Let's Go Beyond.

Simple • Transparent • Honest

FOR YOU

SAFARICOM PLC
Annual Report and Financial Statements
2021

Safaricom

BEYOND 20 YEARS

WHO WE ARE

Safaricom PLC is a leading Kenyan communications company and a digital innovator providing a wide range of communication services, including mobile voice, messaging, data, financial and converged services with a purpose to Transforming Lives.

OUR PURPOSE

Transforming lives

OUR VISION

We are a purpose-led technology company that uses innovation to drive social and social-economic empowerment in society

OUR BRAND PROMISE

Simple. Transparent. Honest.

FOR YOU

OUR CULTURE

PURPOSE

When we focus on our purpose, profits will come naturally.

HUMANNESS

We all matter; our diversity is our strength.

GROWTH

We are enterprising, innovative and take risks to grow – for self and business.

TRUST

Our customers, partners and colleagues trust us.
We are accountable, vulnerable and authentic.

OUR STRATEGIC PILLARS

STRENGTHEN THE CORE

- **Defending voice** through use of Customer Value Management (CVM) platforms
- **Democratising data** through devices, reach and use cases
- **Expand enterprise portfolio**: IoT, ICT, FTTH/FTTB
- Win in FTTH/FTTB as a **converged business**
- Create a fintech anchored **'platform of choice' for empowerment of SMEs/MSMEs**
- Expand the core financial services into **new geographies** by entering Ethiopia

TO BE A FINANCIAL SERVICES PROVIDER

- **Next financial services:** wealth management, savings, insurance, credit, subject to regulatory approvals
- **Smart lifestyle channel:** M-PESA Super App
- **Integrated business solution:** Business App and payment aggregation platform
- **Universal payment network:** enhanced merchant interoperability and enable e-commerce and cross-border payments

WIN IN SELECT DIGITAL ECOSYSTEMS

- **Scale DigiFarm** in a commercially sustainable way
- **Healthcare inclusion** through digital healthcare services
- Enabling access to **online learning**

ACHIEVE COST LEADERSHIP

- **Drive cost optimisation** to fuel growth in new areas
- **Smart procurement**, automation, **digitisation** and operating model transformation

CONTENTS

NAVIGATION ICONS

CAPITALS

- Human and intellectual capital
- Social and relationship capital
- Manufactured capital
- Financial capital
- Natural capital

STAKEHOLDERS

- GR Governments and regulators
- C Customers
- IS Investors and shareholders
- E Employees
- S Suppliers
- CM Communities
- BP Business partners
- M Media

COVID-19

- COVID-19 impact

STRATEGIC PILLARS

- Strengthen the Core
- Financial Services Provider
- Win in Select Digital Ecosystems
- Achieve Cost Leadership

MATERIAL MATTERS

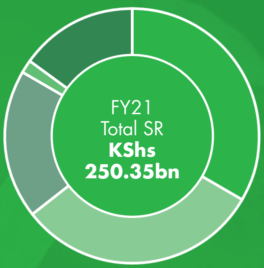
- 01 Governance, risk and business ethics
- 02 Our regulatory environment
- 03 Our platforms
- 04 Environmental stewardship
- 05 Innovation and partnerships

SDG GOALS

- 3 Good health and wellbeing
- 4 Quality education
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 10 Reduced inequalities
- 12 Responsible consumption and production
- 16 Peace, justice and strong institutions
- 17 Partnerships for the Goals

FY21 AT A GLANCE

SERVICE REVENUE **PROFILE (%)**



Voice outgoing	**33.0%**	Fixed data	**1.4%**
M-PESA	**30.3%**	Others	**14.7%**
Mobile data	**17.9%**		

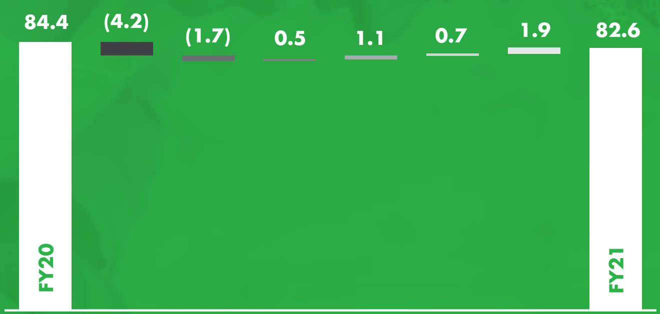
+12.0% YoY
Total customers to 39.90m

+9.9% YoY
One-month active customers to 31.45m

+12.4%
Distinct Bundle users to 16.71m

+31.5% YoY
Fixed Home customers to 137.39k

CONTRIBUTION TO **M-PESA REVENUE (KShs Bn)**



Transfers	-15.0% YoY	Withdrawals	+3.8% YoY
Payments	-12.0% YoY	IMT*	+54.3% YoY
Betting	+12.1% YoY	Lending and Savings	+30.3% YoY

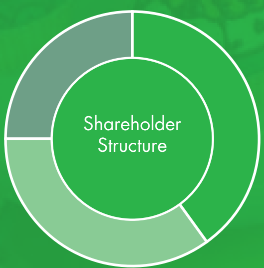
* International Money Transfer.

+13.6% YoY
One-month active M-PESA customers to 28.31m in FY21

+43.1% YoY
Number of M-PESA agents to 248k in FY21

+74.8% YoY
Number of one-month active Lipa Na M-PESA tills to 302k in FY21

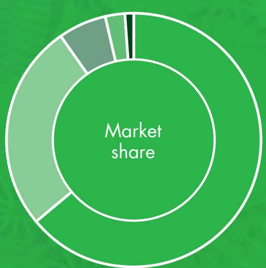
SHAREHOLDER **STRUCTURE** AND MARKET **SHARE**



40%	Vodafone of Kenya Limited (VKL) (Vodacom ownership of VKL 87.5%)
35%	Government of Kenya (GoK)
25%	Free Float at the Nairobi Securities Exchange (NSE)

654%
Total shareholder return on stock since listing (2020: 607%)

62.4%
Safaricom market capitalisation out of the total for listed companies at NSE (2020: 54.6%)
(Source: Bloomberg as at 31 March 2021)



64.4%	Safaricom
26.6%	Airtel
6.2%	Telkom
2.5%	Equitel
0.3%	Jamii Telecommunications Ltd

(Source: Communications Authority, Operators' Returns Q3)

A LETTER TO INVESTORS AND STAKEHOLDERS

This Annual Report provides a concise, material and honest assessment of how Safaricom PLC creates value over time. It gives an overview of Safaricom's strategy and business model, risks and opportunities, operational and governance performance and activities for the financial year 1 April 2020 to 31 March 2021.

We look beyond the boundaries of traditional financial reporting to assess the broader risks, opportunities, impacts and outcomes that materially impact on Safaricom's value creation over the short- (less than twelve months), medium- (one to five years) and long-term (beyond five years). Financial and non-financial data from all divisions are fully 'consolidated'.

Reporting frameworks

This report is prepared in accordance with the International Financial Reporting Standards (IFRS) Framework and the International Integrated Reporting Framework. Our reporting process is guided by the principles and requirements of IFRS, the Nairobi Securities Exchange (NSE) Listings Requirements and the Kenyan Companies Act, 2015.

Materiality

This report provides information on the matters we believe could substantively affect value creation at Safaricom PLC. Written primarily for current and prospective investors, our aim is to meet the needs of every stakeholder who wishes to make an informed assessment of Safaricom's ability to create sustainable value over time.

We carry out a structured process involving senior decision-makers from across the Group to identify and prioritise the material matters for inclusion in our Annual Report. This process involved a considered review of our business model and strategy, our operating environment, and the interests of our key stakeholders as expressed by them during our normal business engagements with them.

The outcomes were reviewed and signed off by the Board Committees, namely the Board Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee.

This report presents the identified material information through a clearly-structured narrative. Additional information that is not material to the report but is of interest to stakeholders for other purposes is provided in our other reports, including our Sustainability Report and on our website.

Integrated thinking

Integrated thinking is intrinsic to how we manage our business and our strategy development and reporting practices.

Our strategy and its four strategic pillars has been developed to ensure that we manage the key resources and relationships that enable us to create value over time. Considered assessment of the four strategic pillars informs our strategy and the materiality process used to determine the content and structure of this report. A review of our interaction with key resources and relationships is presented on pages 26 to 29 of this report.

Assurance

Our Board Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee provide internal assurance to the Board on an annual basis on the execution of our 12 strategic priorities. The Company's financial, operating, compliance and risk management controls are assessed by the Company's internal audit function, which is overseen by the Board Audit, Risk and Compliance Committee.

Board approval

The Board has applied its collective mind to the preparation and presentation of the information in this report, which has been guided by IFRS and the the International Integrated Reporting Council (IIRC) Framework. The Board believes that this report addresses all material issues and presents a balanced and fair account of the Company'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 Safaricom's strategic plans and have ensured that these disclosures do not place Safaricom at a competitive disadvantage. On the recommendation of the Board Audit, Risk and Compliance and Nominations and Remuneration Committees, the Board approved the Safaricom PLC Consolidated Audited Financial Statements on 12 May 2021.

Signed on behalf of the Board

Michael Joseph
Chairman

Peter Ndegwa
Chief Executive Officer

HOW WE CREATED VALUE IN 2021

For our customers

Enhanced 4G coverage to **94%**, 3G coverage at 95%, 2G coverage at 96%

5G trials launched; 15 sites on trial targeting 150 sites in the next financial year

Zero-rated 1.7bn **M-PESA transactions valued at KShs 4.38tn** on P2P and LNM transactions below KShs 1,000, free M-PESA wallet to Bank and Bank to M-PESA wallet (C2B and B2C) and paybill for hospitals and dispensaries

Zero-rated **educational resources**

Double bandwidth to fibre customers which is now permanent

10,080km length of fibre optic deployed, 349.1k homes passed +5.4% YoY, 204.2k homes connected, +43.7% YoY

Active M-PESA Agents 247.9k agents +43.1 YoY, 301.6k LNM merchants +74.8% YoY

For our employees

9 out of 10 people would recommend Safaricom as a place to work

89% of our people, +6ppt YoY are excited about the future of Safaricom

67.2% of staff have completed at least one future skills course on Safaricom Business School and instructor-led training. Agile, Cyber Security and Data Science & Analytics

50-50 gender split

6,230 of permanent, temporary and contracted employees

For our shareholders

Declared dividends KShs 54.89bn; Interim dividends KShs 0.45 DPS, Final dividend KShs 0.92 DPS

654% total shareholder return since listing

62.4% of Safaricom market capitalisation out of total for listed companies at NSE

Regional expansion to drive value and growth – Ethiopia Telecommunications licence secured

For our society

6.0% contribution to GDP (2020)

Over 1 million jobs created and sustained (2020)

Over 1.4 million SMEs and enterprises on M-PESA

A total of **5.2 million subscribers** made use of 3,700 clinics through M-Tiba, mobile phone solution that allows anyone to send, save and spend funds specifically for medical treatment

Digitised 300 out of 5,000 government workflows

Integrated 23 out of 47 counties with M-PESA

OUR COVID-19 RESPONSE

Supporting our country

Our Economy

KShs 4.38tn Value of zero-rated M-PESA transactions

KShs 0.4bn Bonga for Good; 2 billion Bonga Points

KShs 130m COVID-19 support for dealer operations

Early SME supplier payments

Our Customers

Zero-rated **educational** resources

Double bandwidth to ensure **connectivity for home** customers

KShs 150,000 daily M-PESA transactions limit to support SMEs; **KShs 300,000** daily M-PESA wallet capacity

Establishment of **24/7 COVID-19 information centre** leveraging on our customer contact centre.

Our People

Over **KShs 0.25bn** for provision of personal protective equipment (PPE) and protective measures

Virtual process of electronic airtime purchase to minimise human interaction at dealer and agent points

Monthly stipends and PPE to approximately **3,200 supplier employees** working within our locations

77% staff enabled with working tools and skills, laptops, seats and online training courses

22 Webinars held so far with **5K+ participants** on various psychosocial topics

More than **600** expiring staff contracts renewed

Our Community

COVID-19 Fund donation; **'Bega kwa Bega'** initiative **KShs 0.2bn**

Government support; Purchase of thermal cameras **KShs 0.1bn**

Community support; Funds set aside to help in education, health and empowerment **KShs 0.3bn** impacting **1.0m+** lives

Support to **2,500 vulnerable families** from Safaricom staff

KShs 60m+ 'Ndoto Zetu' support response to COVID-19 in water, health, economic empowerment and **education projects touching 1.2m+ lives**

01 OVERVIEW

WHO WE ARE

WE ARE SAFARICOM

the Company that...

...made a brand promise to **CUSTOMERS**

read more on page 15

...partnered with agri businesses to boost **FARMERS'** prosperity

read more on page 16

...made a commitment to **HOUSEHOLDS**

read more on page 17

...addressed diversity and inclusion among **OUR PEOPLE**

read more on page 89

...facilitated online **EDUCATION**

read more on page 63

...and kept **KENYA** connected.

read more on page 8

TWENDE TUKIUKE

Let's Go Beyond.

Simple • Transparent • Honest

FOR YOU

Our anniversary celebrations were an ideal opportunity for us to renew our commitment to customers as we usher in our third decade of growth.

Through a brand campaign dubbed 'Twende Tukiuke' – a call to go beyond what is thought possible – we showcased the power of mobile technology in transforming lives.

What is Twende Tukiuke?

Twende Tukiuke comes from the word 'kiuka', with the action being 'tukiuke'. When we say Twende Tukiuke we mean 'let's break barriers', 'go beyond the norm', 'take a leap'. We are inviting you to go above and beyond for the life, community and country we all deserve, with Safaricom as the silent partner cheering you on.

Over the last 20 years, we have always been a supporter and enabler of your dreams. Now the future is ours to create and Safaricom will always be there FOR YOU.

In October 2020, we celebrated our 20th anniversary. It has been a beautiful journey of transforming lives, now we want to go beyond!

In the past two decades, Safaricom has grown from a telecommunication service provider into a technology company. We have grown to be more than just a mobile service provider, morphing into a digital lifestyle enabler leveraging on technology driven by our purpose: To transform lives. Our customers have been a key part of this journey. They have shown confidence in us and supported us in the 20 years we have served them. We are very grateful for that confidence and continue to go beyond to earn it. Last year, we made a new commitment, to be there for them in a Simple, Transparent and Honest manner. While this has been the case, we are committing to make it better through elevating their customer experience and adequately meeting our customer's needs.

The next phase of Safaricom's growth will be driven by our vision to become a purpose-led technology company by 2025. We are cognisant that technology and a data-driven economy can further support Kenya's economic growth and these will be our launchpad for the next 20 years. This will see us continue our innovation tradition and simplify our products and services in line with our FOR YOU brand promise.

Safaricom will continue to support the growth of SMEs and Micro-SMEs, which are the engines of economic growth in our country, by offering enhanced financial services and connectivity solutions. We plan to go beyond to new frontiers, be more present, more world-class and enable new platforms to launch our SMEs into greater possibilities.

Safaricom's products and services play a central role in the daily lives of nearly 40 million customers. With such a huge customer base under our wings, our purpose has always been to continue transforming lives through delivering connectivity and innovative services that can truly improve the quality of life and the livelihood of every person the Company reaches.

Network coverage and device financing

Despite the high level of mobile telephone penetration in Kenya, a large section of the population is unable to afford 3G- and 4G-enabled devices and still relies on 2G-enabled devices. Even with that, we accelerated 4G coverage in the year, **upgrading 1,045 sites to 4G, which increased the 4G coverage to an additional 20% of the population. Our 4G network covers 94% of the Kenyan population, while the 3G and the 2G network covers 95% and 96%, respectively. There is no doubt that mobile communication is easier than ever before and that more lives have been touched by it.**

Also, as Safaricom drives digitisation for its consumers and enterprise customers, the organisation has so far **laid 10,080 km of fibre and connected more than 204,000 homes and 38,000 enterprise customers**. This has made it possible for customers to stay connected to loved ones, stream videos and music, or get information online in record time.

OUR JOURNEY...

1999
Safaricom was licensed
(Officially launched in October 2000)

2000
Vodafone PLC (UK) bought **40%** of Telkom Kenya

2001
- Entry of Kencell into the Kenyan market
- Safaricom had **26,000** subscribers

2002
- **KShs 9 billion revenue**
- Converted into a public company with 60% owned by GoK
- KShs 100 scratch card was introduced

2003
54.0% Market Share

Drive into mass market:
- Launch of Simu ya Jamii (Swahili for communal phone) – users were able to make affordable calls at regulated rates charged per unit second
- Launch of per second billing – counter competition per minute billing rates charged per unit in seconds

2004
59.2% Market Share
- Subscriber numbers hit **2 million**
- Telkom exclusivity with Safaricom ends. Kencell sold to Vivendi then Celtel.
- Mobile internet launched

2005
54.5% Market Share
- Launch of Sambaza (allows subscribers to share credit/airtime)
- Launch of "Please Call Me", Safaricom's Flash Back service

2006
60.8% Market Share

Safaricom Foundation

The S**afaricom Foundation is one of the largest corporate foundations in Kenya with a focus on building communities and transforming lives.** The Foundation has foot print in each of the 47 Counties and has impacted over 5 million people since 2003. Partnerships are at the centre of the work of the Foundation and since inception it has partnered with more than 2500 partners and invested over KShs 3 billion.

...OF TRANSFORMING LIVES

2007

65.4% Market Share

- 6 million subscribers
- Launch of **M-PESA** on 1 March 2007
- First to market with 3G

2008

59.2% Market Share

- Safaricom Intial Public Offering (IPO) government sold 25% and diluted to 35% ownership
- **10 million subscribers**
- **KShs 61 billion revenue**
- Celtel branded to Zain. Telkom partners with Orange. Entry of Essar Telecoms, YU.
- IMT pilot partnership with Vodafone and Western Union

2009

79.1% Market Share

- M-PESA interoperability with banks, WiMAX
- Off island fibre, investment in SEACOM and TEAMS

2010

78.3% Market Share

- Bob Collymore is appointed CEO
- Airtel buys Celtel branded as Zain
- The Communication Authority assigned additional frequency spectrum resources to Zain to enable it to offer 3G services
- Regulator implements MTR reduction to KShs 99 which sparks price war

2011

68.2% Market Share

- **17 million subscribers**
- Mobile number portability
- Price war in the market

M-PESA

This is one of the most ground-breaking products from Safaricom. M-PESA is one of the few pioneering technologies that have put Safaricom on the global map. **M-PESA enables customers to send, receive and store money safely and securely via a basic mobile phone e-wallet**. Launched on 6 March 2007, it was the first mobile money transfer service in the world. So far, M-PESA has over **45.97 million active customers** and over **550,000 active agents** operating across seven countries: Kenya, the Democratic Republic of Congo, Tanzania, Egypt, Ghana, Lesotho and Mozambique.

M-PESA not only allows for P2P transfers and withdrawal, but also payment options and connectivity to formal banking and credit access. It has also facilitated international transactions and deepened financial inclusion in the country.

M-PESA has **significantly reduced the potential risks of street robbery, burglary and petty corruption within cash-based economies where only a small proportion of the population benefits from access to conventional financial services.**

2014

67.8% Market Share

- **21 million subscribers**
- **Launch of 4G** network
- Launch of National Security Surveillance
- Launch of **Spark Venture Fund** to help tech start-ups grow their businesses

2013

65.1% Market Share

- Launch of Lipa Na M-PESA
- **Safaricom is the first company in Kenya to launch a Sustainability Report**

2012

65.3% Market Share

- Safaricom partners with CBA Bank to launch a savings and loan product called **M-Shwari**
- **KShs 107 billion revenue**

M-Shwari

M-Shwari is a paperless banking service offered by Safaricom through our M-PESA platform. **M-Shwari enables our customers to open and operate an M-Shwari account through a mobile phone, without having to visit banks or fill out any forms**. It also provides the ability to move money in and out of an M-Shwari savings account to an M-PESA account at no charge.

Corporate sponsorships

Safaricom has also **engaged in multiple corporate sponsorships as a direct way to support community projects while generating positive publicity for the Company**. Millions of Kenyans have benefited and had their lives touched through sponsorships such as Twaweza Live, Safaricom Jazz, Chapa Dimba Na Safaricom, Our Youth Orchestra, The Safaricom Marathon, The Athletics Series and Groove.

2015

67.1% Market Share

- Regional structure – **Inspired by Safaricom's desire to put the Customer First and provide Operational Excellence** in line with our strategic pillars
- Safaricom relocates M-PESA servers from Germany to Kenya
- Launch of KCB M-PESA and **True Value Report** (Safaricom contribution to Kenyan economy is 6% of GDP)
- Orange and Airtel receive approval to test 4G
- Safaricom partners with GoK to launch eCitizen (online payment for GoK)

2016

65.6% Market Share

- **First company in Kenya** to link its growth strategy to the UN's 17 **Sustainable Development Goals** (SDGs)

2017

71.9% Market Share

- **28 million subscribers**
- **KShs 224 billion revenue**
- Rebrand to Twaweza "When we come together, great things happen"
- Launch of Home Solutions and e-commerce

2018

64.2% Market Share

- **29 million subscribers**
- Launch of **e-commerce – Masoko**
- Launch of **DigiFarm**
- Launch of **M-PESA Global**

2019

62.4% Market Share

- **31.8 million subscribers**
- Launch of Nawe Kila Wakati (NKW) **Always With You** campaign
- Launch of Fuliza

2020

64.8% Market Share

- Launch of **'FOR YOU'** customer promise
- Acquisition of M-PESA brand via joint venture with Vodacom
- Partnership with Visa

2021

64.4% Market Share

- Peter Ndegwa took over as **CEO**
- Launch of new strategy and agile organisation
- Regional expansion into Ethiopia
- **Launch of 5G** trials
- **Launch of device financing** (Lipa Mdogo Mdogo)

OUR PURPOSE AND BRAND PROMISE

Safaricom PLC is a purpose-led technology company providing a wide range of services and solutions, including mobile voice, messaging, data, financial and converged services, and digital services that enable platforms and ecosystem partnerships.

Our purpose – Why we exist
To transform lives

Our way – How we need to do it
Speed, Simplicity and Trust

Our vision – Where we are going
We are a purpose-led technology company that uses innovation to drive social and social-economic empowerment in society

Our business model
The foundation of our growth is the sustained investment we make, centred around customer experience

Our brand promise – Becoming a better company
Simple. Transparent. Honest. **FOR YOU**

OUR PROMISE

01 Simple in how we reach out to you

02 Transparent in what we deliver to you

03 Honest in what we say to you

Our brand promise is designed to inspire trust and belief in our brand in our customers. It is indicative of who we are, what we do and what differentiates us from the competitor. It embodies the experience that our customers can expect to get from us. It is built on authenticity across all units of our brand.

Safaricom promises the economically conscious Kenyans that they can count on us for value that resonates with their lifestyles while providing structure to their world through innovative products and services to better themselves, delivered with **Simplicity, Transparency and Honesty**.

With this brand promise, Safaricom positions itself as a trustworthy lifestyle brand that is about much more than just providing the technology to keep people connected.

SAFARICOM AT A GLANCE

Our customers

39.90m
+12.0% YoY
Total customers

28.31m
+13.7% YoY
M-PESA customers

16.71m
+12.4% YoY
Distinct mobile data bundle customers

65
Up by 6 points YoY
Customer satisfaction (consumer NPS)

82
Up by 2 points YoY
Network NPS

5.1m
up 6.3% YoY
M-Tiba customers

823,101
+49.1% YoY
M-PESA Global customers

137,390
+31.5% YoY
Fixed Home customers

Our people

Diversity

50%
No change
Women in total workforce

2.3%
FY20: 2.1%
Procurement spend on women-owned businesses

33%
-5.7% YoY
Women in senior management

2.6%
+2.3%
Persons with disabilities in workforce

SEMA survey

92%
+3% YoY
Staff who are engaged

93%
+1% YoY
Staff likely to recommend Safaricom as a great place to work

Safety

3
FY20: 1
Fatalities (third parties)

Fraud

19
+18.8% YoY
Members of staff dismissed for fraud

Infrastructure

10,080
+12.0% YoY Cumulative fibre optic footprint (km)

204,234
+43.7% YoY Residential homes connected to fibre optic network

4,500
+13.6% YoY Enterprise buildings connected to fibre optic network

96%
No change YoY of population with **2G** coverage

95%
FY20: 94% of population with **3G** coverage

94%
FY20: 77% of population with **4G** coverage

Environment

57,103m³
-44.1% YoY Water consumption

257 sites
+15.2% YoY using solar and hybrid clean power

75,465 tonnes
-74.8% YoY Total waste collection (88% recycled) in FY21

143 tonnes
-11.1% YoY Of e-waste collected in FY21
1,430 tonnes cumulative to date

Financial

KShs 250.35bn
-0.3% YoY Service revenue

KShs 82.55bn
-4.6% YoY Voice service revenue

KShs 82.65bn
-2.1% YoY M-PESA revenue

KShs 13.60m
-11.7% YoY Messaging revenue

KShs 44.79bn
+11.7% YoY Mobile data revenue

KShs 9.51bn
+6.0% YoY Fixed service revenue

KShs 96.16bn
-5.3% YoY Earnings before interest and tax

KShs 68.68bn
-6.8% YoY Net income

KShs 64.52bn
-8.2% YoY Free cash flow

KShs 105.92bn
Taxes, duties and licence fees paid by Safaricom
KShs 915.42bn since inception

OUR SERVICES AND SOLUTIONS

m-pesa

PARTNERS
- Visa
- Credit and savings
- Global payment partners
- Ant Financial

SECTOR Financial Services

DESCRIPTION
A service that enables M-PESA registered customers to send and receive money globally.

m-tiba

PARTNERS
- Care Pay

SECTOR Health

DESCRIPTION
A health payment application or 'e-wallet' that enables low income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.

FULIZA

Dial *234# to join

PARTNERS
- KCB Group
- NCBA

SECTOR Financial Services

DESCRIPTION
An overdraft facility that allows our customers to complete their transaction in case of insufficient funds.

SOMA NA SHUPAVU 291

PARTNERS
- Eneza Education

SECTOR Education

DESCRIPTION
An SMS- and USSD-based education platform that enables students to study without an internet connection.

Digi Farm

PARTNERS
- Farmers
- Financial institutions
- Input providers
- Content providers
- Off-takers

SECTOR Agriculture

DESCRIPTION
An integrated mobile platform that offers farmers convenient, one-stop access to a suite of products including financial and credit services, quality farm products, access to market and customised information on farming best practices.

M-Salama

PARTNERS
- Kenya Red Cross Society

SECTOR Charity

DESCRIPTION
A platform on USSD and SMS that sends early warning information.

MASOKO

PARTNERS
- Sendy
- Wells Fargo

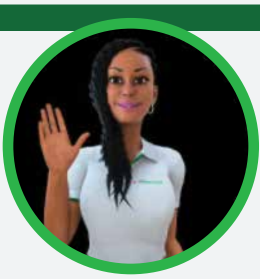
SECTOR E-commerce

DESCRIPTION
An e-commerce platform that creates opportunities for customers to access locally manufactured goods from anywhere in Kenya. 64% of vendors on the platform are SMEs and we work with local manufacturers to help them grow their businesses through e-commerce.

WE ARE THE COMPANY THAT MADE A BRAND PROMISE TO OUR CUSTOMERS

Toll-free COVID-19 information centre keeps you informed

mySafaricom app puts you in control



Zuri chatbot gives you access to our contact centre 24/7

Our 4G network reaches almost everywhere now (94% coverage)

Lipa Mdogo Mdogo helps you afford a 4G smartphone

Home Fibre customers get at least double the bandwidth for no extra cost

Free e-learning keeps your children ‘at school’

Simple. Transparent. Honest. FOR YOU

As part of our intention to be **Simple, Transparent and Honest** with our customers, this year we zero-rated our M-PESA mobile money transactions and took measures to ensure that our customers can contact us easily even during lockdown.

Reliable, fast internet is more important than ever with so many Kenyans working and learning from home, so we offered double bandwidth to our fibre customers and invested in strengthening and expanding our 4G network as well as piloting our new 5G network. We also continued to offer financing to help our customers afford 4G smartphones.

As a result of these actions, we have grown our customer base and maintained a strong balance sheet so that we can continue investing in technology for the future – **FOR YOU**.

WE ARE THE COMPANY THAT PARTNERED WITH AGRI BUSINESSES TO BOOST FARMERS' PROSPERITY

We see opportunities to help realise Kenya's agricultural potential using our mobile technology.

DigiFarm

The pressure on small businesses, including farmers, has been building since the beginning of the pandemic. Kenya's agricultural land is 80% arid and semi-arid land, with only 10% arable, presenting farmers with a challenge. Farmers currently face poor post-harvest management, limited access to harvesting and post-harvest handling services and inadequate local logistics services.

DigiFarm is our free service that offers smallholder farmers convenient, one-stop access to quality farm inputs at discounted prices, input loans, learning content on farming as well as access to market. Through our five-year DigiFarm strategy, we are expanding DigiFarm to deliver scale and enhance commercial viability through several routes, including aggregation, quality and inventory management.

The number of farmers using DigiFarm has grown by 49% during this difficult year to over 62,000, helping keep Kenya stocked with food.

WE ARE THE COMPANY THAT MADE A COMMITMENT TO OUR COMMUNITIES

Safaricom and M-PESA Foundations' response to COVID-19

During the COVID-19 pandemic, the dreams fulfilled through our Foundations' initiatives helped to reduce the burden and pain inflicted on communities by providing interventions in nutrition, health, education and economic empowerment.

M-PESA Foundation

Funded interventions worth
KShs 177 million, impacting 75k lives

- Food and nutrition
- PPE for doctors
- Safe and affordable water
- Menstrual care and hygiene
- Mother and baby packs

Safaricom Foundation

Funded interventions worth
KShs 160 million, impacting 264k lives

- Food and nutrition
- Access to microloans
- '6,000 strong' staff fundraiser

Ndoto Zetu

Approved 330 projects
in 46 counties, impacting 257,000 lives

OUR BUSINESS MODEL

The foundation of our growth is the sustained investment centred around customer experience

We have continued investing heavily and strategically in 4G and now have more than 5,300 sites. Our fibre rollout now covers more than 10,000km opening up opportunities for content, smart home and enterprise propositions in the medium term.

We strive to complement the quality of network experience with personalised products and pricing offers, resulting in customers getting much more for their spend.

Services to our customers

Mobile services

In line with our focus on customers' needs, we offer a range of voice, messaging and mobile data solutions. We invest in CVM and data analytics to inform our product and service development and ensure they remain relevant across varying customer profiles.

We remain committed to constantly enhance our 3G and 4G coverage, while providing the market with affordable 4G smartphones. We recently launched the trail-blazing 5G technology, Kenya's first fifth-generation (5G) mobile internet service targeting both enterprises and individuals across nine towns over the next 12 months.

Financial services

M-PESA is a mobile phone-based money transfer, payments and micro-financing service, launched in 2007 by Vodafone Group and Safaricom. The service allows users to deposit money into an account stored on their cell phones, to send balances using PIN-secured SMS text messages to other users, including sellers of goods and services, and to redeem deposits for regular money. In partnership with Kenyan lenders, we offer a 'Fuliza' overdraft facility that enables M-PESA customers to complete transactions at the point of sale/purchase when they have insufficient funds, subject to an applicable pre-determined limit.

Fixed service

We connect both households and businesses through Fibre to the Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready to connect users to the service.

Platforms

Safaricom is leveraging the power of mobile technology to deliver e-commerce platforms such as 'Masoko' and DigiFarm. Masoko is an e-commerce platform that offers a selection of products and provides a space for merchants to trade goods. DigiFarm connects farmers to knowledge, quality and affordable inputs, credit and insurance and market opportunities.

Support functions

Our core activities are underpinned by a strong body of support function offices including Regional Sales and Operations, Customer Experience, Product and Service Development, Sales and Distribution, Financial Services, Strategy and Innovation, Finance, IT, Risk and Corporate Affairs and Regulatory.

Our revenue drivers

M-PESA now contributes 33.0% of service revenue while mobile data contributes 17.9%, thereby reducing the reliance on traditional voice and messaging revenues. Fixed data contributes 3.8% of service revenue. We have, over the years, successfully continued to expand the portfolio, which builds resilience and strength to our business model consistently offering relevant solutions to our customers.

Our costs

Through the cost leadership pillar of our strategy, we were able to yield cost savings that helped alleviate the pressure on our EBITDA margin. We saw opex decline 3.2% YoY, driven by smart procurement, digitisation and operating model transformation. Thanks to sustained operational efficiencies, we continue to observe improved opex intensity, reducing by 1.2% ppt YoY to 17.0% in FY21.

EBIT recorded a decline of 5.3% YoY driven by loss of revenue from zero-rating M-PESA transactions which weighed heavily on the bottom line.

We sustained investment in our network and systems, with our capital additions for the year at KShs 35 billion. Of this capex, 68% was spent on growth areas aimed at securing revenue for the future. We continue to enhance our network in support of traffic growth, coverage and experience and investing in our IT capability to sufficiently meet the evolving needs of our digital consumers.

In addition to investing in the future prosperity of the business, cash generated from our business allows us to maintain our progressive shareholder returns, guided by our dividend policy of paying 80% of net income reported each year. During this period, the Board declared for the first time an interim dividend of KShs 0.45 per ordinary share held, amounting to KShs 18.03 billion. The final dividend per share of KShs 0.92, amounting to KShs 36.86 billion has been proposed by the Board for approval at the next Annual General Meeting.

This brings the total dividend for the year to KShs 54.89 billion which represents KShs 1.37 per ordinary share held in respect of the year ended 31 March 2021.

OUR SUSTAINABLE BUSINESS MODEL

RESOURCES	INPUTS
FINANCIAL RESOURCES The pool of funds supporting business operations, including equity finance and debt	• KShs 1.45 trillion, USD 13.28 billion **market capitalisation** (2020: KShs 1.06 trillion, USD 10.08 billion) • **64.4%** market share as at 31 March 2021 • **KShs 64.5 billion** free cash flow
HUMAN RESOURCES The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Safaricom's objectives	• **6,230** (full-time employees and contractors) in FY21 • Experienced and ethical leadership team • Digital operating model and agile ways of working • Strong employee proposition and unique reward propositions • Commitment to equal opportunities, safety and wellbeing • Digital and leadership upskilling and reskilling • Investment in training and development
MANUFACTURED RESOURCES The facilities and general infrastructure that enable Safaricom to support business operations (tangible assets)	• **10,080km** Fibre footprint • **KShs 34.96 billion** capital expenditure for the year • A total of **5,526** 2G base stations, of which **5,500** are 3G base stations and **5,387** are 4G base stations • Optimised capital allocation and diversification of revenue growth areas
INTELLECTUAL RESOURCES The intangibles that sustain the quality of our product and service offering, which provide Safaricom's competitive advantage, such as our innovations, systems and reputation (intangible assets)	• A deliberately shaped agile culture • A trustworthy brand that resonates with consumers • Marketing campaigns and initiatives • IT systems and enterprise architecture • Strong balance sheet, diversified portfolio • Market and data analysis
SOCIAL AND RELATIONSHIP RESOURCES The relationships and collaborations we create with our customers, stakeholders and communities	• **39.90 million** customers • **28.31 million** one-month active M-PESA customers • **247k+** M-PESA agents • Informed engagement with regulators • New brand promise • Investor confidence • Long-standing supplier partnerships • Strong corporate governance
NATURAL RESOURCES Renewable and non-renewable resources used to deploy and operate our manufactured capital	• Radio spectrum (700, 800, 900, 1,800, 2,100 and 3,500MHz bands) • Consumed 171.1MWh electricity (2020: 171.5MWh) • Used 57,103m^3 of water (2020: 102,231m^3) • Used 11.6 million litres of fuel (2020: 9.8 million litres)

VALUE CREATION ACTIVITIES

OUR VISION

To be a Purpose-led Technology Company

OUR TRANSFORMATION GOAL

We are a customer-obsessed, digital-first, insights-led organisation that enables platforms and ecosystem partnerships

OUR SERVICES TO CUSTOMERS

Fixed services

- FTTH, FTTB, content and smart home

Financial services

- M-PESA

GSM

- Voice, messaging and mobile data

New platforms

- DigiFarm and Masoko

Support functions

- Various business units

OUR STRATEGY FOR SUCCESS

- Strengthen the core
- Financial services provider
- Win in select digital ecosystems
- Achieve cost leadership

OUR STRATEGIC ENABLERS

- Data and analytics
- Network and IT
- M&A and partnerships
- People and organisation

Outputs

- Service revenue declined by **0.3%** to **KShs 250.35 billion**
- EBITDA declined by **2.8%** to **KShs 134.13 billion**
- Free cash flow declined by **8.2% YoY** to **KShs 64.52 billion**
- Proposed dividend pay-out **KShs 54.89 billion**
- **KShs 339 million** invested by Safaricom and M-PESA Foundations in FY21

- Fair and transparent pay and benefits
- **50:50** male to female ratio in our workforce
- **33%** women in senior leadership
- **25%** women in technology
- **2.6% employees with disabilities**
- **KShs 128 million** invested in employee training
- Launched the Safaricom Business School

- Kenya's best 4G network covering **94%** of the population, up **17% YoY**
- **204,200** residential homes connected to our fibre optic network, up 43.7% YoY
- **15,300** businesses connected to fibre optic network
- Neon Ray – most affordable 4G smartphone in Kenya at **KShs 3,999**

- Better responses to changing consumer needs
- Brand reinforcement and market communication
- Accelerated deployment of new technologies
- Agile project management
- Effective controls and processes
- Improved business practices

- **9.9% growth** in total customer base
- **13.6% increase** in one-month active M-PESA customers
- Network leadership maintained
- Social value through enhanced connectivity and services in inclusive finance, education and health
- **61%** of procurement spend to local suppliers

- Electricity consumption – **171,104MWh**
- Water consumption – **57,103m³**
- Fuel consumption – **11,609,726 litres (petrol and diesel)**

Outcomes

- We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual and social and relationship capitals.
- Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts both the human social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets.
- Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.
- Our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation. Investing in building and maintaining this infrastructure requires significant financial capital and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. Over the long term, the investments in manufactured capital typically generate net positive outcomes.
- Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human and social and relationship capitals, but negatively impacting financial capital in the short term.
- Stakeholder-related investments in initiatives reduces our financial capital in the short term, but positively impacts our social and relationship capital, which, over the longer term, enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social licence to operate.
- Awarded *Top* taxpayer in the country by the Kenya Revenue Authority, 13 years in a row.

While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact the human, social and relationship and financial capitals.

For our customers C

KShs 1,000 and below
Free Person-to-Person and Lipa na M-PESA transactions

Up to 45%
reduction in charges for transaction bands up to KShs 7,500 upon return to charging in January 2021

21.9% YoY
Reduction on the average rate per megabyte

To KShs 12.90 cents

24.0% YoY
Reduction in rate per minute

to KShs 1.60

For our shareholders IS

KShs 0.45
Interim dividend per share

KShs 0.92
Final dividend per share

KShs 96.17bn
-5.3% YoY
Decrease in EBIT

KShs 64.52bn
-8.2% YoY
Decrease in free cash flows

For our employees E

2.6%
Total staff of differently abled employees

25%
Percentage of women in technology

33%
Percentage of women in senior management

46.42 hours
of learning per employee

For our society

Contribution to the Sustainable Development Goals

02

OUR OPERATING CONTEXT

KEY TRENDS
SHAPING OUR INDUSTRY

No business exists in isolation; we must understand the macro social, economic and environmental issues affecting our industry and stakeholders. Staying abreast of these issues helps shape our strategy and informs our responses.

Stability in a shifting landscape

Market trends

- Mobile money
- High-speed internet
- Internet of Things
- Competitor space
- Mobile-enabled platforms

Regulatory risk

- Taxation
- Digital Services Tax
- Data Protection Act 2019
- SIM registration

Global pandemic

The COVID-19 pandemic brought about socio-economic challenges that disrupted our customers, and strained the consumer wallet and businesses across the country. We were not spared either. The unpredictable times affected our business operations, resulting in subdued financial performance.

While the year was marked by a slowdown in economic activity, we supported the country by ensuring network stability to keep the country and people connected, and offered products and support to our customers, including SMEs and MSMEs, which make up the bulk of businesses in the country. During the year, we made significant steps to meet the increased demand for network capacity and evolving consumption patterns of our digital consumers. We supported working and schooling from home and the use of mobile money for transfers and payments to reduce cash handling and to curb the spread of the virus.

During this period, we saw an increased demand for affordable data offerings, growth in traffic for free education content as well as information from government and health portals on COVID-19. We permanently adjusted the double bandwidth offering in support of our Home Fibre customers. To continue empowering our customers with super-fast internet at work, at home and when on the move, we launched 5G trials in April 2021 for individual and enterprise customers.

Market trends

Mobile money

In March 2020, the Central Bank of Kenya announced a set of measures to facilitate increased use of mobile money transactions instead of cash, with the primary objective of avoiding transmission of COVID-19 by reducing handling of bank notes and coins. Our response to the directive included the zero-rating of M-PESA mobile money transactions, increasing M-PESA transaction and wallet limits and the elimination of charges for transfers between M-PESA wallets and bank accounts.

The government support on adoption of mobile money by Kenyans who had not previously used the service or who had used it on a smaller scale, led to a significant increase in M-PESA uptake and usage of mobile money services. This resulted in increased value of M-PESA transactions by 58.2% from KShs 14 trillion in FY20 to KShs 22 trillion in FY21, while the volume of transactions grew 29.8% YoY to 12 billion.

High-speed internet

The pandemic has also driven an increase in internet demand and reliable network connectivity, particularly high-speed services such as 4G and Fibre to the Home (FTTH). The demand has necessitated acceleration of our 4G rollout plans driving 94% 4G population coverage and penetration of 4G devices on our network which increased 39.8% YoY to 8.5 million in FY21. The number of data customers using more than 1GB on the network grew 31.1% YoY to 6.1 million in the last year and homes connected for FTTH increased 43.7% YoY to 204.2k as our customers adopted the working and schooling from home trend. There was also an increase in demand for internet that supports entertainment streaming services. According to Global Monitor's Kenya Telecommunication Market Report (2020-2025), it is anticipated that the majority of Kenya's mobile connections will be on 5G by 2029 and our network masts are prepared for this rollout. We still have a huge opportunity to increase penetration of 4G devices before scaling 5G rollout.

Internet of Things (IoT)

IoT is the inter-networking of 'smart' devices that collect and exchange data, enabling, for example, the real-time remote monitoring of water flow rates within the water utility of Embu Water and Sanitation Company. We continue to drive innovation within this field in Kenya, providing IoT services since 2019 which remains under-penetrated in the industry.

Competitor space

Despite the trend of increased internet use being applicable to all mobile telecommunications operators, we are still the largest operator in the mobile industry in Kenya, with 64.4% market share as at 31 March 2021, according to the quarterly statistics report by the Communication Authority of Kenya. The economic slowdown has led to a difficult environment for service providers to secure the financing needed to support growing infrastructure and service development and so our strong balance sheet and diversified portfolio is a protective factor. Our high-speed internet penetration is significantly higher than our competitors and our 4G service performs at a higher speed, according to independent benchmarking tests by global company, Umlaut. This is partly due to our deployment of 4G carrier aggregation, making us the only operator to enable simultaneous connection to multiple network masts and thus achieving 150% of the speeds of a typical 4G connection.

Mobile-enabled platforms

Mobile-enabled platforms are increasingly disrupting traditional value chains across the region, which escalated during the pandemic as businesses have been forced to adapt to a world of social distancing where face-to-face interactions are rapidly declining. These platforms – mostly developed by rapidly expanding local tech start-up ecosystems – aim to eliminate inefficiencies in conventional business models, as well as extend the reach of services and provide greater choice to customers. Four key areas in which mobile platforms are having a significant impact are financial services, commerce, transport and logistics.

Identifying opportunities

With the rising growth of data-savvy consumers, tempered by the fact that voice and SMS are declining in line with global trends, competition between operators continued to drive acquisition, even as pressure on the consumer wallet increased due to the subdued macro and economic challenges occasioned the by COVID-19 pandemic. This means that we have to consistently continue innovating to offer relevant solutions to our customers. These influences shaped the regulatory environment for Safaricom.

Taxation

According to a recent report on tax in Kenya by the GSMA, the tax contribution of the mobile sector in Kenya is high compared to other countries in sub-Saharan Africa. The Kenyan mobile sector makes a large contribution in taxes and fees relative to its economic footprint; while the mobile market revenue accounted for 3% of Kenya's GDP (Oxford Economics, 2018), the sector's tax and fee payments accounted for around 6.5% of government total tax revenue (Kenyan National Bureau of Statistics, 2019). The tax contribution of the mobile sector is therefore 2.2 times its size in the economy.

Mobile operators in Kenya make a significant and valuable contribution to the economy and society. There is potential for the mobile sector to make a far greater economic and social contribution by increasing mobile connectivity, so everyone can participate in the country's digital economy.

Digital Services Tax

In June 2020, the Finance Bill 2020 introduced a new Digital Services Tax on income from services provided through a digital marketplace in Kenya at the rate of 1.5% on the gross transactional value, to take effect in 2021. According to the new Act, DST is applicable to a long list of digital services including streaming and downloadable digital content services, digital marketplaces, website or other online applications that link buyers and sellers, subscription-based media such as online newspapers, website hosting, online data-storage and data-sharing services and online distance teaching.

Media reports raise concerns that this resulted in a large drop in internet usage in Uganda, where a similar tax was imposed in 2018. However, the current heavy reliance on internet usage due to the COVID-19 pandemic is likely to mitigate this risk in Kenya.

Data Protection Act, 2019

The Data Protection Act came into force in November 2019. The Act established the office of the Data Commissioner and introduced regulation for the processing of personal data, rights of data subjects and obligations of data controllers and processors.

The Act outlines the various principles of data protection and further defines the lawful basis for processing personal information. Kenya's first Data Protection Commissioner, Immaculate Kassait, was appointed in November. As a data controller and processor, we are required to register with the Office of the Data Commissioner once the same is up and running.

Last year, Safaricom appointed a data protection officer, created a data protection framework and a privacy department, conducted a company-wide data privacy impact assessment, and embarked on putting in place mitigation measures to ensure that our processes align to the Act.

SIM registration

The Communications Authority in November 2019 issued draft Guidelines for Reporting on SIM-Card Registration by Telecommunication Operators for public consultation, which provided for more robust measures for SIM registration in Kenya. A joint communication from the mobile network operators was sent on 31 January 2020 to the Authority, highlighting the various concerns regarding the implementation of the guidelines.

OUR KEY RELATIONSHIPS

Our stakeholders are the individuals, communities and organisations who are affected by and who may influence our business.

Our success depends on understanding and responding to their needs and building long-term relationships. We maintain constant dialogue with key stakeholder groups and what we learn from them informs our decisions and shapes our strategic priorities and sustainability approach.

Stakeholder group	Material relationships	Means of engagement
GR **Government and regulators**	Provide access to spectrum and operating licences, the basis for creating value. Impose regulatory measures with potential cost implications.	• Participation in consultations and public forums • Submission and engagement on draft regulations and bills • Engagement through industry consultative bodies • Publication of policies and research engagement papers • Partnering on key areas including education, health and gender-based programmes
C **Customers**	Investing in tools and products that are designed to give our customers variety and control through relevant products and services.	• Call centres, retail outlets and online mySafaricom app, messaging and USSD channels • Net Promoter Score (NPS) feedback • Facebook and Twitter platforms • Safaricom PLC website • Open days offering customers affordable deals on products
IS **Investors and shareholders**	Provide sustainable financial capital required to grow and feedback to inform our management and reporting practices.	• Investor engagements that include roadshows, conferences and meetings • Annual and interim results announcements • Annual General Meetings with shareholders to update them on our business strategy • Investor relations section on our main website

KEY:

GR Governments and regulators	**S** Suppliers
C Customers	**CM** Communities
IS Investors and shareholders	**BP** Business partners
E Employees	**M** Media

Material interests	How we engaged in FY21/ Adapting to a COVID-19 environment
• Ensuring this wide spectrum of interests is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in underserviced and rural markets. Others include: › Promoting opportunities for job creation and socio-economic development › protecting consumer interests on service quality, costs and privacy › regulatory compliance on issues such as mobile termination rates, price, security, safety, health and environmental performance › Contribution to the tax base	• Interacted closely with government regarding COVID-19 expectations and regulations • Implemented more focus on data protection and privacy framework in line with the newly appointed data commissioner such as launching a portal for laying complaints • Building on our good working relationships, we managed to carry out network rollout in GSM and FTTx • Successful bidding to be part of the Universal Service Fund (USF) Phase II project to cover unserved and under-served areas
• Better value offerings • Faster data networks and wider coverage • Making it simpler and quicker to deal and connect with us by using Safaricom self-care services • Converged solutions for business customers • Managing the challenge of data-usage transparency by using tools like My Data Manager and Subscription Manager • Privacy of information; simple tools like Jitambulishe help to minimise fraud and theft • Feedback on service-related issues via CARE	• Continued to maintain business operations at the highest level possible during lockdown periods • Encouraged customers to interact using digital channels • Supported clients with pandemic-related cash flow challenges with the M-PESA waiver fees for P2P transactions below KShs 1,000 and on resumption of charging we restructured our P2P bandwidth tariff, Pochi la Biashara for MSMEs, to enable them to separate business and personal funds and use our overdraft service, Fuliza, to support offsetting immediate expenses
• Sound investment to ensure sustainable growth and risk management and to ensure that we take advantage of the opportunities that arise. Others include: › responsible allocation of capital and sustainable investment › Sound corporate governance practices › Transparent executive remuneration › Stable dividend policy	• Maintained a focus on credit, liquidity and capital management • Growing our investor portfolio with increased engagement with impact funds • Paid a first interim dividend payment to our shareholders

Stakeholder group	Material relationships	Means of engagement
E **Employees**	Our employees' engagement, determination and skills drive our ability to realise our purpose of 'transforming lives'.	• Internal website • Newsletters, internal magazine and electronic platform communication • Employee surveys • Employee hotline • Leadership coaching and mentorship forums • CEO mailbox
S **Suppliers**	Impact on our ability to offer quality and cost-effective products and services and to provide cutting-edge technology.	• Supplier engagement forums and ongoing site visits • Audits
CM **Communities**	Transforming lives through sustainable development initiatives that strengthen the socio-economic context in which we operate.	• Safaricom Foundation partnering with communities • M-PESA Foundation investing in projects with corporate social investment • Public participation in projects and initiatives that give back to society such as the Safaricom Marathon geared towards the Lewa Wildlife Conservancy
BP **Business partners**	A key interface with our customers; they are custodians of our brand and reputation and critical to ensuring our strategy of delivering the best customer experience. They include financial services partnerships, e.g. Fuliza and content providers.	• One-on-one and virtual business meetings • Training sessions on new products and services • Market visits
M **Media**	Critical role as the contact point with external stakeholders and keeping them informed of the facts, business developments, new products, services and the impact of our business operations.	• Media releases and product-related publicity • Roundtables • Product launches • Face-to-face and telephonic engagements • Interviews with the CEO and key executives

Material interests	How we engaged in FY21/ Adapting to a COVID-19 environment
• Clear career paths through individual development plans and performance reviews to assist in career development • Improved knowledge sharing across the Company • Simplicity, agility and engagement • Building the coaching and mentoring capability of leaders • Better understanding of reward structures • Competitive remuneration	• Continuous communication, education and awareness of COVID-19 protocols • All staff who are able to work from home have been allowed and equipped to do so • Continuous training and upskilling of all staff through Safaricom Business School (SBS) learning
• Timely payment and fair agreement terms • Occupational Health and Safety Act compliance • Improving health and safety standards • Partnering on environmental solutions	• Provided PPE for our contracted suppliers • During the pandemic no supplier contracts were terminated and had collaborative supplier performance • Continued to engage suppliers virtually, e.g. WIB (Women in Business)
• Access to digital service platforms, mobile voice and data services • Access to basic services such as finance, health and education • Investment in infrastructure • Responsible expansion of infrastructure	• Supported COVID-19 relief effort by providing PPE to medical doctors and micro loans to support SMEs in various counties like Busia • Continued support of key projects, e.g. virtual Lewa marathon
• Making it simpler and quicker to deal with us • Fair treatment • Involvement of top management	• Intervened for suppliers with their banking partners to support their financing plan • Delivering the next financial services products under wealth management and insurance • Market visits to various retail shops to better understand customer needs and issues to enhance our customer experience
• Updated on key activities and offerings by the business • Transparency • Change communication and new products and services	• Building media engagements and partnerships • Partnered with media houses by introducing a digital copy of the newspapers for as little as KShs 20, which supported our customers during COVID-19

OUR TOP RISKS AND OPPORTUNITIES

In 2020, the risk of a global pandemic became a reality. As governments, businesses and societies survey the damage inflicted by the virus over the last year, strengthening strategic foresight is now more important than ever.

The risk environment

With the world more attuned to risk, we see an opportunity to leverage attention and find more effective ways to identify and communicate risk to decision-makers.

The immediate human and economic cost of COVID-19 is severe and threatens to scale back years of progress on reducing poverty and inequality and to further weaken social cohesion and global cooperation. Job losses, a widening digital divide, disrupted social interactions, and abrupt shifts in markets could lead to dire consequences and lost opportunities for large parts of the global population.

To manage the uncertainties, our business keeps reinventing its processes and systems in order to ensure that we are adaptable to the ever-changing environment.

As a business we continue to proactively monitor the economic environment and implement measures to cushion the business and our customers by offering enhanced value propositions to our customers and having contingencies in our business plans.

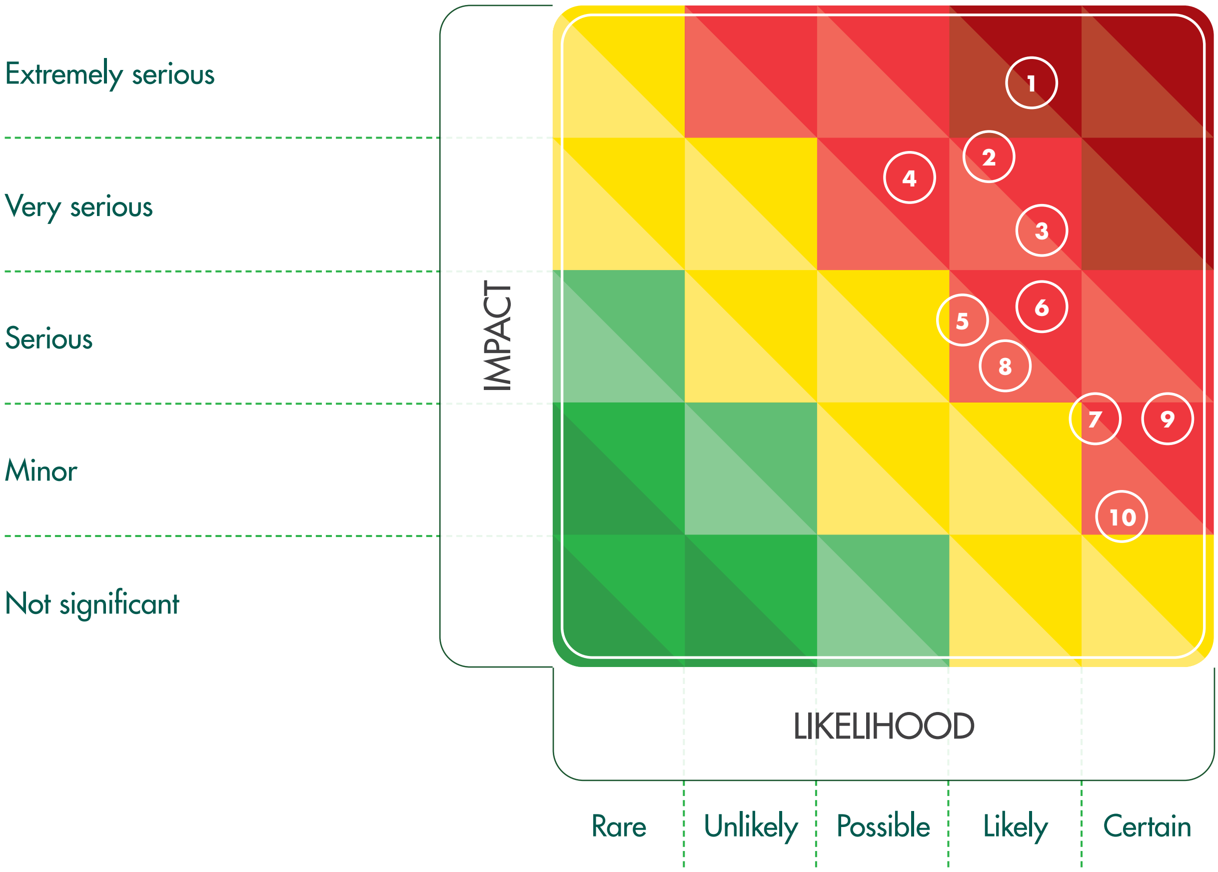
Risk management

We use an integrated governance risk and compliance system to record and track risks and controls, which provides a unified view of our risks and controls.

Safaricom's risk management is described in greater detail under Corporate Governance, on page 127 of this report.

Top business risks

This heat map depicts residual risk after considering mitigating controls that have been implemented.



Ranking	Risk	Position relative to FY20	Strategic risk category	Related strategic pillars
1	Regulatory risk	↑	Strategic/external	
2	Slowed economic growth	↑	Strategic/external	
3	Market disruption	→	Strategic/external	
4	Cyber-attacks and data privacy	→	Operational	
5	Service disruption	↓	Operational	
6	Fraud risk (internal and external)	↓	Operational	
7	Money laundering and terrorist financing	→	Operational	
8	Insecurity and terrorism	→	Operational	
9	Partnership management and third party	↑	Strategic/external	
10	Litigation risk	→	Operational	

For detailed descriptions of these risks, our mitigation measures and the associated opportunities, please refer to page 134.

KEY:
- Risk decreased ↓
- Risk stable →
- Risk increased ↑

OUR MOST MATERIAL MATTERS

Our sustainability material topics are the most important environmental, social, economic and governance imperatives and opportunities for our organisation and stakeholders.

Safaricom's operations, sustainability and success are informed and influenced by a range of internal and external factors, as well as the concerns raised by our stakeholders. To determine those influences that are materially significant to our group, we follow a rigorous and ongoing assessment process, which includes consideration of the United Nations Sustainable Development Goals (UNSDGs). These identified material issues are used to inform Safaricom's sustainable development strategy.

Material matter	Why this is important	Our response
Governance, risk and business ethics	Societies with strong governance structures and ethical cultures are more likely to be successful in the long term. With this in mind, implementing an ethical culture is foremost in our minds as an organisation with a responsibility to be accountable to Kenyan society. Our view is that integrating a strong culture of business ethics among all our stakeholders is essential for a robust risk management culture. A strong ethical culture creates awareness and understanding of the negative impacts of non-compliance, improves morale and creates accountability and transparency.	We implement an ethical culture across all our operations through ongoing ethics awareness and employee anti-corruption training programmes. The effectiveness of these programmes is monitored by an independent ethics perception survey. We also work beyond Safaricom to drive behavioural change within society through effective collective action initiatives. Staff ethics training is conducted annually. We also continue to make it mandatory for our suppliers to sign up to our Supplier Code of Conduct and the Code of Ethics for Businesses in Kenya, with contracts not being renewed unless they do so.
Our regulatory environment	The regulatory environment is constantly shifting within the landscape of changing economic and political issues. In order to ensure that we remain connected and understand these issues, we assess our strategies, programmes and future plans against all applicable laws and regulations on an ongoing basis and proactively engage with our regulators. Our relationship with our regulators is generally positive, based on a 'win-win', rather than an 'I win, you lose' approach. Recognising that our reputation is what sets us aside and gives our brand power in the marketplace, regulatory compliance is a priority. We avoid a tick-box approach, going further than legal obligations to achieve our own internal standards of compliance.	Our regulatory and public policy team is tasked with securing the necessary regulatory concessions to enable Safaricom to operate optimally. They are also responsible for ensuring compliance with licence conditions and regulatory obligations, as well as monitoring network performance to ensure quality of service and that network resilience is maintained.

The matters we believe could substantively affect value creation at Safaricom PLC in 2021 are:

- Governance, risk and business ethics
- Our regulatory environment
- Our platforms
- Environmental stewardship
- Innovation and partnerships

Alignment with the SDGs

GOAL 8: Decent work and economic growth: Successful activation of our pandemic response plan to ensure the safety of staff and customers, continuity of business operations and community support.

GOAL 16: Peace, justice and strong institutions: Code of Ethics in place across the value chain, and Code of Conduct for suppliers.

GOAL 17: Partnerships for the goals: Collaborative advocacy action that promotes ethics and integrity through quarterly fraud forums for financial institutions.

GOAL 9: Industry, innovation and infrastructure: We have partnered with the Kenyan National Hospital Insurance Fund to establish NSSF HabaHaba.

GOAL 10: Reduced Inequalities: Through partnership with other operators in the industry, we waived the transaction fees for amounts below KShs 1,000 up to 31 December 2021.

GOAL 12: Responsible consumption and production: We are 100% compliant with all applicable laws and incorporate the principles of external standards (ISO 14001, ISO 50001) into our operations.

Future focus areas

- Technology stability and cybersecurity
- Partnership and new business management
- Customer experience and security
- Systems capacity management and resilience
- Financial services security and AML compliance
- Return on network investment.
- Strategy alignment and implementation
- Culture
- Resource planning and prioritisation
- Benefits realisation and cost rationalisation

- Continue to provide feedback on the proposed Central Bank of Kenya Amendment Bill, which seeks to extend the Central Bank of Kenya's mandate to regulate digital borrowing platforms. As at year end, this Bill was still before Parliament
- Create awareness of 5G and its benefits to eradicate the existing conspiracy theories and linkage to COVID-19

Material matter	Why this is important	Our response
Our platforms	Our platforms in the form of critical infrastructure are the core foundation of our business, facilitating inclusive, sustainable economic development and innovation to transform lives. The critical components of our network are quality, availability and coverage. We remain committed to building a resilient network that connects all Kenyans.	The agile culture, which will be rolled out throughout Safaricom, has already been implemented into the IT department with positive results. 'Agile' is anchored on customer obsession, data-driven decision-making, iteration using fast feedback loops and collaboration. Our agile tribes/squads work as a community of experts to incorporate emerging trends and best practices including the administration, upgrade and maintenance of software artifacts and test management tools to ensure proper functioning and use.
Environmental stewardship	The environment underpins our strategic focus on customers, colleagues, community and company. As one of the major players in Kenya's economy, we have a particular responsibility not only to manage and minimise our impact on the environment, but to demonstrate best practice in how we achieve this and to report our environmental performance openly and transparently.	In terms of energy usage, besides the carbon footprint of our own industry, we provide solutions to help other sectors reduce their emissions through digitisation.
Innovation and partnerships	As a purpose-led technology company, we consider innovation to be central to achieving our strategic objectives, retaining our competitive edge, and ensuring that we continue to grow. For us, innovation is not just about product innovation, but extends to innovation related to financing, partnerships, engagement – in other words, solutions throughout the value chain that transform lives in many different ways. Constant innovation is an important aspect of ensuring our continued success and resilience.	Safaricom's Business Development Division is responsible for innovation and partnerships. While each of these teams has specialised areas of expertise, they all share a common understanding of the fact that the digital economy will be built by people who are not just connecting people and businesses to technology, but to solutions. They also recognise that innovation becomes extremely powerful when it's looked at through the perspective of people who are living with a challenge. The teams liaise closely with the Customer Obsession Stream to achieve business insights into areas that matter most to customers and to guide the business in new areas of opportunity. These insights are complemented by predictive models to drive smarter business decisions and actions, together with ongoing training.

Alignment with the SDGs	Future focus areas
GOAL 8: Decent work and economic growth: The quality of the service we provide enables decent work and economic growth. **GOAL 9:** Industry, innovation and infrastructure: Increased accessibility and data connectivity by making affordable smartphones available to everyone in the market. **GOAL 10:** Reduced inequalities: We work to promote financial inclusion across all sectors.	• Expand the number of 5G sites to more than 150 across nine towns over the next 12 months • Supply an additional 70,000 homes with fibre • Move ahead with the project to complete the frequency of transmission capacity between Nakuru and Kiboswa • Continue public Wi-Fi
GOAL 7: Affordable and clean energy and **GOAL 13:** Climate action: Our M-KOPA solar pay-as-you-go services make the everyday lives of people so much easier. We are focusing on reducing our reliance on diesel and promoting the uptake of renewable energy. **GOAL 12:** Responsible consumption and production: We increased the number of our regional retail shops with segregated waste management bins from 7 to 18. **GOAL 17:** Partnerships for the Goals: We have started partnering with licensed mini-grid providers in the remote regions or grid power-deficient areas where we will be the anchor tenant.	• We aim to be single-use-plastic free and will continue to work to eliminate single-use plastics in our retail shops across the country • Scale up of end-to-end integrated waste management beyond Nairobi region and aspire to attain a recycling rate of 98% for all our collected waste • Secure statutory approvals from national Environment Management Authority as we roll out/upgrade 150 existing base stations to 5G technology • Automate 50% of our EMS by FY22 • Conduct a nationwide sensitisation programme/ workshop on EMF and 5G • Continue to expand our tree planting programme
GOAL 8: Decent work and economic growth: Unlocking MSMEs' access to market. **GOAL 17:** Partnerships for the goals: Awarded part of the tender for the Universal Service Fund. Partnership bid for Ethiopia licence.	• Launch a super app to converge products and services into a single M-PESA app which will allow MSMEs to create their own apps within the M-PESA ecosystem • Implementation of MSME marketplace • Secure a telecoms licence in Ethiopia • Work to build a digital healthcare service for Kenya • Develop capacity in user interface and experience

03 OUR BUSINESS

CHAIRMAN'S STATEMENT

RESILIENCE AND ADAPTABILITY

The pandemic has had serious adverse effects across the country, but it has brought out our resilience. Safaricom has this year emerged with the new strategy of being a purpose-led technology company, while remaining committed to investing in the success of Kenya – our customers, staff and the community – Transforming Lives.

Michael Joseph
Chairman of the Board

In my capacity as Chairman of the Board I take pleasure in welcoming you warmly to our 2021 Annual Report.

I would like to thank my predecessor, Nicholas Nganga, for his wisdom and dedication over the past 13 years. Safaricom blossomed under his chairmanship, growing from a customer base of around 6 million to almost 40 million. This remarkable achievement has grown our shareholder value by over 650% and Safaricom now accounts for 62.4% of the total value of all listed firms at the Nairobi bourse. Mr Nganga's influence has not only grown Safaricom financially; he also made a substantial contribution to improving gender equality at all levels and has placed us in the spotlight for our commitment to the Sustainable Development Goals. He leaves me with large shoes to fill and we all wish him well in his retirement.

I also take this opportunity to thank our former Chief Finance Officer (CFO), Sateesh Kamath, for his valuable service, while welcoming our new CFO, Dilip Pal, who joined the Company at a particularly difficult time and is doing a sterling job.

Safaricom's 20th anniversary

The year under review was an important milestone in the history of the Company, marking two decades of providing critical services to Kenyans. We celebrated Safaricom's track record of innovation and social upliftment by showcasing the power of mobile technology in transforming lives through our brand campaign: Twende Tukiuke – a call to go beyond what is thought possible.

Like any major milestone, this prompted us to reflect on where we have come from and where Safaricom is heading, particularly in a year when Kenya's entire operating environment changed.

A challenging year

Safaricom again operated and traded through an extraordinary year. We started the financial year under a government-imposed lockdown and closed the financial year in yet another lockdown.

Throughout this year, the Board closely followed management actions taken to ensure the wellbeing of our staff and customers. These included making it possible for staff to work from home and instituting preventive actions in our shops to ensure our staff and customers remained safe.

KShs 339 million

spent by Safaricom and M-PESA Foundations in response to COVID-19

58.2%

Growth in M-PESA transaction value

KShs 18.03 billion

First-ever interim dividend

KShs 36.86 billion

Final dividend

KShs 105.92 billion

Duties, taxes and licence fees paid to the government

KShs 915.42 billion

since inception

Although the year was marked by a slowdown of economic activity due to the COVID-19 pandemic, I am proud of Safaricom's actions in standing in solidarity with the country and helping enable social distancing measures. Our contribution went a long way to helping Kenyans work and school from home, and use mobile money for payments, thereby curbing the spread of the virus. To cushion Kenyans from the rapid transmission of the Coronavirus, guided and in collaboration with the Central Bank of Kenya, the industry waived fees on Person to Person (P2P) transactions below KShs 1,000, as well as M-PESA wallet to bank and bank to M-PESA wallet (C2B and B2C) transfers. In addition, we zero-rated paybills and tills for hospitals and dispensaries as well as Lipa na M-PESA transactions below KShs 1,000. We also launched our Bonga for Good initiative in April 2020, which empowered customers to donate their Bonga Points to those in need. We also continued offering double bandwidth to our fibre customers, donated KShs 200 million to the National COVID-19 Emergency Fund and partnered with the Ministry of Health to provide a 24/7 COVID-19 Information Centre which has served close to 40 million Kenyans since its launch.

While the pandemic has had – and may continue having adverse effects across Kenya, it has certainly awoken our resilience.

Resilience in a tough year

We began the year acutely aware that the pandemic would dominate the forthcoming months, or even years. Safaricom had no options apart from facing the challenges head-on. We amended our course and strategies as necessary to engage the new realities.

The Board takes note of our business resilience during this time and is pleased with Safaricom's overall performance, which was boosted by a recovery trajectory in the second half of the year.

In recognition of our solid half-year performance and in support of our shareholders during these tough economic times, we were able to issue our first-ever interim dividend at KShs 0.45 per share, totalling KShs 18.03 billion. The Board remains committed to investing in the business and maintaining a consistent dividend payout ratio. A final dividend of KShs 0.92 per share amounting to KShs 36.86 billion is to be proposed for approval at the Annual General Meeting bringing the total dividend payout for the financial year to KShs 1.37 amounting to KShs 54.89 billion.

New strategic direction

The disruption prompted Safaricom's Board and management to deeply reconsider the future focus of our business. The Board, together with Peter and the management team, discussed how to position Safaricom for future-readiness. The leadership approved a new strategic positioning that will move Safaricom from a telecommunications business into a fully purpose-led technology organisation.

This strategy will see Safaricom focus on new business areas such as agribusiness, education, healthcare, financial and SME services, while considering opportunities beyond Kenya's borders. The Board will continue to monitor the execution and implementation of this strategy closely. As we head into the future, the Board is optimistic about the opportunities arising from the new strategic direction as a purpose-led technology company.

Ethiopian expansion

As part of the objective to consider opportunities beyond Kenya's borders, Safaricom and its consortium partners submitted, a USD 850 million bid for, and was awarded one of two full service mobile telecommunication licences advertised by the Ethiopian Communications Authority. Safaricom is the lead in a consortium that includes Vodacom Group Limited, Vodafone Group PLC, CDC Group PLC, and Sumitomo Corporation. At this stage, the licence is for GSM services and doesn't include mobile money, but the Ethiopian Government has indicated mobile money may be allowed within a two to three year period for duly authorised licences.

We are excited about the award of this licence as it gives us an opportunity to seek growth in a country that is the second largest country in Africa and one of the only remaining countries that has a single player. We believe that our consortium which combines expertise of Vodacom in the region, Vodafone globally, Sumitomo internationally, and CDC brings together a really strong consortium, which has been successful across various markets and adds to our expertise in Kenya as a mobile operation that has proven successful in Kenya and in the region.

Conducive regulatory environment

As Kenya's largest corporation and taxpayer, we are aware of the importance of Safaricom to this country. The Board is equally cognisant of how Kenya's various arms of government have played key roles in enabling Safaricom to grow and thrive. Safaricom will need a conducive regulatory framework in place to effectively execute our new strategic direction, which will amplify Safaricom's contributions to the Kenyan community and economy. We look forward to engaging with the relevant government entities to ensure awareness of this strategy and to seek support in areas such as legislation, taxation and interpretation of laws. Safaricom is committed to growing our contributions to Kenya without abusing our leading corporate status.

Appreciation

I wish to express my sincere gratitude and appreciation to our employees, management and executive team for their exceptional efforts in the past year to ensure Safaricom thrives and grows as we emerge from the COVID-19 pandemic. This Board has been privileged to support them in this quest. I also thank my fellow Board members for their timely inputs during a time when major and quick decisions needed to be made.

We thank public representatives and civil servants at all levels for enabling Safaricom to assist them in their mandate to support Kenyans during this crisis.

We thank our investors and shareholders for their confidence in us, which will be deservedly rewarded over time.

Over the last 20 years, Safaricom has always been a supporter and enabler of Kenyans' dreams. The Board is committed to working with management to deliver value to our shareholders but, most importantly, to ensure Safaricom continues to be there FOR YOU, Kenya – our customers, staff and the community – and in transforming lives.

Michael Joseph
Chairman of the Board

Safaricom staff came together in August 2020 to donate funds to help families whose livelihoods had been affected by the COVID-19 pandemic.

Through the initiative dubbed 6,000 Strong, over 2,500 families received one month's supply of food; there were more than 1,300 families in Korogocho and an additional 1,300 in Bungoma, Mombasa, Thika, Kitengela and Naivasha.

The staff contribution of more than KShs 2 million was then matched by the Safaricom Foundation, and the donation of foodstuff was held on the morning of 12 August at Korogocho Stadium in Nairobi.

The staff were led on that charitable visit to Korogocho by Peter Ndegwa, the Company's Chief Executive Officer.

The COVID-19 pandemic continues to amplify human suffering and economic instability across the globe.

It especially presents a grim reality for low-income households who without government or well-wishers' intervention risk going without basic necessities such as food. Because of the pandemic, their sources of income have diminished rendering them unable to provide for themselves and their families.

The initiative was in partnership with Shining Hope for Communities, which gives hope and opportunity to the neediest in various slums and low-income settlements around the country.

CHIEF EXECUTIVE OFFICER'S STATEMENT

LEVERAGING THE POWER OF TECHNOLOGY TO SERVE OUR COUNTRY

In the COVID-19 age, technology and connectivity have become essential to survival in every aspect of daily life. Safaricom has been proud to bear the weight of its social responsibility to support Kenya through this difficult year. Now we are at the forefront of driving our country's economic recovery and resilience.

Peter Ndegwa
Chief Executive Officer

When I arrived at Safaricom last April as the new CEO, the country was absorbed in an unprecedented global crisis and Kenya was on the brink of its first lockdown. Fortunately, under the leadership of Michael Joseph, Safaricom had already embedded a clear strategy to transform lives through innovation in technology. This year in crisis proved to be the ideal opportunity for us to demonstrate how to lead from purpose and go beyond the ordinary and expected. I have found it immensely fulfilling to play a role in a company with the vision and resources to deliver purpose with real impact.

This year, we had the honour of serving our country and looking after our employees while continuing to invest in our business and building a network for the future. The launch of Safaricom's 5G network and the related handset financing programme were huge milestones for the Group. Being able to offer a broader range of services to SMEs in this time of pressing need was an auspicious step towards our future as a purpose-led technology company.

Resilience: 20 years in the making

Safaricom is considered by many as 'the pride of Kenya' and has been an East African success story for two decades. The Group's reputation, financial stability, and resilience in the face of adversity were critical factors in our relatively sound financial results for the period. Recognising that COVID-19's impacts were impossible to avoid, Safaricom squared up to the challenge with the understanding that our technologies would – to a large degree – underpin the resilience of Kenya's economy and community.

Although businesses and individuals struggled to survive the effects of a global economy that appeared to be in freefall at times, we knew the ubiquitous requirement to work and study from home would help to cushion Safaricom as demand for internet and other communication services increased. Our strong market position and balance sheet enabled us not only to survive serious economic challenges but also to assist Kenyans, including our own staff, through the extraordinary months that followed.

As we celebrate 20 years of a successful business, we are evolving into a lifestyle brand for individuals and an empowering business supporter, centred on technologies being developed to fit our purpose. More than that, Safaricom is a pioneering business that blends commercial and social purpose to create magic through technology and customer obsession.

Supporting Kenyans

Kept our networks running reliably as **connectivity became vital to keep the country connected**

Cushioned Kenyans for nine months by **partnering with government to provide 1.7 billion zero-rated** (free) transactions valued at KShs 4.38 trillion

Used M-PESA to **streamline money transactions to** reduce infection risk

Supported government in their measures to stop the spread of the coronavirus

Took **measures to safeguard our employees**, ensuring business could continue

A snapshot of our silver linings

In addition to the obvious economic effect of the pandemic and competition from new entrants to our markets, the Group faced practical difficulties created by the lockdown. We were under immense time pressure to create a conducive working environment without disruption to our network and service offerings, while simultaneously needing to curb costs in response to volatile cash flow. Safaricom's adoption of cloud services in our operational environment prior to the crisis enabled us to adapt quickly. We seized the opportunity to enhance our service levels by introducing new digital platforms for customer interaction and expanding Safaricom's range of financial services.

By now we all know how important connectivity is in the 'new normal', particularly the ability to reliably and speedily access the internet. To support this need, we doubled bandwidth on our home fibre service during the crisis to assist those working and learning from home. We complemented this initiative by supporting various programmes that helped school children continue learning.

From a social perspective, people working from home are at risk from mental health challenges. We had to keep our employees closer than ever and our new virtual communication tools of engagement enabled us to continue upholding the Spirit of Safaricom, despite not sharing premises with colleagues.

Safaricom stayed ahead of competitors through superior service delivery and by introducing new products that addressed identified needs. We kept our shops open and accelerated our 4G network rollouts during the pandemic. The Group also invested in infrastructure during the period to keep the country connected and deliver on our new strategy into the future. Our hardware investments included launching products to help our customers acquire 4G devices, while partnering with global players such as Google and Facebook to offer affordable devices that would otherwise have been out of reach for most Kenyans.

As SMEs were highly impacted by the economic downturn, a key focus was on supporting SMEs by offering a business app that allows them to do more with their businesses from the comfort of their own homes, or while on the road. We are seeing significant penetration of this app since the crisis hit, which bodes well for our future engagement with the crucial SME segment.

The surge in M-PESA transactions this year demonstrated the advantages that mobile financial services have over the handling of physical cash – which many people now prefer to avoid. Within two months of the pandemic beginning, M-PESA's average wallet size increased 20%, reflecting the trust people place in M-PESA as a brand as well as their willingness to use this new method of transacting. Mobile money is a versatile product that services individuals, businesses and government alike, with the Kenyan government utilising M-PESA to transfer money to the vulnerable, while many people sent money home to support struggling families.

The Spirit of Safaricom

Thanks to the purposeful and driven work culture we call the Spirit of Safaricom, our employees rose to the occasion in an impressive display of teamwork to achieve the kind of operational performance that distinguishes Safaricom. The key performance indicators on our positive scorecard reflect the exceptionally high employee engagement levels. Our employees are proud of their roles in supporting Kenya, despite doing so from the confines of their homes.

Safaricom's realigned strategy

The pandemic and strained global economy have prompted us to undertake a major strategic review of the business. Following the Board's approval of a new strategy built around purpose, we are now bringing our new mission to life and rolling it out across the organisation.

Safaricom's updated strategy focuses on customer obsession, since our customers' needs should directly shape our business. To this end, we are evolving from a telecommunications and mobile money business into a purpose-led technology company. Digital innovation and a sharpened focus on customer obsession is already lifting our all-important Net Promoter Score, which reflects how positively Safaricom customers feel towards our business.

The pandemic has cemented Safaricom's commitment to understanding our customers so that we can deliver intuitive and transparent products that give customers more control, all wrapped up in positive experiences.

To help us realise this potential, we are revising our ways of working in pursuit of an 'agile' approach that brings decision-making closer to customer-facing employees and to the customers themselves. I am excited about using the agile methodology, which is tested and proven by technology companies around the globe, to deliver a truly digital service for our customers, employees and the community. We will not only transform Safaricom, but also the lives of Kenyans and our customers everywhere.

Another important aspect of our future lies in our relationships with the various regulatory bodies. Regulatory certainty is vital to broadening our financial services business, while we're engaged in ongoing communications regarding additional spectrum for broadband.

Our higher purpose

The past year has seen Safaricom innovate under pressure in perhaps the most disadvantageous economic and social climate in several decades. The pressure to deliver improved value to our customers in this difficult climate has forced us 'to think outside the box'. We had to find new ways to approach and solve problems.

In times of crisis, organisations with purpose should rise above commercial objectives to serve a higher purpose. Safaricom's success over the last 20 years was the platform for delivering on our promise in a way that inspired the country as well as our employees. Purpose creates value well beyond the financial objectives, which will deliver long-term sustainability. We will not recover as a company if Kenya itself is not strong. This is the real power of shared values: looking after all stakeholders.

Our stakeholder relationships

We endeavoured to support all our stakeholders during the pandemic by living our purpose of 'Transforming Lives'. This was a year in which it was appropriate to place humanitarian needs ahead of commercial aims, while those very humanitarian activities boosted the Kenyan economy – a necessary precursor to the economic recovery that will enable us to pursue our commercial priorities with more vigour in FY22.

We paid a dividend to our shareholders, including government and retail shareholders, boosting the country's economy. We supported government directly in responding to the crisis and contributed to funds indirectly as the highest taxpayer in Kenya. Safaricom helped keep network suppliers and partners in business, including our M-PESA agent network, which saw significant growth during FY21.

We partnered well with the Central Bank of Kenya and government. This enabled us to set up a call centre providing COVID-19 support and to zero-rate M-PESA transactions below KShs 1,000 for nine months, which spurred the growth of Kenya's now-burgeoning cashless economy.

In addition to our economic contributions, we worked with regulators to solve some of the pragmatic challenges the country was facing by securing additional spectrum to support the expansion of our network infrastructure.

Underpinning all of these efforts, we kept our employees safe by putting protocols in place and providing mass COVID testing.

Technology and innovation

Safaricom's entire business hinges on technology and innovation, but let me highlight two of our focus areas:

In an age of high connectivity, cybersecurity – keeping our customers' data and money safe – is of critical importance. We detect and proactively prevent risks by working with partners who are leaders in this field.

Another massive trend coming down the tracks is the Internet of Things (IoT), which utilises 5G to connect hardware and our physical environment to a previously unheard-of degree of granularity. Safaricom is already deploying IoT within our own business to help manage costs and will leverage the IoT experience and skills we're developing in-house to commence offering IoT services to large enterprises.

> We foresee Safaricom setting the benchmark for customer experiences in Kenya.
>
> **Peter Ndegwa**
> Chief Executive Officer

The future

In summary, Safaricom has built up a sturdy platform over the last 20 years that has served our stakeholders well but, in keeping with our 'Let's Go Beyond' theme, we are now looking beyond connectivity and money transfers, and beyond the geographical areas where we usually operate. We have set our sights on the health, agribusiness and education sectors as well as broadening our financial services beyond payments to benefit consumers in new ways, while still growing the high-speed internet connectivity that Kenya expects from us.

Safaricom's priorities for the year ahead are:

- **Continuing to grow our data and connectivity business.** Safaricom is well on the way to achieving 100% 4G coverage and we are making good progress with our 5G and fibre networks, though we need to accelerate this penetration. We are well placed to expand our fibre infrastructure to support up to a million homes over the next five years, assisting the drive towards working and learning from home that underpins the new normal. We are facilitating the take-up of 4G handsets and entrenching the high speed connectivity networks that will enable our customers to adopt sophisticated and next generation online services by:
  - **Broadening our financial services** offerings to customers beyond payments and credit into wealth management and insurance, subject to regulatory approval
  - **Being an empowering brand for SMEs** to grow their businesses by adding value to their M-PESA app, which will be a key enabler of our future
  - **Finding ways to digitise health and education** to address inequality of access
  - **Entering new geographies** to share the prosperity embedded in Safaricom's successful business model

Our engagement with certain social issues was stalled by the pandemic and we are aware that Kenya's social and economic difficulties have not gone away. Safaricom's challenge is to support our customers in recovering from the crisis through enabling a digital lifestyle. Our social vision is guided by the UN's Sustainable Development Goals (SDGs), which illuminate that there is so much still to do. For example, using technology to facilitate access to education, healthcare and solving agricultural issues would have real social and economic impact for Kenyans and in achieving SDGs.

We foresee Safaricom setting the benchmark for customer experiences in Kenya. I feel confident that we are laying the foundations, such as an agile culture, that will enable us to achieve our vision of providing exactly what our customers want in a manner that propels societies and Safaricom into a sustainable and prosperous future.

Investment in Ethiopia

On 24 May 2021 Ethiopia's Ministry of Finance and the Ethiopian Communications Authority (ECA) announced that the Global Partnership for Ethiopia, a telecoms consortium led by Safaricom, had been awarded the licence to operate in Ethiopia and establish a new telecoms network. Receiving this award was the culmination of a complex bid process that Safaricom and our consortium partners, including Vodacom, Vodafone, Sumitomo and CDC, had worked on for many months. We are all understandably delighted with this outcome.

The consortium has been awarded 'Licence A', which contains an attractive spectrum for operating a GSM business in Ethiopia in competition with Ethiotel, the state-owned and incumbent telecommunications operator. The Ethiopian Government had considered granting two new licences, but chose to grant a licence to Safaricom's consortium and possibly award the second licence later. Our licence was awarded for an initial term of 15 years and we can apply for renewal for a further 15 years.

This licence opens the door to a fresh chapter of growth for Safaricom – and our consortium partners - in Africa's second largest country and one of the only remaining economies that featured a single provider of GSM services. I believe that our consortium which combines expertise of Vodacom in the region, Vodafone globally, Sumitomo internationally, and CDC results in a very strong consortium that combines companies that have been successful across various markets with expertise of running both a GSM network in Kenya as well as mobile money that has proven successful in Kenya and in the region.

In Ethiopia, the consortium intends to build a top-quality mobile network that will enable Ethiopians to access a world-class array of digital services. Of course, we anticipate competition from Ethiotel, the current incumbent operator, but competition will keep us on our toes in delivering the Safaricom experience and ethos to Ethiopian users. As we are 'transforming lives' in Kenya through the purposes and calibre of our products, so too will Safaricom roll out services that will positively impact and uplift the livelihood of Ethiopians.

You are probably aware that Safaricom is as famed for our mobile money offering as we are for telecoms, but the initial award is for GSM only, and doesn't include mobile money. However, on 21 May 2021 Ethiotel launched a mobile money offering, with Ethiopia's Prime Minister indicating at its launch ceremony that the mobile money market will be opened to competition after a year as opposed to within the two to three-year period initially communicated. We hope that positive indication becomes fact in 2022, so that millions of Ethiopians can also benefit from our world-leading and proven M-PESA mobile money model. Being able to offer mobile money was an important part of our business case in deciding to serve the Ethiopian market.

The Safaricom-led consortium will establish an operating company in Ethiopia and commence operations in 2022. The operating company will replicate Safaricom's organisational structure in Kenya and will have a CEO, an executive and a management team in place. At commencement, much of the technology and commercial skills will be provided by seconded experts, with the intention of passing these skills onto talented Ethiopians recruited for the purpose of developing a business that is truly Ethiopian.

The operating company will be a subsidiary of Safaricom, in which we will own an effective 55.67% equity shareholding. To meet the diverse needs of consortium members, this stake will be held via two intermediate subsidiary companies – the Global Partnership for Ethiopia BV and Vodafamily Ethiopia Holding Company Limited.

Our bidding consortium, the Global Partnership for Ethiopia, has paid USD 850 million to the Ethiopian Government for this licence, which comes with certain obligations, incl uding that of building a high-quality network that delivers customer value through innovation, products and services. Developing our network and value proposition will be financed through a mix of debt taken on directly by the operating company and from the consortium members. Safaricom intends to finance its share through internal funding and external borrowing. We do not anticipate this funding to have any impact on Safaricom's dividend policy to shareholders.

While this Ethiopian licence represents a great opportunity for Safaricom to transcend national boundaries, the management team and the Board is aware that it is not without risk. The consortium's comprehensive examination of the risks included, for example:

- Currency risk, given that Ethiopia operates exchange controls
- Economic risks common in emerging markets
- Regulatory risks stemming from the ECA's implementation of a new regulatory framework for a liberalised and competitive environment
- Competition risk, as Ethiotel is already well established in Ethiopia
- Infrastructure risks emanating from rolling out a GSM network, although this provides the opportunity to build technological advantages into the infrastructure

The consortium also keeps a weather eye out for the political risks associated with the internal strife that afflicts Ethiopia from time to time. After considerable debate, the consortium finally decided that identified risks are commensurate with the scale of the opportunity.

Safaricom is excited to open this new chapter. Needless to say, you will be reading and hearing far more about Safaricom in Ethiopia in the forthcoming years. I hope that I have shared enough for you to share in my enthusiasm for the new venture. I will strive to provide shareholders with regular updates on progress in setting up the Ethiopian business in the period to launch of operations and beyond. This being a special year where we expanded into Ethiopia, I'd like to make a special appreciation to the governments of Kenya and the Federal Democratic Republic of Ethiopia. A special mention to the Prime Minister, Abiy Ahmed, and His Excellency, Uhuru Kenyatta, as well as the regulators for the support accorded to Safaricom and the consortium in our successful bid for the award of a full-service telecommunications licence.

Appreciation

There are many people to thank in a large company; this year perhaps more than ever.

I would first like to express my appreciation for the Board, whose unstinting and insightful support was vital during my first year as CEO. Michael Joseph, our current Chairman and previous Safaricom CEO, was a particular pillar of strength in enabling a seamless transition into the role for me and Dilip Pal, our incoming CFO.

Getting to know my fellow Safaricom employees under such unusual circumstances has been truly inspiring. I thank you from the bottom of my heart for your unwavering dedication during this crisis, even while you wrestled with your own COVID-19 related challenges.

I thank our broader stakeholder base – shareholders, community and government – who enabled us to carry on providing the services that kept Kenya functioning during this year.

Finally, I am grateful to our customers. Without you, our business would not exist. We will remain obsessed by your needs in the year ahead.

Peter Ndegwa
Chief Executive Officer

Over the last 17 years, the Safaricom Foundation in collaboration with various partners, has transformed the lives of over 5 million Kenyans across the country, by funding sustainable projects that have a direct impact on the lives of our communities. Through the Ndoto Zetu initiative, we also give opportunities to Kenyans to partner with the Safaricom Foundation by calling for proposals from ordinary citizens who have dreams of making an impact in their communities through social investments. This year, the Foundation has allocated KShs 100 million for Ndoto Zetu, and we hope to transform many more lives as we continue to support Kenyans to bounce back from the adverse effects of the pandemic.

As part of Safaricom's commitment to be customer obsessed, Peter has been participating in trade visits across different counties to meet some of our partners and customers. Peter visited some of our dealers, M-PESA agents, device shops, retailers, Lipa Na M-PESA merchants and a number of customers.

Our top achievements this year

Tunukiwa voice performance

Voice traffic share grew to
70.9%

Outgoing minutes per subscriber grew
19.1%

Incoming minutes per subscriber grew
16.2%

Data performance

Mobile data revenue grew **11.5%**

Mobile networks

4G coverage
94%

Launch of
5G network

Fibre

Homes penetration at
58.5%

FTTH revenue grew
49.1%

FTTH customers grew
31.5%

M-PESA revenue recovery

14.5% decline in H1 FY21

10.1% growth in H2 FY21

2.1% decline in FY21

M-PESA ecosytem growth

Total M-PESA transaction value grew 58.2% to
KShs 22.04 trillion

One-month active Lipa na M-PESA merchant tills grew
31.5% to 301,597

Pochi la Biashara for SMEs

On-boarded **935,000**
Pochi la Biashara merchants

1.41 million
SMEs and Enterprises on M-PESA

Driving affordable smartphones through Lipa Mdogo Mdogo

200k+ devices sold

UKAKAMAVU NA KUBADILIKA

Janga hili limekuwa na athari kubwa kote nchini, lakini limedhihirisha ukakamavu wetu. Safaricom imeibuka kutoka mwaka jana ikiwa na mkakati mpya wa kuwa kampuni ya kiteknolojia inayoongozwa na malengo, na bado ikisalia kujitolea katika kuwekeza katika ufanisi wa Kenya – wateja wetu, wafanyakazi na jamii – Kubadilisha Maisha.

Michael Joseph
Mwenyekiti wa Bodi

Katika wadhifa wangu mpya kama Mwenyekiti wa Bodi, ni furaha yangu kuwakaribisha kwenye Ripoti yetu ya Kila Mwaka ya 2021. Ningependa kumshukuru mtangulizi wangu Nicholas Nganga kwa busara yake na kujitolea kwake katika miaka 13 iliyopita. Safaricom ilinawiri chini ya uenyekiti wake, ambapo wateja waliongezeka kutoka takriban 6 milioni hadi karibu 40 milioni. Ufanisi huu mkubwa umeongeza thamani ya wenyehisa wetu kwa zaidi ya 600%, ambapo Safaricom sasa inachangia nusu ya thamani ya kampuni zote zilizoorodheshwa katika soko la hisa la Nairobi. Nganga sio tu kwamba ameikuza Safaricom kifedha; bali ametekeleza mchango mkubwa pia katika kuboresha usawa wa jinsia katika ngazi zote na ametuletea sifa kwa kujitolea kwetu katika Malengo ya Maendeleo Endelevu. Ameniachia pengo kubwa la kujaza na tunamtakia kila la heri katika maisha yake ya kustaafu. Ninachukua fursa hii pia kumshukuru aliyekuwa Afisa Mkuu wetu wa Kifedha Sateesh Kamath kwa utumishi wake muhimu, nikimkaribisha pia CFO wetu mpya, Dilip Pal, aliyejiunga na kampuni hii katika kipindi kigumu sana na anafanya kazi nzuri sana.

Maadhimisho ya miaka 20 ya Safaricom

Mwaka tunaouangazia ulikuwa wa hatua kubwa katika historia ya kampuni yetu, tulipoadhimisha miongo miwili ya kutoa huduma muhimu kwa Wakenya. Tulisherehekea rekodi ya Safaricom ya uvumbuzi na kuinua jamii kwa kuonyesha nguvu za teknolojia ya simu katika kubadilisha maisha ya watu kupitia kampeni yetu ya: Twende Tukiuke – ambao ni wito wa kukiuka na kuyazidi yale yaliyoaminika yanawezekana. Kama ilivyo kwa hatua yoyote kuu, hii ilitufanya kutafakari ni wapi tulipotoka na ni wapi Safaricom inaelekea, na hasa katika mwaka ambao mazingira ya uendeshaji shughuli Kenya yalibadilika kabisa.

Mwaka wa changamoto

Safaricom kwa mara nyingine tena iliendesha shughuli na kufanya biashara katika mwaka wa kipekee. Tuliuanza mwaka wa kifedha kukiwa na vikwazo vya watu kuzuiwa kusafiri na pia kafyu, vilivyowekwa na serikali, na tutaufunga mwaka watu wakiwa tena kwenye hali kama hiyo. Kote katika mwaka huo, bodi ilifuatilia kwa karibu hatua za wasimamizi kuhakikisha zinajali maslahi ya wafanyakazi wetu na wateja. Hatua hizi zilikuwa ni pamoja na kuwawezesha wafanyakazi wetu kufanyia kazi nyumbani na kuchukua hatua za kuzuia kuenea kwa virusi kwenye maduka yetu kuhakikisha wafanyakazi wetu na wateja walibaki salama. Ingawa mwaka ulishuhudia kupungua kwa shughuli za kiuchumi kutokana na janga la COVID-19, ninaonea fahari hatua za Safaricom za kusimama na taifa na kuwasaidia watu kutokaribiana. Huduma zetu zilichangia pakubwa katika kuwawezesha Wakenya kufanyia kazi nyumbani na kutumia simu kufanikisha malipo, na hivyo basi kuzuia

KShs 339 million

Usaidizi katika miradi tofauti dhidi ya virusi vya COVID-19 uliotolewa na Safaricom na M-PESA Foundation

58.2%

Kiwango cha ukuaji wa shughuli za M-PESA

KShs 18.03 billion

Mgao wa faida wa muda

KShs 36.86 billion

Mgao wa mwisho

KShs 105.92 billion

Ushuru na ada ya leseni inayolipwa kwa serikali katika mwaka huu

KShs 915.42 billion

Ushuru na ada ya leseni tulizolipa kwa serikali tangu mwaka 2000

kusambaa kwa virusi hivyo. Huduma yetu ya M-PESA ilitoa nafuu ya kifedha kwa Wakenya wengi kupitia kuondolewa kwa ada ya kutuma pesa na pia kwenye huduma ya mikopo ya Fuliza. Tulizindua mkakati wa 'Bonga for Good' Aprili 2020, jambo lililowawezesha wateja wetu kutoa Pointi zao za Bonga kwa wale waliohitaji. Tuliendelea pia kuongeza maradufu kasi ya mtandao kwa wateja wetu wa huduma ya mtandao ya nyaya, tukachangia fedha moja kwa moja kwenye mipango ya COVID-19 na tukashirikiana na Wizara ya Afya kufanikisha Kituo cha Habari cha COVID-19 kilichofanya kazi 24/7. Kwa ujumla, Safaricom ilitoa takriban KShs 6.7 bilioni kuisaidia Kenya wakati wa janga hilo. Ingawa janga hilo limekuwa na – na bado linaendelea kuwa na – athari kubwa kote Kenya, bila shaka limeamsha ukakamavu wetu.

Ukakamavu katika mwaka mgumu

Tuliuanza mwaka tukifahamu kwamba janga hili lingetawala kwa miezi mingi iliyofuata, au hata miaka. Safaricom haikuwa na namna ila kukabiliana na changamoto zilizotokea moja wka moja. Tulibadilisha mwelekeo wetu na mikakati yetu ilivyohitajika kukumbatia uhalisia mpya. Bodi imefurahishwa na ukakamavu wa biashara yetu kipindi hicho. Tumefurahia matokeo ya jumla ya Safaricom, ambayo yaliimarishwa na mwamko nusu ya pili ya mwaka uliosaidia kurejesha mapato yetu kwenye ukuaji. Hili lilitupatia fursa ya kuwafaa wenyehisa wetu na kuwasaidia wakati huo mgumu. Tuliweza kutoa mgawo wa faida wa muda wa KShs 0.45 kwa kila hisa, ambayo ilikuwa jumla ya KShs 18.03 bilioni.

Mwelekeo mpya wa mkakati

Mvurugiko uliotokea uliifanya bodi ya Safaricom na makundi ya wasimamizi kutafakari tena mwelekeo wa biashara yetu siku za usoni. Bodi, pamoja na Peter na kundi lote la wasimamizi, walijadiliana jinsi ya kuiweka sawa Safaricom kwa ajili ya siku za usoni. Uongozi wa kampuni uliidhinisha mkakati mpya ambao utaibadilisha Safaricom kutoka kwa kampuni ya biashara ya mawasiliano na kuwa kampuni kamili ya kiteknolojia yenye malengo. Mkakati huu utaifanya Safaricom kuanza katika maeneo mapya ya biashara kama vile kilimobiashara, elimu, huduma za afya, huduma za kifedha na huduma za SME, huku ikiangazia pia fursa nje ya Kenya. Bodi itaendelea kufuatilia kwa karibu utekelezaji wa mkakati huu. Tunapoelekea siku sijazo, bodi ina matumaini kuhusu fursa zinazojitokeza kutokana na mwelekeo huu mpya wa mkakati kama kampuni ya kiteknolojia yenye malengo.

Upanuzi kuingia Ethiopia

Kama sehemu ya lengo letu la kutafuta fursa nje ya mipaka ya Kenya, Safaricom na washirika wengine kwenye ubia waliwasilisha ombi la ununuzi wa leseni la USD 850 milioni, na wakakabidhiwa moja ya leseni mbili za mawasiliano ya simu zilizokuwa zimetangazwa na Mamlaka ya Mawasiliano ya Ethiopia. Safaricom ndiyo inayoongoza ubia huo ambao unashirikisha pia Vodacom Group Limited, Vodafone Group PLC, CDC Group PLC, na Sumitomo Corporation. Kwa sasa, leseni hiyo ni ya GSM pekee na haihusishi huduma ya pesa kwa njia ya simu. Lakini serikali ya Ethiopia imedokeza kuwa huenda huduma ya pesa kwa njia ya simu ikakubaliwa ndani ya kipindi cha miaka miwili au mitatu kwa walio na leseni.

Tuna furaha sana kuhusu kukabidhiwa leseni hii kwani hatua hii inatupa fursa ya kutafuta ukuaji katika taifa la pili kwa wingi wa watu Afrika na moja ya mataifa pekee yaliyokuwa yamesalia na mhudumu mmoja wa mawasiliano ya simu. Tunaamini ubia wetu, ambao unaleta pamoja uzoefu wa Vodacom katika kanda, Vodafone ulimwenguni, Sumitomo kimataifa, na pia CDC utachangia uwepo wa ubia wenye nguvu wa kampuni ambazo zimefanikiwa katika masoko mbalimbali. Unaongezea utaalamu wetu nchini Kenya katika mawasiliano ya simu, na pia huduma ya kutuma na kupokea pesa kwa njia ya simu ambayo imefanikiwa sana Kenya na katika kanda hii.

Mazingira mazuri ya kisheria

Kampuni kubwa zaidi Kenya na inayolipa kiasi kikubwa zaidi cha ushuru, tunafahamu umuhimu mkubwa wa Safaricom kwa taifa hili. Bodi pia linafahamu jinsi idara mbalimbali za serikali zimetekeleza mchango muhimu katika kuisaidia Safaricom kukua na kunawiri. Safaricom itahitaji mazingira mahsusi ya kisheria ili kutekeleza mwelekeo wake mpya wa mkakati, jambo ambalo litazidisha mchango wa Safaricom kwa jamii Kenya na kwa uchumi. Tunasubiri kushauriana na idara na asasi husika za serikali kuwahamasisha kuhusu mkakati huu na kutafuta usaidizi katika masuala kama vile sheria, ushuru na ufasiri wa sheria. Safaricom imejitolea kukuza mchango wetu kwa Kenya bila kutumia vibaya nafasi yetu kama kampuni kubwa zaidi.

Shukrani

Nawashukuru sana wafanyakazi wetu, wasimamizi na watendaji kwa juhudi zao za kipekee mwaka huo uliopita kuhakikisha Safaricom inanawiri na kukua tunapoibuka kutoka kwenye janga la COVID-19. Imekuwa heshima kwa bodi kuwasaidia katika hilo. Ninawashukuru pia wenzangu kwenye bodi kwa mchango wao wa maana katika kipindi ambapo maamuzi makubwa na ya haraka yalihitajika. Tunawashukuru wawakilishi wa serikali na watumishi wa umma katika ngazi zote kwa kuwezesha Safaricom kuwasaidia katika majukumu yao ya kuwasaidia Wakenya wakati wa mgogoro huu. Tunawashukuru wawekezaji na wenyehisa kwa kuwa na imani nasi, imani ambayo bila shaka italipwa siku zinavyosonga. Katika miaka 20 iliyopita, Safaricom daima imekuwa msaidizi na imefanikisha ndoto za Wakenya. Bodi imejitolea kufanya kazi na wasimamizi kuongeza thamani kwa wenyehisa wetu, na muhimu kabisa, kuhakikisha Safaricom inaendelea kuwepo KWA NIABA YAKO, Kenya – wateja wake, wafanyakazi na jamii – katika kubadilisha maisha.

Michael Joseph
Mwenyekiti wa Bodi

Wafanyakazi wa Safaricom waliungana pamoja Agosti 2020 na kuchangisha pesa za kusaidia familia zilizokuwa zimeathiriwa na janga la COVID-19.

Kupitia mkakati huo uliopewa jina 6000 Strong, maana yake 6000 Imara, zaidi ya familia 2,500 zilipokea chakula cha kutosha mwezi mmoja; hizi zilikuwa ni zaidi ya familia 1300 eneo la Korogocho na nyingine 1,300 Bungoma, Mombasa, Thika, Kitengelana Naivasha.

Wakfu wa Safaricom uliongeza kiasi sawa na mchango wa wafanyakazi ambao ulikuwa umefikia zaidi ya KShs 2 milioni, na mchango huo wa vyakula ulitolewaasubuhi Agosti 12 katika uwanja wa michezo wa Korogocho, Nairobi.

Wafanyakazi waliongozwa katika safari hiyo ya hisani kwenda Korogocho na Peter Ndegwa, Afisa Mkuu Mtendaji wa kampuni.

Janga la COVID-19 linaendelea kuzidisha dhiki kwa binadamu na kuyumbisha uchumi kote duniani.

Janga hili limeathiri sana jamii za kipato cha chini ambazo bila msaada kutoka kwa serikali au wahisani, zimo hatarini ya kukosa mahitaji muhimu ya msingi kama vile chakula.

Kutokana na janga hili, vyanzo vyao vya mapato vimedidimia na kuwaacha bila uwezo wa kukidhi mahitaji yao na ya familia zao.

Mkakati huo ulikuwa ni ushirikiano na shirika la Shining Hope for Communities (SHOFCO), ambalo hutoa matumaini na fursa kwa watu maskini zaidikatika mitaa mbalimbali ya mabanda na yenye watuwa mapato ya chini maeneo mbali mbali nchini.

TAARIFA YA AFISA MKUU MTENDAJI

KUIHUDUMIA KENYA KUPITIA UWEKEZAJI KATIKA TEKNOLOJIA

Katika enzi hii ya COVID-19, teknolojia na kuunganishwa vimekuwa muhimu ili kufanikiwa katika jambo lolote maishani. Safaricom imejivunia kuubeba mzigo huu wa wajibu wa kijamii kuisaidia Kenya kukipitia kipindi hiki kigumu. Sasa, tupo kwenye mstari wa mbele katika kuongoza ufufuaji wa uchumi wa nchi yetu

Peter Ndegwa
Afisa Mkuu Mtendaji

Niliwasili Safaricom Aprili mwaka uliopita kama CEO mpya, wakati mgogoro usiotarajiwa ulikuwa umeikumba dunia. Kenya ilikuwa kwenye kipindi cha kwanza cha watu kuzuiwa kutoka nje. Kwa bahati, chini ya uongozi wa Michael Joseph, Safaricom ilikuwa tayari imeweka mkakati wazi wa kubadilisha maisha ya watu kupitia uvumbuzi kwenye teknolojia. Mwaka huu uliokuwa na mgogoro uliibuka kuwa fursa mwafaka zaidi kwetu kudhihirisha jinsi ya kuongoza kutoka kwenye malengo na kukiuka na kwenda hata mbali zaidi ya yale ya kawaida na yanayotarajiwa. Nimeridhika sana kutekeleza mchango katika kampuni yenye ndoto kuu na rasilimali za kufanikisha malengo na kuandikisha matokeo halisi. Mwaka huu, tulikuwa na heshima ya kuitumikia nchi yetu na kuwatunza wafanyakazi wetu huku tukiendelea kuwekeza katika biashara yetu na mtandao wa siku sijazo. Kuzinduliwa kwa mtandao wa 5G wa Safaricom na mpango wa ufadhili wa kifedha wa vifaa husika zilikuwa ni hatua kubwa sana kwa Kundi. Kuweza kutoa huduma za aina nyingi kwa biashara ndogo ndogo na za wastani (SME) kipindi hiki cha mahitaji makubwa ilikuwa hatua kubwa katika siku zetu za usoni kama kampuni ya kiteknolojia inayoongozwa na malengo.

Ukakamavu: Safari ya miaka 20

Safaricom hutazamwa na wengi kama 'fahari ya Kenya' na imekuwa simulizi ya ufanisi Afrika Mashariki kwa miongo miwili. Sifa za Kundi hili, uthabiti wa kifedha, na ukakamavu nyakati za changamoto yalikuwa mambo muhimu katika uthabiti wa matokeo yetu ya kifedha ya kipindi hicho. Kwa kutambua kwamba athari za COVID-19 hazingeepukika, Safaricom ilijiandaa kukabili changamoto hizo kwa ufahamu kwamba teknolojia zetu – kwa kiwango kikubwa – zingeamua ukakamavu wa uchumi wa Kenya na jamii. Ingawa biashara na watu binafsi walitatizika kujaribu kustahimili athari za uchumi wa dunia ulioonekana kuporomoka wakati mwingine, tulifahamu kwamba hitaji kuu la kufanyia kazi na kusomea nyumbani lingesaidia kuikinga Safaricom. Hitaji la mtandao wa intaneti na huduma nyingine za mawasiliano liliongezeka. Nafasi yetu nzuri kwenye soko na uimara wetu kifedha vilituwezesha sio tu kunusurika changamoto kubwa za kiuchumi bali pia kuwasaidia Wakenya, ikiwemo wafanyakazi wetu, kupitia miezi hiyo isiyo ya kawaida iliyofuata. Tunaposherehekea miaka 20 ya ufanisi mkubwa katika biashara yetu, tunabadilika na kuwa nembo ya kila sehemu ya maisha kwa watu binafsi na kuwa mwezeshaji wa biashara, tukiangazia zaidi teknolojia zinazovumbuliwa kufaa malengo yetu. Zaidi ya hayo, Safaricom inaasisi biashara inayounganisha malengo ya kibiashara na kijamii kutengeneza makubwa kupitia teknolojia na kuwaridhisha wateja.

Kidokezo cha matumaini yetu

Pamoja na madhara ya kiuchumi ya janga hili na ushindani kutokana na biashara mpya kwenye masoko yetu, Kundi hili lilikabiliana na changamoto zilizotokana na watu kuzuiwa kusafiri. Tulikuwa kwenye shinikizo kubwa kutengeneza mazingira mapya kabisa ya kikazi bila kutatiza utoaji wa huduma zetu. Wakati huo huo, tulikabiliwa na hitaji la kupunguza gharama kutokana na biashara kutotabirika. Hatua ya Safaricom kukumbatia huduma za sava na kompyuta maalum za kupitia mtandaoni, maarufu kama 'cloud', katika mazingira yetu ya ufanyaji kazi kabla ya janga hili, ilitusaidia kujiweka sawa haraka. Tulichukua fursa hiyo kuboresha ubora wa utoaji huduma kwa kuanzisha njia mpya za kidijitali za kuwasiliana na kuwahudumia wateja na kupanua pia aina ya huduma za kifedha zinazotolewa na Safaricom. Kwa sasa, sote tunafahamu jinsi kuunganishwa

Kuwasaidia Wakenya

Tulihakikisha huduma za **mtandao wetu zinapatikana kipindi ambapo kuunganishwa kulikuwa na umuhimu mkubwa**

Tuliwakinga Wakenya kwa miezi tisa kwa kushirikiana na serikali **kufanikisha shughuli za 1.7 bilioni za kutuma pesa bila malipo**

Zenye Thamani ya KShs 4.38 tn

Tulitumia M-PESA **kurahisisha shughuli za kutumia pesa** na kupunguza hatari ya maambukizi

Tuliisaidia serikali katika hatua zake za kudhibiti kusambaa kwa virusi vya COVID-19

Tulichukua **hatua kuwakinga wafanyakazi wetu**, kuhakikisha biashara inaendelea

kulivyo muhimu katika 'kawaida mpya' ya sasa, hasa uwezo wa kupata huduma ya intaneti ya kasi na ya kutegemewa. Ili kusaidia hitaji hili, tuliongeza maradufu kasi ya mtandao kwenye huduma yetu ya mtandao wa kutumia nyaya wakati wa mgogoro huo kuwasaidia waliokuwa wanafanyia kazi au kusomea nyumbani. Tulifanya ziada kwenye mkakati huo kwa kusaidia mipango mbalimbali iliyowawezesha watoto shuleni kuendelea na masomo. Katika mtazamo wa kijamii, watu wanaofanyia kazi nyumbani wamo kwenye hatari ya kupata changamoto za afya ya kiakili. Ilitulazimu kuwaweka karibu wafanyakazi wetu na vifaa vyetu vipya vya mawasiliano vilituwezesha kuendeleza Moyo wa Safaricom, licha ya kutokuwa kwenye jumba moja na wenzetu.

Safaricom ilisalia mbele ya washindani wake kupitia utoaji huduma ya kiwango cha juu na kwa kuanzisha huduma na bidhaa mpya zilizokidhi mahitaji maalum. Tulihakikisha maduka yetu yanasalia wazi, na tukaharakisha uzinduzi wa mitandao ya 4G na 3G wakati wa janga. Kundi hili pia liliwekeza katika miundo msingi kipindi hicho ili kuhakikisha taifa linabaki kuunganishwa na ili kutimiza mahitaji ya mkakati wetu mpya siku zijazo. Uwekezaji wetu kwenye miundo mbinu, mitambo na vifaa ulikuwa ni pamoja na kuzindua mpango wa kuwasaidia

watu kununua vifaa vya kutumia 4G, tukishirikiana na wadau wengine wakuu duniani kama vile Google na Facebook ili kutoa vifaa vya bei nafuu ambavyo wengi hawangeweza kuvinunua bila mpango huo. Kwa kuwa SME ziliathirika sana na kudorora kwa uchumi, tuliangazia kusaidia SME kwa kuwapa programu tumishi yaani app inayowawezesha kufanya mengi zaidi kwenye biashara zao wakiwa bado nyumbani, au wakiwa safarini. Tumeshuhudia umaarufu mkubwa wa app hii tangu janga hili lilipotokea, jambo linaloendana vyema na malengo yetu ya siku za usoni kuhusu SME. Ongezeko la shughuli za kibiashara zilizofanywa kupitia M-PESA mwaka huu lilidhihirisha manufaa ya kutuma na kupokea pesa kwa njia ya simu badala ya kutumia pesa taslimu – jambo ambalo wengi siku hizi wanalikwepa. Miezi miwili baada ya janga kuanza, kiasi cha wastani cha pesa walizoweka watu kwenye M-PESA kiliongezeka kwa 20%, ishara ya imani ya watu kwenye M-PESA kama nembo pamoja na kuwa tayari kwao kutumia njia hii mpya ya kufanya biashara. Pesa kwa njia ya simu ni huduma muhimu sana ambayo watu binafsi, biashara na serikali wote huipenda. Serikali ya Kenya ilitumia M-PESA kutuma pesa kwa watu wasio na uwezo, huku watu wengi nao wakituma pesa nyumbani kusaidia familia zao zilizokuwa na shida.

Moyo wa Safaricom

Kutokana na utamaduni wetu wa kufanya kazi kwa malengo na kujitolea, maarufu kama Moyo wa Safaricom, wafanyakazi wetu waliwajibika na kufanya kazi kwa pamoja kwa njia ya kuridhisha sana na kupata matokeo yanayoitenganisha Safaricom na wengine. Matokeo mazuri kwenye viashiria vingi kwetu ni thibitisho la kujitolea kwa wafanyakazi wetu. Wafanyakazi wetu wanajivunia mchango wao katika kuisaidia Kenya, licha ya kufanya hivyo wakiwa nyumbani.

Mkakati wa safaricom ulioboreshwa

Janga hili na kudorora kwa uchumi wa dunia vilitufanya kutathmini upya pakubwa mkakati wa biashara yetu. Baada ya bodi kuidhinisha mkakati mpya ulioandaliwa kwa kuangazia malengo, sasa tunaanza kutekeleza mkakati huu mpya na kuuzindua kote katika shirika letu. Mkakati mpya wa Safaricom unaangazia zaidi kila kitu kuhusu mteja, kwani mahitaji ya wateja wetu yanafaa kuongoza biashara yetu. Katika hili, tunabadilika kutoka kwa kampuni ya mawasiliano na huduma za pesa kwa njia ya simu na kuwa kampuni ya kiteknolojia inayoongozwa na malengo. Uvumbuzi wa kidijitali na kuangazia kwa makini kila kitu kuhusu mteja tayari vinainua kiwango chetu cha uwezekano wa wateja kutupendekeza kwa wengine (NPS). Ni jambo linaloonyesha wateja wa Safaricom wanafurahia biashara yetu. Janga hili limekoleza kujitolea kwa Safaricom kuwaelewa wateja ili kutoa huduma zinazoangazia matarajio na zilizo na uwazi na zinazowapa wateja udhibiti zaidi. Yote haya yakiwa yanaangazia kumridhisha mteja. Ili kutusaidia kutimiza hili, tunafanyia mabadiliko njia zetu za kufanya kazi ili kukumbatia njia "rahisi kubadilisha". Njia hii itaweka ufanyaji wa maamuzi karibu zaidi na wafanyakazi wanaowahudumia wateja na kwenye wateja wenyewe. Nina hamu kubwa kuhusu kutumia njia hii ya wepesi, ambayo imejaribiwa na kuthibitishwa na kampuni za teknolojia duniani kuwa inayofikisha huduma halisi ya dijitali kwa wateja, wafanyakazi na jamii. Sio tu kwamba tutaibadilisha Safaricom, bali pia maisha ya Wakenya na wateja wetu popote pale. Kiungo kingine muhimu katika siku zetu za baadaye ni uhusiano wetu na mamlaka mbalimbali za serikali zinazosimamia sekta hii. Kutabirika katika mazingira ya kisheria ni muhimu katika kupanua biashara yetu ya huduma za kifedha, tunapoendelea na mashauriano mengine kuhusu kupata mawimbi zaidi ya kutumia kwenye huduma zetu za intaneti.

Lengo letu kuu

Mwaka uliopita, tulishuhudia Safaricom ikivumbua mengi chini ya shinikizo katika mazingira ambayo ndiyo yalikuwa na changamoto zaidi kiuchumi na kijamii katika miongo mingi. Shinikizo la kuvumbua na kutoa huduma za thamani kwa wateja wetu katika kipindi kigumu lilitulazimisha 'kufikiria zaidi ya kawaida'. Ilitulazimu kutafuta njia mpya za kuyakabili na kuyatatua matatizo. Wakati wa mzozo, mashirika yenye malengo yanafaa kusimamia zaidi ya malengo yake ya kibiashara na kuangazia malengo makuu zaidi. Mafanikio ya Safaricom katika miaka 20 iliyopita yalikuwa jukwaa la kutimiza ahadi yetu kwa njia iliyolitia moyo taifa na wafanyakazi wetu. Lengo kuu huzaa thamani iliyo zaidi ya malengo ya kifedha, na hufanikisha uendelevu wa kipindi kirefu. Hatutajiimarisha tena kama kampuni iwapo Kenya haitakuwa imara tena. Hii ndiyo nguvu ya maadili ya pamoja: kuwajali wadau wetu.

Uhusiano na wadau wetu

Tulijitahidi kuwasaidia wadau wetu wote kipindi cha janga kwa kutimiza lengo letu kuu la Kubadilisha Maisha. Huu ulikuwa mwaka ambapo ilifaa kuweka mahitaji ya kibinadamu mbele ya malengo ya kibiashara. Juhudi hizo za kibinadamu zilisaidia kuimarisha uchumi wa Kenya – kiungo muhimu katika ufufuaji wa uchumi jambo ambalo litatuwezesha kuangazia malengo yetu ya kibiashara kwa nguvu zaidi mwaka wa kifedha (FY) wa 22. Tulilipa mgawo wa faida kwa wenyehisa wetu ikiwemo serikali na wenyehisa wa reja reja, na hivyo kuongeza nguvu uchumi wa taifa. Tuliisaidia serikali moja kwa moja katika kukabiliana na janga hilo na tulitoa fedha moja kwa moja kama mlipaji ushuru mkubwa zaidi Kenya. Safaricom ilisaidia kuhakikisha wanaotuuzia bidhaa na washirika wetu kwenye biashara wanasalia kwenye biashara, wakiwemo maajenti wetu wa M-PESA, ambao walishuhudia ukuaji mkubwa FY21. Tulishirikiana pia na Benki Kuu ya Kenya na serikali. Hili lilituwezesha kuanzisha kituo cha mawasiliano ya simu cha kutoa usaidizi kuhusu COVID-19 na tukaondoa ada kwenye shughuli za kibiashara za M-PESA kwa miezi tisa, jambo lililochochea ukuaji wa sekta ya uchumi wa kutotumia pesa taslimu Kenya.

Pamoja na mchango wetu wa kiuchumi, tulifanya kazi na mamlaka simamizi kutatua baadhi ya changamoto ambazo taifa lilikuwa linakumbana nazo kwa kupata mawimbi ya ziada ya kusaidia kupanuliwa kwa miundo mbinu yetu ya mtandao. Muhimu zaidi katika juhudi hizi zote, tuliwaweka wafanyakazi wetu salama kwa kuweka hatua za kuzuia kusambaa kwa virusi na kuwezesha upimaji wa COVID.

Teknolojia na uvumbuzi

Biashara yote ya Safaricom hutegemea teknolojia na uvumbuzi, lakini ningependa kuangazia mambo mawili makuu kwetu: Katika enzi ya wengi kutumia mtandao, usalama wa mtandaoni – kuweka salama data kuhusu wateja na pesa zao – ni muhimu sana. Huwa tunagundua na kuzuia hatari hizo kwa kufanya kazi na washirika wetu walio viongozi katika hilo. Mtindo mwingine unaoshika kasi ni Mtandao kwa Kila Kitu (IoT), ambao unatumia 5G kuunganisha vifaa na mazingira yetu kwa kiwango ambacho hakijawahi kufikirika. Safaricom tayari inatumia IoT katika biashara yetu kujaribu kudhibiti gharama na kutumia uzoefu wake wa IoT na ujuzi tunaoujenga ndani yetu kuanza kutoa huduma za IoT kwa kampuni nyingine kubwa.

Siku za usoni

Kwa muhtasari, Safaricom imejenga mfumo imara katika miaka 20 iliyopita ambao umewahudumia wadau wetu vyema, lakini kwa kuendana na kauli mbiu yetu ya 'Twende Tukiuke', sasa tunaangazia zaidi ya kuunganisha watu na kutuma na kupokea pesa. Tunaangazia pia zaidi ya mipaka ya maeneo ambayo tunahudumu. Tunalenga sasa sekta za afya, kilimo biashara na elimu. Kadhalika, tunapanua huduma zetu za kifedha zaidi ya kufanikisha malipo ili kuwanufaisha wateja kwa njia mpya, huku tukiendelea kukuza huduma ya mtandao wa intaneti wa kasi kama Wakenya wanavyotarajia kutoka kwetu.

Vipaumbele vya Safaricom kwa mwaka ujao ni:

Kuendelea kukuza biashara zetu za data na mtandao. Safaricom imo mbioni kutimiza kiwango cha upatikanaji wa 4G cha 100% na tunapiga hatua pia katika 5G na huduma ya intaneti kupitia nyaya, ingawa tunahitaji kuharakisha uenezaji wa huduma hii. Tumo kwenye nafasi nzuri ya kupanua miundo mbinu ya intaneti ya kusambazwa kupitia nyaya kufikia nyumba milioni moja katika miaka mitano ijayo, na kusaidia kuwezesha kufanyia kazi na kusomea nyumbani kuwa kawaida mpya. M-PESA tayari inachangia 6% kwenye

GDP ya Kenya na inatarajiwa kukua tunapohamia kwenye jamii isiyotumia pesa taslimu, kwa hivyo kuunganishwa kitakuwa kichocheo kikuu cha biashara. Tunasaidia kutumiwa kwa simu na vifaa vya 4G na kuweka mitandao ya intaneti ya kasi itakayowawezesha wateja wetu kupata huduma bora na za kisasa za mtandao.

Tukisonga mbele, Safaricom:

- Inapanua huduma za kifedha tunazotoa kwa wateja zaidi ya malipo na mikopo hadi kwenye usimamizi wa mali na bima, hili likitegemea idhini ya serikali
- Itakuwa nembo ya kuwezesha SME kukuza biashara zao kwa kuongeza thamani kupitia app ya M-PESA, ambayo itakuwa kiungo muhimu cha uwezeshaji siku zijazo
- Itatafuta njia za kutumia dijitali kwenye afya na elimu ili kutatua tatizo la ukosefu wa usawa katika upatikanaji
- Itaingia katika maeneo mapya kijiografia ili kusambaza ufanisi ambao umefungamanishwa kwenye muundo wa kibiashara wa Safaricom wenye ufanisi
- Hatua zetu katika baadhi ya masuala ya kijamii zilikwamishwa na janga hili na tunafahamu kuwa changamoto za kijamii na kiuchumi Kenya bado hazijamalizika.

Changamoto kwa Safaricom ni kuwasaidia wateja wetu katika kujikwamua kutoka kwa janga hili kupitia mtindo wa kidijitali unaowawezesha. Malengo yetu ya kijamii yanaongozwa na Malengo ya Maendeleo Endelevu (SDG) ya Umoja wa Mataifa, yanayoonyesha bado kuna mengi sana ya kutimizwa. Kwa mfano, kutumia teknolojia kufanikisha upatikanaji wa elimu, huduma za afya na kutatua masuala ya kilimo kunaweza kuwa na matokeo halisi ya kijamii na kiuchumi kwa Wakenya katika kutimiza SDG. Tunaitazamia Safaricom kuweka vigezo vya utoaji wa huduma bora kwa wateja Kenya. Nina imani kwamba tunaweka msingi, kwa mfano utamaduni wetu wa wepesi, ambao utatuwezesha kutimiza lengo letu la kutoa kile wateja wetu wanachokitaka kwa njia inayowezesha jamii na Safaricom kupiga hatua hadi kwenye siku za usoni endelevu na zenye ufanisi.

Uwekezaji Ethiopia

Mnamo tarehe 24 Mei 2021, Wizara ya Fedha ya Ethiopia na Mamlaka ya Mawasiliano ya Ethiopia (ECA) walitangaza kuwa Global Partnership for Ethiopia, ambao ni ubia au ushirikiano wa kampuni za mawasiliano unaoongozwa na Safaricom, ilikuwa imekabidhiwa leseni ya kuhudumu nchini Ethiopia na kuanzisha mtandao mpya wa mawasiliano ya simu. Kupokea idhini hii kulikuwa ni kilele cha shughuli ndefu na yenye changamoto nyingi ambapo Safaricom na washirika wetu kwenye ubia huo, wakiwemo Vodacom, Vodafone, Sumitomo na CDC, waliifanyia kazi kwa miezi mingi. Inaeleweka kwamba sote tuna furaha isiyo na kifani kutokana na matokeo yake.

Ubia huu ulikabidhiwa 'Leseni A', ambayo ina kiungo cha kuvutia sana cha kuendesha biashara ya GSM (mawasiliano ya simu za rununu) nchini Ethiopia tukishindana na Ethiotel, kampuni inayomilikiwa na serikali ambayo imekuwa ndiyo pekee inatoa huduma za mawasiliano ya simu. Serikali ya Ethiopia ilikuwa imetarajia kutoa leseni mbili lakini mwishowe iliamua kukabidhi leseni moja kwa ubia unaoongozwa na Safaricom, na pengine baadaye watatoa leseni hiyo nyingine. Leseni yetu ni ya kipindi cha kwanza cha miaka 15 na tunaweza kuomba kuongezewa miaka mingine 15.

Leseni hii inafungua milango kwa sura mpya ya ukuaji kwa Safaricom – na washirika wetu kwenye ubia – katika taifa hilo la pili kwa wingi wa watu Afrika na moja ya mataifa machache tu yaliyokuwa yamesalia kuhudumiwa na kampuni moja ya mawasiliano ya simu. Ninaamini ubia wetu, ambao unaleta pamoja uzoefu wa Vodacom katika kanda, Vodafone ulimwenguni, Sumitomo kimataifa, na CDC utachangia uwepo wa ubia wenye nguvu. Unaunganisha kampuni ambazo zimefanikiwa katika masoko mbalimbali na yenye utaalamu katika kuendesha mtandao wa GSM Kenya na pia huduma ya kutuma na kupokea pesa kwa njia ya simu ambayo imefanikiwa sana Kenya na katika kanda hii.

Tunatabiri Safaricom ikiweka alama ya uzoefu wa wateja nchini Kenya

Peter Ndegwa
Chief Executive Officer

Nchini Ethiopia, ubia huu unakusudia kujenga mtandao wa simu wa kiwango cha juu utakaowawezesha Waethiopia kupokea huduma bora za kidijitali. Bila shaka, tunatarajia ushindani kutoka kwa Ethiotel, mhudumu wa sasa, lakini ni vyema kwani ushindani utatupatia shinikizo la kutoa huduma kwa mtindo wa Safaricom kwa wateja Ethiopia. 'Tunavyobadilisha maisha' ya watu Kenya, kupitia malengo na ubora wa bidhaa zetu na huduma, ndivyo pia Safaricom itakavyozindua huduma zitakavyobadilisha na kuinua maisha ya Waethiopia.

Labda tayari unafahamu kwamba Safaricom inafahamika sana kwa huduma ya pesa kwa njia ya simu sawa na mawasiliano ya simu, lakini leseni ya sasa ni ya GSM pekee, haina huduma ya pesa kwa njia ya simu. Hata hivyo, mnamo 21 Mei 2021 Ethiotel walizindua huduma ya pesa kwa njia ya simu. Waziri Mkuu wa Ethiopia aliashiria wakati wa hafla ya uzinduzi wa huduma hiyo kwamba soko la pesa kwa njia ya simu litafunguliwa kwa ushindani baada ya mwaka mmoja kinyume na ndani ya miaka miwili au mitatu kama ilivyotangazwa awali. Tunatumai kwamba ishara hii itakuwa uhalisia mwaka 2022, ili mamilioni ya Waethiopia nao waweze kufaidi kutokana na huduma yenye ushindani duniani ya huduma ya pesa kwa njia ya simu ya M-PESA. Kuweza kutoa huduma hii ni jambo lililokuwa muhimu sana kwa biashara yetu katika kuamua kuhudumu katika soko la Ethiopia.

Ubia unaoongozwa na Safaricom utaunda kampuni ya kuendesha shughuli Ethiopia na itaanza kufanya kazi mwaka 2022. Kampuni hii itakuwa na muundo wa usimamizi ulio sawa na wa Safaricom hapa Kenya na itakuwa na CEO, na maafisa watendaji na wasimamizi. Mwanzoni, ujuzi wa kiteknolojia na kibiashara utatolewa na wataalamu watakaotumwa huko, kwa lengo la kupitisha utaalamu huo na ujuzi kwa Waethiopia wenye vipaji watakaokuwa wameajiriwa kwa lengo ya kujenga biashara ambayo itakuwa ya Ethiopia kwa njia halisi.

Kampuni hii itakuwa kampuni tanzu ya Safaricom, ambapo tutamiliki 55.67% ya hisa. Ili kukidhi mahitaji tofauti tofauti ya wanachama wa ubia huu, hisa hizi zitamilikiwa kupitia kampuni tanzu mbili za katikati – the Global Partnership for Ethiopia BV na Vodafamily Ethiopia Holding Company Limited.

Ubia wetu ulioshinda leseni, the Global Partnership for Ethiopia, umelipa USD 850 milioni kwa serikali ya Ethiopia kwa ajili ya leseni hii, ambayo ina matarajio kadha, yakiwemo kujenga mtandao wa hali ya juu unaotoa thamani kwa wateja kupitia uvumbuzi na ubunifu, na bidhaa na huduma. Kujenga mtandao wetu na huduma na bidhaa za thamani kutafadhiliwa kupitia mchanganyiko wa mikopo itakayochukuliwa moja kwa moja na kampuni tutakayoianzisha na pia kutoka kwa wanachama wa ubia. Safaricom inakusudia kufadhili hisa zake kupitia fedha za kutoka ndani na pia kukopa kutoka nje. Hatutarajii ufadhili huu kuwa na athari yoyote kwenye sera ya ulipaji mgawo wa faida ya Safaricom kwa wenyehisa wake.

Ingawa leseni hii ya Ethiopia ni fursa kuu kwa Safaricom kuvuka mipaka ya taifa, kundi la wasimamizi na Bodi wanafahamu kwamba zipo hatari pia.

Utathmini wa kina wa ubia kuhusu hatari zilizopo uliangazia mambo ambayo ni pamoja na, kwa mfano:

- hatari ya fedha, ukizingatia kwamba Ethiopia hudhibiti ubadilishanaji wa fedha
- hatari za kiuchumi ambazo ni kawaida katika masoko yanayoibuka

- hatari za kisheria na kiusimamizi kutokana na ECA kutekeleza mfumo mpya wa kisheria wa mazingira huru na yenye ushindani
- hatari ya ushindani, kwani Ethiotel tayari ina mizizi mizuri Ethiopia
- hatari za miundo mbinu kutokana na shughuli za uzinduzi wa mtandao wa GSM, ingawa hili linatoa pia fursa ya kutumia manufaa na mafanikio ya kiteknolojia kwenye miundo mbinu yetu.

Ubia huu pia unafuatilia kwa karibu hatari za kisiasa zinazohusiana na mizozo ya ndani ambayo huathiri Ethiopia mara kwa mara. Baada ya mjadala mkubwa, ubia mwishowe uliamua kwamba hatari zilizotambuliwa zilikuwa zinatoshana na fursa iliyopo.

Safaricom ina furaha sana kufungua sura hii mpya. Hata bila kusema, bila shaka mtakuwa mkisoma na kusikia mengi zaidi kuhusu Safaricom nchini Ethiopia katika miaka ijayo. Ninatumai kwamba nimewaeleza mambo ya kutosha kuwawezesha kujumuika nami katika furaha niliyo nayo kuhusu uwekezaji huu mpya. Nitajizatiti kuwapa wenyehisa taarifa za mara kwa mara kuhusu hatua tunazozipiga katika kuanzisha biashara hiyo ya Ethiopia katika kipindi cha hadi uzinduzi na hata baada ya hapo.

Huu ni mwaka wa kipekee ambapo tulipanua biashara yetu hadi Ethiopia, na ningependa kutoa shukrani za kipekee kwa serikali za Kenya na Ethiopia. Niwashukuru kwa njia maalum Waziri Mkuu Abiy Ahmed na Rais Uhuru Kenyatta pamoja na mamlaka husika kwa usaidizi walioipa Safaricom na Ubia wetu katika ombi letu lililofanikiwa la kupata leseni ya kutoa huduma za mawasiliano ya simu.

Shukrani

Wapo watu wengi sana wa kuwapa shukrani katika kampuni kubwa; mwaka huu pengine zaidi ya kawaida. Ningependa kwanza kutoa shukrani zangu kwa bodi, ambayo usaidizi wake wa maono ulikuwa muhimu sana mwaka wangu wa kwanza kama CEO. Michael Joseph, mwenyekiti wetu wa sasa na aliyekuwa CEO wa Safaricom, alikuwa nguzo ya nguvu katika kufanikisha shughuli nzuri ya mpito kwangu kuchukua majukumu na Dilip Pal, CFO wetu ajaye. Kupata kuwafahamu wafanyakazi wenzangu Safaricom katika mazingira kama haya yasiyo ya kawaida limekuwa jambo la kutia moyo. Ninawashukuru nyote kwa dhati kwa kujitolea kwenu wakati wa mzozo huu, hata mlipokuwa mnapambana na changamoto zenyu wenyewe za COVID-19. Nawashukuru pia wadau wetu wote – wenyehisa, jamii na serikali – waliotuwezesha kuendelea kutoa huduma zilizoiweka Kenya ikiendelea kufanya kazi mwaka huo. Mwisho kabisa, nawashukuru wateja wetu. Bila nyinyi, biashara yetu haiwezi kuwepo. Tutaendelea kuangazia mahitaji yenu kabisa katika mwaka ulio mbele yetu.

Peter Ndegwa
Afisa Mkuu Mtendaji

Mafanikio yetu makuu mwaka huu

Matokeo ya upigaji simu ya tunukiwa

Sehemu yetu katika simu zilizopigwa iliongezeka hadi 70.9%

Dakika za maongezi ya kupiga simu kwa kila mteja ziliongezeka 19.1%

Dakika za maongezi ya kupokea simu kwa kila mteja ziliongezeka 16.2%

Data

Mapato kutokana na mauzo ya data yaliongezeka 11.5%

Upatikanaji wa mtandao wa rununu

Upatikanaji wa 4G 94%

Uzinduzi wa mtandao wa 5G

Mtandao wa nyaya (Fibre)

Kupatikana kwenye majumba kulifikia 58.5%

Mapato ya FTTH yaliongezeka 49.1%

Wateja wa FTTH waliongezeka 31.5%

Mapato kutokana na huduma ya M-PESA kulipungua 14.5% nusu ya kwanza ya mwaka FY21 kuliongezeka 10.1% nusu ya pili ya mwaka FY21 kulipungua 2.1% mwakani FY21

M-PESA na App ya Wafanyabiashara ya Lipa na M-PESA

Jumla ya thamani ya shughuli za kibiashara za M-PESA ilikua 58.2% hadi KShs 22.04 trilioni

Akaunti za wafanyabiashara katika Lipa na M-PESA waliozitumia kila mwezi ziliongezeka 31.5% hadi 301,597

Pochi la Biashara kwa SMEs

Kuna wafanyabiashara 935,000 wa Pochi la Biashara

1.41 million SME na Biashara M-PESA Kwenye

Kuziba pengo la kidijitali kupitia Lipa Mdogo Mdogo

Smartphones 200k + ziliuzwa

OUR STRATEGY

In the current global economy, businesses must be more adaptable and responsive to their customers' needs to succeed. Our strategy for 2020 positioned us strongly to thrive throughout a difficult year. This year we are building on our strengths to meet our purpose of 'Transforming Lives'.

Overview of Group's strategy

Following the sad passing of our former CEO Bob Collymore in July 2019, interim CEO Michael Joseph refreshed the Group's strategy based on our longstanding 'FOR YOU' customer proposition. The Group focused on being Simple, Transparent and Honest regarding all our services and products, resulting in decisive public actions that drove customer numbers.

This strategic review showed that our strategy remained essentially correct – though needed some refining – but was lacking balanced feedback from our customers, who are in fact Safaricom's key stakeholders.

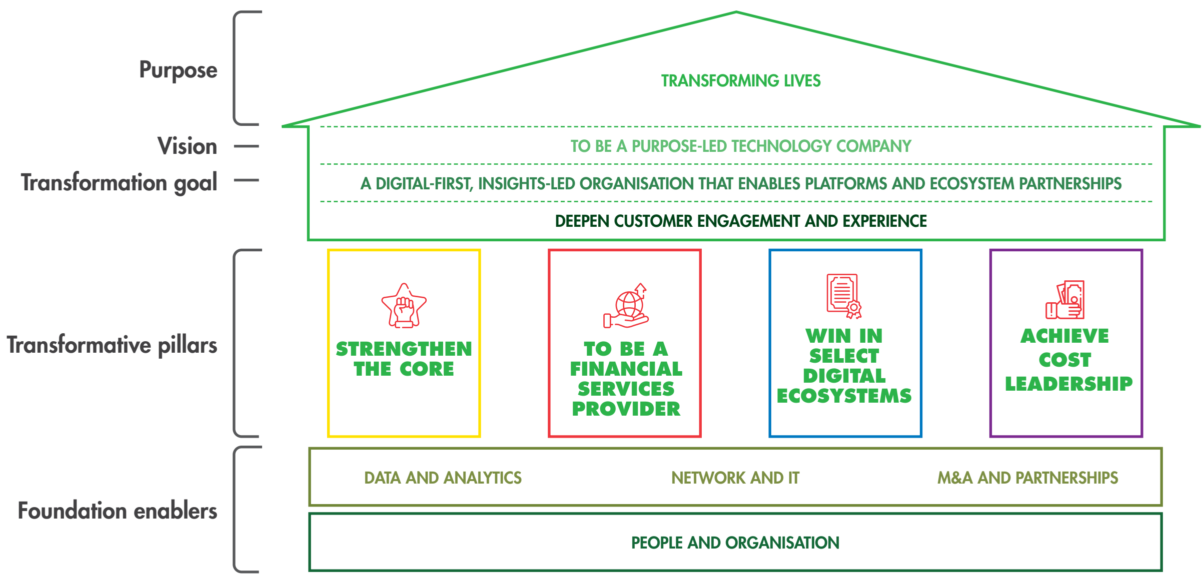
To correct this, the Group launched a 'customer obsession' campaign (refer to page 87 of this report) that places our customers at the centre of the Group's stakeholder feedback loop.

As Safaricom turns 20 years old, we are inviting our customers to take the next step with us to 'go beyond' into a digital future.

Our strategic refocus around purpose

Safaricom's revised business strategy re-emphasises the Group's set purpose of 'transforming lives'. Regaining this focus meant going back to our customers and finding out exactly how Safaricom can transform their lives through our products, services and operations.

This reminded us sharply of the centrality of our purpose for a socially responsible organisation. We have accordingly refined and refocused Safaricom's business strategy to decisively support what our customers need to transform their lives through technology.



How we will deliver on our strategy

Short term

- Improve customer experience
- Democratise data, grow smartphone penetration, usage and content creation
- Manage voice decline
- Drive utilisation of financial services for both individuals and businesses through more use cases
- Drive a cost optimisation journey to fuel new growth areas

Medium term

- Drive adjacent solutions through platforms and partnerships
- Leverage IoT and ICT to expand enterprise portfolio
- Create a fintech-anchored ecosystem that is the 'platform of choice' for SMEs
- Expand the core and financial services into new geographies
- Expand into financial services that drive savings, investment and insurance subject to regulatory approvals

Long term

- Evolve the business through digital enablement, including development and scaling of digital services

How we will measure our progress

Customer satisfaction

- Customer surveys
- Benchmark against competition based on NPS
- Internal data analytics platforms

Shareholder value

- Industry reports
- Internal data analytics platforms
- Revenue growth against all industry players

Internal efficiency and quality

- Internal data analytics platforms
- External benchmarks for operators
- Network quality against other operators (local and global)

Employee engagement

- Internal employee surveys

Strategic focus | To transform into a purpose-led technology company

Transformative pillars

STRENGTHEN THE CORE

- **Defending voice** through use of Customer Value Management (CVM) platforms
- **Democratising data** through devices, reach and use cases
- **Expand enterprise portfolio**: IoT, ICT, FTTH/FTTB
- Win in FTTH/FTTB as a **converged business**
- Create a fintech anchored **'platform of choice' for empowerment of 'SMEs/MSMEs'**
- Expand the core financial services into **new geographies** by entering Ethiopia

TO BE A FINANCIAL SERVICES PROVIDER

- **Next financial services:** wealth management, savings, insurance, credit subject to regulatory approvals
- **Smart lifestyle channel:** M-PESA super app
- **Integrated business solution:** business app and payment aggregation platform
- **Universal payment network:** enhanced merchant interoperability and enable e-commerce and cross-border payments

WIN IN SELECT DIGITAL ECOSYSTEMS

- **Scale DigiFarm** in a commercially sustainable way
- **Healthcare inclusion** through digital healthcare services
- Enabling access to **online learning**

ACHIEVE COST LEADERSHIP

- **Drive cost optimisation** to fuel growth in new areas
- **Smart procurement**, automation, **digitisation** and operating model transformation

STRENGTHEN THE CORE

Strategic priorities

1. **Defending voice** through use of Customer Value Management (CVM) platforms
2. **Democratising data through** devices, network coverage and use cases
3. **Expand enterprise portfolio**: IoT, ICT, FTTH/FTTB
4. Win in FTTH/FTTB as a **converged business**
5. Create a fintech anchored 'platform of choice' for empowerment of **SMEs/MSMEs**
6. Expand the core financial services into **new geographies**

One of our main focus in a competitive landscape is the strengthening our core business activities to ensure that we remain the market leader among mobile operators in Kenya. Our ability to meet the changing needs of our customers over the last 20 years has been at the core of our success.

1

Defending voice through use of CVM platforms

Voice calling and SMS messaging have been declining for years worldwide due to mainstream adoption of messaging apps such as WhatsApp, which offer more features at lower prices, such that voice and SMS services now account for 38.4% of service revenue. Even so, Safaricom believes that traditional voice and messaging still have much value to offer specific consumer segments.

Safaricom has invested in CVM systems and data analytics to deliver affordability and excellent service across all stages of the customer journey, with the focus on acquisition and onboarding, optimising customer engagement and keeping customers on our network.

2

Democratising data through devices, network coverage and use cases

The concept of 'data democratisation' means making information freely available to anyone who can use it intelligently and responsibly.

For our customers, we are democratising data and access to information by making smartphones more accessible, improving traditional voice and messaging platforms, and introducing value-creating online services ('use cases') for individuals and businesses. These are all key aspects of Safaricom's drive to optimise costs for customers and the Group.

As we approach 100% network coverage with both our 3G and 4G networks, we are embarking on a rollout of our 5G network. We plan to expand the number of 5G sites to more than 150 locations across nine towns over the next 12 months.

3

Expand enterprise portfolio: IoT, ICT, FTTH/FTTB

Universal, high-speed connectivity will be the hallmark of tomorrow's productive societies. Safaricom is on an unwaivering drive towards creating and leveraging universal connectivity in its chosen markets by building appropriate infrastructure, including fibre services, 5G and IoT to drive adjacent solutions through platforms and partnerships with relevant entities. Big and small businesses will benefit alike.

In line with our mission to digitise Kenya, our fixed infrastructure strategy aims to increase partnerships to achieve the widest coverage at the most attractive economic cost for our customers. We connect both households and businesses through Fibre to the Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes or premises connected to the Safaricom fibre grid.

We monitor our customers' data usage and advise them when they need to upgrade to a higher bandwidth package to accommodate their needs and have a frictionless experience.

4

Win in FTTH/FTTB as a converged business

We see future opportunity in converged service of data, content, smart home and fixed mobile. This is linked to our strategy to expand the enterprise portfolio.

5

Create a fintech-anchored 'platform of choice' for empowerment of SMEs/MSMEs

We aspire to create a fintech-anchored ecosystem that is the platform of choice for SMEs and MSMEs to empower them to run their businesses more efficiently.

6

Expand the core financial services into new geographies

Tried and tested in Kenya for 20 years, our analyses show that the Safaricom model is well-suited to other economies, particularly in East Africa. The continent as a whole has a pressing need for simple and accessible ways to access money. Safaricom plans to venture further afield in stages.

TO BE A FINANCIAL SERVICES PROVIDER

Strategic objectives

1. **Next financial services:** wealth management, savings, insurance, credit
2. **Smart lifestyle channel:** M-PESA super app
3. **Integrated business solution:** Business App and payment aggregation platform
4. **Universal payment network:** enhanced merchant interoperability and enable e-commerce and cross-border payments (M-PESA Global)

'Financial services' means more than just traditional mobile money services; it also encompasses broader access to financial products and services.

Beyond financial inclusion is financial empowerment, through which we aim to promote the financial health of our customers. To do this we will roll out products that promote a saving culture, provide working capital to consumers and businesses, and increase access to insurance and wealth creation subject to regulatory approvals.

We plan to expand and diversify our financial service suite of products to make us the number one provider in financial services in the country.

1

Next financial services: wealth management, savings, insurance, credit

In line with our promise to transform lives we are in a development phase to launch truly mobile-centric solutions for wealth management and insurance subject to regulatory approvals. We aim to address the current deficiencies and dislocation points through technology to allow our customers to earn an attractive return with no transactional costs. In this way, we will be shifting financial services towards inclusive finance, helping customers manage liquidity, risk and investment while creating a stronger focus on customer experience.

We started the financial services journey in 2012 with the launch of a micro saving and credit product dubbed M-Shwari and later launched a similar product, KCB M-PESA. Customers are able to open bank accounts, anddeposit and withdraw money from their bank accounts seamlessly. Today we have more than 30 million unique customers of these two products with an opportunity to save and generate interest.

2

Smart lifestyle channel: M-PESA super app

We aim to deliver financial health and drive financial literacy to M-PESA customers and businesses through financial empowerment and innovative tools.

M-PESA has been a catalyst to financial inclusion in Kenya, but it has been restricted mostly to the transfer of payments. We will grow M-PESA into a payment lifestyle brand through a super app that gives customers a 'one-stop shop' for all their financial service needs. We launched the M-PESA super app for our customers and the M-PESA for business app with an 'offline mode' and 'mini apps'.
January 2019 saw the launch of Fuliza M-PESA, a micro-loans service that allows M-PESA customers to complete their M-PESA transactions when they have insufficient funds in their M-PESA account.

3

Integrated business solution: business app and payment aggregation platform

M-PESA is fast becoming an essential platform for MSMEs and SMEs providing opportunities to small businesses to maximise their earnings and manage their income more effectively through the M-PESA business app. Our aim is to expand service offerings to businesses so that they can survive a difficult economy and thrive as we emerge from the pandemic.

4

Universal payment network: enhanced merchant interoperability and enable e-commerce and cross-border payments (M-PESA Global)

M-PESA Global provides the ability to send money and receive money from countries accross the globe. To facilitate M-PESA Global, we partner with PayPal, Google Playstore, Western Union, AliExpress and over 28 other international partners.

WIN IN SELECT DIGITAL ECOSYSTEMS

Strategic objectives

1. **Scale DigiFarm** in a commercially sustainable way
2. **Healthcare inclusion** through digital healthcare services
3. Enabling access to **online learning**

DigiFarm and M-TIBA are the current focus of our strategy to win in select digital ecosystems.

DigiFarm is our free service that offers smallholder farmers convenient, one-stop access to quality farm inputs at discounted prices, input loans, content on best farming practices as well as access to markets for their produce.

M-TIBA is our mobile-based health financing platform that serves individuals, insurers, healthcare providers and the government. M-TIBA enables Kenyans, particularly low-income earners, to access and afford quality healthcare. Kenyans are beginning to see that M-TIBA can transform healthcare the way M-PESA has transformed financial inclusion. During a year in a pandemic, this increased access to healthcare is critical.

1

Scale DigiFarm in a commercially sustainable way

Farmers currently face poor post-harvest management, limited access to harvesting and post-harvest handling services such as drying and shelling, and inadequate local logistics services.

Further challenges to farmers are presented by poor aggregation, quality and inventory management. The broker-led model leads to inadequate structured specialists; decentralised aggregation poses the threat of high exposure to pilferage and failure of spot payments, while limited local infrastructure means village aggregation is challenging; and farmers receive low prices for market produce.

These challenges required a robust response. Through our five-year DigiFarm strategy, we are expanding DigiFarm to deliver scale and enhance commercial viability through several routes, including aggregation, quality and inventory management. Farmers require intensive training and capacity building. Safaricom needs to support changes in aggregation, quality and inventory verification.

By deepening our engagement with farmers, we aim to improve their satisfaction with the platform. We will structure and deepen partnerships to maximise the platform's potential. Through continuous reviews of cost structures and aligning our internal processes to support new business operations, we will drive efficiencies, giving us financial performance 'leg room' as the business model scales up. Our regulatory relationship strategy aims to secure faster approval from the regulator.

2

Healthcare inclusion through digital healthcare services

In an era of worldwide health risk, Kenya's marginalised population needs our support more than ever. In FY21 we established the 24/7 COVID-19 Information Centre, which is run in partnership with Kenya's Ministry of Health. We plan to improve access to healthcare with further digital initiatives that facilitate access to care and information.

3

Enabling access to online learning

With learning institutions closed, much of the world's education had to move online in 2020. The learning institutions responded by expanding the reach of their education through online portals. Tutors and learners alike have faced the challenge of interacting with software they have not used before or only used on a limited scale. The portals range from school-based apps like Mzizi, Google Classroom, Eduweb and Moodle, to learning platforms such as Longhorn publishers, Edu TV Kenya, Audible, Khan Academy and Mwalimu Plus. Some are subscription-based, while others are free, and most can be used on a variety of devices including phones, laptops and tablets. This forms part of our drive to democratise data.

ACHIEVE COST LEADERSHIP

Strategic objectives

1. **Drive cost optimisation** to fuel growth in new areas
2. **Smart procurement,** automation, **digitisation** and operating model transformation

Safaricom's transformation into an agile, digital-first company brings with it the opportunity to revisit all costs in the light of process automation and the Group's operating model.

Our employees are embarking on intensive digital upskilling and being reorganised into the 'tribes' and 'squads' model being pioneered by leading global corporations. Future recruitment will concentrate on digital skills.

As a consequence we expect to gain significantly higher productivity levels from the Group's human capital budget.

1

Drive cost optimisation to fuel growth in new areas

The business adopted cost optimisation initiatives including smart procurement, process automation and operating model transformation to drive efficiency and digital-first operating model transformation. Data and analytics forms a key enabler to achieving this strategic goal by fostering a data-driven and innovative collaboration accross the business and in our operations. These initiatives resulted in KShs 6.9 billion in cost savings in FY21.

2

Smart procurement, automation, digitisation and operating model transformation

We are rolling out the cost leadership programme to drive productivity and efficiency within the organisation to fund the growth and expansion of agenda items. Our cost optimisation programme is driven by three main areas:

- Cost avoidance
- Cost efficiencies
- Smart procurement

Digital first

To enable the digital lifestyles of our customers, we are on a digital transformation journey, rethinking and digitising our operations, products and services.

We want to be digital first in everything we do:

- Strengthening the core areas of business, i.e. growing the contribution of digital revenue to top line
- Reducing our cost line – digital Safaricom
- Enhancing customer experience and preparing Safaricom to serve a digital Kenya

Operating model transformation

Our operating model, dubbed Tech 3.0, is focused on:

- Analytics and automation
- Application Programming Interfaces in networks and IT
- Embedding customer security in our products and technologies
- Fostering a data-driven and innovative collaborative culture

To execute our digital strategy, we developed the 'Four Ps' for our digital transformation journey:

- Platforms – developing digital platforms, moving the business to cloud
- Processes – simplifying and automating, using data science and design thinking, and agile ways of working
- People – upscaling agile ways of working and developing a digital workplace
- Performance – developing digital revenue streams for the future (M-Gas, DigiFarm, etc)

ENHANCING OUR FOUNDATION ENABLERS

- Deepen customer engagement and experience to achieve customer-obsessed mindset
- Transform into an advanced data and analytics-driven organisation
- Deliver the best network and fit-for-future digital IT
- M&A and ecosystem partnerships as a critical growth driver

Safaricom Spark Fund focuses on start-ups in the late-seed, early growth stage where we believe we can have the most impact. The fund invests in Kenya's burgeoning startup ecosystem with a focus on Agriculture, Healthcare, Education and Financial services, in line with our strategic ambitions. By leveraging assets across Safaricom, we are able to provide a tremendous level of insight to the start-ups we invest in. Launched in 2014, we have invested in six start-ups: Sendy, Lynk, Ajua, Eneza, iProcure and Farmdrive.

In line with our purpose of 'Transforming Lives', we seek to identify, grow and scale commercially viable businesses that are also creating societal change. We strongly believe that there are innovators who are determined to address challenges that exist in their communities by finding locally relevant solutions that work for them. Investment through Spark Fund will give them a platform to enhance and scale across Kenya and beyond.

Navigating the corporate venture capital landscape, doesn't come without its upheavals and we are conscious that seamlessly integrating start-ups and developing a smooth engagement approach is not easy. We continue to learn and improve on how we partner with every start-up through collaboration with a focus on developing win-win engagements. As we adopt 'agile' work processes across the organisation we ensure the customer is at the heart of everything we do . Safaricom continues working closely with start-ups to understand and build solutions to some of the most complex challenges we face as a society. Our response is to launch products and services that are truly transformational.

PEOPLE AND ORGANISATION

Safaricom's workforce is its lifeblood. It is imperative that we protect and nurture this critical resource. Our strategy in this regard involves:

- Providing a safe and supportive work environment
- Promoting good communication
- Ensuring our staff have a means to raise any concerns
- Developing and supporting our staff to reach their personal goals and potential.

For more information, see Human and intellectual capital on page 87.

04 OUR PERFORMANCE

CHIEF FINANCE OFFICER'S STATEMENT

In a year marked by subdued financial performance, we recorded a solid performance outperforming our FY21 guidance. We remained committed to our purpose of transforming lives by directly supporting our fellow citizens through the period. We also declared the first-ever Interim dividend in recognition of our strong 1HFY21 performance and in support of our shareholders during these tough economic times.

Dilip Pal
Chief Finance Officer

Overview of the year

I would like to start by expressing my gratitude to my predecessors and colleagues for the strong performance of the Company recorded in the previous financial years. The effects of the pandemic are far-reaching, including its impact on our performance during the period. In the year under review, beyond the pandemic, the country was also grappling with the depreciation of the shilling, the introduction of a new turnover tax and the roll-back of tax relief measures.

When faced with tough challenges, our resilience came forth and enabled us to forge forward. Our strong balance sheet enables us to continue making significant and important investments in the business, to support its sustainability for the long term.

The impact of our response to COVID-19, in zero rating M-PESA transactions, weighed heavily on our performance. However, we saw gradual recovery in 2H FY21 with service revenue posting a 4.0% YoY growth from a decline of 4.8% in 1H FY21.

Mobile data and voice

As digital adoption accelerates in our market, we are pleased with the commercial progress we are making on traditional telco revenue lines. In FY21, mobile data revenue grew 11.5% YoY to KShs 44.79 billion largely driven by sustained momentum in customer growth and usage. Distinct data bundle customers grew 12.4% YoY to 16.71 million, while one-month active chargeable mobile data customers increased 2.1% YoY to 20.04 million. In the year, we sustained network investment, driving 4G penetration to 94% from 77% in FY20 to meet increased demand for network capacity and evolving consumption patterns of our digital consumers. We continue to drive access to network, smartphone penetration and enhanced use cases to support mobile data performance.

In the year, we launched device financing (Lipa Mdogo Mdogo) campaign to drive smartphone penetration through offering affordable smartphones which is accessible at KShs 3,999 by qualifying customers. Active 4G devices grew 39.8% YoY to 8.5 million, while the number of data customers using more than 1GB in our network grew 31.1% YoY to 6.1 million.

While voice revenue has been under pressure in line with global trends, it remains a significant revenue contributor and has maintained good momentum this year. Voice recorded recovery in 2H FY21 declining by 2.7% YoY compared to 6.5% decline in 1H FY21. This is attributed to our Customer Value Management (CVM) propositions in the year offering personalized packages to our voice customers. This resulted in a voice traffic share of 70.9% as at 31 March 2021, in line with our strategic pillar to strengthen our core business and defend voice.

Fixed data

Our fixed service and wholesale transit revenue grew 6.0% YoY to KShs 9.51 billion, supported

Earnings Before Interest and Tax (EBIT) declined 5.3% YoY to KShs 96.16 billion, outperforming FY21 guidance of between KShs 91 to 94 billion driven by the loss of revenue from the zero rating of M-PESA transactions which put pressure on our contribution margin.

by growth in Fibre to the Home (FTTH) revenue, which increased by 49.1% YoY to KShs 3.48 billion. Our 90-day double-bandwidth offering which was made permanent in the year supported growth in fibre connections, enhanced customer experience and growth in fibre customers. Fixed enterprise revenue recorded a modest growth of 0.7% affected by the impact of office closures and customer downgrades in the year. Enterprise customers grew 56.9% YoY to 38,918k, while Average Revenue Per User (ARPU) declined 31.9% YoY, driven by migration of enterprise customers to the Fixed LTE product, which has a lower ARPU. Fixed LTE customers accounted for 54.9% of total fixed customers and grew by more than 100% YoY to 21,364k in FY21. Excluding LTE, Fixed Enterprise ARPU improved 5.3% YoY.

Earnings Before Interest and Tax (EBIT) declined 5.3% YoY to KShs 96.16 billion, outperforming FY21 guidance of between KShs 91 to 94 billion driven by the loss of revenue from the zero rating of M-PESA transactions which put pressure on our contribution margin.

M-PESA

Mobile money has been a key growth driver, but FY21 zero rating of M-PESA transaction fees on P2P transactions below KShs 1,000 and Lipa Na M-Pesa (LNM) transactions as well as Bank to M-PESA wallet and M-PESA wallet to Bank (B2C and C2B) transactions weighed heavily on M-PESA revenue performance. This was in collaboration with the Central Bank of Kenya to drive mobile money adoption as a measure to cushion Kenyans against the rapid transmission of the coronavirus. In addition, we also zero-rated paybill costs to health facilities across the country.

The total value of the 1.7 billion zero rated transactions amounted to KShs 4.38 trillion. Following our return to charging for the transactions in Q4 beginning January 2021, we reduced our M-PESA tariffs by up to 45% for lower value transaction bands upto KShs 7,500 and retained M-PESA Kadogo (free KShs 100 and below transactions). M-PESA wallet to bank and bank to M-PESA wallet (C2B and B2C) transactions continue to be free in FY22.

The value of M-PESA transactions increased 58.2% YoY to KShs 22.04 trillion, with zero-rated transactions accounting for 19.9% of the total value while volume of M-PESA transactions grew 29.8% YoY to 11.68 billion. M-PESA revenue declined 2.1% to KShs 82.65 billion. We are encouraged by the recovery trajectory of M-PESA revenue, growing 10.1% YoY in 2HFY21 from 14.5% decline in 1HFY21.

Velocity in the M-PESA ecosystem is an indication of significant shift in adoption of mobile money in the country, driven by the need to reduce cash handling in the economy to curb COVID-19 transmission. This is also an indication of the large opportunity to continue driving innovation in the financial services sector. In line with our strategic pillar ‘To Be a Financial Services Provider’, we remain committed to continue innovating in lending, credit, wealth management and insurance verticals subject to regulatory approvals.

EBIT

The impact of zero-rating M-PESA transactions weighed heavily on the bottom line. EBIT declined 5.3% YoY to KShs 96.16 billion. Thanks to sustained operational efficiencies driven by smart procurement, digitisation and operating model transformation, we continue to observe improvement in operating expenditure (Opex), reducing Opex intensity to 17.5% (2020:18.2%).

Capital investment

Safaricom's immediate focus this year was to ensure that network capacity, operations and financial services were prioritised to limit disruptions. We have taken significant steps to diversify our business as a digital technology company and sustained capital investment to meet the evolving needs of our digital consumers. These investments will fuel growth of new revenue streams in addition to our traditional business offerings. As we continue to innovate, we expect capex to continue growing but capex intensity will remain within current levels as we continue monetising our investments.

Capital expenditure in the network for FY21 amounted to KShs 34.96 billion. Of this total, 68% was spent on growth areas aimed at securing revenue for the future while 32% was spent on maintenance. We invested KShs 22.75 billion in 1H FY21, marking 25.5% YoY increase, but this reduced to KShs 12.21 billion in 2H, representing a 32.1% decline. In FY21, capex declined 3.2% YoY, with the bulk of the spend going to network expansion at a time that Kenyans needed it urgently.

Dividend and shareholder returns

The Board remains committed to investing in the business and maintaining a consistent dividend pay-out ratio.

During this year, the Board declared, for the first time, an interim dividend of KShs 0.45 per ordinary share held, amounting to KShs 18.03 billion. This was not only in recognition of our solid half-year performance, but also to support our shareholders during a tough economic time. At the next Annual General Meeting to be held on 30 July 2021, the Board will propose a final KShs 0.92 dividend per share, amounting to KShs 36.86 billion. This brings the total dividend for the year to KShs 54.89 billion, which represents KShs 1.37 per ordinary share for the year ended 31 March 2021.

Guidance

As Kenya's economy continues to bear the brunt of the pandemic, the country's macro and operating outlook remains uncertain. The ebbs and flows of the COVID-19 pandemic will doubtlessly guide our assumptions on Kenya's economic re-stabilisation in the forthcoming years. The key impact on our business from the pandemic that continues to guide our assumptions include how the pandemic and economic recovery on the country will play out in FY22 alongside sustained pressure on the consumer wallet and its influence on consumption patterns. In view of this, we expect EBIT to be in the range of KShs 105 to 108 billion and Capex to be in the range of KShs 40 to 43 billion.

Looking ahead

We will continue pursuing our strategy of being a purpose-led technology company as we seek to grow the business in FY22 amidst an uncertain economic environment. Our lending products have a strong potential for growth as we provide more opportunities for customers to solve their day-to-day financial challenges.

We intend to take a more focused approach to meeting the evolving needs of medium and small businesses by expanding our range of financial and fixed data services offered to them.

M-PESA growth and contribution to financial inclusion in Kenya demonstrates that our society is rapidly going digital, offering enormous potential for growth. We continue to innovate in the financial services sector, driving financial health and empowerment amongst our customers. Subject to regulatory approvals, we intend to enhance our offering in the credit and savings sectors as well as venture into insurance and wealth management space in line with our strategic priority to drive the next financial services. M-PESA Africa, our joint venture with Vodacom, remains a key vehicle to drive financial services across our borders.

Outside of Kenya's borders, Safaricom is preparing to roll out operations in Ethiopia following a successful bid for the operating telecommunications licence to a consortium led by Safaricom. We are in the process of setting up operations in Ethiopia, to offer the Ethiopian people a world-class network experience as well as transfer the mobile money benefits and experience learned here to that country.

Appreciation

I take this opportunity to thank all our stakeholders, including the Board, management and my fellow employees, who have supported us and remained resilient throughout these challenging times. At Safaricom, we have taken our purpose to heart as a living value, embedded deeply in our business ethos.

I express my immense gratitude to my colleagues, whose empathy, ownership, accountability, trust and collaboration has enabled us to meet our objectives. When I joined Safaricom, my colleagues supported me immensely throughout my induction process, while allowing me to get on with tackling daily business challenges.

Finally, I thank our shareholders for their confidence in our executive and management team during a tough economic and operating environment. Having weathered the initial storm, we will work tirelessly to uphold your trust in our business.

Dilip Pal
Chief Finance Officer (CFO)

FINANCIAL HIGHLIGHTS

KShs'm	FY21	FY20	FY19	FY18	FY17
Voice revenue*	**82,552.0**	86,529.9	87,683.7	88,639.0	86,374.1
Messaging revenue*	**13,602.4**	15,403.5	17,865.3	16,751.3	15,995.4
Mobile data revenue*	**44,793.2**	40,157.5	35,868.4	36,040.0	28,987.7
M-PESA revenue	**82,647.4**	84,438.0	74,989.8	62,907.1	55,084.4
Mobile incoming revenue*	**9,470.4**	8,481.8	8,525.3	7,063.4	6,916.8
Other mobile service revenue*	**7,779.2**	7,236.5	6,733.5	6,461.1	5,509.0
Mobile service revenue	**240,844.6**	**242,247.2**	**231,666.0**	**217,861.9**	**198,867.4**
Fixed line and wholesale transit revenue	**9,507.2**	8,966.9	8,101.0	6,673.4	5,241.7
Service revenue	**250,351.8**	**251,214.1**	**239,767.0**	**224,535.3**	**204,109.1**
Handset revenue and other revenue	**12,316.5**	10,487.8	9,448.0	8,980.4	8,699.9
Construction revenue	**837.7**	583.9	603.2	201.9	76.2
Other income	**520.5**	269.9	464.3	510.7	2,626.1
Total revenue	**264,026.5**	**262,555.7**	**250,282.5**	**234,228.3**	**215,511.3**
Direct costs	**(80,015.1)**	(74,701.0)	(71,795.6)	(69,489.5)	(66,789.6)
Provision for expected credit loss (ECL) on receivables	**(3,009.7)**	(1,669.6)	9.6	(1,041.1)	(31.6)
Construction costs	**(837.7)**	(583.9)	(603.2)	(201.9)	(76.2)
Contribution margin	**180,164.0**	**185,601.2**	**177,893.3**	**163,495.8**	**148,613.9**
Total operating costs	**(46,034.8)**	(47,559.6)	(53,590.4)	(50,660.8)	(44,927.0)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**134,129.2**	**138,041.6**	**124,302.9**	**112,835.0**	**103,686.9**
Depreciation, impairment and amortisation	**(37,964.3)**	(36,547.7)	(35,332.0)	(33,568.1)	(33,311.5)
Earnings before interest and tax (EBIT)	**96,164.9**	**101,493.8**	**88,970.9**	**79,266.9**	**70,375.4**
Net finance income	**(2,022.4)**	922.2	2,240.2	633.4	237.9
Share of associate and Joint Venture profit/(loss)	**(507.0)**	3,357.0	5.5	10.2	18.8
Profit before income tax	**93,635.5**	**105,773.0**	**91,216.6**	**79,910.5**	**70,632.1**
Income tax expense	**(24,959.3)**	(32,115.1)	(28,727.3)	(24,620.0)	(22,187.7)
Profit after tax	**68,676.2**	**73,657.9**	**62,489.3**	**55,290.5**	**48,444.4**
Other comprehensive income	**0.0**	0.0	0.0	0.0	0.0
Profit and total comprehensive income for the year	**68,676.2**	**73,657.9**	**62,489.3**	**55,290.5**	**48,444.4**
Earnings per share (KShs)	**1.71**	1.84	1.56	1.38	1.21
Free cash flow	**64,515.6**	**70,273.4**	**43,515.0**	**55,387.0**	**63,105.0**
Ordinary dividend (paid/proposed) (KShs'm)	**58,896.2**	**56,091.6**	**50,082.0**	**44,071.0**	**38,863.0**
Ordinary dividend per share (KShs)	**1.40**	1.30	1.30	1.10	1.00
Special dividend (paid/proposed) (KShs'm)	**0.0**	**0.0**	**24,841.0**	**0.0**	**0.0**
Special dividend per share (KShs)	**0.00**	0.00	0.60	0.00	0.00

**Disclosures on Service Revenue streams (FY19 to FY17) have been reclassified to align to Group reporting needs.*

FY21 Financial highlights

Solid performance against the COVID-19 backdrop

Service revenue declined
0.3% YoY to KShs 250,351.8m

Voice revenue declined
4.6% YoY to KShs 82,552.0m

Messaging revenue declined
11.7% YoY to KShs 13,602.4m

Mobile data revenue grew
11.5% YoY to KShs 44,793.2m

M-PESA revenue declined
2.1% YoY to KShs 82,647.4m

Other mobile service revenue grew
7.5% YoY to KShs 7,779.2m

One-month active M-PESA customers grew
13.6% YoY to 28.31m

One-month active mobile data customers increased **2.1% YoY to 20.04m**

Distinct Bundle users grew
12.4% YoY to 16.71m

EBIT outperforms guidance despite subdued financial performance

EBIT
5.3% YoY decline in EBIT, or earnings/profit before interest and tax to KShs 96,164.9m
with an EBIT margin of 36.5%, declining 2.2ppts

Capex
Capex declined 3.2% YoY to KShs 34,960.2m

Net income or profit after tax decreased
6.8% to KShs 68,676.2m

Opex
3.2% YoY to KShs 46,034.8m, KShs 6.9bn Opex savings

STRATEGIC PERFORMANCE REVIEW

OVERVIEW

Despite a challenging year for all businesses, we have made good progress on our strategic objectives, providing a sturdy foundation to build on as the global economy begins to recover from the COVID-19 pandemic.

Safaricom was able to adapt easily to the need for staff to work from home and this new workforce modality came with the advantage that it increased the demand for mobile payments and both fixed and mobile data. This softened the effect on revenue of the strict lockdowns in the first two quarters, especially for financial services.

Our top three strategic achievements during FY21 were:

- An improved NPS
- Increased broadband penetration (4G and Fibre-to-the-Home)
- Increased use of mobile money (M-PESA) for both personal and business use

STRENGTHENING THE CORE

1

Defending voice through use of Customer Value Management (CVM) platforms

Owing to our accelerated customer targeting efforts through the CVM platforms and Tunukiwa, we gained 4.5 percentage points on voice traffic share to 69.2%, voice outgoing minutes per subscriber grew 19.1% YoY and incoming minutes grew 16.2%. Voice and messaging are now 38.4% of our service revenue.

2

Democratising data through devices, network coverage and use cases

Devices

Smartphone uptake continues to increase, driven by the decline in prices through our Lipa Mdogo Mdogo campaign, enabling more people to gain 4G mobile internet connectivity for as little as KShs 20 per day and our use of data and analytics to create personalised credit scoring that has driven device financing uptake. Lipa Mdogo Mdogo has put a 4G smartphone in the hands of 200,000 Kenyans to date. This represents a growth of 39.8% YoY in 4G devices and will have been partially responsible for the 31.1% growth in data customers using more than 1GB.

We have also launched the M-PESA Africa Joint Venture, partnered with Google and Facebook for device financing.

Network coverage

During FY21 we accelerated the rollout of our 4G and home fibre networks and now provide broadband coverage to over 90% of the population. Our 4G coverage stands at 94% with 100% coverage expected by the end of the year. Our fibre penetration rate grew by 15.6 percentage points to 58.5% for the period, contributing to a growth of 31.5% in FTTH customers to 137,400.

According to an Ookla report in April, Safaricom remains the fastest and most consistent mobile provider in Kenya, with the highest 4G availability.

In March we were the first mobile operator in Kenya to launch a 5G network for both individual and enterprise customers in Nairobi, Kisumu, Kisii and Kakamega. This marked a major milestone for the country, since 5G will enable the rollout of high-speed internet more quickly than fixed-line services such as Home Fibre, while increasing broadband speeds far beyond 4G capabilities.

Use cases

We are working continually to expand the number of use cases for our products by targeting people's passions and necessities, such as music, gaming and education. This has the effect of increasing uptake of 4G devices, which is a factor in growing our broadband internet product uptake and usage, increasing use of our financial services and other platforms, thereby increasing revenue and driving a cost optimisation journey to fuel new growth areas.

Our MobiPlay Challenge, an annual mobile phone gaming platform where gamers compete and accumulate points for daily or grand prizes, has played a part in accelerating the growth of online gaming in Kenya. Worldwide, online gaming has increased by 73% in the last year, making it one of the fastest growing sectors in the telecommunications economy.

3

Expand enterprise portfolio: IoT, ICT, FTTH/FTTB

Internet of Things (IoT)

LoT has become a necessity for many industries around the world. We are leveraging IoT to expand our enterprise portfolio. We have now offered relevant solutions to 726,000 IoT customers, representing a growth of 5.7% YoY.

IoT is connectivity agnostic, be it Narrow Band IoT (NB-IoT), GSM including the recently launched 5G, Wi-Fi, Bluetooth Low Energy and others, therefore enabling multiple applications ranging from industrial applications for large enterprises and the public sector to asset management offerings for small- and medium-sized business customers in the retail, hospitality and transport sectors. Several IoT products and services have already been developed and deployed that include

- **Vehicle Telematics** to serve fleet managers and insurance companies to better monitor and understand the movement and performance of their vehicles
- **Asset Tracking: Connected Coolers** is an asset management solution that has been successfully deployed for Kenya Breweries Limited, with a value proposition that supports their 'Cold Serve' strategy, ensuring their assets are used for the purpose of offering their products countrywide at the desired temperature, and Smart Keg, whose value proposition is to increase the number of turns, thus not only reducing asset loss but also increasing sales. Asset tracking is also being required to track assets in the oil and gas industry (specifically Liquid Petroleum Gas)
- **Smart Utility Metering** for both the water and power sectors, whose value proposition is loss reduction, which in both cases would positively impact resource utilisation, with downstream benefits to customers and the community at large

Information and Communications Technology (ICT)

Leveraging technology is a vital aspect of Safaricom's growth strategy. Our aim is to be the technology partner of choice for businesses. Safaricom experienced positive movement of the network and IT systems in FY21, driven by completion of key upgrades and activities that led to stability and great customer experience, especially during the festive season. With our network coverage currently at 94% of the country, this especially has been driving our ICT agenda. Investment in 4G and 3G capacity upgrades improved user experience in both voice and data.

Our milestones this year were:

- 4G accelerated rollout to match 2G coverage at 94%
- Launch of 5G network
- Digital Academy second cohort to upskill the workforce
- M-PESA Super App
- Lipa Mdogo Mdogo device financing supported 4G and LTE uptake to drive network efficiencies and provide better customer experience
- Deployment of Anti Money Laundering (AML) platform to reduce fraud
- IoT platform enabling digitisation in key verticals
- Launch of new MySafaricom app
- Hackathons to drive innovation
- Chaos engineering introduced as part of operations' stability processes. Set up of Service Operations Centre for monitoring IT services
- Growth of our software engineering practice including launch of new Agile squads/tribes
- Consent management for data privacy

The benefits of implementing technology-driven processes outweigh the costs of initial investment by improving our agility and our customers' satisfaction.

Technology was at the heart of Safaricom's resilience to the pandemic, enabling the largest call centre in the region to transition to working from home. Cloud-based productivity tools were already being used prior to the pandemic, including several key operations support and business support systems providing ubiquitous access in line with our security configurations. We have entered into a strategic engagement with Amazon Web Services, where we are a support partner, enabling other enterprises to migrate to cloud computing.

Safaricom's existing digital channels (website, MySafaricom app, Zuri chatbot and USSD) also facilitated good communication with customers during the lockdown periods, providing 24/7 support to supplement the contact centre.

During the year, our pilot technology initiatives included e-SIM, Open Compute, content and media and 5G technology, positioning Safaricom as a technology innovator. The female representation in Technology stands at 25%.

Our ICT goals for the coming year are:

- Automation to simplify and improve customer journeys and improve internal operations
- To grow customer interaction on digital channels
- Use artificial intelligence (AI) to improve operational efficiency
- Expand the software engineering practice
- Create an enabling and insights-driven organisation

FTTH/FTTB

Our fibre rollout continues at speed to connect enterprises and households to stable and quick fibre networks, driven by the high requirements of working and learning from home. We have now laid 10,080km of fibre, which has enabled us to extend our reach, as mentioned above.

FTTB customers and revenues have been on a growth trajectory after the decrease earlier in the year as offices closed and people worked from home. However, since August we have seen increased activity as the economy reopened. The fixed business growth has also been accelerated by LTE for the areas where we don't have FTTH coverage.

In March, we permanently adjusted the bandwidth for our Home Fibre customers, extending the offer given when the COVID-19 pandemic started. This effectively means that Home Fibre customers get about double the bandwidth they have paid for, while Diamond Package customers get more than double the speed at 250%. Under the adjusted packages, customers on the Gold and Diamond Packages enjoy the Secure Net services in their packages.

4

Win in FTTH/FTTB as a converged business

The convergence of FTTH and FTTB forms part of our broader strategy to expand our enterprise portfolio and will be an area of focus in the future, as our fibre footprint grows.

5

Create a fintech anchored 'platform of choice' for empowerment of SMEs/MSMEs

As part of our vision to create a fintech-anchored ecosystem that is the platform of choice for SMEs, we launched the transaction M-PESA till for our merchants that allows them to do more on the till. Our one-month active Lipa na M-PESA tills grew by almost 75% YoY to around 302,000. This now contributes more than KShs 40 million per month in revenue.

For the MSMEs we are accelerating the Pochi la Biashara product that allows these MSMEs to separate their business and personal funds on M-PESA. We have onboarded 935,000 Pochi la Biashara merchants and now have 34,000 active Pochi merchants and 145,000 active Pochi customers.

On the GSM front we have launched Shiriki, targeting the connectivity needs for the MSMEs and for the long term we are working to launch a lead generator to create a discovery platform for onboarding SMEs.

6

Expand the core financial services into new geographies

Our joint acquisition of M-PESA with Vodacom in 2020 gave us full control of the M-PESA brand, enabling us to consolidate support and platform development. We have launched the M-PESA Africa Joint Venture, partnered with Google and Facebook for device financing. As part of the objective to consider opportunities beyond Kenya's borders, Safaricom and its consortium partners were awarded one of the two full service mobile telecommunications licences advertised by the Ethiopian Communication Authority (read more on page 40).

FINANCIAL SERVICES PROVIDER

1

Next financial services: wealth management, savings, insurance, credit

In line with our promise to transform lives, we are in a development phase to launch truly mobile-centric solutions for wealth management and insurance subject to regulatory approvals. In this way, we will be shifting financial services towards inclusive finance, helping customers manage liquidity, risk and investment while creating a stronger focus on customer experience.

M-Shwari now incorporates options to lock in funds and earn better interest than a basic savings account. Using big data and artificial intelligence we have built credit-scoring algorithms that allow us to lend to customers based on their ability to pay.

Fuliza has remained our most popular loan product during FY21, with a 61.3% YoY growth in revenue to KShs 4.5 billion and more than 100% growth in daily active Fuliza customers, now standing at 1.4 million.

The average value of M-Shwari loans in FY21 increased by 26.3% to KShs 5,575.0, leading to a revenue increase of 15.5% to KShs 2.2 billion.

KCB-M-PESA maintained a healthy 100.3% repayment versus disbursal rate although revenue and one-month active customers fell by around a third during the period under review. This is balanced out by the increases seen in the M-Shwari and Fuliza services over the same period.

2

Smart lifestyle channel: M-PESA App

M-PESA continues to be a market leader offering diverse opportunities for customers. We have seen our M-PESA agents growing by 43.1% YoY during this period, as consumers looked for ways to avoid face-to-face interactions to protect their health.

In January we launched an M-PESA Bill Management service. This innovation targets schools, landlords, utilities and other businesses with repeat payments, offering a platform where they can present and receive pending payments from customers, and issue electronic receipts. For M-PESA customers, the service offers a single point where they can view all their bills, receive reminders and automate payment of bills. With automatic bill tracking and reconciliation, the service saves customers from having to queue to make payments in person, reducing COVID-19 health risks.

In February we partnered with Forward Travelers to offer an M-PESA fare collection solution to commuters in Nairobi. The service is powered by Simple Fare, a mobile and financial integration technology developed by Netcen Interactives that enables commuters to pay fares through Lipa Na M-PESA, with the payment immediately reflecting to the bus crew's phones.

In March we partnered with the Higher Education Loans Board (HELB) to roll out a smart mobile payment solution for students of tertiary institutions to access and use their loans and bursaries. The solution aids HELB to promote responsible spending with the funds locked for specific allocations, such as tuition or library fees only accessible to the specific Paybill account of the recipient's university or TVET institution. The student's upkeep allowance can now also be transferred into the student's M-PESA wallet for everyday use. The solution also reduces queues during registration as students can now pay through their mobile phones, reducing COVID-19 health risks.

3

Integrated business solution: Business App and payment aggregation platform

In June we launched the Lipa na M-PESA business app for smartphones for more than 170,000 merchants using the service. Dubbed M-PESA for Business, the app empowers business owners to access real-time statements, export statements and track their business performance on the go. Through the app, entrepreneurs can withdraw funds from Lipa na M-PESA to their M-PESA accounts, bank accounts or at an agent. In addition, business owners with an M-PESA business till can now use the app to send money to other M-PESA customers, including paying wages and supplies and making payments to other businesses.

In October we launched Pochi la Biashara ('business wallet'), which enables micro and small business owners to separate their own M-PESA wallets from their business transactions. This innovation prevents reversal of payments without the approval of the business owner, as this unethical practice by some of their customers had become a threat to their survival. It also prevents the business owner from seeing the customer's personal number, providing privacy to the customer.

4

Universal payment network: enhanced merchant interoperability and enable e-commerce and cross-border payments (M-PESA Global)

In FY21, M-PESA Global's one-month active customer base grew by 49.1% to over 823,000 and revenue grew 54.5% to KShs 2.01 billion.

WIN IN SELECT DIGITAL ECOSYSTEMS

Our strategy to focus on and win in select digital ecosystems centres on our DigiFarm programme and our M-TIBA product.

Not surprisingly, M-TIBA has been a critical element of providing healthcare to ordinary Kenyans throughout the COVID-19 pandemic. Health insurance used to be seen as challenging to do at scale and at a low cost and managing multiple providers, brokers and agents was seen as too complex. When the pandemic struck, there was a major incentive for the whole healthcare sector to go cashless and quickly roll out mobile and digital services. M-TIBA was there as a proven payment, data and claims platform. The platform now manages over 3,000 providers and multiple insurers and is the only platform that allows a client to know the exact amount they have spent on a visit.

M-TIBA is helping insurers reduce the cost of scheme management by between 15% and 20%, meaning they can now concentrate on developing new customer-centric digital products for the mass market. In September 2020 M-TIBA's work was applauded by Fortune Magazine for its reach to 4.7 million people since its launch in 2015.

1

Scale DigiFarm in a commercially sustainable way

In FY21 the number of active DigiFarm customers grew by 45% to almost 63,000 farmers, a little ahead of our business plan. This resulted in 62% revenue growth to KShs 154 million, which was 23% ahead of plan, and a reduced NPL exposure by 36 percentage points from 74% to 38% due to our enhanced model. We were able to secure a KShs 35 million NPL risk guarantee from FSD Kenya. Owing to our in-house product development resulting in faster turnaround, we project savings of KShs 78 million in FY22.

An impact study showed a 200% increase in farmer livelihoods on DigiFarm, reflected in the NPS, which improved from 48 to 53.

2

Healthcare inclusion through digital healthcare services

Healthcare has been an obvious area of need in Kenya in the past year. Aside from the continuation of the 24/7 COVID-19 Information Centre, which is run in partnership with Kenya's Ministry of Health, we have been able to improve healthcare inclusion through our digital healthcare services.

In April, Safaricom partnered with Nakuru County to improve health services for over 100,000 people through an integrated electronic medical records programme called Afya Moja. Afya Moja is a simple, mobile-based digital health passport that receives and securely stores patient information. It allows users to access a copy of their own health information and the ability to share it with trusted health providers. It allows doctors, with consent, to access patients' medical backgrounds and therefore respond effectively to their needs.

An initial eight hospitals will benefit from this partnership including PGH Nakuru Level 5 Hospital, Naivasha Sub-County Hospital, Molo Sub-County Hospital and Keringet Sub-County Hospital. Other hospitals in the pilot are: Soin-Mogotio Sub-County Hospital, Kiptangwany; Health Centre, Mirugi Kariuki Sub-County Hospital and Gilgil Healthcare Medical Centre. Afya Moja will be rolled out in different counties in the coming months, leading to a full adoption countrywide.

3

Enabling access to online learning

We extended free access to digital educational content for primary and secondary school students into September 2020 following the extended closure of learning institutions. The content, which was approved by the Kenya Institute of Curriculum Development, had been free to access from April 2020. More than 10 million education bundles were redeemed to access e-learning platforms, while over 1.8 million learners accessed the SMS-based Shupavu291 platform by Eneza Education.

ACHIEVE COST LEADERSHIP

1

Drive cost optimisation to fuel growth in new areas

In FY21, our cost optimisation drive resulted in savings of KShs 6.9 billion that can now be used to fuel growth in new areas. These savings were achieved through smart procurement, automation, digitisation and operating model transformation.

2

Smart procurement, automation, digitisation and operating model transformation

Through this cost leadership pillar of our strategy, we were able to yield cost savings that helped alleviate the pressure on EBITDA margin. We achieved an opex reduction of 3.2% YoY and made KShs 6.9 billion savings in FY21.

Smart procurement

We are rolling out the cost leadership programme to drive productivity and efficiency within the organisation to fund the growth and expansion of agenda items. Our cost optimisation programme has been driven by three main areas:

- **Cost avoidance:** Reviewing our activities around marketing, travel, accommodation and utilities in light of the COVID-19 pandemic
- **Cost efficiencies:** Reviewing network contracts and existing facilities for optimisation
- **Procurement:** Changing delivery incoterms, changing shipping mode from air to sea and rate volume negotiations on various contracts

Digital First

- All divisions embarked on digital initiatives in FY21, delivering KShs 1.6 billion savings and KShs 3.3 billion digital revenues. The initiatives included customers using the mySafaricom app and Zuri chat bot as a safe replacement for in-person visits to help prevent the spread of COVID-19 virus.
- See Keeping the Spirit of Safaricom alive even with remote working on page 81 for further information.

Highlights of our Digital First drive this year were:

- 57% to 66% increase YoY in unassisted contacts through agile ways of working
- 207 daily manhour savings from increased usage of digital channels by our customers
- Toll-free information centre handling queries on COVID-19 and escalating public enquiries to Ministry of Health:
  - 15 dedicated agents
  - 40 million queries addressed via USSD
  - 2.7 million responses via interactive voice response system
  - 479,000 calls answered

Key outcomes from Digital First

Objectives		
Cost savings	Digital revenue	Digital NPS
Key priorities		
• Process changes • Better analytics • Automated steps	• Higher adoption of digital assets • Better analytics • Higher usage of digital media	• Real-time transactional NPS • Better analytics
FY21 outcomes		
KShs 1.6 billion digital cost savings	KShs 3.3 billion digital revenue	Improved transactional NPS

Operating model transformation

Platforms

We continue to revamp and scale up digital assets. Key priorities to drive up revenue included promoting higher adoption of digital assets, better use of analytics and higher usage of digital media. In FY21, KShs 3.34 billion revenue was generated via our digital initiatives.

Processes

Digitising processes across all functions continues to drive cost savings and service improvements.

People

Our mission is to establish a future-fit talent and agile organisation through shaping an effective and efficient agile organisation, with a plan to complete rollout in FY22.

We embody the Spirit of Safaricom by ensuring our staff live our purpose and spirit. Customer Obsession, Purpose, Innovation and Collaboration have been identified as key pillars in driving strategic milestones, along with consistent application of our language, rituals, symbols and stories.

To guarantee critical talent and future skills, our skills development strategy is underpinned by the 6Bs: Buy, Build, Borrow, Bounce, Bot and Bind.

In line with our vision to be a technology company by 2025, we have prioritised digital skills (i.e. big data analytics and science, AI, IoT, RPA 9 robotics process automation) and agile fundamentals under agile leadership.

We have also been encouraging each staff member to acquire one more skill, a key differentiator on our journey towards becoming a purpose-led technology company. The #1MoreSkill initiative has been a key driver of our new strategy towards an agile organisation with a focus on customer obsession.

See People and organisation on page 80 for further information.

Performance

Our performance is governed through our monthly digital steering group. This ensures the execution of the digital strategy through leadership, digital KPIs, impact measurement and data privacy regulation compliance.

ENHANCING OUR FOUNDATION ENABLERS

Customer engagement

- Improved customer experience (NPS)
- Reduced M-PESA fraud cases
- Uptake of customer DIY solutions

Data and analytics

- Credit scoring models that have helped to lower non-performing loans
- CVM Model that has increased personalised offerings
- Workforce planning forecasting model to predict and plan for workforce requirements across three call centres 60 days in advance

Network and IT

- Increased mobile and fibre network rollout
- Improved network and systems uptime/resilience
- Trial of new technologies: IoT and 5G
- Capacity support with increased mobile/fibre data demand during onslaught of pandemic
- Digitisation and automation of internal processes

M&A and partnerships

Partnership with M-Gas

In January 2020, we launched a revolutionary prepaid gas service for Kenyan households in partnership with M-Gas. The innovation will empower millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the flexibility of purchasing gas based on their needs and how much they can afford at a time. The programme tackles existing access barriers to clean cooking by eradicating the upfront cost required for a gas cylinder and gas cooker. Each M-Gas setup includes a gas cylinder and a two-burner gas cooker which is provided to customers at no upfront cost. The gas cylinder comes equipped with an innovative smart meter that shows how much gas a customer has paid for and how much they have remaining. Payments are made through M-PESA with the gas automatically disconnecting when a customer has completely consumed the paid amount.

Partnership with Amazon Web Services

In February 2020 we entered a strategic partnership with Amazon Web Services (AWS) to facilitate the region's ability to grow successful businesses through leveraging the depth and breadth of AWS Cloud Services, which provide easy access to emerging technologies such as big data, IoT, machine learning and artificial intelligence. We chose to partner with AWS because it offers customers the broadest and deepest cloud platform. This agreement will allow us to accelerate our efforts to enable digital transformation in Kenya.

Spark Fund – reviewing the portfolio

Safaricom Spark Fund invests in start-ups in the late-seed, early growth stage. To date we have invested USD6 million in six start-ups: Sendy, Ajua, Eneza, iProcure, Lynk, and Farmdrive.

- Sendy continues to be one of the leading logistics providers across Kenya and has since expanded into Uganda. They launched Sendy Go to facilitate deliveries directly to consumers in partnership with supermarket chains as a response to COVID-19 and Kiota, a platform to enable retailers to make orders directly from manufacturers
- Ajua is building an integrated customer experience platform for Africa enabling businesses to connect with consumers in real-time in highly fragmented markets. Over 4 million users have interacted with their platform to date, with a presence in Kenya and Nigeria. During the COVID-19 period they launched Stay Alive and Thrive business webinars to guide their clients in navigating the pandemic
- Eneza has over 5 million lifetime users in Kenya, with more than 50 million messages sent to date on the platform. It entered into an agreement with Safaricom to open up Shupavu 291 to all learners in the country from April 2020 as a response to COVID-19 and has since expanded into Cote D'Ivoire, Ghana and Rwanda
- iProcure provides access to quality, affordable inputs and seeks to impact more than 7 million smallholder farmers. It currently works with more than 3,000 agrovets across the different counties in Kenya and has since expanded into Uganda
- Lynk was part of the Safe Hands Kenya coalition, taking the lead in providing handwashing supplies and installation and maintenance of handwash stations to limit exposure to COVID-19 in informal settlements. Of the workers on the Lynk platform, 86% have reported increased income

Shupavu 291 Partnership with Eneza Education

In 2020 Safaricom partnered with UNESCO and Eneza Education to implement a digital mentorship programme for high school students interested in Science, Technology, Engineering and Mathematics (STEM). The programme involved working with role models and mentors to provide students with information on STEM subjects to enable them make informed career choices. The programme leveraged Eneza's existing Ask a Teacher platform on Shupavu 291, giving students access to mentors and information on STEM subjects via Safaricom's SMS service.

People and Organisation

Support for remote working staff during the pandemic period

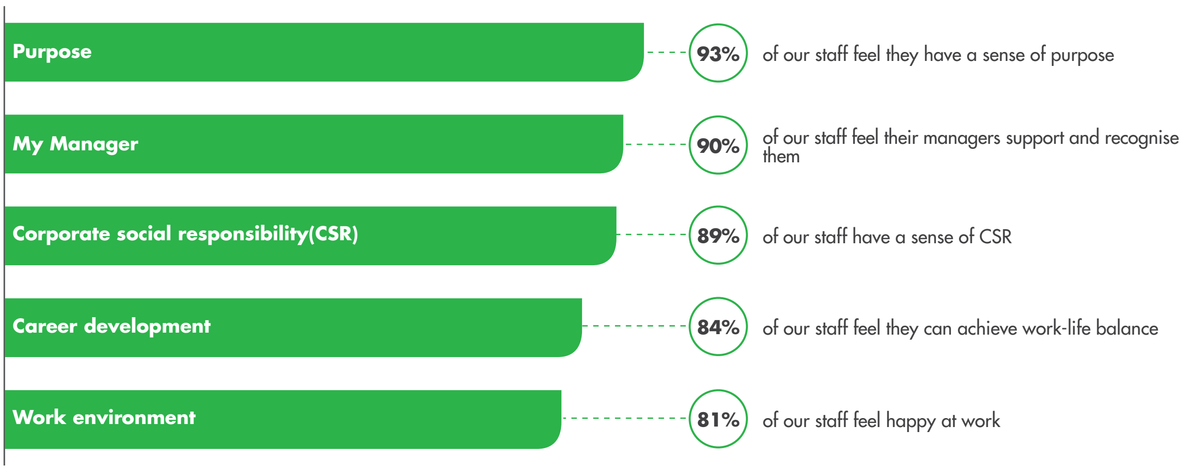
Safaricom's workforce is its lifeblood and therefore the transition to 70% of the staff (80% of call centre staff) working remotely required expenditure and new ways of communicating with employees and developing their skills.

We directly supported our staff with access to medical cover including COVID-19 testing to ensure their health and spent over KShs 0.25 billion on PPE and protective measures to ensure their safety. We introduced a virtual process for purchasing electronic airtime to minimise human interaction at dealer and agent points. To ensure organisational stability, we renewed expiring contracts for more than 600 staff.

We kept up regular communication with all staff, including live forums with periodic updates, SMS, Zoom meetings and video messages; we conducted regular monitoring surveys; and we performed an awareness check every Monday and Friday, where employees received a message and were required to respond.

We provided 77% of staff with working tools and skills including laptops, seats and online training courses and e-classes to keep skills sharp. By year end, we had held 22 webinars with over 5,000 participants on various psychosocial topics.

EMPLOYEE ENGAGEMENT – **SCORES** (%)



Keeping the Spirit of Safaricom alive even with remote working

Before COVID-19 struck, the Safaricom call centres were a hive of activity as hundreds of staff converged in one space. While the pandemic demanded social distancing, our customer care engagement had to go on, but isolation would negatively impact the Spirit of Safaricom.

When the pandemic struck, the Information Technology Department needed to minimise disruption of critical functions as they transitioned staff to work from home. A solution had to be found for the 2,000 call centre agents who normally worked from desktops. Sourcing laptops urgently proved difficult due to closed borders so the team equipped agents to work remotely using a Virtual Desktop Infrastructure Over Internet Solution using the cloud. This meant agents could use different devices without depending on a computer or laptop.

The call centre agents were sent step-by-step self-help guides for different systems to help manage the transition to remote working in case of challenges. When necessary, they could call the service desk. Constant communication was maintained through existing staff communication channels and frequently asked questions compiled and distributed. Through various collaboration tools such as Abby Chatbot that significantly brought down the number of inquiries by enabling employees to do routine tasks such as resetting and unlocking passwords; Microsoft Teams , Yammer and Zoom have allowed employees to continue remotely communicating with each other and keep the Spirit of Safaricom alive.

These collaboration tools enabled the staff to maintain their close connection and keep the Spirit of Safaricom alive, despite their distance. This has meant that our customers have not noticed any change in service. We remain customer-obsessed and have not dropped on any service level agreements.

Increased employee engagement as evidenced by feedback from staff surveys

2021 key highlights

Strengths…	Opportunities…
OUTSTANDING RESPONSE RATE **93%** 2019/20: **86%** Global average: **80%** High Performance Organisations' average: **85%**	**AGILITY AND CUSTOMER OBSESSION** • Anticipate **new products and services** • Constantly strive to **better serve customers**
CUSTOMER OBSESSION **79%** **(+2%)** **+10%** feel that change is needed urgently	**ORGANISATION** • Use technology to **improve efficiency** • **Flexible** working • **Improve internal processes** and their application
ENGAGEMENT IS HIGH AND CONTINUES TO IMPROVE **92%** **+16** vs. industry norm, **+3** vs. 2019/20, **+5** vs. Kenya National Norm	**COLLABORATION** • **Information sharing** across functions • Different **opinions discussed** • **Help** each other
EXCELLENT POSITIVE TREND **32/44 items improved** significantly vs. 2019/20 **0/44** items scored significantly less favourably vs. 2019/20	**VOICE OF THE EMPLOYEE** • Encouraged to **find solutions** • More **employee engagement** • **Involvement in decisions**

Launch of agile organisation and culture

In line with our strategy, we have started revising our ways of working in pursuit of an 'agile' approach that brings decision-making closer to customer-facing employees and to the customers themselves. This has been reflected in the period under review by the Group's organisational restructure into agile and innovative 'tribes' and 'squads', the launch of the #1MoreSkill initiative to encourage our staff to expand their skills, including developing agile leadership, and has seen an increase from 57% to 66% in unassisted contacts.

PERFORMANCE AGAINST OUR MATERIAL SUSTAINABILITY MATTERS

As we transition to a purpose-driven technology company whose purpose is to transform lives, we need to deliver transformational products and services while at the same time minimising our potential detrimental impacts on people and the environment.

SDGs and materiality

The United Nation's Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the planet and ensure all people can enjoy peace and prosperity by 2030.

Since their launch in 2015, the SDGs have become a central pillar of our business, positioning sustainable development as part of our culture at Safaricom.

We have identified the nine SDGs where we believe we have the greatest opportunity to make a lasting difference. We have integrated the selected SDGs below into our strategy and operations.

Since 2018 all employees have integrated the goals by including SDG-related commitments in their annual performance objectives.

Good health and wellbeing

Our mobile technologies such as M-TIBA, a health payments solution which enables low-income earners to save towards healthcare expenses, transform lives by improving access to quality and affordable healthcare services and promoting wellbeing.

Quality education

We are committed to increasing access to educational opportunities through innovation, products and services including Shupavu 291 and our M-PESA Foundation Academy.

Affordable and clean energy

We are working to transition our network sites to clean energy, roll out new green/hybrid sites and find innovative ways to provide and promote clean energy solutions throughout Kenya.

Decent work and economic growth

Our greatest contribution is through the jobs we create, both direct and indirect, across the value chain, our contribution to financial inclusion, and the taxes we pay. We empower our employees and we support young entrepreneurs through the work of the Safaricom Foundation and other initiatives.

Industry, innovation and infrastructure

We aim to provide quality connectivity and innovative, relevant products and services, to serve the needs of society. Expanding the quality, coverage and availability of our networks is paramount to support economic development and transform lives. We are growing the network in remote areas in Kenya while expanding the fibre-optic network and developing global, human-centred products.

Reduced inequalities

We leverage our leadership, network, technology and solutions to promote equal access to opportunities to succeed, especially for those who face obstacles. Key activities include expanding our diversity agenda, developing our Women in Business programme and enhancing access to our products and services by addressing affordability of smart devices and data plans.

Responsible consumption and production

We strive to manage our potential negative environmental impacts and we encourage our stakeholders to do the same. Our focus is on embracing circularity, eliminating plastic, digitising practices and processes to increase efficiency and reduce waste, and supporting global advocacy initiatives.

Peace, justice and strong institutions

We are committed to running a responsible and ethical business and we practice and uphold strong governance and ethical standards. We aim to report our progress and performance honestly and transparently and we engage openly with key stakeholder groups.

Partnerships for the goals

Partnerships are embedded in our business model; we work together with individuals, organisations and countries to support and sustain many of the targets set out in the SDGs. We collaborate with organisations that share our purpose of 'transforming lives' and our values with regard to ethics, diversity and inclusion and environmental responsibility to promote financial inclusion, education, health, agriculture and empowerment initiatives.

Our five material issues

Governance, risk and business ethics

01

We continuously assess our governance operating model to ensure robust internal governing bodies and proper systems and processes. These support the Executive team in driving change, setting strategic direction and formulating high-level goals and policies centered around creating opportunities for economic advancement that are accessible to all levels of society.

Improving risk management

We continuously enhance our internal systems to mitigate risks such as fraud, cyber risks and market disruptions and to improve efficiency and effectiveness. During the year we conducted Enterprise Risk Management training for our Board and increased the scope of our business continuity tests. The constitution of a risk management committee has improved our oversight of risk management initiatives.

Ethical behaviour

Staff ethics training was conducted via webinars supplemented by e-learning, with 98.5% of staff receiving training in the last financial year. We also raised awareness by conducting ethics training sessions, together with fraud training for our suppliers, M-PESA agents and dealers. Topics covered included risk management best practices, regulatory requirements, common fraud types and how to avoid them, whistleblowing and suspicious activity reporting, cyber and information security as well as physical security for businesses.

Protecting customers

We have launched a customer awareness drive to protect stakeholders from identity theft and social engineering fraud. We highlighted the issues through an above-the-line campaign under the tag Jichanue and Take Control, using radio, TV and digital channels.

In a significant development, we established Fraud Management Squads specialising in analytics, customer awareness and process review to drive customer safety through accelerated use of machine learning and automations, continuous customer fraud awareness and process reviews.

02

Our regulatory environment

A sound regulatory system is crucial for supporting growth of our industry. It enables fair competition between businesses and enforces good practices. This in turn drives the inclusive participation of all parts of society in economic and social activities. We are committed to compliance with regulatory requirements, and we assess our process against all applicable laws and regulations.

Regulatory compliance

Recognising that our reputation is what sets us aside and gives our brand power in the marketplace, regulatory compliance is a priority. We avoid a tick-box approach, going further than legal obligations to achieve our own internal standards of compliance. This is highlighted by the fact that, in FY21, we surpassed the regulatory Quality of Service (QoS) score of 80% by attaining 92% in the QoS assessment conducted by the Authority. Pleasingly, we continued the four-year trend of no fines or sanctions for non-compliance with regulations and no legal actions lodged for anti-competitive behaviour. Environmental compliance and management is entrenched through our ISO 14001 and ISO 50001 certifications.

Engagement with our regulators

During the reporting period we successfully negotiated with the Regulator to delay the implementation of numbering fees to cushion subscribers from the adverse effects of increased costs in a period where households had lost income.

We also engaged with:

- the Central Bank of Kenya, which seeks to supervise digital lenders and the Communications Authority regarding allocation of emergency spectrum which enabled us to continue serving our customers during a time when the country was transitioning to virtual services
- the regulator regarding the implementation of the Data Protection Act.

We have continued to evaluate the potential of 5G in our markets and work with the technology team to ensure regulatory support for the allocation of the spectrum required for our trials.

Our platforms

03

Our platforms are essential to the continuity and long-term sustainability of our business. They are the foundation of all our operations, delivering our services and enabling us to transform lives. The quality, coverage and availability of our network are paramount to maintaining our competitive advantage in a highly competitive industry.

Quality of Service

For the fifth year running, we were first in all QoS results – in terms of voice; this includes the call setup success rate, the dropped call ratio and speech quality. In terms of data, this includes mean web browsing session time and network delays, as well as both download and upload mean user data rates.

Following the formation of a task team, call centre interactions reduced from 190,000 in the previous financial year to 117,000 in FY21.

Availability and coverage

There was a significant increase in demand for mobile data, driven by our customers continuing to work from home and needing to stay in touch during the pandemic. We added 1,045 4G sites, moving from 77% to 94% and enabling connectivity for customers who reside in areas where fibre is yet to be rolled out. A total of 5,410 homes took up the 4G LTE product. Notably, we also moved forward to trial 5G technology for our customers with the aim of empowering them with super-fast internet at work, at home and when on the move, supplementing our growing fibre network. The 5G technology can easily act as an alternative to home fibre and fibre for business services, targeting customers in places where we have yet to roll out our fibre network.

Our upgrade of optical networks through an expanding footprint means that our customers now enjoy higher capacity on fibre and reduced reliance on microwave. All technical deployments were conducted with minimal disruptions to service. Upgrading our optical networks improved and increased backbone transmission capacity, ensuring that Safaricom is future proofed against the anticipated growth in traffic and well positioned for the provision of other supplementary services.

Environmental stewardship

Responsible environmental stewardship is vital to reducing inequalities and maintaining our licence to operate. Our operations impact on the environment and we take responsibility for managing our impacts and reporting our progress honestly and transparently.

Towards net-zero carbon emissions

Our ambition is to be carbon-neutral by 2050. We aim to achieve 74% overall reduction in our emissions by 2050, with the remaining 26% – largely comprising Scope 3 emissions – to be offset through various initiatives including solar installations and carbon offset programmes. While we were not able to meet our target in FY21, mainly because of our network expansion, we have put in place measure and initiatives to maximise energy efficiency and our use of renewable energy. Our main focus is on reducing Scope 1 emissions, particularly those related to fuel usage for energy generation in our operations. We are also working to connect our sites to the national grid, which uses largely green energy from Hydroelectric and geothermal sources.

Solar solutions

Accelerating solar sites within the Safaricom network was initially hampered because of space limitations and remote monitoring capabilities. The lack of remote monitoring devices resulted in reduced capacity of solar sites owing to sabotage. Accordingly, we developed robust solar designs which occupy minimum space, use lithium-ion batteries and have built-in remote monitoring. There has been a positive performance in acceleration of functional and high-capacity solar solutions in the network. So far, 34 x 12kva solar sites with remote monitoring capabilities have been deployed resulting in reduction of generator relative humidity by up to 85%. Consequently, fuel supplied to these sites has reduced by about 80%.

Carbon offset programme

We continued with our carbon offset programme in terms of which we have a partnership with the Kenyan Forestry Service with a target of growing 5 million trees over five years. Despite the COVID-19 related restrictions, we planted 650,000 trees in over 650 hectares on three key sites (Kieni, Marmanet and Nandi) for carbon offsets. Over 1,000 community members were involved in and benefited from the project, which has both social and environmental components.

Innovation and partnerships

We focus on delivering products and services inspired by the needs of our customers, many of whom are early adopters of new, cutting-edge technology. Innovative solutions bring access to new technology, markets and ways of working, and as such are integral to supporting financial inclusion. Safaricom recognises that collaborating with partners has the potential to release immense synergies and increase speed to market.

Accelerating growth through partnerships

Together with South Africa's Vodacom, we acquired M-PESA, one of the largest mobile money platforms in the African region. The platform has nearly 40 million users and processes over one billion transactions every month. We are excited by the fact that the management, support and development of the M-PESA platform has now been relocated to Kenya, where the journey to transform the world of mobile payments began 13 years ago. This new partnership with Vodacom will allow us to consolidate our platform development, synchronise more closely our product roadmaps, and improve our operational capabilities into a single, fully converged Centre of Excellence.

Leading a bid for a joint venture (JV) in Ethiopia

In November 2020, Ethiopia, a country of 110 million people with one of the world's last closed telecoms markets, announced the opening of a bid for a telecoms licence. We participated in the bidding process under the auspices of a consortium in which we hold the majority share. The other consortium partners are Vodacom, Sumitomo the Japanese conglomerate and CDC, the UK sovereign investment fund. After year end, it was announced that our consortium had won the bid and we are in the process of setting up operations to deliver a world class network experience to the Ethiopian people.

Driving smartphone adoption with Google and Android

One of the most significant barriers to mobile internet adoption has always been that of smartphone affordability. Access to smartphone devices in Kenya is still quite low with many Kenyans still on 2G and 3G devices. Accordingly, we partnered with Google and Android in a mobile financing project known as Lipa Mdogo Mdogo which focuses on enabling Kenyans' access to 4G-enabled smartphones. In terms of the partnership, qualifying customers can buy 4G-enabled smartphones and pay them off in very low instalments a day over a period of 12 months. This has the potential to open up a new world, particularly for MSMEs, as 4G connects them to the economic opportunities presented by internet access, thereby enhancing national growth and economic inclusion. Through Lipa Mdogo Mdogo, 250,000 customers made use of the offer, with over 60% upgrading from 2G and 3G to 4G devices.

1. HUMAN AND INTELLECTUAL CAPITAL

Inputs

- 6,230 (full-time employees and contractors) in FY21
- Digital operating model and agile ways of working
- Strong employee proposition and unique reward propositions
- Commitment to equal opportunities, safety and wellbeing
- Digital and leadership upskilling and reskilling
- Investment in training and development
- Sound compliance and governance systems
- Fair and transparent pay and benefits

People, culture and governance

The technical and managerial skills, productivity, creativity and wellbeing of our people – coupled with a company culture and governance systems that foster compliance and innovation – are crucial to our success. Investing in our people is one of the most significant costs to the business, impacting short-term financial capital but generating long-term returns.

The Spirit of Safaricom

Our culture informs how we carry out our operations, decision-making and business strategy.

Last year we made a new brand promise to our customers and partners: "Simple. Transparent. Honest. FOR YOU". We reviewed our culture framework and introduced belief systems and behaviours that connected and reframed our shared language of success as The Spirit of Safaricom.

The Spirit of Safaricom is guided by four elements:

Customer obsession

Trust

We earn customers' loyalty

- Simple. Transparent. Honest. FOR YOU
- We will safeguard you

Purpose

Drive

We create the future

- Purpose driven
- Transforming lives

Our culture

Collaboration

Belong

We get it done, together

- We treat you like family
- We will be your life companion

Innovation

Curiosity

We experiment and learn fast

- Innovative
- Digital solutions provider

How we are changing

Already recognised as the best employer brand of the year in 2019 by the LinkedIn talent awards, the outcomes from adopting this new culture include a high employee engagement and culture score. This year 4,896 employees participated in seven leadership workshops and 47 company-wide cascade sessions. This led to an improved employee engagement score of 92%, a spirit index of 98% and a customer obsession score of 79%. We will continue to monitor and track the progress of embedding the Spirit of Safaricom against each behaviour with our target scores for each category being above 80%.

This culture has emerged through clarifying our way of working, what we believe in and what it feels like to work at Safaricom. We demonstrate it at three levels:

Visible signs:

Through our behaviours, We create the future; We earn customer loyalty; We experiment and learn fast and We get it done together. This is evident in the decisions we make, and our organisational structures, processes and systems that define how we work. It is also evident in our physical spaces, the language we use and the stories we tell.

Stated values:

Through our strategies and goals, we express what we stand for, what we believe is important and what we want to be known for. It all starts with our purpose to transform lives. Our ambition is to be a purpose-led technology company and for Safaricom to be the best place for our people, customers, partners and the community at large. Our brand promise is Everything we do, we do FOR YOU! We promise to be simple in how we reach out, transparent in how we deliver and honest in what we say.

Shared beliefs and assumptions:

These underpin the thoughts, feelings and perceptions that drive us to create and live the culture we want. The four spirit beliefs we espouse are Drive, Trust, Curiosity and Belong.

We make the spirit of Safaricom a reality through consistent leadership role modelling of the prioritised belief systems and behavioural shifts that bring to life the four elements of the Spirit of Safaricom: Customer Obsession, Purpose, Innovation and Collaboration.

Our language, rituals, symbols and stories

We have embarked on embedding the Spirit of Safaricom through established language, rituals, symbols and stories. Some of the employee engagements events we held were:

- 53 weekly employee webinars with a total of 20,631 attending to date, averaging 389 participants per session
- The Spirit of Safaricom 20 Years and Beyond celebration with the Safaricom CEO as keynote speaker
- Safaricom@20 Celebrations
- Ten CEO staff engagement webcasts with over 15,694 views, where we showcased three individuals and three teams
- Quarterly Spirit storytelling sessions
- Quarterly leadership forums
- Quarterly customer story days
- Safaricom Spirit Heroes awards
- Christmas and Easter hangouts
- Customer Obsession Internal Innovation Hackathon
- Best in the CSR Spirit Heroes at the Vodacom CEO's Awards

The Spirit of Safaricom is a key enabler of the Safaricom strategy and continues to play a major role in shifting employees' mindsets to drive a more resilient, inclusive and adaptive organisation.

We are benchmarking with Vodafone, Towers Watson Global high-performing companies, Global Technology high-performing companies and other Kenyan high-performing companies. We also intend to showcase our Spirit of Safaricom heroes internally and externally in Vodacom and Vodafone. We were the winners of the Employer of the Year Award 2019 and we look forward to participating this year too.

Developments during the year

Safaricom is a market leader and influencer on many fronts. We are regarded as a role model in Kenya in adopting the Sustainability Development Goals and the 100% Human agenda and integrating them into our business practices.

Our employee experience is built on inclusivity, equal opportunities for learning and career growth, and unique reward propositions. The digital agenda is core to how we work and think. We have incorporated agile ways of working (see page 81) which see teams organised in self-managed squads and tribes, allowing the movement of skills from different parts of the organisation.

Our current focus within this agile transformation is commercial and technology. We have introduced agile ways of working at squad, tribe and enterprise level and we are establishing a new people model focusing on contribution.

In terms of process, we aligned all our performance goals to the departmental head's mission so that we are all working towards a shared goal.

Employee diversity

Diversity and inclusion (D&I) is a force that has immense power to transform an organisation. At Safaricom, our D&I tagline is "Embrace my World" and we endeavour to leave no-one behind as we engage, grow and transform the lives of our diverse staff. This is reflected through the various dimensions of difference that we celebrate such as gender, disability, age and religion.

Throughout the year we ran different programmes and engagements to bring to life the different aspects of the D&I agenda, thus creating an inclusive environment where people feel respected, appreciated and valued, enhancing a sense of belonging.

Gender diversity

Despite the global challenges posed by the pandemic, Safaricom maintained an overall gender-balanced organisation, closing with a ratio of females to males of 50:50 at the end of FY21. At management level, we experienced a 2% dip from 35% to 33%, slowing down our progress towards achieving the target of 40% female representation by 2025.

This calls for consistent deliberate effort to maintain the trajectory that we have had in the past and robust interventions have been put in place to accelerate this effort.

Supporting women-owned businesses

We partner with Women in Business to help drive progress in diversifying our supplier base and promoting women in technology.

After critically analysing their procurement process and the number of business opportunities granted to women, the Safaricom procurement team realised that women-owned businesses were not well represented. To solve this, we started the Women in Business (WIB) programmes in March 2017 anchored on SDG 10 to reduce inequality within and among countries. The forum seeks to create economic empowerment by ensuring that there is a fair share of procurement opportunities allocated to women. In addition, they also provide the women with capacity-building training, mentorship and coaching among other measures with the aim of improving their economic status and that of the communities which the women impact.

Safaricom also revised its procurement policy to make provisions that ensure there is participation of women as special interest groups and the same policy makes provision for a margin of preference for female suppliers during evaluations when they have already met the minimum threshold for technical capacity to deliver.

Challenges

While the WIB Programme has managed to provide more business opportunities, challenges for MSMEs in Kenya remain, including:

- **Lack of access to affordable financing:** MSMEs require finance for expansion, productivity and growth yet the majority self-finance their businesses. Based on analysis of the World Bank Enterprise Survey data, close to 68% of Kenyan enterprises state access to finance as a key challenge. Safaricom therefore needed a unique and cost-effective financing solution, which would enhance the WIB's cash conversion cycle and provide them with the much-needed capital to deliver their goods and services.
- **Under-representation:** Most organisations' procurement data would confirm women suppliers are less than 20%. Safaricom's data check confirmed women spend was 2.7% at the beginning of 2017.
- **Experience and skills:** Lack of capacity to undertake complex and technical projects.
- **Women suppliers (supply market):** Currently only concentrate in low spend and simple categories, which translates into low spend categories.

Demonstration of best practice and/or innovation

It has become normal practice for companies to have programmes in place to manage the environmental, social, and governance risks in their supply chains. By implementing the WIB supply chain finance programme, Safaricom has aligned its organisational objectives to the sustainability objectives guided by the SDGs to provide a shared blueprint for peace and prosperity for people and the planet, now and into the future.

In line with Safaricom's sustainability goals, sustainable supply chain financing provides all of the benefits of supply chain finance, with the additional benefit of rewarding sustainable behaviours in the supply chain. The programme reinforces Safaricom's commitment to sustainability, strengthening the sustainability expectations for suppliers, and has contributed to better representation of women in Safaricom's supply chain. It also puts a value on the sustainability efforts of suppliers, providing them with an internal business case for more sustainable improvements.

Qualitative benefits

Access to financing

Through partnership with the various banks, access to financing for the women suppliers has increased, enabling them to undertake work assignments easily. For example:, Absa has funded up to KShs 48 million to WIB since the MOU was signed and generally KShs 490 million to other suppliers.

Impact to society

The collective capacity of the WIBs has been applied to impact societies through school programmes and new CSR initiatives. For example, Elris has a programme to mentor 1,000 girls from marginalised communities in Kenya directly from high school in fields of technology, and Fireside has a REFU-she programme to provide mentorship and sponsorship in the IT field.

Trade beyond borders

The initiative has opened Kenyan WIBs to international recognition, opening up support and possible future markets through partnership such as the Kenya Private Sector Alliance, ITC-She Trades and the Kenya Association of Manufacturers.

Create employment

Through the contracts allocated to WIB members, they have managed to bring on board teams to execute the contracts. Safaricom has approximately 3,700 partner workers, with 25% from WIB companies. This is in addition to other WIB staff supporting us remotely.

Business resilience

The women have diversified their businesses, making them more resilient in the marketplace. This has been done through capacity building by the internal teams and support for the contractors, e.g. Adrian Kenya and WIB mentorship. Some WIB members can now handle more than one category of supply and can deliver across categories, e.g. from corporate services to technology.

Model programme

The WIB programme has been an exemplary to society and is now being used to develop such initiatives in other organisations. Safaricom is being sought out to provide support for implementation by both local firms and multinationals.

WIB mentorship and leadership

The capacity of the WIBs has been built through the mentorship programme, creating resilient organisations and emerging African women leaders.

Economic growth

By economically empowering women through business opportunities, they are able to contribute to the economy by paying taxes and supporting households through employment, which enables the employees to support their family's needs, improving the livelihood of the community.

Support for our supply chain partners

Phase 1

In response to COVID-19 provided stipend cash for and hygiene packs to all our extended support staff (partner workers). Approximately 3,200 partner workers from 27 companies benefited from this support. This was meant to cushion all partners' workers against the harsh economic conditions.

Guidelines were introduced for preventative measures, e.g. social distancing, which increased transport costs due to capacity reduction for all PSV vehicles.

We continued to provide disposable surgical masks and gloves every day to the approximately 3,200 partner workers at our cost.

Contracts that were due to expire during this period were renewed thanks to good performance. Those affected included all guarding, which would have affected over 1,000 partner workers.

Phase 2

The call for emergency COVID-19 supplies was mostly to local suppliers through a competitive bid. Special consideration was given to WIBs who had lost businesses within scopes that had been put on hold, e.g. event management and décor and promotional merchandise.

Locally-made reusable face masks were provided for the 3,200 partner workers, who each received three pieces as a first issuance.

Even though there was reduction in work to be done, e.g. cleaning, no partner worker was let go and alignments were made for the use of leave days during this period.

Payments for some retainer contracts, which we had completely suspended at the onset of the pandemic, continued until July 2020 to cushion the partner workers and suppliers. This allowed for smooth transition even though the scope was on hold, e.g. gymnasium and crèche services.

Supplier development

We developed our suppliers through a performance management process. We engaged suppliers and supported them in managing poor performance to help them navigate the tough business environment. During this period, no contract was terminated due to performance issues and most of the Performance Improvement Plans were lifted after suppliers demonstrated progress in achieving the required performance standards.

In addition, we held capacity-building sessions to support them in building resilience during this period as well as manage various risks that would help them navigate the unprecedented business environment to sustain their business beyond the COVID-19 era.

Milestones achieved in the programme

- WIB winning tenders increased from 6% at the start of the programme to 71%
- Growth of assignment in Safaricom (25 new awards at the close of the financial year compared to only four at the beginning of the programme)
- 18 WIB members were subcontracted by at least six Tier 1 contractors: Camusat, Huawei, Adrian, Allan Dick, Nokia, Fireside
- 20 WIBs secured work from peer companies: KCB, Equity, Citi Bank, Absa, SBM
- Division onboarding (six FTTB contractors and two dealers, three WIBs working with DigiFarm)
- Over 100 workshops done for capacity building with over 200 WIB companies participating
- Over 40 CEOs passed through mentorship, now in its fourth cohort
- Over 220 women prequalified by year end, from 27 at the beginning of the programme
- Support for COVID-19 initiatives (stipend cash and hygiene support to WIB partner workers and five women onboarded for COVID-19 supplies)
- Winner of Best Supply Chain Finance Solution (Global Adam Smith Awards) in August 2020

Human capital data

	2018	2019	2020	2021
Percentage of total staff trained on ethics	98	98	98	**98**
Number of fatalities during year	0	2	0	**0**
Number of permanent male employees	2,190	2,251	2,278	**2,239**
Number of permanent female employees	2,186	2,252	2,237	**2,197**
Total number of permanent employees*	4,376	4,503	4,515	**4,436**

** Excludes temporary employees and contractors*

	2018		2019		2020		2021	
Employees by gender and diversity (%)	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
Permanent staff (overall)	50	50	50	50	50	50	**50**	**50**
Executive Committee	75	25	73	27	71	29	**89**	**11**
Senior management* (including executive leadership)	68	32	66	34	65	35	**67**	**33**

** Target is 40% female by 2025*

Financial support

- Safaricom has an MOU with some financial institutions for supply chain finance, among them Safaricom Sacco has been open for WIB.

Additionally

- The programme won the 2019 Vodafone Top Global Hero's Award and The Safaricom Way Heroes.
- As a result of the programme, several women suppliers have been awarded in the annual Safaricom Annual Supplier Awards and one of them emerged Overall Supplier of Year in the 2019 award ceremony. The awards focus on excellence in delivery of services, implementing sustainable business practices and running a purpose-led business aligned with 'transforming lives' and impacting communities in which they operate.
- Through Safaricom's leadership, other organisations in the country have initiated their own WIB programmes.
- The platform has also provided areas of collaboration for the suppliers and has seen them come together for business partnerships.
- In implementing the WIB programme, Safaricom has shown leadership in not only Kenya but Africa as well by committing to the SDGs and using them to improve the lives of Kenyans.
- The programme provides all of the benefits of supply chain financing with the additional benefit of rewarding sustainable behaviours in the supply chain. The programme reinforces Safaricom's commitment to sustainability, strengthening the sustainability expectations for suppliers, and has contributed to better representation of women in Safaricom's supply chain.
- By supporting women in business, Safaricom's platform is financially empowering women. Investing in women's economic empowerment sets a direct path towards gender equality, poverty eradication and inclusive economic growth.
- The Safaricom WIB capacity-building programme has already scaled up female suppliers to undertake technical and complex projects they would have otherwise shied away from, thereby translating to more procurement spend.
- The network is designed to not only enable women to have procurement opportunities in Safaricom, but also its wider supply chain ecosystem and therefore broadening the pie. From getting work from Tier 1 suppliers, Safaricom's financiers (banks), work assignments amongst themselves to getting work in peer organisations through referrals

Persons with disabilities

Sustaining diversity without disability inclusion is not diverse enough. That is why Safaricom, along with an increasing number of organisations, is now embracing disability as one of our key focus areas of diversity.

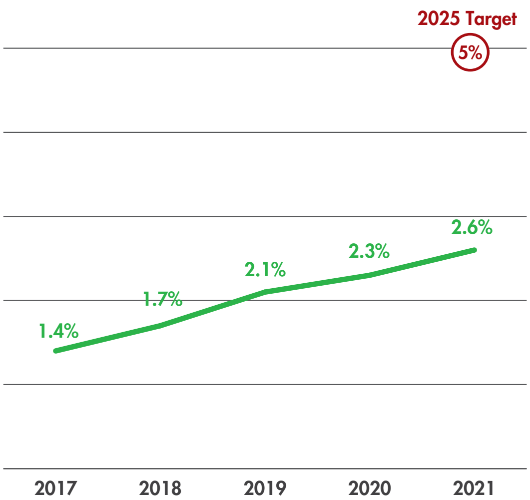
In line with SDG 8 (Decent work and economic growth) Safaricom has continued to be an equal-opportunity employer, attracting staff with a diverse range of disabilities. These include staff with visual, physical, hearing, albinism and neurodevelopmental disabilities. In FY21 we closed at 145 staff with disabilities, representing 2.6% of the staff population. This is a 0.3% growth from the previous year. We have continued to collaborate and pursue strategic partnerships to mitigate the historical gap that has continued to widen due to the need for digital skills relevant to the future of work, given that Safaricom is becoming a digital technology company.

In the spirit of going beyond, we also have a psychosocial support group of 47 staff who are parents of children with special needs.

Despite the challenging times globally, Safaricom quickly adjusted to the new way of working through embracing a working-from-home model where all staff were supported with necessary business tools to facilitate them to deliver their work effectively and efficiently. This included assistive technologies and psychosocial support for staff with various disabilities.

D&I is no longer a 'nice to have' but a business imperative. It continues to be a key differentiator for many organisations today and we are humbled to have been awarded the Most Inclusive Listed Company in Kenya during the Diversity & Inclusion Awards & Recognition (DIAR) ceremony by Daima Trust in 2020/21.

Number of persons with disabilities



Training and development

Our performance development principles are anchored on the belief that all our staff are talented and can grow and develop to their fullest potential. We develop our employees to be fit for the future, improving their employability index. Our reskilling and upskilling initiatives follow the principles of developing and embedding the right mindset, skillsets and toolsets to support a culture of lifelong learning through our 70:20:10 learning approach. This is a learning theory that encapsulates all of the different ways people learn – from experiences, from others or through training. Safaricom uses this model to shift our focus from training to building capability. Maximising the impact of learning through experience, socialisation and formal training methods enables us to create and support high-performing teams.

We use an individual development plan (IDP) to assist employees in career and personal development. Its primary purpose is to help employees reach short- and long-term career goals as well as improve current job performance. Individual development planning benefits Safaricom by aligning employee training and development efforts with its mission, goals and objectives. When using an IDP, line managers develop a better understanding of their employees' professional goals, strengths and development needs, resulting in more realistic staff and development plans.

Performance is measured by setting individual business objectives (IBOs) at the start of the year. IBOs are aligned to our overall strategy and mission, including customer obsession, and are reviewed continuously between line manager and employee to make sure there are no deviations in performance and, where there are, to provide the support required in the form of coaching and tools to get back on track. Formal performance reviews and career development take place during half-year and end-of-year reviews.

Employees take responsibility and accountability for their own career development, acquiring or enhancing skills they need to stay current.

Our success planning for key staff includes talent reviews that provide each business unit an opportunity to review and analyse its talent, to put together specific action plans to address talent gaps and shortages, and to retain critical talent. Our talent rituals involve a half-year review with the main business units, a talent tracking agenda and one function or cross-functional rotation every four years based on need, tenure and competency.

Due to the current trends, where learning is becoming atomised, incremental and social, learning is primarily delivered via our robust eLearning platform, Safaricom Business School, which has aggregated content from five vendors with over 10,000 digital courses accessible anywhere and everywhere.

In 2021, we focused on digital skill development. Through our #1MoreSkill campaign we aimed at upskilling, reskilling and multiskilling 50% of our workforce. All staff are required to take up at least one future skills course in areas such as Agile, Cybersecurity and Data Science and Analytics. We used the Safaricom Business School, our partners Vodacom and Vodafone, and our Digital Academy to deliver this training.

Leadership

Agile leaders are critical in supporting change and transformation in the business. We develop our leaders' skills in innovation and digital leadership, executive coaching and line manager capability through workshops by our partners and our in-house Line Manager Toolkit Programme.

Leadership continued

One of the critical skills required by an agile leader is the ability to coach, empower and hold to account. Our Coaching and Mentorship Programme offers a targeted and tailored approach to accelerating our people's personal and professional development aligned with the business goals. We have a total of 110 professional certified coaches mentoring 45 mentees with 22,452 coaching hours recorded within the year. Also 85% of our line managers have been trained on how to coach for optimal performance as part of our Line Manager Toolkit Programme. This has since boosted our Manager Index Score to the current 85% from 81%.

In 2021 we invested KShs 128 million in our employee learning and development, reinforcing our culture pillar of Growth, Experiment, Learn Fast, Fail Forward and Scale Fast.

Every year we assess our employees' leadership potential and develop a personal plan based on the development areas identified.

Safaricom Digital Academy – Future is Exciting, Are You Ready?

Our drive to meet the digital future head-on is facilitated by the Safaricom Digital Academy, launched in 2019. The programme maps the seven essential domains of a digital future to real business challenges and opportunities cloud computing; cybersecurity; mobile and web app development; dev-ops; data science and analytics; future network technologies; agile methodology; and design thinking.

In FY20, we scaled the Digital Academy from 60 employees in cohort 1 to 92 employees in cohort 2, with 23% of employees coming from commercial and support teams. We have also recorded 100% transition of our cohort 1 to digital roles in the business to promote application of learning. We have a vision to scale the academy to all staff as we all prepare for the future. In FY21 we identified 115 learners for cohort 3.

Since the launch of Safaricom Business School online in October 2019, the platform has hosted over 10,000 digital learning opportunities sourced from five different vendors. It fuels our upskilling and reskilling strategies by ensuring employees can access rich learning content, anywhere, any time. We achieved 96% licence activation with 88% course completion since the platform launch, and the average learning hours per employee is 46.42 hours across the business.

Rewarding our people

We continue with our digital transformation journey on staff reward. In the year, we were able to implement online reward calculators that are accessible on a phone. We also implemented Flexi-ben (flexible benefits), which enables staff to substitute their airtime vouchers to pay for their loans with external partners as well as pay for company liabilities. We are also in the final stages of Robotics Process Automation of payroll inputs, which will reduce the time taken to input payroll and improve on efficiency.

Coaching

During this period, all the Exco members and the leadership team (a total of 16 coaches) crystallised their executive coaching practice and are now enrolled for the Coaching Supervision Programme. In addition, 18 Certified Engagement & Productivity coaches within the business were upskilled through the Coaching Supervision programme. On completion of the programme, all of them attested that the programme had impacted their informal coaching practice positively. Through coaching supervision, they have become better in contracting with coachees. Their coaching approach is now more structured and they can plan for coaching more effectively.

Supervision has grown their coaching skills through reflection which has led to self-discovery, broadened their horizon of possibilities and shifted them from transactional coaching to human-centred coaching. Coach supervision has enhanced their skills in boundary management. They can now clearly identify when the need of the client is to coach, counsel, mentor and advise.

In relation to formal coaching, supervision has impacted their practice in such a way that they use the coaching approach in their daily interactions, when conducting weekly and monthly team performance review meetings. They are using the power of questions to get answers without defaulting to prescribing solutions. Supervision has also helped them become more reflective. They can readily identify their biases and blind spots and work towards continuous improvement. Coaching is now a way of life.

Other achievements include development of the Safaricom Coaching Framework, sponsorship for 12 coaches to attend a workshop on Performance Management and Use of Psychometric Assessments to Coach plus eight more coaches sponsored for a workshop dubbed Coaching 360-degrees: Weaving Coaching into The Human Tapestry. In addition, over 200 line managers stepping into management were upskilled on coaching leadership style through the Amazing Line Manager Toolkit programme. Company-wide sensitisation on coaching was undertaken through the HR Caravan Coaching Booths and a company-wide coaching collaboration network dubbed Coaching Community created on Yammer with currently over 1,171 active members.

To ensure stickiness, awareness on coaching is done progressively via digital tools with a key focus to making it Known, Clear, Real, Happen and Stick.

Our levels of employee engagement and managerial effectiveness continue to improve. Employees at all levels are sharing interesting stories on the value of coaching. We continue to entrench a coaching culture using our language, rituals, symbols and stories.

Safety and wellbeing

We take the health and wellbeing of our people very seriously. In FY21 there were no fatalities among our employees.

We have occupational health and safety protocols in place to ensure the physical security of staff, including strict security measures on all of our sites. In the event of a security incident, staff receive real-time SMS alerts and updates. In FY21, we supported 90% of office- based staff to work from home including call centre, provided staff with ergonomic seats to support working from home initiatives and return-to-work shifts prepared with facilities ready to accommodate 50% of the workforce while observing COVID-19 protocols all in an effort to promote work-life balance in the pandemic period.

Outcomes

50:50 male to female ratio in our workforce

33% women in senior management. Women in senior leadership team (SLT) is 11%

25% women in technology

2.3% of all procurement spend to WIB in FY21

2.6% employees with disabilities

KShs 128 million invested in employee training

46.42 hours of learning per employee in FY21

Safaricom women in technology

Safaricom WIT, in line with the global goals (supporting SDG 4 – Quality Education, SDG 5 – Gender Equality and SDG 9 – Industry, Innovation and Infrastructure), is an initiative of passionate women who form a technology incubator with an aim of strategically and consistently helping to nurture young generation of students and youth that will form fit-for-future creators and innovators for next-generation employment and entrepreneurship. This is achieved through six key programmes aimed at reaching out to the girl child at various stages of her education cycle by continuously providing support through coaching, mentorship, exposure to evolving technologies, technical platforms and networks. This is to facilitate onboarding, building and retention of women within STEM careers. In FY21, the women representation within our Technology Division reached 25% with an average increase of women across various bandwidths of 1%.

Kids-Go-Tech programme

Children are hardly given opportunity to explore or engage their minds and tap into their inner innovative space. Technology is never considered as a first subject or skill and this has created a vacuum where we do not have children growing up embracing technical subjects or coming up with innovations in this space.

Early age experiments that are carried out by our youngest ranging from 6 to 13 years, dubbed Kids-Go-Tech, strategically engages children in science-based experiments to embrace, at a young age, changing technologies and their use or application to solve everyday societal problems. The experiments use interactive kits to simulate real-world applications and as a bonus they get to carry these kits home when completed. The materials are easily and locally available and can be recycled. The young ones use these to simulate real-world objects and robots that move, light up and make sounds.

In FY21, this pillar was greatly affected by the COVID-19 pandemic and the programme took a temporary pause as it sought to readjust its operations. However, in December and March, WIT partnered with Code Yetu Kids and successfully executed two sessions for children in a hybrid setup encompassing COVID-19 compliant physical sessions in children's homes and online sessions. In December we engaged 58 children who went through training around robotics, gaming, web development and making art, with a further 45 children in March 2021.

47/47 High School programme

In the age bracket between 14 and 18 years, we continue with our mission of reaching out to 47 schools in each of the 47 counties through our 47/47 High School programme. This programme seeks to invite, on average, three different schools (one per county) for a one-day workshop at our regional Safaricom offices during the first or second terms in the school calendar. The sessions are planned to run over four to five consecutive days over the chosen period for that region. During the day the young girls are taken through the technical basics to spark their interest in science-based courses and are also mentored and counselled on various life issues affecting them at this stage by the WIT champions – a see-and-believe matrix.

In FY21, this pillar was adversely affected by the COVID-19 pandemic as it forced the closure of schools, with some institutions being able to go virtual and others on a complete break. Consequently, WIT was not able to carry out any activities for the high school students.

Tech-novation challenge

The Tech-novation Challenge pillar, where innovation is harnessed, also targets girls in high school between the age of 14 and 18 years. The students are required to submit apps addressing identified community problems. This usually spans over four months of team formation, intense research, business proposal, coding and presentations at various judging stages. All this is done under rigorous coaching and mentoring of the students by Tech-novation coaches (volunteer individuals obtained via other WIT programmes).

In total, 103 teams registered in FY21, with an impressive 515 students participating in total. The team was able to reach marginalised girls' high schools in Uasin Gishu and Taita Taveta counties. Due to the challenges of the COVID-19 pandemic and consequent closure of schools and controlled movement, only 38 teams submitted their projects for the global tech competition in August 2020. Six teams made it to the semi-finals, with one independent junior team successfully winning the Social Impact award at the virtual finals. WIT and Safaricom senior leadership celebrated the Nairobi Tech Girls with an appreciation ceremony.

Another big achievement was a successfully mentored high school student who, through previous Tech-novation challenge cohorts, was steered to choose a career in engineering. She gave back by mentoring younger girls through the same path she followed. The group is in the process of creating a mobile app that strives to reduce global warming by increasing tree coverage in the country. In January we also launched a new season for FY22 that is ongoing.

Campus outreach programme

As we embarked on a digital transformation journey in FY20, we were glad that the Campus outreach programme already had relevant topics in its programme at hand to challenge and support female STEM students academically, socially and professionally. This is to ensure the highest level of retention within the courses by fostering an environment that encourages curiosity, creativity, resilience and hunger for personal growth. To redefine the dynamics of the technical-based professions, this programme takes prides in ensuring women are on track for employment viability, growth into management and have the necessary skills in place to preserve a work-life balance in those professions. There is more demand in new age careers like cybersecurity, devops, data science and analytics as captured from Q&A in previous outreaches conducted.

In FY21, this pillar was adversely affected by the COVID-19 pandemic as it forced closure of schools, with some institutions being able to go virtual and others on a complete break. Consequently, WIT was not able to carry out any activities geared towards the campus students.

WIT Technology Academy programme

WIT Technology Academy programme provides added value internship for a period of three months through placement within various teams in Safaricom based on the skillset required and offered. In addition, the interns go through several class-based sessions, thrive sessions and even community giving-back sessions. One of the best sessions included a design thinking class, prompting the interns to develop prototypes for different issues affecting the employees or customers in Safaricom. This equips them with design thinking skills and spurs them on to apply creatively and innovatively based on understanding of their environment.

The Technology Academy managed only one cohort in FY21, which was greatly affected by the COVID-19 pandemic and forced to complete the session while working from home. This was a session of 22 girls that had to be quickly kitted with the right tools, system access and data access to ensure they could complete the programme. The girls then proceeded to graduate with one of the women already employed full time in Safaricom as a DevOps engineer. The same group raised over KShs 100,000. They have used about a third of this funding during the COVID-19 pandemic to support families within several slums in Nairobi and are working to do more with the balance.

WIT Internal and Networking programme

WIT Internal and Networking programme gives working women a platform to build their professional networks and assists them to equip themselves holistically to adapt and succeed in all aspects of their lives, including entrepreneurship, courting and marriage, parenting, spirituality and personal branding.

In FY21, despite the COVID-19 pandemic, the pillar held six virtual public forums on various topics that had an average of 500 participants across the Company and externally, one SHE_CONNECT virtual forum for women in the Technology Division on love, courtship and marriage; one internal virtual forum for men in the Technology Division on courtship and marriage; and one strategy session for the WIT leads. In addition, the year saw many of the WIT women speak at various renowned forums in the industry: Beth Wangari and Joy Bii during International Girls in ICT Day hosted by eMObilis; Doris Ratego during International Girls in ICT Day hosted by Youth for Technology Foundation; Diana Ogeto during Thriving in the New Normal hosted by DigitizeHer; Phides Nyamohanga during International Day of Girls by Pwani Teknogirls and Her-novation; Esther Karuga and Velma Ngoni during International Day of Girls hosted by Safaricom; Phides Nyamohanga during the East Africa Insure-Tech Forum 2020 hosted by CIO and Huawei; Beatrice Naisenya and Maureen Mureithi during High School Career Outreach hosted by Young Scientists of Kenya and Safaricom BLAZE; and lastly, Beryl Chepkemoi and Donna Rege during the SHERO Power In Tech hosted by the Ministry of ICT, Huawei and Her-novation. In addition, the women bagged prestigious awards and recognition. Asha Panyako (Impact Officer for Nairobi Hub) and Joylynn Kipkirui and Eve Kilel, who ranked in the Top 50 Women in Cyber Security Africa 2020 (WICA Africa).

We are looking forward to a healthier, safer and more impactful FY22.

2. SOCIAL AND RELATIONSHIP CAPITAL

Inputs

- **39.90 million** customers
- **28.31 million** one-month active M-PESA customers
- **247k+** M-PESA agents
- Informed engagement with regulators
- New brand promise
- Investor confidence
- Long-standing supplier partnerships
- Strong corporate governance

Quality relationships with key stakeholders

Our brand and relationships with customers, regulators, investors, suppliers and communities are the foundation on which we generate revenue. We believe in maintaining strong partnerships with all our stakeholders. We see our role in society as positively contributing to a sustainable future and we particularly focus on education, health and security. Investing in social capital often requires short and medium-term financial capital inputs, but generally generates positive returns across most capitals.

Developments during the year

Our overall customer growth momentum remained solid with 2.8 million more subscribers joining Safaricom in the year. We saw a 13.6% increase in one-month active M-PESA customers to 28.31 million.

Our partnerships with NCBA and KCB Bank Kenya Limited to offer M-Shwari and KCB-M-PESA services respectively have enabled more subscribers to get access to mobile banking services. In partnership with M-Gas, a subsidiary of Circle Gas UK, we launched a revolutionary, prepaid gas service for Kenyan households.

We have increased our use of data analytics to provide personalised offers to customers, driving down the average rate of our offering. We also increased deployment of electronic know-your-customer tools.

The mySafaricom app now has over 13 million daily users and our M-PESA Interactive Voice Response (IVR) self-service has over 98,000 daily successful sell service with a 91% success rate.

We engaged 20 million customers through investment in CVM to ensure our products and services remain relevant across customer profiles.

Outcomes

12.0% growth in total customer base

13.6% increase in one-month active M-PESA customers

Network leadership maintained

Social value through **enhanced connectivity** and services in inclusive finance, education and health

61% of procurement spend to local suppliers

Safaricom and M-PESA Foundations

The Safaricom and M-PESA Foundations play a key role in delivering our 'transforming lives' purpose, with its projects and corporate social investments contributing to the delivery of our commitment to the SDGs.

Since its inception in 2010, the Safaricom Foundation has been keen to partner with Kenyans on large-scale and long-term highly impactful social projects. We continue to implement large-scale and highly impactful community projects across our four pillars: Education, Health, Environmental conservation and Integrated livelihoods.

1. Education

With children from poorer households and disadvantaged areas, especially those from arid and semi-arid regions, consistently showing lower competence in learning, an innovative programme is going to the ground to change this. The Accelerated Learning Programme (ALP) seeks to improve the lives of disadvantaged school-going children by increasing access to equitable and innovative educational opportunities.

The learners are selected after undergoing rigorous assessment using global educational tools used to identify competencies that every child should have by Grade 2. The decision to have the programme was informed by studies over several years (by Uwezo, the Ministry of Education and other educational institutions) that had showed a worrying trend.

One of them was a study by Uwezo East Africa in 2015 that revealed that only 20% of pupils in Kenya, Uganda and Tanzania can read and do basic mathematics in the third year of primary school. It was worse for children from poorer households and disadvantaged areas, especially those from arid and semi-arid regions, who consistently showed lower competence in learning.

The findings show that early foundational learning is critical for a child's later learning. In short, a strong early learning foundation is the ladder to ensure a future where they can adapt and thrive.

The programme was a natural fit for the Safaricom Foundation, which worked with Zizi Afrique, and local community-based organisations, like Maridhiano in Tana River, to set it up. Zizi Afrique is a non-governmental organisation that works to promote equity in education.

For the ALP, Zizi Afrique has adapted the Teaching at the Right Level approach, which aims to improve basic numeracy and literacy skills. The concept is borrowed from Pratham, India.

The Safaricom Foundation distributed over 900 solar-powered radios, and over 2,200 study workbooks, assessment tool kits and other learning materials.

2. Health

We are passionate about our various community projects and extend the reach of our programmes by partnering with other stakeholders. All our projects are partner implemented. LEAP formerly known as the Health Enablement and Learning Platform aims to train, upskill and develop the capacity of community health volunteers and their supervisors, a critical resource in delivering community health services across Kenya. Over 3,000 community health workers have been registered reaching over 360,000 people annually.

- For the past decade the M-PESA Foundation has invested in Uzazi Salama and LEAP, which are two large-scale maternal health projects aimed at reducing maternal and newborn deaths in the North Eastern, Nyanza and Western regions.
- Afya Uzazi Salama project: Samburu is one of the most marginalised counties in Kenya and most maternal and newborn health indicators in Samburu are lower than the national average, particularly due to lacking medical skills in the region. Samburu County has 78 health facilities, of which 59 are dispensaries and health centres. However, most of these facilities are hard to reach and inadequately resourced.
- The M-PESA Foundation contributed KShs 473,896,080 to a five-year holistic programme aimed at significantly decreasing its maternal and newborn health morbidity and mortality rates in in partnership with Amref Health Africa and PharmAccess Foundation. This project entailed improving health service delivery infrastructure; capacity building of health workers; enhancing community-based information and education; and healthcare financing. The project has achieved a 75% increase in utilisation of local maternity facilities, with a significant decrease in maternal and newborn health morbidity and mortality rates across Samburu County. We distributed 2,192 Mother and Baby packs and 3,000 community health volunteers were trained in Samburu and an additional 12 counties. We also contributed a Samburu County ambulance command centre to coordinate emergency resources.

- Uzazi Salama is a partnership with Amref Health Africa, PharmAccess Foundation and the Samburu County Government. This partnership improves infrastructure, builds health worker capacity, enhances community-based information and education, while also financing healthcare. This partnership has renovated over 50 health facilities in Samburu that serve more than 250,000 people in the county.
- Maternal, newborn and child health project: We believe that every mother and newborn child deserves an equal chance of survival during the childbirth process. That is why we invested KShs 25.2 million to help over 6,000 mothers from across the country through a maternal, newborn and child health project.

Our experience is that issuing Mother and Baby packs works to incentivise women to give birth in health facilities – a simple outcome that is crucial in reducing preventable maternal deaths.

LEAP formerly known as the Health Enablement and Learning Platform aims to train, up-skill and develop the capacity of community health volunteers and their supervisors – a critical resource for delivering community health services across Kenya. Over 3,000 community health workers reaching over 360,000 people annually have been registered.

Tracking mothers with TotoHealth

TotoHealth service incorporates technology in maternal health to help detect child development, abnormalities and improve access to maternal and child health. It is one of the packages mothers and children enjoy, following a partnership between Lamu County and Safaricom Foundation under the project 'Afya Uzazi Salama.'

TotoHealth utilises mobile technology to detect child development, abnormalities and improve access to maternal and child health. Shortly after signing up to the service, mothers receive weekly text messages and are able to schedule and set reminders for clinic appointments.

The weekly messages also highlighted warning signs in pregnancy or a child's health thereby enabling the recipients to seek timely care. The messages sent every Tuesday and Thursday are free of charge.

According to Ben Wali, the Afya Uzazi referred to as Uzazi Salama on page 99+ Project Lead, the idea was to incorporate technology in maternal health.

Currently, TotoHealth serves eight villages including Dide Waride, Witu, Hongwe, Bomani, BurAhani, Kizingitini, Faza-tchundwa and Siyu Pate and has 5,123 subscribers.

According to Wali, trained community health volunteers move around the targeted villages to collect information on expectant couples and parents to children below two years.

As a result of the services, there has been an increase of children immunisation and more pregnant women attending antenatal clinics.

As part of the Afya Uzazi Salama project, the Safaricom Foundation spearheaded the renovation and equipping of King Fahad's maternal unit. The mother and child unit is fully equipped with beds and incubators as well as a High Dependency Unit.

M-PESA Foundation's maternal and child health initiative to benefit thousands of expectant mothers

At least 6,000 mothers from across the country are expected to benefit from a KShs 25.2 million maternal, newborn and child health project funded by the M-PESA Foundation.

According to government statistics, Kenya loses at least 362 women for every 100,000 live births. The introduction of free maternity service has seen delivery under skilled care increase from 44 % to 62% according to government estimates. However, these gains are likely to be rolled back with the current COVID-19 crisis.

"Documented evidence shows that since May 2020, only a paltry three out of 10 women give birth in hospitals, pointing to a worrying trend that could morph into a crisis," said Mr Ndegwa.

3. Environmental conservation

The M-PESA Foundation continued working to conserve the environment by protecting indigenous forests and animal habitats. In partnership with the Kenya Association of Manufacturers, we invested in a Mau Eburu forest fencing project that curbs recurring human-wildlife conflict. This is part of conserving the Nairobi National Park through the Nairobi Greenline project. We also partnered with Reteti Elephant Sanctuary to help protect the orphaned or abandoned elephant calves that it shelters.

A partnership to save the endangered roan antelope

The roan antelope is known for its backward-curving horns and long, tasseled ears. It has a grey or brown coat, a black-and-white clown-like facemask that is darker in males than females.

Once a widely distributed species across Africa, the roan antelope numbers are on the decline. There are currently just 14 roan antelopes in the country.

Expanding human settlements has seen poaching of the species for game meat, farming in their habitats and frequent bushfires lead to a significant drop in the population of the antelope. Experts project that the roan antelopes could be extinct by 2025.

In Kenya, the antelope would be spotted in the Maasai Mara ecosystem in Narok County and Ithanga Hills in Kiambu County. The species has now settled in Lambwe Valley in Homa Bay County where conservation efforts have confined it to Ruma National Park.

The M-PESA Foundation in partnership with the Kenya Wildlife Services (KWS), the Northern Rangelands Trust and Back to Africa stepped in during mid-January 2020 to secure their future. The Foundation donated KShs 17 million to build an 8.6 km boundary fence to protect the park from fire outbreaks which present a threat to the antelope.

This work is part of a national recovery and action plan for the roan antelope in Kenya launched a year ago by KWS. To eliminate poaching of roan antelopes, the plan requires the establishment of an effective electric fence, steps to make Ruma National Park a snare-free zone, and to regulate the use of public roads in protected areas for convenience to members of the community.

To supplement the support, there has been engagement by other partners through the Friends of Ruma National Park, Kenya Forest Service, officers of the national government and the county government.

The Friends of Ruma National Park is working with the community in Lambwe Valley to address human-wildlife conflict by promoting domestic and foreign tourism to boost revenues.

Integrated livelihoods

Most Kenyan communities still lack secure access to potable water and food, prompting the M-PESA Foundation to continue investing in water and food security projects.

One such project is the Kinango Integrated Water project in Kwale County, which involves rehabilitating the Nyalani Dam, constructed during the British colonial era. Unforgiving climatic conditions and a lack of maintenance over 40 years caused this dam to gradually silt up and lose its functionality as a water basin. In 2015, the M-PESA Foundation partnered with the Kwale County government and Kenya Red Cross Society to rehabilitate this dam.

The M-PESA Foundation invested KShs 207 million towards the Kinango Integrated Food Security and Livelihoods project. This project cleared 120 acres of land and allocated 105 acres to drip irrigation farming, with about 417 farmers receiving agronomic inputs. At least 10,000 people benefit directly from the project and another 2,500 are indirectly less vulnerable to drought.

Programmes:

- Last mile water and sanitation connectivity
- Nyalani Dam solar power
- Nyalani project visit
- Kinango food security and integrated livelihood

The Foundations' response to COVID-19

Safaricom and M-PESA Foundations' COVID-19 interventions directly impacted over 338,000 people.

M-PESA Foundation

- Donated KShs 100 million to the National government COVID-19 fund used towards providing food and nutrition
- In partnership with the Kenya Medical Practitioners, Pharmacists and Dentists Union, donated PPE to 4,000 doctors across the country
- Provided food to 1,500 vulnerable community members across the country

- In partnership with Practical Action, launched a programme aimed at improving access to safe and affordable water in informal settlements and to increase accountability in the water sector in Kisumu County. The programme impacts 24,000 residents of Nyalenda informal settlement in Kisumu
- Provided menstrual care packs for 30,000 girls and hygiene packs for 10,000 boys in Siaya, Kilifi and Murang'a counties
- Provided Mother and Baby packs to 6,000 mothers and babies as part of Safaricom's 20th anniversary celebrations

The above interventions, funded at KShs 177 million; and impacted 75,000 beneficiaries.

Safaricom Foundation

- Donated KShs 100 million to the national government COVID-19 fund used towards providing food and nutrition.
- Invested KShs 12 million through a partnership with Hand in Hand East Africa to support 400 self-help groups with access to microloans. The project aims at supporting over 66,000 beneficiaries in Busia, Kajiado, Migori, Baringo, Nakuru and Nairobi counties.
- Impacted over 197,000 communities affected by the pandemic and also frontline healthcare workers.
  The support included provision of water, food distribution, sanitary towels, microloans, devices for learners and PPE for 18,298 frontline health workers.
- Through a campaign dubbed 6,000 Strong, the Foundation encouraged the 6,000 Safaricom staff to fundraise towards supporting families affected by the pandemic through provision of food hampers to sustain the families for up to one month. The staff raised over KShs 2.3 million, which was complemented by a Vodafone Foundation donation of KShs 4.5 million that was used to purchase food for over 2,500 families.

The above interventions funded at KShs 159.9 million impacted 263,653 beneficiaries.

Ndoto Zetu

The Foundation approved 330 projects which were implemented in 46 counties transforming over 257,000 lives.

With the outbreak of the COVID-19 pandemic, the dreams fulfilled through the initiative helped to reduce the burden and pain inflicted on the communities by providing intervention in health, education and economic empowerment.

M-PESA FOUNDATION

Nyalani farms are thriving

In 1952 the Nyalani Dam was designed as a water source to boost farming in the Kinango area of Kwale County. In later years, the dam fell out of commission leading to a string of problems. To access the water, pumps were needed; to use the pumps, electricity was required; and the regular power cuts in the area meant the pumps would run on diesel – a costly source for the residents.

By 2013, the issues of food production and sanitation were still prevalent in Kinango, which prompted a partnership between the Kenya Red Cross Society, the M-PESA Foundation and the Kwale County Government to restore the dam as a crucial source of livelihood for the Kinango residents. The first course of action was to rehabilitate the Nyalani Dam to avert famine on account of drought and within three years, Kinango had transformed into a thriving agricultural area. Despite this success, one setback later revealed itself; power was needed to run the pumps, and frequent power blackouts in the area spiked the operational costs for running diesel generators. In a bid to ensure sustainability, a solar installation seemed the best way forward and a plan was developed to purchase and install solar panels and a solar-powered water pump. The site allocated for this operation was within the dam's vicinity and by November 2020, 192 solar panels were successfully installed adjacent to a newly constructed water pumping station to house the water pump. The pump moves large quantities of water from the dam through pipes to the farms in the surrounding area. The project's immediate and long-term impact is a significant boost in crop production in Kinango, which ensures both food security as well as a regular income for those that who take produce to the markets. Farmers with farms within 100 acres of the pump are assured of consistent water supply and residents can access clean drinking water easily, an added plus that has gone a long way towards improving sanitation in this community.

The programme has seen 22,000 people benefit through access to water for farming and water for sanitation and hygiene in Kinango, Kwale County.

M-PESA Foundation Academy

Necessity is the Mother of Invention. These are the words that Bob Collymore said to John Francis Chiira, a lab technician at M-PESA Foundation Academy, regarding the Young Innovators' Club (YIC). It was 2017, a few months after he had founded the club and become its patron. YIC was teaching students how to make different cleaning materials such as detergents and shampoos. The list grew over the years to include disinfectants, fabric softeners, insect repellents, and most recently, hand sanitisers. Kenya became the newest victim of the COVID-19 pandemic on 13 March 2020. After reports of the first case, the Ministry of Health outlined several measures that would help curb the spread of the virus, one being the frequent use of hand sanitiser.

Members of the Young Innovators Club preparing hand sanitisers

Go for it! "All of a sudden, this product was on high demand making it very scarce, it seemed like overnight the price either doubled or tripled" John recalls. "But since I was used to making cleaning supplies through the Young Innovators' Club, I challenged myself to learn how to make sanitisers as well." A search through the World Health Organization's website outlined the ingredients and procedure needed to formulate what had now become liquid gold. The process was very straightforward for John, and with a small amount of the necessary materials, he was able to formulate a test sample of hand sanitiser. Then came the closure of schools as well as international lockdowns that shut down country borders. Learning was put on hold as students from M-PESA Foundation Academy packed up and travelled home. The onset of safety protocols pointed to the immediate need for hand sanitisers, and in a large quantity. With the looming shortage, the laboratories of the academy seemed to offer a solution. By this time, the academy had acquired certification from the Kenya Bureau of Standards that authenticated the product's quality. John had long been the school's point person for the manufacture of cleaning supplies branded M-Osha, and now, hand sanitisers had been added to the product offerings.

"The school was aware that I had successfully prepared hand sanitiser a few times, so they asked me to prepare a large batch to be used once the students arrived," John says. "We followed all the quarantine measures and after 14 days, all the students had a clean bill of health. It was not only a huge sigh of relief when that period came to an end without any cases, but a moment of pride for me," John adds. Not long after that, Safaricom Foundation required 5,000 litres of sanitiser which they could donate to local communities. Procuring the raw materials – ethanol, hydrogen peroxide and glycerin – was not an easy task with prices having soared through the roof. But the value of the end product with regard to possibly saving lives was not one that could be quantified with a price tag. It was a sacrifice worth making, and John together with a team of 10 staff members worked hard to ensure the sanitiser was ready for distribution within two days of the start of production. The team continues to work in earnest – producing sanitiser, promoting health.

Economic empowerment

Turning bones into jewellery

For many, bones and horns from animals are waste. But it is this trash that a self-help group in Kibera, Nairobi called Tenancy considers gold by making bone jewelry for sale.

The 50 artisans' source for cow, goat and camel bones and horns's from a supplier who gathers them from eateries in Eastleigh, Umoja and Burma Market. The bones are then cleaned and dried before they are delivered at the Tenancy's workshop where the creatives get to work.

The ivory-coloured bones and horns are cut into smaller pieces, carved, shaped, and polished into various ornaments like bangles, earrings, necklaces and beads and used as accessories for household items and cutlery such as cooking stick handles, spoons and knives.

Perhaps the hardest part of their job is working on the bench grinders – an electric rotating motor on which a grinder, blade, circular sandpaper or other tool can be fixed.

The products once polished are packed ready for sale at handicraft markets such as the Maasai Market in Nairobi as well as in Thika and Nakuru. These products are also sold across the borders in Uganda and Tanzania.

Last year, the Tenancy self-help group successfully applied for the Ndoto Zetu grant from the Safaricom Foundation to get additional bench grinders worth KShs 200,000.

Wycliffe Pete, the chairman of the group, says the new grinders will support the group to take on more jobs and deliver faster and more efficiently. Wycliffe says the group can now offer more apprenticeship opportunities to build the capacity of others in their community. This year, the Safaricom Foundation has set aside KShs 100 million for Ndoto Zetu.

3. MANUFACTURED CAPITAL

Network and IT infrastructure

Our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation. Investing in building and maintaining this infrastructure requires significant financial capital and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. Over the long term, the investments in manufactured capital typically generate net positive outcomes.

Developments during the year

The quality, coverage and availability of our network are paramount to maintaining our competitive advantage in a highly competitive industry.

In line with our vision to be a purpose-led technology company, we have invested heavily and strategically in 4G, expanding to more than 4,300 sites; 94% of the Kenyan population is now covered by our 4G network and 95% is covered by our 3G network.

Our fibre rollout now covers more than 10,000km, opening up opportunities for more content and smart home and enterprise propositions in the medium term

We reached 4,500 fibre-ready buildings, a 13.6% growth in the year with more than 15,300 enterprises enjoying FTTB across all towns.

We increased the number of houses passed and connected by our fibre network to more than 349,000 houses, up 5.8% YoY, equivalent to 58.5% penetration.

We maintained mid-teens capex intensity which is above industry standards as we strive to provide the best technology. Capital additions amounted to KShs 34.96 billion.

Financial capital, which includes shareholders' equity, debt and reinvested capital, is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital. Balancing the short-term interests of investors with longer-term growth objectives and with the interests of other stakeholder groups remains a critical objective. This can involve balancing certain trade-offs.

Key inputs

- **10,080km** fibre footprint
- **KShs 68.68 billion** net income
- **KShs 34.96 billion** capital expenditure for the year
- A total of **5,526** 2G base stations, of which **5,500** are 3G base stations and **5,387** are 4G base stations
- Optimised capital allocation and diversification of revenue growth areas

Outcomes

Kenya's best 4G network covering **94%** of the population, up 17% YoY

204,234 residential homes connected to our fibre optic network, up 43.7% YoY

15,362 businesses connected to fibre optic network; up by 11.8% YoY

Neon Ray – most affordable 4G smartphone in Kenya at **KShs 3,999**

4. FINANCIAL CAPITAL

Developments during the year

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During the year, the Group maintained a strong balance sheet. Opening cash was KShs 20.0 billion with a cash inflow of KShs 179.7 billion, giving the Group cash in hand of KShs 199.7 billion. Cash outflows to cover capex, tax paid and short-term debt payment meant cash generated from operations was KShs 93.2 billion. After returns to shareholders of KShs 54.9 billion, the Group's closing cash was KShs 64.5 billion.

The Group has delivered a robust financial performance for the year ended 31 March 2021. We achieved EBIT of KShs 96.2 billion, ahead of the KShs 91 to 94 billion guidance range despite a 5.3% decrease YoY as a result of the global economic downturn. Free cash flow dropped by a modest 8.2% YoY to KShs 64.5 billion, maintaining a relatively strong opening position to the new financial year.

The profit for the year was KShs 68.7 billion (2020: KShs 73.7 billion) after tax and after inclusion of the share of profit from the Joint Venture (M-PESA Global) has been added to retained earnings. In the year ended 31 March 2021, the Group borrowed KShs 14.8 billion.

The environment and natural resources

We require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes the financial and natural capitals, the impact of which is lowered through energy-efficiency initiatives and site sharing.

Key inputs

- KShs 1.45 trillion, USD 13.28 billion **market capitalisation** (2020; KShs 1.06 trillion, USD 10.08 billion)
- **64.4%** market share as at 31 March 2021
- **KShs 64.5 billion** free cash flow

Outcomes

Mobile data revenue up **11.5%** to **KShs 44.79 billion**

Opex and capex both down **3.2%** to **KShs 46.03 billion** and **KShs 34.96 billion,** respectively

First-ever interim dividend payout of **KShs 18.03 billion**

Proposed final dividend payout of **KShs 36.86 billion**

KShs 339 million invested through our Foundations in FY21

Taxpayer of the year 13 years in a row

5. NATURAL CAPITAL

Key inputs

- Electricity consumption – **171,104MWh**
- Water consumption – **57,103m³**
- Fuel consumption – **11,609,726 litres (petrol and diesel)**

Developments during the year

Environmental considerations are not separate from our core business as they impact on our overall commercial sustainability and success. The policies that address the environmental and social impacts of the business include an environmental management policy and children's rights policy. We are also in compliance with the ISO 26000 guidelines on CSR.

As part of our commitment to the SDGs and to protecting the environment, we are committed to maximising our positive impact and mitigating our negative impact by aligning our activities to two goals in particular:

- SDG 7 – transitioning to use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions.
- SDG 12 – managing our operations responsibly, decreasing our environmental impact and promoting responsible behaviours among all our stakeholders.

Our pledge has refocused our thinking and efforts across the entire business – including improving energy efficiency and reducing energy consumption across our network and facilities, deploying renewable energy solutions and exploring carbon offset projects.

We have committed to become a net-zero carbon-emitting company by 2050. We have initiatives in place to monitor our emissions and have set science-based, carbon-reduction targets.

We have also committed to eliminating single-use plastics in our operations by 2025.

Other focus areas include:

- Tree-growing carbon offset initiative to offset our Scope 3 emissions. So far we have planted 750,000 trees as part of our commitment to grow 5 million trees in five years
- Advocacy and thought leadership on sustainability and SDGs. We launched the Safaricom Sustainable Future Series, which is a thought leadership platform for business leaders on various sustainability-related issues
- ISO 14001: 2015 certification from the British Standards Institute, which we use to measure our performance against the requirements of the Environmental Management System.

Reducing waste

Production of recycled materials is, in most cases, more energy efficient than making new products. We also save natural resources, for example, it is estimated that recycling one tonne of paper saves 17 trees from being cut down – also benefiting climate change. In 2018, we launched our integrated waste management programme in partnership with Tak Taka solutions, a local waste management company that separates our waste for recycling.

We continue to expand our waste management programme to achieve the objective of zero waste to landfill. During the year, this involved rolling out the programme beyond our main office buildings to shops mainly in Nairobi and surrounding areas. Out of the 299.9 tonnes of waste collected from our facilities, we recycled 97% of the waste that could have gone to landfill.

E-waste management

We continued implementation of initiatives under our E-waste Management Programme to increase volumes collected and create awareness among customers and citizens of the negative impacts of e-waste and health. For the second year running, we worked with the Ministry of Environment and Forestry to mark International E-waste Day to promote awareness of recycling and proper disposal of e-waste. We brought together stakeholders including the Ministry of Environment and Forestry, the Communications Authority, the National Environment Management Authority, Waste Electrical and Electronic Equipment Centre, formal and informal recyclers, universities and other government institutions to mark the day.

During International E-waste Day we announced training aimed at formalising the informal sector. We completed the training for 86 participants on health and safety practices for waste handlers and electronic repairers, compliance with statutory requirements and connecting them to formal recyclers for sustainability and a clean environment.

We also collaborated with key stakeholders and partners on e-waste research, policy and sharing good practices. During the year, Safaricom actively participated in the development of the draft e-waste strategy spearheaded by the Ministry of Environment and Forestry. We hope the strategy will be adopted by the government soon for implementation and our own E-waste Management Programme is aligned to the draft national strategy.

Net-zero carbon ambition

The latest science has made it clear that more needs to be done – and faster – in order to avoid the worst impacts of climate change and secure a thriving, sustainable economy. The next few years are critical, and companies have a vital role to play in helping achieve transformation at the pace and scale that is needed. At Safaricom, we have started this journey by setting science-based targets.

In FY20, Safaricom registered its emissions target with the Science-Based Targets initiative. Science-based targets are emissions reduction targets in line with what the latest climate science says is needed to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. They show companies how much and how quickly they need to reduce their greenhouse gas emissions in order to be consistent with keeping warming below the most dangerous levels.

Net-zero initiatives continued to be implemented with measures being undertaken including:

- Continuous monitoring of energy consumption and related carbon emissions
- Roll out of energy-efficiency programme
- Connecting new sites to the national grid as the primary source of power, which is approximately 85% renewable
- Increasing use of renewable power from solar and wind – to date 15% of the energy consumed from our network is from renewable sources
- Modernisation of power systems to improve capacity and efficiency
- Energy audits to ensure that our sites are power efficient.
- Tree growing to serve as carbon sink for our Scope 3 emissions, which make up 26% of our total emissions
- Our tree-growing carbon offset initiative

In August 2019, in partnership with Kenya Forest Service, we committed to grow 5 million trees over five years as our offset for Scope 3 emissions. The programme will be implemented in selected gazetted forests across the country and will serve to rehabilitate deforested sections and create economic opportunities for surrounding communities.

Environmental compliance and regulations

We continued to monitor our performance against regulations and completed 100% of initial environmental audits. We also carried initial self-audits that were not planned at the beginning of the year in compliance with the NEMA requirements. In FY21, we conducted 318 initial environmental audits at new sites launched in the previous years and 1,460 self environmental audits.

ISO 14001 certified

We carried out a recertification audit based on the ISO 14001: 2015 and met all the requirements. In this audit, we had several good practices and one minor non-conformance. We also trained all ISO 14001 implementers across the business.


N05

05

OUR GOVERNANCE

WHO GOVERNS US

From left to right

- **Nicholas Nganga**
  Chairman (Former) and Non-Executive Director*
- **Michael Joseph**
  Chairman and Non-Executive Director**
- **Peter Ndegwa**
  Executive Director and Chief Executive Officer
- **Mohamed Shameel Aziz Joosub**
  Non-Executive Director
- C **Linda Watiri Muriuki**
  Non-Executive Director
- **Prof Bitange Ndemo**
  Independent Non-Executive Director
- C **Rose Ogega**
  Independent Non-Executive Director
- **Francesco Bianco**
  Non-Executive Director
- **Raisibe Kgomaraga**
  Non-Executive Director
- **Dilip Pal**
  Non-Executive Director and Chief Finance Officer
- **Sitholizwe Mdlalose**
  Non-Executive Director
- **Winnie Ouko**
  Independent Non-Executive Director
- **Christopher Kirigua, OGW**
  Alternate Director to CS, National Treasury***
- **Kathryne Maundu**
  Company Secretary

Non-Executive Director | Executive Director | Company Secretary

Board Audit, Risk and Compliance Committee | Nominations and Renumeration Committee | C Committee Chair

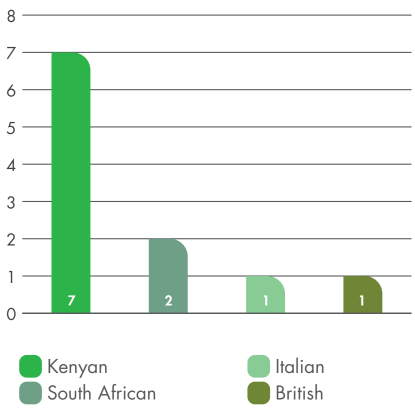
* *Mr Nicholas Nganga retired as a Director and consequently as the Chairman with effect from 1 August 2020.*

** *Mr Michael Joseph was appointed as the Chairman of the Board with effect from 1 August 2020.*

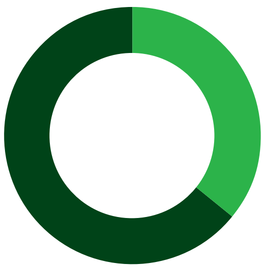
*** *Mr Christopher Kirigua was appointed as alternate Director to the Cabinet Secretary, National Treasury with effect from 10 February 2021 upon retirement of Ms Esther Koimett on 1 August 2020.*

The constitution of the Company's Board as stipulated by its Articles of Association is 11 Directors. There are currently 10 Non-Executive Directors and one is an Executive Director.

NATIONALITY OF **BOARD MEMBERS**



GENDER **DIVERSITY**



- 36% Female
- 64% Male

TENURE

- 36% Less than 1 year
- 36% 1-3 years
- 18% 4-6 years
- 10% 7>9 years

SKILLS

Engineers	01	Accountants	05
Law	04	Politics	00
Economics	04	Doctors	01
MBA	06		

1 Nicholas Nganga (83)

Chairman (Outgoing) and Non-Executive Director

Appointed: 6 May 2004

Qualifications: Bachelor's of Arts degree and seasoned chairman to several companies

Skills and experience

Nicholas joined the Board of Safaricom on 6 May 2004 and was elected Chairman on 16 January 2007. He is a holder of a BA Degree from Makerere University. Nicholas has served on different occasions as the Permanent Secretary in the Ministry of Finance, Ministry of Foreign Affairs and the Ministry of Health. He has been extensively involved in the tea industry and was chairman of the Tea Board of Kenya. He is a past chairman of the National Bank of Kenya and is the current chairman of G4S Security and Car & General Kenya Limited. He is also a member of the Board of Kakuzi PLC.

2 Michael Joseph (75)

Chairman (Incoming) and Non-Executive Director

Appointed: 8 September 2008

Qualifications: BSc (cum laude) in Electrical Engineering

Skills and experience

Michael is the former Chief Executive Officer of Safaricom PLC, a position held from 2 July 2019 to 31 March 2020. He joined the Board on 8 September 2008. He is also the chairman of Kenya Airways.Previously, Michael was the Chief Executive Officer of Safaricom Limited from July 2000 when the Company was relaunched as a joint venture between Vodafone UK and Telkom Kenya until his retirement in November 2010. During his tenure, he steered the Company from a subscriber base of less than 20,000 to over 16.71 million subscribers. This phenomenal growth straddling nearly a decade was motored by the launch of many innovative products and services such as M-PESA. Today, Safaricom is one of the leading companies in East Africa and one of the most profitable companies in the region. He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East. Michael is a US citizen and has a BSc (cum laude) in Electrical Engineering from the University of Cape Town and is a member of the IEEE and IEE (UK).

Michael has an honorary doctorate degree (Doctor of Letters) from Africa Nazarene University bestowed to him in recognition of his contribution to the growth of Safaricom from very humble beginnings to becoming one of the most innovative, influential and profitable companies in the East African region.

3 Peter Ndegwa (52)

Executive Director and Chief Executive Officer

Appointed: 1 April 2020

Qualifications: MBA; Bachelor's degree in Economics; Certified Public Accountant; member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Skills and experience

Peter is the CEO of Safaricom PLC, a leading communications company in Africa and pioneer of M-PESA, the world's most developed mobile payment system.

Peter joined Safaricom on 1 April 2020. He is an experienced board-level leader with a wealth of experience in general management, commercial and business strategy, sales and finance operations, having spent over 25 years in various roles within the financial services and fast-moving consumer goods (FMCG) sectors in Africa and Europe.

He holds an MBA from the London Business School and a Bachelor's degree in Economics from the University of Nairobi. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver double-digit growth by investing in people, introducing new brands and reorganizing the businesses.

As a chief executive in several markets within the Diageo group, Peter demonstrated the ability to transform businesses and organisations to deliver superior results. He has a real passion for delivering value to customers (with his principle of customer first), investing in talent, and getting things done.

Peter served for eight years across a range of senior executive director roles at East Africa Breweries Limited (EABL) (a Diageo subsidiary) based in Nairobi. Serving as the Group CFO, group strategy director, sales director, and as an executive director on the EABL board, he was part of the team that saw the EABL business more than double in value – and winning the coveted Most Respected Business Award in East Africa for five years in a row.

Peter is credited with the development of an affordable beer strategy for EABL, resulting in the production of new brands such as Senator beer which became one of the of the most successful innovations by Diageo. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration from his early upbringing, laying the foundations for his strong value set, from his teachers and the legendary Dr Geoffrey Griffin – the late founder of Starehe Boys Centre – his alma mater, and from his parents.

4 Mohamed Shameel Aziz Joosub (50)

Non-Executive Director

Appointed: 31 August 2017

Qualifications: Bachelor of Accounting Science degree; MBA

Skills and experience

Shameel is the CEO of Vodacom Group since September 2012. He is a former CEO of Vodafone Spain. He was previously the managing director of Vodacom South Africa from March 2005 to March 2011 prior to taking up the position as CEO of Vodafone Spain. Prior to that, he was the managing director of Vodacom Service Provider Company from September 2000 to February 2005, and managing director of Vodacom Equipment Company from 1998. Shameel served on the Vodacom group board from 2000 until March 2011, when he was seconded to Spain. He was reappointed to the Vodacom group board in September 2012 after his return from Spain.

5 Linda Watiri Muriuki (57)

Non-Executive Director

Appointed: 31 August 2017

Qualifications: Advocate of the High Court: registered Certified Public Secretary (ICPS)

Skills and experience

Linda serves as the senior partner at LJA Associates. She is a practising Advocate of the High Court of Kenya with over 27 years' experience ranked by Chambers and Partners in 2015 and 2016.

She served as a non-executive director of Old Mutual Life Assurance Company Limited from 2004 to 2010 and the Capital Markets Authority from 2015 to 2017. She currently serves as a non-executive director of East Africa Reinsurance Company Limited.

She holds a BA Economics degree from York University, Canada; an LLB (Honours) from the University of Leeds, United Kingdom; and a Master's Degree as a Graduate of the Global Executive Masters of Business Administration from United States International University in collaboration with Columbia University New York, USA.

Linda is a Commissioner for Oaths, Notary Public, Certified Public Secretary (Kenya), a member of the Institute of Directors (K) and The Law Society of Kenya.

6 Bitange Ndemo (62)

Independent Non-Executive Director

Appointed: 2 March 2017

Qualifications: Doctor of Philosophy; Master of Management Information System; Bachelor of Science in Finance; ICT industry expert; author and editor

Skills and experience

Prof Ndemo is a noted ICT industry expert who currently lectures on entrepreneurship and research methods at the University of Nairobi's Business School. Most of his research centres on the link between ICT and small and medium enterprises in Kenya.

7 Rose Ogega (61)

Independent Non-Executive Director

Appointed: 12 February 2019

Qualifications: Bachelor of Commerce in Accounting and Finance, University of Nairobi: Certified Public Accountant (ICPAK)

Skills and experience

Rose has extensive experience spanning over 25 years in advising and managing both large, complex organisations and emerging start-up ventures.

In recognition of her contribution to the economic development of the country, she was awarded the Moran of the Burning Spear in 2005.

Rose is the managing director of Bloom Consultancy Limited. She is currently a member of the Aspen Global Leadership Network, the Institute of Directors of Kenya, the African Leadership Initiative and the Institute of Certified Public Accountants of Kenya. She is a Certified Hogan Lead Assessor, an executive coach and a member of the Academy of Executive Coaches.

8 Francesco Bianco (49)

Non-Executive Director

Appointed: 20 March 2020

Qualifications: Bachelors' degree in Law and a Business Strategy Executive Programme

Skills and experience

Francesco is the global talent, capabilities and organisational development director at Vodafone and an alternate non-executive director in the Vodacom group board.

Francesco has had a vast career in HR, spanning over 15 years. He originally joined Vodafone Italy in 2000 and has extended his career portfolio internationally in other HR director roles.

Francesco holds a Bachelors' degree in Law from Padova University and a Business Strategy Executive Programme with Maastricht University. Francesco was appointed to the Vodacom Group Board as an alternate Director to Mr Michael Joseph in January 2019 and also appointed as an alternate Director to Ms Leanne Wood in July 2019.

9 Raisibe Morathi (51)

Non-Executive Director

Appointed: 1 November 2020

Qualifications: Chartered Accountant (SA); Advanced Management Programme; Higher Diploma in Taxation; Masters in Philosophy (Corporate Strategy)

Skills and experience

Raisibe was appointed as the CFO and executive director of Vodacom group with effect from 1 November 2020. She joined Vodacom from the Nedbank Group where she had been the Group CFO since September 2009.

She has a cumulative 26 years' experience in financial services in various large corporates in South Africa, including Nedbank Group, Sanlam Group and the industrial Development Corporation. Raisibe was also the patron of its Women's Forum, demonstrating her commitment to the development of women and young people.

Raisibe is a Chartered Accountant (SA) and has also completed an Advanced Management Programme with INSEAD (France). She also holds a Higher Diploma in Taxation (Wits University) and is currently pursuing a Masters in Philosophy (Corporate Strategy) at GIBS.

10 Dilip Pal (55)

Alternate Director to CEO

Appointed: 1 November 2020

Qualifications: Master's in Commerce; Bachelor of Commerce; Chartered Accountant from the Institute of Chartered Accountants of India; a Cost Accountant from the Institute of Cost and Works Accountants of India

Skills and experience

Dilip, who joined Safaricom as the Chief Finance Officer in November 2020, has more than 29 years of experience in finance, spanning various industries including telecoms, financial services, fast-moving FMCG and Engineering in international and multi-cultural environments. Dilip has a proven track record of building competent teams, improving performance, business turnaround, simplification, and digitisation.

His division is responsible for the overall financial planning, management, and oversight of the organisation.

Previously, he was the CFO of DTAC Thailand, a part of the Telenor Group, since 2017. Prior to DTAC, he was the CFO of Grameenphone Bangladesh, a role that he held for three years. Before Grameenphone, Dilip held various finance roles in Vodafone India in Mumbai, rising to the role of EVP Finance. He has also held senior finance roles in other organisations, namely Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor), Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Limited (Vodafone India subsidiary).

Dilip has a Master's in Commerce from Calcutta University and a Bachelor of Commerce from Goennka College of Commerce. He is a Chartered Accountant from the Institute of Chartered Accountants of India and a Cost Accountant from the Institute of Cost and Works Accountants of India.

11 Sitholizwe Mdlalose (40)

Non-Executive Director

Appointed: 29 July 2020

Qualifications: Bachelors of Accounting Science degree and a qualified accountant (ACCA)

Skills and experience

Sitholizwe was interim CFO, Vodacom group from 1 July 2020 until the appointment of Raisibe Morathi as the CFO, Vodacom group effective 1 November 2020.

He was appointed to the role of executive director, finance of Vodacom South Africa in 2007 having been the CFO: Vodacom International Business since 2014.

Sitho has over 20 years' finance, management and consulting experience.

12 Winnie Ouko (50)

Independent Non-Executive Director

Appointed: 10 February 2021

Qualifications: MBA and Bachelor of Commerce

Skills and experience

Winnie was appointed Non-Executive Director on 10 February 2021. She has over 25 years of professional finance, strategy and board-level experience, serving corporates and non-profits in Africa, Europe and the US.

She is the founder and CEO of Lattice Consulting (member of Larive International, nl), a Kenya-based boutique advisory firm committed to propelling its clients to growth via strategy and finance advisory and corporate training.

Winnie's career includes a stint as an associate director at Standard and Poor's in New York and PricewaterhouseCoopers in Nairobi.

She sits on the board of the Kenya Pooled Water Fund; has served on the board of Absa (Kenya), chairing the audit, risk and compliance committee; and has been a Trustee for the Worldwide Fund for Nature, Switzerland (which oversees 70+ programmes and country offices around the world), chairing the audit and risk committee.

She is a fellow of the Aspen Global Leadership Network, and is a leadership adviser with Adaptive Change Advisors, (NY). Winnie has an MBA from Cornell University (NY), a BComm from the University of Nairobi, and is a CPA (K).

13 Christopher Kirigua, OGW (45)

Alternate Director to CS National Treasury

Appointed: 10 February 2021

Qualifications: Bachelor of Business Administration; Executive Development Programme Behavioural Finance; Emerging Leader Graduate

Skills and experience

Christopher was appointed as alternate Director to the Cabinet Secretary, National Treasury and Planning, with effect from 10 February 2021.

Christopher serves as the Director-General of Public Private Partnerships at the National Treasury. He is a seasoned investment banker who worked with the Standard Chartered Bank for over 17 years, prior to joining the public service in December 2020.

Christopher was a co-chair of a strategic committee in the United Nations Global Investors for Sustainable Development, which focused on widening longer-term investments mainly in emerging markets where it is needed most.

At the Standard Chartered Bank, he held a number of senior leadership roles, with his last posting having been the executive director and regional head of sustainable finance for Africa and the Middle East.

His current role in government, entails mobilising private capital to support sustainable development of commercially viable projects which will further create fiscal space and continue to develop sustainable infrastructure while enabling the government to focus more on social investments.

Christopher has a Bachelor of Business Administration from the Roosevelt University; has participated in an Executive Development Programme Behavioural Finance with INSEAD Business School; and is an Emerging Leader Graduate from Standard Chartered Bank.

14 Kathryne Maundu (42)

Company Secretary

Appointed: February 2016

Qualifications: Advocate of the high court; Certified Company Secretary; Accredited Governance Auditor

Skills and experience

Kathryne is a Partner at Stamford Corporate Services LLP, part of Bowmans Coulson Harney LLP. She is recognised as a leading expert in corporate governance matters having advised leading corporates in the public and private sectors for over 15 years.

She is an Advocate of the High Court of Kenya; a member of the Law Society of Kenya; a registered practising Certified Public Secretary; and an Accredited Governance Auditor with the Institute of Certified Secretaries – Kenya. She has been recognised as a leader in society and named as Top 40 under 40 Women in Kenya.

Kathryne is a member of the Women on Boards Network, a member of the Women Corporate Directors (Kenya Chapter) and a council member of the Institute of Certified Secretaries – Kenya.

WHO LEADS US

We continuously assess our governance operating model to ensure that robust internal governing bodies and proper systems and processes are in place to support our leadership team to drive change, set strategic direction and formulate high-level goals and policies.

Peter Ndegwa

Chief Executive Officer and Executive Director

Skills and experience

Peter is the CEO of Safaricom PLC, a leading communications company in Africa. Safaricom is also the pioneer of M-PESA, the world's most developed payment system.

Peter joined Safaricom on 1 April 2020. He is an experienced board-level leader with a wealth of experience in general management, commercial and business strategy, sales and finance operations, having spent over 25 years in various roles within the financial services and FMCG sectors in Africa and Europe.

He holds an MBA from the London Business School and a Bachelor's degree in Economics from the University of Nairobi. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver double-digit growth by investing in people, introducing new brands and reorganising the businesses.

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Peter served for eight years across a range of senior executive director roles at East Africa Breweries Limited (EABL) (a Diageo subsidiary) based in Nairobi. Serving as the group CFO, group strategy director, sales director, and as an executive director on the EABL board, he was part of the team that saw the EABL business more than double in value – and winning the coveted Most Respected Business Award in East Africa for five years in a row.

Peter is credited with the development of an affordable beer strategy for EABL, resulting in the production of new brands such as Senator beer which became one of the most successful innovations by Diageo. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration, from his early upbringing laying the foundations for his strong value set, from his teachers and the legendary Dr Geoffrey Griffin – the late founder of Starehe Boys Centre – his alma mater, and from his parents.

Joseph Ogutu

Chief Special Projects Officer

Skills and experience

Joseph is responsible for Special Projects, including the Foundations. He joined Safaricom as Chief Corporate Affairs Officer in May 2005 from Telkom Kenya where he was the principal assistant to the managing director and chief strategy and regulatory officer. He then served as Chief Human Resource Officer from 2008 before taking on the role of Director Resources in the March 2011 company reorganisation.

In October 2012, Joseph was appointed as the Director, Strategy and Innovation where he worked closely with the CEO in formulating strategic direction for the business and focusing on developing Safaricom's position as an industry leader in driving innovation in products and services. He currently also serves as the Chairman of Safaricom Foundation and sits on the board of TEAMS Limited.

Joseph has had a dynamic career in the telecommunications industry spanning more than 25 years, of which the last 12 have been at Executive Committee level. During this period, he was actively involved in the reform of the sector including the drafting of the Postal and Telecommunication Policy Paper that led to the restructuring of the defunct Kenya Posts and Telecommunications Corporation and subsequent establishment of CCK, Telkom Kenya and Postal Corporation of Kenya. He has also been involved in the establishment of the institutional framework for the Eastern Africa Submarine Cable System (Eassy).

Joseph is a Kenyan citizen and a graduate of Economics from the University of Nairobi.

Sylvia Mulinge

Chief Customer Officer

Skills and experience

Sylvia is the Chief Customer Officer, responsible for leading Safaricom's obsession on Customer Experience as a key differentiator of its overall company strategy. She is in charge of consumer business, brand marketing, brand experience, digital transformation, sales and distribution, operations, and commercial planning and pricing.

She joined Safaricom in February 2006 from Unilever and rose from the role of Prepay Product Manager to Head of Retail, Director of Enterprise Business before transitioning to manage the consumer business as Director of Consumer Business, a role she held for three years before transitioning to her current role as Chief Customer Officer. She has held various leadership roles for the last eight years.

Sylvia is an accredited executive coach and a Bachelor of Science degree alumni from the University of Nairobi where she graduated with the highest distinction of First Class Honours.

A mentor and a leader in both her private and professional life, Sylvia is the recipient of several awards, which include her appointment to the Presidential Award Scheme, being named one of Kenya's Top 40 under 40 Women for three consecutive years and a Young Global Leader award recipient in 2015. She also sits on a number of Local Boards and is a Vice Chair of the UN Women Unstereotype Alliance.

Stephen Chege

Chief Corporate Affairs Officer

Skills and experience

As the Chief Corporate Affairs Officer, Stephen leads a portfolio of strategic functions, including regulatory and public policy functions, legal and secretarial services; corporate communications; corporate responsibility (incorporating the Safaricom and M-PESA Foundations) and sustainability reporting; as well as the International Carriers and Roaming functions. As the primary interface with both external and internal stakeholders, Stephen is also responsible for providing strategic leadership and counsel to ensure good governance across the Company's operations.

As a purpose-driven leader, Stephen has over 18 years of telecommunications professional experience across a number of organisations including Vodafone Group UK. He joined Safaricom in 2006 as an In-House Counsel and would later rise to become the senior manager, public policy and market regulation until 2011 when he was appointed Head of Regulatory and Public Policy. In 2015, he was appointed to his current role as Chief Corporate Affairs Officer at Safaricom PLC.

An advocate of the High Court of Kenya, Stephen holds a Masters in Law in International Trade and Investment Law and a Bachelor of Laws degree, both from the University of Nairobi. He is a Certified Public Secretary and a Trustee of the Safaricom Foundation. Stephen was recently appointed to the board of the Nairobi Securities Exchange as the representative for listed companies.

Dilip Pal

Chief Finance Officer

Skills and experience

Previously, he was the CFO of DTAC Thailand, a part of the Telenor Group, since 2017. Prior to DTAC, he was the CFO of Grameenphone Bangladesh, a role that he held for three years. Before Grameenphone, Dilip held various finance roles in Vodafone India in Mumbai, rising to the role of EVP Finance. He has also held senior finance roles in other organisations, namely Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor), Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Limited (Vodafone India subsidiary).

Dilip has a Master's in Commerce from Calcutta University and a Bachelor of Commerce from Goennka College of Commerce. He is a Chartered Accountant from the Institute of Chartered Accountants of India and a Cost Accountant from the Institute of Cost and Works Accountants of India.

Nicholas Mulila

Chief Corporate Security Officer

Skills and experience

Nicholas joined Safaricom in 2001 as a Senior Management Accountant in the Finance Division and has risen steadily through the ranks to serve the Company in various capacities, including Principal Business Planning and Forecasting Accountant, Head of Corporate Strategy, Head of Commercial Planning and Pricing, Executive Business Analyst, Director Risk Management and is currently Chief Corporate Security Officer.

Nicholas has 20 years' experience in strategy formulation and execution, financial management, business analysis, risk management and corporate governance.

Prior to joining Safaricom, Nicholas had worked for General Motors (EA) and Eastern Produce (K) Limited, where he held various positions in Finance.

Nicholas holds an MBA in Strategy and a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi. He is a Professional Accountant and Company Secretary, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as the Institute of Certified Secretaries of Kenya (ICSK), member of the American Society for Industrial Security International (ASIS) and a member of the Institute of Directors (Kenya).

Sitoyo Lopokoiyit

Chief Financial Services Officer

Skills and experience

Sitoyo is the Managing Director, M-PESA Africa and acting Chief Financial Services Officer at Safaricom.

He joined Safaricom PLC on 1 April 2018, having previously served as m-commerce director at Vodacom Tanzania PLC Limited from October 2015. As the Chief Financial Services Officer, he is responsible for growing M-PESA to a fully-fledged financial platform. He is in charge of new business ventures, product management and development for both consumer and enterprise.

During his time at Vodacom, he oversaw the delivery of several transformative products and services; and led the turnaround strategy and execution for M-PESA which has resulted in an accelerated growth of M-PESA in Tanzania. Some of the initiatives he led include: delivery of the G2 platform; M-PESA app, interoperable transactions for both peer-to-peer transfers and merchant payments; business-to-business payments; M-PESA CVM; and merchant payments.

Prior to joining Vodacom Tanzania PLC, he was the Head of M-PESA Strategy and Business Development at Safaricom.

Sitoyo has over 10 years' senior managerial experience from different fields including oil & gas (Chevron and Total Kenya Limited) and the retail industry with Uchumi supermarkets in Kenya. He has worked extensively in the East Africa Region as well as in Mauritius and Reunion.

Sitoyo holds a Bachelor of Commerce (Hons) degree in Marketing from the University of Nairobi (2000) and an MSc in Information Technology Management and Organisational Change from Lancaster University in UK.

Paul Kasimu

Chief Human Resources Officer

Skills and experience

Paul, the Chief Human Resources Officer, is a passionate HR professional and an accredited executive coach. He has expertise in implementing HR strategy, leadership and talent development, and employer branding. Paul has experience across Africa and the UK in the public sector, financial, airline, FMCG, and telecoms sectors.

He is responsible for talent and organisational effectiveness. Paul oversees talent acquisition and capability, corporate centres, essential services and facilities, health, safety and wellness and responsible for driving the corporate culture.

Paul joined Safaricom in July 2017 from the East African Breweries where he was the group HR director, a role he held since May 2011. He held similar roles, for a combined nine years, at Kenya Airways and Barclays Bank.

Paul was the chairman of the Institute of Human Resource Management in Kenya for seven years (2008 to 2015) and led in the enactment of the 2012 Human Resources Professionals Act. Some of his accolade includes being named the Manager of the Year at the Company of the Year Awards in Kenya (2008).

He holds a first degree in Economics and Sociology from the University of Nairobi and a Master of Science in Management and Organisational Development from the United States International University Africa (USIU-Africa). He is a past chairman of the Institute of Human Resource Management, Kenya; Vice-Chair of the Amref-Kenya board; and member of the USIU-Africa University Council.

Morten Bangsgaard

Chief Technology Information Officer

Skills and experience

Morten, the Chief Technology Information Officer, has over 26 years of experience in various roles in the telecommunications industry. He will head the newly created Technology and Information organisation.

He joined Safaricom in January 2021 from Maxis, Malaysia—the country's largest mobile operator—where he worked for six years (2014 – 2020). At Maxis as the CTIO, Morten was responsible for the development and operations of the Maxis telecommunications and IT networks. He was instrumental in planning and leading large IT transformation projects, the building of enterprise fibre network, cybersecurity and cloud and network digitalisation.

Before Maxis, Morten was at TDC Denmark—a Danish telecommunications company—for a decade where he was responsible for planning, designing and building mobile, fixed and coax networks. He joined TDC in 2004 as a Strategy Consultant and Head of Market Support. While at TDC, Morten became the Vice President Head of Network Development and Strategy in 2007; he would later be appointed Executive VP and CIO in 2008, VP Technology and IT in 2013 and Senior VP Network Planning and Build, a role he held until he joined Maxis in 2014. Before working at TDC in 2004, Morten held several roles at Ericsson Denmark, Sweden and the UK for 10 years.

Morten is a Danish citizen and holds a Master's in Economics and Mathematics from Aarhus University, Denmark.

Rita Okuthe

Chief Enterprise Business Officer

Skills and experience

Rita headed Safaricom's Enterprise Business Unit (EBU) and transformed the division's focus from just selling Telco service to becoming a digital partner of choice for business enabling them to succeed in a digital world. Rita is also a Trustee of the Safaricom Foundation, Kenya's largest corporate foundation in Kenya where she leads the Foundation's Maternal and Child Health focus area. Rita is also part of the team that leads the Women in Leadership and Women in Technology programmes. The two programmes focus on how to bring more women into leadership and technology by offering on-the-job training and opportunities. Rita is also a board member of the Kenya Pipeline Company where she chairs the board audit committee, DigiFarm (an integrated mobile platform that offers farmers convenient, one-stop access to a suite of information and financial services) and Mezanine (a company that specialises in developing mobile-enabled solutions for businesses). She is also a member of the women corporate directors – Kenya chapter and a Certified Executive Coach. Rita has a degree in Economics and an MSC in Marketing from the Business Faculty at London School of Economics.

Debra Mallowah

Chief Development Officer

Skills and experience

Debra joined Safaricom PLC on 2 January 2019, having previously served at GlaxoSmithKline where she was the general manager of Eastern Africa, responsible for eight markets in the region. She is a seasoned broad-based professional with roles that have included vice president for Unilever for the personal care division and Africa and group marketing and innovations director in Diageo East Africa. She has worked and lived in Kenya, the United Kingdom and South Africa during the span of her career.

As the Chief Business Development Officer, she was responsible for preparing Safaricom for the future, harnessing new business opportunities and leading innovation. She is responsible for Safaricom's Innovation Unit and leads any geographical expansion opportunities, including M&A activities.

As the executive responsible for developing the Company's strategic direction, she also leads the Knowledge Management team comprising Research as well as Insights and Big Data. Debra holds a BCom (Hons) Degree from the University of Nairobi and completed an Advanced Management Programme at IESE Business School, Spain.

** Ms. Rita Okuthe ceased to be Chief Enterprise Business Officer effective 30 November 2020*

** Ms. Debra Mallowah ceased to be Chief Business Development Officer effective 12 February 2021*

CORPORATE GOVERNANCE STATEMENT

Safaricom PLC, through its Board of Directors, is committed to implementing and adhering to good corporate governance and best practice.

Overview

The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the Company. Safaricom continues to endeavour to comply with the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code).

Over and above the annual self-assessment that the Company is expected to complete on its level of compliance of the Code, the Corporate Governance Statement as provided in this Annual Report, will highlight to the Company's shareholders and various stakeholders the performance to date. We remain committed to the highest standards of corporate governance and business ethics. Good corporate governance practices are essential to the delivery of long-term and sustainable stakeholder and shareholder value.

The Company also adheres to other regulations promulgated by the CMA and the Nairobi Securities Exchange and the ethical standards prescribed in the Company Code of Conduct. In addition, Safaricom abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

We continuously assesses our governance operating model to ensure that robust internal governing bodies and proper systems/processes are in place to support the Board and management to drive change, set strategic direction and formulate high-level goals and policies.

The Board of Directors of Safaricom is responsible for the governance of the Company. The Directors are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practised with respect to dealings with the Company's shareholders, customers and other relevant stakeholders in line with the spirit of the Code for listed companies.

The Board of Directors

The role of the Board

The Board is collectively responsible for the Company's vision, strategic direction, its values, and governance.

The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company
- Having the right team in place to execute the strategy through effective succession planning
- Setting up appropriate governance structures for the management of the business operations
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business
- Ensuring ethical behavior and compliance with the laws and regulations

The Board is solely responsible for its agenda. It is, however, the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and the agenda for the Board meetings.

Key responsibilities of the Board include:

- Provide effective leadership in collaboration with the Executive management team
- Approve the Company's mission, vision, its business strategy, goals, risk policy plans and objectives
- Approving the Company's business strategy and ensure the necessary financial and human resources are in place to meet agreed objectives
- Approve the Company's budgets as proposed by the Executive management team
- Establish and agrees on an appropriate governance framework
- Review the sufficiency, effectiveness and integrity of the risk management and internal control systems
- Approve the Company's performance objectives and monitor its achievement
- Review and agrees on Board succession plans and approve Non-Executive Director appointments
- Review periodic financial and governance reports
- Approve the Annual Report, Company results and public announcements
- Declaring an interim/recommending a final dividend

- Approving Company policies and monitoring compliance with the Standards of Business Conduct
- Ensuring that the relevant audits, e.g. financial, governance or legal and compliance are conducted

The Board has established two principal Board committees, to which it has delegated certain responsibilities, namely the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee. The roles, membership and activities of these committees are described in more detail later in this Report. Each committee has its own terms of reference which are reviewed periodically and updated as appropriate.

Board size, independence and appointments

The constitution of the Company's Board is stipulated by the Company's Articles of Association. It comprises 11 Directors, 10 of whom are Non-Executive Directors and one is an Executive Director. As at 31 May 2021, three (3) of the Non-Executive Directors were independent as defined in the Code. The Non-Executive Directors, other than those appointed by Vodafone Kenya Limited and the Government of Kenya, are subject to retirement by rotation and must seek re-election by shareholders in accordance with the Articles of Association.

The Board is responsible for recommending independent Directors for election by shareholders at the annual general meetings. Nominated Directors undergo a formal screening process conducted by the Nominations and Remuneration Committee of the Board before they are formally appointed. The committee also considers and screens Director nominees recommended by shareholders. Between annual general meetings, the Board may appoint Directors to serve until the next Annual General Meeting (AGM). Any such appointment of independent directors must be ratified by the shareholders at the next AGM following their appointment.

Separation of powers and duties of the Chairman and the Chief Executive Officer (CEO)

The Chairman and the Managing Director have distinct and clearly defined duties and responsibilities.

The separation of the functions of the Chairman (a Non-Executive Director) and the CEO (Executive Director) supports and ensures the independence of the Board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

A summary of each role can be found below:

The Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions
- Promotes a culture of open debate between the Non-Executive Directors and Executive Directors and holds meetings with the Non-Executive Directors, without the Executive Directors present;
- Regularly meets with the Chief Executive Officer and other senior management to stay informed
- Ensures effective communication with shareholders and other stakeholders
- Promotes high standards of corporate governance;
- Promotes and safeguards the interests and reputation of the Company
- Represents the Company to government, shareholders, regulators, financial institutions, the media, the community and the public

The Chief Executive Officer

- Responsible for the day-to-day management of the business of the Company and to oversee the implementation of strategy and policies approved by the Board and serving as the official spokesperson for the Company
- Provides coherent leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public, and enhances the Company's reputation
- Leads the Executive Directors and senior management team in running the Company's business, including chairing the Executive Committee
- Develops and implements the Company's objectives in line with the strategy, having regard to shareholders and other stakeholders
- Manages the Company's risk profile and ensures appropriate internal controls are in place
- Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements and best practice
- Ensures that there are effective processes for engaging with, communicating with and listening to employees and others working for the Company

The role of the Non-Executive Directors

The Board had ten (10) Non-Executive Directors as at 31 March 2021 and as at the date of this Annual Report.

The Non-Executive Directors help develop strategy and are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed. This enables the Directors to promote the success of Safaricom for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and other stakeholders. The Non-Executive Directors oversee the operational performance of the business, scrutinise performance of management and the Company, bring an external perspective to the Board, monitor reporting of performance and should be available to meet with major stakeholders as appropriate. To perform these tasks, they have full access to all relevant information, with updates provided on governance, regulatory and other matters affecting the Company.

The Company Secretary

The Company Secretary is a member in good standing with the Institute of Certified Secretaries. The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators.

The role of the Company Secretary

- Providing a central source of guidance and advice to the Board and the Company on matters of statutory and regulatory compliance and good governance
- Providing the Board and the Directors individually with guidance on how their responsibilities should be discharged in the best interests of the Company
- Facilitating the induction training of new Directors and assisting with the Directors' professional development as required. This includes identifying and facilitating continuous Board education
- In consultation with the CEO and the Chairman, ensuring effective flow of information within the Board and its committees and between senior management and Non-Executive Directors. This includes timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from board meetings
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision-making by shareholders, customers and other stakeholders
- Coordinating the governance audit process
- Assisting the Board with the evaluation exercise
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions

Board operations

The Safaricom Board meets at least four times a year and the meetings are structured in a way that allows for open discussions.

Comprehensive Board papers are prepared and circulated to all Directors for all substantive agenda items prior to the meeting. This allows time for the Directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise within the two-week period to the date of the meeting.

The senior leadership team members may be invited to attend the Board meetings if deemed necessary. Where Directors are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to make their views known to the Chairman or the Chief Executive Officer prior to the meeting.

The senior leadership team members can be invited, as appropriate, to Board and committee meetings to make presentations on their areas of responsibility. This serves as an opportunity to give the Directors greater insights into their business areas. Non-Executive Directors are also occasionally invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

The Board is responsible for recommending independent Directors for election by shareholders at the annual general meetings.

The composition of the Board

The Directors who served during the year to 31 March 2021 and as at the date of this Annual Report are set out below

Name	Nationality	Date of appointment
Michael Joseph	American/Kenyan	8 September 2008
Peter Ndegwa	Kenyan	1 April 2020
Mohamed Joosub	South African	31 August 2017
Linda Watiri Muriuki	Kenyan	31 August 2017
Bitange Ndemo	Kenyan	2 March 2017
Rose Ogega	Kenyan	2 March 2017
Francesco Bianco	Italian	20 March 2020
Sitholizwe Mdlalose	British	29 July 2020
Raisibe Morathi	South African	1 November 2020
Winnie Ouko	Kenyan	10 February 2021
Christopher Kirigua (Alt. to CS National Treasury)	Kenyan	10 February 2021

The following changes to the Board composition occurred in the year under review:-

- Mr Till Streichert resigned with effect from 1 July 2020
- The appointment of Mr Sitholizwe Mdlalose as a Non-Executive Director with effect from 29 July 2020
- The retirement of the following:-
  - Mr Nicholas Nganga as a Director and consequently as the Chairman of the Board with effect from 1 August 2020
  - Ms Esther Koimett as alternate Director to the Cabinet Secretary, National Treasury with effect from 1 August 2020
- The appointment of Mr Michael Joseph as the Chairman of the Board with effect from 1 August 2020
- The appointment of the PS, National Treasury as a Director in the Company with effect from 1 August 2020 and subsequent replacement by the CS, National Treasury with effect from 10 February 2021
- The appointment of Prof. Dulacha Galgalo Barako as alternate Director to the Permanent Secretary, National Treasury, with effect from 1 August 2020 and subsequent replacement by Mr Christopher Kirigua with effect from 10 February 2021
- The appointment of Ms Raisibe Morathi as a non-Executive Director with effect from 1 November 2020
- The appointment of Ms Winnie Ouko as an Independent Non-Executive Director with effect from 10 February 2021

A summary of Board meetings and attendance in the year under review is indicated below:

	Nicholas Nganga	Michael Joseph	Peter Ndegwa	Esther Koimett	Shameel Joosub	Till Streichert	Bitange Ndemo	Linda Muriuki	Rose Ogega	Francesco Bianco	PS Treasury	Sitholizwe Mdlalose	Winnie Ouko	Christopher Kirigua
28 April 2020	√	√	√	√	√	√	√	√	√	√	–	–	–	–
18 June 2020 (Special Board)	√	√	√	√	√	–	√	√	√	√	–	–	–	–
29 July 2020	√	√	√	√	√	–	√	√	√	√	–	–	–	–
31 July 2020 (2020 AGM)	√	√	√	√	√	–	√	√	√	√	–	√	–	–
29 October 2020	–	√	√	–	√	–	√	√	√	√	√	√	–	–
10 February 2021	–	√	√	–	√	–	√	√	√	√	–	√	√	√

Board effectiveness

The effectiveness of the Board in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following:

Board Diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognises the role of diversity in bringing different perspectives into Board debates, and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The areas of expertise of the current Board of Directors include: business management, telecommunications, banking and finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management, human resources, legal and governance. Short biographies of the Directors, including details of nationalities, relevant skills and experience, are set out on pages 112 – 115 and 123.

Independence

As at 31 March 2021, three (3) of the Non-Executive Directors were independent as defined in the Code. This represents a third of the Board.

Management of conflicts of interest

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any Director's attention, whether direct or indirect. The statutory duty to avoid situations in which the Directors have or may have interests that conflict with those of the Company has been observed by the Board in the financial year under review. All business transactions with all parties, directors or their related parties are carried out at arm's length. An acknowledgement that should it come to the attention of a Director that a matter concerning the Company may result in a conflict of interest, obligates the Director to declare the same and exclude himself/herself from any discussion or decision over the matter in question.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act, 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary and these are considered at the next Board meeting.

Declaration of a conflict of interest is also a standard agenda item which is addressed at the onset of each Board and committee meeting. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest. No material conflicts were reported by Directors in the year under review.

Director induction

On joining the Board, all new Directors receive a full induction. This provides an overview of the Company, the Company's operating environment and new developments thereof, accounting and financial reporting developments, as well as any regulatory changes.

As part of the induction training, detailed presentations by management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions. The induction process of a new Director is initiated by the Chairman of the Board and is progressed by the Chief Executive Officer, members of the Leadership team, the Company Secretary and other senior executives.

Training and development

Board members undergo regular training and education to enable them to fulfil their responsibilities. Directors receive functional presentations built into the annual Board Work Plan to gain a good sense of the company's operations and central functions. The Board and its Committees receive regular briefings on various matters such as legal and regulatory developments that directly impact the operations of the Company.

During the financial year under review, the Directors engaged in e-learning and facilitator-led training from credible sources on areas of governance. Topics discussed included: data protection and privacy matters and cybersecurity and anti-money laundering and combating the financing of terrorism (AML/CFT) Both trainings were held in October 2020. The Board also held a deep dive session on risk management in July 2020 as well as its strategy training sessions in July and October 2020. In the year under review, each Director was able to secure at least nine (9) hours of training on areas of governance and regulatory compliance from the Company; this is against the backdrop that a majority of the trainings were cancelled in the year as a result of the COVID-19 pandemic.

Access to independent advice

The Board recognises that there may be occasions when one or more Directors consider it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter and the terms of reference of each committee.

Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, in October 2020, the Board undertook an annual evaluation of its performance as an entity, its committees, the Chairman and each individual Director and the Company Secretary. This was aimed at enabling the board and its members and the committees to gauge their performance and identify areas of improvement. An independent consultant was hired to carry out the evaluation.

The findings from the Board evaluation exercise were presented to the full Board and recommendations for improvement discussed at the Board meeting that was held on 29 October 2020. The Board evaluation report was approved by the Board at the Board meeting that was held on 10 February 2021.

The evaluation established that the Board understood its role in relation to the Company and was effectively playing its role. There was an appropriate diversity of skills on the Board of Directors and the independent and the Non-Executive Directors were all playing their roles and bringing their various competencies to bear. There was also consensus that the Board was focused on key aspects of the Board's role in relation to strategy implementation and risk management.

Following the Board evaluation exercise, individual feedback was given by the Chairman to the Board members. All Board members continued to perform well, and each was considered to be making an effective contribution to the Board.

Governance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board appointed Ms Catherine Musakali of Dorion Associates LLP to conduct the Company's governance audit for the year ended 31 March 2021. As at the date of this Annual report, the audit was ongoing. The opinion of the independent governance auditor will be presented to the shareholders at the forthcoming AGM.

Legal and compliance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal legal and compliance audit was carried out for the year ended 31 March 2021 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit confirmed that the Company was generally in compliance with applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted in 2019 are ongoing. The next external audit is due in FY22.

Key deliberations by the Board

During the year under review, the key areas of focus for the Board's activities and topics discussed during the year were on the following matters:-

- Approved the strategy and reviewed its implementation on a quarterly basis
- Impact of COVID-19 on the business
- Discussed the entry of the Company into Ethiopia
- Approved the FY21 budget
- Monitored performance against the approved budget of the Company
- Approved the half-year results as well as the end of year results, press release and commentary
- Approved the interim and final dividend recommendation
- Approved the audit fees
- Approved the terms of reference of the Board Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee
- Monitored the political and regulatory trends and developments and their implications for the business
- Approved the employee compensation, bonus and share grants
- Discussed the Board evaluation and implementation of the recommendations thereof
- Reviewed and monitored the significant litigation cases and their liability
- Received regular reports of the proceedings of the Board Audit, Risk and Compliance Committee, the Nominations and Remuneration Committee and the Investment Committee

Directors' shareholding

Directors can purchase or sell shares of the Company in the open market. None of the Directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the Company's total equity.

The breakdown of the Directors' personal shareholding in the Company as at 31 March 2021 is as follows:

Name of Director	2021	2020	Change
Peter Ndegwa	895,500	–	–
Rose Ogega	2,000	2,000	–

Board committees, membership and meeting attendance

Board committees

The Board has two standing committees: an Audit, Risk and Compliance Committee and a Nominations and Remuneration Committee. Each committee has formal and approved terms of reference. The Board periodically reviews the terms of reference for each of these committees to ensure they are in line with current legislation and best practice. The committees are provided with all necessary resources to enable them to undertake their duties effectively.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of six (6) Non-Executive Directors and reports to the Board after every committee meeting. The Chairperson is an Independent Non-Executive Director. During the year under review, the Committee noted that the agenda for the Committee tended to be heavy and it was agreed to have two committee meetings per quarter to have adequate time for discussions related to audit matters, risk matters and compliance matters. This took effect from July 2020.

Current members

Rose Ogega	Chairperson
Bitange Ndemo	
Winnie Ouko	
Christopher Kirigua	
Raisibe Morathi	
Sitholizwe Mdlalose	
Kathryne Maundu	Secretary of the Committee

Permanent invitees:

Peter Ndegwa	Chief Executive Officer
Dilip Pal	Chief Finance Officer
Nicholas Mulila	Chief Corporate Security Officer
Denish Osodo	Director Internal Audit
Ernst & Young	External Auditor

Functions of the Board Audit, Risk and Compliance Committee

To fulfill its oversight responsibility, the Board Audit, Risk and Compliance Committee receives reports from management, the internal auditors and external auditors, as appropriate.

The responsibilities and role of the Board Audit, Risk and Compliance Committee includes:

- Monitoring the integrity of the financial statements, including the review of significant financial reporting judgements
- Providing advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the external audit
- Reviewing the system of internal financial control and compliance
- Monitoring the activities and reviewing the effectiveness of the Internal Audit function
- Monitoring the Company's risk management system, reviewing of the principal risks and the management of those risks

A summary of the attendance at meetings of the members of the Audit, Risk and Compliance Committee is shown below:

Attendance of the Audit, Risk and Compliance Committee meetings for 2020/21

	Esther Koimett	Shameel Joosub	Till Streichert	Bitange Ndemo	Rose Ogega	Sitholizwe Mdlalose
28 April 2020	√	√	√	√	√	√
15 July 2020 (Risk)	√	(a)	–	√	√	–
28 July 2020 (Audit)	√	(a)	–	√	√	–
21 October 2020 (Risk)	–	√	–	√	√	√
28 October 2020 (Audit)	–	√	–	√	√	√
21 January 2021 (Special meeting)	–	(a)	–	√	√	√
3 February 2021 (Risk)	–	–	–	√	√	√
9 February 2021 (Audit)	–	–	–	√	√	√

(a) apologies

Key Board Audit, Risk and Compliance Committee activities

During the financial year, the committee substantively discussed the following matters:-

- The impact of COVID-19 on the business
- Reviewed the half-year results and audited accounts and related reports
- Reviewed the dividend recommendation
- Reviewed the external auditors' management letter
- Discussed the External Audit Service Plan for the year ending 31 March 2021
- Reviewed the Internal Audit plan for the year ending 31 March 2021
- Reviewed the Internal Audit Reports in every quarter
- Reviewed the Terms of Reference and the Internal Audit Charter of the Committee
- Discussed in detail the business risk updates including changes in the heat map, cybersecurity management updates, AML/CFT program updates and business ethics and compliance reports
- Significant litigations cases and liability thereof
- Quarterly-camera sessions were held with the external and internal auditors

Financial and business reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

Risk management and internal control

The Board is responsible for maintaining sound risk management and internal control systems and determining the nature and extent of the risks that the Company is willing to take to achieve its strategic objectives. With the support of the Audit, Risk and Compliance Committee, the Board carries out a regular review of the effectiveness of its risk management framework and internal control systems, covering all material controls including financial, operational and compliance controls.

Risk registers, based on a standardised methodology, are used to identify, assess and monitor the key risks (both financial and non-financial) faced by the business. Information on prevailing trends, for example, whether a risk is increasing or decreasing over time, is provided in relation to each risk and all identified risks are assessed at five levels (extremely serious/very serious/serious/minor/not significant) by reference to their impact and likelihood. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis.

The Board, with advice from its Audit, Risk and Compliance Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the year under review. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External Auditor

Messrs Ernst & Young are the Company's external auditor. They were appointed by the shareholders on 31 July 2020, in place of Messrs PricewaterhouseCoopers who retired by rotation.

The Audit, Risk and Compliance Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years. The current lead audit partner has been in position since 31 July 2020.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of five (5) Non-Executive Directors and reports to the Board after every committee meeting. The current acting Chairperson is a Non-Executive Director; the Board has however appointed a substantive Chairperson who is an Independent Non-Executive Director and who will take on the role in November 2021.

Current members

Linda Muriuki	Acting Chairperson
Michael Joseph	
Francesco Bianco	
Winnie Ouko	
Christopher Kirigua	
Kathryne Maundu	Secretary of the Committee

Permanent invitees:

Peter Ndegwa	Chief Executive Officer
Paul Kasimu	Chief Human Resources Officer

Membership and functions of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee is established by the Board of Directors and comprises five Non-Executive Directors and meets at least four times a year. The purpose of the committee is to assist the Board in:

- Reviewing the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels
- Monitoring the size and composition of the Board and its succession plans
- Recommending individuals for nominations as members of the Board and its committees
- Reviewing executive appointments, succession and development plans and proposing the remuneration structures of executive and non-executive members of the Board

A summary of the Nominations and Remuneration Committee meeting members attendance is shown below:

Attendance of the Nominations and Remuneration Committee meetings for 2020/21

	Nicholas Nganga	Michael Joseph	Esther Koimett	Linda Muriuki	Francesco Bianco
27 April 2020	√	√	√	√	√
28 July 2020	√	√	√	√	√
28 October 2020	–	√	–	√	√
9 February 2021	–	√	–	√	√

Key discussions by the Nominations and Remuneration Committee

During the financial year, the committee substantively discussed the following matters:

- COVID-19 crisis management and implementation of the Business Continuity Plan
- Discussed the review and implementation of the overall organisational structure
- Discussed the succession plan for the senior leadership team in order to maintain the necessary balance of skills, knowledge and experience to remain effective
- Reviewed the results of the annual employee opinion survey
- Nomination and subsequent appointment of a third independent Director
- Reviewed the Non-Executive Directors' remuneration
- Employee compensation and bonus review for the year 2020/21
- Share grants proposal for the year 2020/21
- Reviewed the terms of reference of the committee
- Discussed and made recommendations to the Board on various changes to the Board's composition
- Received and discussed the Board evaluation report
- Reviewed and made recommendations to the Board on the composition of the Board committees
- Evaluated the independence of the independent Directors
- Discussed various HR thematic areas including: culture, organisation effectiveness, talent and diversity

Special committees

The Board is authorised by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period. The Board retains oversight authority over such committees.

The Board Investment Committee which handles key projects for the Company and the Ethics Committee, which plays an oversight role on behalf of the Board with regard to matters of ethics, integrity and best business practices.

Governance policies

Besides complying with the Code and the laws, the Company has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in various policies and in the Code of Business Conduct to which every employee, supplier and the Board makes a commitment to comply.

Board Charter

The Board Charter is critical to Safaricom's governance framework, and offers guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the Board and its individual members
- Powers delegated to the Board committees
- Matters reserved for final decision-making and approval by the Board
- Policies and practices of the Board on matters of corporate governance, Directors' declarations and conflict of interest, conduct of Board and Board committee meetings
- Nomination, appointment, induction, ongoing training and performance evaluation of the Board and its committees

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Company.

The Board Charter is periodically reviewed to ensure that it remains current.

Code of Ethics and Conduct

The Company pursues ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability. The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Safaricom directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining Safaricom, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Company.

Board policies

The Board has established policy and procedure documents to guide the Directors and management in the implementation of their roles and responsibilities. A brief summary of the governance documents and their key provisions are listed below:

Board remuneration policy

The policy sets out guidelines and criteria for the compensation of the Non- Executive Directors. The remuneration to be paid to the NEDs is guided by the findings of a survey conducted by an independent consultant and which is compared against the remuneration of a comparator organizations in the market. The findings of the survey are tabled and discussed in detail by the Board Nominations and Remuneration Committee. In order to ensure that the Company remunerated its Non-Executive Directors at the desired position to pay at least at the 75th percentile of the market.

Whistle blowing policy

We have a whistleblowing policy that provides for an ethics hotline managed by an independent, accredited and external institution. Through the hotline, anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals.

Whistleblowing statistics are reported to the Ethics Committee and the Audit Committee on a quarterly basis. Staff members and business partners are also regularly sensitised on the need to report any suspected unethical business practices.

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrongdoing, and the policy details how such concerns are addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

The whistleblowing policy has been uploaded on the Company's website.

Operational policies

There are broad operation policies that guide management in executing of the Company's operations in an efficient and socially responsible manner. The policies cover various operational functions including: HR, ICT, risk management, financial management, sustainability, environment, safety and health, and corporate affairs.

Corporate social responsibility

Safaricom recognises that Corporate Social Investment (CSI) issues are of increasing importance to its stakeholders and are fundamental to the continued success of the business. Thus, we have a CSI policy that ensures we operate our business in a responsible manner at all times for the benefit of our customers, staff, suppliers, and the wider community. We exercise CSI by partnering with and investing in communities to find sustainable solutions. We also encourage our employees to take part in CSI initiatives aimed at improving the standards of living of the communities that they come from. Our CSI activities are disclosed every year in the social impact section of this report, and the sustainability and Foundation reports.

Procurement policies

We have in place procurement policies that promote a fair and transparent procurement process, with emphasis on value for many and building mutually beneficial relationships with our suppliers. A Management Tender Committee oversees the award of tenders and there is appropriate risk assurance for procurement activities.

Insider trading policy

As a listed company, Safaricom is obliged under the Companies Act, 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have.

This is especially so in periods leading up to an announcement of financial results. To this end, the Company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period. To ensure compliance with the Companies Act, 2015 the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and Directors on an annual basis. To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

Shareholder relations

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with others.

In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- Continuing to implement our strategy for the long-term prosperity of the business
- Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance
- Ensuring execution of strong audit procedures and audit independence
- Strong internationally recognised accounting principles
- Focus on clearly defined Board and management duties and responsibilities
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice

Relationship and communication with shareholders

Safaricom remains committed to relating openly with its shareholders by providing regular as well as ad hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:

- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the AGM.
- Copies of the Annual Report are made available to shareholders at least 21 days before the date of the AGM and shareholders are free to raise questions to the Board during the meeting
- The Company has a well-established culture on shareholder management which is handled by the Internal Investor Relations team, supported by the Company Secretary's office and the shares registrars, Image Registrars Limited
- The Safaricom website has a specific page dedicated to the information requirements of the shareholders and investment analysts
- Investor briefing sessions are held immediately after the announcement of interim and full-year results
- Local and international investor road shows are held after interim and full-year results announcements; representatives of the Company's senior leadership team in collaboration with known stock brokerage firms organise meetings with institutional investors, individual shareholder groups and financial analysts
- The Board of Directors encourages shareholder participation at the Company's annual shareholder meetings

The Company's AGM is an opportunity for shareholder engagement when the Chairperson and the Managing Director explain the Company's full-year performance and receive questions from shareholders.

The Chairs of the Board Audit, Risk and Compliance Committee and Nominations and Remuneration Committee are normally available at the AGM to take any relevant questions. All other Directors also attend, unless illness or pressing commitments preclude them from doing so.

During the AGM that was held on 31 July 2020 and at the investor briefings that were held in the year under review, shareholders and stakeholders were keen to hear more on the Company's performance in light of the COVID-19 pandemic, the Company's strategy in light of the COVID-19 pandemic, M-PESA free fees, the Company's sustainability initiatives, capex guidance, regional expansion and the latest developments in industry regulation.

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 MARCH 2021

1.1 Introduction

The key objective of the Board Nominations and Remuneration Committee is to make sure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to review the remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels.

The members of the committee during the year are indicated on page 128. The committee's responsibilities have been set by the Board and are outlined in the Board Charter and the terms of reference of the committee, which are both available on the Company's website.

1.2 Directors' Remuneration Report

1.2.1 Report preparation

The Directors' Remuneration Report has been prepared to enlighten the shareholders on the remuneration payable to both the Executive and Non-Executive Directors. No changes have been made to the remuneration policy since its approval at the 2018 AGM as it continued to support the strategy of the Company. It is the view of the committee and the Board that the Company's reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through Company performance, and the current policy will support the implementation of the Company's short-term and long-term objectives.

The Directors' Remuneration Report is unaudited except where otherwise stated.

1.2.2 Regulatory compliance

In March 2016, the Capital Markets Authority issued the Capital Markets Code for Issuers of Securities ("the Code") which became operational 12 months after its gazettement. The Code outlines various compliance requirements with respect to the remuneration of Directors.

The Companies Act, 2015, which was enacted in September 2015 and became operational in June 2016, requires the Company to table a Directors' Remuneration Report to its shareholders as part of its audited financial statements. The committee has prepared this report in accordance with the requirements of the Code and the Companies Act, 2015 ("the Act").

1.2.3 Current policy

The Company's current remuneration policy reflects a commitment to the following principles:

- Ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;
- Maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance;
- Aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term; and
- Offering competitive and fair rates of pay and benefits.

1.2.4 Remuneration for Non-Executive Directors

The Company's Non-Executive Directors are compensated in the form of fees but are not entitled to any pension, bonus or long-term incentives such as performance share plans. The package covers a Director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in line with the Non-Executive Directors' remuneration policy. Elements of the compensation schedule include the following:

- Annual retainer fee for the Chairman and other Non-Executive Directors
- Sitting allowances for Board and Board Committee meetings
- Expenses incurred with respect to travel, accommodation, pre-approved consultancy fees or other expenses incurred as a result of carrying out duties as a Director are reimbursed at cost

The Company's policy is to remunerate its Non-Executive Directors at the desired position, to pay at least at the 75th percentile of the market. This ensures that the Company is competitive in sourcing and retaining its Directors.

The current compensation structure was determined following a benchmarking exercise with comparable entities. A similar exercise was undertaken in February 2018 and the Board approved a revised compensation package for the Non-Executive Directors at their meeting held on 8 May 2018. At the meeting held in April 2020, the Board resolved that the Directors' current remuneration as agreed upon in 2018, be maintained for FY21.

Details of the fees for the Non-Executive Directors and remuneration of the Executive Directors paid in the financial year under review are set out on the financial statements section of the Annual Report.

Going concern

The Board confirms that the financial statements are prepared on a going concern basis and is satisfied that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

RISK MANAGEMENT

Our risk management framework

Our commitment is demonstrated by a top-down approach, with the Board taking overall responsibility for managing risk. Appropriate support towards risk management ensures a positive risk culture across the organisation.

We operate a mature risk management framework that is aligned with the ISO 31000 International Risk Management Standard and includes Committee of Sponsoring Organizations control activities. This ensures our strategic and operational risks are identified, managed, assured and reported in a consistent way. It is an evolving framework as we continually seek to improve and enhance our risk management processes that are designed to be responsive to the ever-changing environments in which we operate.

The framework provides our management with a clear line of sight to enable informed, risk-based decision-making.

We continuously review the risk management framework, which provides the foundation and arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.

Identify risk

Risk assessments are conducted twice every year, in conjunction with the business units and other stakeholders.

We undertake ad hoc risk assessments that are necessitated by the ever-changing environment we operate in.

Measure risk

We have a standardised risk-scoring and categorisation process that makes reference to our risk appetite that has been set by the Board.

The measurement takes into account both the probability of occurrence and potential impact should the risk crystallise.

Establishing the context

We begin by defining the external and internal parameters to be taken into account when managing risk and setting the scope and risk criteria for the risk management policy.

External context includes our external stakeholders, our local, national and international operating environment and other external factors that influence our objectives. Internal context includes our internal stakeholders, governance approach, contractual relationships and our capabilities, culture and standards.

Monitor and report

We have adopted a continual and iterative process to monitor risks, effectiveness of controls and provision of continuous reporting to our Board and Executive Committee on how effectively risks are being managed.

Manage risk

We manage risk by implementing appropriate mitigations and controls to eliminate the risk or reduce the impact of likelihood of the risk.

Effectiveness of control and oversight is tested across the "three lines of defence".

OUR PRINCIPAL RISKS

Safaricom remains committed to robust risk management as an integral part of strong governance and good management.

We classify our risks into the following categories:

- Strategic/external
- Operational
- Compliance
- Technology
- Financial

Our risk appetite statement

Safaricom faces a broad range of risks while carrying out its business operations. We recognise that risk is an integral part of creating and preserving value and have therefore developed detailed processes to ensure all major risks are proactively managed.

We recognise that it is not possible to eliminate some of the risks inherent in our operations and acceptance of some risk is often necessary to foster innovation and business continuity. However, we will ensure that our customers get quality and reliable products and services by employing best practices across all touchpoints. We hold our management team, employees and business partners to the highest standards of integrity and will constantly ensure principles of good corporate governance are upheld.

Our risk philosophy is aligned to best risk management practices and is aimed at attainment of our purpose and vision by effectively balancing risk and reward.

Identifying our principal risks

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment that we operate in.

We identify the key risks through our Enterprise Risk Management Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The risk environment

In 2020, the risk of a global pandemic became a reality. As governments, businesses and societies survey the damage inflicted over the last year, strengthening strategic foresight is now more important than ever.

With the world more attuned to risk, we see an opportunity to leverage attention and find more effective ways to identify and communicate risk to decision-makers.

The immediate human and economic costs of COVID-19 are severe and threaten to scale back years of progress on reducing poverty and inequality and to further weaken social cohesion and global cooperation. Job losses, a widening digital divide, disrupted social interactions, and abrupt shifts in markets could lead to dire consequences and lost opportunities for large parts of the global population.

To manage the uncertainties, our business keeps reinventing its processes and systems in order to ensure that we are adaptable to the ever-changing environment.

As a business, we continue to proactively monitor the economic environment and implement measures to cushion the business and our customers by offering an enhanced value proposition to our customers and having in place contingencies in our business plans.

Movement during the year

Up Down No change

RISK 1

Regulatory

Rating: **High**

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

We operate in a complex and heavily regulated environment exposing us to significant financial implications, reputational damage and/or licence suspension in the event of a breach.

The nature of products and services that we provide requires that we comply with a wide range of rules and laws from our regulators: Communications Authority of Kenya, Competition Authority of Kenya and Central Bank of Kenya.

Opportunity

Enhanced collaboration with our regulators to ease some regulatory pressures while ensuring that satisfactory measures are taken to safeguard our customers and other stakeholders' interests.

Mitigation

- We continue to build and maintain proactive and constructive relationships with the regulators and government, informed by a shared understanding of the need for inclusive economic development
- Participating in industry forums and other policy forums as well as contributing to discussions on emerging legislation and regulations as we prepare to comply with the same
- Our products and services are carefully and continuously monitored to ensure they do not contravene any regulations
- Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance in place

RISK 2

Slowed economic growth

Rating: **High**

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

The negative impact of COVID-19, inflationary pressures and the subdued agricultural production continued to characterise our economic environment.

As a result of the pandemic, the economy continued to experience slowed business activities, increased levels of unemployment and inflation that resulted in reduced consumer purchasing power.

Opportunity

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion against the economic shocks but also create products that meet our customers' needs, enhance service offerings to our customers and new market ventures.

Mitigation

- We continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects
- Enhanced value propositions to cater for reduced purchasing power and providing the customer with the ability to only spend what they have
- We include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rate

RISK 3

Market disruption

Rating: **High**

Strategic risk category:
- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

Competition in the telecommunication industry is on the rise in terms of product and service offerings.

Dynamic market needs, ever-changing consumer trends, entrance of new players in the market coupled with the speed of new disruptive technologies have also intensified the competition with our customer value proposition being the competitive edge.

We face increased competition from a variety of new technology platforms, which aim to build alternative communication that could potentially affect our customer relationships.

Opportunity

The competitive and disruptive environment has yielded innovations that are setting us apart, allowed us to be agile and to drive partnerships while providing our customers with a world-class experience.

Mitigation

- Developing insights using big data into our customers' needs, wants and behaviours and providing propositions to lead in chosen segments
- Offering quality services and leveraging on strategic partnerships within different sectors to ensure we provide our customers with relevant products and services
- Embedding a purpose-led culture that drives innovation and partnership
- We continue to be innovative and adopt an agile operating model to be able to respond rapidly to our customers' ever-changing needs
- 4G acceleration to provide our customers with quality service

RISK 4

Cyberattacks and data privacy

Rating: **High**

Strategic risk category:
- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

An external cyberattack, insider threat or supplier breach (malicious or accidental) could cause service interruption or the loss of confidential data.

Cyberthreats could lead to major customer, financial, reputational and regulatory impacts including potential costs associated with fraud and/or extortion.

Implementation of the General Data Protection Regulations in 2018 as well the enactment of the Kenya Data Protection Act, 2019 continue to raise the bar on data protection.

There are strong obligations placed on data controllers and processors, requiring them to abide by principles of meaningful user consent, collection limitation, purpose limitation, data minimisation and data security.

Opportunity

Protecting our customers' personal data is crucial to being a trusted provider and supporting our enterprise customers by providing managed security services to safeguard their business operations.

Mitigation

- Robust cybersecurity controls are complemented by the 24/7 Cyber Defence Centre to ensure we safeguard the services that we offer
- Our networks and infrastructure are built with security in mind, with layers of security control applied to all applications and infrastructure
- Our ISO 27001 Information Security Certification is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to products and services to protect the privacy of their information
- A data Protection Impact Assessment across our operations is done in compliance with the Data Protection Act
- A dedicated team is in place to handle customer privacy concerns
- Ongoing proactive monitoring of access to customer data with real-time logging and monitoring to identify, prevent and respond to attempted data breaches

RISK 5

Service disruption

Rating: **High**

Strategic risk category:
- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

Our customer value proposition is based on the reliable availability of our high-quality network.

A major failure in critical network or information technology assets, for example, through natural disasters, insufficient preventative maintenance or malicious attack would have a profound impact on our customers.

Opportunity

Extensive investment in a robust network architecture driven by customer need to ensure we meet customer expectations all the time. In addition, we have strong technology redundancies to minimise technology failures.

Mitigation

- Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place
- Investments to ensure adequate redundancy capabilities and elimination of any single point of failure

RISK 6

Fraud (internal and external)

Rating: **High**

Strategic risk category:
- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

M-PESA fraud affecting our customers and exposure to internal unethical activities by our staff, affecting customers and the Company.

Opportunity

Providing safe platforms for our retail and enterprise customers to transact on is crucial to being a trusted and reliable service provider.

Mitigation

- Automation of enhanced fraud prevention and detection controls that have resulted in reduced instances of fraud by 50%
- Continuous customer education and awareness through various platforms as well as continuous collaboration and engagement with financial institutions on fraud reduction/prevention initiatives
- Sustained anti-social engineering campaigns to our customers across all channels (radio, newspaper, SMS and digital channels)
- Implementation of SMS confirmation check before a new line is registered to curb identity theft

RISK 7

Money laundering and terrorist financing

Rating: **High**

Strategic risk category:

- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

The use of the M-PESA platform and our dealer channel to launder money and finance terror.

Opportunity

It is our social responsibility to ensure that the products and platforms we offer are not misused and involved in conducting illegal activities. We provide policies, procedures and tools that ensure screening of activities conducted on our platforms as a safety measure.

Mitigation

- Continuous screening of M-PESA accounts and all transactions against international watch lists and a local list, including close collaboration with the Financial Reporting Centre for suspicious transaction reports
- All our customers are verified against the government's population database (IPRS). We also carry out due diligence for our IMT partners and we have now embraced use of the Safaricom app for new registrations

RISK 8

Insecurity and terrorism

Rating: **High**

Strategic risk category:

- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

Increased general insecurity due to COVID-19 and slowed economic growth, and continued terror threats on our assets are leading to service disruptions and increased cost of operations.

Opportunity

Our existing community interactions have embedded our brand, creating a sense of ownership and protection. Our collaborations with government and other agencies to combat crime and insecurity enable us to take part in creating a better environment for all.

Mitigation

- Continuous intelligence gathering and taking relevant actions
- Continuous collaboration with Ministry of Interior and Kenya Defence Forces for security operations support

RISK 9

Partnership management and third party

Rating: **High**

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

Exposure to third-party risks (financial, reputation, health and safety, andcompliance) as a result of engaging in strategic partnerships to drive and meet our goals.

Opportunity

The growing supplier base through innovations is creating an array of alternatives within our market space, safeguarding our supplier resiliency model.

Mitigation

- Enforcement of contractual agreements to ensure all SLAs are met and any gaps handled appropriately
- An overarching partnership management framework has been developed and is to be adopted across the organisation
- Refined partnership model to ensure all partners are aware of their responsibilities and adhere to these, which is a reflection of the agreed commercial terms
- We operate our supply chain with resiliency in design by having dual supply partners and robust spares-stockholding capacity

RISK 10

Litigation

Rating: **High**

Strategic risk category:

- Strategic/external
- **Operational**
- Compliance
- Technology
- Financial

Context

Litigation risk from normal business operations, rising IP litigation cases and increased class action suits.

Opportunity

Continuous customer education through our customer handles and touchpoints.

Mitigation

- Ensuring compliance with regulations
- Ensuring our services have proper terms and conditions
- We have a fully-fledged in-house legal team and support from external counsel

06

OUR FINANCIALS

REPORT OF THE DIRECTORS
BUSINESS REVIEW

The directors submit their report together with the audited financial statements for the year ended 31 March 2021, which disclose the state of affairs of Safaricom PLC (the "Company" or "Safaricom") and its subsidiaries (together, the "Group").

Business review

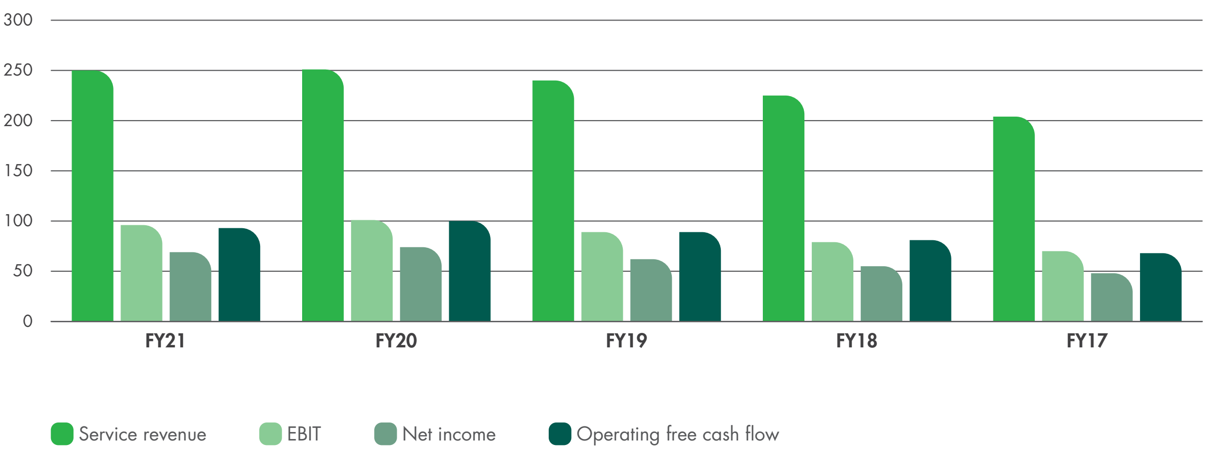
Safaricom purpose is to Transform Lives. We provide voice, data, financial services and enterprise solutions for a range of subscribers, small businesses, large corporates' and government institutions, using a variety of platforms. We have purposed to serve our customers in a Simple, Transparent and Honest manner.

Our corporate strategy is guided by four transformative pillars; Strengthen the Core, to be a financial services provider, win in select digital ecosystems and achieve cost leadership. These pillars will help us transform into a purpose-led technology company.

The graph below shows a five-year key performance indicators trend:

Key performance **indicators**

Amounts in KShs billions



	FY21	FY20	FY19	FY18	FY17
Service revenue	**250**	251	240	225	204
EBIT	**96**	101	89	79	70
Net income	**69**	74	62	55	48
Operating free cash flow	**93**	100	89	81	68

Service revenue declined 0.3% YoY in FY21, with a decline of 4.8% YoY in H1 FY21 and 4.0% growth in H2 FY21. Recovery in H2 was driven by return to charging on zero-rated M-PESA transactions in Q4, double-digit growth in mobile data, fixed data growth alongside growth in customers and usage. In the year, one-month active customers grew 9.9% YoY to 31.45 million adding 2.8 million customers to the base.

To cushion Kenyans from rapid transmission of the Coronavirus, guided and in collaboration with the Central Bank of Kenya, the industry waived fees on; Person to Person (P2P) transactions of KShs 1,000 and below, Bank to M-PESA wallet and M-PESA wallet to Bank transfers (C2B and B2C). In addition, we zero-rated paybills and tills for hospitals and dispensaries as well as Lipa na M-PESA transactions below KShs 1,000. This was lifted from 1 January 2021.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

On resumption to charging, we reduced P2P transaction charges by upto 45% for low value transaction bands below KShs 7,500 and retained unlimited M-PESA Kadogo transactions. M-PESA wallet to Bank and Bank to M-PESA wallet (C2B and B2C) transactions continue to be free.

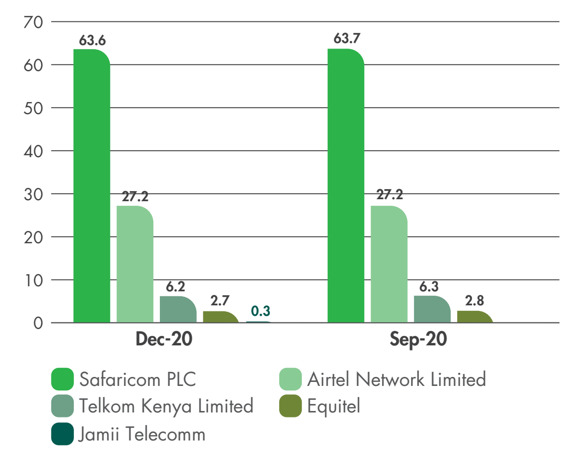
M-PESA revenue declined 2.1% YoY with a decline of 14.5% YoY in H1 FY21 and recorded significant recovery in H2 FY21 growing 10.1% YoY supported by resumption to charging from 1 January 2021. Total M-PESA transaction value grew 58.2% YoY to KShs 22.04 trillion while volume of transactions grew 29.8% YoY to 11.68 billion. The business added 3.4 million one-month active M-PESA customers up 13.6% YoY to 28.31 million in FY21 and M-PESA now accounts for 33.0% of service revenue.

Mobile data revenue grew 11.5% YoY sustaining the double-digit growth trend from prior year driven by sustained momentum in customer growth and usage. Distinct data bundle customers grew 12.4% YoY to 16.71 million while one-month active chargeable mobile data customers grew 2.1% YoY to 20.04 million. Active 4G devices grew 39.8% YoY to 8.5 million while data customers using more than 1GB in our network grew 31.1% YoY to 6.1 million.

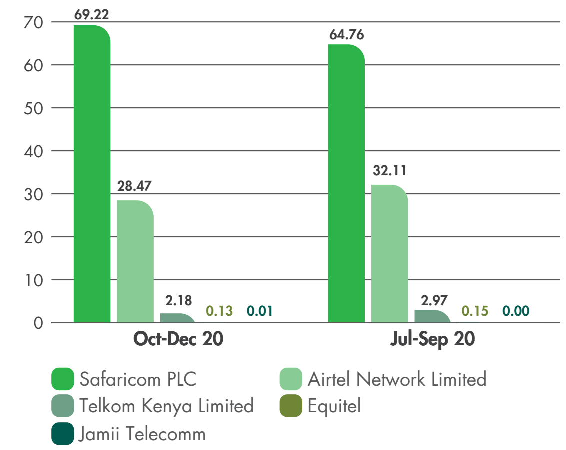
Fixed service and wholesale transit revenue grew 6.0% YoY to KShs 9.5bn, supported by growth in Fibre To the Home (FTTH) revenue which grew 49.1% YoY to KShs 3.5bn driven by working and schooling from home trends across our customers and increased penetration of homes connected which increased 15.6 percentage points (ppt) to 58.5% for the period. FTTH customers grew 31.5% YoY to 137.39k.

Capital expenditure in the network for the year ended March 31 2021 stood at KShs 34.96 billion with an investment of KShs 22.75 billion in H1 FY21 increasing 25.5% YoY and KShs 12.21 billion in H2 FY21 declining 32.1% YoY. Overall capex spend declined 3.2% YoY in FY21. We accelerated capital investment in H1 FY21 to meet increased demand for connectivity at the onset of the pandemic and will continue to efficiently enhance our network in support of growth of traffic and scaling into a digital IT network.

Market shares **in mobile**
Subscriptions per operator (%)



Local mobile **voice traffic**
By operator (market share) (%)



Source: CA, Operators' Returns

ICT industry/Sector statistics

The sector continued to perform well as per the information shared by the Communications Authority of Kenya (CA). A performance overview and trends of the ICT sector based on sector report for the second quarter of the 2020/21 released by CA the period 1 October to 31 December 2020, Safaricom Market share in mobile subscription declined slightly from 63.7% to 63.6%. However, Safaricom recorded a 4.46% growth in local mobile voice traffic to close at 69.22% in second quarter (October to December 2020).

In October 2020, we celebrated our 20th anniversary by renewing our commitment to our customers as we ushered in our third decade of growth. Through a brand campaign dubbed 'Twende Tukiuke', a callout to go beyond what is thought possible, we used the celebrations to showcase the power of mobile technology in transforming lives. The phrase is inspired by the resilience of Kenyans who wake up every day to make a positive impact on those around them.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

In the past two decades, Safaricom has grown from a telecommunication service provider and is evolving to be a technology company. Our customers have been a key part of this journey. We are cognisant that technology can further support Kenya's economic growth, and this will be our launchpad for the next 20 years.

Our next phase of growth will be driven by a vision to become a purpose-led technology company by 2025. This will see us continue our innovation tradition and simplify our products and services in line with our FOR YOU brand promise. We will also continue to support the growth of SMEs and MSMEs, which are the engines of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We continue to partner with communities across the country to bring their dreams to life in the areas of health, education and empowerment through our Safaricom and M-Pesa Foundations. We also continue to explore innovative partnership models which bring together philanthropy, strategic investments, shared value and issue-based advocacy for continued connection with communities.

The period under review was a challenging one by all accounts, for us as a business and for our society at large due to the COVID-19 crisis. Supporting our stakeholders build resilience as we emerge from the economic crisis brought about by the pandemic remains one of our key priorities.

We take our social and moral responsibility to manage our impacts very seriously. We recognise that environmental and social considerations are not separate from our core business but have an impact on our overall commercial sustainability and success.

As part of our commitment to the Sustainable Development Goals (SDGs) we are committed to maximising our positive impact while mitigating our negative ones. We aim to achieve this through the continued alignment of our strategy and operations with our nine SDGs by;

- Leveraging our mobile technologies to transform lives by improving access to quality and affordable health care services and by promoting well being for all through product partnerships such as M-tiba and through our corporate social investments under our Safaricom and M-PESA Foundations. (SDG 3)
- Expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations. (SDG 4)
- Transitioning to use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions. To this end, we have committed to be a Net-zero emitting company by 2050. (SDG 7)
- Provide decent work within Safaricom and its broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers while at the same time contributing to the local and national economy through innovative solutions to increase employment and facilitate economic activity amongst suppliers and clients. (SDG 8)
- Delivering connectivity and innovative products and services, that will provide unmatched solutions to meet the needs of Kenyans. (SDG 9)
- Reducing inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology. (SDG 10)
- Manage our operations responsibly decreasing our environmental impact and promoting responsible behaviors among all our stakeholders. We have committed to eliminate single use plastics in our operations by 2025. (SDG 12)
- Manage our operations responsibly and ethically and fight corruption in all its forms. (SDG 16)
- Partner and build collective capacity of people, organisations and nations to promote and advance the SDGs. (SDG 17)

The focus areas during the year included:

- Net zero commitment by 2050 - so far, we have planted 750,000 trees as part of our commitment to grow 5 million trees in 5 years.
- Advocacy and thought leadership on sustainability and Sustainable Development Goals – We launched the Safaricom Sustainable Future Series which is a thought leadership platform for business leaders on various sustainability related issues.
- ISO 14001:2015 by British Standards Institute which we use to measure our performance against the requirements of the Environment Management Standards.
- Compliance – ensuring compliance with the relevant environmental regulations in order to secure licence for 5G.
- Supporting our stakeholders navigate through the challenges brought about by the COVID-19 crisis.

Our bold pledge has focused our thinking and efforts across the entire business, ranging from improving energy efficiencies and reducing the energy consumed across our network and facilities to deploying renewable energy solutions and exploring carbon offset projects within our establishments across the country.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

Our risk management framework

Safaricom remains committed to robust risk management practices as an integral part of good management. This is demonstrated by the top down approach with the board taking overall responsibility of managing risk. Appropriate support towards risk management is given, driving a positive risk culture across the organisation.

Our risk management framework that is aligned to the ISO 31000, allows us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides our management with a clear line of sight over risk to enable informed decision making.

We continuously review our risk management framework which provides the foundation and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.

We classify our risks into two categories; Strategic and Operational.

Establishing the context

We begin by defining the external and internal parameters to be taken into account when managing risk and setting the scope and risk criteria for the risk management policy.

Our external context includes our external stakeholders, local, national, and international environment, and other external factors that influence our objectives. The internal context on the other hand includes our internal stakeholders, our approach to governance, our contractual relationships, our capabilities, culture, and standards.

IDENTIFY

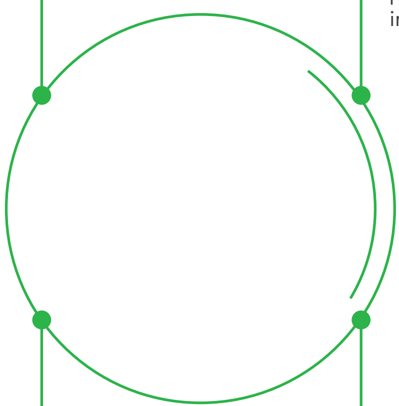
Risk assessments are conducted twice every year, in conjunction with the business units and other stakeholders.

We undertake ad hoc risk assessments that are necessitated by the ever-changing environment we operate in.

MEASURE

We have a standardized risk-scoring and categorisation process that makes reference to our risk appetite that has been set by the Board.

The measurement takes into account both the probability of occurrence and potential impact should the risk crystalise.



MANAGE

We manage risk by implementation of appropriate mitigations and controls to eliminate the risk or reduce the impact of likelihood of the risk.

Effectiveness of control and oversight is tested across the "three lines of defense"

MONITOR AND REPORT

We have adopted a continual and iterative process to monitor risks, effectiveness of controls and provision of continuous reporting to our Board and Executive Committee on how effectively risks are being managed.

Risk appetite statement

Safaricom recognises that risk is an integral part of creating value, as such we have developed processes to ensure all major risks are proactively managed. We will ensure that our customers get quality and reliable products and services by employing best practices across all touch points. We hold our management team, employees and business partners to the highest standards of integrity and will constantly ensure principles of good corporate governance are upheld.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

Our principal risks and what we are doing about them

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment that we operate in.

We identify the key risks through our Enterprise Risk Management Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The following are the principal risks and related mitigation strategies that receive management's close attention:

REGULATORY RISK

Opportunity

Enhanced collaboration with our regulators to ease some regulatory pressures while ensuring that satisfactory measures are taken to safeguard our customers and other stakeholders' interests.

Context	Mitigation
We operate in a complex and heavily regulated environment. A breach of these regulatory requirements could expose Safaricom to significant financial implications, reputational damage and/or suspension of our licence. The nature of products and services that we provide require that we comply with a wide range of rules and laws from our regulators namely Communications Authority of Kenya (CA), Competition Authority of Kenya (CAK) and Central Bank of Kenya (CBK).	We continue to build and maintain proactive and constructive relationships with the regulators and government, informed by a shared understanding of the need for inclusive economic development. Participating in industry forums and other policy forums as well as contributing to discussions on emerging legislation and regulations as we prepare to comply with the same. Our products and services are carefully and continuously monitored to ensure they do not contravene any regulations. Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance in place.

SLOWED ECONOMIC GROWTH

Opportunity

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion against the economic shocks but also creates products that meet our customers' needs, enhanced service offering to our customers and new market ventures.

Context	Mitigation
The negative Impact of COVID-19, inflationary pressures and the subdued agricultural production continued to characterise our economic environment. As a result of the pandemic, the economy continued to experience slowed business activities increased levels of unemployment and Inflation that resulted in reduced consumer purchasing power. It is projected that the economy will recover at a slow and gradual rate as more and more restrictions are lifted and businesses recover.	We continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects. Enhanced value propositions to cater for reduced purchasing power and providing the customer with ability to only spend what they have. We Include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rates.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

MARKET DISRUPTION

Opportunities

The competitive and disruptive environment has yielded innovations that are setting us apart, allows us to be agile and drive partnerships while providing our customers with world-class experience.

Context	Mitigation
In our shift from a more conventional telco to a digital services provider, we are facing strengthened competition both for customer and for digital talent from various nontraditional sources. Competition in the telecommunication industry is on the rise in terms of product and service offerings. Dynamic market needs, ever-changing consumer trends, entrance of new players in the market coupled with speed of new disruptive technologies have also intensified the competition with customer value proposition being the competitive edge. We face increased competition from a variety of new technology platforms, which aim to build alternative communication, which could potentially affect our customer relationships.	Our strategies to manage competition focus on growing and retaining our customers by; • Developing insights using big data into our customer's needs, wants and behaviors and provide propositions to lead in chosen segments. • Offering quality services and leveraging on strategic partnerships within different sectors to ensure we provide our customers with relevant products and services. • Embedding a purpose led culture that drives innovation and partnership. • We continue to be innovative and adopt an agile operating model to be able to respond rapidly to the ever-changing customers' needs. • 4G acceleration to provide our customers with quality service.

CYBER THREATS AND DATA PRIVACY RISK

Opportunity

Protecting our customers personal data is crucial to being a trusted provider and supporting our enterprise customers by providing managed security services to safeguard their business operations.

Context	Mitigation
An external cyberattack, insider threat or supplier breach (malicious or accidental) could cause service interruption or the loss of confidential data. Cyber threats could lead to major customer, financial, reputational and regulatory impact including potential costs associated with fraud and/or extortion. Implementation of the General Data Protection Regulations (GDPR) in 2018 as well as enactment of the Kenya Data protection Act 2019 continues to raise the bar on data protection. There are strong obligations placed on data controllers and processors requiring them to abide by principles of meaningful user consent, collection limitation, purpose limitation, data minimization and data security.	Robust cyber security controls complemented by the 24/7 Cyber Defense Center to ensure we safeguard the services that we offer. Our networks and infrastructure are built with security in mind with layers of security control applied to all applications and infrastructure. Our ISO 27001 Information Security Certification is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to product and services to protect the privacy of their information. Data Protection Impact Assessment across our operations done in compliance with the Data protection Act. Dedicated team in place to handle customer privacy concerns. Ongoing proactive monitoring of access to customer data with real-time logging and monitoring to identify, prevent and respond to attempted data breaches.

REPORT OF THE DIRECTORS
BUSINESS REVIEW continued

TECHNOLOGY RESILIENCE

Opportunities

Extensive investment in a robust network architecture driven by customer need to ensure we meet customer expectations all the time. In addition, we have strong technology redundancies to minimize technology failures.

Context	Mitigation
Our customer value proposition is based on the reliable availability of our high-quality network. A major failure in critical network or information technology assets for example, through natural disasters, insufficient preventative maintenance, or malicious attack would have a profound impact on our customers.	Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place. Investments to ensure adequate redundancy capabilities and elimination of any single point of failure.

INSECURITY & TERRORISM

Opportunities

Our existing community interactions has embedded our brand creating a sense of ownership and protection. Our collaborations with government and other agencies to combat crime and insecurity enable us to take part in creating a better environment for all.

Context	Mitigation
Increased general insecurity due to COVID-19 and slowed economic growth and continued terror threats on our assets leading to service disruptions and increased cost of operations.	Continuous intelligence gathering and taking relevant actions. Continuous collaboration with Ministry of Interior, Kenya Defense Forces (KDF) for security operations support.

PARTNERSHIP MANAGEMENT AND 3RD PARTY RISK

Opportunities

The growing supplier base through innovations is creating an array of alternatives within our market space safeguarding our supplier resiliency model.

Context	Mitigation
We are increasingly engaging in strategic partnerships to drive our goals. The third-party exposure may lead to third-party risks such as reputational, health and safety, compliance and financial.	We have implemented a holistic risk management processes to identify, assess, and mitigate third-party risks. We have a refined partnership model and an overarching partnership management framework that oversees our supply chain and partnership resiliency.

RESULTS AND DIVIDEND

The profit for the year is KShs 68,676 million (2020: KShs 73,658 million) and has been added to retained earnings.

During the year, an interim dividend of KShs 0.45 per Ordinary share amounting to KShs 18.03 billion (2020: KShs Nil) was declared. At the annual general meeting to be held on 30 July 2021, a final dividend in respect of the year ended 31 March 2021 of KShs 0.92 per Ordinary share amounting to a total of KShs 36.86 billion is to be proposed for approval. This brings the total dividend for the year to KShs 54.89 billion (2020: KShs 56.09 billion) which represents KShs 1.37 per share in respect of the year ended 31 March 2021 (2020: KShs 1.40 per share).

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the year and to the date of this report were:

Name	Representing	Nationality	Date of Appointment
Michael Joseph[1]	Chairman and Non-Executive Director	Kenyan/American	8 September 2008
Nicholas Nganga[1]	Chairman and Non-Executive Director	Kenyan	6 May 2004
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020
Permanent Secretary (PS), National Treasury[2]	Non-Executive Director	Kenyan	1 August 2020
Prof. Dulacha Galgalo Barako[2]	Alternate to PS, National Treasury	Kenyan	1 August 2020
Cabinet Secretary (CS), National Treasury[2]	Non-Executive Director	Kenyan	10 February 2021
Christopher Kirigua[2]	Alternate to CS, National Treasury	Kenyan	10 February 2021
Esther Koimett[2]	Alternate to CS, National Treasury	Kenyan	5 November 2013
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Linda Muriuki	Non-Executive Director	Kenyan	31 August 2017
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Bitange Ndemo	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	2 March 2017
Till Streichert[3]	Non-Executive Director	German	8 May 2018
Sitholizwe Mdlalose[3]	Non-Executive Director	British	29 July 2020
Raisibe Morathi[3]	Non-Executive Director	South African	1 November 2020
Winnie Ouko[3]	Independent Director	Kenyan	10 February 2021

1 Michael Joseph was appointed as the Chairman of the Board with effect from 1 August 2020. Nicholas Nganga retired as a Director and Chairman of the Board with effect from 1 August 2020.

2 The CS, National Treasury was appointed as a Non-Executive Director of the company effective 10 February 2021. The PS, National Treasury ceased to be a Director of the Company with effect from 10 February 2021.

2 Ms Esther Koimett retired as an Alternate Director to the Cabinet Secretary, National Treasury with effect from 1 August 2020.

2 Christopher Kirigua was appointed as alternate Director to the CS, National Treasury with effect from 10 February 2021. Prof. Dulacha Galgalo Barako ceased from being the alternate Director to the PS, National Treasury with effect from 10 February 2021.

3 Till Streichert ceased to be a Director in the Company with effect from 30 June 2020.

3 Sitholizwe Mdlalose, Raisibe Morathi and Winnie Ouko were appointed as Directors within the current financial year as indicated in the table above.

REPORT OF THE DIRECTORS

DIRECTORS continued

STATEMENT AS TO DISCLOSURE TO THE GROUP'S AND COMPANY'S AUDITOR

With respect to each Director at the time this report was approved:

a) There is, so far as the Director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and

b) The Director has taken all steps that the Director ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

The term of audit engagement of Messrs Ernst and Young LLP began in the current financial year's audit work following their appointment by the Shareholders as the Company's auditor in accordance with the provisions of Section 721 of the Kenyan Companies Act, 2015. This was done with effect from the conclusion of the Annual General Meeting of the Company that was held on 30 July 2020.

The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Ms Kathryne Maundu
Company Secretary
12 May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Group and Company keeps proper accounting records that: (a) show and explain the transactions of the Group and Company; (b) disclose, with reasonable accuracy, the financial position of the Group and Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii. Selecting suitable accounting policies and then applying them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 12 May 2021 and signed on its behalf by:

Michael Joseph
Chairman and Non-Executive Director

Peter Ndegwa
Chief Executive Officer

DIRECTORS' REMUNERATION REPORT
INFORMATION NOT SUBJECT TO AUDIT

The Company's Board composition as at 31 March 2021 is as below:

Name	Representing	Nationality	Date of Appointment
a) Seven Non-Executive Directors			
Michael Joseph	Chairman and Non-Executive Director	Kenyan and American	1 August 2020 (as Chairman)
Cabinet Secretary (CS), National Treasury	Non-Executive Director	Kenyan	10 February 2021
Christopher Kirigua	Alternate to CS, National Treasury	Kenyan	10 February 2021
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Linda Muriuki	Non-Executive Director	Kenyan	31 August 2017
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Sitholizwe Mdlalose	Non-Executive Director	British	29 July 2020
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
b) Three Independent Non-Executive Directors			
Bitange Ndemo	Independent Non-Executive Director	Kenyan	2 March 2017
Rose Ogega	Independent Non-Executive Director	Kenyan	12 February 2019
Winnie Ouko	Independent Non-Executive Director	Kenyan	10 February 2021
c) Two Executive Directors			
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020

Non-Executive Directors' remuneration

The Board establishes and approves transparent and competitive remuneration policies for the Non-Executive Board members. These policies clearly stipulate remuneration elements such as Directors' annual fees, sitting allowances per meeting attended and other benefits that are based on proper benchmarking and taking into consideration the prevailing market conditions.

Safaricom PLC seeks to remunerate Non-Executive directors at least at the 75th percentile. The current remuneration structure is based on a survey commissioned by the Board through its Board Nominations and Remuneration Committee and carried out by PricewaterhouseCoopers (PwC) across peer organizations comparable with Safaricom. Remuneration for Non-Executive Directors is reviewed every two years.

The below is the current agreed fees and allowances structure:

- Annual Directors fees paid to the Chairman of the Board agreed at KShs 5,700,000 per annum (2020: KShs 5,700,000 per annum);
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 2,200,000 per annum (2020: KShs 2,200,000);
- Sitting allowance payable to the Chairman of the Board retained at KShs 85,000 per meeting (2020: KShs 85,000);
- Sitting allowance payable to the Chair of a Committee retained at KShs 74,150 per meeting (2020: KShs 74,150);
- Sitting allowance payable to each Non-Executive Director retained at KShs 60,000 per meeting (2020: KShs 60,000).

The annual Directors' fees for the director representing the National Treasury is paid directly to the National Treasury.

The annual Directors' fees for the directors representing Vodafone Kenya Limited are paid directly to Vodafone Group.

The Board members are also entitled to telephone and internet usage allowance.

The Board has in place a formal annual process of reviewing its performance and that of its committees and individual directors. Evaluation of the Board is facilitated by an independent external consultant.

DIRECTORS' REMUNERATION REPORT
INFORMATION NOT SUBJECT TO AUDIT continued

Executive Director's remuneration

The Executive Director's (the CEO) remuneration is as per the negotiated employment contract and is employed on a fixed term basis.

Besides the basic salary, the Executive Director is entitled to an annual performance-based bonus and Vodafone PLC shares, residential accommodation, utility bills payment, children's school fees and club membership.

Changes to Directors' remuneration

During the year, there were no changes in Non-Executive Directors remuneration fees and allowances as shown above.

Statement of voting on the Directors' remuneration report at the previous Annual General Meeting

During the Annual General Meeting held on 30 July 2020, voting was done by the ballot to approve the Directors' Remuneration Report.

The results of the vote were as below:

Agenda	Vote	Total votes	As a percentage of the total votes cast
Directors' Remuneration report	For	34,369,504,910	99.969%
	Against	5,192,045	0.015%
	Spoilt Votes	–	–
	Withheld	5,512,947	0.016%
Total		**34,380,209,902**	100%

At the Annual General Meeting scheduled to be held on 30 July 2021, the Directors' Remuneration Report for the year ended 31 March 2021 will be presented to the Shareholders for approval.

DIRECTORS' REMUNERATION REPORT
INFORMATION SUBJECT TO AUDIT

The following table shows a single figure remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the financial year ending 31 March 2021 and comparative figures for the year ended 31 March 2020.
The aggregate Directors' emoluments are shown in Note 31(iii).

Directors' remuneration for the year ended 31 March 2021

Executive Directors

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Total KShs'm
Peter Ndegwa	102.30	–	90.00	9.24	–	201.54
Sateesh Kamath	31.23	–	5.61	6.89	2.79	46.52
Michael Joseph	–	–	127.57	–	–	127.57
Dilip Pal	29.19	–	20.00	5.75	–	54.94
Total	**162.72**	**–**	**243.18**	**21.88**	**2.79**	**430.57**
Non-executive Directors						
Nicholas Nganga	–	5.20	–	0.05	–	5.25
Michael Joseph	–	6.17	–	0.13	–	6.30
Bitange Ndemo	–	4.06	–	0.01	–	4.07
Rose Ogega	–	5.64	–	0.15	–	5.79
Linda Muriuki	–	3.85	–	0.05	–	3.90
Mohamed Joosuub	–	3.22	–	–	–	3.22
Esther Koimett	–	1.08	–	0.05	–	1.13
National Treasury	–	2.20	–	–	–	2.20
Till Streichert	–	1.28	–	–	–	1.28
Francesco Bianco	–	3.22	–	–	–	3.22
Dulacha Galgalo Barako	–	0.60	–	–	–	0.60
Christopher Kirigua	–	0.06	–	0.02	–	0.08
Winnie Ouko	–	–	–	–	–	–
Sitholizwe Mdlalose	–	1.70	–	–	–	1.70
Raisibe Morathi	–	0.43	–	–	–	0.43
Total	**–**	**38.71**	**–**	**0.46**	**–**	**39.17**
Grand Total	**162.72**	**38.71**	**243.18**	**22.34**	**2.79**	**469.74**

* EPSAP – Employee Performance Share Award Plan.

DIRECTORS' REMUNERATION REPORT
INFORMATION SUBJECT TO AUDIT continued

Directors' remuneration for the year ended 31 March 2020

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Total KShs'm
Executive Directors						
Bob Collymore	25.26	–	6.53	7.76	23.53	63.08
Sateesh Kamath	55.55	–	13.48	22.17	9.38	100.58
Michael Joseph	88.48	0.36	23.49	13.98	–	126.31
Total	169.29	0.36	43.50	43.91	32.91	289.97
Non-Executive Directors						
Nicholas Nganga	–	8.84	–	0.19	–	9.03
Bitange Ndemo	–	3.88	–	0.07	–	3.95
Rose Ogega	–	4.74	–	0.14	–	4.88
Linda Muriuki	–	3.82	–	–	–	3.82
Mohamed Joosuub	–	2.98	–	–	–	2.98
Vivek Badrinath	–	3.22	–	–	–	3.22
Till Streichert	–	3.28	–	–	–	3.28
Francesco Bianco	–	–	–	–	–	–
National Treasury	–	2.20	–	–	–	2.20
Esther Koimett	–	1.20	–	0.22	–	1.42
Total	–	34.16	–	0.62	–	34.78
Grand Total	169.29	34.52	43.50	44.53	32.91	324.75

* EPSAP – Employee Performance Share Award Plan.

On behalf of the Board

Ms. Linda Muriuki
Ag. Chairperson, Board Nominations and Remuneration Committee
12 May 2021

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF SAFARICOM PLC

Opinion

We have audited the accompanying consolidated and separate financial statements of Safaricom PLC (the ''Company'') and its subsidiaries (together, the ''Group'') set out on pages 160 to 234, which comprise the consolidated and separate statements of financial position as at 31 March 2021 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Safaricom PLC as at 31 March 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and the Company and in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies equally to the audit of the consolidated and separate financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition – occurrence, completeness and measurement of recorded revenue given the complexity of products, systems and IFRS 15: Revenue from contracts with customers. The occurrence and accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of the billing systems arising from changes in products and plans – including multiple element arrangements, the number of products sold and the tariff structure changes during the year.	• We understood and tested the design and operating effectiveness of management's controls over the transfer of revenue information between the multiple systems involved in recording revenue; • We tested the controls in place over the authorisation of rate changes and a review of the new products recorded in the billing systems;

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF SAFARICOM PLC continued

Key Audit Matters continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
The application of the revenue recognition accounting standard IFRS 15: Revenue from contracts with customers, requires the use of complex rating, billing and accounting systems. The complexity is compounded by the significant number of revenue transactions that are accounted for on an annual basis. We therefore considered revenue recognition to be a matter of most significance to our current year audit. The significant accounting policies and detailed disclosures on revenue recognition are included in Note 2(e) – Revenue recognition, Note 5(a) – Revenue from contracts with customers and Note 29(b) – Contract liabilities disclosures.	• We involved our internal IT audit specialists to test the IT general and key automate controls of the rating and billing environments, as well as assessed the completeness of the relevant revenue reports utilised for audit purposes; • We obtained understanding and tested management's key controls over the transfer of revenue information between the multiple systems involved in recording revenue; • We tested the end-to-end reconciliation from rating and billing systems to the journals processed in the general ledger; • We performed analytical review procedures over significant revenue streams by identifying the drivers that resulted in changes year on year to establish detailed monthly and annual expectations. Where movement were outside our precision level set, we performed substantive audit procedures; • We performed a three-way correlation between revenue, deferred revenue, trade receivables and cash; • We reviewed the reconciliation of the aggregate of the prepaid and hybrid customers per the charging system to the deferred revenue balance; • We selected and tested a sample of enterprise revenue contracts and assessed, in line with the requirements of IFRS 15: Revenue from contracts with customers, that contracts with customers were valid, that performance obligations were agreed by both parties and that revenue was appropriately recognised; • We tested the standalone selling prices as input into the system and agreed the logic behind the standalone selling prices to the relevant IFRS 15: Revenue from contracts with customers, requirements; • We tested management reconciliations for interconnect/ roaming revenue to third party confirmations; • We tested a sample of journal entries, processed in relation to non-standard revenue including manual ERP journals by reviewing supporting documentation to ensure that the journals were supported by an underlying business rationale, were accounted for correctly, in the correct period and appropriately authorised; and • We examined and assessed the accounting policies applied and disclosures in terms of the recognition of revenue for compliance with IFRS 15: Revenue from contracts with customers and industry guidance.

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF SAFARICOM PLC continued

Other matter

The consolidated and separate financial statements of Safaricom PLC for the year ended 31 March 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 April 2020.

Other Information

The Directors' are responsible for the other information. The other information comprises Report of the Directors', Statement of Directors' responsibilities, Directors' remuneration report and the appendices which we obtained prior to the date of this report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF SAFARICOM PLC continued

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Matters prescribed by The Kenyan Companies Act, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) in our opinion, the information given in the report of the directors on pages 142 to 150 is consistent with the consolidated and separate financial statements.

ii) in our opinion, the auditable part of directors' remuneration report on page 152 to 155 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Allan Gichuhi practicing certificate number 1899.

For and on behalf of Ernst & Young LLP

Certified Public Accountants

Nairobi, Kenya

12 May 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Notes	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Revenue from contracts with customers	5(a)	**261,462.3**	260,463.8	**259,296.3**	259,078.7
Revenue from other sources	5(b)	**2,564.2**	2,091.9	**3,153.4**	2,326.8
Total revenue		**264,026.5**	**262,555.7**	**262,449.7**	**261,405.5**
Direct costs	6(a)	**(80,852.8)**	(75,284.9)	**(80,334.1)**	(75,468.7)
Expected credit losses on financial assets	6(b)	**(3,009.7)**	(1,669.6)	**(3,863.7)**	(1,418.7)
Other expenses	7	**(46,034.8)**	(47,559.7)	**(45,168.6)**	(47,023.1)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**134,129.2**	**138,041.5**	**133,083.3**	**137,495.0**
Depreciation of property and equipment	18	**(32,624.5)**	(31,964.8)	**(32,570.4)**	(31,925.3)
amortisation – Indefeasible Rights of Use (IRUs)	19	**(406.5)**	(301.0)	**(406.5)**	(301.0)
amortisation – intangible assets	21	**(1,628.5)**	(1,359.1)	**(1,628.1)**	(1,358.0)
amortisation – Right of Use (ROU) assets	22(a)	**(3,304.8)**	(2,922.8)	**(3,304.8)**	(2,922.8)
Operating profit		**96,164.9**	**101,493.8**	**95,173.5**	**100,987.9**
Finance income	8	**2,198.4**	3,518.8	**2,177.0**	3,494.5
Finance cost	9	**(4,220.8)**	(2,596.6)	**(4,405.5)**	(2,585.5)
Share of (loss)/profit of associates	23(b)	**(192.9)**	60.9	**(192.9)**	60.9
Share of (loss)/profit of joint venture	23(b)	**(314.1)**	3,296.1	**(314.1)**	3,296.1
Profit before income tax		**93,635.5**	**105,773.0**	**92,438.0**	**105,253.9**
Income tax expense	12(a)	**(24,959.3)**	(32,115.1)	**(24,481.4)**	(31,969.7)
Profit for the year attributable to the owners of the Company		**68,676.2**	**73,657.9**	**67,956.6**	**73,284.2**
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year attributable to the owners of the Company		**68,676.2**	**73,657.9**	**67,956.6**	**73,284.2**
Basic and diluted earnings per share (KShs per share)	13	**1.71**	**1.84**	**1.70**	**1.83**

STATEMENT OF FINANCIAL POSITION

	Notes	GROUP 2021 KShs'm	GROUP 2020 KShs'm	COMPANY 2021 KShs'm	COMPANY 2020 KShs'm
Share capital	14	**2,003.3**	2,003.3	**2,003.3**	2,003.3
Share premium	14	**2,200.0**	2,200.0	**2,200.0**	2,200.0
Retained earnings		**96,571.8**	82,785.2	**94,105.6**	81,038.6
Proposed dividend	15	**36,860.2**	56,091.6	**36,860.2**	56,091.6
Total equity		**137,635.3**	**143,080.1**	**135,169.1**	**141,333.5**
Non-current liabilities					
Payables and accrued expenses	28(a)	**–**	985.4	**–**	985.4
Contract liabilities	29(b)	**2,436.1**	983.4	**2,436.1**	983.4
Provisions for liabilities	28(b)	**3,151.4**	–	**3,151.4**	–
Lease liability	22(b)	**11,954.2**	11,675.3	**11,954.2**	11,675.3
		17,541.7	**13,644.1**	**17,541.7**	**13,644.1**
Total equity and non-current liabilities		**155,177.0**	**156,724.2**	**152,710.8**	**154,977.6**
Non-current assets					
Deferred income tax	17	**5,467.2**	1,104.7	**5,465.8**	937.4
Property and equipment	18	**133,833.7**	129,337.2	**133,519.3**	128,968.7
Right of use (ROU) assets	22(a)	**14,762.8**	15,242.9	**14,762.8**	15,242.9
Indefeasible rights of use (IRUs)	19	**2,845.6**	3,252.1	**2,845.6**	3,252.1
Investment property	20	**845.0**	845.0	**845.0**	845.0
Intangible assets	21	**8,475.5**	6,026.2	**8,471.5**	6,021.8
Investment in subsidiaries	23(a)	**–**	–	**431.3**	431.3
Investment in associates and joint venture	23(b)	**4,458.2**	4,965.1	**4,458.2**	4,965.1
Loan to subsidiary	31(x)	**–**	–	**236.2**	–
Contract assets	29(a)	**1,491.2**	881.7	**1,491.2**	881.7
Restricted cash	26(b)	**1,982.0**	1,911.7	**1,982.0**	1,911.7
Deferred restricted cash asset	26(c)	**558.7**	836.1	**558.7**	836.1
		174,719.9	**164,402.7**	**175,067.6**	**164,293.8**
Current assets					
Net cash and cash equivalents	26(a)	**26,736.1**	26,759.7	**26,035.9**	25,859.7
Other financial assets	27	**–**	188.6	**–**	–
Receivables and prepayments	25	**22,347.9**	17,190.3	**20,225.5**	16,801.9
Inventories	24	**2,487.0**	1,859.4	**2,441.2**	1,793.1
Current income tax	12(b)	**7.2**	260.4	**–**	251.8
Loan receivable from related party	31(x)	**1,287.8**	–	**1,287.8**	–
Contract assets	29(a)	**3,043.4**	2,563.8	**3,043.4**	2,563.8
		55,909.4	**48,822.2**	**53,033.8**	**47,270.3**

STATEMENT OF FINANCIAL POSITION continued

		GROUP		COMPANY	
	Notes	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Current liabilities					
Payables and accrued expenses	28(a)	**34,021.4**	29,920.1	**34,068.4**	30,153.8
Current income tax	12(b)	**260.3**	112.9	**151.6**	–
Borrowings	16	**14,772.0**	8,000.0	**14,772.0**	8,000.0
Dividend payable	15	**8,684.1**	1,045.1	**8,684.1**	1,045.1
Lease liability	22(b)	**4,119.5**	3,549.4	**4,119.5**	3,549.4
Provisions for liabilities	28(b)	**2,561.5**	4,462.3	**2,561.5**	4,462.3
Contract liabilities	29(b)	**11,033.5**	9,410.9	**11,033.5**	9,375.9
Total current liabilities		**75,452.3**	**56,500.7**	**75,390.6**	**56,586.5**
Net current liabilities		**(19,542.9)**	**(7,678.5)**	**(22,356.8)**	**(9,316.2)**
		155,177.0	**156,724.2**	**152,710.8**	**154,977.6**

The financial statements on pages 160 to 234 were approved for issue by the Board of Directors on 12 May 2021 and signed on its behalf by:

Chairman and Non-Executive Director

Michael Joseph

Chief Executive Officer

Peter Ndegwa

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Proposed dividend KShs'm	Total equity KShs'm
At start of year		2,003.3	2,200.0	65,218.9	74,922.4	144,344.6
Profit for the year		–	–	73,657.9	–	73,657.9
Transactions with owners:						
Dividend:						
– Total final and special dividend for 2019	15	–	–	–	(74,922.4)	(74,922.4)
– Proposed final dividend for 2020	15	–	–	(56,091.6)	56,091.6	–
		–	–	(56,091.6)	(18,830.8)	(74,922.4)
At end of year		**2,003.3**	**2,200.0**	**82,785.2**	**56,091.6**	**143,080.1**
Year ended 31 March 2021						
At start of year		**2,003.3**	**2,200.0**	**82,785.2**	**56,091.6**	**143,080.1**
Profit for the year		**–**	**–**	**68,676.2**	**–**	**68,676.2**
Transactions with owners:						
Dividend:						
– Declared final dividend for 2020	15	**–**	**–**	**–**	**(56,091.6)**	**(56,091.6)**
– Interim dividend declared	15	**–**	**–**	**(18,029.4)**	**–**	**(18,029.4)**
– Proposed final dividend for 2021		**–**	**–**	**(36,860.2)**	**36,860.2**	**–**
		–	**–**	**(54,889.6)**	**(19,231.4)**	**(74,121.0)**
At end of year		**2,003.3**	**2,200.0**	**96,571.8**	**36,860.2**	**137,635.3**

COMPANY STATEMENT OF CHANGES IN EQUITY continued

Year ended 31 March 2020	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Proposed dividend KShs'm	Total equity KShs'm
At start of year		2,003.3	2,200.0	63,846.0	74,922.4	142,971.7
Profit for the year		–	–	73,284.2	–	73,284.2
Transactions with owners:						
Dividend:						
– Total final and special dividend for 2019	15	–	–	–	(74,922.4)	(74,922.4)
– Proposed final dividend for 2020	15	–	–	(56,091.6)	56,091.6	–
		–	–	(56,091.6)	(18,830.8)	(74,922.4)
At end of year		**2,003.3**	**2,200.0**	**81,038.6**	**56,091.6**	**141,333.5**
Year ended 31 March 2021						
At start of year		**2,003.3**	**2,200.0**	**81,038.6**	**56,091.6**	**141,333.5**
Profit for the year		**–**	**–**	**67,956.6**	**–**	**67,956.6**
Transactions with owners:						
Dividend:						
– Declared final dividend for 2020	15	**–**	**–**	**–**	**(56,091.6)**	**(56,091.6)**
– Interim dividend declared	15	**–**	**–**	**(18,029.4)**		**(18,029.4)**
– Proposed final dividend for 2021		**–**	**–**	**(36,860.2)**	**36,860.2**	**–**
		–	**–**	**(54,889.6)**	**(19,231.4)**	**(74,121.0)**
At end of year		**2,003.3**	**2,200.0**	**94,105.6**	**36,860.2**	**135,169.1**

STATEMENT OF CASH FLOWS

	Notes	GROUP 2021 KShs'm	GROUP 2020 KShs'm	COMPANY 2021 KShs'm	COMPANY 2020 KShs'm
Cash flows from operating activities					
Cash generated from operations	30(a)	**132,551.8**	139,604.2	**132,866.4**	138,635.6
Movement in restricted cash		**180.1**	(67.9)	**180.1**	(67.9)
Interest received		**1,566.7**	2,940.9	**1,547.0**	2,917.1
Income tax paid	12(b)	**(28,921.2)**	(32,114.6)	**(28,606.4)**	(31,845.9)
Net cash generated from operating activities		**105,377.4**	110,362.6	**105,987.1**	109,638.9
Cash flows from investing activities					
Purchase of property and equipment		**(35,568.4)**	(36,098.5)	**(35,568.4)**	(36,087.5)
Proceeds from disposal of property and equipment		**84.6**	69.8	**84.6**	70.6
Acquisition of intangible assets	21	**(4,077.8)**	–	**(4,077.8)**	–
Disposal of other financial assets	27	**188.6**	7,854.4	**–**	7,866.8
Loan to joint venture		**(1,288.7)**	–	**(1,288.7)**	–
Investment in associates and joint venture		**(0.1)**	(1,457.8)	**(0.1)**	(1,457.8)
Net cash used in investing activities		**(40,661.8)**	(29,632.1)	**(40,850.4)**	(29,607.9)
Cash flows from financing activities					
Dividend paid	15	**(66,482.0)**	(73,877.3)	**(66,482.0)**	(73,877.3)
Repayment of lease liabilities – principal	22(b)	**(2,550.6)**	(2,509.4)	**(2,550.6)**	(2,509.4)
Repayment of lease liabilities – interest	22(b)	**(1,324.0)**	(1,233.4)	**(1,324.0)**	(1,233.4)
Interest paid		**(1,154.6)**	(348.8)	**(1,135.9)**	(347.6)
Proceeds from short-term borrowings	16	**44,970.0**	20,132.0	**44,970.0**	20,132.0
Repayments of short-term borrowings	16	**(38,198.0)**	(16,164.0)	**(38,198.0)**	(16,164.0)
Loan to subsidiary		**–**	–	**(240.0)**	–
Net cash used in financing activities		**(64,739.2)**	(74,000.9)	**(64,960.5)**	(73,999.7)
Increase in cash and cash equivalents		**(23.6)**	6,729.6	**176.2**	6,031.3
Movement in cash and cash equivalents					
At start of year		**26,759.7**	20,030.1	**25,859.7**	19,828.4
Increase in cash and cash equivalents		**(23.6)**	6,729.6	**176.2**	6,031.3
At end of year*	26(a)	**26,736.1**	**26,759.7**	**26,035.9**	**25,859.7**

* Included in this balance are the effects of exchange rate changes on cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Safaricom PLC is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya.

The address of the registered office of the Company is:
L.R. No. 13263
Safaricom House, Waiyaki Way
PO Box 66827-00800
Nairobi

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenya Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency, rounded to the nearest million (KShs 'm), except where otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Measurement basis

The measurement basis used is the historical cost basis except for investment property that has been measured at fair value.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

New and amended standards

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
COVID-19 - Related Rent Concessions (Amendments to IFRS 16)	1 June 2020

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(a) Basis of preparation continued

These amendments and interpretations apply for the first time in the period, but do not have an impact on the financial statements of the Group and Company. Below are the new standards or amendments which affect the Group and the Company:

COVID-19-Related Rent Concessions (Amendments to IFRS 16)
On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no significant impact on the financial statements of the Group and Company.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the Group and Company financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework.

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Group and Company.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below:

New standards or amendments	Effective for annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The following standards and interpretations are expected to affect the Group and Company financial statements when they become effective.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(a) Basis of preparation continued

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group and Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and Company is currently assessing the impact of these amendments.

(b) Consolidation

(i) Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively. When the proportion of the equity held by non-controlling interests' changes, the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group

2 Summary of significant accounting policies continued

(b) Consolidation continued

recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(ii) Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Group considers among other parameters whether there is:

- Representation on the board of directors or equivalent governing body of the investee
- Participation in the policy-making process and material transactions between the investor and the investee
- Interchange of managerial personnel between the investor and the investee
- Provision of essential technical information by the investor to the investee

In certain instances, the requirement that significant influence arises from a 20% or more in investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investments in associates are accounted for using the equity method of accounting. The initial investment is recognised at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Investment in joint ventures

The Group assesses its joint arrangements to determine whether they are joint ventures or joint operations. A joint venture arises from a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The resultant share of operational results, assets and liabilities of joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has joint control and derecognised on the date when the Group ceases to have such control. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Under the equity method, joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain is recognised through statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(b) Consolidation continued

(iv) Separate financial statements

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates is accounted for using the equity method. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

The SLT consider the Company to be comprised of one operating segment. The financial statements are presented on the basis that risks and rates of return are related to this one reportable segment.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (KShs), which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that best reflects the delivery of the Group's performance obligations; or
- at a point in time, when control of the goods or services is transferred to the customer.

The Group applies the five-step model as per IFRS 15 – Revenue from contracts with customers, to determine when to recognise revenue and at what amount. The following approach is used:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group accounts for a contract with a customer only when:

(i) There is evidence of an arrangement,

(ii) The Group can identify each party's rights regarding the goods and services to be transferred,

(iii) The contract has commercial substance and collectability is reasonably assured.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

The transaction price is allocated between performance obligations based on relative standalone selling prices as determined at contract inception.

Since the timing and classification of revenue recognised for a contract will often be dependent on the standalone selling prices that are identified for each performance obligation, the determination of standalone selling prices is critical.

The standalone selling price of a performance obligation is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If a standalone selling price is not directly observable, then it is estimated. Estimations consider all relevant facts and circumstances and maximise the use of observable inputs.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either up-front at the time of sale or over the term of the related service agreement.

The Group's principal business has been the provision of telecommunication services. The Group is transforming itself to a technology company. Airtime can be bought as scratch cards or PINless top ups through dealers and own-retail centres spread across the country. Customers can also buy airtime through M-PESA, emergency top up and direct top up for bulk purchases. Revenue from sale of the airtime is deferred and recognised as revenue on usage or expiry. Customers can use airtime to make voice calls, send SMS and browse the internet.

Voice and SMS revenue

Voice and SMS services enable both prepay and postpay customers to make calls and send text messages respectively within and outside the network. Prepay customers top up their phones by either buying prepay cards from dealers, other retail outlets, by using M-PESA or borrowing credit through Emergency Top Up Service (Okoa Jahazi). They can also receive airtime from other subscribers through Sambaza. Postpay customers subscribe to various tariffs and are billed at the end of the month based on a fixed charge or usage.

The headline voice tariff for prepay customers is called Uwezo and Advantage tariff for Postpay customers. The on-net and off-net rate is KShs 4.3 per minute during the peak hours (8:00 am to 10:00 pm) and KShs 2.2 per minute during off-peak hours (10:00 pm to 8:00 am) applicable to both Prepay and Postpay customers. Revenue from prepay voice customers is recognised on usage whereas post pay revenue is recognized at the end of every month based on a monthly charge.

In spirit of being Simple, transparent and honest the Group introduced non expiry product named Milele Airtime (Neo). The customer is awarded 50% bonus on purchases of the product. The customer can use the airtime to either call or SMS at the normal rates. On purchase, the billed amount is deferred and only revenues recognised when the service is rendered as either voice or SMS.

The Group has in place the Stori Ibambe bonus scheme where the subscribers are required to attain a pre-determined daily target of usage after which the Group awards 100% bonus airtime valid until midnight daily that can be used for Safaricom to Safaricom Voice calls and SMS.

The Group has signed interconnect agreements with both local and foreign partners. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised when partners' calls are terminated to the Groups' network i.e. the service is rendered.

The Group has roaming agreements with roaming partners that enable customers to make and receive calls when travelling around the world. The agreed charges vary per partner. When visitors roam on Safaricom network, revenue is earned by billing the visiting customers' network while revenue from Safaricom customers is earned from customer billing for voice, SMS and data usage while roaming on other networks. Revenue is recognised on billing.

Customers can send messages for KShs 1.10 on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than KShs 1. Revenue from SMS service is recognised on usage of SMS bundle.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

Data revenue

Mobile data enables both prepay and Postpay customers access the internet. Prepay customers top up their lines by purchasing credit or bundles in advance whereas Postpay customers are availed credit based on the tariff subscribed.

Mobile data has a wide range of propositions available as per customers' requirements. These include daily bundles, 7-day, 30-day, 90-day bundles and time-based billing.

The data bundles are deferred on purchase and recognised as revenue on usage.

The validity of purchased but un-utilised data bundles is extended upon additional purchase of data bundles and the Group prompts the subscriber in advance before unutilised bundles expire and are consequently unavailable for use. Like voices and SMS, the Group introduced no expiry data bundles dubbed Neo data, the new data tariff now allows customers to buy data for any amount they wish.

The Group has in place My Data Manager, a tool that gives subscribers power to control data bundle usage and allows them to restrict browsing out of bundle which enables them to take control of their browsing and internet usage.

The Group has rolled out its own home fibre to connect both house-holds and businesses through Fibre To The Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access from the comfort of a customer's home/premises. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes/premises connected to the Safaricom fibre grid.

The price charged is based on the bandwidth and speed contracted by the customer. The price is charged upfront for a standard period of 30 days and the customer can renew the subscription by making a payment. The amount charged is deferred and recognized as revenue proportionately over the subscription period.

Integrated bundles

An integrated bundle is one stop package that offers subscribers freedom to choose their preferred resources in form of voice minutes, SMS bundles and mobile data bundles (MBs).

The Group has in place All in One monthly bundles, Tunukiwa tariff, BLAZE, FLEX, Songa Music App and Platinum products under this category.

All in One monthly bundles are available to all Safaricom customers (prepay, postpaid and hybrid) and they have a simplified journey that seeks to offer the consumer the best choice for maximizing their purchase including free WhatsApp access once the customer exhausts their mobile data bundle and the expiry date has not yet elapsed.

Customers can access these bundles on USSD *544#, *100#, *200# and *456#, select the amount they wish to spend and then view all data and integrated products and resources at the respective amounts. All in one monthly bundle have a validity of 30 days.

Tunukiwa tariff is a personalised offer that is based on an individual customer usage, network utilisation, capacity availability, device type and general location. Daily, upon dialling *444# from their Safaricom line, customers access a list of custom-made options being number and value of voice minutes, SMS bundles and mobile data bundles, to choose from.

Customers are able to purchase multiple options of the personalised package depending on their preferences. The personalised options are subject to the validity as specified in the USSD (*444#) before purchase.

BLAZE is a platform that empowers the youth using mobile phones and targets the fast growing 18 to 26-year-old demographic Group. The platform offers access to custom-made tariffs and product offerings that leverage Safaricom's extensive mobile network.

Create Your Plan is one of several unique services offered under the BLAZE portfolio that allows users to control how much they spend on voice, data and SMS each time they purchase airtime.

FLEX product has been designed for the customer who demands the most from their mobility and it allows customers to choose how they allocate airtime for voice calls, SMS or mobile data services.

Customers are able to subscribe to daily, weekly or monthly packages that offer value beyond typical bundles in order to maximise on their spend. Customers can roll over any unused FLEX units by renewing their existing FLEX bundles before expiry.

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

Integrated bundles continued

Songa by Safaricom is a music application (App) that enables our Prepay and Postpay subscribers to get in one place and stay entertained with all genres of their preferred local and international songs. Subscribers opt in by dialing *812# or downloading the App from Google Play store. There are affordable daily, weekly and monthly propositions available and subscribers will be required to utilise their mobile data bundle resources to stream and download the songs. Normal mobile data rates will apply.

Safaricom Platinum Plans are value for money mobile packages available to all individual Prepay, Postpay and Hybrid subscribers. The plan offers integrated data, voice and SMS packages at different price points ranging from KShs 1,000 to KShs 10,000 with a 30-day validity.

Currently the subscribers who opt into the Platinum Plus plan have accessibility to incentivised services from Shell Petrol station, TicketSasa and Eat Out outlets accessible through the mySafaricom App, 'Hot Deals" tab.

The price charged on these bundles is deferred on purchase and recognized as revenue on utilization by the customers or on expiry in line with the validity period. Revenue from integrated bundles is recognised under the respective revenue stream i.e. voice, SMS and/ or mobile data revenue streams.

M-PESA revenue

M-PESA is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services (Lipa na M-PESA) using a mobile phone. M-PESA is available to all Safaricom subscribers (Prepay and Postpay). Registration is free and available at any M-PESA agent countrywide. The M-PESA application is installed on the sim-card and works on all makes of handsets.

Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction commission revenue.

In partnership with Kenya lenders, NCBA and KCB Bank, the Group operates Overdraft (OD) facility dubbed 'Fuliza', a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit.

Fuliza is underwritten by Kenyan lenders, NCBA and KCB Bank. Customers who 'opt in' on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based a pre-determined matrix. Safaricom earns a proportion of the fee based on a pre-determined revenue share matrix.

The Group in partnership with M-Gas, a subsidiary of Circle Gas UK, launched a revolutionary, prepaid gas service for Kenyan households. The innovation empowers millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the flexibility of purchasing gas based on their needs and how much they can afford at a time. The Group is extending its digital and payment capabilities to M-Gas, powering the smart meter technology on each cylinder that enables customers to have control over how the use and pay for gas. The M-Gas solution has been made possible by Safaricom's Narrow Band Internet of Things (NB IoT) network and M-PESA. Powered by Group's robust 4G network, NB IoT provides a low-power, mobile connectivity to devices across the country.

The partnership is part of Safaricom's contribution to attainment of the Sustainable Development Goals, particularly goals 3, 4, 7, 8, 9, 10, 12, 16 and 17.

The Group has in place an M-PESA tariff dubbed 'M-PESA Kadogo' where transaction charges for single transaction amounts that are up to KShs 100 were waived. This allows subscribers to send as little as KShs 1 on the M-PESA platform with nil charges.

Lipa na M-PESA enables merchants to accept cashless payments for goods and services from customers. Revenue is earned on all the transactions based on a graduated tariff applied on the transacted values.

In line with the financial inclusion strategy Safaricom has partnered with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA services respectively. These services enable customers to save as little as KShs 1 (USD 0.01) and get loans from KShs 50 (USD 0.491) to KShs 1 million (USD 9,900.99). Revenue is shared among the partners on the basis of the facility fee and other charges to customers based on a pre-determined revenue share matrix.

This has enabled more subscribers to get access to mobile banking services that they did not have before.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

M-PESA revenue continued

There are no application forms, no ledger fees, no limits on the frequency of withdrawal, no minimum operating balance and no charges for moving money from M-PESA to bank accounts and vice versa.

M-Shwari lock box product enables customers to make fixed deposit savings at a higher interest rate.

Other service revenue

This includes access fees charged on emergency top up service when a customer borrows airtime (Okoa Jahazi) and data bundles (Okoa Data) with the debt being repayable within five days. It also includes set-up fee charged for codes allocated to premium rate services providers (PRSPs). The fee charged is deferred and recognized as revenue on the usage of borrowed airtime and over the contract period for PRSPs.

Loyalty programme

The Groups loyalty programme, 'Bonga Points', was introduced in January 2007 for both Prepay and Postpay subscribers. Under this scheme, subscribers earn one Bonga point for every KShs 10 spent on voice calls, short messages service (SMS), data and M-PESA services. These points can be redeemed for free airtime, SMS or merchandise such as phones, modems and tablets at Safaricom retail outlets.

The Group has in place the 'Bonga everywhere' scheme where subscribers can utilise their Bonga points in appointed retail outlets e.g. Naivas supermarkets amongst others to purchase goods and services.

Management defers revenue for every point accumulated and recognises the revenue relating to the points earned on redemption. Management also recognizes revenue on the remaining loyalty points for the churned SIM cards.

In addition, Enterprise Business customers earn loyalty points upon achievement of their revenue targets and the accumulated amounts are only redeemable after the maturity of the underlying revenue contracts with the Group. Management defers revenue for amounts accumulated guided by a pre-determined matrix and recognises the revenue earned upon redemption.

Costs to obtain a contract (Contract assets)

Contract assets relate to cost of SIM card and Connection commissions payable to dealers for acquiring customers on behalf of the Group. These are recognised as contract assets in the statement of financial position when the related payment obligation is recorded. Contract assets are then amortized over the customer life as determined by the Group. The contract assets are subject to impairment. Refer to Note 2(i).

Handsets and acquisitions revenue

These includes revenue on sale of mobile phone handsets, decoders, starter packs, SIM swaps and other accessories sold through dealers and own-retail centres spread across the country. Starter packs consist of a SIM card and information brochures. Handsets, SIM Swaps and accessories have no right of return and revenue is recognised on sale.

However, income from sale of SIM cards is deferred and recognised as revenue over the determined customer life when the customer activates the line through initial top up.

Construction and managed service contract

The Company has a construction contract for the construction of a national secure communication network and surveillance system for the National Police Service. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions, or their ultimate purpose or use.

The Group is responsible for the overall development of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures and finishing work. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. As per the terms of construction contract, the Group has determined that control is transferred over time. As such revenues from construction is recognized over time.

Construction costs incurred are accumulated under inventory work in progress until when they are billed.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

Other revenue

This includes, among others, site rentals. Site rental revenue is billed monthly and is based on the number of sites and equipment hosted per site. Revenue is recognized systematically over the lease period.

Miscellaneous income

Miscellaneous income includes among others cash discounts received from vendors, donations from third parties utilised to fund Safaricom Foundation activities.

(f) Property and equipment

All categories of property and equipment are initially recorded at cost. Following initial recognition, property and equipment are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Network infrastructure	5 – 20 years
Equipment and motor vehicles	4 – 10 years
Fibre	25 years
Leasehold improvements	Shorter of life of lease or useful life of the asset
Network maintenance spares	4 – 10 years

Spare parts, standby equipment and servicing equipment are recognised as property and equipment when they meet the definition of property and equipment.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each period end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.

The carrying amount of an item of property and equipment is derecognized on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized. The gain or loss from the derecognition is calculated as the net disposal proceeds (usually income from sale of item) less the carrying amount of the item.

Asset Retirement Obligations

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation.

The best estimate of average restoration costs per site is determined using historical and current experience, adjusted where necessary for known factors which will impact the future. In the absence of such experience, the best estimate is based on quotations obtained from relevant suppliers or an equally rigorous internal costing process.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(f) Property and equipment continued

Asset Retirement Obligations continued

Upon recognition of a provision, a corresponding amount is recognized as part of the cost of the asset and depreciated over its useful life, which would normally be the period to the removal of the network infrastructure from the site. This period should not exceed the remaining lease term.

Where the impact is material, the provision, as originally established, should be discounted using the appropriate discount rate. This discount should be unwound through the finance cost in the income statement over the period to the lease termination date.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(g) Investment property

Investment properties are properties held to earn rentals and/ or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Group reassess the fair value of its investment property annually.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period in which the property is de-recognised.

(h) Intangible assets – Network licenses

Separately acquired trademarks and licenses are measured on initial recognition at cost. Following initial recognition, they are carried at cost, net of accumulated amortization and accumulated impairment losses, if any. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses that have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 to 15 years.

A telecommunication license is a requirement of the Communications Authority of Kenya (CA) for mobile telephone companies. The licence is renewable for an additional period upon its expiry. Currently Safaricom Plc is licenced under the Unified Licence Framework which is technology and service neutral.

Telecommunication license fees are capitalised at cost and amortised over the period of the license using the straight-line method from commencement of the service of the network.

Safaricom has the following licences:

- Network Facilities Provider licence Tier 1 (NFP) licence;
- Applications Services Provider (ASP) licence;
- Content Service Provider (CSP) licence;
- International Gateway Systems and service (IGSS) licence.

In addition, Safaricom has the following spectrum licences:

- Spectrum licence 2G (900, 1800 MHz) licence;
- Spectrum licence 3G (2100 MHz) licence;
- Spectrum licence (3500 MHZ) licence;
- Spectrum licence 4G (800 MHz LTE) licence.

These licences were initially issued in June 1999 for a 15-year term ending 30 June 2014. The licences were further renewed by CA under the Unified Licensing Framework for a period of 10 years and will expire in June 2024.
The 3G licence will expire in June 2022. The 4G Licence was issued in 2016 and will expire in 2026.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(h) Intangible assets – Network licenses continued

Licence fees are amortised on a straight-line basis over the life of the licence. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

There are annual network licence fees associated with these licences which are expensed each year.

The following licence is also in place:

Subscription Broadcasting Licence issued by Communication Authority of Kenya on 16 July 2019 to Comtec Integration Systems Limited valid for 10 years.

(i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal – and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Accounting for leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over of the lease term.

The right-of-use assets are also subject to impairment. Refer to Note 2(i) and Note 22 (a).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable). In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(j) Accounting for leases continued

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group's lease liabilities are shown in Note 22(b).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of sites, shops, facilities and secondees/expatriates houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of sites, shops, facilities and secondees/expatriates houses that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(k) Financial assets

Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

Initial measurement

On initial recognition:

- Financial assets classified as at fair value through profit or loss are measured at fair value.
- Trade and other receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Classification

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables, loan to subsidiary, fixed deposits, treasury bills and cash and bank balances were classified as at amortised cost.
- Restricted cash was classified as at amortised cost.

Subsequent measurement

After initial recognition, financial assets are measured at amortised cost.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(k) Financial assets continued

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset or when the Group has no reasonable expectations of recovering the asset.

(l) Indefeasible rights of use

The Group enters into long-term service contracts under which it purchases capacity from fibre networks. The purchase involves making prepayments to acquire indefeasible right of use (IRU) for a fixed period. The prepayment is amortised and recognised in the profit or loss on a straight-line basis over the life of the contract.

IRU	Contract period
TEAMS	20 years
KPLC	20 years
SEACOM	20 years
TATA	15 years
ETISALAT	15 years

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for saleable inventories are made based on aged listing for items older than 180 days, damaged and unusable stocks.

(n) Payables and accrued expenses

Payables and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables and accrued expenses are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(o) Share capital

Ordinary shares are classified as ‘share capital’ in equity. Any premium received over and above the par value (KShs 0.05) of the shares is classified as ‘share premium’ in equity.

Ordinary shares represent the residual economic value of a Company. They carry rights to distribution of profits through dividend, to the surplus assets of a Company on a winding up and to votes at general meetings of the Company.

There are no differences in the voting rights of the ordinary shares held by the shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(q) Restricted cash

Restricted cash is an asset that is constrained from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank Kenya Limited. The cash is used as a backup for the staff mortgage loans and its withdrawal is restricted.

The restricted cash is initially measured at fair value using discounted cash flow method. The discount rate used is based on 70 per cent of the Central Bank of Kenya Rate (CBR). Subsequently, the restricted cash is measured at amortised cost. The difference between the actual cash held as deposits and the determined value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit.

(r) Employees benefits

(i) Retirement benefit obligation

The Group has a defined contribution plan for its employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(s) Share-based payments

The Group operates an Employee Performance Share Award Plan (EPSAP) under which senior management and other qualifying staff are entitled to receive a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

The process of EPSAP includes the Group purchasing shares from the market pro-rata to vesting period and then issuing the same to eligible employees after a 3-year vesting period at no cost. The shares are purchased through a Trust and held until the end of the vesting period. The cost of purchase is charged to profit or loss.

(t) Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(t) Current and deferred income tax continued

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Borrowings

Borrowings are recognised initially at fair value including transaction costs and subsequently stated at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings. Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Capitalisation of borrowing cost

The Group from time to time capitalizes borrowing costs as provided under IAS 23. In line with the standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, will be capitalized. A qualifying asset is one which necessarily takes more than six months to get ready for its intended use or sale. A qualifying asset can either be tangible or intangible in nature. Examples of qualifying assets include core network equipment, transmission and radio equipment for base station sites, computer software and licences. The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of the specific borrowing. There were no borrowing costs capitalized during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

2 Summary of significant accounting policies continued

(v) Dividend distribution

Dividend payable to the shareholders are recognised as a liability in the Group's financial statements in the period in which the dividend are approved by the Company's shareholders. Proposed dividend are shown as a separate component of equity until approved.

(w) Provisions

Provisions are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(x) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. Refer to Note 22(b) on lease payments split between interest and principal and Note 5(a) Revenue from contracts with customers.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Property and equipment

Critical estimates are made by management in determining depreciation rates and timing of capitalization of the assets. The depreciation rates used are set out in Note 2 (f) above.

IFRS 16 leases

The key areas where estimates and judgement were applied included the interpretation of the requirements to determine the contracts containing leases and separating the lease and the non-lease components of a contract, the determination of the incremental rate of borrowing and the decision to exercise the extension or termination options while determining the lease term. See further details under Note 2 (j), Note 22(a), and Note 22 (b).

Valuation of Bonga points

The price attributed to the awarded Bonga points is determined by historical redemption information. The length of historical period used to determine the price is set by management and is based on previous redemptions rates on airtime, data, SMS or merchandise.

If the value per point was ±2% higher/lower, there would be a decrease/ increase in profit before tax of KShs 77.8 million respectively (2020: KShs 67 million).

NOTES TO THE FINANCIAL STATEMENTS continued

3 Critical accounting estimates and judgements continued

(i) Critical accounting estimates and assumptions continued

Provisions

The Group faces exposure to claims and other liabilities arising from normal course of business. These claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal, tax and other advisers estimates a provision based on exposure, precedents and industry best practice.

Expected credit losses

The Group considers forward looking information at a customer level based on macroeconomics, microeconomics around the customer and level of effort utilized to collect the debt. This estimate is therefore based on factors not in control by the Group. Based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments. The Group has considered the impact of the COVID-19 pandemic in assessing the expected credit losses and this has been included in the financial statements.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- The classification of financial assets, contract assets and liabilities;
- Whether assets are impaired;
- The average customer life; Customer life is based on the average churn period of the customers from the network;
- Impact of application of IFRS 16 – Leases; and
- Impact of application of IFRS 9 – Financial instruments
- Income taxes – Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
- Changes in the economic environment – Management assessed the impact of the COVID-19 pandemic on the fair value of the Group's financial assets and financial liabilities including any possible impairment of assets. Based on the assessments, management is not aware of any material uncertainties related to these events or conditions that may affect the fair value Group's financial assets and financial liabilities. Refer to note 34 for further COVID-19 pandemic disclosures.
- Assessment of significant influence over an associate – The Group considers that it has significant influence over Circle Gas Limited though it owns less than 20% of the voting rights of the company because of the following reasons:
  - (i) The Group has one Non-Executive Directors' slot in Circle Gas board where Safaricom PLC has one reserved board seat so long as a Trademark Licence and Brand Management Co-operation Agreement made remains in force and Safaricom PLC remains a holder of ordinary shares.
  - (ii) The associate uses Safaricom PLC's trademarks as per agreement in return for a royalty fee agreement and interchange of managerial personnel between the entities.
  - (iii) The associate is riding on Safaricom's network to guarantee connectivity to its smart meters.

(iii) Critical judgement on going concern

The Group's current liabilities exceed its current assets by KShs 19.5bn (2020 net current liabilities position: KShs 7.7bn) at the statement of financial position date as shown on page 167 to 168. For items that significantly impact the net working capital, refer to Notes 24 to 29.

This net current liability position is expected to remain in the near future as a result of the nature of the Group's business. A significant portion of creditors relate to network infrastructure investments rather than on-going trading hence net working capital is typically a negative amount due to the mismatch of the financing (short term) and the investment (long term). Other significant portion of current liabilities is a result of how revenue is recognized. The related liabilities are all held in the statement of financial position and are explained below:

- Unused airtime and data bundles by prepaid customers of KShs 2.6bn (2020: 2.5bn). Prepaid airtime when sold to customers is held as a liability in the statement of financial position (deferred revenue) until the customer uses it, at which point revenue is recognized by reducing the liability and reporting revenue. Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash outflow.

NOTES TO THE FINANCIAL STATEMENTS continued

3 Critical accounting estimates and judgements continued

(iii) Critical judgement on going concern continued

- Loyalty points earned by customers (Bonga points) of KShs 4.2 billion (2020: KShs 3.9 billion). Loyalty points are earned when a customer uses a Safaricom service including use of airtime, data or M-PESA. These points are valued and accumulated into the customer account until such a time when the customer opts to redeem the points against merchandise (devices including handsets, accessories and merchandise from appointed Bonga everywhere outlets) or non-merchandise (free airtime and data bundles). Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Unutilised resources by the customers of KShs 3.1 billion (2020: KShs 2.1 billion). The Group applies IFRS 15 – Revenue from Contracts with Customers in accounting for bundled resources. During the year the Group introduced the no expiry products under the Neo theme to ensure customers get value for what they buy. As a result, the value of unutilised resources increased sitting as subscriber liability as at 31 March 2021 went up in line with IFRS 15 revenue recognition requirements. Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual a cash settlement.

These amounts are included under contract liabilities in the statement of financial position. Management has accessed each of the items above and does not anticipate any cash outflow.

Further, the Group finances its long-term projects with short term debt. In the year ended 31 March 2021, the Group borrowed KShs 44.97 billion and repaid KShs 38.19 billion. The outstanding loan amount of KShs 14.77 billion is due for payment by July 2021, and dividend payable of KShs 7.2 billion is due in April 2021. Management is confident that sufficient funds will be available and accessible to meet obligations as they fall due.

Given the nature of the liabilities listed above, except for the repayment of the short-term loans and dividend payable, no other significant cash outflow is expected during the 12 months after the date of the statement of financial position in relation to these liabilities.

Based on this, management has assessed that the Group and Company will continue as a going concern. Refer to Note 34 for further COVID-19 pandemic disclosures.

4 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

Financial risk management is carried out by the Treasury section in Finance division under policies approved by the Board of Directors. The Treasury section identifies, evaluates and manages financial risks.

The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investing excess liquidity.

Financial assets and financial liabilities have been carried at amortised cost.

Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages foreign exchange risk arising from future commercial transactions by holding adequate foreign currency reserves to meet future cash flow requirements.

The Group does not have any derivative instruments.

If there was a 10% change in the shilling against the US dollar during the year, with all other variables held constant, the pre and post-tax profit for the year would have been KShs 5.9 million and KShs 4.1 million respectively for company (2020: KShs 16.4 million and K Shs 11.5 million) lower/higher, and KShs 126 million and KShs 88 million for Group mainly as a result of US dollar denominated cash and bank balances, receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

If there was a 10% change in the shilling against the Euro during the year with all other variables held constant, consolidated pre and post-tax profit for the year would have been KShs 33 million and KShs 23.8 million (2020: KShs 109.4 million and KShs 76.6m) lower/higher, mainly as a result of increased Euro denominated creditors balances. There is no significant difference between Group and Company Euro sensitivity.

The Group's exposure to foreign currency changes for all other currencies is not material.

(ii) Interest rate risk

Interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group regularly monitor financing options available to ensure optimum interest rates are obtained.

A 100-basis points fluctuation in interest during the year (2020: 100 basis points) would have resulted in a net decrease/increase in consolidated pre and post-tax profit of KShs 153.2 million and KShs 107.3 million respectively (2020: KShs 375.7 million and KShs 263 million).

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial instruments, loans receivable from related parties, trade receivables, related parties' receivables and other receivables. The Group has no significant concentrations of credit risk. The Group assesses the expected credit losses for all financial instruments and all changes in loss allowance are recognized in profit or loss as impairment gains or losses.

Cash at bank, government securities and deposits with financial institutions

For banks and financial institutions, only reputable well-established financial institutions are used. The following table represents the cash and short-term fixed deposits held in financial institutions per category. Category 1 is made up of counterparties with international presence; Category 2 are counterparties who are subsidiaries of parents that have an international presence; Category 3 counterparties are local banks that are categorized as tiers 1 and 2 by the Central Bank of Kenya.

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Category 1	**15,864.7**	8,820.8	**15,864.7**	8,632.2
Category 2	**9,043.7**	10,084.9	**8,852.9**	10,019.8
Category 3	**1,832.4**	8,042.6	**1,321.5**	7,207.7
	26,740.8	**26,948.3**	**26,039.1**	**25,859.7**

The Group has used the general approach for measuring the loss allowance for cash at bank, government securities and deposits with financial institutions. No collateral is held on any of the cash at bank, government securities and deposits with financial institutions.

Management has assessed the expected credit losses on cash at bank, government securities and deposits with financial institutions. The loss allowance as at 31 March 2021 are shown in Note 26(a).

Other receivables

Management has assessed the expected credit losses on the other receivables. The loss allowance as at 31 March 2021 are shown in Note 25.

The Group has used the simplified approach or general approach where applicable for measuring the loss allowance for other receivables. In the general approach, the expected credit loss model is based on external ratings for the institutions while for the simplified approach, the Group has established a provision matrix that is based on its historical credit loss experience. No collateral is held on any of the other receivables.

Due from related parties

The Group has used the simplified approach or general approach where applicable for measuring the loss allowance for due from related parties. In the general approach, the expected credit loss model is based on external ratings for the institutions while for the simplified approach, the Group has established a provision matrix that is based on its historical credit loss experience.

No collateral is held on any of the receivables from related parties. The loss allowance as at 31 March 2021 are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Credit risk continued

Trade receivables

For trade receivables, depending on the type of customer, the Group Credit Controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors including information from credit reference bureau to set individual risk limits. The utilisation of credit limits is regularly monitored.

Dealers comprise the largest distribution network for the Group. Dealers operate either on a cash basis or on credit following successful application of the credit facility. All credit limits are supported by a bank guarantee.

Postpay debtors comprise individuals as well as corporate customers. Postpay debtors have a 15-day credit period after which individual customers must pay within 10 days after due date, while business accounts have up to 30 days. The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimizes the credit risk associated with these customers.

The Group has signed international roaming agreements. The roaming strategy targets countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighboring countries. Roaming partners have entered into an agreement with the Group to terminate their calls on the Group's network for visitors travelling into Kenya. Amounts due from the roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Syniverse, a roaming clearing house.

The Group has also signed interconnect agreements with partners to terminate calls to and from other networks on the Group's network. Amounts due from interconnect partners are settled within 30 days of invoice unless a dispute arises. Disputes are handled in the first instance by the Regulatory Department of the Group. The Group's maximum exposure to credit risk is approximated by the carrying amounts.

The Group has an elaborate aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored.

Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits.

The Group applies the simplified approach to determine the expected credit losses (ECL) for trade receivables. This results in calculating lifetime expected credit losses (ECL) for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

The Group segregates the trade receivables based on the aging of the receivables. The Group determines the expected loss rate per the categories based on a historical 24-month roll over model. The loss rate is computed based on the rate movement of the outstanding balances between categories and the recovery rate of past debtors for the respective debt categories. The Group has considered forward looking information at a customer level based on macroeconomics, microeconomics, including the impact of the COVID-19 pandemic, around the customer and level of effort utilised to collect the debt.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Credit risk continued

The loss allowance as at year end was determined as shown below for trade receivables.

GROUP				
At 31 March 2021	**0 – 30 days KShs'm**	**31 – 90 days KShs'm**	**Over 91 days KShs'm**	**Total KShs'm**
Trade receivables	**10,596.2**	**1,086.3**	**4,822.3**	**16,504.8**
Expected credit loss rate	**3.571%**	**54.304%**	**90.152%**	**–**
Loss allowance	**378.4**	**589.9**	**4,347.4**	**5,315.7**
At 31 March 2020				
Trade receivables	7,780.3	971.5	2,099.6	10,851.4
Expected credit loss rate	5.004%	41.195%	97.124%	–
Loss allowance	**389.3**	**400.2**	**2,039.2**	**2,828.7**

COMPANY				
At 31 March 2021	**0 – 30 days KShs'm**	**31 – 90 days KShs'm**	**Over 91 days KShs'm**	**Total KShs'm**
Trade receivables	**9,043.0**	**1,077.6**	**4,706.0**	**14,826.6**
Expected credit loss rate	**3.888%**	**54.139%**	**89.779%**	**–**
Loss allowance	**351.6**	**583.4**	**4,225.0**	**5,160.0**
At 31 March 2020				
Trade receivables	7,067.1	971.5	2,099.6	10,138.1
Expected credit loss rate	3.777%	41.190%	97.125%	–
Loss allowance	**266.9**	**400.2**	**2,039.2**	**2,706.3**

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Credit risk continued

Trade receivables continued

A detailed assessment of the trade receivables as shown below:

	GROUP		
At 31 March 2021	**Gross carrying amount KShs'm**	**Expected credit loss KShs'm**	**Net carrying amount KShs'm**
Dealers	**179.7**	**(5.7)**	**174.0**
Post-pay	**3,144.8**	**(1,078.6)**	**2,066.2**
Roaming and interconnect	**2,954.7**	**(1,312.0)**	**1,642.7**
Other trade receivables	**10,225.6**	**(2,919.4)**	**7,306.2**
Total trade receivables	**16,504.8**	**(5,315.7)**	**11,189.1**
At 31 March 2020			
Dealers	82.5	(1.0)	81.5
Post-pay	2,781.9	(851.1)	1,930.8
Roaming and interconnect	2,488.3	(664.0)	1,824.3
Other trade receivables	5,498.7	(1,312.6)	4,186.1
Total trade receivables	**10,851.4**	**(2,828.7)**	**8,022.7**

	COMPANY		
At 31 March 2021	**Gross carrying amount KShs'm**	**Expected credit loss KShs'm**	**Net carrying amount KShs'm**
Dealers	**179.7**	**(5.7)**	**174.0**
Post-pay	**3,144.8**	**(1,078.6)**	**2,066.2**
Roaming and interconnect	**2,954.7**	**(1,312.0)**	**1,642.7**
Other trade receivables	**8,547.4**	**(2,763.7)**	**5,783.7**
Total trade receivables	**14,826.6**	**(5,160.0)**	**9,666.6**
At 31 March 2020			
Dealers	82.5	(1.0)	81.5
Post-pay	2,781.9	(851.1)	1,930.8
Roaming and interconnect	2,488.3	(664.0)	1,824.3
Other trade receivables	4,785.4	(1,190.2)	3,595.2
Total trade receivables	**10,138.1**	**(2,706.3)**	**7,431.8**

Collateral held on the trade receivables as at 31 March 2021 is KShs 219.2m. (2020. KShs 243.0m). The collaterals relate to bank guarantees issued by dealers on dealer receivables. There is no concentration risk on trade receivables or revenue.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Credit risk continued

Maximum credit exposure

The amounts on the statement of financial position represent the maximum credit exposure for financial assets subject to credit risk. Below is a summary of the maximum credit exposure.

	GROUP		
At 31 March 2021	**Gross carrying amount KShs'm**	**Expected credit loss KShs'm**	**Net carrying amount KShs'm**
Cash at bank, government securities and deposits with financial institutions	**26,740.8**	**(4.7)**	**26,736.1**
Trade receivables	**16,504.8**	**(5,315.7)**	**11,189.1**
Due from related parties	**2,475.4**	**(17.4)**	**2,458.0**
Other receivables	**4,087.5**	**(30.4)**	**4,057.1**
Total	**49,808.5**	**(5,368.2)**	**44,440.3**
At 31 March 2020			
Cash at bank, government securities and deposits with financial institutions	26,948.3	–	26,948.3
Trade receivables	10,851.4	(2,828.7)	8,022.7
Due from related parties	1,511.0	(11.7)	1,499.3
Other receivables	4,202.6	–	4,202.6
Total	**43,513.3**	**(2,840.4)**	**40,672.9**

	COMPANY		
At 31 March 2021	**Gross carrying amount KShs'm**	**Expected credit loss KShs'm**	**Net carrying amount KShs'm**
Cash at bank, government securities and deposits with financial institutions	**26,039.1**	**(3.2)**	**26,035.9**
Trade receivables	**14,826.6**	**(5,160.0)**	**9,666.6**
Due from related parties	**2,874.3**	**(911.7)**	**1,962.6**
Other receivables	**3,973.8**	**(21.1)**	**3,952.7**
Total	**47,713.8**	**(6,096.0)**	**41,617.8**
At 31 March 2020			
Cash at bank, government securities and deposits with financial institutions	25,859.7	–	25,859.7
Total trade receivables	10,138.1	(2,706.3)	7,431.8
Due from related parties	1,821.4	(11.7)	1,809.7
Other receivables	4,108.7	–	4,108.7
Total	**41,927.9**	**(2,718.0)**	**39,209.9**

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Such forecasting takes into consideration the entity's debt financing plans (See Note 16 for undrawn bank facilities), covenant compliance, compliance with internal statement of financial position ratio targets. Surplus cash held by the entity over and above the amounts required for working capital management are invested in interest bearing current accounts and fixed deposit accounts and marketable securities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as monthly cash forecast that monitors debt structure and expected cash position.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	GROUP		
At 31 March 2021	**Less than 1 year KShs'm**	**Over 1 year KShs'm**	**Total KShs'm**
– payables and accrued expenses	**27,981.8**	**–**	**27,981.8**
– lease liabilities note 22(c)	**4,252.0**	**14,661.1**	**18,913.1**
– borrowings	**14,772.0**	**–**	**14,772.0**
Total financial liabilities	**47,005.8**	**14,661.1**	**61,666.9**
At 31 March 2020			
– payables and accrued expenses	26,300.3	985.4	27,285.7
– lease liabilities note 22(c)	3,677.0	14,953.4	18,630.4
– borrowings	8,000.0	–	8,000.0
Total financial liabilities	**37,977.3**	**15,938.8**	**53,916.1**

	COMPANY		
At 31 March 2021	**Less than 1 year KShs'm**	**Over 1 year KShs'm**	**Total KShs'm**
– payables and accrued expenses	**27,991.0**	**–**	**27,991.0**
– lease liabilities note 22(c)	**4,252.0**	**14,661.1**	**18,913.1**
– borrowings	**14,772.0**	**–**	**14,772.0**
Total financial liabilities	**47,015.0**	**14,661.1**	**61,676.1**
At 31 March 2020			
– payables and accrued expenses	26,513.5	985.4	27,498.9
– lease liabilities note 22(c)	3,677.0	14,953.4	18,630.4
– borrowings	8,000.0	–	8,000.0
Total financial liabilities	**38,190.5**	**15,938.8**	**54,129.3**

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Liquidity risk continued

Guarantees amounting to KShs 398.8 million (2020: KShs 244.4 million) have been issued by the banks to various suppliers for services provided to the Group (Note 32).

There are also undrawn bank facilities amounting to KShs 27.01 billion (2020: KShs 31.84 billion) that would be utilized to settle its obligations as they fall due.

Capital management

The Group and Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders.

The Company has a dividend policy that permits dividend to be paid if the Board of Directors finds that the payments are sustainable, after taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Group's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants.

The first priority of the Group is to maintain sufficient distributable reserves and liquidity to ensure that operational needs and/or business growth are not limited by the unavailability of funds and also that facilities are available to cover all known contingencies.

Subject to this, the Group intends to operate a progressive distribution policy based on what it believes to be sustainable levels of dividend payments.

Whenever possible, it will be the Group's intention to, at least, maintain annual dividend payments at the level declared in the previous year. However, past dividend payments should not be taken as an indication of future payments.

The Group's focus is to minimise funds tied up in working capital, whilst ensuring that it has sufficient financial ability to meet its liabilities as and when they fall due. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The strategy is to maintain gearing at low levels as demonstrated by the position below:

Gearing ratio

	GROUP		COMPANY	
	2021 KShs'm	**2020 KShs'm**	**2021 KShs'm**	**2020 KShs'm**
Net cash – Note 30 (b)	**(4,109.6)**	3,535.0	**(4,809.8)**	2,635.0
Total equity	**(137,635.3)**	(143,080.1)	**(135,169.1)**	(141,333.5)
Total capital	**(141,744.9)**	(139,545.1)	**(139,978.9)**	(138,698.5)
Gearing ratio	**3.0%**	0%	**3.6%**	0%

Fair value estimation

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

For assets classified under level 2, the valuation technique used is the discounted cash flow method. The significant observable input used is the interest rate.

NOTES TO THE FINANCIAL STATEMENTS continued

4 Financial risk management continued

Liquidity risk continued

	GROUP AND COMPANY			
	Level 1 KShs'm	Level 2 KShs'm	Level 3 KShs'm	Total KShs'm
At 31 March 2021				
Restricted and deferred restricted cash asset	–	2,540.7	–	2,540.7
Construction contract receivable	–	1,496.4	–	1,496.4
	–	4,037.1	–	4,037.1
At 31 March 2020				
Restricted and deferred restricted cash asset	–	2,747.8	–	2,747.8
Construction contract receivable	–	601.5	–	601.5
	–	3,349.3	–	3,349.3

The fair valuations on the two instruments are a consideration of the discounted cashflows, utilising a discounting rate. The discounting rate is the yield, if the entity had invested similar values of money in alternative financial instruments. The discounting rate utilised is 4.9% (2020: 6.5%). A 1% fluctuation in the discounting rate would result in a movement in fair value by KShs 1.8 million (2020: KShs 8 million) for restricted cash and KShs 9.5 million (2020: KShs 2 million) for construction contract receivable.

5 Revenue

(a) Revenue from contracts with customers

The Group has one reportable operating segment whose revenue is presented below.

	31 MARCH 2021			31 MARCH 2020		
Group	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	82,552.0	82,552.0	–	86,529.9	86,529.9
Interconnect revenue from local partners	–	6,175.2	6,175.2	–	5,039.3	5,039.3
Messaging revenue	–	13,602.4	13,602.4	–	15,403.5	15,403.5
Mobile data revenue	–	44,793.2	44,793.2	–	40,157.5	40,157.5
Fixed data revenue	–	9,507.2	9,507.2	–	8,966.9	8,966.9
M-PESA revenue	82,647.4	–	82,647.4	84,438.0	–	84,438.0
Other services revenues*	–	7,779.2	7,779.2	–	7,236.5	7,236.5
Mobile Incoming	–	3,295.2	3,295.2	–	3,442.5	3,442.5
Service revenue	**82,647.4**	**167,704.4**	**250,351.8**	**84,438.0**	**166,776.1**	**251,214.1**
Handset revenue	8,511.7	–	8,511.7	6,631.0	–	6,631.0
Connection revenue	–	1,761.1	1,761.1	–	2,034.8	2,034.8
Construction revenue	–	837.7	837.7	–	583.9	583.9
Total revenue	**91,159.1**	**170,303.2**	**261,462.3**	**91,069.0**	**169,394.8**	**260,463.8**

Service revenue streams have been reclassified to align to new Group reporting needs. Appendix 2 shows the comparative based on old revenues classification.

* Other Services Revenues includes Okoa Jahazi fees, roaming revenues, bulk SMS, digital agriculture revenues.

NOTES TO THE FINANCIAL STATEMENTS continued

5 Revenue continued

(a) Revenue from contracts with customers continued

Company	31 MARCH 2021 KShs'm At a point in time	31 MARCH 2021 KShs'm Over time	31 MARCH 2021 KShs'm Total	31 MARCH 2020 KShs'm At a point in time	31 MARCH 2020 KShs'm Over time	31 MARCH 2020 KShs'm Total
Voice revenue	–	82,552.0	82,552.0	–	86,529.9	86,529.9
Interconnect revenue from local partners	–	6,175.2	6,175.2	–	5,039.3	5,039.3
Messaging revenue	–	13,602.4	13,602.4	–	15,403.5	15,403.5
Mobile data revenue	–	44,793.2	44,793.2	–	40,157.5	40,157.5
Fixed data revenue	–	9,507.2	9,507.2	–	8,966.8	8,966.8
M-PESA revenue	80,635.8	–	80,635.8	83,135.6	–	83,135.6
Other Services Revenues*	–	7,624.8	7,624.8	–	7,153.9	7,153.9
Mobile Incoming	–	3,295.2	3,295.2	–	3,442.5	3,442.5
Service revenue	**80,635.8**	**167,550.0**	**248,185.8**	**83,135.6**	**166,693.4**	**249,829.0**
Handset revenue	8,511.7	–	8,511.7	6,631.0	–	6,631.0
Connection revenue	–	1,761.1	1,761.1	–	2,034.8	2,034.8
Construction revenue	–	837.7	837.7	–	583.9	583.9
Total revenue	**89,147.5**	**170,148.8**	**259,296.3**	**89,766.6**	**169,312.1**	**259,078.7**

Service revenue streams have been reclassified to align to new Group reporting needs. Appendix 2 shows the comparative based on old revenues classification.

* Other Services Revenues includes Okoa Jahazi fees, roaming revenues, bulk SMS, digital agriculture revenues.

(b) Revenue from other sources

	GROUP 2021 KShs'm	GROUP 2020 KShs'm	COMPANY 2021 KShs'm	COMPANY 2020 KShs'm
Collocation	2,043.7	1,822.0	2,069.2	1,883.3
Other income				
– Gain on disposal of property and equipment	38.0	56.5	38.0	56.5
– Miscellaneous income*	482.5	213.4	1,046.2	387.0
	2,564.2	**2,091.9**	**3,153.4**	**2,326.8**

* Miscellaneous income includes cash discounts received from vendors and donations received from third parties for Safaricom Foundation activities.

NOTES TO THE FINANCIAL STATEMENTS continued

6 (a) Direct costs

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
M-PESA commissions	(28,205.6)	(23,823.4)	(28,001.5)	(23,676.3)
Airtime commissions	(9,674.7)	(10,961.9)	(9,674.7)	(10,961.9)
Licence fees	(9,609.2)	(9,794.7)	(9,538.5)	(9,739.8)
Interconnect and roaming costs	(7,681.7)	(7,596.3)	(7,862.7)	(8,129.3)
Handset costs	(8,624.2)	(7,580.8)	(8,624.2)	(7,580.8)
Customer acquisition and retention	(10,057.2)	(8,511.6)	(10,057.2)	(8,511.6)
Promotions and Value-Added Services costs (Voice & SMS)	(4,879.4)	(5,790.2)	(4,879.4)	(5,790.2)
Other direct costs	(1,283.1)	(642.1)	(858.2)	(494.9)
Construction costs	(837.7)	(583.9)	(837.7)	(583.9)
	(80,852.8)	(75,284.9)	(80,334.1)	(75,468.7)

(b) Expected credit losses of financial assets

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Trade and other receivables	(3,004.1)	(1,669.6)	(3,855.8)	(1,418.7)
Loan receivables	(0.9)	–	(4.7)	–
Cash and cash equivalents	(4.7)	–	(3.2)	–
	(3,009.7)	(1,669.6)	(3,863.7)	(1,418.7)

NOTES TO THE FINANCIAL STATEMENTS continued

7 Other expenses

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Repairs and maintenance expenditure on property and equipment	**(323.2)**	(334.1)	**(321.9)**	(333.6)
Operating lease cost – buildings**	**(32.7)**	(48.8)	**(32.7)**	(48.8)
Operating lease cost – sites**	**(604.4)**	(345.1)	**(604.4)**	(345.1)
Inventory storage costs	**(362.1)**	(324.7)	**(362.1)**	(324.7)
Employee benefits expense (Note 10)	**(18,188.1)**	(16,937.5)	**(17,957.9)**	(16,807.1)
Auditor's remuneration	**(55.4)**	(55.6)	**(49.8)**	(49.4)
Sales and advertising	**(4,083.3)**	(5,792.4)	**(4,569.9)**	(6,177.9)
Consultancy including legal fees	**(1,197.9)**	(1,431.4)	**(1,184.2)**	(1,431.0)
Network operating costs	**(13,163.4)**	(13,408.2)	**(13,072.4)**	(13,145.0)
Travel and accommodation	**(457.6)**	(751.4)	**(432.0)**	(738.5)
Computer maintenance	**(2,572.4)**	(2,092.7)	**(2,546.2)**	(2,092.7)
Office administration	**(481.7)**	(1,020.5)	**(472.3)**	(1,016.2)
Net foreign exchange gains, other than on borrowings and cash and cash equivalents	**(610.7)**	172.3	**(648.9)**	131.6
Other operating expenses*	**(3,901.9)**	(5,189.6)	**(2,913.9)**	(4,644.7)
	(46,034.8)	**(47,559.7)**	**(45,168.6)**	**(47,023.1)**

* Other operating expenses includes Vodafone procurement fees (Note 31 c), fleet management costs, general staff expenses including training and welfare costs and innovation costs.

** Relates to non-lease components of the lease e.g. services charges, VAT disallowed on payments of leases. The cost is excluded from the measurements of the lease liability as provided for in IFRS 16.

8 Finance income

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Interest income	**1,523.6**	2,940.9	**1,502.7**	2,917.1
Foreign exchange gain on cash and borrowings	**701.8**	639.0	**701.3**	638.5
Adjustments on restricted cash*	**(27.0)**	(61.1)	**(27.0)**	(61.1)
	2,198.4	**3,518.8**	**2,177.0**	**3,494.5**

* Adjustment is in relation to discounting of restricted cash.

NOTES TO THE FINANCIAL STATEMENTS continued

9 Finance costs

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Interest expense	(1,686.5)	(348.8)	(1,667.8)	(347.6)
Foreign exchange losses on cash and borrowings	(533.2)	(601.0)	(736.6)	(591.1)
Interest on asset retirement obligation (ARO) liability	(223.2)	(57.6)	(223.2)	(57.6)
Interest on lease liability	(1,717.9)	(1,640.7)	(1,717.9)	(1,640.7)
Adjustment on construction contract receivables*	(60.0)	51.5	(60.0)	51.5
	(4,220.8)	(2,596.6)	(4,405.5)	(2,585.5)

* Adjustment is in relation to discounting of construction contract receivable (national government).

10 Employee benefits expense

The following items are included within employee benefits expense:

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Club membership	(37.1)	(61.2)	(36.8)	(60.8)
Employee other administrative costs	(290.5)	(66.1)	(290.5)	(66.1)
Secondees other administrative costs	(90.8)	(126.1)	(90.4)	(124.2)
Employee Performance Share Award Plan	(713.1)	(432.6)	(707.5)	(433.7)
Leave provision	95.9	(16.9)	101.2	(16.3)
NSSF	(12.4)	(12.8)	(12.4)	(12.8)
Pension	(725.6)	(698.8)	(718.1)	(695.1)
Salaries	(15,024.2)	(13,786.9)	(14,813.1)	(13,662.0)
Secondee salaries	(40.1)	(292.6)	(40.1)	(292.6)
Staff medical & life insurance	(1,350.2)	(1,443.5)	(1,350.2)	(1,443.5)
	(18,188.1)	(16,937.5)	(17,957.9)	(16,807.1)

	GROUP AND COMPANY	
Number of employees	2021	2020
Permanent employees	4,457	4,523
Fixed term contract employee	1,192	1,100
	5,649	5,623

NOTES TO THE FINANCIAL STATEMENTS continued

11 Employee Performance Share Award Plan

On 1 July 2011, the Group implemented an Employee Performance Share Award Plan (the Trust) where shares are awarded to qualifying staff based on previous year's achieved performance ratings. Under the outright grant scheme, shares are purchased from the market and transferred to eligible staff at no cost after a 3-year vesting period. The shares are purchased and held by the Trust until the end of the vesting period.

During the year, 14.9 million shares were bought by the Trust, at a cost of KShs 440.2 million. Additionally, 16.42 million shares historically valued at KShs 480.7 million (2020: 17.83 million shares valued at 438.6 million) vested and were exercised by eligible staff.

The Trust currently holds 15.43 million shares at a total cost of KShs 446.2 million (2020: 16.94 million shares at a cost of KShs 486.7 million).

The Trust is an 'Equity-settled share-based Payment scheme' as described in IFRS 2, Share Based Payments as the Company provides money to the Trust to purchase shares which will be distributed to the entitled employees on the vesting date.

The Company has accounted for a receivable from the Trust in relation to shares purchased and payables to employees in these financial statements.

12 (a) Income tax expense

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Current income tax	**(29,321.8)**	(31,616.7)	**(29,009.8)**	(31,340.8)
Deferred income tax (Note 17)	**4,362.5**	(498.4)	**4,528.4**	(628.9)
Income tax expense	**(24,959.3)**	**(32,115.1)**	**(24,481.4)**	**(31,969.7)**
Profit before income tax	**93,635.5**	105,773.0	**92,438.0**	105,253.9
Tax calculated at the applicable income tax rate of 9 months – 25%, 3 months – 30% (2020: 30%)	**(24,579.3)**	(31,731.8)	**(24,265.0)**	(31,576.2)
Tax effect of:				
Income not subject to tax	**1,455.1**	2,190.4	**1,300.9**	2,150.0
Expenses not deductible for tax purposes	**(2,098.6)**	(2,573.7)	**(2,060.9)**	(2,543.5)
Over provision of deferred tax in prior years	**(25.7)**	–	**(25.7)**	–
Effect of change in tax rate on deferred tax	**585.2**	–	**569.3**	–
Deferred tax not recognised in the year	**(127.6)**	–	**–**	–
Derecognition of prior year deferred tax	**(168.1)**	–	**–**	–
Minimum tax paid as final tax	**(0.3)**	–	**–**	–
Income tax expense	**(24,959.3)**	**(32,115.1)**	**(24,481.4)**	**(31,969.7)**

(b) Current income tax payable

	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
At 1 April	**147.5**	(350.4)	**251.8**	(253.3)
Current income tax charge	**(29,321.8)**	(31,616.7)	**(29,009.8)**	(31,340.8)
Tax paid during the year	**28,921.2**	32,114.6	**28,606.4**	31,845.9
At 31 March	**(253.1)**	**147.5**	**(151.6)**	**251.8**
Current asset	**7.2**	260.4	**–**	251.8
Current liabilities	**(260.3)**	(112.9)	**(151.6)**	–
	(253.1)	**147.5**	**(151.6)**	**251.8**

NOTES TO THE FINANCIAL STATEMENTS continued

13 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	GROUP	
	2021 KShs'm	**2020 KShs'm**
Profit attributable to equity holders of the Group (KShs m)	**68,676.2**	73,657.9
Weighted average number of ordinary shares in issue (million)	**40,065**	40,065
Basic earnings per share (KShs)	**1.71**	1.84
Diluted earnings per share (KShs)	**1.71**	1.84
Earnings per share based on normalized profits		
Profit attributable to equity holders of the Group (KShs m)	**68,676.2**	73,657.9
Less; share of profit of joint venture (Bargain profit)	**–**	(3,296.1)
Earnings after tax	**68,676.2**	70,361.8
Earnings per share (basic & diluted)	**1.71**	1.76

14 Share capital and share premium

	Number of shares (million)	Ordinary shares KShs'm	Share premium KShs'm	Total KShs'm
As at 31 March 2020 and 31 March 2021	**40,065**	**2,003.3**	**2,200**	**4,203.3**

The authorised share capital of the Company is KShs 6,000,000,000 divided into 119,999,999,600 ordinary shares of KShs 0.05 each and 5 non-redeemable preference shares of KShs 4 each.

The issued share capital comprises 40,065,428,000 (2020: 40,065,428,000) ordinary shares with a par value of KShs 0.05 each.

Share premium reserve was established on initial issuance of the Group ordinary shares at premium.

Holders of ordinary shares are entitled to dividend as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

15 Dividend

Proposed dividend are classified as a separate component of equity in the statement of changes in equity through a transfer from retained earnings. They are transferred to the dividend payable account once approved by shareholders in a general meeting.

During the year, an interim dividend of KShs 0.45 per Ordinary share amounting to KShs 18.03 billion (2020: KShs Nil) was declared. At the annual general meeting to be held on 30 July 2021, a final dividend in respect of the year ended 31 March 2021 of KShs 0.92 per Ordinary Share amounting to a total of KShs 36.86 billion is to be proposed for approval. This brings the total dividend for the year to KShs 54.89 billion (2020: KShs 56.09 billion) which represents KShs 1.37 per share in respect of the year ended 31 March 2021 (2020: KShs 1.40 per share). The company continues to pay out dividend in line with its policy to pay out 80% of net income.

The payment of dividend is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and 0% for resident Kenyan companies with shareholding of 12.5% or more in the Company. Total dividend payouts in the year were as follows:

Movement in the year

	2021 KShs'm	2020 KShs'm
Opening balance – 1 April	**1,045.1**	–
Declared during the year	**56,091.6**	74,922.4
Interim dividend declared	**18,029.4**	–
Paid during the period	**(66,482.0)**	(73,877.3)
Closing balance – 31 March	**8,684.1**	**1,045.1**

16 Borrowings

The Group has a short-term revolving facility with various financial institutions.

As at 31 March 2021, the Group had undrawn credit facilities with various banks equivalent of KShs 27.01 billion (2020: KShs 31.84 billion). The borrowings are from different financial institutions with varying interest rates.

The movement in borrowings is as below:

	GROUP AND COMPANY	
	2021 KShs'm	**2020 KShs'm**
Opening balance – 1 April	**8,000.0**	4,032.0
Additions	**44,970.0**	20,132.0
Repayments	**(38,198.0)**	(16,164.0)
Closing balance – 31 March	**14,772.0**	**8,000.0**

Under the terms of the loan facilities, the Group is required to comply with certain covenants. The Group had complied with all the covenants.

NOTES TO THE FINANCIAL STATEMENTS continued

17 Deferred income tax

(a) Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021 KShs'm	2020 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	4,082.0	752.7
– Deferred tax assets to be recovered within 12 months	584.7	2,577.2
	4,666.7	3,329.9
Deferred tax liabilities:		
– Deferred tax liability to be recovered after 12 months	–	(2,225.2)
– Deferred tax liability to be recovered within 12 months	(8.5)	–
– Deferred tax not recognised	(295.7)	–
	(304.2)	(2,225.2)
Net deferred income tax asset	**4,362.5**	**1,104.7**

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%).

	2021 KShs'm	2020 KShs'm
At start of year	1,104.7	1,603.1
Credit/(charge) to statement of profit or loss and other comprehensive income	4,362.5	(498.4)
At end of year	**5,467.2**	**1,104.7**

Consolidated deferred income tax assets and liabilities and deferred income tax credit/(charge) in the statement of profit or loss and other comprehensive income (SOCI) are attributable to the following items:

Year ended 31 March 2021	1 April 2020 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2021 KShs'm
Deferred income tax liabilities			
Property and equipment	(2,219.8)	3,570.6	1,350.8
Unrealized foreign exchange gains	12.1	(22.7)	(10.6)
Net right of use	(5.5)	398.7	393.2
	(2,213.2)	3,946.6	1,733.4
Deferred income tax assets			
Unrealised foreign exchange losses	38.6	(8.5)	30.1
Tax losses	130.2	112.6	242.8
Other temporary differences	3,149.1	607.5	3,756.6
	3,317.9	711.6	4,029.5
Deferred tax not recognized	–	(295.7)	(295.7)
Net deferred income tax asset	1,104.7	4,362.5	5,467.2

NOTES TO THE FINANCIAL STATEMENTS continued

17 Deferred income tax continued

(a) Group continued

Year ended 31 March 2020	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2020 KShs'm
Deferred income tax liabilities			
Property and equipment	(921.1)	(1,298.7)	(2,219.8)
Unrealised foreign exchange gains	(0.7)	12.8	12.1
Net right of use	–	(5.5)	(5.5)
	(921.8)	(1,291.4)	(2,213.2)
Deferred income tax assets			
Unrealised foreign exchange losses	0.9	37.7	38.6
Tax losses	18.4	111.8	130.2
Other temporary differences	2,505.6	643.5	3,149.1
	2,524.9	793.0	3,317.9
Net deferred income tax asset	**1,603.1**	**(498.4)**	**1,104.7**

(b) Company

	2021 KShs'm	2020 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	**1,743.8**	752.8
– Deferred tax assets to be recovered within 12 months	**3,734.1**	2,395.6
	5,477.9	3,148.4
Deferred tax liabilities:		
– Deferred tax liability to be recovered after 12 months	**–**	(2,223.8)
– Deferred tax liability to be recovered within 12 months	**(12.1)**	12.8
	(12.1)	(2,211.0)
Net deferred income tax asset	**5,465.8**	**937.4**

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%).

	2021 KShs'm	2020 KShs'm
At start of year	**937.4**	1,566.3
Credit/(charge) to statement of profit or loss and other comprehensive income (Note 12)	**4,528.4**	(628.9)
At end of year	**5,465.8**	**937.4**

NOTES TO THE FINANCIAL STATEMENTS continued

17 Deferred income tax continued

(b) Company continued

Company deferred income tax assets and liabilities and deferred income tax credit/(charge) in the statement of profit or loss and other comprehensive income are attributable to the following items:

Year ended 31 March 2021	1 April 2020 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2021 KShs'm
Deferred income tax liabilities			
Property and equipment	(2,218.4)	3,568.8	1,350.4
Unrealised foreign exchange gains	12.8	(24.9)	(12.1)
Net Right of Use	(5.5)	398.7	393.2
	(2,211.1)	3,942.6	1,731.5
Deferred income tax assets			
Unrealised foreign exchange losses	38.6	(8.5)	30.1
Other temporary differences	3,109.9	594.3	3,704.2
	3,148.5	585.8	3,734.3
Net deferred income tax asset	**937.4**	**4,528.4**	**5,465.8**

Year ended 31 March 2020	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2020 KShs'm
Deferred income tax liabilities			
Property and equipment	(938.0)	(1,280.4)	(2,218.4)
Unrealised foreign exchange gains	0.4	12.4	12.8
Net Right of Use	–	(5.5)	(5.5)
	(937.6)	(1,273.5)	(2,211.1)
Deferred income tax assets			
Unrealised foreign exchange losses	2.0	36.6	38.6
Other temporary differences	2,501.9	608.0	3,109.9
	2,503.9	644.6	3,148.5
Net deferred income tax asset	**1,566.3**	**(628.9)**	**937.4**

In the opinion of the directors, the deferred income tax balances are expected to be recoverable against future profits.

NOTES TO THE FINANCIAL STATEMENTS continued

18 Property and equipment

	GROUP						
	Network infrastructure KShs'm	**Capital work in progress (CWIP)* KShs'm**	**Network maintenance spares KShs'm**	**Leasehold improvements KShs'm**	**Vehicles and equipment KShs'm**	**Fibre KShs'm**	**Total KShs'm**
At 1 April 2019							
Cost	223,387.7	13,262.6	1,537.0	7,039.0	87,017.0	25,241.9	357,485.2
Accumulated depreciation	(160,536.4)	–	(959.5)	(5,492.1)	(62,126.3)	(3,153.1)	(232,267.4)
Net book amount	**62,851.3**	**13,262.6**	**577.5**	**1,546.9**	**24,890.7**	**22,088.8**	**125,217.8**
Year ended 31 March 2020							
Opening net book amount	62,851.3	13,262.6	577.5	1,546.9	24,890.7	22,088.8	125,217.8
Additions	–	35,738.0	27.5	–	333.0	–	36,098.5
Transfers from CWIP	16,190.1	(38,673.5)	–	404.2	17,033.2	5,046.0	–
Disposal – cost	–	–	–	–	(278.5)	–	(278.5)
Asset retirement – cost**	(11,451.6)	–	–	–	–	–	(11,451.6)
Depreciation charge	(17,041.9)	–	(141.6)	(537.7)	(13,042.9)	(1,200.7)	(31,964.8)
Depreciation on disposal	–	–	–	–	264.2	–	264.2
Depreciation on retired assets**	11,451.6	–	–	–	–	–	11,451.6
Closing net book amount	**61,999.5**	**10,327.1**	**463.4**	**1,413.4**	**29,199.7**	**25,934.1**	**129,337.2**
At 31 March 2020							
Cost	228,126.2	10,327.1	1,564.5	7,443.2	104,104.7	30,287.9	381,853.6
Accumulated depreciation	(166,126.7)	–	(1,101.1)	(6,029.8)	(74,905.0)	(4,353.8)	(252,516.4)
Net book amount	**61,999.5**	**10,327.1**	**463.4**	**1,413.4**	**29,199.7**	**25,934.1**	**129,337.2**

* Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include Network infrastructure and Fibre that had not been brought into use as at year end.

** During the year ended 31 March 2020, the Company carried out an assessment of the Fixed Asset Register, (FAR). From this assessment, assets worth KShs 11.5 billion were identified to be fully depreciated and not in use. The assets were mainly network infrastructure. The assets have been written off.

NOTES TO THE FINANCIAL STATEMENTS continued

18 Property and equipment continued

	GROUP						
	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Fibre KShs'm	Total KShs'm
Year ended 31 March 2021							
Opening net book amount	61,999.5	10,327.1	463.4	1,413.4	29,199.7	25,934.1	129,337.2
Additions	–	34,935.8	15.8	–	8.6	–	34,960.2
Transfers from CWIP	13,402.7	(36,706.2)	–	497.5	19,897.4	2,908.6	–
Disposal – cost	(134.3)	–	–	–	(43.4)	–	(177.7)
Asset retirement – cost**	–	–	–	–	(4,243.3)	–	(4,243.3)
ARO non cash additions	2,207.4	–	–	–	–	–	2,207.4
Depreciation charge	(15,649.5)	–	(141.0)	(577.3)	(14,946.5)	(1,310.2)	(32,624.5)
Depreciation reclassification	(3.0)	–	(0.5)	2.0	1.3	0.2	–
Depreciation on disposals	92.2	–	–	–	38.9	–	131.1
Depreciation on retired assets**	–	–	–	–	4,243.3	–	4,243.3
Closing net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7	133,833.7
At 31 March 2021							
Cost	243,602.0	8,556.7	1,580.3	7,940.7	119,724.0	33,196.5	414,600.2
Accumulated depreciation	(181,687.0)	–	(1,242.6)	(6,605.1)	(85,568.0)	(5,663.8)	(280,766.5)
Net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7	133,833.7

* Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include Network infrastructure and Fibre that had not been brought into use as at year end.

** During the year ended 31 March 2021, the Company carried out an assessment of the Fixed Asset Register, (FAR). From this assessment, assets worth KShs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment. The assets have been written off.

NOTES TO THE FINANCIAL STATEMENTS continued

18 Property and equipment continued

	COMPANY						
	Network infrastructure KShs'm	**Capital work in progress (CWIP)* KShs'm**	**Network maintenance spares KShs'm**	**Leasehold improvements KShs'm**	**Vehicles and equipment KShs'm**	**Fibre KShs'm**	**Total KShs'm**
At 1 April 2019							
Cost	223,251.1	12,866.6	1,537.0	7,039.0	86,914.1	25,235.9	356,843.7
Accumulated depreciation	(160,399.9)	–	(958.9)	(5,494.2)	(62,023.0)	(3,146.9)	(232,022.9)
Net book amount	**62,851.2**	**12,866.6**	**578.1**	**1,544.8**	**24,891.1**	**22,089.0**	**124,820.8**
Year ended 31 March 2020							
Opening net book amount	62,851.2	12,866.6	578.1	1,544.8	24,891.1	22,089.0	124,820.8
Additions	–	35,738.0	27.5	–	322.0	–	36,087.5
Transfer from CWIP	16,190.1	(38,420.4)	–	404.2	16,780.2	5,045.9	–
Disposal – cost	–	–	–	–	(278.5)	–	(278.5)
Asset retirement – cost**	(11,451.6)	–	–	–	–	–	(11,451.6)
Depreciation charge	(17,041.9)	–	(141.6)	(537.7)	(13,003.4)	(1,200.7)	(31,925.3)
Depreciation on disposals	–	–	–	–	264.2	–	264.2
Depreciation on retired assets**	11,451.6	–	–	–	–	–	11,451.6
Closing net book amount	**61,999.4**	**10,184.2**	**464.0**	**1,411.3**	**28,975.6**	**25,934.2**	**128,968.7**
At 31 March 2020							
Cost	227,989.6	10,184.2	1,564.5	7,443.2	103,737.8	30,281.8	381,201.1
Accumulated depreciation	(165,990.2)	–	(1,100.5)	(6,031.9)	(74,762.2)	(4,347.6)	(252,232.4)
Net book amount	**61,999.4**	**10,184.2**	**464.0**	**1,411.3**	**28,975.6**	**25,934.2**	**128,968.7**

* Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include Network infrastructure and Fibre that had not been brought into use as at year end.

** During the year ended 31 March 2020, the Company carried out an assessment of the Fixed Asset Register, (FAR). From this assessment, assets worth KShs 11.5 billion were identified to be fully depreciated and not in use. The assets were mainly network infrastructure. The assets have been written off.

NOTES TO THE FINANCIAL STATEMENTS continued

18 Property and equipment continued

	COMPANY						
	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Fibre KShs'm	Total KShs'm
Year ended 31 March 2021							
Opening net book amount	61,999.4	10,184.2	464.0	1,411.3	28,975.6	25,934.2	128,968.7
Additions	–	34,935.8	15.8	–	8.6	–	34,960.2
Transfer from CWIP	13,402.7	(36,706.2)	–	497.5	19,897.4	2,908.6	–
Disposal – cost	(134.3)	–	–	–	(43.4)	–	(177.7)
Asset retirement – cost**	–	–	–	–	(4,243.3)	–	(4,243.3)
ARO non cash additions	2,207.4	–	–	–	–	–	2,207.4
Depreciation charge	(15,649.5)	–	(141.0)	(577.3)	(14,892.4)	(1,310.2)	(32,570.4)
Depreciation reclassification	(3.0)	–	(0.5)	2.0	1.3	0.2	–
Depreciation on disposals	92.2	–	–	–	38.9	–	131.1
Depreciation on retired assets**	–	–	–	–	4,243.3	–	4,243.3
Closing net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	133,519.3
At 31 March 2021							
Cost	243,465.4	8,413.8	1,580.3	7,940.7	119,357.1	33,190.4	413,947.7
Accumulated depreciation	(181,550.5)	–	(1,242.0)	(6,607.2)	(85,371.1)	(5,657.6)	(280,428.4)
Net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	133,519.3

* Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include Network infrastructure and Fibre that had not been brought into use as at year end.

** During the year ended 31 March 2021, the Company carried out an assessment of the Fixed Asset Register, (FAR). From this assessment, assets worth KShs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment. The assets have been written off.

NOTES TO THE FINANCIAL STATEMENTS continued

19 Indefeasible rights of use (IRUs)

	GROUP						
	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	EATCL KShs'm	Total KShs'm
Year ended 31 March 2020							
Opening net book amount	2,110.6	843.3	454.3	54.5	90.4	–	3,553.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	–	(301.0)
Closing net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**–**	**3,252.1**
At 31 March 2020							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortization	(1,305.1)	(768.3)	(425.9)	(64.2)	(105.8)	(91.5)	(2,760.8)
	1,947.9	**766.6**	**412.4**	**47.1**	**78.1**	**–**	**3,252.1**
Year ended 31 March 2021							
Opening net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**–**	**3,252.1**
Amortisation charge	**(162.7)**	**(76.7)**	**(41.9)**	**(47.1)**	**(78.1)**	**–**	**(406.5)**
Closing net book amount	**1,785.2**	**689.9**	**370.5**	**–**	**–**	**–**	**2,845.6**
At 31 March 2021							
Cost	**3,253.0**	**1,534.9**	**838.3**	**111.3**	**183.9**	**91.5**	**6,012.9**
Accumulated amortization	**(1,467.8)**	**(845.0)**	**(467.8)**	**(111.3)**	**(183.9)**	**(91.5)**	**(3,167.3)**
Net book amount	**1,785.2**	**689.9**	**370.5**	**–**	**–**	**–**	**2,845.6**

	COMPANY					
	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	Total KShs'm
Year ended 31 March 2020						
Opening net book amount	2,110.6	843.3	454.3	54.5	90.4	3,553.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	(301.0)
Closing net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**3,252.1**
At 31 March 2020						
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4
Accumulated amortization	(1,305.1)	(768.3)	(425.9)	(64.2)	(105.8)	(2,669.3)
	1,947.9	**766.6**	**412.4**	**47.1**	**78.1**	**3,252.1**
Year ended 31 March 2021						
Opening net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**3,252.1**
Amortisation charge	**(162.7)**	**(76.7)**	**(41.9)**	**(47.1)**	**(78.1)**	**(406.5)**
Closing net book amount	**1,785.2**	**689.9**	**370.5**	**–**	**–**	**2,845.6**
At 31 March 2021						
Cost	**3,253.0**	**1,534.9**	**838.3**	**111.3**	**183.9**	**5,921.4**
Accumulated amortization	**(1,467.8)**	**(845.0)**	**(467.8)**	**(111.3)**	**(183.9)**	**(3,075.8)**
Net book amount	**1,785.2**	**689.9**	**370.5**	**–**	**–**	**2,845.6**

NOTES TO THE FINANCIAL STATEMENTS continued

20 Investment property

The investment property relates to a vacant open land title No. 164259 and 164260 located in Nairobi area. This land does not generate any rental income or direct operating costs. There are no restrictions attached to realisability of the investment property or the remittance of income and proceeds of disposal.

	GROUP AND COMPANY	
	2021 KShs'm	**2020 KShs'm**
At 1 April	**845.0**	845.0
Fair value adjustment	**–**	–
At 31 March	**845.0**	**845.0**

The fair value measurement of the investment property as at 31 March 2021 was performed by registered and independent valuers who have valuation experience for similar properties in Kenya. They are members of the Institute of Surveyors of Kenya.

The fair value was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of those similar properties was assumed. There was no significant change in the previous valuation and management has opted to retain the existing value.

Details of the Group's investment property and information about fair value hierarchy as at 31 March 2021 and 31 March 2020 is as follows:

Non-financial asset	Fair value as at 31 March 2021 and 31 March 2020 KShs'm	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	845.0	Level III	Open market value basis – highest and best use model	Not applicable	Not applicable

NOTES TO THE FINANCIAL STATEMENTS continued

21 Intangible assets

	GROUP	
	2021 KShs'm	2020 KShs'm
Opening net book amount	**6,026.2**	7,385.3
Additions – Cost	**4,077.8**	–
Amortisation charge	**(1,628.5)**	(1,359.1)
Closing net book amount	**8,475.5**	6,026.2
Cost	**23,060.4**	18,982.6
Accumulated amortization	**(14,584.9)**	(12,956.4)
Net book amount	**8,475.5**	6,026.2

	COMPANY	
	2021 KShs'm	2020 KShs'm
Opening net book amount	**6,021.8**	7,379.8
Additions – Cost	**4,077.8**	–
Amortisation charge	**(1,628.1)**	(1,358.0)
Closing net book amount	**8,471.5**	6,021.8
Cost	**23,038.1**	18,960.3
Accumulated amortization	**(14,566.6)**	(12,938.5)
Net book amount	**8,471.5**	6,021.8

NOTES TO THE FINANCIAL STATEMENTS continued

22 Leases

(a) Right of use (ROU) asset movement schedule

	GROUP AND COMPANY					
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Total KShs'm
Year ended 31 March 2020						
Balance on adoption of IFRS 16	8,054.0	5,051.0	1,173.9	2,492.4	17.4	16,788.7
Additions	618.7	230.2	112.7	390.4	25.0	1,377.0
Closing book cost	**8,672.7**	**5,281.2**	**1,286.6**	**2,882.8**	**42.4**	**18,165.7**
At 31 March 2020						
Cost	8,672.7	5,281.2	1,286.6	2,882.8	42.4	18,165.7
Amortisation charge	(1,089.9)	(910.2)	(252.5)	(647.8)	(22.4)	(2,922.8)
Closing net book amount	**7,582.8**	**4,371.0**	**1,034.1**	**2,235.0**	**20.0**	**15,242.9**

	GROUP AND COMPANY						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2021							
Opening cost	7,582.8	4,371.0	1,034.1	2,235.0	20.0		15,242.9
Additions	560.8	1,160.3	152.2	1,075.5	28.9	18.2	2,995.9
Reclassification-cost	(168.5)	51.5	(37.0)	42.00	7.1	–	(104.9)
Termination and revision-cost	(144.6)	186.2	12.1	(357.4)	–	(0.3)	(304.0)
Amortisation charge	(1,063.0)	(1,051.9)	(297.0)	(866.5)	(24.7)	(1.7)	(3,304.8)
Reclassification – Amortisation	94.8	2.8	39.8	(4.6)	(27.9)	–	104.9
Termination – Amortisation and revision	37.6	(1.1)	11.7	84.6	–	–	132.8
Closing net book amount	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
At 31 March 2021							
Cost	8,920.4	6,679.2	1,413.9	3,642.9	78.4	17.9	20,752.7
Amortisation charge	(2,020.5)	(1,960.4)	(498.0)	(1,434.3)	(75.0)	(1.7)	(5,989.9)
Closing net book amount	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8

NOTES TO THE FINANCIAL STATEMENTS continued

22 Leases continued

(b) Lease liability movement schedule

	GROUP AND COMPANY					
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Total KShs'm
Year ended 31 March 2020						
Balance on adoption IFRS 16	(7,458.8)	(4,983.4)	(1,072.7)	(2,412.6)	(22.3)	(15,949.8)
Additions	(618.7)	(230.2)	(112.7)	(390.4)	(25.0)	(1,377.0)
Interest charge	(904.5)	(384.6)	(100.0)	(250.1)	(1.5)	(1,640.7)
Payments	1,651.8	1,074.1	314.0	674.8	28.1	3,742.8
Lease liability balance	**(7,330.2)**	**(4,524.1)**	**(971.4)**	**(2,378.3)**	**(20.7)**	**(15,224.7)**

	GROUP AND COMPANY						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2021							
Opening balance	**(7,330.2)**	**(4,524.1)**	**(971.4)**	**(2,378.3)**	**(20.7)**	**–**	**(15,224.7)**
Additions	**(560.8)**	**(1,160.3)**	**(152.2)**	**(1,075.5)**	**(28.9)**	**(18.2)**	**(2,995.9)**
Interest charge	**(916.6)**	**(382.5)**	**(123.5)**	**(292.8)**	**(2.0)**	**(0.5)**	**(1,717.9)**
Payments	**1,381.7**	**1,352.1**	**337.4**	**781.7**	**17.5**	**4.2**	**3,874.6**
Termination and revisions	**137.2**	**(178.9)**	**(22.6)**	**272.9**	**–**	**–**	**208.6**
Forex revaluation	**(0.7)**	**(214.7)**	**(2.7)**	**–**	**(0.3)**		**(218.4)**
Closing Balance	**(7,289.4)**	**(5,108.4)**	**(935.0)**	**(2,692.0)**	**(34.4)**	**(14.5)**	**(16,073.7)**

	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2020							
Current	(1,304.8)	(1,138.4)	(295.6)	(798.3)	(12.3)	–	(3,549.4)
Non-current	(6,025.4)	(3,385.7)	(675.8)	(1,580.0)	(8.4)	–	(11,675.3)
Year ended 31 March 2021							
Current	(1,384.0)	(1,476.3)	(270.6)	(968.0)	(13.8)	(6.8)	(4,119.5)
Non-current	(5,905.4)	(3,632.1)	(664.4)	(1,724.0)	(20.6)	(7.7)	(11,954.2)

Included in the direct costs and reported in the statement of profit or loss and other comprehensive income in the period is an amount of KShs 1,726.6 million (2020: KShs 1,529.5 million) relating to short term leases of less than 1 year which were not accounted for under IFRS 16 in the lease liabilities above as one of the expedient adopted by the company as provided by IFRS 16.

There were no leases not yet commenced to which the Group had committed.

NOTES TO THE FINANCIAL STATEMENTS continued

22 Leases continued

(b) Lease liability movement schedule continued

Payments split

	2021 KShs'm	2020 KShs'm
Repayment of lease liabilities – Principal	**(2,550.6)**	(2,509.4)
Repayment of lease liabilities – Interest	**(1,324.0)**	(1,233.4)
Total Payments	**(3,874.6)**	**(3,742.8)**

(c) Maturity analysis of undiscounted lease liabilities

	2021 KShs'm	2020 KShs'm
Less than 1 year	**4,252.0**	3,677.0
Repayment of lease liabilities – Interest	**14,661.1**	14,953.4
Total Discounted	**18,913.1**	**18,630.4**

23 Investments

From time to time the Group invests in various entities in form of Subsidiaries, Associates and Joint arrangements for strategic reason in order to achieve the overall objective of transforming lives.

(a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company except for Safaricom Money Transfer Services Limited which has a 31 December year-end because of Central Bank of Kenya's reporting guidelines. They are all incorporated in Kenya. The investments relate to cost of shares held in the subsidiaries.

	COMPANY	
	2021 KShs'm	2020 KShs'm
At start of year	**431.3**	**431.2**
Initial investment (DigiFarm Limited)	**–**	0.1
At end of year	**431.3**	**431.3**

As at 31 March 2021, the Company's interest in its subsidiaries was as follows:

	Year end	% interest held	2021 KShs'm	2020 KShs'm
One Communications Limited and its subsidiaries*[1]	31 March	100	**–**	–
Instaconnect Limited	31 March	100	**411.2**	411.2
East Africa Tower Company Limited*	31 March	100	**–**	–
DigiFarm Kenya Limited[2]	31 March	100	**0.1**	0.1
Safaricom Money Transfer Services Limited	31 December	100	**20.0**	20.0
			431.3	**431.3**

1 Comtec Training Management Service Limited, Comtec Integrations System Limited and Flexible Bandwidth Service Limited.

2 In October 2019, DigiFarm was incorporated as a 100% owned subsidiary by Safaricom PLC. The nominal share capital of the Company is KShs 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness tech support services to Kenyan farmers linking the entire production chain by connecting producers to buyers and cushioning farmers from middlemen. Other expected value addition to the DigiFarm model will be filling the gaps below:

Access to financial services – credit and insurance.
Access to quality inputs.
Knowledge on best farming practices through extension services.
Access to market and post-harvest loss management.
The subsidiary is still in its initial set up stages operationally.

* The investment in One Communications Limited and its subsidiaries and East Africa Tower Company Limited were written off in the year ended 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Investments continued

(b) Investment in associates and joint venture – Group and Company continued

	2021 KShs'm	2020 KShs'm
Investment in associates		
Circle Gas	**284.8**	384.6
TEAMS	**118.1**	211.2
Total investment in associates	**402.9**	**595.8**
Investment in joint venture		
M-PESA Africa Limited	**4,055.3**	4,369.3
Share capital		
Total investment in joint venture	**4,055.3**	**4,369.3**
Total investment in associates and joint Venture	**4,458.2**	**4,965.1**
The movement in investment in associates and joint venture is as follows:		
At start of year	**211.2**	150.3
Share of (loss)/profit from TEAMS	**(93.1)**	60.9
At start of year Circle gas	**384.6**	–
Acquisitions – Circle Gas	**–**	384.6
Share of loss from Circle Gas	**(99.8)**	–
At start of year	**4,369.3**	
Acquisitions – M-PESA Africa Limited	**0.1**	1,073.2
Share of (loss)/profit from M-PESA Africa Limited	**(314.1)**	3,296.1
At end of year	**4,458.2**	**4,965.1**

In December 2019, Safaricom completed a purchase of 18.96% of the issued shares capital of Circle Gas Limited (KShs 385 million), a company incorporated in England. Strategically, the investment in Circle Gas solution is a digital service offering leveraging Internet of Things (IoT) and M-PESA, that will drive our ambition to be the leading Digital Services Provider in Kenya whilst driving financial inclusion through technology by offering customers an affordable, clean energy source for cooking.

In the year ended 31 December 2020, Circle Gas issued ordinary shares which were used in settlement of debt. This led in a dilution of the Safaricom's shareholding to 18.39%.

The Investments in Circle Gas has been treated as an investment in Associate as per IAS 28.7.

Circle Gas has a 31 December year end and derives its revenues from the provision of affordable, clean energy source for cooking. Changes in the risk and fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited 12 months results for the associate have been incorporated in the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Investments continued

(b) Investment in associates and joint venture – Group and Company continued

Circle Gas summarised statement of profit or loss and other comprehensive income for the 12 months period ended 31 December

	2020 KShs'm
Revenue	30.7
Other income	29.3
Cost of sales	(14.2)
Administrative expenses	(588.6)
Total expenses	(602.8)
Profit before tax	(542.8)
Income tax expense	–
Profit after tax	(542.8)
Share of profit before tax (18.39%)	(99.8)
Share of profit of associate	**(99.8)**

Circle Gas summarised statement of financial position as at 31 December

	2020 KShs'm
Total equity	898.1
Non-current liabilities	1,506.1
Total equity and non-current liabilities	**2,404.2**
Non-current assets	1,783.4
Current assets	
Cash and cash equivalents	360.0
Other current assets	353.1
Total current assets	713.1
Current liabilities	(92.3)
Net current assets	620.8
	2,404.2

Included in the investment in associate is the investment of 32.5% (2020: 32.5%) of the ordinary shares of The East African Marines Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares. TEAMS' place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the Group's interest in the associate.

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. Changes in the risk and fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited 9 months results for the associate have been incorporated in the Group's financial statements. Set out below is the summarised financial information for TEAMS as at 31 March 2021 and 31 March 2020 which is accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Investments continued

(b) Investment in associates and joint venture – Group and Company continued

TEAMS summarised statement of financial position as at 31 March

	2021 KShs'm	2020 KShs'm
Total equity	**425.4**	**442.3**
Non-current assets	**6.0**	7.7
Current assets		
Cash and cash equivalents	**512.7**	701.5
Other current assets	**17.3**	37.0
Total current assets	**530.0**	738.5
Current liabilities	**(110.6)**	(303.9)
Net current assets	**419.4**	**434.6**
Net assets	**425.4**	**442.3**

TEAMS summarised statement of profit or loss and other comprehensive income for the 9 months period ended 31 March

	2021 KShs'm	2020 KShs'm
Revenue	**210.5**	231.4
Other income	**13.8**	13.1
Operating expenses	**(157.0)**	(148.3)
Administrative expenses	**(84.8)**	(32.7)
Total expenses	**(241.8)**	(181.0)
Profit before tax	**(17.5)**	63.5
Income tax expense	**(9.3)**	–
Profit after tax	**(26.8)**	63.5
Share of profit before tax (32.5%)	**(8.7)**	20.6
Profit/(loss) for the 3 months ended 30 June (2020 and 2019 respectively)	**(84.4)**	40.3
Share of profit of associate	**(93.1)**	**60.9**

The information above reflects the amounts presented in the management accounts of the associate and not Safaricom PLC share of those amounts, adjusted for differences in accounting policies between the Company and associate. The results of TEAMS do not have a material impact on the Group's results.

NOTES TO THE FINANCIAL STATEMENTS continued

23 Investments continued

(b) Investment in associates and joint venture – Group and Company continued

In March 2020, Safaricom PLC and Vodacom Group Limited completed the acquisition of the M-PESA Brand, Product development and support services from Vodafone Group Plc through Joint Venture (JV), M-PESA Africa Limited. The new JV will strategically help accelerate M-PESA growth in Africa by giving both Safaricom Plc and Vodacom Group Limited full control of M-PESA Brand in Africa. Safaricom Plc owns 50% of the issued share capital of the JV with Vodacom Group Limited owning the remaining 50%.

The JV is registered in Kenya and has a 100% owned subsidiary, K2019102008 (South Africa) (Proprietary) Limited registered in South Africa.

The Joint Venture is accounted for using equity method in these consolidated financial statements. Summarized financial information in respect of Safaricom PLC investment in joint venture as at year end is set out below:

There are no significant restrictions on the ability of the Joint Venture to transfer funds to Safaricom Plc in the form of cash dividend or repayment of loans. Decisions by the Joint Venture to declare and/or pay any dividend or make any capital distribution to shareholders must have prior written consent of the existing shareholders.

M-PESA Africa Limited summarised statement of financial position as at 31 March

	2021 KShs'm	2020 KShs'm
Total equity	**8,937.4**	8,725.9
Non-current Liabilities	**2,870.7**	2,688.4
Total equity and non-current liabilities	**11,808.1**	**11,414.3**
Non-current assets	**14,803.1**	11,414.2
Current assets		
Cash and cash equivalents	**883.0**	–
Other current assets	**381.5**	0.1
Total current assets	**1,264.5**	0.1
Current liabilities	**(4,259.5)**	–
Net current assets	**(2,995.0)**	0.1
	11,808.1	**11,414.3**

M-PESA Africa Limited summarised statement of profit or loss and other comprehensive income for year ended 31 March

	2021 KShs'm	2020 KShs'm
Revenue	**3,180.7**	
Other income[1]	**–**	6,592.2
Total expenses	**(2,585.5)**	–
Profit before interest, tax, depreciation and amortization	**595.2**	6,592.2
Depreciation and Amortisation	**(1,115.7)**	–
Financing Costs	**(55.6)**	–
Income tax expense	**(92.0)**	–
Profit after tax	**(668.1)**	6,592.2
Share of profit/(loss) before tax (50%)	**(334.1)**	3,296.1
Under report from prior year	**20.0**	–
Share of (loss)/profit before tax (50%)	**(314.1)**	**3,296.1**

1 The revaluation of the acquired assets exceeded the consideration paid to Vodafone group. This was due to the valuation of the M-PESA brand in Africa that was acquired together with the assets. As a result, this resulted to a bargain purchase gain. The bargain purchase gain was shared equally to the Investors.

NOTES TO THE FINANCIAL STATEMENTS continued

24 Inventories

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Handsets and accessories	**2,135.5**	1,275.8	**2,135.5**	1,275.8
Scratch cards	**43.7**	64.6	**43.7**	64.6
Starter packs	**457.2**	453.1	**457.2**	453.1
Stationery and other stocks	**6.6**	8.8	**6.6**	8.8
Set top boxes	**0.7**	5.1	**0.7**	5.1
Less: provision for obsolescence	**(202.5)**	(174.9)	**(202.5)**	(174.9)
	2,441.2	1,632.5	**2,441.2**	1,632.5
Inventory work-in-progress	**–**	160.6	**–**	160.6
Farm stocks	**45.8**	66.3	**–**	–
	2,487.0	**1,859.4**	**2,441.2**	**1,793.1**

Note:
The amount of inventories recognised as an expense during the period was KShs 10,315.9 million (2020: 9,245.5 million reported under direct costs (Note 6).

25 Trade and other receivables

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Current:				
Trade receivables	**16,504.8**	10,851.4	**14,826.6**	10,138.1
Less: Allowance for expected credit losses	**(5,315.7)**	(2,828.7)	**(5,160.0)**	(2,706.3)
	11,189.1	8,022.7	**9,666.6**	7,431.8
Receivable from related parties (Note 31 (viii))	**2,475.4**	1,511.0	**2,874.3**	1,821.4
Less: Allowance for expected credit losses	**(17.4)**	(11.7)	**(911.7)**	(11.7)
	2,458.0	1,499.3	**1,962.6**	1,809.7
Other receivables*	**4,087.5**	4,202.6	**3,973.8**	4,108.7
Less: Allowance for expected credit losses	**(30.4)**	–	**(21.1)**	–
	4,057.1	4,202.6	**3,952.7**	4,108.7
Prepayments	**3,147.3**	2,864.2	**3,147.2**	2,850.2
Construction and maintenance contract receivable	**1,568.9**	614.0	**1,568.9**	614.0
Less: Adjustment on construction contract receivables	**(72.5)**	(12.5)	**(72.5)**	(12.5)
Net construction and maintenance contract receivable	**1,496.4**	601.5	**1,496.4**	601.5
	22,347.9	**17,190.3**	**20,225.5**	**16,801.9**

NOTES TO THE FINANCIAL STATEMENTS continued

25 Trade and other receivables continued

Movements on the allowance for expected credit losses on trade receivables, other receivables and related parties' receivables are as follows:

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
At start of year	**2,840.4**	**1,736.8**	**2,718.0**	**1,736.8**
Provision for expected credit losses for the year				
– trade and other receivables	**3,547.9**	2,188.5	**3,505.3**	1,937.6
– related parties	**5.7**	11.7	**900.0**	11.7
Release of prior year provisions	**(549.5)**	(530.6)	**(549.5)**	(530.6)
Provision for expected credit losses	**3,004.1**	**1,669.6**	**3,855.8**	**1,418.7**
Receivables written off during the year as uncollectible	**(481.0)**	**(566.0)**	**(481.0)**	**(437.5)**
Closing allowance for expected credit losses at year end	**5,363.5**	**2,840.4**	**6,092.8**	**2,718.0**
Provision for trade receivables	**5,315.7**	2,828.7	**5,160.0**	2,706.3
Provision for related parties	**17.4**	11.7	**911.7**	11.7
Provision for other receivables	**30.4**	–	**21.1**	–
Closing allowance for expected credit losses as at year end	**5,363.5**	**2,840.4**	**6,092.8**	**2,718.0**

* Other receivables include deposit, interest receivable and EPSAP share receivable.

The carrying amounts of the above receivables approximate their fair values.

In connection with the National Police Service contract, bills have been raised for both the construction and maintenance service as per the contract terms. No payment was received during the year (2020: KShs 1.78 billion) and the outstanding balance at year end was KShs 1,569 million. Due to the extended payment terms of the contract, fair value adjustment of KShs 72.6 million (2020: KShs 12.6 million) has been made in arriving at the outstanding receivable.

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
At start of year	**12.5**	**64.0**	**12.5**	**64.0**
Adjustments made in the year for construction and maintenance contract receivable	**60.0**	12.5	**60.0**	12.5
Release of prior year provisions	**–**	(64.0)	**–**	(64.0)
Adjustment on construction and maintenance contract receivable	**60.0**	**(51.5)**	**60.0**	**(51.5)**
	72.5	**12.5**	**72.5**	**12.5**

NOTES TO THE FINANCIAL STATEMENTS continued

26 Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Cash at bank	**26,740.8**	26,759.7	**26,039.1**	25,859.7
Allowance for expected credit losses	**(4.7)**	–	**(3.2)**	–
	26,736.1	**26,759.7**	**26,035.9**	**25,859.7**
(b) Restricted cash				
Restricted cash	**2,783.1**	2,963.2	**2,783.1**	2,963.2
Discounting adjustment at inception	**(801.1)**	(1,051.5)	**(801.1)**	(1,051.5)
	1,982.0	**1,911.7**	**1,982.0**	**1,911.7**
(c) Deferred restricted cash asset				
Discounting adjustment at inception (note 26(b))	**801.1**	1,051.5	**801.1**	1,051.5
Amortisation	**(242.4)**	(215.4)	**(242.4)**	(215.4)
Net deferred restricted cash asset	**558.7**	**836.1**	**558.7**	**836.1**
(d) Restricted cash asset movement				
Opening balance	**2,747.8**	2,740.9	**2,747.8**	2,740.9
Staff Mortgage issued	**197.9**	388.5	**197.9**	388.5
Repayments	**(378.0)**	(320.5)	**(378.0)**	(320.5)
Discounting adjustment charge	**(27.0)**	(61.1)	**(27.0)**	(61.1)
Net deferred restricted cash asset	**2,540.7**	**2,747.8**	**2,540.7**	**2,747.8**

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank. The cash is used as a backup to the staff mortgage loans and its withdrawal is restricted.

The deposit earns interest below the market rate and therefore the need to fair value at inception. The fair value of the restricted cash on initial recognition was determined using the discounted cash flow method. The difference between the actual cash held as deposits and the fair value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit. Subsequently, the restricted cash is carried at amortised cost. The fair value adjustment at inception is amortised over the period of the staff's mortgage.

NOTES TO THE FINANCIAL STATEMENTS continued

27 Other financial assets

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
At 1 April 2020	**188.6**	8,043.0	**–**	7,866.8
Government securities at amortised cost	**–**	–	**–**	–
Deposits with financial institutions	**–**	–	**–**	–
Less: matured assets	**(188.6)**	(7,854.4)	**–**	(7,866.8)
At 31 March	**–**	**188.6**	**–**	**–**

28(a) Payables and accrued expenses

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Current				
Trade payables	**5,636.0**	7,181.1	**5,627.8**	7,128.8
Due to related companies (Note 31 (ix))	**884.2**	949.9	**1,179.4**	1,254.5
Accrued liabilities				
– Network infrastructure	**3,678.0**	3,893.2	**3,656.1**	3,893.2
– Inventory	**1,197.9**	850.0	**1,197.9**	850.0
– Other expenses	**10,545.8**	9,834.3	**10,389.3**	9,837.8
Other payables				
– Indirect and other taxes payable	**6,039.5**	3,619.8	**6,077.5**	3,640.3
– M-PESA agent accrual	**2,803.4**	1,996.0	**2,803.4**	1,996.0
– Other accrued payables	**3,236.6**	1,595.8	**3,137.0**	1,553.2
	34,021.4	**29,920.1**	**34,068.4**	**30,153.8**
Non-current				
At 1 April 2020	**985.4**	1,131.0	**985.4**	1,131.0
Charge for the year	**337.8**	26.8	**337.8**	26.8
Payments for the year	**(1,323.2)**	(172.4)	**(1,323.2)**	(172.4)
At 31 March	**–**	**985.4**	**–**	**985.4**

This relates to the payable amount for the overdraft facility (Fuliza) platform payable after twelve months.

NOTES TO THE FINANCIAL STATEMENTS continued

28(b) Provisions for liabilities

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
At 1 April	**4,462.3**	3,893.6	**4,462.3**	3,893.6
Charge for the year	**363.4**	1,428.9	**363.4**	1,428.9
Addition ARO provision	**2,207.4**	–	**2,207.4**	–
Payments and release for the year	**(1,320.2)**	(860.2)	**(1,320.2)**	(860.2)
At 31 March	**5,712.9**	**4,462.3**	**5,712.9**	**4,462.3**
Current portion	**2,561.5**	4,462.3	**2,561.5**	4,462.3
Non-current portion	**3,151.4**	–	**3,151.4**	–
	5,712.9	**4,462.3**	**5,712.9**	**4,462.3**

Legal contingencies

The Group is currently involved in various legal disputes and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 31 March 2021.

Due to the nature and uncertainty of the outcomes of the various litigation cases management exercises judgement to determine the quantum and adequacy of the provision carried. Settlement only happens when a case is closed either through court rulings or out of court between parties involved. The impact of discounting on the provision is not considered to be material.

Tax matters

The Group is subjected to regular compliance audits by Kenya revenue authority (KRA) mainly around direct and indirect tax, capital allowances, withholding taxes and transfer pricing. Disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. To address and manage this tax environment uncertainty, good governance is fundamental to the Group's business sustainability. The group employs multiple approaches in tax self-assessment in-order to arrive at the final gro p's tax position. This includes internal reviews and periodic consulting with external tax experts in addition to periodic reviews by our external auditors. Tax decisions are always subject to review by management and are periodically reported to the Board. The Group has considered all tax matters including ongoing tax audits by KRA in the knowledge of management and has accounted for them appropriately.

Asset Restoration provision

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation. This is then discounted to the present value of the obligation.

NOTES TO THE FINANCIAL STATEMENTS continued

29(a) Contract assets

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Dealer connection commissions	**2,258.5**	2,695.0	**2,258.5**	2,695.0
SIM activation cost	**766.9**	750.5	**766.9**	750.5
Deferred SIM cost	**1,509.2**	–	**1,509.2**	–
Total contract assets	**4,534.6**	**3,445.5**	**4,534.6**	**3,445.5**
The movement of the contract assets is as below:				
Opening balance – 1 April	**3,445.5**	2,949.8	**3,445.5**	2,949.8
Additions in the year	**6,320.5**	4,029.2	**6,320.5**	4,029.2
Amortised as costs in the year	**(5,231.4)**	(3,533.5)	**(5,231.4)**	(3,533.5)
Closing balance – 31 March	**4,534.6**	**3,445.5**	**4,534.6**	**3,445.5**
Current portion	**3,043.4**	2,563.8	**3,043.4**	2,563.8
Non-current portion	**1,491.2**	881.7	**1,491.2**	881.7
	4,534.6	**3,445.5**	**4,534.6**	**3,445.5**

(b) Contract liabilities

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Customer loyalty programmes	**4,217.0**	3,936.5	**4,217.0**	3,936.5
Deferred airtime revenue	**2,601.0**	2,477.4	**2,601.0**	2,477.4
Deferred connection revenue	**1,843.8**	877.3	**1,843.8**	877.3
Deferred integrated products-	**1,640.1**	1,565.2	**1,640.1**	1,565.2
Deferred fixed data	**605.5**	509.2	**605.5**	474.2
Deferred fibre & collocation revenue	**830.8**	438.9	**830.8**	438.9
Deferred bulk SMS	**135.4**	216.1	**135.4**	216.1
Deferred bundled handsets resources	**16.8**	28.5	**16.8**	28.5
Deferred ETU access fee	**2.9**	2.3	**2.9**	2.3
Deferred PRSP initial set up fee	**3.1**	2.3	**3.1**	2.3
Deferred Neo Voice, data	**1,179.2**	292.6	**1,179.2**	292.6
Deferred Karibu postpay	**23.4**	48.0	**23.4**	48.0
Deferred Visa revenues	**360.7**	–	**360.7**	–
Deferred interest on device financing	**9.9**	–	**9.9**	–
Total contract liabilities	**13,469.6**	**10,394.3**	**13,469.6**	**10,359.3**
The movement of the contract liabilities is as below:				
Opening balance – 1 April	**10,394.3**	10,019.1	**10,359.3**	9,976.3
Additions in the year	**233,369.2**	214,698.6	**233,239.6**	214,142.7
Recognised as revenue in the year	**(230,293.9)**	(214,323.4)	**(230,129.3)**	(213,759.7)
Closing balance – 31 March	**13,469.6**	**10,394.3**	**13,469.6**	**10,359.3**
Current portion	**11,033.5**	9,410.9	**11,033.5**	9,375.9
Non-current portion	**2,436.1**	983.4	**2,436.1**	983.4
	13,469.6	**10,394.3**	**13,469.6**	**10,359.3**

NOTES TO THE FINANCIAL STATEMENTS continued

30(a) Cash generated from operations

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Profit before income tax	**93,635.5**	105,773.0	**92,438.0**	105,253.9
Adjustments for:				
Interest income (Note 8)	**(1,523.6)**	(2,940.9)	**(1,502.7)**	(2,917.1)
Interest expense (Note 9)	**1,686.5**	348.8	**1,667.8**	347.6
Depreciation on property and equipment (Note 18)	**32,624.5**	31,964.8	**32,570.4**	31,925.3
Amortisation of right of use (ROU) asset	**3,304.8**	2,922.8	**3,304.8**	2,922.8
Amortisation of intangible assets (Note 21)	**1,628.5**	1,359.1	**1,628.1**	1,358.0
Share of profit from associate (Note 23 (b))	**192.9**	(60.9)	**192.9**	(60.9)
Amortisation of IRUs (Note 19)	**406.5**	301.0	**406.5**	301.0
Share of profit of Joint Venture (M-PESA Africa Limited) (Note 23 (b))	**314.1**	(3,296.1)	**314.1**	(3,296.1)
Gain on disposal of property and equipment (Note 5 (b))	**(38.0)**	(56.5)	**(38.0)**	(56.5)
Fair valuation of restricted cash (Note 8)	**27.0**	61.1	**27.0**	61.1
Fair value adjustment on construction contract receivable	**60.0**	(51.5)	**60.0**	(51.5)
Interest on ARO liability	**223.2**	57.6	**223.2**	57.6
Gain/loss on Lease termination	**(37.4)**	–	**(37.4)**	–
Revaluation of lease liability	**218.4**	–	**218.4**	–
Interest on lease liability	**1,717.9**	1,640.7	**1,717.9**	1,640.7
Expected credit loss of receivables	**3,005.0**	1,669.6	**3,860.5**	1,418.7
Change in operating assets and liabilities:				
– Movement in provision for other liabilities (Note 28(b))	**(1,180.0)**	511.2	**(1,180.0)**	511.2
– Movement in contract liabilities	**3,075.3**	375.2	**3,110.3**	383.0
– Movement in contract assets	**(1089.0)**	(496.4)	**(1089.0)**	(496.4)
– Movement in receivables and prepayments	**(8,264.8)**	(1,464.2)	**(7,383.7)**	(1,745.1)
– Movement in inventories	**(627.6)**	(84.8)	**(648.1)**	(18.5)
– Movement in payables and accrued expenses	**3,192.1**	1,070.6	**3,005.4**	1,096.8
Cash generated from operations	**132,551.8**	**139,604.2**	**132,866.4**	**138,635.6**

NOTES TO THE FINANCIAL STATEMENTS continued

30(b) Net cash/(debt) reconciliation

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Net cash and cash equivalents (Note 26 a)	**26,736.1**	26,759.7	**26,035.9**	25,859.7
Borrowings (Note 16)	**(14,772.0)**	(8,000.0)	**(14,772.0)**	(8,000.0)
Lease liabilities (Note 22)	**(16,073.7)**	(15,224.7)	**(16,073.7)**	(15,224.7)
Net cash	**(4,109.6)**	**3,535.0**	**(4,809.8)**	**2,635.0**
Net cash and cash equivalents (Note 26 a)	**26,736.1**	26,759.7	**26,035.9**	25,859.7
Gross debt-fixed interest rates	**(30,845.7)**	(23,224.7)	**(30,845.7)**	(23,224.7)
Net cash	**(4,109.6)**	**3,535.0**	**(4,809.8)**	**2,635.0**

(c) Liabilities from financing activities and net debt

	GROUP				
	Borrowings KShs'm	Lease liabilities KShs'm	Subtotal KShs'm	Cash and cash equivalents KShs'm	Net Debt KShs'm
Net debt as at					
1 April 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**26,759.7**	**3,535.0**
Receipts	**(44,970.0)**	**–**	**(44,970)**	**(23.6)**	**(44,993.6)**
Payments	**38,198.0**	**3,874.6**	**42,072.6**	**–**	**42,072.6**
Acquisitions and revision	**–**	**(2,787.3)**	**(2,787.3)**	**–**	**(2,787.3)**
Interest charged	**–**	**(1,717.9)**	**(1,717.9)**	**–**	**(1,717.9)**
Forex revaluation		**(218.4)**	**(218.4)**	**–**	**(218.4)**
31 March 2021	**(14,772.0)**	**(16,073.7)**	**(30,845.7)**	**26,736.1**	**(4,109.6)**

	Borrowings KShs'm	Lease liabilities Shs' m	Subtotal KShs'm	Cash and cash equivalents KShs'm	Net Debt KShs'm
Net debt as at					
1 April 2019	(4,032.0)	(15,949.8)	(19,981.8)	20,030.1	48.3
Receipts	(20,132.0)	–	(20,132.0)	6,729.6	(13,402.4)
Payments	16,164.0	3,742.8	19,906.8	–	19,906.8
Acquisitions	–	(1,377.0)	(1,377.0)	–	(1,377.0)
Interest charged	–	(1,640.7)	(1,640.7)	–	(1,640.7)
31 March 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**26,759.7**	**3,535.0**

NOTES TO THE FINANCIAL STATEMENTS continued

30(c) Liabilities from financing activities and net debt

	COMPANY				
	Borrowings KShs'm	Lease liabilities KShs'm	Subtotal KShs'm	Cash and cash equivalents KShs'm	Net Debt KShs'm
Net debt as at					
1 April 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**25,859.7**	**2,635.0**
Receipts	**(44,970.0)**	**–**	**(44,970)**	**176.2**	**(44,793.8)**
Payments	**38,198.0**	**3,874.6**	**42,072.6**	**–**	**42,072.6**
Acquisitions and revision	**–**	**(2,787.3)**	**(2,787.3)**	**–**	**(2,787.3)**
Interest charged	**–**	**(1,717.9)**	**(1,717.9)**	**–**	**(1,717.9)**
Forex revaluation	**–**	**(218.4)**	**(218.4)**	**–**	**(218.4)**
31 March 2021	**(14,772.0)**	**(16,073.7)**	**(30,845.7)**	**26,035.9**	**(4,809.8)**

	COMPANY				
	Borrowings KShs'm	Lease liabilities KShs'm	Subtotal KShs'm	Cash and cash equivalents KShs'm	Net Debt KShs'm
1 April 2019	(4,032.0)	(15,949.8)	(19,981.8)	19,828.0	(153.8)
Receipts	(20,132.0)	–	(20,132.0)	6,031.7	(14,100.3)
Payments	16,164.0	3,742.8	19,906.8	–	19,906.8
Acquisitions	–	(1,377.0)	(1,377.0)	–	(1,377.0)
Other changes	–	(1,640.7)	(1,640.7)	–	(1,640.7)
31 March 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**25,859.7**	**2,635.0**

31 Related party transactions

Vodafone Kenya Limited incorporated in Kenya, whose ultimate parent is Vodafone Group PLC, incorporated in the United Kingdom (UK), is the largest single shareholder of the Company. There are other companies in the Vodafone Group that are related to the Company through common shareholdings or common directorships.

The following are the significant arrangements that exist and form the basis of various transactions within the Group:

(a) The Company has roaming agreements with Vodafone affiliated companies in many countries around the world, including the UK.

(b) The Company operates the M-PESA business which offers integrated financial services. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions and pay for goods and services by use of mobile phone for which the Company earns a commission which is based on the amounts transacted. The Company also uses the M-PESA platform to sell airtime to M-PESA account holders as well as run the M-Shwari and KCB M-PESA products as detailed out in Note 2(e).

M-PESA Africa Limited is a joint venture between Safaricom Plc and Vodacom Group (SA). The Company has entered into a managed services agreement with the Safaricom Plc to provide technical and product-based M-PESA solutions against which a fee is charged monthly. The fee is based on 2% of the M-PESA transaction revenue effective 1 April 2020.

M-PESA Holding Co. Limited acts as the trustee for M-PESA customers and holds all funds from the M-PESA business in trust to ensure that those funds are safeguarded at all times.

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

(c) The Company has signed an agreement with Vodafone Sales and Services Limited, a company incorporated in England. The agreement is effective from 1 April, 2011 renewable annually. Under the agreement, Safaricom PLC will have access to Vodafone's global price book and supply chain resources for purposes of procurement, terminals management, Vodafone technical expertise, best practice systems and processes, Vodafone knowledge bank, benchmarking reports, Vodafone Global Enterprise customers to increase revenues, Vodafone business assurance and the business and consumer products and marketing support.

The participation fee is fixed at an annual amount equal to six million, nine hundred thousand Euros (EUR 6,900,000) and a variable element of 6.85% of value of purchases made.

(d) The Company has employees who are seconded from Vodafone affiliate companies. The payroll cost for the secondees is managed by Vodafone Group Services Limited and recharged (invoiced) to the Company for payment on a monthly basis.

(e) The Company seconds its staff to other Vodafone affiliate companies. The payroll cost for these secondees is managed by Vodafone Group Enterprises (VGE) and recharged (invoiced) by the Company for payment on a monthly basis.

The following relationships exist within Safaricom PLC:

Related parties	Held by	Percentage of interest held as at 31 March	
		2021	**2020**
Subsidiaries			
One Communications Limited	Safaricom PLC	**100%**	100%
Instaconnect Limited	Safaricom PLC	**100%**	100%
Safaricom Money Transfer Services Limited	Safaricom PLC	**100%**	100%
East Africa Tower Company Limited	Safaricom PLC	**100%**	100%
Safaricom Foundation*	Safaricom PLC	**–**	–
Flexible Bandwidth Services Limited	One Communications Limited	**100%**	100%
Comtec Training and Management Services Limited	One Communications Limited	**100%**	100%
Comtec Integration Systems Limited	One Communications Limited	**100%**	100%
DigiFarm Kenya Limited	Safaricom PLC	**100%**	100%
Associates			
The East African Marines Systems Limited (TEAMS)	Safaricom PLC	**32.5%**	32.5%
Circle Gas Limited	Safaricom PLC	**18.39%**	18.96%
Joint Venture			
M-PESA Africa Limited	Safaricom PLC	**50%**	50%

* Safaricom Foundation was established by Safaricom PLC as a public charitable trust by a Declaration of trust dated 14 August 2003 and is domiciled in Kenya.

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

The following transactions were carried out with related parties:

i) Sale of goods and services

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	**87.2**	115.6	**87.2**	115.6
Vodacom Tanzania Public Limited Company	**46.3**	57.1	**46.3**	57.1
M-PESA Holding Co. Limited	**73,389.0**	78,795.2	**73,389.0**	77,493.0
Vodacom South Africa Limited	**735.7**	591.6	**735.7**	591.6
Vodafone UK	**316.9**	220.9	**316.9**	220.9
Vodafone Group Enterprises	**–**	158.5	**–**	158.5
Vodacom Business (Kenya) Limited	**6.9**	6.7	**6.9**	6.7
Vodafone Egypt Telecom. S.A.E.	**2.9**	9.3	**2.9**	9.3
Vodafone Network (Pty) Limited	**0.3**	1.0	**0.3**	1.0
Vodafone Sverige AB	**–**	0.9	**–**	0.9
Vodafone Qatar Q.S.C.	**–**	1.1	**–**	1.1
Vodafone Group Services Ltd	**114.3**	–	**114.3**	–
Vodafone Ghana	**18.2**	–	**18.2**	–
Vodafone Services LLC Oman	**12.0**	–	**12.0**	–
Vodafone DRC Congo	**4.6**	–	**4.6**	–
Vodafone Us Inc.	**9.9**	–	**9.9**	–
Vodacom Group Ltd	**4.4**	–	**4.4**	–
Joint Venture				
M-PESA Africa limited	**172.2**	–	**172.2**	–
Subsidiaries				
Safaricom Money Transfer Services Limited	**–**	–	**786.2**	330.0
DigiFarm Kenya	**–**	–	**113.0**	–
Instaconnect	**–**	–	**–**	27.0
One Communications Limited	**–**	–	**119.8**	533.0
	74,920.8	**79,957.9**	**75,939.8**	**79,545.7**

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

ii) Purchase of goods and services

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Other Related Parties				
Vodafone Sales and Services Limited	**2,105.9**	3,172.1	**2,105.9**	3,172.1
Vodafone Group Services Limited	**98.3**	478.2	**98.3**	478.2
Vodafone Roaming Services S.à r.l	**85.4**	96.9	**85.4**	96.9
Vodafone UK	**34.7**	41.1	**34.7**	41.1
Vodacom South Africa Limited	**78.5**	26.6	**78.5**	26.6
Vodacom Tanzania Public Limited Company	**220.0**	271.8	**220.0**	271.8
Vodafone Sverige AB	**0.2**	0.9	**0.2**	0.9
Vodafone Egypt Telecom. S.A.E.	**3.9**	9.6	**3.9**	9.6
Vodafone Network (Pty) Limited	**2.1**	1.2	**2.1**	1.2
Vodafone Qatar Q.S.C.	**65.5**	5.7	**65.5**	5.7
Vodacom Business (Kenya) Limited	**–**	35.9	**–**	35.9
Vodafone India Limited	**–**	5.1	**–**	5.1
Vodacom Group Ltd	**117.6**	–	**117.6**	–
Vodacom International	**64.9**	–	**64.9**	–
Vodafone IDEA Limited	**6.1**	–	**6.1**	–
Vodafone Innovus S.A.	**19.8**	–	**19.8**	–
Vodacom Business (Kenya) Limited	**58.9**	–	**3.2**	–
Joint Venture				
M-pesa Africa limited	**1,466.5**	–	**1,466.5**	–
Subsidiaries				
One Communications Limited	**–**	–	**180.9**	401.7
Safaricom Money Transfer Services Limited	**–**	–	**391.1**	–
Digifarm Kenya Limited	**–**	–	**17.3**	–
	4,428.3	**4,145.1**	**4,961.9**	**4,546.8**

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

iii) Directors' remuneration

	GROUP AND COMPANY	
	2021 KShs'm	2020 KShs'm
Fees for services as director	**38.7**	34.5
Salaries	**162.7**	169.3
Bonuses	**243.2**	43.5
Value for non-cash benefits	**22.3**	44.5
Employee Performance Share Award Plan	**2.8**	32.9
	469.7	**324.7**

iv) Key management compensation

	GROUP AND COMPANY	
	2021 KShs'm	2020 KShs'm
Salaries and other short-term employment benefits	**822.4**	852.3
Employee Performance Share Award Plan	**83.9**	134.4
Pension contribution	**18.8**	20.2
Termination benefits	**33.6**	–
	958.7	**1,006.9**

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

v) Loans from shareholders

There no loans from shareholders outstanding at 31 March 2021 (2020: Nil).

vi) Loans to directors of the Company

There are no loans to directors of the Company at 31 March 2021 (2020: Nil).

vii) Donations to Safaricom Foundation

Donations made during the year amounted to KShs 510 million (2020: KShs 510 million).

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

viii) Outstanding receivable balances arising from sale of goods/services

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Other related Parties				
Vodafone Roaming Services S.à r.l	**10.4**	13.0	**10.4**	13.0
Vodafone Group Enterprises	**22.7**	51.9	**22.7**	51.9
M-PESA Holding Co. Limited	**2,292.5**	1,184.1	**1,622.3**	595.2
Vodacom Tanzania Public Limited Company	**10.2**	4.3	**10.2**	4.3
Vodacom South Africa Limited	**69.7**	193.1	**69.7**	193.1
Vodafone UK	**–**	56.4	**–**	56.4
Vodacom Business (Kenya) Limited	**3.5**	2.8	**3.5**	2.8
Vodafone Egypt Telecom. S.A.E.	**4.6**	5.4	**4.6**	5.4
Vodafone Sverige Ab	**–**	–	**–**	0.3
Vodafone Group Services Ltd	**1.2**	–	**1.2**	–
Vodafone Ghana	**28.9**	–	**28.9**	–
Vodafone US Inc.	**2.3**	–	**2.3**	–
Vodafone Sverige Ab	**0.1**	–	**0.1**	–
Joint Venture				
M-PESA Africa Limited	**29.3**	–	**29.3**	–
Subsidiaries				
One Communications Limited	**–**	–	**–**	31.9
East African Towers Company Limited	**–**	–	**16.0**	16.0
Instaconnect Limited	**–**	–	**88.4**	88.4
Safaricom Money Transfer Services Limited	**–**	–	**116.0**	44.1
DigiFarm Kenya Limited	**–**	–	**848.7**	718.6
	2,475.4	**1,511.0**	**2,874.3**	**1,821.4**

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of KShs 911.7 million and KShs 17.4 million for the Company and Group respectively (2020: KShs 11.7 million Company and Group) is held against receivables from related parties as indicated in Note 25.

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

(ix) Outstanding payable balances arising from purchases of goods/services

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
Other related Parties				
Vodafone Sales and Services Limited	**661.4**	557.8	**661.4**	557.8
Vodafone Group Services Limited	**–**	319.7	**–**	319.7
Vodafone Roaming Services S.à r.l	**2.0**	4.2	**2.0**	4.2
Vodacom Tanzania Public Limited Company	**14.7**	42.6	**14.7**	42.6
Vodacom South Africa Limited	**2.3**	2.1	**2.3**	2.1
Vodafone UK	**–**	2.9	**–**	2.9
Vodafone Network (Pty) Limited	**–**	0.4	**–**	0.4
Vodafone Sverige AB	**0.3**	0.3	**0.3**	0.3
Vodafone D2 GMBH	**–**	0.9	**–**	0.9
Vodafone Qatar Q.S.C.	**5.4**	9.4	**5.4**	9.4
Vodafone Egypt Telecom. S.A.E.	**0.2**	0.3	**0.2**	0.3
Vodacom Business (Kenya) Limited	**10.4**	6.8	**–**	6.8
MTC Vodafone Bahrain	**0.9**	1.4	**0.9**	1.4
Vodafone India Limited	**0.8**	1.1	**0.8**	1.1
Vodacom Mozambique	**0.1**	–	**0.1**	–
Vodafone Network (Pty) Ltd	**0.2**	–	**0.2**	–
Joint Ventures				
M-PESA Africa Limited	**185.5**	–	**185.5**	–
Subsidiaries				
One Communications Limited	**–**	–	**304.3**	281.6
Safaricom Money Transfer Services Limited	**–**	–	**0.7**	23.0
DigiFarm Kenya Limited	**–**	–	**0.6**	–
	884.2	**949.9**	**1,179.4**	**1,254.5**

NOTES TO THE FINANCIAL STATEMENTS continued

31 Related party transactions continued

(x) Loan to related parties

The Group has a 50% shareholding in M-PESA Africa and owns 100% of DigiFarm Kenya Limited. During the period under review, the Group issued intragroup loans to the two entities to support their operations as per shareholders agreement and Board approvals.

DigiFarm Kenya Limited loan will be channeled towards financing both operating and capex activities. The facility has a principal and interest repayment grace period until the business moves to positive returns and a maximum tenure of 5 years.

M-PESA African Limited loan facility is a one-year facility and will be used to support the company's working capital requirements. The loan is repayable with interest at the 91 days treasury bill plus a margin of 1.75%.

(x) (a) Loans receivable from related party

	GROUP		COMPANY	
	2021 KShs'm	2020 KShs'm	2021 KShs'm	2020 KShs'm
M-PESA Africa Limited	1,288.7	–	1,288.7	–
Less: Allowance for expected credit losses	(0.9)	–	(0.9)	–
	1,287.8	–	1,287.8	–

(x) (b) Loan to subsidiary

	COMPANY	
	2021 KShs'm	2020 KShs'm
DigiFarm Kenya limited	240.0	–
Less: Allowance for expected credit losses	(3.8)	–
	236.2	–

(xi) Commitments, collateral and guarantees

The Group does not have any commitments, collaterals and guarantees made on or on behalf of the related parties (2020: Nil).

32 Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. At 31 March 2021, a guarantee of KShs 25 million (2020: KShs 25 million) had been given to Citibank NA against credit cards for the use by senior staff during travel and a guarantee of KShs 398.8 million (2020: KShs 244.4 million) to various suppliers of goods and services regularly provided by the Company.

The Company has outstanding matters with Kenya Revenue Authority (KRA) and various ongoing legal cases from trade and contractual disputes arising from normal course of business.

The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on these financial statements.

33 Commitments

Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	GROUP AND COMPANY	
	2021 KShs'm	2020 KShs'm
Property and equipment	10,795.7	11,536.2

34 COVID-19 pandemic

The Group is domiciled in Kenya and is in the business of offering a variety of telecommunication enabled solutions to customers. Since the outbreak of the pandemic in March 2020, the Group has been continuously tracking the developing issues around COVID-19 including various measures taken by the government of Kenya to mitigate the spread and impact of the pandemic and has put in place measures to mitigate the impact of the outbreak to customers, employees, sales force and other stakeholders.

The management and directors have considered the consequences of COVID-19 and other events and conditions and evaluated effects of these events across various lines of business and determined that they do not create a material uncertainty around continuity of its operations and hence COVID-19 is not expected to have a significant impact on the entity beyond the forecasted outcomes.

The Group continues to support the changed business environment through M-PESA, data and voice products.

Directors expect that COVID-19 might continue to have some impact, for example, in relation to expected future performance, or the effects on ease of doing business, though not significant. The Group expects that customers' disposable income (individuals and corporates) will remain suppressed as the economy recovers from the impact of government lockdowns to businesses and loss of employment on individuals.

In FY21 however, the company experienced significant impact in quarter one of the year but the effects eased from the second quarter of the year hence this did not result to a significant impact on the performance of the company as seen in the results for the 12 months from April 2020 to March 2021.

Effects of Government Intervention on performance of the Group:

i. Waiver of transaction charges on M-PESA Transactions.

To cushion the citizens from rapid transmission of the COVID-19 Pandemic the Kenyan Government waived transaction fees on Person to Person and Lipa na M-PESA transactions below KShs 1,000; Bank to M-PESA wallet and M-PESA wallet to bank transactions and zero-rated playbill tills for government hospitals and dispensaries to encourage as many people as possible to avoid handling cash for the period between April to December 2020. As a result, there was significant drop in M-PESA transactions revenue declining by up to 21.5% in the first quarter but quickly recovering in quarter two as one-month active customers grew which partly mitigated the impact of the waiver of charges. The waiver of transactions below KShs 1,000 was lifted in Quarter 4 (January to March 2021).

ii. Effects of change in taxation rates

On 25 April 2020, the Kenyan government enacted the Tax Laws (Amendment) Act, 2020 which reduced the corporate tax rate from 30% to 25%. The new rate of 25% was applicable for the period between April to December 2020. Resulting from this change, the company total corporate income tax (CIT) reduced by KShs 2.3bn. The tax rate was eventually reinstated to 30% from January 2021.

Additionally, the Kenyan government enacted laws reducing the wear and tear allowances for various categories of assets as listed in the Act. The main classes affected by wear and tear were: Telecom equipment where the wear and tear allowance decreased from 20% to 10% per annum, general equipment from 12.5% to 10% per annum, Computer and computer equipment from 30% to 25% per annum and calculated on straight line basis. Telecom equipment forms the bulk of the group's capital expenditure. Safaricom Plc wear and tear allowance for the year was KShs 20.5bn in the 12 months ended 31 March 2021. If the rates had not been changed the wear and tear allowance would have been KShs 36.5bn. The effect of this was to reduce the expected benefit from corporate tax rate reduction. The wear and tear allowances changes were retained in the new tax measures issued in January by the government.

iii. The impact of COVID-19 to Group's financial performance

Management expected the pandemic to affect certain sectors of the economy mainly forming part of the Group's fixed data revenue source. This is due to prolonged lock down hence scaling down of business operations in the main urban centres. The Group initiated targeted discussions with our partners and in some cases extended payment periods while in other cases temporarily scaled down the fixed data offerings.

Management further assessed the risk around receivables' collectability to ensure where associated risk is high, higher ECL provisions were made. As a result, a specific provision of KShs 19.1 million on outstanding receivables from customers in the hospitality, agricultural and transport sectors that were significantly affected by the pandemic as at 31 March 2021 was taken.

Mobile data showed strong resilience mainly as data became more and more critical for people to continue operating from their homes and grew at 11.5% YoY.

NOTES TO THE FINANCIAL STATEMENTS continued

34 COVID-19 pandemic continued

iii. The impact of COVID-19 to Group's financial performance continued

Voice and messaging declined although this is also in line with the trend before COVID. M-PESA remained the main means of doing business including government support transfer services as people continue to keep physical distance guidelines. This led to chargeable transactions per one-month active customers growth of 34.7% YoY to 19.5 transactions per customer attributed to increased activity in the eco-system. Management believes the resilience sustained M-PESA growth in the year and this is expected to continue through to FY22.

Effects of Government Intervention on performance of the Group:

The Company Cash flows and Working capital performed as per expected projections and management does not expect significant deterioration in the free cash flows or any asset impairment resulting from the pandemic.

Due to the Group's significant operating cash flows as well as its financial assets, access to capital markets and revolving credit agreements, Management believes the Group has, and will maintain, the ability to meet its liquidity needs for the foreseeable future. The Group will continue to pursue efforts to maintain the continuity of its operations while monitoring for new developments related to the COVID-19 pandemic, which are unpredictable. Future COVID-19 developments could result in additional favorable or unfavorable impacts on Group's business, operations or financial condition.

iv. Group interventions

As reported in interim results announcement, in response to a request by Ministry of Health communication support to the pandemic response team and as part of our commitment to keep the country connected during the pandemic period, the Group provided connectivity resources and airtime to the Ministry of Health, the COVID-19 Emergency Response Fund and front-line health workers both at the national and county levels. The resources included a monthly bundle consisting data, voice call minutes and SMSes per month topped up to the individual lines of front-line workers identified by the Ministry of Health in the first half of the financial year. This also included internet connectivity for the National Command and Control Centre during that period.

The Group during the period has taken pro-active steps intended to protect the health and safety of our staff and partners through provision of masks and sanitizers to ensure business continuity and delivery of services is not affected. On this account, the group has spent in excess of KShs 600 million on staff and partner interventions.

With the COVID-19 vaccine available in the country, management has arranged for vaccination of all front-line workers to help mitigate any impact on Group's operating activities by safeguarding staff and those that come into contact with the frontline teams in the marketplace.

Management has determined that COVID-19 impact does not cast significant doubt upon the entity's ability to continue as a going concern. The Directors and Management will continue to monitor the measures taken by the Government of Kenya and adjust the Group's business strategies and plans accordingly.

35 Events after the reporting period

Participation of Safaricom Plc in a consortium bidding for a mobile telecommunications license in the Federal Republic of Ethiopia.

Safaricom Plc is part of a consortium that has submitted a bid for one of the two full service mobile telecommunication licenses being awarded by the Ethiopia Communication Authority (ECA).

Per the bidding requirements, the consortium submitted a Bid bond, a First Demand Bank Guarantee, and a Corporate Demand Guarantee. The guarantees are expected to expire upon the settlement of the license fees by the designated winner of the license. The company has taken up its proportionate share of the guarantees and transaction funding requirements.

At the point of Board approval of these financial statements, the outcome of the bidding process had not been announced by ECA.

APPENDIX 1 – PRINCIPAL SHAREHOLDERS

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2021 were as follows:

Name of shareholder

		Number of shares
1	VODAFONE KENYA LIMITED	16,000,000,000
2	CABINET SECRETARY TO THE TREASURY	14,022,572,580
3	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	321,646,300
4	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE19796	284,131,800
5	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE20435	261,725,600
6	STANDARD CHARTERED KENYA NOMINEES LTD	197,381,427
7	STANBIC NOMINEES LTD A/C NR1030824	183,600,500
8	STANDARD CHARTERED NOMINEES RESD A/C KE11401	152,607,117
9	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004667	151,212,506
10	STANDARD CHARTERED NOMINEES RESD A/C KE11443	145,713,207
11	OTHERS	8,344,836,963
Total		**40,065,428,000**

Distribution of shareholders

Range (Number of shares)	Number of shareholders	Number of shares	% Shareholding
1 to 1,000	358,365	213,374,633	0.53%
1,001 – 10,000	165,181	468,737,352	1.17%
10,001 – 100,000	18,130	454,669,216	1.14%
100,001 – 1,000,000	1,613	438,093,506	1.09%
1,000,001 – 10,000,000	527	1,857,031,844	4.64%
10,000,001 – 100,000,000	177	4,410,639,433	11.01%
100,000,001 – 1,000,000,000	12	2,200,309,436	5.49%
1,000,000,001 – 100,000,000,000	2	30,022,572,580	74.93%
Total	**544,007**	**40,065,428,000**	**100.00%**

APPENDIX 2 –
REVENUE FROM CONTRACTS WITH CUSTOMERS

	GROUP					
	31 March 2021			31 March 2020		
	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	85,282.5	85,282.5	–	89,521.9	89,521.9
Interconnect voice revenue from local partners	–	6,046.2	6,046.2	–	4,930.2	4,930.2
Messaging revenue	–	14,167.1	14,167.1	–	17,075.8	17,075.8
Interconnect messaging revenue from local partners	–	129.0	129.0	–	109.1	109.1
Mobile data revenue	–	44,793.2	44,793.2	–	40,668.0	40,668.0
Fixed data revenue	–	9,507.2	9,507.2	–	8,966.9	8,966.9
M-PESA revenue	82,647.4	–	82,647.4	84,438.0	–	84,438.0
Emergency top up access fee	–	4,909.8	4,909.8	–	4,494.2	4,494.2
Premium rate services initial set up fees	–	2.9	2.9	–	2.0	2.0
Other service revenue	–	2,866.5	2,866.5	–	1,008.0	1,008.0
Service revenue	**82,647.4**	**167,704.4**	**250,351.8**	**84,438.0**	**166,776.1**	**251,214.1**
Handset revenue	8,511.7	–	8,511.7	6,631.0	–	6,631.0
Connection revenue	–	1,761.1	1,761.1	–	2,034.8	2,034.8
Construction revenue	–	837.7	837.7	–	583.9	583.9
Total revenue	**91,159.1**	**170,303.2**	**261,462.3**	**91,069.0**	**169,394.8**	**260,463.8**

	COMPANY					
	31 March 2021			31 March 2020		
	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	85,282.5	85,282.5	–	89,521.9	89,521.9
Interconnect voice revenue from local partners	–	6,046.2	6,046.2	–	4,930.2	4,930.2
Messaging revenue	–	14,167.1	14,167.1	–	17,075.8	17,075.8
Interconnect messaging revenue from local partners	–	129.0	129.0	–	109.1	109.1
Mobile data revenue	–	44,793.2	44,793.2	–	40,668.0	40,668.0
Fixed data revenue	–	9,507.2	9,507.2	–	8,966.9	8,966.9
M-PESA revenue	80,635.8	–	80,635.8	83,135.6	–	83,135.6
Emergency top up access fee	–	4,909.8	4,909.8	–	4,494.2	4,494.2
Premium rate services initial set up fees	–	2.9	2.9	–	2.0	2.0
Other service revenue	–	2,712.1	2,712.1	–	925.3	925.3
Service revenue	**80,635.8**	**167,550.0**	**248,185.8**	**83,135.6**	**166,693.4**	**249,829.0**
Handset revenue	8,511.7	–	8,511.7	6,631.0	–	6,631.0
Connection revenue	–	1,761.1	1,761.1	–	2,034.8	2,034.8
Construction revenue	–	837.7	837.7	–	583.9	583.9
Total revenue	**89,147.5**	**170,148.8**	**259,296.3**	**89,766.6**	**169,312.1**	**259,078.7**

07

OTHER INFORMATION

NOTICE AND AGENDA OF THE 2021 AGM

To all shareholders

NOTICE is hereby given that the Annual General Meeting of Safaricom PLC for the year 2021 will be held via electronic communication on Friday, 30 July 2021 at 11:00 a.m. to conduct the following business:-

Ordinary business

1. To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2021 together with the Chairman's, Directors' and Auditors' reports thereon.
2. Dividend
   a) To note the payment of an interim dividend of KShs 0.45 per share (Total: KShs 18.029 billion) which was paid to shareholders on 31 March 2021.
   b) To approve a final dividend of KShs 0.92 per share for the Financial Year ended 31 March 2021 as recommended by the Directors. The dividend will be payable on or before 31st August 2021 to the Shareholders on the Register of Members as at the close of business on 30 July 2021.
3. Directors
   a) To re-appoint Dr Bitange Ndemo who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers himself for re-election.
   b) To re-appoint Ms Winnie Ouko who retires at this meeting having been appointed in the course of the financial year, and, being eligible, offers herself for re-election.
4. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit Committee be elected to continue to serve as members of the said Committee:–
   - Ms Rose Ogega
   - Dr Bitange Ndemo
   - Mr Sitholizwe Mdalalose
   - Mr Christopher Kirigua
   - Ms Raisibe Morathi
5. To approve the Directors' Remuneration Report and the remuneration paid to the Director for the year ended 31 March 2021.
6. To re-appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.
7. Any other business of which due notice has been given.

Special business

8. To consider and if thought fit to pass the following resolution as an ordinary resolution, as recommended by the Directors:-

   Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

   For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolution as an ordinary resolution in regard to the business of the Company and in the interests of the Company:

   a) THAT the subscription by Safaricom PLC for shares in Vodafamily Ethiopia Holding Company Limited (the SPV Company), resulting in the SPV Company, Global Partnership for Ethiopia B.V. incorporated in Netherlands, an operating company to be established in Ethiopia and any other company or companies as may be incorporated to deliver the operational and business requirements to fulfil the obligations under the full-service mobile telecommunications license issued by the Ethiopian Communications Authority to the consortium of investors led by Safaricom Plc becoming subsidiaries of Safaricom PLC be ratified and approved.

BY ORDER OF THE BOARD

Kathryne Maundu (MS)

Company Secretary

Date: 5 July 2020

Explanation Note to Agenda No. 8

On 26 April 2021, the Company, Vodacom Group Ltd (South Africa) (through its subsidiary Vodacom International Holdings (Proprietary) Limited), Vodafone Group PLC (UK) (through its subsidiary Vodafone International Operations Limited), CDC Group PLC and Sumitomo Corporation, (the Consortium) submitted a bid to the Ethiopian Communications Authority (the ECA) for the award of one of two full-service mobile telecommunications licenses (the Ethiopia Telco Licence) in Ethiopia.

The ECA has confirmed that the Consortium's bid which included a financial bid of USD 850 million, was successful and therefore the ECA will award one Ethiopia Telco Licence to the Consortium. Such licence will allow the Consortium to operate a telecommunications network in Ethiopia, but will not include the licence to operate mobile money. The term of the Ethiopia Telco Licence will be for an initial term of 15 years with the right to apply to the ECA for an additional 15 years.

The Company's participation in this consortium is as follows:

(i) the Company owns 90% (less one share) of the shares of Vodafamily Ethiopia Holding Company Limited (incorporated in England), with 10% being held by Vodacom International Holdings (Proprietary) Limited and one share by Vodafone International Operations Limited;

(ii) Vodafamily Ethiopia Holding Company owns 61.9% of the shares of Global Partnership for Ethiopia B.V. (incorporated in the Netherlands), with Sumitomo Corporation holding 27.2%, and CDC Group Plc holding 10.9%;

(iii) Global Partnerships for Ethiopia B.V. will own and set up a new company in Ethiopia (OpCo) for purposes of conducting the business pursuant to the Ethiopia Telco Licence.

Vodafamily Ethiopia Holding Company Limited, Global Partnership for Ethiopia B.V. and OpCo are collectively referred to as the 'Consortium Companies'.

The fully diluted beneficial shareholding of the various Consortium parties is (i) the Company – 55.7%; (ii) Vodacom Group Ltd – 6.2%; (iii) Sumitomo Corporation 27.2%; and CDC Plc (10.9%).

As the Company will directly or indirectly hold more than a 50% equity stake in each of the Consortium Companies, each such Consortium Company will become a subsidiary company of Safaricom PLC.

The incorporation of Vodafamily Ethiopia Holding Company Limited and Global Partnership for Ethiopia B.V. and the allotment of shares of these companies was completed prior to the submission of the bid by the Consortium in order to ensure timely performance of the bid requirements. Due to the limited time for submission of the bid, and the uncertainty as to whether the Consortium would be awarded the Ethiopia Telco Licence, it was not possible for the Company to obtain shareholder approval prior to the submission of the Consortium's bid.

The Company wrote to and obtained the consent of the Capital Markets Authority for the approval of the shareholders to be sought by way of ratification at the next scheduled annual general meeting.

Notes:

1) In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Safaricom PLC to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.
2) Safaricom PLC has convened and is conducting this virtual annual general meeting in line with the provisions of the Company's Articles of Association.
3) Shareholders wishing to participate in the meeting should register far the AGM by doing the following:-
    a) Dialing *717# for Safaricom telephone network, *483*812# for all Kenyan telephone networks, *284'34# for Ugandan telephone networks, or *149'46'9# for Tanzania networks, '801 '30# for Rwanda networks, *l 20'6210*10# for South Africa networks and *384'3# for Zambia networks and following the various registration prompts; or
    b) Send an email request to be registered to safaricomshares@image.co.ke
    c) Shareholders with email addresses will receive a registration link via email through which they can use to register

    In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
4) Registration for the AGM opens on Thursday 5 July, 2021 at 9:00 am and will close on Wednesday, 28 July, 2021 at 11:00 am.
5) In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.safaricom.co.ke (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 31 March 2021.

An abridged version of the Financial Statements for the year ended 31 March 2021 has been published with this Notice.

The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

6) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a) sending their written questions by email to agmquestions@image.co.ke; or

   b) shareholders who will have registered to participate in the meeting shall be able to ask questions vis SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts; or

   c) to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Safaricom House, or to Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

   d) sending their written questions with a return physical address or email address by registered post to the Company Registrars address: Image Registrars, P O Box 9287, 00100 Nairobi.

   Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   Questions and clarification must reach the Company on or before Tuesday 27 July, 2021 at 11:00 am. Some questions will also be responded to at the Annual General Meeting.

   Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

7) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

   A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: www.safaricom.co.ke. Physical copies of the proxy form are also available at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide or from Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.

   A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Wednesday 28 July, 2021 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 28 July, 2021 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday 29 July, 2021 to allow time to address any issues.

8) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

9) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

10) A poll shall be conducted for all the resolutions put forward in the notice.

11) Results of the poll shall be published within 48 hours following conclusion of the AGM, in two newspapers of national circulation and on the Company's website.

12) The preferred method of paying dividends which are below KShs 140,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars (Tel: +254 724 699667/ +254 735565666/ +254 770 052116, Email: safaricomshares@image.co.ke) or Safaricom PLC's Investor Relations Team (Tel: +254 427 4233/6218 Mobile: +254 722 004233/6218, Email: investorrelations@safaricom.co.ke).

13) Shareholders are encouraged to continuously monitor the Company's website www.safaricom.co.ke for updates relating to the AGM due to the continuous evolving situation with COVID-19 and the Government directives being subject to change. We appreciate the understanding of our shareholders as we navigate the changing business conditions posed by COVID-19.

PROXY

I/WE____

Share A/c No _______________________________________

Of (Address) ____ __________________________________

Being a member (s) of Safaricom PLC, hereby appoint: ____________________________

__________________________ of mobile no./email ______________________

Or failing him/her, the duly appointed Chairman of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 30th July 2021 and at any adjournment thereof.

As witness I/We lay my/our hand (s) this ______________ day of ______________2021.

Signature ____

Signature ____

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2021 together with the Chairman's, Directors' and Auditors' reports thereon.			
2) To note the payment of an interim dividend of KSh 0.45 per share paid on or about 31st March 2021 and to approve a final dividend of Kshs 0.92 per share for the Financial Year ended 31st March 2021 as recommended by the Directors. The dividend will be payable on or about 31st August 2021 to the Shareholders on the Register of Members as at the close of business on 30th July 2021.			
3) To re-appoint Directors a) To re-appoint Dr Bitange Ndemo who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers himself for re-election.			
b) To re-appoint Ms Winnie Ouko who retires at this meeting having been appointed in the course of the financial year, and, being eligible, offers herself for re-election.			
4) To elect the following Directors, being members of the Board Audit, Risk and Compliance Committee to continue to serve as members of the said Committee: • Ms Rose Ogega; Dr Bitange Ndemo; Mr Sitholizwe Mdlalose; Mr Christopher Kirigua; Ms Raisibe Morathi and Ms Winnie Ouko.			
5) To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31st March 2021.			
6) To re-appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.			

Special Business To consider and if thought fit to pass the following resolution as an ordinary resolution, as recommended by the Directors: **Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.** For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolution as an Ordinary Resolution in regard to the business of the Company and in the interests of the Company: a) THAT the subscription by Safaricom PLC for shares in Vodafamily Ethiopia Holding Company Limited (the SPV Company), resulting in the SPV Company, Global Partnership for Ethiopia B.V. incorporated in Netherlands, an operating company to be established in Ethiopia and any other company or companies as may be incorporated to deliver the operational and business requirements to fulfill the obligations under the full-service mobile telecommunications license issued by the Ethiopian Communications Authority to the consortium of investors led by Safaricom Plc becoming subsidiaries if Safaricom PLC, be ratified and approved.			

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ______________________________

____

____

Address: ______________________________

____

Mobile Number______________________________

Date: ______________________________

Signature: ______________________________

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 30 July, 2021. ☐

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. ☐

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to safaricomshares@image.co.ke to arrive not later than 11:00 a.m. on 28 July, 2021 i.e. 48 hours before the meeting or any adjournment thereof or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorized attorney for that company.
6. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

DEFINITIONS AND ACRONYMS

ARPU	Average revenue per user
Bn	Billion
Churn	Total gross customer disconnections in the period divided by the average total customers in the period
2G	Second-generation Technology
3G	Third-generation Technology
4G	Fourth-generation Technology
5G	Fifth-generation Technology
FTTB	Fibre to the Building
FTTH	Fibre to the Home
IBC	Inside Back Cover
IFC	Inside Front Cover
IFRS	International Financial Reporting Standards
k	Thousand
LNM	Lipa na M-PESA
MB	Megabyte
Mn	Million
MSMEs	Micro Small and Medium Enterprises
NPS	National Police Service
Ppt	Percentage points
P2P	Person to person
ROU	Rights of Use
SMS	Short Message Service
Trn	Trillion

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CORPORATE INFORMATION

Registered Office
Safaricom House, Waiyaki Way, Westlands P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 3272
Website: **www.safaricom.co.ke**

Registrars
Image Registrars Limited
5th Floor, Absa Towers, Loita Street
P.O. Box 9287-00100, Nairobi
Telephone: +254 709 170 000
Email: **info@image.co.ke**
Website: **www.image.co.ke**

Shareholder Related Issues
Telephone: +254 709 170 041/00
Email: **safaricomshares@image.co.ke**

Investor Relations
Safaricom House, Waiyaki Way, Westlands
P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 6218/4233
Email: **investorrelations@safaricom.co.ke**
Website: **www.safaricom.co.ke/investorrelations**

Auditors
Ernst & Young
Kenya Re Towers, Off Ragati Road
P.O. Box 44286-00100, Nairobi
Telephone: +254 20 2886000


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