relationship which, in the absence of any mitigating actions, could result in reputational damage to Liberty today or into the future. We proactively protect and uplift the Liberty brand in all our interactions.

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 statements which express the quantitative limits for measurable 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 Assessment and Management (SAM) framework.

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.

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 three lines of defence, namely: business unit managers; compliance and risk management functions; and internal and external audit functions. Consistency of risk assessments across each line of defence provides a level of comfort.

Risks in 2022

The process of enhancing the risk review and tracking of actions for Liberty is conducted every quarter. The consolidated risk register for Liberty is developed and agreed actions to mitigate the identified risks and documented.

The resulting 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. Risks that remain, even after the mitigating controls, are known as residual risks. 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 full audited annual financial statements for the year ended 31 December 2022 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, and 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.

Materiality and our material matters continued...

Our material matters

Target operating model: 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 newly launched unit-linked products are currently unable to 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 to ensure that it is both appropriate and resilient to meet the needs of our strategic plans.

Economic challenges: Risk of credit losses, mismatched positions and investment returns falling short of investor expectations

As a result of the challenging global economic conditions, including the war in Ukraine, the extended Covid-19 lockdown in China, the related higher inflation, increasing interest rates and strengthening US dollar, global equity markets were both weak and volatile in 2022 and have continued on this path in 2023. 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 2022, 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 which negatively affected 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 on price rather than value, price undercutting, excess commissions and fees, and insufficient capital among some market participants tests 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 commissions. We continue to encourage regulatory authorities to enforce regulations in a fair and consistent manner.

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

Several years of unfavourable performance by our long-term insurance business due to the Covid-19 pandemic, disappointing investment returns and a challenging economic climate resulted in the need to inject additional capital into the long-term insurance business in 2022. Refer to page 61 for more details.

However, historically Liberty has remained well capitalised at or above budget cover levels. Liberty, from a minimum solvency cover requirement perspective, is in the top quartile of Kenyan insurers.

Risk mitigation actions include detailed sensitivity analysis, monitoring capital budget ratios, waiving shareholder dividends and improving liquidity options.

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

Competitive pressure from new digitised industry players is attracting clients, especially younger clients. As the business becomes more digitised, it is exposed to greater cybersecurity risks and data management risks. We are working closely with the broader Liberty 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. 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 Holdings Group capabilities as much as possible to mitigate any Kenyan or Tanzanian skills gaps.

Our vision, value driver model and opportunities

Our vision is to be the trusted provider of client experiences through own and partner solutions to enable the financial freedom of our clients and employees.

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 slowdown resulting from the Ukraine war, 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 penetration.

Kenya's life insurance industry has reported lacklustre growth. Enhanced regulation, changes to distribution models and better consumer understanding should lead to industry growth above GDP growth.

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 global 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 digitisation 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 vision, value driver model and opportunities continued...

Agency revamp and product review: The productivity of our agents 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:

- Developing agents to become full financial advisers will enable them to serve clients better
- Expanding our Mind My Money program to reach more people
- A comprehensive restructuring of our pensions 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.

Similarly, research of the micro-business segment combined with the group's access to knowledge regarding other African markets will allow us to develop targeted solutions.

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 2020 we set out our strategy to 2025. The combined headwinds of the pandemic and challenging economic environments have meant we have been unable to progress our strategic initiatives as far as we would have hoped. At the end of 2022 we reviewed our progress and renewed our commitment to the strategy.

Strategy 2020 - 2025

The 2020 - 2025 strategy was prepared in response to material matters, both risks and opportunities, very similar to those presented earlier in this report. It was prepared following Liberty Holdings, stated intention to cease geographical expansion unless a compelling opportunity to do so presented itself and to place specific focus on Kenya because of the market opportunity and scale of the existing businesses.

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
- Being brilliant at the basics

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 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.

The outbreak of the Covid-19 pandemic at the start of 2020, followed by the actions taken by individuals, companies and government restricted our ability to achieve the planned deadlines. Further, we acknowledged during 2021 that we had over-committed to the number of initiatives, and the complexity of the business and its legacy systems posed a greater challenge than originally anticipated. In 2022, the introduction of the Agile methodology of working, combined with the larger group's demands for strategy delivery across sub-Saharan Africa, resulted in resource limitations and governance delays.

Finally, disappointing financial results in 2021 and 2022 as a result of the pandemic and challenging economic environments, combined with the efforts to meet the expectations of business as usual, all combined to delay the delivery of the overall strategic objectives.

Towards the end of 2022, we acknowledged that we needed to address the people issues of capacity, culture and focus in order to move our strategy forward.

While our progress was constrained, our strategy has not changed. In revisiting our strategic focus areas for 2023, we revised certain sequences and priorities.

Strategic priorities for 2023

At the end of 2022, the board held a two-day strategy session at which the 2025 strategy was reviewed, together with the group's progress in executing the initiatives in support of it. The soundness of the 2025 strategy was assessed and measures of success agreed upon.

It was agreed that the fundamental strategy was sound, but that the action plans identified in 2020 needed to be prioritised, paused or revised, stopped, or supplemented by new ones.

This process identified three key principles for 2023:

1. **Reset and "take a breath"**
2. **Build a solid foundation for growth**
3. **Track the delivery of priority initiatives**

Our strategic focus areas continued...

Seven primary strategic directions were 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 reduction closer alignment across businesses; unified teams; building restack; automation and controls; local prioritisation, and governance

Sales and distribution: Single team for both businesses; incentive and remuneration review; and improve the Stanbic partnership

Technology architecture: Single policy administration system for Liberty; actuarial modelling; Standard Bank digital journey for Heritage; Orbit journey; and API/digital readiness

Product: Reduce legacy book, reinvigorate Auto-Correct motor insurance; retail medical products guaranteed pensions; and bundled offerings

Pensions business: Full review of customer value proposition, processes, offering and commercial viability

Key performance outcomes

The board also agreed on overriding objects 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

Share price: Achieve the targeted share price to adjusted net asset value ratio and pay sustainable dividends

How we'll differentiate ourselves

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

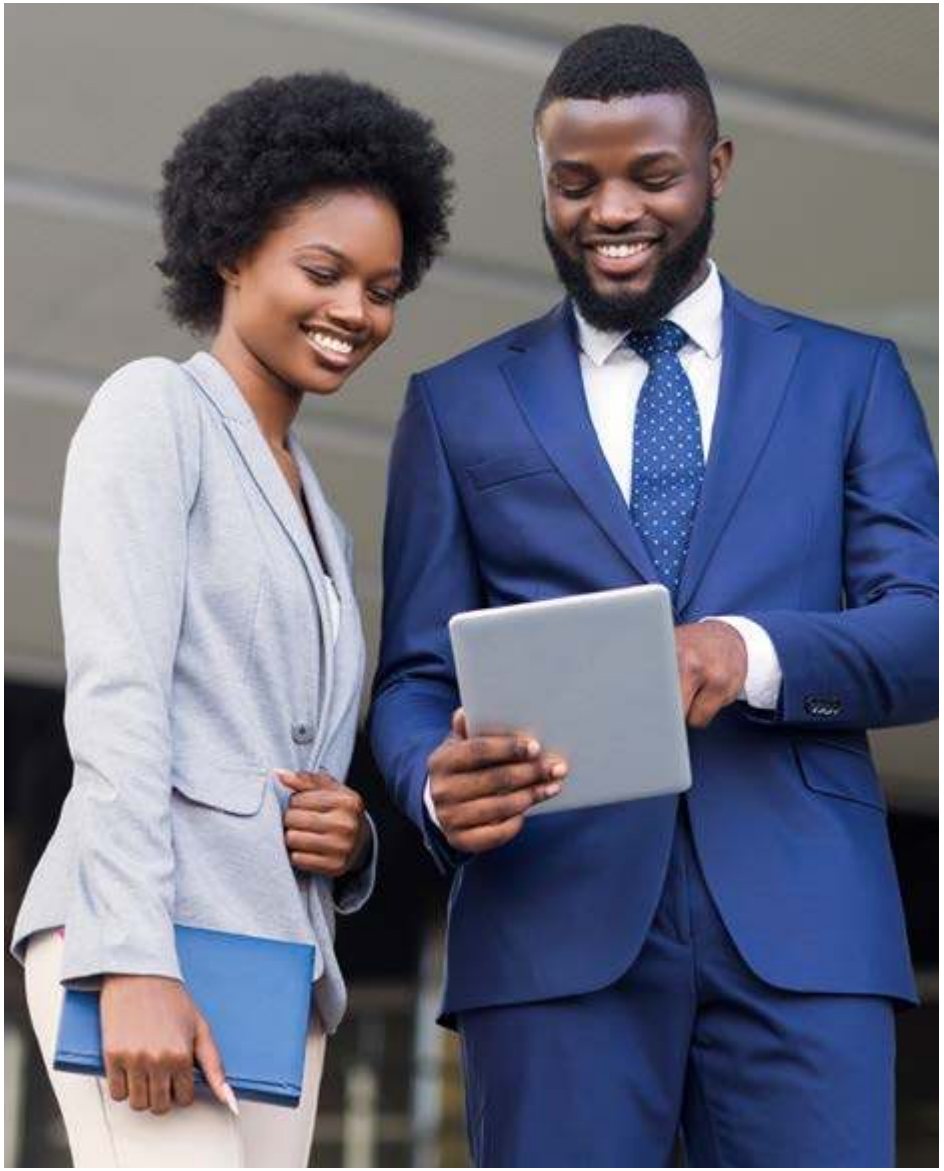
Relationships: We continue to build strong partnerships, reflected in trusted brands recognised for their integrity, service, stability and technical competence. We pride ourselves in our relationships with agents and brokers. Relationships with Liberty Holdings and Stanbic Bank affords access to group 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 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 well capitalised and consistently surpass the capital adequacy ratio requirements. 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 product.



Strategic execution – new ways of working

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

Strategic delivery

Our strategy will be delivered using new ways of working by empowered employees. In 2021, we adopted a robust and extensive change management programme allowing employees to understand and commit to the shift to new ways of working and work effectively during the change, so 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 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 station	Solution delivery
• Marketing strategy and brand • Client engagement (client and advisor) • Advisor 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 2022

Chairman's message

Following far-reaching vaccination programmes and developments in treatment, the 2022 year saw regional economies begin to recover from the impact of the Covid-19 pandemic. The 2020 and 2021 financial years had been deeply impacted by the measures taken to control the global pandemic. At Liberty, we focused on protecting our clients, our employees and our business. However, post-pandemic factors, such as supply chain constraints, inflation and volatile equity and capital markets challenged the recovery in 2022.

As a result of numerous shocks to the global economy, including Russia's invasion of Ukraine and China's persistent zero-Covid measures, it is estimated that global gross domestic product (GDP) growth for 2022 fell to 3.2% from 6.0% in 2021. Global inflation rate rose from 4.7% in 2021 to 8.8% in October 2022[1].

Kenyan GDP growth is estimated to be 5.1% in 2022, down from 7.5% in 2021 following declines in domestic and external demand during the electioneering period, supply chain constraints, the depreciating exchange rate, inflation pressures and the negative impacts of climate change. In these challenging times, our businesses have demonstrated resilience.

Net premiums in the general insurance businesses grew by more than 11%, reaching record levels. Claims in the Kenyan general insurance business increased in the first quarter of the year, putting pressure on earnings. The management team addressed this through pricing and underwriting changes, and the results have shown a positive trend for the balance of the year.

Claims ratios in the life insurance business showed continued improvement, driven by appropriate pricing reviews. However, both bond and equity markets returned sharply negative results. This negatively impacted earnings in the life business. The pandemic reserves, created in 2020 to meet estimated future short-term impacts of Covid-19, were released following the decline in Covid-19 related claims, positively impacting the results.

[1] International Monetary Fund

Overall, earnings from the insurance operations increased by over 100%, supported by solid business fundamentals. The subsidiaries maintained their strong capital bases and liquidity necessary to meet their obligations comfortably. A capital injection to the life insurance business , sourced from internal capital reserves, was completed to ensure the business maintained its required minimum solvency levels and continued to meet our client promise, as well as to position the business for sustainable growth.

During the year, our employees returned to the office, and this has had a positive impact on our teams and client interactions. It is evident that face-to-face interactions with employees and clients remain meaningful and cannot be entirely replaced by technology. The business piloted a hybrid working arrangement and will continue to evaluate this programme over the coming year. Technology played a key role in enabling the business to sustainably meet the needs of our clients during the pandemic and we have learnt valuable lessons through this process. We continue to fulfil our purpose of making financial freedom possible for all our clients.

While the full force of the pandemic has eased, the disease remains a part of our lives and its impact on the way we work and think about the future has been forever altered. Covid-19 is now considered endemic, and we have adjusted our pricing and benefit structures to take this into account. We will continue to monitor these impacts and will be responsive to changes in the future.

Towards the end of the year, the board revisited the approved strategy and updated this with the latest information and research. The deliverables and approach have been further refined, allowing the management team to focus on the most important areas. We look forward to the continued evolution of our businesses as the team implements the strategic initiatives.

The acting group chief executive's review, together with other elements of this report, provide further details of progress made with strategic execution during 2022 and the financial results for the year. While the group faced external and operational challenges during the year, it delivered robust growth and a significant improvement in earnings while maintaining client service delivery at high levels.

Governance

On 31 March 2022, Mr Mike du Toit retired as an executive director and was appointed to fill a casual vacancy as a non-executive director. Mr du Toit was subsequently elected as a non-executive director at the company's AGM held on 17 June 2022. There were no further changes to the company's board during the year.

Chairman's message continued...

Mr Stuart Wenman resigned as a director of the Kenyan insurance subsidiaries, after serving diligently for 13 years. Mr Wenman made contributions to the companies' strengthening their risk management, investment management and actuarial functions. I take this opportunity to thank Mr Wenman for his contribution to the group and wish him well in his future endeavours.

The board of the holding company reviewed several policies during the year and recommended them to subsidiary boards for adoption. These additional policies continue to demonstrate the growing maturity of our business.

All the three Kenyan operating boards were subject to a board self-evaluation process conducted with the assistance of Liberty South Africa's governance division. In general, the performance of the Liberty Kenya Holdings board was excellent, scoring very well in the overall evaluation; 76% of the responses to the survey rated the board as exceeding expectations or greater. The board identified areas for improvement, particularly related to the area of sustainability. This will form part of the board's work plan for 2023. The subsidiary boards performed similarly in their evaluations. The company also received a "leadership" rating on its governance assessment from the Capital Markets Authority.

Looking ahead

Kenyan GDP is expected to grow by approximately 5.5% in 2023, supported by a recovery in the agriculture sector, increases in private sector consumption, a pick-up in industrial activity and high international prices for exports. Tanzanian GDP growth is projected at 5.0% and 5.6% in 2022 and 2023, respectively, due to improved performance in tourism, and the reopening of trade corridors.

Inflation is expected to remain above the Kenyan government's target range in the short term, at least while the current account deficit is projected to remain manageable. However, there is a risk of a continued deterioration of the Kenyan shilling to US dollar exchange rate. The likely negative impact of a global economic downturn and the impact of recent drought conditions present risks to a stable macroeconomic outlook.

Our commitment remains the delivery of relevant and innovative solutions that deliver financial freedom to our clients, thus contributing towards national development. We are confident that our strategy will enable the business to have a sustainable positive impact on all our stakeholders, especially our clients and partners.

Appreciation

My gratitude goes to our clients for their patronage, our employees for their unwavering efforts to deliver on our purpose, our shareholders and the rest of our stakeholder universe for their support. I also take this opportunity to express my deep appreciation to my fellow board members for all their counsel, support and dedication throughout the year and for delivering a strong corporate governance environment.

We look forward to confirming Mr Kieran Godden as the new group chief executive officer as soon as the necessary permits are received. We also take the opportunity to wish Mr Abel Munda well in his retirement when he leaves Liberty Life Kenya in early 2023 after 36 years of service to the group.

Philip Odera
Chairman

Acting group chief executive's review

At the outset, we were confident that 2022 would prove to be a better year than 2021. However, the Russian invasion of Ukraine and the resurgence of Covid-19 in China, coupled with China's zero-Covid approach changed the hoped for trajectory rapidly. These events led to supply chain constraints and increasing fuel prices globally that, in turn, placed upward pressure on the cost of living. Developed markets reacted late to rising inflation and rapidly increasing interest rates. In Kenya, this increased the devaluation pressure on the shilling. Coupled with the recent drought and the election season, economic growth reduced from the levels seen in 2021.

The management team and the board undertook a detailed assessment of the progress achieved against the agreed strategic initiatives as well as the methodologies of implementation. We have taken these lessons into account and adjusted our plan and delivery mechanisms to be more responsive. The additional clarity and focus that were outcomes of this process will enable our future delivery. A key part of our strategy is ensuring greater collaboration and alignment across the group and building a unified culture and identity. Technology and robust management of data remain at the core of providing our clients with solutions in a speedy and seamless manner. We look forward to implementing solutions and initiatives aimed at making the group more responsive to changes in the business environment. Our strategy remains solely focused on living our purpose of creating financial freedom for all our clients.

In the year, Standard Bank completed the acquisition of the remaining minority shares in Liberty Holdings Limited in South Africa. The consequential work of integration across the broader group has begun, and it is expected the merger will have significant benefits for our businesses through greater strategic alignment across SBG.

Death and disability claims paid

KSHS 833 MILLION

5% ▼

Pensions and annuities paid

KSHS 2074 MILLION

11% ▲

General insurance claims paid

KSHS 4 187 MILLION

1% ▲

The general insurance business in Kenya experienced increased claims, mostly due to increases in the costs of imported motor parts, pharmaceuticals and medical equipment. While claims in the group risk book reduced, these were still above pre-pandemic levels. We are extremely proud of the fact that we continued to pay all valid claims quickly and this sets our businesses apart from competitors.

IFRS 17 will come into effect in 2023 to replace the current IFRS 4. IFRS 17 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 standard is complex and has required significant investment in terms of building system capability, developing actuarial models, securing the necessary skilled resources as well as training throughout the business. In addition, a significant amount of time has been invested to ensure readiness for implementation.

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. I am pleased to report that we are fully ready for the transition, although we expect to continue investing in its implementation throughout 2023 as we further refine and improve systems and processes The impact to Liberty reported net asset value and future revenue recognition has been assessed as modest.

Acting group chief executive's review continued...

Digital transformation and enabling technologies pose new risks to our businesses, such as those concerning data protection and the possibility of cybercrime and fraud. Regulatory changes are also complex and challenging. To meet these challenges optimally, the business is tapping into the wider Liberty group capabilities and expertise, especially in the areas of cybersecurity, data privacy and IFRS 17 implementation. The wider group has also assisted with governance and policy selection.

The group concluded the implementation of a range of key information security tools to further boost its robust systems capability. We also established early warning triggers that enable us to respond accurately to changes in claims trends. We expect to conclude the replacement of the current medical administration system in 2023. The new system will enable us to equip clients and medical providers with state-of-the-art tools as well as improve efficiency and controls internally.

The Data Protection Act came into force in late 2019, and in 2022, the Office of the Data Protection Commissioner (ODPC) published regulations guiding the operation of the Act. Regulations included those for complaints and enforcement management, registration with the ODPC and general application. This legislation will see a significant shift in how companies streamline their operations to ensure compliance.

In Tanzania, the Government of Zanzibar revoked 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 Mind My Money financial education programme remains a key driver for the business in widening access and improving understanding. During the year, 15 workshops were conducted, reaching over 2 000 individuals.

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

Performance recovery

The reduced prevalence and impact of Covid-19 was reflected in lower death and medical claims. However, this was offset by higher death claims from other causes. The businesses also faced economic headwinds from a range of factors. Rising costs and pressure in capital markets had the greatest impact. Despite these external factors, both businesses performed well. The group's earnings in 2022 reflect a partial recovery to pre Covid-19 levels and encouragingly, new business volumes were significantly higher than 2021. Subdued investment markets led to lower investment fee income that had a significant negative impact on the life insurance business. Good client retention and appropriate pricing of risk products resulted in the profitability of the short-term insurance businesses improving, while there was a substantial reduction in the net loss emanating from the group's long-term insurance business.

The operating subsidiaries have maintained their strong capital bases and have sufficient liquidity to meet their ongoing obligations for the foreseeable future.. Based on experience observed in 2022 and review of assumptions, no further short-term pandemic allowance was considered necessary at 31 December 2022. Consequently, all Covid-19 reserves held have been released.

Net insurance premium growth increased to 9.4%, however a 24.1% reduction in investment income, driven by falling bond and equity markets, saw the group report a 4% reduction in total income for the year. This reduction in total income was offset by a 17.9% fall in claims and benefits. The premium growth demonstrates solid business fundamentals that are a positive indicator for the future.

The Kenyan general insurance business benefited from increased productivity where gross written premium reached record high levels. The Tanzanian business benefited from reduced claims cost and strengthening of the Tanzanian shilling against the Kenyan shilling by 8%. The Tanzanian business grew its gross written premium by 7.1% and doubled its earnings from the prior year. A continued focus on the management of expenses at sustainable levels resulted in operating expenses increasing by only 5.9% while acquisition expenses increased 12.3%, driven by a 25% increase in commission payments to intermediaries. This is largely the result of a shifting mix of business.

Overall, group profit after tax increased by more than 400%.

More details regarding the performance of the operating companies are provided in the performance review section of this report and in the abridged annual financial statements posted on the group's website.

Appreciation

Firstly, I must thank our clients for their continued confidence in Liberty. 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 the directors and the greater Liberty group for their consistent commitment, guidance and support.

Finally, allow me to express a fond farewell to my friend and colleague, Mr Abel Munda. It has been a privilege and very special to work with him during our many years at Liberty. I wish him well for his upcoming retirement.

Godfrey Kioi
Acting group chief executive

Our primary financial performance indicators

Liberty Holdings Kenya Plc

Return on equity (%)	**Earnings per share** (shillings)	**NAV per share** (shillings)	**Share price** (shillings)
3.8	0.62	17.29	4.90
2021: 0.9	2021: 0.15	2021: 16.45	2021: 7.00

Liberty Life Assurance Kenya Limited

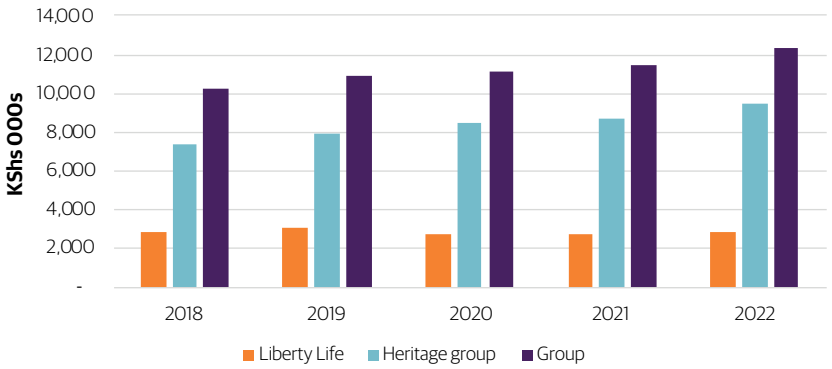
Solvency (%) Capital adequacy ratio	**Expense ratio (%)**	**Persistency ratio (%)**	**Net insurance premium** (KShs million)
227	28	80	2 565.2
2021: 210	2021: 24	2021: 65	2021: 2 356.5

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

Solvency (%) Capital adequacy ratio	**Expense ratio (%)**	**Claims ratio (%)**	**Net insurance premium** (KShs million)
449	39	53	4 879.2
2021: 354	2021: 39	2021: 53	2021: 4 410.8

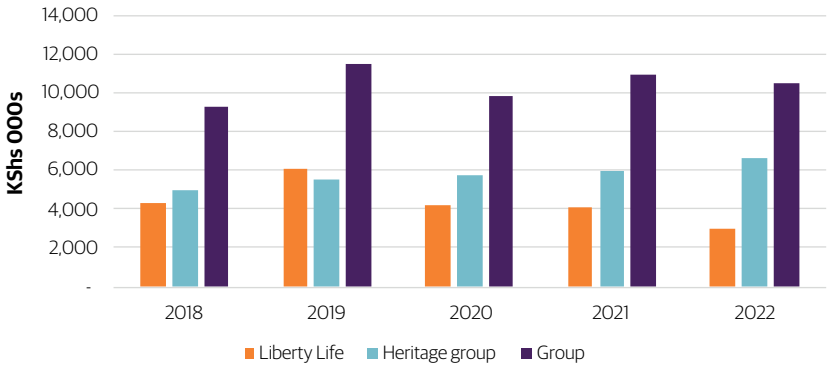
2022 performance review

Gross insurance premiums



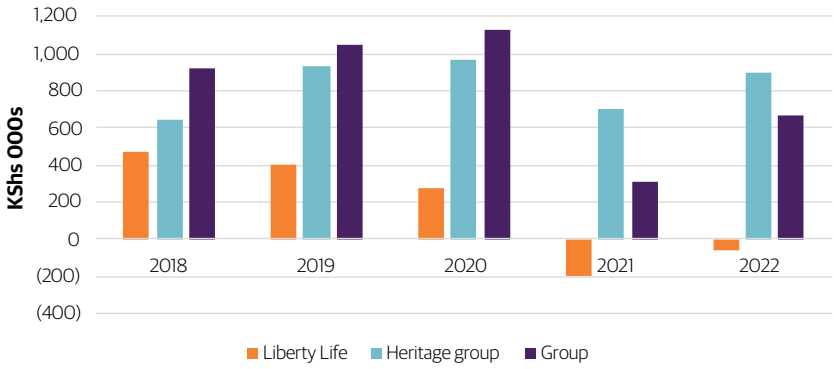
The group has reported steady growth in insurance premium income. The short-term business has shown sustained growth while the long-term business growth has remained flat because of exits from investment contracts.

Total income



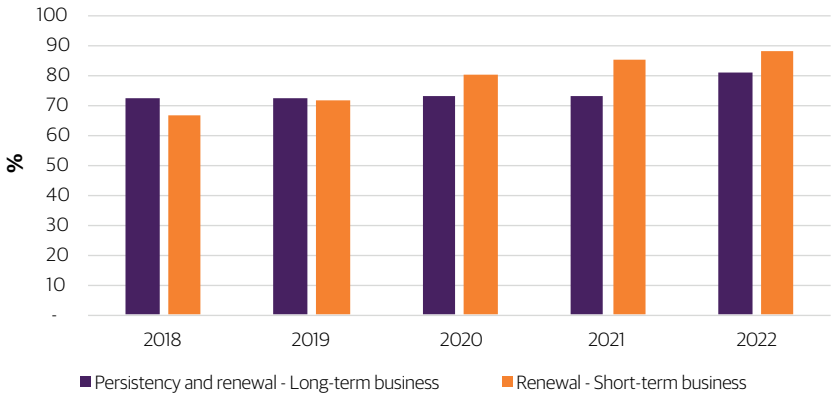
Total income has fluctuated over the years due to the volatility of investment earnings. The fair valued financial instruments such as listed equities and treasury bonds have steadily lost value resulting in significant unrealised investment losses in the long-term insurance business.

Profit before tax



A combination of low investment earnings, higher claims expenses in the long-term business due to Covid-19 and deteriorating motor loss ratios in the short-term business, all contributed to subdued earnings during 2020 and 2021. Despite declining Covid-19 claims in 2022, poor investment returns, the Russian-Ukraine conflict, disrupted global supply chains, increasing inflation and interest rates, a weaker currency and adverse weather patterns created a challenging operating environment for the businesses.

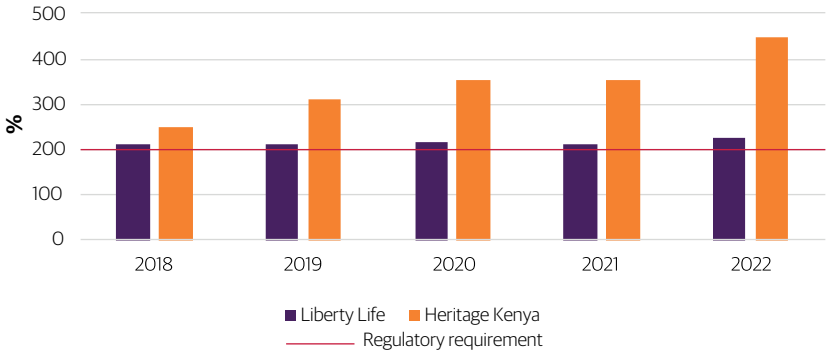
Persistency and renewal



Renewal business has continued to increase over the past five years, reflecting strong client relationships and value. Persistency has also shown a growing trend, reflective of client service improvements. The past year demonstrated robust growth in these metrics.

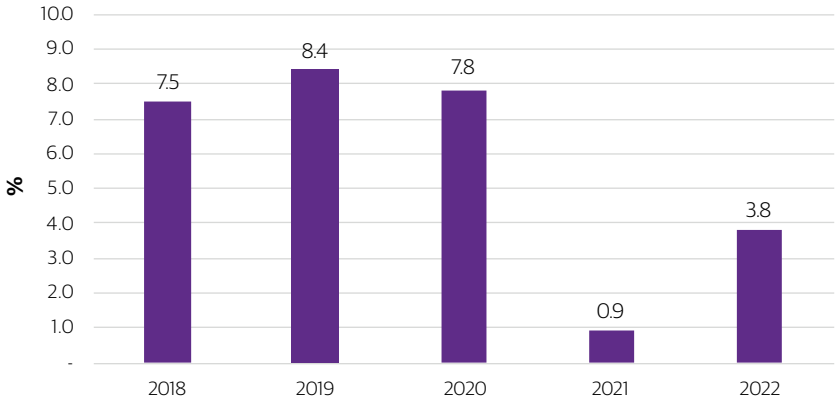
2022 performance review continued...

Capital adequacy ratio



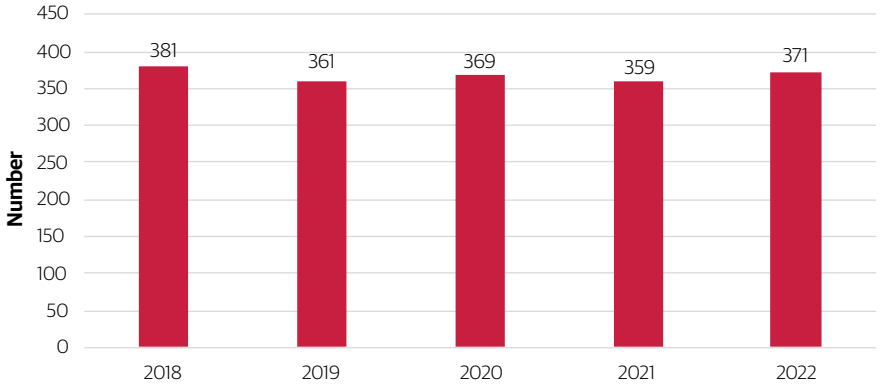
Deliberate efforts have been undertaken to conserve capital, given the uncertainties brought about by Covid-19 and the Russian-Ukraine conflict and this has ensured the businesses remain strongly capitalised, well above the industry average.

Return on equity

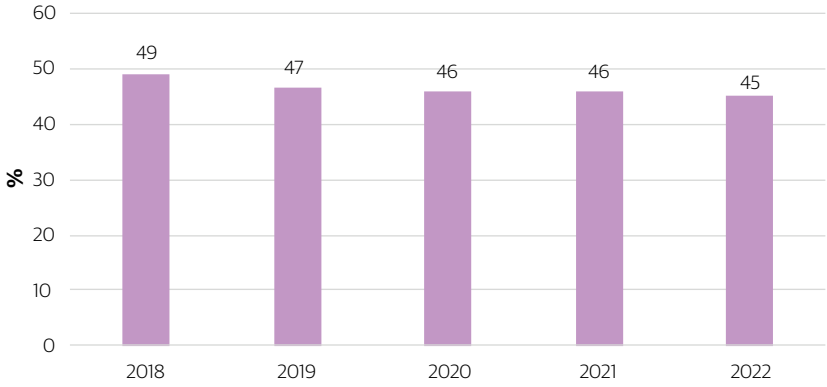


The decline in the return on equity is the result of lower profits in the last three years due to the factors described with the profit before tax chart.

Employees



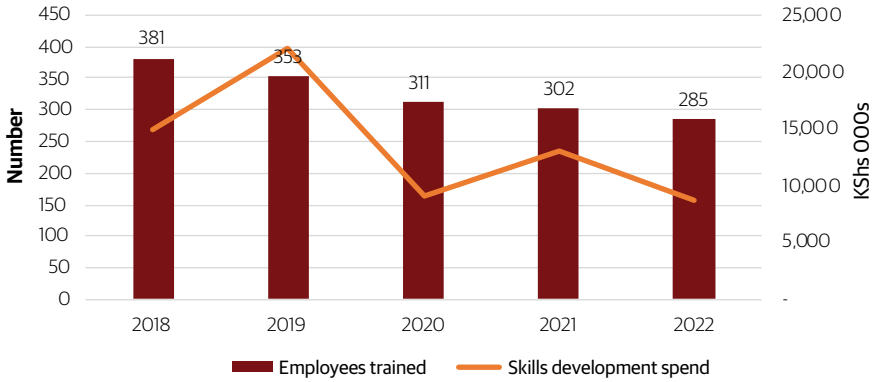
Diversity – female employees



We believe diversity amongst our employees makes us more resilient and provides greater insight and humanity in delivering on our purpose.

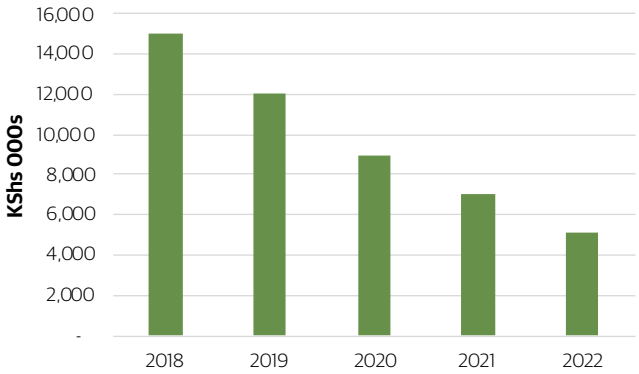
2022 performance review continued...

Employees trained and skills development spend



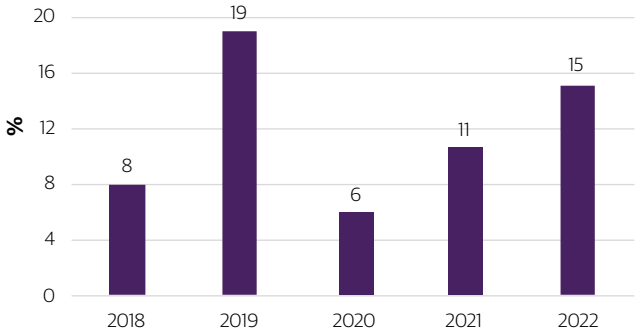
We remain committed to providing our employees with the skills necessary for them to perform their jobs and succeed in their chosen careers. We provide our employees with all the training required to meet our obligations under the various regulations governing our industry.

CSI spend



The group's CSI spend has been impacted by the Covid-19 pandemic and the difficulties associated with reaching beneficiaries during lockdowns. Greater cost control to address the group's declining profitability has also contributed to the lower community spend.

Voluntary employee turnover



In 2019 the group undertook a restructuring which saw an increase in employees leaving. In 2021 and 2022, an industry wide demand for skills increased the competition for experienced and trained staff resulting in greater turnover.

A focus on our clients and partners

Driven by our vision to be the trusted provider of client experiences through own and partner solutions, enabling financial freedom, 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 paid in 2022

Death and disability
KShs 833 million
(2021: KShs 879 million)

Pensions and annuities
KShs 2 074 million
(2021: KShs 1 872 million)

General insurance
KShs 4 187 million
(2021: KShs 4 141 million)

Treating customers fairly

Liberty places the client at the heart of everything it does and operates in a manner where fair play and ethical behaviour underpin all business activities and relationships.

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 2022

- Identified the need for client value propositions for different segments, including retail, multinational corporations and SMEs. Principles for these propositions will be set in the first quarter of 2023.
- Implemented relationship management to selected corporate clients to address inconsistent service levels.
- Positioned financial literacy programme (Mind My Money) to support the retailisation of corporate business. Mind My Money app published in the play stores.
- Revamped the agency model to support retailisation and developed appropriate training materials. Agents remain a key sales and distribution channel and we continued to deepen our strategic partnership with these distribution channels to ensure continued delivery of value to the business in a mutually beneficial manner. In total, 52 financial advisers graduated to financial coaches in the year.
- Began the process of refining the profit share methodology to meet the expectations of intermediaries.
- Optimised the relationship with Stanbic and gained access to the bank's corporate book.
- Enhanced our relationships with other bancassurance partners.
- Deepened existing relationships with fintechs, including Stanbic Insurance Agency and Micro Finance Solutions.
- Enhanced our digital channels for both sales and service, affording clients the opportunity to transact and engage with us digitally.
- Implemented system enhancements, automating the monitoring of service providers' turnaround times within the claims functions.
- Implemented Data Protection Act (DPA) 2019 to safeguard client data privacy in compliance with the law and enhance trust-driven relationships with clients and partners.

Growing the brands among independent distribution partners

A significant percentage of revenue for both Liberty Life and Heritage Insurance is generated through brokers and agents. During the year, the two businesses participated in:

- The Association of Insurance Brokers of Kenya's annual conference – an opportunity for insurers and brokers to discuss industry developments
- The Association of Kenya Insurers' agent gala awards where top-performing agents in various categories are recognised
- The Insurance Institute of Kenya's annual seminar, which provides an opportunity to develop the industry knowledge of participants
- Think Business Awards, an industry milestone recognition event

A focus on our clients and partners continued ...

Client and intermediary training

As part of the client journey, we conduct various "walk through" programmes to educate existing clients on our products and services to:

- Improve client relationships
- Mitigate the risk of clients misunderstanding product coverage and benefits
- Keep the client close and encourage retention
- Identify client needs and market additional products to them

We held 98 client member education sessions during the year across all sectors and segments. Product sensitisation is an anchor for imparting knowledge to potential clients and partners and is aimed at improving technical capacity among intermediary employees. We conduct programmes on identified products to motivate production partnerships. Through segmentation of clients, we identify their clientele and establish training needs informed by the different risk profiles.

In 2022, Heritage conducted 40 training sessions on various products to clients either directly or through sales intermediaries.

Mind My Money

We continue to use the Mind My Money programme to engage with organisations as part of the retailisation strategy. It involves presenting the programme to employees of the client or prospective client and discussing the opportunities to address their identified financial needs with a Liberty product.

Over the past three years, this programme has generated some KShs 56 million of new business.

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 231 risk surveys were conducted in 2022 – free of charge.

Monitoring our performance

In the 2021 report, we discussed the development of two metrics to assess the client experience and track our progress. These metrics were the net effort score (NES) and the client satisfaction index (CSAT). Unfortunately, with the introduction of the Data Protection Act we have been unable to conduct the necessary surveys for these metrics as well as the more universally acknowledged net promotor score. Hence, we have begun the process of securing client consents to collect the necessary data in future years.

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.
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.

Working for our employees

We aim to ensure our employees are motivated, empowered and equipped with the necessary skills and expertise to help us achieve our strategic goals. For Liberty, it is imperative that employees immerse themselves in our culture of so we can meet the needs of our stakeholders.

We seek 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

Working for our employees continued...

Strategic and operational initiatives for our people

Strategic initiatives

Culture

Evolution of work

Employee retention

Workforce planning and future skill sets

Operational initiatives

Skills review and alignment

Workplace practices review, performance management

Talent management and succession

Reward and recognition

Leadership principles and behaviours

Our leadership behaviours are ingrained in our DNA and recognise our leadership, culture and brand characteristics, as well as our strategy.

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 employee experience, leadership principles and a growth mindset.

Our culture programmes enable each Liberty employee to create 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.

IMAGINE IT'S POSSIBLE

- Be a pioneer
- Be brave

ACT WITH HUMANITY

- Be human
- I see you
- Listen more, speak less

DO WHAT MATTERS

- Have fun
- Create clarity upfront
- Be better than yesterday

Working for our employees continued...

Growing our people

In 2022, we completed the implementation of selected modules within the SAP SuccessFactors human capital management tool. SuccessFactors is a cloud-based human capital management solution to manage an entire organisation's employee performance, payroll management, employee central and learning activities.

Using this system, we are able to manage performance and learning requirements for our employees to meet Liberty's operational and strategic needs.

Talent conversations commenced in the second quarter and training and development courses were conducted throughout the year. In particular, the following training and development courses were provided:

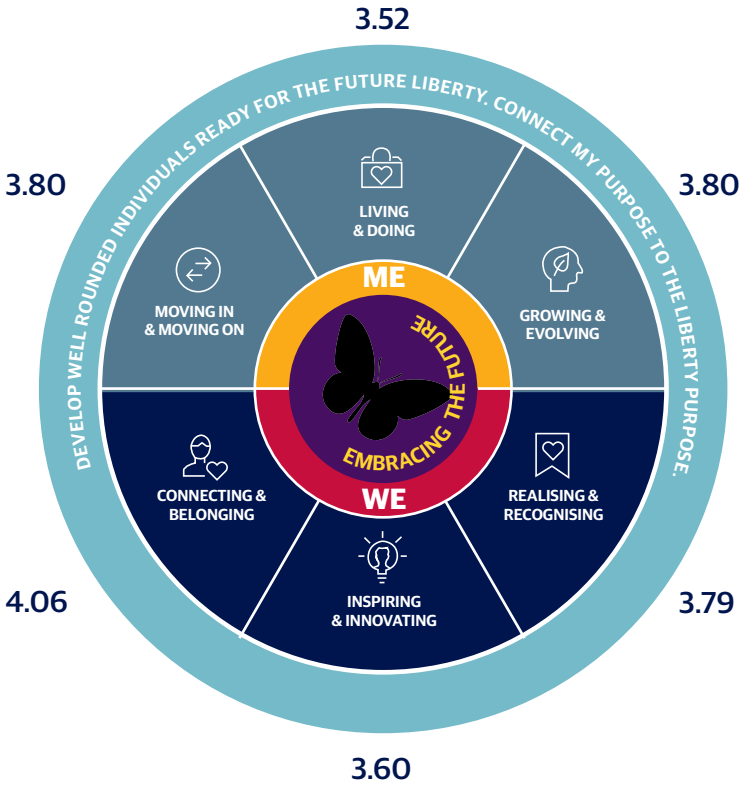
Course	Comments	Participants
Bullet proof manager	Leadership development	Four employees graduated
Scaling leadership and performance management	Leadership development for the new managers	30 employees participated
Treat clients fairly	Fulfilling our purpose and meeting our obligations to clients	All employees
Financial crime compliance	Compliance training	All employees
Growth mindset evolve module	Culture change mindset shift	All employees
Retirement planning	Post retirement planning	One employee
Agile training	New ways of working	Various
Technology, innovation and resilience conference	Technical IT capability	Three employees participated
Labour law changes	Regulatory environment changes and people practices	Four human capital employees
Individual professional programmes (including accountancy, actuarial and marketing)	Association of Chartered Certified Accountants (ACCA), actuarial, diploma in insurance, ICPAK, Chartered Institute of Marketing and Life Office Management Association (LOMA)	52 employees benefited from these programmes
Executive wellbeing	Wellness	Four senior executives
Data protection training	Regulatory	119 employees
Marine cargo Insurance training	Technical training	Two employees
Communicating with Impact	Leadership	One senior manager
Short term reinsurance Practice and claims management	Reinsurance training	Four employees
Lumina sales programme	Sales training	20 employees
Leadership masterclass	Leadership training	One executive

Working for our employees continued...

Employee engagement and eNPS

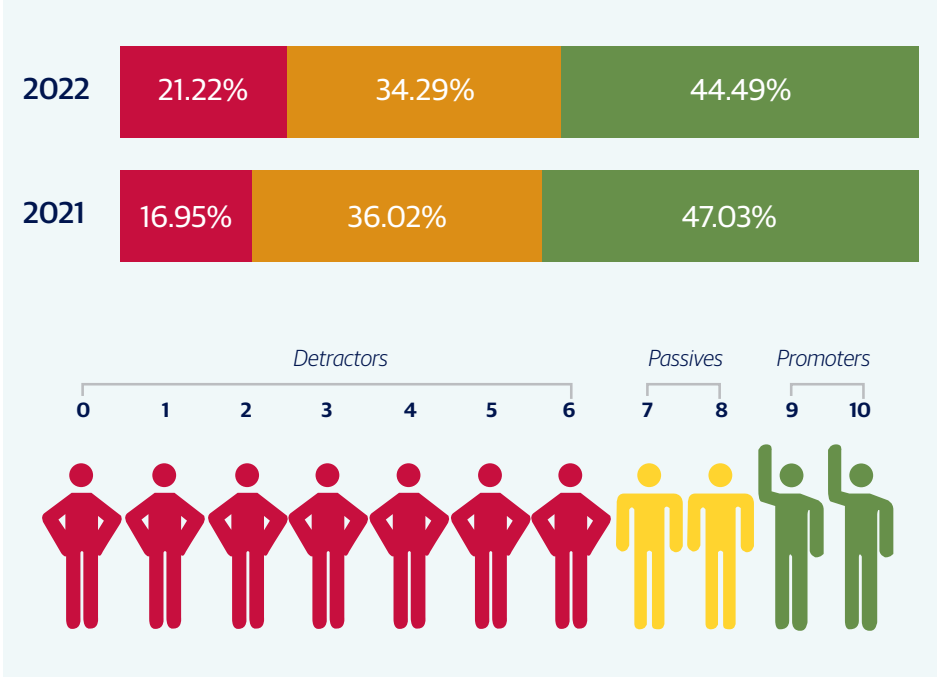
In addition to the day-to-day engagement activities, 2022 featured two targeted engagement activities. The first engagement concerned our plans to return to the office (more detail concerning this appears below).

The second targeted engagement was our annual employee check-in survey. Now in its third year, our employee check-in survey grew out of our need to actively engage with our employees during the pandemic and our desire to monitor their wellness remotely. The survey is conducted across the entire Liberty group and provides us with an employee net promotor score (eNPS) against which we measure our progress in achieving our aim of being a preferred employer. In total 78% of employees provided responses to questions for each of the pillars of our employee experience framework.



The net result was an overall employee experience score of 3.77 out of a possible 5 and a leadership score of 3.83 out of 5.

A net promoter score (NPS) 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. The NPS 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 NPS results from a calculation that involves subtracting the percentage of detractors from the percentage of promoters collected by the survey item. Liberty's overall eNPS for 2022 was 23.27 (2021: 30.08). An eNPS above 10 is considered satisfactory while any score above 20 is good.



The decline in the overall eNPS in 2022 was driven by an increase in detractors within the general insurance business.

Working for our employees continued...

Return to office

At the onset of the Covid-19 pandemic, our number one priority was protecting the health and safety of all in our community, particularly our employees and advisers who work from our premises. As the global economy reopened following the lifting of precautionary restrictions and lockdowns, we consulted widely with our employees regarding their return to the office. We have implemented a policy to correspond to the evolving workplace. A flexible work arrangements standard and guidelines assist employees and line managers to make a choice of an alternative workplace and make use of working opportunities in a safe and effective manner, while still maintaining the highest standards of service to clients.

Using the results of a work-from-home survey conducted during the pandemic, Liberty required employees to return to the office on a full-time basis or, on meeting certain requirements, adopt flexible working hours. The eligibility criteria for flexible work arrangements include:

- Whether the nature of the operational requirements is suitable for flexible working
- The scope and nature of the job
- Whether flexible working supports the fulfilment of the needs of the team/department/ business unit needs
- Whether the employee requires participation in multi-skilled and/or cross-functional team/s, and what the impact on such team/s may be
- Any risk factors which may be associated with the employee adopting the flexible model, including, but not limited to, information risk, data privacy risk, information technology and/ or cybersecurity factors
- The accessibility to tools and infrastructure which may be necessary for performing work
- The possibility of fluctuations in workload and/or variance in operational needs of the business area on a monthly or seasonal basis

Certain activities involving teams, training, onboarding and face-to-face engagement must be conducted at the office.

Liberty employees returned to the office fulltime on 1 April 2022.

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 organisation 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.

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 the chief executive's input on the competitiveness of Liberty's remuneration.

Increases and bonuses are informed by each employee's appraisal rating. Different levels of employee 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.

All Liberty employees completed year-end performance reviews in 2022 and employee feedback was finalised in January 2023.

Fulfilling our regulatory obligations

We continue to navigate the evolving regulatory environment by embracing, anticipating and managing change and leveraging our knowledge of the different laws, regulations and legislation.

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 regulated by the Capital Markets Authority (CMA). We also engage with the Nairobi Securities Exchange and the Central Depository & Settlement Corporation Limited. Its two Kenyan subsidiaries are regulated by the Insurance Regulatory Authority (IRA). Liberty Life Kenya is also regulated by the Retirement Benefits Authority.

Heritage Insurance in Tanzania is regulated by the Tanzania Insurance Regulatory Authority.

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

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 the recently published NSE ESG Disclosures Guidance Manual.

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 2021, the IRA developed a policy to promote insurance cover in the informal sector. 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.

Fulfilling our regulatory obligations continued...

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 Financial Stability Board), regulatory goals for consumer protection, prudential regulation and tax reform. 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.

In 2021, the IRA conducted an on-site risk based supervision inspection of Liberty Life Kenya. In 2022 we applied ourselves to addressing most of the issues raised by the authority. Details of our 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 Covid-19 and the challenging economic conditions have weighed on our results, we maintained solid surplus operating capital.

	Requirement	2022	2021
Liberty Life Kenya	200%	227%	210%
Heritage Insurance Company Kenya	200%	449%	353%
Heritage Insurance Company Tanzania	100%	122%	126%

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 capital injection during the year to prevent a breach in the group's risk appetite.

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.

The group addressed this matter during the second quarter. Using capital projections for the balance of the financial year, underpinned by sound assumptions relating to business performance, the Kenyan economy and financial markets, the board approved a capital injection to Liberty Life Kenya. This would be achieved by the company subscribing for a further KShs 130 million in shares. The funding for this further investment in Liberty Life Kenya was sourced from dividends received from its fellow subsidiary, The Heritage Insurance Company Kenya Limited.

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:

- Introducing relationship managers to all existing and newly onboarded retail clients
- 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 validation of over-the-counter bank payments
- Engaging with clients prior to the maturing of their policies
- Introducing clients to self-service tools and automating communication with clients to ensure consistency and empowerment for self-service using the online portal

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 2022, the group reduced the number of client complaints by 39%.

Anti-money laundering

At policy renewal, it is now mandatory to provide all required data sets in compliance with our minimum know your client (KYC) data. We changed proposal forms to require all new clients to comply with KYC requirements before business acceptance.

Preventing fraud – IMIDS

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.

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

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.

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.

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.

Fulfilling our regulatory obligations continued...

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. From 2023, a greater focus on building new capabilities and transforming existing ones will be required.

Fulfilling our regulatory obligations continued...

Always on, always available

In line with the group's service management practice that is informed by the Information Technology Infrastructure Library framework, Liberty Kenya has:

- Documented a support framework guideline that defines the services provided by IT and their related service level agreements
- Implemented a service monitoring and alerting capability that monitors our key services and alerts us to service disruptions
- Established an effective problem management process focused on identifying the root cause of recurring incidents with a view to resolving them permanently
- Established an effective change management process that reviews all changes before production deployment
- Established a joint IT steering committee where both subsidiaries are updated

As a result of the above measures, our service management performance in 2022 met or exceeded our targets and reflected continued improvements from the previous year.

Data and analytics

Informed by a data maturity assessment that was conducted by Liberty Africa Insurance, Liberty has since documented a data strategy to guide its data practice and maturity. An implementation roadmap has been defined that describes the actions the business shall take up for the next three years to enhance its data maturity.

In addition, data committees have been established at a group and country level that not only aid with governance but provide continuous oversight on all data initiatives to ensure that they are in line with the business objectives, and they do take care of all regulatory compliance expectations.

Significant work was undertaken in 2022 to enhance data security through the implementation of various data loss prevention (DLP) capabilities, including data classification. Power BI was also rolled out as an analytics tool that is now in use within the business.

Cloud journey

Liberty developed a cloud strategy in 2022 that outlines the key principles that shall govern its journey to the cloud. Following the adoption of this strategy, cloud-readiness assessments have been conducted to identify which IT assets are potential candidates to move to the cloud. This exercise helped define an implementation roadmap with specific actions for the next three years.

The chosen approach to the cloud is summarised in three distinct phases. The first phase shall focus on experimenting with low-risk assets going to the cloud and deriving lessons from that experience. The next phase will see more implementations in the cloud particularly on core applications and infrastructure. The last phase will focus on maturing the cloud journey and experience.

Always secure

In 2022, Liberty further enhanced its control environment through the implementation of DLP, domain name system, privileged access management and file integrity management security solutions. As a result, there were no cybersecurity incidents reported during the year.

All critical and high vulnerabilities picked up from both the internal and external scans are continuously remediated. Audit and risk findings are also addressed within the shortest time possible to mitigate the risks identified.

Security awareness campaigns are important in enhancing the knowledge of our employees towards cyber threats. Ten awareness campaigns were conducted in 2022 as well as phishing simulations to ensure that our people are able to put to practice what they have learned.

Taxes collected and paid

During the year, the group collected and remitted to the appropriate revenue authorities a total of KShs 1.13 billion (2021: KShs 1.14 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.

Prior to the preparation of the 2022 integrated report, a detailed understanding of both the common and sector-specific (insurance) disclosures was obtained. Liberty has disclosed many of the qualitative disclosures since it began its integrated reporting journey in 2019. 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

At Liberty, we aim to play a meaningful role in society while operating a responsible and ethical business. We care about how our business impacts society, the economy and the environment, and we aspire toward the wellbeing of future generations.

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 mission statement and action plan, and the management approach towards the various projects. This policy is executed through a dedicated and passionate CSI team.

Guided by the Liberty Africa CSI guidelines, 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 the 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)

Playing a role in our communities continued...

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. Liberty provides these sponsorships in partnership with the Starehe Boys and Girls centres, in addition to other institutions across the country..

In 2022, the programme provided grants to a total of 146 continuing students consisting of secondary school and university students, mostly from economically challenged backgrounds. No new students were enrolled in the programme during the year.

In addition to tuition fees, the sponsorships extend to the costs of living while in school on a need basis. Additionally, we run an annual mentorship programme focused on equipping students with 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.

Environment

Liberty has instituted environmental initiatives as a key pillar in in its CSI operations. To address environmental challenges in Kenya, 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. In 2022, the teams planted 2 200 trees on a 5-acre piece of land adopted by AKI in support of the SDG 13 – climate action.

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 2022, we continued to partner with the Faraja Cancer Support Trust through its annual fund raiser walk.

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 (independent 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
Ms G Ogallo (independent non-executive)	10 June 2019
Mr R Shah (independent non-executive)	26 May 2020

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

Governance auditor

Dorion Associates
Thompson Estate, Diani Close,
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Nairobi

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PO Box 10643-00100,
Nairobi

Websites

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

LIBERTY

In it with you