

# CORPORATE GOVERNANCE STATEMENT

Safaricom PLC, through its Board of Directors, is committed to implementing and adhering to good corporate governance and best practice.

## Overview

The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the Company. Safaricom continues to endeavour to comply with the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code).

Over and above the annual self-assessment that the Company is expected to complete on its level of compliance of the Code, the Corporate Governance Statement as provided in this Annual Report, will highlight to the Company's shareholders and various stakeholders the performance to date. 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 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 continuously assesses our governance operating model to ensure that robust internal governing bodies and proper systems/processes are in place to support the Board and management to drive change, set strategic direction and formulate high-level goals and policies.

The Board of Directors of Safaricom is responsible for the governance of the Company. The Directors are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practised with respect to dealings with the Company's shareholders, customers and other relevant stakeholders in line with the spirit of the Code for listed companies.

## The Board of Directors

### The role of the Board

The Board is collectively responsible for the Company's vision, strategic direction, its values, and governance.

The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company
- Having the right team in place to execute the strategy through effective succession planning
- Setting up appropriate governance structures for the management of the business operations
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business
- Ensuring ethical behavior and compliance with the laws and regulations

The Board is solely responsible for its agenda. It is, however, 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 the agenda for the Board meetings.

### Key responsibilities of the Board include:

- Provide effective leadership in collaboration with the Executive management team
- Approve the Company's mission, vision, its business strategy, goals, risk policy plans and objectives
- Approving the Company's business strategy and ensure the necessary financial and human resources are in place to meet agreed objectives
- Approve the Company's budgets as proposed by the Executive management team
- Establish and agrees on an appropriate governance framework
- Review the sufficiency, effectiveness and integrity of the risk management and internal control systems
- Approve the Company's performance objectives and monitor its achievement
- Review and agrees on Board succession plans and approve Non-Executive Director appointments
- Review periodic financial and governance reports
- Approve the Annual Report, Company results and public announcements
- Declaring an interim/recommending a final dividend

- Approving Company policies and monitoring compliance with the Standards of Business Conduct
- Ensuring that the relevant audits, e.g. financial, governance or legal and compliance are conducted

The Board has established two principal Board committees, to which it has delegated certain responsibilities, namely the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee. The roles, membership and activities of these committees are described in more detail later in this Report. Each committee has its own terms of reference which are reviewed periodically and updated as appropriate.

### Board size, independence and appointments

The constitution of the Company's Board is stipulated by the Company's Articles of Association. It comprises 11 Directors, 10 of whom are Non-Executive Directors and one is an Executive Director. As at 31 May 2021, three (3) of the Non-Executive Directors were independent as defined in the Code. The Non-Executive Directors, other than those appointed by Vodafone Kenya Limited 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 Annual General Meeting (AGM). Any such appointment of independent directors must be ratified by the shareholders at the next AGM following their appointment.

### Separation of powers and duties of the Chairman and the Chief Executive Officer (CEO)

The Chairman and the Managing Director have distinct and clearly defined duties and responsibilities.

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.

A summary of each role can be found below:

#### The Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions
- Promotes a culture of open debate between the Non-Executive Directors and Executive Directors and

holds meetings with the Non-Executive Directors, without the Executive Directors present;

- Regularly meets with the Chief Executive Officer and other senior management to stay informed
- Ensures effective communication with shareholders and other stakeholders
- Promotes high standards of corporate governance;
- Promotes and safeguards the interests and reputation of the Company
- Represents the Company to government, shareholders, regulators, financial institutions, the media, the community and the public

#### The Chief Executive Officer

- Responsible for the day-to-day management of the business of the Company and to oversee the implementation of strategy and policies approved by the Board and serving as the official spokesperson for the Company
- Provides coherent leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public, and enhances the Company's reputation
- Leads the Executive Directors and senior management team in running the Company's business, including chairing the Executive Committee
- Develops and implements the Company's objectives in line with the strategy, having regard to shareholders and other stakeholders
- Manages the Company's risk profile and ensures appropriate internal controls are in place
- Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements and best practice
- Ensures that there are effective processes for engaging with, communicating with and listening to employees and others working for the Company

#### The role of the Non-Executive Directors

The Board had ten (10) Non-Executive Directors as at 31 March 2021 and as at the date of this Annual Report.

The Non-Executive Directors help develop strategy and are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed. 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, scrutinise performance of management and the Company, bring an external perspective to the Board, monitor reporting of performance and should be available to meet with major stakeholders as appropriate. 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 Company Secretary

The Company Secretary is a member in good standing with the Institute of Certified Secretaries. The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators.

### The 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
- Coordinating the governance audit process
- Assisting the Board with the evaluation exercise
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions

## Board operations

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 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 senior leadership team members can be invited, as appropriate, to Board and committee 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.

The Board is responsible for recommending independent Directors for election by shareholders at the annual general meetings.

## The composition of the Board

The Directors who served during the year to 31 March 2021 and as at the date of this Annual Report are set out below

Name	Nationality	Date of appointment
Michael Joseph	American/Kenyan	8 September 2008
Peter Ndegwa	Kenyan	1 April 2020
Mohamed Joosub	South African	31 August 2017
Linda Watiri Muriuki	Kenyan	31 August 2017
Bitange Ndemo	Kenyan	2 March 2017
Rose Ogega	Kenyan	2 March 2017
Francesco Bianco	Italian	20 March 2020
Sitholizwe Mdlalose	British	29 July 2020
Raisibe Morathi	South African	1 November 2020
Winnie Ouko	Kenyan	10 February 2021
Christopher Kirigua (Alt. to CS National Treasury)	Kenyan	10 February 2021

The following changes to the Board composition occurred in the year under review:-

- Mr Till Streichert resigned with effect from 1 July 2020
- The appointment of Mr Sitholizwe Mdlalose as a Non-Executive Director with effect from 29 July 2020
- The retirement of the following:-
  - › Mr Nicholas Nganga as a Director and consequently as the Chairman of the Board with effect from 1 August 2020
  - › Ms Esther Koimeit as alternate Director to the Cabinet Secretary, National Treasury with effect from 1 August 2020
- The appointment of Mr Michael Joseph as the Chairman of the Board with effect from 1 August 2020
- The appointment of the PS, National Treasury as a Director in the Company with effect from 1 August 2020 and subsequent replacement by the CS, National Treasury with effect from 10 February 2021
- The appointment of Prof. Dulacha Galgalo Barako as alternate Director to the Permanent Secretary, National Treasury, with effect from 1 August 2020 and subsequent replacement by Mr Christopher Kirigua with effect from 10 February 2021
- The appointment of Ms Raisibe Morathi as a non-Executive Director with effect from 1 November 2020
- The appointment of Ms Winnie Ouko as an Independent Non-Executive Director with effect from 10 February 2021

A summary of Board meetings and attendance in the year under review is indicated below:

	Nicholas Nganga	Michael Joseph	Peter Ndegwa	Esther Koimeit	Shameel Joosub	Till Streichert	Bitange Ndemo	Linda Muriuki	Rose Ogega	Francesco Bianco	PS Treasury	Sitholizwe Mdlalose	Winnie Ouko	Christopher Kirigua
28 April 2020	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-
18 June 2020 (Special Board)	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	-	-	-
29 July 2020	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	-	-	-
31 July 2020 (2020 AGM)	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	✓	-	-
29 October 2020	-	✓	✓	-	✓	-	✓	✓	✓	✓	✓	✓	-	-
10 February 2021	-	✓	✓	-	✓	-	✓	✓	✓	✓	-	✓	✓	✓

## Board effectiveness

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

### Board Diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognises the role of diversity 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 Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The areas of expertise of the current Board of Directors include: business management, telecommunications, banking and finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management, human resources, legal and governance. Short biographies of the Directors, including details of nationalities, relevant skills and experience, are set out on pages 112 – 115 and 123.



### Independence

As at 31 March 2021, three (3) of the Non-Executive Directors were independent as defined in the Code. This represents a third of the Board.

## Management of conflicts 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.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act, 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary and these are considered at the next Board meeting.

Declaration of a conflict of interest is also a standard agenda item which is addressed at the onset of each Board and committee meeting. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest. No material conflicts were reported by Directors in the year under review.

## Director induction

On joining the Board, all new Directors receive a full induction. This provides an overview of the Company, the Company's operating environment and new developments thereof, accounting and financial reporting developments, as well as any regulatory changes.

As part of the induction training, detailed presentations by management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions. The induction process of a new Director is initiated by the Chairman of the Board and is progressed by the Chief Executive Officer, members of the Leadership team, the Company Secretary and other senior executives.

## Training and development

Board members undergo regular training and education to enable them to fulfil their responsibilities. Directors receive functional presentations built into the annual Board Work Plan to gain a good sense of the company's operations and central functions. The Board and its Committees receive regular briefings on various matters such as legal and regulatory developments that directly impact the operations of the Company.

During the financial year under review, the Directors engaged in e-learning and facilitator-led training from credible sources on areas of governance. Topics discussed included: data protection and privacy matters and cybersecurity and anti-money laundering and combating the financing of terrorism (AML/CFT) Both trainings were held in October 2020. The Board also held a deep dive

session on risk management in July 2020 as well as its strategy training sessions in July and October 2020. In the year under review, each Director was able to secure at least nine (9) hours of training on areas of governance and regulatory compliance from the Company; this is against the backdrop that a majority of the trainings were cancelled in the year as a result of the COVID-19 pandemic.

## Access to independent advice

The Board recognises that there may be occasions when one or more Directors consider it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter and the terms of reference of each committee.

## Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, in October 2020, 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.

The findings from the Board evaluation exercise were presented to the full Board and recommendations for improvement discussed at the Board meeting that was held on 29 October 2020. The Board evaluation report was approved by the Board at the Board meeting that was held on 10 February 2021.

The evaluation established that the Board understood its role in relation to the Company and was effectively playing its role. There was an appropriate diversity of skills on the Board of Directors and the independent and the Non-Executive Directors were all playing their roles and bringing their various competencies to bear. There was also consensus that the Board was focused on key aspects of the Board's role in relation to strategy implementation and risk management.

Following the Board evaluation exercise, individual feedback was given by the Chairman to the Board members. All Board members continued to perform well, and each was considered to be making an effective contribution to the Board.

## Governance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board appointed Ms Catherine Musakali of Dorion Associates LLP to conduct the Company's governance audit for the year ended 31 March 2021. As at the date of this Annual report, the audit was ongoing. The opinion of the independent governance auditor will be presented to the shareholders at the forthcoming AGM.



## Legal and compliance audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal legal and compliance audit was carried out for the year ended 31 March 2021 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards. The findings from the audit confirmed that the Company was generally in compliance with applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted in 2019 are ongoing. The next external audit is due in FY22.

## Key deliberations by the Board

During the year under review, the key areas of focus for the Board's activities and topics discussed during the year were on the following matters:-

- Approved the strategy and reviewed its implementation on a quarterly basis
- Impact of COVID-19 on the business
- Discussed the entry of the Company into Ethiopia
- Approved the FY21 budget
- Monitored performance against the approved budget of the Company
- Approved the half-year results as well as the end of year results, press release and commentary
- Approved the interim and final dividend recommendation
- Approved the audit fees
- Approved the terms of reference of the Board Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee
- Monitored the political and regulatory trends and developments and their implications for the business
- Approved the employee compensation, bonus and share grants
- Discussed the Board evaluation and implementation of the recommendations thereof
- Reviewed and monitored the significant litigation cases and their liability
- Received regular reports of the proceedings of the Board Audit, Risk and Compliance Committee, the Nominations and Remuneration Committee and the Investment Committee

## 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 31 March 2021 is as follows:

Name of Director	2021	2020	Change
Peter Ndegwa	895,500	-	-
Rose Ogega	2,000	2,000	-

## Board committees, membership and meeting attendance

### Board committees

The Board has two standing committees: an Audit, Risk and Compliance 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, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of six (6) Non-Executive Directors and reports to the Board after every committee meeting. The Chairperson is an Independent Non-Executive Director. During the year under review, the Committee noted that the agenda for the Committee tended to be heavy and it was agreed to have two committee meetings per quarter to have adequate time for discussions related to audit matters, risk matters and compliance matters. This took effect from July 2020.

#### Current members

Rose Ogega	Chairperson
Bitange Ndemo	
Winnie Ouko	
Christopher Kirigua	
Raisibe Morathi	
Sitholizwe Mdlalose	
Kathryne Maundu	Secretary of the Committee

#### Permanent invitees:

Peter Ndegwa	Chief Executive Officer
Dilip Pal	Chief Finance Officer
Nicholas Mulila	Chief Corporate Security Officer
Denish Osodo	Director Internal Audit
Ernst & Young	External Auditor

## Functions of the Board Audit, Risk and Compliance Committee

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

The responsibilities and role of the Board Audit, Risk and Compliance Committee includes:

- Monitoring the integrity of the financial statements, including the review of significant financial reporting judgements
- Providing advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the external audit
- Reviewing the system of internal financial control and compliance
- Monitoring the activities and reviewing the effectiveness of the Internal Audit function
- Monitoring the Company's risk management system, reviewing of the principal risks and the management of those risks

A summary of the attendance at meetings of the members of the Audit, Risk and Compliance Committee is shown below:

### Attendance of the Audit, Risk and Compliance Committee meetings for 2020/21

	Esther Koimett	Shameel Joosub	Till Streichert	Bitange Ndemo	Rose Ogega	Sitholizwe Mdlalose
28 April 2020	✓	✓	✓	✓	✓	✓
15 July 2020 (Risk)	✓	(a)	-	✓	✓	-
28 July 2020 (Audit)	✓	(a)	-	✓	✓	-
21 October 2020 (Risk)	-	✓	-	✓	✓	✓
28 October 2020 (Audit)	-	✓	-	✓	✓	✓
21 January 2021 (Special meeting)	-	(a)	-	✓	✓	✓
3 February 2021 (Risk)	-	-	-	✓	✓	✓
9 February 2021 (Audit)	-	-	-	✓	✓	✓

(a) apologies

## Key Board Audit, Risk and Compliance Committee activities

During the financial year, the committee substantively discussed the following matters:-

- The impact of COVID-19 on the business
- Reviewed the half-year results and audited accounts and related reports
- Reviewed the dividend recommendation
- Reviewed the external auditors' management letter
- Discussed the External Audit Service Plan for the year ending 31 March 2021
- Reviewed the Internal Audit plan for the year ending 31 March 2021
- Reviewed the Internal Audit Reports in every quarter
- Reviewed the Terms of Reference and the Internal Audit Charter of the Committee
- Discussed in detail the business risk updates including changes in the heat map, cybersecurity management updates, AML/CFT program updates and business ethics and compliance reports
- Significant litigations cases and liability thereof
- Quarterly-camera sessions were held with the external and internal auditors

## Financial and business reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

## Risk management and internal control

The Board is responsible for maintaining sound risk management and internal control systems and determining the nature and extent of the risks that the Company is willing to take to achieve its strategic objectives. With the support of the Audit, Risk and Compliance Committee, the Board carries out a regular review of the effectiveness of its risk management framework and internal control systems, covering all material controls including financial, operational and compliance controls.

Risk registers, based on a standardised methodology, are used to identify, assess and monitor the key risks (both financial and non-financial) faced by the business. Information on prevailing trends, for example, whether a risk is increasing or decreasing over time, is provided in relation to each risk and all identified risks are assessed at five levels (extremely serious/very serious/serious/minor/not significant) by reference to their impact and likelihood. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis.

The Board, with advice from its Audit, Risk and Compliance Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the year under review. No significant

failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

### External Auditor

Messrs Ernst & Young are the Company’s external auditor. They were appointed by the shareholders on 31 July 2020, in place of Messrs PricewaterhouseCoopers who retired by rotation.

The Audit, Risk and Compliance Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company’s audit at least every five years. The current lead audit partner has been in position since 31 July 2020.

### Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of five (5) Non-Executive Directors and reports to the Board after every committee meeting. The current acting Chairperson is a Non-Executive Director; the Board has however appointed a substantive Chairperson who is an Independent Non-Executive Director and who will take on the role in November 2021.

#### Current members

Linda Muriuki	Acting Chairperson
Michael Joseph	
Francesco Bianco	
Winnie Ouko	
Christopher Kirigua	
Kathryne Maundu	Secretary of the Committee

#### Permanent invitees:

Peter Ndegwa	Chief Executive Officer
Paul Kasimu	Chief Human Resources Officer

### Membership and functions of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee is established by the Board of Directors and comprises five Non-Executive Directors and meets at least four times a year. The purpose of the committee is to assist the Board in:

- Reviewing 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
- 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 the Nominations and Remuneration Committee meeting members attendance is shown below:

#### Attendance of the Nominations and Remuneration Committee meetings for 2020/21

	Nicholas Nganga	Michael Joseph	Esther Koimeit	Linda Muriuki	Francesco Bianco
27 April 2020	✓	✓	✓	✓	✓
28 July 2020	✓	✓	✓	✓	✓
28 October 2020	–	✓	–	✓	✓
9 February 2021	–	✓	–	✓	✓

#### Key discussions by the Nominations and Remuneration Committee

During the financial year, the committee substantively discussed the following matters:

- COVID-19 crisis management and implementation of the Business Continuity Plan
- Discussed the review and implementation of the overall organisational structure
- Discussed the succession plan for the senior leadership team in order to maintain the necessary balance of skills, knowledge and experience to remain effective
- Reviewed the results of the annual employee opinion survey
- Nomination and subsequent appointment of a third independent Director
- Reviewed the Non-Executive Directors’ remuneration
- Employee compensation and bonus review for the year 2020/21
- Share grants proposal for the year 2020/21
- Reviewed the terms of reference of the committee
- Discussed and made recommendations to the Board on various changes to the Board’s composition
- Received and discussed the Board evaluation report
- Reviewed and made recommendations to the Board on the composition of the Board committees
- Evaluated the independence of the independent Directors
- Discussed various HR thematic areas including: culture, organisation effectiveness, talent and diversity



## Special committees

The Board is authorised 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.

The Board Investment Committee which handles key projects for the Company and the Ethics Committee, which plays an oversight role on behalf of the Board with regard to matters of ethics, integrity and best business practices.

## Governance policies

Besides complying with the Code and the laws, the Company has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in various policies and in the Code of Business Conduct to which every employee, supplier and the Board makes a commitment to comply.

## Board Charter

The Board Charter is critical to Safaricom'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
- 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.

The Board Charter is periodically reviewed to ensure that it remains current.

## Code of Ethics and Conduct

The Company pursues ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability. The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Safaricom directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. 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.

## Board policies

The Board has established policy and procedure documents to guide the Directors and management in the implementation of their roles and responsibilities. A brief summary of the governance documents and their key provisions are listed below:

### Board remuneration policy

The policy sets out guidelines and criteria for the compensation of the Non- Executive Directors. The remuneration to be paid to the NEDs is guided by the findings of a survey conducted by an independent consultant and which is compared against the remuneration of a comparator organizations in the market. The findings of the survey are tabled and discussed in detail by the Board Nominations and Remuneration Committee. In order to ensure that the Company remunerated its Non-Executive Directors at the desired position to pay at least at the 75th percentile of the market.

### Whistle blowing policy

We have a whistleblowing 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.

Whistleblowing 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 wrongdoing, and the policy details how such concerns are addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

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

### Operational policies

There are broad operation policies that guide management in executing of the Company's operations in an efficient and socially responsible manner. The policies cover various operational functions including: HR, ICT, risk management, financial management, sustainability, environment, safety and health, and corporate affairs.

## Corporate social responsibility

Safaricom recognises that Corporate Social Investment (CSI) issues are of increasing importance to its 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, and the 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 many 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

As a listed company, Safaricom is obliged under the Companies Act, 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have.

This is especially so in periods leading up to an announcement of financial results. To this end, 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.

### Shareholder relations

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 others.

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 and audit independence
- Strong internationally recognised accounting principles
- Focus on clearly defined Board and management duties and responsibilities
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice

### 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 AGM.
- Copies of the Annual Report are made available to shareholders at least 21 days before the date of the AGM and shareholders are free to raise questions to the Board during the meeting
- The Company has a well-established culture on shareholder management which is handled by the Internal Investor Relations team, supported by the Company Secretary's office and the shares registrars, Image Registrars Limited
- The Safaricom website has a specific page 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
- The Board of Directors encourages shareholder participation at the Company's annual shareholder meetings

The Company's AGM is an opportunity for shareholder engagement when the Chairperson and the Managing Director explain the Company's full-year performance and receive questions from shareholders.

The Chairs of the Board Audit, Risk and Compliance Committee and Nominations and Remuneration Committee are normally available at the AGM to take any relevant questions. All other Directors also attend, unless illness or pressing commitments preclude them from doing so.

During the AGM that was held on 31 July 2020 and at the investor briefings that were held in the year under review, shareholders and stakeholders were keen to hear more on the Company's performance in light of the COVID-19 pandemic, the Company's strategy in light of the COVID-19 pandemic, M-PESA free fees, the Company's sustainability initiatives, capex guidance, regional expansion and the latest developments in industry regulation.

# DIRECTORS' REMUNERATION REPORT

## FOR THE YEAR ENDED 31 MARCH 2021

### 1.1 Introduction

The key objective of the Board Nominations and Remuneration Committee is to make sure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to review the remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels.



The members of the committee during the year are indicated on page 128. The committee's responsibilities have been set by the Board and are outlined in the Board Charter and the terms of reference of the committee, which are both available on the Company's website.

### 1.2 Directors' Remuneration Report

#### 1.2.1 Report preparation

The Directors' Remuneration Report has been prepared to enlighten the shareholders on the remuneration payable to both the Executive and Non-Executive Directors. No changes have been made to the remuneration policy since its approval at the 2018 AGM as it continued to support the strategy of the Company. It is the view of the committee and the Board that the Company's reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through Company performance, and the current policy will support the implementation of the Company's short-term and long-term objectives.

The Directors' Remuneration Report is unaudited except where otherwise stated.

#### 1.2.2 Regulatory compliance

In March 2016, the Capital Markets Authority issued the Capital Markets Code for Issuers of Securities ("the Code") which became operational 12 months after its gazette. The Code outlines various compliance requirements with respect to the remuneration of Directors.

The Companies Act, 2015, which was enacted in September 2015 and became operational in June 2016, requires the Company to table a Directors' Remuneration Report to its shareholders as part of its audited financial statements. The committee has prepared this report in accordance with the requirements of the Code and the Companies Act, 2015 ("the Act").

#### 1.2.3 Current policy

The Company's current remuneration policy reflects a commitment to the following principles:

- Ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;
- Maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are

justified by business performance;

- Aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term; and
- Offering competitive and fair rates of pay and benefits.

#### 1.2.4 Remuneration for Non-Executive Directors

The Company's Non-Executive Directors are compensated in the form of fees but are not entitled to any pension, bonus or long-term incentives such as performance share plans. The package covers a Director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in line with the Non-Executive Directors' remuneration policy. Elements of the compensation schedule include the following:

- Annual retainer fee for the Chairman and other Non-Executive Directors
- Sitting allowances for Board and Board Committee meetings
- Expenses incurred with respect to travel, accommodation, pre-approved consultancy fees or other expenses incurred as a result of carrying out duties as a Director are reimbursed at cost

The Company's policy is to remunerate its Non-Executive Directors at the desired position, to pay at least at the 75th percentile of the market. This ensures that the Company is competitive in sourcing and retaining its Directors.

The current compensation structure was determined following a benchmarking exercise with comparable entities. A similar exercise was undertaken in February 2018 and the Board approved a revised compensation package for the Non-Executive Directors at their meeting held on 8 May 2018. At the meeting held in April 2020, the Board resolved that the Directors' current remuneration as agreed upon in 2018, be maintained for FY21.

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 section of the Annual Report.

#### 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.