TRANSFORMING LIVES

SAFARICOM SUSTAINABILITY
REPORT 2013

Our imperatives and opportunities

We have organised this report around our imperatives and opportunities. Our imperatives are the actions that we need to undertake to maintain our current position and our opportunities are the future-looking initiatives that we need to initiate to realise our potential for growth.
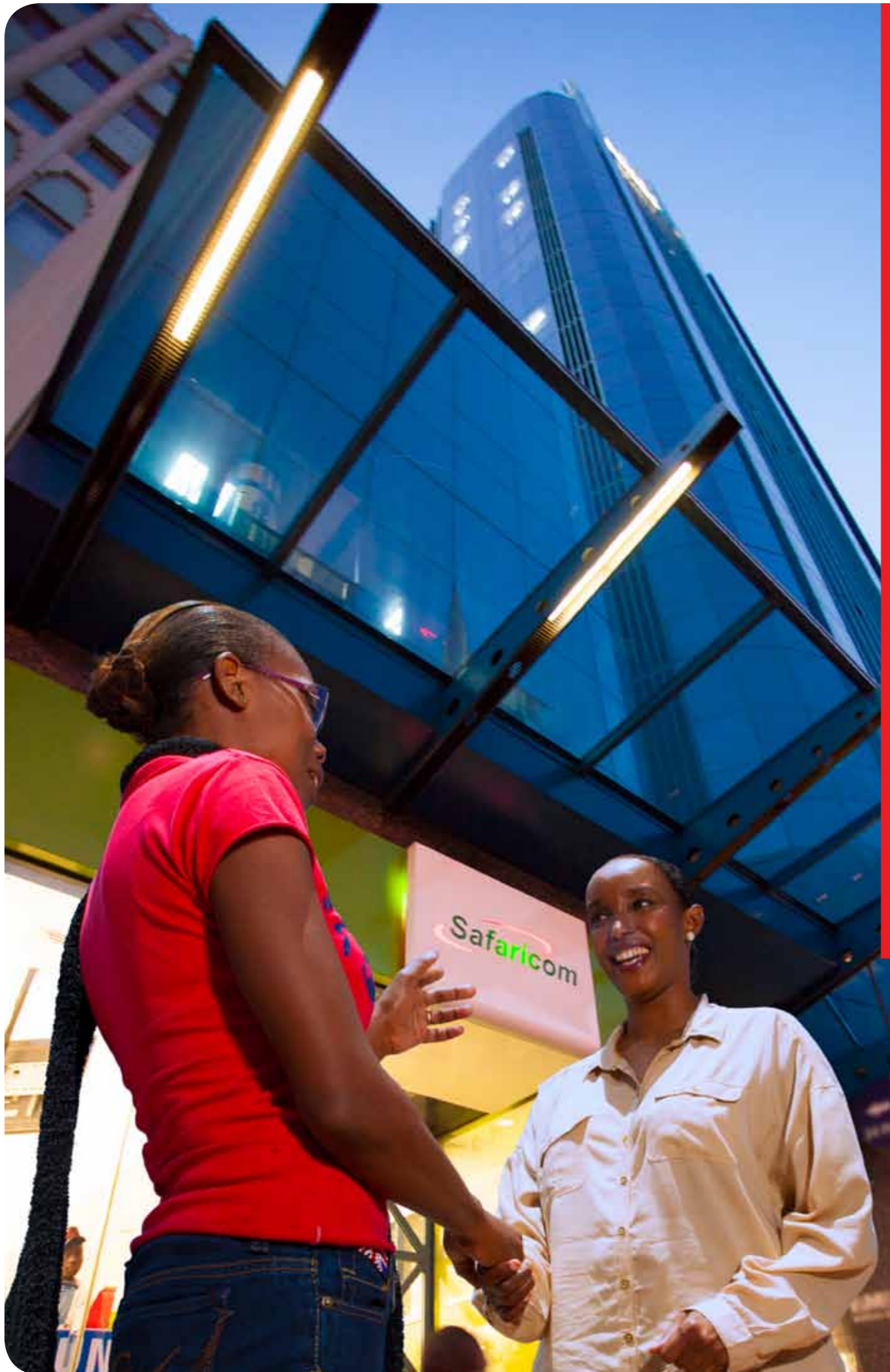
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ABOUT
THIS REPORT

Thank you for reading the second annual sustainability report of Safaricom Limited (hereafter referred to as 'Safaricom'), covering the reporting period of 01 April 2012 to 31 March 2013. The purpose of this report is to present our stakeholders with a consolidated view of our strategy and operations, our material sustainability matters and our associated sustainability performance. The scope of this report encompasses the Kenyan operations of Safaricom and there have been no significant changes in the size, location, structure or ownership of our organisation during this reporting period.

Identifying our sustainability matters

A series of workshops was undertaken to identify our material sustainability matters and to ensure that all economic, social and environmental impacts of the organisation are included in this report. While every effort has been made to report every impact, if you feel anything pertinent has been excluded, we would welcome your feedback and suggestions so that we can amend any such omissions in future reports.

THIS REPORT PROVIDES INFORMATION ON THE FOLLOWING MATERIAL SUSTAINABILITY MATTERS

⚛	Network quality
⚡	Energy security
💡	Innovation
🎧	Customer experience
👥	Our employees
🍃	Environmental performance
🤝	Business partners
⚒	Regulatory issues
✋	Ethics and values

Reporting guidelines

We have used the Global Reporting Initiative (GRI) version 3.1 reporting guidelines to develop this sustainability report and it fulfils the requirements for a B level application. For an overview of our GRI application, please refer to the GRI table on page 80. We are currently seeking external assurance regarding our most important sustainability disclosures in the next financial year.

OUR SUSTAINABILITY REPORTING CONTINUES TO EVOLVE AND REFLECTS OUR CONVICTION THAT SUSTAINABILITY IS A JOURNEY, NOT A DESTINATION.

Navigating this report

To help stakeholders achieve a more holistic understanding of how sustainability impacts our organisation and how we manage its 360°, interconnected consequences, we have included two new sections in this report. We have organised our sustainability matters in relation to our current imperatives (actions needed to maintain our current position) and opportunities (actions needed to realise potential growth). These are identified in Section 4 (page 30) and our management approach to each issue is reported in Section 5 (page 36).

Each of our material sustainability matters is also described independently in Section 4 (page 30) and our performance in relation to each of these matters is reported in Section 7 (page 66).

Throughout this report, we make reference to information contained within the Safaricom Limited Annual Report, the Annual Report of the Safaricom Foundation and information that is available on the Safaricom website. Rather than repeating this background information here, we have incorporated QR codes and icons to help interested readers locate this supplementary information as easily as possible.

	Safaricom Limited Annual Report
	Safaricom Website
	Safaricom Foundation Annual Report

We value your feedback

We value your views and feedback on our sustainability reporting and performance. Please email **sustainability@safaricom.co.ke**
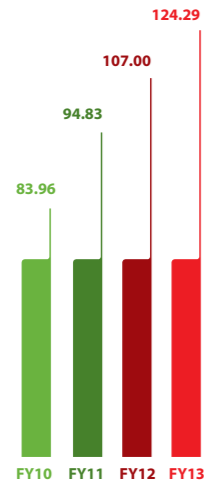
OUR BUSINESS

Page 20

OUR STRATEGY

Page 30

- Deliver the best network in Kenya
- Grow mobile data and fixed data
- Deepen financial inclusion
- Improve attractiveness to the youth market
- Retain and reward our loyal customer base
- Build an innovative organisation

OUR MATERIAL MATTERS

Page 33

- Network quality
- Energy security
- Innovation
- Customer experience
- Our employees
- Environmental performance
- Business partners
- Regulatory issues
- Ethics and values

OUR IMPERATIVES

Page 35

- Deliver the best network by maintaining and enhancing network quality
- Develop transformational products and services relevant to different customer segments
- Minimise business disruptions to our business ecosystem
- Maintain a productive, supportive and safe working environment
- Protect our reputation
- Comply with regulatory requirements

OUR OPPORTUNITIES

Page 35

- Promote positive customer experiences at all touch points
- Actively deepen financial inclusion
- Innovate to service a growing youth sector
- Promote sustainable practices within our operations and business ecosystem
- Roll out alternative energy solutions, ensuring energy security for our future growth
- Continue to lobby and drive policy to ensure a constructive business environment
- Promote ethical business and good corporate governance

OUR MANAGEMENT APPROACH

Page 36

OUR PERFORMANCE

Page 66

EXECUTIVE
SUMMARY

PERFORMANCE HIGHLIGHTS

Total Revenue in KShs. Billions

FY10: 83.96 | FY11: 94.83 | FY12: 107.00 | FY13: 124.29

Total revenue increased by 16% to KShs 124.3bn
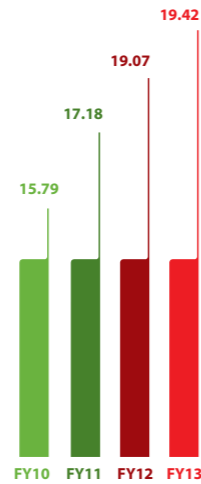
Customer Growth in Millions

FY10: 15.79 | FY11: 17.18 | FY12: 19.07 | FY13: 19.42

Almost half of the Kenyan population are now Safaricom customers

M-PESA Revenue in KShs. Billions

FY10: 7.56 | FY11: 11.78 | FY12: 16.87 | FY13: 21.84
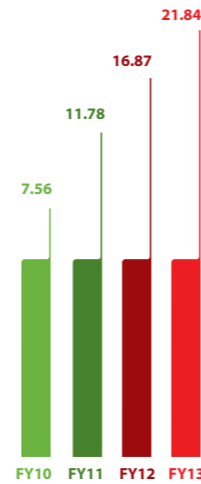
M-PESA revenue increased by 29,5% to KShs 21.84bn
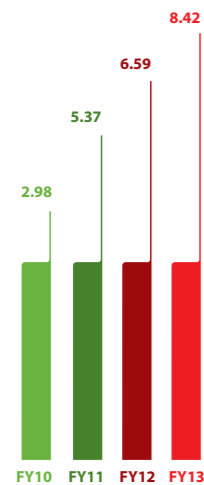
Mobile Data & Fixed Service Revenue in KShs. Billions

FY10: 2.98 | FY11: 5.37 | FY12: 6.59 | FY13: 8.42

Revenue from our mobile data and fixed services has grown to KShs 8.42bn

Base Stations

	FY10	FY11	FY12	FY13
Total (Inc. 2G)	2,162	2,501	2,690	2,905
3G	607	1,140	1,439	1,604
Wimax	140	193	187	203
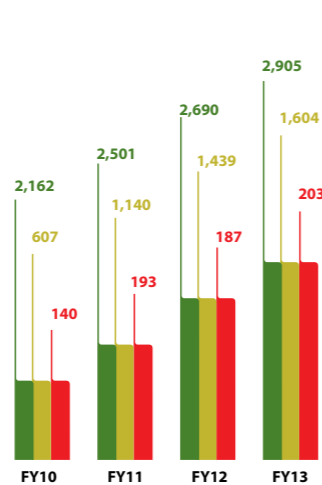
Continued investment in infrastructure as part of 'Best Network in Kenya' initiative
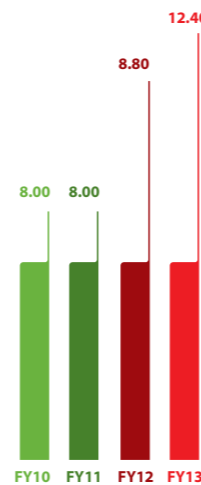
Total Dividends in KShs. Billions

FY10: 8.00 | FY11: 8.00 | FY12: 8.80 | FY13: 12.40

Largest dividends in Kenyan corporate history paid again this year

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M-PESA

17,100,000

Total number of registered M-PESA customers

KShs 444bn deposited into M-PESA via agents

KShs 522bn payments transacted between customers within M-PESA

KShs 390bn withdrawn from M-PESA via agents

Oct. 2012 - Mar. 2013

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278 FREE COOLING UNITS

We have installed 278 free cooling units in all non-coastal indoor sites. These units have dramatically reduced the energy consumption of air conditioners by exchanging warm shelter air with outside cool air.

34 SITES CONVERTED TO POWERCUBES

We have converted 34 sites from 24/7 gensets to power cubes, an extremely efficient hybrid energy system. We are the first company in Africa to implement the power cube solution.

15,377 HOUSEHOLDS WITH M-KOPA SOLAR SYSTEM

M-KOPA Solar is a GSM-controlled, affordable, pay-as-you-go domestic solar power system, designed to help low-income households in rural areas liberate themselves from kerosene lighting and having to rely on local mobile bureaus to charge their phones. Currently, 15,377 households are benefiting from this innovative solution.

2,300 DIGITAL VILLAGES SUCCESSFULLY IMPLEMENTED

Remote rural villages connected to the internet via cyber cafes.

M-SHWARI - THE STORY SO FAR

M-Shwari makes it possible for ordinary Kenyans to save, earn interest and borrow money using their mobile phones and the M-PESA service.

Customer age group		Spend (KShs Million)
18-22		2.5
22-25		9.4
26-30		18.9
31-35		30.4
36-40		36.5
41-50		16.8
50+		8.7
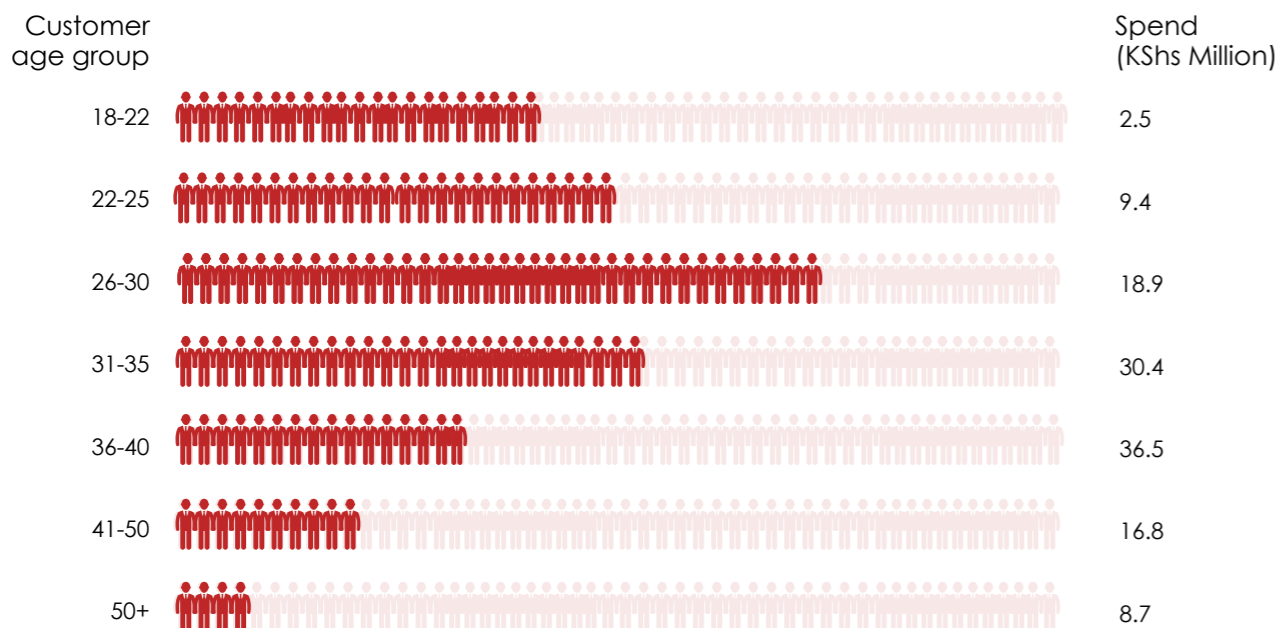
As at 27 December 2012

EMPLOYEES

TOTAL STAFF

2,667

MEN: 57%   WOMEN: 43%

1,526   **1,141**

For full data and discussion, see page 73

CO_2

SCOPE 1: 28 922tCO$_{2e}$

SCOPE 2: 31 655tCO$_{2e}$

SCOPE 3: 765tCO$_{2e}$ (new)

TOTAL: 61 342tCO$_{2e}$

For full data and discussion, see page 78

PROGRESS HIGHLIGHTS

| OUR 2012 SUSTAINABILITY PLEDGES	OUR PROGRESS*
⚡ Energy security	
Convert sites that are currently powered 24/7 by diesel generators to hybrid renewable energy sources	👉
Improve efficiency in diesel and electricity consumption	👍
Establish energy performance baseline data that can be used to benchmark us going forward	👉
Trial energy initiatives, including biofuels, hydrogen fuel cells and grid extensions	👉
All retail stores to be lit using light-emitting diode (LED) lights	👉
⚛ Network security	
Increase coverage in remote areas by rolling out new diet sites (miniature sites that run on renewable energy)	👍
Complete installation of microwave backups at all Tier 2 and 3 'nodes' (e.g. switching rooms or locations where high volumes of network traffic aggregate)	👍
💡 Innovation	
Include customer feedback in internal performance scores	👍
Create alternative customer contact channels	👍
Leverage the Interactive Voice Response (IVR) infrastructure	👍
👥 Our employees	
Introduce an ergonomics software solution (to improve productivity and reduce the costs associated with workstation injuries and fatigue)	👍
Achieve OHSAS 18001:2007 certification (to minimise Occupational Safety and Health (OSH)-related risks)	👉
Increase workplace OSH training	👍
Formally constitute the OSH Steering Committee	👍
🌿 Environmental performance	
Define targets and benchmarks for water consumption and waste management	👎
Reduce the level of uncertainty in our carbon footprint calculations	👍
Implement an e-waste management programme	👍

* Progress as at 31 March 2013
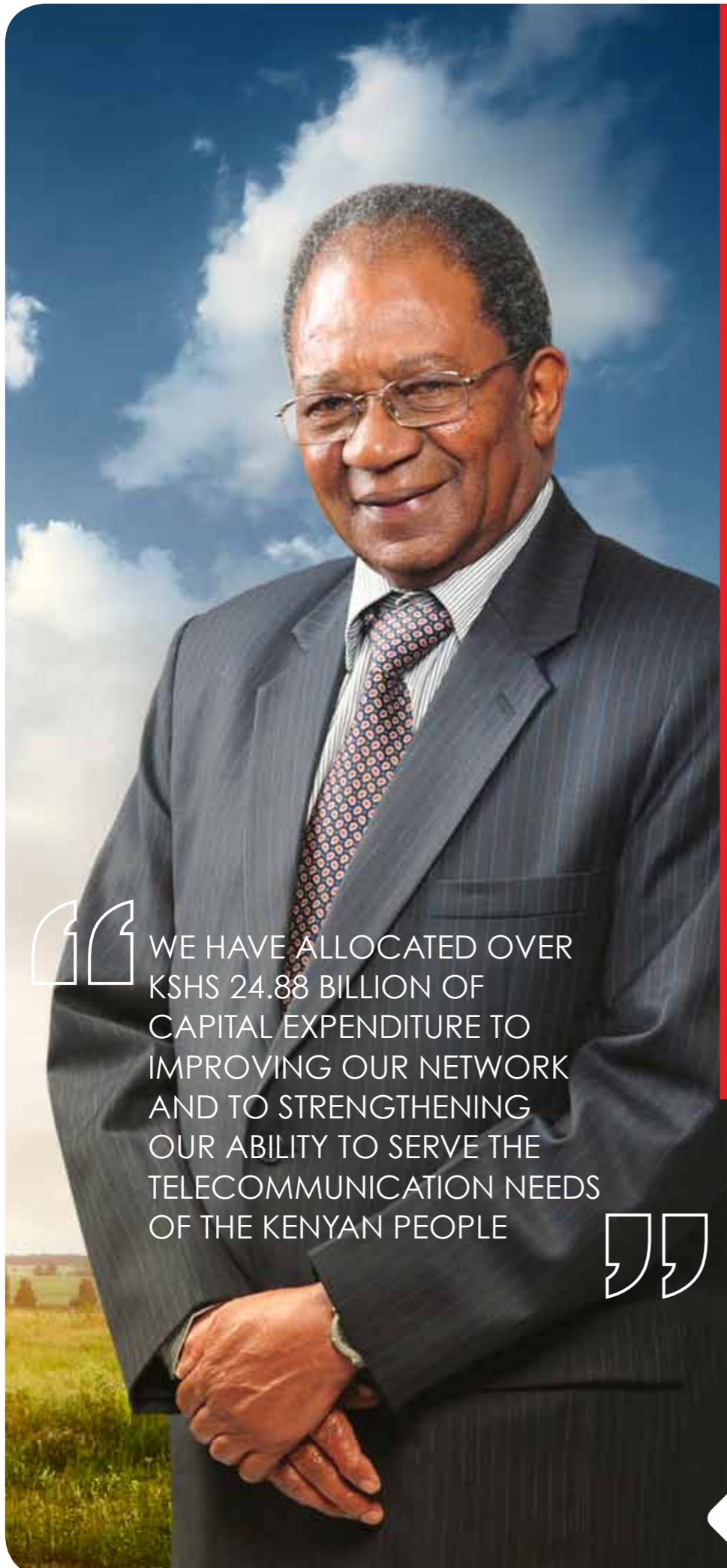
MESSAGE FROM OUR CHAIRMAN

As Chairman of the Board, it is my great pleasure to present to you our second sustainability report. We have learnt a lot during the last twelve months and this report reflects our ongoing progress as an organisation and as individuals. We benchmarked ourselves from a sustainability perspective for the first time last year and this subsequent report builds on that solid platform with a frank account of our performance and renewed objectives.

> WE HAVE ALLOCATED OVER KSHS 24.88 BILLION OF CAPITAL EXPENDITURE TO IMPROVING OUR NETWORK AND TO STRENGTHENING OUR ABILITY TO SERVE THE TELECOMMUNICATION NEEDS OF THE KENYAN PEOPLE

Safaricom Limited Chairman
Nicholas Nganga

One year on, we are still very new to sustainability and have much to learn, but I am particularly pleased to see how enthusiastically the set of values it represents have been embraced and adopted across the company. It is satisfying to see the economic, social and environmental impact of our activities becoming an increasingly automatic consideration across our operations.

From a strategic perspective, sustainability continues to be a symbol of our common commitment to our shared future, a positive principle that unites us as we recognise our responsibility to help shape that future.

While we have made great strides forward during the last year and are proud of what we have achieved, we acknowledge that there remains a good deal still to be done and that sustainability is a dynamic ongoing journey, not a reporting destination.

It is with this attitude of humble optimism that we present this report. We offer it as the next exchange in our ongoing conversation about the sustainability challenges that are motivating us and the progress we are making in response to them.

A transitional year

In many respects, this has been a transitional year for both the country and us. The macro-economic environment was subdued at the beginning of the reporting period and so was our performance. As the year progressed, however, the economy started to recover and so did we.

The Kenyan people are to be commended on a peaceful general election. The manner in which the electoral and legal processes were handled by all parties has strengthened the confidence of both local and international investors.

Despite the long electioneering season and difficult global economic conditions, the country has achieved cautious, but favourable outcomes. Inflationary pressures have been tamed and economic growth has kept a steady pace.

All of these positive trends have enabled us to continue investing in our infrastructure and we have allocated over KShs 24.88 billion of capital expenditure to improving our network and to strengthening our ability to serve the telecommunication needs of the Kenyan people.

Regulatory impacts

The regulatory environment has a significant impact on our sustainability as well and we continue to take a lead role in negotiating with government and the Communications Commission of Kenya (CCK), protecting and supporting the industry as a whole through robust, constructive dialogue and positive initiatives.

Our operating licence expires on the 30 June 2014 and we are engaging with the CCK regarding its renewal. With regards Mobile Termination Rates (MTRs), the CCK lifted its freeze on MTRs in November 2012 and reduced these to KShs 1.44, backdated to July 2012. MTRs will further reduce to KShs 1.15 on 01 July 2013.

Other notable regulatory impacts during the reporting period included the introduction of a 10% excise duty on mobile money transfer fees from 05 February 2013, which has increased M-PESA tariffs, and the successful conclusion of our campaign to introduce more stringent penalties for vandalising telecommunications infrastructure with the passing of the Statute Law (Miscellaneous Amendment) Act 2012.

The Foundation and our CSI mandate

Through the Safaricom Foundation, we continue to partner with Kenyan communities countrywide. I am particularly pleased with the wide range of over 100 projects and partnerships initiated this year, in locations like Marsabit, Laikipia, Kilifi, Bura, Samburu, Rongo, Marigat, Pokot, Habaswein and Meru, to name a few.

I am also pleased that the Foundation has actively shared lessons from its experience through its quarterly dissemination forums with its project partners and key stakeholders, and the Corporate Social Investment Roundtable meeting, which brought together over 100 corporate leaders to discuss sustainable Social Investment models. We look forward to commemorating the 10 year anniversary of the Safaricom Foundation next year.

Looking forward

As another exciting year of transition and growth draws to a close, I would like to join the entire Safaricom Board in acknowledging and celebrating the achievements of the company. Our success is built on the tireless efforts of our staff and management and it is most gratifying to see how readily sustainability has been embraced as a lens through which we can probe and evaluate our performance.

In closing, I would like to commend my colleagues on their unflagging enthusiasm and commitment to transforming the lives of Kenyans. It is your energy and vigour that inspires me to look towards the future with confidence and excitement.

I am delighted to welcome the publication of this, our second sustainability report. It marks another important milestone and circumscribes an exciting period of growth and evolution for us as a business. We are pleased to have produced another strong set of financial results, but remain conscious that our long-term sustainability is not secured by financial performance alone.

> WE SEE EVERYDAY HOW MOBILE TECHNOLOGY IS ABLE TO UPLIFT COMMUNITIES, EMPOWER CITIZENS AND TO HELP COMPANIES REDUCE THEIR ENVIRONMENTAL FOOTPRINTS

Safaricom Limited CEO
Bob Collymore

MESSAGE FROM OUR CEO

As we continue to grow and evolve, so does our sustainability reporting and this is reflected in the two new sections this year. In this report, we have reported our material sustainability issues and performance in relation to our current imperatives (actions that have led to our current position) and opportunities (actions needed to realise growth). We hope that this will help our ecosystem of stakeholders achieve a more holistic understanding of how sustainability impacts our business and how we manage its 360°, interconnected consequences.

We have, again, reported on sustainability using the rigorous Global Reporting Initiative (GRI) guidelines and I am pleased to note that this report fulfils the requirements for a B level application, reflecting the substantial progress that has been made during the reporting period.

Promoting sustainability

We remain an enthusiastic member of the United Nations Global Compact (UNGC) Board and are committed to the Compact's goal of encouraging businesses to align their operations and strategies with 10 ethical principles. We also recognise that we are part of a wider business ecosystem and that we need to partner with other businesses in promoting business ethics.

With this in mind we facilitated a CEO breakfast on Ethics and Governance with the Kenya Association of Manufacturers (KAM) that was attended by 30 CEOs. The breakfast focused on the role of private business in fighting corruption and the CEOs confirmed their commitment to this cause.

We have also continued our constructive conversations with all of our dealers and suppliers, asking them to embrace sustainability as well and to undertake self-assessments. I am gratified to see that 120 of our largest suppliers rose to this challenge and conducted self-assessments, and a breakdown of their evaluations is included in Section 7 of this report.

Transforming lives

We are convinced that continuously adding value to the lives of our subscribers through our technology, products and services has an exciting, key role to play in sustainable development. We see everyday how mobile technology is able to uplift communities, empower citizens and to help companies and individuals reduce their environmental footprints by getting things done in smarter, more efficient ways.

An example of how we are committed to creating innovative products and services that transform lives is the launch of our new M-Shwari service. Designed to improve financial inclusion and to help grow the wealth of Kenyan citizens, M-Shwari makes it possible for ordinary Kenyans to save, earn interest and borrow money using their mobile phones and the M-PESA service. Liberating Kenyans without access to formal banking services from expensive informal credit mechanisms, M-Shwari has already attracted over 1.2 million customers.

Our commitment to driving sustainable development through more accessible, higher-quality mobile telecommunications is not just rhetoric. It is also reflected in the launch of our 'Best Network in Kenya' initiative. We have already invested KShs 24.88 billion in capital expenditure this year and allocated 90% of this investment towards improving network quality, capacity and coverage.
We have increased our sites to 2,905, of which 1,604 are 3G-enabled, offering the most extensive coverage in the country and we have also started an ambitious five year programme to build a national metro fibre optic network.

Seeking energy efficiencies

We have also continued to seek energy efficient and renewable energy solutions and to deploy them wherever feasible. As part of this ongoing agenda, 34 sites that were powered by diesel generators have been converted to 'power cubes', an extremely efficient hybrid energy system, and 278 'free cooling units' are drastically reducing the energy consumption of air conditioners at our non-coastal indoor sites.

As this report includes only our second carbon footprint assessment, there remains a certain level of uncertainty in the completeness and accuracy of the information, but we are pleased to report that we have qualified our Scope 3 emissions for the first time, which will help us understand our indirect emissions through air travel and taxi hire.

Sustainability makes sense

In closing, we would like to thank you for taking the time to read this report. It reflects the continued importance of sustainability to us as a business. We believe that embedding sustainability into the way we do business is not just operating responsibly, but central to our long-term success.

Our commitment to sustainability helps us earn stakeholder trust. It helps us cut costs and minimise risks by being more efficient and less wasteful. It boosts staff morale and productivity. It focuses us on using our technology to transform the lives of our employees, stakeholders, customers, partners and the wider communities that we serve and support.

Future outlook

As well as continuing our work on behalf of the UNGC Board and deepening our engagement with the Kenyan UNGC office, two of our other priorities for the year ahead are to formulate progressive policies that will define and protect the rights of children and to explore potential green tax incentives.

Want to get up close and personal?
Use this QR code to visit the Safaricom website and watch a short video clip of Chief Executive Officer, Robert Collymore, presenting his message.

m-PESA

3

OUR BUSINESS

> "AS AN ORGANISATION, WE HAVE ANNUAL REVENUES OF KSHS 124.3 BILLION AND HAVE 19.42 MILLION CUSTOMERS IN KENYA, REPRESENTING 64.5% OF THE TOTAL CUSTOMER BASE AND 72.6% OF MOBILE DATA CUSTOMERS."

This section presents a brief overview of the company and the business ecosystem within which we operate. It includes a summary of the products and services we provide, brief descriptions of our stakeholders and how we engage with them, our value-added statement and highlights of the value we have created and allocated during the reporting period, along with a concise outline of our governance and management processes.

WHAT WE DO

Safaricom is an integrated communications company, providing voice and data communications services to consumers, businesses and public sector clients. Shareholding in Safaricom is structured as follows: the Government of Kenya (35%), Vodafone (40%) and free float (25%). The company is listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment.

We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi. We consist of a number of operating divisions, organised as follows:

As an organisation, we have annual revenues of KShs 124.3 billion and have 19.42 million customers in Kenya, representing 64.5% of the total customer base and 72.6% of mobile data customers. Our M-PESA money transfer service continues to grow and is used by over 17 million people.

For further information on the direct and indirect value we provide to society, refer to page 26.

CEO

Executive Business Office & Project Management Office	Profit Centres	Corporate Centres
	• *Enterprise business*	• *Risk management*
	• *Consumer business*	• *Customer care*
	• *Financial services*	• *Marketing*
		• *Corporate affairs*
		• *Finance*
		• *Resources*
		• *Technology*

CHANNEL	VOICE	SMS	DATA (MOBILE DATA AND FIXED SERVICES)	FINANCIAL SERVICES (M-PESA)	DEVICES
Description	We offer a range of prepaid and postpaid voice plans, which are often bundled with SMS and/or data services.	We offer a variety of messaging services, including SMS and MMS, 'call back' SMS notifications for missed calls and 'please call me' messages.	We offer high speed data connectivity and corporate connectivity through fixed and mobile broadband.	M-PESA is a fast, safe and affordable mobile money transfer method. It has extended financial inclusion to Kenyans without access to formal banking services.	We offer a range of devices, such as mobile handsets, mobile broadband modems, routers, tablets, notebooks and laptop computers.
Achievements and trends *	Voice revenue grew by 13%, driven by improved network experience, recovery from damaging price wars, convenient airtime distribution, and attractive customer propositions and promotions.	SMS revenue grew by 30%.	Mobile data and fixed service revenue grew by 28%. Active mobile data customers grew by 57% to 7.1 million, representing 37% of our total customer base. Fixed data customers grew by 12%.	M-PESA contributed 18% of total revenue. *M-Shwari* (paperless banking services) was launched and has 1.2 million customers.	2.3 million 3G devices on the network in 2013 (1.2 million of which are smartphones).
Revenue *	KShs 77.66 billion	KShs 10.13 billion	KShs 8.42 billion	KShs 21.84 billion	KShs 4.93 billion

* During the reporting period of 01 April 2012 to 31 March 2013.

WHO KEEPS US IN BUSINESS

We engage with eight stakeholder groups as part of our business activities and have developed a stakeholder charter for each one that describes our commitment to that group. The following table provides an overview of these stakeholder groups, how they influence us as an organisation, what matters most to them, and how we engage with them. For a detailed review of the specific stakeholders we engage with regarding each of our material matters, including the nature and frequency of our interactions, see Section 6 on page 60.

	OUR STAKEHOLDER CHARTER	HOW THEY INFLUENCE US	WHAT MATTERS MOST TO THEM	HOW WE ENGAGE
Customers	We will communicate honestly, offer simple and relevant products, and deliver on our promises to the customer with speed and consistency.	Our customers are vital to the sustainability of Safaricom. They provide feedback on our products and services and drive us to develop innovative solutions.	- Customer experience - Relevant, affordable products - Network quality - Better value offerings	- Customer care lines - Social media - Customer forums - Customer research and surveys - Website
Employees	We will provide a great place to work and grow, where both individual accomplishments and team effort will be rewarded. We will provide opportunities for personal empowerment and career growth in an atmosphere of trust, honesty and openness.	Our employees are the face of Safaricom and ambassadors for the company. They continue to drive innovation and ensure that we achieve our company objectives. Our employees are also active participants in our Corporate Social Investment (CSI) agenda.	- Safe and exciting place to work - Fair remuneration and benefits - Career path opportunities	- Training and refresher courses on Safaricom products and services - Staff portal - Newsletters - Company events - Team-building activities - Email - Website
Shareholders	We will enhance shareholder value by adherence to the highest standards of corporate governance and world class management practice. Our shareholders should expect timely and accurate information and the opportunity to engage with us through various forums.	Our shareholders provide us with capital, which supports our growth.	- Corporate performance - Governance and ethics - Long-term sustainable value creation - Return on investments	- Briefings - AGMs - Bulletins - Email - Reports
Regulators	We will build constructive, respectful, open and transparent relationships with all regulators. Whilst being compliant with all regulation and applicable laws, we will adopt a firm approach on issues that may be detrimental to industry growth.	Our relationships with our regulators influence our ability to manage our risks and maintain our license to operate.	- Legislative compliance - Quality of service and network performance - Licenses and taxes	- Industry wide forums - Reports and submissions on issues - Public participation - Public meetings
Business partners	We will engage in mutually beneficial and sustainable relationships with all business partners in an environment of equity, mutual respect and honesty. We are committed to growing Kenyan businesses and will offer preferential support to innovative local businesses.	Our business partners are a key part of how we engage with our customers and the overall customer experience. Our suppliers also impact on our ability to provide quality products and services in a responsible and ethical manner.	- Sustainability of Safaricom as a business - Pricing and profit margins - Timely payment and favourable terms	- Business meetings - Company events - Email - Briefings

	OUR STAKEHOLDER CHARTER	HOW THEY INFLUENCE US	WHAT MATTERS MOST TO THEM	HOW WE ENGAGE
Society	We will work closely with Kenyans to be a respected and empowering contributor to society. While we participate as an integral part in the upliftment of society, our relationship will be built on the principles of partnership, humility, openness and professionalism.	Society provides us with a conducive operating environment, and a market for our products and services.	- Access to transformative mobile solutions - Responsible expansion of network infrastructure - Access to health, education and financial services	- Media (traditional and social) - AGMs - Website - Newsletters - Company events - Reports - Briefings
Media	We will continuously and proactively engage with the media in a factual, speedy and honest way, in order to participate actively in informing public opinion. We will take a lead role in building industry knowledge among various media groups and hold them to account for responsible reporting.	The media provides us with a platform through which we can communicate with customers in Kenya and globally, and also influences our brand and image.	- Access to accurate and timely information - Awareness of products and services	- Media (traditional and social) - Briefings - Company events - Reports
Future generations	The future is now and our conduct and business practices today must be designed to create and shape a sustainable tomorrow.	Future generations will influence the future environment within which Safaricom will operate.	- Developing transformative and relevant solutions - Ensuring responsible and sustainable corporate activities	- Website - Reports

THE VALUE WE HAVE CREATED

VALUE GENERATED

Direct and indirect value to society

We create direct and indirect value for all of our stakeholders through our business operations. We also contribute indirect value to society through the following mechanisms:

- Cellular network
- Financial inclusion
- Digital inclusion
- Digital villages
- Internet and data services
- Corporate social investment
- M-PESA
- Election monitoring and reporting
- Public sector services
- Corporate sector services
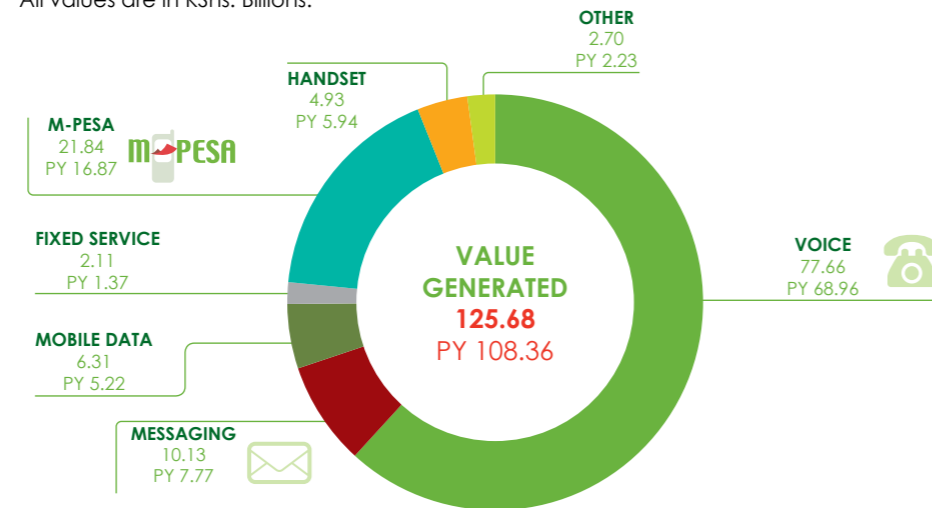- Education
- Health

Value-added statement

The direct value we have generated and allocated as a business is illustrated in the value added statement. For further detail regarding our financial statements, please refer to our Annual Report.

Value-added Statement
All values are in KShs. Billions.

OTHER
2.70
PY 2.23

HANDSET
4.93
PY 5.94

M-PESA
21.84
PY 16.87

FIXED SERVICE
2.11
PY 1.37

MOBILE DATA
6.31
PY 5.22

MESSAGING
10.13
PY 7.77

VOICE
77.66
PY 68.96

VALUE GENERATED
125.68
PY 108.36

VALUE GENERATED
VALUE ALLOCATED

GOVERNMENT
14.27
PY 10.47
=
Current income tax
7.91
+
License fees
6.36

DIVIDENDS
12.40
PY 8.80

FINANCE EXPENSES
2.84
PY 3.66

SAFARICOM FOUNDATION
0.21
PY 0.21

RETAINED FOR GROWTH
26.21
PY 21.77
=
Depreciation & amortization
22.14
+
Retained income
4.07

EMPLOYEES
8.39
PY 7.51

DEALERS AND AGENTS
19.53
PY 16.54

LANDLORDS
1.15
PY 1.05

SUPPLIERS
40.67
PY 38.36

VALUE ALLOCATED
125.68
PY 108.36

Total Paid to government
- License fees 6.36
- Income tax 7.91

- PAYE and withholding taxes 5.19
- Net Value Added Taxes 10.99
- Duty (Stamp, Excise and Import Taxes) 11.35
- Dividends 4.34

Total Payment to government is KShs 46.14 Billion, which represents approximately 6% of government's tax income.

AWARDS

June 2012
★★★ **AWARD**
Cisco Cloud Partner of the Year for Africa
Nominated for being the first partner in Africa to launch TP as a service, investment in Cisco-powered cloud services and for achieving Cisco Managed Services accreditation.

July 2012
★★★ **AWARD**
CIO 100 Awards
Winner of Communication Sector award for 'Kenya Integrated Mobile Maternal, Newborn and Child Health Information Platform'.

October 2012
★★★ **AWARD**
Top tax payer 2011-2012
The Kenya Revenue Authority named Safaricom as the top tax payer of 2011-2012.

October 2012
★★★ **AWARD**
Road Safety Award 2012
Winner of the Association of Kenya Insurers' (AKI) *Road Safety Award* in recognition of the company's contribution and commitment to road safety.

November 2012
★★★ **AWARD**
Changing Lives Award
Winner of the *Changing Lives Award* for Daktari 1525 service at AfricaCom.

November 2012
★★★ **AWARD**
Champion of the Year (Corporate Governance) & CEO of the Year 2012
Winner of the Institute of Certified Public Secretaries of Kenya (ICPSK) *Champion of the Year Award* for Corporate Governance excellence the Commercial and Services Sector Award, 2012 and *Chief Executive Officer of the Year* 2012.

February 2013
★★★ **AWARD**
Top 50 most innovative companies in the world
Nominated one of the top 50 most innovative companies in the world by Massachusetts Institute of Technology (MIT).

February 2013
★★★ **AWARD**
The Green Mobile Award
Runner up in *The Green Mobile Award* category at the Global Mobile Awards 2013 for M-KOPA solar solution.

February 2013
★★★ **AWARD**
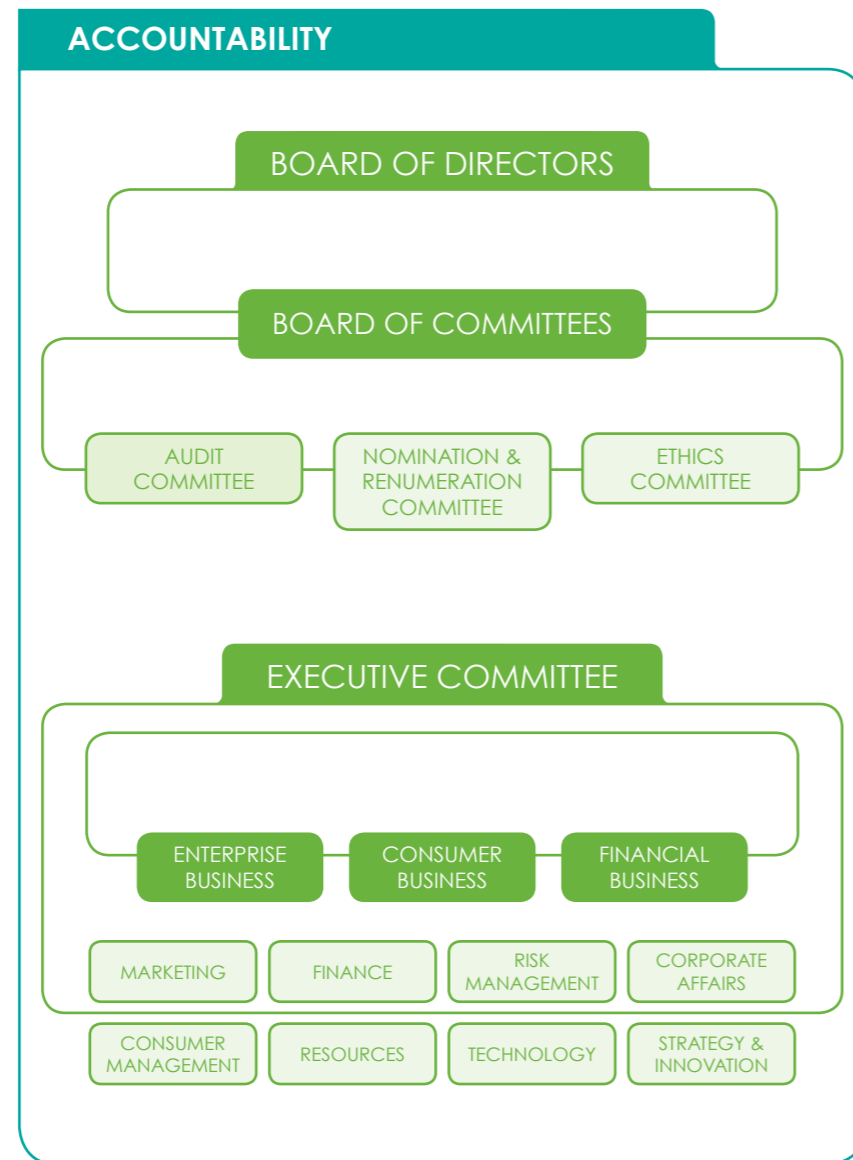#### Top 10 Global Social Media Enthusiast
Only African brand in global top 10 (ranked 2nd place on Twitter and 4th place on Facebook) for keeping customers informed and for responding to customers swiftly and appropriately, recognised by Social Bakers.

HOW WE ARE MANAGED

Governance

Good governance is the foundation upon which we build and sustain value. Integrity is fundamental to commercial sustainability and investor trust. Our Board of Directors and Executive Committee (ExCo) remain committed to the highest levels of corporate governance, ethical management and responsible control. We foster a culture that values and rewards the highest ethical standards and personal and corporate integrity. All directors and employees are expected to act with honesty, integrity and fairness, in accordance with the laws of Kenya and with respect to the cultures of the Kenyan people.

For further detail regarding the governance structure of the organisation, please refer to our Annual Report and website.

ACCOUNTABILITY

BOARD OF DIRECTORS

BOARD OF COMMITTEES

AUDIT COMMITTEE | NOMINATION & RENUMERATION COMMITTEE | ETHICS COMMITTEE

EXECUTIVE COMMITTEE

ENTERPRISE BUSINESS | CONSUMER BUSINESS | FINANCIAL BUSINESS

MARKETING | FINANCE | RISK MANAGEMENT | CORPORATE AFFAIRS

CONSUMER MANAGEMENT | RESOURCES | TECHNOLOGY | STRATEGY & INNOVATION

Ethics

We are committed to ensuring that ethics and integrity underpin day-to-day business practices in Safaricom. We have constituted an Ethics Committee to inform and drive this agenda within the organisation and have signed up to the Kenyan Businesses Code of Ethics as a company. This ambition is supported by a series of ethics and corruption-related policies. (Further detail regarding these policies is available in the Ethics and Values commentary on page 47 in Section 5 and on page 79 in Section 7.)

Risk management

Risk management is considered everyone's responsibility at Safaricom. The Risk Management Division carries out periodic risk assessments to monitor our environment and performance. We benchmark ourselves against other leading telecommunications operators and independent assurance is provided through both internal and external audit functions. As a company, we endeavour to apply the Precautionary Principle to all of our activities to ensure that we continue to act as a responsible corporate citizen.

Remuneration

Our remuneration policy aims to attract and retain leaders of the highest calibre. Compensation for the highest governance body, senior managers and executives is linked to performance indicators that include social and environmental performance, as well as strategic and financial deliverables. Group ExCo members also volunteer their time and expertise to organisations and charities, serving communities in need through the Safaricom Foundation *World of Difference* programme. The annual pay increases awarded to executive directors are kept in line with overall employee pay increases.

The Board

The Board is heavily involved in approving the strategic plans of the organisation, which includes factors affecting sustainability. During the reporting period, the Board met twice to review strategy, and the CEO updates the Board on economic, social and environmental performance every quarter. The CEO is responsible for social, economic and environmental performance and is the sustainability champion on the Board. A Governance Charter, which will outline the processes for evaluating the performance of the Board as a whole and as individual members, is currently being developed and will be finalised by September 2013.

The Safaricom Board consists of 11 members, nine non-executive (of which three are independent) and two executive directors. The Board undertakes conflict of interest declarations and any potential conflicts of interest are discussed during meetings of the Board; if applicable, these conflicts are disclosed appropriately. All employees at Safaricom also make declarations, in terms of employee relations and/or business relations.

The Nomination and Remuneration Committee (REMCO) recommends and nominates individuals for Board interviews. Members of the committee consider specific skills (technical, telecommunications, financial and general management) and gender. Shareholders also nominate people to the Board.

Engagement mechanisms

Safaricom engages with its staff through a number of mechanisms. These include the *Sema na* CEO ('speak with the CEO') chat room, the annual people survey and Staff Council Meetings. The Staff Council meets on a quarterly basis to address issues and concerns raised by employees. It is chaired by the CEO

and includes elected representatives from each division. Some of the key issues that have been raised during the reporting period include:

- **Wellness days:** Company Wellness days are predominantly held in Nairobi (at HQ, SCC and JCC), as a result, staff in the regions and retail centres miss out. This exclusion was raised on *Sema na* CEO and then reviewed and the decision has since been taken to include more locations outside of Nairobi to cater for all staff.

- **Team-building sessions:** The Enterprise Business Unit (EBU) team includes a number of contractors, who were not involved in team-building initiatives. This was raised on *Sema na* CEO and, since then, the contractors have been taken for a hybrid team-building session and will be included in future sessions.

- **Employee loans schemes:** An escalation of the interest rates on staff loans during the reporting period, led to many employees paying exorbitant amounts of interest on their loans. To help address this, the HR team renegotiated the rates with the various providers, as well as bringing on board new providers, to ensure that staff pay equitable, affordable rates.

- **Staff tariffs:** In response to an issue raised on *Sema na* CEO, staff tariffs for voice and data were reviewed.

We engage our shareholders through our Annual General Meeting and through our Investor Relations team.

Enlightened corporate citizenship

Our CEO, Bob Collymore, was appointed to the United Nations Global Compact (UNGC) Board in April 2012. The UNGC encourages companies to benefit the economies and societies in which they operate by committing to 10 principles in the areas of human rights, labour, environment and anti-corruption. This sustainability report is also a reflection of our UNGC commitment to report honestly and transparently on our implementation of the 10 principles.

In addition to the UNGC, we also subscribe to the Global Reporting Initiative (GRI), International Financial Reporting Standards (IFRS) and the Kenyan Capital Markets Authority (KCMA) Corporate Governance Framework. We are also members of the following industry associations: Kenya Association of Manufacturers; International Telecommunication Union; GSM Association, and the Kenya Private Sector Alliance.

Safaricom people survey

Our annual independent employee survey was conducted by the Hay Group. The survey attracted an impressive 88% response rate and there was a strong, positive improvement over the 2012 results. Business managers have been communicating the results to their staff and the feedback from these sessions will be used to determine how things can be improved even more.

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OUR STRATEGY

OUR VISION

Living the Safaricom vision

THIS IS OUR GOAL

GO BEYOND THE LIMITS

TRANSFORMING LIVES

BY ACTING WITH SPEED SIMPLICITY AND TRUST IN ALL THAT WE DO

THIS IS HOW WE WILL GO ABOUT IT

THIS IS WHAT WE MUST DO

- DELIVER THE BEST NETWORK IN KENYA
- GROW FIXED AND MOBILE DATA
- DEEPEN FINANCIAL INCLUSION
- GENERATION X IS GENERATION NEXT
- RETAIN AND REWARD OUR LOYAL CUSTOMER BASE
- BUILD AN INNOVATIVE ORGANISATION

TRANSFORMING LIVES

OUR MATERIAL MATTERS

A series of workshops were undertaken to identify our most material sustainability matters and the imperatives and opportunities associated with each of these. This section describes these material matters and how they influence or impact us as an organisation. Our approach to managing the imperatives and opportunities associated with these material matters is described in Section 5.

Network quality

All services offered by Safaricom are provided through different network infrastructures and network quality is an essential aspect of our business and fundamental to our ability to deliver a satisfactory service to our customers. While we continue to endeavour to provide a stable, high quality network, there are a number of challenges that we have to respond to on a regular basis, including vandalism, security, energy availability and M-PESA service interruptions.

Energy security

Planning and managing company energy costs, especially costs related to the use of fuels, is an increasingly difficult task. Fossil fuel markets are set to become more volatile and unpredictable due to higher global energy demand, supply and production uncertainties, and increasing regulatory

interventions in response to climate change. Yet this is a high priority task, especially as we look to expand our network.

Our systems and services rely heavily on energy and any interruption in supply, such as outages of grid electricity and national shortages of diesel fuel, poses a direct challenge to the continuity of our operations.

Kenyan regulations relating to energy are also becoming more stringent. The Energy Regulation Commission, for instance, now requires owners or lessees of facilities (factories, commercial buildings, institutional buildings and local authorities) to carry out energy audits of their facilities at least once every three years. These audits have to be conducted by registered energy auditors and the Commission has the right to verify these assessments with independent evaluations, if deemed necessary.

There are also some opportunities in the area of energy security, nonetheless, such as the amending of Kenyan law to allow the cogeneration of energy. This will enable Safaricom to generate energy at one location (from solar, wind, biomass etc.), feed it into the grid and consume it at a different location.

Innovation

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow. While innovation encompasses our processes and procedures, our focus is on developing transformational products and services. Our innovations are social (directly improving the lives of Kenyans), financial (providing formal financial services to the unbanked) and/or revenue

related (designed to deliver a specific commercial outcome from the outset).

Customer experience

A favourable or positive customer experience translates into business continuity and sustained profitability through customer retention, repurchases and word-of-mouth promotion. As a result, we consider every customer experience or interaction to be an important business opportunity. There are three aspects to managing customer experiences. The first is to implement the right processes and procedures to ensure consistent, satisfactory interactions with Safaricom services, products and staff. The second is to use a combination of service excellence and appropriate marketing to create delighted customers who are happy to be ambassadors for the brand and to advocate our products and services. The third is to resolve customer complaints and issues speedily.

Our employees

Our employees are essential to the sustainability and success of Safaricom as a business. A happy, healthy, productive workforce is a critical component in a high-performance organisation. Our vision of transforming lives begins with transforming the lives of our employees. One aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. Another aspect of this vision is to safeguard the safety and health of everyone, not just of our employees, but also of our contractors, visitors and anyone interacting with our infrastructure and operations.

> **WE TAKE A LONG-TERM VIEW AND UNDERSTAND THAT POSITIVE ENVIRONMENTAL PERFORMANCE MAKES SOUND BUSINESS SENSE.**

Environmental performance

One of the central challenges of our age is how to uncouple human progress from resource use and environmental deterioration. We appreciate the significance of environmental risks and uncertainties and how these affect investment decisions and consumer behaviour. We take a long-term view and understand that positive environmental performance makes sound business sense.

Effective environmental management offers many benefits. It can help an organisation to rethink its operations and to reduce costs by uncovering new efficiencies. It can also help an organisation focus on being innovative and discovering different, smarter ways of doing things, making the company leaner, more agile and more resilient in an increasingly resource-constrained world. It also contributes indirectly by helping an organisation to avoid the penalties for breaching environmental laws.

Business partners

Our business partners include suppliers and dealers and are an important part of our value chain. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. It is essential that we manage our relationships with our business partners to ensure mutually beneficial and sustainable associations.

Regulatory issues

The regulatory environment within which Safaricom operates is increasingly complex. The nature of the industry requires the company to remain compliant with a wide range of different rules and laws, including licence conditions, sector regulations, by-laws and government legislation. As well as being part of our responsibilities as a good corporate citizen, failure to comply damages our reputation and exposes us to penalties, onerous fines and other remedial sanctions. As a result, we consider public policy lobbying an important task and a vital way of ensuring that the operating environment

for the provision of telecommunications services in Kenya remains constructive.

Ethics and values

Acting ethically is not only a key responsibility of ours as a good corporate citizen, it also makes business sense. Ethical practices bolster the reputation and trust enjoyed by an organisation, strengthen employee engagement and improve stakeholder sentiment and interest. We view ethical business practices as non-negotiable and continue to promote these principles throughout our value chain and the wider business ecosystem in Kenya.

OUR IMPERATIVES AND OPPORTUNITIES

Based on our vision and material matters, we have identified a number of imperatives and opportunities. These balance our short-term position with our long-term strategy. We view our imperatives as those actions that we need to undertake to maintain our current position and our opportunities as future-looking initiatives that we need to initiate to realise our potential for growth. Our approach to managing each of these is described in Section 5.
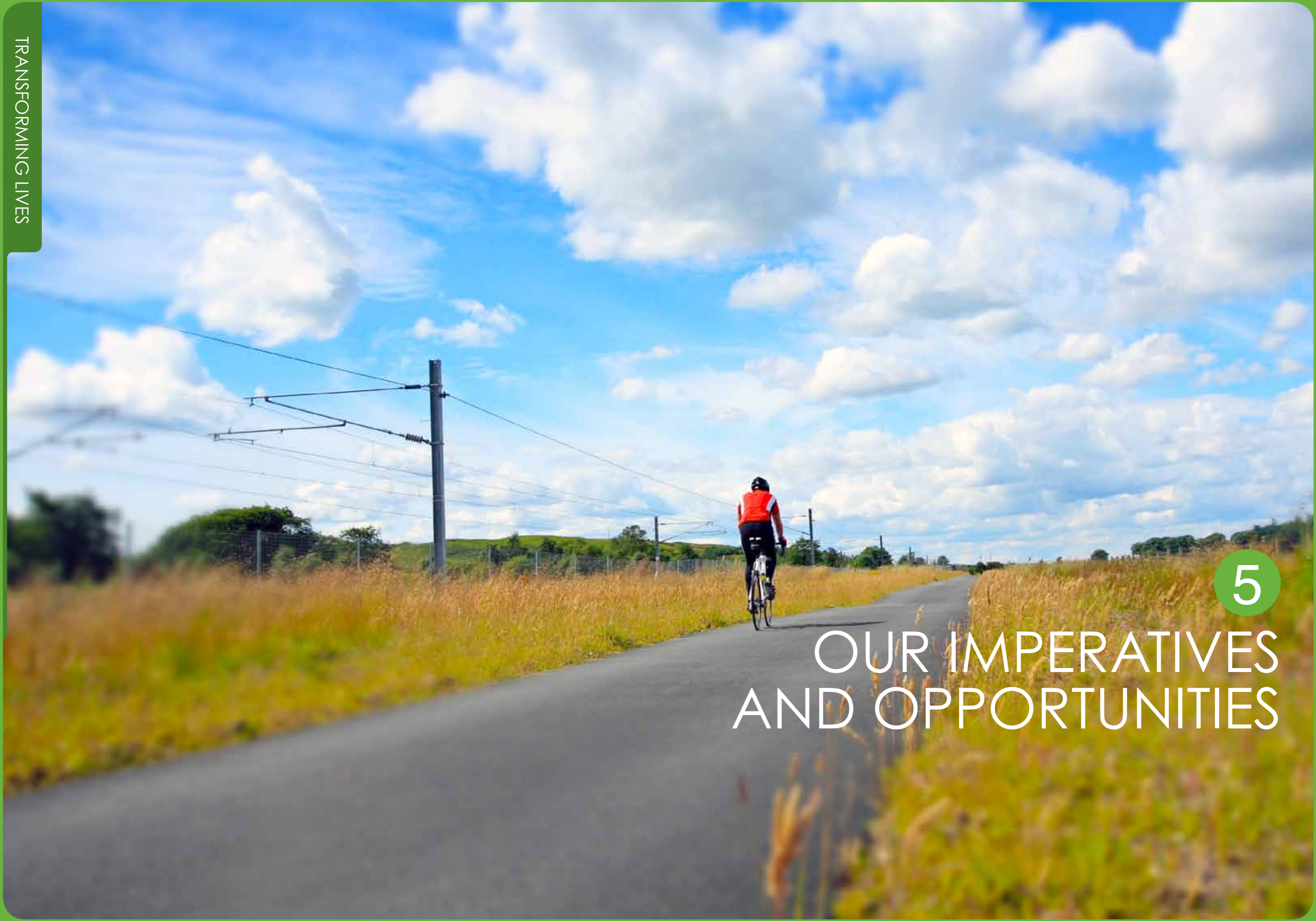
IMPERATIVES

Deliver the best network by maintaining and enhancing network quality	39
Develop transformational products and services relevant to different customer segments	41
Minimise business disruptions to our business ecosystem	42
Maintain a productive, supportive and safe working environment	44
Protect our reputation	47
Comply with regulatory requirements	49

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Actively deepen **financial inclusion**	52
Innovate to service a growing **youth sector**	54
Promote **sustainable practices** within our operations and business ecosystem	54
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Continue to **lobby and drive policy** to ensure a constructive business environment	58
Promote **ethical business** and good corporate governance	59

5

OUR IMPERATIVES AND OPPORTUNITIES

We have identified a number of imperatives and opportunities, which balance our short-term position with our long-term strategy. Our imperatives are the actions that we need to undertake to maintain our current position and our opportunities are the future-looking initiatives that we need to initiate to realise our potential for growth. This section describes our approach to managing each of these in further detail.

MANAGING OUR IMPERATIVES

Delivering the best network by maintaining and enhancing network quality

Network quality is a core component of our business and we are undertaking the following actions to ensure that we continue to provide a high quality service to all of our network users.

CHALLENGE	RESPONSE
Vandalism	We continue to suffer equipment losses and service disruption due to acts of vandalism. These acts are usually targeted at our fibre optic network, telecommunications equipment and power generation apparatus. We continuously review and upgrade the security measures and mechanisms we have in place, but we believe that the regulations protecting the infrastructure that provides the essential service of telecommunications should be more stringent and we are lobbying for this to happen, in partnership with other industry stakeholders.
Safety	The safety of our staff, our partners and our contractors comes first. Instability and security concerns in various parts of the country have had a negative impact on BTS site maintenance operations. The most affected region has been the North Eastern Region, although the recent instability experienced in the Tana Region has had an impact as well. While expensive, an armed security escort is usually engaged to provide protection to workers during site visits. The uncertainty also forces us to adopt a more aggressive and expensive approach to maintenance, carrying out additional preventive maintenance measures when on site.
Power instability	Energy availability is central to network stability. In this regard, we face two main challenges: stabilising the erratic supply received from the national grid and supplying energy to areas that lie outside the national grid. Our focus is on exploring ways of making our network more energy efficient through technological improvements and investing in alternative or renewable energy solutions where practical. Where it is not feasible to implement a green solution, we safeguard network stability by installing diesel generators to provide backup power.
M-PESA service delays	Our M-PESA money transfer service continues to grow and is used by over 17 million people. As we strive to match this continuous growth, technical hitches have led to service delays and/or unavailability. Obviously, this causes a level of dissatisfaction among M-PESA service customers. We are in the process of fundamentally transforming the M-PESA and M-Shwari platforms and have put the necessary financial and technical investment in place. We have also put in place programmes and procedures to minimise the risk of service delays in the short-term.
Creating the best network	In November 2012, we launched the *Best Network Programme* and committed to having the best network in the country (through all measures) by November 2013. From a network quality perspective, this means that we will provide our subscribers with the best voice, mobile data, fixed data and Value Added Services, both in terms of qualityand availability. We have made a huge monetary and resource investment in order to achieve this goal.
Fibre network instability	A substantial proportion of all network failures are the result of instability in our fibre network. On the whole, this instability is caused by road construction and acts of vandalism. In order to address this challenge and achieve the stability and capacity required to service both consumer and enterprise demand, we have started rolling out our own expanded, high quality fibre network. Over 500 kilometres of fibre cable will have been deployed by the end of July 2013.

CHALLENGE	RESPONSE
Network expansion	We have to expand our network capacity constantly in order to keep up with the continuous growth in demand for services and minimise network congestion. An aggressive 2G and 3G site expansion programme was undertaken in this financial year and over 240 BTS sites were rolled out. The programme included the roll out of sites in areas that previously had little or no coverage, as well as in areas where coverage had degraded (mostly as a result of the development of high rise buildings in urban settings). While BTS site acquisition remains a challenge, co-location opportunities are explored wherever possible. We have also invested heavily in our 3G infrastructure to enhance mobile data performance and experience. Unlike 2G network coverage, 3G coverage 'shrinks' as 3G mobile user density increases. This calls for intense and continuous planning and re-planning of the 3G network to ensure an acceptable quality of service is provided. **Network coverage** Network Quality 2G: % of Kenyan landmass 68%; % of Kenyan population 88% 3G: % of Kenyan landmass 22%; % of Kenyan population 52%
Network modernisation	The modernisation of our legacy radio network equipment is necessary to improve voice call quality, decrease the number of dropped calls, reduce congestion and enhance data performance. Approximately 500 BTS sites have already been modernised and more than 100 sites are in the process of being modernised. Our ultimate goal is to have the entire radio network modernised. During this financial year, modernisation has been carried out in the following regions: Nyeri, Meru, Eldoret, Kericho, South Nyanza, and the larger Western regions of Busia, Kitale, Kakamega and Port Victoria.
Enterprise network services	With the growth in enterprise services offered by the company, there has been a need to expand the enterprise network to meet, and exceed, desirable levels of quality of service. As part of the expansion, we have invested in re-designing and re-building the core enterprise network to make it resilient, robust and highly available. We also have the largest WiMax (broadband) presence in the country.
Customer experience management	In the fast-paced, highly competitive telecommunications sector, we need to provide a service that matches or exceeds customer expectations. To help us do this, we have adopted a customer experience monitoring model that bridges the gap between network equipment performance and 'real' customer experience. As part of our ongoing service improvement efforts, we undertook an exercise to streamline our processes. Information Technology Infrastructure Library (ITIL), the best practice framework for service delivery, has been implemented to achieve this, with desired outcomes being observed within the 12 months of implementation.
Long Term Evolution (LTE)	Looking towards the future, Long Term Evolution (LTE) is currently being assessed by the Government as a way of creating more broadband capacity in the telecommunications market. A major evolution in terms of technology and infrastructure, we have to ensure that we are ready to offer these services in order to remain competitive in the telecommunications industry.

Developing transformational products and services

Innovation is critical to our continued competitive edge and success. Accordingly, we have devised a strategy to help us embed a culture of innovation within the organisation. The strategy is based on four characteristics typically exhibited by successfully innovative companies: the capacity to challenge orthodoxies, harness trends, understand needs and leverage resources. We use these four characteristics as strategic 'lenses' through which to examine and reassess the organisation.

We adopted the '4 Lenses of Innovation' strategy in February 2013, created the 'Safaricom Innovation Infrastructure' to channel and expose innovative ideas from around the company, and formed four, multi-disciplinary teams with the task of assessing the ideas being generated.

Our innovations are social (directly improving the lives of Kenyans), financial (providing formal financial services to the unbanked) and/or revenue related (designed to deliver a specific commercial outcome from the outset).

Examples of our recent innovations include the following products and services:

Agriculture

ICow
ICow is a mobile application that enables small scale farmers to access agricultural information and services on their mobile phones. The application assists farmers in record keeping for individual animals and educates farmers on how to follow the best farming practices, helping them to keep their animals healthy and productive. The ICow platform now has 70 140 users and, while new services will be launched in the near future, current services include:
• Mashauri — a subscription-based service that sends farming tips to farmers on how to keep their animals healthy and how to maximise yield from their animals.

Education

• **Safaricom blackboard**
We believe that e-learning will help Kenya overcome some of the resource challenges the country faces in education, as well as improving access to education for all Kenyans. We have invested in an e-learning system for schools, universities, colleges, institutions and corporates. As well as making a wide range of interactive learning materials and content available to students anywhere and at anytime, Safaricom blackboard allows teachers and tutors to create and upload their own content, such as course notes, quizzes and other support materials. Students can also purchase official syllabus-related eBooks that have been certified by the Kenya Institute of Education (KIE) through the system.

Health

• **TB Care Program Management (TIBU)**
TIBU is a patient and resource management system designed to help Kenya reach the 70/85 Tuberculosis (TB) targets and objectives set out in UN Millennium Development Goal 6 (i.e. 70% detection and 85% cure of detected cases). A partnership between Safaricom, the Ministry of Public Health and Sanitation, USAID and our innovation partners and integrators, the record-keeping system improves efficiency in TB patient management by tracking the compliance and progress of patients who are being treated. The system also provides a financial incentive to patients to ensure that they complete the full course of treatment, known as the Patient Support Allowance (PSA), and over US $300 000 has been reimbursed to patients through more than 146 000 mobile payments via M-PESA.

• **AfyaTips**
AfyaTips is an SMS-based information service that provides personalised information and advice to individuals on a range of medical and wellness issues, such as pregnancy, diabetes, nutrition, weight loss and lifestyle disease management. A partnership between Safaricom and PurpleTeal Ltd, the service was launched on 6 November 2012 and aims to have one million subscribers by the end of 2013.

• **Linda Jamii (micro-health insurance)**
Linda Jamii is an innovative medical micro-insurance product that offers in- and outpatient cover, funeral benefits and other value added services to low-income Kenyans who cannot afford formal medical insurance cover. A partnership between Safaricom, Britam and Changamka, the solution allows subscribers to save and contribute slowly, from as little as KShs 10 a day, until they reach the premium threshold. The service

costs a family less than they pay for a packet of milk a day. Premiums and claim payouts are made using the M-PESA platform. Although it has not yet been officially launched, the service has already attracted over 7 000 subscribers through word-of-mouth, with services available at over 600 hospitals and health facilities around the country.

Humanitarian response

- **Refugees United** is a family tracing service that helps refugees, internally displaced and stateless people to search for, and reconnect with, missing family or friends. To date, over 200,000 people have registered with the service and an updated version that allows people to register via USSD and SMS services, as well as via the web and mobile phone (WAP) will be launched in June 2013. The aim is to assist over 1 million registered displaced people globally by 2015.

Business services

- **Mobile video**
  This is a video conference service that runs on smart mobile devices. It allows individuals and mobile workforces to collaborate and interact with colleagues, customers and vendors while on the move or away from the office. The objective is to bundle the collaboration service into our mobile data offerings and to provide an enterprise mobility solution that can be scaled to suit any size of business, from SMEs to corporates and government institutions.

- **OneConnect**
  OneConnect is a fixed voice product that unifies and simplifies enterprise communication needs into one solution. The solution consists of a fixed voice and numbering plan, single billing system and internet service, supported by a single point of contact support team and dedicated account manager. The objective is to provide a total business communication service that can be scaled to suit any size of business.

Minimising disruptions to our business ecosystem

Minimising the disruption caused by power outages is one of the most important challenges that we face. As part of safeguarding our network energy security, we ensure that all sites where the cost of grid connection is less than KShs 9 million are connected immediately and that, where possible, grid connection is undertaken before a site switches live. All sites not connected to the grid are powered using alternative energy sources, such as power cubes and renewable energy solutions.

Network energy sources

Power source(s)	Number of sites
24/7 genset	79
Diet site	14
Enhanced hybrid site	17
KPLC (Grid)	2,466
KPLC/No genset	297
Mini-enhanced hybrid site	6
Powercube	34
Solar/Wind	55
TKL/No genset	3

Specific initiatives to manage energy security and minimise the disruptions caused by power instability include the following:

INITIATIVE	DESCRIPTION
Power cube conversions	A first in Africa, we have converted 34 sites from 24/7 gensets to power cubes. A power cube is an extremely efficient hybrid energy system in which all the power components are housed in one enclosure. The components (generator, fuel tank, dc power system, batteries and controller) are all factory integrated to reduce generator runtime, human interference, prolong battery life, reduce fuel theft and enable remote monitoring.
Free cooling unit installations	We have installed 278 free cooling units in all indoor sites not in coastal areas. These units reduce the energy consumption of air conditioners by exchanging warm inside air with cool air from outside when the ambient temperatures are lower than the inside temperatures. As most of our sites are in areas of moderate temperatures, it has been possible to achieve significant savings with these units, especially at night.
Power grid extensions	By working closely with the Kenya Power and Lighting Company (KPLC) and Rural Electrification Authorities (REAs), we are able to take swift advantage of extensions to the national grid and use this power to supply our sites. The programme is ongoing and approximately 95% of the sites targeted this financial year have been connected.
Low voltage Auto Phase Selector (APS) installations	One hundred sites have had low voltage APS units installed. These units allow the switching of voltages at sites at much lower voltages than normal (as low as 120V) and deep cycle batteries so that even when the grid is completely non-existent, the site can run on stored energy for a period of time. All new sites will feature APS units going forward.
Facilities energy redundancies	Within our facilities, we have created redundancies in the energy infrastructure to ensure that the loss of one system does not paralyse our operations. Redundancy levels have reached level 4 (four different backup systems) in critical facilities, such as the HQ1 Data Centre.

The redundancy measures that have been implemented ensured zero downtime during the last 18 months, even though electricity shortages have been experienced at our data centres due to main board failures and a generator catching alight after overheating. |

We have also embarked on various projects in our buildings to reduce energy consumption and maintenance hours, including:

INITIATIVE	DESCRIPTION
Hybrid power supply system	As part of our ongoing programme to make our facilities more energy efficient, we have installed a hybrid power supply in the Safaricom gym. The system uses solar power to heat the water used in the gym.
Office lighting	All of the lighting in our major offices (Safaricom Care Centre, Jambo Call Centre and HQ1) has been converted to energy efficient LED lighting, which is controlled by occupancy sensors.
Retail shop lighting	We are also in the process of upgrading the lighting in our retail shops to energy efficient LED lighting, controlled by occupancy sensors. To date, the lighting at seven of our 40 shops has been converted. The conversion process is ongoing.

Maintaining a productive, supportive and safe working environment

Our employees are integral to the success and sustainability of our operations. As described in our Occupational Safety and Health (OSH) Policy, we are committed to safeguarding the safety and health of all employees. In order to create a safe and exciting place to work, we have embarked on a number of initiatives, including the following:

INITIATIVE	DESCRIPTION
OSH plan	We have developed a high level OSH plan based on our health and safety policy statement objectives, our safety and health strategy and strategic directions, our safety and health audit results, our safety and health risk assessments and our statutory requirements. The plan describes milestones and KPIs to measure OSH performance. It also addresses the four specific, high risk activities associated with our business operations: driving safety, work at height safety, electrical work safety and legacy infrastructure risks. The Technology Division has also developed a work at height permit system that is integrated into site access procedures to help improve compliance. The plan is monitored and reinforced by senior management tours of Safaricom sites. The tours are also conducted to demonstrate senior management commitment to OSH. Plan implementation is also vetted by the Vodafone Group on a bi-annual basis.
OSH policies and procedures	We have developed a comprehensive range of OSH policies and procedures, including: the Safaricom Safety and Health Policy; the OSH Plan; the Safaricom Safety and Health Management System Framework; the OSH in Supply Chain Standard; the Electrical Safety Standard, and the Work at Height Standard.
OSH management system	We have developed an OSH management system that ensures we adopt a comprehensive and systematic approach to managing safety and health matters and that will enable us to achieve OHSAS 18001:2007 certification in the near future.
OSH steering committee	In July 2012, we constituted a steering committee comprised of ExCo and divisional safety champions in order to provide leadership on OSH functions and programs to the various OSH sub-committees. Under the chairmanship of the ExCo safety champion, the divisional safety champions meet each quarter to address safety issues.
OHSAS 18001 certification	We want to achieve OHSAS certification by FY 2015. Our OSH management system, policies and procedures have all been developed to help us achieve this. Our risk management system, Isometrix is also being configured to help us achieve certification. Scoping activities have been undertaken and we expect to complete full configuration of the system in the next financial year.

INITIATIVE	DESCRIPTION
Targeted OSH training	We have embarked on targeted OSH training to entrench a health and safety culture across the company. OSH inductions for new employees are held every quarter and task-specific training is given to employees in roles that feature particular risks, for example, 84 staff members who undertake rigging work were trained on height safety in October 2012. Five hundred and three members of the Safaricom Emergency Team also underwent Occupational First Aid and Fire Marshals training, in compliance with legislative requirements and to equip them with the skills and knowledge to perform as emergency responders. Online training courses will be made available to staff in the new financial year and the company has already acquired licenses for 29 online safety courses through the Safaricom E-Class Portal. Team-based awareness sessions have been held with various divisions to improve safety awareness and to provide feedback on safety performance. In addition, the Learning and Development Department holds quarterly *Chemsha Bongo* quizzes in which safety-related questions feature.
Absolute safety rules	We reviewed and merged the three sets of Absolute Safety Rules into one set of six simple rules. The six rules address the basic safety standards that prevent maiming and fatalities. The revised rules were communicated to staff through the staff bulletin, OSH committees, posters, wall art and digital media messaging. GPS tracking systems and security surveillance are used to monitor driver behaviour and enforce the rules.

INITIATIVE	DESCRIPTION
Ergonomics solutions	We have procured 1,000 ergonomically suitable seats for workstations in the Jambo Call Centre, along with ergonomic foot- and wrist-rests. We are also introducing software to help staff develop good computing habits, which will help improve productivity and reduce the costs associated with workstation injuries and fatigue.
Audits	In compliance with statutory requirements, we audited 45 facilities from an OSH perspective and submitted our findings to the DOSHS. Workshops were held with ExCo and the responsible division heads on the findings and corrective action required. OSHA audits were also undertaken at 380 BTS sites and the company carried out fire safety audits at 60 facilities.
Safety awareness week	A safety awareness week was held in April to commemorate World Safety and Health Day on 28 April. Employees were engaged on safety-related issues throughout the week.\n\nIn addition, during the United Nations Global Road Safety Week in May, staff participated in a series of awareness-raising activities that called for improved pedestrian safety, including walks on Mombasa Road and Waiyaki Way in Nairobi.
Safety road show	A company-wide road show was also undertaken in which employees were engaged on road safety issues. Driving represents the greatest accident risk to staff (75% of all incidents) and employees were challenged to reduce the number of driving-related incidents.
Remuneration	Our workforce is remunerated based on wages that are subject to Kenyan minimum wage rules. Our entry salary is 5 times higher than the minimum wage. There is no gender distinction on standard entry level wages.\n\nWe provide a number of benefits to all of our employees, including: medical insurance, work/injury benefits, as well as annual, sick, maternity, paternity and compassionate leave with funeral expenses.\n\nPermanent employees are also provided with a pension, car allowance, group life insurance, social clubs, group personal accident insurance and stock ownership. None of our staff are covered by collective bargaining agreements; however, we do have a Staff Council which meets on a quarterly basis to address issues and concerns raised by employees.
Employee wellness	Our employee wellness strategy aims to encourage healthy living, ensure quick and easy access to medical facilities and to promote workplace wellness. We believe that this improves quality of life and leads to increased productivity, reduced medical costs and absenteeism, and enhanced recruitment and retention.\n\nWe offer a number of wellness initiatives, including: employee wellness programs, employee and family assistance programs, financial wellness programs and alcohol and drug abuse programs.\n\nWe also offer a number of amenities at our offices for employees, including lounge areas, a prayer room (JCC), gyms, a cyber café, cafeterias, a mothers room, games areas, in-house crèches (HQ1 and JCC) and an in-house clinic (HQ1).
Safaricom wellness awareness campaign	Throughout our wellness awareness campaign, we aim to inspire and educate employees and enable them to take full responsibility for their own health and wellbeing. Employees can raise or share their health concerns, get information on current health issues and receive a comprehensive health check-up. We put together a team of doctors from various medical professions to offer free expert services to employees.\n\nOur commitment to the wellness of our employees is not restricted to this particular campaign, however, and we run programmes throughout the year. These programmes encompass physical, mental, emotional and family health, and we also offer a counselling service to staff, if needed. In total, 2 036 staff participated in various wellness programmes during the reporting period.
E-Classes	In total, we have had 4,253 visits by both permanent and temporary staff members to our E-Class online learning portal, with 992 employees having completed 3,837 modules. In the inaugural Safaricom E-Class graduation ceremony, 226 members of staff were conferred with E-Class certificates across various fields.

Talent management

This year, we managed to on-board all of the skills we required. We focus our recruitment on growing internal talent and identifying external talent for unavailable/rare skills and have achieved a 50:50 internal-to-external hire ratio. We also have a 1:1.34 female-to-male ratio across the business; 1.4% of our employees are physically-challenged and 30% of our leaders are female.

Some of the initiatives we have undertaken this year to attract and retain the best staff include:

- **Talent management programme**
  The objective of this programme is to identify and nurture high-performing and high-potential employees. This year, 88 employees were identified and are currently undergoing various development initiatives.

- **Job rotation programme**
  Through our internal job rotation programme, we have placed 70 employees in different roles to help them gain skills and exposure in areas of career interest.

- **Internship programme**
  We participated in six career fairs at universities across the country. At the fairs, Safaricom employees interacted with students in an informal setting and educated them about available career options and requirements. From the fairs, we drew the interest of more than 3,000 graduate students and successfully provided internship opportunities to 200 of them.

- **Performance management**
  As part of our ongoing effort to embed a high performance culture, we reviewed and launched a new way of managing performance between employees and line managers. We have also introduced performance calibration meetings that will improve the performance of the organisation by fairly rewarding top performers and by helping low performers improve their contributions. The ultimate goal is more productive employees and every member of staff is required to partake in the performance management programme and to receive regular performance and career development reviews.

- **Employee shareholder scheme**
  We have also introduced two employee shareholder schemes:
  - Employee share option (ESOP): The ESOP was issued to all permanent employees on 26 February 2010. It had a three year vesting period and employees are currently exercising their shares for a period of one year.
  - Out right grant: The outright grant is a performance- and potential-based scheme pegged on talent reviews. It is grade-based and issued to senior managers from grade 4 to grade 2. It is issued annually and the first tranche was awarded in July 2011.

Protecting our reputation

In many respects, our reputation is one of our most important assets. It helps us to attract and retain customers, investment capital and talented employees. We recognise how easily a good reputation can be tarnished and take a number of steps to protect our reputation, including the following:

- **Competition concerns and perceived dominance**
  No official finding has been made in this regard, but, owing to our market share, Safaricom is perceived as being dominant. This perception has significant ramifications because if we were to be found dominant in certain markets in the telecommunications industry, we would be subject to additional regulatory scrutiny and obligations. Competition law in Kenya provides that an entity abusing its dominant position in the market can attract sanction and a heavy penalty of up to 10% of revenues. Accordingly, we focus on making sure that our operations and actions in the market are in compliance with the law and that we compete with other operators fairly.

- **Ethical business practices**
  We believe that ethical business practices are not only an integral part of protecting our reputation, but are critical to our sustainability and success. As a result, we promote an organisational culture that values the highest ethical standards of personal and corporate integrity and expect all of our directors, employees and suppliers to act with honesty, integrity and fairness.

Doing business the right way: *Safaricom 2.0* encapsulates our ethical standpoint and includes eight charters that describe our commitment to our stakeholders (see page 24). These charters are backed up by a number of other policy documents, including the Safaricom code of conduct (providing guidance to staff), our supplier and dealer codes of conduct, our corruption policy, gift policy, blacklisting policy, fraud policy, supplier sponsored trips policy and amnesty agreements.

We engaged in a number of initiatives during the reporting period to help ensure that we always act with the highest ethics and values, include the following:

INITIATIVE	DESCRIPTION
Ethics risk assessment	An ethics risk assessment was carried out by an independent consultant in order to gauge the ethical perceptions and expectations of our internal and external stakeholders. These stakeholders included employees, dealers/agents, suppliers and government institutions. The findings of this survey were used to develop the ethics strategy of the company.
Board Audit Committee (BAC) self-assessment	The BAC, which has oversight over ethics management (among other duties), carried out a self-assessment to benchmark itself against best practice and to identify areas for improvement. The assessment was based on the Audit Committee Institute questionnaire. The BAC also developed its charter and code of conduct, and documented its policies and procedures.
Controls self-assessment	In order to improve the controls governing every process within the company, a 'controls self-assessment programme' was instituted during the year. The programme was organised by the Internal Audit team and required every process owner to review and refine the controls in place. The programme not only enabled us to set up a central database of all company controls, it also helped to embed a controls conscious culture within the company.
External quality reviews	In accordance with internal audit standards, an external quality review of Internal Audit and IS Audit functions was carried out. The objective of the review was to gauge the compliance of the functions with International Auditing standards and to identify areas for improvement. One of the key improvements identified by the review was to enhance the independence and effectiveness of these audit functions by separating them from other risk management functions.
Audit reviews	Thirty nine risk-based audit reviews were carried out during the year. The objective of the reviews was to obtain assurance on the adequacy of the design and operating effectiveness of the controls in the scoped processes. Twelve, in-depth fraud reviews were carried out during the year. These reviews were undertaken to identify instances of fraud and to 'plug' these fraud loopholes.
Company-wide risk assessments	Enterprise risk assessments were carried out to ensure that enterprise risks are anticipated before they arise. Company-wide fraud risk assessments were carried out with the aim of identifying high fraud risk areas and making recommendations to reduce these risks. Fraud risk assessment is also crucial in identifying areas that require more in-depth fraud detection reviews.
Investigations	Forty nine investigations were carried out by the internal investigation team during the year. The investigations covered various frauds, including asset misappropriation, fraudulent expense claims and corruption cases. The investigations lead to disciplinary action against staff, the blacklisting of companies and, in some cases, the frauds were reported to law enforcement agencies for follow up. Following the investigations, control improvements were implemented to seal the fraud loopholes that were identified.
Awareness sessions	Face-to-face awareness sessions were carried out in all high ethical/fraud risk areas. Topics covered during the sessions included: conflicts of interest, corruption and fraud trends.
Ethics newsletters	Ethics newsletters are sent out to all staff and cover topics such as acceptable gifts, recent frauds and their outcomes, and the activities of the ethics committee.

Complying with regulatory requirements, lobbying and driving policy to ensure a constructive business environment

We have developed a Regulatory Charter which commits us to developing constructive, respectful, open and transparent relationships with all regulators. While remaining compliant with all regulation and applicable laws, we will adopt a firm approach on issues that may be detrimental to industry growth.

Our approach to managing regulatory issues

We have adopted the following specific strategies to manage regulatory issues:
- Proactively ensuring compliance with licence obligations, legislation, regulations, by-laws and regulator guidelines.
- Actively engaging with regulators through face-to-face meetings, written submissions and memoranda when changes to the existing business environment are under discussion.
- Facilitating workshops and information sessions with regulators, members of the media and affected stakeholders to discuss public policy issues affecting the telecommunications industry.
- Attending stakeholder workshops and lobby on behalf of the telecommunications industry.

We have made fairly good progress in implementing these strategies and aim to ensure continuous compliance with the current laws and regulations that affect our business.

We engage with regulators and industry stakeholders on a range of issues, including the following:

ISSUE	DESCRIPTION
Political guidelines excise Duty on Mobile Money Transfers (MMTs)	In October 2012, Parliament introduced a 10% Excise Duty on MMTs. This tax has increased M-PESA tariffs and meant higher transaction costs for M-PESA customers. On behalf of our customers, we engaged the Kenya Revenue Authority and Treasury to reconsider the tax.
Mobile Termination Rates (MTRs)	Our customers receive the largest number of calls from other networks and charges based on MTRs help offset the cost of terminating these incoming calls. We have maintained a consistent engagement strategy with the CCK, the Government and other stakeholders to ensure that the MTR regime in Kenya is cost-based and reflects operating costs in the industry.
Subscriber registration	The CCK enacted new regulations in January 2013 that require all telecommunication subscribers to be registered. We have complied with the new regulations and registered approximately 90% of our subscribers.
Increasing regulatory fees	The fees we pay to regulators remain a significant cost and amount to approximately 4% of revenues. Regulatory fees include license fees, spectrum charges, compliance charges and local authority payments. Failure to pay any of these fees would expose us to penalties and/or compromise our ability to operate and deliver services to customers.

Awareness workshops

Our Regulatory & Public Policy Department periodically hosts awareness workshops with relevant stakeholders, including regulators, investors and the media. The issues covered include MTRs, political messaging guidelines and the Universal Service Fund (USF). The workshops are conducted on an ad-hoc basis, depending on the regulatory issue. Internally, the workshops are targeted at mid-level managers whose departments are affected by the proposed regulatory action.

Environmental regulations

Complying with environmental regulations is not only an important part of our regulatory responsibilities, but also an integral part of managing our environmental impact. We are currently required by law to comply with the following legislation:
- Environmental Management and Coordination Act, 1999
- Environmental Impact Assessment (EIA) and Environmental Audit Regulations, 2003
- Noise and Excessive Vibration Pollution Regulations, 2006
- Waste Management Regulations, 2006
- Kenya Civil Aviation Act, 2002
- Kenya Information and Communications Act, 2008
- Occupational Safety and Health Act, 2007
- EIA Licence Conditions

MANAGING OUR OPPORTUNITIES

Promoting positive customer experiences at all touch points

A favourable or positive customer experience translates into business continuity and sustained profitability through customer retention, repurchases and word-of-mouth promotion. As a result, we consider every customer experience or interaction to be a key focus area. To ensure we remain focussed on what customers want, and adapt our offerings accordingly, we have established a dedicated customer experience steering committee and process team.

The Customer Delight Index

This is a measure of how satisfied or dissatisfied customers are with our overall service offering. Our CDI is derived by scoring and combining the following customer perspectives:

- Satisfaction with Safaricom
- Satisfaction with Safaricom compared to expectations
- Satisfaction with Safaricom compared to an ideal service provider

We manage customer experiences at specific touch points in the following ways:

Retail stores

Our retail stores are an important customer touch point. We train our retail staff to aspire to provide each and every customer with a 'WOW' ('Walk Out Working') moment. Aspects addressed in the training include:

- The Customer Delight Index (CDI)
- The role of agents in customer experience
- Examples of pleasant and poor customer experiences (shared by actual customers)
- Proper presentation and grooming

Enterprise customers

Some of the initiatives we have undertaken this year to improve enterprise customer experiences include:

- **Delight workshops**
  These workshops bring all enterprise-related functions together to appreciate the interdependencies of the enterprise ecosystem and the contribution that each makes towards providing an 'unmatched customer experience'. These workshops also review current performance versus targets and the roll out of new initiatives.

- **Internal monitoring programmes**
  These programmes measure enterprise customer delight and stakeholder engagement at every touch point along the enterprise customer journey. Through these programmes, performance and enterprise customer experiences are continuously evaluated and improved.

- **Deployment Partner Engagement Programme (DPPI)**
  This programme aims to entrench customer service excellence when a service partner is physically deployed at the premises of a customer. It has delivered admirable results and the current DPPI customer satisfaction score is 83% (the target score is 80%).

Customer care through our call centre

In order to improve the experiences of customers who contact us, we have undertaken a number of actions, including:

- Adding the CDI score into the KPI of every employee to promote customer ownership;
- Creating 'tiger teams' to drive customer delight and report to the CEO on a regular basis;
- Undertaking competency assessments of all managers to help build capacity;
- Introducing after-call surveys to ensure rapid responses and internal corrective measures;
- Creating a call routing strategy and defining alternative engagement channels;
- Using customer focus groups in our baseline survey;
- Continuously checking statuses using COPC standards to improve performance;
- Taking a single view/reference point on all customer issues;
- Purchasing an IP-based infrastructure to increase call volume capacity, and
- Purchasing a knowledge management system to serve as a quick reference for call handling processes and product procedures.

Actively deepening financial inclusion

We have helped deepen financial inclusion by providing a mechanism through which M-PESA customers can access financial services at an affordable cost.

Financial inclusion

SERVICE	DESCRIPTION
M-PESA agent loans	A partnership between Safaricom and the KCB Bank Group, this service allows M-PESA agents to borrow funds to use as working capital. Anything from KShs 50,000 to 5,000,000 may be borrowed and agents can use monthly commissions to make their repayments. The bank has set aside KShs 1.5 billion to finance M-PESA agents and KShs 150,000,000 has been taken up to date.
M-PESA agent insurance	We have partnered with three insurance companies to offer M-PESA agents comprehensive cover against business risks and to safeguard business continuity. Agents are able to insure their businesses at every stage of growth and pay their premiums via M-PESA.
M-Shwari	This service makes it possible for ordinary Kenyans to save, earn interest and borrow money using their mobile phones and the M-PESA service. Many Kenyans lack access to formal banking services and are forced to borrow money at a high cost through informal credit mechanisms. M-Shwari allows M-PESA customers to save as little as KSh 1 (0.01 $US) and to earn interest on their savings, together with access to micro-loans from as little as KSh 100 (1.16 $US). The loan can be accessed anytime and the funds are transferred into the customer's M-PESA account immediately. There are no charges for transfers between M-Shwari savings accounts and M-PESA accounts. M-Shwari has already attracted over 1.2 million customers and we have recruited our top 1 000 M-PESA agents to act as promotional ambassadors for the service.

Accessibility

We believe there is an urgent need to address the 'digital divide' and the growing gap between the capabilities of Kenyans with access to technology and the internet and those without. We are committed to doing whatever we can to help more Kenyans gain access to the internet and internet-enabled devices. We have embarked on an ambitious strategy to provide and promote digital access by addressing the following barriers:

BARRIER	RESPONSE
Device pricing	Our data-enabled device pricing strategy is focussed on affordability and this year we offered Smartphones from as little as KShs 5,999. We also plan to introduce the most affordable tablet in the Kenyan market in the coming year'. The focus for this year is to provide low cost, entry level smartphones to our customers and our target is to sell 200,000 of these units through our dealer channel.
Data bundle pricing	One of our aims is to make mobile and broadband-based internet services more affordable and easier to access. We offer a wide selection of competitively priced data bundles, ranging from daily data bundles to large bundles for heavy users.
Financing	To help make data-enabled devices even more accessible, we have entered into partnerships with various financial institutions, including corporates, savings and credit co-operatives, microfinance institutions and banks, to help employees and members finance and acquire devices with affordable repayment plans over periods from 12 to 36 months.
Content and applications	We aim to deliver content and applications that are genuinely relevant, useful and meaningful. We are also planning to offer free content to allow our users to access basic internet services at no cost. We have both local and international content partners, including: Facebook, Goal, Google and Liberty Africa.
Awareness	Many Kenyans lack accurate information about the internet and, as a result, are unaware of how beneficial it can be. We organise fun 'data awareness days' at our retail outlets and customer locations (offices), the purpose of these is to create awareness about the capabilities of the internet and the role it can play in a customer's life. During these data awareness days, we help people evaluate, engage with, and understand online content.

Other initiatives that we have embarked on to improve accessibility include:

- **Retail desks**
  The purpose of this initiative is to extend our presence into dealer shops and to provide a range of products and services similar to our retail stores in these locations. Twenty one retail desks (kiosks) have been set up within dealer shops to date and we plan to roll out an additional 100 locations in the next financial year.

- **Digital villages**
  We have already rolled out 2,300 'digital villages' — cyber cafés through which customers can access the internet and basic digital content at very affordable costs — around the country. Part of our Universal Service Fund (USF) responsibilities, these digital villages are also empowering the entrepreneurs that own them as we offer a very attractive combination of free equipment, free set up and a fixed monthly charge once operational.

Innovating to service a growing youth sector

Young people are an important market segment, but also a discerning one, with specific focuses and needs. Young people are attracted to the services we provide and are quick to embrace the potential of digital communications and content, but they are also discerning about the services they want. They have very specific requirements and this requires pricing and positioning products and services differently. Accordingly, we have shifted our approach from marketing the price/cost value proposition of our data offerings to lifestyle-based promotions. This shift in approach has been backed up by a range of customised offerings, campaigns and events that include the following:

- **M-Shwari** — tapping into the entrepreneurial spirit among the youth through our mobile banking service

- **SKIZA Tunes** — a popular way for the youth to express their personalities and entertain their friends with caller welcome tunes

- **Niko Na Safaricom Live** — our celebrated world-class music

concerts, bringing the best musical acts to campuses around the country

- **Safaricom Sevens** — the rugby tournament that entertains the youth from a sporting and social perspective

- **Michael Joseph Centre** — our exhibition centre now boasts a programme of events, plays, book and poetry readings and visual art exhibitions for the youth

Promoting sustainable practices within our operations and business ecosystem

We attach great importance to the sustainability of our operational activities and, by extension, those of our wider business ecosystem, including our dealers and suppliers. We believe that sustainability is essential to providing the best possible service to our customers and to our country.

We consider the effects of our activities on natural resources and the environment and try to minimise these effects. We also recognise that responsible and effective environmental management offers a host of benefits, including financial savings from reduced waste generation and efficient energy consumption, easier compliance with environmental legislation, increased staff morale and pride, and improved customer relations.

Examples of our approach to promoting and managing sustainable practices within our operations include the following:

ACTIVITY	DESCRIPTION
Waste management	We encourage our employees and contractors to minimise waste and re-use or recycle wherever possible. Waste is separated to promote recycling and composting of biodegradable waste. We avoid the use of non-recyclable plastic containers and also substitute thin plastic containers with more durable versions. All waste is collected by a National Environment Management Authority (NEMA) licensed waste collector.
Paper	We began managing our paper consumption in 2008 and are currently drafting a responsible paper usage and printing policy. To minimise paper usage, we recommend printing and photocopying only when absolutely necessary and our printers are set to duplex printing by default. We use recycled paper and all paper is shredded for ease of recycling.
Water	We completed the installation of hands-free sensor taps in the Safaricom Care Centre, which are not only hygienic and easy to use, but also save water and money. It is envisaged that the taps will save up to 30% of the current water usage in the facility when compared to conventional taps. (See page 77 for a description of our performance.)
E-waste (electrical devices)	In October 2012, we launched an e-waste recycling programme designed to manage the impact of electronic gadgets 'from cradle to grave'. Through the initiative, old electronics (phones, laptops and related accessories) are collected at our retail centres and offices and handed over to a competent recycler. We have also developed an e-waste information bulletin that is distributed to customers and other members of the public to raise awareness of this issue and to urge them to drop their e-waste into our collection boxes for recycling. Looking ahead, we will embark on community-based e-waste collection next year and will provide public education on e-waste in Nairobi and other major cities and towns. (See page 77 for a description of our performance.)
Electromagnetic frequencies (EMFs)	We remain committed to ensuring that our activities pose no risk to the health and safety of the communities in which we operate. As part of this responsibility, we produce an EMF micro-website and booklet that answer the questions that are frequently asked about mobile phone technologies, handsets and masts. Our EMF micro-website and booklet are constantly reviewed and updated and can be accessed online through this QR code link:
World Environment Day	We commemorate World Environment Day to help raise awareness of environmental issues. A number of conservation activities were undertaken by staff in 2012, including planting 4,500 tree seedlings in the hills of Ngong and participating in the National Mazingira Run at Uhuru Park in Nairobi. Outside of these Global and National Commemoration days, through the Safaricom and M-PESA Foundations, grant support has been given to community-based organisations to grow forests. These also serve as conduits for employee participation in activities.
Staff training	We have also begun training staff on aspects of our environmental management. Recent training sessions included a carbon footprint calculation session, which was attended by 15 people, and an environment and sustainability seminar, which was attended by 10 people. These staff members form part of the broader sustainability team.

Examples of our approach to promoting and managing sustainable practices within our wider business ecosystem include the following:

BUSINESS PARTNER	APPROACH
Dealers	Dealers are important business partners as they account for almost 70% of airtime sales and represent our brand in the market. As a result, we maintain close working relationships with our dealers and expect them to share our business principles and ethical standards. We use a combination of explicit business partner policies and dealer management procedures to manage every process from new dealer recruitment to ordering and delivery, performance monitoring and contract termination. There are a number of sustainable business practices that dealers must have in place to become part of our network, including business plans, bank statements, managed premises, trained staff, as well as other technical and legal requirements. We also assign each dealer a dedicated manager who will engage with them on performance, new market opportunities and financing through regular meetings, training sessions and annual contract renewals. We also recognise and reward strong performers through our 'Dealer of the Year' awards.
Suppliers	Suppliers are key business partners who provide the goods and/or services that enable us to operate. In order to manage supplier performance, we implement the following: • *Supplier qualification* All suppliers are pre-qualified and requalified regularly to ensure they are financial reliable and have all of the required accreditations and licences. We also ensure that they are fully compliant from a legal, insurance and regulatory perspective. Lastly, we also check that they have the required management policies in place, including OSH, customer service, staff integrity, environmental and CSR policies. • *Supplier performance evaluations* All suppliers undergo quarterly or bi-annual performance evaluations and are measured against the following indicators: cost of service; on time delivery of service; flexibility to respond to unexpected Safaricom demands; quality of service; general responsiveness; customer support; value addition; documentation and invoicing, and communication skills. A performance score is calculated with a performance target of 80% and suppliers whose performance is below the performance threshold are placed on performance improvement plans. • *Supplier sustainability self-assessments* Suppliers are required to complete a sustainability self-assessment that evaluates their performance in the following areas: fraud and ethics; human resources, health and safety, the environment, community and corporate giving, and regulatory compliance. We work with our suppliers to ensure that at all times we are supporting business that uphold the highest standards of integrity and ethical practices when it comes to employee rights. We aim to encourage fair employment practices that comply with current labour regulations and are supportive of a diverse and inclusive workforce, non discriminatory and afford freedom of association. The self-assessments will be followed by selected on-site verification exercises. *For more information on the results of the supplier sustainability self-assessments, please refer to Section 7, page 79.* • *Supplier safety management programme* Several initiatives have been taken around supplier safety management including: the development of an OSH in Supply Chain Management Standard to embed safety assurance processes in supply chain operations; two supplier safety conferences, and site safety inductions and awareness sessions prior to project commencement. • *Supplier training on OSH* OSH training is being conducted with high risk suppliers who also have to identify OSH gaps in their operations and devise plans to close these gaps within specified timelines.

Rolling out alternative energy solutions, ensuring energy security for our future growth

We are committed to employing alternative energy solutions wherever possible, to streamline our energy footprint and to reduce our reliance on fossil fuel energy. We are constantly investigating new energy technologies and processes and some of our recent initiatives include:

Renewable energy sites
Fourteen 100% solar-powered, diet sites are already operational and further solar power will be added to power cube sites to reduce generator run hours.

• **Hybrid solar solution for facilities**
We are also looking for renewable energy solutions that we can use in our facilities and have recently installed a hybrid solar power solution in the Safaricom gym to reduce consumption of grid electricity.

• **Staff training**
As part of our ongoing focus on alternative energy solutions, more than 20 staff members have been trained on solar and biofuels technologies, as well as on energy-efficient lighting and motors.

• **M-KOPA Solar**
M-KOPA Solar is a GSM-controlled domestic solar power system. Designed to help low-income households in rural areas liberate themselves from kerosene lighting and having to rely on local mobile bureaus to charge their phones, the system uses solar power to provide 3 light bulbs and a charger. Customers pay an initial deposit of KShs 2,500 and daily instalments of KShs 40 for the first 12 months (via M-PESA). Currently, 15,377 households are benefiting from this innovative solution.

Going forward, we will be tracking our energy consumption per unit of telecommunications traffic (Erlang). This will allow us to benchmark ourselves against other telecommunications companies accurately. We will also be undertaking remote energy monitoring at our sites to improve efficiencies and reduce downtime.

Lobbying and driving policy to ensure a constructive business environment

We operate within an increasingly complex regulatory environment. As a result, we consider public policy lobbying an important task and a vital way of ensuring that the operating environment for the provision of telecommunications services in Kenya remains constructive.

As well as proactively ensuring that we comply with all licence obligations, relevant legislation, regulations, by-laws and regulator guidelines, we actively engage with regulators through face-to-face meetings, written submissions and memoranda when changes to the existing business environment are under discussion. We attend stakeholder workshops to lobby on behalf of the industry and facilitate our own workshops with regulators, members of the media and affected stakeholders to discuss public policy issues affecting the telecommunications industry.

We engage with regulators and industry stakeholders on a range of issues, including the following:

ACTIVITY	DESCRIPTION
Universal Service Fund (USF)	The USF was created to support the roll out of telecommunication services to underserved areas where operators may not be investing. Through the CCK, Government has set operator contribution levels at 0.5% of gross turnover. We share the concerns of other operators regarding the USF (its governance structure, regulatory framework and the lack of representation for contributors to the fund), but continue to fulfil our USF obligations while lobbying the CCK and other industry stakeholders on these issues. We have rolled out 2,300 'digital villages' (cyber cafés in remote rural villages) in various parts of Kenya.
Political messaging guidelines	Cognisant of the post election violence in 2008, we decided that no bulk political messages containing discriminatory, partisan or hate speech content would be transmitted through our network during the general elections. We also engaged with the CCK, the National Cohesion and Integration Commission and the Independent Electoral and Boundaries Commission to develop clear national guidelines for the transmission of such messages. The new guidelines were launched in October 2012.
Counterfeit handsets	The CCK issued a directive to all mobile operators to switch off counterfeit handsets by 30 September 2012. Together with other mobile operators and handset manufacturers, we have engaged the CCK in order to ensure a coordinated approach to the phase out of these handsets. We continue to comply with this directive and have switched off approximately 700,000 counterfeit phones to date.

Promoting ethical business and good corporate governance

We view ethical business practices and good corporate governance as non-negotiable and continue to promote these principles in the following ways:

ACTIVITY	DESCRIPTION
Kenya Association of Manufacturers (KAM) CEO Breakfast on Ethics and Corruption	We recognise that we are part of a wider business ecosystem and need to partner with other businesses in promoting business ethics. With this in mind, we facilitated a CEO breakfast with the Kenya Association of Manufacturers (KAM) that was attended by 30 CEOs. The breakfast focused on the role of private business in fighting corruption and the CEOs confirmed the commitment of their organisations.
United Nations Global Compact (UNGC)	The UNGC is a strategic policy initiative that encourages corporate responsibility and support for the UN Millennium Development Goals (MDGs). The UNGC encourages businesses to align their operations and strategies to 10 ethical principles in the areas of human rights, labour, anti-corruption and the environment. We are signatories to the Compact and our CEO, Bob Collymore, is a member of the Global Board of the UNGC.
Sisi ni Amani	We partnered with the community-based peace organisation Sisi ni Amani during the build up to the general elections. At the time, the aim of the organisation was to try and minimise election-related violence through targeted, localised SMS messages. Members of the public could also use the platform to report incidents of violence within their communities free of charge. We donated 50 million free SMS messages to the initiative.

6

OUR STAKEHOLDERS

Our stakeholders include the diverse range of communities, groups and individuals that directly or indirectly support, influence or are affected by our activities. Our stakeholders play an integral role in our continued success and we attempt to take their varied perspectives into account through both formal and informal engagement. This summary identifies our key stakeholders, outlines the issues that concern them and describes how we engage with them when managing our material matters.

STAKEHOLDER ENGAGEMENT

Stakeholder	Key engagement issues	Format and frequency of engagement
Customers	• **Network quality:** Information regarding planned works and network failures is promptly disseminated to subscribers via the Customer Care division. • **Customer feedback:** We engage our customers directly to obtain their opinions, complaints and suggestions regarding our products and services. • **Health and safety:** We are committed to safeguarding the safety and health of our customers through risk assessments, safety and health audits, and safety and health committee inspections.	• Daily communication through our Customer Care division. • Daily interactions through our toll free customer care lines, social media presences, and our dedicated SMS, email and interactive voice response (IVR) channels (e.g. our quality team has a dedicated 24/7 SMS number). • Regular contact through our web self-service portal and customer research projects and surveys. • Annual discussions through our customer forums. • Monthly retail Customer Delight Index (CDI) reports.
Employees	• **Innovation:** We engage our employees on ways of improving customer experiences and product and process development through our internal idea management portal, Safaricom Ugwiji. • **Ethical values and standards:** We assist with the swift resolution of ethical dilemmas. • **Customer experience:** We engage with our employees by explaining their role in ensuring customer delight and their contribution to Safaricom objectives; by seeking their input on the relevance and impact of a customer-centric culture, and by developing brand ambassadors. • **Health and safety:** Employee engagement is provisioned through joint management-employee safety and health committees. The role of the safety and health representatives on these committees is that of articulating employee matters and it is through them that employees actively participate in implementing safety and health provisions.	• **Innovation:** - Frequent awareness meetings with strategy and innovation divisions. - Regular communication through Safaricom Ugwiji (internal idea management portal). - Sporadic campaigns like the Safaricom innovation competition, which encouraged Safaricom staff to share ideas that could help improve our business processes, customer experiences and product development. • **Ethical engagements:** - Annual formal, face-to-face sessions. - Ad hoc e-mail bulletins, posters and informal discussions. - Ongoing ethical dilemma resolutions. • **Customer experience:** - Weekly training and refresher courses on Safaricom products and services during Monday morning meetings and when new products are launched. - Monthly retail data champions, sales champions and customer service champions. - Bi-annual reviews of retail staff KPIs and performance. - Bi-weekly acknowledgement of retail 'customer service heroes' on the daily bulletin. - Annual team-building forums to strategise and communicate the yearly theme. • **Health and safety:** - Quarterly meetings. - Minutes of meetings and workplace inspection reports.
Internal stakeholders *(Support teams, including marketing, product development, sales, billing and payment and service delivery)*	• **Customer experience:** We continuously engage with our internal stakeholders to improve every aspect of the customer experience, from devising customer awareness campaigns and new products for specific customer segments, to ensuring the accuracy and timeliness of bills and monitoring the technical and commercial support provided to customers.	• Continuous engagement with our marketing team to assist in campaigns and initiatives. • Engagement is targeted and cross-functional, based on the support needed to realise any on-going customer journey initiatives.

STAKEHOLDER	KEY ENGAGEMENT ISSUES	FORMAT AND FREQUENCY OF ENGAGEMENT
The Communications Commission of Kenya (CCK)	• **Network quality:** Engagement on CCK's Targets (KPIs)	• Meetings. • Formal Correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
Innovation partners	• **Value propositions:** We engage our innovation partners on issues such as equipment development (mobile operators, such as Samsung and Nokia), developer and technology innovation (universities and incubation centres, such as Strathmore University and iLab Africa) and financing (various venture capitalists).	• Daily Safaricom innovation email shares ideas with recipients and encourages them to express their feedback and interest.
Business partners *(Suppliers, dealers, M-PESA agents)*	• **Business principles:** We engage with our business partners on expected standards of behaviour, for example, on health and safety standards, ethical principles, and corruption and bribery regulations.	• At first engagement, through provision of Safaricom supplier code of conduct. • Annual formal supplier meetings. • Annual supplier sustainability self-assessment.
Developers	• **Application development:** Developer engagement consists of initiatives like the Vodafone App-star Challenge and the Safaricom Incubation Challenge. The Safaricom Incubation Challenge helps mobile developers to showcase their solutions and provides a platform for them to get recognition from the mobile industry for their efforts.	• Developer engagement is achieved through meetings, the Safaricom innovation email and competitions.
Auditors *(Third parties involved in audits and other assurance, due diligence or verification exercises)*	• **Compliance:** We engage with government, ISO 14001 and OHSAS 18001-approved auditors to undertake audits of our business operations for compliance or certification purposes. These include audits of our safety and health standards and performance, environmental audits, energy audits and testing EMF levels to globally approved standards.	• Annual desktop evaluations, site visits, audit inspections etc.
Network stakeholders *(Telecommunication service providers, landlords, Kenya Power & Lighting Company (KPLC) and renewable energy contractors)*	• **Network quality and stability:** We engage with these stakeholders in a number of ways, including through agreements with other mobile operators to share BTSs (and vice versa), leases on land for BTSs, the provision of grid power for telecommunications equipment, and the deployment of renewable energy solutions.	• Meetings are held as and when necessary.
Government agencies	• **Legislative and regulatory responsibilities:** We engage with government agencies on a range of issues, including tax, tariffs and ethical business compliance.	• Interviews once every two years. • Annual meetings.
The Directorate of Occupational Safety and Health Services (DOSH) in the Ministry of Labour and Human Resource Development	• **Occupational safety and health:** We engage with the DOSH as required under the Occupational Safety and Health Act of 2007. We submit reports on safety and health audits, noise surveys, air quality and fire audits (undertaken by government-approved auditors) on an annual basis.	• Annual reports and meetings as prescribed by DOSH policies and procedures.

STAKEHOLDER	KEY ENGAGEMENT ISSUES	FORMAT AND FREQUENCY OF ENGAGEMENT
The Competition Authority of Kenya (CAK)	• **Competition issues:** We engage with the CAK on issues such as restrictive trade practices, consumer concerns and market dominance.	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
The Central Bank of Kenya (CBK)	• **Financial services:** We engage with the CBK on issues such as Mobile Money Transfers (MMTs) and related issues.	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
Ministry of Information and Communications	• **Telecommunication strategies and policies:** We engage with the Ministry of Information and Communications on telecommunications policy.	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
Kenya Revenue Authority (KRA)	• **Taxation:** We engage with the KRA on issues such as the excise duty on Mobile Money Transfer (MMT) services and VAT.	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
The National Environment Management Authority (NEMA)	• **Environmental compliance:** We engage with NEMA on e-waste management issues and the findings and recommendations of Environmental Impact Assessments (EIAs).	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
The Betting Control and Licensing Board	• **Promotions:** We engage with the Betting Control and Licensing Board on specific product and service promotions that may be impacted by current laws and regulations.	• Meetings. • Formal correspondence. • Submissions. *Frequency varies, depending on the nature of the issue.*
The Kenya Civil Aviation Authority (KCAA)	• **Base Transceiver Stations:** We engage with the KCAA on issues related to the acquisition and construction of BTSs.	• Monthly meetings. • Formal correspondence.
Kenya Association of Manufacturers (KAM)	• **Energy consumption training:** We engage with KAM regarding training staff on energy matters.	• Monthly engagement through email.
Local communities	• **Environmental impacts:** We consult with communities as part of the public participation process during environmental impact assessments of proposed projects.	• Meetings as required.
United Nations Environment Programme (UNEP)	• **Environmental awareness:** We partner with UNEP on environmental awareness events and campaigns, such as World Environment Day and Clean up the World, as well as through environmental and sustainability sessions with local universities.	• Meetings as required.
Shareholders *(Government of Kenya, Vodafone Plc, and Public (NSE))*	• **Sustainability and growth:** We engage with the government through the relevant ministries on various environmental matters, such as the new e-waste regulations, and Vodafone shares information about new technologies and best practices in a host of key areas, including energy and carbon footprinting.	• Monthly meetings and teleconferences as planned and required.

7

OUR PERFORMANCE

Our sustainability performance is linked to our material matters. We measure our performance using both qualitative and quantitative indicators. This section presents a brief report on our achievements and progress in terms of each material matter during the reporting period.

OUR PERFORMANCE

Network quality

The Communications Commission of Kenya (CCK) is mandated with ensuring the provision of quality services by licensed mobile service operators. To meet this objective, the CCK has developed eight Key Performance Indicators (KPIs) to assess the performance of mobile operators. Mobile operators are expected to meet at least 80% (i.e. 7 out of 8) of the targets set by these KPIs.

The CCK carries out national Quality of Service (QoS) assessments based on these KPIs, to determine the level of compliance achieved by mobile operators. The results of these assessments are released to the general public and can also be found on the CCK website.

We are concerned by the latest CCK results (2011/12 FY) as there are several discrepancies between those released by the Commission and similar

tests carried out by an independent company, based on an international benchmarking methodology, on our behalf (see following table). Network quality is one of our imperatives and, as such, we are currently engaged in ongoing discussions with the CCK in an effort to understand these discrepancies.

The following table details the various CCK KPIs and our compliance performance status since 2010.

KPI	CCK TARGET	EXTERNAL BENCHMARK RESULTS	CCK RESULTS		
		2012	2012	2011	2010
Completed Calls	90%	👍	👎	👎	👎
Call Setup Success Rate	90%	👍	👎	👍	👎
Dropped Calls	2%	👍	👍	👍	👎
Blocked Calls	10%	👍	👎	👍	👎
Speech Quality (MOS,PESQ Values)	95% of Samples > 2.7	👎	👎	👎	👎
Handover Success Rate	85%	👍	👍	👍	👍
Call Setup Time	<13.5 Seconds	👍	👍	👍	👍
RX Levels	Outdoor -102 dBm	👍	👍	👍	👍

👍 Achieved   👎 Not Achieved

Our ongoing independent network audits are also being used to track our progress towards our pledge to deliver the 'Best Network in Kenya' by November 2013. The rank of our network according to these measures is presented in the following table

KPI NAME	SEPTEMBER 2012	APRIL 2013	OUR PLEDGE
Call Setup Success Rate	👍	👍	👍
Dropped Call Ratio	✋	👍	👍
Speech Quality	✋	✋	👍
Mean Data User Data Rate-Download	✋	✋	👍
Mean Data User Data Rate-Upload	✋	👎	👍
Mean Web Browsing Session Time	👍	👍	👍
Network Delay	✋	✋	👍

KEY			
👍 Best Network	✋ Second Best	👎 Beyond	

⚡ Energy security

Electricity

	Facilities*	Network		Total FY 2013	Total FY 2012
		BTSs	MSRs		
Megawatt Hours (MWh)	8 801	65 528	22 034	96 362	118 233
Gigajoules (GJ)	31 682	235 901	79 322	346 905	425 638

* Facilities includes retail stores in FY 2013

Our electricity consumption has reduced compared to the previous year. This is largely due to more accurate data collection, which has allowed us to reduce some of the previous data uncertainty. This adjustment is also mirrored in our carbon footprint calculations as electricity consumption data is a key input.

Diesel Consumption in Generators

	Facilities	Network		Total FY 2013	Total FY 2012
		BTSs	MSRs		
Volume (Litres)	166 955	4 577 921	1 003 321	5 748 197	8 424 563
Gigajoules (GJ)	5 993	164 342	36 018	206 353	305 470

We are still in the early stages of measuring, monitoring and managing our energy consumption and, as a result, we do not have the historical data records needed set targets and refine strategies based on detailed, actual figures. To help overcome this challenge, we are in the process of procuring and deploying smart meters that will enable us to measure and record our electricity consumption patterns in detail.

In terms of future performance, we are aiming to create enough energy redundancy to guarantee operational business continuity (which has already been achieved to an extent) and to reduce our current reliance on just two sources of energy (supplementing grid electricity and diesel generators with other sources of energy).

💡 Innovation

SERVICE	DESCRIPTION	REACH	OBJECTIVE
AfyaTips	An SMS-based information service that provides personalised information and advice to individuals on a range of medical and wellness issues.	160,000 subscribers	500,000 subscribers in one year
ICow	A mobile application that enables small scale farmers to access agricultural information and services on their mobile phones.	70,140 users	200,000 users by 30 June 2014
Refugees United	A family tracing service that helps refugees, internally displaced and stateless people to search for, and reconnect with, missing family or friends.	200,000 registered people	1 million registered displaced people globally by 2015
Safaricom Blackboard	An e-learning system that allows learners and instructors to access eBooks and online learning materials from anywhere 24/7.	Pilot projects at select institutions	Every learner and instructor
TB Care Program Management (TIBU)	A Tuberculosis (TB) patient and resource management system.	Over 150,000 patients and 350 health officers	Steady growth
M-KOPA Solar	A GSM-controlled domestic solar power system for low-income households.	15,377 households	Steady growth

Customer experience

In terms of future performance, we are aiming to be 'the number one integrated services and fixed data provider' from an enterprise perspective and 'a clear market leader' from a customer perspective.

KPI NAME	MEASURES	FY 2013 PERFORMANCE			FY 2012 PERFORMANCE
		TARGET	ACTUAL	STATUS	
Customer Delight Index (CDI)	• Retail Tracker (external survey and research, includes Mystery shopping, Face-to-face interviews and after service call backs) • Customer focus group sessions • Call Centre Tracker (Internal analysis of customer journeys i.e. accessibility, queue experience, IVR navigation and self help, agent interactions, query resolutions and alternative channel experiences, such as social media, e-chat, SMS) • Internal performance standards	71%	73.2%	👍	62.2%
Enterprise Delight Index	• Touchbase validation • Billing experience • Service delivery experience • General support experience • Platinum support experience • Deployment Partner Performance Index (DPPI) • Churn tracking	71%	75.6%	👍	69.3%
Brand Value	• Attitudinal Equity (AE): How much consumers desire your brand relative to its competitors. • Market Effects (ME): How much market share a brand is winning from, and losing to, competitors because of market effects.	80.0%	84.4%	👍	81.9%

Our employees

Employee demographics

The following tables detail our employee demographics by gender, grade, contract and location.

CONTRACT TYPE	NUMBER OF EMPLOYEES*
Permanent	2,667
Contractors (Fixed term contracts)	597
Total	**3,264**

Please note: all employees are full time

LOCATION	NUMBER OF EMPLOYEES*
Nairobi	2,394
Western (Rift, Nyanza, western)	107
Eastern (Eastern , Central Coast)	166
Total	**2,667**

JOB GRADE	TOTAL PERMANENT & SECONDED STAFF	NO. OF WOMEN	NO. OF MEN	GENDER RATIO
1-2	13	5	8	1:1.16
3	35	14	21	1:1.5
4	143	41	102	1:2.49
5	274	75	199	1:2.65
6	555	206	349	1:1.69
7	587	261	326	1:1.25
8-9	1060	539	521	1:1.03
Total	**2667**	**1141**	**1526**	**1:1.34**

TOTAL NEW HIRES	137
Rate of new employee hire	5%
Male hires	90
Female hires	47
Age bracket	18-24 =2 25-29 = 67 30-34 =37 35-45 = 30 >45 = 1

TOTAL EXITS	169
Rate of employee turnover	6%
Male exits	110
Female exits	59
Age bracket	18-24 =0 25-29 = 41 30-34 =81 35-45 = 42 >45 = 5

Employee training hours by gender and grade

CATEGORY/GRADE	TOTAL NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES TRAINED		TRAINING HOURS BY GRADE		TOTAL TRAINING HOURS		AVERAGE TRAINING HOURS		COST OF TRAINING BY GRADE	
		Female	Male	Total	Average	Female	Male	Female	Male	Total	Average
Director / General Manager	16	5	11	1,101	68.8	824	277	164.8	25.2	7,890,470	493,154
Department Head	48	21	27	1,806	37.6	833	973	39.7	36.0	15,341,680	319,618
Senior Managers	210	61	149	7,178	34.2	1,860	5,318	30.5	35.7	24,046,129	114,505
Managers	457	109	348	14,372	31.4	2,748	11,624	25.2	33.4	38,801,407	84,905
Senior Officer	1,100	385	715	35,187	32.0	8,228	26,959	21.4	37.7	69,175,262	62,887
Specialist	1,135	522	613	23,077	20.3	6,262	16,815	12.0	27.4	57,196,381	50,393
Operative	2,770	1,671	1,099	46,245	16.7	25,197	21,049	15.1	19.2	27,217,739	9,826

Occupational safety and health statistics

INCIDENT CLASSIFICATION	EMPLOYEES	CONTRACTORS	THIRD PARTIES	TOTAL
Fatalities	0	4	2	6
Lost Time Injuries	4	2	0	6
Incidents	125	15	3	143
Medical Treatment Cases	12	5	20	37
First Aid Cases	279	382	2	663
Total Man-hours Worked	7 255 200			
FIFR*	0			
LTIFR**	0.11			

Fatal Injury Frequency Rate (FIFR) is calculated as follows: number of fatal injuries per 200,000 hours worked/Total Safaricom employee hours worked.

** Lost Time Injury Frequency Rate (LTIFR) is calculated as follows: number of lost time injuries per 200,000 hours worked/Total Safaricom employee hours worked.

Comparison of occupational safety and health performance

Incidents: FY 2012 — 131, FY 2013 — 143
Fatalities: FY 2012 — 2, FY 2013 — 6
Lost Time Injuries (LTIs): FY 2012 — 14, FY 2013 — 6
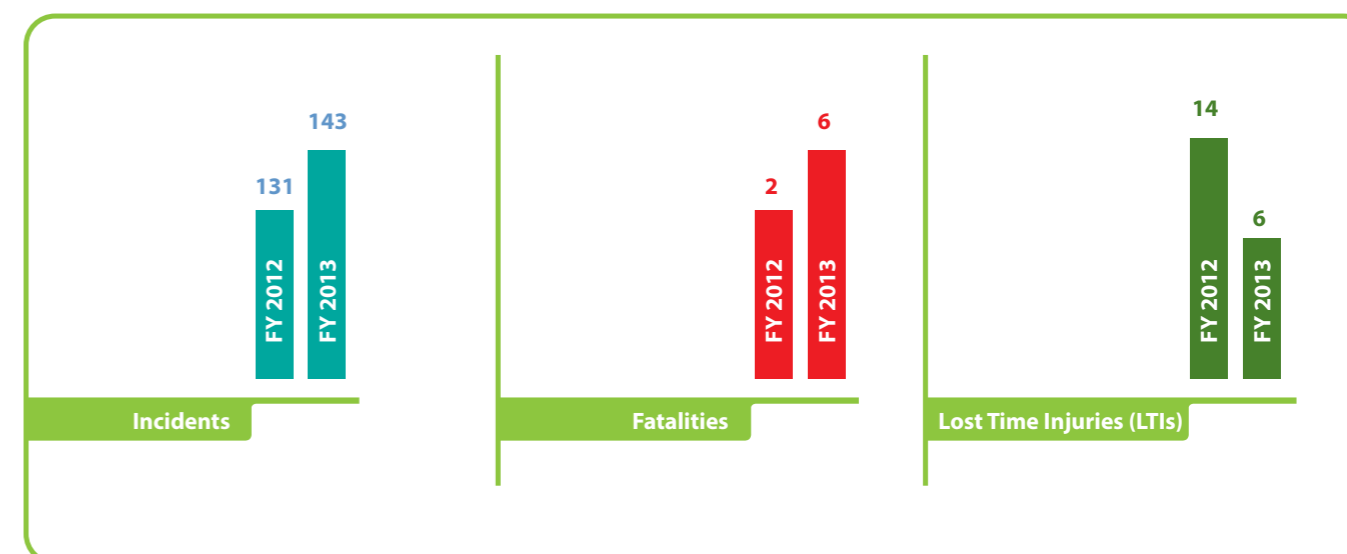
| DATE OF INCIDENT	GENDER	CATEGORY	TYPE OF INCIDENT	LOCATION
29 Jul 2012	Male	Contractor	Fatal shoot-out by armed bandits	North Eastern
14 Aug 2012	Male	Member of public	Road traffic accident	Meru
19 Sept 2012	Male	Contractor	Fall from height	Nyayo Stadium
16 Oct 2012	Male	Contractor	Fatal shoot-out by armed bandits	North Eastern
26 Nov 2012	Male	Member of public	Criminal activities on a BTS site	Mombasa
12 Dec 2012	Male	Contractor	Road traffic accident	Kabarnet

Lost time injuries

There were six Lost Time Injuries (LTIs) during the reporting period. These were all sustained in road traffic accidents. A description of these LTIs is provided in the accompanying table, including the number of days that were lost.

GENDER	NATURE OF INJURY	NUMBER OF DAYS LOST
Female	Fracture	30
Female	Fracture	42
Male	Fracture	50
Female	Cut wound	3

Incidents

The majority of incidents that occurred during the reporting period were also due to road traffic accidents (approximately 75%). A breakdown of the nature of the reported incidents (as a percentage of the total number of incidents) is provided in the following table.

Incidents Reported

Road traffic accidents	76%
Slips and falls	6%
Property damage	4%
Criminal activity	11%
Other	3%
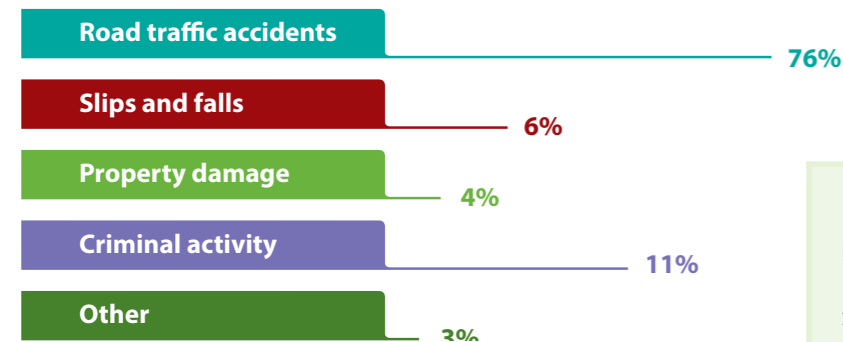
Proportional Safety and Health representation

286 employees are involved in the Safaricom Safety and Health Committee, representing approximately 10% of the total permanent workforce.

Upcoming initiatives

In addition to ensuring implementation of the OSH plan, future focus areas include:

Wellness initiatives	• Financial wellness program • Quarterly wellness magazine • Stress management initiatives
Consequence management	• Mechanism for recognising positive safety and health contributions and the inclusion of safety violations in the disciplinary code and policies.
Supplier safety management	• Full implementation of OSH in supply chain standards, including implementation of the '3 strikes' consequence management mechanism.
OSH responsibility and accountability	• Formal cascade of safety objectives in Performance Appraisals, including senior management levels.
High risk work control procedures	• Acquisition of fleet tracking systems and monitoring of vehicle usage • Implementation of an automated 'permit to work' tool integrated into site access procedures • Implementation of a lock-out, tag-out and try-out protocol for electrical work
Safety and health awareness	• Uptake of 29 OSH courses available in the Safaricom E-Class Portal • Production of a safety and health induction video
Projects	• Roll-out of ISOMETRIX system • Development of a safety page on the intranet

Environmental performance

Water consumption

WATER SOURCE	FY 2013 CUBIC METERS (M3) WITHDRAWN	FY 2012 CUBIC METERS (M3) WITHDRAWN
Nairobi Water Company	37 815	43 272
Water Tankers	11 148	14 148
Total	**48 963**	**57 420**

Environmental management

We have collected 10 000 kg of e-waste through our e-waste collection programme this year. We had 151 Environmental Impact Assessments (EIAs) approved and submitted 430 Environmental Audits (EAs) to NEMA this year. We have not received any monetary fines from non-compliance.
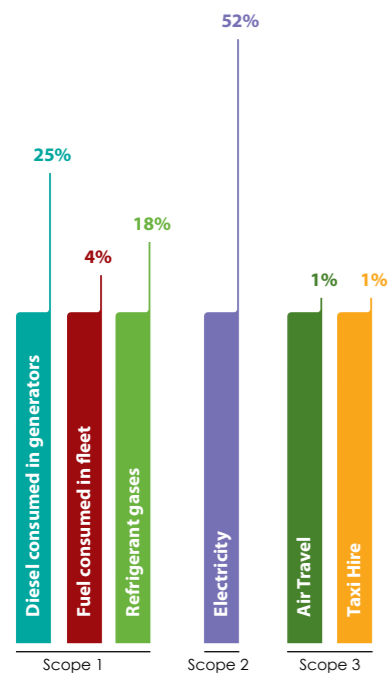
Carbon footprint

We have calculated our carbon footprint for the second year using the Greenhouse Gas Protocol (a Corporate Accounting and Reporting Standard (Revised edition)). Once again, we used emission factors sourced from the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA)/Department of Energy and Climate Change (DECC) GHG conversion factors for company reporting, along with the latest electricity emission factor for Kenya published by the International Energy Agency.

Our carbon footprint emissions are composed of 'scope 1' emissions, which include the diesel consumed in our generators, the fuel used in our fleet vehicles and the fugitive emissions associated with our air-conditioning systems, 'scope 2' emissions, which are the indirect emissions associated with our consumption of purchased electricity, and 'scope 3' emissions, specified for the first time this year, these include other indirect sources, such as air travel and taxi hire. Our total carbon footprint of 61 342 tCO2e is described in the following table.

KPI NAME	FY 2013 CARBON EMISSIONS (tCO$_2$e)	FY 2012 CARBON EMISSIONS (tCO$_2$e)
Diesel consumed in generators	15 387	19 014
Fleet: Petrol	1 388	307
Fleet: Diesel	1 071	2 140
Fugitive emissions	11 076	4 002
Total Scope 1 Emissions	**28 922**	**25 462**
Electricity consumption	31 655	44 795
Total Scope 2 Emissions	**31 655**	**44 795**
Total Scope 1 and 2 Emissions	**60 577**	**70 257**
Air travel*	360	-
Taxi hire	405	-
Total Scope 3 Emissions	**765**	**-**
Total Carbon Emissions	**61 342**	**70 257**

* Please note: the necessary processes to collect our air travel data were only implemented half way through this reporting period.

Carbon footprint emission sources

The different emission sources that contribute to our carbon footprint are shown below. Electricity remains our largest source of emissions, followed by diesel consumed in generators and refrigerant gases. This year we worked on reducing some of the uncertainty in our carbon footprint calculations, particularly in our electricity consumption data. We will look at including more emission sources, and engaging further with our suppliers, in the coming year.

Looking ahead, we have set ourselves the target of implementing a comprehensive management system that will lead to IS0 14001 certification by the end of the financial year. We also plan to expand our e-waste programme to reach more stakeholders and the general population. We do not have any water consumption or waste generation targets at this stage; however, we will be working on this going forward.

Business Partners

A self-assessment questionnaire was sent to 220 of our largest suppliers, 120 of whom responded, representing 55% of our largest suppliers (89 local and 31 foreign companies), with the following scores:

ASSESSMENT CATEGORY	COMPANY SCORE	
	Local	Foreign
Regulatory compliance	84%	80%
Corporate and community giving	62%	53%
Environment	57%	64%
Human resources	85%	83%
Fraud and ethics	79%	81%

Regulatory issues

INDICATOR	HOW WE MEASURE PERFORMANCE	UNITS OF MEASUREMENT	FY 2013 PERFORMANCE
Public policy lobbying	Public policy lobbying is measured qualitatively by the business through the quality of issues presented during lobbying.	• Methods of lobbying • Intended outcome of the lobbying	Measured per occurrence of lobbying.
Non-compliance fines	Fines for non-compliance are initiated by the regulator.	Number of fines.	CCK imposed a fine of KShs 500,000 in respect to non-compliance with QOS parameters.
Anti-competitive behaviour	Legal actions for anti-competitive behaviour are initiated by other market players.	The number of actions lodged.	No actions have been lodged.

In terms of future performance, our target remains continued compliance with all applicable legislation and regulations affecting our business.

Ethics and values

INDICATOR	DESCRIPTION	FY 2013 PERFORMANCE
Percentage and total number of business units analysed for risks related to corruption	Percentage of units analysed for fraud risks.	100%
Percentage of employees trained in anti-corruption policies and procedures	Percentage of high risk staff trained on ethics.	60%

Actions taken in response to incidents of corruption

OUTCOMES	NUMBER OF STAFF
Warning	8
Dismissed	55
Reported to law enforcement agencies	28

8

GRI TABLE

GRI SECTION	DESCRIPTION	REFERENCE	PAGE NUMBER (S)
1.1	Statement from the most senior decision maker of the organization (e.g. CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Executive summary: Message from our Chairman Executive summary: Message from our CEO	16 - 18
1.2	Description of key impacts, risks, and opportunities.	Our strategy: Our material matters Our strategy: Our imperatives and opportunities	30 - 35
2.1	Name of the organization.	Cover page About this report	1 7
2.2	Primary brands, products, and/or services. The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.	Our business: What we do	23
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Our business: What we do	23
2.4	Location of organization's headquarters.	Our business: What we do	23
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Our business: What we do	23
2.6	Nature of ownership and legal form.	Our business: What we do	23
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Our business: What we do	23
2.8	Scale of the reporting organization, including: • Number of employees; • Number of operations; • Net sales (for private sector organizations) or net revenues (for public sector organizations); • Total capitalization broken down in terms of debt and equity (for private sector organizations); and • Quantity of products or services provided.	Our business: What we do Our business: The value we have created Our performance: Our employees Safaricom Limited Annual Report & Group Accounts 2013: Financial Review	23 26 73 Safaricom Limited Annual Report and Group Accounts 2013: Financial Review - Page 46 - 82
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: • The location of, or changes in operations, including facility openings, closings, and expansions; and • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	About this report	7
2.10	Awards received in the reporting period.	Our business: Awards	27
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About this report	7
3.2	Date of most recent previous report (if any).	About this report	7
3.3	Reporting cycle (annual, biennial, etc.)	About this report	7
3.4	Contact point for questions regarding the report or its contents.	About this report	8
3.5	Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	About this report Our Strategy: Our Material Matters	7 33
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	About this report	7
3.7	State any specific limitations on the scope or boundary of the report.	About this report	7

GRI SECTION	DESCRIPTION	REFERENCE	PAGE NUMBER (S)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	No restatements have been made on information disclosed in previous reports.	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Our performance: Energy security Our performance: Environmental performance	71 78
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found: • Strategy and Analysis 1.1 – 1.2; • Organizational Profile 2.1 – 2.10; • Report Parameters 3.1 – 3.13; • Governance, Commitments, and Engagement 4.1 – 4.17; • Disclosure of Management Approach, per category; • Core Performance Indicators; • Any GRI Additional Indicators that were included; and • Any GRI Sector Supplement Indicators included in the report.	GRI Table	80
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	About this report	7
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Our business: How we are managed Safaricom Limited Annual Report & Group Accounts 2013: Who Leads Us - Corporate Governance Statement	Sustainability Report 2013: Page 28 - 29 Safaricom Limited Annual Report and Group Accounts 2013: Page 19 - 23
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	Safaricom Limited Annual Report & Group Accounts 2013: Who Leads us - Corporate Governance Statement	Safaricom Limited Annual Report and Group Accounts 2013: Page 19 - 23
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/ or non-executive members.	Safaricom Limited Annual Report & Group Accounts 2013: Who Leads Us - Corporate Governance Statement	Safaricom Limited Annual Report and Group Accounts 2013: Page 19 - 23
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding: • The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and • Informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of employees in the highest governance body. Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period.	Our business: How we are managed Our business: Who keeps us in business Our stakeholders	29 24 60

GRI SECTION	DESCRIPTION	REFERENCE	PAGE NUMBER (S)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Our business: How we are managed	28 – 29
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Our business: How we are managed	28 - 29
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Our business: How we are managed	28 - 29
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Managing our Imperatives: Protecting our reputation	47
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Our business: How we are managed	28 – 29
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Our business: How we are managed	28 – 29
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Our business: How we are managed	28 – 29
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Our business: How we are managed	29
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. This refers primarily to memberships maintained at the organizational level	Our business: How we are managed	29
4.14	List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: • Civil society; • Customers; • Local Communities; • Shareholders and providers of capital; • Suppliers; and • Employees, other workers, and their trade unions.	Our business: Who keeps us in business Our stakeholders	24 60
4.15	Basis for identification and selection of stakeholders with whom to engage.	Our business: Who keeps us in business Our stakeholders	24 60
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Our business: Who keeps us in business Our stakeholders	24 60
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Our business: Who keeps us in business Our stakeholders	24 60
4.18	Disclosure of Management Approach	Our Imperatives and opportunities	36 - 59

GRI INDICATOR	DESCRIPTION	REFERENCE	PAGE NUMBER (S)
Environmental			
EN3	Direct energy consumption by primary energy source.	Our performance: Energy security	71
EN4	Indirect energy consumption by primary source.	Our performance: Energy security	71
EN8	Total water withdrawal by source.	Our performance: Environmental performance	77
EN16	Total direct and indirect greenhouse gases by weight.	Our performance: Environmental performance	77 – 78
EN17	Other relevant indirect greenhouse gases by weight.	Our performance: Environmental performance	77 – 78
Human Rights			
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Managing our Opportunities: Promoting sustainable practices within our operations and business ecosystem Our performance: Business partners	56 79
Labour practices and decent work			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Our performance: Our employees	73
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Our performance: Our employees	73
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Managing our Imperatives: Maintain a productive, supportive and safe working environment	46
LA4	Percentage of employees covered by collective bargaining agreements	Managing our Imperatives: Maintain a productive, supportive and safe working environment	46
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	Our performance: Our employees	76
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region and by gender.	Our performance: Our employees (Partially - absenteeism data not disclosed)	75-76
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Managing our Imperatives: Maintain a productive, supportive and safe working environment	46
LA10	Average hours of training per year per employee by gender, and by employee category.	Our performance: Our employees	74
LA12	Percentage of employees receiving regular performance and career development reviews by gender	Managing our Imperatives: Maintain a productive, supportive and safe working environment	47
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group. Minority group membership and other indicators of diversity	Safaricom Limited Annual Report & Group Accounts 2013: Who Leads Us - Corporate Governance Statement	Safaricom Limited Annual Report and Group Accounts 2013: Page 19 - 23

GRI INDICATOR	DESCRIPTION	REFERENCE	PAGE NUMBER (S)
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Managing our Imperatives: Maintain a productive, supportive and safe working environment	46
Society			
SO2	Percentage and total number of business units analysed for risks related to corruption	Our performance: Ethics and values	79
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Our performance: Ethics and values	79
SO4	Actions taken in response to incidents of corruption	Our performance: Ethics and values	79
SO5	Public policy positions and participation in public policy development and lobbying	Our performance: Regulatory issues	79
		Managing our imperatives: Protecting our Reputation	47 - 49
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Our performance: Regulatory issues	79
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Our performance: Regulatory issues	79
Product Responsibility			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Managing our opportunities: Promoting positive customer experiences at all touch points	51
		Our performance: Customer experience	72
Economic			
EC1	Direct economic value generated and distributed, including revenue, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	Our business: The value we have created	26
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant operations of location	Managing our Imperatives: Maintain a productive, supportive and safe working environment	46