

Corporate Governance Statement

At Safaricom, the Board of Directors and senior management are committed to the highest level of corporate governance, which we consider critical to business integrity and to maintaining our business partners' trust in the Company. We foster a culture that values and rewards the highest ethical standards as well as personal and corporate integrity.

We believe that our sphere of influence with regards to good corporate governance should be extended to our business partners. As per our business partner ethics charter, Safaricom engages in mutually beneficial and sustainable relationships with all business partners in an environment of equity, mutual respect and honesty. It is Safaricom policy that all suppliers as well as their subcontractors, employees, directors, shareholders and officers observe the highest standards of ethics.

Board organization and structure

The role of the Board

The Board is responsible for the overall conduct of Safaricom's business and has the powers, authorities and duties vested in it by, and pursuant to, the relevant laws of Kenya and the company's Articles of Association. The Board:

- has final responsibility for the management, direction and performance of the company and its businesses;
- is required to exercise objective judgment on all corporate matters independent from Executive management;
- is accountable to shareholders for the proper conduct of the business; and
- is responsible for ensuring the effectiveness of and reporting on the company's system of corporate governance.

The Board carries out its mandate to govern Safaricom's activities thereby giving effect to transparent accountability for the well-being and performance of Safaricom to the shareholders and stakeholders.

This it does by carrying out the following duties:

- Provide effective leadership in collaboration with the Executive management team.
- Facilitate setting up of appropriate corporate governance structures for the management of the business operations.
- Establish Board committees, policies and procedures that shall facilitate the most effective discharge of the Board's roles and responsibilities.
- Review and approve the Company's annual budget proposed by the Executive management team.
- Facilitate Board accountability through effective Board evaluation and succession planning.
- Monitor, evaluate, compensate, and – if necessary – replace the Chief Executive Officer.
- Plan for the succession to the position of the Chief Executive Officer.
- Review and approve management's strategic and business plans, including developing a depth of knowledge of the Safaricom's business, understanding

and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized.

- Review and approve the Company's financial objectives, plans, and actions, including significant capital allocations and expenditures.
- Ensure that the key strategic risks of Safaricom are identified and understood, and their on-going status and management effectively monitored.
- Ensure that appropriate and effective risk management and internal control processes are operating in the Company.
- Monitor corporate performance against the strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the Company is being properly managed.
- Ensure ethical behaviour and compliance with laws and regulations, auditing and accounting principles, and the Company's own governing documents.
- Assess its own effectiveness in fulfilling these and other Board responsibilities.
- Perform such other functions as are prescribed by law or assigned to the Board in the Company's Articles of Association.

Activities of the Board

It is the responsibility of the chairman and the company secretary to work closely together in planning the annual program and agendas for meetings. The Board meets at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated two weeks before the meeting.

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. When Directors are unable to attend a meeting, they are advised on the matters to be discussed and given an opportunity to make their views known to the Chairman or the Chief Executive Officer prior to and/or after the meeting.

All directors are equally accountable for the proper stewardship of the company's affairs.

The non-executive directors have a particular responsibility for ensuring that the business strategies proposed are fully discussed and critically reviewed. This enables the directors to promote the success of the company for the benefit of its shareholders as a whole, whilst having regard to, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and others, and the impact of the company's operations on the communities in which the business operates and the environment.

The non-executive directors also oversee the operational performance of the business. To do this they have full and timely access to all relevant information, with updates also provided on governance and regulatory matters affecting the company. In addition, Executive Committee members and other senior executives are invited, as appropriate, to Board and strategy meetings to make presentations on their areas of responsibility. Non-executive directors are also invited to

attend the executive committee members' senior leadership meetings to gain further insight into different aspects of the business.

In order to fulfil their duties, procedures are in place for directors to seek both independent advice and the advice and services of the company secretary who is responsible for advising the Board, through the chairman, on all governance matters.

The non-executive directors meet independently without the chairman present and also meet with the chairman independent of management, on a regular basis.

Division of responsibilities

The roles of the Chairman and Chief Executive Officer are separate and there is a division of responsibilities that is clearly established and agreed by the Board to ensure that no one person has unfettered powers of decision.

The Chairman is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer is responsible for the management of the Company's business and the implementation of management strategy and policy.

Board composition and independence

The Board composition enables effective oversight of the executive management. The number of Directors allows the Board to have fruitful discussions and to make appropriate, swift and prudent decisions.

The Company's Board consists of eleven (11) members, of whom nine (9) are non – executive directors and 2 are executive directors.

The non-executive directors demonstrate complete independence in character, judgment and action in fulfilling their duties.

BOARD MEETINGS ATTENDANCE

	9 May 2012	12 Sept 2012	8 Nov 2012	20 Feb 2013
Mr. Nicholas Nganga Chairman	✓	✓	✓	✓
Robert Collymore Executive Director	✓	✓	✓	✓
Mr. Michael Joseph Non-Executive Director	✓	✓	✓	✓
Mrs. Karen Witts (resigned October 2012) Non-Executive Director	✓			
Mr. Tim Harrabin (resigned September 2012) Non-Executive Director	✓	✓		
Mr. Nick Read Non-Executive Director	✓	✓	✓	✓
Mr. Joseph Kinyua Non-Executive Director				
Mrs. Esther Koimet Alternate to Mr. Joseph Kinyua	✓	✓		✓
Ms. Nancy W Macharia Non-Executive Director	✓	✓	✓	✓
Mrs. Susan Mudhune Non-Executive Director	✓	✓	✓	✓
Mr. John Tombleson Alternate to Mr. Robert Collymore & Mr. Nick Read	✓	✓	✓	✓
Mr. Sunil Sood (appointed November 2012) Non-Executive Director				✓
Mr. Ahmed Essam (appointed October 2012) Non-Executive Director		✓	✓	
Mrs. Enid Muriuki Company Secretary	✓	✓	✓	✓

Board effectiveness

Appointments to the Board

There is a formal, rigorous and transparent procedure, which is based on merit and against objective criteria, for the appointment of new directors to the Board.

Independent advice

The Board recognizes that there may be occasions when one or more of the directors feel it is necessary to take independent legal and/or financial advice at the Company's expense. There is an agreed procedure to enable them to do so.

Board committees

The Board has established an Audit Committee, Ethics Committee and a Nominations & Remuneration Committee, each of which has formal terms of reference approved by the Board. The Board is satisfied that the terms of reference for each of these committees satisfy the requirements of the Capital Markets Authority and are reviewed internally on an ongoing basis by the Board.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

The Company Secretary or her delegate acts as Secretary to the committees. The minutes of committee meetings are circulated to all directors.

Each committee has access to such information and advice, both from within the Group and externally, at the cost of the Company as it deems necessary. This may include the appointment of external consultants where appropriate. Each committee undertakes an annual review of the effectiveness of its terms of reference and makes recommendations to the Board for changes where appropriate.

Audit committee

The audit committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards.

The Audit Committee's responsibilities include:

- Monitoring and reviewing the integrity of the financial statements, including a review of the significant financial reporting judgments contained in them.
- Overseeing the relationship with the external auditors; including their independence and management's response to any major external audit recommendations.
- Monitoring compliance with statutory and listing requirements for any exchange on which the Company's shares and debt instruments are quoted.
- Reviewing the scope, extent and effectiveness of the activity of the Risk Management Division.
- Engaging independent advisers as it determines is necessary and to perform investigations.
- Reporting to the Board on the quality and acceptability of the Company's accounting policies and practices including, without limitation, critical accounting policies and practices.
- Playing an active role in monitoring the Company's compliance to policies and procedures.
- Reviewing the company's overall approach to securing compliance with laws, regulations and the company policies in the area of risk.

The Audit Committee is comprised of financially literate members having the necessary ability and experience to understand financial statements.

AUDIT COMMITTEE MEETINGS ATTENDANCE

	8 May 2012	11 Sept 2012	7 Nov 2012	19 Feb 2013
Mrs. Susan Mudhune Chairperson and Non-Executive Director	✓	✓	✓	✓
Mr. Timothy Harrabin (resigned September 2012) Non-Executive Director	✓	✓		
Mrs. Esther Koimett Non-Executive Director	✓	✓		✓
Ms. Nancy W Macharia Non-Executive Director	✓	✓	✓	✓
Mr. Sunil Sood (appointed November 2012) Non-Executive Director			✓	✓
Mrs. Enid Muriuki Company Secretary	✓	✓	✓	✓

The members of the Audit Committee, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out in the adjacent table.

The Chief Executive Officer, Chief Finance Officer and Director – Risk Management as well as the Company's external auditors attend all committee meetings as permanent attendees.

The Director – Risk Management and the external auditors have unrestricted access to the committee and its chairman. Risk management matters relating to operations are regularly reported to the Board audit committee.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration committee includes the review of the remuneration and incentives for the Board and Senior Management. The terms of reference for this committee satisfy the requirements of the Capital Markets Authority. The committee is composed of four non-executive directors. Mr. Robert Collymore, CEO and executive director, may be asked to attend by invitation.

NOMINATION AND REMUNERATION COMMITTEE MEETINGS ATTENDANCE

	12 April 2012	11 June 2012	2 Nov 2012
Mr. Nicholas Nganga Chairman and Non-Executive Director	✓	✓	✓
Mrs. Esther Koimett Non-Executive Director	✓	✓	
Mr. Robert Collymore (Executive Director)	✓	✓	✓
Mrs. Susan Mudhune Non-Executive Director	✓	✓	✓
Mr. Michael Joseph Non-Executive Director	✓	✓	✓
Mrs. Enid Muriuki Company Secretary	✓	✓	✓

Ethics Committee

Safaricom strives to ensure that it acts in an ethical manner in all that it does. In line with this, in 2010, the Ethics Committee was setup to coordinate and steer the ethics management process in the company.

Mandate

The mandate of the Ethics Committee can be summarized as; To be the oversight body on behalf of Safaricom management with regard to matters of ethics and integrity and in particular on matters that touch on the Code of Conduct.

Committee activities

- Making decisions on ethical dilemmas/issues brought before it.
- Recommending, reviewing and approving ethics related policies.
- Reviewing declarations made in line with the code such as conflict of interest declarations.
- Enforcing ethical behaviour within the company.
- Escalating to the Board Audit Committee matters of significant importance or magnitude.

ETHICS COMMITTEE MEMBERS	POSITION
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Mr. Bob Collymore - Chairman	CEO
Mr. John Tombleson	CFO
Mr. Nzioka Waita	Director Corporate Affairs
Mr. Joe Ogutu	Director Strategy & Innovation
Mr. Nicholas Mulila	Director Risk Management
Mr. Patrick Kinoti - Secretary	HOD Revenue Assurance & Fraud

Company Secretary

The Company Secretary acts as secretary to the Board and to the committees of the Board and, with the consent of the Board, may delegate responsibility for the administration of the committees to other suitably qualified staff. The Company Secretary:

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information; and
- is responsible for ensuring that the correct Board procedures are followed and is responsible for convening Board meetings.

Board of Directors' shareholding

DIRECTOR	SHAREHOLDING
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Mr. Nicholas Nganga	855,100
Mr. Robert Collymore	908,000
Mr. Michael Joseph	2,357,200
Mr. Joseph Kinyua	42,500
Mrs. Esther Koimett	517,600
Ms. Nancy W Macharia	43,000
Mrs. Susan Mudhune	51,200
Mr. John Tombleson	600,000
Mr. Nicholas Read	0
Mr. Sunil Sood	0
Mr. Ahmed Essam	0