TRANSFORMING LIVES

Sustainability Report / 2015

Safaricom

YOU

Individuals and organisations across Kenya

WE

We continue to deepen our understanding of sustainability

US

Our commitment unites us

CONTENT

ABOUT OUR **REPORTING**

In this section, we discuss the scope of our reporting, the method through which we determine our most material matters, our benchmarking against the guidelines of the Global Reporting Initiative (GRI) and our approach to assurance.

PURPOSE

Thank you for reading the fourth annual sustainability report of Safaricom Limited (hereafter referred to as 'Safaricom'). The purpose of this report is to consider the most material economic, environmental and social impacts and opportunities of our business and to explore the main ways in which our technological footprint is contributing to transforming lives and sustainable living throughout Kenya.

SCOPE

This report covers our fiscal year of 01 April 2014 to 31 March 2015. It builds on our last sustainability report for the year ending 31 March 2014. The scope of this report encompasses the operations of Safaricom and there have been no significant changes in the size, location, structure or ownership of our organisation or our supply chain during the reporting period.

Throughout this report, we have made reference to information contained within the Safaricom Annual Report, the Annual Report of the Safaricom Foundation and information that is available on the Safaricom website. Where appropriate, we have used icons to help readers locate this supplementary information.

DETERMINING OUR MATERIAL MATTERS

Our material matters remain substantively the same as last year, when these were determined and prioritised during a series of internal workshops. The workshops were used to discuss and review our sustainability context, stakeholder issues, and the associated risks and opportunities for Safaricom.

This year, we have streamlined our reporting further by consolidating the way in which we report our material matters. We have organised these around four major dimensions that better reflect how we manage our business: our network; our technological innovation; governance, risk and regulation; and our environmental impact.

OUR MATERIAL MATTERS

NETWORK QUALITY

Our network is core to our business. It allows us to differentiate ourselves in a competitive market and is the medium through which we transform lives.

REF PAGE 28

INNOVATION

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow.

REF PAGE 35

GOVERNANCE, RISK AND REGULATION

Upholding the highest standards of corporate governance and acting in an ethical manner is not only a key responsibility of ours as a good corporate citizen, it also makes business sense.

REF PAGE 22

ENVIRONMENTAL IMPACT

We understand that we have an impact on the environment and that we have a responsibility to mitigate our negative environmental impacts.

REF PAGE 40

We do not believe that there are any major material economic, social or environmental impacts of the organisation that have been excluded from this report. For a description of our material matters, please refer to page 20.

GRI COMPLIANCE

We have compiled this report in accordance with the Core criteria of the G4 reporting guidelines of the Global Reporting Initiative (GRI). For an overview of our GRI application, please refer to our GRI content index, which is available online at www.safaricom.co.ke.

In addition to the GRI guidelines, our reporting is also influenced by the United Nations Global Compact (UNGC), the International Financial Reporting Standards (IFRS) and the Kenyan Capital Markets Authority (KCMA) Corporate Governance Framework.

ASSURANCE

We engaged an independent external assurance provider to undertake external assurance over some of our material sustainability Key Performance Indicators (KPIs). Please refer to Appendix A for our external assurance statement.

NAVIGATING THIS REPORT

We have focused our reporting this year on providing meaningful context to our performance and further refining the way we describe the events and challenges tackled during the year.

This focus has resulted in a consolidation of our material matters (around the four dimensions that better reflect how we manage the business) and an expansion of our stakeholder engagement coverage (with specific reference to how we created value for each group during the year).

Our performance is now directly tied in to the material matter and/or stakeholder group that it impacted.

The following diagram illustrates the structure of this report:

NAVIGATING THIS REPORT

OUR BUSINESS
What we do and why, how we do it, and the value we have created.

OUR MATERIAL MATTERS
The issues of greatest concern and significance to us.

Network quality	Innovation	Governance, risk and regulation	Environmental impact

OUR STAKEHOLDERS
The individuals, communities and organisations that are most affected by, or most likely to influence, our business.

Customers	Employees	Business partners	Shareholders	Society	Regulators	Media

We value your views and feedback on our sustainability reporting. Please contact us at sustainability@safaricom.co.ke

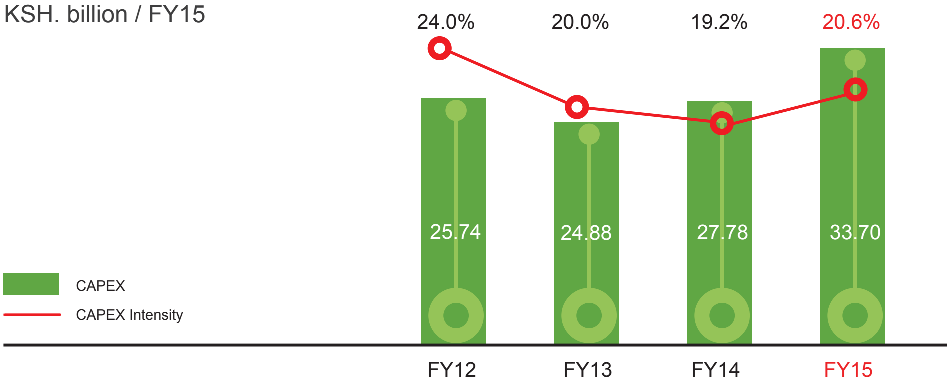
EXECUTIVE **SUMMARY**

PERFORMANCE HIGHLIGHTS

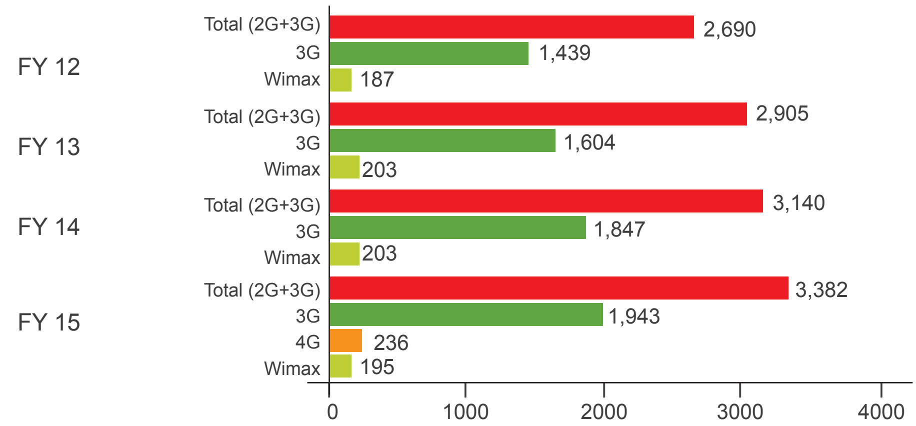
NETWORK EXPANSION AND EVOLUTION

We continued to expand our network during the year with capital expenditure (CAPEX) of KSH 34 billion. This was invested in a variety of capacity building and modernising projects, including our growing fibre network (over 2,010 km now laid in key metro areas), the deploying of more than 500 new sites (2G, 3G and, for the first time, 4G-enabled), the completed modernising of our entire 2G network, the migration and upgrade of the M-PESA platform, together with the acquisition of competitor spectrum. For further information about our work in this regard, refer to page 28.

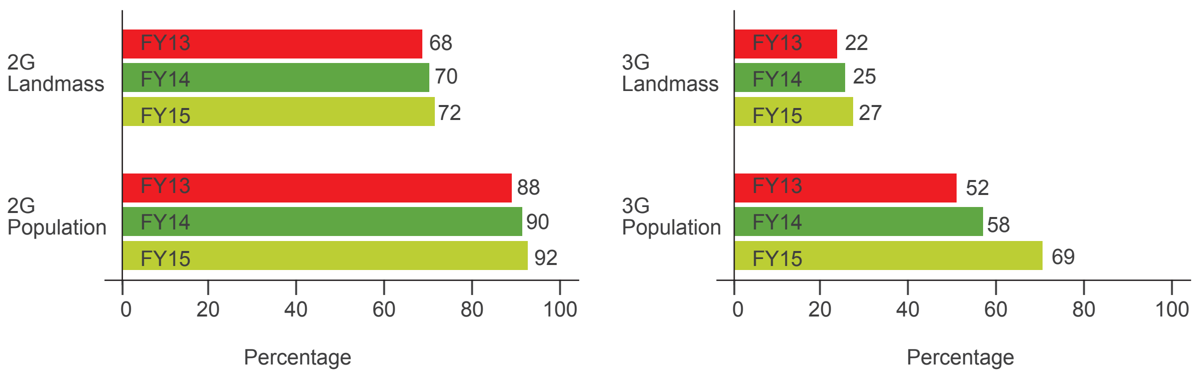
Infrastructural investment



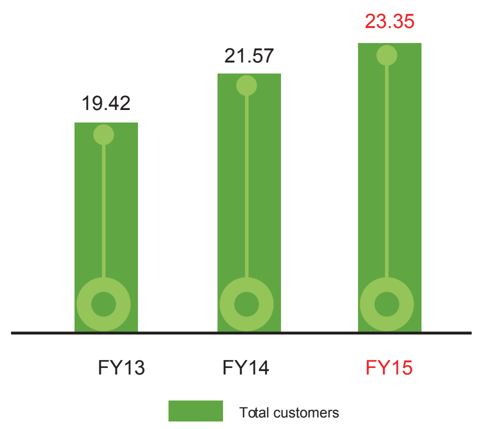
Number of Base stations



Coverage



Total customers (millions)



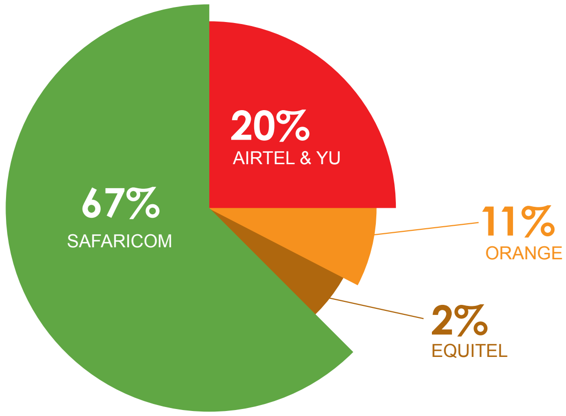
NETWORK QUALITY AND AVAILABILITY

The quality of our network remained high and we successfully maintained our 'Best Network in Kenya' status in FY15.

Our performance was also independently evaluated and certified for the first time by the industry-leading P3 Communications Group and we achieved the best overall results among Kenyan operators.

We tackled indoor penetration rates in high density urban areas with innovative solutions and, in another milestone first for Kenya, rolled out 236 super high speed 4G-enabled sites in Mombasa and Nairobi.

Market share by subscribers (%)



Net Promoter Score *	FY15	FY14	Target
Consumer NPS-competitor margin	4%	3%	5%
Enterprise NPS-competitor margin	28%	8%	10%

* Research performed by TNS

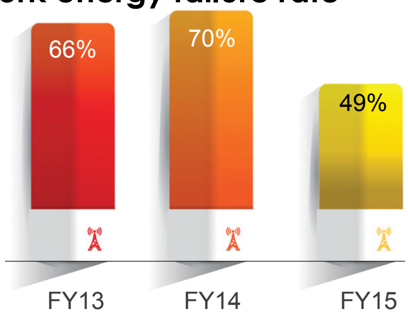
Brand Equity †	FY15	FY14
Overall	86	85
Youth	79	85

† Research performed by Millward Brown

As well as testing our network performance directly, we measure the quality of our service using the Net Promoter Score (NPS) and Brand Equity metrics. In essence, the NPS reflects how happy our customers are with our services and Brand Equity measures the 'presence' and visibility of our brand. For further information about our technical Quality of Service (QoS) information refer to page 29 and to page 49 for more detailed customer experience-related information.

The availability of our network remains a critical necessity and we are pleased to be able to report that our network energy failure rate (the amount of times sites have lost all power) dramatically dropped during the year. At the same time, we met our target of reducing energy costs per site by 10% this year and we continued to deploy a range of energy availability and efficiency initiatives throughout the network. For further information about our work in this regard, refer to page 31.

Network energy failure rate *

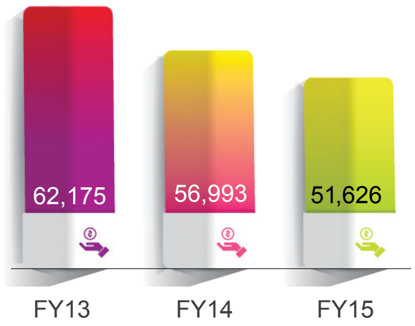


* Power failures as a percentage of total failures

ENERGY CONSUMPTION

We are pleased to report that we have achieved our target of reducing the cost of our energy consumption by 10% during the year (i.e. consumption of energy per network site and facility building). Our total consumption figures for our primary energy resources (electricity, diesel and water) may increase as our network continues to expand in size and sophistication, but we are using the energy we consume more efficiently and steadily reducing wastage. It is pleasing to see that in the current year both our electricity and diesel total consumption have decreased from the year before. This trend is a result of the numerous energy efficiency and consumption management initiatives we have been implementing across our network and facilities. For further information about our work in this regard, refer to page 33.

Cost of energy consumption by site (KSH per month)



Energy consumption

	FY15	FY14	FY13
Electricity (MWh)	98,018	113,800	96,326
Diesel (Litres)	6,166,942	6,833,590	5,748,197

FY16 Target is a 10% reduction (year-on-year)

Environmental performance

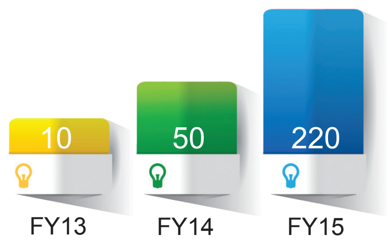
We remain committed to monitoring, reporting and reducing our carbon footprint to help meet the target of an 80% reduction in emissions by 2050. We have calculated and published our carbon footprint again this year and are satisfied to note that our overall consumption is reducing, despite the continued growth of our network infrastructure (another reflection of the various energy efficiency initiatives we have been implementing). We also ran a hugely successful E-waste (discarded electrical or electronic devices and appliances) awareness campaign and collection roadshow during the year, which resulted in the collection of 170 tonnes. Our water consumption has significantly increased from the prior year, this is partly due to us improving our data collection and partly due to increased usage. For further information about our environmental performance, refer to page 40.

Carbon footprint

	FY15	FY14	FY13
Scope 1 emissions (tCO_2e)	24,298	34,341	28,922
Scope 2 emissions (tCO_2e)	32,202	37,387	31,655
Scope 3 emissions (tCO_2e)	4,953	3,634	765
Total (tCO_2e)	**61,452**	**75,362**	**61,342**

E-waste collected (tonnes)*

* Cumulative tonnes of E-waste collected since the inception of the project

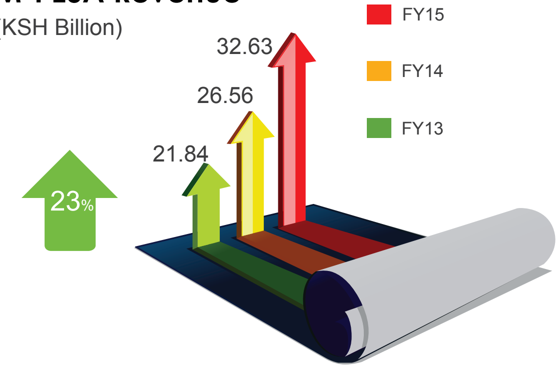


DEEPENING FINANCIAL INCLUSION

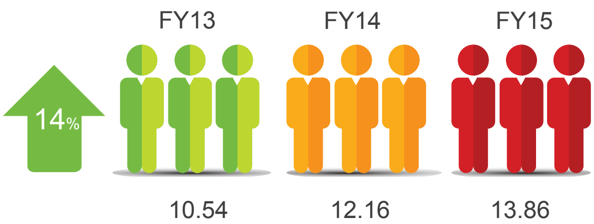
The primary way we participate in improving financial inclusion is through our M-PESA money transfer service. The service continues to grow in reach and in terms of the variety of services on offer. During the year, the number of active Lipa na M-PESA merchants (traders that can accept electronic payments and collections) grew by 105% to 49,413. Our M-Shwari service has now grown to 5.8 million customers and has facilitated KSH 5.5 billion in deposits and KSH 2.1 billion in loans at 2.0% interest per month.

During the year, we also partnered with Kenya Commercial Bank (KCB) to offer customers the KCB M-PESA account, a savings account that has already attracted 1.4 million customers, KSH 120 million in deposits and KSH 950 million in loans. We also launched two new services: Okoa Stima, which is an emergency loan facility that helps customers pay for electricity, and an international money transfer to Tanzania. For further information about our work in this regard, refer to page 39.

M-PESA Revenue
(KSH Billion)



M-PESA Customers
(Million - 30-day active)

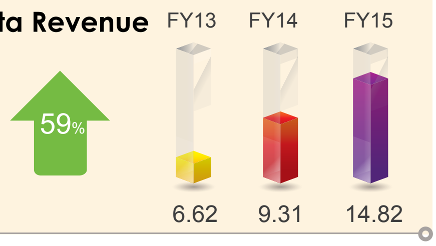


INNOVATION

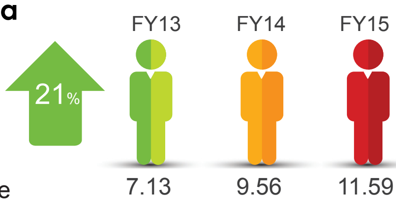
We are delighted to be able to report that our mobile data revenues grew by a pleasing 59% to KSH 14.82 billion during the year. In many respects, we are reaping the rewards of our continued investments in 3G technologies.

We have also been actively helping subscribers to experience the possibilities of the internet through a variety of extremely popular acquisition and stimulation campaigns and now have 11.59 million mobile data users (who have been active within the last 30 days), representing 50% of our total customer base. For further information about our work in this regard, refer to page 35.

Mobile Data Revenue
(KSH Billion)

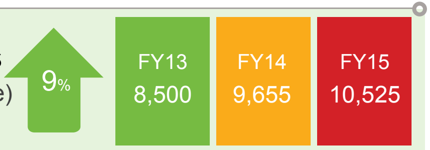


Mobile Data Customers
(Million)



* 30-day active

Appstore downloads
(Daily average)



EMPLOYEES

The character of our workforce changed little during the year. Our staff complement increased slightly, but not significantly, and overall the gender ratio remained stable. This was expected after the increase in the previous year when we offered permanent positions to just under 1,400 contract staff. Overall, our employees are young, dynamic Kenyans, with 70% of our workforce in their 30s, 16% still in their 20s and 85% of our workforce is based in Nairobi. On the whole, our staff complement is pretty evenly split between men and women, although the number of women in more senior management positions remains relatively low. As part of our acquisition of Essar, we on boarded approximately 100 Essar employees. For further information about our employees, refer to page 53.

FINANCIAL SUSTAINABILITY

We are pleased to be able to report another year of strong revenue growth. We achieved a healthy 12.9% growth in total revenue to KSH 163.36 billion. The most significant contributor to this growth was non-voice services, which grew by 27.4% and now contribute 42.1% of our total revenue. This segment include revenues from mobile data and fixed services, M-PESA and SMS. Revenues derived from voice services remained steady as well, growing by 3.7% to KSH 87.41 billion. For further information about our financial performance, please refer to our Annual Report.

MESSAGE FROM THE CHAIRMAN

'DEEPENING OUR UNDERSTANDING'

As Chairman of the Board, it is my great pleasure to present to you our fourth sustainability report. We continue to develop as a company and deepen our understanding of sustainability and its impact on our long-term success. This awareness is also reflected in this report, which presents our sustainability challenges and successes with even greater context and connection this year.

We still have much to learn and achieve, of course, but our commitment to sustainable business practices remains strong and I am delighted to be able to report that we achieved ISO 14001 certification for our Environmental Management System during the year. This important milestone assures our stakeholders that our environmental impact is being measured and reported upon methodically and accurately.

EFFICIENCY LESSENING ENVIRONMENTAL IMPACT

During the year, we continued to invest in our infrastructure and innovate, extending the reach and sophistication of our network. We completed the modernising of our 2G network, deployed over 500 new sites and have now laid more than 2,010 kilometres of fibre network. We became the first operator in Kenya to deploy 4G in the cities of Nairobi and Mombasa and we successfully migrated and upgraded the M-PESA platform. From a sustainability perspective, it is pleasing to see how the growing intelligence and energy efficiency of our network is making its environmental impact lighter, even as more and more Kenyans enjoy access to the services we provide.

DATA CONTRIBUTING TO STRONG GROWTH

While the business environment remains challenging, we are delighted to be able to report another year of strong economic performance and a 12.9% growth in total revenue to KSH 163.36 billion. One of the most significant contributors to this growth was mobile data, which grew by 59% to KSH 14.82 billion during the year. A pleasing development that is largely the result of our efforts to help subscribers move from feature phones to affordable smartphones and provide them with affordable data bundles, our mobile data users grew by 21% during the year to 11.6 million and now represent 50% of our total customer base.

FIRST

Operator in Kenya to deploy 4G in the cities of Nairobi and Mombasa

DEEPENING FINANCIAL INCLUSION

The regulatory environment remains a key concern for us and an area within which we continue to play a proactive role. We consider regulatory compliance to be one of the four foundations upon which we build and sustain value and, as such, a material matter. One of the notable regulatory impacts during the year was our entering into discussions with the Communications Authority of Kenya and agreeing to open up our agency networks (allowing Safaricom M-PESA agents to sell the products and services of other mobile operators) in July 2014. We were happy to agree to this because we want to see the market progress and expand since we believe this will help deepen financial inclusion in Kenya, which remains one of our strategic objectives.

ACHIEVING INDEPENDENT CERTIFICATION

It gives me great pleasure to be able to report that, as well as retaining our 'Best Network in Kenya' status during the year, we progressed from benchmarking the quality of our service internally to seeking independent certification of our performance. Our network was comprehensively evaluated by leading independent testing and engineering services company, P3 Communications, and was awarded the 'Best in Test' P3 certification for the best overall results among Kenyan operators.

PROTECTING THE SAFETY OF KENYANS

We are also happy to note that the first phase of the National Security Surveillance, Communication and Control System for Nairobi and Mombasa will soon be officially handed over to the National Police Service. This first phase of the state-of-the-art system includes 1,800 CCTV cameras and 7,600 handheld communication devices connected to a national command and control room. Over 3,000 police officers are also being trained as part of this initial deployment. We are proud of our role in building a system that will help the National Police Service protect the safety of Kenyan citizens and save lives in an emergency.

SUPPORTING WORKING MOTHERS

Another pioneering introduction during the year was our updated Maternity Leave Policy, which offers new mothers a minimum of 16 weeks fully-paid maternity leave and reduced hours for the first six months upon returning to work. This reflects our commitment to creating mother-friendly working conditions, to support mothers who have children while they are employed at Safaricom and to provide a smoother re-entry to work. We also believe that these policies will make it more attractive for female employees to join and stay on within Safaricom.

OUR COMMITMENT UNITES US

In closing, the Safaricom Board and I would like to acknowledge the efforts and achievements of staff and management during the year. We have reached several important milestones and made satisfying progress as a company. Our understanding of sustainability continues to deepen — from evaluating our personal values and behaviour to considering environmental risks — and it remains a commitment that unites us. As we anticipate the introduction our new, more customer-centric strategy next year, it feels like the first phase of our sustainability journey has been completed successfully. Your efforts and enthusiasm and commitment continue to impress us and we look forward to the next phase of our journey together with excitement and confidence.

Nicholas Nganga
Chairman and Non-Executive Director

MESSAGE FROM THE CEO

'CHANGING BEFORE WE HAVE TO'

This report is being published at a challenging time from a sustainability perspective. As we become increasingly aware of the importance of operating in a sustainable manner, the dangers of blindly continuing with many current 'business as usual' resource consumption, management and leadership practices has been thrown into even sharper focus.

As a global community, the longer we delay making the required sustainability commitments and changes, the bigger the potential losses we face and the more radically our lives will be altered in the near future.

It is also an exciting time from a sustainability perspective, nonetheless, as more environmentally aware approaches and technologies are starting to proliferate and gain prominence in boardroom discussions around the world. These stimulating developments, along with a growing appreciation of the need to address these challenges urgently, are serving as personal motivation to redouble my efforts to help spread this message, both within the company and the wider business ecosystem of which we form a part.

PRACTICING WHAT WE PREACH

We at Safaricom are committed to 'practicing what we preach' and so it seems fitting that my report back to you should start with an objective, critical assessment of where we are as an organisation from a sustainability perspective.

This year, we have done well in terms of our goal of raising awareness of sustainability within the business ecosystem, and I must commend my Leadership team, the Sustainability Champions and our business partners for their efforts in this regard. But has this been at the expense of internal attentiveness?

We continue to make good progress in terms of our environmental impact and energy efficiency, in particular, and I am pleased with our continued adoption of environmentally friendly, alternative energy solutions and technologies. We have calculated and published our carbon footprint for the fourth time this year and I am satisfied to note that our overall consumption is reducing, despite the continued growth of our network infrastructure, a clear reflection of our continued focus on energy efficiency.

That said, we have not embedded the personal understanding and values that drive sustainability throughout the business as much as I would have liked, and this needs to be an area to which we pay close attention in the coming year.

BEYOND COMPLIANCE

We need to remind ourselves that acting with integrity and honesty is as fundamental to ensuring our long-term sustainability and shared prosperity as any new process or technology. We continue to have 'zero tolerance' for unethical or corrupt behaviour at any level of the company and have been bold and assertive when it comes to making difficult decisions.

It is not just about compliance in itself. We need to explain why unethical behaviour undermines our individual and collective futures. We need to get this message across so that it is understood. I was very happy to participate in the Ethics Awareness Week we held here at Safaricom in August 2014 and share my views with staff candidly through a video message.

While it is gratifying to note that, according to the ethics perception survey conducted in January 2015, there has been a perceived improvement in ethical standards and behaviour within the company, there is still much we can do to build ethical considerations into performance reviews and to reward exemplary ethical behaviour.

INTEGRITY ESSENTIAL FOR SHARED PROSPERITY

Ethical behaviour appears to be high on the agenda of the business community around us as well. As a member of the United Nations Global Compact (UNGC) Board and the UNGC Anti-Corruption Working Group, I was delighted to speak at the UNGC 10th Principle Anniversary event in New York in December 2014. The message from delegates there — and from the many other African business leaders with whom I have met during the year — is that, while degradation risks to the natural environment remain an extremely important challenge, corruption is an even more pressing issue.

If I try to synthesise the feedback I have received during the year, it is that, whether we are talking about the natural environment or people of Africa, the single biggest obstacle to our long-term sustainability and shared prosperity is the corruption and unethical behaviour that results in the selfish exploitation of our people and resources for short-term gain.

It is part of the challenge the UNGC Africa Strategy team is tackling and another reason why we have re-launched the initiative recently. We believe that we need to modernise and industrialise the continent without counter-productive exploitation. It's a discussion that we need to have with some sense of urgency and one in which I would like to encourage our partners in both the public and private sectors to join us.

NO LONGER 'BUSINESS AS USUAL'

These are challenging and exciting times for us as an organisation and for the continent as a whole. There is much to be done and many enticing opportunities for those who embrace the commitments and changes that need to be made. We are all going to have to change. 'Business as usual' is going to have to change. Fortunately, sustainability provides us with a map to chart our course forward and the winners are likely to be those individuals and companies that, to paraphrase the observation of Jack Welch, 'change before they have to'.

Bob Collymore
Chief Executive Officer

OUR GOAL IS TO RAISE AWARENESS OF SUSTAINABILITY WITHIN THE BUSINESS ECOSYSTEM

OUR **BUSINESS**

This section presents a brief overview of the company and the business ecosystem within which we operate.

It includes a summary of our vision and strategy and how sustainability fits into our strategy, our value-added statement (the value we have created and allocated during the reporting period), along with a concise outline of our governance and management processes.

SAFARICOM AT A GLANCE

Safaricom Limited (Safaricom) is an integrated communications company, providing voice, data and financial (mobile money) products and services to consumers, businesses and public sector clients. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi. As an organisation, we have annual revenues of KSH 163.4 billion and have 23.35 million customers in Kenya, which represents an increase of 8.3% in customers from the previous year.

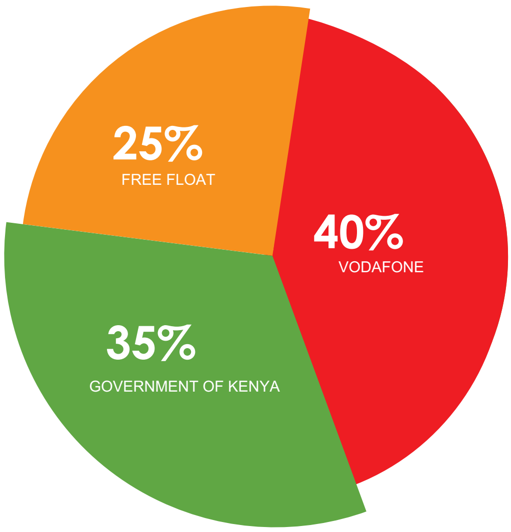
Our M-PESA money transfer service continues to grow and is used by over 20.63 million registered customers. For further information on the direct and indirect value we provide to society, refer to page 18 & 64 of this report.

The diagram on page 23 illustrates the structure of our operating divisions.

Our operations consist of Safaricom House 1 and 2, the Safaricom Care Centre, the Jambo Contact Centre, 42 retail stores and a network of 3,382 2G-enabled base stations, of which 1,943 are 3G-enabled and a further 236 are 4G-enabled.

Our shareholding structure is composed of the Government of Kenya (35%); Vodafone (40%) and free float (25%). We are listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment. Safaricom has five subsidiaries, which are 100% held and are disclosed in note [19] of the Annual Financial Statements on page 120 of the 2015 Annual Report [*www.safaricom.co.ke/financial-updates/annual-reports*]. These subsidiaries are covered by the disclosures in this report.

Shareholding structure (%)



Key figures

	Change	FY15	FY14	FY13
Annual revenue (KSH billion)	▲ 12.9%	163.4	144.67	124.29
Number of employees	▲ 3.8%	4,192	4,037	2,667
Number of base stations	▲ 7.7%	3,382	3,140	2,905
Coverage (% population)	▲ 2%	92%	90%	88%
Number of customers (million)	▲ 8.3%	23.35	21.57	19.42
Market share (% subscribers)	▼ 1%	67.1%	67.8%	64.5%

Our sustainability vision and strategy

We aspire to use our products and services to transform lives and contribute to sustainable living throughout Kenya. Based on this fundamental aspiration, our vision sets out how we use our ability to deliver connectivity and innovative services to improve the quality of life and livelihoods of the people we reach. Central to achieving this vision is our commitment to managing our operations responsibly and ethically.

Communicating our vision

Communications technology is already an essential part of most people's lives and is transforming the world in which we live. We believe that we can continue to grow our business and enhance our brand by developing innovative, commercially viable solutions that both support sustainable development and improve the quality of life of Kenyans. Our M-PESA mobile money transfer product, for instance, has become a platform for a range of services that are improving livelihoods.

As well as providing first time access to the internet for many Kenyans, we continue to build on our work in areas such as agriculture, education and health, where technology is recognised as a critical tool that can make a significant difference to people's lives.

We consider maintaining the trust of our stakeholders and remaining accountable to them as vital to achieving our vision. As a result, we are committed to retaining that trust by managing our operations responsibly by keeping our people safe, managing our carbon footprint, protecting the privacy of our customers and conducting our business in an ethical and transparent way.

Our vision is based upon the twin pillars of responsible, ethical business and transformational products and services:

Responsible, Ethical Business

Acting responsibly, honestly and with integrity is good for business, good for individuals and good for society. We are committed to the very highest ethical standards and promote a culture that values personal and corporate integrity.

- Strong governance structures
- Ethics and anti-corruption initiatives
- Business partner sustainability programmes
- Corporate social investment

Transformational Products And Services

Communications technology has the potential to transform lives and societies. We are committed to developing innovative products and services that help our customers realise this potential and enjoy improved access to essential services.

- Affordable and relevant products & services
- Financial inclusion
- Public sector support
- Innovation for social development

Converting our vision into strategy

Our strategy is informed and driven by the seven strategic objectives of the organisation. Each of the objectives is an aspect of the organisation that has been identified as an area of fundamental and critical importance. Together, the objectives form the foundation upon which the organisation can build sustainable success.

Each of the strategic objectives reflects a tangible, explicit goal. These goals guide our actions and the initiatives we need to undertake to achieve our strategy and deliver our vision.

The following table lists our strategic objectives and demonstrates how these are linked to our material matters and stakeholders. Detailed discussion of each of these individual aspects can be found in the relevant section of this report; for example, 'Our material matters' (page 20) and 'Stakeholder engagement' (page 44).

Strategic objective	Description	Material matter/ Stakeholder
Deliver the Best Network in Kenya	• Deliver a high-quality, available and energy efficient network	• Network quality
Delight our customers	• Provide positive customer experiences • Understand the needs of our customers • Develop solutions that add value to their lives • Surpass their expectations • Protect their privacy	• Customers
Stay ahead of the curve	• Develop transformational and innovative products and services	• Innovation
YOLO	• Be Youthful, Original, Local and Outstanding • Deliver youth-centric solutions	• Innovation • Customers
Deepen financial inclusion	• Provide formal financial services to the unbanked	• Society
Partner of choice for business	• Provide integrated ICT solutions that enable businesses to succeed • Understand and support our suppliers, dealers and agents	• Customers • Business Partners
Democratise data	• Grow fixed and mobile data	• Innovation

Awards

WHILE WE DON'T EXIST TO WIN AWARDS, IT'S NICE TO BE RECOGNISED

Category
Top Social Media Influencer/Blogger of the year 2014

Category
Best use of Digital Emerald Award

Campaign
Open Your Eyes Kenya

Category
Socially Devoted Brand 2014

Category
Corporation with Best Customer Care

Category
Overall organization of the Year 2014

AWARDS IN WHICH WE WERE SHORTLISTED AS FINALISTS

The Engage 2015 Award
Category: Socially Devoted Brand Award

Loerie Awards
Category: Digital & Interactive Communication
Campaign: New Safaricom Kenya Website

Category: TV, Film & Video Communication
Campaign: Open Your Eyes Kenya

Category: Digital & Interactive Communication
Campaign: Open Your Eyes Kenya

THE VALUE WE HAVE CREATED

We create direct and indirect value for all of our stakeholders through our business operations. Our indirect contributions are more difficult to quantify. The direct value we have created, and how it was allocated, is shown in the Value-added Statement below. For further details regarding our financial performance, please refer to our 2015 Annual Report.

VALUE-ADDED STATEMENT

All values are in KSH billions.

Value Created	FY15 (KSH billion)	FY14 (KSH billion)
Handset	5.67	4.95
Other Revenue	1.45	1.36
Voice	87.41	84.37
Messaging	15.63	13.62
Mobile Data	14.82	9.31
Fixed Service	3.13	2.57
M-PESA	32.63	26.56
Other service revenue	2.63	1.93
Other income (non- revenue items)	2.43	1.84
Total Value created	**165.83**	**146.51**

Value Allocated	FY15 (KSH billion)	FY14 (KSH billion)
Employees	11.44	10.09
Landlords	1.84	1.56
Other operating costs	22.77	20.24
Dealers & Agents	22.91	20.25
Suppliers	25.76	23.75
License Fees	8.04	7.96
Finance expenses (incl. forex losses)	1.35	1.88
Government as Taxes	14.28	11.97
Dividends	25.64	18.83
Retained for growth	6.23	4.19
Depreciation & Amortisation	25.57	25.79
Total Value Allocated	**165.83**	**146.51**

OUR BUSINESS MODEL

We are an integrated communications company, providing voice, data and financial (mobile money) products and services to consumers, businesses and public sector clients. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi.

Our operations consist of Safaricom House 1 and 2, the Safaricom Care Centre, the Jambo Contact Centre,

42 RETAIL STORES

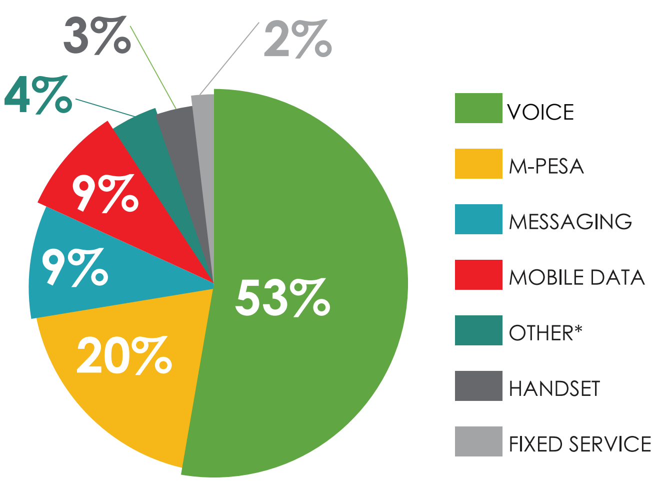
and a network of

3 382 2G,
1 943 3G
AND 236 4G-ENABLED BASE STATIONS.

We cover

92% OF THE POPULATION ON 2G AND 69% ON 3G.

TOTAL REVENUE: KSH 163.36 BILLION*



The majority of our revenue comes from voice and mobile money (M-PESA) services.

* Excludes non-revenue income items

DESCRIPTION OF SERVICES

VOICE: Prepaid and Postpaid voice plans.

M-PESA: A fast, safe and affordable way to send and receive money, and pay for goods and services via mobile phone.

MESSAGING: SMS bundles, MMS, call back SMS notifications for missed calls and 'please call me' messages.

MOBILE DATA: High speed data connectivity for access to the internet through fixed and mobile broadband.

HANDSET: Mobile handsets, mobile broadband modems, routers, tablets, notebooks and laptops.

FIXED SERVICES: Wireless services, fixed lines and mobile solutions, including fibre and leased lines. In addition, dedicated internet solutions for enterprises and hosted services.

OUR RELATIONSHIPS

We rely on the relationships with our

23.35 MILLION CUSTOMERS,

85 756 M-PESA AGENTS,

487 DEALERS,

994 SUPPLIERS,

4 192 EMPLOYEES

and other

STAKEHOLDERS

to remain socially relevant and operate as a responsible corporate citizen, in order to deliver our business strategy.

OUR **MATERIAL MATTERS**

This section of our sustainability report describes each of our most material matters and how these influence us as an organisation. There have been no significant changes to the scope of our material matters from last year and all of these matters are material to all entities within the organisation.

We have adopted the approach recommended by the GRI G4 guidelines and focused our reporting on the issues of greatest concern and importance to Safaricom. In order to determine these most material matters, we undertook a series of internal workshops and fed into the process the feedback received from regular engagement with our stakeholders.

This year, we have organised our material matters around four major dimensions that better reflect how we manage our business: our network quality; our technological innovation; governance, risk and regulation; and our environmental impact.

As part of the G4 requirements, we have also described our material matter boundaries in Appendix B (available online at **sustainability@safaricom.co.ke**). This table describes whether a matter is material to, and being managed by, an entity within our organisation, outside of our organisation, or both.

NETWORK QUALITY

Our network is core to our business. It allows us to differentiate ourselves in a competitive market and is the medium through which we transform lives.

INNOVATION

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow.

GOVERNANCE, RISK AND REGULATION

Upholding the highest standards of corporate governance and acting in an ethical manner is not only a key responsibility of ours as a good corporate citizen, it also makes business sense.

ENVIRONMENTAL IMPACT

We understand that we have an impact on the environment and that we have a responsibility to mitigate our negative environmental impacts.

GOVERNANCE, RISK AND REGULATION

Strong corporate governance, ethical behaviour, robust risk management and regulatory compliance form the foundation upon which we build and sustain value. These are fundamental to commercial sustainability and investor trust and, of such importance, we consider them to be material matters. Without the correct corporate checks and balances in place, the positive reputation and trust we enjoy as an organisation could be damaged. If we fail to comply with relevant regulations, we are likely to suffer penalties, fines, other remedial sanctions and reputational damage.

PERFORMANCE HIGHLIGHTS

Non-compliance register	FY15	FY14	FY13
Number of fines for non-compliance	1*	1	1
Cost of fines for non-compliance (KSH)	500,000	500,000	500,000
Non-monetary sanctions for non-compliance	1†	0	0
Legal actions lodged for anti-competitive behaviour	0	1	0

* Communications Authority of Kenya (CA) Quality of Service (QoS) fine   † Agent networks agreement

Anti-corruption preventative measures	FY15	FY14	FY13
Ethics and anti-corruption staff training (% of total staff)	94%	94%	60%
High risk departments*	97%	98%	
Medium risk departments	83%	81%	

* Due to the nature of their work, these departments are more susceptible to fraud

MANAGEMENT APPROACH

From a governance perspective, we ensure that Safaricom is run in an ethical, transparent and accountable manner by having robust governance processes and structures in place, along with explicit guiding principles and clear lines of responsibility.

This minimises the risk of corruption and fraud, which, in turn, bolsters the reputation and trust we enjoy, strengthens employee morale and engagement, and improves stakeholder sentiment and interest. Unlawful or dishonest dealings will not only impact revenues negatively, and damage the brand and reputation of the company in the market, but are likely to result in legal charges, potential imprisonment, fines, a loss of investment and other unconstructive consequences.

Our response to governance is multi-dimensional and requires having the right structures in place and then monitoring and evaluating these regularly. The Board of Directors is, ultimately, responsible for corporate governance throughout the organisation and the behaviour of members is governed by an explicit Governance Charter. Members of the Board also undergo collective and individual performance assessments at least once annually.

The Board of Directors

The Board is closely involved in approving the strategic plans of the organisation, which include 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.

The Safaricom Board consists of 9 members, 8 non-executive and one executive director. 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 when assessing potential candidates. Shareholders also nominate people to the Board.

STAKEHOLDERS AND SHAREHOLDERS

BOARD OF DIRECTORS
Responsible for corporate governance and strategic guidance, accountable to shareholders and responsive to stakeholders.

AUDIT COMMITTEE
Responsible for financial stability

CEO

NOMINATION AND RENUMERATION COMMITTEE
Responsible for attracting, motivating and retaining first-rate employees.

EXECUTIVE COMMITTEE
Responsible for assisting the CEO in the daily operations of the organisation. Recommends strategies and initiatives to the Board and, once approved, monitors implementation.

ETHICS COMMITTEE
Responsible for good corporate citizenship.

ENTERPRISE BUSINESS UNIT
Offers business solutions to business customers. Business customers includes SMEs, Corporates and Government / public sector.

CONSUMER BUSINESS UNIT
Offer products and manage the distribution channels catering for individual customer's needs.

FINANCIAL SERVICES BUSINESS UNIT
Offers Mobile Financial Services and Solutions for both local and international customers.

CORPORATE CENTRES
Support function to the Strategic Business Units to achieve their strategic objectives

Technology, Risk Management,Corporate Affairs, Internal Audit, Customer Care, Marketing, Strategy and innovation, Resources, Finance

GOVERNANCE STRUCTURES AND REPORTING PROCESSES

There are also clear lines of responsibility and accountability between the Board and the various Business Units within Safaricom through the Board Committees and senior management. This diagram illustrates our governance structures and reporting processes.

Our **risk management** processes support our governance objectives. Our risk management response is primarily managed through the bi-annual risk assessments carried out by the Risk Management Division. These assessments are supported by in-depth audit reviews of specific internal controls within the organisation and fraud reviews of processes that are prone to, or are suspected of being compromised. We also benchmark ourselves against other leading telecommunications operators and independent assurance is provided through both internal and external audit functions. As a company, we apply the Precautionary Principle to all of our activities to help ensure that we continue to act as a responsible corporate citizen.

While risk management is considered everybody's responsibility at Safaricom, accountability for this function lies with the Risk Division and its Director sits on the Executive Committee.

Underpinning governance and risk management are our **ethics and values**, which are the principles and standards that guide our behaviour as employees and individuals. Our response to this is primarily managed through our ethics perception survey, an independent assessment of the opinions of our internal and external stakeholders conducted by an external party every two years, along with preventative measures like our ongoing ethics awareness and staff anti-corruption training programmes.

The Ethics and Compliance Department (ECD) is responsible for managing ethics and values within Safaricom. This department forms part of the Risk Division and its Director sits on the Executive Committee.

The ECD reports to both the Ethics Committee, which is chaired by the CEO, and to the Board Audit Committee through the Director of Risk Management. We also have ethics champions in different divisions who have been trained on ethics and values and will act as the 'first point of contact' in that division. The ECD engages with all divisions within Safaricom.

Ensuring that we remain compliant with **regulatory** demands is necessary, not only to make sure we are operating in a lawful manner and to the correct standards, but to avoid exposure to the remedial measures available to the regulators, such as onerous fines, non-financial sanctions and, ultimately, the revoking of our licence to operate.

Our response to this is primarily managed by assessing our processes against applicable laws to ensure that we are compliant and reviewing the effect of changes in legislation on our internal processes. We also proactively engage with our regulators on all issues through a variety of channels (please see the stakeholders section on page 66 of this report for further information about this important relationship).

The Regulatory and Public Policy Department is responsible for managing regulatory issues on behalf of Safaricom. This department sits within the Corporate Affairs Division. The Department interacts with different teams across the business, in particular, the strategic business units (CBU, EBU and FSBU), Technology and the Risk divisions. The Corporate Affairs Director sits on the Executive Committee, which has oversight on regulatory issues.

COMMUNICATIONS AUTHORITY OF KENYA REVIEWING METHODOLOGY

Along with every other mobile network operator in Kenya, we were again fined KSH 500,000 by the Communications Authority of Kenya (CA) during the year. The CA is mandated by government to ensure that operators are delivering services of an adequate quality. Accordingly, the CA tests every operator against eight Quality of Service (QoS) measures it has developed annually. Operators that fail to meet any of these criteria are fined. The results of these tests are made available to the public and published on its website. We are pleased to note that the CA has taken operator concerns regarding the QoS measures it is using onboard and is currently reviewing the methodology that underpins its testing framework.

OPENING OUR AGENT NETWORKS TO DEEPEN FINANCIAL INCLUSION

In July 2014, we agreed to open up our agency networks and allow Safaricom agents to sell the products and services of other mobile operators. We are happy to do this because we want to see the market progress and expand since we believe this will help deepen financial inclusion in Kenya, which remains one of our strategic objectives. We also welcome increased competition, not only because we are confident in the quality of our products and services, but because we believe it will encourage us to continue to innovate and find new ways of offering even more value to our customers.

MAINTAINING OUR FOCUS ON RISK

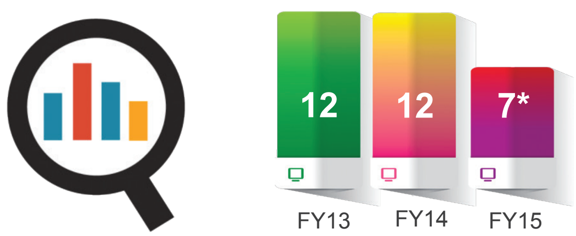
We launched a new framework for our comprehensive risk assessments during the year, switching from assessments demarcated by division to company-wide evaluations based the seven strategic pillars of the organisation. The new framework not only better reflects the concerns and objectives of the business, but has also eliminated the potential ‘gaps’ that existed between divisions.

Each of the seven assessments was conducted twice during the year and encompassed the following categories: enterprise risk management, operational risks, strategic risks and ethics risks per strategic objective. Mitigation plans were then developed to counter any of the risks identified.

ANTI-CORRUPTION MONITORING MEASURES

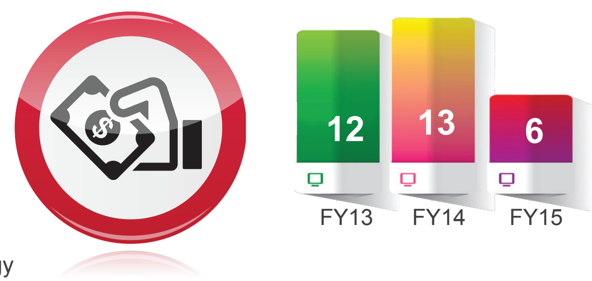
(These statistics are as at 31 March 2015)

Risk assessments (Bi-annual)

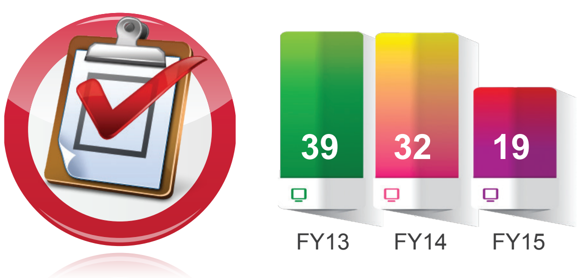


* reflects a change in methodology

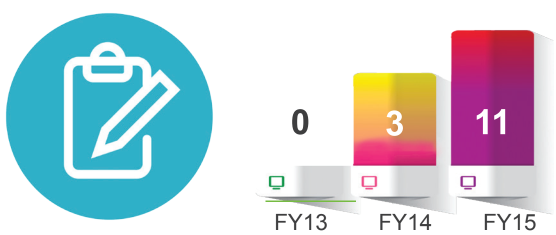
Fraud reviews



Audit reviews



Special request reviews



We also took proactive steps to identify cases of fraud. This included the use of the fraud management system to identify possible cases of fraud and to carry out in-depth fraud reviews to determine whether fraud had occurred within key processes. Six fraud reviews were carried out during the year under review. The fraud reviews have been key in uncovering frauds and also in proactively enhancing controls to prevent the occurrence of fraud in the future.

Nineteen audit reviews were also carried out during the reporting period. The objective of the reviews was to obtain assurance on the adequacy, design and operating effectiveness of internal controls. Eleven additional reviews were carried out that were special requests from management.

Where unethical action was suspected during the year, investigations were undertaken. The investigations covered various frauds, including asset misappropriation, fraudulent expense claims and corruption cases. The investigations led to disciplinary action against members of staff and, in some cases, reporting cases to law enforcement officers and prosecuting suspects.

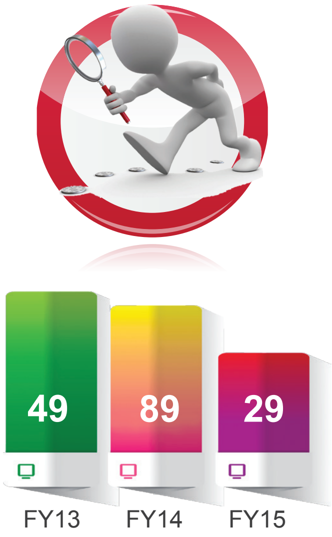
Although every case of fraud is one too many, it is noted that the overall number of cases dropped during the year (29 investigations were conducted in FY15 in comparison to 89 in FY14). The reduction in the number of investigations reflects a much improved internal controls. The increase in the number of individuals dismissed is due to a single 'absconding of duty' case in which 30 members of staff were involved.

ETHICAL STANDARDS AND BEHAVIOUR CONTINUE TO IMPROVE

An independent ethics perception survey was conducted by the Ethics Institute of South Africa in January 2015. The purpose of the survey is to measure the 'ethical climate' within Safaricom. We are pleased to be able to report that the survey has become even more representative, with above 70% of all Safaricom employees (3,474) completing the survey this time, up from 44% in 2012. As well as the staff questionnaire, the survey included interviews with 10 Executive Committee (Exco)

ANTI-CORRUPTION CORRECTIVE MEASURES

Fraud cases investigated



Outcomes of investigations

	FY15	FY14	FY13
Disciplinary warnings	13	16	8
Dismissals	58	56	55
Cases reported to law enforcement agencies	4	7	28

members, five non-executive directors, 15 suppliers, five dealers, four of our regulators, and three focus groups (with Heads of Departments, senior managers and other staff members).

The overall outcome of the survey was a perceived improvement in ethics management within the organisation. Awareness of ethical issues and how to deal with these is considered to have improved significantly, along with the example being set by management. The whistle-blowing 'ethics hotline' is also seen as more trustworthy and effective. Areas that could be improved were identified, nonetheless, including management being more open to targets not being met because of ethical considerations and to finding ways to reward exemplary ethical behaviour.

Anti-corruption preventative measures

	FY15	FY14	FY13
Ethics and anti-corruption staff training (% of total staff)	94%	94%	60%
High risk departments	97%	98%	
Medium risk departments	83%	81%	

The Safaricom employees who participated in the ethics perception survey reported an improved awareness of ethical issues and a clearer understanding of appropriate behaviour. This suggests that our continued focus on disseminating knowledge through anti-corruption and ethics awareness training has been a success. All new employees receive ethics and anti-corruption training during their induction and awareness is reinforced through quarterly ethics bulletins.

ETHICS TRAINING

Every member of staff is expected to attend ethics training at least once a year. We have been able to achieve a 94% attendance rate for the last two years. Most of the training is undertaken through face-to face-sessions and supplemented by e-learning courses. The awareness training is tailored to address the specific ethics risks faced by the attendees. For high corruption-risk departments, the training focuses on anti-corruption and bribery.

A highlight of the year was the popular Ethics Awareness Week in August 2014. During the week, various activities are carried out to create awareness of ethical issues. The activities carried out during the week included: discussions on ethics by the CEO and other senior leaders; rewarding our 'ethics heroes'; ethics quizzes; and heightened messaging on ethics via the electronic staff bulletin, posters and merchandise given to staff.

BUSINESS PARTNERS TRAINING

In response to our FY14 strategic recognition that our environment extended beyond Safaricom and into our commercial ecosystem, we expanded the ethics training and rolled out to business partners and suppliers.

During prequalification, business partners are provided with a supplier code of conduct that highlights our ethical expectations of them. Prequalification is carried out during the first engagement with the business partner and every two years subsequently. To ensure business partners and suppliers understand the code, targeted training is provided on areas that are specifically relevant to them. This year, the emphasis was on how good ethics management will benefit them as opposed to a compliance-based approach.

LOOKING AHEAD

From a regulatory perspective, we will continue to ensure compliance with the current laws and regulations affecting our business operating environment. We are proactively engaging with the Communications Authority of Kenya (CA) on three issues, in particular:

Information and Communications Sector Regulations

The CA has begun a comprehensive review of the regulations governing the sector and is proposing to impose retail price controls on perceived dominant operators. While we welcome attempts to grow the market and to provide consumers with the very best offerings in terms of variety, price and quality, we are concerned that the current proposals will unduly impact our ability to respond to market forces and to compete fairly.

National ICT Policy

In October 2014, the government published a draft ICT policy for stakeholder comments and input. We have made formal submissions in response regarding infrastructure sharing, the county telecommunications operators, the reduction of radio spectrum fees and the need to include incentives for environmental management.

From a **risk management** perspective, we plan to conduct two company-wide risk assessments and six fraud reviews during the year ahead and, in terms of ethics, we plan to ensure 97% of members of staff receive training, along with 80% of our dealers and our top 200 suppliers.

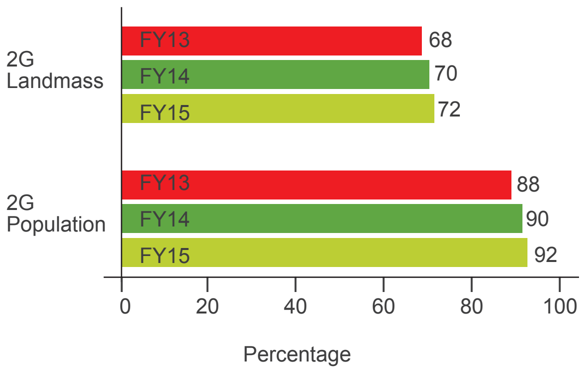
As a country, fraud and corruption remains a common practice. Being part of this ecosystem we remain susceptible to this vice and more concrete measures needs to be taken to fight and change this culture both internally and externally

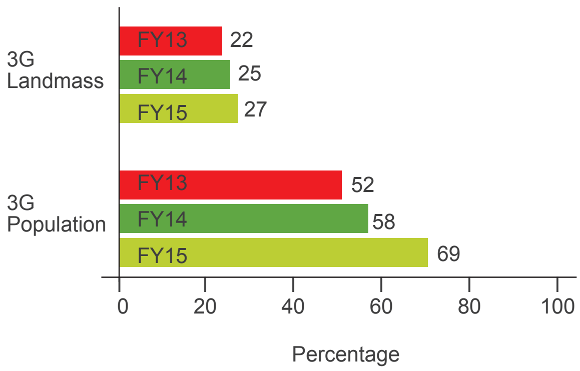
NETWORK QUALITY

Our network is core to our business. The quality and availability of our network is an essential part of our business since all of the services we provide to our customers are delivered through the network platform. Our network allows us to differentiate ourselves in a highly competitive market and is the medium through which we transform lives. It is also a dynamic environment that constantly evolves as we keep up with growth, both in terms of number of customers (e.g. volume of traffic) and their increasingly sophisticated needs.

PERFORMANCE HIGHLIGHTS

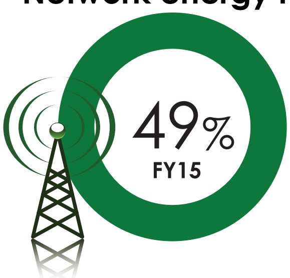
Network Coverage

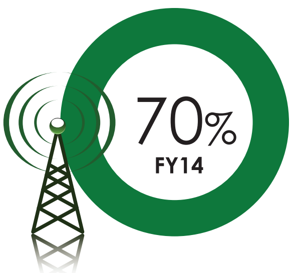


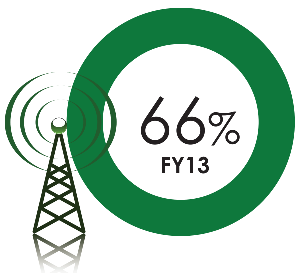


FY16 Target: 2G 93%, 3G 80 % (% population coverage)

Network energy failure rate*







FY16 Target is 40%

* Power failures as a percentage of total network failures. Safaricom's availability target for the network is 99.95%, therefore a network energy failure target of 40% translates to a network unavailability of 0.02% (40% of 0.05%)

	FY16 Target	FY15	FY14	FY13
Cost of energy consumption by site (KSH per month)*	51,000	51,626	56,993	62,175

*Energy consumed is electricity, diesel and solar. The sources are supplier monthly fueling data and KPLC bills. Solar energy is measured only at some sites as such we have extrapolated the solar data to the other sites. Energy mix influences the cost.

MANAGEMENT APPROACH

In terms of **network quality,** a key constraint is the fact that spectrum is allocated evenly among network providers in Kenya. This limitation means that the coverage and adequacy of our network is put under pressure as the number of our customers continues to grow. Our response to this is primarily managed through our Best Network in Kenya (BNK) programme, which remains a strategic pillar of the company, and through the corresponding regulatory Quality of Service (QoS) targets.

While the delivery of network quality is the responsibility of all teams within our Technology Division, the accountability and coordination for this material matter lies with the Quality & Service Assurance Department.

In terms of **network availability,** a key factor is ensuring a secure and sustainable supply of energy. The reliability and growth of our network is directly dependent on the availability of energy. Any interruption in energy supply, such as grid electricity outages and national shortages of diesel fuel, poses a direct challenge to the continuity of our operations. Energy security and efficiency is increasingly important as we look to expand our network, particularly in rural areas that have less reliable access to grid electricity.

Our response to this is primarily managed through our energy failure rates (minimising energy outages at sites by deploying a mix of energy supplies, including grid, generator and alternative sources) and consumption targets (reducing the amount of energy consumed at sites by deploying more energy-efficient technologies and alternative energy solutions).

The Regional Network Operations Department within the Technology Division is tasked with the management of network energy solutions.

We also monitor and manage the consumption of energy in our facilities and have a number of ongoing initiatives in place in this regard. These include installing solar water heating systems where possible in our buildings and deploying energy efficient, intelligent Building Management Systems and LED lights in all facilities and shops (as part of the ongoing refurbishment cycle).

The Facilities, Safety and Health Department is responsible for the management of energy consumption in Safaricom facilities.

ACHIEVING INDEPENDENT CERTIFICATION

It has been a busy, challenging and successful year from a network quality perspective. One of our major commitments last year was to maintain our BNK status in FY15 and we are pleased to be able to report that undertaking was achieved.

We also progressed from benchmarking the quality of our service to seeking independent certification of our performance for the first time this year. The Safaricom network was comprehensively evaluated by leading independent testing and engineering services company, P3 Communications, and was awarded the 'Best in Test' P3 certification for the best overall results among Kenyan operators.

P3 best in test 06/201 CERTIFIED Mobile Benchmark KENYA

Summarised results of the independent testing and evaluation of our network

Service	KPI	Mar-Apr2015*	Oct 2014	Oct 2013	Apr 2013	Sept 2012
Voice	Call Setup Success Rate	1st Position	2nd Position	2nd Position	1st Position	1st Position
	Dropped Call Ratio	2nd Position	2nd Position	1st Position	1st Position	2nd Position
	Speech Quality	2nd Position	2nd Position	1st Position	2nd Position	2nd Position
Data	Mean User Data Rates-Download	1st Position	1st Position	1st Position	2nd Position	2nd Position
	Mean User Data Rates-Upload	1st Position	1st Position	1st Position	3rd Position	2nd Position
	Mean Web Browsing Session Time	1st Position	1st Position	1st Position	1st Position	1st Position
	Network Delay	1st Position	1st Position	1st Position	2nd Position	2nd Position

1st Position 2nd Position 3rd Position

The independent measurement carried out by P3 between March and April 2015 is a Certification Benchmark measurement, unlike previous measurements that were only independent benchmarks. The Certification Benchmark criteria is composed of a comprehensive set of 29 KPIs for 'Big Cities', 'Small Cities' and 'Interconnecting Highways', with each KPI having a score.

The seven KPIs tabulated on page 29 is a simplified illustration of the full scope measured to help compare our performance over time. Additionally, the March-April 2015 measurement covered a total of 28 towns and highways (not 13 towns as previously measured). For October 2014 and Mar-Apr 2015, voice measurements were 'mobile to mobile' tests instead of 'mobile to fixed line' tests, which ensures the tests match our subscriber calling patterns more closely.

The full set of P3 certification results can be obtained from their web site at: http://www.p3-group.com/en/service-certification-22656.html

DEVELOPING OUR CAPACITY

One of the key indicators of our improved quality of service is the fact that we have been able to sustain our average dropped call rate at acceptable level of 0.3 %

This improvement is the result of our proactive drive to develop our capacity in recent years, including ongoing investment in our fibre network, the deploying of new sites, modernising our network equipment and the acquisition of competitor spectrum. Our increased capacity is also reflected in the 110% rise in data traffic (mobile) during the year.

INVESTMENT IN OUR FIBRE NETWORK

Fibre offers extremely fast speeds, high resilience and quick resolution of outages (as it is not leased and is under our direct management). We made very good progress in terms of our fibre network during the year and have now deployed more than 2, 010 kilometers in the five key cities of Nairobi, Mombasa, Kisumu, Nakuru and Eldoret. As a result 30% of our base stations are now connected to fibre, and 720 of 1,020 enterprise client buildings.

EXPANDING OUR NETWORK

Base stations by type (total)

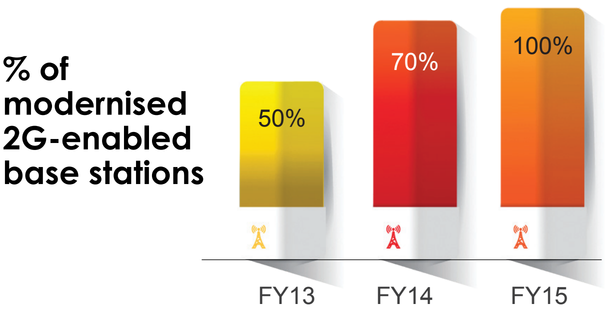
	FY15	FY14	FY13	FY16 Target
2G-enabled	3,382	3,140	2,905	3,811
3G-enabled	1,943	1,847	1,604	2,984
4G-enabled	236	-	-	462
UMTS 900-enabled	543	100	-	1087

We continued to expand our network during the year and a total of 242 2G-enabled and 96 3G-enabled base stations were rolled out across the country. We also became the first operator in Kenya to deploy 4G, which offers between five and 10 times faster speeds than 3G, and rolled out 236 4G-enabled base stations in the cities of Nairobi and Mombasa.

As part of our ongoing commitment to use our network for 'the greater good' where feasible, we also rolled out 33 strategic 'security sites' in 15 counties. Located in areas with little or no infrastructure, these sites provide the local authorities in security hotspots with the vital ability to communicate and better coordinate their efforts.

An innovative solution to the issue of low 3G penetration inside buildings in high-density urban environments is to co-opt any surplus capacity in the 900 MHz frequency band (conventionally utilised by 2G services). The solution is known as UMTS 900 and it has been successfully deployed at 543 base stations in Nairobi and Kisumu to date.

MODERNISING OUR 2G NETWORK



We also reached the significant milestone of fully modernising our 2G network during the year. Started in 2013, this initiative ensures service accessibility during peak hours and involved upgrading the equipment used in our Radio, Transport and Core platforms. The final 460 2G-enabled base stations were modernised during the year.

SPECTRUM ACQUISITION

Additional spectrum and capacity was also obtained during the year through the acquisition of local operator yuMobile from Essar Telecom Kenya Limited.

BRINGING M-PESA HOME

Another of our major commitments last year was to make the M-PESA platform more fortified, resilient, robust and scalable. This was achieved by relocating our M-PESA servers from Germany to Kenya and upgrading to a second generation iteration of the platform. An ambitious undertaking, the transfer was successfully completed in April 2015. The relocation and upgrade has already translated into improved transaction response times, minimal delays and more system stability. The new platform will also allow for faster and more flexible deployment of new products and services.

NETWORK AVAILABILITY AND ENERGY EFFICIENCY

The availability of our network remains a critical necessity and we are pleased to be able to report that our energy failure rate (power failures as a percentage of total failures) dramatically dropped during the year. At the same time, we met our target of reducing energy costs per site by 10% this year and we continued to deploy a range of energy availability and efficiency initiatives throughout the network.

IMPROVING ENERGY AVAILABILITY

The excellent accomplishment of reducing our energy failure rate by 30% is the result of a combination of initiatives, including our ongoing work with the Kenya Power and Lighting Company (KPLC) and our investment in backup solutions, such as deep cycle batteries and alternative energy sources. We also invested heavily in power redundancy at our data centres during the year (for example, two power sources, two generators and two data recovery generators).

The following table describes the mix of energy sources used throughout our network and it tracks the progress of our key energy availability-related initiatives, which are described in further detail after the table.

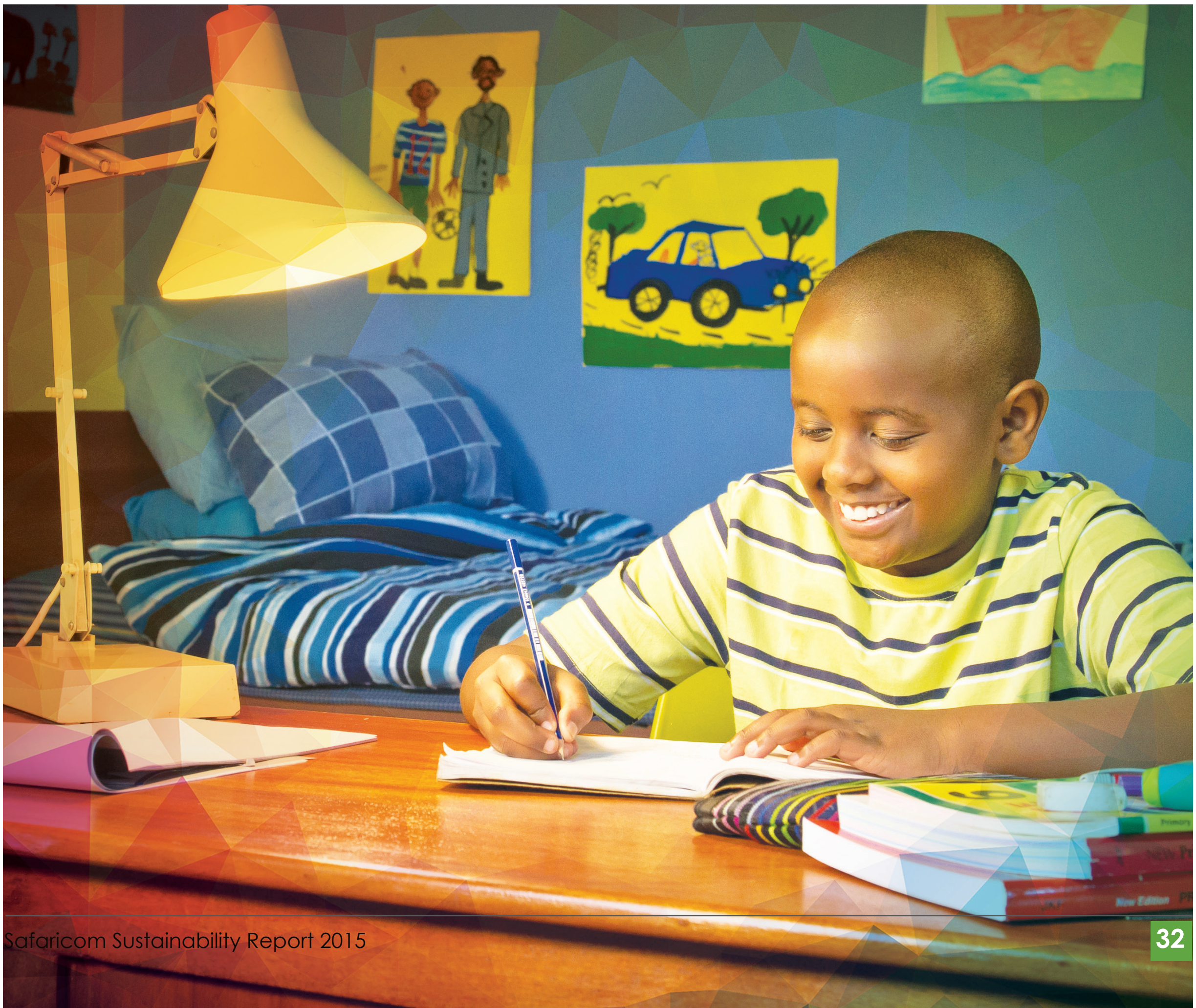
Network energy sources by site

(total at year-end)

	FY16 Target	FY15	FY14	FY13
KPLC* and genset	3,000	2,763	2,566	2,466
KPLC* (No generator)	508	323	303	297
24/7 diesel generator	0	41	17	79
Power cube (energy efficient generator)	104	91	79	34
Diesel generator/battery hybrid solution	0	11	13	6
Solar/wind hybrid solution	56	56**	65	55
Solar	77	36	12	12

* Kenya Power and Lighting Company (National grid supply)

**The reduction in hybrid sites is based on some of the wind sites not being functional. We will look at the business case (costs) to return functionality otherwise we will convert these sites into solar.



One of our ongoing schemes is to take swift advantage of extensions to the national grid and use this power to supply our sites (it being cheaper and cleaner than diesel generator produced energy).

This requires working closely with the KPLC and Rural Electrification Authorities (REAs). Currently, 94% of our base station locations are connected to the grid and we managed to connect 100% of the sites that we identified and targeted for this reporting period.

Another of our ongoing programmes is fitting sites with deep cycle batteries. These allow the sites to run on stored energy when grid electricity is not available. As well as providing cheaper and cleaner energy than diesel generators, these units and are more efficient than other batteries, last longer and are less vulnerable to theft and vandalism (as these supply 2 volts, which is not useful for many other applications). The batteries are also more environmentally friendly as they are made of Sodium-Nickel (instead of lead and sulphuric acid) and can be recycled.

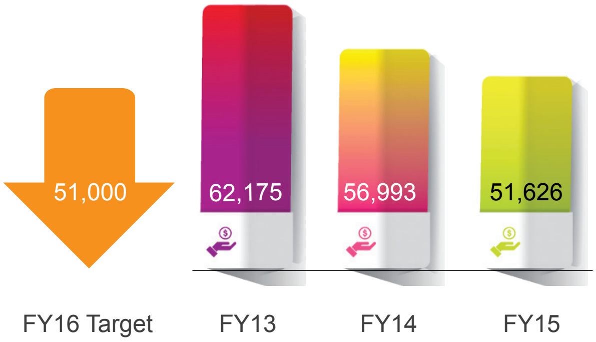
A further 48 sites were fitted this year and this completed our focus on our large transmission hub sites. From next year, we will start cascading this programme out to all of our sites.

IMPROVING ENERGY EFFICIENCY

As our network continues to grow in size and sophistication, making it more energy efficient and intelligent becomes more important. Our vision is to create a powerful, streamlined network that uses the minimal amount of energy to deliver its growing array of services. One that transforms the lives of the communities it serves with the lightest of environmental touches.

From an energy-efficiency perspective, it was a year of maintaining the rate of progress started in FY14 and continuing with the same initiatives. We are pleased to have achieved our target of reducing energy costs per site by 10%, especially since many of our equipment supplier contracts came to an end during the year. This transition is a wonderful opportunity to research the very latest solutions available, but it has delayed some projects — our renewable energy programmes, for instance — as we onboard the right partners and solutions to take us forward.

Cost of energy consumption by site
(KSH per month)



One of our ongoing programmes is to replace our standard diesel generators with power cubes. These are extremely efficient hybrid energy systems 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. We converted a further 12 sites during the year, bringing the total to 91. We are also replacing our standard generators with new, more efficient units as well.

We also rolled out the next phase of our Low-voltage Auto Phase Selectors (APS) initiative and a further 303 units were installed during the year, bringing the total number of units to 478 across the network. These units allow our sites to utilise grid power at voltages as low as 110V, which reduces the instances and lengths of time for which our generators have to run considerably.

Another initiative that we continued during the year was the instillation of free cooling units. These units reduce the cooling energy requirement at sites by exchanging the warm air inside with colder air from outside. 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. We installed a further 235 units during the year, increasing the total number of operational units to 640.

One of our goals this year was to create an energy baseline for the network, which we can use to benchmark ourselves against other operators and to create our SMART energy management programme. Although this process has yet to be completed, we successfully audited the sites targeted for the year in June (large sites with average energy consumption levels of 15,000 kWh or higher), which represents approximately 30% of all sites and 60% of all energy consumed. The next step is to audit a sample of the remaining smaller sites and then create our energy baseline. We plan to complete this process and publish our first energy baseline in the coming year.

We did initial energy audits and submitted reports to the Electricity Regulatory Commission. This exercise will continue into the next financial year. The energy policy has also been drafted awaiting approval from the Executive Committee. Going forward, we will be implementing the recommendations from the audits.

In the Environment Section of this report Page 40, we have provided a summary of diesel and electricity consumption. Currently, this data is not adequate for a complete energy baseline as it does not include solar and wind energy. Further the data is based on supplier invoices. We would like our energy and carbon emissions figures to be as accurate as possible, by ensuring inclusion of all energy sources.

LOOKING AHEAD

We are excited about the shift in strategy next year towards becoming an even more customer-centric organisation.

The Best Network in Kenya programme is being revamped and renamed the Best Network for You (BNU) in FY16 and our focus will shift to delivering an experience that is even more tailored to the specific needs and requirements of individual customers. We will still continue to measure our network quality through the independent P3 benchmark and have set ourselves the target of improving our score by at least 50%. Another key metric we will use to measure our BNU performance is the Net Promoter Score (NPS), which will allow us to monitor whether our customers are experiencing the improvements we make to the network.

Other network quality targets for the year ahead include: increasing 3G coverage to reach 80% of our customers; expanding our fibre footprint to a further 10 towns and connecting our fibre network to all 1,020 targeted enterprise buildings and to 8,000 residential homes in 50 housing estates; and upgrading our 4G services to include voice calls.

From a network availability perspective, our major targets for the year include: finalising and publishing our energy baseline; concluding our negotiations with suppliers and putting long-term contracts (three years or longer) in place; and co-investing in rural communities to share our surplus energy. We are very excited about this last commitment as it will help us to make a real difference in rural communities and to meet our mandate to transform lives. We have been reviewing proposals and our budgets to identify viable opportunities and we will start rolling these out in the coming year, such as helping to power remote clinics and providing community ‘power points’.

Energy data capture still remains a challenge and this affects the accuracy of our consumption and carbon emissions. We shall continue with the installation of Automatic Meter Readers in our network throughout the country to improve data quality.

Despite the availability of renewable energy sources and encouraging policies, potential project developers in Kenya face many challenges, including complex regulatory requirements. There is still room for reduction on taxes and duties on green energy equipment and more incentives for investors in green energy.

INNOVATION

As a technology-based company, if we are not constantly innovating, we are, effectively, stagnating and losing ground. Many of our customers are quick to embrace new developments, becoming ever more sophisticated and demanding, and each generation expects to accomplish more. If we do not keep up with customer sophistication, we run the risk of losing market share and revenue. As a result, innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow. Innovation allows us to transform the lives of all types of customers, nonetheless, by developing tailored and transformational products and services to meet all kinds of needs.

OUR FOUR DIFFERENT TYPES OF INNOVATION

SOCIAL

Improving the lives of Kenyans directly (health, education, agriculture, disaster response)

FINANCIAL INCLUSION

Actively participatin in improving financial inclusion and growing the wealth of Kenyans (providing formal financial services to the unbanked)

YOLO

(Youthful, Original, Local, Outstanding) Servicing the specific demands of the growing youth sector (18-24 year olds, 60% of the population)

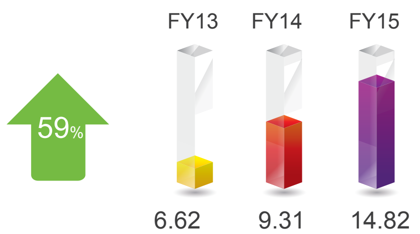
NEW PRODUCTS AND SERVICES

Developing transformational products and services relevant to different customer segments

PERFORMANCE HIGHLIGHTS

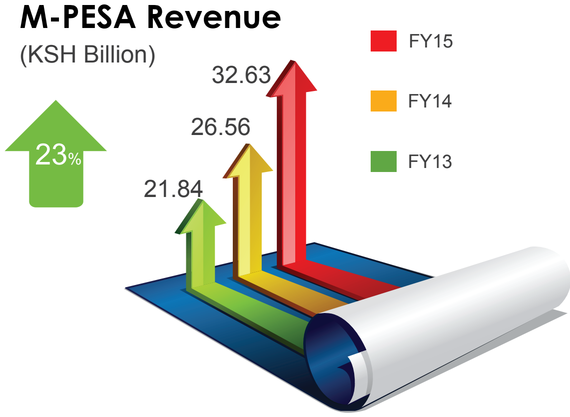
Mobile Data Revenue

(KSH Billion)



M-PESA Revenue

(KSH Billion)



			FY15	FY14	FY13
Net Promoter Score *					
Consumer- Overall	▲	15%	53	46	45
Youth	▲	30%	57	44	43
Brand Equity†					
Overall	▲	1%	86	85	84
Youth	▼	7%	79	85	82

* Assessment of customer satisfaction. Research performed by TNS.

† Assessment of the physical presence or 'visibility' of our brand. Research performed by Millward Brown.

MANAGEMENT APPROACH

We consider innovation to be an essential part of our business and fundamental to our continued success and sustainability. Our Innovation Department is tasked with cultivating our pipeline of new ideas and bringing these to fruition, and with embedding a culture of innovation throughout the organisation through our 'four lenses' training programme.

Our approach to managing this material matter is guided by our Innovation Policy, which has been approved by the Safaricom CEO and Executive Committee and is available on the company intranet. A reflection of the importance with which we view continuous innovation, our Policy outlines our three focus areas (core, transformational and emerging business) and our development procedures (the gate process).

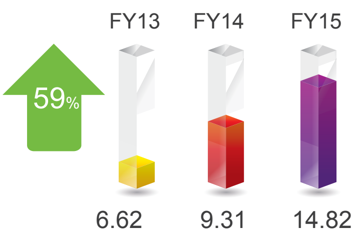
Our response to this multi-dimensional material matter is primarily managed through four sets of indicators. The first set is mobile data usage and growth, which provides us with insight into how well our data-related product and service innovations are being adopted and used. As our M-PESA platform is the main way we drive financial inclusion, we use M-PESA usage and revenue indicators to help manage this aspect of innovation. Thirdly, we use our NPS and Brand Equity scores to track customer satisfaction with, among other things, our new products and services and, in particular, how well we are servicing the specific demands of the growing youth sector. Lastly, we use numbers of active users/subscribers to manage our social innovations.

The Innovation Department is the central administrative hub for ideas relating to innovation within Safaricom. It co-ordinates the development of new ideas with teams in other departments, such as the Technology and Corporate Responsibility Departments and the various Business Units within the organisation. The Innovation Department forms part of the Strategy and Innovation Division and the Director sits on the Executive Committee.

MOBILE DATA USAGE GROWTH

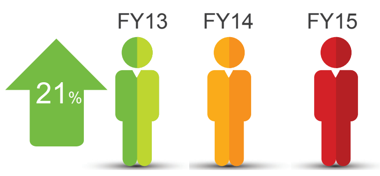
Mobile Data Revenue

(KSH Billion)



Mobile Data Customers

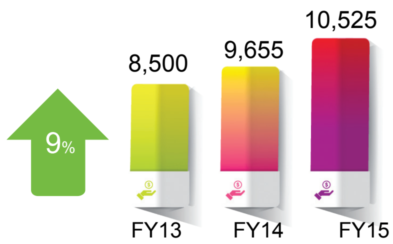
(Million*)



* 30-day active

Appstore downloads

(Daily average)



We are delighted to be able to report that our mobile data revenues grew by a pleasing 59% to KSH 14.82 billion during the year. In many respects, we are reaping the rewards of our continued investments in 3G technologies. As a result, we currently have 11.6 million mobile data users (who have been active within the last 30 days), representing 50% of our total customer base and, of the 11.6 million users, around 3.7 million (32%) are smart phone users (2G-, 3G- and 4G-enabled).

As well as enabling customers to purchase internet-capable devices, we have been actively helping them to experience the possibilities of the internet through a variety of acquisition and stimulation campaigns. Among the successful campaigns run during the year were the following:

NAME	PURPOSE	IMPACT
Coca-Cola Campaign	Free data bundles to customers who purchased a bottle of Coca-Cola (code under bottle cap)	1.7 million customers accessed data (through 15.7 million transactions since launch)
Okoa Internet Bundles	Data bundles available on credit	5.2 million customers have used this service (150,000 transaction daily)
YouTube Bundle	Free access to YouTube (up to 40 MBs)	1.6 million customers accessed bundles

As a result of these and similar campaigns, the number of highly active (daily) mobile data users we have has grown to 4.5 million and there has been an increase of 37.9% in mobile data usage per customer. At the same time, the bundles have provided greater value for customers and boosted affordability, reducing the average price per MB by 8.3%.

YOUTH APPEAL OF BRAND

Young people are open to innovation, adapt and adopt quickly and drive change in technology and business, which is why this segment remains a key focus area for us from an innovation perspective. This is reflected in our strategic objective to be 'Youthful, Original, Local and Outstanding' (YOLO). As a result of our activation and stimulation campaigns we made good progress in this regard during the year and acquired an additional 1.28 million subscribers from the youth segment. Our progress as a brand that appeals to the youth segment is an area where there is still plenty of work to be done, however, we have made significant strides as reflected by the increased Youth NPS scores. This achievement can be attributed to increased youth customer engagement programmes, such as Active8 and Campus Konnect.

		FY15	FY14	FY13
Net Promoter Score *				
Consumer- Overall	▲ 15%	53	46	45
Youth	▲ 30%	57	44	43
Brand Equity†				
Overall	▲ 1%	86	85	84
Youth	▼ 7%	79	85	82

* Assessment of customer satisfaction. Research performed by TNS.

† Assessment of the physical presence or 'visibility' of our brand. Research performed by Millward Brown.

ZINDUA CAFÉ PORTAL LAUNCH

One of our major initiatives during the year was the revamp and launch of Zindua Café, our online ideas submission portal. The portal allows members of staff, application developers and members of the public to share their ideas for new applications or services with us easily and conveniently. The submissions are reviewed by the Innovation Department and, if the idea shows potential, the staff member is rewarded with 'Zindua stars', which can be redeemed for rewards, and external parties are offered commercial contracts.

As well as streamlining the idea submission and review process, the portal helps idea originators and inventors to protect their intellectual property. We partnered with the Kenya Industrial Property Institute and the Kenya Copyright Board (KECOBO) for the launch and provide users with information on patents, trademarks and copyright. The new portal was re-launched internally in December 2014 and launched externally in January 2015, through media campaigns and a series of roadshows to 'innovation hubs' like universities.

VENTURE CAPITAL FUND LAUNCHED

An exciting development this year was the launch of the 'Safaricom Spark Fund', which has been designed to complement our successful annual AppWizz Challenge. Our AppWizz Challenge identifies and incubates developers and start-up firms with potential. The Spark Fund is a venture capital fund that aims to support the successful development and scale up of high- potential late seed to early- growth- stage start-ups in Kenya, through investment and in-kind support.

The fund seeks to invest between KSH 6- 22 Million per start-up, for a minority stake in portfolio companies. In addition to the funding, Safaricom provides in kind support such as mentorship, technical assistance and access to Safaricom services such as SMS, SSD, Cloud hosting and marketing opportunities.

M-PESA CONTINUING TO DEEPEN FINANCIAL INCLUSION

		FY15	FY14	FY13
M-PESA Revenue (KSH Billion)	23%	**32.63**	26.56	21.84
M-PESA Customers (Million)*	14%	**13.86**	12.16	10.54

* 30-day active

M-PESA continues to grow from a simple money transfer service to a robust payment platform and a driver of financial inclusion. One striking example of this is that the number of active Lipa na M-PESA merchants (traders that can accept electronic payments and collections) grew by 105% to 49,413 during the year. In terms of the volume of transactions through this service, in March 2015 these merchants made payments of KSH 11.6 billion.

We are also pleased to be able to report that the M-Shwari, which makes it possible for Kenyans to save, earn interest and borrow money using their mobile phones and the M-PESA service, has now grown to 5.8 million active customers and has facilitated KSH 5.5 billion in deposits and KSH 2.1 billion in loans at 2.0% interest. During the year, we partnered with Kenya Commercial Bank (KCB) to offer customers an alternative to M-Shwari and it has already attracted 1.4 million customers and KSH 120 million in deposits and KSH 950 million in loans.

We also launched three other new services during the year:

- **Okoa Stima:** An emergency loan facility that helps customers pay for electricity. A product developed from an idea submitted through the Internal Innovation portal, by a Safaricom Staff member. The product has allowed customers without credit to obtain a loan facility for power; and is available for both Postpaid and Pre-paid customers.
- **International money transfer to Tanzania** through a partnership with Vodacom Tanzania;
- **Safaricom M-Ledger**: An application developed with external innovators through the Safaricom Appwiz Challenge that allows M-PESA customers to manage their statements. Since its launch the application has gained over 100,000 active users.

IMPROVING THE QUALITY OF LIFE FOR KENYANS

We take our promise to transform lives and contribute to sustainable living throughout Kenya very seriously and are committed to improving the quality of life of Kenyans wherever possible. From a social innovation perspective, we continue to build on our work in areas such as agriculture, education and health, where technology is a critical tool that can make a significant difference to people's lives. Among the applications we continued to develop during the year were the following:

PROJECT	DESCRIPTION	IMPACT
Jihusishe	SMS and USSD-based platform that helps citizens learn about the roles and responsibilities of local government and to exchange information and ideas with local politicians.	Currently piloting the service in 5 counties with 18,760 users.
Mtiba	E-wallet to enable low income earners to save towards their healthcare expenses and donors to target funds accurately and confidently.	Currently piloting the service with 10,000 low income mothers in Nairobi.
Fertiliser E-subsidy	Enables small-holder farmers to access government fertilizer subsidies directly.	Currently developing the programme and, in FY16, we will pilot the service. The target is to enroll 500,000 farmers during the pilot.

LOOKING AHEAD

From an innovation perspective, the focus next year will be on further developing and maximising the potential of our current strategies. Overall, the goal will be to expand our innovation pipeline, increasing the number of new ideas we generate and receive, as well as improving the quality and success rate of the ideas. We intend to bolster our ongoing initiatives, such as the popular AppStar and AppWizz challenges, with several new awareness campaigns in the coming year. Among these will be roadshows targeted at innovation hubs like universities and incubation centres. Safaricom also intends to make investments in Kenyan Start-ups through the Safaricom Spark Fund.

In terms of growing mobile data customers and usage, we will continue with similar successful strategies, including promoting 3G- and 4G-enabled devices, running an Instagram Bundle campaign and exploring partnerships with local and international content providers. We also intend to exploit the growth of our fibre networks by commercialising the Safaricom Home Broadband proposition 'The Big Box'. Similarly, from an M-PESA perspective, the focus will be to continue to drive the growth of Lipa na M-PESA and M-Shwari services, while exploring other ways of leveraging the new G2 M-PESA platform.

The challenge still remains understanding our customer needs and responding to their needs with relevant solutions to match their requirements, as opposed to flooding the market with untargeted products that are commercially driven and not focused on specific customer needs.

ENVIRONMENTAL IMPACT

We understand the importance of sustainable business practices. 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.

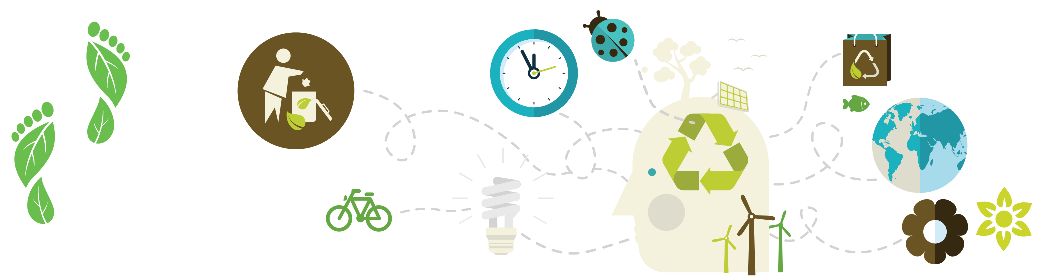
Energy and Water consumption

	FY16 Target	FY15	FY14	FY13
Electricity (MWh)	10%	98,018	113,800	96,326
Diesel (Litres)	10%	6 166 942	6,833,590	5,748,197
Water (m3)	10%	86,778	56,874*	48,963*

* Adjusted figures from the previous FY

Carbon footprint

	FY15	FY14	FY13
Scope 1 emissions (tCO_2e)	24,298	34,341	28,922
Scope 2 emissions (tCO_2e)	32,202	37,387	31,655
Scope 3 emissions (tCO_2e)	4,953	3,634	765
Total (tCO_2e)	**61,452**	**75,362**	**61,342**



MANAGEMENT APPROACH

We don't just ensure we comply with evolving environmental regulation and legislation, we take our social and moral responsibility to manage our environmental impact very seriously. We recognise that environmental considerations are not separate from our core business, but an integral part of our overall business strategy. It is an issue that continues to grow in importance as the size of our network continues to expand.

Our approach to managing this material matter is guided by our Environmental Policy, which has been approved by the Safaricom CEO and Executive Committee. Our Policy commits us to operating in an environmentally sound and sustainable way, and managing and reporting our environmental performance in an open and transparent manner.

Our response to this material matter is primarily managed through our energy consumption targets (of electricity, diesel and water), our carbon footprint objectives (our greenhouse gas emissions), our E-waste collection and recycling targets, our Environmental Impact Assessments (of new infrastructural developments) and our Environmental Audits (of existing infrastructure).

The Corporate Responsibility Department (CRD) is responsible for managing the environmental performance of Safaricom. The department falls within the Corporate Affairs Division (CAD), the Director of which is a member of the Executive Committee.

MANAGING OUR EMISSIONS

The current scientific consensus is that global carbon emissions need to be reduced by 80% by 2050 to avoid catastrophic climate change and we are committed to being a responsible corporate citizen and visibly monitoring, reporting and reducing our carbon footprint to help meet this target.

We have calculated and published our carbon footprint for the fourth time this year. Our 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, which include other indirect sources, such as air travel and taxi hire.

We have expressed our emissions as 'Tonnes of carbon dioxide equivalent' (tCO_2e), which is the standard for comparing different greenhouse gases 'relative to one unit of CO_2'. We are pleased to report that our overall footprint has decreased by 18% this year, to 61,452 tCO_2e, which we attribute to the replacing and upgrading of our aging BTS infrastructure, the various energy efficiency initiatives we have been implementing and more accurate data collection and more certainty in our corresponding calculations. Electricity remains our largest source of emissions, followed by diesel consumed in generators and thirdly the refrigerant gases used in our air conditioning. While it is satisfying to be able to report a drop of 14% in electricity consumption, it should be noted that 20% of our electricity consumption information remains estimated.

ACHIEVING ISO 14001 CERTIFICATION

One of our major commitments last year was to achieve ISO 14001 certification for our Environmental Management System (EMS) and we are pleased to be able to report that important milestone was achieved. The international ISO 14001 standard sets out the criteria for an effective EMS and achieving full ISO 14001-certification provides our stakeholders with assurance that our environmental impact is being measured and reported upon methodically and accurately. We are the first telecommunication company in East Africa to attain this certification.

We were audited and achieved accreditation in March 2015 and 1,359 members of staff have received EMS training to date. Certification is valid for three years and requires annual independent audits and quarterly internal audits.

Through our EMS, we have documented targets and objectives in all key areas and we are starting to capture the quantitative measures that will enable us to establish an accurate quantitative baseline in the near future. From this baseline, we will begin setting quantitative objectives and targets for carbon, water and waste management using SMART criteria.

Carbon footprint

	FY15	FY14	FY13
Scope 1 emissions (tCO2e)	24,298	34,341	28,922
Scope 2 emissions (tCO2e)	32,202	37,387	31,655
Scope 3 emissions (tCO2e)	4,953	3,634	765
Total (tCO2e)	**61,452**	**75,362**	**61,342**

We have calculated our carbon footprint using the Greenhouse Gas Protocol (Revised edition). Our consolidation approach for calculating our emissions is operational control. The latest electricity emission factor for Kenya published by Ecometrica (emissionfactors.com) has been used. For the other energy sources, air travel and refrigerant gases; we used the 2014-15 tCO2e Emission Factors from the UK Governmental Departments for Environment, Food and Rural Affairs (DEFRA) and Energy and Climate Change (DECC)

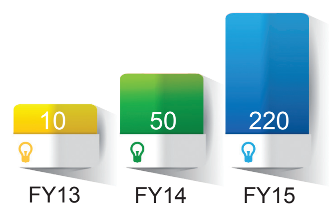
E-WASTE CAMPAIGN RAISES AWARENESS

We are delighted to be able to report that more than 170 tonnes of E-waste (discarded electrical or electronic devices and appliances) was collected during the year. The dramatic increase in waste collected in comparison to FY14 was the result of the successful awareness campaign and collection roadshows held during the year. We have cumulatively collected over 220 tonnes of e-waste since inception of the programme.

Thirty-two towns and residential estates in over 24 Counties were visited during the campaign and citizens were taught about the importance of proper disposal and recycling while their E-waste was collected. The campaign also targeted institutions, such as universities and government offices, where large amounts of E-waste are known to accumulate.

Our recycling partner, Waste Electronic and Electrical Equipment (WEEE) Centre, processes what it can here in Kenya and the rest of the waste is sent to partners in Europe.

E-waste collected (tonnes)*



* Cumulative tonnes of E-waste collected since the inception of the project

FY16 target is 300 tonnes

IMPROVING WATER AND WASTE MANAGEMENT IN OUR FACILITIES

Our water consumption has significantly increased from the prior year, this is partly due to us improving our data collection and partly due to increased usage. One of our ongoing objectives is to make our facilities as environmentally friendly and efficient as possible. During the year, we commissioned an independent assessment of the water footprint and carried out an internal audit of the solid waste streams of our main facilities: Safaricom House (our headquarter buildings); the Jambo Contact Centre (JCC); and the Safaricom Care Centre (SCC).

The water footprint assessment has been completed and six areas for improvement have been identified, including: metering remaining areas; repairing leaks; reducing water pressure (and consumption) where it is unnecessarily high; installing water-efficient taps and flushing systems where needed; implementing a water usage awareness campaign; and improving record keeping. The next step is to share these findings with the relevant Heads of Department (HoDs) to gain their support and ensure that the recommendations can be implemented in the year ahead.

The internal audit of the solid waste streams was also completed during the year and has been used to develop a comprehensive waste management action plan. The plan has identified the areas that need to be addressed and specific targets will be put in place early next year.

COLLABORATING WITH NEMA

Another exciting development during the year was the signing of an official Memorandum of Understanding (MoU) with the National Environmental Management Authority (NEMA).

The wide-ranging agreement is to help promote the management of the environment in Kenya for the next two years and the areas of cooperation include:

- Encouraging sustainability and its reporting in the public sector;
- Promoting climate change awareness; and
- Raising awareness of issues related to telecommunications technologies.

The first initiative to come out of the MoU was the training of NEMA officers and Safaricom staff on Electro-Magnetic Radiation (EMF) by an expert in the field. The training will help NEMA and Safaricom employees to understand and handle public concerns and issues in this regard better.

AUDITING OUR NETWORK

As part of our monitoring and evaluation of our environmental impact, we continued to undertake Environmental Impact Assessments (EIAs) of our infrastructural developments, such as new Base Transceiver Stations (BTS) and fibre optic networks, and Environmental Audits (EAs) of our existing infrastructure as required by NEMA.

The increase in the number of EIAs conducted during the reporting period reflects the recent growth of our network infrastructure and the roll out of BTS during the year. The decrease in EAs during the year reflects the fact that there were less BTS commissioned in FY14 than in FY13 (we carry out EAs on sites that have been 'on air' or operational for 12 months). As with the previous two years, we have not received any monetary fines from non-compliance.

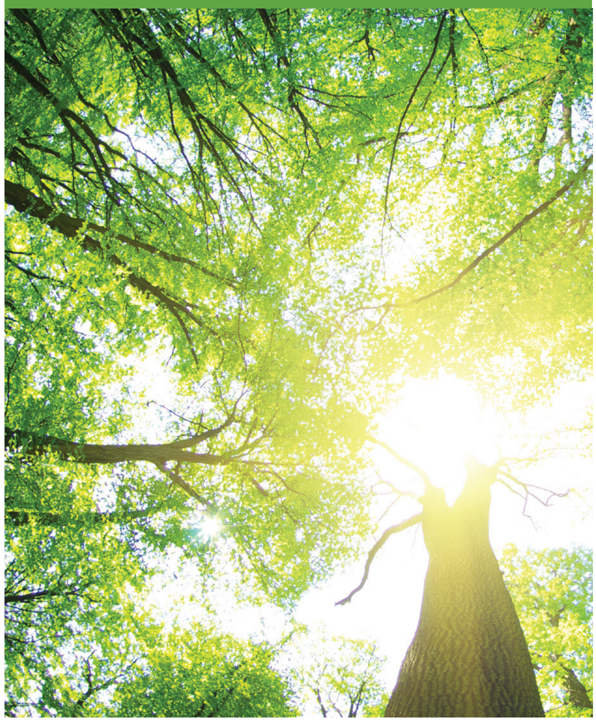
LOOKING AHEAD

Overall, the year ahead will be one of refining and embedding the systems and processes we have put in place. Our drive will be to ensure that the EMS and ISO 14001 programmes become part of the day to day operations of the company and additional awareness training will be provided where needed.

The EMS has now given us a platform from which we can create an accurate quantitative baseline and this foundation, together with the recommendations of the water and solid waste plans for our facilities, will be converted into tangible SMART objectives and targets for carbon, water and waste consumption in the year ahead.

As mentioned previously, another specific focus will also be on ensuring that the six areas for improvement identified by the water footprint assessment are addressed.

On water and waste management, we have not been able to move fast in implementation of concrete actions to better monitor our consumption and generation. This has had an impact on quality of our data reported. Some of the improvement plans have also not been completed within schedule and we are working to complete this going in to next year.



	FY15	FY14	FY13
Environmental Impact Assessments	260	185	151
Environmental Audits	275	349	430

STAKEHOLDER **ENGAGEMENT**

This section of our sustainability report describes our relationships with the individuals, communities and organisations that are most affected by, or most likely to influence, our business. Each class of stakeholder is described, including their main concerns, needs and expectations. We assess how we delivered value to them during the year and conclude with an outline of our commitments to them for the year ahead.

OUR APPROACH

Listening to our stakeholders and learning from them is of vital importance to us. We employ a variety of informal and formal methods to gather and exchange information with our stakeholders, and we tailor our engagement processes to suit each different stakeholder group. The insights we gain through these exchanges are fed directly into our decision-making processes and inform the sustainability strategies and priorities of the organisation.

OUR STAKEHOLDER CHARTERS

In this section, we report on the following seven stakeholder groups. The table (overleaf) matches each group to the material matters where their concerns and ours meet and to their Charter, which enshrines our specific commitments to them.

Stakeholder	Material matter(s)	Charter
Customers	Network quality Innovation	We will communicate honestly, offer simple and relevant products and deliver on our promises to the customer with speed and consistency.
Employees	Governance, risk and regulation Environmental impact	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
Business partners	Governance, risk and regulation Innovation	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
Shareholders	Financial sustainability Innovation Governance, risk and regulation	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 through various forums with us.
Society	Environmental impact Innovation	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.
Regulators	Governance, risk and regulation Network quality Environmental impact	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.
Media	Environmental impact Governance, risk and regulation Innovation	We will continuously and proactively engage the media in a factual, speedy and honest way, in order to participate in informing public opinion actively. We will take a lead role in building industry knowledge among various media groups and hold them to account for responsible reporting.

BUSINESS PARTNERS

They are a key part of how we engage with our customers and the overall customer experience.

MEDIA

Media provides us with a platform through which to communicate with our customers, in Kenya and globally, and also influences our brand and image.

REGULATORS

Our relationships with regulators impact our ability to manage our risks and retain our license to operate.

SHAREHOLDERS

Our shareholders provide us with capital, which supports our growth.

SOCIETY

Provides us with a conducive operating environment and a market for our products and services.

OUR EMPLOYEES

Our employees are the face of Safaricom and ambassadors for the company. They continue to drive innovation and ensure that we acheive our company objectives.

OUR CUSTOMERS

They are vital to the sustainability of Safaricom. They drive us to develop innovative solutions

FUTURE GENERATIONS

Future generations will influence the future environment within which we operate.

CUSTOMERS

WHO ARE OUR CUSTOMERS?

We are delighted to be able to report that we have grown to 23.4 million customers in total this year, which represents an increase of 8.3% from the previous year. Our broad customer base encompasses the full spectrum of individuals and organisations across Kenya. We offer voice, data and financial (mobile money) products and services to both consumer and enterprise customers.

Consumer customers are individual purchasers of goods and services while enterprise clientele are business of all sizes, ranging from small-to-medium enterprises (SMEs) to large corporate firms. Each type of customer is managed by its own Business Unit; namely, the Consumer Business Unit (CBU) and the Enterprise Business Unit (EBU).

Consumers

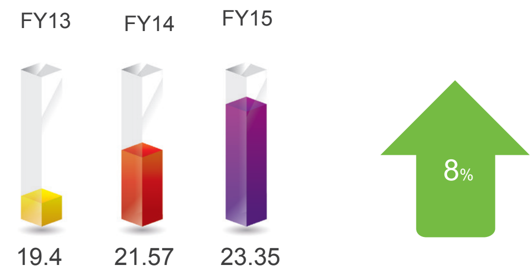
Of our total customer base, 99% are consumer customers. Consumer customers grew by 1.78 million during the year and we now enjoy 67.1% of the total Kenyan market in the consumer space. This 8% growth in consumer customers during the year was driven by our compelling voice, data and SMS propositions as well as our commitment to providing unmatched customer experience at all of our customer touch points.

Enterprise customers

We have two customer segments in our Enterprise Business Unit: SMEs and corporate clients. We currently have a presence in 67,925 enterprise customers, which represents an increase of 91% from the previous year. This growth is attributable to our significant acquisitions in the SME segment. Recognising that the needs of an SME client are vastly different to those of a corporate client, we formed a separate department focusing solely on SME clients and developing a SME-centric product portfolio in FY15.

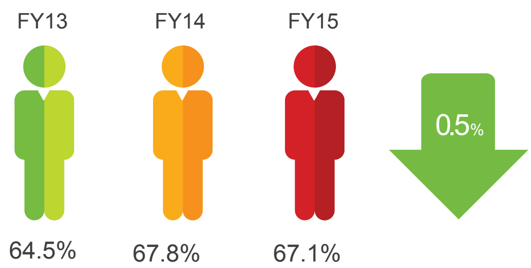
Number of consumer customers

(Million)



Market share

(% consumer subscribers)



While the SME segment has seen great growth, our corporate customers account for 85% of enterprise business revenue. Our market share of customers in the corporate space is 99% and our focus remains on nurturing long-term relationships and up/cross-selling in this market segment. We are delighted to report that we exceeded our target for the year and now enjoy 49% market share in terms of revenue in the enterprise space.

Enterprise customers	FY15	FY14
Total number of SME customers	64,125	31,801
SME revenue growth (FY14-FY15)	71%	
Market share in SME segment (by customers)	36%	9.4%**
Total number of corporate customers	3,800	3,800
Corporate revenue growth (FY14-FY15)	19%	
Market share in corporate segment (by customers)	99%	99%

* EBU only started to measure and report its customers in the separate segments of SME and corporate customers from FY14.

** The FY 2014 SME market share (9.4%) is an estimate as management measured the number only from FY 2015

Enterprise customers		FY15	FY14	FY13
Number of enterprise customers*	91%	67,925	35,601	20,370
Market share by revenue	7%	49%	42%	37%

* Corporate plus SME clients

Monitoring our performance

As our customer numbers continue to grow, and the industry becomes more competitive, it is important that we maintain an exceptional customer experience. This creates satisfaction and trust and encourages customers to retain our services. We consider two aspects when managing our 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 second aspect was one of the reasons why we moved to monitoring our performance using the Net Promoter Score (NPS) in FY14. NPS assesses the likelihood that a customer would recommend Safaricom to other businesses or friends, based on their overall experience. Our NPS is measured separately for consumer and enterprise customers. Our NPS target is to be the number one integrated service provider by a margin of 5% for consumer customers and 10% for enterprise customers. This margin is relative to our competitors. The following table presents a breakdown of our NPS scores for the last two years.

NPS results	Target	FY15	FY14
Consumer NPS (competitor margin)	5%	4%	3%
Enterprise NPS (competitor margin)	10%	28%	8%

* Research performed by TNS

Consumer NPS

Our consumer NPS margin was 4%, which is an improvement from the prior year, but still slightly short of our 5% target. The main areas for improvement are (i) accessibility of our call center and (ii) suitability of our products. Some customers have expressed frustration about the inability to get through to our call center and, despite providing alternate channels for customer contact, the majority of customers prefer to speak to a consultant over the phone. Consumer customers also see us as flooding the market with untargeted products that are commercially driven and not focused on specific customer needs.

Based on our NPS scores and our experience on the ground, we have recognised that we have become detached from our customers. In order to bridge that gap, we will be implementing various initiatives that put the customer first in the next year (please refer to the 'year ahead' sub-section at the end for further details of these initiatives).

Enterprise NPS

We exceeded our enterprise NPS target of a 10% margin in FY15. This is attributable to the targeted initiatives that were conducted during the year (please refer to the 'how we delivered value' sub-section for further details of these initiatives).

Safaricom retail shops

The service consumers receive in Safaricom retail shops is also monitored using a customer service rating. The following table presents our retail service ratings over the last three years. Our Safaricom retail shops delivered a 9 customer service rating for the year against a target of 9. This is an affirmation from our customers that our service has remained strong for the second year in a row. This strong performance can be attributed to close follow-up with customers, faster service, exciting promotions, enhanced in-store ambience and improved ability to engage with customers in cross selling.

Retail shop rating	Target	FY15	FY14	FY13
Customer service rating (retail shops)	9.0	9.0	9.3	8.3

WHAT ARE CUSTOMERS' NEEDS AND EXPECTATIONS OF US?

Customers are the backbone of our business and it is important that we ensure the best customer experience possible. We are guided by our Customer Service Charter in this regard, which commits us to 'communicating honestly, offering simple and relevant products, and delivering on our promises with speed and consistency'.

Both our consumer and enterprise customers need us to deliver reliable, consistent services and so expect us to respond to network failures swiftly. They also expect us to keep them informed of both failures and planned maintenance/upgrades. Both sets of customers also expect a smooth customer service experience when purchasing new or additional products and services. First and foremost, this translates into outlets with stock and salespeople who are enthusiastic and knowledgeable.

From the perspective of our consumer customers, the focus is on usability and support. They believe our products to be the best on the market in most cases, but find that they can be quite complicated to understand and master initially. This ties into their need for access to support and the ease with which they can get through to our call centre.

Enterprise customers, on the other hand, prioritise our responsiveness. As commercial operations, they need us to be able to set up the services they require swiftly. The focus is less on simplicity and affordability and more on expertise, responsiveness and reliability.

HOW DID WE DELIVER VALUE TO CUSTOMERS DURING THE YEAR?

Consumers

In terms of delivering value to our consumer customers, the main way we achieved this during the year was through providing information, assistance and support in terms of purchasing and using our products and services. The two main ways we deliver this value are (i) in-person through our retail outlets and (ii) remotely through our contact center and digital channels.

In addition to using our NPS to track the quality of our overall customer experience (in-person and remote), we monitor calls to our contact center. Over the past three years, we have seen an increase in the number of customer queries (hits); however, our ability to respond to all these queries has not kept up due to internal capacity constraints. Over the past three years, our average number of calls per day has remained at 74,000. The increase in number of queries is attributable to customer base growth and complaints in response to untargeted marketing campaigns and unsuitable products.

We have provided additional digital channels for support and assistance as well. If a customer does not want to call the contact center for any reason, they can now access information and support at any time through a variety of digital channels, including email,

SMS, social media and our web self-care portal. The majority of our customers still prefer to call the contact center, nonetheless, and the percentage of customers accessing social media platforms are a technologically savvy small minority.

The growth of our digital channels offers customers increased convenience and ease and we are particularly pleased to note that the number of web self-care service users grew to 2.67 million during the year. We also offer specific information and support through our expanding Interactive Voice Response (IVR) channels, which enable customers to quickly access the exact assistance they require using voice and menu prompts.

Enterprise customers

One of our strategic objectives is to be the Partner of Choice for businesses and our 49% share of the enterprise market reflects our continued success towards achieving this ambition. There are three main, interrelated ways through which we deliver value to our enterprise customers every year: the quality and reliability of our network; the efficacy of our products and services; and the expertise and efficiency of support services (delivered through staff and partner organisations).

We are reaping the rewards of our continued investment and expansion and, in particular, our growing fibre network. We have now laid over 2,010 km of fibre in the five key cities of Nairobi, Mombasa, Kisumu, Nakuru and Eldoret and 720 of 1,020 enterprise client buildings have already been connected to the network and are enjoying super fast, reliable connectivity.

We have also made good progress in terms of the expertise and efficiency of our staff and partners. Launched in FY14, our Partner Engagement Programme (PEP) is an intensive training initiative designed to ensure that every partner interaction with customers is of the very highest standards of professionalism. It is a comprehensive programme that consists of four subject areas or pillars and we successfully trained 328 partners and staff on these four pillars during the year.

Another specific way we delivered value to enterprise customers during the year was through our ‘Project Delight’ initiative. Project Delight recognises that our customers are more than transactions and reminds us that, no matter how successful and big we become, we must remain focused on the individual relationships that are at the heart of our success. Through the project we organise a series of networking and social events for enterprise customers throughout the year and, fundamentally, it reminds us that we are a group of people achieving things together. We successfully executed 20 events this year, which impacted 3,750 customers.

We also scaled up our internal monitoring programme during the year., The programme has proved a useful way of listening to our enterprise customers and gathering specific customer experience feedback. This program is linked to our Legendary Experience Awards programme, which recognises and motivates exceptional service offered to customers.

FOCUS AREAS FOR THE YEAR AHEAD

Consumers

In recognition of the fact that we have become detached from our customers, we will launch our new business strategy in FY16 that focuses on putting the customer first. Some of the strategic initiatives that will affect the CBU include:

- Daily calls with the CEO, Technology Directors and the Customer Care teams to discuss and resolve the most pressing customer issues.
- Increased focus on assessing product suitability for customers based on feedback from the call center and on-the-ground agents. In other words, using the insight gleaned from customer queries to inform product and service development in more proactive ways.
- The CBU will also look into either hosting or joining customer events to receive feedback and exchange ideas.

From an operational perspective, the CBU will continue to expand and upgrade the digital and self-service channels available to customers. The first phase of the IVR system upgrade is already complete and the second phase, which will embed even more intelligence into the system, will begin in FY 16. A new social media app for customers will also be launched during the year.

Enterprise customers

Overall, our EBU target for FY16 will be to grow our market share to 54%. We aim to achieve this by intensifying our efforts to grow the SME base while nurturing our relationships with corporate customers further. We are also planning to complete our PEP Training, ensuring that all of our contractors have been trained on all four pillars. We will also scale up our internal monitoring during FY16 to reflect the expanding NPS metrics to cover acquisition focused indicators (in addition to the existing retention metrics). We will also extend our Legendary Experience Awards to include partners. Lastly, we will sustain and seek to grow the scope of Project Delight.

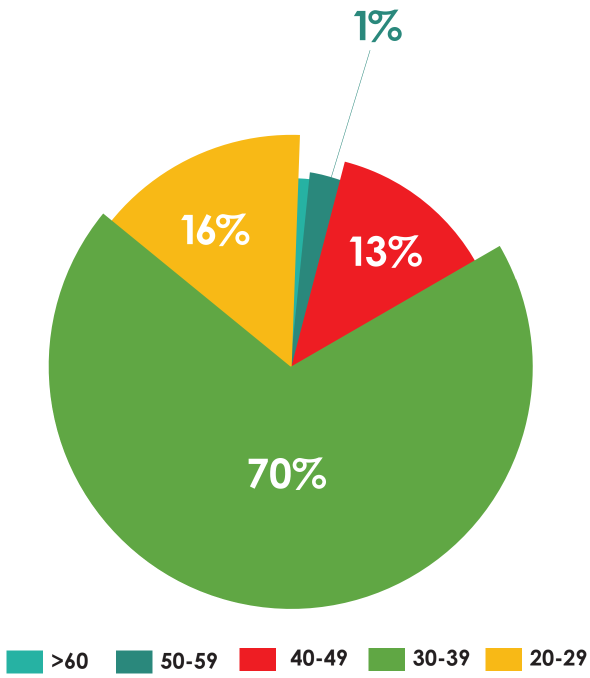
EMPLOYEES

WHO ARE OUR EMPLOYEES?

Overall, our employees are young, dynamic Kenyans, with 70% of our workforce in their 30s, 16% still in their 20s and 85% of our workforce are based in Nairobi. On the whole, our staff complement is pretty evenly split between men and women, although the number of women in more senior management positions remains relatively low.

In general, employee morale appears high and our staff appear to be happy with employment conditions at the company and motivated or engaged with their work. We assess this every year through our 'People Survey' and the results remain positive. The following table discloses our employee and line manager engagement indexes. The employee engagement index measures these four aspects: pride in working for Safaricom; personal levels of motivation; overall happiness with the working environment; and intention to stay with the company. The managers engagement index is similar, but tailored to measure aspects of the working environment that are within a manager's control. We are currently engaging with employees, managers and various other stakeholders to establish specific reasons for the slight drop in the results this year.

Employees by age bracket (%)



People survey results	FY16 Target	FY15	FY14	FY13
Employee engagement index	80%	75%	79%	76%
Manager engagement index	81%	81%	81%	77%

This is supported by a staff turnover of only 5.7%, which is the same as last year and slightly down on the 6% experienced in 2013. These exits are largely from our retail stores and the call centre and in line with expected norms for these types of positions. As the following table shows, the character of our workforce changed little during the year. Our staff complement increased slightly, but not significantly, and the gender ratio remained stable. This was expected after the increase in the previous year when we offered permanent positions to just under 1,400 contract staff. (These were predominantly individuals in customer-facing roles and it was felt that they would embody the values and standards of Safaricom more if they felt part of the company.)

Workforce demographics	FY15 %	FY15	FY14	FY13
Number of permanent male employees	51	2,132	2,032	1,526
Number of permanent female employees	49	2,060	2,005	1,141
Total number of permanent employees		4,192	4,037	2,667

Overall, the majority of our workforce consists of permanent staff and we do not have any seasonal workers in our employment. None of our staff are covered by collective bargaining agreements; however, we do have a Staff Council that meets on a quarterly basis to address issues and concerns raised by employees.

WHAT ARE EMPLOYEES' NEEDS AND EXPECTATIONS OF US?

Staff are able to voice their needs and expectations through a variety of channels, including the annual People Survey, the Staff Council and the Sema na CEO ("speak with the CEO") chat room. Along with the specific issues raised during the year (discussed in detail in the next section), staff have the following four ongoing needs and expectations:

Needs and/or expectation	Our response
Market-related remuneration and benefits	We benchmark our offers regularly and ensure that these are in line with market and industry standards.
Career development and opportunities to gain recognition	We work with staff to identify career development and training opportunities every year and staff work towards those objectives. Our framework for helping staff to develop themselves is explicitly set out in our L&D Policy.
Safe, flexible and productive working environment	We have focused on creating a fair, non-discriminatory and safe environment. Acceptable working conditions are explicitly set out in our HR and OSH Policies and regularly reviewed.
Opportunity to interact with management and the CEO directly	Employees are able to raise concerns at any time through the Sema na CEO chat room and the Staff Council, which is chaired by the CEO, meets quarterly

* L&D - Learning and Development

Maintaining a safe working environment

We take our responsibility to maintain a safe working environment for staff and contractors very seriously and regret to report four fatalities this year: an employee, a contractor and two third parties. Three of the deaths were the result of road traffic accidents and one was caused by a balcony collapsing at a roof top site. Two of the four Lost Time Injuries (LTIs) reported during the year were injuries sustained in road traffic accidents as well. The other two LTIs were caused by falls, one after slipping and one while working at height. The following table details our OSH-related incidents during the year.

FY15 OSH-related incidents

Incident Classification	Employees	Contractors	Third Parties	Total
Fatalities	1	1	2	4
Lost Time Injuries(LTIs)	2	2	-	4
Incidents	92	11	3	106
Medical Treatment Cases	8	4	9	21
Man-hours	9,233,018			
FIFR*	0.022			
LTIFR**	0.043			

* Fatal Injury Frequency Rate (employees)
** Lost Time Injury Frequency Rate (employees)

Total OSH-related incidents during last three years

Incident Classification	FY15	FY14	FY13
Fatalities	4	1	6
Lost Time Injuries (LTIs)	4	6	6
Incidents	106	141	143
Medical Treatment Cases	21	48	37
Man-hours	9,233,018	8,656,000	7,255,200
FIFR*	0.022	0	0
LTIFR**	0.043	0.05	0.11

* OSH - Occupational Safety and Health

While it is favourable to note that our employee Lost Time Injury Frequency Rate (LTIFR) has improved slightly from 0.05 last year to 0.043 for the period under review, we are determined to continue to tackle the issue of road traffic accidents and one of our initiatives during the year in this regard was the 'I Pledge' Campaign (please see the following 'How did we deliver value' section for further information about this initiative).

HOW DID WE DELIVER VALUE TO OUR STAFF DURING THE YEAR?

We are committed to being a world-class employer of choice and take our responsibility to maintain a productive, supportive and safe working environment seriously. Our vision of transforming lives begins with transforming the lives of our employees and a key aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. For brevity and interest, the focus of our report this year is on our highlights — the major initiatives and programmes that have been launched or significantly evolved during the reporting period — rather than the established, ongoing ways in which we support and empower our staff that have been in place for several years.

Empowering female staff

We were delighted to be able to announce our updated Maternity Leave Policy in March 2015. Part of our ongoing efforts to ensure that the needs of working mothers are addressed, the Policy offers new mothers a minimum of 16 weeks fully-paid maternity leave and a reduced hours for the first six months (6 hours instead of 8 per day). The Policy is part of a package of initiatives for employees who are mothers, including fully equipped and professionally staffed child care facilities, a doctor on site, a private Mother's Room and comprehensive medical insurance.

We continue to create the most mother-friendly working conditions we can for two main reasons. The first is to reduce the disruption and costs associated with replacing women leaving the workforce to raise families and the second is to help address the shortage of women in senior management positions within the company. Aside of supporting new mothers, we are also actively identifying female employees with leadership potential and deliberately growing them at every level of the company.

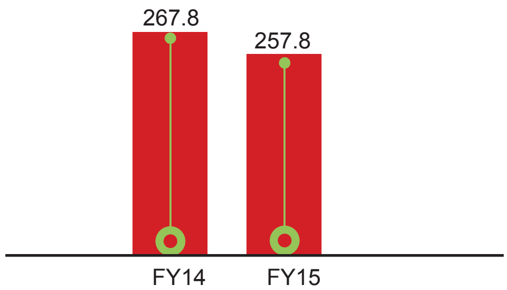
Expediting career development

We officially launched our Career Path Framework during the year, which has made it much easier for staff to identify the career paths available to them and the skills gaps they need to close in order to fast track their career development. The Framework has improved the way staff competency assessments are carried out and helps employees establish where they are in their chosen careers, along with the skills, experience and competencies required to progress to a new position Part of our objective to nurture and grow internal talent, the Framework was launched with a company-wide awareness campaign between June and September 2014 and is available to staff through the intranet and the Safaricom Academy Portal.

Targeted training improves efficiency

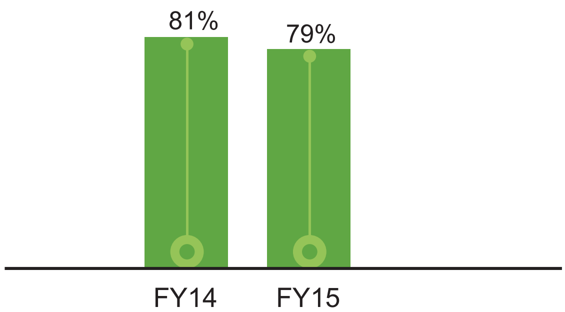
As the following table demonstrates, we managed to maintain our training spend and percentage of staff trained. Our training is however more streamlined. This was partly due to the launch of the Career Path Framework, which has enabled us to target training requirements more accurately, partly because the assessment process has had time to become embedded and accepted by staff, who are starting to realise the full benefits after using the system for two years, and partly because of an increased emphasis on using cost-effective internal resources in the form of in-house trainers and employee self-learning through the intranet and Safaricom Academy Portal.

Investment in staff training (KSH million)



FY16 Target is KSH 257.8 million

Average training index *



FY16 Target is 80%

*Percentage of staff that attended training during the year

Our training target index is 80%. Ideally we would like every member of staff attending some form of training at least once a quarter, but this is not always possible because of unavailability due to leave, illness or other commitments.

Preventing injuries and fatalities

One of the highlights of the year was the successful 'I Pledge' Campaign. The purpose of the campaign was to reinvigorate awareness of our 'Absolute Rules' and persuade employees to take the rules to heart for their wellbeing and safety. Launched in April 2015 on the World Day for Safety and Health at Work, the campaign encouraged staff to understand how the 'Absolute Rules' keep everyone safe, then undertake an honest self-assessment of their behaviour in relation to the 'Absolute Rules' and, finally, to voluntarily promise to observe the rules if they so wanted.

Raising awareness of acoustic shock

Acoustic shock is a hearing condition that can affect call centre staff and we have been monitoring and assessing the situation closely for two years. Usually triggered when people are exposed to a loud and unexpected noise, acoustic shock can leave the listener with muffled hearing, dizziness and tinnitus, a constant ringing in the ear. During the year under review, we initiated a second, follow up medical surveillance programme to test employees for the condition and monitor the situation.

Our focus is to use what we are learning about the situation to ensure that (i) staff and managers are aware of this potential condition, (ii) to explore mitigation measures, such as customised headsets, and (iii) the right procedures are in place to ensure those who may be in need can access specialist medical treatment.

FOCUS AREAS FOR THE YEAR AHEAD

From an employee perspective, the new corporate strategy for FY16 focuses on achieving operational excellence by assisting staff to expand their skills and capabilities. Consequently, much of our focus will be on consolidating the enhancements that have been made during the year. The newly launched Career Path Framework, for example, represents a significant step forward for us as an organisation and we will continue to embed this new approach in the year ahead; similarly, we will continue to establish and raise awareness of the Safaricom Academy Portal as an important means of expanding employee self-learning and skills development. Another area of focus will be learnerships and the Safaricom Discover Programme, through which we aim to develop a pool of enthusiastic young talent that will help us transform into the even more agile and customer-centric organisation the new strategy has envisaged.

BUSINESS PARTNERS

WHO ARE OUR BUSINESS PARTNERS?

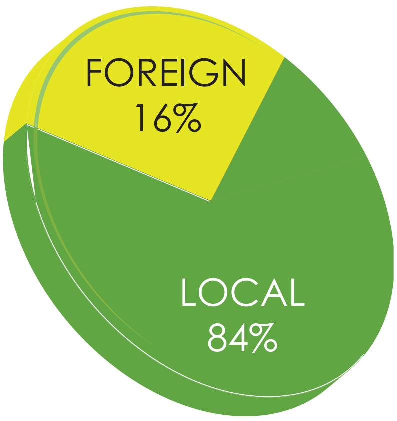
Our business partners include suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. We also understand that we can play an important role in encouraging sustainable practices throughout our business ecosystem and value chain by engaging with our partners in this regard.

In terms of our suppliers, we used 994 providers and spent a total of just under KSH 89.9 billion on products and services during the reporting period. The increase in year-on-year spending can be attributed to capital investment in technology networks relating to a significant government project.

We continue to promote local suppliers where feasible and we are satisfied with the weighting towards Kenyan companies achieved during the year, with 84% of our providers being local. We categorise our suppliers based on the nature of the product or service provided and the majority of our spend during the year was on network technology-related goods and services. There were no significant changes in our supply chain during the reporting period.

	FY15		FY14		FY13	
Supplier location	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers
Foreign	32,548	164	26,474	184	27,961	175
Local	57,346	830 (84%)	40,415	796 (81%)	32,421	888 (84%)
Total	**89,894**	**994**	**66,889**	**980**	**60,382**	**1063**

FY15 SUPPLIER LOCATION



We have a network of 487 ‘active’ dealers across Kenya that sell data, devices and airtime on behalf of Safaricom. We believe that this is the right size of network to support the market at the moment so we are not actively on-boarding new dealers and expect this number to remain fairly stable in the near future. Our current focus is not to increase the number of dealers, but to help each individual dealer achieve greater volumes and success.

We also have 85 756 M-PESA agents who support and administer M-PESA related transactions for customers. The size of our current agent network is also fairly stable and, as with our dealers, our present focus is to help individual agents achieve greater volumes and success rather than grow the network.

WHAT ARE BUSINESS PARTNERS’ NEEDS AND EXPECTATIONS OF US?

Like all commercial organisations, our business partners rely on us to honour our agreements, fulfill our obligations and to engage with them in an ethical, responsible and respectful manner. Aside of their expectations in terms of how we transact, our business partners are also keenly interested in our sustainability as a business, of course. Other specific areas of concern for partners include: pricing and profit margins; timely payment and favourable terms; the swift resolution of conflicts and disagreements; and support and assistance when needed.

HOW DID WE DELIVER VALUE TO THEM DURING THE YEAR?

Suppliers

Annual Partners Forum

We meet with our suppliers every year to hear their concerns and exchange ideas and information with them. During the event, we conduct a survey to assess their perceptions and levels of satisfaction and confidence regarding Safaricom. We use the feedback gained through the survey to adjust our processes and offerings to partners.

At this year's forum, suppliers revealed that they are not happy in general and with delayed payments, in particular. While there was a slight improvement in terms of their satisfaction with their relationship with Safaricom, the overall supplier confidence score dropped from 76% to 64%. This feedback triggered an internal workshop to assess supplier payment processes and an initiative to help address this issue will be launched next year.

The survey also exposed low levels of awareness of Safaricom products and services among suppliers, especially data services, which presents us with an opportunity to market our products and increase usage.

The main areas where suppliers expressed improved satisfaction during the year were our levels of transparency and secure contracts.

Performance evaluations

We undertake performance evaluations of all of our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators (e.g. cost, quality, delivery, responsiveness, flexibility, value-add, health and safety) and a performance score is calculated. Suppliers whose performance is below the required threshold (<60%) are assisted with customised performance improvement plans (PIP) and mentored towards achieving acceptable levels of service. In case of lack of improvements after a PIP has been implemented, the contract is recommended for termination and no invitations are sent for participation in future business opportunities.

There has been an increase in supplier performance evaluations since implementation of our online enterprise performance management portal in November 2013. Our average supplier performance score has been >75% for the past three years. Our FY15 score was 78% with a participation of 354 suppliers. Our focus in the coming year is optimisation of the performance to enhance value to our customers.

Sustainability self-assessments

We help suppliers embed sustainability within their organisations by asking them to complete a sustainability self-assessment. The questionnaire raises supplier awareness of the issues by asking them to evaluate their performance in the following areas: fraud and ethics; human resources, including freedom of association and employee benefits; health and safety; the environment; the community and corporate giving; regulatory compliance; and child rights.

We identified focus areas from prior survey results and engaged our suppliers at the supplier forum on the following topics: fraud and ethics; health and safety; the environment; the community; and corporate giving. For each topic, we engaged on key considerations and suggestions on how to manage risks posed. We plan to conduct another supplier self-assessment in FY16.

Dealers

Relationship Managers

We introduced dealer Relationship Managers (RMs) last year. The RMs provide each dealer with a single point of contact to assist them with any challenges or issues they are facing. The RMs also put together business plans for each dealer to help them identify areas for improvement and potential growth. We currently have four dealer RMs, who are supported by four support executives.

Area Sales Managers

We expanded the geographical coverage of our Area Sales Managers (ASMs) from 32 to 36 areas during the year. ASMs provide essential on-site support to dealers and serve as a direct link between our RMs at head office and dealer branches around the country. As well as assisting dealers with implementing their business plans and other needs, the ASMs also listen to the ideas and concerns of dealers and share this feedback with our RMs.

Mobility scheme

Dealers need to be mobile as they may have as many as 10 outlets. We help them achieve this through our subsidised motorbike scheme. During the year, we expanded the range of bikes available to 10, each suited to different terrains and lengths of journey.

Weekend capital financing

During the year, we began providing dealers with interest-free, unsecured loan facilities to help them make sure they have enough working capital and stock to meet demand over the weekend while the banks are closed.

Lipa na M-PESA upgrade

We also upgraded the Lipa na M-PESA merchant collections service during the year, reducing the turnaround time from 2 hours to 30 minutes and enabling dealers to view tills and see how their agents are trading.

Dealer of the Year Awards

We expanded the format of our annual Dealer of the Year Awards (DOYA) to include a Lipa na M-PESA category and increased the number of winners from three to five.

Dealer Forums

This is an ongoing initiatives and we host several Dealer Forums each year. It is an excellent opportunity for us to listen to dealers as they share their concerns, needs and ideas for ways in which we can improve our services and support them further. Our RMs were an idea that came out of a forum, for instance.

Agents

Relationship Managers

We also introduced agent Relationship Managers (RMs) last year. Our agent RMs provide agents with similar support and assistance as the dealer RMs discussed previously. We currently have four agent RMs, who manage the 300 top performing accounts.

Principle Forums

We changed the format of our agent Principle Forums this year. We solicited feedback on challenges and issues at the start of the year, such as commissions and the migration to the new system, and then reported back on our progress against these challenges at the end of the year. As a result, the forums are much more intensive and focused and agents are seeing quicker, more tangible outcomes.

Agent assistant training

A new initiative launched during the year, this is a one-on-one training session that identifies and plugs the gaps in an individual's knowledge, empowering them and improving the service they are able to provide customers and colleagues. So far, our area managers have been trained.

Weekend capital financing

Like the service launched for dealers, this new facility provides agents with an internal float over weekends and public holidays, ensuring they have enough stock to meet demand during these periods.

Kenya Commercial Bank service upgrades

As well as not being charged to replenish their floats at Kenya Commercial Bank (KCB), agents can now access loans at a reduced rate of 16% interest.

Merchandising

During the year, the top 300 accounts were rewarded with a wider range of branded merchandising than in previous years, including calendars, umbrellas, caps and t-shirts. The top 1,000 outlets also received t-shirts.

Regional Agent Awards

Our annual Awards event was expanded and improved this year as well. Events were held in five regions and there were more categories of winners than previously.

FOCUS AREAS FOR THE YEAR AHEAD

Suppliers

Supplier portal upgrade

A direct result of the feedback received at this year's Forum regarding delayed payments, we will be upgrading the supplier portal this year to enable supplier to submit and track invoices online.

Prospective supplier portal

We look forward to implementing a portal for prospective suppliers, through which they can express their interest in doing business with Safaricom.

Procurement policy revisions

We will be updating our procurement policy to include criteria for evaluating 'diversity' and 'inclusiveness'. This revision is designed to address a bias built into our current procurement policies towards large companies and ensure that smaller companies and those run by women, in particular, are not excluded from our procurement processes.

Supplier risk assessments

Monthly spot reviews have proved a useful way of improving supplier performance against various risks, including health and safety issues. We increased the number of assessments carried out during the year and plan to further increase this number in the year ahead.

Dealers

Relationship Managers

We are planning to on-board an additional RM and Support Executive. This will make RM workloads more manageable — 90 dealers per RM instead of 120 — and enable RMs to provide additional support to dealers. The way we measure the performance of RMs will also be improved through a set of expanded KPIs, which will include the NPS, ensuring that soft issues are measured alongside numbers and targets.

Customer acquisition campaign and free branding

We have finalised plans for an exciting new customer acquisition campaign that will launch during the year ahead. In tandem with this campaign, we will also help dealers increase their visibility in the market through free signage and branding for shops, walls and vans.

Dealer empowerment scheme

We plan to expand this scheme next year through extra branding and product launches and provide customer care support and assistance to around 300 dealers.

Agents

Our overall focus regarding agents in the year ahead will be to get closer to them and provide them with extra support as their success is our success. We are keen to reach out to agents and make sure there is no disconnect between agents and head office, particularly given the increased competition we expect to see at this level. We do not want to be seen as 'a transaction', but as an operator who is listening to them and responsive to their needs.

Among specific focus areas are:

Increasing the number of Super Agents

Super Agents provide an essential service to other agents in areas that are poorly serviced by banks because they can sell float on to other agents. During the year ahead, we intend to appoint additional Super Agents and ensure there is one every 10 kilometres.

Expanding the Relationship Manager service

We are planning to on-board an additional RM in the year ahead and to provide RM services to an additional 200 accounts (the top 500).

Agent assistant training

We intend to cascade this training down to people working in outlets during the year ahead.

SHAREHOLDERS

WHO ARE OUR SHAREHOLDERS?

WHAT ARE SHAREHOLDERS' NEEDS AND EXPECTATIONS OF US?

Our shareholders expect us to remain a high-performing company that balances delivering consistent and sustainable financial returns against ethical and environmentally responsible operation. As a reflection of this, they expect us to retain our experienced, proven management team and to uphold the very highest standards of corporate governance and practices. In terms of the exchange of information and ideas that also underpins shareholder trust and fosters commitment, they expect:

- Timely and accurate financial information;
- Explanations of our business model and strategy for creating long-term value;
- Updates on management expectations regarding changes in macro and micro environments;
- Updates regarding changes in the competitive and regulatory landscapes;
- Consistent and sustainable financial performance; and
- Experienced management and strong corporate governance practices.

HOW DID WE DELIVER VALUE TO SHAREHOLDERS DURING THE YEAR?

We deliver value to our shareholders through our strong financial performance and through how we engage and communicate with them.

Financial performance

We delivered strong financial performance in the current year, which has resulted in dividend growth and share appreciation:

- Achieving an EBITDA of KSH 71.2bn, up 17% from the prior year
- Achieving a 38% increase in net income (increase to KSH 31.9bn)
- Proposing a dividend per share of KSH 0.64, which is 36% higher than last year
- Increasing our free cash flow by 21% to KSH 27.5bn

This strong financial performance is the result of Safaricom successfully implementing its strategy to grow revenue while controlling costs (please refer to the Annual Report for more details).

Communications to shareholders

We engage with individual investors, fund managers, analysts and other members of the investment community actively. On a regular, ongoing basis, we deliver value to these important stakeholders by ensuring that we are available to them and respond to their telephonic, email and message-based enquiries swiftly. We also publish an annual report to keep investors updated on financial and non-financial performance, and we hold an annual general meeting, which provides a forum for discussion and debate with shareholders.

We also disseminate information about financial results, reports and upcoming events to them via press releases and other communiqués. In addition, we will invite shareholders and other members of the investment community to briefings and workshops as required.

We maintain an up-to-date investor dashboard on the Safaricom website as well, which enables investors to access a wide range of information conveniently and easily, including our investor calendar of events and forms, our current corporate strategy, analyst coverage, fact sheets, share price information, half year and full year results, our reports, along with information regarding our current governance and sustainability objectives and performance.

Along with these standard, ongoing responses, some of the specific ways in which we have delivered value to our shareholders during the reporting period include:

Local and international investor road shows

During the year, we hosted investor road shows to share our interim and full year results. During these roadshows we update shareholders on our strategy and outlook.

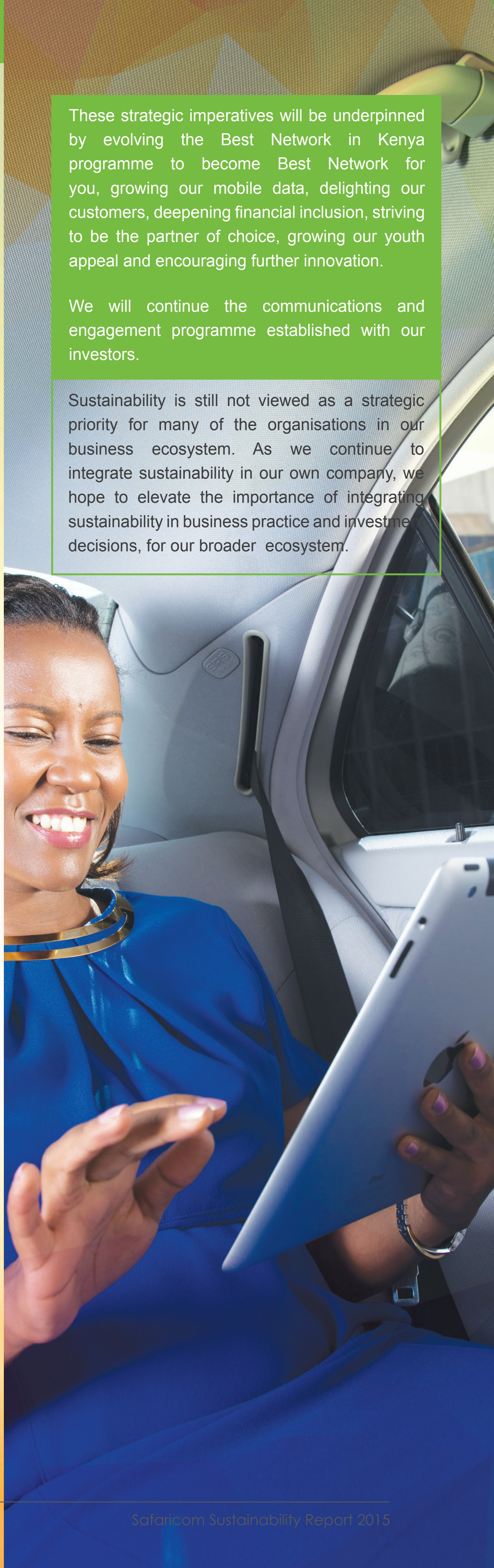
Swift dividend payouts

During the year, we began paying shareholders their dividends through our M-PESA platform, which has made it a cheaper and more convenient process for recipients, particularly smaller investors.

FOCUS AREAS FOR THE YEAR AHEAD

In the new financial year, we will continue to grow our revenue and control costs, through the following strategic objectives:

- putting our customers first;
- delivering relevant products; and
- ensuring excellence in operations.



These strategic imperatives will be underpinned by evolving the Best Network in Kenya programme to become Best Network for you, growing our mobile data, delighting our customers, deepening financial inclusion, striving to be the partner of choice, growing our youth appeal and encouraging further innovation.

We will continue the communications and engagement programme established with our investors.

Sustainability is still not viewed as a strategic priority for many of the organisations in our business ecosystem. As we continue to integrate sustainability in our own company, we hope to elevate the importance of integrating sustainability in business practice and investment decisions, for our broader ecosystem.

SOCIETY

WHO IS OUR SOCIETY?

Our society is, first and foremost, the Kenyan people and then the broader regional and global community in which we operate. We take pride in being a responsible corporate member of Kenyan society and remain committed to working closely with Kenyans to be a respected and empowering contributor to the social and economic landscape of the country. We acknowledge that the society that surrounds us is an integral part of who we are and our success, providing us with a conducive operating environment and a market for our products and services.

The current population of Kenya is estimated to be 44.35 million, with around 11 million or 25% of Kenyan people living in urban areas (World Bank, 2013). The two largest cities in Kenya are the capital, Nairobi, which has a population of more than 3.1 million and Mombasa, which is home to just under one million inhabitants (United Nations, 2009).

Kenyan society reflects its fascinating history of centuries of migration and it is one of the most diverse African countries culturally and linguistically. The country is home to more than 40 different ethnic groups. Among the largest ethnic groups are the Kikuyu, representing around 22% of the population, the Luhya, Luo, Kalenjin, Kamba, Kisii and Meru. Although more than 60 different dialects are spoken in Kenya, the two official languages are Swahili and English.

Kenya is classified as a middle-income country and the ninth biggest economy in Africa, with an estimated Gross Domestic Product (GDP) of KSH 4.76 trillion and a GDP per capita of KSH 111,330 in 2013 (Kenya National Bureau of Statistics). Agriculture is still the backbone of the economy and contributes around 25% to the GDP.

OUR SOCIETY CHARTER

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.

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

We take our broader corporate role and responsibilities very seriously and consider every Kenyan citizen to be a member of our society. As a result, the needs and expectations of our society extend beyond those of our customers and include: helping to promote and preserve Kenyan culture and art; safeguarding the natural heritage of the nation and operating in an environmentally friendly manner; partnering with government, communities, NGOs and individuals to empower and uplift our fellow Kenyans; providing access to health, education and financial services; as well as providing access to transformative mobile communications solutions.

HOW DID WE DELIVER VALUE TO SOCIETY DURING THE YEAR?

We deliver value to the society within which we operate on an ongoing basis as a top Kenyan tax payer and employer, and by engaging and empowering groups and individuals throughout the country in a variety of diverse ways. The services we provide through our network enhance and transform the lives of Kenyans every day, we also sponsor a variety of cultural and sporting events, and have an active Corporate Social Investment (CSI) programme.

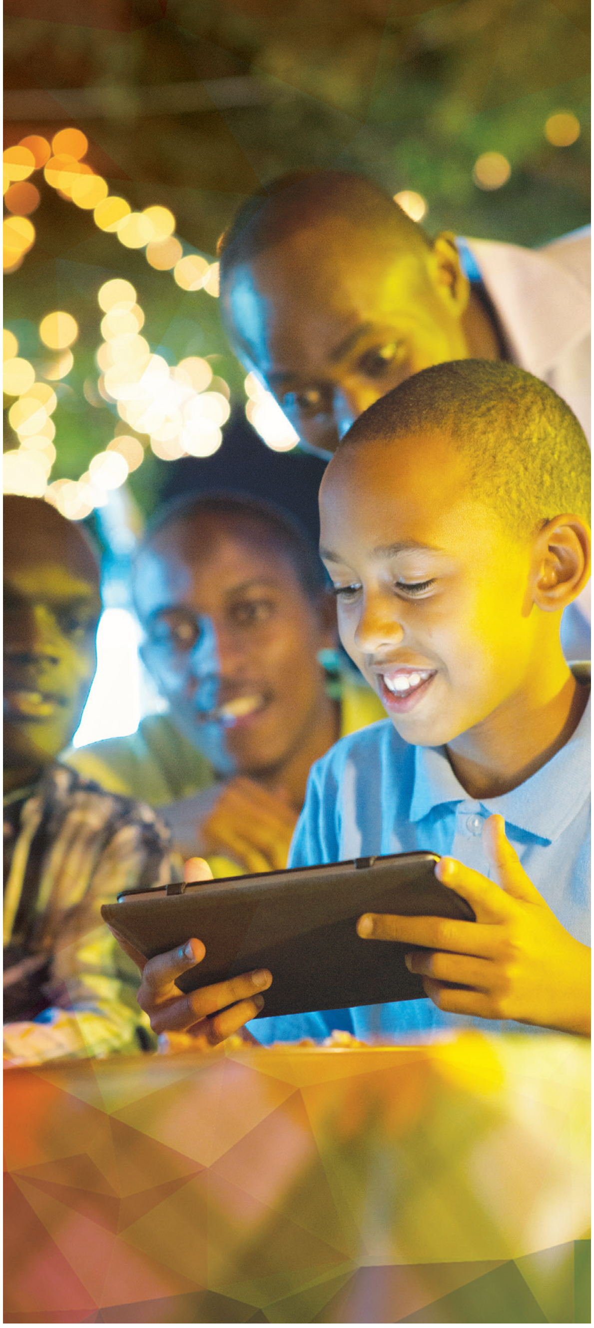
Along with these ongoing channels, a few of the specific ways in which we have delivered value to Kenyan society during the year include:

Supporting the Global Compact Network Kenya (GCNK)

The United Nations Global Compact (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. We renewed out commitment to its Local Network in Kenya during the year and seconded a full-time staff member to the GCNK office. We worked together to strengthen the value proposition, reinforce the attractiveness of the network and recruit new members. With the support of our leadership team we seized opportunities to mobilize the business community around the principles and to raise awareness around responsible business practices.

Serving on the Board of the UNGC

We are also delighted to able to announce that our CEO, Bob Collymore, will have his term as a Board Member of the UNGC officially renewed for another three years in May 2015. This renewal is recognition of his remarkable contribution to championing the work of the UNGC across Africa. Beyond his mandate of strategic guidance



and promotion of the UNGC, Bob is also engaged as a member of the UNGC Anti-Corruption Working Group, which is advancing Principle 10 ('Businesses should work against corruption in all its forms, including extortion and bribery'), and was one of the key speakers at the UNGC 10th Principle Anniversary event in New York in December 2014. He is also an enthusiastic member of the UNGC Africa Strategy team, which is at the forefront of advancing corporate sustainability and responsible business practices across the continent.

Keeping anti-corruption on the local agenda

Closer to home, CEO Bob Collymore has been working closely with the Ethics and Anti-Corruption Commission (EACC) and was one of the key speakers during a CEO Breakfast organised by the British High Commission to strategise and share ideas on how to tackle corruption.

Protecting the rights of children

We have developed and published a Children's Rights and Business Principles Policy, which will help ensure children are not exploited or neglected by our operations in any way. As well as drafting the policy, we have mobilised the support of senior leaders and identified a team of champions from across the business to strengthen our collective awareness and capacity in this regard. We will conduct an analysis to identify gaps and opportunities and we will develop an action plan to respond. In the next year we will continue working with the team of champions to integrate Children's Rights in our business, address the gaps and embrace the opportunities identified.

Tackling Gender-based violence

Gender-based violence (GBV) permeates every corner of society. It is widespread and, whether the violence occurs within the workplace or outside of it, the detrimental effects on the workplace and society are substantial. As a first step towards addressing this issue, we have engage the Gender Violence Recovery Centre to train the senior leadership management team and equip them with the skills needed to start addressing GBV-related issues. We will look in the next year at how we can raise awareness on the matter within our staff members and create adequate mechanisms to respond to GBV.

Protecting the safety of Kenyans

In December 2014, the Government of Kenya entrusted Safaricom to build the National Security Surveillance, Communication and Control System for Nairobi and Mombasa. The system will help the National Police Service protect the safety of Kenyan citizens and save lives in an emergency and the first phase of the project will soon be officially handed over. This first phase of the state-of-the-art system includes 1,800 CCTV cameras and 7,600 handheld communication devices connected to a national command and control room. Over 3,000 police officers are also being trained as part of this initial deployment.

FOCUS AREAS FOR THE YEAR AHEAD

Safaricom will continue to engage the UNGC by actively encouraging its business partners and peers to sign up to the GCNK and support in creating a responsible business community in Kenya. With globalisation, a responsible business community in Kenya forms an integral part of a sustainable, transparent and inclusive global economy.

REGULATORS

WHO ARE OUR REGULATORS?

The Communications Authority of Kenya (CA) is the regulatory authority for the communications sector in Kenya. Established in 1999, the purpose of the CA is to ensure the people of Kenya receive the best possible services from communications providers. This responsibility requires making sure that there is adequate, healthy competition among providers, and that the public are protected from misleading or unscrupulous business practices. Among its duties, the CA licenses all communications systems and services, allocates and manages the frequency spectrum of the country, sets tariffs and monitors the activities and performance of licensees.

Other primary regulators of ours include:

Regulator	Mandate	Issues on which we engage
Competition Authority of Kenya	The CAK works to promote competition for the benefit of consumers, businesses and the economy as a whole.	• Trade practices • Consumer issues
Central Bank of Kenya	The CBK seeks to promote and maintain a stable, efficient financial system that serves the economy and the people of Kenya.	• Mobile money transfer services (M-Pesa)
Kenya Revenue Authority	The KRA is responsible for the efficient assessment and collection of revenue (taxes) on behalf of the government.	• Taxation
National Environment Management Authority	NEMA is mandated to ensure the natural resources and environment of Kenya are managed in a sustainable manner.	• Environmental Impact Assessments • E-waste management • Energy management regulations
Betting Control and Licensing Board	The BCLB seeks to promote reasonable, legal and sustainable gambling activities in Kenya and authorises lotteries and prize competitions.	• Safaricom promotions
Kenya Civil Aviation Authority	The KCAA is responsible for the safety and management of the Kenyan airspace.	• Site acquisitions • Construction of Base Transceiver Stations
Capital Markets Authority	The CMA protects the interests of investors and publicly-listed companies through licensing and supervising the capital markets industry.	• Corporate Governance

WHAT ARE REGULATORS' NEEDS AND EXPECTATIONS OF US?

Our services play an important and sometimes even critical role in the daily lives of Kenyans. As a result, the regulators expect us to provide these services in a reasonable, responsible, ethical and environmentally sensitive manner, providing customers with adequate information and support to access and enjoy our services, while respecting their rights. Our regulators also require us to compete for business fairly and to play our part in helping to empower and transform the lives of Kenyans through innovation and investment.

HOW DID WE DELIVER VALUE TO REGULATORS DURING THE YEAR?

On a regular, ongoing basis, we deliver value to our regulators by complying with the obligations they have give us and through communicating and engaging with them on the issues that arise. We ensure that we are available and open to our regulators, that we respond to their enquiries in a smooth and swift manner, and that we take responsibility for dealing with compliance issues, such as paying fines. Accordingly, we have adopted the following strategies to manage regulatory issues:

COMPLY

Proactively ensure compliance with all licence obligations, legislation, regulations, by-laws and regulatory guidelines

ENGAGE

Actively engage with regulators through face-to-face meetings and written submissions when changes to the existing business environment are under discussion

DISCUSS

Facilitate workshops and information sessions with regulators, members of the media and affected stakeholders to discuss public policy issues affecting the industry

ATTEND

Be present at stakeholder workshops and lobby on behalf of the telecommunications industry

Along with these standard, ongoing responses, some of the specific issues on which we have engaged our regulators during the reporting period include:

M-PESA agency network

We entered into discussions with the regulator at the beginning of the process and jointly agreed to open up our M-PESA agency network in order to see the market progress and expand to help deepen financial inclusion in Kenya

(see page 25 of this report for further discussion of this issue).

Quality of Service (QoS) measurements

Following engagement by Safaricom, the CA is developing a new Quality of Service (QoS) Measurement and Methodology Framework. The new framework shall cover, among other things, data and voice services, network installations, Electro-magnetic fields (EMF), billing accuracy and customer care.

The revised framework will also cover financial reporting that will require implementation of separation of accounts per licence.

Information and Communications Sector Regulations

The CA has begun a comprehensive review of the regulations governing the sector and is proposing to impose retail price controls on dominant operators.

We have contributed to industry responses to these proposals and continue to engage with the regulator to ensure that consumers enjoy the very best offerings in terms of variety, price and quality through robust, healthy competition.

National ICT Policy

In October 2014, the government published a draft ICT policy for stakeholder comments and input. We have made formal submissions in response regarding infrastructure sharing, the county telecommunications operators, the reduction of radio spectrum fees and the need to include incentives for environmental management.

Universal Service Fund (USF) Fees

We have lobbied the CA to consider the proposals of operators that they be represented on the Universal Service Advisory Council (USAC) and that interconnect and MMT revenue be excluded from the USF payable by operators. The CA has since accepted the proposal to exclude interconnect fees.

FOCUS AREAS FOR THE YEAR AHEAD

Along with continuing to engage on the ongoing issues in the preceding list, a key focus area for us for the year ahead will be to continue our engagements with the CA regarding the proposed amendments to the Information and Communications Sector Regulations. The current proposals present a significant concerns as these will unduly impact our ability to respond to market forces and to compete fairly. This consultation is ongoing. We are also keen to review the impending Data Protection Bill and establish how this will affect our strategies and practices in terms of collecting and using customer data analytics to customise our services to individuals more effectively.

MEDIA

ASSISTING THE MEDIA WITH THEIR IMPORTANT TASK

The media play an important role in society through providing a platform for discussion and debate. They are also an important stakeholder of ours as they provide us with a channel through which we can communicate with our other stakeholders, such as our customers.

Accordingly, we need to make sure that the relevant members of the media are presented with the right facts and information and that significant issues are identified and fully explained so that topics and events are reported in an accurate and balanced manner.

We maintain good working relationships with a wide variety of media representatives to ensure that our voice is also heard on pertinent issues and to help provide information and guidance topics that are related to our areas of expertise.

We liaise with members of the media to ensure:

- Issues are reported in an accurate and balanced manner
- Our perspective is included when pertinent issues are discussed
- Our reputation and brand is protected and maintained

Our interactions with members of the media are guided by our charter, which commits us to 'continuously and proactively engaging with the media in a factual, speedy and honest way, in order to participate in informing public opinion actively'.

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

WITH WHICH MEDIA DO WE LIAISE?

We are open to liaise with all members of the local, regional and international media. We work closely with both traditional and digital media houses and individuals (journalists and bloggers etc.). The types of media organisations we liaise with regularly include:

- Radio stations
- TV stations
- Print media (Newspaper and magazine publishers)
- New media (digital channels, including websites, blogs and social media)

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

- Access to timely, accurate information (packaged in convenient formats)
- Access to appropriate company spokespeople on issues and events
- Guidance and clarification regarding controversial issues or statements
- Access to 'exclusive' information or commentary to make news
- Provision of detailed background data and information for understanding/context

HOW DID WE DELIVER VALUE TO THEM DURING THE YEAR?

On a regular, ongoing basis, we deliver value to our media stakeholders by ensuring that we are available to them and respond to their telephonic, email and message-based enquiries swiftly. We also disseminate information about product and service launches, financial results and reports, and upcoming events to them via press releases and other communiqués.

We also invite members of the media to briefings, product and service launches and other company events, such as industry and policy-related workshops, providing them with supplementary information and arranging interviews with key spokespeople as needed.

We maintain an up-to-date online media centre on the Safaricom website as well, which enables journalists to access an archive of press releases, speech transcripts, contact details and other materials conveniently and easily.

Along with these standard, ongoing responses, some of the specific ways in which we have delivered value to the media during the reporting period include:

Media visits

We arranged for journalists to visit various Safaricom Foundation (CSI) and company projects during the year and interact directly with those responsible/involved. The purpose of these visits was for the media to understand the impacts of our investments.

Business reporting training

During the year, we worked with Strathmore University to deliver training on business reporting to journalists from a variety of different media houses.

Interviews

We facilitated 10 one-on-one sessions between journalists and senior management over the course of the year. The topics of these interviews ranged from new products/services, financial results and key milestones achieved.

Workshops

We held seven workshops with members of the media during the year. The purpose of the workshops was to engage the interest of members of the media and to give them an in-depth understanding of a product or service pre-launch to ensure accurate reporting.

FOCUS AREAS FOR THE YEAR AHEAD

We endeavour to deliver Public Relation (PR) strategies that holistically cover mainstream and new media. We would like to grow our 'influencer network', specifically in the digital space (e.g. bloggers). We will do this by clearly defining our digital marketing scope and online PR scope. Historically, we have used the digital space to market our products/services mostly, in the near future, we would like to expand our online PR scope to include opinion pieces that will influence what people think about us positively.

CONCLUDING REMARKS AND LOOKING FORWARD

Safaricom will increase its momentum in driving sustainability within the company and in the broader business ecosystem. As reflected in this report there are areas that need further work; however we recognise that focus on environmental, social and governance matters will unlock opportunities for us to continue innovating and transforming the lives of Kenyans.

"*The move towards a greater focus on sustainability will grow and gain pace…it's a one way street. Once you get it, once you understand that sustainability is the way we need to do business, there's no going back. When you have that "Aha"-experience, you can't look back. It would be like trying to make a wheel square*" Bob Collymore, Safaricom

We value your views and feedback on our sustainability reporting. Please contact us at sustainability@safaricom.co.ke

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
P. O. Box 40092 - GPO 00100.
Nairobi, Kenya
Tel.: +254 (20) 423 0000,
+254 (20) 444 1344/05-12
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

The Board of Directors
Safaricom Limited
P. O. Box 66827, 00800
Nairobi, Kenya.

21 September 2015

INDEPENDENT LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS OF THE FINANCIAL YEAR ENDING 2015 SUSTAINABILITY REPORT

Deloitte & Touche have undertaken a limited assurance engagement on selected key performance indicators, as described below, and presented in the sustainability report of Safaricom Limited for the year ended 31 March 2015. This engagement was conducted by a multidisciplinary team of assurance specialists with extensive experience in sustainability reporting.

The subject matter comprises the following key performance indicators, prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

Category	Key Performance Indicators
Material matters	**Governance, Risk and Regulation** Anti-corruption corrective measures - Fraud cases and outcomes **Network Quality** Independent testing and evaluation results **Environmental Impact** Carbon footprint - scope 1, 2 and 3 emissions Direct energy and Indirect energy
Stakeholders	**Customers** - Consumer Net Promoter Score (NPS), Enterprise NPS **Employees** - Workforce demographics (age profile and gender) **Health and safety** - Occupational safety and health incidents including man hours

DIRECTORS’ RESPONSIBILITY

The directors are responsible for the selection, preparation and presentation of the key performance indicators in accordance with the GRI 4 Guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information given both its nature and the methods used for determining, calculating, sampling and estimating such data. This could have a material impact on comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. A limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is less detailed than undertaken for a reasonable assurance engagement.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standards on Quality Control, Deloitte & Touche maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected key performance indicators based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement to obtain sufficient appropriate evidence about whether the selected key performance indicators are free from material misstatement.

We do not accept any responsibility for any reports previously given by us on any non-financial information used in relation to the key performance indicators beyond that owed to those to whom those reports were addressed by us at the dates of their issue.indicators beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

SUMMARY OF WORK PERFORMED

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of the entity's use of GRI 4 Guidelines as the basis of preparation for the selected key performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators.

The procedures performed in a limited assurance engagement vary in nature on the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Safaricom's selected key performance indicators have been prepared, in all material respects, in accordance with GRI G4 Guidelines.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods, and agreeing or reconciling with underlying records. The key procedures conducted included:

- Gaining an understanding of Safaricom systems through interview with management responsible for reporting systems at corporate head office and site level.
- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance indicators included in the Report.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected key performance indicators as set out in the subject matter paragraph(s) for the year ended 31 March 2015 are not prepared, in all material respects, in accordance with the GRI 4 Guidelines.

OTHER MATTERS

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the Report.

Where the information is presented in electronic format e.g. pdf or HTML and not in a printed format: The maintenance and integrity of the entity's website is the responsibility of management. Our procedures do not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the entity's website.

RESTRICTION ON USE AND DISTRIBUTION

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to Safaricom Limited in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the entity, for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

Certified Public Accountants (Kenya)

Registered Auditors

Julie Nyang'aya

Partner

21 September 2015