



LIBERTY



Liberty Kenya Holdings Plc

Incorporating Heritage Insurance
and Liberty Life Assurance









Integrated report
2020

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 57.74% of LKH.

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

Directors

		First appointed	Retired
P Odera (Chairman)		2/09/2016	
M du Toit (Managing Director)		17/12/2008	
P Gethi (Non-executive)		17/12/2009	
G May (Non-executive)		17/12/2009	18/06/2020
G Ogallo (Non-executive)		10/06/2019	
J Hubbard (Non-executive)		16/06/2017	
R Shah (Non-executive)		26/05/2020	
R Mbai (Non-executive)		27/08/2020	

Independent auditor

KPMG Kenya
Certified public accountants
8th Floor, ABC Towers Waiyaki Way
PO Box 40612-00100
Nairobi

Registered office

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

Secretary

C Kioni (Ms)
PO Box 30390-00100
Nairobi

Governance auditor

Dorion associates
Thompson Estate, Diani close,
Compound 7, House 3,
Nairobi

Share registrar

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

Lawyers

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

Principal bankers

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



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Annual financial statements



Available online at www.libertykenya.co.ke/investor_relations.php

About our 2020 integrated report

This integrated report is our primary report to shareholders and contains information that all stakeholder groups may find valuable. The report explains how Liberty Kenya delivers on our purpose of improving people's lives by making their financial freedom possible. It provides the readers with financial and non-financial performance metrics and commentary, strategy, governance and remuneration information.

Frameworks

The report has been prepared in accordance with the International <IR> Framework (January 2021) of the International Integrated Reporting Council and the Capital Market Authority's Code of Corporate Governance. This report is our primary report to shareholders. However, it contains information that all stakeholder groups may find valuable. The accompanying annual financial statements conform to the International Financial Reporting Standards (IFRS), and the Kenyan Companies Act, 2015.

Scope and boundary

Our integrated report is published annually. This report covers the year ended 31 December 2020, and any material events up to the board approval date of 30 April 2021 are also included. Liberty Kenya through its subsidiaries, conducts life and general insurance operations in Kenya and general insurance in Tanzania. The company is listed on the NSE. This integrated report covers the performance of Liberty Kenya and its subsidiaries which operate in Kenya and Tanzania.

Fundamental concepts

We have applied the fundamental concepts included in the International <IR> Framework when preparing this report:

- Value creation for the organisation and for others
- The six capitals
- The value-creation process

Value creation for the organisation and for others is embedded in our purpose of improving people's lives by making their financial freedom possible.

We use strategic value drivers common to the Liberty group to anchor the group's strategy, and to monitor and report performance. A strategic value driver has been identified for each of Liberty Kenya's key stakeholder groups, permitting the identification of the group's capitals and inputs, and projecting the desired outcomes for Liberty Kenya and its stakeholders.

Our value-creation process is described on pages 15 to 17. It includes a description of the capitals and inputs, the guiding strategy, the governance and management processes, the primary activities, the outputs and outcomes.

Strategic value drivers



Placing the customer at the heart of our business



Be the employer people want to work for



Having a risk-conscious culture



Deliver on investor expectations



We are part of the fabric of society

Key stakeholder groups



Customers



Brokers, agents and other intermediaries



Employees



Regulators



Investors



Civil society

Materiality

The identification of the 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.

Annually, a review of both the external and internal operating environments is conducted to determine those recurring and new topics that have, or may have, a material impact on our ability to create value in the short, medium and longer term for our shareholders and key stakeholders. These topics are assessed and then ranked in terms of their impact and likelihood. The resulting material matters detailed on page 33 of this report were informed by board and committee discussions, matters arising from the strategy-setting process, and the legitimate concerns of our key stakeholders.



The COVID-19 pandemic of 2020 has, and continues to have, a significant impact globally. Its impact on Liberty Kenya and our stakeholders permeates this report.

Assurance

The board, in conjunction with the group audit and risk committee, is ultimately responsible for Liberty Kenya's system of internal control.

Liberty Kenya applies a combined assurance approach, ensuring that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and its external reports. KPMG issued an unmodified audit opinion on the group's annual financial statements.



Available online at www.libertykenya.co.ke/investor_relations.php

Guidance for readers

Throughout this report the various Liberty entities are referred to as:

- Liberty Holdings Limited: Liberty SA
- Liberty Kenya Holdings Plc: Liberty Kenya or the group or company
- Liberty Life Assurance Kenya Limited: Liberty Life
- The Heritage Insurance group incorporating The Heritage Insurance Company Kenya Limited and The Heritage Insurance Company Tanzania Limited: Heritage Insurance

The following symbols have been used throughout the report to differentiate between Liberty Life and Heritage Insurance.



Liberty Life



Heritage Insurance

Directors' approval

The board has applied its collective mind to the preparation and presentation of the information in this report.

The board believes the report addresses all material issues and presents a balanced and fair account of the group's performance for the reporting period, as well as an accurate reflection of our core strategic commitments for the short, medium and long term.

The directors have applied their judgement regarding the disclosure of Liberty Kenya's strategic plans and have ensured that these disclosures do not place Liberty Kenya at a competitive disadvantage.

On the recommendation of the group audit and risk committee, the board approved the Liberty Kenya Holdings Plc 2020 integrated report on 30 April 2021.

Philip Odera
Chairman

Mike du Toit
Group managing director



Challenges and achievements in 2020

The coronavirus pandemic and global containment efforts produced new challenges in 2020, adding to an already difficult economic environment.

The year also produced opportunities and Liberty Kenya Holdings Plc (Liberty Kenya) was determined to ensure that the "crisis" accelerated the transformation of our business. Our employees and intermediaries showed great resilience in the face of numerous challenges brought about by COVID-19 and responded by achieving beyond expectations when asked to integrate their work and home lives. We are very proud of them!

When the World Health Organisation declared COVID-19 a pandemic early in March, Liberty Life and the Heritage Insurance group took immediate and decisive action to protect the business, primarily aimed at fulfilling our purpose and driven by three simple leadership principles:



Imagine it's possible.



Act with **humanity**.



Do what matters.

COVID-19 challenges





Heritage

Insurance Company

A member of  LIBERTY



Ultimately the COVID-19 pandemic forced us to embrace a more digital outlook, with a renewed focus on product simplification and accelerated development of digital channels and mobile-enabled customer service and products.

Our achievements

Uninterrupted and seamless servicing of customers through the **optimal use of technology** which enabled **work from home and business continuity**

Implementation of e-policy documents and signatures, enabling work from home

Engaging with and caring for our employees during the pandemic restrictions and the need to work from home

Rolled out self-service capability to retail customers, providing convenience and reducing operational costs

Held a successful virtual annual general meeting which satisfied the regulator and saw the highest shareholder attendance in Liberty Kenya's history

Data clean-up to enable **digitalisation**

Rolled out a reward programme linked to the Auto-Correct product for **good driving practices**

Early identification of high exposure products and **necessary responses** implemented to **limit impact on business performance**

Greater collaboration within and between **Liberty Life and Heritage Insurance**

Use of electronic data management capability within the business

Resilient earnings and maintenance of **strong capital adequacy ratios**

Enabled advisers to utilise virtual capabilities to continue to **serve customers and distribute products**

Significant improvement in the control environment despite the pandemic and related restrictions

Maintained premium collection rates at the same level as 2019

Developed a complaints tracker to capture customer concerns and track feedback to customer queries

Life insurer of the year and **General insurer of the year** at the Think Business Insurance 2020 Awards

A letter from our chairman



To many of us, 2020 was arguably one of the most challenging years in our lifetime. The impact of the COVID-19 pandemic, both in Kenya and globally, stretched beyond the sphere of healthcare and its spread resulted in very deep-rooted economic and social challenges. Various developmental agenda programmes are expected to be seriously affected. The emotional, mental and financial stresses as a result of the pandemic and the necessary restrictions are likely to be both profound and long-lasting. Many gains made over the past decades have been eroded, particularly in the areas of employment, gender equality and poverty eradication.

The impact of the COVID-19 pandemic, both in Kenya and globally, stretched beyond the sphere of healthcare and its spread resulted in very deep-rooted economic and social challenges.

PHILIP ODERA

The Government of Kenya implemented a host of containment measures in the year while extending some relief by way of tax breaks. While the containment measures were designed to protect the health and welfare of the people, they had significant negative consequences for the business. The greatest impact was felt in hospitality and travel where the majority of the businesses had all but closed down, resulting in significant job and financial losses. As a result, while the COVID-19 shock was large, the impact on economic growth was contained. On a year-on-year-basis, output growth recovered from -5.5% in the second quarter of 2020 to -1.1% in the third quarter. Growth in 2020 overall is likely to have been close to zero but it is projected to rebound strongly in 2021. On 16 February 2021, the IMF revealed it had reached a three-year \$2.4 billion financing agreement with Kenya to support the country's COVID-19 response and to reduce the level of debt relative to the GDP. This will support GDP growth during the loan period.

Safety first

80% of our staff in Kenya were very quickly and effectively enabled to work from home or from other remote sites. Only critical staff were permitted to work from the offices after May 2020 while fully observing the guidelines and protocols issued by the Ministry of Health. The crisis management committee was activated and continue to meet weekly to monitor and review the effectiveness of the various initiatives employed.

Our staff in Tanzania worked on a rotational basis and, although many have now resumed normal working in the office, strict social distancing and other precautionary measures remain in force.

Strategy

In October 2019, we launched our five-year strategic framework, which acts as a guide for the initiatives we will deliver. Central to this strategy are our customers and our relentless fulfilment of our promises to them. Our customer-orientation ethos demands that we understand what customers want so we can build the right solutions quickly, and our customers can receive the deserved benefit of these initiatives seamlessly.

Credit rating and awards

Credit rating agency, GCR affirmed a rating of AA(KE)) with a stable outlook for our two operating entities in Kenya, namely The Heritage Insurance Company Kenya and Liberty Life Assurance Kenya.

Heritage Insurance and Liberty Life were again crowned **General Insurer of the Year and Life Insurer of the Year** respectively at the Think Business Insurance Awards.

Governance

I would like to welcome Rajesh Shah and Rachel Mbai to the board of Liberty Kenya Holdings Plc. Rajesh was appointed on 26 May 2020 and Rachel on 27 August 2020. Both are also board members of the Kenya subsidiary boards. Mr Shah is chairman of the group audit and risk committee. Rachel also serves on the audit and risk committee.

Gayling May retired in June after serving the group diligently for 10 years. During his time, the group made significant strides in the improvement of its governance framework. On behalf of the board, I take this opportunity to thank Gayling for his immense contributions and wish him well in retirement.

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

In addition to enacting the above policies, the group continued to invest in its staff, and received training in cyber security threats; anti-money laundering; capture the flag; avoidance of conflicts of interest; and gift policy, among others.

Appreciation

I would like to commend our staff for showing great resilience and agility in 2020. They demonstrated amazing spirit, openness to change and delivered to and for our customers when most needed.

To our customers and intermediaries we changed our business operating model to adapt to the circumstances of the day, just for you. We are grateful for the continued support received in the year and look forward to even greater engagement in 2021.

To my fellow board members who regularly and increasingly had to avail themselves throughout the year to provide policy and strategy guidance, I extend my thanks. Indeed, the number of interactions increased, reflective of the circumstances that required greater involvement by the board members. I would like to thank the board members for their commitment and active participation.

While 2020 was a challenging year, a great deal was achieved in a year that lays a firm foundation for 2021 and beyond. Much was learnt, and many positive initiatives were completed. Indeed, some of the technological milestones could not have had a better setting for actualisation. We look forward to 2021 with optimism to deliver on our strategy.

Philip Odera

Chairman

30 April 2021



Group managing director's review



The group assessed the likely impact to the business and set up reserves to cater for COVID-19 related exposures as well as the cost of guarantees within certain pension lines owing to expected market fluctuations and volatility.

MIKE DU TOIT

2020 was unprecedented with the impacts of the global social, health and economic crises brought about by the spread of the COVID-19 coronavirus.

Loss of family, friends and colleagues in addition to lost livelihoods brought about tremendous uncertainty, and emotional and financial distress to many. We offer our sympathies to all affected and continue to strive to play our part and make the times bearable.

At Liberty Kenya, we appreciate everyone within the community for standing firm, and in a professional manner continued to execute their roles and make contributions towards serving our customers, despite the challenges posed by the pandemic.

The year in review

We began the year running the existing three-year strategic plan, confident to deliver on the carefully laid plans and priorities, while at the same time initiating a review of, in particular, emerging digital and other opportunities.

However, in March 2020, the introduction of a nationwide lockdown brought about tremendous uncertainty and a breakdown of most of the planned activities. This called for an immediate adjustment of

priorities to align with the changing times. Our focus remained on our key stakeholders: staff, customers and partners, doing our best to keep healthy and available to serve. We are extremely proud of our employees' commitment to continue attending to customers while abiding to both our bespoke policies and government guidelines.

In quarter two, we activated our crisis management committee within the group's governance structure. Operationally, we responded by safeguarding the health of our staff and, by leveraging on technology, facilitated relatively seamlessly to the safer work-from-home environment. Support was extended to all staff required to work from the office premises and strict internally devised and Ministry of Health protocols were entrenched to secure staff and customers' wellbeing. These actions required rapid investments in information technology and safe transport means that were not scoped at the beginning of the year and were accommodated within the subsidiaries' budgets.

Additionally, the group assessed the likely impact to the business and set up reserves to cater for COVID-19 related exposures as well as the cost of guarantees within certain pension lines owing to expected market fluctuations and volatility. These reserves were reviewed periodically and at year end were found to be adequate. We are pleased that the business lines performed better than estimated.

Resilient performance

The group results demonstrate our resilience amid the current crisis. Earnings per share increased 2% to KShs 1.23 on a restated basis from 2019. Heritage Kenya recorded a profit after tax growth of 24% excluding intercompany dividends while Liberty Life's earnings decreased by 35% on a restated basis after allowing for the impact of COVID-19 reserves and cost of guarantees. Excluding the impact of the additional reserves, the earnings for Liberty Life would have increased over 2019 by 36% on a restated basis.

Our Tanzania operation had a more challenging year with earnings additionally impacted by backdated tax assessments. In total, earnings were 58% lower than 2019.

Throughout the year, we managed all operations within risk appetite, with a sound capital base and strong liquidity position.

Restatement of financial statements

In 2019, the group initiated a project to align its financial reporting with that of its parent, Liberty Group. This alignment project also included extensive work undertaken by the group in preparation for the implementation of IFRS 17 in 2023.

During this project, certain misalignments regarding the classification of certain contracts were identified. The group conducted extensive reviews of contract classification in readiness for IFRS 17 implementation, which helped to clearly identify which alignments are needed. These changes did not have an income statement impact.

Liberty Kenya previously transferred currency differences on consolidation of foreign subsidiaries to the foreign currency transaction reserve (FCTR) limited to the cumulative original capital investment in the applicable subsidiary, namely Heritage Tanzania. Beginning in 2020 all currency changes on the cumulative net asset value of the subsidiary are taken to the FCTR account.

There was a mismatch noted between accrual and payment of tax related to retirement benefits. Though the tax payments were effected on time, the accounting treatment reflected the withdrawals as a cost for 2020 instead of 2019. The impact was considered material enough to restate the 2019 comparative figures. The impact was a net reduction of the Liberty Life 2019 profit after tax by KShs 51 million.

Some of our achievements in 2020

- We remained open for business in all our business premises through a mix of remote and physical presence.
- Liberty Life launched Hekima Plan into the market, a flexible and all-inclusive education policy offering full circle life insurance plan and Education Protector.
- Taking advantage of the opportunities provided by the pandemic, we launched the New Ways of Working. This has been the backbone from which most of our collaboration, team and customer-centred initiatives have arisen. It has allowed us to live our strategic intent of being oriented around the customer and has improved the quality and speed of our execution. It also allowed us to better access and use the capacity of the Liberty group's talent across the continent. This change in how we work, which is intended to make our businesses more agile and responsive to customer needs, will continue to be an area of significant focus, investment and learning for all of us in 2021 and beyond.
- To enhance customer engagement during a period where physical meetings were limited, Liberty Life and Heritage Insurance jointly organised a series of virtual webinars that were well attended by our customers and intermediaries. Topics covered were diverse, relevant and included areas such as managing risks during the COVID-19 period, mental health and wellness, and the Mind My Money programme for customers, among others.
- In recognition of lower accident claims and therefore lower risk, Heritage Kenya extended a discount to both traditional and Auto-Correct motor customers at renewal. Cashback was further allowed to Auto-Correct customers during the periods of restricted movement based on mobility statistics.

- As expected, several customers, especially in the hospitality, aviation and education sectors, experienced significant financial constraints. In the circumstances, management engaged with businesses to retain adjusted covers that were most appropriate given the reduced scale of operations.
- Despite the declaration of a pandemic, our medical products – Heritage Blue and Liberty Blue (Liberty Health Cover) – enabled access to benefits for the diagnosis and treatment of COVID-19 at our network of contracted providers.

Our future focus

Having weathered the storm thus far yet recognising that it is not over, we remain ready to tackle further challenges that may be presented in 2021. We seek to continue living our purpose by offering empathy and access to our very relevant product suite to those who wish to protect themselves or may be affected by the pandemic. **We shall invest in simplification, competitiveness and transformation of our business through execution of the strategic plans.**

Appreciation

I start by thanking our customers for having confidence in us as we steered our businesses through the year. 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 customers in these uncertain times. I wish to express my sincere appreciation for their unwavering support and hard work in 2020, often in the face of many personal challenges.

Finally, on behalf of the management teams, allow me to express enormous thanks to all the directors and Liberty Group for the consistent guidance and support.

There is no doubt that we shall come through this stronger together, fully committed and with our clear sense of purpose.

Mike du Toit

Group managing director
30 April 2021



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Introducing Liberty Kenya

NSE-listed Liberty Kenya Holdings Plc (Liberty Kenya) is the holding company for The Heritage Insurance Company Kenya Limited and Liberty Life Assurance Kenya Limited. Liberty Kenya¹ is a subsidiary of Liberty Holdings, a JSE-listed financial services group offering extensive, market-leading investment, insurance and health offerings to individuals and businesses. Liberty Holdings is part of the Standard Bank Group.



Standard Bank

The Standard Bank Group is the largest African banking group by assets, with a market capitalisation of approximately US\$14.4 billion as at 31 December 2020, offering a range of banking and related financial services across sub-Saharan Africa.

1. Liberty Holdings holds 57.7% of Liberty Kenya Holdings Plc. Refer to page 60 for a full analysis of the company's shareholding.

With our proud heritage, Liberty Kenya has been a pioneer in knowledge sharing and contributing positively to the financial services industry in Kenya and Tanzania. We strive to change realities in Kenya and Tanzania for all our stakeholders.



LIBERTY

Liberty Life Assurance Kenya Limited

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.



Heritage
Insurance Company

The Heritage Insurance Company Kenya Limited

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.

How we see ourselves

We believe that we are the leading insurance group in Kenya and an attractive participant in the general insurance market in Tanzania.

Our vision is to improve people's lives by making their financial freedom possible

- **Financial freedom for individuals** is about coaching you to become your best YOU, embracing your wealth, health, lifestyle and community.
- **Financial freedom for business** is about helping you to make your business resilient and sustainable through both good and bad times, valued by your customers and employees and admired by the communities in which you operate.

Our values

- **Involvement** – our humanity and empathy
- **Innovation** – our ingenuity and curiosity to do things better
- **Integrity** – our fairness and honouring our word
- **Insight** – our knowledge and understanding
- **Action** – we roll up our sleeves and always find a way to make things happen

Our mission is to be the trusted provider of exemplary customer experiences through our own and partner solutions to enable the financial freedom of our customers and employees.

Introducing Liberty Kenya (continued)

Our key differentiators and enablers



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



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.



Finance: We are well capitalised and consistently surpass the capital adequacy ratio requirements. We operate within a risk appetite that protects both our customers and shareholders.



Relationships: We have 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 SA and Stanbic Bank affords access to group skills and innovation, and a broader distribution base.



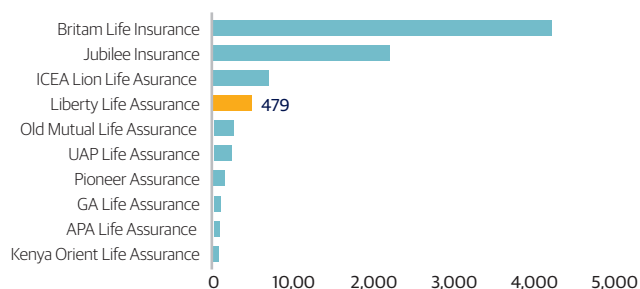
Product: We offer a wide range of products that meet the needs of a broad range of customers in both the retail and corporate markets. We lead the market when applying technology to products as demonstrated with the use of telematics for the Auto-Correct product.

Liberty Kenya's position in the market

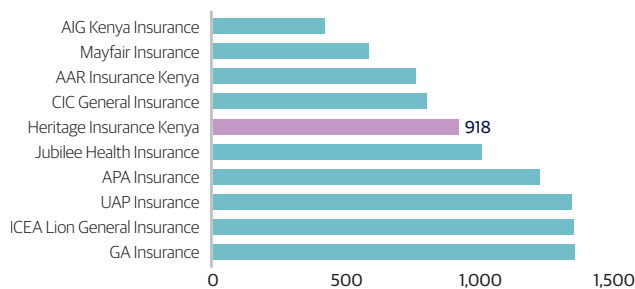
Using pre-COVID-19 information published in the 2019 Insurance Regulatory Authority annual report (the latest available), the Kenyan insurance market and Liberty Kenya's position in that market is reflected in the charts below. We roll up our sleeves and always find ways to make things happen.

Relative size and market share

Total income 2019 (KShs millions): Life Assurance



Total income 2019 (KShs millions): General insurance



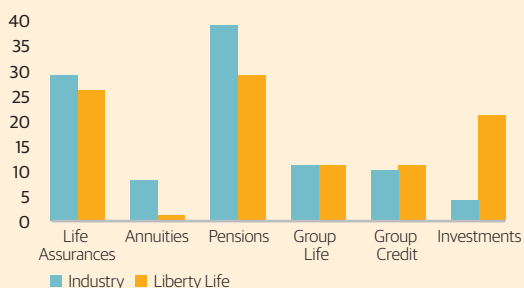
Total income for the top 10 insurers in both the life and general markets includes profit transferred from revenue, investment income and other income.

Products and product mix

LIBERTY

Liberty Life provides solutions for individuals, families and businesses that enable individuals to safeguard the financial security of their loved ones in the event of their death. **Legacy and family protector** products ensure a dignified funeral. **Retirement saving** products encourage individuals to save for their post-work life.

Liberty Life – product mix relative to industry based on gross written premium (%)

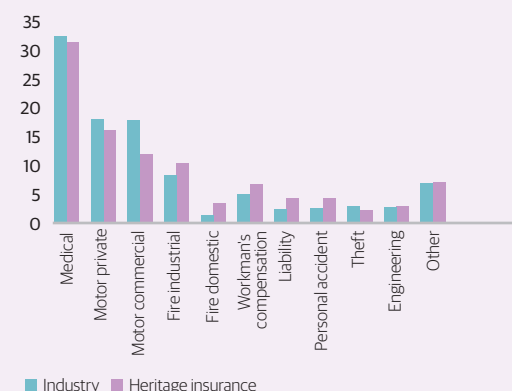


Liberty Life is the market industry leader in investment products. Heritage Insurance Kenya leads the market in providing domestic fire cover, and has a disproportionately higher share of the industrial fire, liability, personal accident and workmen's compensation markets.

Heritage
Insurance Company

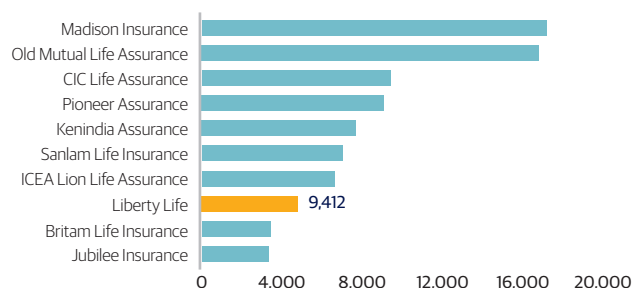
Heritage Insurance also serves both individuals and corporate customers. **Motor, household, personal accident and travel insurance** are its primary products for individuals. **Group personal accident, medical, property, liability and worker injury benefits** are its core offerings for corporates.

Heritage Insurance Kenya – product mix relative to industry based on gross written premium (%)

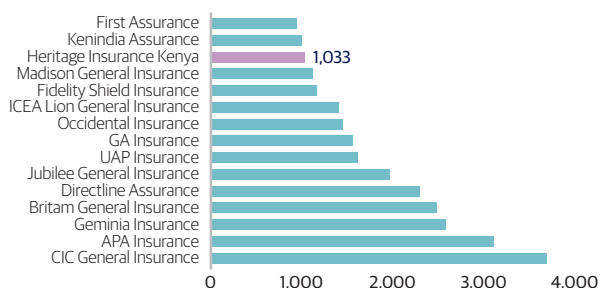


Total benefits and claims paid

Long-term insurance benefits and claims paid 2019 (KShs millions)



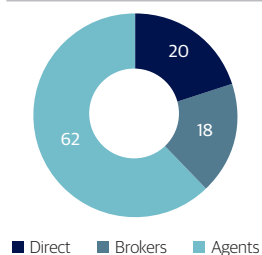
General insurance claims paid 2019 (KShs millions)



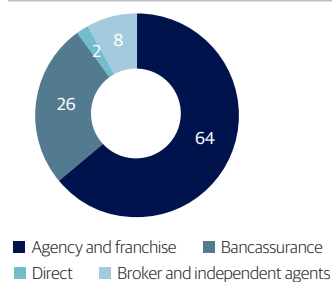
Heritage Insurance Kenya's low claims figure reflects the quality of the underwriting and assumed business. In 2019, Heritage Insurance Kenya's combined ratio was 90% compared to the industry average of 103% due to good relative performances in its motor and health books.

Source of premiums

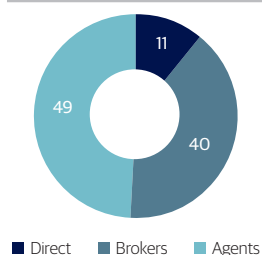
Kenya industry – long-term (excluding deposit administration and investment – linked policies) (%)



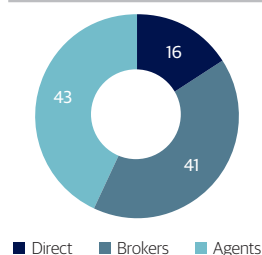
Liberty Life Kenya (excluding deposit administration and investment – linked policies) (%)



Kenya industry – general (short-term) business (%)



Heritage Insurance Kenya (%)



Our board of directors



Philip Odera (62)
NON-EXECUTIVE CHAIRMAN
Appointed: September 2016

DAC

Mr Philip Odera has 29 years of experience in the banking and financial services industry, rising from the position of commodities analyst in Boston (USA) at Kramer Brokerage Company, and was until his recent retirement the chief executive, Stanbic Bank Kenya Limited.



Mike du Toit (58)
GROUP MANAGING DIRECTOR
Appointed: December 2008

Mr Mike du Toit is a career banker, with extensive experience in the financial services field across sub-Saharan Africa, having worked and lived in, amongst others, Botswana, Mozambique, South Africa and Uganda.

Non-executive director of Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited and Heritage Insurance Company Tanzania Limited. He is chairman of the subsidiaries' investment committees.



Peter Gethi (55)
INDEPENDENT DIRECTOR
Appointed: December 2009

GAC

DAC

ARC

Mr Peter Gethi is the non-executive chairman of The Heritage Insurance Company Kenya Limited and Liberty Life Assurance Kenya Limited. He is a non-executive director of Heritage Insurance Company Tanzania Limited, and a director of Stanbic Holdings Plc Kenya and Stanbic Bank Limited.



Rachel Mbai (55)
INDEPENDENT DIRECTOR
Appointed: August 2020

ARC

Mrs Rachel Mbai is a Kenya Advocate, Commissioner of Oaths and Notary Public. After admission as an advocate of the High Court of Kenya, she joined Kaplan and Stratton in 1991. Her work encompasses property acquisition/disposal and development, property laws, property finance and loan securities.

Non-executive director of Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited.



Rajesh Shah (63)
INDEPENDENT DIRECTOR
Appointed: May 2020

GAC

ARC

Mr Rajesh Shah is a Fellow, Institute of Certified Public Accountants of Kenya (ICPAK). He has over 40 years of experience providing professional services, of which nearly 33 years were with PwC where he was a partner for more than 25 years. He worked in all lines of service of PwC and is known for leading complex advisory and tax assignments in various sectors across the region.

Non-executive director of Liberty Life Assurance Kenya Limited and The Heritage Insurance Company Kenya Limited. He is chairman of the group audit and risk committee and of the subsidiaries' audit and risk committees.



Gladys Ogallo (54)
INDEPENDENT DIRECTOR
Appointed: June 2019

Mrs Gladys Ogallo 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.



Jeffrey Hubbard (56)
NON-EXECUTIVE DIRECTOR
Appointed: June 2017

DAC

Mr Jeffrey Hubbard is currently the Liberty group business development executive, which includes responsibility for Liberty's businesses outside of South Africa as well as components of the South African insurance operations.

Non-executive director
Independent director
Executive director

GAC Group audit and risk committee
DAC Directors' affairs committee
ARC Subsidiaries' audit and risk committee
IC Investment committees of the subsidiary boards
JAC Subsidiaries' joint actuarial committee
Committee chairman

Completed years of service on respective board

(**) Denotes age as at 31 December 2020



Caroline Kioni
COMPANY SECRETARY

Ms Caroline Kioni is an experienced advocate of the High Court of Kenya, a certified public secretary and governance expert with an exceptional range of skills acquired over her career.

Ms Kioni is also the company secretary for the Kenyan subsidiary companies.

Our business model

Capitals and inputs



Relationship capital

Recognised brands with more than 50 years' experience in the Kenyan insurance market. **Quality relationships** with customers, agents, brokers, employees, regulators, investors and society.

Ethical culture

Wide-ranging CSI initiatives

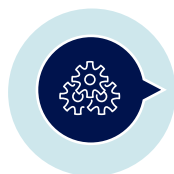


Intellectual capital

Our primary capability is the management of insurance risk **and other risk types that may impact** on customers or Liberty Kenya. We meet customers' and partners' expectations through the performance of **risk assessment and product development**.

Access to Liberty SA skills and knowledge

Bancassurance partnership



Manufactured capital

By its nature, Liberty has very little manufactured capital.



Financial capital

Equity
>KShs 8.4 billion

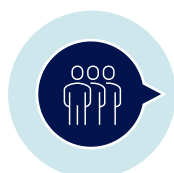
Total assets
>KShs 39.3 billion



Capital adequacy ratio
215%



Capital adequacy ratio
354%



Human capital

Employees
369

Local workforce
100%

Tied financial advisers
398

Invested in training and development
KShs 9 million



Natural capital

While our direct environmental impact is not significant, **we remain committed to responsible resource stewardship**.

Our business model (continued)

Guiding value creation

We aim to be the trusted provider of exemplary customer experiences through own and partner solutions to enable the financial freedom of our customers and employees. To guide us in developing and implementing our strategy, we identified four strategic focus areas in 2019. We use these focus areas and our understanding of what success means to provide guidance when developing our strategic initiatives.



Customer experience

Enhance the customer experience



Financial freedom

Building partnerships and ecosystems that allow us to deliver financial freedom



Partner of choice

For organisations, individuals and intermediaries



Simplification

By being brilliant at basics to deliver customer experiences

Managing value creation

Governance and management structures

We manage the value-creation process through both governance and management structures. Governance structures are designed to ensure that Liberty Kenya, **through its managers and employees, acts ethically, is effectively controlled, delivers sustainable financial performance and grows its brand and legitimacy.** Management structures focus on delivering against our strategy, recognising and mitigating risks and recognising and acting on opportunities. Our customer fairness principles are embedded in the business.

Value-creating activities

Insurance underwriting

Contracted premium income for risks insured, less claims and related acquisition and service expenses (actual and expected over contract duration). **Liberty Kenya provides assurance and insurance products for a variety of risk events.**

Risk management

The business of insurance is the assumption and spreading of risk to mitigate adverse financial consequences to customers. Liberty Kenya assumes risks transferred to it by customers and risks from being in business. **Liberty Kenya's primary capability is to manage insurance risk and other risk types that may impact on the customer or Liberty Kenya.** Managing the business within an accepted risk appetite range is a key outcome of our risk processes.

Investment income

Net investment income on shareholder investment market exposures (capital invested and derived exposures from insurance contract obligations), less group administration and strategic expenses.

Outputs – our products

The outputs of our value-creation model are represented by our core products

Life assurance and retirement products include

Individual

Life protection
Education plans
Funeral and legacy plans
Endowment policies
Lump sum investing
Saving for retirement
Mortgage cover

Employer

Group life
Group funeral plans
Group pension plans

General (short-term) insurance products include

Retail

Motor vehicle insurance
Domestic insurance
Personal accident cover
Travel insurance

Corporate

Motor vehicle insurance
Medical insurance
Group personal accident cover
All risks insurance
Engineering insurance
Fire insurance
Aviation insurance
Work Injury Benefits Act insurance
Fidelity guarantee
Liability insurance
Marine insurance
Miscellaneous accident insurance

Outcomes

Key outcomes from our **value-creation process**, as measured and reported on in terms of the broader group's **strategic value drivers**

Relationship capital

Higher levels of customer satisfaction and the net promoter score (NPS) (page 44) reflect our enhanced relationship capital with customers.

Customer and partner relationships and service levels were enriched by the introduction of new engagement channels through the adoption of technology.

Ongoing communication and support during the COVID-19 pandemic drove a significant increase in the quality of our relationships with our employees, reflected in the employee net promoter score (eNPS) (page 47).

We continued to actively engage with all stakeholders throughout the year.



Intellectual capital

During the year our risk management capabilities were stretched by the onset of the COVID-19 pandemic. Meeting the challenges presented by volatile markets enriched our intellectual capital.

We strengthened our intellectual capital by applying agile deployment capabilities and adopting new ways of working.

We continued to strengthen our relationship with Liberty SA, which continues to endorse our strategy and provide operating support.

The business was managed within its risk appetite while meeting its capital coverage target.



Manufactured capital

We accelerated our transformation to a digital business.

We reduced the complexity of our environment through system migration and retiring legacy systems.



Financial capital

It was a difficult year in which to enhance and grow financial capital as a result of the COVID-19 restrictions.

Liberty Life saw a reduction in its in-force contracts as a result of increased surrenders and lower sales during the COVID-19 pandemic.

Heritage Insurance Kenya renewals reflected a strong performance as customers chose not to change insurers during COVID-19.

Liberty Life created a pandemic reserve to set aside the capital required to meet the current and anticipated future demands of the COVID-19 pandemic.

We did not pay dividends to shareholders during the year due to the significant uncertainty that exists regarding the spread of the COVID-19 virus in the short term and its economic consequences.

Liberty Life and Heritage Insurance remained financially sound and well capitalised, with the Solvency Capital Requirement (SCR) cover ratios surpassing the regulatory guidelines (pages 54 and 55).



Human capital

Despite the rapid transition to working from home as a result of the COVID-19 pandemic, we continued to engage with and develop our employees by investing KShs 9 million in training and development (page 47).

Access to ICAS provided employees with a broad range of support mechanisms to encourage their well-being and increase productivity.

Our workforce remained constant throughout the year with the employee retention rate improving to 94%.



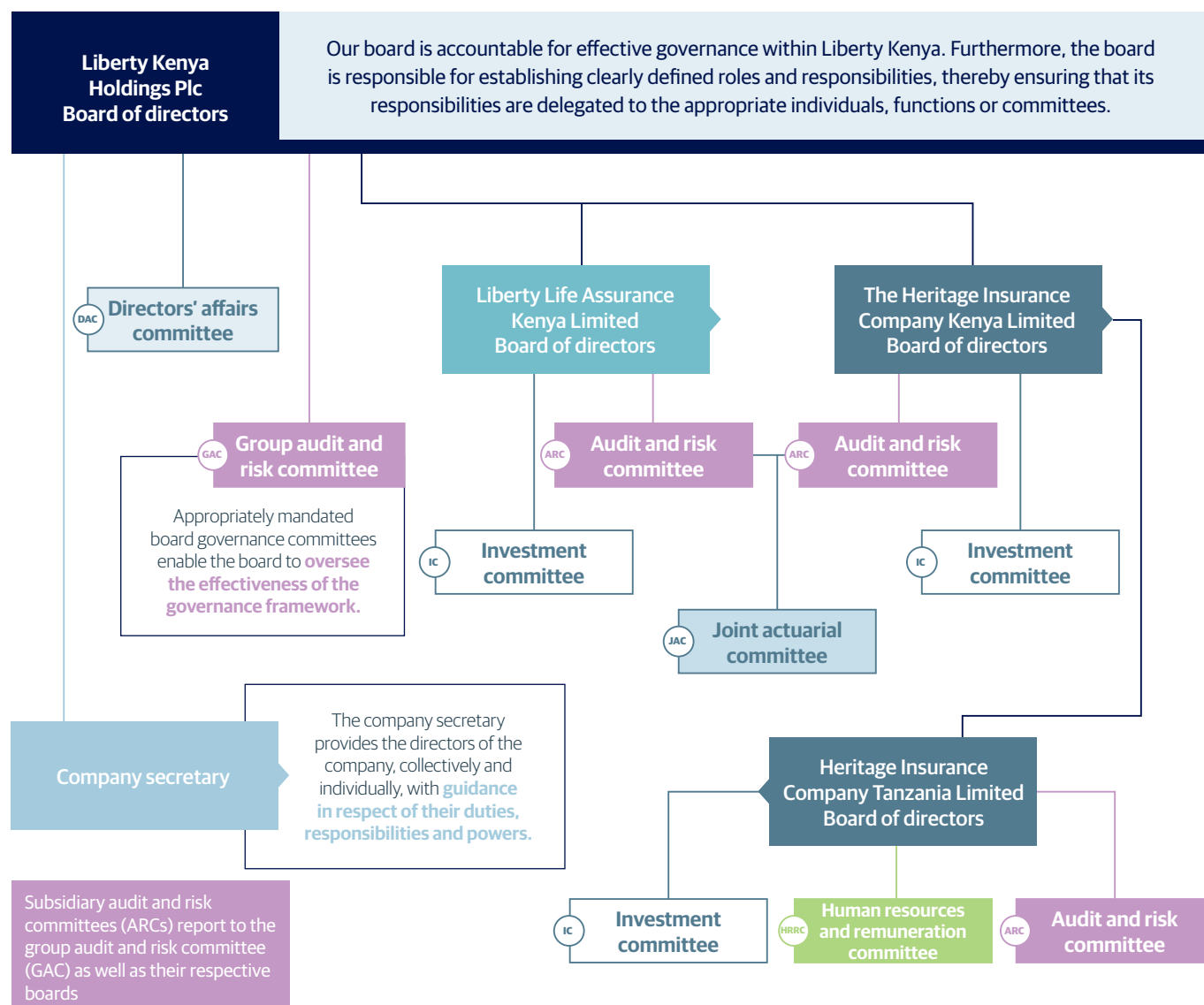
Corporate governance

The group 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 directors therefore remain committed to maintaining the highest standards of good corporate governance in all jurisdictions that the company operates in for the benefit of all stakeholders.

The company has adopted the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the Code"). The Code sets out the principles and makes specific recommendations on structures and processes, which companies should implement in making good corporate governance an integral part of their business dealings and culture. In keeping with the Code, the company was granted an exemption from the Capital Markets Authority to have the next governance audit conducted for the financial year ending 31 December 2021 as the company was in the process of implementing the recommendations of the 2019 audit. The 2021 audit will be undertaken by an independent accredited governance auditor to assess the level of application of good governance practices in the company.

Based on the overall performance of the company, the governance auditor's opinion for the year ended 31 December 2019 was that the board has established, implemented and overseen an effective governance framework structure, and the control environment is consistent with the legal and regulatory requirements, internal policies, and good governance practices in the interest of all stakeholders.

Our governance structures



Composition of the board

The company is led by an effective board that provides strategic direction, and oversees and ensures that management is creating value for all stakeholders. The board currently comprises seven directors, all of whom are non-executive with the exception of the managing director. Five of the seven directors are independent. In determining the independence status of the directors, the company has applied the criteria set out in the Code. The board, through the directors' affairs committee, carries out an annual assessment of each director's independence status to ensure that the board maintains a healthy ratio of independent directors, which at the very least should meet the minimum requirement prescribed by the Code of one-third of directors being independent.

Each director's profile is given on page 14 of this report, recording the director's experience, age, independence status and other key board memberships. Notwithstanding a director's non-executive and/or independence status on the board, all directors recognise that they are collectively responsible to the shareholders and stakeholders for the viable long-term sustainability of the company.

Changes in board membership

All appointments to and resignations from the board are carried out in accordance with the articles of association and are disclosed to the shareholders and to the public as prescribed by the Capital Markets Authority regulations and the Code. Also, 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. In determining the directors retiring by rotation, consideration is given to those who have been in office longest since their last election. During the year, Mr Gayling May retired from the board, and Mr Rajesh Shah and Ms Rachel Mbai were appointed to the board.

Induction of new board members

Newly appointed directors undergo a comprehensive, formal and tailor-made induction programme to ensure their effective contribution to the board and committees. 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 the directors. The directors receive an induction pack which comprises the memorandum and articles of association, board charter and directors' code of ethics, committees' terms of reference and minutes from previous board meetings. The induction process is coordinated by the chairman, the managing director and the company secretary.

Board charter

The board has adopted a board charter that defines the governance parameters within which the board exists and sets out specific responsibilities to be discharged by the board and directors collectively as well as certain roles and duties incumbent upon directors as individuals. Each director is called upon to subscribe to the charter and, in doing so, acknowledges the company's values and commits to upholding them.



The charter is available on the company's website at www.libertykenya.co.ke

Role of the board

The board's primary responsibility is that of fostering the long-term business of the company consistent with its fiduciary responsibility to shareholders. The responsibilities of the board are articulated in the board charter while the conduct of board members is governed by the directors' code of ethics and conduct.



Both documents are available on the company's website at www.libertykenya.co.ke

The responsibilities imposed by these documents are in addition to those imposed by legislation and regulations applicable to the company. During the year under review the board met ten (10) times to monitor business performance against the business plan and budget. This includes the joint meetings the directors attended for joint strategy sessions and deliberations on the impact and necessary actions considering the COVID-19 pandemic. These board meetings were held jointly with the boards of Liberty Life and Heritage Insurance Kenya.

Senior management and other officers may be required to attend board meetings by invitation to ensure informed decision-making by the directors. The company secretary attends all meetings of the board to primarily advise on legal, regulatory and governance issues and ensure accurate documentation of board decisions. In addition, the board invites independent professionals to attend meetings and provide advice as necessary.

Separation of the role of the chairman and managing director

The board charter stipulates a clear separation of the role and responsibilities of the chairman and the managing director. The chairman is an independent non-executive director and his primary role is to direct the board's business and act as its facilitator and guide, ensuring the board is effective in its task of setting and implementing the company's direction and strategy. The managing director is responsible for the day-to-day leadership of the company's business affairs and ensures the execution of strategy as set by the board. The separation of the roles is to promote accountability and facilitate division of responsibilities as well as to ensure a balance of power and authority such that no one individual has unfettered powers of decision-making.

Board committees

In order 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 have unfettered access 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 at their respective meetings and recommended actions for board approval in appropriate cases. Notwithstanding the delegated authority to these committees, the board remains fully responsible for the areas overseen by the committees and activities of the committees.

Corporate governance (continued)

The mandates of the committees and their membership are summarised as follows:

Group audit and risk committee (GAC)

The mandate of the GAC is to assist the board in the following five areas where the key responsibilities include: financial reporting and compliance with applicable financial reporting standards; oversight of the internal audit function and their 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 subsidiary audit and risk committees.

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 of the above committees is highlighted on page 14.

Director's remuneration

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 so as to attract and retain the required skills and experience. The remuneration of the non-executive directors is reviewed by the DAC.

 The current directors' remuneration report is presented on page 5 of the annual financial statements.

Conflict of interest

The group ensures that the governance framework not only monitors compliance with legislation and regulations, but also monitors the ethical climate within the organisation. Towards this end, all employees, upon joining the company and on an annual basis, are required to sign up to the code of conduct and ethics which aims to encourage honest and ethical business conduct. The board has also adopted a directors' code of ethics and conduct. One of the key principles underlying ethical business conduct is the avoidance and disclosure of conflict of any 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 a register of any interests or conflicts of interest declared by directors.

Insider trading policy

The Capital Markets Authority Act has prescribed certain regulations that expressly prohibit the use of unpublished insider information. Insider information is generally 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 also 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 insiders from trading in the securities of the company at any time they are in possession of insider information.

Meetings and attendance

	Liberty Kenya		
	Board meetings	GAC	DAC
P Odera	10/10	-	1/1
G May (retired 18/6/20)	4/4	4/4	-
M duToit	10/10	7/7	-
P Gethi	10/10	7/7	1/1
J Hubbard	10/10	-	1/1
R Mbai (appointed 27/8/20)	7/7	3/3	-
G Ogallo	9/10	-	-
R Shah (appointed 26/5/20)	8/8	7/7	-



Corporate governance framework for the subsidiaries

The corporate governance framework of Liberty Life Assurance Kenya Limited, The Heritage Insurance Company Kenya Limited and The Heritage Insurance Company Tanzania Limited (the operating subsidiaries) comprises the board of directors, committees of the board, management and operations committees, as well as policies, procedures and systems which together govern the management of the businesses.

Boards of directors

The mandate of the boards of directors is to implement principles of good corporate governance, determine the strategic direction of the companies and ensure sustainability of the businesses. The boards of directors are therefore responsible for implementing the strategic plan through oversight, enhanced shareholder value, company growth, profitability, financial reporting and accountability. During the year under review, the boards each met twelve (12) times to monitor business performance against the business plan and budget. These meetings during the year also include strategy sessions, which were attended by all directors to agree the group strategy for 2020 – 2022 as well as the 2021 budgets.

Board committees

To effectively carry out their governance responsibilities, the boards have established two standing committees and one sub-committee 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 mandates of the committees and their membership are summarised as follows:

Audit and risk committee (ARC)

The mandate of each ARC is to assist the board in areas where the key responsibilities include financial reporting and compliance with applicable financial reporting standards; overseeing the internal audit function and their 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 subsidiary ARCs report to the GAC.

Joint actuarial committee (JAC)

This is a joint sub-committee of the ARCs of the Kenyan subsidiaries. Its mandate is to consider the technical actuarial matters and reports that inform the decisions of the ARCs and the boards.

The investment committee (IC)

The mandate of each subsidiary investment committees is to oversee the development of the companies' investment strategies and to monitor their implementation. The committees monitor performance of the investment portfolios in accordance with the investment strategies and review compliance with benchmarks and performance standards.

Membership of the above committees is highlighted on page 22.

Adoption of corporate governance principles

The operating subsidiaries adhere to the principles of good corporate governance adopted from those applied by the company and set out above. This relates to:

- The board charter;
- Composition of the boards;
- Directors' code of ethics and conduct;
- Directors' remuneration;
- Separation of the role of the chairman and managing director;
- Changes in board membership – all appointments to, and resignations from, the board are carried out in accordance with the articles of association and the recommendations of the DAC; and
- Induction of new board members.

Group internal audit services

The services and scope of Liberty Holdings Limited (LHL) group internal audit services (GIAS) are extended to all group companies present within the LHL structure and as authorised from time to time. At Liberty Kenya Holdings Plc (LKH), GIAS is subject to the joint oversight of the LHL Group audit and actuarial committee (GAAC) and the LKH board audit and risk committee (GAC) and is free to report on any matter to the committees as is required in the execution of its responsibilities. At the LKH subsidiary level, the LKH head of audit has dual functional reporting to the LHL chief audit executive and the chairman of the LKH GAC, and administratively reports to the Liberty Life Kenya managing director. Both the LKH GAC and LHL GAAC approved the annual plan and agreed the audit scope of work. GIAS reports on a quarterly basis to the two committees (GAC and GAAC) on matters including progress on the annual approved audit plan, status of significant audit findings, overall status of unresolved audit findings and information on GIAS resources. The reported findings and annual assurance statements provided by internal audit were considered by the ARC at subsidiary level, by GAC at the group level and by GAAC at the LHL level, in the overall assessment of the effectiveness of the company's internal financial controls.

Subsidiaries' boards of directors

Liberty Life Assurance Kenya and The Heritage Insurance Company Kenya **boards of directors.**

With the exception of the executive directors, the membership of the boards of the Kenyan subsidiaries are identical.

Executive directors




15

Abel Munda (58)
MANAGING DIRECTOR
Appointed: 2005

IC JAC




6

Godfrey Kioi (56)
MANAGING DIRECTOR
Appointed: 2014

IC JAC

Non-executive director of Heritage Insurance Company Tanzania Limited




1

Andrew Lonmon-Davis (55)
NON-EXECUTIVE DIRECTOR
Appointed: 2019

IC JAC ARC




3

Catherine Mitchem (49)
INDEPENDENT DIRECTOR
Appointed: 2017

IC





11


Stuart Wenman (50)
NON-EXECUTIVE DIRECTOR
Appointed: 2009

IC JAC ARC

As noted on page 14, Mr Mike du Toit, Mrs Rachel Mbai and Mr Rajesh Shah are non-executive directors of Liberty Life Assurance Kenya Limited and Heritage Insurance Kenya Limited. Mr Peter Gethi is the non-executive chairman of both these operating subsidiaries.

Heritage Insurance Company Tanzania **board of directors**







IC HRRC

22

Yogesh Manek (65)
NON-EXECUTIVE CHAIRMAN
Appointed: 1998







IC ARC

2

Geetha Sivakumar (43)
NON-EXECUTIVE DIRECTOR
MAC Group Limited representative
Appointed: 2018







HRRC

22

Juma Mwapachu (78)
NON-EXECUTIVE DIRECTOR
Appointed: 1998





ARC

4

Ravi Singh (44)
NON-EXECUTIVE DIRECTOR
Appointed: 2016

Non-executive director

Independent director

Executive director

ARC

Subsidiary audit and risk committee

IC

Investment committees of the subsidiary boards

JAC

Subsidiaries' joint actuarial committee

HRRC

Human resources and remuneration committee

Committee chairman

Completed years of service on respective board

(**) Denotes age as at 31 December 2019

As noted on page 13, Mr Mike du Toit and Mr Peter Gethi are non-executive directors of Heritage Insurance Tanzania Limited. Mr Godfrey Kioi is also a non-executive director of this operating subsidiary.

Risk management

The business of insurance is the assumption and pooling 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.

The risk management system is an integral part of Liberty Kenya's overall governance, management, reporting processes, policies and culture.

Liberty Kenya's risk philosophy is to ensure sustainable growth of its business by encouraging appropriate risk-taking while operating within its approved risk appetite.

Risk strategy

Liberty Kenya's approach to risk management places consideration of risk as a focal point in business activities. It enables the business to make informed risk-based decisions and manage expected returns by selecting the risks it is willing to assume.

Liberty Kenya's risk preferences

- **Risks that the group actively seeks** as a result 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.

Business strategy link

Liberty's strategy provides clear direction for management, with detailed objectives being constructed. Risk preferences are considered in the formulation of the strategy, objectives, and in any supporting operational capabilities that are built.

Impacts of decisions taken during the formulation and execution of these objectives 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 its risk appetite).

Surplus risk budget is deployed to liquid, well-diversified market and credit risks offering superior risk-adjusted returns which assist with capital efficiency.

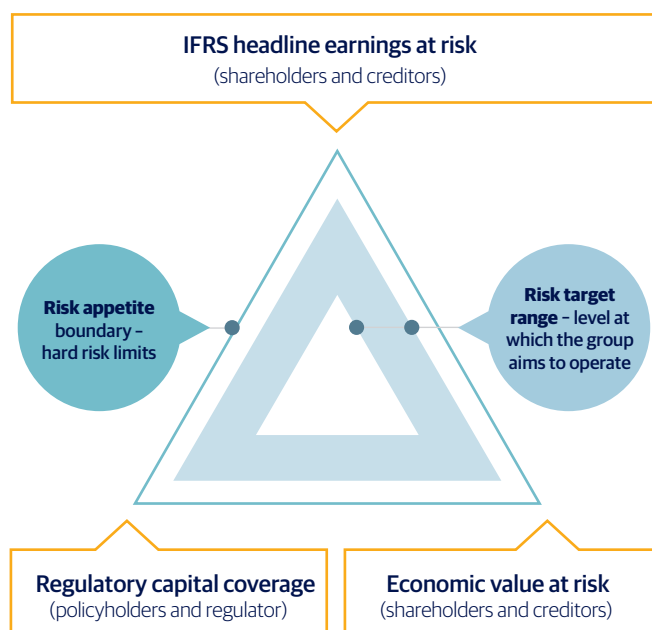
Risk environment

Liberty Kenya's significant risk categories are strategic and business, insurance, market, credit, liquidity, operational, business conduct, and legal and compliance risks.

Management continues to drive actions to enhance the control environment as well as to deal with the risks the business faces.

Risk appetite and risk target

Liberty Kenya's strategic plans are subject to a trade-off between risk and reward, considering the risk appetite and risk targets approved by the board. The risk appetite contains statements which express the quantitative limits for measurable risks that can be taken by the business as well as qualitative definitive constraints on acceptable and unacceptable behaviour in pursuit of business objectives.



The qualitative risk appetite statements provide boundaries on what is acceptable and unacceptable in pursuit of business goals relating 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 Kenya, Liberty Life, Heritage Insurance or the larger Liberty family, today and into the future. We proactively protect and uplift the Liberty Life and Heritage Insurance brands in all our interactions.

Conduct

We place the customer 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.

Risk management (continued)

Risk identification, assessment and measurement

Liberty has a clearly defined business strategy, making it possible to identify events that would hinder the business from creating value as well as identifying opportunities that might assist the business in advancing its purpose.

Current and emerging risks that could threaten the business model, strategy and sustainability are identified and assessed through a top-down process. In addition, risks identified through the business unit strategic planning 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 risk limits and risk appetite and close to the risk target range.



In support of risk identification, assessment and measurement, a comprehensive scenario analysis is undertaken to identify severe but plausible scenarios.

Risk management

Liberty Kenya has adopted an enterprise risk management (ERM) approach. Liberty Kenya's risk management framework is substantially based on the ERM principles, which define the overall risk management system that ensures that it conducts its business in the right way and manages its financial resources responsibly to safeguard the interests of all stakeholders.

The board is ultimately 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. Liberty Kenya is supported in its management of risk by Liberty.

Once the level of risk that Liberty Kenya 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 and are subject to oversight by the risk and compliance (the second line of defence). Controls are audited by group internal audit services (the third line of defence).

IT governance

The board is accountable for the governance of information technology (IT) and data, and receives reports concerning key IT initiatives.

The chief information officer drives the implementation of effective governance practices with the operating companies providing management oversight of all IT initiatives.

Compliance

The board delegates responsibility for compliance to management, and monitors this through the compliance control function.

Oversight of compliance risk management is delegated to the risk and compliance function, which provides oversight and facilitates effective management of compliance risk through the audit and risk committee.

Executive management must perform their delegated role of ensuring compliance within the business, at the same time allowing the compliance function to perform its independent advisory, monitoring and reporting role.

The risk and compliance function provides a quarterly report on the status of compliance risk management within Liberty Kenya's operating subsidiaries, significant areas of non-compliance, and interaction with regulators.

 A comprehensive list of Liberty's top risks is provided in the risk management section of the annual financial statements.

03

Contextualising strategy

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Our operating environment

The insurance market

The Kenyan insurance market is the third largest in Africa, after Morocco and South Africa based on gross written premium. The market is fragmented with 25 life insurers and 37 short-term (or general insurers), the latter including nine composite insurers. The resulting competition and pressure on premiums have seen the financial performance of insurers disappoint in recent years despite the country's sustained economic growth. Difficult underwriting conditions have been compounded by poor investment returns for both equities and property. The COVID-19 pandemic challenged insurers further in 2020.

Despite the large number of participants, the industry is very traditional and has not adopted new technologies and ways of working at a similar pace to other financial market participants, such as banks and mobile phone operators. As such, opportunities for disruption and consolidation abound in Kenya.

Disruption through technology (automation and digitalisation) can be realised in two key areas: servicing customers 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. However, insurers should bear in mind that these consumers are more sophisticated, expecting first-world products and services, delivered by technology.

Other first-world impacts on the Kenyan market include increasing financial reporting and regulatory requirements. The introduction of IFRS 16 *Leases* was simply a precursor to the immense challenges associated with the adoption of IFRS 17 *Insurance Contracts*, required in 2023. Regulations focus on protecting consumers and insured parties through the Insurance Act of 2013 and the Insurance Regulatory Authority. Treating customers fairly (TCF), an outcome-based regulatory approach, and minimum capital and solvency requirements are similar to those adopted globally. While regulations exist, the capacity to enforce them is often lacking, resulting in some participants paying lip-service to TCF principles and falling short of the minimum capital and solvency requirements.

The short-term insurance market in Tanzania is similarly competitive, with 25 general insurers. Insurance penetration in Tanzania is less than 1%.

Population (millions)

Kenya	Tanzania
52.6	58.0

Urban population (%)

Kenya	Tanzania
27.5	34.5

Literacy rate (adult) (%)

Kenya	Tanzania
81.5	77.9

Life expectancy at birth

(years)

Kenya	Tanzania
66.3	65.0

Account ownership (%)

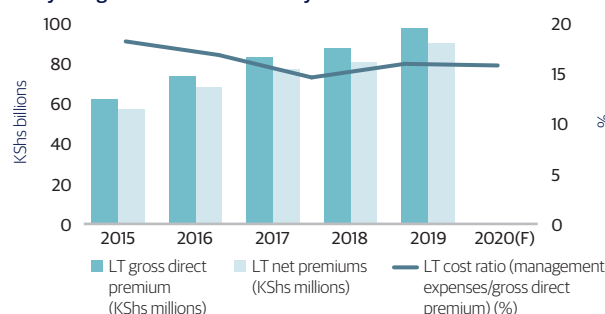
at a financial institution or mobile money service provider (>15 years) (2017)

Kenya	Tanzania
>81	>46

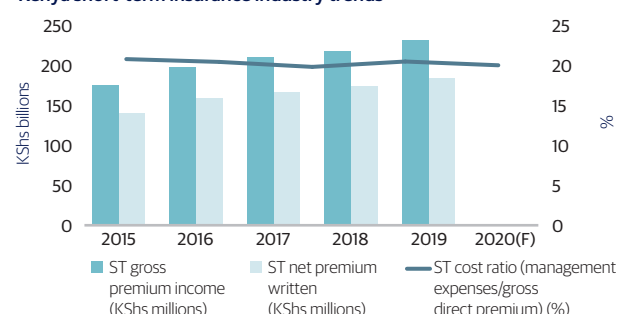
Insurance penetration (%)

Kenya	Tanzania	World
2.34	0.34	7.20
(2019)	(2018)	(2019)

Kenya long-term insurance industry trends



Kenya short-term insurance industry trends

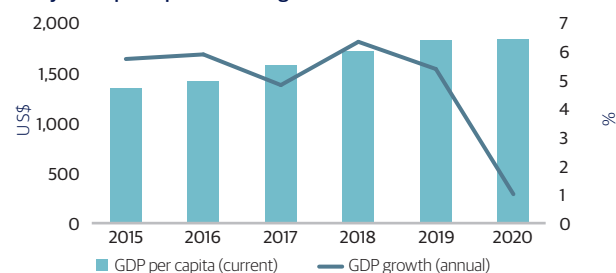


Source: Insurance regulatory authority.

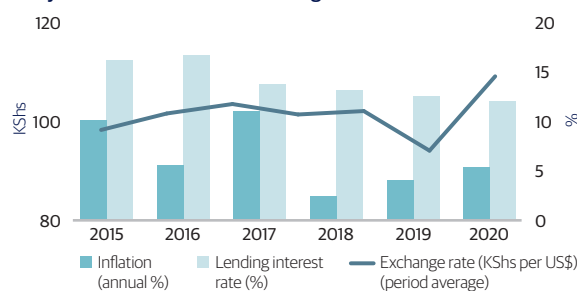
The economy

The COVID-19 pandemic and efforts to contain the spread of the virus have had severe impacts on the economies of both Kenya and Tanzania. The impact on Kenya has been greater than Tanzania due to more stringent containment measures. The accompanying graphs provide multi-year views of key economic indicators sourced from the World Bank data website.

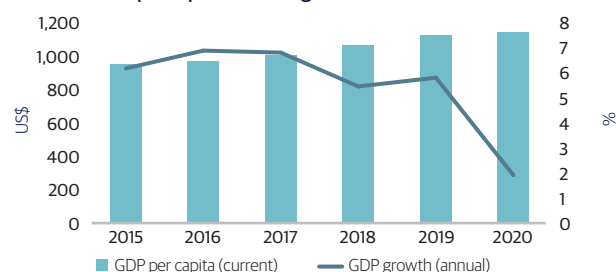
Kenya GDP per capita and GDP growth rates



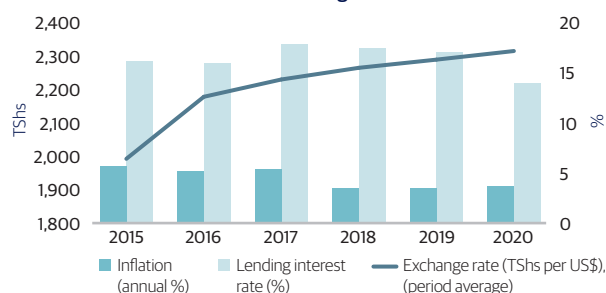
Kenya inflation, interest and exchange rates



Tanzania GDP per capita and GDP growth rates



Tanzania inflation, interest and exchange rates



In its latest announcement, the International Monetary Fund (IMF) revised Kenya's economic growth prospects upwards, now expecting the country's GDP to expand by 1% in 2020 and 4.7% in 2021.

In the same announcement, Tanzania's GDP growth for 2020 is forecast at 1.9% and 6.6% in 2021.

The COVID-19 pandemic

The Kenyan government moved quickly to contain the COVID-19 outbreak. Starting on 25 March, the government closed airports, schools, places of worship; tightened border controls; restricted public gatherings; imposed severe limitations on movement around the country; and imposed curfews in urban areas. These actions helped slow the spread of the virus but at a cost for many whose livelihoods depend on daily face-to-face interactions. An easing of some of these restrictions began in September 2020 with the imposition of a curfew. Most of the restrictions continued into the first quarter of 2021 and are expected to remain in place for some time.

The government also took decisive action to mitigate the economic impacts of the above restrictions, including:

- A reduction of the resident corporate tax rate from 30% to 25%;
- A reduction of the maximum individual tax rate from 30% to 25%;
- Individuals earning up to KShs 24,000 per month relieved from paying tax;
- A reduction of the turnover tax rate to 1%; and
- A reduction of the standard rate of VAT from 16% to 14%.

The Central Bank of Kenya facilitated increased liquidity in the banking sector through the reduction of the Central Bank Rate from

8.25% to 7.00% and the cash reserve ratio (CRR) from 5.25% to 4.25%. The inflation rate remained within its target range of 2.5 – 7.5%.

Food security and concerns for the informal economy saw Tanzania impose significantly less severe COVID-19 containment measures. Schools and universities were closed while attendance at places of worship was encouraged. Most restrictions were lifted before the end of the year.

The President also directed the Kenya Revenue Authority to expedite the payment of verified VAT refund claims and/or allow for offsetting of Withholding VAT. The government also supported the recruitment of additional health workers; flexible provisioning requirements for banks in relation to loans that were performing as at March 2020 but subsequently went into distress as a result of the pandemic; cash transfers to vulnerable members of society; and the temporary suspension of listing with credit reference bureaus.



COVID-19 cases

(as at 31 December 2020)



Kenya
96,458

COVID-19 related deaths

(as at 31 December 2020)

Kenya
1,670 (1.7%)

Source: Ministry of Health, Republic of Kenya

Stakeholder relationships

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

Proactive, ongoing stakeholder engagement is integrated into Liberty Kenya's business practices. Stakeholder management is viewed as a risk mitigation function, and more importantly one that seeks to create shared value for the broader society and address the needs and expectations of key stakeholders.

Face-to-face engagement across all stakeholders was curtailed during the year as a result of the COVID-19 pandemic. To limit the impact of the virus, we adopted a variety of solutions to support broad engagement with stakeholders, including work from home, COVID-19 information emails, COVID-19-specific information on our website, webinars and virtual communications technology.



Customers

Direct interactions between Liberty Life and its customers and Heritage Insurance and its customers build trust through transparency, responsiveness and integrity.

While many of our corporate customer engagements occur through intermediaries, direct customer engagements (with either direct or intermediated customers) offer opportunities to support intermediate relationships, build long-term direct customer relationships and enhance the Liberty Life and Heritage Insurance brands.

Direct customer communication occurs through customer experience centres and the relationship managers within the operations. The customer experience centres perform reactive engagements through various mediums, including call centres, emails and branch walk-ins. Our customer experience centres continued to operate during the restrictions introduced following the COVID-19 outbreak, and in 2020 we introduced a quarterly customer-focused newsletter, highlighting new product offerings and initiatives within the business. Proactive engagements regarding renewals, policy maintenance and premium collection are conducted by customer portfolio managers.

Health insurance members receive annual health screenings, regular health talks and product education. With the COVID-19 pandemic impacting the health of all customers, we communicated best practices to reduce the risk of contracting the virus and provided our health insurance members with details as to how they access and manage their benefits through a webinar platform.

While face-to-face appointments were not possible, the rapid deployment of virtual tools and data capacity supported our agents in reaching customers. Five well-received webinars were produced to engage with customers.

Priorities and concerns of customers

- Financial strength to meet our promises and obligations
- Objective advice and product education
- Products that meet their needs
- Quality service
- Pricing and fee transparency
- Investment returns
- Accessibility and assistance during the COVID-19 pandemic



Brokers, agents and other intermediaries

Proactive support and development of intermediaries promotes stronger relationships between them and our customers. Intermediaries are often the face of Liberty Life and Heritage Insurance to our customers. While applying their knowledge and expertise to provide responsible and objective financial advice, they also learn our customers' needs, wants and expectations.

Approximately 60% of the business of both Liberty Life and Heritage Insurance is conducted through intermediaries. Both operating companies have dedicated business development teams that communicate with the range of brokers, agents, bancassurance agencies and financial advisers. The frequent one-on-one relationship engagements and branch visits were cancelled for much of this year and we endeavoured to engage through alternative mechanisms.

Product information, product training and product launches provide opportunities to engage with intermediaries, obtaining insight into the needs of our ultimate customers.

Our business development teams constantly look to establish new relationships with brokers, agents, bancassurance agencies and financial advisers.

Priorities and concerns of brokers, agents and other intermediaries

- Remuneration/profit share
- Quality service
- Customer education
- Support with product information and marketing
- Investment returns
- Technological support to serve customers in a techno-human way
- Compliance with the regulatory framework
- Support during the COVID-19 pandemic



Employees

Opportunities to speak with and listen to employees promote continuous improvement in relationships and processes. Day-to-day management and regular performance appraisals are the foundation for our engagement with employees.

We conduct quarterly employee town halls to communicate Liberty Kenya's vision and strategy, and the managing directors conduct regular leadership forums with selected employees.

The COVID-19 pandemic saw many of our employees begin working from home. Where this was not possible, we ensured they worked within a safe and secure environment at our offices. We extended our efforts to engage with employees through this trying time and continued our regular town hall meetings, holding them virtually.

Priorities and concerns of employees

- Job security
- Gender equality
- Career progression
- Skills development
- Fair remuneration
- Ethical culture
- Health and safety during the COVID-19 pandemic



Regulators

Liberty Kenya believes in constructive and productive relationships with regulators and policymakers in our industry. In Kenya, our primary engagement is with the Capital Markets Authority, Insurance Regulatory Authority and the Retirement Benefits Authority. In Tanzania, we engage with the Insurance Regulatory Authority.

We also participate in industry associations, notably the Association of Kenya Insurers (AKI).

In 2020, interactions with regulators were mainly written, via telephone and using online connection platforms to comply with social distancing requirements. The main focus of these engagements were around the industry's response to the COVID-19 pandemic and possible concessions during the strict containment measures. This resulted in an increased frequency of engagement with regulators.

Priorities and concerns of regulators

- Fair treatment of customers
- Capital adequacy
- Compliance
- Cyber crime and protecting personal information



Investors

Liberty Holdings Limited (Liberty SA)

Our engagement activities with Liberty SA can be categorised into those related to the company's status as our majority shareholder and those associated with our joint operational activities. Liberty SA's representation on Liberty Kenya's board means that this shareholder is privy to strategic and financial information not readily available to other investors. We strictly control the distribution of information and fully comply with the NSE's requirements regarding the release of price sensitive information.

Board meetings were conducted virtually following the introduction of international travel restrictions.

Individual shareholders

Liberty engages with these shareholders through public communication channels, including the publication of annual and interim results in national newspapers and its website. In 2020, Liberty was one of the first companies to conduct a virtual annual general meeting, which became the best attended general meeting in the company's history.

Priorities and concerns of investors

- Value of new business
- Delivery of strategy
- Maintain sufficient capital
- Investment performance
- Governance, ethics, market conduct and internal controls
- Transparent and balanced reporting
- Continuity during and beyond the COVID-19 pandemic



Civil society

Our engagements with civil society enhance the Liberty Life and Heritage Insurance brands by contributing to the development of the communities in which we operate. Through targeted and meaningful engagement, we gain an understanding of our communities' needs and insight into the quality of our relationships with these communities.

This engagement has been particularly constrained in 2020.

Liberty Life and Heritage Insurance work closely with the AKI by dedicating our key human resources to appropriate AKI committees that lobby for customer awareness and protection. The group is an active member in a number of forums organised by AKI that are focused on the growth and advancement of the insurance industry.

Several articles written by Liberty employees regarding the impact of COVID-19 were published in national newspapers during the year.

Priorities and concerns of civil society

- Corporate social investment
- Access to financial services
- Responsible investing
- ESG performance
- Promoting inclusive economic growth through education

Prioritised top risks with management actions

Risk and risk appetite are constraints within which the business must operate to create value for all its stakeholders. Liberty's strategy is set with reference to the approved risk appetite and includes targeted metrics to monitor its achievement.

Risk identification and assessment in 2020

Liberty's risk processes consider both internal and external environments, business and strategic risks, and their impact on customers, shareholders and other stakeholders. The process allows for conversations around the drivers behind risks, which positions us to be proactive instead of reactive, and in the long term builds a mindset of converting threats into opportunities. The process provides the board and management with a priority list of risks to focus on to ensure the sustainability of Liberty.

Risks are identified and assessed through a top-down risk identification and assessment process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view. In support of risk identification, assessment and measurement, a comprehensive scenario analysis is undertaken to identify severe but plausible scenarios.

The outbreak of COVID-19 forced the world to rapidly evolve into a "new normal" in a short space of time. The pandemic disrupted economies, our interaction with others, including customers, partners and employees; our working arrangements and the global movement; of goods and capital.

Identified risks are assessed for their completeness and classified into categories, namely strategic and business risks; insurance risks; and operating risks.

The top risks were then assessed in terms of their likelihood to materialise and the impact they would have on the organisation in order to provide a ranking. The top and emerging risks are key inputs into the strategy planning process and management actions that are being driven across the business to mitigate the risks. Executives responsible for driving the required actions were identified for each of the top risks.

Prioritised top risks with management actions

Risk	Management actions
Non-compelling customer and partner value propositions	Management is focused on: <ul style="list-style-type: none">• Enhancing the customer and partner experience at points of delivery;• Enhancing partner experience through servicing and tools; and• Building loyalty and increasing customer confidence in our brand.
Erosion of the Liberty Life and Heritage Insurance brands	Management have undertaken to conduct a comprehensive consumer survey to identify priority customer segments.
Not identifying the right opportunities and executing on building operations of value for Liberty Kenya's chosen markets	
Poor investment performance relative to customer expectations impacting Liberty Life's ability to attract and retain investment customers	<ul style="list-style-type: none">• Liberty Life continues to enhance investment capabilities.• Investment propositions offered are being reviewed and simplified.• Liberty Life is focused on attracting and outsourcing top investment professionals, ensuring that the right mandates are in place and monitoring performance.
Substantial complexity due to inadequate legacy management and an inadequate control environment for new initiatives. Complexity in our products, processes and systems affects the customer experience and weakens the control environment	Complexity reduction is included as a key consideration for all initiatives from a strategic perspective. Over time this will be embedded as a culture across the business. Management has rationalised several products and systems in recent years, thus reducing the associated operational complexity and risk.
Disruption to the insurance business models and inability to adapt in an agile manner	Management continues to drive initiatives that will ensure the group's operations remain future fit and operate effectively in the evolving external operating environment.

Risk	Management actions
Instability in Kenya's socio-political and economic environments aggravated by the COVID-19 pandemic	Liberty's subsidiaries maintain strong capital positions and manage their asset/liability matching positions within risk limits. In addition, stress tests were performed during the course of 2020, which included upper end mortality outcomes, scenarios of negative economic impact in Kenya and distressed financial markets to prepare and ensure capital sustainability for the potential impacts on the businesses.
Changes in the operating environment as a result of the changing regulatory landscape. Non-compliance of regulation by competitors, resulting in unfair competition	The group continues to develop strategic responses to new and emerging regulations. The group has adopted a full compliance policy and encourages regulators to enforce regulation in a fair and consistent manner.
Data risk	The group has established a robust data and information management capability and continues to enhance governance in this regard.
Inadequate cyber security and resilience	Investment to enhance the group's cyber security continues and plans are regularly updated for changes to the threat landscape and technology enhancements.
Weaknesses in operational, IT, financial and accounting processes may lead to incorrect decision-making and/or reporting	<ul style="list-style-type: none"> • Simplification and automation initiatives as well as enhancements which increase the granularity of financial controls have contributed to mitigating this risk • Management has driven a number of initiatives in 2020 to enhance risk practices and risk culture by embedding risk management in business processes • Ongoing alignment to the broader Liberty SA architecture.

AFS A comprehensive list of Liberty's top risks is provided in the risk management section of the annual financial statements.





Think Business Insurance 2020 Awards
Life Insurer of the year

Think Business Insurance 2020 Awards
General Insurer of the year

Once again, Liberty Life and Heritage Insurance Kenya dominated the Think Business Insurance 2020 Awards, winning the coveted **Life Insurer of the year** and **General Insurer of the year** respectively.

Heritage Insurance topped in seven other categories including:

- Best insurance company in technology and digital application
- Product innovation
- Fraud detection and prevention
- Medical underwriter of the year - group medical
- Most customer centric underwriter insurer - general
- Best insurance company in product distribution and marketing and
- Best company in sustainable corporate social responsibility.

Heritage also emerged second in the following award categories: Claims settlement, major loss, customer satisfaction - general, while emerging third in the training, customer satisfaction - medical and risk management awards.

Liberty Life also emerged tops in the most customer centric insurer - life and training award and came second in the following categories: Best insurance company in technology application, product innovation, risk management, fraud detection and prevention, claims settlement and best underwriter in customer satisfaction - life: while bagging third place in product distribution and marketing, corporate social responsibility, and technology and digital applications awards.

The Think Business Insurance 2020 Awards were held virtually and are organised annually by Think Business Limited, a strategic research and publishing company specializing in the financial sector, with an aim to recognize and celebrate outstanding performance over the past financial year.

Our material matters

Liberty Kenya has a clearly defined business strategy, making it possible to identify events that would hinder us from creating value as well as identifying opportunities that could assist us in advancing our purpose.

Current and emerging risks that could threaten our business model, strategy and sustainability are identified and assessed through a top-down risk identification and assessment process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view.

The material matters listed below were discussed by the board and its committees during the year, and arose from the strategy setting process, and the feedback from our key stakeholders.

Challenges and our responses



Low agency productivity

Agency revamp | Product review



Management expenses

Automation | Topline growth



High cost per policy

Increase agency productivity



Stagnated renewal rate

Channel remediation



Intermediary remuneration

Customer experience | Profit share



Unclear regulations

Compliance and contract reviews

Opportunities and our plans



Dominate the employer space

Upselling and cross-selling |
Financial literacy



Growth in digital

Distribution | Personalisation



High cost per policy

Increased case count |
Tailored solutions



Earning distribution channels

Affinities | Franchise



Data analytics

Relevance



Partnerships

Build capabilities | Quick to
market

These material matters informed the development of our strategy and we provide more detail in the strategic section on page 34.

Our strategy for the future

In 2019, Liberty Group made the decision to cease geographical expansion unless a compelling opportunity to do so presented itself and to put a specific focus on Kenya because of the market opportunity and scale of the existing businesses. The Kenyan boards have embraced the Kenya focus decision and are actively assisting in strategy formation.

The Kenyan businesses have more than 50 years of legacy and are relatively complex businesses. Simplification and modernisation of customer solutions and services will have a great emphasis in these businesses. We are looking to leverage the group's investments in technology, enabling alternative access, solutions and experience, and therefore a present key opportunity for disruption in the Kenyan market.

Our mission

To be the trusted provider of exemplary customer experiences through own and partner solutions to enable the financial freedom of our customers and employees.

The opportunity

Meeting the challenging needs of our customers is the opportunity that we hope to address by implementing our strategy. Our customers exist in both the formal and informal markets and can be both organisations and individuals. The contribution each type of customer makes to our success is summarised below:

	Organisations	Individuals/Retail
	<ul style="list-style-type: none"> Government Multinationals Corporates SMEs Affinities 	<ul style="list-style-type: none"> Self-employed with structured income Self-employed with unstructured income
Contribution	Gross premiums Life insurance – 24% General insurance – 76%	Total income Life insurance – 42% General insurance – 58%
	Policyholder benefits Life insurance – 45% General insurance – 55%	Profit after tax Life insurance – 26% General insurance – 74%

Fit for purpose today

The formal market is structured and easy to reach. Increased competition and a shrinking formal sector demand us to compete effectively while developing new products and markets.

Fit for purpose tomorrow

The informal market is unstructured and difficult to reach with significant unmet insurance needs. This market presents an opportunity for growth based on appropriate proposition rights, products, technology and structure. A shrinking formal sector means a growing informal sector.

Strategic focus areas

To guide us in developing our strategy, we identified four strategic focus areas in 2019. We use these focus areas and our understanding of what success means to provide guidance when developing our strategic initiatives.



IT strategy

Digitalisation is pervasive to much of the business units' strategy. During the first stage of our digital transformation journey, we will transition from mainframes and data centres to the cloud.

Always on, always available

Provide available and reliable tools and systems at the right time for our customers, advisers, agents, brokers and employees.

Data and analytics

Establish data as an asset to the organisation by making data services, which are used to create value for customers and advisers, easily accessible.

Always secure

Gain the trust of our customers, agents, brokers and employees regarding the security of our business platforms and the information they share with us.

Business enablement

Develop and implement a simplified target architecture that supports business growth. Support implementation of the new ways of working programme to increase agility.

Cloud journey

Define a migration roadmap for target applications to achieve a cost-effective model, enhance stability, improve scalability and support digital transformation.

What success looks like for stakeholders

For each of our primary stakeholders we have defined what success looks like:



Customer experience

- An ecosystem that creates value beyond insurance benefits, with initial focus on employers
- Relevant insurance solutions
- Digital applications to enable customer engagement and service
- Integrate empathy in moments of vulnerability
- Wellness programme
- Reward programme
- Single view of the customer



Employee experience

- New ways of working
- Remote working
- Self-learning and growth
- Grow an agile mindset
- Complete organisational design
- Risk and compliance culture



Broker, agent and other intermediaries experience

- Self-service capability
- Intermediary value add, e.g. reward and recognition
- Digital sales and service capability
- Affinity partner integration
- Partner training
- While label partner solutions

Achieving this success will result in Liberty Kenya delivering on investor expectations. Liberty will be a part of the fabric of society, viewed as a "local champion" with customers and partners proud to be associated with the group.

Our strategy for the future (continued)

Enablers

Executing strategic initiatives in each of these areas of enablement will see us not only enhance our fit for purpose for today but also ensure we are fit for purpose for the future. These initiatives are planned to be executed between now and 2023 and should result in the delivery of our strategy by 2025. The timelines for this execution are summarised below:

Understanding customer needs			2020	2021	2022	2023
		<ul style="list-style-type: none"> • Develop customer personas to validate our understanding of target market customers • Conduct customer research to incorporate the voice of the customer in our actions • Conduct research on the informal market to understand their needs • Identify products sets for review and simplification • Define and document customer journeys for selected products • Roll out simplified solutions or create new products for identified customer needs • Define measures for customer experience • Execute a connected experience based on customer data and analytics • Deploy a customer relationship management system enabled by data warehousing enabling single view of the customer 	<div></div> <div></div>	<div></div> <div></div> <div></div> <div></div> <div></div>	<div></div> <div></div>	<div></div>
Understanding partner needs			2020	2021	2022	2023
		<ul style="list-style-type: none"> • Develop a blueprint on what it means to be a partner of choice • Define and document partner journeys for selected corporate and retail products • Roll out simplified solutions or create new products for identified partner needs • Conduct periodic customer engagements such as seminars and roadshows and live out as "Partner of choice" 	<div></div>	<div></div> <div></div>	<div></div>	<div></div>
Knowledge and advice			2020	2021	2022	2023
		<ul style="list-style-type: none"> • Define and implement a new agency model • Develop capacity to deliver Mind My Money digitally • Align corporate social responsibility activities to delivery of Financial Freedom • Deploy sales model based on a single view of the customer to drive going to market as one 	<div></div> <div></div>	<div></div> <div></div>	<div></div>	<div></div>

Digitisation and process automation



- Continue STP rollout
- Complete implementation of electronic data management system in Heritage Insurance Kenya
- Identify key process for review of each customer segment
- Identify key partner products for review
- Compen system replacement
- Medware replacement
- Define and plan cloud journey
- Cloud migration
- Document and commence data cleaning, acquisition, completeness, etc. to enable digitalisation
- Digitise operational backbone for selected processes focusing on technology and business process
- Roll out automation and digitisation that supports new and reviewed products and processes

2020	2021	2022	2023
●			
●			
●			
●			
	●		
		●	
	●		
	●		
	●		
		●	

Data analytics



- Define data strategy: Collection, use, compliance, storage, etc.
- Assess solution options and define data journey roadmap
- Acquire, implement and integrate solution components
- Data cleansing and consolidation across all systems
- Pilot digital applications on a KenyaApp for selected personal lines products
- Identify and build capacity to integrate to partner systems
- Develop compelling customer value propositions based on customer data and analytics

2020	2021	2022	2023
●			
●			
	●		
	●		
		●	
		●	
			●

Human capital



- Define employee experience journeys
- Assess capabilities, skills gaps and capacity required to support the IT journey
- Enable and support features of agile team delivery
- Define and foster culture: Alignment to new ways of working and aligning recruitment and reward practices
- Develop plans for required skills not available in the business
- Implement Phase 2 of organisational design – structure the business to serve customers
- Continually assess skills requirements and foster culture of continuous learning and change

2020	2021	2022	2023
●			
●			
●			
●			
	●		
		●	
		●	

04

Our strategic value drivers

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We are part of the fabric of society	56

Performance summary

Placing the customer at the heart of our business



Entity	Metric	2020	2019	Change
HIK	General insurance claims paid (KShs million)	2,409	2,541	-5%
LLK	Death and disability claims paid (KShs million)	483	480	+1%
LLK	Pensions and annuities paid (KShs million)	1,979	2,173	-9%
HIK	Customer net promoter score (NPS)	49	44	▲
LLK	Customer net promoter score (NPS)	47	41	▲
HIK	Customer satisfaction index (CSI)	77	76	▲
LLK	Customer satisfaction index (CSI)	73	N/A	
HIK	Complaints (number)	208	182	▼
LLK	Complaints (number)	524	272	▼
HIK	Renewal rate (%)	86	71	▲
LLK	Persistency (%)	72	70	▲
HIK	Existing/new business split (%)	80/20	76/24	
LLK	Existing/new business split (%)	89/11	73/27	

Be the employer people want to work for



Entity	Metric	2020	2019	Change
Group	Employee retention rate (%)	94	85	▲
Group	Talent turnover rate (%)	4.2	9.7	▲
Group	Diversity – female employees (%)	46	49	▼
Group	Employee net promoter score (eNPS)	23	N/A	
Group	Employees trained (number)	311	351	▼
Group	Skills development spend (KShs million)	9	21	▼

Having a risk-conscious culture



Entity	Metric	2020	2019	Change
HIK	Solvency (capital adequacy ratio)	3.54	3.10	▲
HIT	Solvency (capital adequacy ratio)	1.46	1.64	▼
LLK	Solvency (capital adequacy ratio)	2.19	2.12	▲
Group	Manage within risk appetite	Yes	Yes	
Group	Fines and penalties paid (KShs 000)	-	630	▲

Deliver on investor expectations




Entity	Metric	2020	2019	Change
Group	Return on equity (%)	8.6	8.5	▲
Group	Earnings per share (KShs/share)	1.23	1.21	▲
Group	Dividends paid to ordinary shareholders (KShs/share)	-	268	▼
Group	Share price (at 31 December) (KShs million)	7.70	10.35	▼

We are part of the fabric of society



Entity	Metric	2020	2019	Change
HIK	COVID-19 related claims paid (KShs million)	30	-	-
LLK	COVID-19 related claims paid (KShs million)	27	-	-
Group	CSI spend (KShs million)	9	12	▼
Group	Taxes collected and paid (KShs million)	941	1,286	▼

Placing the customer at the heart of our business



Customers

COVID-19 proved to be a catalyst to accelerate our transformation strategy. We prioritised and accelerated solutions to support the serving of customers while at the same time ensuring the safety of our employees.

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 who work from our premises. Our second priority in the crisis was to do our best to support customers – to continue servicing them and to help them through the crisis.


We moved quickly to expand our remote working capability, enabling our staff on the front line to maintain strong levels of service to individual and commercial customers throughout the period of restricted movement. We frequently engaged with our retail and corporate customers, keeping them informed of their COVID-19 cover, discussing investment concerns during the period of volatility and providing updated contact information.

Our IT and operations teams enhanced our systems capabilities by deploying cyber security initiatives and upgrades that reduced operational risks. We fast-tracked and prioritised digital initiatives necessary to achieve an effective work-from-home environment. We accelerated the adoption of expanded digital and data storage capabilities during 2020 in response to the challenges posed by the pandemic.

The development of multiple remote access channels for our customers, including the customer portal, allowed us to encourage social distancing while still serving customers.

CUSTOMER VALUE


Value created for customers includes the objective advice of financial advisers and brokers, risk solutions that provide peace of mind for families and companies and investment and retirement products that allow individuals, families and employees to achieve their long-term savings goals.



DEATH AND DISABILITY CLAIMS PAID

KShs 492 million


(2019: KShs 378 million)



MATURITY AND SURRENDERS

KShs 2.2 billion


(2019: KShs 1.9 billion)



PENSION PAYMENTS

KShs 1.9 billion


(2019: KShs 2.4 billion)



PROPERTY CLAIMS PAID

KShs 2.6 billion

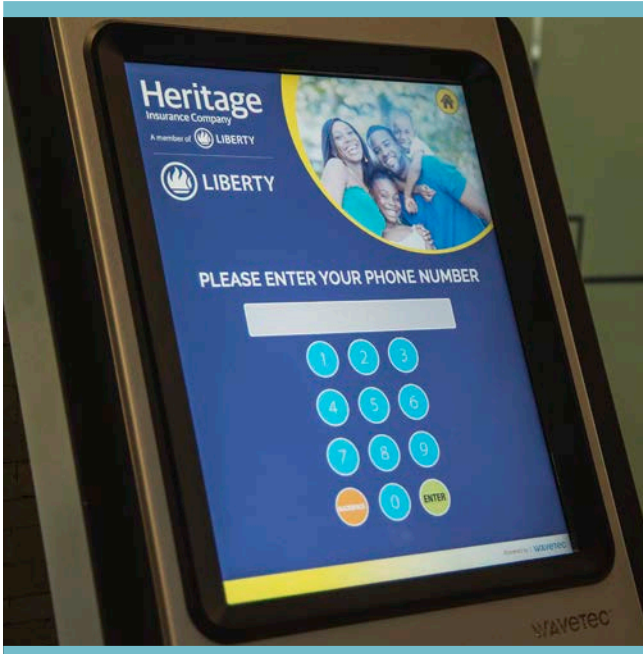
(2019: KShs 2.2 billion)



MEDICAL AND PERSONAL ACCIDENT CLAIMS PAID

KShs 1.1 billion

(2019: KShs 1.2 billion)



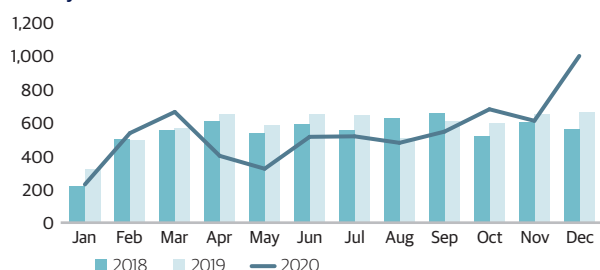
Life insurer of the year¹



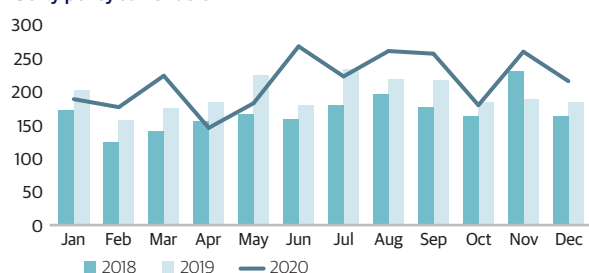
Liberty Life Assurance Kenya

Our retail life insurance operations experienced headwinds in the first six months of the year. Restrictions impacting in-person meetings as well as heightened uncertainty saw a drop in case count and increased surrenders in the second and third quarters of the year.

Liberty case count



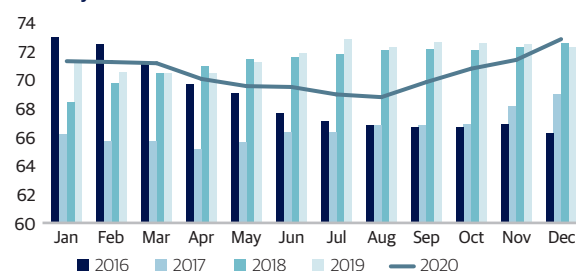
Liberty policy surrenders



The majority of the gains made to persistency levels in 2018 and 2019 from the lows of 2016 and 2017 **were reversed with the onset of the pandemic.**

¹ Think Business Insurance 2020 Awards.

Persistency



In response to the overall decline in policy count, we launched the Hekima Plan product, allocated orphaned policies to new agents and pursued lapsed policies.

Customer relationship building initiatives introduced in 2019 allowed our customer experience team to more fully engage with customers who were impacted by COVID-19, supporting them through inconsistent or diminishing income streams while maintaining premium collection rates at levels similar to prior periods.

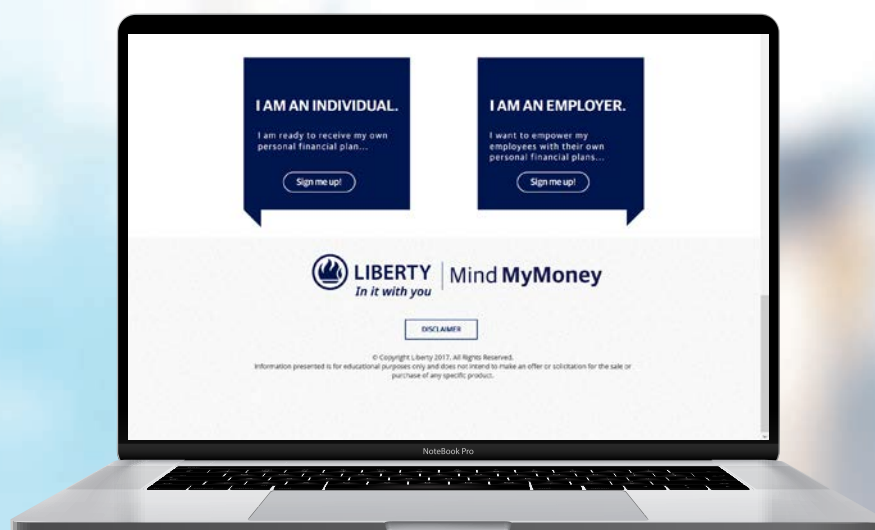
The Hekima Plan is a comprehensive death, disability and critical illness product which offers inflation protection and cash back benefits. No medical tests are required for cover below KShs 7 million and there is no waiting period before cover is effected.



Mind MyMoney
Financial Freedom Programme

Using a dedicated trainer, we continued to leverage Liberty's Mind My Money financial education programme to engage with both customers and non-customers alike.

By end of December, we had presented the programme to over 1,500 employees across various worksites in Kenya.



Placing the customer at the heart of our business (continued)

Innovation for our customers

Over the years we have developed various innovative products that respond to the needs and wants of our customers. Two examples of these are:

Liberty income builder

Our income builder is a holistic protection solution that secures a family's future by providing for changing needs no matter what happens. In the first seven years it is a pure insurance solution covering the life of the family's breadwinner. After the seventh year it progressively changes to an investment solution, earning returns. This balance between protection and investing ensures a family's financial freedom.

The triple diamond plan

To help fulfil a family's various dreams, from buying your own home, travelling the world, educating children, and a financially secure retirement, the triple diamond plan provides for three pay-outs during the term of the policy. Investment periods range from 12 to 24 years and the face amount of the policy is paid in instalments as follows:

- 25% of the initial face amount on expiry of **one-third of the policy term**
- 25% of the initial face amount on expiry of **two-thirds of the policy term**
- 25% of the initial face amount **plus all bonuses at maturity**

Customer self-service

To help improve service levels, we continued on our digitalisation journey, empowering customers to self-service. With the launch of the unstructured supplementary service data (USSD) facility, Liberty enabled customers to view policy information, pay premiums, apply for or repay a loan, view policy status and request a statement. **Customer uptake of this solution was positive with over 3,000 customers enrolling and using the service within the first two months of the launch.**

While technology can enhance our services and products, it cannot replace human interaction. We continued to engage telephonically with customers throughout the year to strengthen our relationships.



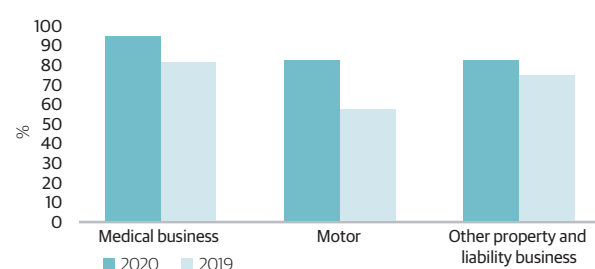
General insurer of the year¹



Heritage Insurance Kenya

Unlike the life insurance industry, the COVID-19 restrictions deterred customers from changing their general insurance during the year. Across all of our key product lines we saw improved renewal levels.

General insurance renewal rates



Premium relief for customers

Acknowledging that our customers were driving less, we applied a 15% discount to comprehensive motor vehicle insurance premiums for the months of May and June 2020.

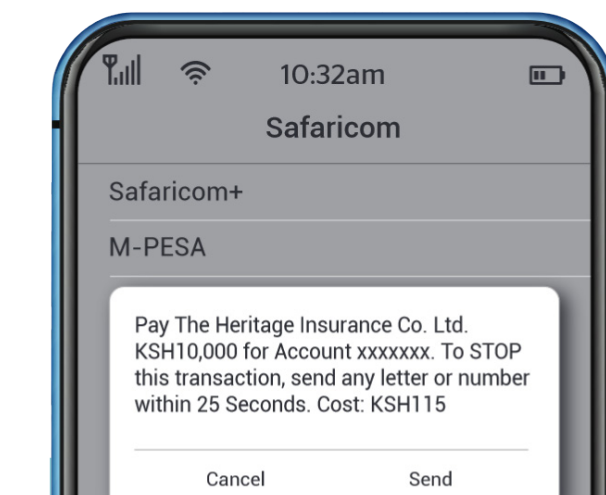
We continue to offer a 7.5% reduction in monthly Auto-Correct premiums to reward good driving and lower insurance costs.

Several of our commercial customers in the hospitality, aviation and education sectors experienced significant financial constraints during the COVID-19 trading restrictions. To assist them through this difficult time, we reviewed the cover in place and engaged with the businesses to retain a lower level of cover more appropriate for the period of reduced activity.

Heritage Blue and Liberty Blue (Liberty Health Cover) provided access to benefits for the diagnosis and treatment of COVID-19 at our network of contracted health providers.

Cashless transactions

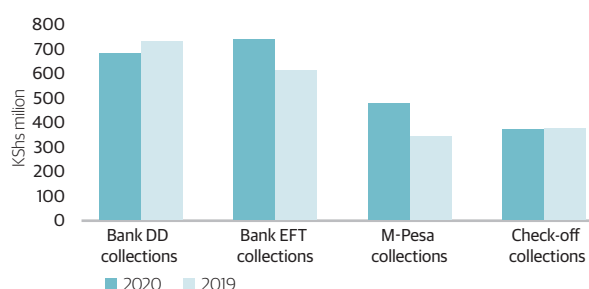
With the onset of the pandemic and the movement restrictions, the Kenyan Government appealed for business to promote cashless transactions. Following Heritage's decision to move away from cash receipts in 2019, we accelerated our ability to receive premiums through a variety of electronic channels, including M-Pesa, direct bank transfers and credit card payments. These alternative payment options are rapidly becoming the default channels for customers to receive benefits as well pay premiums.



LIPA HERITAGE NA M-PESA

The M-Pesa and EFT collections continued to grow as we drove our cashless strategy. **These collection channels allow customers to make unscheduled payments as and when their cash flow allows.**

Sources of premium collections



¹ Think Business Insurance 2020 Awards.

Placing the customer at the heart of our business (continued)

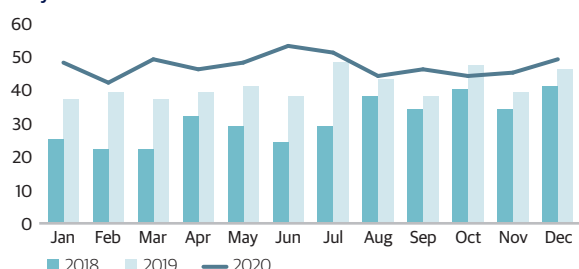
Customer feedback



Liberty Life continued to register improved customer satisfaction as reflected by the net promoter score (NPS). The average NPS for year 2020 was +47, an improvement from +41 in 2019. The NPS was tracked throughout the year to ensure continuous feedback, especially in a year where there were significant changes to the way we work.

Throughout the year, customer sentiments were largely positive about service, the brand, the information they receive, accessibility to policy loans and prompt payment of benefits. Negative sentiments related to investment returns, lower than expected maturity amounts, lapsed policies and lack of tokens of appreciation (branded merchandise).

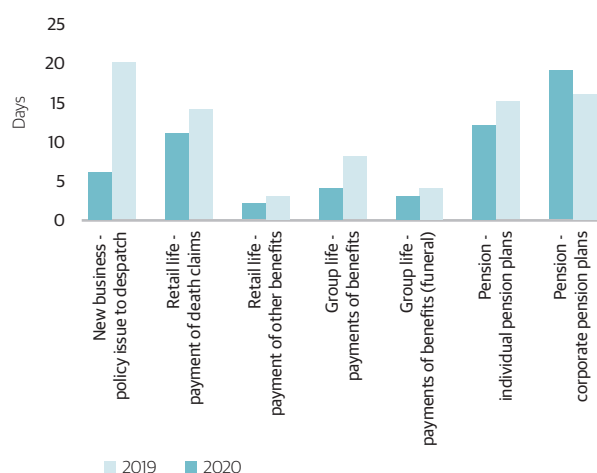
Liberty Life NPS



The introduction of relationship managers to existing and new retail customers played an important role in helping customers understand the solutions they have with Liberty Life, addressing any gaps on their policies and strengthening our relationship with them.

For our corporate customers, surveys conducted in the third quarter across our affinity, bancassurance, broker and pension customers yielded an average customer satisfaction index of 77%. Feedback received from customers has been applied in the business to enhance service even further.

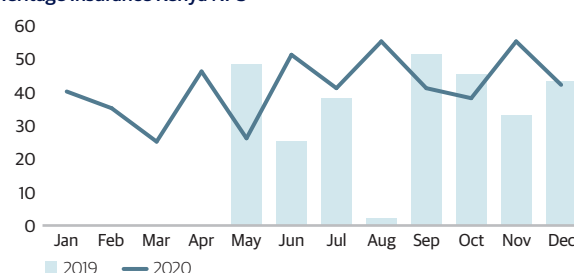
Delivery timelines



Liberty Life continually monitors key metrics on service delivery to customers. The graphic below reflects delivery timelines (in average number of days) for the various customer journeys and the improvement achieved during 2020.

Heritage Insurance Kenya began collecting NPS data in May 2019 and had a target of 50. The data is obtained on a daily basis from customers serviced across all channels and in the branches. In 2020 our average NPS increased to 44 (2019: 35). Feedback from detractors presents opportunities for improvement or enhancing service offering in the following areas: non-payment of claims, lengthy claims procedure, customer awareness of other products and rigidity with regard to premium payments.

Heritage Insurance Kenya NPS



In a general insurance industry customer satisfaction survey undertaken by Infotrak Research and Consulting in December 2020 (among 200 retail customers), Heritage Insurance Kenya placed third in all categories surveyed:

- Customer loyalty
- Claims handling
- Trust and corporate image
- Technology
- First point of interaction
- Insurance personnel
- Value for price
- Products and services
- Access

Supporting our partners

The majority of product sales and customer servicing is performed by a variety of distribution partners, be they tied financial advisers, agents, brokers or other intermediaries. Meeting the expectations of these partners is critical to our success.

During the COVID-19 pandemic, we supported our intermediaries by ensuring rapid commission processing for paid-up business, allowing intermediaries quicker access to cash flows. Recognising their important role in our success, we provided commission advances during the COVID-19 restrictions to 35 tied agents. Supporting their businesses through this difficult time strengthened relationships, promoted agent retention and encouraged sales.

Our digitalisation journey – enhancing the customer experience

More recently, we have begun to use technology to enhance the customer experience. In 2020 we delivered the following initiatives:

- **USSD** – A smartphone-based channel where customers can access products, pay premiums and request plus pay for loans. Heritage Insurance Kenya customers can request insurance premium financing through this channel.
- **Customer portal** – An additional web-based customer channel where customers can onboard and consume products and services.
- **Bank integration** – Our customers can make payments to specific banks directly and reports are received from the bank for reconciliation.
- **Mobile payments and online payments** – Customers can pay directly through an M-Pesa Pay Bill provided by Liberty Life or Heritage Insurance Kenya. This ensures that all premiums received are receipted and auto allocated. This reduces the time for the allocation and reconciliation premiums and customer accounts. There is also a host-to-host solution through integration with some banks where customers and service providers are paid through their mobile phones.
- **Digital motor vehicle insurance certificate** – Through integration with AKI, customers are supplied with digital certificates via email eliminating the need to visit our offices. We complete end-to-end transactions within our core policy administration system, eliminating the multiple systems used in the past.
- **Auto-Correct** – The first telematics product in the industry where policyholders are rewarded for good driving habits.
- **Smart Policy** – During the year, Heritage Insurance Tanzania invested in the Smart Policy platform, which facilitates integration with most brokers, agents and banks to ensure fast and efficient underwriting and claims processing. The platform also enhances customer access to our services.

Be the employer people want to work for

Employees

The COVID-19 pandemic had a material impact on our people in 2020. This is expected to continue throughout 2021.

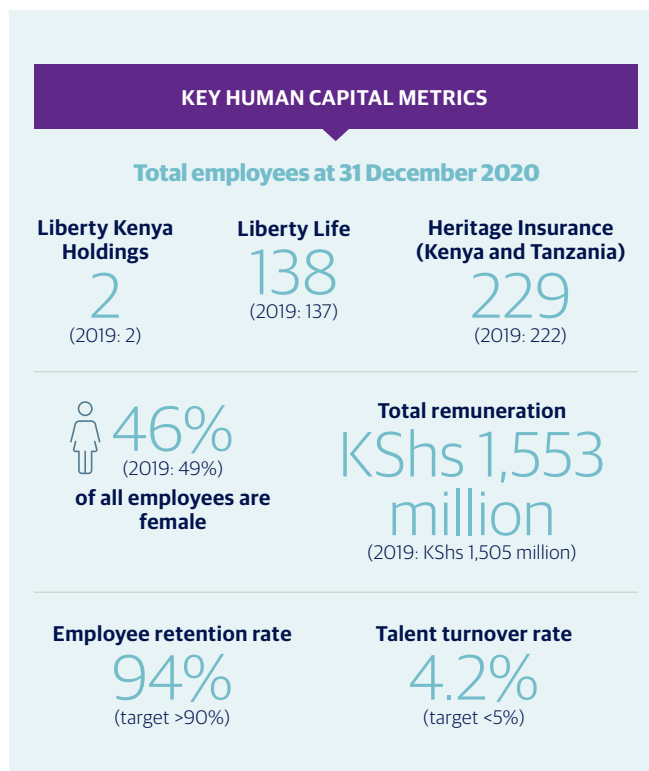
The well being of employees, including mental and emotional health, became even more critical as employees faced the related burdens of working from home while being excluded from day-to-day social interactions. Understanding and helping our employees overcome the challenges induced by working from home drove a significant increase in the quality of our relationships with employees

With the introduction of travel restrictions, we enabled approximately 80% of our workforce to work from home, providing hardware and data solutions. For critical employees who needed to be in the office, we arranged safe and shared transport, provided the required personal protective equipment, and enforced appropriate hygiene measures at the office.

We continued to offer our employee assistance programme managed by Independent Counselling and Advisory Services (ICAS) to all permanent employees and their family members living in the same household.

Together with the crisis management team, we endeavoured to ensure business continuity and support for our employees during the pandemic. The following key measures were adopted across the group:

- Periodic communication to staff to **create awareness of the coronavirus**
- **Provision of psychosocial support** through the ICAS
- **Enabled vulnerable employees to work remotely** and some were **encouraged to take annual leave**
- **Ensured high levels of hygiene in the workplace** through cleaning and behaviour
- **Masks and gloves provided to employees** interfacing with customers
- **Flexible work arrangements implemented** to reduce the risk of exposure
- **Employees assisted with the establishment of home offices**, including chairs and desks



Human capital management and delivery

Human capital management supports both Liberty Life and Heritage Insurance Kenya operations. Our people priorities are anchored by the right employee experience, making it imperative that employee lifecycle events receive the desired level of engagement and correct emphasis. In 2020, we standardised the employee offering across the two businesses to ensure a uniform experience across the two brands.

Human capital management is represented at exco meetings of both businesses.

The mission statement of human capital is "to create the right employee experience within the group". In fulfilling this mission, human capital management's focus is directed on five areas:

- 1 **Shaping the organisational culture to assist strategy delivery**
- 2 **Integrated talent management**
- 3 **Growing and developing our people**
- 4 **Reward and recognition**
- 5 **Improving efficiencies across the human capital value chain**

People are critical to our success, and we continue to invest in diverse human capital to ensure the sustainability of our business. We understand the value of diversity and believe an inclusive approach will drive superior and sustainable business results.

In 2020, we delivered the following in support of the human capital mission statement:

Completed the talent management framework

Development plans prepared for all **nominated talent**

Held meaningful career conversations with key employees in support of critical skills and succession planning

Tracked the retention of key talent

Deployed a blended learning approach that supports business strategy – 70% on-the-job experience, 20% informal learning and 10% formal training

Embedded critical capabilities through leadership programmes

Identified product-specific training for employees:

- **Digital capability** (automation, AI, apps, machine learning, online marketing)
- **Data and analytics** (data science and coding)
- **Technical skills in specialised areas** (cyber risk, pure risk life solutions)
- **Accelerated the digitalisation of reliable human capital services**, convenient to our people

Optimised basic reporting and implemented target analytics

Change management to embed the target operating model leading to organisational effectiveness

Continued health and wellness programmes

In 2021 we will continue to embed our growth mindset culture, cascade our culture traits and align our reward strategy with market benchmarks.

Remuneration

Remuneration packages are geared to each employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk-taking outside of board-approved risk mandates. All employees have some level of variable pay as part of their remuneration package. The average salary increase across the group was 5.5%.

All employees, including management, have performance management contracts and agreed key performance indicators. They have been instructed in the performance management process, and undergo bi-annual performance reviews. These reviews assist employees to understand their roles, deliverables and performance against targets. Non-performance results in establishing development plans to support improved performance.

Developing our people

The COVID-19 pandemic restrictions impinged on the ability of our employees to attend training courses. Where possible, we have transferred training to the virtual environment. Over the course of the year, we invested over KShs 9 million (2019: KShs 22 million) in the training and development of our people.

Eight middle managers enrolled in the Crestcom Bullet Proof Manager programme in 2020 and completed the course in the first quarter of 2021. A further five managers are enrolled on leadership, coaching and growth mindset programmes.

In total, 215 employees are currently participating in online training courses through Percipio, and 58 staff continue with technical insurance development courses through accredited member organisations (Advanced Chartered Insurance Institute, Insurance Institute of Kenya, Actuarial studies and LOMA studies).



Percipio, an intelligent online learning experience platform that delivers an immersive learning experience. It leverages highly engaging content, curated into nearly 700 learning paths (channels) that are continuously updated to ensure employees always have access to the latest information.

Employee net promotor score (eNPS) 23 (target 25)

We seek to create value for all our employees. Some value metrics are financial in nature, others are more qualitative such as meeting our strategic objective to "be the employer people want to work for". 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 Life and Heritage Insurance and truly consider their colleagues as family. In 2020 the physical working environment became a bedroom, a kitchen, a study or a dining room. Understanding and helping our employees overcome the challenges induced by working from home drove a significant increase in the quality of our relationships with our employees.

Following the introduction of COVID-19 restrictions, in an effort to communicate with our employees, we conducted an employee check-in survey to monitor employees' loyalty to the group. Both the number of responses and the overall result were pleasing.

202 (55%)
respondents

46% of respondents were female
51% of respondents were male
3% of respondents chose not to disclose their gender

eNPS score = 23
(41% promoters less 18% detractors)

Key themes that were apparent from the responses included:

- Liberty Kenya was described as a largely **positive** environment. Describing words: **great, amazing** and **good**
- Opportunities for **growth and development** exist. Describing words: **grow** and **challenging**

Having a risk-conscious culture



Regulators

We strive to conduct our business in a responsible manner. The goal of our risk-conscious culture is to manage our business in a safe, secure and profitable manner for the benefit of all stakeholders, build trust and enhance our reputation.

Through our governance structures and processes we aim to anticipate, meet and exceed the requirements of the increasing regulation of our industry.

Responding to COVID-19

The industry regulator expected, and it was our obligation, to adequately and effectively respond to the material impact COVID-19 had on our business, processes, employees, customers, partners and broader societal stakeholders. Despite the challenges presented by the pandemic, we maintained strong capital ratios and operated within our risk appetite during the year.

We created a KShs 113 million pandemic reserve to prudently recognise the financial impact of the pandemic and reassure our customers and partners that we had adequately provided for the costs and claims which could arise should they be directly impacted by this crisis.

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 has weighed on our results, we maintained solid surplus operating capital.

Solvency ratio	2020	2019
Liberty Life Kenya	215%	208%
Heritage Insurance Kenya	354%	310%
Heritage Insurance Tanzania	146%	164%

The Kenyan Insurance Regulatory Authority implemented its long-awaited risk-based supervision regime in June 2020, including new capital adequacy requirements. The deadline to achieve the minimum capital solvency cover ratio of 200% was extended to December 2020 due to the potential impact of the COVID-19 pandemic on the solvency of market participants.

Both Liberty Life and Heritage Insurance Kenya improved their solvency ratios during 2020 and exceed the minimum regulatory requirement of 200%. The improvement in the Liberty Life solvency is the result of the growth in retained earnings lower insurance risk capital and market risk capital charges. Higher retained earnings and lower debt drove the improved Heritage Insurance Kenya solvency.

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 consultancy. The analysis of surplus provides the board and management with sight of the sources of profits and losses by business class and product.

Following on from Liberty SA's risk and compliance enhancement programme which commenced in 2017, Liberty Kenya implemented a similar project to identify and address internal control weaknesses. This project was concluded in 2020 and the small number of outstanding matters will be tracked through the business as usual processes.

Managing regulation

The group operates in a complex and evolving regulatory landscape. The developing regulations in this environment are driven by international trends (arising from the G20, IAIS 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.

Liberty Kenya is regulated by the Capital Markets Authority, engages with the Nairobi Stock Exchange and the Central Depository and Settlement Corporation Limited. Its two Kenyan subsidiaries are regulated by the Insurance Regulatory Authority. Liberty Life Kenya is also regulated by the Retirement Benefits Authority. Heritage Insurance in Tanzania is regulated by the Tanzania Insurance Regulatory Authority.

During the year the IRA conducted an onsite risk-based supervision inspection. We are addressing the findings of this inspection regarding the independence of the chairman of the operating subsidiaries and ensuring that the boards of Liberty Life Kenya and Heritage Insurance Kenya meet the requirements that one-third of their directors are independent. In terms of the corporate governance guidelines, a director loses their independence categorisation after serving for six years. We are also ensuring that our existing board committees fulfil all the responsibilities of those committees required in terms of the guidelines.

The board has noted the findings from the group's first governance audit conducted in 2019 and has commenced a review of the composition of board committees, committee mandates, group policies and succession plans in order to increase our conformance with the corporate governance guidelines.

Treating customers fairly (TCF)

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 customers perceive to have value. It is our responsibility to balance shareholder value and customer fairness in the creation of customer value. By adopting a customer-centric approach, we seek to internalise TCF as part of our culture. By using the TCF outcomes to inform our customer service principles, we have embedded TCF across the organisation, elevating it beyond regulatory compliance.

Six core consumer outcomes of TCF

Customers can be confident that they are dealing with firms where the fair **treatment of customers 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 customer groups and are targeted accordingly.**

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

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

Customers 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.**

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

When determining bonuses, Liberty Life considers all generations of policyholders, neither advantaging nor disadvantaging a particular group. Over-declaring bonuses in one year will be advantageous to policyholders surrendering and disadvantageous to those staying as the additional bonus will have to be recouped from future returns. Meeting this objective is achieved by maintaining a bonus stabilisation reserve between -15% to +5% of assets.

Customer complaints

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

The group actively monitors and responds to the root causes of customer complaints. Various actions have been taken to address and prevent a reoccurrence including:

Automation of some of the claims' customer journeys to **reduce the number of requests handled manually**

An increase in the capacity of the claims team to address a surge in claims resulting from the financial impact of the pandemic in 2020

Implementing a process of notifying customers regarding check-off arrangements that are not remitting premiums and giving alternative plans for remitting future premiums

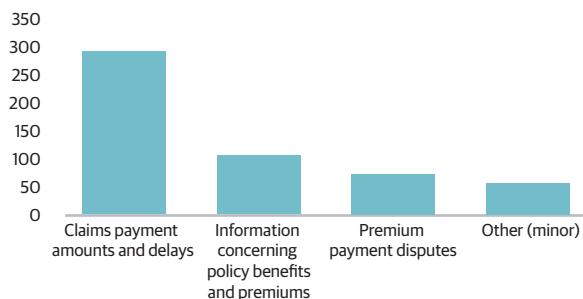
The automation of premium allocation to **reduce the possibility of misallocation**

The introduction of relationship managers to all existing and newly onboarded retail customers was key in helping customers understand the solutions they have with us while addressing any gaps on their policies early on. This process has resulted in a reduction in complaints.

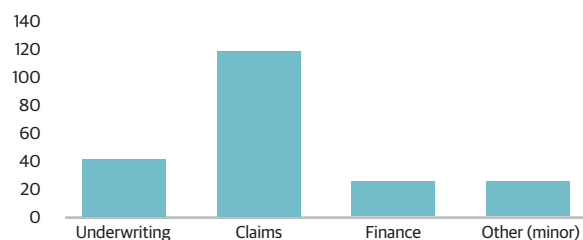
Having a risk-conscious culture (continued)

During the year, the Kenya group received a total of 731 complaints (Liberty Life: 524; Heritage Insurance Kenya: 207).

Liberty Life - root causes of complaints



Heritage Insurance Kenya - root causes of complaints



IT governance

Enterprise IT governance at Liberty Kenya 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 in order to allow both to work together as one to benefit the enterprise.
- **Value delivery:** Executing value proposition throughout the delivery cycle is important. Organisational goals are unlikely to be realised unless IT delivers the promises against the strategy.
- **Performance measurement:** Measuring IT performance is a key concern of business and IT executives as it demonstrates the effectiveness and added business value of IT.
- **Risk management:** IT is integral to the achievement of the group's strategic ambition and therefore its related risks and constraints are well governed and controlled.
- **Resource management:** Successful IT performance is dependent on the optimal investment, use and allocation of IT resources (people, assets and third parties).

In 2020 the group adopted the IT infrastructure library practices for IT service management. In line with these practices, we concluded the following in 2020:

- **Documented a support framework guide** that defines the services provided by IT: service level agreements; escalation matrix; and other key service management aspects.
- **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 of resolving them permanently.
- **Established an effective change management process.**
- **Received board approval for the establishment of IT steering committees** for each of the operating subsidiaries.

We identified six metrics to assist us to monitor service delivery and provide a means to track our progress:

Operational metrics

Online application or service availability, system uptime, and production incidents

Customer satisfaction metrics

IT request response, closure rate, escalations from key stakeholders and feedback from surveys

Information security metrics

Percentage of devices not up-to-date, the number of vulnerabilities, audit and risk ratings

IT governance

The processes that ensure the effective and efficient use of IT in enabling the organisation to achieve its goals include how we manage risks

Cost management metrics

Cost of delivering IT services, cost of resources, and budget variance

Quality assurance metrics

The number of bugs or issues per project and incident over time; also how we address root causes for recurring incidents

Transition to new ways of working

In 2020, Liberty Kenya embarked on its business transformation journey by adapting the principles and values of Agile1, using the Scaled Agile Framework@ (SAFe) 5.0 in order to become an Agile organisation – referred to as new ways of working.

A lean enterprise's goal is to become a thriving digital age business that delivers competitive systems and solutions into its customers in the shortest sustainable lead time. To transform itself to a lean enterprise, Liberty Kenya is working towards enabling a new style of leadership, new ways of thinking and working, and a culture focused on value delivery and continuous improvement.

The following steps were taken toward achieving this goal:

- Leadership identified as change agents across the organisation were trained in SAFe 5.0
- Elements of lean portfolio management were implemented through the Kenya portfolio steering committee
- A select number of initiative elements were implemented with full transition expected in 2021
- The first planning increment session was held in August 2020
- Agile project management is an iterative development methodology that values human communication and feedback, adapting to change, and producing working results.

Anti-money laundering

We launched a data remediation project that entailed sourcing missing data sets from customers. This required a review of existing customer records and engaging with customers to secure missing data. At policy renewal, it is now mandatory to provide all required data sets in compliance with our minimum know your customer (KYC) data. We changed proposal forms to require all new customers to comply with KYC requirements before business acceptance.

Preventing fraud - IMIDS

We commenced the use of 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.

Payment of additional fees, incentives and commission

It has historically been common practice in Kenya for brokers and agents to receive administration fees, marketing fees or override commissions from insurers as added incentives to take out, renew or continue a contract of insurance. The insurance regulator has repeatedly advised the industry that such payments are not permitted and re-emphasised this restriction in a circular issued in January 2019.

Liberty Kenya is committed to full compliance with the laws of Kenya and is governed in an ethical and sustainable manner. The payment of administration (or similarly structured) fees is against the law and exposes the group to regulatory sanction and potential penalties. As such, neither Liberty Life nor Heritage Insurance Kenya are permitted to pay such fees or additional commission.

Notwithstanding that such stance may result in the loss of business, the directors and management of Liberty Kenya remain steadfast in their commitment to comply with all laws and regulations.

Statement of compliance

During 2020, Liberty Kenya and its subsidiaries were compliant in all material respects with the requirements of the Companies Act, the Companies Act Regulations, the Insurance Act, the Insurance Act Regulations and Guidelines, the Retirement Benefits Act, the Retirement Benefits Act Regulations and all tax legislation.

Deliver on investor expectations



Investors

Liberty Kenya has two main lines of business that generate value, namely long-term insurance (risk and investment products) and general insurance (short-term risk business).

Through the operations of its subsidiaries, Liberty Kenya earns income from these activities in the form of underwriting profits, fees and commissions. Additional value is created by the efficient management and investment of available capital, being the financial capital held for regulatory requirements.

The information provided here has been extracted from the audited annual financial statements of Liberty Kenya and its operating subsidiaries, and reflects the restated prior year comparatives as described more fully in the annual financial statements of the group and its subsidiaries.

Restatement of prior year comparatives

During the 2020 financial year the company, working with Liberty Holdings, undertook a comprehensive review of policyholder contracts as part of the preparation work for adopting a new IFRS standard, IFRS 17 Insurance Contracts, effective from 1 January 2023. The review resulted in the need to reclassify one of its products. The company also undertook a comprehensive review of the financial statements' disclosures with the objective of aligning with those of Liberty Holdings. During the year Liberty Life changed the accounting treatment of tax deducted from pension schemes, which resulted in a restatement of the 2019 comparatives. Historically, Heritage Insurance Kenya limited the transfer of currency differences on consolidation of foreign subsidiary to the foreign currency transaction reserve (FCTR) to the cumulative original capital investment. Beginning in 2020, all currency changes on the cumulative net asset value of the subsidiary are accumulated in the FCTR. The Heritage Insurance group processed an opening adjustment at 1 January 2019 between the FCTR and retained income to recognise this change.

Group financial performance

Liberty Kenya's primary basis of value measurement for investors is return on equity. Earnings per share, share price growth and dividends paid are the tangible gauges of value created for shareholders.

Return on equity

9.1%
(2019: 9.0%)

Earnings per share

KShs 1.23
(2019: KShs 1.21)

Share price (at 31 December)

KShs 7.70
(2019: KShs 10.35)

Dividends paid to ordinary shareholders

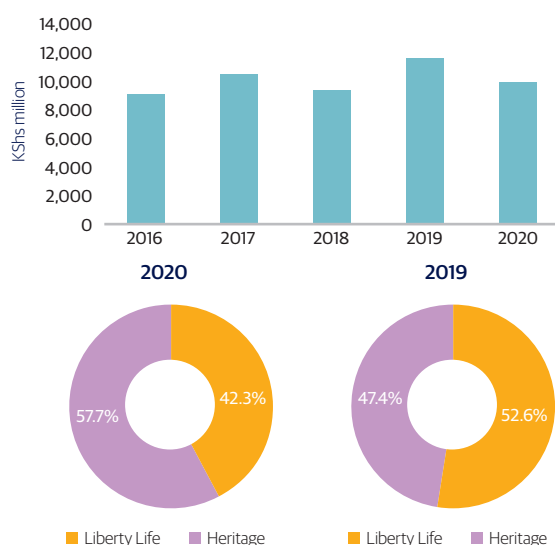
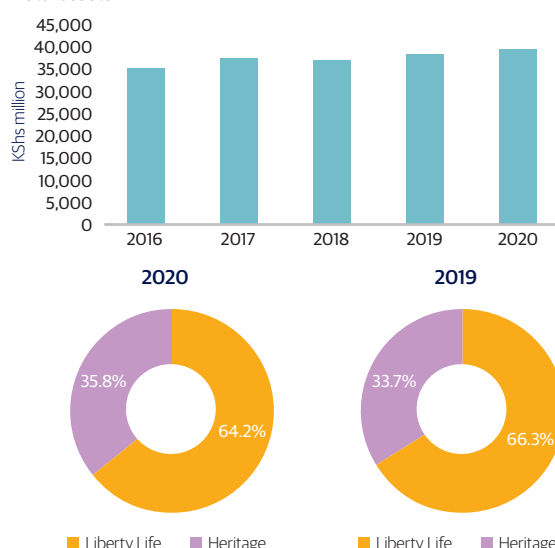
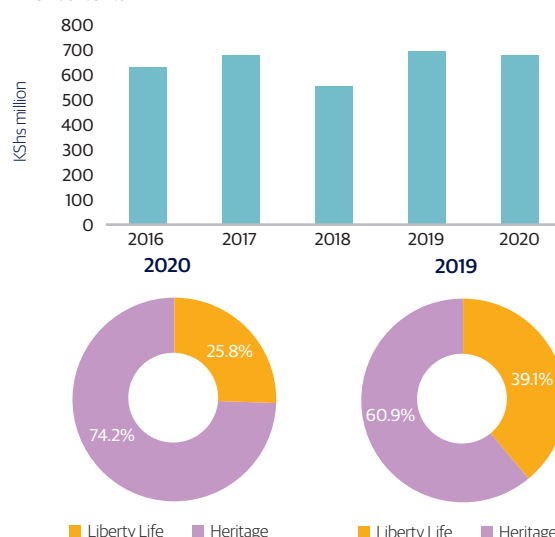
KShs nil
(2019: KShs 268 million)

Operational results for the year were materially impacted by the pandemic in various ways.

Besides the establishment of a pandemic reserve by Liberty Life, the significantly lower new business volumes in the absence of face-to-face sales and consequently lower value of new business had a material influence on the results of the life assurance business.

Unplanned COVID-19 expenses were incurred to protect the safety of our employees in order to allow them to continue providing uninterrupted services to our customers.

Despite the challenging operating environment, Liberty Kenya's licensed subsidiaries remain financially sound and well capitalised. The 31 December 2020 SCR cover takes account of the operational and investment market impacts of the pandemic and the establishment of the pandemic reserve, underpinning our ability to fulfil our promises to policyholders and other stakeholders.

Total income**Total assets****Profit after tax**

Liberty Kenya's results continue to demonstrate resilience, both in terms of financial strength, robustness and diversity in performance. The group's operating entities are well capitalised above both regulatory and the group's minimum requirements.

The challenges brought about by the COVID-19 pandemic did not distract from many of the group's initiatives to enhance the customer experience. The group fast-tracked its digitalisation work across the operating subsidiaries.

The group's profit after tax for the year of KShs 676 million was only 2% down on 2019's restated KShs 690 million and 9% lower than the originally reported figure of KShs 741 million. Heritage Kenya posted strong growth in earnings for the year while Liberty Life results were impacted by the establishment of a KShs 113 million COVID-19 pandemic reserve and related KShs 80 million reserving for product guarantees. Heritage Tanzania reported a decline in profit as a result of a net lower net premium, increased net commission costs, increased transactional taxes arising from a tax authority audit and increased administrative fees necessary to gain or retain business.

The significant uncertainty that currently exists regarding the spread of the COVID-19 virus in Kenya and Tanzania in the short-term and its economic consequences resulted in the board deciding not to declare any dividends in respect of the year ended 31 December 2020 (2019: Nil per share).

Earnings by business unit

The table below summarises the group performance at the entity level.

KShs millions	2020	2019	% change
Liberty Life	174	269	-35.3
Heritage Insurance Kenya	655	529	+23.8
Heritage Insurance Tanzania	41	98	-58.2
Liberty Kenya Holdings	(205)	(216)	5.1
Elimination of right-of-use assets	11	9	+22.2
Group profit after tax	676	689	-1.9

Liberty Kenya Holdings relies almost entirely on dividend income from its operating subsidiaries to fund working capital, which includes certain shareholder charges from the subsidiaries, and recoveries for directors' fees. For the year ending 31 December 2020, the company made a net loss of KShs 20 million after dividend receipts of KShs 185 million (2019: KShs 278 million profit).

Deliver on investor expectations (continued)

Liberty Life Kenya



	2020	2019	% change
Return on equity (%)	6.0	9.8	-38.8
Claims ratio (%)	58	40	+45.0
Solvency (%)	215	208	-58.2
Expense ratio (%)	23	25	+5.1
Total assets (KShs million)	24,501	24,581	+5.1
Liabilities under insurance and investment contracts (KShs million)	19,558	19,699	+22.2
Net customer cash flows (KShs million)	430	379	+13.5

Operating results

Key metrics

KShs millions	2020	2019	% change
Gross earned premiums	2,707	3,015	-10.2
Net earned premiums	2,506	2,809	-10.8
Commissions earned	103	88	+17.0
Total investment income	1,905	1,676	+13.7
Claims and policyholder benefits	3,090	3,465	-10.8
Acquisition costs	611	664	-8.0
Operating and other expenses	966	1,013	-4.7
Profit before tax	273	406	-32.8

The company's Income Builder product remains its most profitable retail product. However, its 2020 performance was impacted by the creation of a KShs 30 million COVID-19 reserve and expenses strain.

The Group Risk profit for 2020 was negatively impacted by adverse claims experience driven by redundancies at Stanbic and NHIF claims. The COVID-19 reserve of KShs 77 million also negatively impacted profitability for the year.

The value of new business (VoNB) is a good measure of the economic value of profits likely to emerge from new business in the future. It is also a good measure of the quality of underwriting practice, from product development, pricing, distribution, servicing of the book and other customer experience measures and profitability for shareholders. Under the circumstances, the business performed well, reporting VoNB of new business of KShs 144 million, only 4% lower than the prior year's KShs 150 million. Group risk generated positive VoNB of KShs 196 million while retail and retirement benefits generated negative VoNB of Kes 31 million and Kes 22 million respectively.

The VoNB margin declined to 1.23% (2019: 1.64%) as a result of the challenging operating environment.

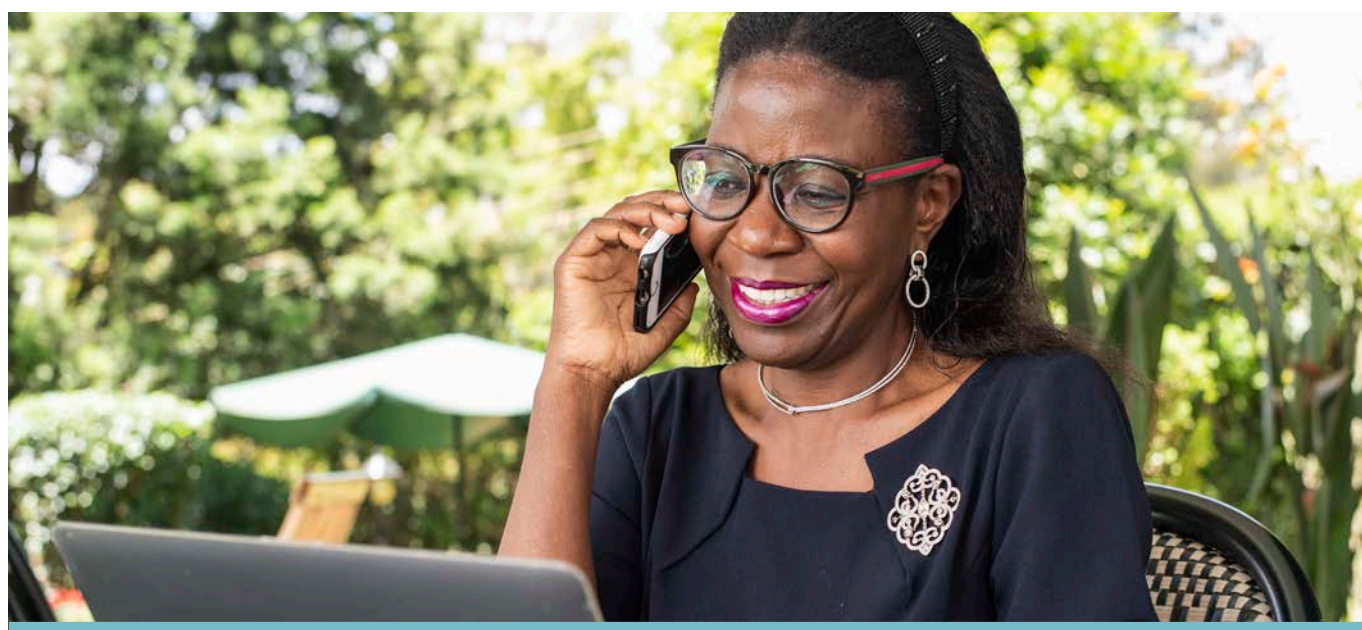
The decline in the VoNB margin was driven by the following:

- Expense overruns in the Boresha Maisha unitised product, and
- Negative margins in the Income Builder and KCB Elimisha products

Group Life business continues to be the biggest driver of VoNB and VoNB margin.

Acquisition (10% below 2019) and operating (2% below 2019) cost reductions reflect the challenging environment as a result of COVID-19 restrictions. Notable savings were realised in office, marketing, conference and travel costs. Overruns were experienced on communications as a result of the additional airtime and data bundles consumed while working from home. A change to the bad debt provisioning policy saw an increase in this line item. Management is aware of the impact of COVID-19 on collections and continues to engage the affected schemes and monitor progress through the monthly credit committee meetings.

While the initial expense per policy exceeded assumption for much of 2020, it declined to a level lower than assumption in December 2020. Renewal expenses per policy tracked well below assumption for the entire year.



Heritage Insurance Kenya



	2020	2019	% change
Return on equity (%)	16.6	17.5	-35.3
Net claims ratio (%)	58	45	+28.8
Solvency (%)	354	310	-58.2
Expense ratio (%)	36	38	5.1
Total assets (KShs million)	10,982	9,431	5.1
Liabilities under insurance and investment contracts (KShs million)	3,687	2,717	+22.2
Net customer cash flows (KShs million)	2,468	3,071	-19.6

Operating results

Key metrics

KShs millions	2020	2019	% change
Gross earned premiums	5,846	5,586	+4.7
Net earned premiums	3,470	3,406	+1.9
Commissions earned	549	463	+18.6
Total investment income	552	491	+12.4
Claims and policyholder benefits	3,378	2,515	+34.3
Acquisition costs	691	611	+13.2
Operating and other expenses	1,355	1,488	-9.0
Profit before tax	891	855	+4.3

Gross written premium growth was driven by organic growth in renewal business. The loss ratio improved for most classes except for engineering, commercial fire and marine. The discounting of the outstanding claims reserve saw the company release KShs 187 million to the income statement. Higher investment income was driven by an increase in assets under management as a result of improved credit management and investing in longer-term treasury bonds.

Private motor vehicle insurance has traditionally been a loss leader for Heritage and for the entire industry. In 2019, the company introduced motor telematics (Auto-Correct) in an effort to reverse this trend while providing customers with rewards for better driving habits. Commercial motor vehicle insurance remained profitable during the year despite the COVID-19 pandemic and the reduction in cover and premiums negotiated with customers. Combined motor vehicle insurance represented 25% of gross written premiums, the same as 2019, despite a year-on-year 7% decline in premiums for this line of business.

The non-motor and non-medical business accounted for 42% of gross written premium and reported a 3% increase in gross written premium on 2019. This type of business is mostly generated by corporates and is highly brokered. The sums insured tend to be large and consequently it is highly reinsured. A significant increase in claims were recorded in the last quarter of 2020, increasing the loss ratio to 30% (2019: 18%).

The medical business accounted for 33% of gross written premiums. Medical business production was 11% above prior year with organic growth on the renewal of most schemes. The overall renewal rate of 86% reflects the constraints placed on business activity as a result of the COVID-19 pandemic. For the same reason, challenges in writing new business were experienced during the year. Our schemes recorded an overall loss ratio of 54% against an industry ratio of 68%. Lower doctor and hospital visits as a result of COVID-19 restrictions drove this lower loss ratio.

Management is committed to maintaining the downward trajectory of the expense ratio following cost rationalisation implemented in 2020.

Heritage Insurance Tanzania

	2020	2019	% change
Return on equity (%)	5.5	14.6	-62.3
Net claims ratio (%)	12	36	-66.6
Solvency (%)	219	164	+33.5
Expense ratio (%)	31	28	+10.7
Total assets (KShs million)	2,664	3,054	-12.8
Liabilities under insurance and investment contracts (KShs million)	490	881	-44.4
Net customer cash flows (KShs million)	2,300	1,516	+51.7

Operating results


Key metrics

KShs millions	2020	2019	% change
Gross earned premiums	2,623	2,357	+11.1
Net earned premiums	710	694	+2.3
Commissions earned	307	295	+4.1
Total investment income	119	112	+6.3
Claims and policyholder benefits	324	841	-61.5
Commission expenses	367	339	+8.3
Operating and other expenses	437	357	+22.4
Profit before tax	74	153	-51.6

Heritage Tanzania reported an underwriting loss of KShs 47 million (2019: profit of KShs 34 million), leading to a corresponding reduction in profit before tax. Despite an 11% growth in gross written premiums, net earned premiums only increased by 2%. Increases in administrative fee payments, net commission costs, operating costs and a large prior-period tax expense arising from a tax audit were the main elements underling the decline in the company's earnings. A change in the method of accounting for excess of loss premiums also reduced the company's earnings by KShs 19 million.

Five brokers contribute almost 90% of the brokered channel's gross written premium. The company has administrative fee agreements with these brokers. In February 2021, the Regulator formally advised all underwriters that administration fees or any form of additional compensation to brokers will no longer be permitted. The impact on this ruler on Heritage Tanzania and the industry remains uncertain.

We are part of the fabric of society



Civil society

We seek to play a meaningful role in society by strengthening communities, understanding and managing our environmental impacts and contributing to the economies in which we operate.

Liberty Kenya has a clear corporate social investment (CSI) policy that details our corporate values, the role of the company, our mission statement, our action plan and the management approach towards the various programmed projects. This policy is executed through a dedicated and passionate CSI team of employees from Liberty Life and Heritage Insurance Kenya.

Guided by the Liberty SA CSI guidelines (to which Liberty Life and Heritage Insurance are members), we are committed to supporting:

70%

education initiatives

20%

health initiatives

5%

ad hoc requests

5%

employee matching

Education pillar



Our initiatives are aligned to the Sustainable Development Goals (SDG) with our key pillar focused on **Goal 4 - Quality Education**.

In line with this, we have provided sponsorship opportunities for needy and promising students across 32 counties. This has been extended through our continued partnership with the Starehe centres for boys and girls. The sponsorship covers tuition fees for secondary school and is extended to further cover tertiary education.

In 2020, a total of 170 students benefited from the Liberty Life Grants Scholarship Programme. Of these, 52 were new selections and 118 continuing students. Beneficiaries included students on partial scholarships from our customer base, employees and financial advisers. In addition, we provided full scholarships for needy students from Starehe Girls' Centre, Starehe Boys' Centre and Kajiado Primary School. Qualification for sponsorship is merit based, with a review of the academic progress of the beneficiaries throughout the sponsorship period.

In addition to tuition fees, the students also benefit from support extended towards their upkeep while in school. 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, learn and grow into responsible members of the community.

Liberty Life has partnered with the Kajiado Township Primary School where various projects are undertaken, including a water project to provide the school with safe and clean drinking water, a school feeding programme and a library. In 2020, we continued our partnership with the school through sponsorship of the top performing students in the school, covering their secondary education. This highly coveted annual sponsorship prize has seen a significant improvement in the overall student performance.

In collaboration with the University of Nairobi, Liberty Kenya continued to enrol top actuarial students into its internship programme. Although the academic year was postponed as a result of the closure of learning institutions, we will ensure that qualifying students in the 2020 academic year are included in our internship programme.



Health pillar



In alignment with the SDG **Goal 3 – Health and Well-Being.**

We have supported various charitable causes through our partnership with Faraja Cancer Trust, participating in the Water Rafting Challenge to raise funds as well as hosting a Cancer Awareness breakfast session in Eldoret, followed by a free medical camp for the community.

As the global COVID-19 pandemic began to impact on the local economy, the Kenyan Government established a national COVID-19 response fund to assist in coordinating the support activities of institutions focused on vulnerable communities affected by the measures taken to curb the spread of the pandemic and support the health sector to build resilience during the period. The Insurance Regulatory Authority (IRA) and Association of Kenya Insurers (AKI) coordinated efforts by the insurance sector and Liberty Kenya contributed KShs 3 million to the national COVID-19 fund.



Mind My Money

A Retirements Benefits Authority survey in 2011 showed that in Kenya exclusion decreases as the level of education increases. Further, a 2019 FinAccess Household Survey, jointly conducted by the Kenya National Bureau of Statistics, Central Bank of Kenya and Financial Sector Deepening Trust showed that most Kenyans are reliant on their own knowledge than expert opinion for financial advice. For a country whose economy is largely driven by small to medium business, investment in financial literacy and education amongst individuals will lead to increased informed consumer choice, and positive impact on entrepreneurship. To address the national crisis, Liberty Life and Heritage Insurance created a free-to-public financial literacy programme, dubbed Mind My Money aimed at growing financial literacy.

The programme was launched in March 2019 and, targeted individuals keen to understand and properly plan for their finances at any stage of their lives. It has used self-paced digital classes and classroom-based workshops to guide participants on financial planning, savings and investments; managing credit and debt; insurance; and budgeting.

In the last year, the training series has been presented at over 20 corporate organisations including Kenya Airways, International Livestock Research Institute, Nation Media Group, and directly reached out to over 1,200 individuals across the country.

Following the emergence of the COVID-19 pandemic crisis in Kenya, Liberty Life and Heritage Insurance Kenya unveiled an expanded version of the programme to help Kenyans manage the COVID-19 pandemic shocks.

The renewed training series offers a six-month financial content series, in print and on virtual platforms, to help Kenyans understand how to protect their financial health as a response to the immediate, near-term and long-term economic changes associated with COVID-19. Specifically, the initiative's curricula focuses on financial planning, savings, investment and insurance, managing credit and debt, and aims to build household and business resilience during this phase.

As a consumer's financial freedom think-tank, we are committed to working with households and businesses to provide expertise and informational touchpoints that can help mitigate the potential impacts of emerging financial hardships, moving forward.





05

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Five-year financial review (Liberty Kenya Holdings Plc only)

Five-year consolidated statement of profit and loss

KShs'000	2020	2019*	2018	2017	2016
Net insurance premium revenue	6,685,862	6,909,152	6,309,226	6,330,749	5,573,336
Investment and other income	3,171,862	4,616,569	3,002,824	4,092,743	3,451,537
Total income	9,857,724	11,525,721	9,312,050	10,423,492	9,024,873
Net insurance benefits and claims	(4,209,101)	(5,724,041)	(4,193,501)	(4,982,709)	(3,952,115)
Operating expenses and commissions	(4,604,726)	(4,674,848)	(4,193,593)	(4,336,513)	(4,130,873)
Profit before income tax	1,043,897	1,126,832	924,956	1,104,270	941,885
Income tax expense	(367,951)	(437,216)	(375,430)	(429,697)	(314,051)
Profit for the year	675,946	689,616	549,526	674,573	627,834
Non-controlling interests	16,611	39,190	55,815	20,782	42,254
Costs to income ratio	47%	41%	45%	42%	46%
Basic and diluted earnings per share (KShs)	1.23	1.21	0.92	1.26	1.17

Five-year consolidated statement of financial position

KShs'000	2020	2019*	2018*	2017	2016
Total equity	8,705,185	7,982,114	7,619,139	7,493,565	6,864,408
Assets					
Property, equipment and intangible assets	1,367,123	1,366,126	1,387,189	1,401,681	1,341,566
Right-of-use assets	86,928	112,158	125,344	-	-
Investment property	832,850	886,729	885,855	876,434	907,626
Goodwill	1,254,995	1,254,995	1,254,995	1,254,995	1,254,995
Financial investments	23,357,471	23,843,193	20,639,868	23,054,450	20,121,263
Policy and staff loans receivable	1,712,273	1,791,734	1,816,935	1,928,552	1,775,278
Other assets	4,954,122	4,547,841	4,461,693	5,133,354	4,760,587
Cash and cash equivalents	5,735,467	4,419,078	6,132,504	3,689,506	4,936,638
Total assets	39,301,229	38,221,854	36,704,383	37,338,972	35,097,953
Liabilities					
Insurance and investment contract liabilities	22,740,478	21,403,260	19,074,533	18,114,709	15,071,497
Investment contracts with discretionary participation features	3,928,866	4,889,658	5,860,977	7,833,598	10,367,517
Other liabilities	3,926,700	3,946,822	4,149,734	3,897,100	2,794,531
Total liabilities	30,596,044	30,239,740	29,085,244	29,845,407	28,233,545
Net assets	8,705,185	7,982,114	7,619,139	7,493,565	6,864,408

*Restated

Shareholder information

at 31 December 2020

Top 10 shareholders	Number of shares held	Shareholding %
Liberty Holdings Limited	309,333,535	57.74
African Liaison and Consultant Services Limited	82,250,289	15.35
Standard Chartered Kenya Nominees Limited A/C KE22446	39,159,077	7.31
Standard Chartered Kenya Nominees Non-Resd. A/C 9866	33,974,282	6.34
Genghis Nominee A/C 029	27,000,000	5.04
Stanbic Nominees Ltd A/C NR1031142	5,345,350	1.00
Standard Chartered Kenya Nominees Limited A/C KE22816	5,039,493	0.94
The Permanent Secretary to the Treasury of Kenya (On behalf of the Govt of Kenya)	4,602,008	0.86
Peter Kingori Mwangi	1,817,422	0.34
Co-op Custody Account	1,490,597	0.28
Total	510,012,053	95.20

Distribution of shareholding	Number of shareholders	Number of shares held	Shareholding %
1 - 500	3,019	440,780	0.08
501 - 1,000	613	453,512	0.08
1,001 - 5,000	1,038	2,279,101	0.43
5,001 - 10,000	413	3,112,817	0.58
10,001 - 50,000	296	5,639,215	1.05
50,001 - 100,000	50	3,522,276	0.66
100,001 - 500,000	29	5,996,132	1.12
500,001 - 1,000,000	4	2,783,213	0.52
1,000,001 - 999,999,999,999	11	511 480 453	95.48
Total	5,473	535,707,499	100.00

Forward-looking statements and shareholder diary

Forward-looking statements

This integrated report contains certain statements about the Liberty Kenya group that are, or may be deemed to be, forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect or incomplete, then actual future performance and achievements may be materially different from those expressed or implied by such statements. Furthermore, care has been taken to avoid providing forward-looking statements which would constitute a specific or general profit forecast or estimate. There is accordingly an inherent limitation in the scope of the forward-looking information provided. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in this report.



