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About  
Safaricom



### 3.1. Who we are

With over 19.1 million subscribers, Safaricom is one of the leading **integrated communications companies** in Africa, providing voice and data communications services to business, consumer and public sector clients.

- **Widest 3G network and most expansive WIMAX presence in Kenya**  
Safaricom provides connectivity to over 70% of Kenyans who use the internet regularly.
- **Most successful commercial mobile money transfer service worldwide**  
Since its launch in 2007, M-PESA has grown spectacularly and is now used actively by over 15 million people.
- **Continuously innovating and connecting communities**  
Safaricom continues to innovate and create new solutions to service the communication needs of Kenyans. Our ability to deliver voice and data services across a diverse variety of platforms is backed by substantial investments in broadband capacity and a strong foundation in undersea cable, satellite, metro and trunk cable connectivity.

Operating solely in Kenya, Safaricom is listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment. The company headquarters are located at Safaricom House along Waiyaki Way in Nairobi.

Safaricom exercises its corporate social investments through the Safaricom Foundation, a separate legal entity registered as a charitable trust. The Foundation is responsible for charitable contributions to communities, community groups and NGOs in Kenya.

As an organisation, we consist of ten operating divisions, namely:

- Chief Executive Office
- Executive Business Office  
Project Management Office
- Profit centres:
  - Enterprise Business Unit
  - Consumer Business Unit
  - Financial Services
- Corporate centres:
  - Risk Management
  - Customer Care
  - Marketing
  - Corporate Affairs
  - Finance
  - Resources
  - Technology

Launched  
in October  
2000



JANUARY	FEBRUARY	MARCH	APRIL
10,000,000	11,000,000	12,000,000	13,000,000
14,000,000	15,000,000	16,000,000	17,000,000
18,000,000	19,000,000	20,000,000	21,000,000
22,000,000	23,000,000	24,000,000	25,000,000
26,000,000	27,000,000	28,000,000	29,000,000
30,000,000	31,000,000		
MAY	JUNE	JULY	AUGUST
32,000,000	33,000,000	34,000,000	35,000,000
36,000,000	37,000,000	38,000,000	39,000,000
40,000,000	41,000,000	42,000,000	43,000,000
44,000,000	45,000,000	46,000,000	47,000,000
48,000,000	49,000,000	50,000,000	51,000,000
52,000,000	53,000,000	54,000,000	55,000,000
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
56,000,000	57,000,000	58,000,000	59,000,000
60,000,000	61,000,000	62,000,000	63,000,000
64,000,000	65,000,000	66,000,000	67,000,000
68,000,000	69,000,000	70,000,000	71,000,000
72,000,000	73,000,000	74,000,000	75,000,000
76,000,000	77,000,000	78,000,000	79,000,000
80,000,000	81,000,000	82,000,000	83,000,000
84,000,000	85,000,000	86,000,000	87,000,000
88,000,000	89,000,000	90,000,000	91,000,000
92,000,000	93,000,000	94,000,000	95,000,000
96,000,000	97,000,000	98,000,000	99,000,000
100,000,000			

Annual revenues of  
**KShs 107 BILLION**

19.1 million  
customers



Average minutes use per month  
per subscriber:  
**116 minutes**

64% of revenue from  
voice calls



Over 70% share of  
internet  
subscriptions



71.3%  
Market  
penetration



67% market share by  
SIM cards

3.2. What we do  
Our Products and Services

FY 2011/12

**VOICE**

**Contributing 64% of total revenues**

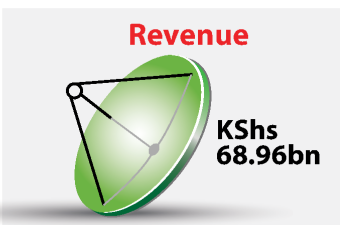


Despite intense competition and price wars, mobile voice calls remain the primary contributor to the company revenues.

Reduced tariffs continue to stimulate increased demand:

Voice usage grew 84% year-on-year and average monthly minutes of use (MOU) per subscriber rose from 96 to 116 minutes. Successful initiatives include:

- Skiza (caller ringback tone) service 22% of subscribers
- International traffic 130% increase



**SMS**

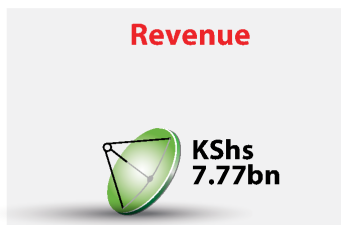
**Focused initiatives deliver growth**



Ongoing initiatives have maintained usage and year-on-year revenues have remained stable at 7.7% of total revenue.

Successful initiatives include:

- Introduction of SMS bundles
- Launch of unlimited SMS services with Twitter and Facebook SMS
- Premium Rate Service Provider (PRSP) promotions



**DATA**

**The next frontier of growth**



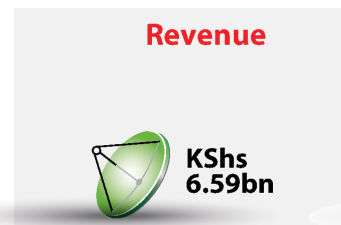
Low penetration and rapidly growing demand presents significant growth opportunities. WIMAX is an area that has been identified as offering particular opportunities for growth for enterprise data.

Safaricom currently enjoys more than 70% share of the internet subscriptions market.

Our investment in the most extensive 3G national data network, capable of offering speeds of up to 42 mbps, has ensured our continued strength in this key area of future growth.

Successful initiatives include:

- Safaricom Media Store
- Daily bundles launched
- Kulahappy - local content push
- Internet down campaign - usage and bundle awareness



**FINANCIAL SERVICES**

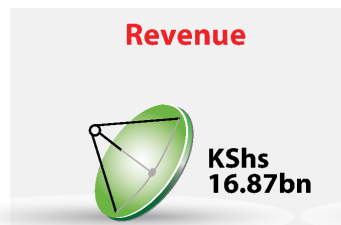
**Spectacular growth drives expansion and evolution**



Launched in 2007, M-PESA has been responsible for significantly deepening financial inclusion and now forms a core part of the lives of Kenyans, with over 15 million subscribers, over 900 business partnerships and a nationwide agent network of over 39 000 outlets.

Successful initiatives include:

- Nunua na M-PESA service (buy goods)
- M-PESA PrePay Visa Card
- Lipa Karo na M-PESA (pay school fees)
- M-Ticketing



**DEVICES**

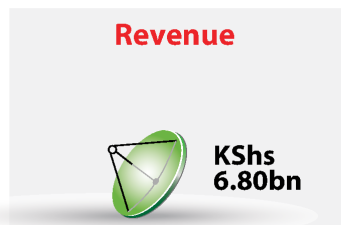
**Migrating to data-enabled devices**



Focus is on transitioning to data-enabled devices (handsets/ laptops/ tablets). The terminals team (responsible for purchasing) has a KPI to ensure that 96% of the devices they purchase are data-enabled within the year.

Successful initiatives include:

- Smart O Campaign
- Webbox
- Introduction of a sub US\$100 smartphone



### 3.3. The market in which we operate

Telecommunications is an exciting, rapidly developing industry. The continuous introduction of new technologies shifts capabilities and brings new entrants and competitors into the sector. As a result, the landscape is a vibrant one of shifting competition between traditional fixed-line telcos, mobile network operators, internet service providers and cable operators.

This competition is also changing and expanding the role of telecommunications and creating new product and service opportunities that have the potential to not only be profitable, but to mitigate climate change and reduce fossil fuel use as well.

The sector has the ability to help other sectors address their sustainability challenges by providing enabling technologies to help increase their energy efficiency and reduce their carbon footprints. Remote networking and mobile applications for services such as banking, healthcare and shopping, for example, can help to reduce travel-related carbon emissions.

An assessment of the sustainability of the telecommunications sector undertaken by KPMG<sup>1</sup> notes that the opportunity is there for the Telecommunications and Internet (T&I) sector to become the key enabler for 'green growth' in all sectors of the economy.

The T&I sector is not without its sustainability challenges, nonetheless. The KPMG report also notes that the sector faces the risks inherent in the sustainability megafactors of climate change, population growth, urbanisation and wealth.

Although the entire Information and Communications Technology (ICT) sector only accounts for approximately 2-3% of global CO<sub>2</sub> emissions<sup>2</sup>, the anticipated growth of global demand for telecom services will require huge amounts of energy in the years to come, more than doubling the sector's global greenhouse gas (GHG) emissions by 2020<sup>3</sup>.

The rapidly growing demand for telecommunication products and services also requires large energy inputs, particularly as datacenters continue to grow, which will continue to contribute to the sector's carbon footprint.

As the KPMG report concludes, the challenge for the T&I sector is to remain innovative and proactive in offering other industries sustainable solutions, while improving its own preparedness for the effects of the sustainability megafactors.

#### Accepting the challenge

KPMG's *International Survey of Corporate Responsibility Reporting 2011* indicates that 74% of T&I companies now report on sustainability, an increase of over 50% since 2008.

We are delighted to be part of this group and to be leading the way as one of the first Kenyan companies to report on sustainability based on the GRI reporting guidelines.



1. KPMG International (2012): *Expect the Unexpected: Building Business Value in a Changing World*.  
2. OECD (2010): *Greener and smarter: ICTs, the Environment and Climate Change*.  
3. The Climate Group (2008): *SMART 2020: Enabling the low carbon economy in the information age*.  
Global eSustainability Initiative (GeSI).

### 3.4. The value we create

As a converged communications company, the provision of our services directly contributes to the functioning and development of Kenyan society, both directly and indirectly.



**Our direct value to society**

The direct value we create is represented in the value added statement below:

**Sustainability Report - Financial Data ( FYs 2010/11 and 2011/12)**



	<b>FY 2011/12</b> KShs '000 <b>FY 2012</b>	<b>FY 2010/11</b> KShs '000 <b>FY 2011</b>
<b>Value Generated</b>		
Revenue	106,995,529	94,832,227
Other income	487,881	36,368
Finance income	873,518	871,249
Share of profit from associate	805	7,748
<b>Total value generated</b>	<b>108,357,734</b>	<b>95,747,592</b>
<b>Value Allocated</b>		
Distributions to Employees as Salaries, Wages and Other benefits	5,103,487	4,463,404
Paid to dealers and agents	16,536,008	14,601,409
Paid to landlords	1,050,839	920,106
Paid to other suppliers	43,082,884	35,926,022
To government as taxation and dividends	11,226,376	11,036,541
Current income tax	4,741,793	5,202,390
Dividends	3,080,000	2,800,000
Licences fees	3,404,582	3,034,151
To shareholders (except Government) as dividends	5,720,000	5,200,000
To providers of finance as finance expenses	3,656,280	1,907,783
To Corporate Social Investment through Safaricom Foundation	210,000	200,000
Retained for growth	21,771,860	21,492,328
Depreciation and amortization	17,944,253	16,333,355
Retained income	3,827,607	5,158,973
<b>Total value allocated</b>	<b>108,357,734</b>	<b>95,747,592</b>

Over and above the KShs 11 bn payments shown above, we also contributed the following to the government:

PAYE & Withholding taxes	4,878,344	4,402,875
Net Value Added Taxes	10,594,103	9,293,240
Duty (Stamp, Excise & Import taxes)	8,884,047	10,989,022
<b>Total</b>	<b>24,356,493</b>	<b>24,685,137</b>

This is a reflection of our commitment to development within the country. We won the top tax payer award for the 4th year in a row.



### 3.5. Sponsorships

#### Safaricom Marathon

Lewa Wildlife Conservancy in northern Kenya hosted the 13th Safaricom Lewa Marathon in 2012. The event allows participants from all over the globe to compete in an internationally-acclaimed race, while running through some of Africa's most breathtaking scenery.

As a result, this popular race has become one of the country's major sporting events and one of the 10 'must do' marathons in the world, growing from 180 runners raising US\$50 000 in 2000 to 1 000 runners raising US\$500 000 in 2011.

Since the inaugural marathon in 2000, US\$3.25m has been raised for a wide range of projects and thousands of Kenyans have benefitted through schools, hospitals, community and conservation projects.



#### Safaricom Sevens Rugby Tournament

Safaricom has been the title sponsor of Africa's premier sevens rugby tournament, Safaricom Sevens, since October 2009. An iconic event, the tournament is a platform for marketing Kenya as a tourism destination and for raising the profile of the sport of rugby. Since its inception in 1996, the Safaricom Sevens tournament has continued to grow in strength, as more and more teams express interest in attending Africa's premier 7-a-side rugby tournament.



#### Sakata Ball

Safaricom Sakata Ball aims to expose and nurture our youth football talent. After a rigorous and competitive selection process of countrywide under-17 football tournaments, 22 boys and 14 girls are chosen to represent the diversity of the Kenyan nation. The selected players then spend six months at a training academy, being coached by seasoned, professional football talent managers and exposed to local and international scouts.



#### Safaricom Groove Awards

The Safaricom Groove Awards seek to promote, expose and celebrate gospel talent across Africa. Since its inception in 2004, over 1 000 artists and groups have been nominated and over 150 groove statuettes have been presented to artists throughout Kenya and the East Africa region in recognition of their gospel talent.



#### Safaricom Kenya Live

Safaricom Kenya Live is an exciting engagement between Safaricom and the Kenyan music industry. It is an initiative aimed at promoting music excellence and talent among Kenyan artists across all genres and regions. The initiative helps artists hone their stage skills through a series of live music performances and provides eager audiences with access to fresh, exciting homegrown musical content downloads via digital mobile platforms.



#### Safaricom Kenyan Classical Fusion

Safaricom Kenyan Classical Fusion aims to nurture and develop budding local musical talent, taking young vocalists, instrumentalists and choirs to the next level. Selected artists are given a shared platform to perform for audiences all over the world.



#### Dealer of the Year Awards (DOYA)

DOYA is an annual event that recognises the efforts and successes of our dealer and agent partners. As well as recognising and rewarding top achievers, the event allows us to show our appreciation for all of our business partners and to build rapport with them in a festive, social setting.



### 3.6. Recognition

We are proud of the numerous awards we have won since our launch in 2000. As this is our first sustainability report, we have included highlights of the awards we have received during the last 10 years, with an emphasis on sustainability and innovation. In the future, we will share significant milestones and awards received for the reporting period.



### 3.7. Governance

The Board of Directors of Safaricom is responsible for the governance of the company and has final accountability for its management, direction and performance. In executing these duties, the Board is accountable to stakeholders for ensuring that the company complies with all relevant laws and the highest standards of business ethics.

The Chief Executive Officer (CEO) is the Sustainability Champion on the Board and presents the sustainability strategy, and related considerations, to the Board. Regular updates on the sustainability process are provided to the CEO to feed into updates to the Board.

#### Appointment process

In accordance with good corporate governance, the appointment of Directors to the Board is made in a formal, rigorous and transparent manner, based on merit and against objective criteria. Members of the Board also have to declare whether they have any shareholdings in companies that deal with Safaricom or in companies that could pose a potential conflict of interest.

The CEO is the Sustainability Champion on the Board



#### Board members



The Board is composed of the following members, represented in the table below. For further detail regarding members of the Board, and their résumés, please refer to the Annual Report.

<b>Mr Nicholas Nganga</b> Chairman and Non-Executive Director (Male)	<b>Mr Robert Collymore</b> CEO and Executive Director (Male)
<b>Mrs Susan Mudhune</b> Non-Executive Director (Female)	<b>Mr Michael Joseph</b> Non-Executive Director (Male)
<b>Mr Joseph Kinyua</b> Non-Executive Director (Male)	<b>Mrs Esther Koimett</b> Alternate Director to Joseph Kinyua (Female)
<b>Mr Timothy Harrabin</b> Non-Executive Director (Male)	<b>Mr Nicholas Johnathan Read</b> Non-Executive Director (Male)
<b>Ms Nancy Macharia</b> Non-Executive Director (Female)	<b>Mr John Tombleson</b> Alternate Director to Robert Collymore (Male)
<b>Mrs Enid Muriuki</b> Company Secretary (Female)	<b>Ms. Karen Witts</b> Non-Executive Director (Female)



## About Safaricom

### Board committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee, each of which has formal terms of reference approved by the Board.

The **Audit Committee** assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards. Risk Management matters relating to operations are regularly reported to the Board Audit Committee.

It is comprised of financially-literate members, having the necessary ability and experience to understand financial statements. The Chief Executive Officer, Chief Financial Officer and Director of Risk Management, as well as external audit representatives (the company's auditors) attend all committee meetings as permanent attendees.

The Director of Risk Management and the external auditors have unrestricted access to the committee and its Chairman.

The **Nomination and Remuneration Committee's** responsibilities include the review of remuneration and incentives for the Board and Senior Management. The terms of this committee satisfy the requirements of the Capital Markets Authority. At present, compensation is not linked to social and environmental performance specifically, but to the overall performance of the company.

### Accessibility and accountability

Shareholders and employees are able to provide recommendations or direction to the Board through the Annual General Meeting (shareholders), Investor Briefings (shareholders) and via inputs into the management report to the Board.

For further detail on committee members and meeting attendance, please refer to the Annual Report.



We recognise and value our mutually beneficial relationship with the communities that surround us. We operate within a business ecosystem comprised of numerous stakeholders whose dedicated support enables our continued success.

In recognition of this interdependence, we are committed to engaging our stakeholders in a consistent manner guided by the 'Safaricom Way' values of speed, simplicity and trust.

### The precautionary principle

At Safaricom, the precautionary principle is applied in the following instances and manner:

- Where unambiguous scientific proof of cause and effect is not available (in the case of rolling out our BTS, for example), we act with a duty of care.
- Where the benefits of early action are judged to be greater than the likely costs of delay (installation of new masts and radio equipment, for example), we will inform society why such action is being taken.
- Where there is the possibility of irreversible damage to natural life-support functions, we take precautionary action irrespective of the forgone benefits.
- We always listen to calls for a change of course, incorporating representatives of such calls into deliberative forums and maintaining transparency throughout the discussions.
- We never shy away from publicity and never try to suppress information, however unpalatable.
- Where there is public unease, we act decisively to respond to that unease by facilitating extensive, open deliberations.



We subscribe to the United Nations Global Compact, all the regulations of the National Environment Management Authority, and the Global Reporting Initiative.

## Our stakeholder charters

### The customer charter

We will communicate honestly, offer simple and relevant products, and deliver on our promises to the customer with speed and consistency.

An output of the Safaricom 2.0 process, the following charters describe our commitment to each of our stakeholder groups.

### The employee charter

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.

### The future generation's charter

The future is now — and our conduct and business practices today must be designed to create and shape a sustainable tomorrow.

### The shareholder charter

We will enhance shareholder value through adherence to the highest standards of corporate governance and world-class management practice.

Our shareholders can expect timely and accurate information, and the opportunity to engage with us through various convenient forums.

### The media charter

In order to actively participate in informing public opinion, we will continuously and proactively engage with the media in a factual, speedy and honest way.

We will take the lead in building industry knowledge among the various media groups and hold them to account for responsible reporting.

### The regulators charter

We will build constructive, respectful, open and transparent relationships with all regulators. While being compliant with all regulation and applicable laws, we will adopt a firm approach on issues that may be detrimental to industry growth.

### The society charter

We will work closely with Kenyans to be a respected and empowering contributor to society. Focused on upliftment, our relationship will be built on the principles of partnership, humility, openness and professionalism.

### The business partners charter

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.

## How we engage with our stakeholders



### Ways in which we engage with our stakeholders

Method	Customers	Employees	Shareholders	Business Partners		Regulators	Society	Media	Future Generations
				Dealers	Suppliers				
Media (traditional and social)	✓						✓	✓	
SMS	✓	✓							
Direct (shop etc)	✓								
Web	✓	✓	✓	✓	✓				
Team-building activities		✓							
Staff Council		✓							
Surveys and market research	✓	✓							
Briefings	✓	✓	✓	✓	✓		✓	✓	
Annual General Meeting (AGM)			✓					✓	
Phone	✓		✓						
Email	✓		✓	✓	✓		✓		
Bulletins	✓	✓	✓	✓	✓		✓		
Visits	✓			✓	✓		✓		
Newsletters	✓	✓		✓	✓		✓		
Magazine	✓	✓		✓	✓		✓		
Forums (online and offline)	✓	✓		✓	✓	✓	✓		
Proactive engagement on behalf of the Industry						✓			
Company Events	✓	✓		✓	✓	✓	✓	✓	
Reports	✓		✓			✓	✓	✓	✓
Charters	✓	✓	✓	✓	✓	✓	✓	✓	✓

**We're listening**

Channels customers and other stakeholders can use to reach us:

100 (PrePay) or 200 (PostPay)

+254 722 002100 (PrePay)

+254 722 002200 (PostPay)



[Customercare@safaricom.co.ke](mailto:Customercare@safaricom.co.ke)



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