

Our Corporate Governance Statement

Introduction

We remain committed to the highest standards of corporate governance and business ethics. Good corporate governance practices are essential to the delivery of long term and sustainable stakeholder and shareholder value.

The company continues to adhere to its obligations as a public listed entity in Kenya in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. In this regard, the Company undertook a review of its level of compliance as at 31 July 2017, with the provisions of the CMA Code of Corporate Governance for Issuers of Securities to the Public, 2015 and submitted its report to the CMA for review.

The company also adheres to other regulations promulgated by the CMA and the Nairobi Securities Exchange and the ethical standards prescribed in the Company Code of Conduct. In addition, Safaricom abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with other entities. In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- Continuing to implement our strategy for the long-term prosperity of the business;
- Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance;
- Ensuring execution of strong audit procedures, audit independence and continuously enforcing strong internationally recognised accounting principles;
- Focus on clearly defined board and management duties and responsibilities;
- Ensuring director competencies through induction for new directors and on-going trainings for all directors;
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the organization's culture and practices

Board charter

The Board Charter is critical to the company's governance framework, and offers guidance on matters including but not limited to the following:

The separation of the roles, functions, responsibilities and powers of the board and its individual members;

Powers delegated to the board committees; Matters reserved for final decision-making and approval by the board;

Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; and

Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the company.

Board size, composition and appointments

The constitution of the company's board is stipulated by the company's Articles of Association. It comprises of 10 directors of whom nine are non-executive directors and one is an executive director. Of the nine non-executive directors we now have two independent directors. The non-executive directors, other than those appointed by Vodafone and the Government of Kenya, are subject to retirement by rotation and must seek re-election by shareholders in accordance with the Articles of Association.

The board is responsible for recommending independent directors for election by shareholders at the annual general meetings. Nominated directors undergo a formal screening process conducted by the Nominations and Remuneration Committee of the board before they are formally appointed. The committee also considers and screens director nominees recommended by shareholders. Between annual general meetings, the board may appoint directors to serve until the next AGM. Any such appointment of independent directors must be ratified by the shareholders at the next AGM following their appointment.

The role and responsibilities of the board

The primary role of the board remains to guide the company towards sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the company, having the best team in place to execute that strategy, monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business.

How the board works

The board is solely responsible for its agenda. However, it is the responsibility of the chairman and the company secretary, working closely with the chief executive officer, to come up with the annual board work plan and an agenda for the board meetings.

The Safaricom board meets at least four times a year and the meetings are structured in a way that allows for open discussions.

Comprehensive board papers are prepared and circulated to all directors for all substantive agenda items at least two weeks prior to the meeting. This allows time for the directors to undertake an appropriate review of the board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise within the two-week period to the date of the meeting.

The senior leadership team members may be invited to attend the board meetings if deemed necessary. Where directors are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to make their views known to the chairman or the chief executive officer prior to the meeting.

The non-executive directors are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed, as they do not form part of the executive management team. This enables the directors to promote the success of Safaricom for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and other stakeholders.

The non-executive directors oversee the operational performance of the business. To perform these tasks, they have full access to all relevant information, with updates provided on governance, regulatory and other matters affecting the company.

The executive committee members and other senior executives can be invited, as appropriate, to board meetings to make presentations on their areas of responsibility. This serves as an opportunity to give the directors greater insights into their business areas. Non-executive directors are also occasionally invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

A summary of board meetings and attendance is shown below;

Overall board meetings: Members attendance for 2017/18

Board member	Position	9 May 2017	31 August 2017	1 September 2017 (AGM)	9 October 2017	2 March 2018
Nicholas Ng'ang'a	Chairman	√	√	√	√	√
Bob Collymore	Chief Executive Officer - Alternate is Sateesh Kamath	√	√	√	-	√
Michael Joseph		√	√	√	√	√
Vivek Badrinath	Alternate is Gianluca Ventura	√	√	-	√	√
Gianluca Ventura ¹		√	-	-	-	-
Susan Mudhune		√	√	√	√	√
John Otty		√	√	-	√	√
Henry Rotich	Alternate is Esther Koimett	√	√	√	√	√
Bitange Ndemo		√	√	√	√	√
Mohamed Joosub ²		-	√	-	-	√
Linda Muriuki ³		-	√	√	√	√
Till Streichert ⁴		-	-	-	√	-
Kathryne Maundu	Company Secretary					

- Gianluca Ventura ceased to be a substantive director with effect from 31 August 2017 and was appointed an alternate director to Vivek Badrinath with effect from the same date.*
- Mohamed Joosub was appointed a director with effect from 31 August 2017.*
- Linda Muriuki was appointed a director with effect from 31 August 2017.*
- Till Streichert was appointed an alternate director to Mohamed Joosub with effect from 31 August 2017.*

Separation of powers and duties of the chairman and the chief executive officer (CEO)

The separation of the functions of the chairman (a non-executive director) and the CEO (executive director) supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The chairman's responsibilities include the operation, leadership and governance of the board. The chief executive officer's roles and responsibilities remains the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

Board diversity

The Board appreciates diversity, recognizes its role in bringing different perspectives into board debates, and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The Safaricom board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

The areas of expertise of the current board of directors are business management, telecommunications, banking and finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management, human resources, governance, and legal and ethics issues.

Below is our current board structure:

Name	Nationality	Date of appointment
Nicholas Ng'ang'a	Kenyan	6 May 2004
Bob Collymore	British	5 September 2006
Michael Joseph	American/ Kenyan	8 September 2008
Henry Rotich	Kenyan	5 November 2013
Susan Mudhune*	Kenyan	20 May 2009
John Otty (Resigned w.e.f 8th May 2018)	British	1 August 2013
Vivek Badrinath	French	12 January 2017
Dr. Bitange Ndemo	Kenyan	2 March 2017
Linda Muriuki	Kenyan	31 August 2017
Mohamed Joosub (Alternate to Henry Rotich)	South African	31 August 2017
Esther Koimett	Kenyan	5 November 2013
Sateesh Kamath (Alternate to Bob Collymore)	Indian	1 August 2016
Gianluca Ventura (Alternate to Vivek Badrinath)	Italian	31 August 2017
Till Streichert (Resigned as Alternate Director w.e.f 8th May 2018 and was appointed as substantive Director the same day.)	German	31 August 2017

*Mrs Mudhune will cease to be a Director of the company with effect from the conclusion of the 2018 Annual General Meeting scheduled to be held on the 31st August 2018. The Board, in the course of the financial year will nominate an individual to fill the casual vacancy and the individual so appointed will be subjected to an election at the next AGM.

Board and Directors' effectiveness

Board effectiveness in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following;

Board induction and training

Board members undergo regular training and education to enable them fulfill their responsibilities. All board members receive an induction upon joining. This provides an overview of the company, new developments in the environment in which the company operates, accounting and financial reporting developments, as well as any regulatory changes.

Access to independent advice

The board recognizes that there may be occasions when one or more directors considers it necessary to take independent legal and /or financial advice at the company's expense. This is provided for in the board charter

Nomination

There is a formal screening process conducted by the Nominations and Remuneration Committee of nominees before they are formally appointed to the board. The process aims at ensuring that they have the requisite capabilities to carry out their responsibilities.

Evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the board undertook an annual evaluation of its performance as an entity, its committees, the chairman and each individual director and the company secretary. This was aimed at enabling the board and its members and the committees to gauge their performance and identify areas of improvement. An independent consultant was hired to carry out the evaluation.

Board committees

The board has two standing committees: an Audit Committee and a Nominations and Remuneration Committee. Each committee has formal and approved terms of reference. The board periodically reviews the terms of reference for each of these committees to ensure they are in line with current legislation and best practice. The committees are provided with all necessary resources to enable them to undertake their duties effectively.

Audit Committee *

Membership and functions of the Board Audit Committee

The Audit Committee consists of five non-executive directors and reports to the board after every committee meeting. The chairperson is an independent non-executive director.

Functions of the Audit Committee

To fulfill its oversight responsibility, the Audit Committee receives reports from management, the internal auditors and external auditors, as appropriate.

The responsibilities and role of the Audit Committee fall under four categories:

1. Risk management and internal controls

- Review and assess the company's risk management process and the adequacy of the overall control environment;

- Review reports on internal audits conducted from the Director of Internal Audit and ensure appropriate action is taken to address any weaknesses identified;
- Receive reports from the Director of Internal Audit, CFO or Director, Risk Management on any fraud, material or not, that involves management or other employees who have a significant role in the company's internal controls;
- Review results of the company's key controls questionnaire and ensure appropriate action is taken to address any weaknesses identified;
- Monitoring compliance with statutory and listing requirements for any exchange on which the company's shares and debt instruments are quoted.

2. Financial reporting and disclosure matters

- Review the published financial statements and recommend their approval to the board of directors;
- Review and discuss with management and the external auditor any significant events or transactions affecting the company's financial reporting;
- Consider findings from the external and internal auditors on material weaknesses in accounting and financial control systems.

3. External auditor oversight responsibilities

- Review the independence, objectivity and effectiveness of the external auditor including their quality control procedure and steps taken to respond to changes in regulatory and other requirements;
- Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the nonimpairment of the auditor's judgement and independence;
- Ensure that the external auditor submits a formal written statement delineating all relationships between themselves and the Company;
- Review and discuss with management and auditors the preliminary results, interim information and annual financial statements.

4. Internal audit oversight responsibilities

- Oversee the activity and credentials of the company's internal audit division, including a review of the internal audit charter, code of ethics, plans, resource requirements, staffing and organizational structure;
- Consider the appointment, replacement or dismissal of the director of internal audit and make recommendations to the board;
- Approve the annual audit plan ensuring its consistency with the company business plan;
- Receive reports on the status of significant findings, recommendations and management's responses.

*The Chairperson of the committee will cease to be a Director and thereby a member of the committee with effect from the conclusion of the 2018 AGM in line with note 1 on page 80, the Board will co-opt the individual to the Board Audit Committee.

A summary of Audit Committee meeting members attendance is shown below;

Board Audit Committee meetings: Members attendance for 2017/18

Name	8 May 2017	9 June 2017	30 August 2017	November 2017	1 March 2018
Susan Mudhune (Chairperson)	√	√	√	√	√
John Otty	√	√	√	√	√
Esther Koimett	√	√	√	√	-
Bitange Ndemo ¹	-	√	√	√	-
Mohamed Joosub ²	-	-	-	-	-
Till Streichert ³	-	-	-	√	√
Kathryne Maundu (Secretary)	√	√	√	√	√

1. *Bitange Ndemo was appointed to the Committee with effect from 9 May 2017.*
2. *Mohamed Joosub was appointed to the Committee on 31 August 2017.*
3. *Till Streichert was appointed as alternate director to Mohamed Joosub with effect from 31 August 2017.*

Nominations and Remuneration Committee

The committee is mandated to review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at board and senior leadership levels.

Membership and functions of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee is established by the board of directors; comprises six directors and meets four times a year.

The purpose of the committee is to assist the board by:

- Monitoring the size and composition of the board and its succession plans;
- Recommending individuals for nominations as members of the board and its committees;
- Reviewing executive appointments, succession and development plans and proposing the remuneration structures of executive and non-executive members of the board.

A summary of Nominations and Remuneration Committee meeting members attendance is shown below;

Nominations and Remuneration Committee meetings: Members attendance for 2017/18

Name	8 May 2017	30 August 2017	1 November 2017	1 March 2018
Nicholas Nganga (Chairperson)	√	√	√	√
Susan Mudhune	√	√	√	√
Esther Koimett	√	√	√	√
Michael Joseph	√	√	√	√
Gianluca Ventura ¹	√	√	√	-
Vivek Badrinath ²	-	-	-	√
Linda Muriuki ³	-	-	√	√
Kathryne Maundu (Secretary)	√	√	√	√

1. *Gianluca Ventura ceased to be a substantive director with effect from 31 August 2017 and was appointed an alternate director to Vivek Badrinath with effect from the same date.*
2. *Vivek Badrinath was appointed to the Committee with effect from 31 August 2017.*
3. *Linda Muriuki was appointed to the Committee with effect from 31 August 2017.*

4. Special committees

The Board is authorized by the Company’s Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period. The Board retains oversight authority over such committees.

One such Committee is the Ethics Committee, which plays an oversight role on behalf of the Board with regard to matters of ethics, integrity and best business practices.

Role of the Company Secretary

Providing a central source of guidance and advice to the board, and the company, on matters of statutory and regulatory compliance and good governance;

Providing the board and the directors individually with guidance on how their responsibilities should be discharged in the best interests of the company;

Facilitating the induction training of new directors and assisting with the directors’ professional development as required. This includes identifying and facilitating continuous board education;

In consultation with the CEO and the chairman, ensuring effective flow of information within the board and its committees and between senior management and non-executive directors. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings;

Guiding the company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision-making by shareholders, customers and other stakeholders;

Keeping formal records of board discussions and following up on the timely execution of agreed actions.

Directors’ shareholding

Directors can purchase or sell shares of the company in the open market. None of the directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the company’s total equity.

The breakdown of the directors’ personal shareholding in the company as at March 31, 2018 is as follows:

Name of Director	2018	2017	Change
Nicholas Nganga	855,100	855,100	-
Robert Collymore	1,518,600	1,518,600	-
Michael Joseph	1,178,600	1,178,600	-
Esther Koimett		517,600	N/A
Susan Mudhune	51,200	51,200	-
Henry Rotich	2,200	2,200	-
Sateesh Kamath	100,000	50,000	-

Board remuneration

Non-executive directors are paid a sitting allowance for every meeting attended. They are however, not eligible for pension scheme membership and do not participate in any of the company’s remuneration or compensation schemes.

Details of the fees for the non-executive directors and remuneration of the executive directors paid in the financial year under review are set out on the financial statements part of the annual report

Conflict of interest

The directors are obligated to fully disclose to the board any real or potential conflict of interest, which comes to any director’s attention, whether direct or indirect. The statutory duty to avoid situations in which the directors have or may have interests that conflict with those of the company has been observed by the board in the financial year under review. All business transactions with all parties, directors or their related parties are carried out at arm’s length. An acknowledgement that should it come to the attention of a director that a matter concerning the company may result in a conflict of interest, obligates the director to declare the same and exclude himself / herself from any discussion or decision over the matter in question.

Relationship and communication with shareholders

- Safaricom remains committed to relating openly with its shareholders by providing regular as well as ad hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:
- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the annual general meeting.
- Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM and they are free to raise questions to the board during the meeting.
- Safaricom responds to daily queries from shareholders, their representatives and financial analysts through a dedicated investor relations team.
- The Safaricom website has a specific webpage dedicated to the information requirements of the shareholders and investment analysts.
- Investor briefing sessions are held immediately after the announcement of interim and full year results.
- Local and international investor road shows are held after interim and full year results announcements; representatives of the company’s senior leadership team in collaboration with known stock brokerage firms organise meetings with institutional investors, individual shareholder groups and financial analysts.

Ethics and code of conduct

Safaricom directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders and to respect the diverse cultures of the Kenyan people Safaricom has a code of conduct that binds both directors and employees. When joining Safaricom, every employee is provided with a copy of the code and must commit to abide by its requirements as part of the employment contract with the company.

Whistle blowing policy

We have a whistle blowing policy that provides for an ethics hotline managed by an independent, accredited and external institution. Through the hotline, anonymous reports on unethical / fraudulent behaviour can be made without fear of retaliation from the suspected individuals.

Whistle blowing statistics are reported to the Ethics Committee and the Audit Committee on a quarterly basis. Staff members and business partners are also regularly sensitised on the need to report any suspected unethical business practices.

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing, and the policy details how such concerns are addressed.

The Whistleblowing policy has been uploaded on the Company's website.

Corporate Social Responsibility

We recognize that Corporate Social Investment (CSI) issues are of increasing importance to our stakeholders and are fundamental to the continued success of the business. Thus, we have a CSI policy that ensures we operate our business in a responsible manner at all times for the benefit of our customers, staff, suppliers, and the wider community. We exercise CSI by partnering with and investing in communities to find sustainable solutions. We also encourage our employees to take part in CSI initiatives aimed at improving the standards of living of the communities that they come from. Our CSI activities are disclosed every year in the social impact section of this report, sustainability and foundation reports.

Procurement policies

We have in place procurement policies that promote a fair and transparent procurement process, with emphasis on value for money and building mutually beneficial relationships with our suppliers. A Management Tender Committee oversees the award of tenders and there is appropriate Risk assurance for procurement activities.

Insider trading policy

The company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the company's shares while in possession of any material insider information that is not available to the public or during a closed period.

To ensure compliance with the Companies Act, 2015 the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and Directors on an annual basis.

To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

Going concern

The board confirms that the financial statements are prepared on a going concern basis and is satisfied that the company has adequate resources to continue in business for the foreseeable future. In making this assessment, the directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.