THE VALUE WE EMBED

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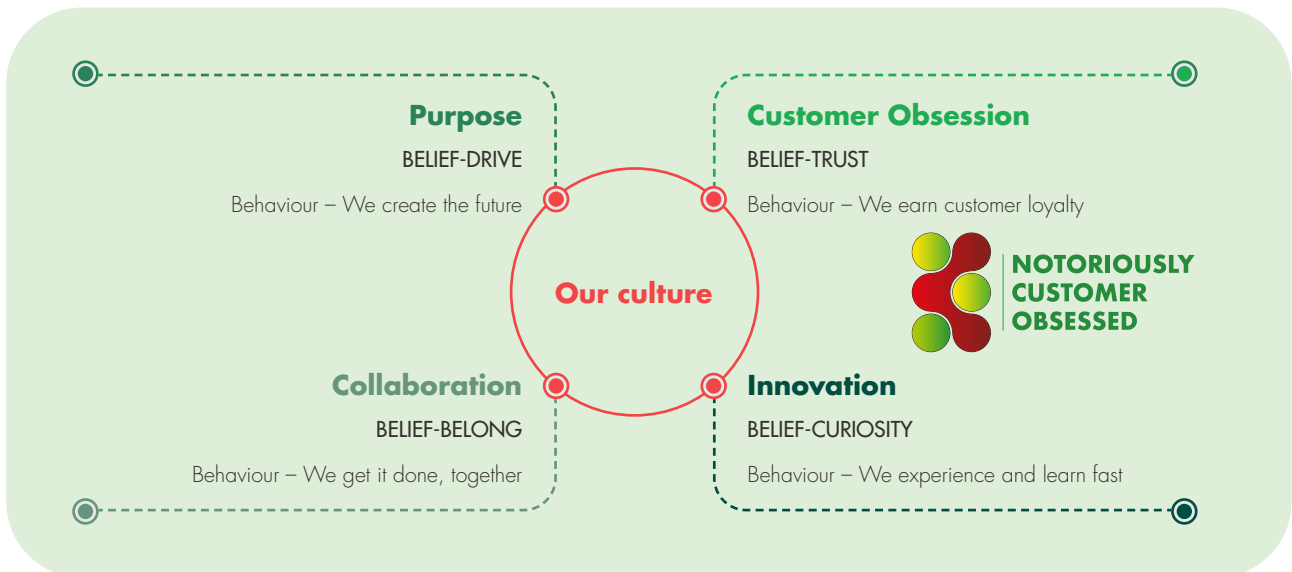# The Spirit of Safaricom

As part of these capitals

Informed by these strategic pillars

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Impacting these stakeholder groups

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The Spirit of Safaricom forms an important part of our human, intellectual and social and relationship capitals and reflects our commitment to establishing the foundations that will enable us to become a truly customer-obsessed organisation. We see this as being key to realising our ambition to be a purpose-led technology company by 2025. In this endeavour, we are guided by the four Spirit of Safaricom elements of Customer Obsession, Purpose, Innovation and Collaboration. Our current efforts have been focused on ensuring that Customer Obsession is alive and anchored, and is effectively leveraging on our concept and practice of Agile ways of working.

Purpose

BELIEF-DRIVE

Behaviour – We create the future

Customer Obsession

BELIEF-TRUST

Behaviour – We earn customer loyalty

Our culture

NOTORIOUSLY CUSTOMER OBSESSED

Collaboration

BELIEF-BELONG

Behaviour – We get it done, together

Innovation

BELIEF-CURIOSITY

Behaviour – We experience and learn fast

Our Spirit of Safaricom journey

The inculcation of the Spirit of Safaricom is conceived in a phased approach;

01 Make it Clear

- -

02 Make it Real

- -

03 Make it Stick

- -

Measuring our success

92% Response rate

85% Engagement

78% Agility Index

82% Digital Index

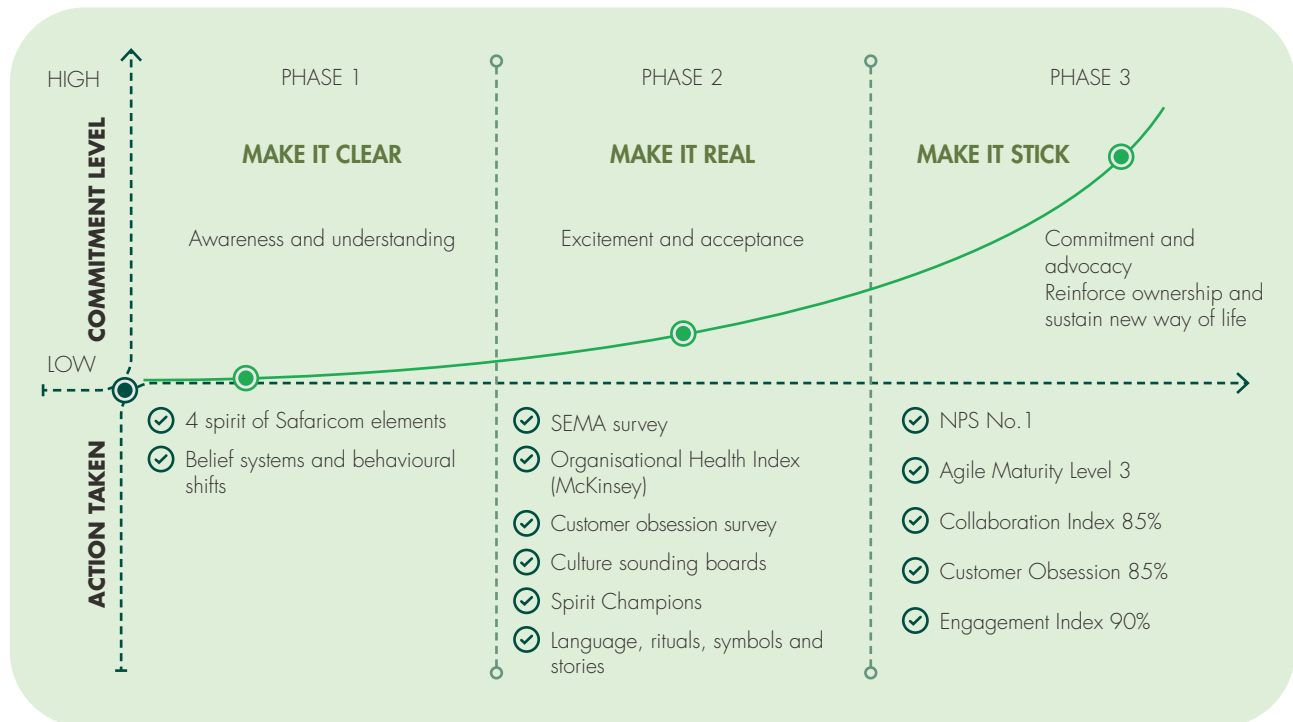**82%** Customer obsession

Strengths

- **Social and environmental responsibility (94%).** Extremely high belief that the Safaricom and MPESA Foundations are having positive impact. Results are also above Kenya National Norm (+3) and best-in-class companies.

- **Observing Absolute Rules for Health and Safety (95%)** is the biggest differentiator among industry peers (+16) and other high performing organizations (+6).

- Respondents feel **enabled at work**, confirming adequate **availability of resources (88%)** needed to perform their work. Scores outperform all external benchmarks (+7 vs Kenya National Norm, +11 vs High Technology and +5 vs High Performance Norm).

- **Diversity & inclusion (80%)** culture stronger than among national (+2) or industry peers (+9) and above high performance (+1). People also feel treated with **respect and dignity (89%)** – results above external benchmarks (+1 vs Kenya and Global High-Performance Norm, +8 vs High Technology Norm).

- Largest significant improvements are in **Customer Obsession** – people recognize change is needed (85%, +3 vs 2021), and trust that the leaders will effectively deal with any obstacles on the way to change (75%, +2 vs 2021). Focus to ensure however there is **willingness** to change (81%, -2 vs 2021).

Opportunities

- **Psychological safety to speak up (62%).** Large negative gap to high performance (-15) and industry peers (-7) on Four out of ten respondents do not feel safe to voice their opinions and evidence that sense of hierarchy hinders ability to express views and debate.

- **Taking Action (65%)** – nearly two thirds do not believe in follow up actions. Results dropped significantly over the last year (-7) and there is a double-digit negative gap to all external norms (-10 vs Kenya and High Technology Norm, -17 vs Global High-Performance Norm). The impact of the Thrive initiative has declined.

- **Meeting career goals (74%)** sees the largest decline since 2020 (-8 vs 2021, -5 vs 2020); Also, opportunities to learn and growth fall behind the country (-2) and high performance (-2) benchmarks. 4 out of 10 don't feel there is equal opportunity to succeed at Safaricom and scores on reward though high have dropped.

- Significant drop in **Engagement Index** results. **Excitement about Safaricom's future (83%)** falls below Kenya National (-3) and High-Performance Norms (-4) and confidence in the Leadership (78%) team has dropped (-7).

- Significant improvement on **removing barriers 75%** (+3 vs 2021) to the way work is done, continue this momentum to reach benchmarks, driving greater **collaboration** and ensure people feel **supported** during times of change.

The Spirit of Safaricom continued

Driving the spirit of Safaricom journey

HIGH

PHASE 1

PHASE 2

PHASE 3

COMMITMENT LEVEL

MAKE IT CLEAR

MAKE IT REAL

MAKE IT STICK

Awareness and understanding

Excitement and acceptance

Commitment and advocacy
Reinforce ownership and sustain new way of life

LOW

ACTION TAKEN

- ✓ 4 spirit of Safaricom elements
- ✓ Belief systems and behavioural shifts

- ✓ SEMA survey
- ✓ Organisational Health Index (McKinsey)
- ✓ Customer obsession survey
- ✓ Culture sounding boards
- ✓ Spirit Champions
- ✓ Language, rituals, symbols and stories

- ✓ NPS No.1
- ✓ Agile Maturity Level 3
- ✓ Collaboration Index 85%
- ✓ Customer Obsession 85%
- ✓ Engagement Index 90%

Making it happen

During the year under review, we entered the fourth of these phases, *Make it Happen*, in which we have been engaged in embedding the Spirit of Safaricom, ensuring that our language, rituals, symbols and stories come alive. Accordingly, and with the ever-growing participation of our staff, we have thus far consistently rolled out
and quantified the following platforms:

- **Nine** CEO townhalls with an average participation of **1,232 people** and a total participation of **11,088**
- **A total of 33** weekly staff webinars with an average participation of **478** people and a total participation of **15,774**
- **Four** Leadership Forums with an average participation of **272 people**
- **Five** Agile townhalls with **5,538 people**
- **Three** Spirit Days held
- Customer Obsession awareness events, including:
  - › **Seven** monthly Customer Story Days
  - › Virtual Customer Fridays involving **1,223 people**

The Spirit of Safaricom continued

Embedding the Spirit of Safaricom

During the year under review, as part of our journey of becoming a purpose-led technology company, we identified through our culture sounding-boards and employee surveys, the changes in approach required to enable this in line with our culture, as expressed in the Spirit of Safaricom, and through Agile ways of working. Our aim is to bring to life the behavioural shifts outlined below:

Behaviour shifts to embed through the Spirit of Safaricom

	Disabling beliefs and behaviours	Enabling beliefs and behaviours
Purpose	• Top-down, not supportive leadership • Micromanaging others • Operating at cross purposes • Fear to speak up and challenge status quo	• Empowering others with resources and autonomy to win • I emphasise efficiency, production and value • Provide clarity and consensus on purpose and mission • Remove impediments to achieving mission
Customer Obsession	• Prioritising leadership voices • Dwelling more on the challenges • Revenue before customers • Ticking boxes, getting things done the way I want	• Putting the customer at the centre • Use insights in external environment to act on opportunities • Customer first, value will follow • Ownership, developing simple, clear customer centre solutions
Innovation	• Operate out of fear of failure • Acting within strict guidelines • Keeping great ideas to myself • Sticking to old tried and trusted ways	• Experimenting and learning quickly • I play to win by doing what is right • Creating a safe space to speak up • Driving innovation and creativity
Collaboration	• Focus on individual success and reward • Being cautious of what I say and do • Playing the "blame game" • Working in silos	• Recognising everyone's contribution • Empowered to be honest, transparent and candid • Blameless post-mortems for sharing learnings and information • Working together towards the same goal

Looking ahead

Our focus in the short-term is to:

• Implement the agreed Spirit action plans

• Continue to drive uptake and participation in our established rituals and storytelling

• Excite the organisation, deepen the understanding of our two major transformation initiatives, customer obsession and Agile

• Drive the desired culture at the functional level

We will continue to activate and enable staff in order to foster the change that is central in our focus on rolling out service culture training. We anticipate that this will empower and provide tools to support middle management, drive transformation at team level and facilitate Spirit conversations.

Our human capital

As part of these capitals

Informed by these strategic pillars

01 02 03 04

Impacting these stakeholder groups

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Our human capital is key to our business success, as well as to our ability to create value for the wider society and communities within which we operate. It is an essential component of our journey in realising our strategic aim of becoming a purpose-led technology company.

Human Resources (HR) overview

Our four HR strategic pillars

In FY2022, our activities were guided by four strategic pillars:

- **Organisation**: Shaping an effective and efficient digital organisation that puts the customer first
- **Talent**: Guaranteeing diverse talent and critical skills needed now and in future
- **Purpose and Spirit**: Fostering Purpose and Spirit to deliver a fit-for-purpose agile organisation and to enable new growth
- **Employee experience**: Delivering the "best place to be" that ensures personal growth and business performance

Performance

Agile organisation

	FY 2022 Target	FY2022 Achievement
Agile organisation @33%	33%	11%
Employment cost/service revenue @<7%	7%	7.4%
Resourcing for key roles	100%	

Talent

	FY 2022 Target	FY2022 Achievement
1 more skill training @70% for all teams by 22 March	70%	90%
60% RN/1* succession cover for critical roles by 22 March	50%	RN: 38% R1:75%

Purpose and Spirit

	FY 2022 Target	FY2022 Achievement
99 shift in spirit of Safaricom (Collaboration)	85%	77%
6pt shift in Customer Obsession in our SEMA	85%	82%
Spirit of Safaricom Heroes	100%	100%

Employee experience

	FY 2022 Target	FY2022 Achievement
Engagement >85%	85%	92%
Zero loss time injuries (LTI)	0	2

*   RN/1 - ready now or ready now in one year

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Our human capital continued

HR – FY highlights FY2022

We have seen successes during the year under review, with the establishment of the 10 tribes and ongoing work to ensure that there is clear alignment between mission and tribe deliverables as we move the whole organisation towards becoming agile. Our successes included achievements in:

- **Agile organisation** – We launched the second wave of tribes with 29 squads and nine Exco-led workstreams including the Transformation Office, with the Agile studio operationalised.

- **Talent** – Our #1MoreSkill campaign, aimed at accelerating delivery of digital upskilling and reskilling across the business, saw 90% of employees completing at least one digital learning programme or course. Our Safaricom Digital Academy has reskilled more than 300 employees with a deployment to digital roles index of 95%. Our robust EVP has ensured that we attract and select the best talent in the market, and we not only develop and grow our talent based on their contribution and career interests, but work to retain our critical talent.

- **Purpose and Spirit** – We participated in the Vodafone Customer Experience Awards and represented in the Safaricom CEO's Mission Excellence Awards in April 2022.

- **Employee experience** – As Safaricom evolves into a technology company, HR Digitisation has become a critical focus area, in which we achieved 75% simplification, automation and digitisation of core HR processes with a digital maturity index of 3.1.

In addition, we created an agile and inclusive environment by optimising physical and virtual workspaces, ensuring the successful launch of hybrid ways of working while leveraging the adoption of digital tools.

- To drive staff engagement and enablement, we have held:
  - › 11 CEO townhalls
  - › 33 weekly staff webinars
  - › Four leadership forums
  - › Five Agile townhalls
  - › Safety culture and performance as well as COVID-19 and wellbeing sessions across the organisation and launched a national campaign on boda boda safety

Our human capital continued

Looking ahead: Strategic goals

The leap towards FY2025 is geared towards moving the whole organisation towards becoming agile, with a customer-obsession score of 85%), increasing our engagement score to 90%, and ensuring zero LTI. Our four strategic pillars remain as the key focus, and include:

- **Talent:**
  › Conducting a skills audit, upskilling and reskilling
  › A drive to develop our leaders and resourcing
  › Strengthening succession cover for critical roles
  › Diversity and inclusion for female, PWDs and youth
- **Organisation:**
  › Building an Agile organisation through simplification, digitisation and automation and cost leadership
- **Purpose and Spirit:**
  › Refresh and embed Spirit enabled by Language, Rituals, Symbols and Stories, with a focus on the rollout of an internal communications strategy to cascade Spirit to staff
- **Employee experience:**
  › HR transformation to agile HR in order to support a mature remote working model and an agile organisation through facility upgrades
  › Conducting a health, safety and wellness maturity assessment across tiers 1 and 2, with advanced ranking and leading

Strategic opportunities

We have identified the following opportunities arising from the implementation of our strategy:

- The scaling of agile organisation through simplification, digitisation and automation.
- Launching the Industry Digital Apprenticeship Programme aimed at developing digital skills in our industry, and reflecting a sustainable approach to creating a healthy digital talent pipeline. The programme will leverage over 10 partnerships with academia, tech hubs, government, training partners and industry, with a digital talent target of 1,000 as a resource for the industry.
- Scaling the #1MoreSkill initiative and early careers programmes to deliver the diverse talent and skills needed currently as well as in the future through our:
  › STEM internship
  › Discover Trainee Programme
  › Women in Technology Internships
  › Digital Academy
- Deploying a robust internal and external Employee Value Proposition (EVP) programme to attract and retain key, as well as female talent.
- Accomplishing HR transformation to Agile HR to support a mature remote working model and an agile organisation through facility upgrades.
- Health, safety and wellness maturity assessment across tiers 1 and 2, including advanced ranking and leading.
- Refreshing and embedding Spirit, enabled by the principles of Language, Rituals, Symbols and Stories, with a focus on rolling out an internal communications strategy to cascade Spirit to staff. For more on the Spirit of Safaricom, see page 62.

Strategic partnerships

We work with various partners to facilitate and promote awareness, and during the year under review we rallied various organisations to come together to discuss and share ideas on accelerating the disability agenda at the Global Disability Summit – Kenya Chapter.

In December 2021 Safaricom was elected as Chair of the Kenya Business Disability Network (KBDN) for two years. KBDN is supported by the International Labour Organisation (ILO) and its mandate is to bring employers together to promote the inclusion of people with disabilities in workplaces countrywide. KBDN's work demonstrates the clear business benefits of employing people with disabilities and highlights the valuable contributions they bring to the workplace. For more on our impact on society, see page 126.

Slight savers are partners who have been very instrumental in delivering value for Safaricom by driving different inclusive program that enabled us achieve great success in the disability space. They mobilized a consortium of local and global partners to come up with the IT Bridge Academy, a PWD talent pipeline for Safaricom. This is in addition to various trainings as well as driving compliance through, delivery of accessibility training and assessment of some of our facilities in line universal design standards.

Adapting to a digital operating model and agile ways of working

We recognise that the future will be digital, and that customers expect the level of responsiveness sparked by our being agile. Accordingly, as we move from being a telco to becoming a tech-co, our strategy clearly articulates our transformational goal of being a digital-first, insights-led organisation that enables platforms and ecosystem partnerships.

The adoption of Agile as a mode of working has meant less specialisation and more synergy across teams, and continues to enable us to deliver more to our stakeholders, fostering better insights and feedback on their needs and expectations. For more on Agile and our stakeholders, see pages 70 and 56 respectively.

It has also ensured that our people are better engaged and feel empowered in making a valuable impact in contributing to realising our mission and delivering on stakeholder needs.

In the adoption of digital platforms and agile ways of working, we have seen some notable outcomes and successes:

- In addition to our two Centres of Excellence – Brand Planning, and Research and Design – we have launched 11 tribes comprising 53 squads and 294 tech and 245 business resources:
  › Fixed Data
  › Payments
  › Mobile Data
  › Digital Channels
  › Digital Services
  › Base Growth
  › Segments
  › FinTech Integration
  › Next Financial Services
  › Enterprise Solutions
  › Digital Engineering

Our human capital continued

- The co-location of business and technology resources has connected the requisite people from different domains, enabling them to work together on tasks, boosting cross-team collaboration, pace of execution and productivity.

- Work has been broken into small, time-bound "sprints" designed to deliver an outcome. As a result of these quick sprints, time-to-value has been accelerated, with each sprint building value on the achievements of its predecessor. For more on Agile, see page 70.

- The first Quarterly Business Review (QBR) was held in August 2021 and has since been adopted as a critical planning process aligned to our mission. QBR sets the main organisation-wide priorities for the quarter, in order to achieve our mission, and facilitates any required resource re-allocation. It also extracts learnings from the previous quarter and defines the tribe/unit-level plans for next quarter, which cascades to squad and team backlogs.

- The people model has been refined to enable Agile ways of working, and we have designed a contribution model that defines the skill, knowledge, experience, behavioural and mind-set requirements, allowing us to evaluate the contribution levels of any individual. The reward and performance management models have been reviewed to ignite the desired Agile change.

- Learning agility has been improved with the #1MoreSkill initiative aimed at developing mission-critical competencies and enabling staff to learn, adapt, unlearn, and relearn to keep up with constantly changing conditions.

Gender equality and diversity

Gender equality and diversity remain a key talent focus area. During the year under review, we continued to maintain a gender-balanced workforce. We have adopted specific initiatives to address the gender diversity gap, including the strengthening of senior female talent to feed into senior level talent roles.

We experienced a 2% growth in senior women management numbers, which increased from 33% to 35%.

The percentage of staff with disabilities continued to grow, reaching 3% from the prior year's 2.6%. This increase was mostly attributed to the inaugural IT Bridge Academy internship programme where 33 interns were onboarded in February 2022, with 50% of the cohort female.

During the year we also recorded a number of diversity successes:

- We continued to holistically prepare women to take on higher responsibilities through various programmes such as the Senior Women in Leadership Programme (SWIL) programme in which 50 women graduated from the Strathmore Business School

- Staff were sensitised on matters of inclusion through our reinforcing of inclusion culture, with:
  › 355 new staff taken through Diversity and Inclusion (D&I) induction training, which embedded the essence of D&I. Other trainings included basic sign-language training for 405 people, Line Manager training for 450 people, and disability etiquette training for 300 of our shop staff
  › D&I initiatives undertaken to bring D&I to life, including the celebrating of D&I Global Days, the sponsorship of external D&I events, and gender-themed forums and webinars

Leadership

It is our belief that leaders create an environment where others thrive and feel that they belong. Our leadership standards framework clarifies the leading-with-mission and spirit behaviours required to deliver our mission.

The framework defines the expected behaviour for our leaders based on our four culture pillars. We use these set standards to inform how we source and select leaders, how we design and deliver our leadership development programmes and as the way in which we structure and deliver continuous feedback and development conversations in our performance management process.

Our ambition is to have two successors for senior leadership and critical roles across all functions. This will ensure that we are utilising 50% internal mobility of senior leadership from within the organisation.

Training

During the year under review, we undertook a Fit-for-Future skills audit of all the employees. The output of the survey informs the skillsets that each employee needs to build in order to be future-proof and to weather the talent risks posed by digital disruption.

Currently, employees are pursuing their #1MoreFutureSkill which has been established to enable them to upskill, reskill, cross-skill and multi-skill to ensure that they are future-ready.

The capability development interventions that the organisation is putting in place are based on each employee's Individual Development Plan (IDP), with a key focus on growing the craft/proficiency of employees.

The training we provided during the year under review fell broadly within five categories:

Leadership and management training

- Fifty Women in Leadership undertook and graduated from the SWIL (Safaricom Women in Leadership) Programme
- Fifty leaders undertook the Digital Transformation Micro-Masters Programme in collaboration with edX (training provider)
- Five leaders undertook the Vodafone Enterprise Leaders Programme
- Forty leaders commenced their Transformational Leadership learning journey
- Of our Line Managers, 85% have completed the Coaching for Performance training under the Amazing Line Manager Programme

Digital upskilling

- Around 133,000 digital skill courses were completed through Safaricom Business School (SBS), with 98% of employees having completed at least one digital course

- A total of 148 employees were enrolled into the Safaricom Digital Academy, pursuing digital courses in nine prioritised digital skills, including Big Data Analytics (Data Science and Data Engineering); Artificial Intelligence (AI) and Machine Learning; Cloud Computing, Internet of Things (IoT); Cyber Security; Network Technologies: 5G, DevOps and Site Reliability Engineering; Robotic Process Automation, and Mobile Applications and Web Development. For more on Digital Channels see page 80.

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Our human capital continued

Agile

- A total of 4,407 employees, representing 79% of our staff complement, completed Agile 101 courses, with 247 employees certified in Agile-related courses. For more on Agile, see below.

Functional courses

- Around 23,000 functional courses were completed on Safaricom Business School (SBS) with 4,794 employees attending instructor-led training sessions

Compliance training

- 571 employees attended First Aiders training
- 89 employees were upskilled in the Work at Height/Tower Climbing training programme
- 197 employees attended Fire Marshals training
- 155 employees underwent Safety Committee training
- 675 employees attended Defensive Driving training in line with Safaricom's Health, Safety and Wellness agenda

We achieved a career development index of 76 in our FY2022 employee survey, which indicates that 76% of our staff believe their career goals can be met and achieved in Safaricom.

Our total investment in training for FY2022 was KShs 193 million (2021: KShs 128 million).

Our Agile people model

This model supports our new ways of working. Moreover, we have embraced agility through our contribution-based career model, performance-management model, employment contracts and remuneration and incentive model. These four elements are aimed at supporting collaboration, flexibility, growth and craftsmanship, as well as bias for doers.

Our Agile people model ensures that all job profiles are linked to specific business KPIs. We have rolled out a contribution model that provides opportunities for advancement on five levels of attainment based on an individual's skills, competencies and proficiency on three dimensions of craft, people & mindset and customer & business. These are documented and reviewed through:

- Regular weekly retrospect meetings
- Monthly check-ins
- Quarterly business reviews
- 360-review sessions
- Biannual and annual reviews

Best place to work

During the year, we benchmarked our remuneration against the market, to ensure competitive pay for skills as well as attractive benefits. We introduced Flexi-ben, which allows employees flexibility on benefits with partial or full airtime flexibility redirected to savings, donations, loan repayments.

Reviews and KPIs

One of our core guiding principles in our Performance Development Process is "We can all get better every day with regular and constructive feedback".

As we become an agile organisation, feedback loops help us regularly identify areas for improvement. We then turn these potential improvements into actionable work items, and are able to track and address the key challenges we face, related to our product and processes.

We have established performance and career development review rhythms for all employees across the business. Based on their performance and development outcomes, support is provided by the business to employees, to help them remain on track in delivering both the organisation's mission and their own personal growth.

Health and wellness

During the year under review, we embedded a zero-harm culture by eliminating or controlling risks associated with our operations and delivery of holistic total employee well-being. In addition, we developed a driver data analytics tool to monitor driver behaviour and proactively support drivers become safe on the road.

Challenges

HR faced a number of challenges during FY2022, with the principal areas of concern being:

- The retention of key talent due to the current business operating environment
- Finding people with the requisite skill-sets aligned with our business needs
- A related increased demand and low supply for digital and FinTech talent
- Employee engagement through optimising an agile and inclusive environment in both physical and virtual workspaces as we adopt hybrid ways of working
- Embracing and supporting the inevitable change as our world of work remains volatile, ambiguous, complex and uncertain
- The need to ensure our employees' safety and well-being during and after the pandemic

Grievance mechanisms

There is a grievance policy in place in terms of which staff can raise their concerns directly with their line managers, HRBP and Employee Relations. Complaints can also be raised directly with the CEO on Sema na Peter, or through the council representatives.

Awards

During the year under review, we were recognised with three awards:

- **Zero Project award for Accessibility** – by ESSL Foundation, an Austrian foundation which seeks to implement the United Nations Convention on the Rights of Persons with Disabilities (CRPD). The ESSL Foundation supports social innovation, social entrepreneurship and persons with disabilities. This award recognises innovative practices and policies aimed at driving inclusion for people with disabilities.

  Safaricom was recognised for its diversity and inclusion programmes including efforts to grow our percentage of employees with disabilities, creating accessible offices and retail outlets and providing accessible products and services.

Our human capital continued

- **i2i Project award** – Onboarding the largest number of PWD interns in the country. Innovation to Inclusion (i2i) is a three-year DFID-funded project whose main goal is to promote access to and opportunities for apprenticeship, internship and employment of persons with disabilities in Nairobi, Mombasa and Kisumu.

  The award recognised Safaricom's recent move to offer internships to 33 people from the IT Bridge Academy, a programme run by the National Industrial Training Authority (NITA), Sightsavers and Cisco. The programme was designed to develop, test, validate and share learning from interventions that will directly improve access to waged employment in the private sector for women and men with disabilities.

- **DIAR Award by Daima Trust** for the Most Inclusive Listed Company in Kenya. Safaricom was feted for creating an inclusive environment in which employees are empowered to thrive, regardless of gender, disability, religion, race, age, thinking style, or any other quality.

  The awards broadly seek to provide a platform for sustained conversations and knowledge-sharing on best practice in all matters equality, diversity, and inclusion, focusing on needs and opportunities within Africa, commitments to the SDGs, and global trends. These efforts resulted in our being awarded the Most Inclusive Listed Company in Kenya, at the Diversity and Inclusion Awards and Recognition (DIAR Awards).

Our FY2023 Strategic Focus

Strategic imperative: Deliver a fit-for-purpose agile organisation

Becoming an agile organisation

Key focus	Main effort
Talent	Accelerate delivery of diverse talent and future-ready skills. Key measures include: • 75% succession cover • 40% female • 3% PWD and 1,000 FinTech and Big Data talent upskilled • Leadership development • Talent retention • Upskilling/reskilling • Diversity and inclusion
Organisation	Orchestrate an Agile and efficient operating model (including growth areas). Key measures include: • Level 3 maturity index • Greater than 7.5% operational expenses
Purpose and Spirit	Orchestrate an Agile and efficient operating model (including growth areas). Key measures include: • 85% spirit index • 85% customer-obsession score • 90% engagement index • Ensure the requisite skill sets, mindsets, and toolsets for an Agile organisation • Embedding the Spirit and purpose to enable future growth
Employee experience	Create a digital and personalised employee experience. Key measures include: • #1 best place to work • <50% loss time incidences (LTI)

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Safaricom PLC Annual Report and Financial Statements 2022

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Our intellectual capital

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Our intellectual capital is evident throughout our organisation, from the strategy which guides our activities and the ways in which we measure ourselves against it, to the conceptualisation, development and implementation of the various cutting-edge technology platforms, processes and systems which set us apart in the marketplace.

Our intellectual capital is the foundation underlying our culture, and our belief in customer obsession. It underpins the ways in which we identify, monitor and mitigate the risks that we face, and of our conception and adoption of our Agile way of working, as well as the innovation that characterises our approach. In addition, it is a fundamental part of our commitment to, and establishment of, our foundations' social investment programmes that make such a difference to our communities, and help improve the lives of people. For more on our foundations and social and environmental impact, see page 126.

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Customer Obsession

NOTORIOUSLY CUSTOMER OBSESSED

Our mission at Customer Obsession is to embed the concept and practice at the core of the Group's culture in order to accelerate new growth areas delivering superior customer experiences.

Our Customer Obsession strategy

With the aim of delivering superior customer experiences, our strategy, designed to guide us in the short- and medium-term through to 2025, is founded on six pillars:

Strategic pillar	Strategic outcome
Transparent and targeted offers	Creating transparent offerings, matching customer diversity to Safaricom's unmatched products and services
Intuitive and secure M-PESA journey	Allowing customers to use M-PESA services quickly and safely any time and anywhere
Seamless fibre installation and maintenance	Delivering, reliable, always-on and excellent service at key points of the FTTH and FTTB customer journey
Using driven network and systems superiority	Building network superiority focused around current and future customer behaviours
Omni-channel excellence	Delivering superior customer experiences across integrated customer channels
Customer Obsessed culture	Ensuring our Customer Obsessed culture is alive and anchored throughout the organisation

In order to measure our performance, we use:

- Input KPIs to understand what might be driving dips or improvements, the rate of customer fraud complaints, and inability to access services to inform our prioritising of issues
- Outcome KPIs – these reflect aspects such as brand-love scores and performance across the competitive landscape
- Output KPIs to ensure that we monitor key issues, such as the number of customers affected by outages, or levels of satisfaction with Fibre to the Home (FTTH)

During the year under review, we measured our success in realising our strategic goals using these objectives and metrics:

Communications support

An important component of what is done with regard to Customer Obsession is the communications support provided for new products. During the year under review, the Group's Corporate Communications function publicised:

- The rollout out of the national Safaricom Golf Tour whose aim is to tap, nurture and grow talent among young golfers across the country
- The Telematics solution for vehicle tracking
- The launch, through the partnership of Safaricom and Gulf African Bank, of Halal Pesa, a Shari'ah-compliant mobile financing solution
- The revamp of data plans through the Nyoosha Shilingi campaign that will see customers enjoy up to 100% more data at no extra cost
- The launch of BAZE, a mobile-first, video-on-demand service that offers a wide selection of local and regional short-form videos in comedy, drama, lifestyle, with added expansion that includes music streaming
- The partnership with AAR Insurance that rolled out new technology infrastructure based on the Amazon Web Services (AWS) as part of AAR's goal to be a fully digital insurance company
- The launch of the M-PESA Super App for customers and its M-PESA for Business App
- The launch of the NHIF mini-app within the M-PESA Super App
- The launch of the Mwelekeo Ni Internet campaign, which will see the service provider introduce new data offers, add more affordable 4G devices to the Lipa Mdogo Mdogo device financing plan, and showcase the transformative power of the internet
- The "Offline mode" that will enable customers to use the M-PESA Super App and complete transactions even without data bundles or when totally offline

Customer Obsession continued

Looking ahead

In looking to the future, we have set various targets in the short term with respect to our strategy pillars, as follows:

Strategy pillar	Strategic focus
Transparent and targeted offers	• The adoption of proactive, intuitive digital tools such as data manager and usage alerts, to drive higher transparency and customer empowerment • Driving higher value for money perception through reviewing the construct and pricing of our data propositions, and leveraging customer value management (CVM) for churn management, with a target of 50% CVM penetration • Simplification of customer journey, processes
Intuitive and secure M-PESA journey	• Delivering a reliable, error-free and always-on digital financial services (FS) customer experience to match global best practice • Detecting and preventing fraud via machine learning (ML), tighter process controls and customer awareness campaigns across the ecosystem of Safaricom, its partners and customers • Reinforcing data governance to reduce data leakage internally and across the FS ecosystem
Seamless fibre installation and maintenance	• Designing simple, always-on and automated installation and maintenance journeys for FTTH and Fibre to the Building (FTTB) customers • Fully embed third parties in the Safaricom operational model and enable them to reach excellence • Developing differentiated service options such as SME portal and IoT for corporates and SMEs to better match their expectations and business needs
Using driven network and systems superiority	• Superior network quality through upgrades, indoor coverage upgrades, optimising the network, and a smart planning tool to aid in accurate traffic forecasting • Always-on service availability through systems monitoring, capacity upgrades, redesigning M-PESA architecture, cloud migration and change-management governance • Delivery on "Mind the Gap" initiatives
Omni-channel excellence	• The eradication of customer pain-points through journey simplification, process automation, demand deflection to the App and Chatbot DIY digital channels, agent empowerment and the expansion of the customer touch-points of dealer and M-PESA agents, care desks and franchises • Delivering a seamless, integrated and measured experience across all customer touch-points (TNPS)
Customer Obsessed culture	• Build, develop and entrench our readiness, willingness and ability to foster a Notoriously Customer Obsessed Culture by ensuring that our people have the right skill-set, toolset and mindset to deliver on the mission

Our technology

As part of these capitals

Informed by these strategic pillars
01 02 03 04

Impacting these stakeholder groups
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As an integral part of our intellectual and manufactured capitals, technology and the way we leverage it are vital aspects of the Group's growth strategy.

Overview

During the year under review, in addition to leveraging artificial intelligence (AI) and machine learning (ML), we enabled the bolstering of performance in the following areas:

Service	Outcome
Mobile voice, messaging and data	• Optimal investment in 4G and 3G capacity upgrades improved user experience in both voice and data
Financial and converged services	• An M-PESA refresh, increasing throughput capacity by 33% • Enhanced robustness in the API gateway by 33%, allowing external developers to integrate to M-PESA
Digital services	• Migration of applications to the cloud • Improved monitoring by leveraging AI and ML • The introduction and enhancement of digital channels such as M-PESA app and mini apps
Platforms and ecosystem partnerships	• The standardising of APIs • Alignment to global standards such as the TM Forum • Improved monitoring by leveraging AI and ML • Expansion of M-PESA capacity by 33% to facilitate the M-PESA app and mini apps • The launch of the API gateway for partners to integrate to the M-PESA ecosystem

In addition, several of these performance-enhancing achievement were included in a number of important milestones in embedding the technology that will function as an enabler as we strategically transform into a technology company.

These milestones are all aligned with all four of the Group's strategic pillars, as well as with our Customer Obsession culture, as they provide not only the means for strengthening our core, delivering as a financial services provider, accelerating new growth areas and achieving cost leadership, while at the same time putting the customers' needs and concerns first. Among our important achievements in the domain of technology were:

- Attaining deepened customer engagement, powered by a new customer value management (CVM) tool
- The onboarding of a new anti-fraud management tool that is able to monitor performance, with robust capability for M-PESA and international money transfers that flags money laundering
- The launches of:
  › The Safaricom Baze Platform offering localised content by local providers
  › The M-PESA Consumer App
  › A platform for managing surveillance for SMEs
  › Halal PESA, the first mobile lending product for the benefit of the Muslim community
  › Fuliza airtime
  › Fixed wireless access on 5G
  › The API gateway for partners to integrate into M-PESA ecosystem

Our technology continued

As part of the effort underlying these achievements, a significant investment was made during the year in building 495 new sites and upgraded 1,100 4G and 1,000 3G sites, and other technology systems including:

- A capacity expansion of 96% for Fuliza Overdraft throughput
- An upgrade of the billing system, operating system, databases and versions
- An M-PESA design refresh to enhance operational excellence and reduce planned downtime
- An IT infrastructure refresh to accommodate the growth in systems and applications
- Enhancing by 33%, the robustness of the API gateway for external developers to integrate with M-PESA
- Integrating new spectrum in 1,800 4G sites
- Increasing core capacity to handle a 60% increase in mobile data volume
- Capacity enhancement by 80% for VoLTE to accommodate 5 million users
- The rolling out of more than 700kms of new fibre, thereby interconnecting sites and in turn, improving customer experience

We see this investment as a trade-off that fosters our Agile organisation, technology governance that ensures that all IT purchases are managed within IT itself, and that our systems and customer data are secure, in turn providing an enhanced network experience with a resulting improved Network NPS.

The risks we face

With the Group critically dependent on technology, there are a number of attendant risks, the top five of which are:

- The global shortage of chipsets
- Geopolitical issues affecting some key vendors
- Escalating operational expenditure to meet the corresponding growth of cloud computing, and the need to review financial accounting models to cater for this
- The fostering of skills to keep pace with digital transformation

Challenges

An important challenge faced during the year under review was the pause enforced on our migration to the cloud by the need to wait for regulatory clarifications on data privacy.

We are protecting customer privacy and data, and mitigating against cyber-attacks by anonymising customer data in order to protect it.

Reacting to demands and trends

We continued during FY2022, to respond to the consumer demands and trends we identified through:

- Flexible platforms with open API standards
- Adopting Agile methodologies
- Actively collecting customer feedback through Transactional NPS surveys (TNPS)
- Big data analytics to study customer behaviour and create appropriate and relevant products for them
- The adoption of smart planning to optimally indicate places where sites should be deployed

Technology as an enabler in society

During the year we continued to make significant progress in realising our commitment to improving lives and providing opportunity for individuals and communities by:

- **Investing in the network**, with fixed wireless access on 5G
- **Accelerating access** to 3G and 4G through 10MHz activation of L2100 on 4G
- **Cloud services** for enterprises, through AWS partnership for cloud hosting services, and enabling self-service for enterprise customers, thereby ensuring faster turn-around time and less demand

Women in Technology

Safaricom Women in Technology (WIT) is an initiative of passionate women who have established a technology incubator with the aim of strategically and consistently helping to nurture students and youth as future creators and innovators for next-generation employment and entrepreneurship.

WIT achieves this through six key programmes aimed at girl children at various stages of their education cycle by continuously providing support through coaching, mentorship, exposure to evolving technologies, technical platforms and networks.

The objective is to facilitate the increase, onboarding, and retention of the number of women within careers in science, technology, engineering and maths (STEM). During FY2022, the representation of women within our Technology Division stood at 21.8%, a decline of 9.9% YoY. For more on our impact on society, see page 126.

Digital Academy

During the year, Our Digital Academy embraced other areas of the business, although the Technology Division remained the largest contributor of candidates.

The role of our technology in agriculture

During the year, we continued to aid in scaling up agricultural capabilities of small holder farmers in Kenya with our ongoing provision of DigiFarm services.

DigiFarm is a mobile platform, which is also accessible on USSD, that offers farmers convenient, one-stop access to a suite of products, including financial and credit services, quality farm products and customised information on farming best practices. Since its launch in 2017, DigiFarm, has registered over 1.4 million users with 160,000 of them active users.

Our technology continued

How we help small-scale farmers become more profitable

2. Farmer profiling
Farmer recruitment and geo-tagging by DigiFarm Village Advisors (DVAs) through DVA app

3. Financing (loan & insurance)
DigiFarm offers input loan and insurance to farmers. DigiFarm sources for inputs from partners

1. Buyer-driven production
Buyer places order through DigiFarm or Marketplace Platform

4. Input supply
Farmer receives discounted, quality inputs from Digifarm Master Agents (DMAs) through Input Platform

6. Marketing
Farmer sells to DigiFarm or Marketplace platform partners and payments are made digitally

5. Production
Farmer receives mechanisation, extension services, precision agriculture, weather information and e-learning content

Digi Farm

Our technology continued

Connectivity for all

We continue to work to provide and maximise connectivity for the benefit of all Kenya's people, and during the year under review, our efforts in this regard included:

- Close collaboration with the regulator to roll out 4G and 3G sites in remote areas under the Universal Service Fund (USF) initiative
- Improving state of security in access gap areas to minimise destruction of key network installations
- Increasing the availability of affordable 4G devices
- Facing the challenge of competing community priorities where communities prefer water, health centres and schools before the deployment of network installations

Looking ahead

We have outlined a number of goals for the short-term. These include:

- Maintaining our customer NPS #1
- Attaining high system-availability
- Ensuring a minimal error rate on all our platforms and services
- Attaining a Customer Obsession engagement score of higher than 85
- Establishing Safaricom as the "Best Place to Work" and thereby limiting the attrition of talent
- Facilitating the acquisition of digital skills by staff
- Deploying 100% of Digital Channels to the cloud
- Growing customer self-service usage on existing and new channels

In the medium- to long-term, we envisage:

- A high attrition rate of niche skills
- A global shortage of chipsets
- Geopolitical issues affecting certain key vendors
- The persistence of escalating operational expenditure with a corresponding growth of cloud computing, and the need to review financial accounting models in order to cater for this

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Our digital channels

As part of these capitals
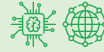
Informed by these strategic pillars

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Impacting these stakeholder groups

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The mission of the Digital Channels tribe is to accelerate the growth of digital channels in order to drive an unmatched omni-channel experience by the end of FY2023.

The tribe is responsible for the digital assets constituting our digital channels of:

- My Safaricom App
- The web platform, part of the portfolio since the end of FY2021
- The Zuri bot platform
- Quasi digital channels, comprising:
    - › IVR platform
    - › USSD channel

In addition, the tribe works to facilitate digitisation both for contact centre and retail frontline teams, as well as digitisation in the outlets, which, as we progress through the financial year, will be extended into the distribution network.

In doing so, during the year under review, we have had to strike a balance between an aggressive drive towards the pure digital channels of app, web and Zuri bot, while at the same time maintaining ease of transition, by driving a high level of service on our quasi-digital channels of interactive voice response (IVR), self-service on IVR and USSD.

Strategic objectives

During the year under review our strategic objectives were centred on customer experience, journeys and migration to our digital channels. We thus focused on device acquisition through intensive below-the-line campaigns on digital platforms, social media such as Facebook, Twitter and Instagram, as well as on publicity in the trade, tagging customer value management (CVM) messaging with every transaction.

In doing so we have been prioritising customer concerns, gaining insights through feedback-identified trends, and learnings from the resolutions sought by customers.

This marked a change in emphasis during the year, resulting from our recognition that the imperative was to aggressively drive the digital transformation of our customers. Whereas previously journeys were not as intuitive as we have now made them, our new approach in FY2022 was founded on a shift in investment, particularly in customer education.

The aim was to simplify the desired journeys, and more directly target customers, even to the extent of creating intercepts to persuade them that their natural mode of utilising our services should be through our digital platforms.

To this end we engaged with partners, such as WhatsApp for our smartphone users, and integrated with the App, Web and Zuri bot channels for feature phone users, so that the digital journey can be experienced even in the context of SMS. The ultimate aim was a shift of mindset.

With a significant proportion of customers still utilising 2G, we have had to strike a balance between the aggressive drive to the pure digital channels of app, web and Zuri bot while also maintaining an ease of transition, and at the same time driving a high level of service on the quasi-digital channels of IVR, self-service on the IVR and USSD.

Our Agile operating model

Digital Channels has been among the first tribes within the Group to be working fully within the Agile working structure, with eight squads, set to grow to eight within the FY2023. Each squad is focused on specific areas relating to our mission – To accelerate the growth of digital channels digital channels in order to drive an unmatched omni-channel experience by the end of FY2023.

Our digital channels performance

We set a number of specified performance-related tasks, grouped within our defined focus areas to measure our performance during the year. These included metrics for:

- *Accelerating the growth of digital touchpoints*
  Three of six targets exceeded
- *Driving digital channels usage*
  Neither of the two targets attained
- *Driving cost-efficiencies through digitisation*
  One of three targets attained

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Our digital channels continued

Our stakeholder groups

Our customers constitute our most important stakeholder group. Insights into their requirements are critical if we are able to enable them to migrate to digital channels, and provide solutions to their concerns. To acquire these insights, we rely on research, and have developed an in-house tool to track their feedback. For more on stakeholders, see page 56.

Our human resources – talent – comprise another important stakeholder group, particularly in view of the fact that there is substantial competition for resources in the marketplace, and turnover is high. It is therefore necessary for us to partner with outside organisations to assure the requisite supply of appropriately skilled people. For more on HR, see page 66.

Within the business, the product development teams form an essential aspect of our ability to execute our mission. Collaboration with them is essential in order to provide customers with the devices that enable them to comfortably, affordably and easily migrate to our digital platforms and channels.

Partnering for digital education

In April 2022 we announced our partnership with Zeraki Learning to enable secondary school learners to access affordable education services from well-trained teachers and informative video lessons.

The platform provides topic-by-topic assessments and powerful metrics to help students diagnose their weaknesses and track their progress.

In addition, Zeraki analytics offers the latest system for compiling and analysing students' data by providing an interface for results analysis, marks entry, and bulk messaging to parents. For teachers, Zeraki analytics results provides a new and easy way to analyse and visualise exam results.

To facilitate all this, we added a touchpoint within the MySafaricom App, which will enable parents and guardians to subscribe to the service for as low as KShs 20 per day, deductible from customers' airtime/post-paid bill or via M-PESA.

In all our engagements with stakeholders, we are diligent in ensuring that we are continuously aligned to our mission, and that our interactions with them are within the scope of its execution.

Our digital channels continued

Risk

The risks we faced during the year under review are ranked in the following order:

Risk	Mitigation
Movement of talent	Deprioritising and reprioritising
	Utilising the flexibility of being able to collapse any given squad in order to enrich others
Legacy systems	Embracing the Digital Absolute rules that ensure digital journeys are incorporated from the design of the product as well as the backend services developed to support the digital journeys prior to launch
Mindset inflexibility	There is need to embrace the Digital First mindset

Looking ahead

In the short-term, our mission objectives for FY2023 have been defined as follows:

Top 5 specified tasks	Top 3 key activities per specified task
Growth of usage on digital channels	1. Grow daily active users on digital channels 2. Grow daily transactions on digital channels 3. Drive user engagement on Subscriber Registration App
Digitisation of new and existing journeys (fixing the basics)	1. Review existing USSD journeys and provide digital solutions on App, Web, Zuri and SubReg 2. Kick off the AI-driven Natural Language IVR Project and implement the 360° view of the customer on CRM as a basic foundation to the Single View of the Customer (SVC) 3. Digitise two care outlets processes
Communication and awareness on self-care	1. Have always-on digital campaigns for App, Web and Zuri 2. KYC awareness plan on compliance for subscriber registration 3. CVM campaigns on IVR and USSD to drive self-care usage
Digitisation of trade and retail	1. Discovery of EDMS APIs in preparation for integration with the digital channels (Zuri) 2. Simplification of Trade (Route To Customer) Processes (self-service via Zuri for trade escalations) 3. Digital merchandising and digital dashboard (roll out dashboards in nine shops and one franchise)
Cost saving contribution from Zuri, IVR, USSD, app and web interactions	1. Deployment of SIM Swap journey to SubReg App 2. Simplification and review of business rules on SIM Swap journeys on the App 3. Stakeholder engagements on plans to decommission SIM Swaps on *180#
Deflection of SIM Swap demand to digital apps	

In the medium- to long-term, our intention is to achieve a single view of the customer, so that irrespective of the channel, the expected interactions with staff and the amount of information remains the same.

With the knowledge that 60% to 70% of our customers are digital natives, we will continue to make our anchor the deliberate shift to digital-first, as we transform into a technology company, ML, AI, and the increasing centrality of data. An important aim is also to be able to sell platforms to other players in the digital space.

Financial services

As part of these capitals

Informed by these strategic pillars

02 03 04

Impacting these stakeholder groups

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Our financial services tribe forms an important part of our financial and intellectual capitals, and with its innovative products and services, has evolved to become far more than a provider of payments platforms. It is a fundamental component of our vision-aligned strategic transformation to becoming a purpose-led technology company, whose aim is to transform lives.

Founded on this strategic orientation, is our commitment to innovate on the basis of the insights we strive to gain about our customers, their needs and requirements, as well as the rapidly changing digital world, in which opportunities abound.
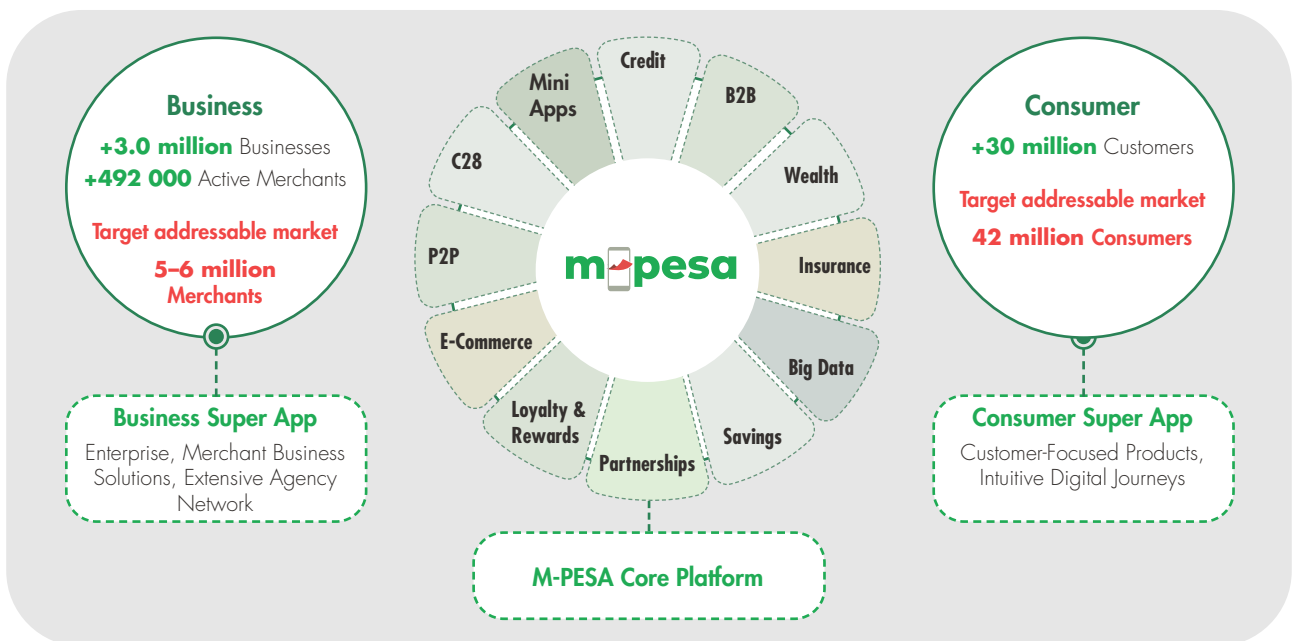
Our driving force during the year under review has been the ongoing strategic imperative to turbocharge a two-sided ecosystem that takes into account, on the one hand, the lifestyle preferences and needs of our consumers, and on the other, the requirements of our business customers as they seek more efficient, productive and simple financial platforms for growing their enterprises.

In addition, we were the first department to fully adopt the Agile operating model, a bold step that will facilitate our role in the transformation of the Group into a technology company. For more on Agile, see page 70.

Moreover, there is no platform that more encapsulates this approach and strategic orientation, than M-PESA. Launched in 2007, it was the first mobile money transfer service in the world. To date, M-PESA has over 30.53 million active customers and over 262,000 active agents in Kenya.

M-PESA not only allows for P2P transfers and withdrawal, but also payment options and connectivity to formal banking and credit access. It has also facilitated international transactions and deepened financial inclusion in the country.

This notwithstanding, M-PESA is not a product, as many people believe it to be, but rather a flagship brand that contains within it multiple digital possibilities through its Consumer and Business Super Apps. These, between them, reflect the nature and purpose of our two-sided ecosystem, and it was for their development and implementation that we received a prestigious Global Mobile Award (GLOMO) at the Mobile World Congress in Barcelona in March 2022. The Super App won in the category of "Best Mobile Innovation for Connected Living", edging out other nominations from across the globe.

Business
+3.0 million Businesses
+492 000 Active Merchants

Target addressable market
5–6 million Merchants

Business Super App
Enterprise, Merchant Business Solutions, Extensive Agency Network

m-pesa

Credit · Mini Apps · B2B · C28 · Wealth · P2P · Insurance · E-Commerce · Big Data · Loyalty & Rewards · Savings · Partnerships

M-PESA Core Platform

Consumer
+30 million Customers

Target addressable market
42 million Consumers

Consumer Super App
Customer-Focused Products, Intuitive Digital Journeys

M-PESA definitively captures our vision of becoming a purpose-led technology company that uses innovation to drive social and socio-economic empowerment in society.

The two-sided ecosystem supports our capacity to create, develop and implement solutions that empower our business customers, while at the same time powering consumer lifestyle and e-commerce.

M-PESA as a FinTech

This aspect of M-PESA is evident in the evolution of the platform since its inception 15 years ago.

2007

March 2007
- M-PESA Launched

November 2007
- 1 Million Customers

2010

June 2010
- 10 Million Customers

January 2011
- Lipa Karo na M-PESA enables convenient, cashless payment of school fees

2011

February 2011
- M-PESA wins GMSA mobile money award from the UN-Banked

March 2011
- M-PESA and Western Union extend International Money Transfers to Kenya across 45 countries

April 2012
- 15 Million M-PESA customers

2012

November 2012
- Safaricom and NCBA launch M-Shwari, enabling instant borrowing and saving on M-PESA

2013

June 2013
- Lipa na M-PESA unveiled, empowering customers and businesses to make and receive cashless payments for goods and services

December 2015
- M-TIBA launched with Carepay and Pharmaccess, enabling saving for healthcare

March 2015
- M-PESA customers now able to send and receive money to and from Tanzania
- Safaricom and KCB launch KCB M-PESA, and mobile savings and loan products

2015

April 2015
- Safaricom brings M-PESA home, migrating the service infrastructure servers in Kenya
- Safaricom partners with the Government of Kenya to automate payment of government services through government e-citizen platform

November 2016
- The Value Assessment finds M-PESA contributes USD1 billion to the Kenyan economy
- M-PESA Kadego estimates transaction costs for values of USD1 and below

2016

December 2016
- Customers within East Africa can send and receive money between MTN, Vodacom and M-PESA
- Finding by MIT and Georgetown University researchers show M-PESA lifted 154,000 Kenyan families out of extreme poverty

2017

December 2017
- Safaricom launches M-PESA services for visually impaired customers

2018

April 2018
- Safaricom and Pay fast partner to enable M-PESA customers make and received payments from 200 markets globally

November 2018
- Safaricom and Western Union launch M-PESA Global empowering customers to send and receive money across the world

2019

March 2019
- Safaricom and AliExpress partner to empower shop on the leading e-commerce site

October 2019
- M-PESA ranked top 10 in 50 most influential projects of last 50 years

December 2019
- Pudisa opens up credit for all users of M-PESA

January 2020
- Merchants can now do more with M-PESA business till thanks to product enhancements

June 2020
- Merchants have access to business solutions in one place with self-onboarding portal on M-PESA

2020

July 2020
- M-PESA business App is launched

November 2020
- Pochi la biashara – allows MSMEs to separate personal and business money for better tracking and record keeping

February 2021
- Recording payments more easier thanks to Bill Manager giving business one platform to invoice, receive and track payments

2021

June 2021
- M-PESA Super App adding convenience to users with mini-apps and offline mode

November 2021
- Fuliza Airtime

2022

March 2022
- Merchant interoperability
- Halal PESA in partnership with Gulf Bank

Awards

Global Mobile Awards (GLOMO) powered by GSMA.

- The M-PESA Super App won under the category for "Best Mobile Innovation for Connected Living".

Safaricom awarded alongside Huawei and Close the Gap for the DigiTruck project under the "Outstanding Mobile Contribution to the UN SDGs" category

Financial services continued

During the year under review, we celebrated the 15th anniversary of the introduction of M-PESA with various awareness campaigns.

With its over 30 million monthly active customers, more than 3.2 million businesses, and over 42,000 developers engaged in ongoing development within the Super Apps, some 50 million transactions per day, and a velocity of funds exceeding KShs 2 trillion monthly, M-PESA truly constitutes a massive ecosystem whose potential is only just beginning to make itself felt.

Turbocharging a powerful platform

Our strategy during the year under review has been to turbocharge M-PESA's already impressive achievements by focusing on new products and services that include savings, wealth management and insurance. There is even, on the one hand, a product for children that enables parental control for children aged between 10 and 18 years, and on the other, travel, entertainment and other lifestyle choices, all featured under the banner of financial health – a major step upward from simple financial inclusion.

To this end we have been exploring new ways of providing these kinds of services, and examining the requisite partnerships while duly examining the regulatory and technical requirements that will enable the platform's growth into a true lifestyle and financial health tool.

Part of this is maximising both M-PESA's payments and credit facets, so that any desired product sold by Safaricom, once selected by customers, can be made available to them through the extension of credit and or insurance.

Opportunity to grow usage remains

Chargeable transactions (incl. COVID-19 free transactions)

FY2022
20.3
+16.6%
YoY

	H1 FY21	H2 FY21	H1 FY22	H2 FY22
	15.5	19.1	19.3	21.2
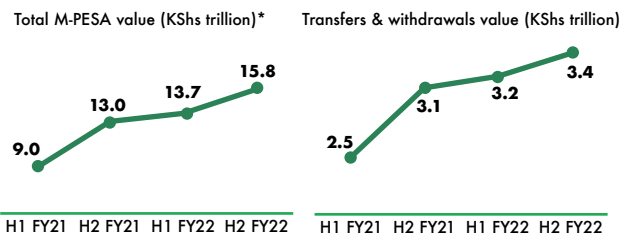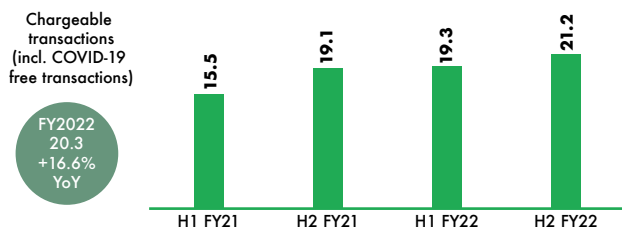
Value of M-PESA transactions in FY2022

+34.0% YoY
KShs 29.5 trillion

Total M-PESA value (KShs trillion)*

H1 FY21	H2 FY21	H1 FY22	H2 FY22
9.0	13.0	13.7	15.8

Transfers & withdrawals value (KShs trillion)

H1 FY21	H2 FY21	H1 FY22	H2 FY22
2.5	3.1	3.2	3.4

Payments value (KShs trillion)

H1 FY21	H2 FY21	H1 FY22	H2 FY22
2.5	3.9	4.3	5.3
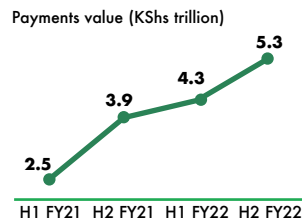
* M-PESA Wallet-to-Bank and Bank-to-M-PESA wallet transactions remain free. These account for 18.9% of total M-PESA value and 3.2% of total M-PESA volume of transactions
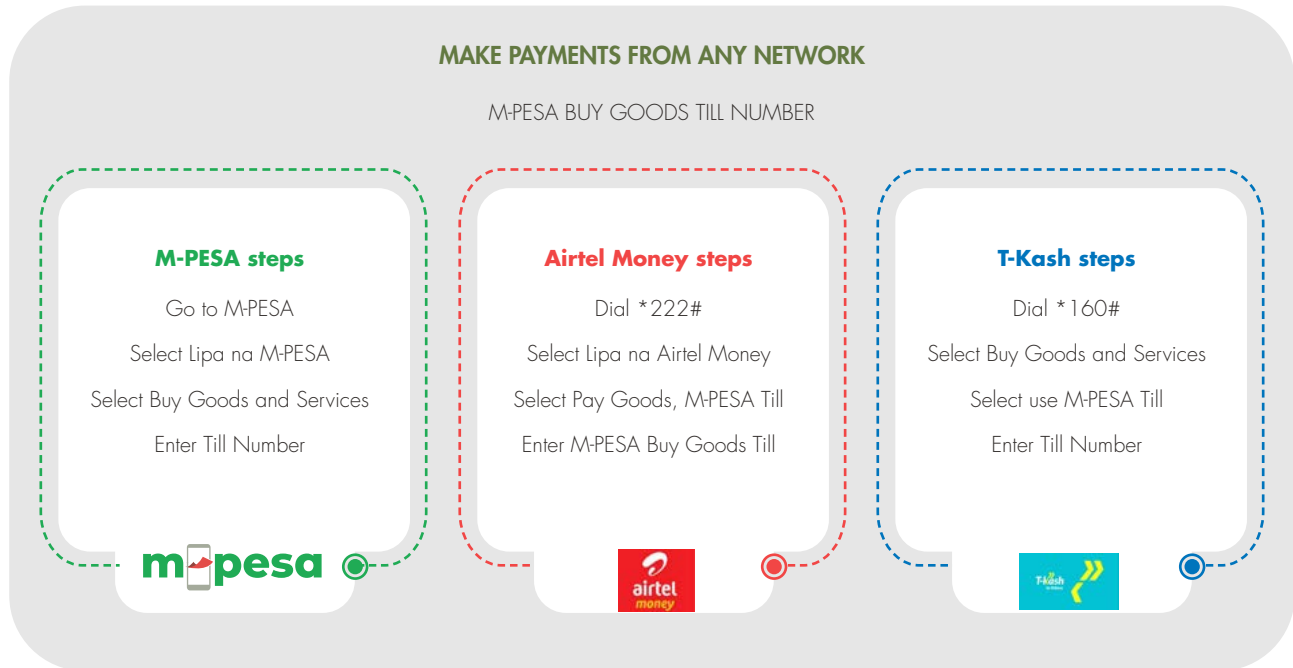
Our mini app programmes

The mini app programme is a key component of our ecosystem, as it effectively enables us to function as a play-store. All major marketplace suppliers and producers have a presence on it, representing a diverse cross-section of every segment in the economy. We are then able to offer marketing of their output to our vast customer base, while relieving businesses of any concern about their own enterprise apps, which we can publish on ours – a mutually beneficial arrangement. We have 22 mini apps fully integrated on the M-PESA App and 87 under development. The mini apps available via the M-PESA App cover various services including insurance, wealth management and savings, entertainment, e-commerce, health, travel and ticketing services and gifting.

Moreover, we can extend the potential to include bespoke service solutions in both private and governmental sectors. This ability to move upstream with regard to businesses, while still offering the options of a payment channel, constitutes an inbuilt protection against competition.

In addition, we have opened up the area of interoperability, allowing Kenyans to make mobile money payments through Lipa na M-PESA to an M-PESA Buy Goods Till from any network. This proposition is in line with the principles of the National Payments Strategy, 2022–2025, launched by the CBK in February 2022, and which stipulate:

- Trust
- Security
- Usefulness
- Choice
- Innovation

The network-agnostic customer journey

MAKE PAYMENTS FROM ANY NETWORK

M-PESA BUY GOODS TILL NUMBER

M-PESA steps

Go to M-PESA

Select Lipa na M-PESA

Select Buy Goods and Services

Enter Till Number

Airtel Money steps

Dial *222#

Select Lipa na Airtel Money

Select Pay Goods, M-PESA Till

Enter M-PESA Buy Goods Till

T-Kash steps

Dial *160#

Select Buy Goods and Services

Select use M-PESA Till

Enter Till Number

Looking ahead

In the short- to medium-term, we will continue to improve our tech stack, accelerating our new growth areas underpinned by the concept of financial health. As part of this, we will be looking to expanding strategic partnerships, while at the same time ensuring that our Agile operating model is properly entrenched.

We anticipate that new modalities such as blockchain and software as a service (SaaS) will become more prevalent in our thinking and innovation, as we maximise our presence in Africa through the exploration of data and AI as enablers.

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DigiFarm

As part of these capitals

Informed by these strategic pillars
02 **03**

Impacting these stakeholder groups
C **BP** **SC**

DigiFarm is an integrated mobile platform that offers farmers convenient, one-stop access to a suite of information and financial services. Our purpose is to leverage technology and partnerships to resolve key challenges in order to make smallholder farmers wealthier in a commercially sustainable way.

Overview

Kenya's smallholder farmers need to operate in a business environment comprising three distinct areas in which they face key issues. Our goal is to enable them to maximise their potential.

Area	Issue faced	DigiFarm goal
Production	• Production at 30% of potential	Increase productivity
Post-harvest management	• 30%–40% post-harvest loss	Reduce post-harvest loss
Access to market	• Lack of markets	Guaranteed access to market and fair prices
	• Inability to obtain fair market price	

Defining our mission

In defining our mission, we have tested various solutions and execution models to address the key challenges that farmers face. Significant impact has thus been created for engaged farmers.

Farmer reach

Engaged farmers
160,000
Largely attributed by access to quality input and access to market

Access to credit and insurance
62,000
Ability buy input they could not afford before

Access to market
22,000
Value of transactions 410 million

Mechanisation services
400
Acceptability remains low due to land size, alternative options and costs

Impact created

Growth in farmer yield
15%
Driven mainly by quality input and advisory services

Access to market
100%
Driven by Contract Buyers in DigiFarm platform and spot payment

Price value
10%–50%
Driven by direct engagement with farmers and improved quality

Reduction in cost production
6%
Driven mainly by lower cost of input and mechanisation

Post-harvest losses
8%
Driven mainly by ready market and improved quality

Challenges

Limited data to develop predictable credit score for farmers – Leading to high NPL

Infrastructure constraints – aggregation, quality management and logistics

End-to-end play at a go and high-touch farmer engagement model – Challenging to scale sustainability

Speed of execution and opportunity for more partnership

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Our operating model

Since 2020, our model has evolved from an end-to-end credit model, to an input model with high investment on inputs and less offering on credit and post-harvest management.

An average 20% increase in yield in DigiFarm Value Chains	**An average 20% increase in farmgate prices.**	**An average 10% increase in credit** offering uptake	**36% female smallholder farmers** registered on Digifarm	A **trusted digital platform** to deliver a sustainable AgriTech ecosystem by 2022
"DigiFarm gets us fine quality, best seeds, and has helped me increase my yield"	"It (DigiFarm) has helped since I have a market for my produce, I am assured of money for school fees."	"I have used DigiFarm for 3 years, and they provide us with inputs on loan which eliminates the need for having money up front"	"My husband is happy that there is additional income. I am now able to buy clothes and food, before, I had to ask my husband for money"	"Having studied the area and DigiFarm operation, we see that you are the solution to the problems that these farmers face.
KILONZO | FARMER | 26 | MAKUENI	**JOHN | FARMER | 42 | MIGORI**	**BEATRICE | FARMER | 26 | MAKUENI**	**JANET | FARMER | 40 | BOMET**	**JOHN GATHIAKA | UON Project**

Our strategic focus

Our focus is now on acquiring farmers through our view of production as a service, while developing their capability for end-to-end post-harvest loss management and access to market.

Underlying this focus is our new mission – to accelerate active farmer acquisitions in order to scale new business opportunities. Our methodology is to empower and enable farmers to move from disadvantageous financial and operating conditions, to more flexible, relevant and means of making their businesses streamlined, productive and profitable.

Access to market		Access to services			Access to assets
DIGITAL PROCUREMENT	**AGRICULTURAL E-COMMERCE**	**INFORMATION SERVICES**	**WEATHER AND CLIMATE SERVICES**	**DIGITAL FINANCE**	**SMART/PRECISION FARMING**
Last mile (Farmer) digital solutions to enable access inputs, farm management tools.	Online buying and selling of agricultural produce that allows farmers to reach new markets.	Mobile-enabled dissemination of information to farmers, such as agronomic advice, market prices and certification standards.	Provision of weather forecasts, weather-adaptive and climate-smart agronomic advice.	Access to financial products and services (input and insurance credit) via digital channels.	• Digital linkages to agri-tech service providers to smallholder farmers (mechanisation, soil testing etc). • Use of digital channels, such as the Internet of Things (IoT), to automatically and remotely access farm equipment.

DigiFarm continued

Our key market-model risks

Inherent in our market model are a number of risks which require diligent monitoring, and continual tracking. These include:

- Climate Change resilience – Developing and increasing access to technological and financial innovations to increase small holder farmer resilience to climate change and pandemics.
- Lack of smallholder farmer credit scoring mechanisms – Lack of farmer data to develop predictable agriculture score card leading to low penetration of credit.
- Poor infrastructure to support village-based farm produce aggregation and logistics to market – Support needed for post harvest management training and equipment. Heave capital outlay to develop aggregation and logistics mode.
- Low and improper consumption of input, lack of product-specific knowledge transfer from manufacturers to downstream farmers.

Looking ahead

Our objective in the short- to medium-term is to scale production and infrastructure development in order to offer end-to-end (E2E) farmer engagement. This will be expressed by our ability to deliver the E2E experience in all three stages of agricultural activity, from production, through post-harvest management, to access to market.

To this end we will scale production, advance partnerships and develop infrastructure. This will involve:

Scaling production

- Farmer acquisition and engagement to above 3.5 million in five years
- The commercialisation of remote private extension service providers to drive sustainability
- Precision agriculture capabilities with the leveraging of emerging technologies

Developing partnerships

Platform play to orchestrate service provision by diverse multiple players, including:

- Financial institutions
- Development partners
- Post-harvest and aggregation service providers
- Localised logistics service providers

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Our network and infrastructure

As part of these capitals

Informed by these strategic pillars

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Impacting these stakeholder groups

C GR BP

Our network infrastructure, data centres, distribution infrastructure and software applications are an important part of our financial, manufactured and intellectual capitals, and a source of competitive differentiation. Our investment in these aspects of our business is fully aligned with our purpose of transforming lives. It enables us to democratise data through devices, network coverage and use cases, making information freely available for anyone to use intelligently and responsibly.

Overview

Despite the high level of mobile telephone penetration in Kenya, a large section of the population, unable to afford 3G and 4G devices, still relies on 2G feature phones. Nevertheless, with our strategic drive to become a purpose-led technology company, and our commitment to digital transformation, we continue to progress our investment in infrastructure that ultimately will benefit and empower not only our customers, while at the same time delivering value for our shareholders.

Our 4G network covers 97% of the Kenyan population, while our 3G and the 2G network covers 98% and 98%, respectively. During the year under review, we continued to accelerate 4G coverage, upgrading 1,100 sites to 4G, increasing coverage to an additional 97% of the population.

In addition, as we drive digitisation for our customers, we have to date laid 10,880km of fibre and connected more than 193,059 homes and 18,886 enterprise customers.

Quantifying our investment

During the year, we continued to invest in our network and systems, with our capital additions for the year standing at KShs 49.78 billion. Enhancement of our network in support of traffic growth, coverage and experience, remains an important part of our purpose-led strategy, with investment in our capacity aimed at meeting the evolving needs of our digital consumers.

Looking ahead

It is anticipated that the majority of Kenya's mobile connections will be on 5G by 2029 and our network masts are prepared for this growth. In the short term, we plan to expand the number of 5G sites to more than 200 locations across nine towns over the next year.

Nevertheless, in the medium-term, we still recognise a significant opportunity to increase penetration of 4G devices before scaling to 5G rollout.

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Expanding our footprint into Ethiopia

As part of these capitals

Informed by these strategic pillars
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Impacting these stakeholder groups
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In 2021 the Global Partnership consortium for Ethiopia, led by Safaricom, was awarded a licence by Ethiopia's Ministry of Finance and the Ethiopian Communications Authority (ECA) to establish a new telecoms network and to operate in that country.

Ethiopia is Africa's oldest country, home to over 112 million people – a nation rich in history, and with an average 7% GDP growth over the last seven years. It has immense potential in telecommunications and mobile financial services.

This environment provides an exceptional opportunity for us to assist in its transformation journey, as we work to change the digital lives of our customers there. The economic and social impact which we will be helping to bring about through our high-quality network and mobile services through faster internet, high-speed fibre connectivity and game-changing mobile money services, will be driven by our purpose of transforming lives. Our goal is to provide Ethiopians with endless opportunities, as we bring our expertise, experience and technology to the country.

Since the award of the licence, we have been building a top-quality mobile network that will enable Ethiopians to access a world-class array of digital services. We are now ready to launch our network, underpinned by the same vision, mission and purpose of transforming lives as in Kenya.

Our Ethiopia investment remains a key focus area for the business. Cognisant of the size of the technological and financial investment required, we are committed to building a high-quality mobile network in Ethiopia and providing its citizens in their regions access to better connectivity.

A snapshot of our launch readiness

Network & IT
- First data centre deployed (one under construction)
- First test call done
- Network under construction

People & Governance
- Leadership team established
- 305 staff on-boarded, 50% local talent
- Office space acquired
- Discover graduate recruitment programme ongoing

Sales & Distribution
- Distribution and retail shops identified
- Simcard production commenced
- Contact centre established
- Products: Voice, SMS, Mobile data and VAS services

Dependencies & Operational risks
- Political and regulatory risk
- Supply chain complexities and challenges
- Conclusion of Mobile money licencing terms and conditions
- Currency volatility

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Our financial ambitions in Ethiopia

Spectrum

Unified technology neutral telecoms services licence, with spectrum allocated

2x10 MHz	2x10 MHz	2x20 MHz	2x20 MHz	2x20 MHz
800 MHz	900 MHz	1,800 MHz	2,100 MHz	2,600 MHz

Y1 Funding including licence payment (Safaricom PLC)

USD c540 million

Funding sources:
Equity, DFIs, local borrowing and internal reserves

Capex investment	Network rollout
5yr plan: **1.5 billion–2.0 billion**	Y1: **c1,000 sites at launch** Y10: **10,000–12,000 sites**

EBITDA break-even in Y4	Enablers
EBITDA margin **Y10 est. at around 40%**	• Network expansion through own build and infrastructure sharing • Sim card penetration • World class digital services • Mobile money products (subject to licence award)

Investment risk

While the Ethiopian licence represents a significant opportunity for the Group to transcend national boundaries, we recognise that that there are risks associated with our investment which require to identification and mitigation. These risks fall in to three categories:

- Political and regulatory
- Currency
- Infrastructure

Political and regulatory

Implementation of market liberalisation and new regulatory framework

Investment rules and taxation

Ongoing political conflict

Currency

Currency volatility

Forex availability

Infrastructure

Securing access to land and buildings

Concluding infrastructure sharing agreements

Expanding our footprint into Ethiopia continued

Our expectation, based on feedback from the Government of Ethiopia, and with our break-even target set at year 4, is that forex availability will have been resolved by then, long before we will need to repatriate any dividends from the business.

After diligent consideration, the consortium has determined that the identified risks are commensurate with the scale of the opportunity.

Our shareholding and company structure in Ethiopia

We have partnered with Vodacom Group, Sumitomo and CDC to invest in Ethiopia. Safaricom PLC and Vodacom Group, through the Vodafamily Ethiopia Holding Company Limited (a private limited company incorporated under the laws of England and Wales), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V., a private limited company incorporated in the Netherlands, as the Ethiopia investment vehicle.

With the USD 850 million licence fee having been paid to the Government of Ethiopia, the respective shareholding is as follows:

- Vodafamily Ethiopia Holding: 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%)
- Sumitomo Corporation 27.2%
- CDC Group PLC 10.9%

In addition, a transaction fee of USD 4 million was paid to the International Finance corporation (IFC). The total cost was distributed in a manner proportionate to each consortium partner's shareholding in GPE.

GPE thereafter incorporated a wholly-owned subsidiary in Ethiopia – Safaricom Telecommunication Ethiopia PLC (STE). The certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopian regulations.

The indirect shareholding of Safaricom PLC in STE is 55.71%. STE's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

Infrastructure in Ethiopia

After a period of negotiations and with support of ECA, we are making progress in terms of establishing a mutually beneficial partnership with Ethio Telecom on the key terms for interconnection, transmission capacity and tower sharing.

On 13 April 2022, at a meeting convened by the ECA, we reached agreement in principle with Ethio Telecom on the key terms. We are now working together with Ethio Telecom on the finalisation of these important agreements and the implementation required for our commercial launch.

As envisaged in the bid process, further negotiations are ongoing in order to conclude these agreements so as to allow us to launch a high-quality network that benefits Ethiopians.

Looking ahead

We are encouraged by the positive outlook to the security and political situation in Ethiopia with the international community hailing the government's efforts to foster peace. The security situation is gradually improving in Ethiopia and economic activities are back to normal in most states.

While the country has been subject to some unforeseen and unprecedented circumstances since the award of the licence to the Safaricom-led consortium, we are nonetheless working to fulfil our commitment to provide world-class services to Ethiopians in 2023 and to build the long-term foundations for our contribution to Ethiopia's digital transformation and inclusion objectives.

The launch of our network in Ethiopia represents an opportunity in which our geographical expansion will contribute meaningfully to our vision, mission and purpose, as well as our capacity for growth, and ability to continue creating and delivering value for all our stakeholders in the short-, medium- and long-term.
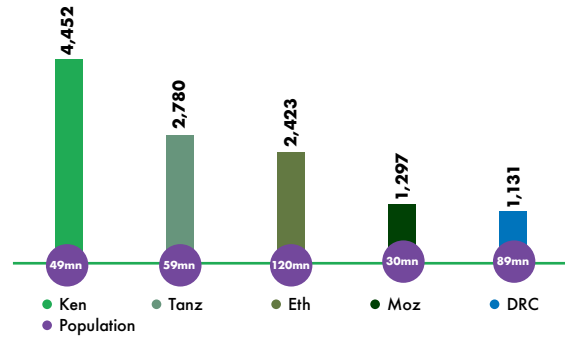
Expanding our footprint into Ethiopia continued

The opportunities represented by our launch in Ethiopia

Ethiopia is an attractive market

- Government's clear intention to open up the economy
- A huge population (median age of 17 years), growing GDP per capita (average at 7% over the last 7 years)
- Opportunity to drive digital transformation in Ethiopia
- A high growth opportunity, low penetration of services (telecoms at 43% and mobile financial services at <2%)
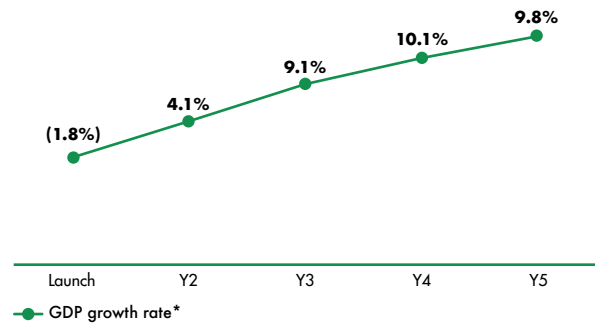
Opportunities for Safaricom

- Telecommunications Services
- Digital Services
- Mobile Financial Services (subject to licence award)

GDP per capita, PPP (USD)/population 2020*

- Ken 4,452 (49mn)
- Tanz 2,780 (59mn)
- Eth 2,423 (120mn)
- Moz 1,297 (30mn)
- DRC 1,131 (89mn)
- Population

GDP Growth rate projections (%)

- Launch (1.8%)
- Y2 4.1%
- Y3 9.1%
- Y4 10.1%
- Y5 9.8%

GDP growth rate*

*Source: World Bank. GDP per Capita, Purchasing Power Parity (PPP) is expressed in current international dollars

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Corporate affairs

As part of these capitals

Informed by these strategic pillars

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Impacting these stakeholder groups

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Corporate affairs forms an important part of our intellectual and social and relationship capitals. The function helps shape public opinion and policy, manage key stakeholders, counsel the business on law and compliance, and lead it in doing good in our communities, thereby growing and defending our reputation.

In fulfilling this role during the year under review, we proactively guided the Group's legal, regulatory, public policy and public relations agenda in order to strategically establish a customer-obsessed, digital-first organisation delivering double-digit growth.

What we did

During the year under review, we were engaged in promoting, elucidating and propagating the Group's activities and achievements in FY2022. These included our mission (see page 71), the Spirit of Safaricom (see page 62), DigiFarm (see page 87), education, wealth creation and health (see pages 131, 83 and 70), technology (see page 76), financial inclusion (see page 83), M-PESA's 15 years of achievements and milestones (see page 84), the Ethiopian launch (see page 91), and Safaricom's awards and accolades (see page 70).

Continued management of COVID-19 conditions

During the year under review, we continued to invest in various purpose-led products, services and initiatives to support Kenyans and our stakeholders as we recover from the impacts of the pandemic.

This investment includes our commitment to fast and reliable internet, doubling the bandwidth on our fibre connections to enable customers to work and learn from home, and providing concessional data rates for universities and other learning institutions. In addition, we increased the M-PESA wallet capacity to KShs 300,000 daily and a maximum of KShs 150,000 daily on the M-PESA transaction limit to support SMES. For more on M-PESA, see page 83.

Corporate communications

Through change communications, storytelling and media, employer branding and internal communications, brand positioning, and reputation and crisis management, we have been able to grow and manage Safaricom's reputation. This contributed towards our aim of positively influencing the legal, regulatory and public policy agenda by the end of FY2022 as we pave the way to become a purpose-led Technology Company by 2025.

We provided support for the business as it made great strides in establishing a customer-obsessed, digital-first organisation delivering double-digit growth by the end of FY2022, as part of the Group's strategic focus for FY2023. We have now embarked on our strategic focus for FY2023, which is focused on accelerating new growth areas delivering superior customer experience in order to be a purpose-led technology company by 2025. For more on strategy, see page 49.

Feedback from stakeholders

Some of the key messages we heard from stakeholders during the year under review included queries concerning:

- Heightened regulatory scrutiny.
- More consumer awareness, with a broader focus on the consumer and deepening of consumer's awareness of their rights, with an emphasis on value for money.
- Broader focus on data governance, specifically on the implementation of the data protection and privacy framework, including the desire for more action from the newly appointed Data Commissioner who would like to see such initiatives as the launching of a portal initiating complaints. For more on stakeholders, see page 56.

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Material areas of focus for investors

During the year investors voiced their interest in a number of aspects of the business.

Area of focus	Our response
Strategy updates:	Initiatives are focused on:
Strengthening the core	• Defending Voice through CVM initiatives • Democratising data through driving affordable 4G devices • Expanding our enterprise portfolio focused on IoT solutions mainly through partnerships with industry leads • Creating FinTech solutions to empower SMEs/MSMEs which account for 70% of businesses in Kenya • Rolling out commercial operations in Ethiopia For more on digital channels, infrastructure and Ethiopia, see pages 80, 90 and 91 respectively.
To be a financial services provider	Now pivoting from financial inclusion to financial health. • M-PESA began as a product to create customer network stickiness moved to enhance financial inclusion, stands now at 85%, #3 in Africa. We continue to enhance financial inclusion as we explore the next phases of growth, with a focus on making M-PESA a lifestyle platform. To achieve this transformation, our aim is to roll out products that promote: › A savings culture › Provide working capital to consumers and businesses › Increase access to insurance and wealth creation subject to regulatory approvals For more on M-PESA, see page 83.
Accelerating new growth areas	This strategic pillar was renamed from "Win in Digital Ecosystems" to "Accelerate new growth areas" in FY2022 to expand the scope of the ecosystems and verticals on which we are focused to drive growth and to future-proof the business. It nonetheless remained an area of interest for stakeholders. Our aim in this regard was to: • Drive growth and digitisation in the Agricultural, Health and Education sectors, through: › *In Agriculture*: DigiFarm is a key platform making significant contribution to growing farmer's wealth by offering smallholder farmers convenience, one-stop access to quality farm inputs at discounted prices, input loans, content on best farming practices as well as access to markets for their produce. › *In Health*: We continue to explore partnerships to create shared value and drive access to quality healthcare and insurance which is underpenetrated with only around 3% of the population having access. › *In Education*: In the wake of the pandemic, we are exploring initiatives to drive access to education content through online platforms. A key addition here is our Shupavu291 platform which is used by learners for content. For more on DigiFarm and sustainability, see pages 87 and 126 respectively.
Achieve cost leadership	As we transform into a technology company, we are revisiting our processes and operating models through our Agile transformation by pursuing: • Operational efficiencies and cost savings from smart procurement and cost-optimisation • These savings will fuel growth into new areas For more on technology, see page 76.
Regional expansion	Ethiopia investment remains our key focus area, with the following elements outlined: • We received the licence award on 24 May 2021 and the licence required launch of operations within nine months of the award date, with launch planned within 2022 • Significant investment will be required to deploy a world-class network • Outstanding forex issues need to be resolved • Detailed international shareholding details described • Business case rigorously stress-tested • A combination of own-built towers and active tower sharing with Ethiotel on their existing infrastructure is planned • M-PESA to play a significant role in the acceleration of products and services rollout across our footprint For more on Ethiopia, see page 91.

Corporate affairs continued

Area of focus	Our response
Financial services – M-PESA Super App and M-PESA Business App	Since inception, the intent of M-PESA was to drive financial inclusion to a large unbanked population, with the following aspects, insights and actions:

- A continually evolving service that is a key contributor to enhancing universal payments platforms
- This informed our decision to form M-PESA Africa which consolidates our resources and roadmaps, so that all M-PESA markets will have access to a wide variety of products, a more digital platform, and the level of market support in Kenya closing the gap
- Cash remains central to payments in the region, hence the need to evolve the M-PESA business model to reduce over-reliance on P2P
- Consequent lowering of our P2P transaction charges by up to 45% for transactions up to KShs 7,500
- Recent launch of M-PESA Super App to enhance financial services products and offerings in credit, savings, wealth management and insurance sectors
- 5.34 million downloads to date, with:
  › 1.0 million active customers on Super App
  › 100,000 businesses active on the M-PESA for Business App
- Transition from USSD eased by enhancing customer experience and offering superior features
- 22 mini apps developed to ensure optimum experience for both customers and partners, with ongoing partner collaboration on 87 additional mini apps

For more on M-PESA, see page 83.

| **Regulatory risk** | Mobile termination rates (MTRs) and fixed termination rates (FTRs), lowered by over 87% by the CA in 2021, with effective drop in price from KShs 0.99 to KShs 0.12, resulting in: |

- New rates to take effect on 1 January 2022
- An official appeal by Safaricom launched at the Communications and Multimedia Appeals Tribunal, outlining concern over due process involving, among others:
  › Network cost study
  › Glide path – timeline for progressive reduction
  › Lack of adequate public consultation, as required by the Constitution
  › The injunction against implementation in place, with submissions made as we await determination/judgment.
- Subscriber registration unchanged since 2015, with CA undertaking a regulations review, with proposed:
  › Biometric registration
  › Accommodation of various documents not currently listed
- Central Bank of Kenya (CBK) National Payment Systems (NPS) Strategy 2022–2025, which:
  › Builds on the foundation already in place
  › Includes full-scale interoperability; fostering customer-centric innovation; and supporting the emergence of a 24-hour economy
  › Emphasis on cashless transactions
  › The strategic goal of lowering prices and tariffs of some payment services
  › Ensures that digitalisation benefits translate to affordable, transparent, and customer-centric payment services
  › Interventions seeking to bridge the gap to universal financial inclusion, with the current rate standing at 83%

For more on compliance and governance, see page 136.

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Corporate affairs continued

Reciprocal intra-Group communication

The Group has the following channels in place to ensure that attitudes and views within the organisation are properly heard:

- A moment with Peter (CEO)
- SEMA survey
- Bonga na CEO
- Departmental/Divisional townhalls and check-ins

Conversely, we ensure that messages from management are fully understood by all staff through:

- Regular, clear and consistent communications to inform and provide regular updates
- Tools that support effective communications
- Shaping communications so that they are conversationally-driven
- Inspiring employees to become brand advocates
- Regular surveys from staff, ensuring that actions are taken and then communicated once closed
- Constant amplification and publicising of various initiatives, benefits and staff welfare

Looking ahead

In the short-term, we anticipate that the following factors will be of importance in influencing the Group's interests:

- Commercial launch in Ethiopia
- Merchant Interoperability discussions
- Organisationally embedding the Spirit of Safaricom and Agile
- A changing competitive environment
- Increased scrutiny by various regulators on Group activities
- The increasing desire among more people to see the Group doing good in the community, and being seen to do good through our products and services
- Consumers growing cynical about Group activities
- Future technologies, including IoT and blockchain technologies
- The impact of the upcoming General Elections, with polling scheduled for August 2022

In the medium-term, in order for change to be aligned with future growth we will need to:

- Transition successfully into Agile ways of working
- Focus on digital transformation and automation
- Roll out the next phase of our strategy

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