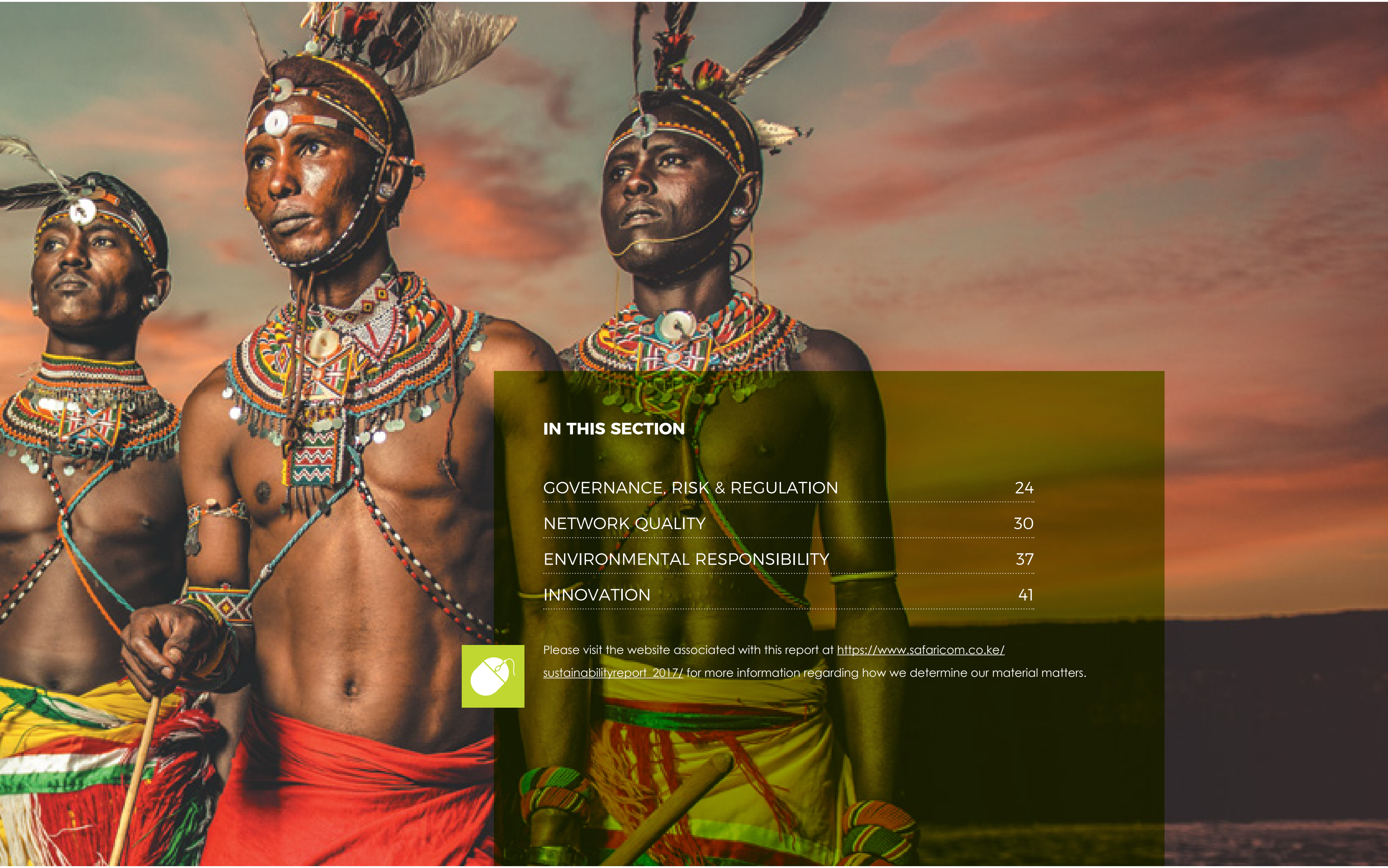
OUR MATERIAL MATTERS

Our sustainability material matters are the most important environmental, social, economic and governance risks and opportunities for our organisation and stakeholders. This section describes each of our most material matters, how these influence us and how we respond to them as an organisation. In response to our Sustainable Development Goals (SDG) strategy, we have included references to the goals to which we have aligned our efforts in each chapter this year. 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.



IN THIS SECTION

Please visit the website associated with this report at https://www.safaricom.co.ke/sustainabilityreport_2017/ for more information regarding how we determine our material matters.

GOVERNANCE, RISK AND REGULATION

If the business is not run in an ethical, transparent and accountable manner, we are likely to face legal and reputational risks, as well as being disadvantaged by eroded employee and investor trust and confidence, which quickly translates into lost opportunities and diminished success. As a result, we consider sound corporate governance, ethical behaviour, robust risk management and regulatory compliance to be fundamental to our commercial sustainability.

In response to the SDG strategy, we have aligned our efforts with five of the goals this year and committed to promote ethical business practices and fight corruption in all its forms **(SDG16)** within Safaricom and within the wider business community **(SDG17)**. We have also pledged to create a non-hostile and secure workplace **(SDG8)** within which all employees are treated equally **(SDG10)**. Lastly, as part of our work with the regulators, we have committed to striving to provide universal access to high quality information and communications technology through our network **(SDG9)**.

SDG 16

ROBUST GOVERNANCE

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. 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.

Please refer to the 'Governance, Risk and Regulation' section of the website associated with this report at https://www.safaricom.co.ke/sustainabilityreport_2017/ for more information regarding our governance structures and reporting processes.

SDG 8

SDG 16

SDG 17

ETHICAL BEHAVIOUR

Our ethics and values are the principles and standards that guide our behaviour as employees and individuals. We use an independent ethics perception survey and preventative measures like our continuous ethics awareness and staff anti-corruption training programmes to monitor and manage the ethical culture within Safaricom.

Ethics awareness sessions

We conduct regular ethics awareness sessions with staff every year. The focus of these sessions is to address any concerns revealed by the ethics perception survey. The survey is an independent assessment of the opinions of our internal and external stakeholders conducted by the Ethics Institute of South Africa every two years. The latest survey was conducted during the previous reporting period. Topics covered during ethics awareness sessions throughout the year included sexual misconduct, gifts and conflicts of interest.

Staff ethics training

Every member of staff is expected to attend ethics training at least once a year. 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 risk departments, the training focuses on anti-corruption and bribery.

Anti-corruption preventative measures	FY17	FY16	FY15
Ethics and anti-corruption staff training (% of total staff)	98%†	98%	94%
High risk departments*	98%	98%	97%
Medium risk departments	98%	98%	83%

* Due to the nature of their work, these departments are more susceptible to fraud
† We consider 98% to be satisfactory, given the logistics of planned and unplanned staff absences.

We are pleased to report that we achieved a 98% attendance rate again this year. This is attributable to an understanding across the business regarding the importance of the sessions. We are finding that process owners now readily welcome the sessions and, in some cases, even request them.

Business partner ethics training

We continued to promote ethical business practices and principles throughout our value chain and the wider business ecosystem in Kenya during the year. Our CEO is a committed member of the Businesses Against Corruption in Kenya (BACK) initiative and we participated in the Siemens Anti-Corruption Collaborative Action initiative. We also reviewed the syllabus and training materials used by the UNGC for its good governance and anti-corruption training sessions for small-to-medium sized businesses. We held ethics sessions and fraud training with our M-PESA agents, dealers and suppliers. We supplemented the sessions with ethics-related newsletters. Topics covered included anti money laundering, how to safeguard against fraud and the new Bribery Act. We also continue to make it mandatory for our suppliers to sign up to the Code of Ethics for Businesses in Kenya (contracts are not renewed unless they do so) and, to date, 317or 98% of suppliers with running contracts have signed up.

SDG 16

ROBUST RISK MANAGEMENT

We use a combination of risk assessments, audit and fraud reviews to monitor and manage risk throughout the company. 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 also endeavour to apply the Precautionary Principle to all our activities to help ensure that we continue to act as a responsible corporate citizen.

Monitoring corruption and fraud

Anti-corruption monitoring measures	FY17	FY16	FY15
Risk Assessments (bi-annual cycle)	8	9	7
Audit Reviews	33	20	19
Fraud Reviews	13	11	6
Special Request Reviews	1	11	11

Eight risk assessments were conducted across the organisation and these were supported by in-depth audit reviews of specific internal controls within the organisation and fraud reviews of processes that are suspected of having become compromised.

Each of the risk assessments encompassed the following categories: enterprise risk management, operational risks, strategic risks and ethics risks per strategic objective. Some of the key risk items identified during the year included: insecurity, regulatory risk, market disruption and inadequate capacity on key systems.

Thirty-three 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. One additional review was carried out during the year that was a special request by management.

We also continue to take proactive steps to identify cases of fraud. These steps include using 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. Thirteen fraud reviews were carried out during the year. The fraud reviews led to uncovering fraud and to identification of control weaknesses. Control recommendations were made for the control weaknesses.

SDG 16

Addressing corruption and fraud

Anti-corruption corrective measures	FY17	FY16	FY15
Fraud cases investigated	33	31	29
Outcomes of investigations			
Disciplinary warnings	14	12	13
Dismissals	52	16	58
Cases reported to law enforcement agencies	3	2	4

While the number of investigations carried out during the year was substantively the same as FY16, the number of staff dismissed for fraudulent behaviour increased to 52. This was primarily due to an enhanced review process, which targeted a single area of concern and unearthed fraud schemes that were previously concealed. The types of fraud that led to dismissals included: theft; asset misappropriation (cash collections and devices); policy breaches (unauthorised access to data systems); and fraudulent SIM swap/M-PESA Start Key issuance. While we are disappointed by the number of people who have been involved in fraudulent activities, it is encouraging to note the increasing effectiveness of our investigations and the clear illustration of a 'no tolerance' approach from management.

SDG 16

Helping customers tackle fraud

During the year, we continued to help customers safeguard themselves from social engineering attacks and the criminal syndicates that target M-PESA users.

Safaricom mass market caravan campaigns and other activations, especially in rural areas, included awareness campaigns to alert customers to the common fraud schemes used by crime syndicates and to offer advice on steps they can take to prevent being defrauded.

We also increased the number of staff working in the team monitoring suspicious activity on the M-PESA platform and implementing Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) measures, which has enabled us to achieve our target of investigating and reporting suspicious M-PESA transactions within seven days. We also host a Mobile Money Investigations Unit (MMIU), which is a unit composed of officers from the Police Force. The unit investigates cases of mobile money fraud and forwards such cases for prosecution.

SDG 16

REGULATORY COMPLIANCE

We ensure that we remain compliant with regulatory requirements by assessing our processes against all applicable laws and regulations. We also engage with our regulators proactively on all issues through a variety of channels *(please see the stakeholders section on page 48 of this report for further information about this important relationship)*.

Non-compliance register	FY17	FY16	FY15
Number of fines for non-compliance	1*	1*	1
Cost of fines for non-compliance (KES)	270,056,720	157,000,000	500,000
Non-monetary sanctions for non-compliance	0	0	1
Legal actions lodged for anti-competitive behaviour	0	2†	0

* Communications Authority (CA) Quality of Service (QoS) fine
† Escalated actions lodged before the Competition Authority (outcome pending)

We were fined by the Communications Authority (CA) again this year. The CA tested our network against its eight Quality of Service (QoS) measures and indicated that we attained a score of 62.5% against a compliance minimum score of 80%. Consequently, the Authority imposed a penalty of KES 270,056,720 on Safaricom. This penalty represents 0.15% of our Gross Annual Revenue (GAR) for the period ending March 2017. It should be noted that we, along with the other Kenyan mobile network operators, have expressed concerns regarding the QoS measures used by the CA and that the Authority is evaluating the methodology that underpins its testing framework. We continue to engage the CA on the matter with the expectation that our framework concerns will be addressed.

SDG 16

Anti-bribery bill enacted

It was rewarding to be part of the coalition that helped draft Kenya's new anti-bribery legislation and we are delighted to report that the Bribery Act has been signed into law and came into force in January 2017. An important step towards addressing the issues of corrupt practices in Kenya, the Act provides a more robust system for preventing bribery, including obligations on individuals holding positions of authority in Kenyan companies or companies operating in Kenya to report instances of bribery and obligations on companies to put in place bribery prevention policies and measures.

Network Redundancy, Resilience and Diversity (NRRD) guidelines

The CA is in the process of improving the NRRD guidelines and regulations for ICT networks in Kenya (i.e. a toughening up of QoS regulations) and published a draft document for stakeholder comment. We have since made a formal submission in response to this draft and now await the regulator's response.

Counterfeit handset monitoring

The CA has expressed its intention to install a monitoring system within Kenyan mobile networks to help eradicate the use of counterfeit handsets. We, along with every other mobile network operator in Kenya, support this ambition, but are concerned about the method currently being proposed by the Authority. Our apprehensions include quality of service compromises, single points of failure and consumer privacy concerns. We are unable to comment further because the matter is still in court and *sub judice* at the time of going to print with this report.

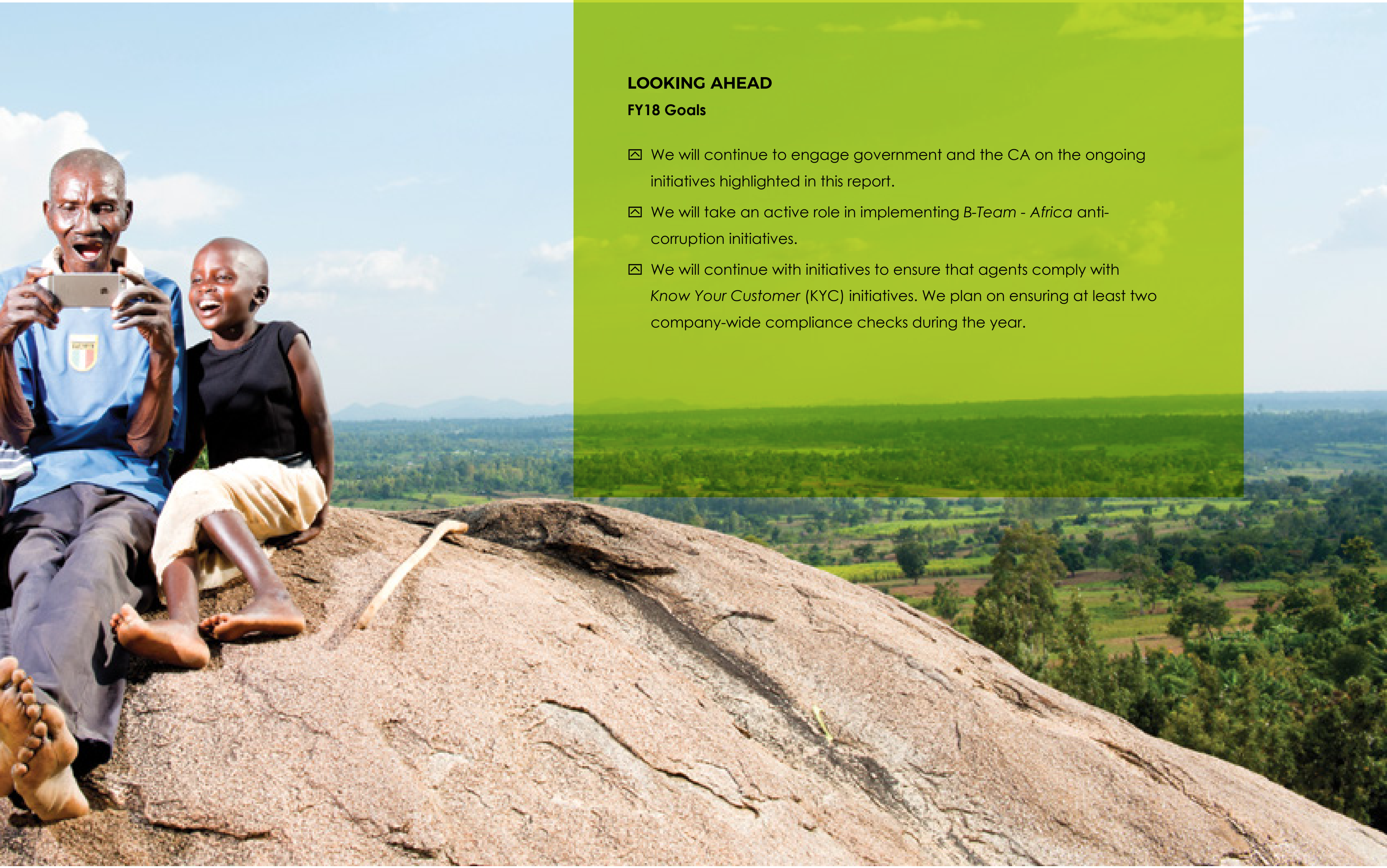
Improved consumer protection

During the year, we successfully migrated our Safaricom Consumer Protection email portal to a CRM-based platform in order to facilitate improved responses to issues raised by the CA through its *Chukua Hatua* consumer education outreach programme.

Proactively engaging with the regulator

We also continue to engage with the Communications Authority on the following ongoing issues:

- **Information and Communications Sector Regulations**
  The comprehensive review of the regulations governing the sector has been completed and we await the outcome of this review. We continue to support attempts to grow the market and to provide consumers with the very best offerings in terms of variety, price and quality that are aligned with international best practices.
- **SIM Registration Regulations**
  In response to the new amendments, we have introduced an app that captures and stores customer information electronically and rolled out awareness training among M-PESA agents through a campaign called *Know Your Customer* (KYC), which focuses on ensuring SIM cards are properly registered when first activated.
- **Infrastructure Sharing Regulations**
  We continue to engage with the CA and the government on these proposals.
- **National ICT Policy**
  The consultation process on the draft ICT policy has concluded and we are awaiting the regulators response to our formal submission.



LOOKING AHEAD

FY18 Goals

- We will continue to engage government and the CA on the ongoing initiatives highlighted in this report.
- We will take an active role in implementing *B-Team - Africa* anti-corruption initiatives.
- We will continue with initiatives to ensure that agents comply with *Know Your Customer* (KYC) initiatives. We plan on ensuring at least two company-wide compliance checks during the year.

NETWORK QUALITY

Our network remains fundamental to our business. It is an essential part of our business because all of the services we provide to our customers are delivered through the network platform. It is also the medium through which we transform lives. The quality and availability of our network is a competitive advantage as well because it allows us to differentiate ourselves in a highly competitive market.

In response to the SDG strategy, we have aligned our efforts with five of the goals this year and committed to fostering a conducive work environment **(SDG8)** by putting safety first for all staff and our partners, as well as ensuring that all staff are treated equally and to promote and support Diversity and Inclusion **(SDG10)**. We have also committed to further entrench the use of energy-efficient technologies **(SDG7)** within our installations and our facilities that are environmentally friendly **(SDG12)** and to extend coverage of our services and offer an excellent network experience to society in general **(SDG9)**.

BEST NETWORK FOR YOU

Independent Quality of Service (QoS) testing is one of the main indicators we use to monitor and manage the quality of our network. During the year, the Safaricom network was comprehensively evaluated by P3 Communications and was awarded the 'Best in Test' P3 certification for both voice and data among Kenyan operators.

We exceeded our target of scoring 650 points with a score of 733 out of a possible 1000, which is a 39% improvement on our performance last year when we scored 527 points. Our nearest competitor scored 358 points. Our results were also the best from the African countries measured by P3, which include Kenya, Ghana, South Africa and Egypt.

SERVICE	KPI	FY17	FY16	FY15
VOICE	Call setup success rate	1	1	1
	Dropped call ration	1	2	2
	Speech Quality	1	1	2
DATA	Mean user data rates - download	1	1	1
	Mean user data rates - upload	1	1	1
	Mean web browsing session time	1	1	1
	Network delay	1	1	1

Alongside: Summarised results of the P3 QoS testing of the Safaricom network, ranked against other Kenyan mobile operators

1 **1st Position** 2 **2nd Position** 3 **3rd Position**

The seven KPIs tabulated in the preceding table are a simplified illustration of the full scope measured for the P3 Certification Benchmark criteria. For the purposes of this disclosure, we have ranked ourselves against the other Kenyan mobile operators. As the table reflects, we made significant gains in terms of our dropped call ratio, which can be attributed to our ongoing investment in the network and, in particular, the expansion of our 3G and 4G coverage.

The comprehensive P3 Certification Benchmark criteria is composed of an extensive set of 29 KPIs for 'Big Cities', 'Small Cities' and 'Interconnecting Highways', with each KPI having a score. The full set of P3 certification results can be obtained from their website at www.p3-group.com.

CUSTOMER SATISFACTION REMAINS STABLE

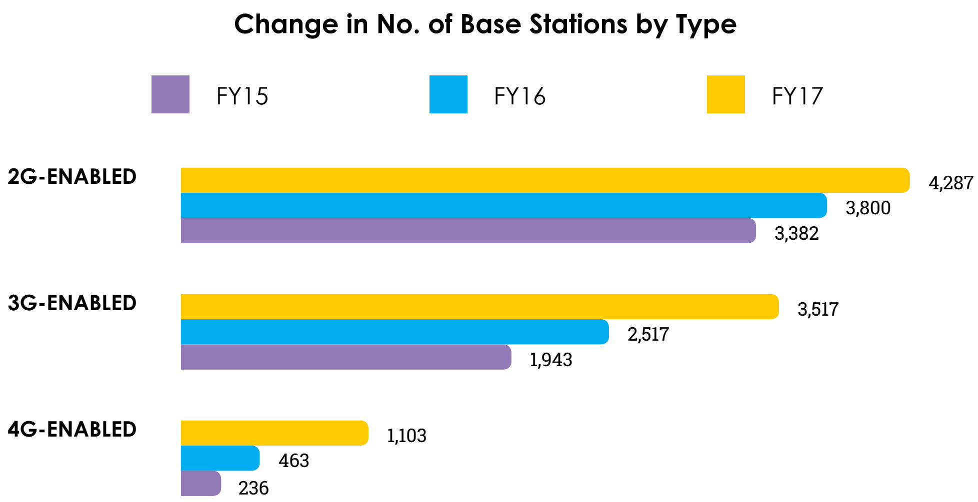
Another important metric we use to measure our performance is the network-related Net Promoter Score (NPS). The NPS is an independent survey of customer satisfaction and the 'Network NPS' metric allows us to monitor whether our customers are experiencing the improvements we make to the network.
While NPS is a useful indicator, it is important to note that it measures customer perceptions of network performance, not actual network performance.

Breakdown of Network NPS

Network Element	FY17	FY16	FY15
Signal Coverage	58	62	52
Voice Quality	69	72	60
Data Coverage	43	45	38
Data Speed	44	43	33
OVERALL	**63**	**64**	**51**

As the preceding table shows, our overall Network NPS was 63 in March 2017, a slight decrease of 1 point from 64 in March 2016. The table also illustrates the breakdown of different network elements used to determine the overall NPS. Based on the NPS results, we have noticed that our customers are not satisfied and we will work to improve this.

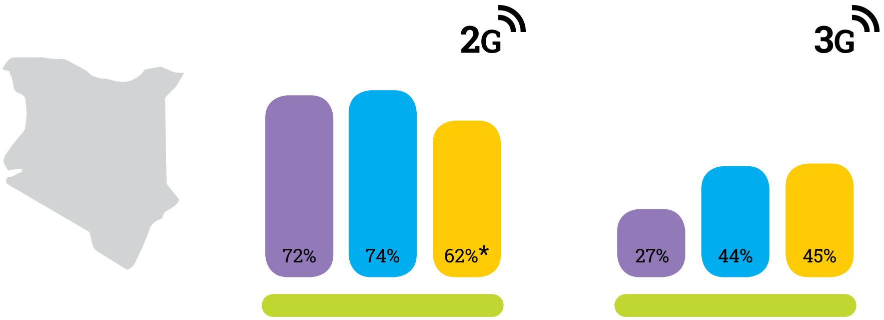
EXPANDING OUR NETWORK



We continued to expand our network during the year and a total of 487 2G-enabled, 1,000 3G-enabled and 640 4G-enabled base stations were rolled out across the country. We were able to rollout 1,000 3G-sites as these were upgrades made to existing towers. Our 4G-enabled site target was revised up from 400 sites to 634 sites in response to our focus on providing faster data services to customers.

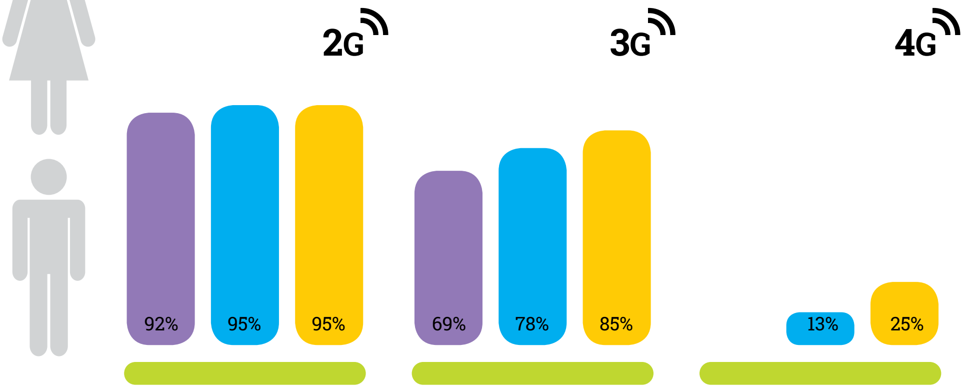
FY15 FY16 FY17

Changes in Network Coverage by Landmass



* Reflects a change in the methodology used to calculate coverage and not a significance change in the scope of coverage

Changes in Network Coverage by Population



As part of our commitment to delivering broadband connectivity to as many Kenyans as possible, we surpassed our targets for 3G and 4G deployments. We now offer 85% of the population access to 3G services, which is an increase of 7% and slightly more than our target of 82% of the population with access by the end of March 2017. We also now provide 25% of the population with access to 4G services, an increase of 12%, with 40 counties now covered. We failed to achieve our target of 509 additional 2G-enabled sites due to instability and security concerns in certain parts of the country, but still deployed an additional 487 sites and we continue to provide 95% of the population with access to 2G services.

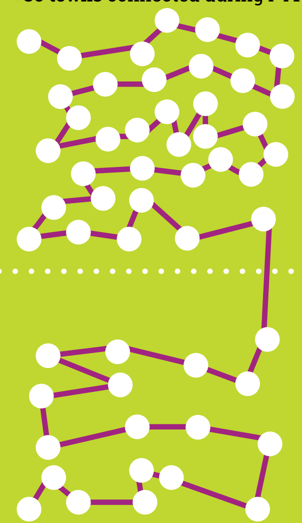
GOOD PROGRESS IN EXPANSION OF FIBRE FOOTPRINT

We made good progress in terms of expanding the footprint of our fibre optic network again this year, laying an extra 1,464 kilometres of cables and connecting 36 more towns. Our fibre network is now 4,700 km in length and connects 54 towns in 46 counties. We exceeded our target of 1,429 enterprise buildings connected during the year by 16 buildings and grew the number of connected sites (BTS) to 1,592 or 37% of the network. Early planning and increasing our deployment partners from three to seven ensured we exceeded our target for enterprise buildings, but our real success story for the year was passing by 40,569 residential homes with our infrastructure. We achieved this as a result of early budget approvals and deployment of materials, and by deploying cables overhead (on poles), which is a much faster process than trenching.

> "Our fibre optic network is now 4,700 km in length and connects 54 towns in 46 counties."

Fibre Optic Network

	Footprint (kilometers)	Enterprise Buildings (EB) connected	Residential Homes passed by our infrastructure	Sites (BTS) connected (cumulative)	Towns connected	Counties connected
Total to Date	4,700 km	5,195 EBs	47,417 homes	37% sites	54 towns	46 counties
FY17	+1,464 km completed during FY17	+1,445	+40,569 passed by our infrastructure during FY17	37%	+36 towns connected during FY17	+30 counties connected during FY17
FY16	+1,226 km completed during FY16	+3,030	+1,788 passed by our infrastructure during FY16	34%	18 towns connected during FY16	16 counties connected during FY16
FY15	2,010 km complete to date at end FY15	720	5,060 passed by our infrastructure at end FY15	30%		



SDG 9

NETWORK AVAILABILITY AND STABILITY

The stability and availability of our network remains a critical necessity. 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. Our response to this issue is primarily managed through our service and energy availability rates. Our Service Unavailability Rate (SUR) is calculated by dividing the minutes of downtime per week per network element by the number of sites in our network.

	FY17	FY16	FY15
Radio Access Network Service Unavailability Rate (minutes)	22.9	41.5	60.03*

* SUR measurement started midway through the financial year.

As the preceding table shows, the SUR for the Radio Access Network was reduced from 41.5 minutes in FY16 to 22.9 minutes in FY17. While the reduction is a satisfying achievement and reflects the stability of our network, our target for the year was an SUR of below 20 minutes. The major contributors to our FY17 SUR were Power Outages and Transmission Failures caused by fibre cuts, in particular. Small Cells also contributed to our failure to achieve the target due to their lower resilience. Insecurity in parts of the country also had an impact on the restoration of services at remote locations.

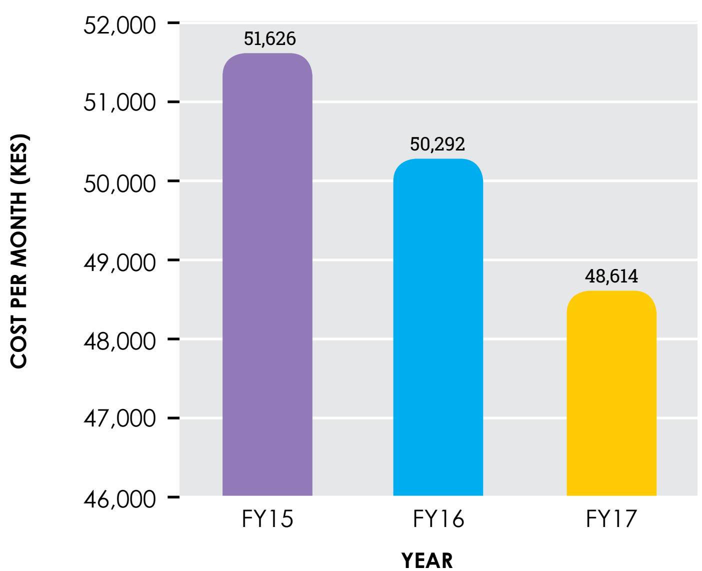
> "Our vision is still to create a powerful, streamlined network that uses the minimal amount of energy to deliver its growing array of services."

SDG 7

ENERGY EFFICIENCY

Our network uses a variety of energy sources, including national grid, diesel generator, deep cycle battery and renewable energy (solar) solutions. The network continues to grow in size and sophistication every year and so making it more energy efficient and intelligent remains an ongoing priority. Our vision is still 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. One way we manage this ambition is to measure our performance against energy consumption targets (reducing the amount of energy consumed at sites by deploying more energy-efficient technologies and alternative energy solutions).

Cost of Energy Consumption by Site*



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

During the year, we reduced our cost of energy consumption by site by KES 1,678 or 3% to KES 48,614 per month. This was achieved by continuing to modernise the network and to deploy a wide range of energy-efficient solutions, including power cube generators, Low-voltage Auto Phase Selectors (APS), free cooling units, and replacing rectifier and smart controller units.

As part of our efforts to improve energy efficiency, 16 members of staff underwent training on energy management during the year. The CEM-certified course was run by the Association of Energy Engineers (AEE).

FOCUS ON SOLAR

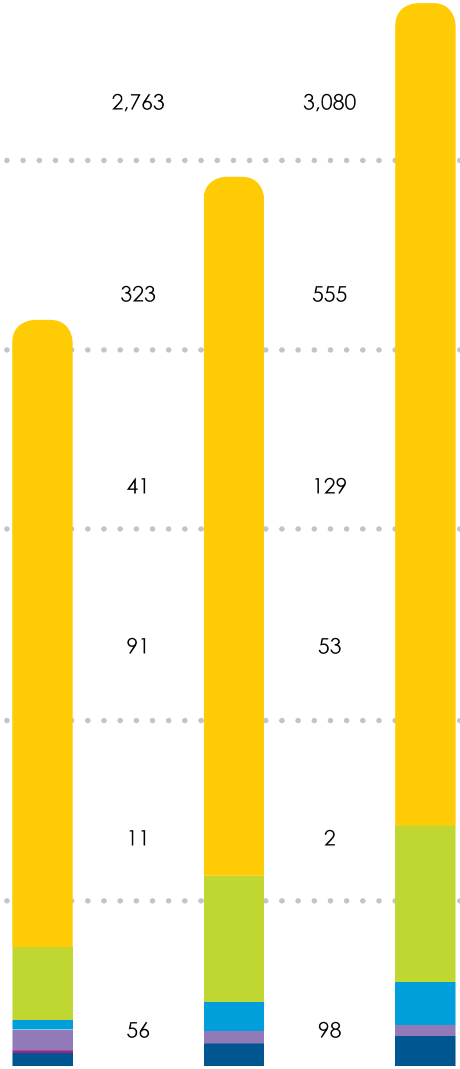
In response to the SDG strategy, we have adjusted our approach to the mix of energy sources used throughout our network. We now seek to align network availability and energy efficiency with clean, sustainable energy sources and consumption patterns (i.e. reducing our carbon footprint). In practice, this means avoiding, and phasing out, the use of diesel generators wherever possible, either by ensuring that KPLC (national grid) energy is available at a site or by employing alternative energy solutions.

The following table describes the mix of energy sources used throughout our network. The number of 24/7 diesel generator sites increased during the year because of external delays in bringing national grid energy to sites, especially those in more rural locations, but we have begun a programme of prioritising the use of solar-based energy solutions at smaller, 'capacity' sites (as opposed to critical 'coverage' sites) and we will intensify our efforts in this regard in the year ahead. There are already 90 sites planned for FY18 and we are exploring partnership models in remote areas that will enable local residents to purchase any excess/surplus power.

* Kenya Power and Lighting Company (national grid supply)

Network Energy Sources by Site

	FY15	FY16	FY17
KPLC* and Genset	2,763	3,080	3,623
KPLC* (No Generator)	323	555	688
24/7 Diesel Generator	41	129	191
PowerCube (Energy Efficient Generator)	91	53	47
Diesel Generator/ Battery Hybrid Solution	11	2	0
Solar or Wind and Hybrid Solution	56	98	133



SDG 10

WOMEN IN TECHNOLOGY

In recognition of the gender gap in the field of technology in general we intern 40 women within the Safaricom Technology Division every quarter, which has led to increased opportunities and employment for women within the division.

Technology Division	FY17	FY16	FY15
% Female	21%	18%	17%

We also visit schools at all levels (primary, high and tertiary) to encourage girls to study technology-related courses by introducing them to the many careers available within the technology sector. Since the start of the Women in Technology programme in 2013, we have visited 25 colleges/technical campuses and 200 secondary schools and many graduate females have found jobs within Safaricom or with our technology partners.

LOOKING AHEAD

FY18 Goals

- Installation of 115 solar-powered sites.
- Deployment of 1,100 commercial power smart meters.
- Rollout of Fuel Management Systems at 2,000 sites.
- Connection of 318 sites to KPLC commercial power.

ENVIRONMENTAL RESPONSIBILITY

We continue to 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 sustainability and success. Our environmental responsibility is an issue that continues to grow in importance as the size of our network continues to expand and we do more than just ensure that we comply with evolving environmental regulation and legislation. We remain committed to operating in an environmentally sound and sustainable way and to managing and reporting our environmental performance in an open and transparent manner.

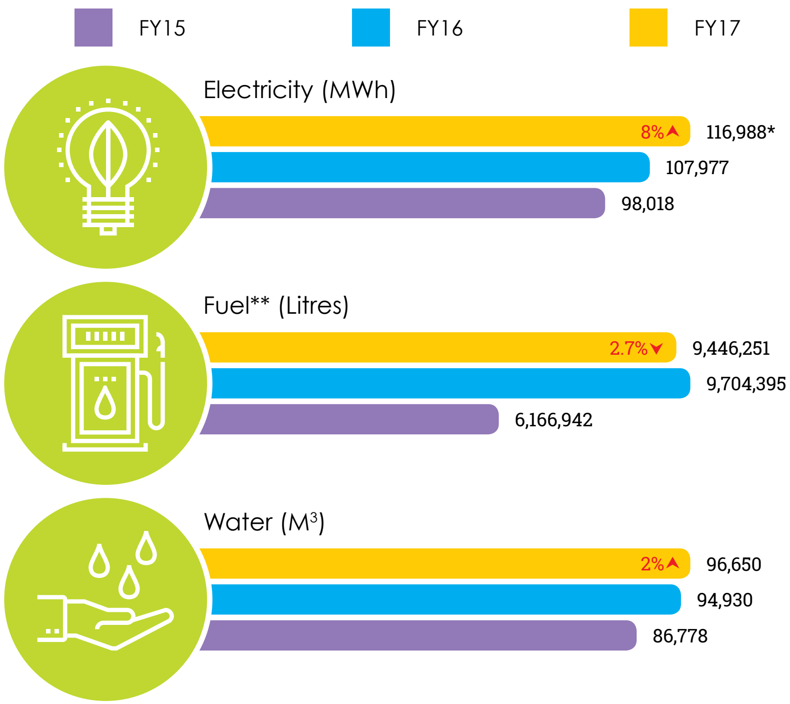
In response to the SDG strategy, we have aligned our efforts with three of the goals this year and committed to promote the use of affordable and clean energy **(SDG7)**, both within our network and the homes of employees, together with the responsible consumption of resources **(SDG12)** and to guide efforts towards achieving our 'net zero' carbon-emitting aspiration through the development of climate change-related strategies and policies **(SDG13)**.

ENERGY CONSUMPTION

One of the key ways in which we monitor and manage our environmental impact is through our energy consumption targets (electricity, diesel and water). As the following table illustrates, we consumed more electricity and water during the year, but less fuel. Our fuel consumption (diesel and petrol) decreased by 2.7% to 9,446,251 litres. The reduction in fuel consumption is due to a decrease in generator running time, which is the result of several energy-efficiency initiatives, including the installation of Low Voltage Auto-Phase Selectors and 600Ah cyclic batteries at sites, better collaboration with KPLC in resolving power outages at sites, as well as the conversion of 24/7 generator sites to Grid Sites (KPLC). There was also an improvement in the fuel management process that helped curb fuel losses and false fuelling.

SDG 12

Energy Consumption



* Reflects a change in calculation methodology to improve accuracy
** Diesel and petrol

SDG 13

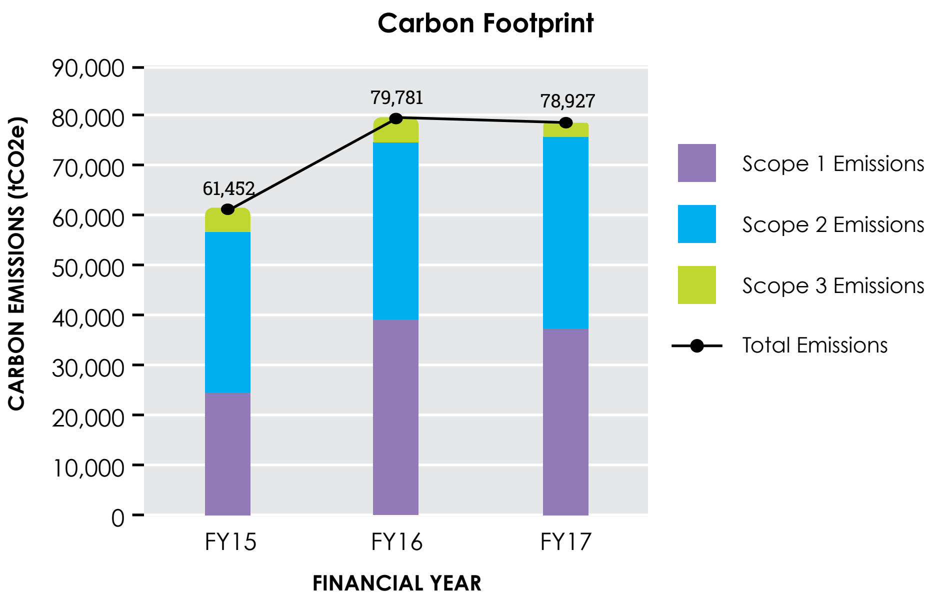
Our water usage increased by 2% to 96,650 m3 and our electricity consumption increased from 107,977 MWh in FY16 to 116,988 MWh in FY17. The increase in electricity consumption is due to a change in the way we calculate our usage. We used to base our calculations on the data provided in utility power bills for individual sites, but data collection challenges and discrepancies in reconciling this underlying data prompted us to change our methodology to improve the accuracy and consistency of our reporting. We now calculate our consumption based on the 'cost of power' using the exact amounts as paid by the Finance Department to the Kenya Power and Light Company. It is worth noting that we are comfortable with our electricity consumption rising (and rising in the mix) given the fact that electricity produced in Kenya by the KPLC is mainly from renewable sources, which is aligned with our SDG commitment to using environmentally 'cleaner' energy wherever possible. At this stage, we have only recalculated the FY17 electricity consumption based on improved data, but we are working on reviewing earlier data to established clearer trends.

As part of our commitment to SDG7, we also developed an Energy Policy during the year. The policy will guide and focus our ongoing efforts in this regard and has helped prioritise our research of, and investment in, clean energy technologies.

MANAGING OUR EMISSIONS

In response to the SDG strategy, we have committed to becoming a net zero carbon-emitting company by 2050. As one of the few companies in Africa to have made this commitment, we are rolling out renewable energy solutions across our network and facilities, as well as considering carbon offset proposals for sources where renewable energy may not be feasible with current technology; for example, planting trees and providing subsidised domestic solar energy solutions. As part of our commitment to meeting the net zero carbon target, we continue to monitor and report our carbon footprint. We have calculated and published our carbon footprint for the sixth time this year.

As the preceding table shows, our overall footprint has decreased to 78,927 tCO2e this year, down from a revised figure of 79,781 tCO2e in FY16. The slight decrease in overall footprint is the result of a decrease in 'Scope 1' emissions, which reflects the decrease in diesel consumed in our generators. The increase in 'Scope 2' emissions is due to elevated electricity consumption as a result of continued network expansion and an SDG-related strategic shift to using electricity instead of diesel wherever possible because it is an environmentally 'cleaner' source of power.



For more detailed information regarding the methodology/guidelines and processes we use to calculate our emissions, please see the *About our reporting* Appendix to this report, which has been published online at https://www.safaricom.co.ke/sustainabilityreport_2017/

SDG 7

RAISING AWARENESS OF CLEAN ENERGY SOLUTIONS FOR THE HOME

As part of our commitment to SDG7, we ran internal awareness creation campaigns during the year, exposing around 4,000 staff members to numerous domestic energy-efficiency solutions available from our business partners, including Huawei, Broadband, Delta Green Solutions and Knight and App limited. The exhibited solutions were purchased by members of staff for use in their homes. Among the most popular solutions were intelligent light bulbs, which are energy efficient and store energy to provide light should there be a power outage, and domestic solar-heating systems.

SDG 12

E-WASTE

A key implementation area driven by SDG12 is e-waste management. During the year, we ran an activation to improve staff engagement with e-waste. Members of staff were educated on the dangers of e-waste and encouraged to collect all of their e-waste for a proper end-of-life treatment. Collections were carried out within the four main Safaricom facilities in Nairobi and supported by a reinforcing social media campaign and, as a result, 202 tonnes of e-waste was collected. In conjunction with the staff collection campaign, we ran a campaign targeting larger institutions in partnership with the National Environment Management Authority (NEMA) and the Waste Electrical and Electronic Equipment (WEEE) Centre. A collection centre was established at the National Eldoret Polytechnic and we agreed to reimburse companies owning land needing restoration with tree seedlings, which, when planted, contribute to carbon sequestration and, hence, towards our 'net zero' carbon commitment. Our sourcing department also reviewed the Purchase Policy to include various sustainability indicators, including energy efficiency and disposal cost of equipment, at the tender evaluation stage.

	FY17	FY16	FY15
E-waste collected (tonnes)*	632	430	220

* Cumulative tonnes since the inception of the project

ADDRESSING EMF CONCERNS

During the year, two workshops were held to help mitigate Electromagnetic Frequency (EMF) concerns among the public. Over 500 participants from the Communications Authority, NEMA, Kenya Association of Residents Associations, Ministry of Environment, represented by the Cabinet Secretary, and representatives from Nairobi Residents Associations in two regions were invited to the workshops to discuss their EMF-related issues with environmental experts and to receive a copy of our revised EMF booklet. The workshops were part of an ongoing partnership with NEMA, the CA and the Kenya Alliance of Residents Association.

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. As well as maintaining our exemplary compliance record and completing all scheduled EIAs and EAs during the year, the team successfully audited an additional 200 sites that were scheduled for FY18.

	FY17	FY16	FY15
Environmental Impact Assessment	527	463	260
Environmental Audit	447	342	275

SDG 12

CLIMATE CHANGE HACKATHON

We partnered with the Inter-Governmental Authority for Development (IGAD) for its Climate Change Hackathon, which focused on young innovators competing to develop applications for Climate Change mitigation and information dissemination.

LOOKING AHEAD

FY18 Goals

- Mapping science-based targets to milestones.
- Enhanced weekly water consumption reporting.
- Develop an end-to-end integrated environmental management programme on paper, water and waste.
- Implementation of the Green procurement policy across the business.
- Implementation of the Integrated Waste Management policy across the business.
- Renewable energy initiatives implemented across the business.
- We plan to entrench air quality emission compliance in our BTS and MSRs (as per gazetted air quality regulations).
- Climate change policy developed and implemented.
- We will develop a communication strategy to support the e-waste management programme by deepening stakeholder engagement to improve on collection and create a platform for developing a sustainable cyclical economic model.
- Continue to organise forums with residents' associations and the public to create awareness of Environmental Impact Assessments (EIAs) and to address Electro-Magnetic Frequency (EMF) concerns.
- Carbon offset projects (e.g. tree planting).*

* Going forward, we shall engage our staff in offsetting carbon emissions, based on contributions of each division. A carbon offset is a reduction in emissions of carbon dioxide or greenhouse gases made in order to compensate for or to offset an emission made elsewhere. It is a practical and effective way to address climate change and contribute to sustainable development.

We understand that in the short and medium term we are not able to achieve net-zero aspiration through the renewable energy solutions that we are deploying. We, therefore, plan to carry out a tree growing as part of our offset programme. We will also explore other offset programmes and deploy as appropriately.

INNOVATION

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow. As a technology-based company, if we are not constantly innovating, we are, effectively, stagnating and not keeping in touch with the needs of our customers. If we do not keep up with the needs of our customers, we run the risk of losing market share and revenue.

In response to the SDG strategy, we have aligned our efforts with four of the goals this year and committed to creating an environment and culture conducive to creating innovative products and services **(SDG9)** that transform and empower the lives of our customers **(SDG8)**. We have also committed to partner with members of staff, other business units and stakeholders to ensure our innovations are aligned with the ambitions set out in the goals and to leverage effectively off the core capabilities of other stakeholders so as to avoid duplication of effort **(SDG17)**.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

HOW WE MONITOR INNOVATION

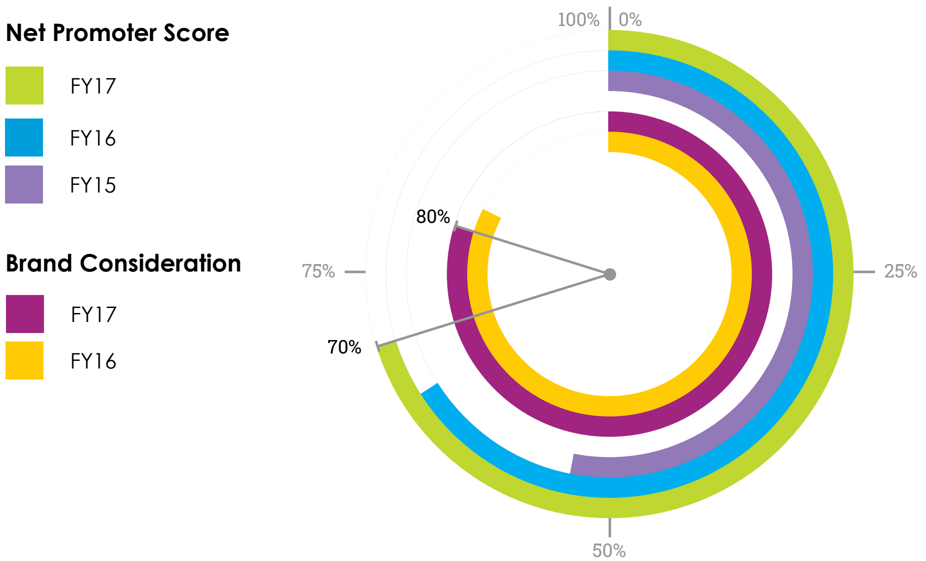
Our response to this multi-dimensional material matter is primarily managed through four sets of indicators: Net Promoter Score (NPS) and Brand Consideration scores; mobile data usage and revenue; M-PESA usage and revenue; and social innovation users/subscribers. We use our NPS and Brand Consideration 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. Mobile data usage and growth 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. In terms of our social innovations, we use numbers of active users/subscribers to gauge the impact and success of these new products and services.

CUSTOMER SATISFACTION IMPROVING

As the following table shows, our NPS score for consumer customer satisfaction improved from 66% in FY16 to 70% for the period under review. Much of this improvement can be attributed to the successful launch of BLAZE and other promotions, such as *Shinda Ma Mili* with *Stori Ibambe*, together with other 4G-related services and products. Conversely, our Brand Consideration score decreased from 82% in FY16 to 80% during the year and this can be attributed to the perception that Safaricom products and services are expensive, along with a dip in trust related to airtime and data bundles being consumed at more quickly because of the faster data transfer rates across the network.

NET PROMOTER SCORE*	FY17	FY16	FY15
Consumer (Overall)	70%	66%	53%
BRAND CONSIDERATION†			
Overall	80%	82%	-

* Assessment of customer satisfaction. Research performed by TNS.
† Assessment of likelihood of customer choosing Safaricom in the future.



4G ADOPTION DRIVING MOBILE DATA GROWTH

In terms of mobile data usage and growth, we enjoyed another year of solid progress. We grew our mobile data customers (who have been active within the last 30 days) from 14.08 million to 16.6 million. Likewise, our revenue from mobile data grew by 38.5%, from KES 21.15 to KES 29.3 million, and now accounts for 14.3% of our total service revenue.

	FY17	FY16	FY15
Mobile Data Revenue (KES billion)	29.3	21.15	14.82
Mobile Data Customers (million)*	16.6	14.08	11.59

* 30-day active

We are particularly pleased to have been able to realise our ambitious target of KES 7 billion additional revenue for mobile data for the year. This achievement can be attributed to three main, interrelated initiatives: the expansion of our 4G network; the execution of several campaigns to raise awareness of the potential of 4G and stimulate usage; and a concerted drive to increase smartphone penetration and the number of 4G devices connected to the network.

The expansion of our 4G network was the first step towards growing our revenue from 4G services and we increased 4G network coverage by 9% in seven major towns (Nairobi, Mombasa, Kisumu, Kisii, Meru, Eldoret and Nakuru) during the year. We also successfully increased the number of 4G devices connected to the network from 400,000 to 1.8 million by introducing affordable devices through our in-house brand *Neon* (the most affordable unit currently retails at KES 3,499), holding open days in the regions to help raise awareness of the benefits of owning a smartphone and the available options, together with targeted promotions offering subsidies, *Bonga* points and vouchers to feature-phone owners to encourage them to upgrade. Overall, we increased the number of data-capable devices connected to the network from 7.8 to 11.5 million (both 3G and 4G-enabled) during the year.

	FY17	FY16	FY15
Smartphones connected to the network (million)*	11.5	7.8	3.4
4G-enabled smartphones (million)	1.8	0.7	0.1-

* 3G and 4G-enabled

We also ran several promotional campaigns to raise awareness of the potential of 4G and stimulate usage during the year, including the *Don't Wait* and *360* campaigns, and successfully grew our 4G subscriber base from 200,000 to 658,000 users. Among the propositions included in the *Don't Wait* campaign were 4GB of free data issued to first time users for use within 48 hours of activation, the introduction of a 'SIM query' enabling customers to establish whether their current SIM is 4G-ready, along with the introduction of bigger, more customer-friendly bundles of data.

Adverts from the successful *DON'T WAIT* 4G promotional campaign

SDG 8

M-PESA CONTINUES TO DEEPEN FINANCIAL INCLUSION

M-PESA continues to grow and a drive deeper financial inclusion. Revenue from the service leapt up by 32.7% from KES 41.5 million in FY16 to KES 55.1 during the year. Likewise, the number of users (active in the last 30 days) increased by 14.6%, from 16.6 million to 19.0 million by March 2017. Monthly usage per customer also grew by 35% to an average of 10.0 transactions per customer per month.

	FY17	FY16	FY15
M-PESA Revenues (KES billion)	55.1	41.5	32.63
M-PESA Customers (million)*	19.0	16.6	13.86

* **30-day active**

During the year, we introduced M-PESA *Kadogo*, through which transactions under KES 100 do not attract a service fee. This has further strengthened our position as pioneers in entrenching financial inclusion in Kenya.

SDG 8

SDG 9

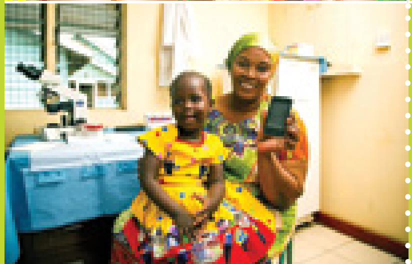
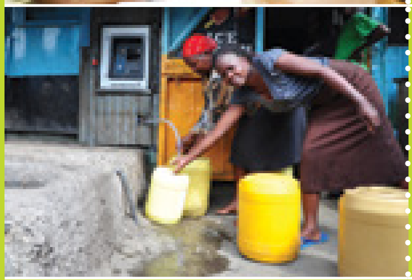
TRANSFORMING LIVES THROUGH SOCIAL INNOVATION

We continue to 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. One of the key ways we seek to achieve this commitment is through our social innovation initiatives. Our approach to social innovation is to empower and uplift communities and individuals through sustainable and value-adding commercial products and services. We acknowledge that technology and money alone will not solve deep social issues in the long-term and that we need to seek innovative ways of removing the barriers to access that prevent communities from economically empowering themselves.

SDG 17

During the period under review, we continued 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. We use numbers of active users/ subscribers as a primary gauge of the impact and success of the new products and services we develop, together with usage data. Among the applications and programmes we continued to develop during the year were the following:

"We continue to 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."

	NAME	DESCRIPTION	IMPACT	
	**M-TIBA**	M-TIBA is a health payment application or 'e-wallet' that enables low income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.	Rapid growth since national launch in September 2016. The application now has over 465,000 active users, who have made deposits of over KES 7.3 million and can now access healthcare at 375 accredited facilities.	SDG 3
	**DigiFarm and Connected Farmer**	DigiFarm offers smallholding farmers access to a suite of information and financial services, including discounted products, customised information on farming best practices, and access to credit and other financial facilities. Connected Farmer helps Agribusinesses and small holding farmers share information and transact.	A successful pilot was held during the year. Expected to register 10,000 farmers for the pilot, but received 74,000 registrations (33,000 within the first month) and trial completed with just under 19,000 active users. We intend to scale further in the year ahead. About eight Agribusinesses and over 50,000 farmers have registered on the Connected Farmer platform.	SDG 2 SDG 8
	**Telemedicine and Digital Clinics**	A collaboration with the Government of Kenya and Huawei, this project improves access to healthcare services in rural and remote communities. Local clinics can communicate with medical specialists through video-conferencing so that patients no longer need to travel to distant facilities for diagnosis or treatment.	Over 200,000 residents on Lamu Island will benefit from the collaboration through not having to travel long distances to obtain expert medical assistance and plans are in place to expand the scope of this project to other areas outside Lamu.	SDG 3
	**Instant Network Schools (INS)**	The INS programme transforms a basic classroom into a digital learning hub by providing each class of teachers and students with 25 tablets, a laptop, a projector and speaker; free internet connectivity and Wi-Fi; localised mobile content and a robust teacher training programme.	The INS programme currently benefits over 41,844 students in refugee camps from all over the East Africa region. The current target is to increase the number of students benefitting to 63,000 during FY18.	SDG 4
	**AQTap 'Water ATMs'**	A partnership with Ericsson and Grundfos AQTap systems, this programme offers communities in remote areas access to affordable, clean water. Customers are issued with free water payment cards, which they can use to purchase water at their convenience. A small fee covers the cost of pumping the water and maintaining the system.	To date, 37 AQTaps have been donated to communities in Eastern parts of Kenya and the Rift Valley, such as Makindu and Nakuru, and more than 23,113 transactions, valued at just under KES 3.2 million, have been completed.	SDG 6

SPARK FUND CONTINUES TO IGNITE LOCAL INNOVATION

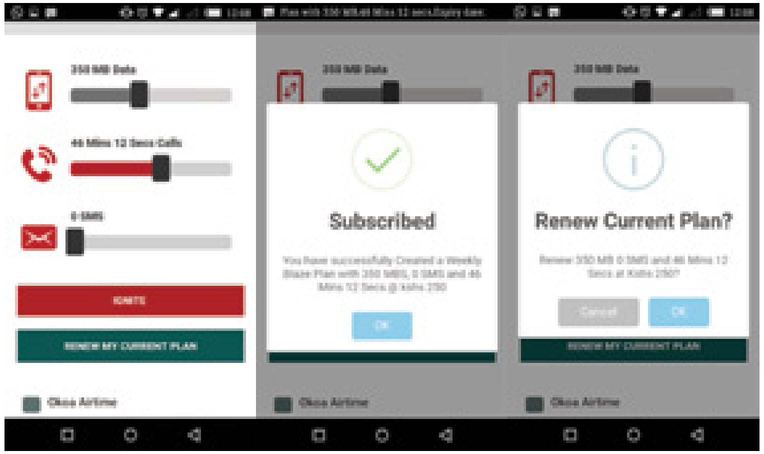
As part of our commitment to stimulating innovation within the developer community, we launched our venture capital fund, ‘Safaricom Spark Fund’ in 2014. The first corporate venture fund in East Africa targeted at local tech startups, the Safaricom Spark Fund aims to support the successful development and scale-up of high-potential, ‘late seed’ to ‘early growth’ stage, ICT start-ups in Kenya, through investment and in-kind support. The fund seeks to invest between KSh 6 and 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.

During the period under review, the Spark Fund invested in the following start-ups: mSurvey (mobile phone-based market research); eneza education (virtual courses, assessments and live support over the internet and USSD/SMS); LYNK (marketplace for informal workers and customers); and FarmDrive (alternative credit scoring for small holding farmers).

BLAZE

Launched in May 2016, BLAZE is a network aimed exclusively at addressing the needs of the youth segment. By joining the BLAZE network, customers aged between 10 and 26 years old can access a variety of exclusive benefits and services, including the opportunity to attend the ‘Be Your Own Boss’ (BYOB) mentorship summits, shop with BLAZE Bonga, customise their own personal service plans and buy more affordable bundles with the ‘Create Your Plan’ application, and the possibility of participating in the BYOB TV show.

The BLAZE network has already proved to be a big success and has 1.6 million users, with youth segment customers growing by 33% or 0.9 million and revenues increasing from KES 1.4 to 1.8 billion per month. Our youth segment NPS has also increased by 14 points since the launch of the network. Over 50,000 customers have attended the six BYOB mentorship summits that have been held since the launch and the BYOB TV Show enjoys an average of 500,000 viewers per week.



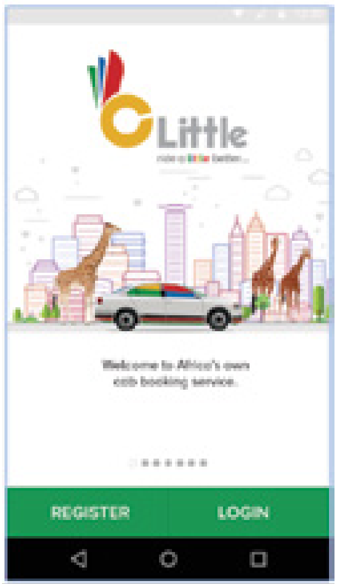
Screenshots from the BLAZE application. Customers can decide the volume of each different service (data, voice calls and SMS) they want to buy using the sliders.

SDG 8

SDG 9

LITTLE

We launched our ride-hailing (taxi) app, *Little*, in July 2016 and 1,600 drivers signed up within its first three months. A collaboration with Nairobi-based software company, Craft Silicon, *Little* is not only the cheapest ride-sharing service in Kenya, with no flat rates or price surges, but it also ensures drivers earn reasonable incomes and only deducts 15% of fares to cover service expenses, unlike Uber and other rival apps, which deduct 25% and upwards. Little runs on iOS, Android, and Windows devices and will soon be available for USSD (non-smartphone) users. The app accepts cash, card and M-PESA payments. It also offers free Safaricom Wi-Fi to passengers.



LOOKING AHEAD

FY18 Goals

- 50% tariff reduction on all *Lipa Na* M-PESA merchant fees and M-PESA *Kadogo* tariff extended for *Lipa Na* M-PESA Buy Goods.
- Over 400,000 *Shupavu 291* users.
- Achieve at least 100,000 users for *Fafanuka*, *Jamiismart*, *Telemedicine*, and *Totohealth* projects.
- At least 100,000 *M-Salama* customers.
- Provide affordable 4G LTE internet connectivity to SME customers.
- In the next year, Safaricom will be setting up an Innovation Hub to drive data analytics and strategic partnerships for innovation.
- Democratise data and voice services for SME customers to assist them to reach more of their customers and grow their businesses.
- Committed to provide enterprise customers with a Self-Service portal to view and manage IoT SIM cards.