SAFARICOM PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

2023

Safaricom

NAVIGATION

OUR SIX **CAPITALS**

FINANCIAL **CAPITAL**

The pool of funds and assets that we maintain.

HUMAN **CAPITAL**

Our employees, and all the competencies, abilities experience and expertise that they bring to the Group.

INTELLECTUAL **CAPITAL**

The policies, procedures, intellectual property (IP), knowledge that exists and is cultivated in our organisation, including our vision, mission, purpose, reputation, and the value of our brand.

SOCIAL AND RELATIONSHIP **CAPITAL**

The partnerships and relationships that we build and maintain with all our stakeholders, including our employees, providers and suppliers, and our communities.

MANUFACTURED **CAPITAL**

Our buildings, properties, fibre-optic and cable networks, towers and other infrastructure, and vehicles that support our operations.

NATURAL **CAPITAL**

The beneficial projects that help to sustain the environment in which we operate.

OUR FOUR STRATEGIC **PILLARS**

- Strengthen the core
- To be a financial services provider
- Accelerate new growth areas
- Achieve cost leadership

TABLE OF **CONTENTS**

OUR STAKEHOLDER **GROUPS**

Governments and regulators	GR
Our customers	C
Investors and shareholders	IS
Our employees	E
Our suppliers	S
Society and communities	SC
Business partners	BP
Media	M

MATERIAL **MATTERS**

Our platforms	M1
Environmental stewardship	M2
Innovation and partnerships	M3
Governance, business ethics and risk	M4
Our regulatory environment	M5

SDG **GOALS**

- Good health and wellbeing
- Quality education
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Responsible consumption and production
- Peace, justice and strong institutions
- Partnerships for the goals

A SNAPSHOT OF SAFARICOM

Key Numbers | FY2023

HUMAN CAPITAL

▲ 6,616
Employees (Group)
(2022: 5,941)

▼ 49.3%
Women in our workforce
(2022: 50%)

▲ 5.8%
Procurement spend on women-owned businesses
(2022: 4.0%)

▲ 40.1%
Women in senior management
(2022: 35%)

= 3.0%
Employees with disabilities
(2022: 3.0%)

▲ 75%
Proportion of staff excited about Safaricom's future

▲ 84%
Proportion of staff who are happy working at Safaricom

= 0
Staff fatalities; 0 third-party employees
(2022: 0 staff; 2 third-party employees)

▲ 33
Staff members dismissed for fraud
(2022: 23)

NATURAL CAPITAL*

47,023 m^3
▼ 19.3% YoY
Water consumption
(2022: 58,294 m^3)

+1,400
▲ >100% YoY
Sites using solar and hybrid clean power
(2022: 310)

91,920 kgs
▲ 28.1% YoY
Total waste collected – 88,796 kgs recycled
(2022: 71,748 kgs)

132 tonnes
▼ 32.7% tonnes YoY
E-waste collected – 100% recycled
(2022: 196 tonnes; total to date: 1,778 tonnes)

300
Cell phones refurbished/repaired following rollout of mobile trade in between Safaricom, Badili and Calcare

Assured data will be included in the 2023 Sustainability Report

KEY NUMBERS | **FY2023** (continued)

Safaricom Group

FINANCIAL **CAPITAL**

KShs 295.69 billion
▲ | 5.2% YoY

Service revenue

(2022: KShs 281.11 billion)

KShs 81.05 billion
▼ | 2.6% YoY

Voice service revenue

(2022: KShs 83.21 billion)

KShs 117.19 billion
▲ | 8.8% YoY

M-PESA revenue

(2022: KShs 107.69 billion)

KShs 11.38 billion
▲ | 4.6% YoY

Messaging revenue

(2022: KShs 10.88 billion)

KShs 53.95 billion
▲ | 11.4% YoY

Mobile data revenue

(2022: KShs 48.44 billion)

KShs 8.11 billion
▼ | 17.7% YoY

Mobile incoming revenue

(2022: KShs 9.85 billion)

KShs 13.46 billion
▲ | 19.7% YoY

Fixed line and wholesale transit revenue

(2022: KShs 11.24 billion)

KShs 85.00 billion
▼ | 22.1% YoY

Earnings before interest and tax (EBIT)

(2022: KShs 109.13 billion)

KShs 62.27 billion
▼ | 10.6% YoY

Net income excluding non-controlling interests

(2022: KShs 69.65 billion)

KShs 65.82 billion
▼ | 12.1% YoY

Free cash flow (Safaricom Kenya)

(2022: KShs 74.88 billion)

KShs 23.85 billion
▼ | 62.5% YoY

Free cash flow

(2022: KShs 63.67 billion)

KShs 132.60 billion
▲ | 6.3% YoY

Taxes, duties and licence fees paid

(2022: KShs 124.70 billion)

A SNAPSHOT OF SAFARICOM

KEY NUMBERS | FY2023 (continued)

SOCIAL AND RELATIONSHIP CAPITAL

43.75 million (Safaricom Kenya)
▲ 3.1% YoY
3.0 million (Safaricom Ethiopia)
Total customers
(2022: 42.44 million)

32.11 million
▲ 5.2% YoY
M-PESA customers
(2022: 30.53 million)

971.2 k
▲ 5.7% YoY
M-PESA global customers
(2022: 918.7k)

26.07 million (Safaricom Kenya)
▲ 3.4% YoY
0.92 million (Safaricom Ethiopia)
One-month active mobile data customers
(2022: 25.22 million)

5.2 million
▲ 8.3% YoY
M-TIBA customers
(2022: 4.7 million)

195,741
▲ +17.9% YoY
Fixed home customers
(2022: 165,981)

262,309
▲ 0.1% YoY
Active M-PESA agents
(2022: 262,004)

602,662
▲ 23.1% YoY
LNM active merchants
(2022: 492,772)

MANUFACTURED CAPITAL

14,000 km
▲ 28.7% YoY
Cumulative fibre-optic footprint
(2022: 10,880 km)

275,657
▲ 42.8% YoY
Residential homes connected to fibre-optic network
(2022: 193,059)

97%
= 0.0% YoY
Proportion of population with 4G coverage
(2022: 97%)

How we Continued to Create Value in **FY2023**

FOR OUR **SHAREHOLDERS**, WE:

FY2023	FY2022
DECLARED:	
KShs 48.08 billion in dividends	KShs 55.69 billion in dividends
KShs 0.58 DPS interim dividend	KShs 0.64 DPS interim dividend
KShs 0.62 DPS final dividend	KShs 0.75 DPS final dividend
FY23 DPS KShs 1.20	FY22 DPS KShs 1.39
RECORDED:	
520% in total shareholder returns (TSR) since listing	611% in total shareholder returns (TSR) since listing
TSR = {(End of FY Price – Purchase Price (IPO) + Dividends} ÷ Purchase Price (IPO)	TSR = {(End of FY Price – Purchase Price (IPO) + Dividends} ÷ Purchase Price (IPO)
44.4% of total NSE market capitalisation on the NSE	58.9% of total NSE market capitalisation on the NSE
	Zero-rated educational resources
	Provided double permanent bandwidth to fibre customers
LAUNCHED:	
Commercial operations in Ethiopia and are currently finalising our commercial and technical readiness to launch M-PESA operations within FY24	Regional expansion by preparing for commercial launch services in Ethiopia within calendar year 2022

How we Continued to Create Value in **FY2023**
(continued)

FOR OUR **CUSTOMERS**, WE:

FY2023	FY2022
ENHANCED:	
4G coverage to 97%	4G coverage to 97%
3G coverage to 97%	3G coverage to 97%
2G coverage to 97%	2G coverage to 97%
205 Active 5G sites	35 Active 5G sites
ENABLED:	
2.26 million 4G devices added to our network	2.48 million 4G devices added to our network
2,600 transactions per second on M-PESA	2,000 transactions per second on M-PESA
21.03 billion transactions via M-PESA, valued at KShs 35.86 trillion	15.75 billion transactions via M-PESA, valued at KShs 29.55 trillion
0.65 billion free M-PESA wallet-to-bank and bank-to-wallet (C2B and B2C) transactions, valued at KShs 5.78 trillion, accounting for 16.1% of the total value of M-PESA transactions	0.50 billion free M-PESA wallet-to bank and bank-to-M-PESA wallet (C2B and B2C) transactions, valued at KShs 5.59 trillion, accounting for 18.9% of the total value of M-PESA transactions
Network of about 1.0 million active businesses accepting payments on M-PESA	Network of over 700k active businesses accepting payments on M-PESA
607k active LNM merchants	493k active LNM merchants

FY2023	FY2022
PROVIDED:	
Reduced Fuliza charges by up to 50%	**Zero-rated M-PESA P2P** and LNM transactions below KShs 1,000, amounting to • 1.7 billion transactions • Valued at KShs 4.38 trillion
Reduced Bank to M-PESA charges by an average of 61% and M-PESA to Bank charges by an average of 47% post return to charging	
Reviewed Paybill prices reducing them by more than 50%	
Price decline in voice and data	**Price decline** in voice and data
Price decline in outgoing rate per minute by 11.5% YoY and incoming rate per minute by 5.0% YoY	**Price decline** in outgoing rate per minute by 11.5% YoY and incoming rate per minute by 5.0% YoY
Decline in rate per MB by 31.2% YoY	**Decline** in rate per MB by 31.2% YoY
Double permanent bandwidth to fibre customers	**Double permanent bandwidth** to fibre customers
99.71% systems availability and incidents reduction on our network	**99.99%** systems availability and incidents reduction on our network
DEPLOYED:	
14,000 km of fibre-optic cable (+28.7% YoY)	**10,880 km** of fibre-optic cable (+7.9% YoY)
465,558 homes passed (+27.6% YoY)	**364,980 homes** passed (+4.5% YoY)
195,741 FTTH customers (+17.9% YoY)	**165,981 FTTH** customers (+20.8% YoY)

How we Continued to Create Value in **FY2023** (continued)

FOR OUR **EMPLOYEES**, WE:

FY2023	FY2022
Established that 84 out of 100 of staff are happy working at Safaricom	Established that 9 out of 10 of staff are happy working at Safaricom
Established that 75% of our people excited about the future of Safaricom	Established that 83% of our people excited about the future of Safaricom
Saw 90% of our employees completing at least one future skills course in Safaricom Business School and instructor-led training in: • Agile • Cybersecurity • Data science • Analytics	Saw 70% of our employees completing at least one future skills course in Safaricom Business School and instructor-led training in: • Agile • Cybersecurity • Data science • Analytics
M:F 51:49 gender split	50:50 gender split
CONFIRMED:	
A total workforce complement of 6,616, including Safaricom Ethiopia staff at 909, of which 81% is local talent	A total workforce complement of 5,941, including Safaricom Ethiopia staff at 305, of which 50% is local talent

FOR OUR **SOCIETY**, WE:

FY2023	FY2022
RECORDED:	
6.5 million SMEs and enterprises opted in on M-PESA	3.2 million SMEs and enterprises opted in on M-PESA
5.2 million subscribers making use of our M-TIBA solution for sending, saving and spending funds for medical treatment at: 5,189 clinics	4.7 million subscribers making use of our M-TIBA solution for sending, saving and spending funds for medical treatment at: 3,700 clinics
DIGITISATION & PARTNERSHIPS:	
400 of 5,000 government workflows	300 of 5,000 government workflows
KShs 24.44 billion value disbursed to 15.8 million customers under Hustler Fund initiative	
2.0 million bags of fertiliser distributed to 2.3 million farmers in 28 counties, to a transacted value of KShs 7.1 billion, via M-PESA fertiliser distribution	
INTEGRATED WITH M-PESA:	
42 of 47 county governments	26 of 47 county governments

How we Continued to Create Value in **FY2023** (continued)

OUR **SAFARICOM JOURNEY**

1999
- Safaricom is licensed

2000
- Safaricom is officially launched in October
- Vodafone PLC (UK) buys 40% of Telkom Kenya
- Michael Joseph is appointed CEO

2001
- **26,000 subscribers**
- Entry of Kencell into the Kenyan market

2002
- **KShs 9 billion in revenue**
- Converted into a public company with 60% owned by GoK
- KShs 100 scratch card is introduced

2003
- **54.0% market-share**
- Drive into mass market:
  - Launch of Simu ya Jamii (Swahili for communal phone) – users are able to make affordable calls at regulated rates charged per unit second
  - Launch of per-second billing – this counters competition per-minute billing rates by charging in seconds per unit

2004
- **54.0% market-share**
- 2 million subscribers milestone reached
- Telkom exclusivity with Safaricom ends
- Kencell sold to Vivendi then Celtel
- Mobile internet launched

2005
- **54.5% market-share**
- Launch of Sambaza allowing subscribers to share credit/airtime
- Launch of "Please Call Me", Safaricom's Flash Back service

2006
- **60.8% market-share**

2007
- **65.4% market-share**
- **6 million subscribers**
- Launch of M-PESA on 1 March
- First to market with 3G

2008
- **59.2% market-share**
- **10 million subscribers**
- **KShs 61 billion in revenue**
- Safaricom Initial Public Offering (IPO) with government selling 25% and diluted to 35% ownership
- Celtel branded to Zain
- Telkom partners with Orange
- Entry of Essar Telecoms, YU
- IMT pilot partnership with Vodafone and Western Union

2009
- **79.1% market-share**
- M-PESA interoperability with banks, WiMAX
- Off-island fibre, investment in SEACOM and TEAMS

2010
- **78.3% market-share**
- Bob Collymore appointed CEO
- Airtel buys Celtel branded as Zain
- The Communication Authority assigns additional frequency spectrum resources to Zain to enable it to offer 3G services
- Regulator implements MTR reduction to KShs 0.99, sparking a price-war

2011
- **68.2% market-share**
- **17 million subscribers**
- Mobile number portability introduced
- Price-war in the market

2012
- **65.3% market-share**
- **KShs 107 billion revenue**
- Safaricom partners with NCBA Bank (Formerly CBA Bank, prior to its merger with NIC Bank in Sept 2019) to launch the M-Shwari savings and loan product

2013
- **65.1% market-share**
- Launch of Lipa na M-PESA
- Launch of Kenya's first Sustainability Report

2014
- **67.8% market-share**
- **21 million subscribers**
- Launch of 4G network
- Launch of National Security Surveillance
- Launch of Spark Venture Fund to help tech start-ups grow their businesses

2015

- **67.1% market-share**
- Regional structure – Inspired by Safaricom's desire to put the *Customer First* and provide *Operational Excellence* in line with our strategic pillars
- Safaricom relocates M-PESA servers from Germany to Kenya
- Launch of KCB M-PESA and True Value Report
- Safaricom's contribution to Kenyan economy reaches 6% of GDP
- Orange and Airtel receive approval to test 4G
- Safaricom partners with GoK to launch Citizen, the online payment for GoK

2016

- **65.6% market-share**
- Safaricom becomes the first company in Kenya to link its growth strategy to the 17 UN SDGs

2017

- **71.9% market-share**
- **28 million subscribers**
- **KShs 224 billion in revenue**
- Rebrand to Twaweza "When we come together, great things happen"
- Launch of Home Solutions and e-commerce

2018

- **64.2% market-share**
- **29 million subscribers**
- Launch of e-commerce – Masoko
- Launch of DigiFarm
- Launch of M-PESA Global

2019

- **62.4% market-share**
- **31.8 million subscribers**
- Launch of Nawe Kila Wakati (NKW) Always With You campaign
- Launch of Fuliza

2020

- **64.8% market-share**
- Launch of "FOR YOU" customer promise
- Acquisition of M-PESA brand *via* joint venture with Vodacom
- Partnership with Visa

2021

- **64.4% market-share**
- Peter Ndegwa takes over as CEO
- Michael Joseph is appointed Chairman of the Board
- Launch of new strategy and Agile organisation
- Launch of 5G trials
- Launch of device financing with Lipa Mdogo Mdogo

2022

- **65.3% market-share**
- M-PESA celebrates achieving 30 million monthly-active customers
- M-PESA celebrates 15 years of Transforming Lives
- Launch of M-PESA Consumer Super App and Business App
- Awarded Telecommunications licence in Ethiopia
- Launch of Halal Pesa, the first Sharia-compliant digital financing product, in partnership with Gulf Bank

2023

- **65.7% market-share**
- 33.11 million active subscribers
- Merchant interoperability, Paybill/Buy Goods
- Launch of M-PESA GlobalPay Virtual Visa Card
- Commercial launch of operations in Ethiopia
- Commercial launch of 5G Services
- Launch of M-PESA Go for Teens (10–17 years)
- Launch of Hustler Fund – Phase 1 in partnership with the government
- Adil Khawaja appointed Chairman of the Board
- Solarised over 1,400 network sites resulting in 22% energy savings
- Partnered with the government to roll out Women Enterprise Fund (WEF) on M-PESA
- Launch of County App in Makueni and Kitui Counties

ABOUT **OUR REPORT**

OUR REPORTING **SCOPE AND BOUNDARY**

This Annual Report is the primary report of Safaricom PLC (the Company) and its subsidiaries (together, the Group) to its stakeholders, and is a concise, material and honest assessment, reviewed and authorised by our Board of Directors (the Board) of how we create long-term value and how we deliver on our purpose of Transforming Lives. The report provides an overview, in terms of the six capitals of our strategy and business model, risks and opportunities, operational and governance performance and activities for the financial year 1 April 2022 to 31 March 2023. Our intention in this report is to describe both our financial and non-financial activities and performance during the year.

In compiling the report, we have reflected the integrated thinking that we apply to our business activities, and we have endeavoured to demonstrate our commitment to the principles of integrated reporting as aligned with our ability to create value in the short, medium and long term, which we define as less than 12 months, one to five years, and beyond five years, respectively.

MATERIALITY

We consider material matters to be those issues that could substantively affect our ability to create value over time, and as part of our commitment to understand and provide information on those material matters, we undertake a structured process involving senior decision-makers within the Group to identify and prioritise them.

This process includes a considered review of our business model and strategy, our operating environment, and the interests of our key stakeholders as expressed by them during our normal business engagements with them.

Through research and analysis, and our engagement with stakeholders, we strive to identify and gain insight into the environmental, social and governance issues that present significant risks, and or provide opportunities, to our business, and our ability to create and deliver value for our stakeholders.

In providing the basis for a broader understanding of the risks and opportunities inherent in our business, our process of determining the material matters that pertain to our activities is central in both guiding our decision-making and underpinning our strategy.

OUR APPROACH TO THE PREPARATION OF **OUR INTEGRATED REPORT**

Integrated thinking is intrinsic to how we manage our business, our strategy development and reporting practices. Our strategy, with its four strategic pillars, has been developed to ensure that we manage the key resources and relationships that enable us to create value over time. Considered assessment of our four strategic pillars informs our strategy and the materiality process used to determine the content and structure of this report, whose drafts, concepts and structure have been systematically reviewed and supported by the ultimate assurance of independent assurance providers.

Our reporting frameworks

This report is prepared in accordance with the International Financial Reporting Standards (IFRS) Framework and the International Integrated Reporting Framework. Our reporting process is guided by the principles and requirements of IFRS, the Nairobi Securities Exchange (NSE) Listings Requirements and the Kenyan Companies Act, 2015 (the Act).

ABOUT **OUR REPORT**

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance and operations, and refers to certain global, regional and domestic political, social and or macro-economic conditions. By nature, these forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict, and therefore beyond our control. The conditions described could thus cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

ASSURANCE

Both our Board Audit, Risk and Compliance Committee and our Nominations and Remuneration Committee provide internal assurance to the Board on an annual basis on the execution of our strategic priorities. The Group's financial, operating, compliance and risk management controls are assessed by its internal audit function, which is overseen by the Board Audit, Risk and Compliance Committee. Our annual financial statements are assured by our external auditors, Ernst & Young LLP.

DIRECTORS' **STATEMENT OF RESPONSIBILITY**

The Board has a statutory duty to provide oversight in promoting the business success of the Group for the benefit of its stakeholders. In fulfilling this duty, the Board has due regard for the long-term implications and consequences of their decisions, as well as the legitimate interests of all the Group's stakeholders and the impact of our operations on the community and the environment.
The Board acknowledges its overall responsibility for good corporate governance across the Group and ensures that the Group's governance policies and mechanisms are appropriate to its structure, business and risks.

As a fundamental principle of its commitment to full and transparent compliance with all laws, regulations and standards applicable to it, the Board ensures adherence to the standards and practices of good corporate governance, and to the principles, practices and recommendations set out under the Code of Corporate Governance for Issuers of Securities in Kenya (the Code) as well as the Act.

The Board has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards, and is supported by qualified legal and compliance professionals.

The Board has applied its collective mind to the contents of this report and believes that it fairly represents the Group's material matters and that it offers a balanced view of our strategy, business model, financial and non-financial activities and value-creation. On the recommendation of the Board Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee, the Board approved the Safaricom PLC Consolidated Audited Financial Statements on 10 May 2023.

Signed on behalf of the Board

Adil Arshed Khawaja
Chairman

Peter Ndegwa
Chief Executive Officer

Additional reports

Safaricom remains committed to reporting transparently to a wide range of stakeholders. To view any additional reports please visit our website: www.safaricom.co.ke

SAFARICOM PLC ANNUAL REPORT AND FINANCIAL **STATEMENTS**

The Annual Report is the primary report to the stakeholders. It is structured to show the relationship between the interdependent elements involved in the Group's value creation story, in compliance with:

- International Financial Reporting Standards (IFRS) and the International Integrated Reporting Framework
- Our reporting process is guided by the principles and requirements of IFRS, the Nairobi Securities Exchange (NSE) Listings Requirements and the Kenyan Companies Act, 2015.

https://www.safaricom.co.ke/images/Downloads/Safaricom_IR_2023_Final.pdf

SAFARICOM RESULTS **PRESENTATION**

https://www.safaricom.co.ke/images/calendars/FY23-Investor-Presentation-11-May-2023.pdf

SAFARICOM RESULTS **BOOKLET**

https://www.safaricom.co.ke/images/calendars/FY23-Results-Booklet-11-May-2023.pdf

SAFARICOM PRESS **RELEASE**

https://www.safaricom.co.ke/images/calendars/FY23-Press-Release-11-May-2023.pdf

WHO WE ARE

We are a purpose-led technology company providing a wide range of services and solutions, including mobile voice, messaging, data, financial and converged services, and digital services that enable commercial and personal platforms as well as ecosystem partnerships.

Safaricom is one of a small group of about 400 companies across Africa whose annual revenues amount to more than USD 1 billion. Many of these companies are pan-African in their operations and are active in increasingly diverse sectors.

We invest in a unique way of doing business through our purpose of Transforming Lives, and seek to create opportunities for Kenyans to be a part of our growth story by empowering them with the right tools for their own economic growth. We have 44 million customers on our network and over 32 million using our M-PESA service. We also have over 6,300 towers connecting Kenyans across the country.

DIGNITY

Through our Foundations, we work to enable access for Kenyans to quality healthcare, education, skills and sustainable employment, by providing resources, opportunity, hope and dignity to communities.

In 2006, we signed up to the UN Global Compact (UNGC) and in 2012 we began reporting on our approach to sustainability and progress. In 2016, we brought our approach into alignment with the SDGs to help translate our sustainability ideals into meaningful and concrete plans, from overarching objectives to simple daily activities that could be put into practice throughout the organisation.

In 2018, we were awarded UN Global Compact LEAD Company status in recognition of our commitment to the 10 principles of the UNGC. Global Compact LEAD companies are identified annually for high levels of engagement as a participant in the United Nations Global Compact.

Participation in the UN Global Compact at the LEAD-eligible level provides a unique opportunity to be recognised for commitment, to lead to a new era of sustainability by bringing committed companies together with relevant experts and stakeholders in action platforms.

Our current strategy builds on our strong history of results and partnerships and aims to contribute towards the United Nations Sustainable Development Goals (UN SDGs), nine of which we have adopted to help guide the Company into the next phase of its growth.

These SDGs represent humanity's shared vision of the actions that we need to take to create growth for the benefit of everyone, and thereby form a social contract between the world's leaders and our people. Moreover, we were the first Kenyan company to deeply integrate sustainability within the core of our every business decision. We use the UN SDGs to transform and boost the success of our business and enhance our purpose of Transforming Lives. (For more on our strategy, see page 44.)

OUR SDG GUIDING **FRAMEWORK**

We commit ourselves to deliver connectivity and innovative products and services (**SDG9**) that will provide unmatched solutions to meet the needs of Kenyans, by enabling access (**SDG10**) through our technologies and partners (**SDG17**), and by exploring opportunities in health (**SDG3**), education (**SDG4**) and energy (**SDG7**). We will do so by managing our operations responsibly (**SDG12**) and ethically (**SDG16**). This will stimulate growth and generate value (**SDG8**) for our company, society and economy.

With M-PESA, we are able to help restore dignity to thousands of refugees. Through a partnership with the World Food Programme, we are leveraging M-PESA to help more refugees access food, through our product Chakula Chap Chap, enabling us to digitise food delivery for over 100,000 households. (For more on our contribution to society and communities, and on M-PESA, see pages 120 and 116 respectively.)

Drought response

Our CEO was appointed to chair the 15-member National Steering Committee on Drought in November 2022. The committee established the National Drought Mitigation Appeal Fund, with bank accounts operated by members of the private sector, the government and the Red Cross. The goal was to assist 20 counties in the Arid and Semi-Arid Land (ASAL) and 45 wards in nine non-ASAL counties that were vulnerable as a result of the food shortage. With the support of our partners, we were able to raise the required funds, and alleviate a dire situation that had been exacerbated by COVID-19 and disruptions in the global food supply-chain and climate change.

In addition, we encouraged Kenyans to donate their Bonga loyalty points or cash, to contribute towards the donations being collected by the Pamoja Tuungane campaign. This campaign aimed at rallying Kenyans to support those suffering from the effects of the prolonged drought. Safaricom and the M-PESA Foundation also committed a foodstuff donation worth over 100 million shillings to be distributed to some of the hardest-hit counties.

Partnerships

Through our partnerships with various bodies, we deliver more than just voice or data to communities across Kenya by leveraging our respective strengths to deliver healthcare solutions to over 100,000 Kenyans through 60 health care providers. We have also partnered with the government on numerous initiatives to extend more services to citizens by digitising primary schools, connecting health centres, streamlining payments to farmers, and much more. (For more on our partnerships, see page 120)

Relevant solutions

Our goal is to continue to deliver a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges by establishing ourselves as a digital-first and insights-led organisation. We provide a wide range of connectivity and financial services including voice, mobile data, devices, fixed services, IoT and M-PESA.

We became the first operator in the world to introduce real-time refunds for dropped calls. What's more, since the launch of the Safaricom Guarantee service in May 2016, we have an unprecedented view of our customers that helps us to ensure that our services remain relevant and optimised for this market.

During the year under review, we cemented our reputation as the technology innovation hub in Kenya by enhancing our customer experience through the introduction of:

- Zuri, our online care assistant
- D.I.Y. capabilities
- Data Manager
- E-statements
- Elevated fraud management

For more on technology, see page 90.

In June 2022, we launched a joint project between Safaricom, Airtel and Telkom that allows Paybill organisations and Buy Goods merchants to pay for goods and services at any merchant outlet regardless of the network they operate on.

Customers from other networks do not need to provide any additional know your customer (KYC) information in order to transact with Safaricom Lipa Na M-PESA merchants, with Airtel and Telkom customers only required to be registered on Airtel Money and T- Kash, respectively.

Then, in July 2022, we launched M-PESA GlobalPay Virtual VISA Card, a fast, efficient and easy-to-use app that allows users, to transact worldwide with their card details, facilitating payments at international online merchants such as Netflix and Amazon.

November 2022 saw the launch of M-PESA Go – a product aimed at teens aged between 10 and 17. This innovative solution drives financial inclusion and financial literacy among juniors by allowing them to use M-PESA services, while at the same time enabling guardians and parents to guide their financial journey via tracking, monitoring, enable and disable services, limit-setting and statement viewing.

While M-PESA services such as Lipa na M-PESA, send and receive money, and purchase airtime and bundles can all be accessed, the young users are further protected through a restriction of services such as digital loans, withdrawals, and payments to political parties and betting companies. (For more on Financial Services, see page 92.)

A network for the future

Since the activation of our 5G service in March 2021 and the subsequent launch in October 2022, we have greatly expanded access, with 205 5G sites across 23 out of 47 counties as at the end of March 2023. Our aim is to continue increasing the empowerment of our customers with super-fast internet at work, at home and on the move, by supplementing our growing fibre network. Our 4G coverage now stands at 97% across Kenya, with 6,232 4G stations.

WHO WE ARE

OUR VISION – WHERE WE SEE OURSELVES GOING

We are a purpose-led technology company that uses innovation to drive social and socio-economic empowerment in society

OUR MISSION – WHAT WE AIM TO ACCOMPLISH

To be a purpose-led technology company by 2025

OUR CULTURE – HOW WE CONDUCT OUR JOURNEY

Purpose-driven, customer-obsessed, innovative and collaborative

OUR VALUES – THE PRINCIPLES WHICH GOVERN OUR CONDUCT

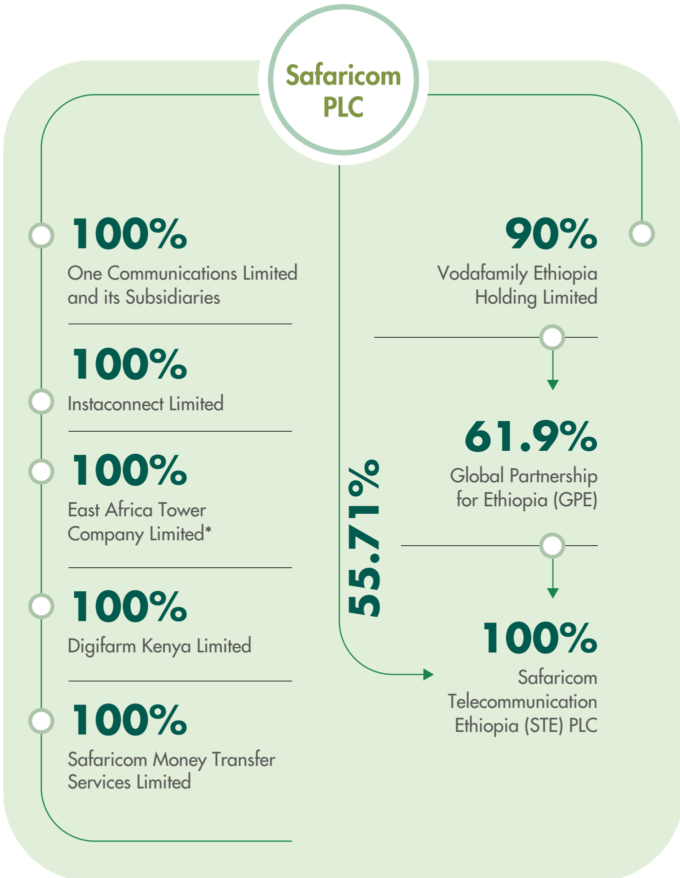
- Simple – in the way we reach out to you
- Transparent – in what we deliver to you
- Honest – in what we say to you

Our brand promise is founded on these values:

Simple. Transparent. Honest. **FOR YOU**

This promise expresses our commitment to inspire trust and belief in our customers. It is indicative of who we are, and what differentiates us from our competitors. It embodies what our customers can expect to experience when engaging with us, and it is built on authenticity across all the facets of our brand.

OUR GROUP STRUCTURE



OUR CAPITALS

FINANCIAL **CAPITAL**	The pool of funds and assets that we maintain
HUMAN **CAPITAL**	Our employees, and all the competencies, abilities experience and expertise that they bring to the Group
INTELLECTUAL **CAPITAL**	The policies, procedures, intellectual property (IP), knowledge that exists and is cultivated in our organisation, including our vision, mission, purpose, reputation, and the value of our brand
SOCIAL AND RELATIONSHIP **CAPITAL**	The partnerships and relationships that we build and maintain with all our stakeholders, including our employees, providers and suppliers, and our communities
MANUFACTURED **CAPITAL**	Our buildings, properties, fibre-optic and cable networks, towers and other infrastructure, and vehicles that support our operations
NATURAL **CAPITAL**	The beneficial projects that help to sustain the environment in which we operate

OUR SERVICES AND **SOLUTIONS***

m-pesa

What it is	**Partners**
A mobile phone-based money transfer service, payments and a micro-financing service platform launched in 2007. M-PESA supports global payments through M-PESA Global and now in partnership with Visa for a Virtual Global online payments card. We have also launched Halal Pesa, a Shari'ah compliant credit product.	• Visa • Credit and savings entities • Global payment partners • Ant financial

Sector Financial services

FULIZA

Dial *234# to join

What it is	**Partners**
An overdraft facility that enables customers to access an unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to applicable predetermined limits. Customers can also access Fuliza for Airtime to complete airtime top-ups in the event of any M-PESA wallet shortfalls. Fuliza customers can also withdraw cash from M-PESA agents.	• KCB Group • NCBA

Sector Financial services

LIPA NA m-pesa

What it is

Lipa Na M-PESA (LNM) enables merchants to transact using a till number to collect payments from customers. It has two use-cases:

- Buy goods – mainly used for one-off payments to merchants, done "on the go", mainly face-to-face, but can also be done remotely.
- Billers – C2B option, mostly executed remotely/online, and mainly used for repetitive transactions done on utility payments to government agencies, SACCOs, electricity and water providers, and hospitals.

Sector E-commerce

KCB M-PESA NEW & IMPROVED

What it is	**Partners**
KCB M-PESA is a savings and loan service that enables M-PESA customers to save as little as KShs 1, and access credit from KShs 1,000. The KCB M-PESA loan account is a micro-credit product which gives customers access to loans for an emergency or to fund a project or an enterprise.	• KCB Bank (a tier 1 Kenyan bank)

Sector Banking

For more information on how to access these services and solutions, please visit www.safaricom.co.ke

WHO WE ARE

M-KESHO
M-PESA EQUITY ACCOUNT

What it is	Partners
M-Kesho Bank Account was launched to enable Safaricom's mobile money clients to access their Equity bank accounts directly. Registration is free and the account has no charges, ledger fees or minimum account balance requirement.	• Equity Bank

Sector Banking

M-KOPA SOLAR
UPGRADE YOUR LIFE

What it is

M-KOPA provides solar home systems that innovatively integrate machine-to-machine technology (M2M) with a micro-payment solution. The system includes embedded GSM technology for monitoring and metering usage, while its pay-as-you-go service carries the advantage of no large initial cash outlay.

After an initial deposit, customers pay daily instalments via a mobile money service (M-PESA) until the balance is paid off. Once this repayment is complete, customers own the unit outright.

The solution is cheaper and healthier than the alternative of kerosene lamps for rural households with no electricity.

M-KOPA solar is currently available in 750 outlets nationwide in Kenya through the Safaricom distribution network.

Sector Clean Energy

m-tiba

What it is	Partners
A health payment application or "e-wallet" that enables low-income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently	• Care Pay

Sector Health

M-Shwari

What it is	Partners
M-Shwari is a micro-lending/savings product. The M-Shwari Loan Account is a micro-credit product which allows customers to borrow money or to complement their savings towards an investment or enterprise. The M-Shwari Deposit Account is a micro-savings product which allows customers to store their money securely for a specific purpose or for unexpected events.	• NCBA (a tier 1 Kenyan Bank)

Sector Banking

SOMA NA SHUPAVU 291

What it is	Partners
An SMS- and USSD-based (*291#) education platform that enables students to study without an internet connection	• Eneza Education

Sector Education

M-Salama

What it is	Partners
A USSD code *600# and SMS platform that sends early warning information	• Kenya Red Cross Society

Sector Health

* *For more information on how to access these services and solutions, please visit www.safaricom.co.ke*

M-PESA Consumer App

What it is

The M-PESA Consumer App delivers the suite of M-PESA solutions to our consumers through a customer-centric approach, redesigning the M-PESA customer experience journey to reduce Call Centre demand and simplify multiple payments.

It serves as a one-stop shop for all SMEs, including instant Lipa Na M-PESA sign-up through the Merchant App, increased access to market to achieve scale through SME Marketplace, and the integration of third-party services through Mini Apps.

Sector Consumers

M-PESA Business App

What it is

The M-PESA Business App allows merchants and businesses to better visualise their payment collections and spend, see full statements, and transact directly from their M-PESA Business till using the App.

The app provides users a faster and simpler payment experience, that is an alternative to the *234# Option 2 USSD service.

Sector Business owners

Pochi La Biashara

What it is

Pochi La Biashara allows M-PESA to register informal business owners such as, among others, food vendors, kiosk owners, boda-boda operators, and second-hand clothes dealers, to receive and separate business funds from personal funds on their M-PESA number.

Sector Informal business owners

M-PESA Go

What it is

M-PESA Go is a product designed for children aged between 10 and 17 allowing them to use M-PESA services, with guardians and parents retaining the ability to guide their financial journey via tracking, monitoring, enable and disable services, limit-setting and statement viewing, thereby driving financial inclusion and financial literacy among young people.

It allows the use of M-PESA services such as Lipa na M-PESA, sending and receiving money, and purchase of airtime and bundles, while restricting services such as digital loans, withdrawals, and payments to political parties and betting companies.

Sector Juniors aged 10 to 17

M-PESA Consumer App mini Apps

What it is

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. 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.

Sectors Financial Services, Transport & Travel, Health & Wellness, Events & Experiences, Education, E-commerce

WHO WE ARE

M-PESA Interoperability

What it is

M-PESA Interoperability is a joint project between Safaricom, Airtel and Telkom that allows all customers to pay for goods and services at any merchant outlet regardless of which network they operate on.

Customers from other networks do not need to provide any additional know your KYC information in order to transact with Safaricom Lipa Na M-PESA merchants, with Airtel and Telkom customers only required to be registered on Airtel Money and T- Kash, respectively.

Partners

- Airtel
- Telkom

Sector Paybill organisations and Business Till merchants

Kifaru Net

What it is

Kifaru Net is a fast, secure fibre internet connection with great 24/7 firewall protection with our Secure Fibre Solution with a free router and installation that offers businesses bundled security at lower cost on hosted firewall architecture, that reduces the cost of owning, managing and maintaining a physical firewall in-office device. It also provides easy website management for employees to promote productivity and avoid wastage on sites that do not add value.

Sector Business

M-PESA GlobalPay Virtual VISA Card

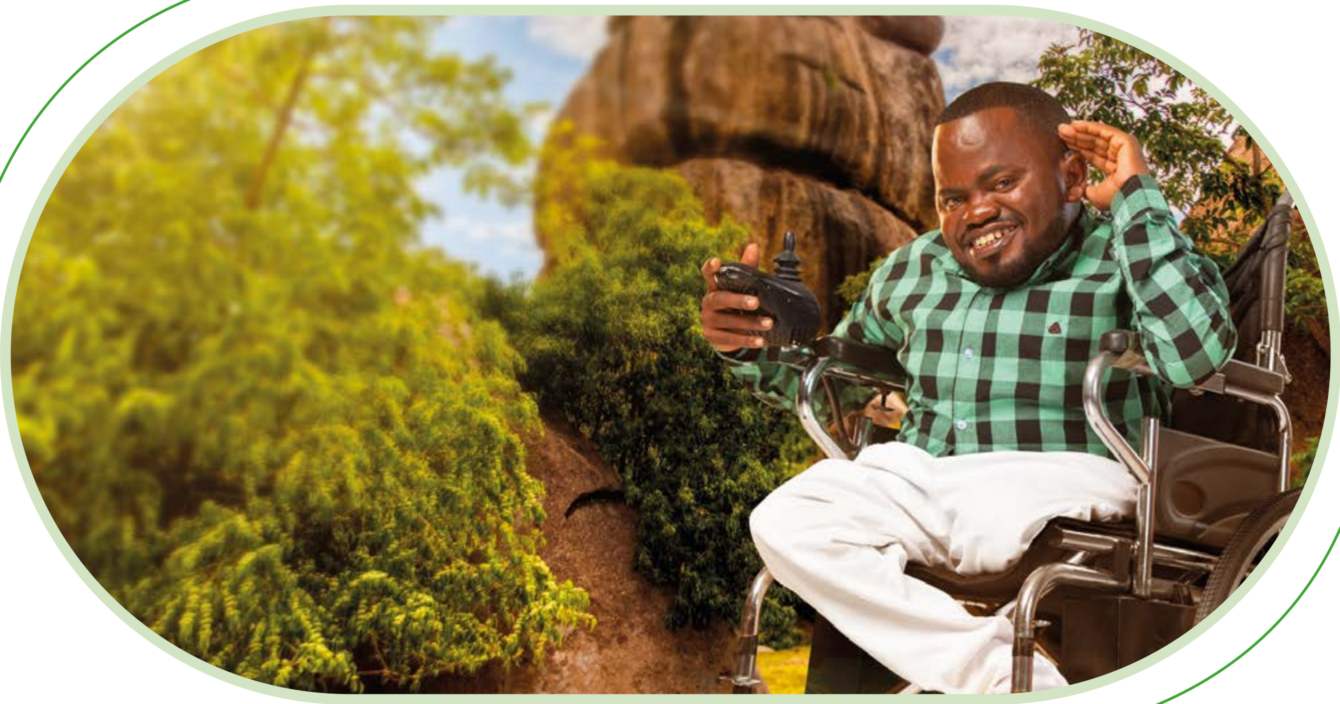
What it is

M-PESA GlobalPay Virtual VISA Card provides a fast, efficient and easy app that allows users to transact worldwide, facilitating payments on international online merchants such as Netflix and Amazon, using card details.

Partners

- VISA

Sector E-commerce



OUR STRATEGIC* **FOCUS**

Our strategy is founded on four strategic pillars:

- Strengthen the core
- To be a financial services provider
- Accelerate new growth areas
- Achieve cost leadership

Our strategic focus for FY23

To accelerate new growth areas, delivering superior customer experience in order to be a purpose-led technology company by 2025.

Our strategic focus for FY24

To scale technology solutions in order to be a purpose-led technology company by 2025.

As a responsible corporate citizen, we take into account the broader needs of the society in which we operate, as we pursue our mission to scale technology solutions in order to be a purpose-led technology company by 2025.

*For more on our strategy, see page 44.

Our aim is to achieve this by focusing on the following:

Accelerate new growth areas e.g. IoT, ICT, Cloud, Content, Fixed Business, Next Financial Services (Insurance, Wealth Management, Payments)

Strengthen execution capabilities to deploy customer solutions (Route to Customer, Pricing & Mergers & Acquisitions and partnerships)

Deliver top Government Projects (#1 partner of choice)

Establish capacity to win through our Strategic Enablers (Big Data & Analytics, Customer Value Management, Agile, Brand, Purpose)

Grow penetration of 4G devices Targeting 800 5G sites by FY24

Scale Ethiopia operations – Launch M-PESA

- **And partnering for progress and growth**

Hustler Fund

Hustler Fund Phase 1

Launched 30 November 2022

KShs 24.44 billion value disbursed to **15.8 million customers** as at 31 March 2023

Hustler Fund Phase 2 Launched on 1st June 2023

Women Enterprise Fund

Launched 2 March 2023

153 groups created as at 31 March 2023

MyCounty App

Supporting county governments in digitising their services

Launched first app in **Makueni County** on 26 April 2023

Kitui County on 28 June 2023

Other Partnerships

Fertiliser distribution

2.0 million bags distributed to 2.3 million farmers in 28 counties

KShs 7.1 billion value transacted via M-PESA since launch in February 2023 (As at March 2023)

Supporting digitisation of +6k government services on eCitizen platform

- Driving value to help our customers cope with tough economic conditions, with our products and services:
  - Fuliza for withdrawals
  - Zero charges for merchant payment
  - Secured connectivity for business
  - Freedom via consolidation
  - Accessible prices
- Leveraging lifestyle for holistic customer propositions and communication, by providing:
  - Convenience for travellers with Bonga discounted rates
  - World cup streaming with Showmax
  - Ease of managing business with Biashara Smart
  - Global convenience with M-PESA Global

WHO WE ARE

While managing the following risks*:

1 Regulatory and Taxation Risks

- Compliance with all the regulations
- Focus on new growth to cushion the MTR impact
- Proactive review of our products and partner engagement to eliminate any fax exposures

2 Adverse Economic and Forex Conditions

- Driving cost leadership through our productivity initiatives
- Focus on new growth areas (Ethiopia)
- Forex hedging and use of local currency

3 Market Disruption and Heightened Competition

- Focus on customer obsession
- Productivity efficiency
- Faster innovation through Agile ways of working
- Leverage of our Foundations to grow brand love & equity

4 Cyber Threats and Data Breaches

- Investment in tools, systems, controls and talent to mitigate cyber and privacy threats
- 24X7 Cyber defense centre
- Adherence to data privacy laws

*For more on risk management, see page 50.

OUR STAKEHOLDERS

Icon	
GR	Governments and regulators
C	Our customers
IS	Investors and shareholders
E	Our employees

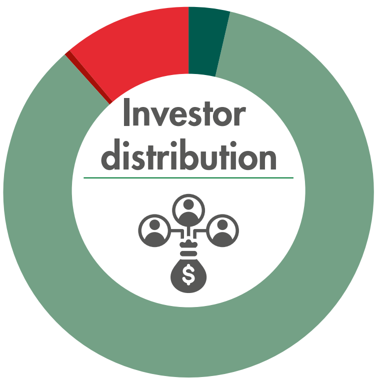
Icon	
S	Our suppliers
SC	Society and communities
BP	Business partners
M	Media

For more on stakeholder engagement, see page 78.

OUR PRINCIPAL SHAREHOLDERS

For a list of the 10 largest shareholders in the Company and the respective number of shares held as at 31 March 2023, refer to Appendix 1 on page 268.

Foreign and East African shareholder split



- 4.01% East African Individual
- 0.10% Foreign Individual
- 86.93% East African Corporate
- 8.96% Foreign Corporate

OUR PRESENCE IN **ETHIOPIA**

Our purpose in Ethiopia

Ensure everyone at Safaricom Ethiopia lives the Spirit, Culture, Pillars and Values.

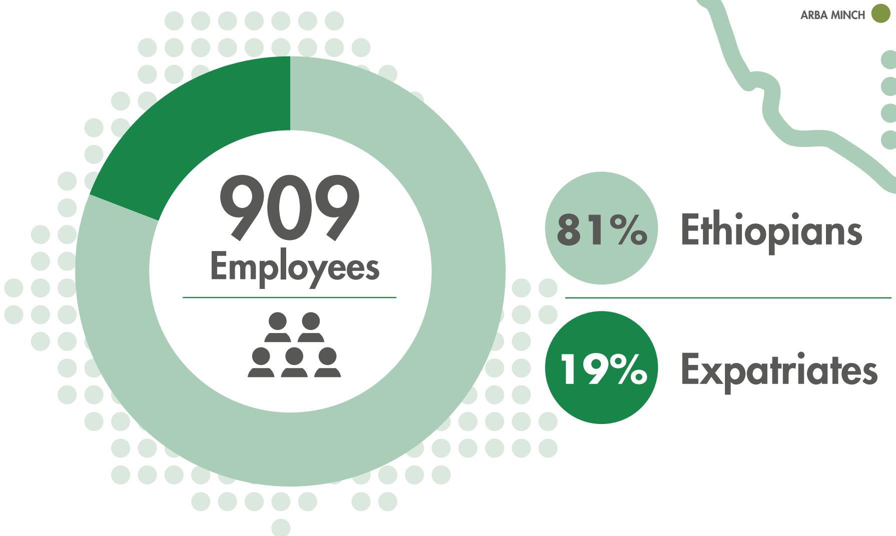
Talent and commitment

We are committed to:

- Guaranteeing diverse talent and critical skills needed now and in future.
- Delivering employee experience that unlocks personal growth and business performance.

…while shaping an effective and efficient future-fit organisation that puts the customer at its centre.

The Ethiopian cities we cover as at end of March 2023



WHO WE ARE

Safaricom Ethiopia at a glance FY2023

3.0 million
Gross Adds

2.1 million
90-day active customers
FY24 target: 10 million

114
Distributor shops
44k Points of sale

24
Distributor
business partners

1,272
Network Sites: **397** Collocated
875 Own Built
FY24 Target: 3,000 sites

Fastest
Data Network
in Ethiopia

22%
Population Coverage

22
Cities Covered

Mobile Data Customer Penetration
67% of 90-day
active customer base

Voice Usage
55.4 mins/customer/month

Data Usage
1.5GB/customer/month

909
Permanent Employees
81% Ethiopians
19% Expats

Social Outreach
Created **4,610** indirect jobs
Community engagements

Our Guiding Strategy in Ethiopia

Purpose
Transforming Lives for a Digital Future

Vision
Loved and Innovative Brand

Brand Promise
Further Ahead Together

Values
- Customer Obsessed
- Trust & Respect
- Speed & Innovation
- Compliance & Integrity

Culture & Leadership standards
- Earn Customer Loyalty
- Get It Done, Together
- Create the Future
- Experiment, Learn Fast

Foundational Pillars
- Fastest Data Network
- Superior Customer Experience
- Inclusive Digital Financial Services
- Social Contract & ESG

Foundational Enablers
- Network & IT
- Data & Analytics
- Partnerships
- Talent & Future Fit Organisation

Our Ethiopian operating environment

Macro-economic Progress

GDP – Growth in 2023 expected to be 6.2% compared to average of 9.1% (2011–2020)

Exchange rate – Liquidity pressure in the market with increasing divergence of the official vs parallel market rates

Rising inflation – at 34.2% as of March 2023*

Global impact of Ukraine war

Regulatory

Ethio telecom Privatisation – 45% of Ethio telecom privatisation was announced in February

Telecom License – Ethiopian Communication Authority (ECA) is also expected to issue an EOI for the 2nd private telecom entrants

Financial Liberalisation – Government is still keen on liberalising other industries including opening the mobile financial services and banking sectors

Political Environment

Tigray – Northern Ethiopia Region, Tigray has opened up and commercial flights are now operational along with basic services such as banking & telecom

Engaging the government on the ongoing social media restrictions

** Ethiopia is classified as a hyperinflationary economy by the IASB on or after 31 Dec 2022. As such, Safaricom Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies on Ethiopia-related numbers at consolidation level. More information on hyperinflationary reporting on page 113.*

WHO WE ARE

Our progress since launch on 6 October 2022

Customer Onboarding
Over 5k acquisition locations equipped with digital biometrics supported by E-KYC back-office verification process

Registration time per customer <10mins

Network
Rolled out 4G/3G/2G sites ready for 5G

Distribution & Customer Care
114 exclusive branded distributor shops offering Safaricom Services

Serving our customers in 5 languages

>90% of customers are served within 2 minutes

Brand
>90% brand awareness in launched cities, >30% brand consideration, youthful brand with best internet services

Customer Value Proposition
Acquisition offer focused on Data

Prepay Network calling, SMS, Mobile Data & Home 4G WiFi offerings

Airtime purchase *via* key bank digital channels

CVM Personalised offerings

Devices
Range of branded devices 2G, 4G Feature phones, 4G Smartphones

MiFi's and Routers

Key learnings since launch

Network rollout
Accelerate contiguous network coverage focused on key economic and population clusters

Distribution
Scale distribution aligned to network coverage expansion focusing on quality customer acquisition

Grid availability
Power shortages/ availability challenge

Customer Value proposition
Differentiate on data as winning value proposition, communications, products propositions and affordable 4G smartphones

Security
Stabilisation of security situation in Ethiopia

Engaging the government on social media restrictions

Long importation/ customs process
Streamlining customs clearance processes

Looking ahead

Our focus in FY2024 is to scale our Ethiopia operations, with the expectation that Safaricom Ethiopia will require significant investment in the initial years of operations before turning profitable.

In pursuing this, in the short to medium term, our goals will also be to:

- Launch mobile financial services
- Build an effective distribution channel for both GSM and M-PESA
- Attain NPS #1 in six priority clusters, and to be the best network where we have coverage
- Deliver compelling customer propositions that will accelerate building a community of Safaricom customers
- Build a digital-first future-fit organisation

M-PESA – Ethiopia

1 Investment License Fee USD 150 million paid

2 License awarded in May 2023

3 Commercial and technical readiness underway

4 Commercial Launch in Q2 (July–September 2023)

For more on our Ethiopia operations, see pages 25.

The Spirit of **Safaricom**

The Spirit of Safaricom forms an important part of our human, intellectual, social and relationship capitals. It is the foundation of our culture, and guides our beliefs, behaviours and language. It comprises four key pillars – purpose, customer obsession, collaboration and innovation.

OUR CULTURE

PURPOSE
Belief – We transform lives
Behaviour – We are purpose driven
Language – I am Safaricom

CUSTOMER OBSESSION
Belief – We are simple, transparent, honest
Behaviour – Ready, Willing and Able (RWA)
Language – I am notoriously customer obsessed

COLLABORATION
Belief – We are partners in one ecosystem
Behaviour – We get it done, together
Language – I own my inch and the collective

INNOVATION
Belief – We are a market shaper
Behaviour – We experiment and learn fast
Language – Go Beyond (Twende Tukiuke)

During the year under review, we continued to enable and empower staff to adopt and foster the change and culture that will support us in our purpose of transforming lives.

This involves:

Key element	Our enabling beliefs
Purpose	• Empowering others with the resources and autonomy to win • Emphasise efficiency, production and value • Providing clarity and consensus on purpose and mission • Removing impediments to achieving missions
For more on our Purpose, refer to The Social Value We Contribute on page 120	
Customer Obsession	• Putting the customer at the centre • Using insights concerning the external environment to act on opportunities • Putting the customer first, so that value will follow • Promoting ownership and developing simple, clear customer-centric solutions
For more on Customer Obsession, refer to page 30	
Innovation	• Experimenting and learning quickly • Playing to win by doing what is right • Creating a safe space to speak up • Driving innovation and creativity
For more on Innovation, refer to Our Human Capital on page 86 and Our Intellectual capital on page 90	
Collaboration	• Recognising everyone's contribution • Empowerment in being honest, transparent and candid • Undertaking blameless post-mortems for the sharing of learnings and information • Working together towards the same goal
For more on Collaboration, refer to Our Human Capital on page 86	

We measured our success in FY2023 through a Pulse Survey:

88%
Response rate

79%
Engagement

94%
Spirit Index

83%
Digital First

79%
Customer Obsession

The Spirit of **Safaricom** (continued)

CUSTOMER **OBSESSION**

As one of the four key pillars of our Spirit of Safaricom culture, the principle of Customer Obsession is part of our intellectual and social and relationship capitals. As such it informs our approach to business, and to meeting the needs of our customers in a way that delivers a superior experience of our products and services, while at the same time accelerating new growth areas for the Company.

To this end we have embedded this key concept at the core our business by equipping our people with the framework to deliver our brand promise of

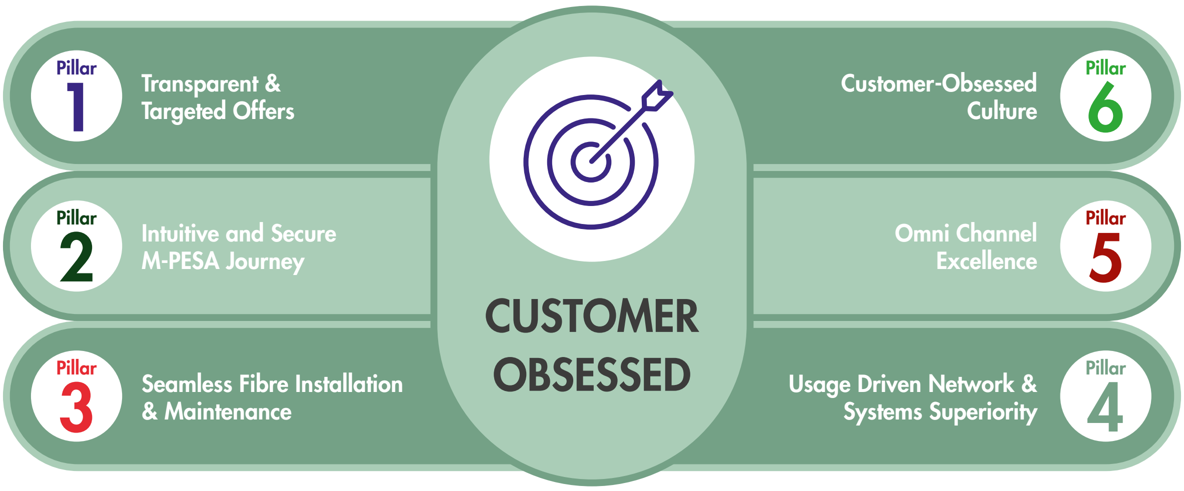
- *Simple, Transparent, Honest,* to ensure that we are:
- *Notoriously Customer Obsessed,* by being:
- *Ready, Willing, and Able to* put the customer first…

…by focusing on:

Our Agile Operating Model	• **36% (2,037)** of our employees are fully Agile-empowered across: › Technology* › Fixed Enterprise › Financial Service*	› Mobile Data* › Voice Business Unit
Future-ready talent	• **702** employees upskilled in Fintech craft • **80** trainees in Fintech Discover • **617** Industry Digital people talent-trained	• **40%** women at senior management level • **404** people upskilled in leadership • **3.0%** PWDs by the end of 2023
Culture	• **94%** of staff understand the Spirit of Safaricom pillars › Purpose › Customer Obsession › Collaboration › Innovation	• **79%** Employee engagement level • **#1**-rated best place to work • **Zero-harm** culture • **Hybrid** ways of working

*For more on these areas of our business, see pages 90, 92 and 110 respectively

During the year under review, we remained anchored to our six Customer Obsession strategic pillars.

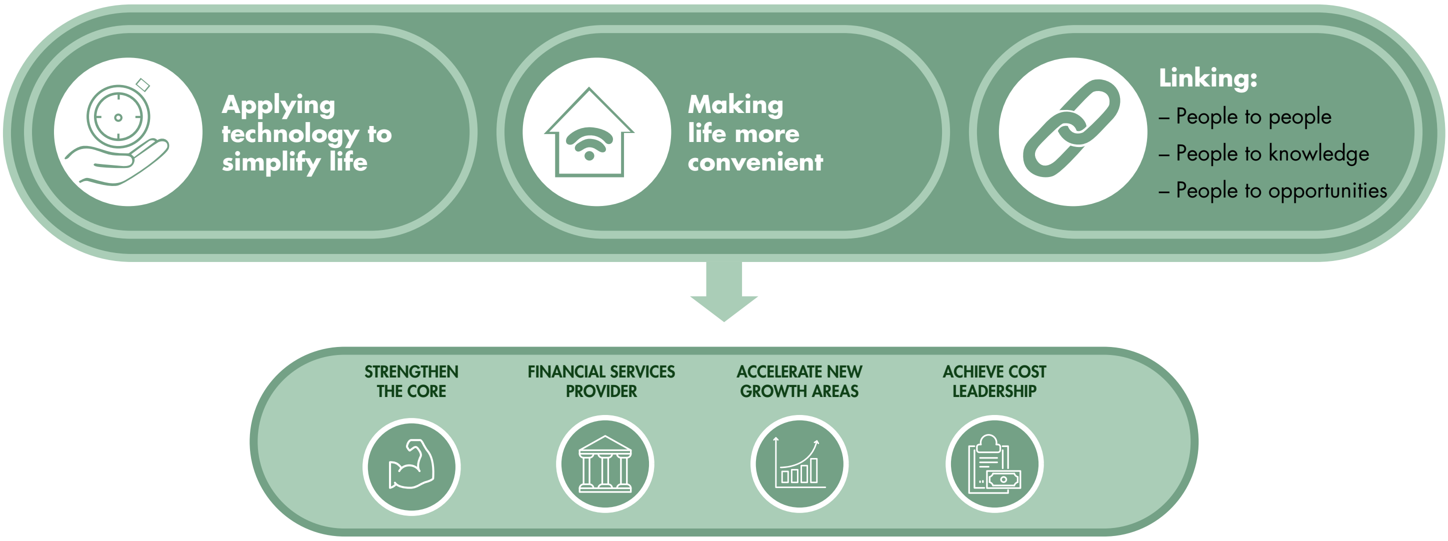


Our focus during the year was on:

- The priority of increasing engagement and excitement in our culture transformation
- Eliminating critical pain-points across the six pillars to delight customers
- Improving the customer experience and safety of digital financial services
- Accelerating Digital First customer experiences led by small and medium enterprise (SME) and across-the-board fibre services (FTTX) business areas

OUR STRATEGIC **ROLE**

We have identified four drivers as being at the core of being a purpose-led technology company. These in turn contribute to all four of the Company's strategic pillars:



In order to do this effectively, it is essential to understand what matters most to the people impacted by what we do – our customers, strategic and other partners and key stakeholders. This is the essence of Customer Obsession.

In order to enable us to deliver on our commercial targets, the strategic implementation of Customer Obsession involves:

- Addressing customer pain-points
- Designing seamless customer journeys that deliver superior experiences
- Ensuring that our customers are always connected to the network to facilitate their consumption of our services

To help guide and track in our work, we employ key performance indicators (KPIs) that are aligned to, and support, the delivery of the business strategy. We largely achieved our strategic goals for the year under review.

KPI	**Indicator**
Net Promotor Score (NPS)	#1 (Enterprise, Financial Services and Fibre)
Brand love	60%
Detractors	<5%
Customer Obsession Ready, Willing and Able (RWA)	82%
M-PESA downtime	<4 hours (1 hour 53 minutes)
Fraud prevented	98%
System uptime/availability	99.7%

The Spirit of **Safaricom** (continued)

THE CHALLENGES WE FACED IN **FY2023***

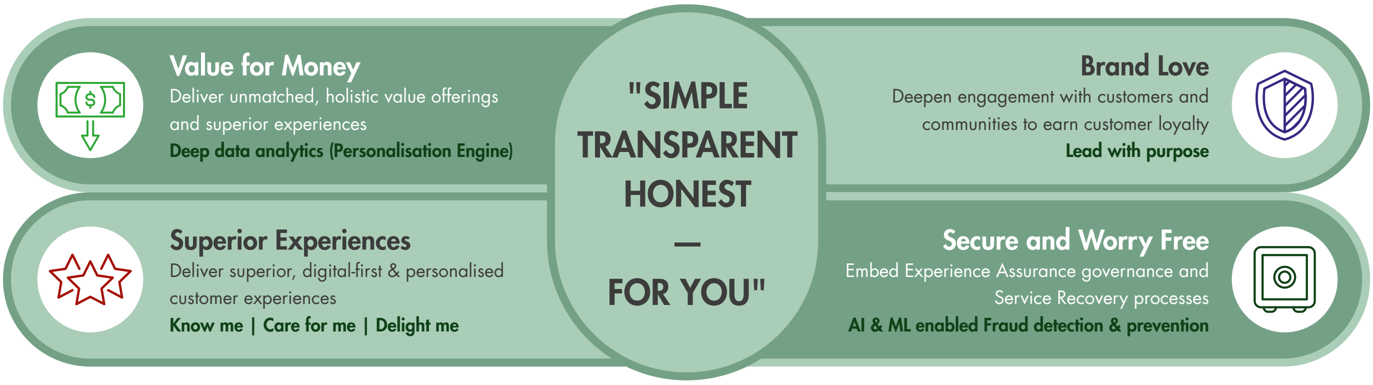
Challenge	How we responded
Macro-economic issues affecting income of customers	Introduction of value offerings through: • Customer value management (CVM) • Review of data pricing
Negative perception of value as against the need to maintain premium pricing	• Employee capacity-building on managing tensions
Rising customer tensions	• Acknowledgement of issues and support for resolution
Rising incidence of fraud and growing sophistication of fraudsters	• Application of artificial intelligence (AI) and anti-money-laundering (AML) technology for fraud detection

**For more on our material matters and risk management, see pages 45 and 50.*

LOOKING **AHEAD**

In the short term by delivering Entrenching Customer Obsession as a way of working across the Company in order to scale technology solutions.

OUR FOCUS AREAS FOR **2023**



MESSAGE FROM THE CHAIRMAN

"Safaricom has always seen success as a leader in the telecommunications industry that places its customers at the front and centre, and as a responsible corporate citizen committed to making significant contributions not only to the economy of Kenya, but to the wellbeing of its communities. These attributes are consonant with our purpose of transforming lives, and it remains our resolute determination to pursue our strategic goal, which is to scale technology solutions in order to be a purpose-led technology company by 2025."

This Annual Report showcases our excellent results and highlights the forward-looking, innovative, and integrated organisation we have become. Despite facing significant challenges in the global and domestic economic landscape, both at home and abroad, we have managed to navigate these headwinds and deliver exceptional outcomes.

The past year presented us with tough operating conditions, including increased regulatory scrutiny, changes in taxation, political uncertainty surrounding the elections, and a significant economic slowdown compounded by rising inflation, currency depreciation, drought, and famine. The revised Mobile Termination Rate (MTR) and increased excise duty on SIM cards and mobile phones added further pressure to our business. However, despite these obstacles, we are pleased to see the outstanding results we have achieved.

COMMITMENT TO **GOVERNMENT AND REGULATORS**

We have remained committed to supporting the government's economic agenda by creating jobs, forming meaningful partnerships, and fulfilling our duty to pay taxes. Furthermore, we are dedicated to increasing our engagement with regulators on policy development, legislation, taxation, customer registration, and data protection.

As part of our strategic goals, we have focused on leveraging technology and driving customer innovation. We aim to transition into a technology company at the forefront of change, productivity, and financial inclusion in Kenya. We recognise technology's immense potential in unlocking Kenya's economic growth and addressing customer and societal concerns. (For more on our strategy, see page 44.) Safaricom is committed to leading in realising this agenda, and the Board has provided the necessary guidance and oversight to ensure the successful execution of our goals.

Despite our headwinds, including inflation, political uncertainty due to the General Elections, and regulatory changes, the Board remained focused on informed decision-making and delegation. We are pleased to witness management's ability to deliver value to our shareholders under such circumstances.

BOARD **CHANGES**

Throughout the year, we experienced changes in the composition of our Board. I thank all the Board members for their warm welcome and trust in my leadership. I would also like to welcome Ory Okolloh and Karen Kandie, whose talent and expertise will add value to our collective skills. I would also like to thank Prof. Bitange Ndemo, Ms Linda Muriuki, Christopher Kirigua, Eng. Stanley Kamau and Sitholizwe Mdlalose as they leave us for their outstanding contribution to the Board during their service and wish them well in their further endeavours.

We are proud of our Board composition, with its wide range of perspectives, experience, skills, inclusivity and gender balance. It demonstrates great commitment, diligence, and effectiveness in its responsibilities.

Once again, throughout the year under review, the Board has displayed great commitment, diligence and effectiveness in carrying out its responsibilities and providing wise guidance to management, ensuring we continue to deliver value to our stakeholders at all times. (For more on our governance, see page 148.)

The changes in the Board composition within the year notwithstanding, the Board continued to support management in its five-year strategy of transforming Safaricom into a technology company. We are encouraged by the strong execution of this strategy since its launch in September 2020.

The changes in the Board composition have supported our commitment to the five-year strategy of transforming Safaricom into a technology company.

DIVIDENDS

In February 2023, the Board approved a payment of an interim dividend of KShs 0.58 per ordinary share, amounting to a total of KShs 23.24 billion for our shareholders. At the AGM to be held on 28 July 2023, a final dividend in respect of the year ended 31 March 2023 of KShs 0.62 per ordinary share amounting to a total of KShs 24.84 billion is to be proposed for approval. This brings the total dividend for the year to KShs 48.08 billion which represents KShs 1.20 per share in respect of the year ended 31 March 2023.
(For more on our financial indicators, see page 102.)

OUR **ETHIOPIA OPERATIONS**

Our operations in Ethiopia have progressed well since the launch of Safaricom Telecommunications Ethiopia (STE) last year. We remain optimistic about Ethiopia's opportunities and are fully committed to making the necessary investments to achieve our goals in that market.
(For more on our Ethiopia operations, see page 25.)

PARTNERSHIPS AND RESPONSIBLE **CORPORATE CITIZENSHIP**

During the year, we have maintained our commitment to working with the government and regulators, acknowledging our role in contributing to the economy through job creation, meaningful partnerships, and paying duties and taxes. We have actively addressed our stakeholders' and partners' concerns and material issues. Furthermore, we are determined to enhance collaboration with regulators to improve the lives of Kenyans by focusing on policy development, legislation, taxation, customer registration, and data protection. Our contributions to various projects, such as the Hustler Fund, the Women Enterprise Fund, E-subsidies, and supporting drought management initiatives, exemplify our commitment to responsible corporate citizenship and societal impact.

ACKNOWLEDGEMENTS

I thank our CEO, Peter Ndegwa, and his entire management team for the responsive and skilled execution of our strategic goals – efforts that enabled us to create and deliver value during a difficult year. My thanks also go to my colleagues on the Board, whose skills and dedicated and diligent work have added exceptional value to the Company. Finally, I would like to acknowledge the contribution of all our employees, without whom commitment, loyalty, and hard work have enabled us to deliver on our strategy and produce our results.

Adil Khawaja
Chairman

UJUMBE KUTOKA KWA MWENYEKITI

"Safaricom imekuwa ikipata mafanikio kama kiongozi katika sekta ya mawasiliano ya simu anayewaweka wateja wake mbele katika kila jambo, na pia shirika raia mwema aliyejitolea kutoa mchango mkubwa sio tu kwa uchumi wa Kenya, bali pia kuboresha hali ya jamii. Sifa hizi zinaendana na lengo letu kuu la kubadilisha maisha, na ni azma yetu kuendelea kujizatiti kutimiza lengo letu la kimkakati ambalo ni kuongeza na kuboresha bidhaa na huduma za kiteknolojia iii kuwa kampuni ya kiteknolojia inayoongozwa na lengo kuu kufikia 2025."

Ripoti hii ya kila mwaka inaonyesha matokeo yetu mazuri na pia kudhihirisha tulivyoibuka kuwa shirika linaloona mbele, lenye ubunifu na uvumbuzi na lililofungamanishwa. Licha ya kukabiliwa na changamoto nyingi za kiuchumi kimataifa na ndani ya nchi, tumefanikiwa kukabiliana na misukosuko hiyo na kuandikisha matokeo mazuri ya kuridhisha.

Mwaka uliopita ulikuwa na hali ngumu ya kuendesha shughuli, ikiwemo kuangaziwa zaidi na wasimamizi wa sekta, mabadiliko katika ushuru, wasiwasi wa kisiasa kutokana na uchaguzi. Uchumi pia ulidorora na hali ikafanywa kuwa mbaya zaidi na mfumko wa bei za bidhaa, kushuka thamani kwa shilingi ya Kenya, kiangazi na ukame. Kubadilishwa kwa ada ya kupiga simu kutoka kwa mtandao mmoja hadi mwingine (MTR) na kuongezwa kwa kodi ya bidhaa kwenye laini za simu na simu za mkononi ni mambo ambayo pia yaliongeza shinikizo kwa biashara yetu. Hata hivyo, licha ya vizingiti hivi, tuna furaha kuyaona matokeo tuliyofanikiwa tuyapata.

KUJITOLEA **KWA SERIKALI NA WASIMAMIZI**

Tumesalia kujitolea kuisaidia serikali katika ajenda yake ya kiuchumi na kuunda nafasi za kazi, kuingia kwenye ushirikiano wa maana, na kutimiza wajibu wetu wa kulipa ushuru. Isitoshe, tumejitolea kuzidisha mazungumzo na mashauriano yetu na mamlaka zinazosimamia sekta yetu kuhusu kutungwa kwa sera, sheria, ushuru, usajili wa wateja, na uhifadhi wa data.

Kama sehemu ya malengo yetu ya kimkakati, tumeangazia kutumia vyema teknolojia na uvumbuzi kuwaridhisha wateja. Lengo letu ni kubadilika na kuwa kampuni ya kiteknolojia iliyo kwenye mstari wa mbele katika kutekeleza mageuzi, kuongeza uzalishaji na kufikisha huduma za kifedha kwa wengi Kenya. Tunatambua uwezo mkubwa wa teknolojia katika kufungulia na kuchochea ukuaji wa kiuchumi Kenya na pia kuangazia mahitaji ya wateja na jamii. (Kwa maelezo Zaidi kuhusu mkakati wetu, tazama ukurasa 44.) Safaricom imejitolea kuongoza na kutimiza ajenda hii, na Bodi imetoa uongozi na uelekezi ufaao kuhakikisha malengo haya yanatimizwa.

Licha ya changamoto zilizokuwepo, ikiwemo mfumko wa bei, wasiwasi wa kisiasa kutokana na Uchaguzi Mkuu, na mabadiliko ya kisheria, Bodi ilisalia makini na kufanya maamuzi ya busara na ugawaji wa majukumu. Tuna furaha kushuhudia uwezo wa wasimamizi kufanikisha kuongeza thamani kwa wenyehisa wetu katika mazingira kama hayo.

MABADILIKO **KWENYE BODI**

Katika mwaka huo, tulishuhudia mabadiliko katika uanachama wa Bodi yetu. Nawashukuru wanachama wote wa Bodi kwa ukaribisho wao mwema na kwa kuwa na imani na uongozi wangu. Ningependa pia kuwakaribisha Ory Okolloh na Karen Kandie, ambao vipaji vyao na ujuzi wao vitaongeza thamani katika mkusanyiko wa ujuzi tulio nao. Ningependa pia kuwashukuru Prof Bitange Ndemo, Bi Linda Muriuki, Christopher Kirigua, Eng. Stanley Kamau na Sitholizwe Mdlalose wanapoondoka kwa mchango wao wa kipekee kwa Bodi walipokuwa wanachama na nawatakia kila la heri katika shughuli zao za baadaye.

Tunajivunia muundo wa Bodi yetu, na upana wa mitazamo, uzoefu, ujuzi, kujumuishwa kwa watu wa asili mbalimbali na usawa na jinsia. Ni ishara ya kujitolea, kuwajibika na utekelezaji wa majukumu yake inavyotakiwa.

Kwa mara nyingine, kote katika mwaka tunaouangazia, Bodi imedhihirisha kujitolea pakubwa, kuwajibika na kufaa katika kutekeleza majukumu yake ipasavyo na kutoa ushauri ufaao kwa wasimamizi, na kuhakikisha tunaendelea kutoa thamani kwa wadau wetu nyakati zote. (Kwa maelezo zaidi kuhusu utawala, tazama ukurasa 148.)

Licha ya mabadiliko yaliyofanyika katika uanachama wa Bodi katika mwaka huo, Bodi iliendelea kusaidia wasimamizi katika utekelezaji wa mkakati wao wa miaka mitano wa kibadilisha Safaricom kuwa kampuni ya kiteknolojia. Tunatiwa moyo na hatua zilizopigwa katika utekelezaji wa mkakati huu tangu kuzinduliwa kwake Septemba 2020.

Mabadiliko katika uanachama wa Bodi yamesaidia katika kujitolea kwetu kutekeleza mkakati huo wa miaka mitano wa kugeuza Safaricom kuwa kampuni ya kiteknolojia.

MGAWO **WA FAIDA**

Februari 2023, iliidhinisha malipo ya mgawo wa faida wa muda wa KShs 0.58 kwa kila hisa ya kawaida, ambazo ni jumla ya KShs 23.24 bilioni kwa wenyehisa wetu. Katika Mkutano Mkuu wa Kila Mwaka (AGM) utakaofanyika 28 Julai 2023, mgawo wa mwisho wa faida wa mwaka uliomalizika 31 Machi 2023 wa KShs 0.62 kwa kila hisa ya kawaida, ambazo ni jumla ya KShs 24.84 bilioni, umependekezwa kwa ajili ya kuidhinishwa. Hii itafikisha jumla ya mgawo wa faida kwa mwaka huo hadi KShs 48.08 bilioni sawa na KShs 1.20 kwa kila hisa katika mwaka huo uliomalizika 31 Machi 2023. (Kwa maelezo Zaidi kuhusu viashiria vyetu vya kifedha, tazama ukurasa 102.)

SHUGHULI **ZETU ETHIOPIA**

Shughuli zetu nchini Ethiopia zimeendelea vyema tangu kuzinduliwa kwa Safaricom Telecommunications Ethiopia (STE) mwaka uliopita. Tuna matumaini kuhusu fursa zilizopo Ethiopia na tumejitolea kikamilifu kufanya uwekezaji unaohitajika kutimiza malengo yetu katika soko hilo. (Kwa maelezo zaidi kuhusu shughuli zetu Ethiopia, tazama ukurasa 25.)

USHIRIKIANO NA URAIA **WA KUWAJIBIKA**

Katika mwaka huo, tuliendelea kutimiza ahadi yetu ya kufanya kazi na serikali na mamlaka mbalimbali, kutambua wajibu wetu wa kuchangia uchumi kupitia kubuni nafasi za kazi, ushirikiano wa maana, Pamoja na kulipa kodi na ushuru. Tumeangazia maswali ya wadau na washirika wetu, pamoja na mahitaji mengine. Kadhalika, tumejitolea kuboresha ushirikiano wetu na mamlaka zinazosimamia sekta yetu ili kuimarisha maisha ya Wakenya kwa kuangazia kutungwa kwa sera, sheria, ushuru, usajili wa wateja, na uhifadhi wa data. Mchango wetu katika miradi mbalimbali, kama vile Hazina ya Hustler, hazina ya wanawake wajasiriamali yaani Women Enterprise Fund, ruzuku ya kidijitali, na kusaidia mikakati za kudhibiti ukame, ni ishara ya kujitolea kwetu kuwa raia mwema, shirika na kuwa na manufaa kwa jamii.

SHUKRANI

Namshukuru CEO, Peter Ndegwa, na kundi lake lote la wasimamizi kwa weledi wao na ujuzi katika utekelezaji wa malengo yetu ya kimkakati. Juhudi hizo zimetuwezesha kuunda na kuongeza thamani katika mwaka mgumu. Shukrani zangu pia ni kwa wanachama wenzangu katika Bodi, ambao ujuzi wao, kujitolea, na kufanya kazi kwa bidii kumeongeza thamani kwa Kampuni. Mwisho kabisa ningependa kutambua mchango wa wafanyakazi wetu wote, ambao kujitolea kwao, uaminifu, na bidii kazini kumetuwezesha kutekeleza mkakati wetu na kuandikisha matokeo mazuri.

Adil Khawaja
Mwenyekiti

MESSAGE FROM THE CEO

"In a year in which Kenyans faced many challenges, a year marked by slowed economic growth, currency depreciation, rising global inflation, a slow-down in business activity due to the General Elections and the impact of the ongoing Russia-Ukraine war, and of course the severe drought, I am pleased that we have once again delivered a very solid set of results for our shareholders."

We experienced a slowdown in the first half of the year. Still, we saw a recovery in the second half, demonstrating the resilience of our business amidst challenging macroeconomic conditions. Despite the reduction in the Mobile Termination Rate (MTR) in Kenya, we achieved strong growth (refer to page 95 for more details on our operating environment).

Another significant issue was the shrinkage in our customers' disposable income due to elevated inflationary pressure and currency depreciation. However, our customers' demand for value for money has remained central to our customer-centric efforts (refer to page 30 for more on customer obsession). In response, we reduced mobile data prices by thirty per cent and selected other services by up to fifty per cent.

The rising energy cost, fuel and electricity, and the reduction in MTR for the industry were major concerns during the year. The reduction in MTR negatively impacted our top line, resulting in a loss of KShs 2 billion in interconnect revenues.

AREAS OF **GROWTH**

We are pleased with the growth of M-PESA, which contributed forty per cent to our business after experiencing a pre-election slowdown in the year. We will continue to drive growth in financial services and expand our credit offerings in business payments and insurance.

Mobile data has also shown strong performance and will be a key driver of growth in the future. There is still untapped potential in fixed solutions for home and enterprise, indicating room for further growth.

ETHIOPIA

The award of mobile financial services licenses in Ethiopia is a significant milestone for us. Although our roll-out in Ethiopia faced initial security concerns, skills, and infrastructure obstacles, we are well-positioned to catch up and increase our momentum. While uncertainties remain in some parts of the country, particularly in Tigre, we are confident in delivering value as we grow the Ethiopian business. Ethiopia remains a key part of our strategy to accelerate new growth areas and reduce dependence on Kenya's GSM and connectivity business.

OPPORTUNITIES

Connectivity continues to present extensive opportunities, including voice usage and traditional payments. M-PESA has witnessed growth in its merchant network and new areas such as Pochi la Biashara, business transacting tills, and merchant credit facilities. M-PESA ARPU increased by 1.9%, and Mobile Data ARPU increased by 16%. We recognise M-PESA's potential to expand credit services and are innovating in serving different customer segments, including youth, by introducing M-PESA GO.

TECHNOLOGY PARTNER OF CHOICE FOR **GOVERNMENT AND SOCIETY**

We fully support the government's digitisation agenda with over 6,000 government services now digitally enabled on eCitizen. For society we saw:

- The Hustler Fund Phase 1 launched in November 2022, with accessible credit disbursed to 15.8 million customers
- The Women's Enterprise Fund launched in March 2023 with 153 groups created within the first month
- The MyCounty App in support of government service digitisation
- 2.0 million bags of fertiliser distributed to 2.3 million farmers in 28 counties, to a transacted value of KShs 7.1 billion value, via M-PESA fertiliser distribution

Moreover, through M-PESA and M-PESA Business, we see expanded financial and education services as well as in business credit, with financial inclusion also representing a significant opportunity. In addition, with only about a quarter of homes connected, we are at an early growth stage. (For more on our products and services, see page 19.)

I was honoured to lead the National Steering Committee on Drought, which established the National Drought Mitigation Appeal Fund to alleviate hunger and deprivation in 20 vulnerable counties and affected wards.

PERFORMANCE **AGAINST STRATEGY**

Our long-term strategy remains to accomplish our transformation from a telco to become a technology company. We thus remained focused during the year on accelerating new growth areas by converting opportunities to meet changing and expanding customer needs and societal challenges. In implementing our strategy, it is gratifying to be able to say that our performance during the year, evident in our good results, has underscored and delivered on the value inherent in our overarching strategic goal.

In particular, for our investors, we delivered on four main elements:

- The successful launch of the Ethiopian business and the award of the financial services license in that country, providing security for the business there
- The improvement in performance in H2, after the uncertainties related to the elections and other macro-economic conditions in H1
- Double-digit growth in mobile data realised in the second half of the year as well as the growth in other areas such as our fixed and enterprise business
- Performance delivered in line with guidance

It is important to note, however, that the Company will remain in an investment phase over the coming three or four years, supporting the network roll-out and scaling operations in Ethiopia. We are still on course to see Safaricom Ethiopia break even four years from the launch of operations there. This will therefore affect our Group reported earnings, but will be a significant driver of growth into the future, although it may have an impact on dividends in the medium term. (For more on our financial performance and performance against strategy, see pages 103 and 59 respectively.)

STAKEHOLDERS

During the year we remained committed to, and continued to affirm our relationships with, our diverse stakeholders. We strenuously strove to maintain our engagement with them, and to take into account the issues of concern from them. Externally, with government, we resonate strongly with what is of material interest to the country and the region, and our regular and focused interactions remained both productive and positive.

We maintain strong relationships with our regulators, the Central Bank of Kenya (CBK) and the Communications Authority of Kenya (CA), despite, and because of significant market player status, and I believe it is well understood that we do not in any way misuse our position.

Our two Foundations remain a source of great pride and effectiveness for us. The benefits to Kenyan communities that we are able to accomplish through the foundations, and their ongoing role in providing inclusivity, assistance and support, continued to be a powerful reinforcement of our brand and reputation. This is borne out by net promotor scores (NPRs) of brand consideration in the 80s, and brand love in the 60s. Nonetheless, I believe that there is room to improve on the perception of our products, which are still widely viewed as premium.

MESSAGE FROM THE CEO

Our suppliers, dealers and agents, and of course our customers all of which groupings received unstinting support from the Company during the pandemic, remained central to our social and relationship capital during the year. Our bonds with all these stakeholders were strengthened through proactive and considered engagement with them. (For more on our stakeholder management, see page 78.)

Even as we are a little past the halfway point of attaining the goals of our 2025 strategy, we are in the process, together with the Board, of crafting our 2030 vision. Thus, in the short term, we will be focusing on scaling solutions in order to bring our overarching technology-company vision to reality.

In the short to medium term, we will be aiming to increase 4G penetration by fifty percent annually. This will include partnering with open market to drive penetration of 4G devices, accelerating our device financing programme and various other productive partnerships.

We now have well-established Agile ways of working that are both customer- and digital-first, actively addressing needs rather than merely providing product. This platform will allow us in the medium term to double the 276k homes we have connected, and keep pushing the boundaries of innovation such as 5G. Wealth and insurance will increase in importance as new growth areas, and on the technology side, the internet of things (IoT). In this, Cloud will become a critical enabler.

Also in the medium to long term, we will be seeking to partner with government in its digitisation agenda, and to democratise both internet and fintech solutions. An important aim is to lead the Kenyan industry in its digital talent programme and the use of big data analytics in anchoring the way we think about the business.

In Ethiopia we will ensure that we deliver a scalable network with customer numbers that will deliver on the high-investment period in which the business in that country is currently operating.

ACKNOWLEDGEMENTS

I would like to thank the Board for its continued wise, considered and expert oversight. Its clear and transparent effectiveness is central to our success. In particular, I would like to thank John Mgumi for his exceptional leadership as Chairman, and to wish his successor Adil Khawaja well in his role as our new Chairman. I would also like to welcome our new Board members, Ory Okolloh and Karen Kandie, as they join the leadership team, and assure them of management's unstinting support. My sincere thanks too, go to the Board members who are leaving, Prof Bitange Ndemo, Ms. Linda Muriuki, Christopher Kirigua, Eng. Stanley Kamau and Sitholizwe Mdlalose for the committed and skilled guidance of management that they have always provided.

I would like to thank the Government of Kenya (GoK), our regulators and all our stakeholders for their continued support, input and insights. In particular, I would like to express my gratitude to our customers for their loyalty to our brand, products and services. It is for them that the business ultimately exists, and their trust in our brand and offerings are central to our success.

My grateful thanks go also to our employees, without whose commitment, loyalty and diligence we could not have achieved the excellent results that we have.

We look forward to continuing to work with all these key people, bodies and institutions as we go forward together into the future.

Peter Ndegwa
Chief Executive Officer

UJUMBE KUTOKA KWA AFISA MKUU MTENDAJI

"Katika mwaka ambao Wakenya walikabiliwa na changamoto nyingi, mwaka ulioshuhudia kudorora kwa uchumi, kushuka kwa thamani ya shilingi, kupanda kwa mfumko wa bei duniani, kupungua kwa shughuli za kibiashara kutokana na Uchaguzi Mkuu na madhara ya vita vinavyoendelea vya Russia na Ukraine, na bila shaka ukame uliokithiri, nina furaha kwamba kwa mara nyingine tumewasilisha matokeo mazuri ya kifedha kwa wenyehisa wetu."

UJUMBE KUTOKA KWA AFISA MKUU MTENDAJI

Tulishuhudia kudorora kwa biashara katika nusu ya kwanza ya mwaka. Lakini biashara iliimarika nusu ya pili ya mwaka, na kuashiria ukakamavu wa biashara yetu katika mazingira yenye changamoto za kiuchumi. Licha ya kupunguzwa kwa ada ya kupigwa kwa simu kutoka mtandao hadi mwingine (MTR) nchini Kenya, tulishuhudia ukuaji mkubwa (soma ukurasa 95 kwa maelezo Zaidi kuhusu mazingira ya uendeshaji shughuli).

Suala jingine lilikuwa ni kupunguzwa kwa mapato ya kutumiwa kwa hiari na wateja wetu kutokana na mfumko wa bei za bidhaa na kushuka kwa thamani ya shilingi. Hata hivyo, hitaji la wateja kupata thamani kwa pesa wanazotumia limesalia kuwa nguzo kuu katika juhudi zetu za kuwajali zaidi wateja (soma ukurasa 30 kwa maelezo zaidi kuhusu kujali wateja zaidi). Kuhusiana na hili, tulipunguza bei ya data kwenye simu kwa asilimia thelathini na bei ya huduma zingine mbalimbali kwa hadi asilimia tano.

Kuongezeka kwa bei ya kawi, mafuta na umeme, na kupunguzwa kwa MTR yalikuwa mambo makuu yaliyozua wasiwasi zaidi kwa sekta hii katika mwaka huo. Kupunguzwa kwa MTR kulipunguza mapato yetu, na kuchangia hasara ya KShs 2 bilioni katika mapato ya kuunganisha wateja na mitandao mingine.

MAENEO **YA UKUAJI**

Tumefurahishwa na ukuaji wa M-PESA, ambayo ilichangia asilimia arobaini kwa biashara yetu baada ya kuathiriwa kidogo kipindi cha kabla ya uchaguzi robo ya kwanza yam waka. Tutaendelea kuchochea ukuaji katika huduma za kifedha na kupanua huduma zetu za utoaji mikopo katika malipo kwenye biashara na kwenye bima.

Huduma ya data kwenye simu pia imeandikisha matokeo mazuri na itakuwa kiungo muhimu cha kuchochea ukuaji siku za usoni. Bado kuna uwezo ambao haujatumiwa vyema katika mtandao wa kufikishwa manyumbani na kwenye biashara kupitia nyaya, na hii ni ishara kwamba kuna nafasi ya ukuaji zaidi.

ETHIOPIA

Kukabidhiwa kwa leseni ya kutoa huduma za kifedha kupitia simu nchini Ethiopia ni hatua kubwa sana kwetu. Ingawa uzinduzi wetu nchini Ethiopia mwanzoni uliathiriwa na changamoto za kiusalama, ujuzi, na miundombinu, sasa tupo katika nafasi nzuri ya kuwafikia wengine na kuongeza kasi yetu. Ingawa bado kuna hali ya kutotabirika katika baadhi ya maeneo ya nchi hiyo, hasa Tigre, tuna imani kwamba tutaweza kutoa thamani tunapoendelea kuikuza biashara yetu Ethiopia. Ethiopia bado ni sehemu muhimu ya mkakati wetu wa kuchochea ukuaji katika maeneo mapya na kupunguza utegemezi katika biashara ya GSM na mtandao nchini Kenya.

FURSA

Bado kuna fursa kubwa katika kuwaunganisha watu, ikiwemo matumizi ya sauti na malipo ya kawaida. M-PESA imeshuhudia ukuaji wa mtandao wa wanabiashara wanaoitumia na maeneo mapya kama vile Pochi la Biashara, till za kufanyia biashara, na mikopo kwa wafanyabiashara. Kipimo cha mapato kutoka kwa kila mtumiaji (ARPU) kwa M-PESA kiliongezeka kwa 1.9%, na kwa data kwa njia ya simu kikaongezeka kwa 16%. Tunatambua uwezo wa M-PESA wa kupanua huduma za mikopo na tunafanya uvumbuzi katika kuhudumia vyema makundi maalum ya wateja, wakiwemo vijana, kwa kuanzisha M-PESA GO.

MSHIRIKA BORA WA KITEKNOLOJIA WA SERIKALI **NA JAMII**

Tunaunga mkono kikamilifu ajenda ya serikali ya kukumbatia matumizi ya dijitali katika huduma zake, ambapo kufikia sasa huduma 6,000 za serikali zinapatikana kidijitali katika eCitizen. Kwa jamii, tuliona:

- Awamu ya kwanza ya Hazina ya Hustler 1 iliyozinduliwa Novemba 2022, ambapo mikopo ya bei nafuu imetolewa kwa wateja 15.8 milioni
- Hazina ya Wanawake Wajasiriamali (WEF) ilizinduliwa Machi 2023 ambapo makundi 153 yaliundwa mwezi wake wa kwanza
- Kuna pia programu tumishi ya MyCounty App ya kusaidia kufanywa dijitali kwa huduma za serikali
- Mifuko 2.0 milioni ya mbolea ilisambazwa kwa wakulima 2.3 milioni katika kaunti 28, ambapo jumla ya KShs 7.1 bilioni zilitumika, kupitia M-PESA kwa ajili ya kusambazwa kwa mbolea

Pia, kupitia M-PESA na Biashara ya M-PESA, tumeshuhudia kupanuliwa kwa huduma za kifedha na kielimu Pamoja na mikopo kwa biashara. Kujumuishwa kwa watu zaidi kwenye mfumo wa kifedha kunatoa pia fursa kubwa. Kadhalika, ikizingatiwa kwamba ni nyumba robo moja tu ambazo zimeunganishwa kwenye mtandao, tupo katika hatua ya awali sana ya ukuaji . (Kwa maelezo zaidi kuhusu bidhaa na huduma zetu, tazama ukurasa 19.)

Nilifanikiwa kuongoza Kamati Elekezi ya Kitaifa kuhusu Ukame, iliyoanzishwa chini ya Hazina ya Taifa ya Msaada wa Kukabiliana na Ukame, kupunguza makali ya njaa na ukame katika kaunti 20 zilizoathirika zaidi na wadi husika.

MATOKEO **NA MKAKATI**

Mkakati wetu wa kipindi kirefu umesalia kutimiza mabadiliko yetu kutoka kampuni ya mawasiliano ya simu na kuwa kampuni ya kiteknolojia. Kwa hivyo, katika mwaka huo tuliendelea kuangazia kuongeza kasi maeneo mapya ya ukuaji kwa kubadilisha fursa kuwa faida kwa kutimiza mahitaji ya wateja yanayoendelea kubadilika na kupanuka, pamoja na changamoto zinazoikabili jamii. Katika kutekeleza mkakati wetu, inaridhisha kuweza kusema kuwa utendaji kazi wetu katika mwaka huo, kama ilivyodhihirishwa kwenye matokeo yetu mazuri, unasisitiza na kutoa thamani kuendana na lengo letu kuu la kimkakati.

Hasa, kwa wawekezaji wetu, tulitimiza katika mambo manne makuu:

- Kufanikiwa kwa uzinduzi wa biashara yetu za Ethiopia na kukabidhiwa leseni ya huduma za kifedha kwa njia ya simu nchini humo, hivyo kutoa usalama kwa biashara yetu huko
- Kuimarika kwa matokeo ya nusu ya pili ya mwaka, baada ya wasiwasi uliohusiana na uchaguzi na changamoto nyingine za kiuchumi kuathiri nusu ya kwanza ya mwaka
- Ukuaji wetu wa zaidi ya asilimia kumi katika data kwa njia ya simu ambao ulipatikana nusu ya pili ya mwaka, pamoja na ukuaji katika maeneo mengine yakiwemo huduma ya intaneti ya kutolewa kupitia nyaya kwa nyumba na biashara
- Matokeo mazuri yaliyopatikana yaliendana na ushauri uliotolewa

Ni muhimu kutambua, hata hivyo, kwamba kampuni itasalia katika awamu ya uwekezaji kwa miaka mitatu au minne ijayo, ikisaidia uzinduzi wa mtandao na kupanuliwa kwa shughuli zetu Ethiopia. Bado tupo kwenye njia nzuri ya kushuhudia biashara yetu ya Ethiopia ikiandikisha faida miaka minne baada ya kuzinduliwa kwa shughuli zetu huko. Kwa hivyo, hili litaathiri matokeo ya Kundi, lakini ni jambo litakalokuwa chanzo kikubwa cha kusukuma ukuaji katika siku za usoni, hata kama huenda likaathiri mgawo wa faida katika kipindi cha wastani. (Kwa maelezo zaidi kuhusu matokeo yetu ya kifedha yakilinganishwa na mkakati, tazama ukurasa 103 na ukurasa 59 mtawalia.)

WADAU

Katika mwaka huo, tulisalia kujitolea kwa, na tuliendelea kuheshimu uhusiano wetu na wadau wa aina mbalimbali. Tulijizatiti kuendeleza ushirikiano wetu nao na kutilia maanani masuala ya umuhimu kwao. Nje ya nchi, pamoja na serikali, huwa tunaangazia sana mambo ya umuhimu kwa taifa letu na kanda, na mashauriano yetu ya mara kwa mara yamesalia kuwa mazuri na ya kuzaa matunda.

Tunadumisha uhusiano thabiti na wasimamizi wa sekta yetu, Benki Kuu ya Kenya (CBK) na Mamlaka ya Mawasiliano ya Kenya (CA), licha ya, na kwa sababu ya, kuwa mhusika mkuu sokoni. Na ninaamini kwamba hili linaeleweka vyema kwamba hatuna nia hata kidogo ya kutumia vibaya nafasi yetu.

Nyakfu zetu mbili zimeendelea kuwa chanzo cha fahari kubwa sana kwetu. Manufaa kwa jamii Kenya ambayo tunaweza kuyatoa kupitia nyakfu hizo na mchango wazo unaoendelea wa kujumuisha wote, msaada na usaidizi, ni mambo ambayo yameendelea kuongeza na kuimarisha sifa za nembo yetu. Hii inadhihirishwa na kipimo cha kuridhishwa kwa wateja (NPS) ambapo kwa kuzingatiwa kwa nembo ni zaidi ya 80 na kupendwa kwa nembo ni zaidi ya 60. Hata hivyo, ninaamini bado kuna nafasi ya kuboresha zaidi hasa katika mtazamo na hisia kuhusu bidhaa zetu, ambazo bado zinatazamwa na wengine kama za maana na za thamani.

Wanaosambaza bidhaa zetu, mawakala na maajenti, na pia wateja wetu ambao wote walipokea usaidizi wetu wakati wa janga, wamesalia kuwa muhimu sana kijamii na katika uhusiano wetu nao katika mwaka huo. Mshikamano wetu na wadau hawa wote ulitiwa nguvu kupitia hatua zetu na kuhusiana nao kwa njia ya maana. (Kwa maelezo zaidi kuhusu usimamizi wa wadau, tazama ukurasa 78.)

Hata ingawa tumepita kiasi nusu ya safari yetu ya kutekeleza malengo yetu ya mkakati wa 2025, tumo kwenye shughuli ya, pamoja na Bodi, kuandaa ruwaza ya 2030. Kwa hivyo, katika kipindi kifupi, tutakuwa tunaangazia kupanua na kuboresha huduma zetu ili kuifanya ndoto yetu ya kuwa kampuni ya kiteknolojia kutimia.

Katika kipindi kifupi hadi cha wastani, tutalenga kuongeza uwepo wetu kuwa hadi maeneo 1,000, na pia kuongeza upatikanaji wa mtandao wa 4G kwa asilimia hamsini kila mwaka. Tunajumuisha pia uzalishaji na uunganishaji pamoja wa sehemu kuunda vifaa mbalimbali ndani ya nchi na ufadhili wa vifaa na ushirikiano wa kuzaa matunda.

Kwa sasa tumekoleza mtindo wa kufanya kazi kwa Wepesi ambao unazingatia mteja kwanza na dijitali kwanza. Tunaangazia mahitaji badala ya kutoa bidhaa tu. Jukwaa hili litatuwezesha, katika kipindi cha wastani, kuhakikisha tunaongeza maradufu nyumba 250,000 ambazo kufikia sasa tumeunganisha katika mtandao wa intaneti, na pia kuendelea kutumia uvumbuzi kama vile 5G. Mali na bima vitaongeza umuhimu wake kama maeneo mapya ya ukuaji, na upande wa teknolojia, matumizi ya teknolojia ya intaneti katika kila kitu (IoT). Katika hili, teknolojia ya Cloud itakuwa kiwezeshaji muhimu.

Pia katika kipindi cha wastani Kwenda kipindi kirefu, tutazingatia kushirikiana na serikali katika ajenda yake ya kuweka huduma zake katika dijitali, na pia kutumia demokrasia katika mtandao wa intaneti na huduma za kifedha zinazotolewa kupitia teknolojia. Lengo muhimu ni kuongoza Kenya katika mpango wake wa vipaji vya kidijitali na matumizi ya takwimu na data kuu katika kuwa msingi wa jinsi tunavyoifikiria na kuiendesha biashara yetu.

Nchini Ethiopia tutahakikisha kwamba tunatoa mtandao thabiti na pana wenye idadi ya kutosha ya wateja ambao utazaa matunda ya kipindi kikubwa cha uwekezaji ambacho kwa sasa biashara yetu nchini humo inakipitia.

SHUKRANI

Ningependa kuishukuru Bodi kwa ushauri na uongozi wake wa busara. Utekelezaji wake wa majukumu ipasavyo kwa njia ambayo ni wazi umekuwa nguzo ya ufanisi wetu. Hasa, ningependa kumshukuru John Ngumi kwa uongozi wake wa kipekee kama Mwenyekiti, na namtakia mrithi wake Adil Khawaja kila la heri katika wadhifa wake kama Mwenyekiti wetu mpya. Ningependa pia kuwakaribisha wanachama wetu wapya kwenye Bodi, Ory Okolloh na Karen Kandie, wanapojiunga na kundi la uongozi, na nawahakikishia uungwaji mkono kutoka kwa wasimamizi. Shukrani zangu za dhati ziwaendee wanachama wa Bodi wanaoondoka, Prof Bitange Ndemo, Bi Linda Muriuki, Christopher Kirigua, Eng. Stanley Kamau na Sitholizwe Mdlalose, kwa kujitolea kwao na ushauri na uelekezaji wa hekima ambao waliutoa kila wakati kwa usimamizi.

Ningependa kuishukuru Serikali ya Kenya (GoK), mamlaka zinazotusimamia na wadau wetu wote kwa uungaji mkono wao, mchango wao na ushauri wao.

Kwa njia ya kipekee, ningependa kutoa shukrani zangu kwa wateja wetu kwa uaminifu wao kwa nembo yetu pamoja na bidhaa na huduma zetu. Ni kwa sababu yao biashara yetu ingali ipo, na imani yao kwenye nembo yetu na bidhaa na huduma zetu ndiyo nguzo ya ufanisi wetu.

Shukrani zangu pia ziwaendeee wafanyakazi wetu ambao bila kujitolea kwao, uaminifu wao na bidii kazini, hatungeandikisha matokeo mazuri tuliyoyapata.

Tunatumainia kuendelea kufanya kazi na watu hawa wote muhimu, mashirika na asasi, tunaposonga mbele kwa pamoja katika siku za usoni.

Peter Ndegwa
Afisa Mkuu Mtendaji

OUR STRATEGIC APPROACH

Our strategic approach comprises a fundamental part of our intellectual and financial capitals, with the remaining four capitals also forming an integral part of the thinking, planning, procedures, and implementation of all the elements that inform our strategy. In addition to the strategy framework itself, this includes our material matters, risk management and identification of opportunities, our business model and the way we manage and foster the relationships with our key stakeholders.

Our Material Matters

We consider our material matters to be those economic, governance, social and environmental issues that have the potential to impact the long-term sustainability of our business, and that may underlie certain risks, challenges and opportunities that we face. As such, determining, identifying and assessing these material matters forms an important part of our intellectual capital, and has a bearing on both the framing and the implementation of our strategy, and our relationships with our stakeholders.

A range of internal and external factors inform and influence our ability to create and deliver value. To determine those influences that are materially significant to the Group, we follow a rigorous and ongoing assessment process, which includes consideration of the UN SDGs, as well as the concerns raised by our stakeholders.

OUR STRATEGIC APPROACH

Our Material Matters (continued)

MATERIAL MATTER	WHY IT IS IMPORTANT	OUR RESPONSE
1 OUR PLATFORMS	Our platforms – networks, stations and digital ecosystems – are the core foundation of our business, facilitating inclusive, sustainable economic development and innovation to transform lives. In keeping with our Customer Obsession focus, which means putting our customers first in everything we do, we monitor the critical components of our network – quality, availability and coverage – to ensure that we provide our customers with the best overall experience.	Our platforms reflect the value provided to the customer, as Safaricom is more than just a network. Our network enables our platforms such as M-PESA and DigiFarm which we are constantly refining and enhancing in order to add new functionalities and capabilities with the overall aim of transforming our customers' experience and adding economic value. We have successfully rolled out our Agile culture to ensure that we incorporate the perspective of customers as we respond to their rapidly-evolving needs. This approach is aligned with our Customer Obsession* principle as we transition from a telco to a technology company.
2 ENVIRONMENTAL STEWARDSHIP	The way in which we live and work in the environment underpins our strategic focus on customers, colleagues, community and company. As one of the major players in Kenya's economy, we have a particular responsibility not only to manage and minimise our impact on the environment, but to demonstrate best practice in the ways in which we achieve, as well as in reporting our environmental performance openly and transparently. Aligned with our net-zero commitment, we manage our operations responsibly and work with our stakeholders to achieve this.	We pay careful attention to energy usage, and the carbon footprint of both our Group and our wider industry. We also endeavour to provide solutions to help other sectors reduce their emissions through digitisation. We track greenhouse gas (GHG) emissions, energy efficiency, consumption and cost, waste and e-waste and emission reduction, constantly monitoring our progress. We also make use of environmental impact assessments and audits, together with international third-party standards such as ISO 14001 environmental and ISO 50001 energy management systems in order to establish both negative and positive impacts and implement mitigation measures where required. We collaborate with regulators to significantly increase access to information and communications technology (SDG9), while ensuring sustainable consumption and production patterns both within our own organisation and amongst our stakeholders (SDG12). By helping to build effective, accountable and inclusive institutions at all levels (SDG16), through partnerships within the wider business community (SDG17), we enable sustained, inclusive economic growth (SDG8). This, in turn, is driving progress, creating decent jobs for all and improving living standards.

SDG ALIGNMENT	FUTURE FOCUS AREAS
THE GLOBAL GOALS	
SDG 3: The future focus remains to leverage on mobile technologies to transform lives by improving access to quality and affordable healthcare services through products such as M-TIBA. The Safaricom Foundation and M-PESA Foundations will continue with programmes in maternal and child health. **SDG 4:** The future focus is to continue expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations. **SDG 8:** The quality of the service we provide enables decent work and economic growth. **SDG 9:** Facilitating increased accessibility and data connectivity by making affordable smartphones available to everyone in the market. **SDG 10:** We work to promote financial inclusion across all sectors while promoting digital and gender inclusion. The focus is to reduce inequalities by enabling equal access to opportunities for everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology.	• Expand the number of 5G sites to more than 800 in FY2024 • Connect one million homes with FTTH in the medium to long term • Continue with public Wi-Fi provision • Drive financial health, complementing the financial inclusion milestones so far achieved • Drive the adoption of digital mobile financial solutions to consumers and merchants • Further develop, in the long term, digitalisation of the transport sector through a cashless parking solution with contactless vehicle verification
SDG 7: Our focus is to transition to the use of clean energy at our sites and leverage technology to provide clean energy solutions, including payment solutions for local and renewable energy. Our commitment is to be a net-zero-emitting company by 2050. **SDG 12:** We increased the number of our regional retail shops with segregated waste management bins from 18 to 72 facilities and 51 retail shops. **SDG 17:** We partner with licensed mini-grid providers in remote regions or grid-power-deficient areas where we are the anchor tenant.	• We achieved 100% single- use-plastic free and will continue to work to eliminate single-use plastics in our retail shops across the country • Scale up end-to-end integrated waste management beyond the Nairobi region and continue to aspire to attain a recycling rate of 98% for all our collected waste • Conduct a nationwide sensitisation programme/workshop on electromagnetic fields (EMF) and 5G • Over 1,400 sites transitioned to solar • 1.3 million trees grown in 1,300 hectares of public degraded forests, directly impacting 2,000 livelihoods • We target to plant 5 million trees by 2025, so far we have 1.3 million trees planted. This is part of our initiative to be net zero by 2050

OUR STRATEGIC APPROACH

Our Material Matters (continued)

MATERIAL MATTER	WHY IT IS IMPORTANT	OUR RESPONSE
3 INNOVATION AND **PARTNERSHIPS**	As a purpose-led technology company, we consider innovation to be central to achieving our strategic objectives, retaining our competitive edge, ensuring that we continue to grow. For us, innovation is not just about product innovation, but extends also to innovation-related to financing, partnerships and engagement – solutions throughout the value chain that transform lives in many different ways. Constant innovation is an important aspect of ensuring our continued success and resilience.	Among other teams, our Business Development Division is responsible for innovation and partnerships. While each of these teams has specialised areas of expertise, they all share the understanding that the digital economy will be built by people who are not just connecting individuals and businesses to technology, but to solutions, as seen from the perspective of people living with challenges. The teams liaise closely with the Customer Obsession stream to achieve business insights into areas that matter most to customers and to guide the business in new areas of opportunity. These insights, together with ongoing training, are complemented by predictive models to drive smarter business decisions and actions.
4 GOVERNANCE, BUSINESS **ETHICS AND RISK**	Good corporate governance practices are essential to the delivery of long-term, sustainable stakeholder and shareholder value. The ability to generate long-term value is based on good corporate governance, which helps to regulate risk. As a responsible corporate citizen, the implementation of strong governance structures, including a governance code, an ethical culture, and a robust risk management framework, is foremost in our minds.	Our focused adherence to governance and ethics underpins our risk management framework. We work beyond our own business to stand together with society and drive behavioural change through effective collective action initiatives. • We include our business partners in ethics training, and play an active role in collaborative advocacy action that promotes ethics and integrity through quarterly fraud forums for financial institutions, with 489 suppliers attending. Our governance, business ethics and risk priorities for the year were: • Further embedding a positive risk culture across our organisation • Customer Obsession • Data privacy and protection • Cyber security • Managing risks and uncertainties facing the business
5 REGULATORY **ENVIRONMENT**	The Regulatory Environment plays a significant role in Safaricom's ability to operate effectively, as we reflect and respond to change in the socio-economic environment. These two environments together have the capacity to impact our strategy, its expression in our business model, and consequently our decision-making.	We continuously and regularly identify and assess changes and monitor expectations to ensure that our decision-making is compliant, responsible, transparent and value-creating. We worked with the CA, who extended usage of the COVID-19 spectrum and secured 5G to us in order to reduce stress on the network caused by the spike in demand for data during the lockdown period. This enabled us to continue serving our customers during a time when the country was transitioning to virtual services. During the year under review, we maintained our focus on compliance, and this translated to minimal non-conformance, resulting in zero penalties or non-monetary sanctions.

SDG ALIGNMENT	FUTURE FOCUS AREAS
SDG 8: We unlock access to market for micro, small, medium enterprises (MSMEs). **SDG 17:** We were awarded part of the tender for the Universal Service Fund. We are in a partnership in the licence which will assist in stimulating economic growth in Ethiopia.	• Drive adoption of the M-PESA Super App for consumers and business apps as a marketplace to enhance the two-sided ecosystem • Implementation of MSME marketplace • Work to build a digital healthcare service for Kenya • Develop capacity in user-interface (UI) and experience • Introduce new financial services product marketplace for insurance and micro-wealth management • Launch M-PESA services in Ethiopia in Q2 FY24
GOAL 9: We promote increased accessibility and data connectivity by making affordable smartphones available to everyone **GOAL 12:** We promote responsible consumption and production **GOAL 16:** We support peace, justice and strong institutions	• Work at national level to mitigate the risks of cyber-attacks • Continue to implement safeguarding measures to ensure customers data is protected in line with data protection laws in Kenya
SDG 17: We collaborate with regulators (SDG16 and SDG17) to significantly increase access to information and communications technology (SDG9), while ensuring sustainable consumption and production patterns both within our own organisation and amongst our stakeholders (SDG12).	• Engagement with regulators on numerous draft regulations, guidelines, and bills • Acquire air quality licenses to operate generators in all our data centres and offices, in order to comply with Air Quality Regulations 2014

OUR STRATEGIC APPROACH

Managing Risk

Since the advent and subsequent diminishing of the pandemic, we recognise that risk assessment and effective risk management has taken on even more urgency. The uncertain global economic outlook has given an additional impetus to the need to identify and examine not only the challenges faced by societies within their key economic sectors, but the opportunities that might arise from those challenges as well. In the market within which we operate, connectivity, technology and agility are of particular importance, and carry with them very particular risks, challenges and opportunities.*

**For more on the global and domestic operating environment, see page 95*

THE RISK ENVIRONMENT

It is with these matters in mind that we therefore recognise the centrality of the management of risk and uncertainty to our strategy, purpose, and mission and values. The understanding of this centrality is a fundamental component of our intellectual capital, and it plays an integral part in the successful delivery of our strategic objectives, both in our financial and non-financial activities.

This means not only continually evaluating our strategy against the challenges and associated opportunities that we face, but also taking into account the impact on our communities of both global and domestic macro-economic developments and conditions. These can make themselves felt in such areas as:

- Employment trends and social inequality
- Access to disposable income and the exercise of basic human rights
- The development and availability of ever-innovative technology

We therefore continually strive to understand and analyse how all these factors affect the way we operate. (For more on our socially-based activities, technology and business model, see pages 120, 90 and 75 respectively.)

OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERMF)

We remain committed to robust risk management practices as an integral part of good management. This is evident in our top-down approach, with the Board assuming overall responsibility for the management of risk.

From this level, appropriate support for risk management is disseminated throughout the Company, driving a positive risk culture across the organisation.

Our risk management framework is aligned to the ISO 31000, allowing us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides the Company's management with a clear line-of-sight over risk, and enables informed decision-making. Moreover, we continuously review our risk management framework to ensure the effective provision of the appropriate foundational and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving the management of risk.

Establishing the context

We classify our risks into two categories – Strategic Risk and Operational Risk. We then proceed with defining the requisite external and internal parameters for managing risk, and setting the scope and risk criteria for the risk management policy.

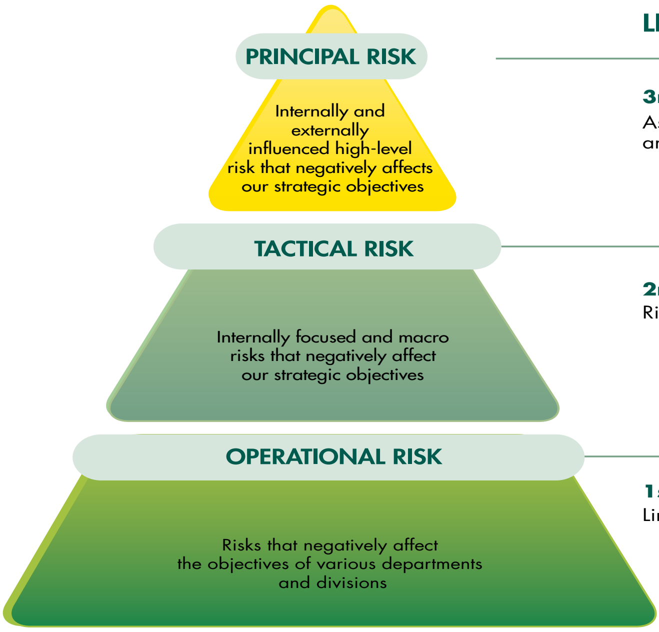
Our external context includes:

- Our external stakeholders
- The local, national, and international environment
- Other external factors that influence our objectives

Our internal context includes our:

- Internal stakeholders
- Approach to governance
- Contractual relationships
- Capabilities, culture, and standards

Our three lines of defence



LINES OF DEFENCE	OVERSIGHT
3rd LINE OF DEFENCE Assurance from internal and external auditors	Safaricom Board Audit and Risk Committee – at Group and subsidiary levels
2nd LINE OF DEFENCE Risk management team	Safaricom Management Risk Management Committee (RMC)
1st LINE OF DEFENCE Line management	Maintaining an effective control environment against operational risks

Our risk appetite statement

Safaricom faces a broad range of risks while carrying out its business operations. We therefore recognise that risk is an inevitable part of creating and preserving value. With this in mind, we have developed detailed processes to ensure that all critical and major risks are proactively managed.

At the same time, we recognise that it is not possible to eliminate all the risks inherent in our operations and that acceptance of some risks is necessary if we are to foster innovation, the development of a sustainable business, and maximise value for our shareholders.

Our risk philosophy is aligned to best risk management practices and is aimed at supporting the attainment of our purpose, vision and mission by effectively balancing risk and reward.

Our principal risks and what we are doing about them

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment in which we operate.

We identify key risks through our Enterprise Risk Management Framework (ERMF), which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk-management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The following are the principal risks that received close management attention during the year under review.

OUR STRATEGIC APPROACH

Managing Risk (continued)

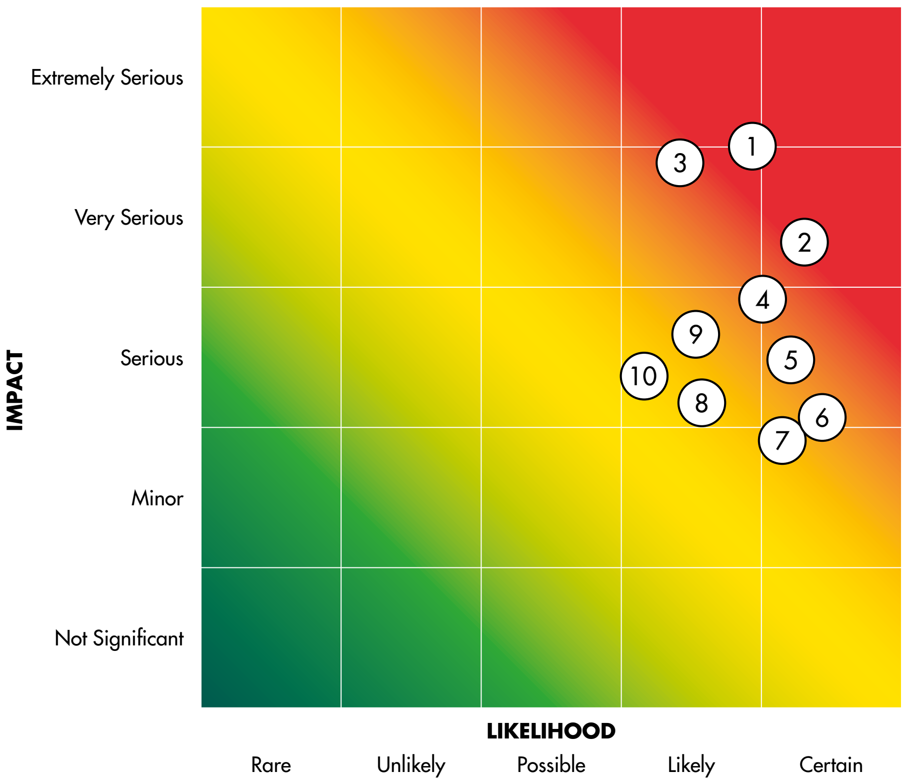
RISK RANKING		POSITION RELATIVE TO FY22	STRATEGIC RISK CATEGORY	RELATED STRATEGIC PILLARS
1	Regulatory environment risk	↔	Strategic/external	
2	Economic, market and forex risk	NEW	Strategic/external	
3	Market disruption	↑	Strategic/external	
4	Cyber threat and privacy risk	NEW	Operational	
5	Technology risk and operational resilience	NEW	Operational	
6	Social engineering fraud, money laundering and terror financing (AML/TF) risk	↑	Operational	
7	Insecurity and political landscape risk	↑	Operational	
8	Health and safety risk	↔	Operational	
9	Supply chain disruptions/ Geopolitical risk	↓	Strategic/external	
10	Talent risk – availability and retention of rare skills	NEW	Operational	

For detailed descriptions of these risks, our mitigation measures and the associated opportunities, please refer to page 170 to 174

Key	Risk decreased	Risk stable	Risk increased
	↓	↔	↑

Our Risk Heat Map

Our risk heat map sets out the principal risks as identified through the risk management process that covers strategy and operations. It depicts the residual risk after the institution of mitigating controls.



OUR STRATEGIC APPROACH

Our Strategic Framework

Our strategy forms a fundamental part of our intellectual capital, and it emphasises our purpose of transforming lives. With due consideration of the macro-economic environment in which we operate, as well as what differentiates us from our competitors, together with feedback from our customers and our recognition of the centrality of our purpose as a socially responsible organisation, we have designed our strategy to decisively support what our customers need to transform their lives through technology.

OUR STRATEGY **ROAD-MAP**

WHERE WE CAME FROM

OUR FIVE-YEAR STRATEGY	YEAR 1
Launched in FY2021, approved by the Board in FY2021	Our strategic edifice with four strategic pillars

SUCCESSFULLY DELIVERING:

- A customer-obsessed digital organisation
- A solid basis for a future-fit Group
- Significant progress in all our business areas
- Growth in our customer KPIs
- A positive trajectory in commercial activity KPIs

WHERE WE'RE GOING

FY2022 – Establish a customer obsessed, digital first organisation (delivering double digit growth) by the end of FY2022, in order to be a purpose-led technology company by end of 2025

FY2023 – To accelerate new growth areas delivering superior customer experience in order to be a purpose-led technology company by 2025

FY2024 – Scale tech solutions in order to be a Purpose led Technology Company by 2025

Transforming Lives

Purpose: To be a Purpose-led Technology Company

Vision: A Digital-first, Insights-led Organisation that Enables Platforms and Ecosystem Partnerships

Transformation goal: Deepen Customer Engagement and Experience

Strengthen the Core | To be a Financial Services Provider | Accelerate New Growth Areas | Achieve Cost Leadership

Transformative Pillars: Data & Analytics | Network & IT | M&A and Partnerships

Foundation Enablers: Talent and Organisation

Our strategic priorities deriving from our four strategic pillars

- Defending voice through use of Customer Value Management (CVM) platforms
- Democratising data through devices, network coverage and use cases
- Expanding our enterprise portfolio: Internet of Things (IoT); Information and communication technology (ICT); Fibre-to-the-Home (FTTH); Fibre-to-the-Building (FTTB)
- Winning in FTTH/FTTB as a converged business
- Creating a fintech anchored platform of choice for empowerment of SMEs/ MSMEs
- Expanding the core financial services into new geographies

- Next financial services: Wealth management, savings, insurance, credit
- Smart lifestyle channel: M-PESA Super App
- Integrated business solution: Business App and payment aggregation platform
- Universal payment network: Enhanced merchant interoperability, and an enabling of e-commerce and cross-border payments (M-PESA Global)

Accelerate New Growth Areas: The main effort of our strategic focus for FY2023

With these focus areas:

- Leverage technology to embed **purpose** through sustainable initiatives, strategic CSR and partnerships
- Deliver digital first **customer experiences**
- Create a turbo-charged **financial services** ecosystem
- Grow our customer base with effective **connectivity and experience**
- Aim to be the trusted partner of choice for **technology and financial solutions** for SME, large enterprises and the public sector
- Transition to the **target operating model**
- Deliver a successful business in **Ethiopia**
- Establish capacity to win through our **Strategic Enablers**

- Drive cost optimisation to fuel growth in new areas
- Smart procurement, automation, digitisation and operating model transformation

Productivity driving sustainable operations:

By
Delivering more value to customers:
- Reduction of M-PESA prices by 50%
- Mobile data pricing by 24.5% YoY

and
Funding new growth areas:
- Geographical expansion into Ethiopa
- Accelerating wealth management, insurance, fixed IoT and ICT

while
Mitigating emerging risks:
- MTR reduction by 41%
- Depreciating shilling
- KYC requirements slowing growth momentum

to
Protect margins and profitability:
- Maximising benefits realised from spend

OUR STRATEGIC APPROACH

Our Strategic Framework (continued)

We are midway on the journey towards delivering our five-year strategy in FY2025

Our strategic focus goals – FY2023

OUR STRATEGIC FOCUS FOR FY2023 GOALS

- Leverage M&A, Licences and partnerships to unlock growth and shape our investment profile (with emphasis on Financial Services)
- Scale fixed solutions (FTTH and FTTB services) for consumers and businesses
- Accelerated new financial services (Insurance, Wealth, eCommerce) and Services for Consumer and SME
- Scale selected digital platforms – Agriculture and Digital Health
- Establish the right operating model and partnerships to scale IoT and ICT
- Pro-actively allocate investment and resources to scale new growth opportunities
- Support our cross border investment to launch and scale to achieve regional relevance
- Continue to build a great place to work and a thriving workforce

With these KPIs:

- **Growth of new business areas** – existing growth areas require investment and acceleration. They include *Digital Business, IoT, ICT, M-PESA and DigiFarm acceleration*
- **Fixed Ambition:** Scale fixed solutions for consumers and businesses
- **Digital Business** – Build and monetise a content platform that will aggregate content players, connect with customer and deliver seamless experience
- **ICT:** Establish the requisite operating model and partnerships to scale ICT
- **Internet of Things (IoT):** Establish the requisite solutions and partnerships to scale IoT – Our IoT solutions allow businesses to create a digital overview of their entire organisation, including both old and new technology, equipment and processes, and draw insight from the data their connected "things" generate. Solutions include:
  - **Connected coolers,** allowing visualisation of information relating to fridge performance and efficiency
  - **Smart Water,** simplifying water monitoring by retro-fitting on existing water meters for data extraction and applied analytics
  - **Telematics,** collecting vehicle information on several parameters accumulated and recorded at the end and start of trips
  - **M-PESA:** Developing a model for e-commerce, and additional financing opportunities, with new products launched: M-PESA Global Pay Visa Virtual Card, M-PESA Junior Account for 10- to 18-year-olds enabling parental control, insurance and wealth management; merchant credit, Fuliza airtime. Leverage M&A, licenses and partnerships to unlock growth and shape our investment profile
- **Scale selected digital platforms:**
  - **DigiFarm** acceleration: Deliver a scalable business model and revise our go-to-market approach
  - **Digital Health** – through M-TIBA
  - **Drive successful business in Ethiopia**

...as we strategically pivot towards our vision of becoming a technology company through;

Agile transformation
Establish a cost leading, agile customer-obsessed technology environment

Building capability for in-house tech experts

Enhanced level of automation and digitisation
Digital Maturity Index

Evolve M-PESA into a two-sided platform for
businesses and consumers

#1 Brand for technology solutions

Big data and analytics & CVM
Delivering growth and customer value enabling CVM growth beyond GSM

Becoming a purpose-led technology company

By applying technology in order to:

Simplify life
Make life more convenient
Link people to people, knowledge and opportunities

OUR STRATEGIC APPROACH

Our Strategic Framework (continued)

In implementing our strategy, we track these **key overall key performance indicators**:

BUSINESS CATEGORY	KPIs
NEW GROWTH AREAS	• Share of growth from new business areas • Ethiopia – successful commercial launch
CUSTOMER	• NPS • GSM customer share
PURPOSE	• Kenyan lives impacted
FINANCIALS	• EBIT • Total revenue • Operating cash flow
FIT-FOR-FUTURE ORGANISATION	• Diversity and Inclusion (D&I): Women in leadership roles • 100% Agile organisation • Best place to work in Kenya • Digital maturity

Strategic Performance Review – **FY 2023**

Assessing and monitoring our performance constitutes an important part of our financial and intellectual capitals. During the year under review, we mapped our activities, innovations, products, services and initiatives against the strategic goals associated with the four pillars of our strategy.

KEY ACHIEVEMENTS IN OUR STRATEGIC **IMPLEMENTATION CYCLE**

FY21	FY22 Focus	FY23 Focus	5 Year Vision
Launched our 5 year Strategy in September 2020	To establish a customer-obsessed, digital-first organisation	To accelerate new growth areas delivering superior customer experience	To be a purpose-led Technology company by **2025**
Strengthen the Core	**New Growth Areas**	**To be a Financial Services Provider**	**Achieve Cost Leadership**
Market share; Overall 66%, Voice at 66%, Mobile Data at 65% & SMS at 89%	Successfully launched commercial operations in Ethiopia with 3.0 million gross adds since launch	Innovative products & service offerings launched; Hustler Fund, M-PESA Go, M-PESA business overdraft and M-PESA Global Virtual Visa Card	Solarised +1,400 network sites resulting in 22% energy savings
Grew giga customers (customer using >1GB per month) by 4.1 million in the last three years	IoT & ICT growing strongly, realising 3-Yr CAGRs' of 63.8% and 81.5% respectively	Grew our 30 day active M-PESA users by 7.2 million in the last three years	Maintained opex growth below inflation
Grew our 30-day active GSM customer base by 4.5 million customers in the last three years	Grew our total fixed customers from 129k to 244k resulting in FTTX market share at 46%	Grew M-PESA chargeable transactions/customer from 12.9 to 23.5 the last three years	Delivered smart procurement on our network CAPEX to facilitate acceleration of fixed business, 4G, launch of 5G and reinforcement of our IT infrastructure

OUR STRATEGIC APPROACH

Strategic Performance Review – **FY 2023** (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
STRATEGIC PRIORITY #1 Democratise data and lead the Kenyan GIGABIT REVOLUTION by growing 5X the number of >1GB Customers			
MOBILE DATA	Accelerate mobile data growth in order to secure our connectivity customer and market share	• Tough operating environment in an election year • Increased regulatory scrutiny • Increased taxation on smartphones and SIM cards • Sustained consumer wallet pressure with rising inflation and shilling depreciation • Adjusted telco products excise duty	• Leveraged price transformation, transparency and personalised offers through Customer Value Management (CVM) • Enhanced affordability or our data offerings • Drove the penetration of 4G-enabled mobile devices through our device financing program while providing the right content to encourage usage • Accelerated relevance through streaming content and partnering with content creators and providers e.g. Showmax
STRATEGIC PRIORITY #2 Manage voice decline through integrated, segmented propositions delivered through bundle-based pricing that focuses on content/services enabled by connectivity, affordability, strong household offering and loyalty/engagement			
VOICE	Grow an engaged customer base in order to secure our connectivity customer share	• Increased regulatory scrutiny • Mobile termination rate revision from KShs 0.99 to KShs 0.58 • Excise duty revisions in the year • Shrinking consumer wallets with rising inflation and shilling depreciation • Opportunity to drive customer engagement; 92% of our revenues in Voice only comes from 42% of our customers	• Launched various customer propositions to enhance usage and grow voice ARPU including: › a "free first call of the day" service targeting inactive ultra-low value customers › "Power hour" and "power hour Kadogo" propositions to drive customer engagement › "Easy Talk", "Talkmore" and "hot minutes" value offerings • Leveraged our Customer Value Management (CVM) engine to retain and win back customers with personalised offers reaching 70% of the base

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• 26.07 million, +3.4% YoY one-month active data customers • KShs 53.95 billion Mobile Data revenue, +11.4% YoY • 3.6GBs per chargeable mobile data subscribers • 8.9 million data customers using >1GB, +14.5% YoY growth • 20.30 million smartphones on the network, +10.0% YoY • 13.22 million 4G devices, +20.6% YoY, 52.2% using >1GB • 661.8 thousand active LMM devices, +31.7% YoY • 4G Everywhere coverage at 97%	• Accelerate Mobile data customer growth by upgrading the 2G base to 4G/5G devices • Deliver segmented, holistic consumer value propositions to our customers • Grow customer adoption on monthly plans in order to retain high value customers and accelerate revenue growth • Grow Giga customers by leveraging Data Plus offering (differentiated and integrated value adds) • Reduce frontline demand and grow adoption of multi-channel data purchases and service experience through customer education campaign
• 65.6% Voice traffic share as at Dec 2022 • KShs 81.05 billion Voice revenue, -2.6% YoY • KShs 11.38 billion Messaging revenue, +4.6% YoY • 26.19 million one-month active voice customers, -7.7% YoY • 21.17 million one-month active messaging customers, -4.9% YoY • KShs 1.44 outgoing rate per minute, +1.4% YoY, KShs 0.94 incoming rate per min, -26.8% YoY • KShs 248.59 Voice ARPU, -0.1% YoY • KShs 43.82 Messaging ARPU, +5.1% YoY	• Defend the 2/3 Customer Market Share and Total Market Share • Maintain churn < 25% • 100% Migration to new CVM platform to offer better segmented and personalised offers and customer propositions • Embed loyalty and retention as core deliverable through CVM across the business units • Scale adoption of global recommender and automation of Average Days of Use, churn prediction and propensity models

OUR STRATEGIC APPROACH

Strategic Performance Review – **FY 2023** (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
STRATEGIC PRIORITY #3 Transform Route to Customer in order to drive unmatched omnichannel experience			
DIGITAL CHANNELS	Accelerate the growth of digital channels with an aim of driving unmatched customer experience	• The need to deliver simple, efficient and seamless customer experience in order to address existing complexity in service delivery • Accelerate the growth of Do It Yourself (DIY) journeys across the digital/self-service channels in order to deflect traffic from the traditional Contact Centre Channel • The need to simplify the experience of our frontline staff by providing an automated platform that empowers staff tor faster decision-making and delivers an omnichannel experience for the customer	• Digitised and introduced 14+ new DIY customer journeys on the App, Web and Zuri BOT. leading to an accelerated growth of our self-service interactions • Developed the Single View of the Customer Platform to create simplicity for the frontline team in offering Simple, Efficient and Customer Centric Service • Integrated all the key touchpoints into our Touchpoint Net Promoter Score (TNPS) Tool (Dubi), we are now able to measure TNPS across the Key touchpoints • Enhanced distance checks and geo-locks for agents to improve SIM-swap success rate • Migrated SIM-swap to Jiandikishe App and introduced SIM-swap without PIN • Introduced DIY journeys for major services like PUK, Sambaza and PRS
CHANNELS	Drive Unmatched Omni-Channel Experience in order to accelerate new growth areas delivering superior customer experience	Route to Customer (RTC) strategy guided by five principles: • Customer-centricity • Optimising – matching channels and offerings to maximise revenue and customer-obsession • Proactivity – identifying opportunities and pre-empting issues • Omni-channel – cross-channel data flow and visibility • Data-centricity – to facilitate decision-making	**RTC Operating Model transformation** • Board approval for the RTC Framework • Defined optimal geographical territories to enable delivery of New Growth Areas **Process and Governance** • KYC Collection Automation • Geo-locking of tills • Review of Line Allocation Process

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• Added 14+ journeys on our self-service channels • Grew self-service from 69% to 83% serving a total of 521,000 customers a day • Grew our digital engagements from 3.2 million to 4.1 million customers • Deployed the Single View of the Customer (SVC) for Contact Centre where staff can access in one platform, the Customers Profile, Insights and Subscriptions • We achieved 9ppts growth on the digital Touch Point Net Promoter Score (TNPS) from 31 to close to 40 • Reduced SIM swap demand to the call centre by 30% and deflected 30,000 daily calls from contact centre to self service • Achieved 97% on IVR success rate and 96% on SIM-swap performance	• Greater focus on channels automation and digitisation by: › Delivery of an end-to-end Unified Digital Partner platform › Delivery of a single retail focused end-to-end APP to be used in the trade › Scale the usage and uptake of SVC to retail frontline staff • Grow self-service/DIY through digitisation of customer journeys by creating more customer journeys targeting customer pain and friction areas, onto the APP, Web and BOT (digital assets) • Digitise key Journeys on app and Web to support consumer business and new growth areas
• Modelled SFC business opportunity, Infrastructure requirements and compensation to deliver strategy 2025 • De-layered the channels organisation in readiness for a simplified RTC Operating mode • KYC collection automation and thus delivering efficiency and better cost management • Improved governance on till movements through the implementation of till geo-locking • Churn management and cost optimisation from line allocation review • Reduction in SIM fraud	• Transform Partner Compensation Model and pay for performance • Roll out revised RTC Operating Model Retool capability to deliver the revised RTC operating model

OUR STRATEGIC APPROACH

Strategic Performance Review – FY 2023 (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
STRATEGIC PRIORITY #4 Create a fintech-anchored ecosystem that is the "platform of choice" for SMEs			
FINANCIAL SERVICES	Deliver a turbocharged digital Financial Services ecosystem empowering society	• Challenging operating environment being an electioneering period • Business activity slowdown in an election year • Increased regulatory scrutiny • Return to charging on bank to/from M-PESA transactions • Sustained consumer wallet pressure with rising inflation and shilling depreciation	**Collaborating to build Lifestyle Ecosystem** • Partnering with 3rd parties to build lifestyle solutions with 69 published mini apps to date **Connecting Businesses and Consumers** • Scaling API's enabling payment and credit opportunities & innovation
STRATEGIC PRIORITY #5 Expand into next financial services (wealth management, insurance, installment/credit for more expensive categories)			
FINANCIAL SERVICES	Accelerate Next Financial Services growth areas in order to turbocharge the digital financial services ecosystem empowering society	• Develop truly mobile-centric solutions for wealth management and insurance • Shift financial services towards inclusive finance, helping customers manage liquidity, risk and investments while creating stronger focus on customer experience • Uncertain operating environment being an electioneering period • Increased regulatory scrutiny • Sustained consumer wallet pressure with rising inflation and shilling depreciation	• Rolled out the Hustler Fund credit and Savings Proposition • Launched Merchant Overdraft solution • Partnered with IRA and KRA to support Marine Cargo Insurance • Enabled Fuliza Withdrawal for Consumers • Partnered with Women Enterprise Fund (WEF) to launch a Group loan product
STRATEGIC PRIORITY #6 Evolve M-PESA into a broader platform – lifestyle platform, universal payment network, integrated business solutions			
FINANCIAL SERVICES	Evolve M-PESA into an open innovation platform, enabling third-party integrations in order to deliver a turbocharged digital Financial Services ecosystem while empowering society	• Uncertain operating environment in an electioneering period • Increased regulatory scrutiny • Sustained consumer wallet pressure with rising inflation and shilling depreciation	**M-PESA For All** • M-PESA Go to include Gen Z; Enabling Merchant Interoperability to be fully inclusive; Expanding credit to marginalised groups **Connecting to the Global Marketplace** • Partnership with Visa, launching M-PESA Global Virtual Visa Card & expanding international remittance **Scaling Next Financial Services** • Enabling Fuliza withdrawals; M-PESA Business Overdraft; Wealth Management – MALI

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• 32.11 million one-month active M-PESA customers • KShs 117.2 billion M-PESA revenue, +8.8% YoY • KShs 35.86 trillion Value of M-PESA transactions, +21.4% YoY • 21.03 billion M-PESA transactions, +33.5% YoY • 23.54 Chargeable transactions per one-month active customers, +16.2% YoY	• Business Payments Ecosystem services and governance to scale the payment ecosystem solutions • Develop a business empowerment platform for M/SME and large enterprises • Maximise the value of M-PESA agent network as a key channel for financial services • Grow core payments business sustaining double digit growth • Scale M-PESA go proposition into a lifestyle platform for teens and tweens • Leverage M&A and partnerships to unlock future growth
• KShs 24.44 billion disbursed under the Hustler Fund initiative 15.8 million subscribers • The digitised Women Enterprise Fund was launched on 2 March 2023, with 380,386 groups onboarded, and 2,001 active (greater than 10 members) • The merchant overdraft product went live on 17 February 2023, with KShs 1.12 billion disbursed to 18,922 merchants by 31 March 2023	• Evolve all credit and wealth products into a Marketplace for Consumers, SMEs and Agents • Customer Obsession: Embed a Demand target to ensure we develop intuitive Frictionless propositions • Roll out platform model for Insurance services • Evolve our M/SME offering to be fully digital • Scale Global Payments interoperability & Remittances
• +7.4 million downloads on M-PESA Super App • 50 active Mini apps, 11 under development • 34.1 transactions per month via the app per active customer • KShs 6.7 billion revenue generated via the Consumer App • Launched M-PESA Virtual Global pay card with Visa in June 2022 • 28,000 integrations working with 61,000 developers • Approximately USD 14 million in value accrued to the larger developer ecosystem • Time taken by developers to integrate C2B and B2C APIs, down from seven days to four	• Expand the scale of the fintech ecosystem in order to accelerate the growth of fintech platforms • Transform the Consumer SuperApp into a thriving platform that caters to consumer lifestyles • Maximise the value generated through Fintech platforms (Daraja, APIs M-PESA SuperApp) and solutions • Increase the size of the fintech network(s) • Embed a Demand target to ensure we develop intuitive Frictionless propositions • Collaborate across the organisation to deliver One app Strategy for Safaricom

OUR STRATEGIC APPROACH

Strategic Performance Review – **FY 2023** (continued)

STRATEGIC PRIORITY #7 Expand the core and financial services into new geographies by entering Ethiopia

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
SAFARICOM TELECOM-MUNICA-TIONS ETHIOPIA	Deliver a successful launch in Ethiopia for Telco and Mobile Financial Services	**Macro update** • GDP Growth in 2023 expected to be 6.2% compared to average of 9.1% (2011–2020) • Exchange rate – Liquidity pressure in the market with increasing divergence of the official vs parallel market rates • Rising inflation • Impact of the Ukraine war and locally the war in the North region **Regulatory** • Ethio telecom Privatisation – 45% of Ethio telecom privatisation was announced in February 2023 • Telecom License – Ethiopian Communication Authority (ECA) is also expected to issue an EOI for the 2nd private telecom entrants • Financial Liberalisation – Government is still keen on liberalising other industries including opening the mobile financial services and banking sectors **Political** • An overall stable environment currently • Tigray – Northern Ethiopia Region, Tigray has opened from end Dec 2022 and commercial flights are now operational along with basic services such as banking & telecom	• Commercial Launch of GSM services on 6 October 2022 • Signed network and infrastructure sharing agreements with Ethiotel • Signed 5-year lease infrastructure agreements with Ethiopian Electric Power (EEP) and Ethiopian Electric Utilities (EEU) for our transmission self-build • Board of Directors and Executive teams fully established

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• 3.0 million Gross Adds • 22% Population Coverage • 22 Cities covered • Mobile Data customer penetration at 67% of Customer Active base • 114 Distributor shops • 624 Distributor business partners • 44,000 points of sale • Voice Usage – 55 mins/customer/month • Data Usage – 1.5GB/customer/month • 1,272 Network Sites • Fastest Data Network • 909 Permanent Employees: 36% female and 81% Ethiopians/19% Expats • Social outreach › Created 4,610 indirect jobs › Community engagement	• Launch Mobile Financial Service Build an effective distribution Channel for both GSM and M-PESA • NPS #1 in 6 priority clusters • Best Network: No. #1 network where we have coverage • Deliver compelling Customer propositions that will accelerate building a community of Safaricom customers • People, Culture & Organisation – Build a digital first future fit organisation

OUR STRATEGIC APPROACH

Strategic Performance Review – FY 2023 (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
STRATEGIC PRIORITY #8 Scale a content aggregation platform (music, cloud, gaming, video, education) to drive usage and stickiness			
DIGITAL SERVICES AND PRODUCTS (VIDEO, MUSIC, GAMING)	Establish a sustainable digital content business in order to accelerate new growth areas	• Lead the delivery of tailor-made customer-centric solutions • Lead digitisation to accelerate new growth areas	**Digital services portfolio:** • Onboarded key strategic content partners to leapfrog our ambition especially in video, music and mobile gaming • Introduced new business models to enable content bundle integration to Mobile and Fixed Data • Supported the local content creation industry by introducing a "Pre-Licensing model" that presented exclusive content to our platforms • Fixed major customer journey experience issues and ensured "Always On" marketing campaigns to acquire and raise awareness
STRATEGIC PRIORITY #9 Leverage IoT and ICT to expand Enterprise portfolio, become a partner for digitising economy with network infrastructure as a service			
ENTERPRISE		**Weak Enterprise brand** • Systems, tools and processes • Sub-optimal Operating Model • Limited GTM strategy • Value Propositions untailored to business needs • Rising Security concerns for businesses	• Internet and e-commerce acceleration • 25% growth in FTTB to 6,000 buildings • Merchant transactions drove growth • Focused ICT and IoT • Consolidated wholesale business • Integrated offers (Secured connectivity) • Implementation of an enterprise GTM strategy
STRATEGIC PRIORITY #10 Win in FTTX as a converged business reaching 1M connections (homes and businesses)			
FIXED BUSINESS – HOME AND ENTERPRISE	Scale Fixed Data business in order to accelerate new growth areas delivering superior customer experience	• Faced key competition developments in the sector • Flat market share due to industry growth driven by low-cost broadband proposition players • Increased proliferation of informal providers not included in the regulator sector findings	• Launched a Sales Automation solution specifically designed for use by the sales agents • Leveraged the reseller model to drive growth

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• Digital content Customers: 2.1 million, +48% YoY growth • Digital content Revenue: KShs 0.99 billion, +38% YoY growth	• Aggregate and monetise the entertainment hub to grow content revenues • Leverage Partnerships for growth in Content, Fixed and Mobile Data • Digitise and automate VAS and content partners • Reduce demand and Grow adoption of digital channels through customer education campaigns
• KShs 13.46 billion, +19.7% Fixed line and Wholesale Transit revenue • KShs 8.55 billion Enterprise revenue, +21.4% YoY • FTTH Customers at 195,741, +17.9% • Fixed Enterprise customers 48,373, +0.1% • KShs 0.8 billion, +61.0% IoT revenue with 1,496 customers	• Create relevant integrated business propositions • Create and scale replicable digital solutions for businesses • Grow revenues through scale of SIM connectivity and penetration of Full Stack Solutions • Inculcate in each and every team member, a culture of ownership and accountability for the targeted business outcomes
• KShs 13.46 billion Fixed Enterprise and Wholesale revenue, +19.7% YoY • KShs 4.94 billion Consumer revenue, +17.9% YoY • 466k homes passed with 59.2% conversion rate and 71.0% activity rate • 48k Fixed Data customers, 0.1% YoY of which 20,600 are FTTB customers	• Develop fibre+ propositions to drive 100% growth in FTTX connections • Leverage Partnerships for growth in Content, Fixed and Mobile Data • Reduce demand and grow adoption of digital channels through customer education campaigns • Execute a Digital First, App enabled customer experience

OUR STRATEGIC APPROACH

Strategic Performance Review – FY 2023 (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID
STRATEGIC PRIORITY #11 Scale selected digital platforms Agritech, Digital Health and Education			
DIGIFARM	To accelerate active farmer acquisitions in order to scale new business opportunities	**Key Challenges: Digital Marketplace** • Farmer engagement – Large Field • Weather, Agronomy Advisory • Access to Inputs • Soil Testing, Insurance, Mechanisation • Storage & Market Access **Integrated Financing** • Credit Model – Limited • Credit Issuance & Collection • Integrated Payments – Limited	**An Integrated Approach Combining Production, Markets and Financing** • Digital-first, agency model • E-learning, content partners • Distribution partnerships • Partnerships, digital processes • Offtake partnerships • Robust agri-credit model • Banking partnerships • Integrated M-PESA
STRATEGIC PRIORITY #12 Step change productivity across the organisation through cost transformation, working capital efficiency, AI-enabled network maintenance, simplification and net revenue management/commercial excellence			
PRODUCTIVITY	Step change the capability and mindset towards smart investments in order to provide financial capacity for fuelling growth	• High inflation and increased operating costs such as energy • Forex depreciation impacting our cost base • Shrinking customer wallet drive by Kenyan macro-economic factors in the country	Our cost optimisation drive was achieved through these three pillars: • Smart procurement through contract optimisation both on scope and price • Digital acceleration to drive efficiency in how we serve our customers • Reviewing of our operating models in specific business areas to drive efficiency • Optimisation of our working capital in the three categories of payables, inventory and receivables

PERFORMANCE AS OF 31 MARCH 2023	OUR STRATEGIC FOCUS FOR FY2024
• KShs 407.27 million DigiFarm revenues • 1.4 million registered farmers, 160,000 actively engaged farmers • KShs 919 million loans disbursed to farmers • 760 Village DigiFarm Advisors	• Revamp DigiFarm operating model • Implement a credit model & credit product for the agri-value chain (farmers, buyers) • Build farmer solutions that improve productivity and connect them to markets • Build market access solutions to connect farmers to buyers • Define and implement an impact strategy • Implement a scalable, cost-effective tech platform to power DigiFarm
• We delivered KShs 9 billion in efficiency in both cash and non-cash benefits anchored on our three pillars • This cost efficiency allowed us to mitigate negative macro factors and delivered value to the business by giving more value to our customer via price reductions in our key business categories: Data (-24.5%), M-PESA (up to 50% average reduction in tariffs across all transaction bands for bank to M-PESA and M-PESA to bank transactions, and 50% reduction in Fuliza cost of credit	• Enhance pricing and revenue management capabilities to drive revenue growth and profitability for targeted customer propositions and business categories • Drive and monitor value realisation from every investment done across the business to drive efficiency in our capital projects • Accelerate structural cost transformation across the business to deliver efficiency to allow for pricing adjustments, investments in new areas, risks mitigations and margin maximisation • Amplify the productivity culture across the organisation through internal crowdsourcing of ideas

OUR STRATEGIC APPROACH

Strategic Performance Review – **FY 2023** (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID	OUR STRATEGIC FOCUS FOR FY2024
FOUNDATIONAL ENABLER #1				
DEEPEN CUSTOMER ENGAGEMENT AND EXPERIENCE	Execute Safaricom's Customer Obsession strategy through cross-functional partnerships in order to embed Customer Obsession at the core of our culture	Attributes impacting on experience: • Price of products and services Emotional attributes: • Company you can trust • Understand my needs • Makes things simple and easy • Offers something different • Values me as a customer	• Targeted Offers – Creating transparent offerings • Intuitive and Secure • M-PESA Journey allowing customers to use M-PESA services quickly, safely anytime & anywhere • Seamless Fibre Installation and Maintenance – Delivering reliable, always on, excellent service on key points of FTTX customer journey • Usage Driven Network and Systems Superiority • Omni Channel Excellence – Delivering superior customer experiences across integrated customer channels • Customer Obsessed Culture – Ensuring Customer Obsessed culture is alive and anchored on throughout the organisation	• Transparent and Targeted Offers – Creating transparent offerings, matching customer diversity to Safaricom's unmatched products & services • Intuitive and Secure M-PESA Journey allowing customers to use M-PESA services quickly, safely anytime and anywhere • Seamless fibre installation and maintenance, delivering reliable, always on, excellent service on key points of FTTX customer journey • Usage-Driven Network and Systems Superiority – Building network superiority focused around current and future customers' behaviours • Omni Channel Excellence – Delivering superior customer experiences across integrated customer channels • Customer Obsessed Culture – Ensuring Customer Obsessed culture is alive and anchored on throughout the organisation
FOUNDATIONAL ENABLER #2				
NETWORK AND IT	Deliver a cost leading, "always-on" network, in order to establish a cost-effective, agile, customer-obsessed technology environment	• Customer demand continues to increase • Traffic driven by increased 4G devices and video consumption, M-PESA transactions and voice	• Internally-developed applications • Focus on career development and employee experience • Scaling in a competitive market • Developers recruited • Teams embedded in the agile tribes	• Scale capabilities for tech solutions • Use scale and technology to drive lowest cost of production • Open technology stack to foster innovation • Grow Broadband solutions to expand addressable market customer experience through insights • #1 place to work for engineers

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID	OUR STRATEGIC FOCUS FOR FY2024
FOUNDATIONAL ENABLER #3				
DATA AND ANALYTICS	Deliver customer and business value through Big Data and Analytics use cases in order to provide financial capacity for fuelling growth	• Rich Customer Profile encapsulating a 360 View across multiple dimensions • Rapid Deployment and scale of personalised recommendations and real-time training • Big Data Cloud Scaling using Cloud capabilities for scale & model engine capability	• Scaling Active AI Personalisation Engine across 4 Journeys to strengthen the core and customer brand trust • Building rich customer profile & use cases with commercial impact	• Democratise data by revamping product portfolio and GTM strategy (devices/ accessories, reach, use cases etc.) • Manage voice decline through bundle-based pricing focusing on content/services enabled by connectivity, affordability in sensitive segments, strong household offering and loyalty/engagement • Scale a content aggregation platform to drive usage and stickiness • Win in FTTX as a converged business
FOUNDATIONAL ENABLER #4				
M&A AND PARTNERSHIPS	Deliver growth-focused strategic partnerships that will drive substantive value addition in order to scale new business opportunities	• Nascent Partnership Culture and Mindset • Specialised expertise/skill set and capacity in new business areas eg. digital health • Nascent/unclear regulations in new digital business models • Slow progress in developing digital skills and platforms slowing down the progress on Digital Maturity index	• Spark fund the startups invested in the fund continued to demonstrate growth • Invested in Circle Gas (the holding company of M-Gas Kenya) and supports M-Gas Kenya by offering enterprise services (voice, data, NB-IoT, M-PESA) to enable pay-as-you-go cooking and enhanced service delivery to customers • Partnered with Meta (formerly known as Facebook) to bring more people online by showing the value of being connected. Meta supports the Lipa Mdogo Mdogo service which aims to promote the uptake of smartphones in the low-income market segment	• Digital lifestyle and e-commerce platform • Business empowerment enabler in integrated digital financial services • Superior financial services eco-system technology platform • Scaling New Growth Areas

OUR STRATEGIC APPROACH

Strategic Performance Review – **FY 2023** (continued)

BUSINESS AREA	OUR STRATEGIC FOCUS FOR FY2023	OPERATING/ STRATEGIC CONTEXT	WHAT WE DID	OUR STRATEGIC FOCUS FOR FY2024
FOUNDATIONAL ENABLER #5				
TALENT AND ORGANISATION	Accelerate delivery of critical talent, skills and target operating models in order to deliver a fit-for-purpose agile organisation	• General decline in engagement scores • Fading organisational drive as global headwinds increased • Talent wars in the technology space • Skills prioritised through skills audit and mission review • Focus on accelerating talent bench strength and pipeline	• Worked towards future-ready talent • Digital Academy grads (5 cohorts) • Industry Digital talent trained • Female representation at senior management level • People leaders upskilled in leadership • Agile transformation Journey	• Embed Agile structure to contribution level framework • Accelerate STEP optimisation and shape and health of the organisation • Spirit of Safaricom as a key performance objective • Personalised digital employee experience • Zero-harm culture and Thrive – Health, Safety and Wellbeing • Embed Safaricom leadership standards for people managers • Diversity, Equity and Inclusion roadmap

Our Value-Creating Business Model

Our value-creating business model forms a fundamental part of our financial and intellectual capitals, while at the same time utilising all six of our capitals. It frames the way we create value for all our stakeholders, and is the foundation of our growth through sustained investment centred on customer experience.

STRENGTHEN THE CORE

FINANCIAL SERVICES PROVIDER

ACCELERATE NEW GROWTH AREAS

ACHIEVE COST LEADERSHIP

Our four **STRATEGIC PILLARS**

Our six **CAPITAL INPUTS**

Financial

- KShs 0.73 billion market capitalisation (FY2022: KShs 1.37 trillion)
- KShs 65.82 billion Free cash flow—12.1% YoY (FY2022: KShs 63.67 billion)

Intellectual

- A deliberately shaped *Agile* culture
- Marketing campaigns and initiatives
- IT systems and enterprise architecture
- Strong balance sheet, diversified portfolio
- Market and data analysis
- Investment in training and development
- Strong corporate governance

Human

- 5,707 full-time employees and contractors, +0.5% YoY (FY2022: 5,676)
- An experienced and ethical leadership team
- Digital operating model and agile ways of working
- Strong EVP and unique reward propositions
- Commitment to equal opportunities, safety and well-being
- Digital leadership upskilling and reskilling

Social and Relationship

- 43.75 million customers (FY2022: 42.44 million, 3.1% YoY)
- 32.11 one-month active M-PESA customers +5.2% YoY (FY2022: 30.53 million)
- 262,309 M-PESA agents (FY2022: 262,004, +0.1% YoY)
- Informed engagement with regulators
- Effective brand promise
- Investor confidence
- Long-standing supplier partnerships
- A trustworthy brand that resonates with consumers
- 3.0% employees with disabilities
- KShs 156 million invested in employee training

Manufactured

- 14,000 km fibre footprint, (FY2022: 10,880 km, +3.1% YoY)
- KShs 96.13 billion capex, +93.1% YoY (FY2022: KShs 49.78 billion)
- 6,325 2G base stations, of which 6,316 are 3G, and 6,232 are 4G
- Optimised capital allocation and diversification of revenue growth areas
- Neon Ray 2 – Kenya's most affordable 4G smartphone at below KShs 8,000 (cUSD 85) KShs 6,499

Natural

- 700, 800, 900, 1,800, 2,100 and 3,500MHz radio bands
- 234,359,870 MWh electricity consumed (FY2022: 172,080,010 MWh)
- 47,022.90 m^3 water used, -19.3% YoY m^3 (FY2022: 58,294 m^3)
- 8,827,895.28 m litres fuel used (FY2022: 10,018,842 m litres)

Supporting
OUR VALUE-CREATION ACTIVITIES

OUR STRATEGIC APPROACH

Our Value-Creating Business Model (continued)

Mediated through…

Our vision

To be a purpose led technology company

Our transformational goal

We are a customer-obsessed, digital-first, insights-led organisation that enables platforms and ecosystem partnerships

Our strategic enablers

- Data and analytics
- Network and IT
- M&A and partnerships
- Talent and organisation

Our services to customers

- GSM: Voice, messaging, mobile data
- Financial services: Transfer, payments, wealth management
- Fixed and Enterprise Solutions: FTTH, FTTB, ICT and IOT
- Digital platforms:
  - Agriculture
  - Health
  - E-commerce
- Support functions:
  - Commercial, financial services
  - Enterprise, technology, strategy, finance

Delivering OUTPUTS

Financial

- Service revenue KShs 295.69 billion: +5.2% YoY (FY2022: KShs 281.11 billion)
- EBITDA KShs 139.86 billion: -6.2% YoY (FY2022: KShs 149.06 billion)
- Proposed dividend KShs 48.08 billion, -13.7% YoY (FY2022: KShs 55.69 billion)
- KShs 510 million invested by Safaricom and M-PESA Foundations (FY2022: KShs 510 million)

Intellectual

- Better response to changing consumer needs
- Brand reinforcement and market communication
- Accelerated deployment of new technologies
- Agile project management
- Effective controls processes
- Improved business practices

Human

- Fair and transparent pay and benefits
- M:F 51:49 male/female workforce ratio (FY2022: 50:50)
- 40% women in senior leadership positions (FY2022: 35%)
- 27.1% women in technology (FY2022: 23.9%)
- 3.0% employees with disabilities (FY2022: 3.0%)
- KShs 156 million invested in employee training (FY2022: KShs 193 million)

Social and Relationship

- 3.1% growth in customer base to 43.75 million (FY2022: 6.4%, 42.44 million)
- 32.11 million one-month active M-PESA customers: 5.2% YoY (FY2022 30.53 million)
- 63.5% of procurement spend with local suppliers (FY 2022: 43.7%)
- 41 hours of learning per employee (FY2022: 40 hours)
- KShs 1.20 dividend per share: -13.7% YoY (FY2022: KShs 1.39)

Manufactured

- Kenya's best 4G network covering 97% of the population (FY2022: 97%)
- 275,657 homes connected to fibre-optic network (+4.2% YoY FY2022: 193,059)
- 20,602 businesses connected to fibre-optic network: +9.1% YoY (FY2022: 18,886)
- Smartphone penetration grew at 10% to 20.3 million (FY2022: 10.2%, 18.5 million)

Natural

- 234,359,870 KWh electricity consumed (FY2022: 172,080,010 KWh)
- 47,022.90 m³ water consumed (FY2022: 58,294 m³)
- 8,827,895.28 fuel consumed (FY2022: 10,018,842)

Creating OUTCOMES

Financial

Stakeholders Impacted: GR, C, IS

- We leverage financial capital to invest in our business and grow our competitive market position
- Over 6.5 million businesses accepting payments via M-PESA
- 7.4 million Super App downloads
- 1.2 million active consumers and >500,000 downloads on the Business App
- 606,662 million active Lipa na M-PESA active customers

Manufactured

Stakeholders Impacted: S, IS, C, SC, BP

- 275,657 FTTH connections (FY2022: 204,200)
- 20,602 FTTB connections (FY2022: 18,886)
- 2,600 transactions per second on M-PESA (FY2022: 2,000)
- 2.26 million 4G devices added on our network (FY2022: 2.4 million)
- 99.71% systems availability and incident reduction (FY2022: 99.99%)
- 95% service quality assessment score by CA (FY2022: 95%)

Social and Relationship

Stakeholders Impacted: GR, C, E, S, SC, BP

- Network leadership maintained
- Social value through enhanced connectivity and services in inclusive finance, education and health
- Leading corporate tax payer in Kenya
- Contribution to realising UN SDGs

With TRADE-OFFS…

… Between our capitals or portions of them

Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts both the human social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets.

Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human and social and relationship capitals, but negatively impacting financial capital in the short term.

… Over time

Our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation. Investing in building and maintaining this infrastructure requires significant financial capital and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. Over the long term, the investments in manufactured capital typically generate net positive outcomes.

This infrastructure nevertheless impacts on the environment, and therefore the natural capital of the country.

… Between our capitals and those owned by others, or none

While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact the human, social and relationship and financial capitals.

The addition of devices to our network – an increase to manufactured capital, can have a deleterious effect on the environment through eventual discarded waste.

OUR STRATEGIC APPROACH

Our Approach to Stakeholder Management

We recognise that the concerns and material issues raised by our stakeholders are of critical importance in the pursuit of our purpose of transforming lives, and our strategic focus of accelerating new growth areas. Engaging with, and deriving insights from our interactions with them, and managing our relationships with them, is thus a key part of our human, intellectual and social and relationship capitals. Meaningful acknowledgement of, and action in response to, the feedback we receive from them, assists us in devising our strategy. It therefore helps shape our approach to sustainability in the long term, and ultimately, to creating and delivering value and thereby achieving success.

During the year under review, we continued our considered engagement with all our stakeholders. This included analysis of their material interests, and addressing mutual concerns through various channels of purposeful engagement, while taking macro-economic challenges into account, as well as our shared desire to improve post-COVID-19 conditions.

ENGAGING WITH OUR STAKEHOLDERS **IN FY2023**

STAKEHOLDER GROUP	MATERIAL RELATIONSHIPS	MEANS OF ENGAGEMENT	MATERIAL INTERESTS	HOW WE ENGAGED
GOVERNMENT AND REGULATORS	Provide access to spectrum and operating licenses, the basis for creating value Impose regulatory measures with potential cost implications	• Participation in consultations and public forums • Submission and engagement on draft regulations and bills • Engagement when submitting regulatory returns • Partnering on key areas including education, health, and gender-based programmes • Publication of policies and research engagement papers	Ensuring this wide spectrum of interests is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in under serviced and rural markets. Others include: • Promoting opportunities for job creation and socio-economic development • Protecting consumer interests on service quality, costs, and privacy • Regulatory compliance on issues such as mobile termination rates, price, returns, security, safety, health, and environmental sustainability • Contribution to the tax base	• Interacted closely with the government regarding new regulations via submission of outlooks and comments during public participation exercises • Increased focus on subscribers' KYC validation in line with the nationwide SIM card validation exercise • Continued to implement safeguarding measures to ensure customers data is protected in line with data-protection laws in Kenya • Secured required spectrum and approvals for the roll-out of 5G in over 21 counties • Activated over 34 sites in line with the Universal Service Fund (USF) Phase II project to allow marginalised areas to access smooth voice and data services • Collaborated with other industry players in the CA's Child Online Safety Campaign to enhance the implementation of industry guidelines/policy for child online protection and safety in Kenya • Collaborated with The Central Bank and other payment service providers to launch the Kenya Universal QR code increasing interoperability and heralding easy, fast, convenient, and secure payments across using a standardised QR

STAKEHOLDER GROUP	MATERIAL RELATIONSHIPS	MEANS OF ENGAGEMENT	MATERIAL INTERESTS	HOW WE ENGAGED
CUSTOMERS*	Investing in tools and products that are designed to give our customers variety and control through relevant products and services	• Call centres, retail outlets and online – MySafaricom app, www.safaricom.com, Zuri ChatBot, messaging and USSD channels • Net Promoter Score (NPS) feedback • Facebook and Twitter platforms • Safaricom PLC website www.safaricom.co.ke • Open days offering customers affordable deals on products	• Relevant and better value offerings • Faster data networks and wider coverage with the 5G roll-out • Making it simpler and quicker to deal and connect with us by using Safaricom self-care services • Launch of converged solutions for business customers with the https://www.business.safaricom.co.ke/products/40-kifarunet • Managing the challenge of data-usage transparency by using tools like My Data Manager and Subscription Manager • Privacy of information and content through Securenet protecting our loved ones through parental control and anti-malware protection • Feedback on service-related issues via CARE, in line with our Customer Obsession agenda	• Digitise and simplify customer journey • Grow number of customers interacting with our digital channels • Enhance data experience by fixing network experience issues • Hustler Fund launch designed to improve financial access to responsible finance for Kenyan personal, micro-, small- and medium-sized enterprises (MSMEs) • Reduction in Fuliza charges with up to 50% price reduction on the Daily Maintenance Fee • M-PESA Go account product for juniors that will drive digital financial inclusion, financial literacy, and ultimate financial health amongst the younger generation
INVESTORS AND SHAREHOLDERS	Provide sustainable financial capital required to grow, and feedback to inform our management and reporting practices	• Investor engagements including roadshows, conferences, and meetings • Annual and interim results announcement • Annual General Meetings (AGMs) with shareholders to update them on our business strategy • Investor relations section on the company website	Sound investment to ensure sustainable growth and risk management and to ensure that we take advantage of the opportunities that arise. Others include: • Responsible allocation of capital and sustainable investment • Sound corporate governance practices • Transparent executive remuneration • A stable dividend policy	• Maintained a focus on credit, liquidity, and capital management • Continued to grow our investor portfolio through increased investor engagement with various funds including impact funds • Won in various financial reporting categories (In Kenya – the FiRe Awards won in the integrated reporting section and in the Johannesburg Stock Exchange (JSE) integrated reporting awards 2022) • Held Safaricom Inaugural Investor Day in February 2023 • Successfully paid both a final FY22 and Interim FY23 dividend payment in FY2023 as per the dividend policy

*For more on Customer Obsession, see pages 30.

OUR STRATEGIC APPROACH

Our Approach to Stakeholder Management (continued)

STAKEHOLDER GROUP	MATERIAL RELATIONSHIPS	MEANS OF ENGAGEMENT	MATERIAL INTERESTS	HOW WE ENGAGED
EMPLOYEES*	Our employees' engagement, determination and skills drive our ability to realise our purpose of "transforming lives"	• Internal website • Newsletters, internal magazine, and electronic platform communication • Employee surveys • Employee hotline • Leadership coaching and mentorship forums • CEO mailbox	• Clear career paths through individual development plans and performance reviews to assist in career development • Improved knowledge-sharing across the Company • Simplicity, agility, and engagement • Building the coaching and mentoring capability of leaders • Better understanding of reward structures • Competitive remuneration	• Continuous communication, education, and awareness forums for all staff, to support personal and financial development • Future of Work – Hybrid working implementation • Training and upskilling of all staff through Safaricom Business School (SBS) learning • Launch of Industry Digital Talent Programmes leveraging on partnerships • Launch of Alumni programme • Onboarded 80 early career talent/management trainees
SUPPLIERS	Impact on our ability to offer quality and cost-effective products and services and to provide cutting-edge technology	• Supplier engagement forums and ongoing site visits • Audits/verification checks for high-risk suppliers • Annual supplier self-assessment to check on compliance with supplier code of conduct • Annual supplier NPS to rate suppliers' perception and understanding of our processes, in addition to obtaining feedback and addressing gaps • Quarterly supplier performance feedback sessions	• Timely payment and fair agreement terms • Occupational Health and Safety Act compliance • Improving health and safety standards • Partnering on environmental solutions • Timely communication on outcomes of various activities such as the tender process • Increase in volume of business awarded • Improve knowledge-sharing on understanding of Safaricom's card system and Health, Safety and Wellness (HSW) incidents and accidents • Remain accessible to partners for feedback • Feedback on performance	• Engagements with suppliers remain mainly virtual with few cases of face-to-face interaction • Virtual sessions enable easier and wider reach especially for foreign suppliers

For more on our human capital, see pages 86

STAKEHOLDER GROUP	MATERIAL RELATIONSHIPS	MEANS OF ENGAGEMENT	MATERIAL INTERESTS	HOW WE ENGAGED
COMMUNITIES*	Transforming lives through sustainable development initiatives that strengthen the socio-economic context in which we operate	• Safaricom Foundation partnering with communities • M-PESA Foundation investing in projects with corporate social investment (CSI) • Public participation in projects and initiatives that give back to society, such as the Safaricom Marathon geared towards the Lewa Wildlife Conservancy	• Access to digital service platforms, mobile voice, and data services • Access to basic services such as finance, health, and education • Investment in infrastructure • Responsible expansion of infrastructure	• Supported COVID-19 relief effort through the COVID-19 Adaptation Project to mobilise and train 121 groups while enhancing 2,152 enterprises with a total disbursement of KShs 21.5 million in Busia, Migori, Baringo, Nairobi and Muranga counties • The 2022–23 Ndoto Zetu phase IV identified and delivered 390 dreams from the 47 counties, improving 709,537 Kenyan lives directly, and 3,547,685 indirectly • Improving the lives of women and youth in Kajiado county by promoting the adoption of agriculture as a viable and dignified source of livelihood, with 1,300 potential farmers interacting with modern farming methods and various value chains at the demo farm • 1,027 trainees across TVETs in the country were equipped with sustainable skills for the construction and hospitality industries • In Baringo county, the Uzazi Salama programme realised growth of 152% skilled deliveries against target, while Ante Natal Clinic (ANC) attained 222% in one visit and 103% in four visits

*For more on our contributions to our communities, see pages 120

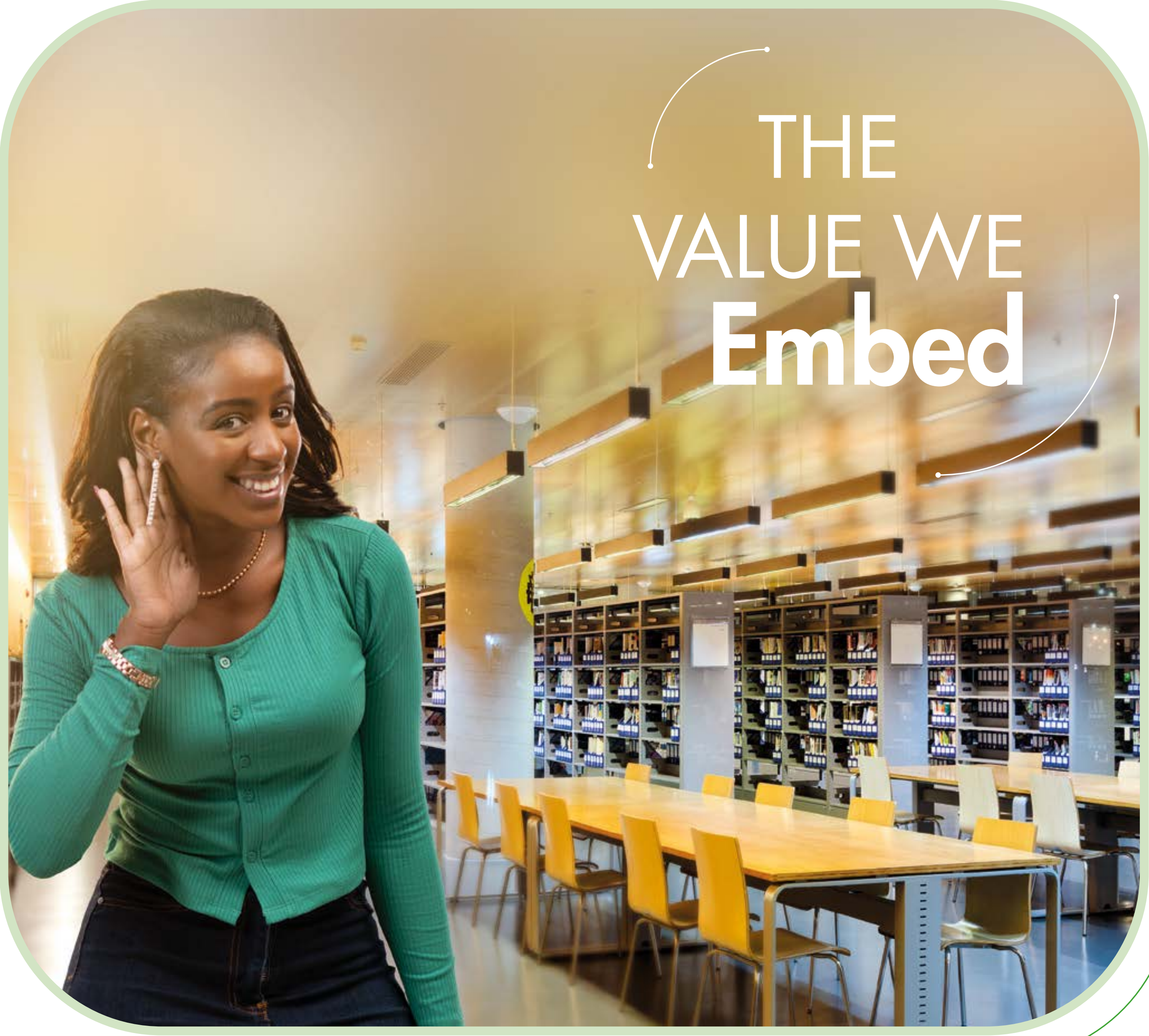
OUR STRATEGIC APPROACH

Our Approach to Stakeholder Management (continued)

STAKEHOLDER GROUP	HOW WE ENGAGED
COMMUNITIES* CONTINUED	• The KShs 150 million Uzazi Salama programme (maternal, new-born and child health) that aims at decreasing maternal and new-born health morbidity and mortality rates, continued with implementation plans in Homabay County, leveraging technology to train community health volunteers • 414 students at the M-PESA Foundation Academy and 325 at Uongozi centre. Tertiary education placement for cohort 1 to 3 absorbed 94, 166 and 158 students respectively • Gertrude's Foundation continued with the implementation of the Telemedicine-Daktari Smart Programme in Homabay, Samburu, Lamu and Baringo counties, where 1,473 children from hard-to-reach areas benefited • The Wezesha Elimu programme contributing to improved access to education for children with disabilities to achieve their full potential and lead a dignified life, saw 188 paediatric orthopaedic and other surgeries, distributed 158 mobility devices, and performed 152 orthopaedic rehabilitations • The Foundations improved the lives of 2,487,673 people while 1,399 employees participated in CSI initiatives

STAKEHOLDER GROUP	MATERIAL RELATIONSHIPS	MEANS OF ENGAGEMENT	MATERIAL INTERESTS	HOW WE ENGAGED
BUSINESS PARTNERS	As a key interface with our customers, partners are custodians of our brand and reputation and critical to ensuring our strategy of delivering the best customer experience, including through financial services partnerships, such as Visa M-PESA Global Pay, Fuliza, and content providers	• One-on-one and virtual business meetings • Training sessions on new products and services • Market visits	• Making it simpler and quicker to deal with us • Partnerships • Involvement of top management	• Over 50 workshops done for sensitisation and capacity-building • Over 40 WIB CEOs in mentorship • MOU with four leading banks for supplier financing • CEO mentorship cohorts done and effective • Strategic partnerships with government to provide digital platforms to Kenyans, enhancing service provisions such in the Hustler Fund, MyCounty App, and Women Enterprise Fund • Accelerate the development and implementation of a new generation of financial services products under wealth management, insurance and payments • Continue with market visits to better understand customer needs and issues in order to enhance customer experience
MEDIA	Critical role as the contact point for external stakeholders and keeping them informed of the fact concerning business developments, new products, services, and the impact of our business operations	• Media releases and product-related publicity • Roundtables • Product launches • Face-to-face and telephonic engagements • Interviews with the CEO and key executives	• Updating on key activities and offerings by the business • Transparency • Communication of change and new products and services	• Building media engagements and partnerships through activities such as Iftar dinner with Muslim journalists; cocktails with over 150 journalists; an immersion session with sports journalists ahead of Safaricom Chapa Dimba Season 4 launch • Partnership with media to support the drought and famine response • Continuous information-sharing with local and international media where needed

* *For more on Customer Obsession, human capital, and on our contributions to our communities, see pages 30, 86 and 120 respectively.*


THE
VALUE WE
Embed

The value we embed in our organisation and all its activities is aligned with our purpose, mission, vision and values, and constitutes the culture we foster and promote. It is this ultimate value, expressed in our culture and agile way of working, that is expressed in our strategic pillars, business model, our stakeholder relationships and diligent governance, and which enables us to create and deliver value to our stakeholders. At the same time, we reaffirm through this approach, our commitment to making contributions towards the realisation of five of the UNSDGs*.

**For more on sustainability, see page 120.*

Our Human Capital

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. As such, it is also linked inherently to our social and relationship capital, and is an essential component of our journey in realising our strategic aim of becoming a purpose-led technology company.

OUR EMPLOYEE PHILOSOPHY AND MANAGEMENT **APPROACH**

Our human capital purpose is for Safaricom to be the best place to work, for all our employees, who, as a body, comprise one of our key stakeholder groups. We therefore characterise our overarching imperatives as:

- Careers
- Purpose
- Work environment
- Thrive

THE STRATEGIC FOCUS UNDERPINNING OUR ACTIVITIES IN FY2023

Our strategic focus for the year under review was to deliver a fit-for-purpose Agile organisation to accelerate new growth areas while delivering superior customer experience. Our aim was to achieve this through our:

- **Talent and Skills:** Accelerating the delivery of diverse talent and future-ready skills, which also constituted our main effort
- **Agile Organisation:** Orchestrating an agile and efficient operating model, including growth areas
- **Purpose and Spirit:** Fostering the purpose and Spirit of Safaricom*
- **Employee Proposition:** Creating a digital and personalised employee experience

	Female		Male		Total	
Employee category	**2023**	2022	**2023**	2022	**2023**	2022
Permanent	**2,653**	2,154	**2,709**	2,306	**5,362**	4,460
Temporary	**86**	593	**106**	489	**192**	1,082
Contractors					**153**	134
Total					**5,707**	5,676

For more on the Spirit of Safaricom, see page 29.

OUR PEOPLE **MISSION**

Our people mission is to guarantee the diverse talent and critical skills needed now, as well as in the future, as we become a purpose-led technology company.

To this end, during the year under review, we deployed a multi-year capability strategy on multiskilling and reskilling, enabling the adoption of the One More Skill campaign with respect to 20 prioritised digital skill areas.

We achieved a career development index of 75% in our FY 2023 employee survey, which indicated that:

- 72% of our staff believe their career goals can be met and achieved at Safaricom; and
- 78% of our staff have the opportunity to grow and learn at Safaricom.

OUR APPROACH

We anchor our learning philosophy on the 70-20-10 approach, where, of total learning accomplished:

- 70 percent occurs on the job
- 20 percent occurs socially through coaching and mentoring
- 10 percent occurs through instructor-led learning

Our key focus was on the 70 and 20 components, which has enabled a significant cost saving, with a total investment of KShs 156 million for the year under review.

ENGAGING WITH OUR **EMPLOYEES**

During the year under review, we continued to engage with our employees and provide skill acquisition and training in terms of our cultural framework, the Spirit of Safaricom, and its three phases *Make it Clear; Make it Real, and Make it Stick*. We do this through four enablers:

- Language
- Rituals
- Symbols
- Stories

How we engaged

Phase	What we did	How we measure our success
Make it Clear	Five leadership forums with an average participation of 221 people, reviewing our four Spirit of Safaricom elements: • Purpose • Customer Obsession • Innovation • Collaboration	• SEMA survey • Culture Sounding Boards • Spirit Champions
Make it Real	Translating our Spirit of Safaricom elements into our work environment and day-to-day interactions with: • Customers • Colleagues • Community • Company	
Make it Stick	Top Employer Award 2022	• Winner

Theme	Engagement	Participation
Change Management	• CEO townhalls	• 3,062 people
	• Agile bootcamps	• Various business units • Senior leadership teams
	• Five *Agile* townhalls • 4 Companywide webinars	• Average participation: 998 people
	• Service-culture training	• 370 people
	• Safaricom Business School (SBS) CO training	• 838 completions
Psychological Safety	• Translating Amazing People Leader Programme – Creating Psychological Safety	• 491 trained
	• Five leadership forums	• 221 average attendance
	• Three Champions sessions	• 63 attendance
Career development	• *One More Skill* Webinars • Quarterly Safaricom Innovations Hackathons	• 31 Safaricom Heroes validated • 1 person selected and awarded by Vodacom
	• Pamoja Initiative drive	• 207 applications
	• Vodafone Customer Excellence Awards	• 1 winner
Customer Obsession*	• Monthly Customer Obsession League of Champions awards	• various business units
	• Monthly customer story days	• 1,114 employees
	• Spirit Champions	• 63 employees
	• Service recovery training	• 300 people
	• Service-culture training	• 2,093 trained
	• eLearning training	• 838 completions

*For more on Customer Obsession, see page 30.

Strategic training for our future

The Safaricom Digital Academy

During the year Safaricom Digital Academy admitted five cohorts comprising 561 employees, of whom 300 completed the programme and 261 remain in training at financial year-end.

Transforming into an *Agile* organisation

A total of 4,498 employees (79%) have completed Agile 101 courses, with 150 certified in Agile-related courses.

The Safaricom Business School

The Safaricom Business School is a key enabler on upskilling, reskilling and multiskilling employees with the aim of assisting them to build their careers, with:

- 81% of employees asserting that their individual development plan has been realised through the platform
- 55,000 digital skill courses were completed, with 78% of employees completing a digital learning track
- 23,000 functional courses completed, with 2,310 employees attending instructor-led sessions
- 80% of employees upskilled in our Customer Obsession-fostering Service Culture training

Mapping employee performance

Our *Agile People* model ensures that all job profiles are linked to specific business KPIs. Each role has a mapped contribution level aligned with:

- Craft
- People
- Mindset
- Business
- Customer

Each employee is assigned Objective Key Results in line with the overall business mission. These are documented and reviewed through:

- Regular weekly retrospect meetings
- Monthly check-ins
- Quarterly business reviews
- 360 Review sessions
- Bi-annual and annual reviews

Following the launch and adoption of the *Agile People* model, our agility index stands at 78% with a target 80% in FY2024.

We have defined our approach to performance development through our Grow My Impact framework. This framework is underpinned by Spirit of Safaricom principles, with the aim of unlocking and enabling high-impact performance and a learning culture.

HR INITIATIVES – **FY2023**

Two important initiatives were introduced during the year under review:

- *Cost Leadership and Wellness* – We introduced Company scheduled leave to enable employees to take advantage of days preceding or following public holidays and the Christmas break so that they could reconnect with their families and communities.
- *HR Caravan Series* – This promoted engagement and interaction between employees and HR, enabling the HR team to address queries and demystify HR, while unpacking policies, procedures, programmes and practices, with respect to the business model and our strategic aim of becoming a purpose-led technology company by 2025. We also included new ways of working in the aftermath of the COVID-19 pandemic.

  In addition, we ran a series of virtual caravans on the themes of:

  › Talent and resourcing
  › Safety and well-being
  › Total wellbeing
  › Financial wellbeing
  › Property and essential services

New policies introduced during the year under review included:

- A referral policy for talent
- A consolidation of the attraction and acquisition policy and the mutual separation policy into a single separation policy

Employee health and wellness

We believe that no person should be harmed in any way at any of our shops, offices, events, sites of operations by vehicles doing work for Safaricom, ensuring what we refer to as 100% Home Safe. We thus continued to place great importance on employee health, safety and wellbeing (HSW).

In accordance with this, we devised our four-pillared Zero-harm Mission strategy.

Pillar	What we achieved
Zero-harm culture	• Senior management team exceeding their set tours target by 158% • Maintaining of our safety rituals and the zero-harm rallying call • Eight senior management appointed Absolute Rules Champions • Embedding of the zero-harm mission at senior management level with objectives tracked • Quarterly workplace inspections and meetings, including the bi-annual safety performance review • Safaricom Spirit of Safaricom Heroes Award for HSW to one person and one team • Monthly safety webinars, daily road safety messaging, Kaa Chonjo messages and training, benchmarking with Vodacom Tanzania and other leading companies to share best practice • ISO 45001 recertification • 72 statutory audits and 200 inspections with an internal audit score of 93% • Collaboration with St Johns Ambulance in national Boda Boda safety campaign
100% Home Safe	• 39% reduction in road incidents, with 93% of our drivers certified fit to drive, and 210 in-vehicle cameras installed • Quarterly forums reaching 2,000 suppliers
Wellbeing	• 53% attendance at Wellness Month initiatives, and 10,990 webinar and fitness challenge attendees • Toll-free access to two dedicated psychologists expanded to six, through our employee assistance programme (EAP) counselling line • 98% attendance at occupational health and statutory wellness checks
Future-readiness	• Developed and launched the Uzima app, a one-of-a-kind app automating the Safaricom HSW management system

LOOKING **AHEAD**

We have identified and specified a number of tasks and strategic priorities for FY2024. These include:

- To champion the Spirit of Safaricom to enable delivery of our mission. (For more on the Spirit of Safaricom, see page 29.)
- Accelerating the delivery of a personalised employee experience
- Leading the full implementation of Agile Safaricom
- Scaling the delivery of diverse talent and future-ready skills, linked to:
  › Succession cover for 75% of critical roles
  › Attrition of less than 5%
  › Diversity and inclusion with more than 40% female employees and persons with a disability (PWDs) representing more than 3.5% of the employee complement

Our Intellectual Capital – FY2023

OUR TECHNOLOGY – FY2023

HUMAN CAPITAL INTELLECTUAL CAPITAL

OUR STRATEGIC OBJECTIVES

- Scaling enterprise to enterprise (E2E) growth areas
- Introduction of 5G to complement fibre
- Build new growth opportunities on M-PESA core systems and aligning M-PESA roadmap with M-PESA Africa (MPA) synergies, while focusing on customer experience
- Cost leadership centred on energy programme
- Executing towards Best Place to Work for tech talent, building on a new carrier model, employee experience and renumeration for key talent, as well as talent acquisition through partnerships with key universities
- Expanding *Agile* ways of working to evolve the technology environment for the faster development of new features and experimentation in line with practice from leading technology companies

OUR KEY INVESTMENTS

- Service Operations Centre (SOC)
- Solar sites over 1,400
- Central Data Centre
- FTTH – 100,000
- 5G Rollout

PARTNERSHIPS IN PROGRES FOR FY2024

- Energy
- Work

OUR PERFORMANCE TARGETS

- Mobile and data performance – Best in test
- NPS (Network, Enterprise and FTTH) – #1
- Cost Leadership

THE CHALLENGES WE FACED

Energy costs – mitigated by:
- Capping of diesel consumption and acceleration of solar energy

Maintenance costs mitigated by:
- Reviewing all maintenance contracts, obtaining a 5% discount to mitigate escalating operating expenditure

Attrition in IT: <8% (2022: 20%), mitigated by:
- An onboarding programme, *Agile* and dedicated specialist carrier paths

MEASURING OUR PERFORMANCE

- Mobile and data performance – Best in test
- Network NPS#1: 7,878 as at March 2023
- Home internet: NPS#1: 46
- Enterprise NPS #1: 44

UPLIFTING OUR COMMUNITY

- The Safaricom Decode: offering experience on software engineering to engineers through hackathons, immersions, and networking
- The Safaricom Digital Engineering Community – launched with over 4,000 engineers registered
- Technology Academy: offer internship opportunities to 200 students
- Digital Academy: Equipping 230 Safaricom employees through digital upskilling

LOOKING AHEAD

Our strategic aims in the short, medium and long term are:
- Continued investment in sustainable energy to manage energy cost and supply
- Expand broadband market reach, with low-cost fixed wireless products to complement fiber and 4G/5G
- Asset-sharing and expansion of our wholesale portfolio
- Enhance personalised experience with more customer knowledge points
- Promote and facilitate affordable 5G devices
- Development of integrated customer channels

PART OF THESE CAPITALS

HUMAN CAPITAL
INTELLECTUAL CAPITAL

INFORMED BY THESE STRATEGIC PILLARS

IMPACTING THESE STAKEHOLDERS

C IS E SC

SUPPORTING THESE UN SDG's

8 9 10 12

OUR MISSION

To digitise Customer Journeys in order to deliver an advantaged omni-channel route to customer by the end of FY24

OUR ASSETS

- My Safaricom App
- MySafaricom Web (www.safaricom.com)
- The Zuri bot platform
- Retail app (Safaricom Jiandikishe App)
- Device financing (Lipa Mdogo Mdogo)
- Route-to-customer (RtC) frontline automation, focusing on front-end system automation (Contact Centre, retail shops and franchise)
- Quasi-digital channels, comprising:
  › IVR platform
  › USSD channel

WHAT WE DELIVERED

- Growth in KYC compliance from 55% (February 2023) to 97% (March 2023)
- More than 1 million Self e-KYC update APIs deployed through integration with mySafaricom.com and MySafaricom App
- Digitisation of SIM-swap functionality on the Retail App
- Automation of dealer e-KYC and IPRS check
- Reduction of SIM-swap demand, through PIN-less SIM-swap
- Phase-1 delivery of Single View of the Customer (SVC)
- Growth in unassisted contacts from 76% to 82%
- Facilitated digitisation for contact centre and retail frontline teams, as well as digitisation in the trade

OUR STRATEGIC OBJECTIVES – FY2023

- Growth of digital channels usage
- Digitisation of new and existing journeys
- Digitisation of trade and retail
- Cost-saving contribution from Zuri, IVR, USSD, app and web interactions
- Deflection of SIM-swap demand to digital apps

OUR STRATEGIC FOCUS FOR – FY2024

- Drive cost-to-serve reduction through digital channels
- Expand "Single View of the Customer" across retail touchpoints
- Digitise and automate RtC
- Champion a Digital-First agenda
- Create a thriving Agile Digital Channels work environment

THE CHALLENGES WE FACED

- Increased fraud attempts mainly affecting SIM-swap services – mitigated by:
  › Proactive fraud monitoring and digitising solutions like *100*100#
- Slow uptake of DIY services impacting on experience – mitigated by:
  › Alignment with the product teams to drive awareness

LOOKING AHEAD

Our strategic aims in the short term:

- RtC and Key Journey digitisation
- Driving usage and engagement on the App and web
- Self-service growth

Our strategic aims on the medium to long term:

- Expand single view of the customer, to deliver superior customer experience

THE VALUE WE EMBED

PART OF THESE CAPITALS

FINANCIAL CAPITAL | INTELLECTUAL CAPITAL | MANUFACTURED CAPITAL

INFORMED BY THESE STRATEGIC PILLARS

IMPACTING THESE STAKEHOLDERS

GR | C | IS | SC

SUPPORTING THESE UN SDG's

8 | 9 | 10 | 12

WHAT WE DID

- Grew customer base by 26%
- Stability – achieved 99.9%
- Transformed from an individual to an open platform, access for new players through interoperability
- Grew developer community from 46,000 to 59,000, resolving more customer pain-points
- c15 million customers active on Hustler Fund I
- Extended credit facilities by more than 21 billion on minor platforms
- Moved from peer-to-peer to scale for businesses and financial services opportunities
- Fostered the creation of niche solutions
- Provided seamless solutions
- Focused on new markets such as youth

PERFORMANCE HIGHLIGHTS

We continued to provide inclusion and financial health for customers by:

- Working with government, regulators and Central Bank on credit rehabilitation and amnesty provision, which ended in FY2023
- Products such as employment insurance
- Partnering with government and building the Hustler Fund based on traditional Kenyan social lending behaviour and tools
- Working with and empowering youth and women groupings, who form a key source of savings
- Driving innovation on our Application Programming Interfaces (APIs)
- Increasing point-of-sale (PoS) providers
- Growth of 33.5% in M-PESA volumes, with 32 million customers
- Reduction on the cost of remittances by 3%

OUR STRATEGIC OBJECTIVE

- Our key goal – to scale our technology to yield a vibrant payments platform to enable deeper expansion into credit, insurance with the foundation of an open platform

THE CHALLENGES WE FACED

- Data protection through cybersecurity – identifying fraud before occurrence – partnerships
- Competition from big tech companies requiring differentiation for our market
- Understanding customer behaviour
- Macro–economic environment – high inflation causing reduced spending wallet – establishing price reductions – some by regulatory perspective, some by customer retention
- Relevance – providing right service to right people
- Banks offering services we charge for, for free – our response is to provide additional features, greater choice, speed of execution – use of Super App
- SIM-swap fraud – response through a unique API providing intelligence to banks on any swap

TRENDS WE IDENTIFIED

- Transacting becoming more affordable through scaling up at low prices
- Our customer use SIM Toolkit and USSD, but now are migrating to the Super App
- Increasing social engineering and associated fraud

OUR SUSTAINABILITY GOALS

- Economic empowerment
- Assisting in facilitating clean energy by direct purchase through M-PESA
- Assisting in developing sustainable infrastructure through reusability and recycling
- Responsible consumption and production and carbon-footprint reduction
- Contributing to promote dignity for those living away from home through our remittance services

LOOKING AHEAD

In the short to medium term, we will be looking at:

- Unlocking growth in insurance
- Ongoing building of partnerships, with government and in the private sector with a focus on:
  - Growing cross-border payments and B2B opportunities
  - Expanding sustainability through electric channels usage replacing plastic
  - Group for customers to connect accross entrepreneural activities, social welfare and financial service opportunities, among others
- Continued exploration of opportunities with our community of developers

PART OF THESE CAPITALS

FINANCIAL CAPITAL
NATURAL CAPITAL

INFORMED BY THESE STRATEGIC PILLARS

IMPACTING THESE STAKEHOLDERS

GR C IS E S SC

SUPPORTING THESE UN SDG's

8 9 10 17

WHAT WE DELIVERED IN FY2023

- Upgrade of 1,800 sites to 4G
- 14,000 km of fibre
- 275,657 homes connected
- 48,373 enterprise customers connected

HOW WE INVESTED IN FY2023

KShs 96.13 billion in capital additions in order to:

- Enhance the network to support traffic growth, coverage and experience
- Meet the evolving needs of our digital customers
- Support Safaricom's purpose-led stratrgy*
- Invested KShs 55.77 billion in Ethiopia
- Built and installed 1,272 sites in Ethiopia*

*For more on our footprint, see page 25

OUR NETWORK AND INFRASTRUCTURE MISSION

- To democratise data through devices, network coverage and use cases
- Make information freely available for anyone to use intelligently and responsibly
- Align with our purpose of transforming lives

OUR ASSETS

- A network covering 97% of the Kenyan population
- 2G network covering 97% of the Kenyan population
- 3G network covering 97% of the Kenyan population

LOOKING AHEAD

Our strategic aims in the short term, medium term and long term are:

- Driving 4G devices penetration to drive efficiency in network utilisation
- Continuous investment in our network to drive cost optimisation in our operations
- Accelerate network rollout in Ethiopia

OUR NETWORK AT A GLANCE

COVERAGE

2G (97% Pop coverage)
3G (97% Pop coverage)
4G (97% Pop coverage)
5G sites launched in Nairobi, Kisumu, Kisii and Kakamega

INFRASTRUCTURE

>14,000 km of Metro fibre rolled out in all of the 47 counties
75% of sites on fibre
FTTB: >6,000 Buildings on fibre
Fixed Data: Leading 36% connection market share
M-PESA: >2,600 transactions

DATA CENTERS

4 Tiers (3+1 under construction)
17 Tier 2
M-PESA in 3 data centers

SPECTRUM

125MHz TDD (2,600 and 3,500), and
2 x 87.5MHz FDD (800, 900, 1,800, 2,100)

THE COMMERCIAL VALUE **WE DELIVER**

OUR OPERATING **ENVIRONMENT**

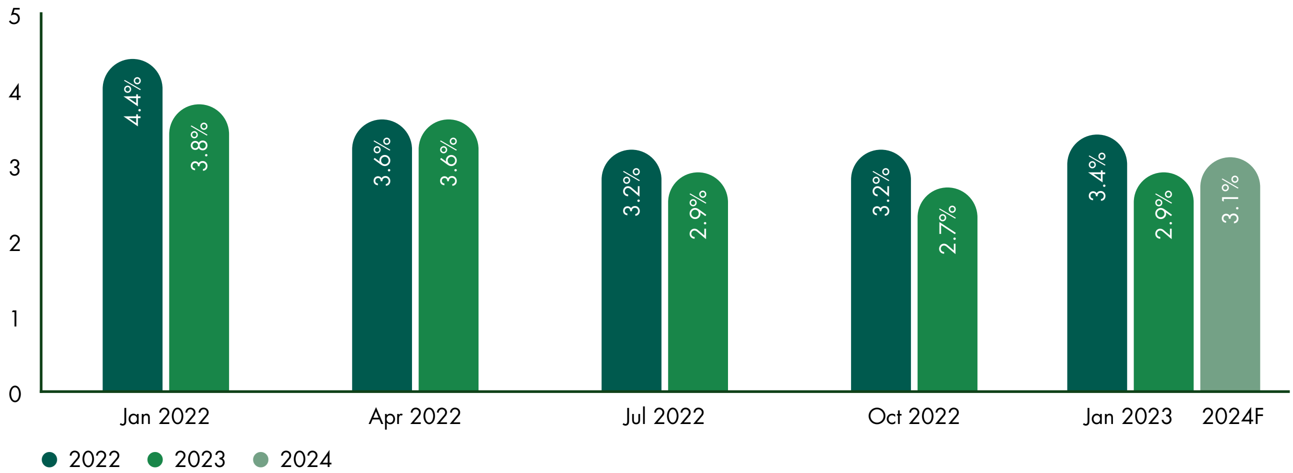
The global economic picture

During the year under review, the echoes of the COVID-19 pandemic continued to impact economies around the globe worldwide. Just as the benefits of emerging from the crisis were becoming apparent, however, a new one established itself in the form of the war triggered with Russia's invasion of Ukraine. This had an immediate impact on the supply of food and energy, increasing insecurity, with many developing countries particularly exposed.

High inflation continued to affect disposable income globally, with the rising cost-of-living exacerbating poverty and economic pressure. With local weather patterns increasingly disrupted by global warming, heat waves, wildfires, floods, and hurricanes have triggered significant humanitarian and economic challenges, and in addition, the year saw a perceptible uptick in the possibility of a debt crisis in developing countries.

The result has been a worsening of material prospects emanating from weaker external demand and tighter financing conditions in emerging economies, with economic activity and per-capita income growth forecast to be slow in direct proportion to levels of poverty.

Global growth forecast



Source: International Monetary Fund

The domestic picture

Kenyan real gross domestic product (GDP) slowed down to 4.8% in 2022, compared to a revised growth of 7.6% in 2021, supported by service-oriented activities including Financial and Insurance (+12.8%), Information and Communication (+9.9%) and Transportation and Storage (+5.6%).

During the year under review, economic growth was inhibited by a combination of global commodity prices, an extended regional drought, high interest rates and political uncertainty around the 2022 general elections.

The influence of these factors was felt in Kenyan households, with the agriculture sector, which contributes significantly to GDP, contracting by 1.6% in 2022. The year also saw a rise in food insecurity, particularly in rural areas where food consumption had been reduced in over half of households by June 2022. Inflation had an additional impact, with a perceptible increase in the prices of essential food items, leaving many people unable to afford staples such as beans or maize.

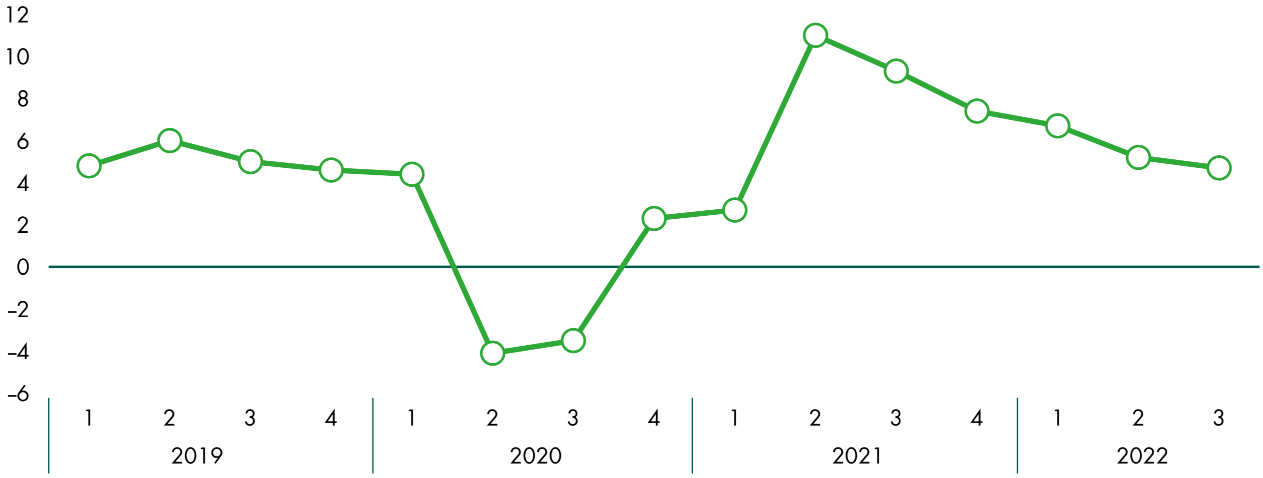
In an attempt to control this trend, the Central Bank of Kenya (CBK) raised the Central Bank Rate (CBR) four times since March 2022, by a cumulative 250 basis points, ultimately pegging it at 9.50% as at March 2023.

The following key steps characterised Kenyan economic conditions and remediating responses during 2022:

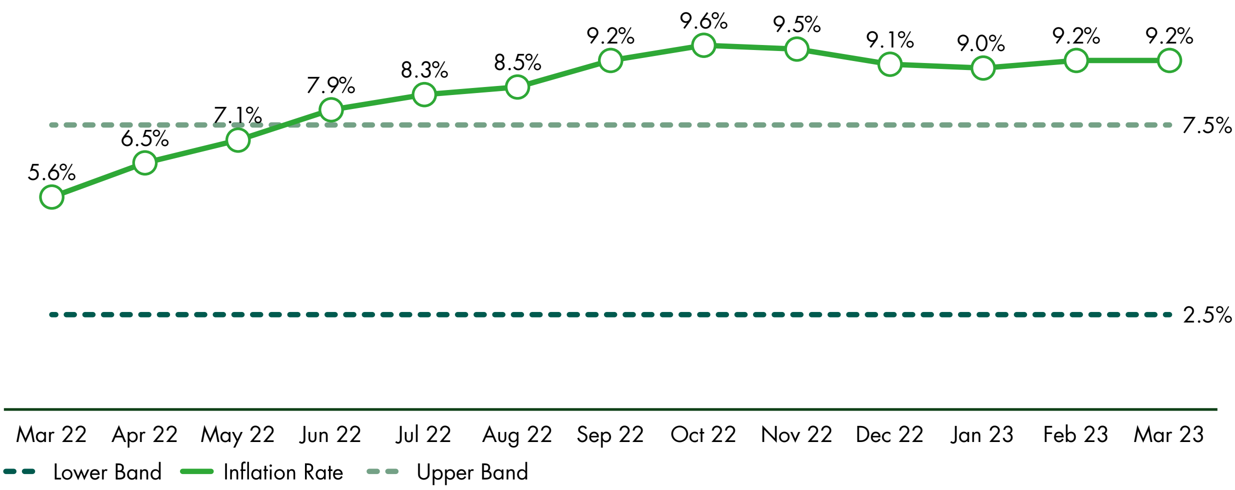
- A tightening of monetary policy in response to inflation
- Continued depreciation of the Kenya Shilling against the US dollar
- An economic transformation agenda laid out by the Government of Kenya (GoK), focusing on economic empowerment, to promote inclusive growth
- Climate crisis impact on agriculture, with increasing variability in rainfall, with the Agricultural sector Transformation and Growth Strategy devised to combat this
- Digital transformation assuming increasing importance as part of the country's growth agenda

THE COMMERCIAL VALUE **WE DELIVER**

Kenyan GDP growth



Inflation exceeding Central Bank of Kenya (CBK) target



Source: Kenya National Bureau of Statistics (KNBS)

Medium-term economic outlook

	2019	2020	2021	2022 e	2023 f	2024 f
Real GDP growth, at constant market prices	**5.2**	**(0.3)**	**7.5**	**5.5**	**5.0**	**5.3**
Private consumption	5.0	(2.5)	6.2	5.4	5.0	5.2
Government consumption	5.6	3.0	5.7	6.6	5.3	5.2
Gross fixed capital investment	4.5	2.5	10.9	7.0	7.5	8.1
Exports (goods and services)	(3.2)	(8.8)	12.9	6.2	7.4	7.8
Imports (goods and services)	1.8	(9.2)	18.9	6.8	8.3	8.3
Real GDP growth, at constant factor prices	**5.4**	**0.4**	**7.1**	**5.5**	**5.0**	**5.3**
Agriculture	2.7	4.6	(0.2)	(1.6)	3.8	4.2
Industry	4.0	3.3	7.2	4.9	3.6	4.3
Services	6.7	(1.8)	9.5	7.9	5.8	5.9
Inflation (consumer price index)	5.2	5.3	6.1	7.3	6.4	5.5
Current account balance (% of GDP)	(5.2)	(4.8)	(5.5)	(6.0)	(5.5)	(5.0)
Net foreign direct investment inflows (% of GDP)	0.9	0.5	0.2	0.6	0.8	0.9
Fiscal balance (% of GDP)/[1]	(7.3)	(7.0)	(8.2)	(6.2)	(6.2)	(4.4)
Primary balance (% of GDP)	(3.5)	(3.4)	(3.8)	(1.6)	(1.2)	0.2
Debt (% of GDP)	59.6	63.0	67.7	67.3	67.3	64.5

Note: /[1] = data reported in fiscal years 2019 = 2018/19; e = estimate, f = forecast.

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Our competitive landscape and market share

The Kenyan communications industry is aware of, and follows, global trends in the mobile eco-system. These include:

- A focus on 5G monetisation
- Increasing traction of the metaverse and its building blocks – content and applications, and standards and devices
- Fintech opportunities
- Climate-based goals-driven circularity production model involving the sharing, re-use, leasing, repairing, refurbishing and recycling

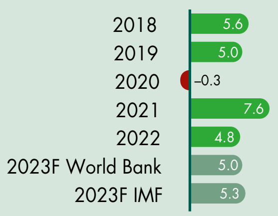
THE COMMERCIAL VALUE **WE DELIVER**

Our operating environment – an overview

Macro-economic

- High inflation (food, energy costs)
- Currency depreciation and tight liquidity
- Global impact of Ukraine/ Russia conflict disrupting supply chain and cost of living
- Slowing GDP growth
- Severe drought and failed rain seasons
- Business activity slowdown in an election year
- Smooth transition following peaceful general elections

GDP Growth Rate* (%)

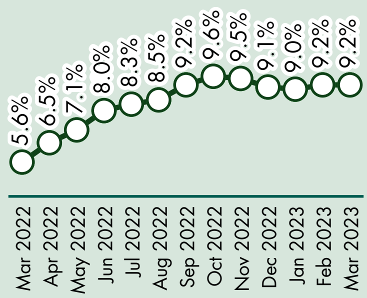


**Source: KNBS, World Bank, IMF*

Regulatory

- Mobile Termination Rates (MTR) reduction
- Fiscal pressure (increased taxation)
- Increased regulatory scrutiny
- Customer acquisition/ subscriber registration changes
- Return to charging on bank to/from M-PESA transactions

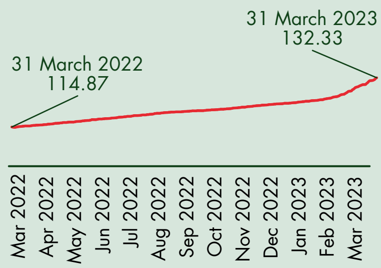
12 Month Inflation



Customer Insights

- Consumer seeking more value and affordability
- Shrinking consumer wallet
- Network stability and reliability key for customers
- Government has a strong digital agenda
- Significant SME opportunity
- Data protection for our customers

Kenyan Shillings (KShs) per US Dollar (USD)



Kenyan mobile market – key numbers up to December 2022

63,360,751
Total number of mobile phones

33,618,061
Total number of feature phones

29,742,690
Total number of smartphones

47.7 million
Mobile data/Internet subscriptions

38.6 million
Mobile money subscriptions

68.1%
Total phone penetration

60.2%
Smartphone penetration

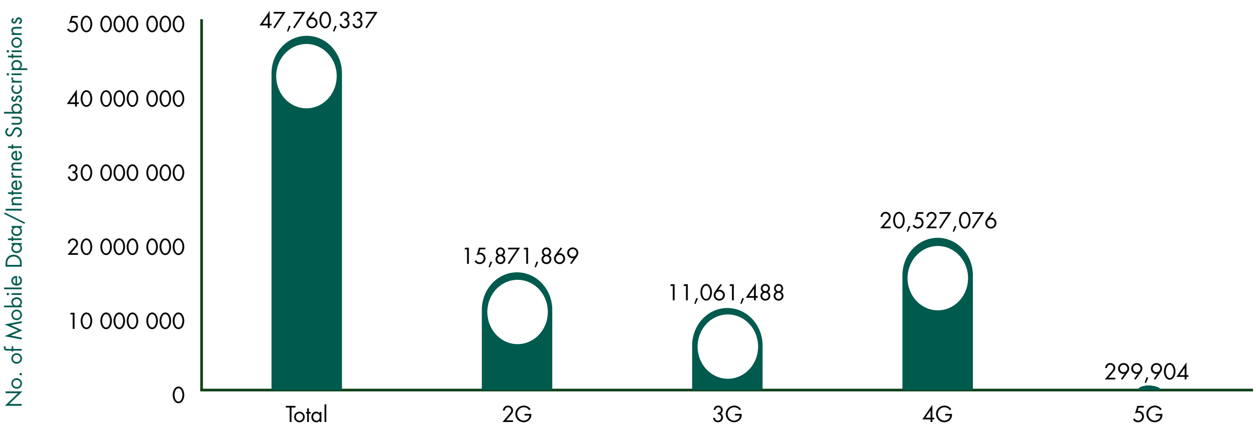
38.6%
Mobile money subscription penetration

Kenyan mobile network services

	Q2 (Oct–Dec 22)	Q1 (July–Sept 22)	Quarterly variation (%)
Subscriptions of Mobile			
Total Mobile (SIM) Subscriptions	66,053,649	65,737,164	0.5
Machine-to-Machine (M2M) Subscriptions	1,538,968	1,510,236	1.9
Mobile Data and Broadband Subscriptions			
Mobile Data Subscriptions	47,960,863	47,760,337	0.4
Mobile Broadband Subscriptions	32,192,772	31,888,468	1.0
Penetration of Mobile Phones			
Penetration of Feature Phones (%)	68.1	66.6	2.3
Penetration of Smart Phones (%)	60.2	54.3	10.9
Mobile Money Transfer Services			
Number of Registered Mobile Money Agents	331,065	318,607	3.9
Mobile Money Subscriptions	38,432,728	38,645,654	-0.6

**Source: Communication Authority (CA) – Sector-Statistics-Report-Q2-2022-2023*

Mobile data and Broadband services



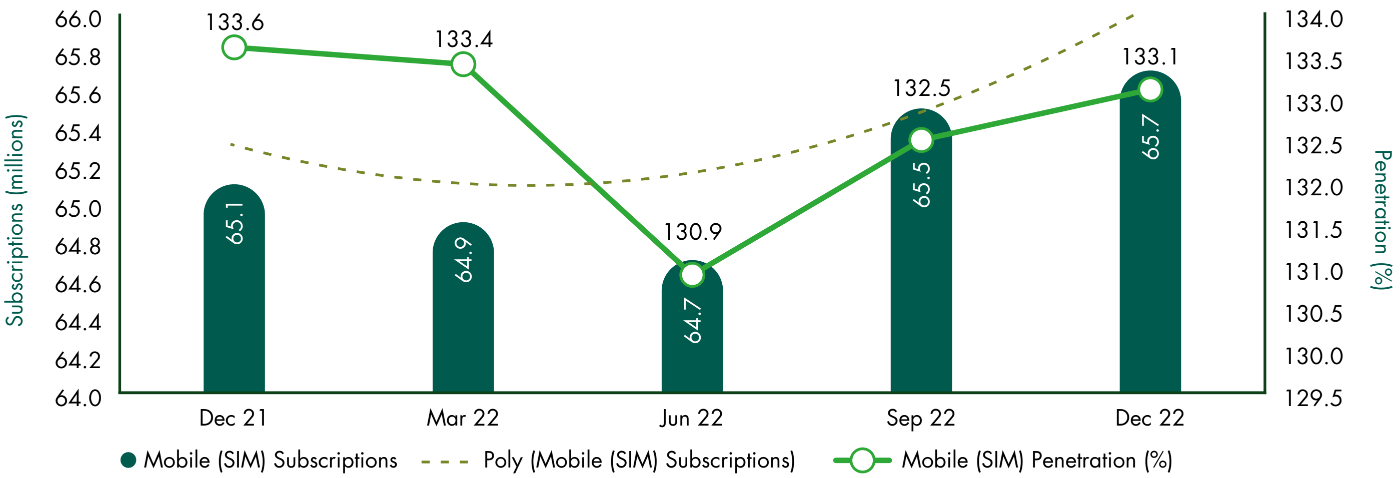
Source: CA, Operators' Returns

THE COMMERCIAL VALUE **WE DELIVER**

Mobile network services

The number of mobile subscriptions increased from 65.5 million in Q1 2022 to 65.7 million in Q2, with a penetration rate of 133.1 %.

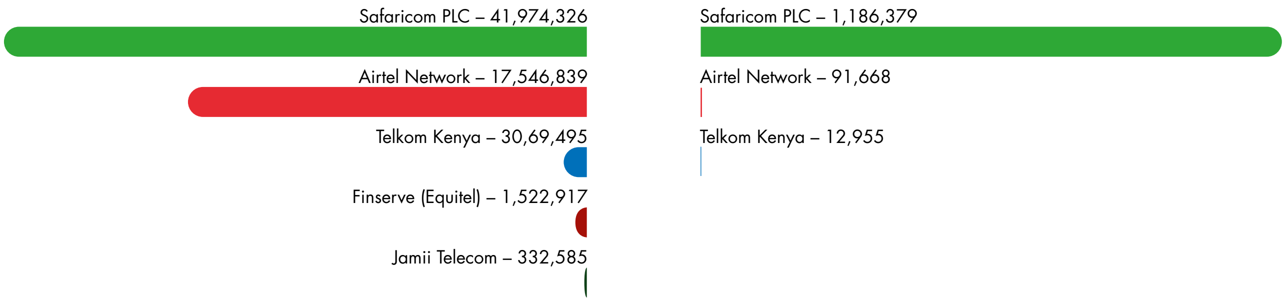
Mobile Subscriptions and Penetration



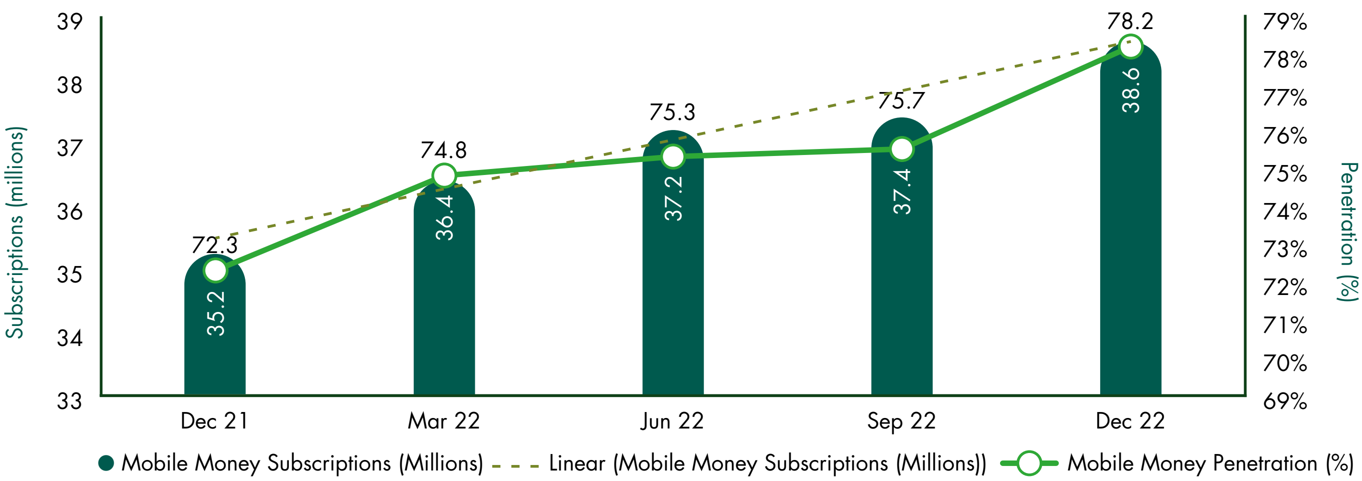
Mobile subscriptions per operator

Prepaid Subscriptions
64,446,162
(98.0% of total SIM subscriptions)

Postpaid Subscriptions
1,291,002
(2.0% of total SIM subscriptions)



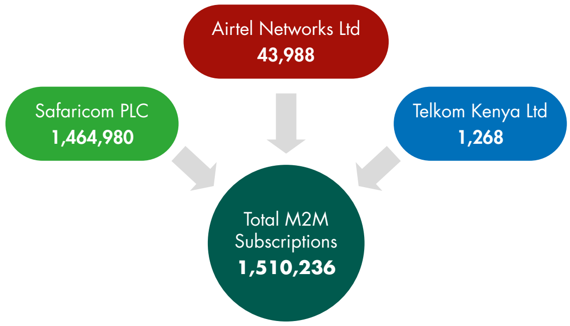
Mobile money services



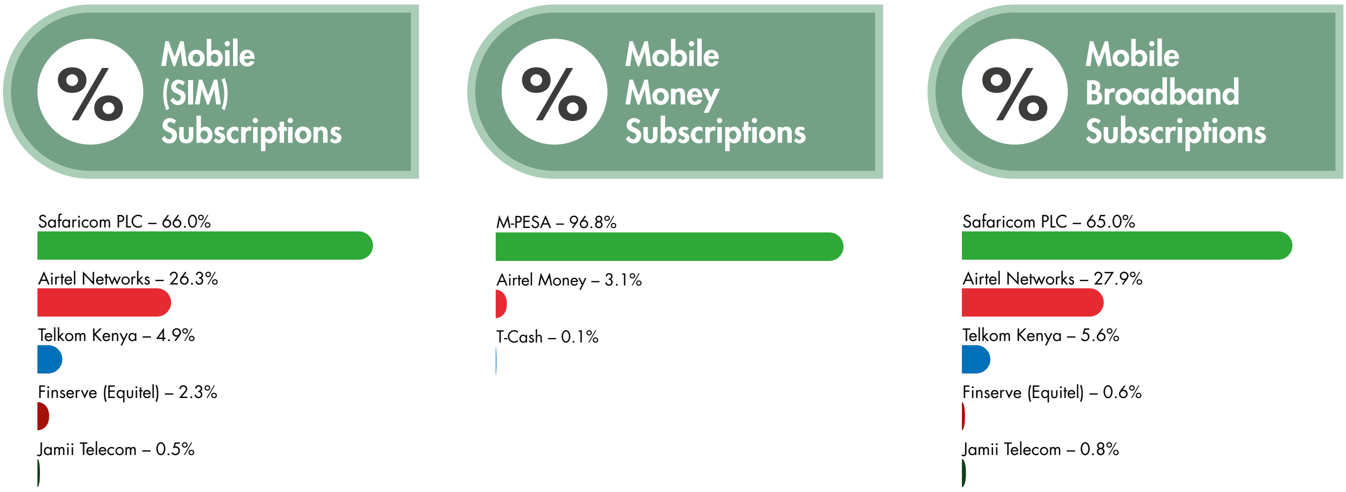
Source: CA, Operators' Returns

Machine-to-machine subscriptions

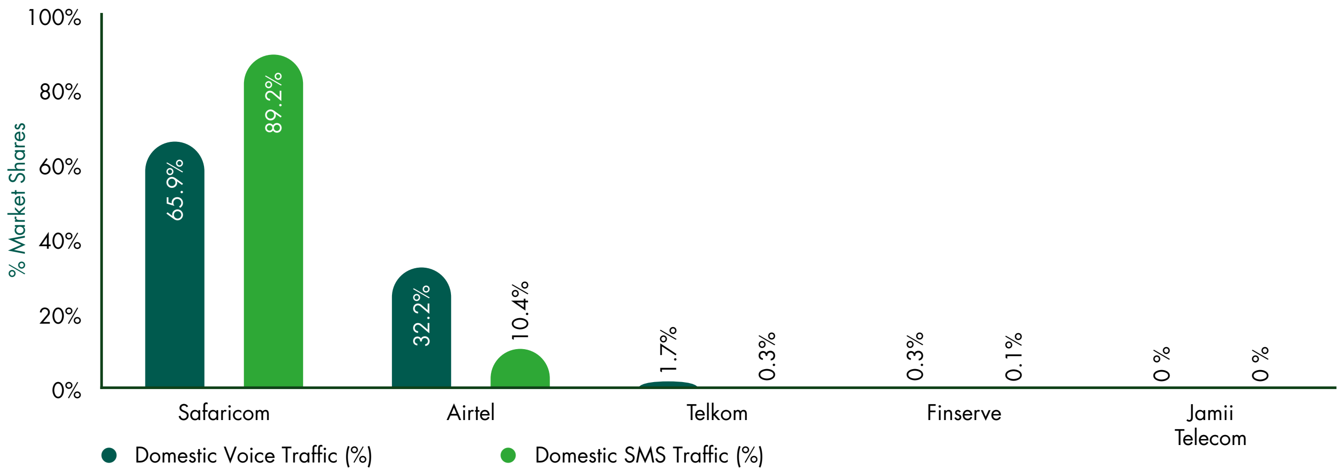
The number of SIM cards used to facilitate communication between machines, such as in car-tracking services, stood at 1,510,236 as at 31 December 2022.



Mobile market-share



Domestic mobile voice and SMS traffic market share



Source: CA, Operators' Returns

**The source for the above information is the Communication Authority of Kenya (CA) Second Quarter (Oct–Dec) Sector Statistics Report for the Financial Year 2022/2023*

THE COMMERCIAL VALUE **WE DELIVER**

Our Financial Capital

The year under review proved once again to be a strong one for our financial capital, despite a slow first half of the year, and the impact from other challenging macro-economic factors, including political uncertainty around the elections, inflation, the review of the MTR, the introduction of additional taxes on SIM cards and mobile phones, and the severe drought that affected the country.

Nevertheless, our commitment to prudent financial management, and ability to deliver on a forward-looking strategy that focused on the acceleration of growth areas enabled us to create value for our shareholders and maintain our course of becoming a purpose-led technology company by 2025.

As a business, we have remained resilient and operated in a stable business environment despite the headwinds outlined above. We remained focused on delivering value to our customers and shareholders while driving sustainable and inclusive growth.

Our solid trajectory over the past year reflects our unwavering commitment to transforming lives, driving sustainable growth, and creating value for all our stakeholders. This is borne out by the fact that overall, Group customers grew 8.1% YoY to 45.89 million, while one-month active customers grew marginally by 5.3% YoY to 34.54 million. Our Group service revenue grew 5.2% to KShs 295.69 billion YoY, backed by M-PESA, Mobile Data and Fixed Data growth.

ETHIOPIA

We successfully launched our Ethiopian operations during the year under review. Despite execution delays, we are on track in that country, and are optimistic about the transformative opportunities it presents for us. Our focus has been to accelerate the pace of rollout and we have now covered 22 large- and medium-sized cities, representing a population coverage of 22%, with plans underway to roll out to those cities remaining. (For more on Ethiopia, see pages 25)

FINANCIAL **OUTLOOK**

Our focus in FY2024 will be to scale technology solutions by accelerating new growth areas including IoT, ICT, Cloud, Content, Fixed Business and Next Financial Services, to become the partner of choice for government by delivering top government projects and scaling our Ethiopia operations.

In line with our expectations, Safaricom Ethiopia will require significant investment in the initial years of operations before becoming profitable.

In view of these factors, we expect FY24 Safaricom Group EBIT to be in the range of KShs 75 to 81 billion and KShs 82 to 90 billion in capex.

Excluding Ethiopia, our EBIT guidance for Safaricom Kenya is expected to be in the range of KShs 117 to 120 billion, and KShs 42 to 45 billion for capex.

Our EBIT guidance for Safaricom Ethiopia is expected to be in the range of KShs (42 to 39) billion, while capex is expected to be within the KShs 40 to 45 billion range.

Safaricom Open innovation Week attended by Vodacom, Safaricom Kenya and Ethiopia teams'

Chief Finance Officer's Review

The financial year under review has been one of far-reaching changes and extraordinary circumstances, given the impact of geopolitics, especially those pertaining to the war in Ukraine, and domestically, the Kenyan 2022 general elections, as well as the macroeconomic challenges to the country's economy and our business operations.*

*For more on our operating environment, see page 95.

Chief Finance Officer's Review (continued)

We identified three important aspects from the macro economic environment that had a direct impact on Safaricom's business during the year:

Challenge	What it is	Impact
Elevated inflationary pressure	In FY2023, the inflation rate rose by 3.6bps from 5.6% in March 2022 to 9.2% in March 2023, mainly driven by food and fuel prices with the latter driving up transport and energy costs.	The uptick in inflation rates has resulted in consumer wallet shrinkage thus reducing consumer spend and mostly negatively affecting our M-PESA, Voice and Data revenues as consumers cut spending on non-basic services/commodities including airtime.
Currency performance	The Kenya shilling depreciated 15.1% against the US dollar between the end of March 2022 and March 2023 from KShs 114.95 to KShs 132.33. The continued depreciation has mainly been driven by increased dollar demand from energy and merchandise importers, with Kenya being a net importer and the import bill being in US dollars.	Depreciation of the Kenyan shilling has impacted the business on many fronts including the increased cost of doing business on energy and diesel. This has in turn increased our network and operating expenses and imposed a higher cost in importing handsets, thereby increasing the price at which we have to sell, and ultimately dampening the uptake of smartphone devices in the market.
Economic growth slow-down in Kenya	The Kenyan economy slowed down in the 2022 calendar year to 4.8% compared to a revised growth of 7.6% in 2021, owing to heightened headwinds, including slower global growth, domestic interest rate increases, anxiety over the 2022 elections, and high inflationary pressure which negatively impacted the economy.	We saw a slow-down in business operations and M-PESA revenues due to reduced economic activity in the country as citizens strived to cater for basic needs with the high cost of living.

REGULATORY **IMPLICATIONS**

In addition to macro-economic impacts, regulatory changes, particularly to the mobile termination rate (MTR), have had the following impacts on our business:

- The revised MTR and fixed termination Rate (FTR) of KShs 0.58 from KShs 0.99, (an interim rate for 12 months as the Authority conducts a Network Cost Study) came into effect from 1 August 2022. This reduction in rate has impacted our interconnect revenues to the value of KShs 2 billion, with FY2023 interconnect revenues for Kenya declining by 22.5% YoY to KShs 5.3 billion.
- The previous rate of KShs 0.99 was applicable for only four months of H1 FY2023, with a larger impact felt in H2. The total loss was KShs 2.0 billion in FY2023, based on the MTR decline to KShs 0.58.

FY2023	KShs (million)
MTR revenue loss (millions)	(2,029.3)
MTR cost benefit (millions)	947.6
Net loss	(1,081.7)

TAX **IMPLICATIONS**

We saw a number of tax implications during the year under review:

- The Finance Act 2022 imposed a 10% excise duty on the importation of cellular phones, 25% import duty on phones as part of the EAST African Community External Tariff (CET) and as well KShs 50 excise duty on every imported ready-to-use SIM card. These taxes have increased the cost of smartphones and slowed down our initiatives to drive 4G device penetration in the year. The three sets of taxes on the purchase of mobile phones and SIM cards add a new layer of taxes to users who already pay a raft of other levies on the services they access on their devices.
- The three sets of taxes on the purchase of mobile phones and SIM cards add a new layer of taxes to users who already pay a raft of other levies on the services they access on their devices.
- The use of telephone and internet data services already attracts duty at the rate of 20% of excisable value which includes the 16% value-added tax (VAT).

PERFORMANCE **SNAPSHOT**

SERVICE REVENUE (SR)

Group Service Revenue

Grew 5.2% to KShs 295.7 billion

Safaricom Kenya SR

Grew by 5.0% to KShs 295.2 billion

(+5.7% adjusted for MTR)

Safaricom Telecommunications Ethiopia (STE)

Generated KShs 562.4 million in SR

NET PROFIT

Net income (Consolidated, including Ethiopian operations)

Declined by 10.6% to KShs 62.3 billion, excluding minority interest

Safaricom Kenya net income

Grew by 3.0% to KShs 74.5 billion

M-PESA

M-PESA revenue

Grew by 8.8% to KShs 117.2 billion

- Chargeable transactions per one-month active customers

  Grew by 16.2% YoY to 23.54

- One-month active M-PESA average revenue per user (ARPU)

  Rose 1.9% YoY to KShs 311.28

- Total transaction value and volumes

  Grew by 21.4% to KShs 35.86 trillion and 33.5% to KShs 21.03 billion respectively

- M-PESA revenue earned

  39.7% of total service revenue

THE COMMERCIAL VALUE **WE DELIVER**

Chief Finance Officer's Review (continued)

VOICE AND MESSAGING

Voice revenue

Declined by 2.8% YoY to KShs 80.9 billion

- Rate per minute
  Rose by 1.4% to KShs 1.44 in FY2023
- Minutes of use
  Rose 4.4% to 166.7

Messaging revenue

Grew by 4.6% YoY to KShs 11.4 billion

- ARPU
  Grew by 5.1% to KShs 43.82
- Messages per subscriber
  Grew by 25.9% to 191.6
- Rate per message
  Declined 16.6% to KShs 0.23
- Voice and messaging revenue earned
  31.3% of total service revenue

MOBILE DATA

Revenue

Grew by 10.6% YoY to KShs 53.6 billion

- Chargeable data per subscriber
  Rose by 53.8% YoY to 3.57GB
- Average rate per MB
  Declined by 24.5% YoY to 6.70 cents
- Mobile data ARPU
  Increased by 16.2% to KShs 239.04
- Smartphone users
  Grew by 10.0% to 20.30 million, 65.1% active on 4G
- Lipa Mdogo Mdogo
  1 million customers enabled

CAPEX

Group capital additions

Increased by 93.1% to KShs 96.1 billion, with:

- Ethiopia operations
  KShs 55.8 billion
- Safaricom Kenya
  KShs 40.4 billion

THE COMMERCIAL VALUE **WE DELIVER**

Chief Finance Officer's Review (continued)

FIXED DATA

Fixed service and wholesale transit revenue
Grew 20.1% YoY to KShs 13.50 billion

- Enterprise revenue
  Grew by 21.4% to KShs 8.55 billion
- Consumer revenue
  Grew by 17.9% to KShs 4.94 billion

FTTH penetration
59.2%

- Homes connected
  275.66 thousand (+42.8%)
- Homes passed
  465.56 thousand (+27.6%)

FTTH customers
Grew by 17.9% YoY to 195.74k

Enterprise fixed customers
Grew by 0.1% YoY to 48.37k, with

- LTE customers
  26.86k (55.5%) of the total

SAFARICOM TELECOMMUNICATIONS ETHIOPIA

Performance since launch on 6 October 2022 to 31 March 2023

Service revenue
KShs 562.4 million

Voice revenue
KShs 135.8 million

Mobile data
KShs 356.5 million

Messaging revenue
KShs 3.9 million

Mobile incoming revenue
KShs 66.2 million

Handset and other revenue
KShs 676.6 million

Other Income
KShs 595.5 million

OUR STRATEGIC FOCUS – **FY2023**

Our strategic focus for the year under review was to accelerate new growth areas. In this, we continued to record increased momentum with impressive growth trajectories, although on a small base.

- Our Cloud and ICT offering generated revenues of KShs 1.1 billion, doubling what we recorded in the same period last year.
- Our IoT business, which mainly serves enterprise clients, also grew its revenue by 61.0%, driven by new connections, which grew 23.6% to close at 1.5 million customers.
- Content revenue recorded KShs 0.7 billion in revenues from video streaming services driven on the Baze platform, gaming subscriptions and educational content, achieving a growth level of 48.8%, with customers increasing by 49.9%, to exceed the 2 million mark.
- M-PESA new growth areas include the Pochi la Biashara (a wallet for micro- or small businesses), business transacting tills and merchant credit facilities recorded a growth of 58.4% to reach KShs 1.5 billion in revenue.

We are committed to continue providing our customers with the best deals and solutions, as we become a one-stop shop in serving SMEs, MSMEs and large corporate segments of the economy.

THE COMMERCIAL VALUE **WE DELIVER**

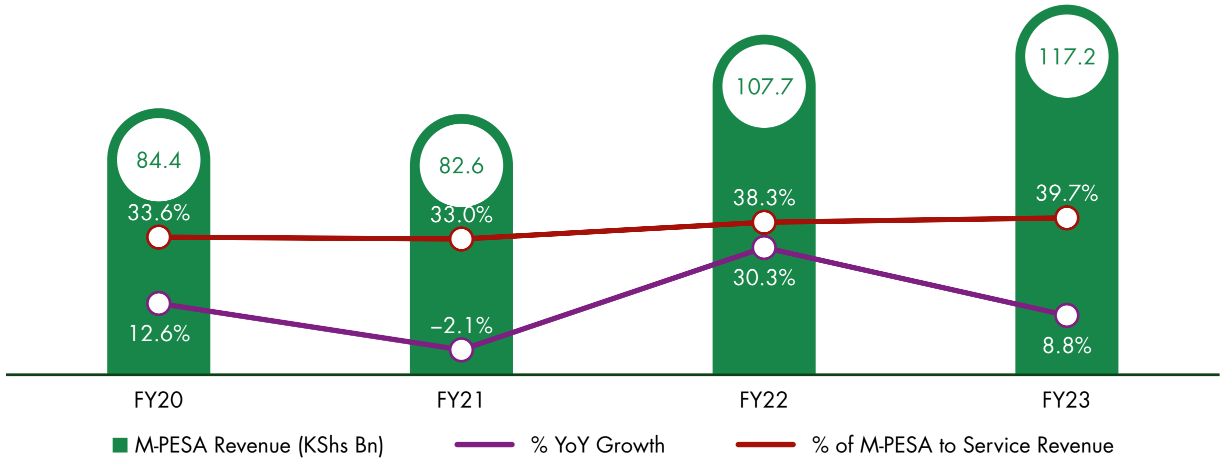
Chief Finance Officer's Review (continued)

REVENUE **GROWTH**

Revenue growth during the year was attributable mainly to M-PESA, mobile data and fixed revenues.

- M-PESA* revenue was up 8.8% YoY, supported by increased usage and growth of chargeable transactions per customer.
- Mobile data grew double digit by 10.6% driven by increased usage evidenced by a 53.8% growth in the average Gigabytes per user to 3.57GB.
- Fixed Enterprise and Fibre-to-the-Home (FTTH) revenues grew 21.4% and 17.9% YoY respectively driven by growth in customers and usage.
- Our rate per MB has declined by 24.5% in the year to 6.7 cents driving affordability for our customers.
- As we focus on growing penetration of 4G devices, we are delighted to see that of the smartphone users that grew by 10.0% to 20.3 million, 65.1% or 13.2 million are active on 4G devices.

Evolution of contribution of M-PESA Revenue to Service Revenue (KShs Bn)



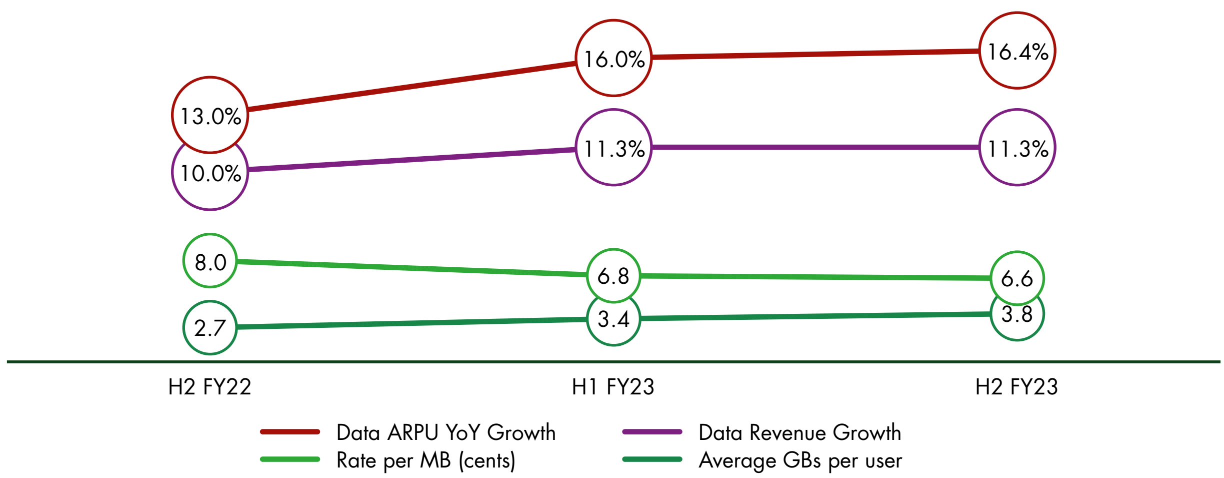
*For more on M-PESA, see page 116.

Mobile data

Mobile data remains one of the key areas of growth for our business. Our customer value management (CVM) initiatives and big data analytics have significantly enhanced targeted customer offerings.

	Smart Phone Devices (Mn)			Mobile Data ARPU (KShs)			Mobile Data Revenue (KShs Bn)		
	FY23	FY22	% YoY	**FY23**	FY22	% YoY	**FY23**	FY22	% YoY
Mobile data	**20.30**	18.46	10.0	**239.04**	205.73	16.2	**53.60**	48.44	10.6

Double digit revenue Mobile Data growth, driven by increased device penetration and usage

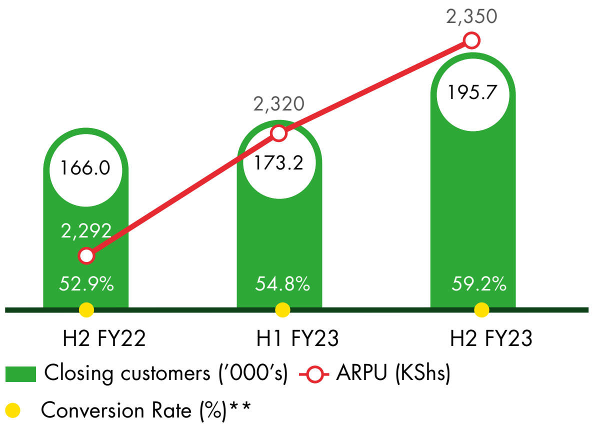


- We continue to support customers in purchasing 4G-enabled devices through our affordable Lipa Mdogo Mdogo (LMM) offering, which has enabled over 1 million customers to enjoy more features at their convenience.
- Mobile Data revenue grew by 10.6% YoY, driven by increased usage.
- Usage per chargeable-data subscriber grew 53.8% YoY to close at 3.57 GB.
- Data ARPU grew by 16.2%, driven by 14.7% growth in customers using more than one gigabyte per month.

Fixed service

While we acknowledge that there is still significant untapped opportunity in fixed service, it was gratifying to see the strong acceleration of our fixed business during the year under review, boosted by a growth in customers and ARPU. We continue to explore several initiatives to scale this area of the business, including IoT and ICT.

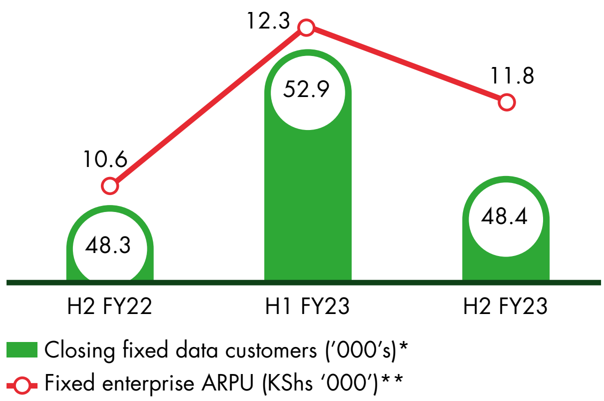
FTTH



*** Conversion rate is the homes connected divided by the homes passed*

- FTTH active customers have grown by 17.9% to close at 195,741 up from 165,981 in a similar period last year.

Fixed enterprise



* *Long Term Evolution (LTE) customers 26.9k, -3.1% YoY making up 55.5% of total fixed data closing customers at 48.4k, +0.1% YoY*

** *Fixed Enterprise ARPU ex-LTE KShs 23.11k, LTE ARPU 3.99k, Fixed Enterprise ARPU KShs 12.31k in FY23*

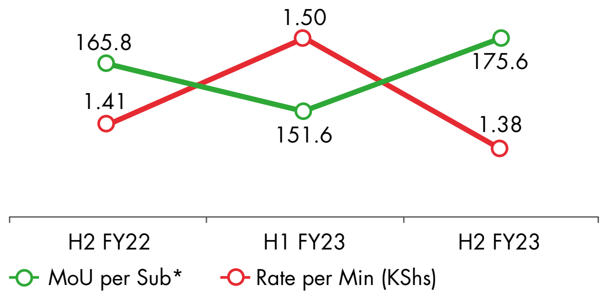
- Fixed Enterprise Business customers closed at 48.37k.

Voice and messaging revenue

While these traditional lines of revenue have come under significant pressure, we recorded improved growth in messaging revenue in H2 by 18.9% YoY, against the drop of 7.7% recorded in H1, to close at a full year growth of 4.6%. Voice revenues on the other hand, recorded a lesser decline in H2 by 1.7% against a drop of 3.8% in H1, to close the year at a drop of 2.8% YoY.

In the long term, these two revenue lines may follow a similar pattern to that seen in mature markets. Nevertheless, our strategy remains to defend our market share. To that end, we have consistently been optimising our pricing over the years to ensure that we continue driving affordability and usage. This has been well received by our customers amidst the tough macro-environment characterised by rising inflation. It also contributes towards cementing our commitment to support our customers during difficult periods.

Usage and Rate per minute



* *Minutes of use per one month active subscriber*

Our voice rate per minute closed at a rate of KShs 1.44 in March 2023, an increase of 1.4% YoY.

Safaricom Kenya – net income

Safaricom Kenya's KPIs remain strong and have been stable over the years. Our productivity initiatives have helped us to cushion increases on the cost side by delivering stable contribution margins, characterised by:

- Healthy KPI ratios with EBITDA margin for FY2023 at 51.9%, higher than pre-pandemic levels.
- Our operating expenditure intensity, which is one of the best in the market, at 17.5%, proof that our focus on productivity is paying off.
- Our Return on Capital Employed, which stands at 50.7%, providing good headroom to support out investment activities.

The net debt to EBITDA at 0.35 for the year is in relation to the debt taken to finance our Ethiopia investment.

THE COMMERCIAL VALUE **WE DELIVER**

Chief Finance Officer's Review (continued)

CAPEX

During the year under review, we continued with sustained investment in our network and systems in order to support capacity upgrading and user experience. As at 31 March 2023, we had a total of 6,325 sites in Safaricom Kenya and 1,272 sites in Ethiopia. 98% of all sites in Kenya are active on 4G while all sites in Ethiopia are built on 2G, 3G and 4G technologies.

- Our Group capital expenditure in the period stood at KShs 96.1 billion, of which KShs 40.4 billion was spend in Safaricom Kenya and KShs 55.8 billion was invested in Safaricom Ethiopia. On hyperinflationary basis total Capex spend for FY23 was KShs 106.4 billion. The KShs 55.8 billion spend in Ethiopia supported sites roll-out and other readiness infrastructure required to launch, and thereafter expand, coverage for the business.
- We are focused on enhancing network quality, efficiency and utilisation by driving increased 4G penetration in Kenya while in Ethiopia, our focus for the year is to ramp up population coverage to establish a contiguous network for better experience of our customers already onboarded on our network.
- Our 5-YR CAPEX investment plan for Ethiopia is between USD 1.5-2 billion and for FY24, we target to roll out about 3k sites which would be half of sites built in Kenya.

SAFARICOM TELECOMMUNICATIONS **ETHIOPIA***

We have continued to record important milestones with our business in Ethiopia. Having launched commercial operations, and with 22 cities currently live on our network, we have seen very encouraging uptake from our customers, both in terms of numbers and usage. In the initial months, Safaricom Ethiopia SIM cards came with a welcome offer on data, voice and SMS for customers to test and experience the network.

- For the six months to 31 March 2023 that we have been in operation, our 90-day active voice customers stood at 2.0 million, representing a level of 92% of the 90-day active customer base.
- The 90-day active data customers closed the period at 1.4 million, a 73% penetration of active voice customers.
- We have recorded significant usage of data, with an average of 1.5GB per chargeable customer per month. This achievement can be assessed against our Kenya business, which attained this level of usage only in FY2021, almost 20 years since the inception of the Company.
- Voice usage stands at an average of 55.4 minutes per customer per month. Combined with the 10.8 SMSs per user per month, this only confirms the opportunity that we see in this market.

Safaricom Ethiopia KPIs

	FY23	FY22	% Change
90-day active customers	**2.14**	–	100%
90-day active total customer ARPU*	**62.56**	–	100%
One month active customers (Mn)	**1.44**	–	100%
One month active customers ARPU*	**78.02**	–	100%
Voice			
90-day active total customer (Mn)	**1.96**	–	100%
One month active voice customers (Mn)	**1.24**	–	100%
One month active voice customers ARPU*	**21.33**	–	100%
Mobile Data			
90-day active total customers (Mn)	**1.43**	–	100%
One month active mobile data customers (Mn)	**0.92**	–	100%
One month active mobile data customers ARPU*	**76.19**	–	100%
Messaging			
90-day active total customer (Mn)	**0.68**	–	100%
One month active Messaging customers (Mn)	**0.37**	–	100%
One month active Messaging customers ARPU*	**1.84**	–	100%
Base Stations			
2G/3G/4G base stations	**1,272**	–	100%

**Average Revenue Per User (ARPU) is in KShs excluding hyperinflationary impact. Conversion of ETB to KShs at an average exchange rate of KShs 2.335 to ETB.*

HYPERINFLATION

It is important to note that Ethiopia has been declared a hyperinflationary economy by the International Accounting Standards Board as of 31 December 2022. The key considerations include the three-year cumulative inflation rate if it approaches or exceeds 100%. In this regard, the International Monetary Fund's World Economic Outlook (IMF WEO) forecast a three-year cumulative inflation rate of 111%.

In compliance with IFRS reporting, we have assessed our actual Ethiopia performance and incorporated the hyperinflationary adjustments at Group consolidated level as applicable.

We recognise that in a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, while an entity with higher monetary liabilities than monetary assets gains purchasing power.

With this context in mind, Safaricom Ethiopia has more monetary liabilities than monetary assets, due to the significant vendor financing liabilities. This therefore results in a net monetary gain, and we will make adjustments accordingly year-on-year.

Nonetheless, overall, for net income, we have reported a net positive impact of KShs 3.5 billion, mostly driven by the hyperinflationary monetary gain of KShs 10.4 billion. This has been consolidated in the Group's overall performance.

* *For more on our Ethiopian operations, see page 25 and for more details refer to Note 2 (e) in the audited financial statements.*

VALUE FOR SHAREHOLDERS AND **INVESTORS**

In line with our purpose of transforming lives, Safaricom remains committed to creating value for our shareholders and investors. During the year, the Board approved payment of an interim dividend of KShs 0.58 per ordinary share, amounting to KShs 23.24 billion. Moreover, the Board has resolved to recommend to the shareholders at the next AGM, a final dividend of KShs 0.62 per ordinary share, amounting to KShs 24.84 bringing the cumulative dividend per share to KShs 1.20, or KShs 48.08 billion for the full year.

This is in line with our dividend policy, which has been consistent over the years at 80% of our Group net income, excluding minority interest and hyperinflationary impact on Ethiopia numbers, and we remain committed to paying dividends that are commensurate with our performance. In this regard, it is important to note that:

- At 6.6%, the dividend yield is the highest recorded over the last five years
- Our Earnings Per Share (EPS) at KShs 1.55, has been impacted by Ethiopia startup costs

LOOKING **AHEAD**

Whilst we are aware that the macro-economic environment continues to be a challenge, we are well aligned and prepared as a business to respond to and manage any emerging risks. We are pleased with the progress we are making in our Ethiopia business and FY24 is forecasted to be the peak loss year in this investment period.
We continue to grow our Kenya business in line with our focus to scale tech solutions as we transform into a tech company. We have a skilled and dedicated work force in place to support delivery of our targets and ambitions across all lines of business. Our positive impact to the society also give us inspiration to innovate more and digitise the payments ecosystem through our product offerings so that we meet their needs and expectations. We forecast that our core business will hold and the new growth areas will boost our earnings into the future.
We remain committed to ensuring that our shareholders interests are well protected even as we navigate through this investment cycle through our green field operation in Ethiopia.

THE COMMERCIAL VALUE **WE DELIVER**

GROUP FINANCIAL **HIGHLIGHTS**

KShs'm	FY23	FY22	FY21	FY20	FY19
Voice revenue*	**81,053.9**	83,211.8	82,552.0	86,529.9	87,683.7
Messaging revenue*	**11,375.6**	10,876.7	13,602.4	15,403.5	17,865.3
Mobile data revenue*	**53,952.4**	48,441.0	44,793.2	40,157.5	35,868.4
M-PESA revenue	**117,192.2**	107,691.8	82,647.4	84,438.0	74,989.8
Mobile incoming revenue*	**8,109.5**	9,848.2	9,470.4	8,481.8	8,525.3
Other mobile service revenue*	**10,550.8**	9,795.3	7,779.2	7,236.5	6,733.5
Mobile service revenue	**282,234.4**	269,864.8	240,844.6	242,247.2	231,666.0
Fixed line and wholesale transit revenue	**13,457.9**	11,242.5	9,507.2	8,966.9	8,101.0
Service revenue	**295,692.3**	281,107.3	250,351.8	251,214.1	239,767.0
Handset revenue and other revenue	**11,449.8**	14,334.0	12,316.5	10,487.8	9,448.0
Construction revenue	**–**	–	837.7	583.9	603.2
Other income	**3,762.7**	2,636.6	520.5	269.9	464.3
Total revenue	**310,904.8**	298,077.9	264,026.5	262,555.7	250,282.5
Direct costs	**(92,232.1)**	(91,467.8)	(80,015.1)	(74,701.0)	(71,795.6)
Provision for expected credit loss (ECL) on receivables	**(4,725.3)**	(2,361.2)	(3,009.7)	(1,669.6)	9.6
Construction costs	**–**	–	(837.7)	(583.9)	(603.2)
Contribution margin	**213,947.4**	204,248.9	180,164.0	185,601.2	177,893.3
Total operating costs	**(74,085.0)**	(55,187.0)	(46,034.8)	(47,559.6)	(53,590.4)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**139,862.4**	149,061.9	134,129.2	138,041.6	124,302.9
Depreciation, impairment and amortisation	**(54,865.0)**	(39,933.3)	(37,964.3)	(36,547.7)	(35,332.0)
Earnings before interest and tax (EBIT)	**84,997.4**	109,128.6	96,164.9	101,493.8	88,970.9
Net finance income	**(7,087.1)**	(6,439.2)	(2,022.4)	922.2	2,240.20
Share of associate and Joint Venture profit/(loss)	**(38.2)**	(476.0)	(507.0)	3,357.0	5.5
Fair value adjustment to investment properties	**90.0**	–	–	–	–
Hyperinflationary monetary gain	**10,383.1**	–	–	–	–
Profit before income tax	**88,345.2**	102,213.4	93,635.5	105,773.0	91,216.6
Income tax expense	**(35,862.4)**	(34,717.3)	(24,959.3)	(32,115.1)	(28,727.3)
Profit after tax	**52,482.8**	67,496.1	68,676.2	73,657.9	62,489.3
Attributable to:					
Equity holders of the parent	**62,268.9**	69,648.1	68,676.2	73,657.9	62,489.3
Non-controlling interests	**(9,786.1)**	(2,152.0)	–	–	–
Profit for the year	**52,482.8**	67,496.1	68,676.2	73,657.9	62,489.3
Basic and diluted earnings per share (EPS)**	**1.55**	1.74	1.71	1.84	1.56
Profit for the year	**52,482.8**	67,496.1	68,676.2	73,657.9	62,489.3
Other comprehensive income/(loss):					
Exchange differences on translating foreign operations	**10,260.0**	(9,536.3)	–	–	–
Total comprehensive income for the year	**62,742.8**	57,959.8	68,676.2	73,657.9	62,489.3
Total comprehensive income for the year					
Equity holders of the parent	**34,954.0**	64,335.4	–	–	–
Non-controlling interests	**27,788.8**	(6,375.6)	–	–	–
Total comprehensive income for year	**62,742.8**	57,959.8	68,676.2	73,657.9	62,489.3
Free cash flow	**23,853.0**	63,669.7	64,515.6	70,273.4	43,515.0
Ordinary dividend (paid/proposed) (KShs'm)	**48,078.4**	55,691.0	58,896.2	56,091.6	50,082.0
Ordinary dividend per share (KShs)	**1.20**	1.39	1.37	1.40	1.25
Special dividend (paid/proposed) (KShs'm)	**–**	–	–	–	24,841.0
Special dividend per share (KShs)	**–**	–	–	–	0.62

* *Disclosures on service revenue streams (FY2019) have been reclassified to align to Group reporting requirements*

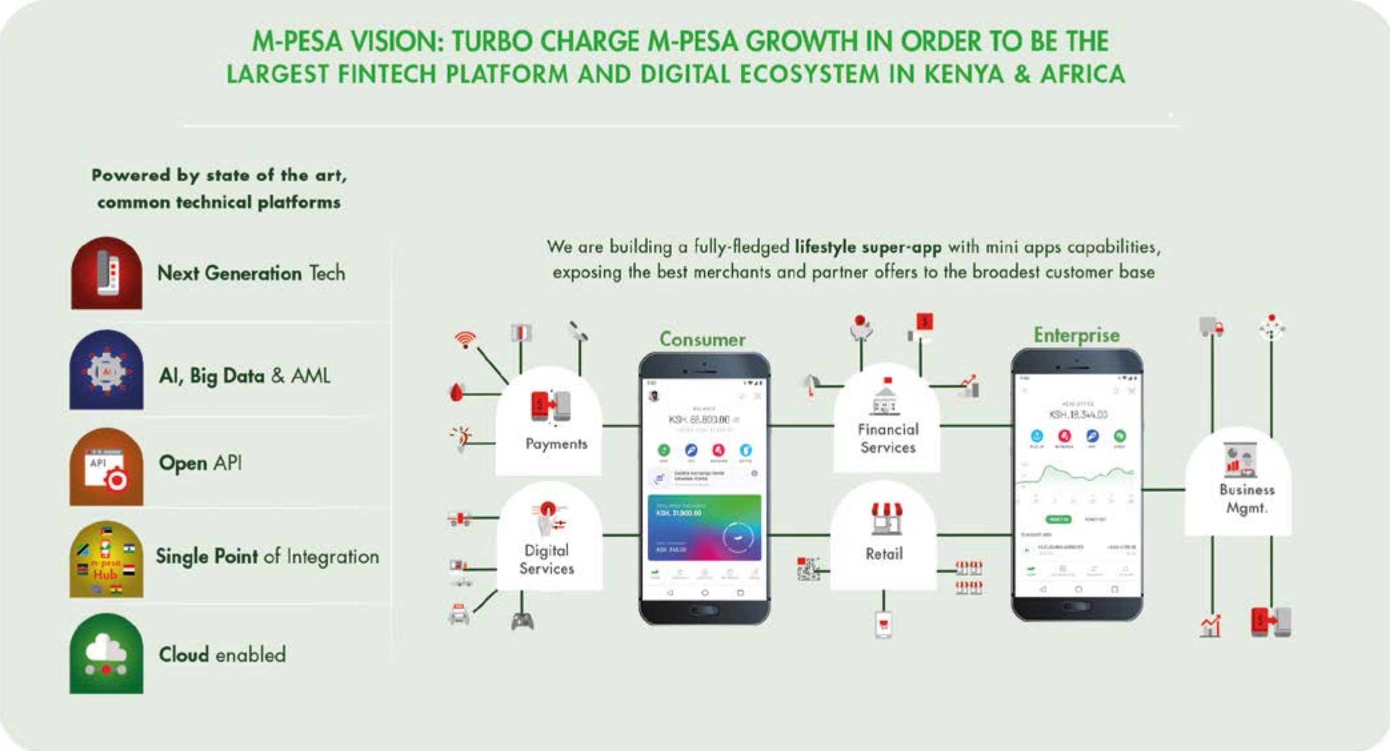
** *EPS is calculated by dividing the profit attributable to equity holders of the parent excluding hyperinflationary impact, by the weighted average number of ordinary shares issued in the year*

THE COMMERCIAL VALUE **WE DELIVER**

M-PESA

M-PESA continues to be a key player in the payment ecosystem, driving financial inclusion in Kenya. While we saw a slowdown in business activity from the macroeconomic effects exacerbated by the election period in the first half of the year, we saw increased momentum in half two.

OUR M-PESA **VISION**



PRICE REDUCTION DRIVING INCREASED **FINTECH VELOCITY**

Since FY2021, we have introduced a number of measures to reduce fintech costs in order to drive affordability, and thereby, growth.

KADOGO

Zero-rated charges for transaction ticket sizes of 100/- and below for paybill & P2P up to 200/- for Buy Goods

30%

of M-PESA transactions

AFFORDABLE CREDIT

50% reduction in Fuliza cost of a credit First 3 days have a waiver on transactions below 1,000/- on maintenance charge & 50% reduction in daily maintenance tariffs

Cost reduction on

80%

of draw-downs

TARIFF REDUCTION

- 46% reduction in P2P charges (2021)
- 47% reduction in paybill charges (2023)
- 61% reduction in B2C charges (2023)

Average

50%

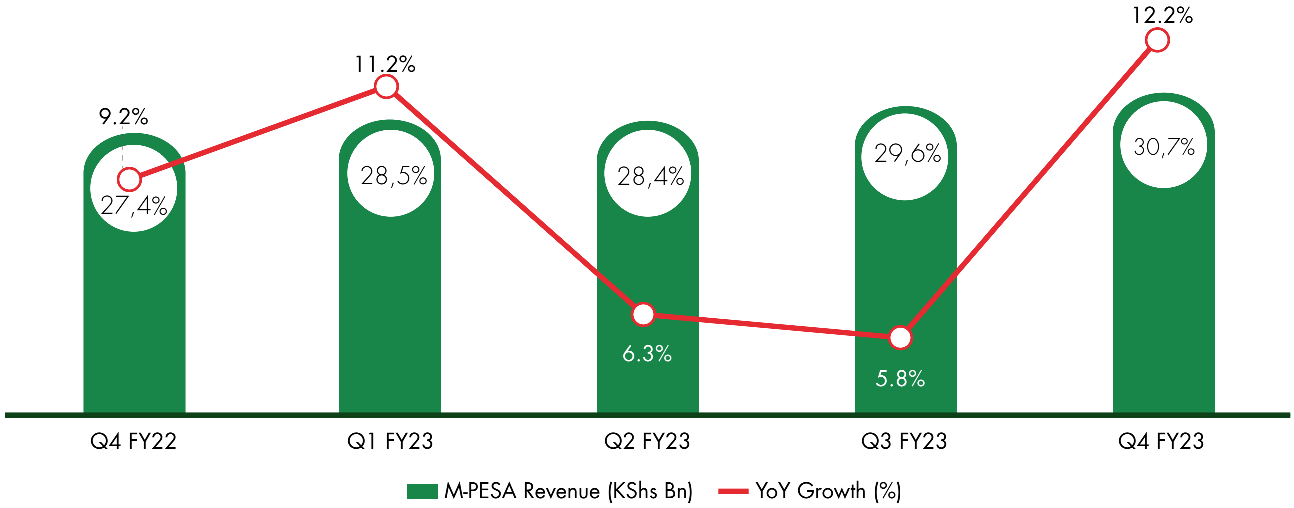
cost reduction across all transaction bands

M-PESA – OVERALL **PERFORMANCE**

With the return to charging for bank to and from M-PESA in Q4, we were able to record a double-digit growth of 12.2% YoY, effectively bringing the H2 growth to 9.0% from the 8.7% reported at H1. Overall, we managed to record a growth of 8.8% YoY.

We took a decision to support our customers in the tough economic environment they are facing, by driving affordability.

M-PESA Revenue (KShs Bn)



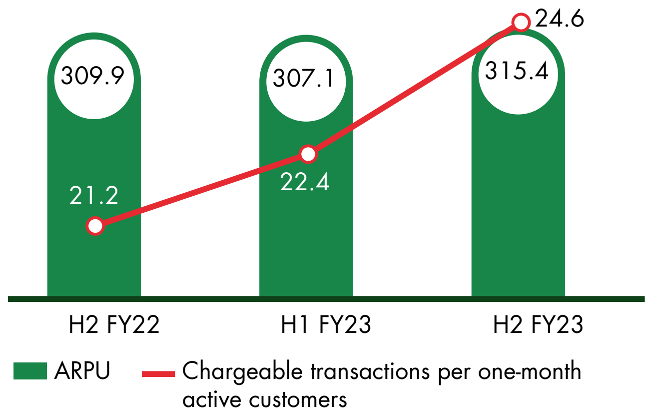
The resulting 8.8% growth in M-PESA revenue is attributable to:

- Personal Payments which include transfers and withdrawals – revenue grew 8.0% YoY driven by organic customer growth.
- Business payments which include C2B, B2C, Lipa Na M-PESA and B2B, saw a growth of 13.3%, attributable to aggressive merchant acquisition and a return to charging.
- Global payments continued to perform strongly, growing 17.0% YoY enabled by growth in remittances.
- Financial services, which grew marginally by 0.7% YoY, were overwhelmingly driven by Fuliza, whose rates reduced by almost 50% in H2. The value of disbursements went up by 39.6% in FY23 from KShs 502.6 billion to KShs 701.5 billion.

M-PESA **USAGE**

During the year under review, we continued to invest in, and drive the innovation of, new products, as we increased our service offering to customers, with 21 billion transactions, valued at KShs 35.9 trillion, channeled through the M-PESA platform.

ARPU & Chargeable Transactions per one-month active customers



- Velocity in the ecosystem continued to grow with total value and volume of M-PESA transactions growing 21.4% and 33.5% YoY respectively.
- Chargeable transactions per one-month active customer grew by 16.2% YoY in FY23 to 23.54 transactions up from 20.25 transactions in last year.

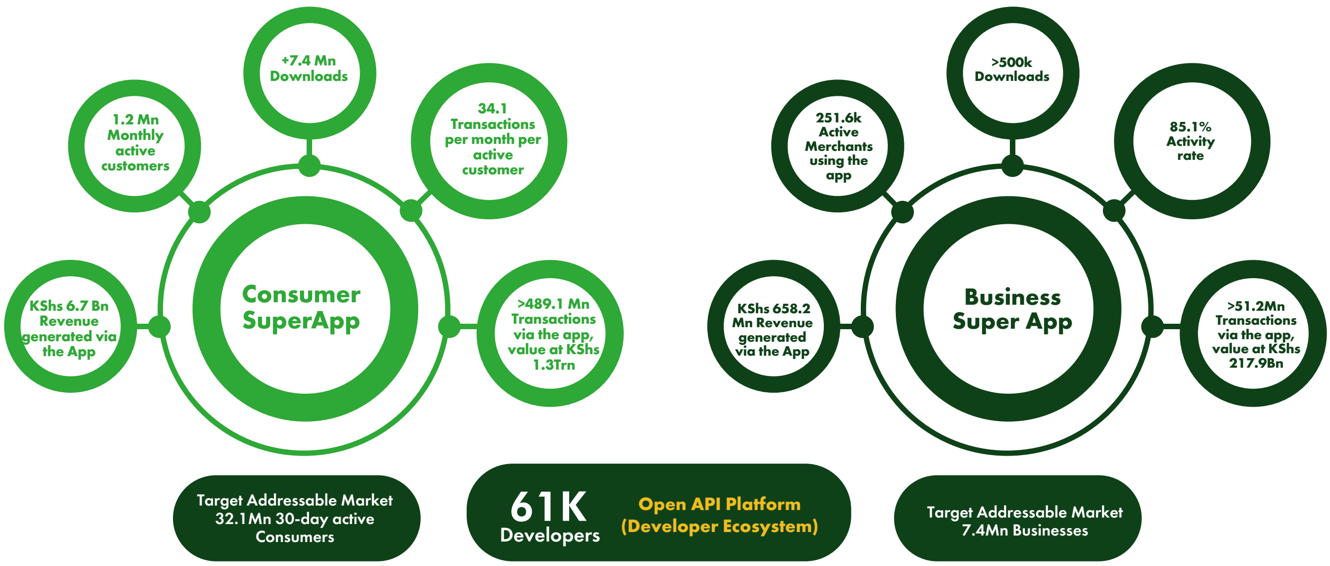
THE COMMERCIAL VALUE **WE DELIVER**

M-PESA (continued)

M-PESA **SUPER APP**

The M-PESA Super App continued to play a strategic role in digitising the payments platforms and the leveraging of technological innovation. The Consumer App, in addition to transactional capabilities, comprises 61 Mini-Apps that offer convenience to our customers and e-commerce. During the year under review, these Apps have continued to record strong traction.

M-PESA APPs: Super Apps Powering Digital Lifestyles and e-Commerce



The Consumer Super App recorded;

- Over 7.4 million downloads with 1.2 million active revenue-generating customers
- KShs 6.7 billion in M-PESA revenues, contributing 6% to M-PESA revenue
- Support for over 489.1 million transactions, with a value of KShs 1.3 trillion
- 34.1 transactions per one-month active customer

The Business Super App also recorded increased momentum with:

- Over 500,000 downloads and over 251,600 active merchants
- KShs 658 million in revenues

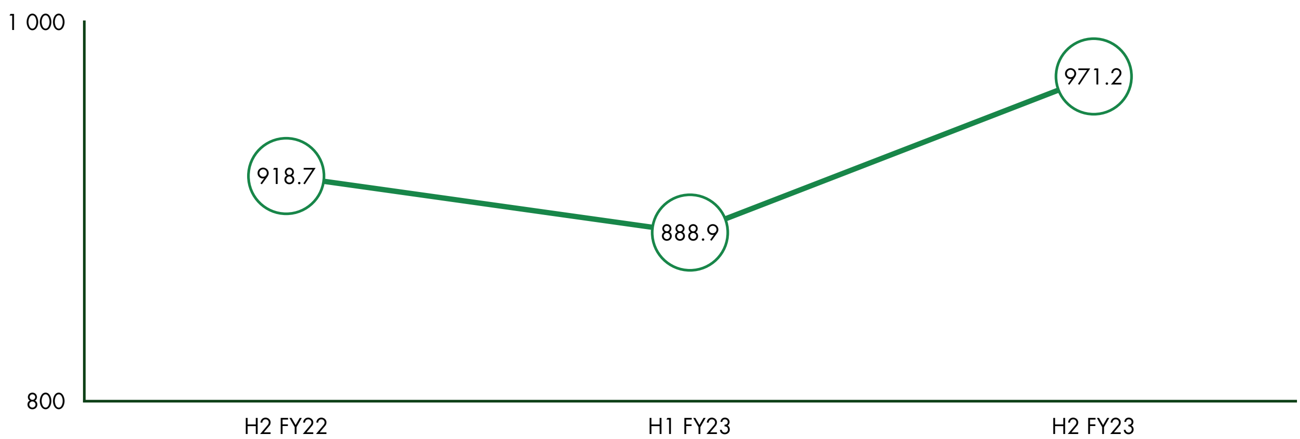
M-PESA **GLOBAL**

Launched in FY2019, our M-PESA Global service enables M-PESA-registered customers to send and receive money from countries across the world. M-PESA Global service remittance partnerships include, among others: Western Union, MoneyGram, Ria, WorldRemit, Wave, and Remitly.

	Value (KShs Bn)			Volume (Mn)			Revenue (KShs Bn)		
	FY23	**FY22**	**% YoY**	**FY23**	**FY22**	**% YoY**	**FY23**	**FY22**	**% YoY**
M-PESA Global	**418.00**	395.73	5.6%	**31.72**	31.04	2.2%	**2.84**	2.47	14.6%

Our distinct customers grew overall YoY, despite a decline in the first half of FY2023, to record a recovery that ultimately exceeded the FY2022 level.

Distinct Customers '000



LOOKING **AHEAD**

In the short to medium term, we will be focusing on five areas of fintech in order to continue driving growth.

ELECTRONIC PAYMENTS

1

ARPU growth Expansion to new customer demographics such as Gen Z, Pochi; matching value proposition to different demographics; digital super apps

2

Accelerated active merchant acquisition with enhancement of VAS (e.g., lending, payroll) and loyalty programs

FINANCIAL SERVICES

3

Deployment of existing and new credit offerings (e.g., loans, overdraft, BNPL) through a platform model

4

Introduction of new financial services product marketplace for insurance and micro-wealth management

ENHANCED TECHNOLOGY AND PLATFORMS

NEW OPPORTUNITIES

5

Investment in M&A - Requisite licenses & partnerships

Launch of M-PESA in Safaricom Ethiopia

THE SOCIAL VALUE WE CONTRIBUTE

Meeting our Societal Commitments

At Safaricom, as we pursue our purpose of transforming lives in terms of our social and relationship and natural capitals, we are committed to being a responsible corporate citizen. We are determined to play our part in contributing to a productive society in which equality and opportunity work in tandem to promote an inclusive society, in which all people have the opportunity to better their lives and fulfil their potential. We recognise that of the many areas in which assistance and support are needed, education, health and economic empowerment are among the most fundamental, where meaningful projects and initiatives can make an enormous difference.

OUR TWO **FOUNDATIONS**

To this end, we have established the Safaricom and M-PESA Foundations. Both play a key role as a reflection not only of our purpose, but also of realising our commitment to the UN SDGs. Moreover, both are governed by a separate and independent Board of Trustees and the same management team.

		Impact
SAFARICOM FOUNDATION	• Established in 2003, and registered as a trust, the Safaricom Foundation focuses on health, education and economic empowerment • Funded by Safaricom Plc at KShs 510 million per year plus other donations, it has a presence in all 47 counties	• Lives improved: over 8M • Partners: over 2,000 • Operating in 47 counties
M-PESA FOUNDATION	• Established in 2010, and registered as a trust, the M-PESA Foundation focuses on large-scale, integrated programmes in health, education, economic empowerment • Funded through M-PESA deposits	

A SNAPSHOT OF OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) **ACHIEVEMENTS**

- 7 million lives touched by our Foundations
- 3% of our workforce people with disabilities (PWDs)
- 6.45% of our total procurement spend going to marginalised groups – women, youth and PWDs
- 40% women in senior management
- 100% compliance by all employees and business partners with the Code of Ethics
- A zero-harm work environment

THE SOCIAL VALUE **WE CONTRIBUTE**

Meeting our Societal Commitments (continued)

OUR ALIGNMENT TO THE **UN SDGS**

16
Peace, justice and strong institutions
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

17
Partnerships for the goals

3
Good health and well-being
Ensure healthy lives and promote well-being for all of all ages

4
Quality Education
Ensure inclusive and equitable quality of education and promote life long oportunities for all

Responsible consumption and production
Ensure sustainable consumption and production patterns
12

Reduce inequities
Reduce inequalities
10

Industy, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialsation and foster innovation
9

Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
8

Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all
7

OUR CONTRIBUTION **TO SDGS**

SDG		OUR CONTRIBUTION
3	**Good health and wellbeing: ensure healthy lives and promote wellbeing for all at all ages.**	• Our award-winning M-TIBA product, in partnership with CarePay, is a health payments solution with an e-wallet, which enables the users to save towards healthcare expenses from as little as KShs 10. M-TIBA now has over 5.2 million users and over 5,000 approved health facilities countrywide. Over KShs 3.5 billion have been paid out to date. • In partnership with the Homabay County government and Amref Health Africa, the M-PESA Foundation launched the **Uzazi Salama** ('Safe parenting') initiative aimed at strengthening the county's health systems to support the delivery of quality reproductive, maternal, new-born, child and adolescent healthcare. • In partnership with Gertrude's Children Hospital, the M-PESA Foundation also launched the regional **Daktari Smart** telemedicine programme, at the Suba Sub-County Hospital in the same month. This is part of a larger telemedicine initiative that targets over 32,000 children in Homabay, Samburu, Baringo and Lamu daily.
4	**Quality education: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**	• Reached over 350k learners through the Zeraki Learning tool to provide secondary school learners with access to affordable education services from well trained teachers leveraging informative video lessons. • Through Safaricom Foundation Scholarship (SFS) Programme is a TVET programme provided training scholarships to at least 1,000 (60% women and 5% Persons with Disabilities) needy and vulnerable youth across Kenya. 1,027 scholarships have been awarded so far. • The M-PESA Foundation Academy provides 414 economically disadvantaged students with access to a high-quality education through world class learning facilities, focused on building leadership and entrepreneurship skills.
7	**Affordable and clean energy: ensure access to affordable, reliable, sustainable and modern energy for all.**	• Introduced science-based carbon reduction targets to help us plan our progress towards becoming a net zero carbon emitting company by the year 2050. In FY22, we reduced our overall emissions by 6% from 66,119t to 62,073t. • We have planted 1.3 million trees under our carbon offset tree growing initiative which is part of our commitment to grow 5 million trees in five years which we estimate will offset 26% of our emissions. • In FY23, we transitioned over 1.4k sites to renewable and hybrid energy sources – up from, with over 1.5k of our sites connected to the national grid so far. • We have partnered with Circle Gas to provide low-income households in Nairobi access to clean, affordable, convenient and reliable cooking gas. To date 360,000 customers are served from their 27 depots. • In partnership with M-KOPA Solar, we have provided access to solar energy to over 1 million rural households with an impact on 5.5 million lives and over 2,095,570 tonnes (tCO2) in avoided emissions.
8	**Decent work and economic growth: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**	• Provided decent work within Safaricom and our broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers. • We sustained 1,135,613 jobs through our wider economic impact in FY22, including 262,306K M-PESA agents and over 435 dealers. • Under the Safaricom Foundation Wezesha programme we have supported over 2,050 youth with digital jobs skills training and agribusiness through the Wezesha Agri programme.

THE SOCIAL VALUE WE CONTRIBUTE

SDG		OUR CONTRIBUTION
9	**Industry, innovation and infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**	• Our 4G, 3G and 2G mobile network population coverage is at 97% and 5% of the population is covered by 5G with over 26.8 million Kenyans connected to the internet. • New 4G spectrum was also integrated in 2,300 sites to increase radio capacity. • We extended our fiber optic cable footprint to 14,000 kilometres and have so far connected 275,657 homes and over 48,373 fixed data customers connected to high speed internet. In addition, we have connected over 26,860 businesses through our 4G LTE. • M-PESA GO Onboarded 2.91K child accounts as of 31 March 2023. • Over 1,209,689 IoT connections in asset management, utilities and telematics, with use cases such as monitoring of beverage coolers. • New digitally stamped MPESA statements has benefitted 1.3 million customers and merchants.
10	**Reducing inequality: reduce inequality within and among countries**	• Diverse and inclusive workforce: We have achieved a 50:50 gender balance of all employees, 40% of senior management and 24% of our Technology Division respectively comprise women. 3.1% of our staff are persons living with disabilities. • Women in Business Initiative: We plan to increase the share of our procurement spend going to women-owned businesses, currently standing at 2.25%. Recognising that one of the key barriers is access to finance, we have entered into MoUs with ABSA, Citibank, Equity Bank, Kenya Commercial Bank and Safaricom Sacco for supply chain finance which benefits the women suppliers. • We removed degree requirement for 33 PWDs and upskilled them with digital skills needed to boost their employability. We trained over 100 employees on sign language and included written caption in internal communication channels.
12	**Responsible consumption and production: ensure sustainable consumption and production patterns.**	• We managed to reduce the use of paper from 22,898 kg to 17,854 kg by adopting modern and digitised ways of working shifting from physical paper sign-offs to electronic sign-offs and adopting digital ways of bypassing use of paper. • Through our Integrated Waste Management programme, we recycled 88.1% of solid waste collected from Safaricom operations were recycled. • 132 tonnes of E-waste collected, safely disposed and 100% recycled, refurbished and shape parts extracted.
16	**Peace, justice and strong institutions: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.**	• 7% growth in the number of suppliers have signed up to the Code of ethics for Business in Kenya representing 71% of all active contracts. • Supporting dealers in meeting regulatory subscriber requirements with our Know Your Customer (KYC) awareness campaign and the Jiandikishe KYC app to combat money-laundering and other crimes associated with mobile money. A total of over 140k tills are now on the Jiandikishe KYC app, with 35 million customers reached. • 98% of staff taken through ethics and anti-corruption. • Partnership with UNICEF in the development of national plan of action on child online safety on OCSEA and online safety campaign for children dubbed Spot It Stop It!
17	**Partnerships for the goals: strengthen the means of implementation and revitalise the global partnership for sustainable development.**	• Partnership for acceleration of digital services aspiration through the cloud with Amazon Web Services. • Partnerships with VISA to deliver the M-PESA Global Pay Virtual Card linked to M-PESA Account enabling payments to international online merchants. • Partnership with Microsoft for enterprise cloud-based solutions that enhance user experience and service provision in education, health, agriculture, and security amongst other services. • Six portfolio companies to date with a close commercial partnership with Safaricom (Sendy, Ajua, Eneza, SokoFresh and iProcure).

SAFARICOM **FOUNDATION**

Our guiding strategic principles:

- **Globally and locally engaged**
  We align with the UN SDGs as well as the national development commitments and blueprints.
- **Catalytic and sustainable**
  We provide support and catalyse investments by other resource providers to generate long-term impactful and sustainable results.
- **Leveraging technology services**
  This informs decision-making in the development and delivery of impactful and scalable community investments.
- **Integration**
  This maximises the impact of our investments.
- **Environmentally aware**
  This mitigates any negative impact of the Foundation's investments on the environment.
- **Bold, agile and innovative**
  We make bold decisions and are not afraid to fail forward in the quest to make interventions that will have a long-term impact and transform lives.
- **Rights-based and gender responsive**
  This ensures that the Foundation's investments provide equally for women and men, while supporting the rights of both girls and boys, and offering opportunities and rewards as articulated in Kenya' Constitution and regional and international conventions and declarations.
- **Evidence-informed**
  Being evidence-generating and result-focused ensures that the Foundation's investments are based on data and rigorous analytics, using operational research to achieve and communicate measurable results.

Our Strategy 2023–2026

Purpose	TRANSFORM LIVES
Vision	Transform lives through impactful community investment
Transformation goal	To make a significant contribution towards Kenya's sustainable development in our areas of focus
Strategy approach	Deepen Engagement with Communities
Transformative pillars	**Strengthen Health Services**: To improve access to and utilisation of reproductive, maternal, neonatal, child and adolescent health services **Enable Quality Education**: Improve access to quality, equitable and inclusive skills and learning opportunities **Economic Empowerment**: Improve the livelihoods of youth through enterprise development, agribusiness and ecopreneurship SUSTAINABLE PHILANTHROPY AND HUMANITARIAN RESPONSE
Foundational enablers	Data & Analytics; Technology; Partnerships; Community Ownership; Resource Mobilisation
Our culture	Purpose; Collaboration; Customer Obsession; Innovation

THE SOCIAL VALUE WE CONTRIBUTE

Meeting our Societal Commitments (continued)

The Foundation's 2023–2026 strategy was developed and launched to guide delivery of the vision of transforming lives through impactful community investments.

The transformational goal is to make a significant contribution in the focus areas, towards Kenya's sustainable development, with a strategic approach that deepens engagement with communities.

During the year under review, the Foundation oversaw the close-out of the 2018–2021 programmes whose strategy focused on maternal new-born and child health, and non-communicable diseases, education (TVET and numeracy and literacy) and the economic empowerment of young people. Employee engagement, strategic partnerships, advocacy, monitoring, and evaluation were key cross-cutting themes.

Our thematic areas – FY 2023

Thematic Area	Lives Improved
Disaster response	311,000
Economic empowerment	241,220
Education	266,574
Environmental conservation	380,619
Health	1,250,581
Water	37,679
Total	2,487,673

During the year, 2.4 million lives were directly improved, translating to 12 million lives indirectly improved, through the various initiatives across our thematic areas with a footprint across the 47 counties.

What the Safaricom Foundation did in FY2023

THEMATIC AREA	WHAT WE ACHIEVED
HEALTH	• **Lamu County** The implementing partner, PharmAccess with the support of Safaricom Foundation, worked on a research paper titled *A Quasi-Experimental Study of Effects of Community Health Workers' Incentivisation On Reporting And Promotion Of Maternal, Newborn And Child Health Services In Lamu County, Kenya.* During the three-year (2018–2021) implementation period of the project, a 6% improvement in the number of mothers able to go to the clinic at least four times during their pregnancy was realised, with an increase of 4% in the number of children receiving all their immunisations before they attain the age of 24 months was achieved. In addition, a 6% increase in the number of deliveries conducted through a skilled birth attendant was recorded.
	• **Baringo County** The Uzazi Salama programme entered its final year of implementation during the year under review. The goal was to improve access and uptake of RMNCAH for 30,000 mothers in Baringo County by the year 2023. We saw a growth against target of 152% in skilled deliveries, while visits at Ante-natal Clinics (ANC) 1 and 4 attained an increase of 222% and 103% respectively.

THEMATIC AREA	WHAT WE ACHIEVED
EDUCATION	• **The TVET Scholarships Programme** The goal of the TVET scholarships programme is to make a significant contribution towards Kenya's sustainable development, by equipping youth with sustainable skills for the construction and hospitality industries. During the year under review, the programme supported 1,027 trainees across TVETs in the country.
ECONOMIC EMPOWERMENT	• **The Economic Empowerment Programme** The objective of the economic empowerment programme is to improve the lives of women and youth in Kajiado county by promoting the adoption of agriculture as a viable and dignified source of livelihood. This created room for youth to interact with modern farming methods and different value chains at the demo farm. More than 1,300 potential farmers were engaged.
	• **The COVID-19 Adaptation Revolving Fund Programme** The programme continued to provide micro-loans to Kenyans to help cushion them against the effects of COVID-19 pandemic. The programme mobilised and trained 7,032 members while retaining 7,224 jobs and disbursing KShs 14,097,035.
	• **Ndoto Zetu phase IV** Phase IV of this programme, which allows Kenyans to share their community dreams, was launched, and after a selection process, participants' dreams were realised through funding by the Foundation. The 2022–23 Ndoto Zetu phase IV identified and delivered 390 dreams across the 47 counties, improving Kenyan 709,537 lives directly and 3,547,685 indirectly.
PAMOJA SCHEME	The Pamoja scheme is a Safaricom staff funding initiative that provides opportunities for permanent employees to apply for funding for projects or causes that they would want to support. During the year, the scheme realised 60 projects across the 47 counties directly improved the lives of 64,069 people and a further 320,345 indirectly, with 1,399 employees participating in various community engagements during the period under review.

THE SOCIAL VALUE WE CONTRIBUTE

THE M-PESA **FOUNDATION**

During the year under review, the Foundation continued to transform the lives of Kenyans through integrated long- and short-term projects across the country through health, education and integrated water, environment, and livelihood programmes.

What the M-PESA Foundation did in FY2023

THEMATIC AREA	WHAT WE ACHIEVED
UZAZI SALAMA PROGRAMME	This KShs150 programme promotes maternal, new-born and child health, and continued to make a substantial contribution. The programme, which aims to decrease maternal and new-born health morbidity and mortality rates, continued with implementation plans in Homabay County. The two-year programme is being implemented by a consortium of partners – AMREF Health Africa, PharmAccess Foundation, Pathfinder International and Action Aid in Kenya, and will benefit 200,000 people. Leveraging technology to train community health volunteers, the programme is in its final year of implementation.
EDUCATION	**The TVET Scholarships Programme** The goal of the TVET scholarships programme is to make a significant contribution towards Kenya's sustainable development, by equipping youth with sustainable skills for the construction and hospitality industries. During the year under review, the programme supported 1,027 trainees across TVETs in the country.
THE M-PESA FOUNDATION ACADEMY	The programme continued to provide quality education to bright children from poor backgrounds across the 47 counties, with the aim of producing model leaders, doers, and thinkers. During the year there were 414 students at the academy and 325 at Uongozi centre. Tertiary education placement for cohorts 1, 2 and 3 absorbed 94, 166 and 158 students respectively.
PLAN FOR SECURING THE FUTURE OF THE LAST REMAINING KENYAN ROAN ANTELOPES	Implementation plan continued at Runa Park in Homabay County. Currently, 25 roan antelopes (16 resident and 9 translocated) inhabit the Park.
WEZESHA ELIMU PROGRAMME	This programme contributes to improved access to education for children with disabilities to achieve so that they can reach their full potential and lead a dignified life. Under the programme 188 paediatric orthopaedic and other surgeries, were performed, 158 mobility devices were distributed, and 152 orthopaedic rehabilitations were undertaken.
GERTRUDE'S FOUNDATION	The Foundation continued with its implementation of the Telemedicine – Daktari Smart Programme, whose goal is to improve access to high-quality healthcare for children in counties without a resident paediatrician. It achieves this by leveraging technology to provide treatment for children up to 21 in hard-to-reach counties. The programme is implemented in Homabay, Samburu, Lamu and Baringo counties, with 1,473 children benefitting during the year.
PARTNERSHIP WITH KILIMANJARO BLIND TRUST	The aim of the partnership is to improve the employability skills of Visually Impaired Youth through access to quality inclusive education and training in innovative digital assistive technologies, through a two-year programme. At least 200 Kenyan youth with visual impairments will access quality inclusive education and be placed on the path to make competency-based market-driven technical career choices, and transit to either formal or informal employment in inclusive workplaces.
CITIZENS OF THE FUTURE PROGRAMME	This programme will be implemented in 2023, with the aim of improving education and TVET infrastructure in Kenya, and providing secondary school scholarships, ECD and ICT in education.
M-MAMA PROGRAMME	This programme will be implemented to enable the use of ICT to improve the referral of pregnant mothers and new-borns in need of emergency treatment.

Our Natural Capital

OUR NATURAL CAPITAL	IMPACTING THESE STAKEHOLDERS	SUPPORTING THESE UN SDGS
	GR C SC	3 GOOD HEALTH; 7 CLEAN ENERGY; 9 INNOVATION AND INFRASTRUCTURE; 1 NO POVERTY

We aspire to become a net-zero emitting company by 2050. To this end we carefully monitor and direct our energy usage and waste-management, with our network employing a variety of energy sources including the national grid, diesel generators and solar solutions. This is fundamental to our goal of transitioning to renewable energy and achieving our net zero target.

GREENING OUR **INFRASTRUCTURE**

Our goal is to shift the primary source of energy for towers (BTS) from traditional grid power and diesel, to Solar Photo Voltaic (Solar PV), and thereby ultimately convert 90% of our sites within five years. We have so far:

- Installed over 1,400 solar PVs at our network sites
- Achieved a 50% reduction of emissions from supply and value chains
- Instituted 100% of the UN Guiding Principles and responsible sourcing principles

FUEL AND WATER **CONSUMPTION**

During the year under review we achieved:

- 13.9% decrease in water consumption
- A 11.9% decrease in our fuel consumption

WASTE **MANAGEMENT**

During the year under review, through our Integrated Waste Management programme, we:

- Collected 91,920 kg (FY2022: 81,642 kg) of waste from our administrative buildings in Nairobi and our switches in Athi River, Thika and Nairobi
- Recycled 88,796 kg (23.8%), (FY2022: 71,748 kg)
- Achieved a 97% reduction in paper consumption to attain 98% paperless operations

OUR E-WASTE PROGRAMME

We have collected and recycled over 1,693 tonnes of e-waste since the inception of our e-waste programme

Our e-waste strategy during the under review, continued to be ensure:

- Reduction in e-waste generation
- Recycling where possible
- Reusing or redeploying decommissioned systems at other sites

In addition, through external partnerships, we help train the informal sector on repairing electronic waste and device take-back schemes, with informal-sector waste collectors handling substantial amounts of e-waste in urban centres.

BIODIVERSITY

In line with our commitment under the Business for Nature Action platform that calls upon businesses and governments to adopt policies that reverse nature loss, we continued during the year under review, to:

- Invest in conservation and ecological projects
- Partner with government and other stakeholders in biodiversity conservation
- Engage with private sector players on biodiversity conservation, and specifically on reforestation
- Support, through the M-PESA Foundation's partnership with KWS, Northern Rangelands Trust and Back to Africa, Ruma National Park's endangered roan antelope conservation initiative

The M-PESA Foundation has previously also funded the fencing of the Mau Eburu Forest and Nairobi National Park as well as the construction of stables to secure orphaned elephants at the Reteti Sanctuary in Samburu.

THE SOCIAL VALUE WE CONTRIBUTE

Our Natural Capital (continued)

BIODIVERSITY IMPACT

We ensure that all our network projects are subjected to a statutory Environmental Impact assessment to identify all associated impacts and develop alternatives that avoid or mitigate any biodiversity impacts.

In addition, in order to minimise biodiversity impact, we continued to:

- Conduct continuous monitoring and evaluation of implemented project impacts, through annual environmental audits
- Endeavour, at asset end-of-life, to enhance or restore the environment to its natural state
- Encourage participation in voluntary initiatives that support biodiversity protection in Kenya, such as safeguarding endangered species and poaching prevention

INTERNATIONAL STANDARDS

We recognise and adhere to globally-accepted standards, and have accordingly:

- Developed a company-wide purpose strategy that defines and outlines any impact in the communities in which we operate, through:
  - Innovative products and services
  - Our commitment to managing our environmental impact
  - Our commitment to all our stakeholders to conduct business responsibly
- Ongoing integration of UN SDGs into our business operations, in line with our view that the SDG Framework is also a business strategy for shared value opportunities
- Recommended to maintain the ISO 14001 certification following successful conclusion of the external surveillance audit. Five opportunities for improvement identified for implementation in the following financial year (FY23–24)
- Undertaking statutory environmental occupational health, safety and fire risk audits for BTS sites

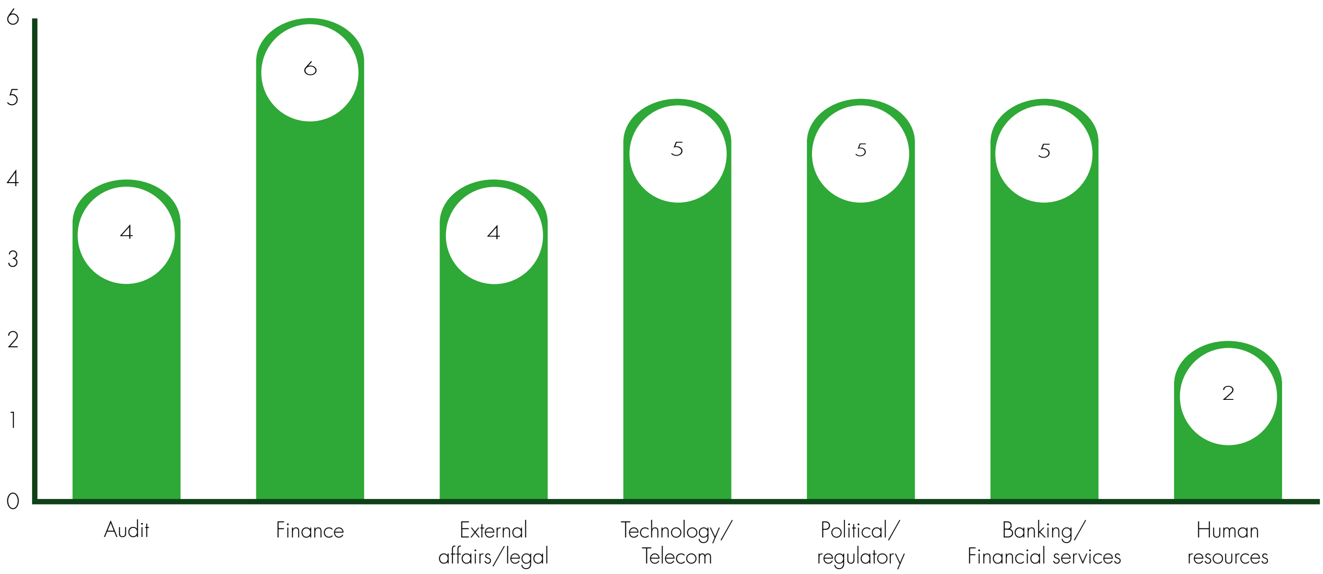

Mikasa

HOW WE **SAFEGUARD VALUE**

Who Governs Us

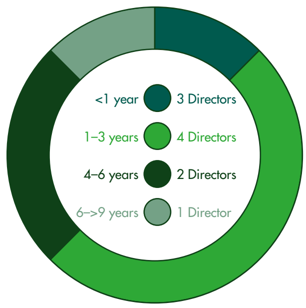
The constitution of the Company's Board as stipulated by its Articles of Association is 11 Directors. There are currently 9 Non-Executive Directors and 1 Executive Director (the CEO).

Skills and expertise of the Non-Executive Directors

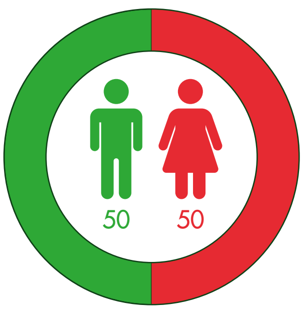


Balance of Non-Executive and Executive Directors

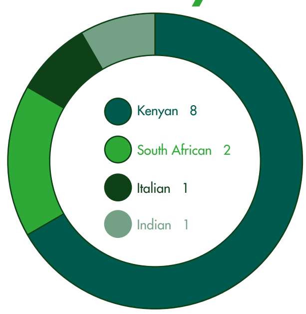
Length of tenure



Gender split of Directors



Nationality



HOW WE SAFEGUARD VALUE

Who Governs Us (continued)

The constitution of the Company's Board as stipulated by its Articles of Association is 11 Directors. There are currently 9 Non-Executive Directors and 1 Executive Directors.

Adil Arshed Khawaja (MBS) (52)

Chairman

Nationality: Kenyan

Appointed:
December 2022 (Director)
January 2023 (Chairman)

Rose Ogega (63)

Independent Non-Executive Director

Nationality: Kenyan
Appointed: February 2019

Peter Ndegwa (54)

Chief Executive Officer and Executive Director

Nationality: Kenyan
Appointed: April 2020

Francesco Bianco (51)

Non-Executive Director

Nationality: Italian
Appointed: March 2020

Dilip Pal (57)

Chief Finance Officer and Alternate Director to Peter Ndegwa

Nationality: Indian
Appointed: November 2020

Winnie Ouko (53)

Independent Non-Executive Director

Nationality: Kenyan
Appointed: February 2021

Learn more about our directors by reading their biographies at: *https://www.safaricom.co.ke//about/who-we-are/leadership/board-of-directors*

Michael Joseph (77)

Non-Executive Director

Nationality: Kenyan and American
Appointed: September 2008

Mohamed Shameel Aziz Joosub (52)

Non-Executive Director

Nationality: South African
Appointed: August 2017

Raisibe Morathi (53)

Non-Executive Director

Nationality: South African
Appointed: November 2020

Ory Okolloh (46)

Independent Director

Nationality: Kenyan
Appointed: February 2023

Kathryne Maundu (44)

Company Secretary

Nationality: Kenyan
Appointed: February 2016

Karen Kandie (55)

Alternate Director to CS, National Treasury and Planning

Nationality: Kenyan
Appointed: February 2023

Who Governs Us (continued)

Adil Arshed Khawaja (MBS) (52)

Chairman

Nationality: Kenyan

Appointed: December 2022 (Director) January 2023 (Chairman)

Mr. Khawaja is a highly distinguished Advocate of the High Court of Kenya with over 30 years work experience in the legal profession ranging from dispute resolution to commercial and real estate. He is recognised as a leading name in the Kenyan legal profession and has been globally recognised in various practice groups as one of the most sought-after lawyers in Kenya.

In recognition of his positive contribution to the sustainability of the environment of the country, Adil was recently awarded the Moran of the Order of the Burning Spear (MBS) by the President of the Republic of Kenya.

Mr. Khawaja currently serves as the Managing Partner at Dentons Hamilton Harrison & Mathews, the oldest law firm in Kenya, established in 1902 with a reputation as an innovative, experienced, responsive, and highly skilled firm.

Adil holds board positions in various companies across various markets. He currently serves on various boards which include Rhino Ark Charitable Trust, Al Futtaim Automotive – CMC Motors Group Limited and Atua Enkop Africa Limited.

He previously served as a director of KCB Bank Group from 2012 and was elected the first chairman of KCB Bank Kenya Limited from 2016 until 2020 when his tenure ended. He has also served as a director in the board of Kenya Power & Lighting Company.

Outside his professional capacity, Adil is active in the wildlife and environmental conservation space. He has been a member of the Nairobi Arboretum Conservancy Community Forest Association, a trustee of Care for the Wild and an advisor for Friends of Conservation. He is a former trustee of the Kenya Wildlife Service and a board member of the National Environment Council.

His love for the law and environmental conservation, led him to be appointed by the Government of Kenya as a member of the Taskforce to inquire into Forest Resource Management and Logging activities in Kenya. An avid enthusiast of four-wheel driving he has combined his love for the thrill with conservation and has been a participant in the Rhino Charge for nearly 20 years and amongst the top fund raisers for the Rhino Ark, where he has been a Trustee from 2018 to date.

Peter Ndegwa (54)

Chief Executive Officer and Executive Director

Nationality: Kenyan

Appointed: April 2020

Peter is the CEO of Safaricom PLC, a leading communications company in Africa and pioneer of M-PESA, the world's most developed mobile payment system. Peter is the first Kenyan to serve as a CEO of Safaricom.

He is an experienced board-level leader with a wealth of experience in general management, commercial and business strategy, sales and finance operations, having spent over 25 years in various roles within the financial services and fast-moving consumer goods (FMCG) sectors in Africa and Europe.

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver double-digit growth by investing in people, introducing new brands, and re-organising the businesses. As a Chief Executive in several markets within the Diageo Group, Peter demonstrated the ability to transform businesses and organisations to deliver superior results.

Peter served for eight years across a range of senior Executive Director roles at East Africa Breweries Limited (a Diageo subsidiary) based in Nairobi. Serving as the Group Chief Finance Officer (CFO), Group Strategy Director, Sales Director, and as an Executive Director on the EABL Board, he was part of the team that saw the EABL business more than doubled in value – and winning the coveted Most Respected Business Award in East Africa for five years in a row.

Peter is credited with the development of an affordable beer strategy for EABL resulting in the production of new brands such as Senator beer which became one of the most successful innovations by Diageo.

He has a real passion for delivering value to customers (with his principle of customer first), investing in talent, and getting things done. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration from his early upbringing, laying the foundations for his strong value set, from his teachers and the legendary Dr Geoffrey Griffin – the late founder of Starehe Boys Centre – his alma mater, and from his parents.

Michael Joseph (77)

Non-Executive Director

Nationality: Kenyan and American

Appointed: September 2008

Michael served as the Chairman of the Board of Safaricom PLC from 1 August 2020 to 1 August 2022 and is the former interim Chief Executive Officer of Safaricom PLC, a position that he held from 2 July 2019 to 31 March 2020.

He is also Vodafone's Strategic Advisor appointed to the Boards of Vodacom Group South Africa, Vodacom Tanzania and Vodacom Mozambique. He is the current Chairman of Kenya Airways Plc.

Previously, Michael was the Chief Executive Officer of Safaricom Limited from July 2000 when the company was re-launched as a joint-venture between Vodafone UK and Telkom Kenya until his retirement in November 2010. During his tenure, he steered the Company from a subscriber base of less than 20,000 to over 16.71 million subscribers.

This phenomenal growth straddling nearly a decade was motored by the launch of many innovative products and services such as M-PESA. He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East.

Francesco Bianco (51)

Non-Executive Director

Nationality: Italian

Appointed: March 2020

Francesco Bianco is the Global Talent, Capabilities and Organisational Development Director at Vodafone and an alternate non-executive director in the Vodacom Group Board. Francesco has had a vast career in HR, spanning over 15 years. He originally joined Vodafone Italy in 2000 and has extended his career portfolio internationally in other Human Resources Director roles.

Francesco holds a Bachelors' Degree in Law from Padova University and a Business Strategy Executive Program with Maastricht University. Francesco was appointed to the Vodacom Group Board as an alternate director to Mr Michael Joseph in January 2019 and also appointed as an alternate director to Ms Leanne Wood in July 2019.

Winnie Ouko (53)

Independent Non-Executive Director

Nationality: Kenyan

Appointed: February 2021

Ms Winnie Ouko was appointed Non-Executive Director on 10th February 2021. She has over 25 years of professional finance, strategy and board level experience, serving corporates and non-profits in Africa, Europe and the US.

She is the founder and CEO of Lattice Consulting (member of Larive International, nl), a Kenya-based boutique advisory firm committed to propelling its clients to growth via strategy and finance advisory and corporate training.

Winnie's career includes a stint as an Associate Director at Standard and Poor's in New York, and PricewaterhouseCoopers in Nairobi.

She sits on the Board of the Kenya Pooled Water Fund, has served on the board of Absa (Kenya), chairing the Audit, Risk and Compliance Committee; and has been a Trustee for the Worldwide Fund for Nature, Switzerland (which oversees 70+ programs and country offices around the world), chairing the Audit and Risk Committee.

She is a fellow of the Aspen Global Leadership Network, and is a leadership adviser with Adaptive Change Advisors, (NY). Winnie has an MBA from Cornell University (NY), a BComm from the University of Nairobi, and is a CPA (K).

Dilip Pal (57)

Chief Finance Officer and Alternate Director to Peter Ndegwa

Nationality: Indian

Appointed: November 2020

Dilip, who joined Safaricom as the Chief Finance Officer in November 2020, has more than 29 years of experience in Finance, spanning various industries including Telecoms, Financial Services and Fast-Moving Consumer Goods (FMCG) and Engineering in international and multi-cultural environments. Dilip has a proven track record of building competent teams, improving performance, business turnaround, simplification, and digitisation.

His Division is responsible for the overall financial planning, management, and oversight of the organisation.

Previously, he was the CFO with DTAC Thailand, a part of the Telenor Group, since 2017. Prior DTAC he was the CFO of Grameenphone Bangladesh, a role that he held for three years. Before Grameenphone, Dilip held various finance roles in Vodafone India in Mumbai, rising to the role of EVP Finance. He has also held senior finance roles in other organisations, namely Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held Board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor) Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Ltd (Vodafone India subsidiary).

Dilip has a Master's in Commerce from Calcutta University and a Bachelor of Commerce from Goennka College of Commerce. He is a Chartered accountant from Institute of Chartered Accountants of India and a Cost Accountant from Institute of Cost and Works Accountants of India.

HOW WE **SAFEGUARD VALUE**

Who Governs Us (continued)

Mohamed Shameel Aziz Joosub (52)

Non-Executive Director

Nationality: South African

Appointed: August 2017

Shameel is the CEO of Vodacom Group since September 2012. He is a former CEO of Vodafone Spain. He was previously the Managing Director of Vodacom South Africa from March 2005 to March 2011 prior to taking up the position as CEO of Vodafone Spain. Prior to that, he was the Managing Director of Vodacom Service Provider Company from September 2000 to February 2005, and Managing Director of Vodacom Equipment Company from 1998. Shameel served on the Vodacom Group Board from 2000 until March 2011, when he was seconded to Spain. He was re-appointed to the Vodacom Group Board in September 2012 after his return from Spain.

Ory Okolloh (46)

Independent Director

Nationality: Kenyan

Appointed: February 2023

Ms. Okolloh is currently a Partner at Verod-Kepple Africa Ventures (VKAV), where she leads and implements all investment-related activities, drives expansion, and supports partner companies with strategic and operational issues.

She is a seasoned corporate operator at board level, and currently serves as a member of several boards including Thomson Reuters Founders Share Trust, East African Breweries PLC, Stanbic Foundation and Adecco Group Foundation. She is also a Trustee at the Van Leer Foundation.

She holds a Bachelor of Arts in Political Science from the University of Pittsburgh, and a Juris Doctor (JD) degree from the Harvard Law School.

Karen Kandie (55)

Alternate Director to CS, National Treasury and Planning

Nationality: Kenyan

Appointed: February 2023

Ms. Kandie is a finance specialist with over 20 years of strategic leadership and management experience in senior leadership positions in the financial services industry. She is currently the Director, Parastatal Reforms (Financial) at the National Treasury and Planning, where she leads Parastatal Reforms that are geared towards reducing fiscal pressures by making public spending more efficient and transparent.

She holds a Bachelor of Commerce from the University of Nairobi, and a Master of Business Administration from Murdoch University in Western Australia.

Rose Ogega (63)

Independent Non-Executive Director

Nationality: Kenyan

Appointed: February 2019

Ms Ogega has extensive experience spanning over 25 years advising and managing both large, complex organisations and emerging startup ventures.

In recognition of her contribution to the economic development of the country, she was awarded the Moran of the Burning Spear (MBS) in 2005.

Ms Ogega, is the Managing Director of Bloom Consultancy Limited. She is currently a member of the Aspen Global Leadership Network, the Institute of Directors of Kenya, the African Leadership Initiative and the Institute of Certified Public Accountants of Kenya. She is a Certified Hogan Lead Assessor, an Executive Coach and a Member of the Academy of Executive Coaches.

Raisibe Morathi (53)

Non-Executive Director

Nationality: South African

Appointed: November 2020

Ms Raisibe serves as Chief Financial Officer of Vodacom Group with effect from 1 November 2020. She joined Vodacom from Nedbank Group Limited where she was the Group Chief Financial Officer since September 2009.

She has spent over 26 years in the financial services industry in South Africa and has acquired experience in banking and insurance. Raisibe has previously served as an executive director of Sanlam Limited and prior to that an executive of the Industrial Development Corporation. Her experience spans Investment Banking, Private Equity, Corporate Lending and Insurance.

In her career she also served in various boards of listed and non-listed companies in her executive capacity or a shareholder representative. She has extensive experience in audit committees where her experience includes serving as a member of the committee or chairperson.

Kathryne Maundu (44)

Company Secretary

Nationality: Kenyan

Appointed: February 2016

Kathryne is a Partner at Stamford Corporate Services LLP, part of Bowmans Coulson Harney LLP. She is recognised as a leading expert in corporate governance matters having advised leading corporates in the public and private sector for over 15 years.

She is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya, a registered practicing Certified Public Secretary and an Accredited Governance Auditor with the Institute of Certified Secretaries – Kenya. She has been recognised as a leader in society and named as Top 40 under 40 Women in Kenya.

Kathryne is a member of the Women on Boards Network, a member of the Women Corporate Directors (Kenya Chapter) and a Council member of the Institute of Certified Secretaries – Kenya (ICS).

HOW WE SAFEGUARD VALUE

Who Leads Us

KENYA

Peter Ndegwa

Chief Executive Officer and Executive Director

Peter is the CEO of Safaricom PLC, a leading communications company in Africa. Safaricom is also the pioneer of M-PESA, the world's most developed payment system.

Peter joined Safaricom on April 1st, 2020. He is an experienced Board level leader with a wealth of experience in General Management, Commercial and Business Strategy, Sales and Finance Operations, having spent over 25 years in various roles within Financial Services and Fast-Moving Consumer Goods (FMCG) sectors in Africa and Europe.

He holds an MBA from the London Business School and a Bachelor's degree in Economics from the University of Nairobi. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver double-digit growth by investing in people, introducing new brands, and re-organising the businesses.

As a Chief Executive in several markets within the Diageo Group, Peter demonstrated the ability to transform businesses and organisations to deliver superior results. He has a real passion for delivering value to customers (with his principle of customer first), investing in talent, and getting things done.

Peter served for eight years across a range of senior Executive Director roles at East Africa Breweries Limited (a Diageo subsidiary) based in Nairobi. Serving as the Group Chief Finance Officer (CFO), Group Strategy Director, Sales Director, and as an Executive Director on the EABL Board, he was part of the team that saw the EABL business more than doubled in value – and winning the coveted Most Respected Business Award in East Africa for five years in a row.

Peter is credited with the development of an affordable-beer strategy for EABL resulting in the production of new brands such as Senator beer which became one of the most successful innovations by Diageo. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration, in particular from his early upbringing laying the foundations for his strong value set, from his teachers and the legendary Dr. Geoffrey Griffin – the late founder of Starehe Boys Centre – his alma mater, and his parents.

Dilip Pal

Chief Finance Officer

Dilip, who joined Safaricom as the Chief Finance Officer in November 2020, has more than 30 years of experience in Finance, spanning various industries including Telecoms, Financial Services and Fast-Moving Consumer Goods (FMCG) and Engineering in international and multi-cultural environments. Dilip has a proven track record of building competent teams, improving performance, business turnaround, simplification, and digitisation.

In this role, he is responsible for the overall financial planning, management, and oversight of the organisation.

Previously, Dilip was the Chief Finance Officer at DTAC Thailand, which is part of the Telenor Group; and later Grameenphone Bangladesh. He has held various finance roles in Vodafone India, rising to the position of Executive Vice President for Finance. Other organisations that he has worked for include: Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held Board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor) Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Ltd (Vodafone India subsidiary).

Dilip has a Master's in Commerce from Calcutta University and a Bachelor of Commerce from Goennka College of Commerce. He is a Chartered accountant from Institute of Chartered Accountants of India and a Cost Accountant from Institute of Cost and Works Accountants of India.

Stephen Kiptinness

Chief Corporate Affairs Officer

Stephen is responsible for Safaricom's reputation management, public policy, legal and regulatory affairs. He is in charge of steering the development and implementation of Safaricom's corporate investment strategy as well as overseeing internal and external communications. He also leads the development of a roadmap that will embed purpose in everything we do at Safaricom and among our stakeholders.

Stephen has more than 27 years of cumulative legal experience. He joined Safaricom from Kiptinness & Odhiambo Associates LLP where he was a Senior Partner heading the Technology and Intellectual Property practice for the last 10 years. Before starting his practice, Stephen worked at Telkom Kenya Orange, heading Regulatory Affairs for 3 years, from 2009 to 2012.

Prior to his role at Telkom Orange, he held various legal roles including Legal Officer and subsequently Senior Legal Officer at the Communications Authority of Kenya, and Legal Manager at the Commonwealth Telecommunications Organisation, having commenced his legal career as a Trainee Advocate at Oraro & Co. Advocates. Stephen also teaches at the University of Nairobi School of Law.

He holds a Bachelor of Laws (LL. B Hons) from the ILS Law College, University of Pune, a Diploma in Computer Science, a Certificate in Human Resource Management, a Post graduate Diploma in Law and a Master of Laws (LL.M) in Information Technology & Telecommunications Law from the London School of Economics.

Stephen is an Advocate of the High Court of Kenya, a Member of the Law Society of Kenya and is a Certified Public Secretary with Institute of Certified Secretaries.

Paul Kasimu

Chief Human Resources Officer

Paul joined Safaricom in July 2017 from the East African Breweries where he was the Group HR Director, a role he held since May 2011. He held similar roles, for a combined 9 years, at Kenya Airways and Barclays Bank.

Paul was the Chairman of the Institute of Human Resource Management in Kenya for 7 years (2008 to 2015) and led in the enactment of the 2012 Human Resources Professionals Act. Some of his accolade includes being named the Manager of the Year at the Company of the Year Awards (COYA) in Kenya (2008).

He holds a first degree in Economics and Sociology (University of Nairobi) and a Master of Science in Management and Organisational Development (USIU-Africa). He is a past Chairman of the Institute of Human Resource Management, Kenya; Vice-Chair of Amref-Kenya Board; and member of the United States University – Africa (USIU-A) University Council.

Fawzia Ali-Kimanthi

Chief Consumer Business Officer

Fawzia joined Safaricom in 2007 as a Senior Manager Reporting, Accounts Receivable and M-PESA. Since then, she has grown her career and expanded her breadth through various leadership roles. In particular, she has been the Head of Regional Sales & Operations – Coast, Head of Consumer Planning and Pricing, Head of Consumer Segments and Head of Digital Products and Services. In October 2021, Fawzia was appointed the Mobile Data Tribe Lead.

She holds a Bachelor of Science from the University of Nairobi and an MBA from Jomo Kenyatta University of Agriculture and Technology. She has also attended multiple leadership programs and is a Certified Coach.

Nicholas Mulila

Chief Corporate Security Officer

Nicholas has 20 years' experience in Strategy Formulation and Execution, Financial Management, Business Analysis, Risk Management and Corporate Governance.

Prior to joining Safaricom, Nicholas had worked for General Motors (EA) and Eastern Produce (K) Ltd., where he held various positions in Finance.

Mr. Mulila holds a Master of Business Administration Degree in Strategy and a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi. He is a Professional Accountant and Company Secretary, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as the Institute of Certified Secretaries of Kenya (ICSK), member of the American Society for Industrial Security International (ASIS) and a member of the Institute of Directors (Kenya). He is married with two children.

Who Leads Us (continued)

KENYA

Morten Bangsgaard

Chief Technology Information Officer

Before Maxis, Morten was at TDC Denmark—a Danish telecommunications company—for a decade where he was responsible for planning, designing and building mobile, fixed and coax networks. He joined TDC in 2004 as a Strategy Consultant and Head of Market Support. While at TDC, Morten became the Vice President Head of Network Development and Strategy in 2007; he would later be appointed Executive VP and CIO in 2008, VP Technology & IT in 2013 and Senior VP Network Planning and Build, a role he held until he joined Maxis in 2014. Before working at TDC in 2004, Morten held several roles at Ericsson Denmark, Sweden and the UK for 10 years.

Morten is a Danish citizen and holds a Master's in Economics and Mathematics from Aarhus University, Denmark. He is married with two sons. Morten has a good sense of humour, is a tennis player and an aspiring chef.

Cynthia Karuri-Kropac

Chief Enterprise Business Officer

Cynthia joins Safaricom from AT&T, where she was the Senior Director, Enterprise Mobile and IoT Technologies, since 2019.

Cynthia's career at AT&T Inc. spanned 19 years, having joined BellSouth in 2003 as a Senior IT Client Account Management Lead before taking on the role of Director, Mobile Service Delivery and Operations, for Cingular Wireless in 2008. In 2010, she was appointed AT&T Global Lead and Director, Enterprise Solutions and Sales Support, a role she held until 2019 when she took up her latest role as Senior Director, Enterprise Mobile and IoT Technologies.

Prior to joining AT&T, Cynthia worked for Accenture/Andersen Consulting as a Senior Manager for 7 years.

With over 20 years' experience in the Telecommunications sector, Cynthia has a wealth of knowledge in various crafts, including Business Strategy, Industrial IoT, Enterprise Technology Solutions, Executive Advisory & Decision Support, Operational Excellence and Process Reengineering.

She holds a Bachelor of Finance from the University of Toledo, Ohio, and an MBA in Finance and International Business from Kent State University, Ohio.

Nicholas Kamunyu

Chief Channels Officer

Nicholas is Chief Channels Officer since July 2021. He joined us from Coca Cola, Nigeria where he was the Franchise Director.

Nicholas has over 23 years' experience in finance and commercial roles across various local and international corporations. His career begun in the United Kingdom at Carluccio's, Searcy Tansley & Co. where he started in an accounting role before growing to the role of Financial Controller. He then transitioned to Medicsight Inc. where he held a similar role.

Nicholas then joined Coca Cola Beverages Africa (CCBA) where he was Finance Director in Uganda then Mozambique. In 2011, he was promoted to Sales and Marketing Director at CCBA Kenya, a role he held till May 2013. Upon leaving CCBA, he joined Carlsberg Kenya as the General Manager from 2013 to 2016, when he joined Sema Mobile. In 2018, he joined Coca Cola, Nigeria in the role of Franchise Director.

Nicholas has a Diploma in Business Management, A.C.C.A, and a Master of Business Administration from the United Kingdom. He also has an Executive Development Certification from Stellenbosch, South Africa.

Michael Mutiga

Chief Business Development & Strategy Officer

Michael leads Safaricom's business development and transformation agenda. He is responsible for Strategic Partnerships, Mergers and Acquisitions, Safaricom's funding strategy and asset optimisation.

With over 20 years' experience in Corporate and Investment Banking, Michael joined Safaricom from Citibank where he was a Managing Director and Head of Corporate Finance for Sub-Saharan Africa from 2019. Prior to this role, he was head of Corporate and Investment Banking for Citibank Kenya and was appointed a Senior Credit Officer in 2018. Michael was with Citibank for 15 years and has held various senior local and regional leadership roles.

Prior to joining Citibank, Michael worked in Barclays/Absa Capital, where he grew from a Management Associate to the Regional Coverage Head – East Africa, Investment Banking Division Africa, a role he held until he joined Citibank in 2006.

Through his career, Michael has managed numerous significant transactions, earning him 'Corporate Banker of the Year' 5 separate times at the Annual Banking awards, as well as leading his team to winning 'Corporate Bank of the Year' in Kenya a similar number of times, amongst other industry recognitions. He was also listed for three years as a Top 40 under 40. He holds a Bachelor of Law Degree from the University of Nairobi, and Masters in Law degree from Temple University. He is an Advocate and a Certified Public Secretary and sits on the Board of Junior Achievement.

Esther Masese Waititu

Chief Financial Services Officer

Esther Joined Safaricom in February 2023. She is responsible for providing strategic leadership and oversight to Safaricom's Financial Services Business. She leads financial services tribes and teams, through the development of financial products, services and solutions for consumers and enterprises.

Esther has over 15 years' experience in the financial services sector. She joins Safaricom from KCB Bank Group, where she has been the Director, Corporate Banking since 2021.

Prior to joining KCB, Esther was at Stanbic for 10 years, having joined the bank in 2011 as a Regional Product Head – Transactional Products and Services, East Africa. In 2017, she was promoted to Executive, Strategy Development and Enablement in the Corporate and Investment Bank before taking up the role of Country Head, Client Coverage, Stanbic Bank Zambia, in 2020.

Esther worked at Standard Chartered Bank for 5 years, between 2006 and 2011 in Relationship Management and Product Management capacities, and at Commercial Bank of Africa (which merged with NIC Bank to form NCBA) where she began her banking career.

She holds a Bachelor of Business Administration degree from the University of East Africa, Baraton and a Master of Business Administration from University of Liverpool, UK. She is also an AoEC Accredited Executive Coach.

HOW WE **SAFEGUARD VALUE**

Who Leads Us (continued)

ETHIOPIA

Anwar Soussa

Chief Executive Officer

Qualifications:

- Bachelor's degree in business administration from the American College of Greece (Deree)
- Master's degree in marketing from Concordia University in Montreal, Canada

Anwar comes with a wealth of international cross-functional experience in the telecommunications industry with a special focus on countries with an emerging telecoms sector.

He was appointed Chief Executive Officer of Safaricom Ethiopia in July 2021 reporting to the Board of Safaricom Telecommunication Ethiopia Plc. Anwar leads the executive leadership team with the goal of helping bring about transformational economic and social impact as well as positively affect the lives of over 112 million people with enhanced communication technologies and world class mobile financial services.

Before joining Safaricom Telecommunications Ethiopia Plc as the CEO, he managed Vodacom DRC and was the Chairperson of Vodacash (M-PESA) since 2017.

Anwar cemented Vodacom DRC as the largest Vodacom operation outside of South Africa by driving major strides in operational performance, crossing the $500M USD in service revenue mark for the first time in 2020.

Prior to joining Vodacom DRC, Anwar served as the Chief Executive Officer of Airtel in Uganda and Chad. He has also worked in various senior leadership capacities at MTN and Digicel, as well as with other international telecom operators.

James Githinji Maitai

Chief Technology & Information Officer

Qualifications:

- James holds a B.Sc. in Electrical & Electronics Engineering from the University of Nairobi, an MBA from JKUAT, as well as several industry certifications. He is also a certified coach and has undergone advanced management programs at Strathmore Business School, Lagos Business School and IESE in Spain.

James joined Safaricom Ethiopia from Safaricom PLC, where his career spanned 16 years, with over 22 years' experience within the technology sector.

As the Chief Technology Officer, James is responsible for the end-to-end performance of Safaricom Ethiopia's network and all IT systems.

In his previous role as Director – Network at Safaricom PLC, he provided leadership and accountability for technology network and systems across strategy, planning, building and operating phases.

James joined Safaricom as a Principal Planning and Optimisation Engineer in 2006, and has grown through the technology ranks, in the process developing a deep understanding of the Spirit of Safaricom. He possesses strong leadership skills as well as commercial and customer experience acumen, having also served as a Head of Regional Sales and Operations between 2015 and 2019.

Over the course of his career, James has earned industry distinction, and under his leadership, Safaricom PLC's network was voted the best within Vodafone markets in areas such as availability, stability, reduction of major network incidents, and NPS. Together with his team, he has achieved these milestones while delivering year-on-year Capex and Nopex cost leadership.

He has also led transformation on fixed technology infrastructure, encompassing fiber and home, and overseen technology evolution, including the '4G everywhere' strategy, and 5G rollout.

Julie Arndt

Chief Legal and Risk Officer

Qualifications:

- BA LLB degree from the University of Kwazulu Natal and LLM degree from University of South Africa
- Certified Quality Auditor with the American Society for Quality
- Certified coach with the Neuro-Leadership Institute

Julie was the head of Legal Compliance Reviews and ISO Audit Assurance functions within the Vodacom Group Risk and Compliance team.

She has over 20 years' experience in the telecommunications industry within senior leadership, ranging from employment and legal compliance to overall organisation legislation compliance and audits, money laundering and financial crime management.

Julie joined Vodacom in 2006 and has held various roles across the organization including in group compliance, legal and human resources.

Masahiro Miyashita

Chief Strategy Officer

Qualifications:

- BA in Foreign Studies from Osaka University of Foreign Studies
- Graduated with Advanced Management Program from Harvard Business School

Miyashita has vast experience in telecommunication having worked for Sumitomo Corporation for over 30 years as the General Manager of the Smart Communication Platform Business Division. He also sits on the board of multiple telecom companies in various countries such as Myanmar, Guam (USA), Uzbekistan, Russia, China and Japan to supervise management and strategy.

Charles Wanjohi

Chief Consumer Business Officer

Qualifications:

- Bachelor's degree in commerce
- Certified Public Accountant
- An alumnus of the Vodafone Inspire Leadership program

Charles has over 19 years of commercial experience gained working for Multinationals focused on Sub-Saharan Africa, he carries a broad international perspective having worked in Kenya, South Africa, Bahrain, and experience working with 17 geographies across Sub-Saharan Africa.

His telco career spans more than 15 years across Celtel Kenya, Zain Kenya, Zain Group, Airtel Africa, Airtel Kenya, and Safaricom Plc, where he was the Director of Consumer Business. He also has proven capabilities in Telco Commercial Strategy & Planning, transforming organisations from Product focus to Consumer segments focus, Shaping, creating, and managing high-performing Agile commercial organisations, Accelerating Data and Digital transformation, Telco pricing & Analytics strategy.

Chris Lazarus

Chief Enterprise Business Officer

Qualifications:

- MBA from Henley Business School (UK)
- Advanced Executive Program with the University of South Africa
- Telecoms Certification from the North-West University (South Africa)

He held various positions in Vodacom across Customer Solutions, Partner Management and Go-to Market-strategies. As Managing Executive: Vodacom Business Integration, Chris played a leading role in the establishment of the Enterprise strategy in South Africa. In his role as Managing Executive: Commercial Development, Chris successfully launched many new products that have helped Vodacom business to be at the forefront of the Enterprise Telco market.

Chris has been part of Vodacom South Africa since 2005 as the Managing Executive for KwaZulu Natal Region, where he held various roles within the Consumer and Enterprise Business Units.

He has over two decades of experience in the Information and Communications Technology and Financial Services sectors.

HOW WE SAFEGUARD VALUE

Who Leads Us (continued)

ETHIOPIA

Paul Kavavu

Chief Financial Services Officer

Qualifications:

- Bachelor of Commerce Degree from the University of Nairobi
- Certified Public Accountant of Kenya, CPA (K)
- Certified Oxford Fintech Program alumni

Paul was the Head of M-PESA new Business Ventures at Safaricom. He has 19 years of progressive experience in mobile money innovation, strategy formulation and execution, performance change management and negotiation across financial services, telecom, and banking industries.

He joined Safaricom in 2002 from Absa Bank, formerly Barclays Bank of Kenya with a diverse background in finance, mobile, telecom, and banking.

Stanley Njoroge

Chief Finance Officer

Qualifications:

- Bachelor of Pharmacy Degree from University of Nairobi
- Certified Public Accountant of Kenya (CPAK) having studied accounting at Strathmore Nairobi

Stanley was the Finance & Strategy Director and a member of the Board at Guinness Nigeria PLC. He has been in Diageo for over 13 years where he held various senior roles in Africa, Europe, and Asia.

Prior to joining Diageo, Stanley spent eight years in Deloitte in tax consultancy in Kenya and Ethiopia and has also worked at Barcelona Bank Kenya as Head of Business Performance Analytics & Tax.

Koichi Kawase

Director, Project Management Officer

Qualifications:

- Bachelor's degree in economy from Aoyama Gakuin University, Japan

Koichi has spent close to 30 years in Sumitomo Corporation taking on increasingly larger and varied management roles, from Chief Strategy Officer to Acting Chief Executive Officer and Chief Commercial Officer in the largest telecommunication operators in Mongolia and Myanmar, both affiliated companies of Sumitomo.

He has also led Digital and Fintech investment projects in Malaysia and Myanmar, and in his most recent assignment, was Board member of the largest mobile distributor in Japan, and Executive Vice President and Board member of a device lifecycle management start-up company.

Andarge Kabtimer

Chief Sales and Distribution Officer

Qualifications:

- Bachelor's degree in accounting from Addis Ababa University
- Master's degree in business administration (MBA) from Indra Ghandi National Open University, India

Andarge has over 20 years' experience in various sectors in Ethiopia including FMCG, oil & gas, and financial institutions have worked with the Commercial Bank of Ethiopia, Shell, and Diageo in different senior roles.

He was the Commercial Operations and Sales Transformation Manager at Diageo – Meta Abo Brewery and a member of the Company's Leadership Team.

Mokaya Mokaya

Chief Human Resource Officer

Qualifications:

- Bachelor of Arts Degree from the University of Nairobi
- A member of the Institute of Human Resource management
- An International Coaching Federation (ICF) certified coach

Mokaya was the Head HR Business Partner for the Customer Organisation at Safaricom, he has over 16 years progressive experience in Talent Management, Capability Development, Organisational Effectiveness, Change Management and HR Business Partnership.

He joined Safaricom in 2007 in the HR function where he worked in different roles, including a 2-year stint in Vodafone India as the head of Organisational Effectiveness & Change.

Henok Teferra Shawl (Amb.)

Chief External Affairs and Regulatory Officer

Qualifications:

- Master's degree in International Economic Law from the University of Paris
- Panthéon-Sorbonne and a Bachelor's degree in International Law from the Université Nice Sophia Antipolis

Henok is the Chief External Affairs and Regulatory Officer at Safaricom Telecommunication Ethiopia PLC.

Henok has over 20 years of experience cutting across Aviation, Diplomacy, and International Relations industries in both the public and private sectors. Before his diplomatic career, Henok spent over a decade working in the Aviation industry, where he held various senior leadership positions at Ethiopian Airlines, including Vice President of Strategic Planning and Alliances, Vice President of Corporate Strategy, Communications, and Director of Corporate Strategy and Government Affairs. In another previous role as CEO and Board of ASKY Airlines, Henok was responsible for managing the entire airline's operations, which operates in West and Central Africa.

Prior to joining Safaricom Ethiopia, Henok was the former Ambassador of Ethiopia to France, Spain, Portugal, The Holy See, and Monaco for over three years, where he successfully represented Ethiopia in various diplomatic missions, contributing significantly to the strengthening of Ethiopia's ties with these countries.

Henok holds a Master's degree in International Economic Law from the University of Paris I: Panthéon-Sorbonne and a Bachelor's degree in International Law from the Université Nice Sophia Antipolis.

HOW WE **SAFEGUARD VALUE**

Corporate Governance Report

OUR CORPORATE GOVERNANCE **STATEMENT**

Safaricom PLC, through its Board of Directors is committed to implementing and adhering to good corporate governance and best practice. The Board considers that good governance, achieved through an ethical culture, competitive performance, effective control and legitimacy, can create sustainable value and enhance long-term equity performance.

The Board applies good governance practices to promote strategic decision making for the organization to balance short, medium and long-term outcomes to reconcile interests of its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the business.

STATEMENT OF **RESPONSIBILITIES**

The Companies Act, 2015 requires Directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company. Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board of Directors of Safaricom is responsible for the governance of the Company. To this end, the Board is committed to ensuring that the Company complies with the laws, regulations and standards applicable to it. The Directors are responsible for putting in place governance structures and systems that support the practice of good governance. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the *Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015* ("the CMA Code"), as well as the Companies Act, 2015 ("the Act") are adhered to. Safaricom continues to endeavor to comply with the provisions of the CMA Code.

Over and above the annual self-assessment that the Company is expected to complete on its level of compliance of the Code, the Corporate Governance Statement as provided in this Annual Report will highlight to the Company's shareholders and various stakeholders, the performance to date. Safaricom remains committed to the highest standards of corporate governance and business ethics. Good corporate governance practices are essential to the delivery of long term and sustainable stakeholder and shareholder value.

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

We continuously assess our governance operating model to ensure that robust internal governing bodies and proper systems/processes are in place to support the Board and Management to drive change, set strategic direction and formulate high-level goals and policies.

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

LEADERSHIP AND **RESPONSIBILITIES**

The Board is committed to ensuring that a strong governance framework operates throughout the Company, recognising that good corporate governance is a vital component to support management in their delivery of the Company's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The Board recognises that the process of identifying, developing and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business, the composition of the Board and developments in corporate governance.

The Board is collectively accountable and responsible for the Company's vision, strategic direction, its values, and governance. The responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Chief Executive Officer (CEO) and his Senior Leadership Team.

Throughout the year ended 31 March 2023 and to the date of this document, the Company endeavored to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'). The Board considers that this Annual Report and notably this section, provides the information that shareholders need to evaluate how the Company has applied the principles in the Code. In addition to complying with the Code, the Company has embedded internal rules of engagement to support corporate governance.

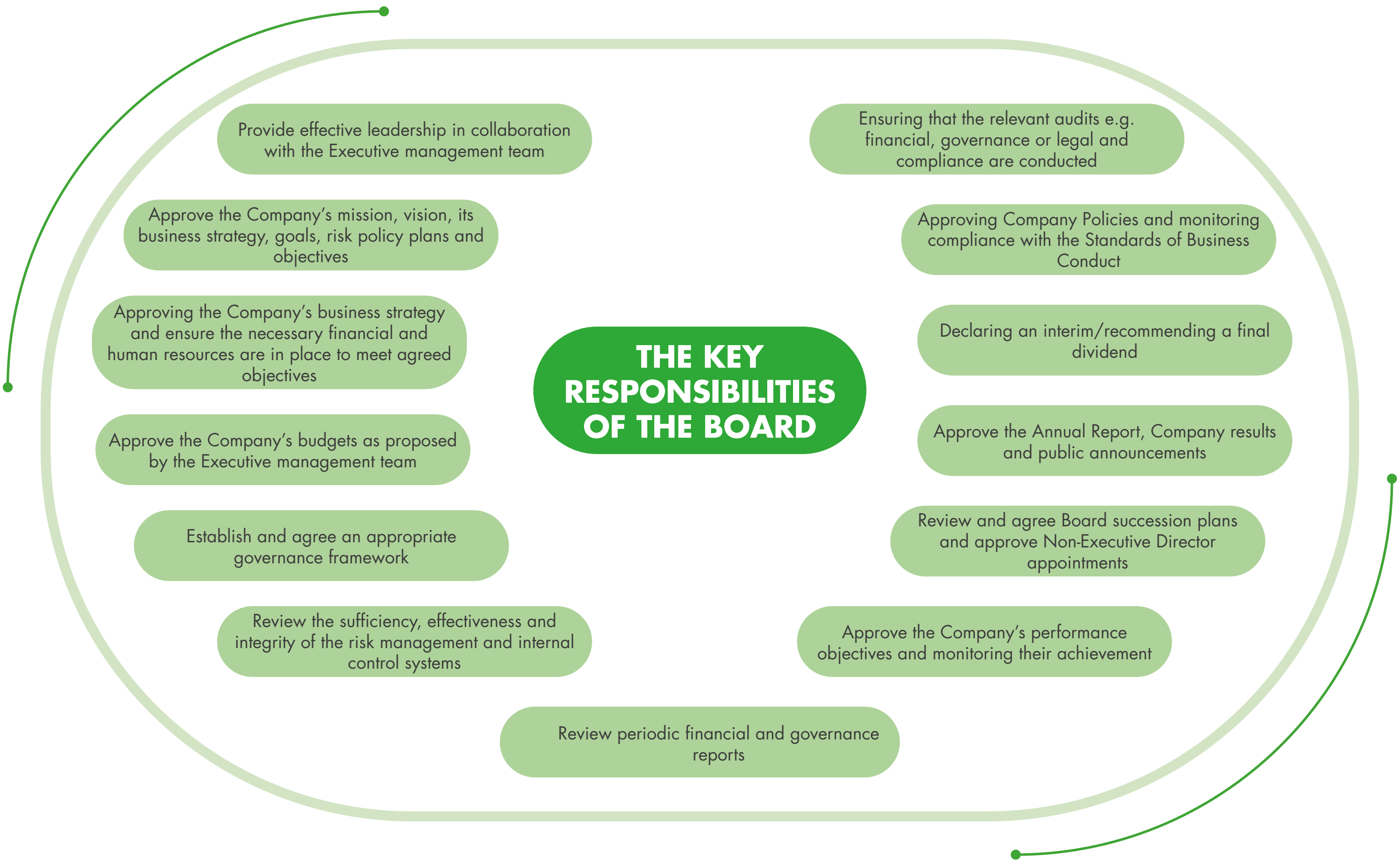
THE ROLE OF **THE BOARD**

The Board serves as the focal point and custodian of corporate governance in the Company. The Board is collectively responsible for the Company's vision, strategic direction, its values, and governance and is accountable to the Company's shareholders for the performance of the business. The Board is expected to provide effective leadership to the Company towards the following matters:

- sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company;
- having the right team in place to execute the strategy through effective succession planning;
- setting up appropriate governance structures for the management of the business operations;
- monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business; and
- ensuring ethical behavior and compliance with the laws and regulations.

As at the financial year end of 31 March 2023, the Board operated through two principal Board Committees, to which it had delegated certain responsibilities; these committees are: the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee. The Board also had one adhoc committee, the Investment Committee. The roles, membership and activities of these Committees are described in more detail later in this Report. Each Committee has its own terms of reference which are reviewed periodically and updated as appropriate.

The Board devotes considerable attention to corporate governance matters relating to the Company's internal controls and compliance activities. It receives updates from the respective Chairpersons of each committee at the following Board meeting.



HOW WE SAFEGUARD VALUE

Corporate Governance Report (continued)

SEPARATION OF POWERS AND DUTIES OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER (CEO)

The Chairperson and the Chief Executive Officer have distinct and clearly defined duties and responsibilities. The separation of the functions of the Chairman (a Non-Executive director) and the CEO (Executive director) supports and ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

A summary of each role can be found below:-

The Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions;
- Promotes a culture of open debate between the Non-Executive Directors and Executive Directors and holds meetings with the Non-Executive Directors, without the Executive Directors present;
- Regularly meets with the Chief Executive Officer and other Senior Management to stay informed;
- Ensures effective communication with shareholders and other stakeholders;
- Promotes high standards of corporate governance;
- Promotes and safeguards the interests and reputation of the Company; and
- Represents the Company to government, shareholders, regulators, financial institutions, the media, the community and the public.

The Chief Executive Officer

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

The Senior Leadership Team

The Leadership Team led by the CEO is responsible for the day-to-day management of the Company and its operating subsidiaries. In so doing, it oversees the implementation of the strategy and policies set by the Board. Profiles of the Senior Leadership Team are set out on page 140 to 146 of this Annual Report.

The key responsibilities of the Senior Leadership Team include inter alia:

- Developing the Company's business strategy for review and approval by the Board;
- Managing business functions and ensuring that functional strategies are effective and aligned with the Company's priorities and objectives;
- Monitoring the Company's operating performance;
- Reviewing functional budgets and activities and ensuring that they are adequate to achieve their targets;
- Developing guidelines for the Company's functional business units;
- Overseeing the management and development of talent within the Company;
- Ensuring that collective effort and resources are balanced, effective and properly focused; and
- Making recommendations on matters reserved for Board approval.

The Company Secretary

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

The role of the Company Secretary includes inter alia;

- Providing a central source of guidance and advice to the board, and the company, on matters of statutory and regulatory compliance and good governance;
- Providing the board and the directors individually with guidance on how their responsibilities should be discharged in the best interests of the company;
- Facilitating the induction training of new directors and assisting with the directors' professional development as required. This includes identifying and facilitating continuous board education;
- In consultation with the CEO and the Chairman, ensuring effective flow of information within the board and its committees and between senior management and non-executive directors. This includes timely compilation and distribution of board papers and minutes, as well as communication of resolutions from board meetings;
- Guiding the company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision-making by shareholders, customers and other stakeholders;
- Coordinating the governance audit process
- Assisting the Board with the evaluation exercise;
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

BOARD **SIZE**

The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, relevant policies, applicable law and best practices. The Company's Articles of Association provide for a maximum of 11 directors. As at 31 March 2023, the Board comprised of ten (10) Directors, nine (9) being non-executive directors and one (1) is an executive director (the CEO). Of the nine non-executive directors, three (3) are independent as defined in the Code. The Board is of the view that its current size is sufficient and enables it to deliver on its mandate.

BOARD **APPOINTMENT**

In line with the Company's Articles of Association, and their current shareholding, 3 of the Non-Executive Directors are appointed by Government of Kenya and 4 of the Non-Executive Directors, are appointed by Vodafone Kenya Limited. The Non-Executive Directors, other than those appointed by Government of Kenya and Vodafone Kenya Limited, are subject to retirement by rotation and seek re-election (if they choose to) by shareholders in accordance with the Articles of Association.

As part of its mandate, the Board Nominations, Remuneration and Governance Committee (BNRGC) is responsible for the selection and appointment of board directors. Prior to any appointment, the BNRGC develops suitable selection criteria for potential candidates, screens and interviews them before they are formally appointed. The BNRGC is permitted by its terms of reference to engage the services of a qualified external consultant to identify prospective candidates for the role of independent director.

In between AGMs, in the event of any vacancy, the Board may appoint a director to serve until the next AGM. Any such appointment of an independent director is brought to the attention of the shareholders through the notice of the AGM, and the director, if they opt to seek re-election, is subjected to an election process by the shareholders, at the next AGM following their appointment.

The Articles of Association also provide that at every AGM, and as may be applicable, at least one-third of the independent directors must retire from the Board and where eligible, and if they choose to, stand for re-election.

NON-EXECUTIVE **DIRECTORS**

As at 31 March 2023 and as at the date of this Annual Report, the Board had nine (9) Non-Executive Directors. The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business.

The Non-Executive Directors help develop strategy and are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed. This enables the Directors to promote the success of the Company for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and other stakeholders. The Non-Executive Directors oversee the operational performance of the business, scrutinise performance of Management and the Company, bring an external perspective to the Board, monitor reporting of performance and should be available to meet with major stakeholders as appropriate. To perform these tasks, they have access to relevant information, with updates provided on regulatory and other matters affecting the Company.

INDEPENDENT DIRECTORS AND **INDEPENDENCE**

As at 31 March 2023 and as at the date of this Annual Report, three (3) of the Non-Executive Directors were Independent as defined in the Code. The Company has committed to commence the process of appointment of a 4th independent director so that a third of the Board comprises of independent directors.

Corporate Governance Report (continued)

THE COMPOSITION OF THE BOARD

The Directors who served during the year to 31 March 2023 and the board changes that took place in the year under review, are set out below:-

Name	Nationality	Date of appointment as a director	Date of ceasing to be a director
Adil Khawaja	Kenyan	22 December 2022	–
Peter Ndegwa	Kenyan	1 April 2020	–
Michael Joseph	American/Kenyan	8 September 2008	–
Mohamed Shameel Joosub	South African	31 August 2017	–
Rose Ogega	Kenyan	12 February 2019	–
Francesco Bianco	Italian	20 March 2020	–
Raisibe Morathi	South African	1 November 2020	–
Winnie Ouko	Kenyan	10 February 2021	–
Sitholizwe Mdlalose	British	29 July 2020	1 August 2022
Christopher Kirigua (alternate to the Cabinet Secretary National Treasury & Economic Planning)	Kenyan	10 February 2021	28 June 2022
Eng. Stanley Kamau (alternate to the Cabinet Secretary National Treasury & Economic Planning)	Kenyan	28 June 2022	24 February 2023
John Ngumi	Kenyan	1 August 2022	22 December 2022
Bitange Ndemo	Kenyan	2 March 2017	24 February 2023
Linda Watiri Muriuki	Kenyan	31 August 2017	20 February 2023
Karen Kandie (alternate to the Cabinet Secretary National Treasury & Economic Planning)	Kenyan	24 February 2023	–
Ory Okolloh	Kenyan	24 February 2023	–

BOARD OPERATIONS

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

The Board is solely responsible for its agenda. It is however, the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and the agenda for the Board meetings. The Work Plan is designed to enable the Board to drive the Company's strategy forward. The Board work plan for the year 2023 was approved by the Board at its meeting held on 24 February 2023.

The notice, agenda and comprehensive board papers are prepared and circulated to all directors with due notice in line with the Board Charter, prior to the meeting. This allows time for the directors to undertake an appropriate review of the board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise.

Directors are entitled to request for additional information where they consider further information is necessary to support informed decision-making.

Where Directors are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to make their views known to the Chairman or the Chief Executive Officer prior to the meeting.

The members of the Senior Leadership Team may be invited to attend the Board and/or Committee meetings if deemed necessary and as appropriate, to make presentations on their areas of responsibility. This serves as an opportunity to give the Directors greater insights into their business areas.

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

BOARD MEETINGS AND ANNUAL GENERAL **MEETING ATTENDANCE** FROM 1 APRIL 2022 TO 31 MARCH 2023

	Adil Khawaja	Michael Joseph	John Ngumi	Peter Ndegwa	Shameel Joosub	Bitange Ndemo	Linda Muriuki	Rose Ogega	Francesco Bianco	Raisibe Morathi	Sitholizwe Mdlalose	Winnie Ouko	Christopher Kirigua	Eng. Stanley Kamau	Karen Kandie	Ory Okolloh
9 May 2022	–	√	–	√	√	√	√	√	√	√	√	√	√	–	–	–
28 July 2022	–	√	–	√	√	√	√	√	√	√	√	√	–	√	–	–
29 July 2022 (AGM)	–	√	–	√	√	√	√	√	√	√	√	√	–	–	–	–
8 November 2022	–	√	√	√	√	√	√	√	√	√	–	√	–	√	–	—
26 January 2023 (Special)	Apology	√	–	√	√	√	√	√	√	√	–	√	–	√	–	–
24 February 2023	√	√	–	√	√	√	–	√	√	√	–	√	–	–	–	–
28 March 2023 (Special)	√	√	–	√	√	–	–	√	√	√	–	√	–	–	√	√

- *Christopher Kirigua ceased to be an alternate Director to CS, National Treasury & Economic Planning with effect from 28 June 2022 and was replaced by Eng. Stanley Kamau*
- *Sitholizwe Mdlalose ceased to be a director with effect from 1 August 2022*
- *John Ngumi was appointed as a director and Chairman of the Board with effect from 1 August 2022. He ceased to be a director and Chairman of the Board with effect from 22 December 2022*
- *Adil Khawaja was appointed as a director with effect from 22 December 2022 and as the Chairman of the Board with effect from 26 January 2023*
- *Linda Muriuki ceased to be a director with effect from 20 February 2023.*
- *Karen Kandie was appointed as the alternate to the Cabinet Secretary, National Treasury & Economic Planning, in place of Eng. Stanley Kamau, with effect from 24 February 2023*
- *Bitange Ndemo ceased to be a director with effect from 24 February 2023*
- *Ory Okolloh was appointed as a director with effect from 24 February 2023*

Corporate Governance Report (continued)

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

- Approved the audited financial statements for the year ended 31 March 2022 as well as the guidance, press release and commentary
- Discussed and resolved to make a recommendation to the shareholders on the approval of the final dividend for the year ended 31 March 2022 and which was approved at the 2022 Annual General Meeting
- The Board further considered and approved the unaudited half year financial statements for the period to 30 September 2023
- Approved the interim dividend for the year ended 31 March 2023 and made a recommendation to the shareholders on the approval of the final dividend for the year under review
- Approved the Audit fees for the external auditor
- Reviewed and agreed the Company's strategy and ensured that the necessary financial and human resources were in place to meet agreed objectives
- Reviewed and approved the strategic initiatives and financial plans for the year under review and specifically discussed the funding for Ethiopia and Mobile Financial Services License Fee for Ethiopia
- Approved the FY23 budget and monitored performance against the approved budget of the Company
- Monitored the political and regulatory trends and developments and their implications for the business
- Discussed and improved the Board's understanding of key risks facing the business in Ethiopia including from a political and economic perspective
- Discussed the risks and mitigations thereof that the business was exposed to including cyber threats, changing regulations
- Reviewed and monitored the significant litigation cases and their liability
- Received a report on the board evaluation.
- Received regular reports of the deliberations of the Audit, Risk and Compliance Committee, the Nominations, Remuneration and Governance Committee and the Investment Committee

BOARD EFFECTIVENESS

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

Board Diversity

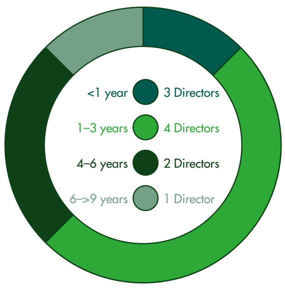
The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognizes the role of diversity in bringing different perspectives into board debates and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues.

Safaricom seeks to have a Board that has the right mix of individuals with relevant attributes skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide Management in ensuring the highest performance for the Company. The Non-Executive Directors are expected to have a clear understanding of the strategy of the Company as well as knowledge of the industry in which the Company operates. The aggregate mix of skills and experience of the Directors seeks to challenge Management, ensure robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Company.

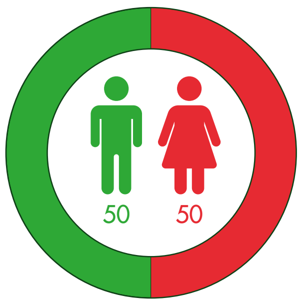
The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The areas of expertise of the current board of directors include: legal and governance, business management, telecommunications, finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management and human resources. Short biographies of the Directors, including details of their nationalities, relevant skills and experience, are set out on pages 134 to 146.

Balance of Non-Executive and Executive Directors

Length of tenure



Gender split of Directors



Management of Conflicts of interest

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

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

Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board and Committee meeting. Directors who are conflicted, are excluded from the quorum and vote, in respect of any matters in which they have an interest. Various conflicts of interest on related party transactions were reported by the affected Directors in the year under review.

Director induction

On joining the Board, all new Directors receive a detailed induction. The induction programme is initiated by the Chairman of the Board and progressed by the Chief Executive Officer, members of the Senior Leadership Team and the Company Secretary.

The induction programme includes a series of meetings with other Directors, the Chief Executive Officer and senior executives to enable new Directors to familiarise themselves with the business. This provides an overview of the Company, the Company's operating environment and new developments thereof, accounting and financial reporting developments, as well as any regulatory changes. As part of the induction training, detailed presentations by Management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions.

Three new directors were appointed in the year under review and inducted.

Training and development

All Directors are expected to maintain the skills required to carry out their obligations. Board members undergo regular training and education to enable them to fulfill their responsibilities. Directors receive functional presentations built into the annual Board Work Plan to gain a good sense of the Company's operations and central functions. The Board and its Committees receive briefings and participate in deep dive sessions on various matters such as business risks and their mitigations, legal and regulatory developments that directly impact the operations of the Company. These are facilitated by experts in the particular fields relevant to the Company's operations as well as the Management team.

During the financial year under review, the Directors engaged in facilitator-led training from credible sources on areas of Governance. Topics discussed included: Data Protection and Privacy matters, Cyber security, Anti Money laundering and Counter Finance Terrorism.
To better understand the business, in the year under review, the Board also held deep dive sessions on Continuity and Resiliency Plan pre and after the General Elections, General Elections Planning, M-PESA and the operational environment in Ethiopia. A Board Education session was held on 29 September 2022 whereby directors were taken through the operating business environment; refresher of the Strategy – FY23 Mission and had an indepth discussion on the business performance per business unit. This was also an opportunity for the Board of Directors to engage out of the board room and build on their engagements as Directors. A market visit of the subsidiary in Ethiopia was held in October 2022 where the Board engaged with staff and attended the official launch of the subsidiary in Ethiopia.

In the year under review, each of the Directors who served for the full year was able to secure at least twelve (12) hours of training on areas of governance and regulatory compliance from the Company as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

Access to independent advice

The Board recognises that there may be occasions when one or more Directors considers it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense.

To assist the Directors to discharge their duties and responsibilities and to enable them to take informed decisions, the Directors are entitled to obtain independent legal, accounting or other professional advice at the Company's expense. The Board may conduct or direct any investigation to fulfill its responsibilities and can retain, at the Company's expense, any legal, accounting or other services that it considers necessary from time to time to fulfill its duties.

This is provided for in the Board Charter, the Terms of Reference of each Committee and the letter of appointment for each Director.

Governance Audit

The CMA Code provides that issuers of securities to the public are required to undertake periodic governance audits. Following extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits, the Capital Markets Authority (CMA) advised all issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

The Company undertook a governance audit which was conducted by Dorion Associates LLP who issued an unqualified report.
The Governance Audit Report was adopted by the Board of Directors on 28 October 2021. The audit confirmed that the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. The Board and various Committees continue to implement the recommendations from the Governance audit. The next governance audit will be undertaken for the financial year 2023/2024.

Corporate Governance Report (continued)

Legal and Compliance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal Legal and Compliance Audit was carried out for the year ended 31 March 2023 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards in order to deliver long term value to stakeholders. The findings from the audit confirmed that the Company was generally in compliance with the applicable laws and regulations.

Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board undertook an independent annual evaluation of the performance of the Board. This was aimed at enabling the Board, the Committees and their respective members to gauge their performance and identify areas of improvement. The report is currently under review by the Board.

Corporate Governance Assessment Report

During the year 2022, the Capital Markets Authority assessed the status of implementation of the CMA Code by the Company for the year ended 31 March 2022. The assessment was based on a review of the following areas: commitment to good corporate governance (leadership rating of 67%); board operations and control (leadership rating of 78%); rights of shareholders (leadership rating of 87%); stakeholder relations (leadership rating of 87%); ethics and social responsibility (leadership rating of 96%); accountability, risk management and internal control (leadership rating of 87%); transparency and disclosure (good rating of 81%). The overall rating awarded to the Company was a leadership rating of 82% – a testament to the Board's commitment to sound corporate governance practices.

The Company continues to implement the recommendations received from the CMA to improve its level of implementation of the recommendations under the CMA Code.

Directors' shareholding

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

The breakdown of the Directors' personal shareholding in the Company as at 31 March 2023 is as follows:

Name of Director	2023	2022
Peter Ndegwa	895,500	895,500
Rose Ogega	2,000	2,000
Karen Kandie	147,300	–
Winnie Ouko	101,831	–

BOARD COMMITTEES MEMBERSHIP AND **MEETING ATTENDANCE**

Board Committees

The Board has delegated authority to various Board committees to be able to undertake its mandate effectively and efficiently. During the year under review, the Board had two standing committees: Audit, Risk and Compliance Committee and Nominations, Remuneration and Governance Committee. Each committee has formal and approved terms of reference that sets out the roles and responsibilities and the procedural rules that apply to the committee.

Each Committee periodically reviews its terms of reference to ensure that they are in line with current legislation and best practice.
The committees are provided with all necessary resources to enable them to undertake their duties effectively.

Audit, Risk and Compliance Committee

Membership

As at 31 March 2023, the Audit, Risk and Compliance Committee consisted of four (4) non-executive directors. The committee continued to report to the Board after every committee meeting. Immediately prior to 24 February 2023, in line with the Code of Corporate Governance for Issuers of Securities to the Public 2015, the committee comprised of at least three (3) Independent and Non-Executive Directors. The position changed, following various changes in the Board that took effect from 24 February 2023. The Committee was chaired by an Independent Non-Executive director with at least one (1) committee member holding a professional qualification in audit or accounting and in good standing with the relevant professional body.

Members as at 31 March 2023

1) Rose Ogega – Chairperson
2) Winnie Ouko
3) Raisibe Morathi

Secretary of the Committee: Kathryne Maundu

Permanent invitees:

1) Peter Ndegwa – Chief Executive Officer
2) Dilip Pal – Chief Financial Officer
3) Nicholas Mulila – Chief Corporate Security Officer
4) Denish Osodo – Director, Internal Audit
5) Ernst & Young – External Auditor

Functions of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee meets at least four times a year to discuss audit matters and four times to discuss risk matters. To fulfill its oversight responsibility, the committee receives reports from Management, the internal auditor and external auditors, as appropriate.

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

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

A summary of the attendance of the members of the Audit, Risk and Compliance Committee for the meetings held in 2022/2023 is shown below:

	Rose Ogega	Winnie Ouko	Christopher Kirigua	Bitange Ndemo	Raisibe Morathi	Sitholizwe Mdlalose	Eng. Stanley Kamau	Karen Kandie
4 May 2022 (Audit)	√	√	√	√	√	√	–	–
6 May 2022 (Risk)	√	√	√	√	√	√	–	–
6 July 2022 (Risk)	√	√	–	√	Apology	√	–	–
13 July 2022 (Audit)	√	√	–	√	√	√	By Invitation	–
19 October 2022 (Risk)	√	√	–	√	√	–	Apology	–
3 November 2022 (Audit)	√	√	–	√	√	–	Apology	–
8 February 2023 (Risk)	√	√	–	√	√	–	–	–
22 February 2023 (Audit)	√	√	–	√	√	–	–	–
28 March 2023 (Audit)(Special)	√	√	–	–	√	–	–	By Invitation

- *Christopher Kirigua ceased to be a member of the Committee with effect from 28 June 2022*
- *Eng. Stanley Kamau became a member of the Committee with effect from 28 July 2022, and ceased to be a member of the Committee with effect from 24 February 2023*
- *Sitholizwe Mdlalose ceased to be a member of the Committee with effect from 1 August 2022*
- *Prof. Bitange Ndemo ceased to be a member of the Committee with effect from 24 February 2023*

Key Audit, Risk and Compliance Committee activities

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

- Reviewed the half year results and full year results, audited accounts and related reports thereof
- Reviewed the interim and final dividend recommendations
- Reviewed the External Auditors Management Letter
- Reviewed the External Auditors' Interim Findings Report
- Discussed and approved the External Audit Service Plan for the year ending 31 March 2023
- Discussed and made recommendation to the Board on the approval of the external auditors fees
- Conducted a review of the external auditor's effectiveness and independence and made recommendation for the re-appointment of the External Auditor
- Reviewed and approved the Internal Audit plan for the year ending 31 March 2024
- Reviewed the Internal Audit Reports in every quarter and status against the approved internal audit plan
- Undertook an assessment of the Internal Audit Function and received the Feedback of the evaluation
- Reviewed the provisions of the Internal Audit Charter and approved the same
- Discussed the Related Party Transactions and made recommendations to the Board
- Reviewed the content of various Policy documents including AML Policy, Related Party Transactions Policy and Supply Chain Management policy
- Discussed in detail the Business Risk Updates including changes in the heat map
- Discussed various reports at the quarterly meetings that covered: Cyber Security Management Updates, AML/CFT Program Updates, Data Privacy program updates and Business Ethics and Compliance Updates
- Discussed significant litigations cases and liability thereof
- Reviewed and approved the Committee's work plan for implementation
- Reviewed the Terms of Reference of the Committee
- In camera sessions were held with the External and Internal Auditors

Corporate Governance Report (continued)

Financial and business reporting

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

The Committee is assigned to review financial, audit and internal control issues in supporting the Board of Directors which is responsible for the Financial Statements and all information in the Annual Report.

Risk management and internal control

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

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

The Board, with advice from its Audit, Risk and Compliance Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the year under review. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External Auditor

Messrs Ernst & Young are the Company's external auditor. The Audit, Risk and Compliance Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years. The current lead audit partner has been in position since 31 July 2020. During the year under review, as guided by the External Auditor Management Policy (EAMP), the Committee and Management had undertaken an appraisal of the external auditor's performance based on their quality-of-service delivery, auditor independence among other aspects. Based on the evaluation results, the Committee was satisfied with the performance of the Company's external auditor and this position was endorsed by the Board.

Nominations, Remuneration and Governance Committee

Membership

As at 31 March 2023, the Nominations, Remuneration and Governance Committee consisted of four (4) non-executive directors. The Committee continued to report to the Board after every committee meeting. The Committee was chaired by an Independent Non-Executive director.

Members as at 31 March 2023

1)	Winnie Ouko	–	Chairperson
2)	Michael Joseph		
3)	Shameel Joosub		
4)	Francesco Bianco		

Secretary of the Committee: Kathryne Maundu

Permanent invitees:

1)	Peter Ndegwa	–	Chief Executive Officer
2)	Paul Kasimu	–	Chief Human Resources Officer

Functions of the Nominations, Remuneration and Governance Committee

The Nominations, Remuneration and Governance Committee meets at least four times a year. The purpose of the committee is to assist the Board:-

- To review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at board and senior leadership levels;
- Monitoring the size and composition of the board and its succession plans;
- Recommending individuals for nominations as members of the board and its committees;
- Reviewing executive appointments, succession and development plans and proposing the remuneration structures of executive and non-executive members of the Board.

A summary of the attendance of the members of the Nominations, Remuneration and Governance Committee for the meetings held in 2022/2023 is shown below:

	Winnie Ouko	Michael Joseph	Linda Muriuki	Francesco Bianco	Christopher Kirigua	Shameel Joosub
6 May 2022	√	√	√	√	√	–
23 May 2022 (Special)	√	√	√	√	√	–
19 July 2022	√	√	√	√	–	√
25 October 2022	√	√	√	√	–	√
10 February 2023	√	√	√	√	–	√

- *Christopher Kirigua ceased to be a member of the Committee with effect from 28 June 2022*
- *Shameel Joosub became a member of the Committee with effect from 28 July 2022*
- *Ms. Linda Muriuki ceased to be a member of the Committee with effect from 20 February 2023*

Key discussions by the Nominations, Remuneration and Governance Committee

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

- Reviewed the performance of the Chief Executive Officer and his remuneration thereof as well as the targets for FY2022/23
- Discussed and made recommendation to the Board on Employee Compensation and Bonus Review for the year 2022/2023 as well as changes to the bonus framework
- Discussed and approved the Share Grants Proposal for FY2022
- Reviewed the succession planning for the Senior Leadership Team (SLT)
- Reviewed the results of the interim employee opinion survey
- Led the process for identifying and nominating for approval by the Board of an independent director
- Discussed the skills matrix for current directors and the talent pool development for the Board
- Received updates on the implementation of the recommendations from the governance audit and board evaluation reports
- Undertook an assessment of the independence of the Independent Directors in line with the provisions of the Code
- Reviewed and made recommendation to the Board on the composition of the Board Committees
- Discussed various HR Thematic Areas including: succession planning for the SLT, Culture and Talent: Diversity and retention
- Reviewed the Terms of Reference of the Committee and made recommendation for the expansion of the Committee's mandate to include discussion of ESG matter which was subsequently approved by the Board
- Reviewed and approved the Committee's work plan for implementation

HOW WE SAFEGUARD VALUE

Corporate Governance Report (continued)

Ad hoc committee

The Board is authorized by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters. The Board retains oversight authority over such committees. The Board Investment Committee was formed as an adhoc committee which reviews key projects and investments for the Company.

As at 31 March 2023, the Investment Committee consisted of four (4) Non-Executive Directors. The committee continued to report to the Board after every committee meeting. The Committee was chaired by a Non-Executive Director.

Members as at 31 March 2023

1) Michael Joseph – Chairperson
2) Shameel Joosub
3) Raisibe Morathi

Secretary of the Committee: Kathryne Maundu

Permanent invitees:

1) Peter Ndegwa – Chief Executive Officer
2) Dilip Pal – Chief Finance Office
3) Michael Mutiga – Chief Business Development and Strategy Officer

A summary of the attendance of the members of the Investment Committee for the meetings held in 2022/2023 is shown below:

	Michael Joseph	Shameel Joosub	Linda Muriuki	Raisibe Morathi	Eng. Stanley Kamau
27 July 2022	√	√	Apology	√	By Invitation
2 November 2022	Apology	√	Apology	√	√
26 January 2023	√	√	Apology	√	√
24 March 2023	√	√	–	√	–

- *Eng. Stanley Kamau became a member of the Committee with effect from 28 July 2022 and ceased to be a member of the Committee with effect from 24 February 2023*
- *Linda Muriuki ceased to be a member of the Committee with effect from 20 February 2023*

Subsequent events

On 8 May 2023, the Board approved the reconstitution of its committee structure and membership. Key to note is that the number of committees has increased to five (5) from three (3). This is to ensure increased focus on the implementation of the mandate of each committee for the benefit of the Company as a whole, to create efficiencies in the reporting structure to the Board and allow for broader participation from all directors.

The committees and their membership is as follows:

	Audit Committee	Risk and ESG Committee	Nominations Committee	Human Resources Committee	Strategy, Innovations and Investment Committee
Shameel Joosub	–	√	√	√	√
Michael Joseph	–	–	–	√	√
Raisibe Morathi	√	√	–	–	√
Francesco Bianco	–	√	√	√	–
Karen Kandie	–	√	√	√	√
Rose Ogega	√	–	–	√	√
Winnie Ouko	√	–	√	√	√
Ory Okolloh	√	√	–	√	√

In line with best practice, the Chairman of the Board is not a member of any of the committees. The Chief Executive Officer is a permanent invitee to all the committees.

GOVERNANCE **POLICIES**

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

Board Charter

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

- The separation of the roles, functions, responsibilities and powers of the board and its individual members;
- Powers delegated to the board committees;
- Matters reserved for final decision-making and approval by the board;
- Policies and practices of the board on matters of corporate governance, directors' declarations and conflict of interest, conduct of board and board committee meetings; and
- Nomination, appointment, induction, ongoing training and performance evaluation of the board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Company. The Board Charter is periodically reviewed to ensure that it remains current.

Code of Ethics and Conduct

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

Safaricom Directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining Safaricom, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Company.

Board Policies

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

Non-Executive Directors Remuneration policy

The policy sets out guidelines and criteria for the compensation of the Non-Executive directors. The remuneration to be paid to the NEDs is guided by the findings of a survey conducted by an independent consultant and which is compared against the remuneration of a comparator organizations in the market. The findings of the survey are tabled and discussed in detail by the Board Nominations and Remuneration Committee.

In order to ensure that the Company remunerated its Non-executive Directors at the desired position to pay at least at the 75th percentile of the market.

Whistle Blowing policy

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

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

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing, and the policy details how such concerns are addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

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

Conflict of interest policy

Directors are obligated to fully disclose to the Board any real or potential conflict of interest which come to their attention, whether direct or indirect. All business transactions with all parties, directors or their related parties are carried out at arm's length.

Operational policies

There are broad operation policies that guide Management in execution of the Company's operations in an efficient and socially responsible manner. The policies cover various operational functions including: Human Resource, ICT, Risk Management, Financial Management, Sustainability, Environment, Safety and Health and Corporate Affairs.

Corporate Social Responsibility

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

Procurement policies

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

Corporate Governance Report (continued)

Insider trading policy

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

This is especially so in periods leading up to an announcement of financial results. To this end, the Company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period. To ensure compliance with the Companies Act, 2015 the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and Directors on an annual basis. To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

Shareholder relations

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with others.

In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- Continuing to implement our strategy for the long term prosperity of the business
- Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance
- Ensuring execution of strong audit procedures and audit independence
- Strong internationally recognized accounting principles
- Focus on clearly defined Board and management duties and responsibilities
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice

Relationship and communication with shareholders

Safaricom remains committed to relating openly with its shareholders by providing regular as well as ad hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:

- Safaricom hosted investors for an Investor Day on 15 February 2023 where both international and local shareholders participated physically as well as virtually.
- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the annual general meeting.
- Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM and they are free to raise questions to the board during the meeting.
- The Company has a well-established culture on shareholder management which is handled by the Internal Investor Relations team, supported by the Company Secretary's office and the Shares Registrars, Image Registrars Limited.
- The Safaricom website has a specific webpage dedicated to the information requirements of the shareholders and investment analysts.
- Investor briefing sessions are held immediately after the announcement of interim and full year results.
- Local and international investor road shows are held after interim and full year results announcements; representatives of the Company's senior leadership team in collaboration with known stock brokerage firms organise meetings with institutional investors, individual shareholder groups and financial analysts.
- The Board of Directors encourages shareholder participation at the Company's annual shareholder meetings.

The Company's Annual General Meeting (AGM) is an opportunity for shareholder engagement when the Chairman and the Chief Executive Officer explain the Company's full year performance and receive questions from shareholders.

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

During the investor briefings that were held in the year under review, shareholders and stakeholders were keen to hear more on the Ethiopia expansion, M-PESA perfomance, macro and regulatory environment, GSM business, the competitive landscape and market share, IFC disclosure, the country's state post-election and dollar shortage and the latest developments in industry regulation.

Director's Remuneration Report

FOR THE YEAR ENDED 31 MARCH 2023

1.1 INTRODUCTION

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

The members of the Committee during the year are indicated on page 158. The Committee's responsibilities have been set by the Board and are outlined in the Board Charter and the Terms of Reference of the Committee, which are both available on the Company's website.

1.2 Directors' Remuneration Report

1.2.1 Report Preparation

The Directors' Remuneration report has been prepared to enlighten the shareholders on the remuneration payable to both the Executive and Non-executive Directors. It is the view of the Committee and the Board that the Company's reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through Company performance and the current policy will support the implementation of the Company's short term and long-term objectives.

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

1.2.2 Regulatory Compliance

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

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

1.2.3 Current policy

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

a) ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviors that support our strategy and business objectives;

b) maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance;

c) aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term; and

d) offering competitive and fair rates of pay and benefits.

1.2.4 Remuneration for Non-Executive Directors

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

a) Annual retainer fee for the Chairman and other non-executive directors, which is paid on a quarterly basis;

b) Sitting allowances for Board and Board Committee meetings;

c) Expenses incurred with respect to travel, accommodation, pre-approved consultancy fees or other expenses incurred as a result of carrying out duties as a Director are reimbursed at cost.

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

The Non-executive Directors remuneration was last reviewed in 2021. The current compensation structure was determined following a benchmarking exercise with comparable entities that was undertaken in 2021 by PricewaterhouseCoopers (PwC) and which was discussed substantively by the Nominations, Remuneration and Governance Committee in July 2021. The Board approved the revised compensation package for the Non-Executive Directors on 23 August 2021. The revised compensation was approved by the shareholders at the 2022 Annual General Meeting that was held on 29 July 2022.

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

GOING CONCERN

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

FINANCIAL **STATEMENTS**

Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL STATEMENTS

Report of the Directors

FOR THE YEAR ENDED 31 MARCH 2023

THIS REPORT OF THE DIRECTORS IS SUBMITTED TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 WHICH DISCLOSE THE STATE OF AFFAIRS OF SAFARICOM PLC (THE "COMPANY" OR "SAFARICOM") AND ITS SUBSIDIARIES (TOGETHER, THE "GROUP").

BUSINESS REVIEW

Safaricom's purpose is to Transform Lives. The Group provides voice, data, financial services and enterprise solutions for a range of subscribers, small businesses, large corporate and government institutions, using a variety of platforms. We have purposed to serve our customers in a Simple, Transparent and Honest manner.

Our corporate strategy is guided by four transformative pillars namely, strengthening the core, to be a financial services provider, win in select digital ecosystems and achieve cost leadership.

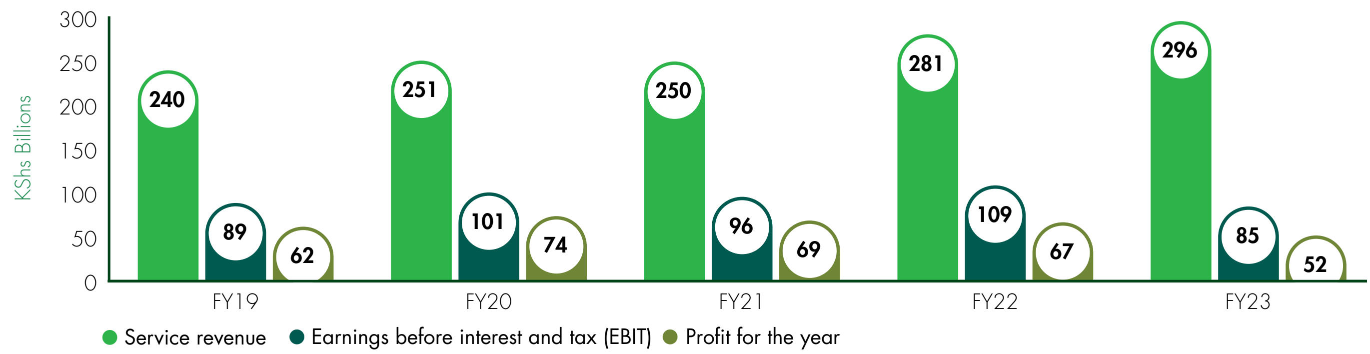
In the past two decades, Safaricom has grown from a telecommunication service provider and is evolving to be a technology Group. Our customers have been a key part of this journey. We are cognisant that technology can further support Kenya's and Ethiopia's economic growth, this will be our launchpad for the next 20 years.

Our next phase of growth will be driven by a vision to become a purpose-led technology Group by 2025. This will see us continue our innovation tradition and simplify our products and services in line with our FOR YOU brand promise. We will also continue to support the growth of Small and Medium Enterprises (SMEs) and Micro-SMEs, which are the engines of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We continue to partner with communities across the countries we operate in to bring their dreams to life in the areas of health, education and empowerment through our Safaricom and M-PESA Foundations. We also continue to explore innovative partnership models which bring together philanthropy, strategic investments, shared value and issue-based advocacy for continued connection with communities.

Our business continues to record impressive growth over the years, as evidenced by the trend below on our 5-year Key Performance Indicators.

KEY PERFORMANCE INDICATORS



	FY19	FY20	FY21	FY22	**FY23**
Service revenue (KShs billions)	240	251	250	281	**296**
Earnings Before Interest & Tax (EBIT) (KShs billions)	89	101	96	109	**85**
Profit for the year (KShs billions)	62	74	69	67	**52**

Service revenue grew by 5.2% to KShs 296 billion driven predominantly by increased usage of non-voice services mainly M-PESA, Mobile Data and Fixed Data.

Overall, customers grew 8.1% year on year to 45.89 million while one-month active customers grew marginally by 5.3% year on year to 34.54 million. According to the Communication Authority of Kenya our overall market share stood at 65.7% as at December 2022 (2021: 65.1%).

REVIEW OF OPERATIONS – KENYA

VOICE AND MESSAGING

Voice revenue declined by 2.8% year on year to KShs 80.92 billion due to continued competition from new technological influences. Our Customer Value Management (CVM) initiatives and propositions have enabled us to offer differentiated value propositions and personalised offers. We continue to drive affordability with rate per minute declining 2.4% to KShs 1.38 in the second half of FY23. Messaging revenue grew 4.6% year on year to KShs 11.37 billion supported by 5.1% growth in Average Revenue Per Unit (ARPU) to KShs 43.82.
Usage increased with messages per sub growing 25.9% to 191.6 while rate per message declined 16.6% to KShs 0.23. Voice and messaging revenue are now 31.3% of service revenue.

M-PESA

M-PESA revenue grew by 8.8% to KShs 117.19 billion supported by increased usage and growth of chargeable transactions per one-month active customers which rose 16.2% year on year to 23.54. The slowdown in M-PESA growth was mainly due to macroeconomic effects on the economy which affected the business activity. One-month active M-PESA Average Revenue per Unit (ARPU) rose 1.9% year on year to KShs 311.28. Total transaction value and volumes grew 21.4% to KShs 35.86Trn and 33.5% to KShs 21.03 billion respectively supporting the growth in FY23. M-PESA is now a two-sided digital platform serving both businesses and consumers. M-PESA one-month active customers grew by 5.2% to 32.11 million with 76.4% of total registered M-PESA customers making up the one-month active M-PESA customers. M-PESA remains the biggest revenue earner accounting for 39.7% of service revenue.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

MOBILE DATA

Mobile data revenue grew 10.6% year on year to KShs 53.60 billion supported by our Customer Value Management (CVM) initiatives which have continued to unlock latent potential in usage and growth. As we continue to enhance affordability, usage has grown with chargeable data per subscriber rising 53.8% year on year to 3.57GB. The average rate per MB declined further by 24.5% year on year to 6.70 cents while Mobile Data ARPU increased 16.2% to KShs 239.04.
We continue to drive penetration of 4G-enabled mobile devices through our device financing program in addition to providing the right content to encourage usage.
The number of smart phones on our network grew by 10.0% to 20.30 million of which 13.22 million (+20.6% year on year) are 4G devices with 52.2% using more than 1GB. Mobile data now accounts for 18.2% of service revenue.

FIXED SERVICE AND WHOLESALE TRANSIT

Fixed service and wholesale transit revenue recorded a strong growth of 20.1% year on year to KShs 13.50 billion supported by increased usage and connections. This was attributable to growth in enterprise revenue by 21.4% to KShs 8.55 billion as well as growth in consumer revenue by 17.9% to KShs 4.94 billion. Fibre-to-the-Home (FTTH) customers grew 17.9% year on year to 195.74K. FTTH penetration currently stands at 59.2% with homes connected at 275.66K (+42.8%) while homes passed were 465.56K (+27.6%).

Fixed Enterprise customers grew marginally by 0.1% year on year to 48.37K, of which 55.5%, representing 26.86K, account for Long-Term Evolution (LTE) customers. FTTH and fixed enterprise now account for 1.7% and 2.9% of service revenue, respectively.

Capital expenditure for the year ended 31 March 2023 stood at KShs 96.13 billion with KShs 55.77 billion being investment in rolling out operations in Ethiopia.

ETHIOPIA OPERATIONS

During the year, we launched commercial operations for Safaricom Telecommunications Ethiopia PLC (STE) on 6th October 2022 post the phased city by city customer network pilots that commenced on 29th August 2022.

We are optimistic about the transformative opportunities it presents for us. Our focus has been to accelerate the pace of rollout and we have now covered 22 large and medium sized cities representing a population coverage of 24% with 1,272 sites. We have added 2.95 million gross adds since launch with 2.14 million being three-month active base.

Following the declaration of Ethiopia economy as hyperinflationary, the Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies to account for its results from STEP. See Note 2(e) and Note 35 for further details.

ICT INDUSTRY/SECTOR STATISTICS

Mobile (SIM) subscriptions

The year was characterised by increased activity across mobile network platforms fueled by the festivities in the last quarter of 2023. As at 31 December 2022, the number of active mobile (SIM) subscriptions was 65.7 million compared to the 65.1 million subscriptions recorded by end of December 2021 representing a marginal increase of 1%.

TRENDS IN MOBILE SUBSCRIPTIONS AND PENETRATION

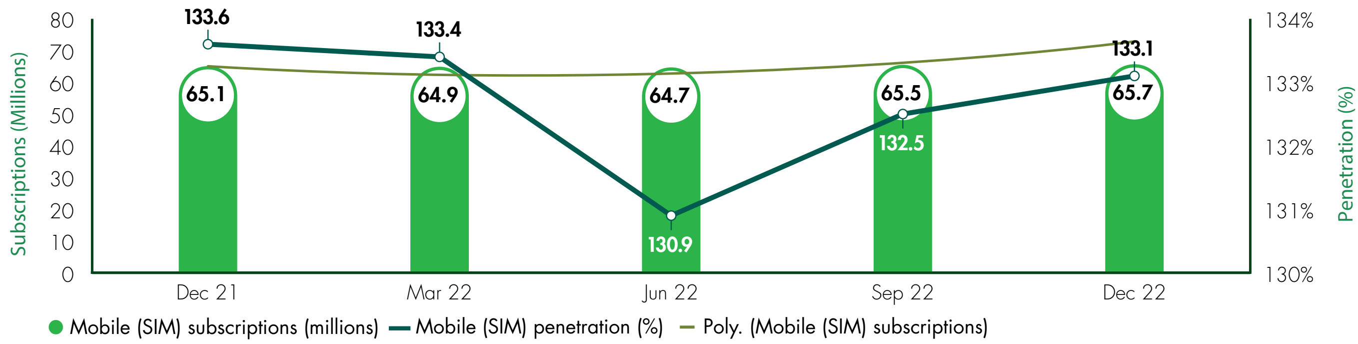


Figure 1: Mobile Subscriptions and Penetration as per Communication Authority of Kenya (CA)
Source: CA, Operators' Returns

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

ICT INDUSTRY/SECTOR STATISTICS (CONTINUED)

Mobile (SIM) subscriptions (continued)

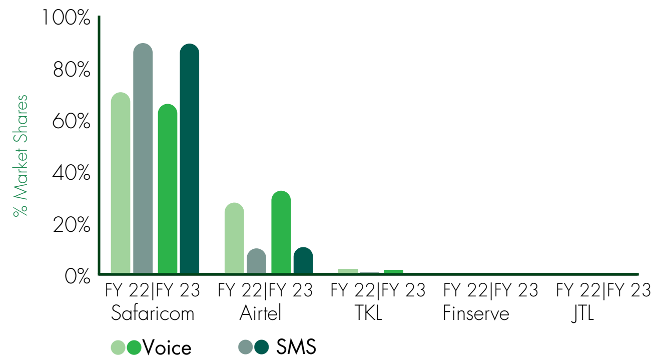
Safaricom PLC active mobile subscriptions increased by 1% as indicated the below table:

	DEC 2022			DEC 2021			
Operator Name	**Pre-paid**	**Postpaid**	**Total**	**Pre-paid**	**Postpaid**	**Total**	**YoY variation**
Safaricom PLC	41,974,326	1,186,379	43,160,705	41,679,898	1,199,277	42,879,175	1%
Airtel	17,546,839	91,668	17,638,507	16,339,931	85,468	16,425,399	7%
Telkom	3,069,495	12,955	3,082,450	4,099,086	44,607	4,143,693	(26%)
Equitel	1,522,917	–	1,522,917	1,401,121	–	1,401,121	9%
Jamii	332,585	–	332,585	236,332	–	236,332	41%
Total Mobile Subscriptions	64,446,162	1,291,002	65,737,164	63,756,368	1,329,352	65,085,720	1%

Source: CA, Operators' Returns.

Market shares in domestic mobile traffic

During the period (October–December 2022), Safaricom PLC recorded the highest market share in domestic voice and SMS traffic at 65.9% (2022: 70.4%) and 89.2% (2022: 89.2%) respectively.



	Safaricom		Airtel		TKL		Finserve		JTL	
Voice	70.4	65.9	27.6	32.2	1.9	1.7	0.1	0.2	0	0
SMS	89.4	89.2	9.9	10.4	0.6	0.3	0.1	0.1	0	0

Safaricom continues to transition from a telecommunication service provider to a technology company in line with our vision to become a purpose-led technology company by 2025. We leverage on the power of mobile technology and innovation to transform lives by connecting Kenyans to opportunities, knowledge and the world. We recognise the power that technology has to support Kenya's economic growth as well as solve society's problems.

As we focus on the next phase of our journey, we remain committed to our purpose of transforming lives by accelerating new growth areas for our business to serve our customers' needs while delivering superior customer experience. We will continue to deliver a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges through being a digital-first and insights-led organisation. We will also continue to support the growth of SMEs and Micro-SMEs, which are the lifeblood of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We remain committed to sustainable community investments through both our Foundations i.e. Safaricom Foundation and M-PESA Foundation. We transform lives through investing in communities, leveraging on technology and strategic partnerships in areas of health, education and economic empowerment.

The year under review was a challenging one by all accounts, for us as a business and for our society at large due to the effects of the Russia Ukraine war, drought and inflationary pressures.

We take our social and moral responsibility to manage our impacts very seriously. We recognise that environmental and social considerations are not separate from our core business but have an impact on our overall commercial sustainability and success.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

ICT INDUSTRY/SECTOR STATISTICS (CONTINUED)

Market shares in domestic mobile traffic (continued)

As part of our commitment to the United Nations Sustainable Development Goals (SDGs) we are committed to maximising our positive impact while mitigating our negative ones.
We aim to achieve this through the continued alignment of our strategy and operations with our nine SDGs by:

i) Leveraging our mobile technologies to transform lives by improving access to quality and affordable health care services and by promoting well-being for all through product partnerships such as M-TIBA and through our corporate social investments under our Safaricom and M-PESA Foundations. (SDG 3)

ii) Expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations. (SDG 4)

iii) Transitioning to use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions. To this end, we have committed to be a net-zero emitting company by 2050. (SDG 7)

iv) Provide decent work within Safaricom and its broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers while at the same time contributing to the local and national economy through innovative solutions to increase employment and facilitate economic activity amongst suppliers and clients. (SDG 8)

v) Delivering connectivity and innovative products and services, that will provide unmatched solutions to meet the needs of Kenyans. (SDG 9)

vi) Reducing inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology. (SDG 10)

vii) Manage our operations responsibly decreasing our environmental impact and promoting responsible behaviors among all our stakeholders. We have committed to eliminate single use plastics in our operations by 2025. (SDG 12)

viii) Manage our operations responsibly and ethically and fight corruption in all its forms. (SDG 16)

ix) Partner and build collective capacity of people, organisations and nations to promote and advance the SDGs. (SDG 17)

The focus areas during the year included:

- Net zero commitment by 2050 – so far, we have planted 750,000 trees as part of our commitment to grow 5 million trees in 5 years.
- Advocacy and thought leadership on sustainability and Sustainable Development Goals – we launched the Safaricom Sustainable Future Series which is a thought leadership platform for business leaders on various sustainability-related issues.
- ISO 14001:2015 by British Standards Institute which we use to measure our performance against the requirements of the Environment Management Standards.
- Compliance – ensuring compliance with the relevant environmental regulations in order to secure license for 5G.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

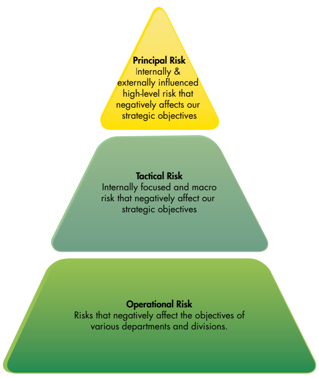
BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK

Safaricom remains committed to robust risk management practices as an integral part of good management. This is demonstrated by the top-down approach with the Board taking overall responsibility of managing risk. Appropriate support towards risk management is given, driving a positive risk culture across the organisation.

Our risk management framework is aligned to the International Risk Management Standard ISO 31000 (Risk Management Guidelines), allows us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides our management with a clear line of sight over risk to enable informed decision making. This framework is adopted across all Safaricom subsidiaries and supported by management and robust oversight by the Board.

We continuously review our risk management framework which provides the foundation and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.



Lines of defense	Oversight
3rd Line of Defence – Assurance from Internal and Extended auditors	Safaricom Board Audit and Risk Committees – at Group and subsidiary levels
2nd Line of Defence – Risk Management Team	Safaricom Management Risk Management Committees (RMC) Subsidiaries Risk Management Committees
1st Line of Defence – Line Management	Maintaining an effective control environment against operational risks

Our Risk Appetite Statement

Safaricom faces a broad range of risks while carrying out its business operations. We recognise that risk is an integral part of creating and preserving value, as such we have developed detailed processes to ensure all critical and major risks are proactively managed.

We recognise that it is not possible to eliminate all the risks inherent in our operations and acceptance of some of the risks is necessary to foster innovation, development of a sustainable business and for maximising shareholders value.

Our risk philosophy is aligned to best risk management practices and is aimed at supporting attainment of our purpose, vision and mission by effectively balancing risk and reward.

Our principal risks and what we are doing about them

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment that we operate in.

We identify the key risks through our Enterprise Risk Management Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The following are the principal risks and related mitigation strategies that receive close management attention:

1. REGULATORY ENVIRONMENT

OPPORTUNITIES:

Enhanced collaboration with our regulators to ease some regulatory pressures while ensuring that satisfactory measures are taken to safeguard our customers and other stakeholders' interests.

CONTEXT	MITIGATION
We operate in a complex and heavily regulated environment and our business can be adversely affected by changes in laws or regulatory policies. A breach of these regulatory requirements could expose Safaricom or its subsidiaries to significant financial implications, reputational damage and/or suspension of our licenses. With the regional expansion into Ethiopia with our subsidiary Safaricom Telecommunication Ethiopia PLC (STEP), our regulatory and compliance landscape has expanded. The nature of products and services provided require compliance with a wide range of rules and laws from the different regulators.	We continue to build and maintain proactive and constructive relationships with the regulators and governments, informed by a shared understanding of the need for inclusive economic development. Participating in industry forums and other policy forums as well as contributing to discussions on emerging legislation and regulations as we prepare to comply with the same. Our products and services are carefully and continuously monitored to ensure they do not contravene any laws and regulations. Strengthened focus placed on ensuring robust governance processes and strong regulatory compliance.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

2. ECONOMIC, MARKET AND FOREX CONDITIONS

OPPORTUNITIES:

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion against the economic shocks but also creates products that meet our customers' needs, enhanced service offering to our customers and new market ventures.

CONTEXT	MITIGATION
The economy continues to pose a challenge this year due to inflationary pressures, subdued agricultural production and drought, global increase in energy costs, geopolitical shocks and pressure on foreign currency exchange conditions. These economic pressures continue to negatively impact the purchasing power of our consumers with our services competing against the shrinking wallet. Telecommunication companies (Telcos) are regarded as good sources of tax revenue and usually fall within the top tax payers categories and any changes in taxation may have an impact on product pricing and could lead to reduced revenues or increased cost of operations. Regional expansion into Ethiopia has further increased the taxation jurisdictions.	We continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects. Enhanced value propositions to cater for reduced purchasing power and provide the customer with the ability to only spend what they have. We include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest rates, inflation, and exchange rates. Compliance with tax obligations and proactive review of our product and services with a key focus on key tax exposures.

3. MARKET DISRUPTION AND COMPETITION

OPPORTUNITIES:

The competitive and disruptive environment has yielded innovations that are setting us apart, allows us to be agile, drive partnerships and explore new markets while providing our customers with world-class experience.

CONTEXT	MITIGATION
In our shift from a more conventional telco to a digital services provider, we are facing strengthened competition both for customer and for digital talent from various nontraditional sources. Competition in the telecommunication industry is on the rise in terms of product and service offerings and our recent entry into Ethiopia as a market challenger further exacerbates this risk. Dynamic market needs, ever-changing consumer trends, entrance of new players in the market coupled with speed of new disruptive technologies have also intensified the competition with customer value proposition being the competitive edge. We face increased competition from a variety of new technology platforms, which aim to build alternative communication, which could potentially affect our customer relationships.	Our strategies to manage competition focus on growing and retaining our customers by: • Focus in new growth areas such as ICT, managed security services and markets (Ethiopia). • Developing insights using big data into our customers' needs, wants and behaviors and provide propositions to lead in chosen segments. • Offering quality services and leveraging on strategic partnerships within different sectors to ensure we provide our customers with relevant products and services. • Embedding a purpose led culture that drives innovation and partnership. • We continue to be innovative and adopt an agile operating model to be able to respond rapidly to the ever-changing customers' needs. • 4G acceleration to provide our customers with quality service.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

4. CYBER THREATS AND PRIVACY RISKS

OPPORTUNITIES:

Protecting our customers personal data that is crucial to being a trusted provider and supporting our enterprise customers by providing managed security services to safeguard their business operations.

CONTEXT	MITIGATION
Cybersecurity incidents, and other tactics designed to gain access to and exploit sensitive information by breaching critical systems are evolving and have been increasing in both sophistication and occurrence in recent years. We continue to see a lot of activities related to Business email compromise, Exploitation of Vulnerabilities, Zero-day exploits, Supply Chain Attacks and Third-Party Breaches, Ransomware, Phishing and Advance Persistent Attacks across the globe. Implementation of the General Data Protection Regulations (GDPR) in 2018 as well as enactment of the Kenya Data protection Act 2019 continues to raise the bar on data protection. Failure to mitigate these risks would lead to denial of service attacks, fraud, leakage of confidential and customer data, loss of digital trust, litigations and penalties.	Robust cyber security tools, systems and controls complemented by the 24/7 Cyber Defense Center to ensure we safeguard the services that we offer. Creation of a cyber aware ecosystem through collaboration with various stakeholders. Our networks and infrastructure are built with security in mind with layers of security control applied to all applications and infrastructure. Our ISO 27001 Information Security Certification and Privacy Information system implementation is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to product and services to protect the privacy of their information.

5. TECHNOLOGY RISK AND OPERATIONAL RESILIENCE

OPPORTUNITIES:

Extensive investment in a robust network architecture driven by customer needs to ensure we meet customer expectations all the time. In addition, we have strong technology redundancies to minimise technology failures.

CONTEXT	MITIGATION
Our customer value proposition is based on the reliable availability of our high-quality network and services. We have an increasingly complex information/network technology infrastructure, which we constantly expand and upgrade to ensure the best customer experience and consolidate our technology leadership. A major failure in critical network or information technology assets for example, through natural disasters, insufficient preventative maintenance, or malicious attacks would have a profound impact on our customers and business partners.	Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place. Investments to ensure adequate redundancy capabilities and elimination of any single point of failure.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

6. SOCIAL ENGINEERING FRAUDS, MONEY LAUNDERING AND TERRORIST FINANCING

OPPORTUNITIES:

Providing our customers with a worry free and safe services is crucial to being a trusted and reliable service provider while its our social responsibility to ensure that the products, services, and platforms we offer are not misused and involved in conducting illegal activities. We provide policies, procedures and tools that ensure screening of activities conducted on our platforms as a safety measure.

CONTEXT	MITIGATION
Due to the wide usage of our M-PESA services across the country, our M-PESA customers and partners are exposed to social engineering frauds. The large size of our business channels, rapid growth of international money transfers further exposes our services to money laundering and counter terrorist financing activities.	Existence of strong Anti-Money Laundering (AML) and fraud programs with continuous review and development of technical controls to minimise social engineering fraud and money laundering. Always on customer education and awareness through various platforms, as well as continuous collaboration and engagement with financial institutions on fraud reduction/prevention initiatives and minimise instances of money laundering and counter terrorist financing activities. Investment in banking grade AML solution and use of advanced technologies to prevent, monitor and detect these activities.

7. INSECURITY AND POLITICAL LANDSCAPE

OPPORTUNITIES:

Our existing community interactions has embedded our brand creating a sense of ownership and protection. Our collaboration with governments and other agencies to combat crime and insecurity enable us to take part in creating a better environment for all.

CONTEXT	MITIGATION
The first half of the year experienced a heated political climate due to the electioneering activities that were concluded during our third quarter of our financial year. Our expansion into Ethiopia has further exposed us to geopolitical tensions following the civil unrest experienced in some of the regions. While relative calm has been attained the political environment in the region is still volatile. There has been an increase in general insecurity due to economic and opportunistic conditions and continued terror activities in the country with some threats targeting our Base Transmission Station (BTS) assets.	Security program in place to support our business and partners in creating a secure and safe environment. The Ethiopian market offers a great opportunity for us to offer differentiated products and services to markets that have for a long time operated under a closed market. Further the support accorded by the Ethiopian Government creates an enabling business environment.

8. HEALTH AND SAFETY RISK

OPPORTUNITIES:

Our ongoing focus is to provide a safe working environment for everyone working for and on behalf of Safaricom and the communities in which we operate in.

CONTEXT	MITIGATION
Exposure to health and safety risks to our staff and partners due to the nature of our operations (driving, working at heights/underground, working with electricity and working in terror prone locations). Exposure to a large ecosystem of partners working within our distribution and network rollout/maintenance and support who are exposed to health and safety risks while executing their duties across the country.	Entrenching of our zero-harm strategy across the business and to our partners and creating a health and safety aware culture across Safaricom, its subsidiaries and the entire ecosystem. Suppliers' safety management through strengthening supplier oversight and accelerating supplier maturity, through enhanced onboarding and monitoring processes.

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

BUSINESS REVIEW (CONTINUED)

OUR RISK MANAGEMENT FRAMEWORK (CONTINUED)

Our principal risks and what we are doing about them (continued)

9. SUPPLY CHAIN DISRUPTIONS/GEOPOLITICAL RISKS

OPPORTUNITIES:

Supply chain disruptions create opportunities for us to develop more resilient supply chains, leverage on disruptions to innovate and improve our products therefore gaining a competitive advantage over the competition or disruptions.

CONTEXT	MITIGATION
We rely upon various key suppliers and partners to drive and meet our goals. If these suppliers and/or partners fail to meet the agreed service level agreements, we could experience disruptions, which could have an adverse effect on our operations. Additional risks could result from other geopolitical conflicts impacting supply chains, availability of certain components such as chipsets, disruption of logistics/shipping lines and international trade sanctions/conflicts resulting in supply side pressures.	We operate our supply chain with resiliency in design by having dual supply partners, strong SLA and partnership framework while proactively monitoring of the ongoing geopolitical activities/dynamics and adjusting our business strategies and controls accordingly.

10. TALENT RISK – AVAILABILITY AND RETENTION OF RARE SKILLS

OPPORTUNITY:

Implementation of an effective talent management to create a resilient workforce that will be key in enhancing innovation at Safaricom and remaining ahead of the curve.

CONTEXT	MITIGATION
Talent is a key resource that is valuable to the organisation and a key pillar in attainment of our mission. There is lack of adequate resources due to increased demand for some critical/rare skills such as data scientists, Cyber Security and Fintech in the industry.	Collaboration with industry partners and universities and have launched the Industry Digital Talent Program focusing on Data science, Artificial intelligence, Digital Engineering, Cyber security, Machine learning, and Software Engineering. Identification of critical skills and succession planning while upskilling our staff with relevant skills.

RESULTS AND DIVIDEND

The Group's profit for the year is KShs 52,482.8 million (2022: KShs 67,496.1 million) and has been added to retained earnings.
During the year, an interim dividend of KShs 0.58 per ordinary share (2022: KShs 0.64) amounting to KShs 23.24 billion (2022: KShs 25.64 billion) was declared. The Directors have proposed a final dividend in respect of the year ended 31 March 2023 of KShs 0.62 per ordinary share amounting to a total of KShs 24.84 billion to be approved at the Annual general Meeting (AGM) to be held on 28 July 2023. This brings the total dividend for the year to KShs 48.08 billion (2022: KShs 55.69 billion) which represents KShs 1.20 per share in respect of the year ended 31 March 2023 (2022: KShs 1.39 per share).

DIRECTORS

The Directors who held office during the year were:

Name	Position	Nationality	Date of Appointment
Adil Arshed Khawaja (MBS)[1]	Chairman and Non-Executive Director	Kenyan	22 December 2022
John Ngumi[2]	Chairman and Non-Executive Director	Kenyan	1 August 2022
Michael Joseph[3]	Non-Executive Director	Kenyan & American	8 September 2008
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020
Cabinet Secretary, National Treasury and Economic Planning	Non-Executive Director	Kenyan	10 February 2021

Report of the Directors (continued)

FOR THE YEAR ENDED 31 MARCH 2023

DIRECTORS (CONTINUED)

Name	Position	Nationality	Date of Appointment
Christopher Kirigua[4]	Alternate to CS, National Treasury	Kenyan	10 February 2021
Eng. Stanley Kamau[5]	Alternate to CS, National Treasury	Kenyan	28 June 2022
Sitholizwe Mdlalose[6]	Non-Executive Director	British	29 July 2020
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Ory Okolloh[7]	Independent Director	Kenyan	24 February 2023
Linda Muriuki[8]	Non-Executive Director	Kenyan	31 August 2017
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
Bitange Ndemo[9]	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021
Karen Kandie[10]	Alternate to CS, National Treasury and Economic Planning	Kenyan	24 February 2023

1 *Adil Arshed Khawaja (MBS) was appointed a Director in the Board with effect from 22 December 2022. He was elected the Chairman of the Board on 26 January 2023.*

2 *John Ngumi was appointed a Director in the Board with effect from 1 August 2022. He ceased to be a Director and the Chairman of the Board with effect from 22 December 2022.*

3 *Michael Joseph ceased to be the Chairman of the Board with effect from 1 August 2022.*

4 *Christopher Kirigua ceased to be an alternate Director to the CS, National Treasury and Economic Planning with effect from 28 June 2022 and was replaced by Eng. Stanley Kamau.*

5 *Eng. Stanley Kamau ceased to be an alternate Director to the CS, National Treasury and Economic Planning with effect from 24 February 2023 and was replaced by Karen Kandie.*

6 *Sitholizwe Mdlalose ceased to be a Director in the Board with effect from 1 August 2022.*

7 *Ory Okolloh was appointed to be an independent Director in the Board with effect from 24 February 2023.*

8 *Linda Muriuki ceased to be a Director in the Board with effect from 20 February 2023.*

9 *Bitange Ndemo ceased to be an Independent Director in the Board with effect from 24 February 2023.*

10 *Karen Kandie was appointed to be an alternate Director to CS, National Treasury and Economic Planning with effect from 24 February 2023.*

STATEMENT AS TO DISCLOSURE TO THE GROUP'S AND COMPANY'S AUDITOR

With respect to each Director at the time this report was approved:

a) There is, so far as the Director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and

b) The Director has taken all steps that the Director ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

During the AGM of the Company that was held on 29 July 2022, the shareholders resolved to re-appoint Messrs Ernst and Young LLP, as the Company's independent Auditors in accordance with the provisions of section 721 of the Kenyan Companies Act, 2015.
The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Ms Kathryne Maundu
Company Secretary
10 May 2023

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 MARCH 2023

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Group and Company keeps proper accounting records that: (a) show and explain the transactions of the Group and Company; (b) disclose, with reasonable accuracy, the financial position of the Group and Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining internal controls that determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii) selecting suitable accounting policies and then applying them consistently; and

iii) making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 10 May 2023 and signed on its behalf by:

Adil Arshed Khawaja (MBS)
Chairman

Peter Ndegwa
Chief Executive Officer

Directors' Remuneration Report

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT

The Company's Board composition as at 31 March 2023 is as below:

Name	Position	Nationality	Date of appointment
a) Non-Executive Directors			
Adil Arshed Khawaja (MBS)	Chairman and Non-Executive Director	Kenyan	22 December 2022
Michael Joseph	Non-Executive Director	Kenyan and American	8 September 2008
Cabinet Secretary (CS), National Treasury	Non-Executive Director	Kenyan	10 February 2021
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Mohamed Joosub	Non-Executive Director	South African	31 August 2017
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
b) Independent Directors			
Rose Ogega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021
Ory Okolloh	Independent Director	Kenyan	24 February 2023
c) Executive Director			
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
d) Alternate Directors			
Karen Kandie	Alternate to CS, National Treasury and Economic Planning	Kenyan	24 February 2023
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 2020

The following Directors served in office and resigned during the year.

Name	Position	Nationality	Date of resignation
John Ngumi	Chairman and Non-Executive Director	Kenyan	22 December 2022
Bitange Ndemo	Independent Director	Kenyan	24 February 2023
Eng. Stanley Kamau	Alternate to CS, National Treasury	Kenyan	24 February 2023
Christopher Kirigua	Alternate to CS, National Treasury	Kenyan	28 June 2022
Sitholizwe Mdlalose	Non-Executive Director	British	01 August 2022
Linda Muriuki	Non-Executive Director	Kenyan	20 February 2023

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The Board establishes and approves transparent and competitive remuneration policies for the non-executive Board members. These policies clearly stipulate remuneration elements such as Directors' annual fees, sitting allowances per meeting attended and other benefits that are based on proper benchmarking and taking into consideration the prevailing market conditions.
Safaricom PLC seeks to remunerate Non-Executive Directors at least at the 75th percentile. The current remuneration structure is based on a survey commissioned by the Board through its Board Nominations and Remuneration Committee and carried out by PricewaterhouseCoopers (PwC), a consultant, across peer organisations comparable with Safaricom. Remuneration for Non-Executive Directors is reviewed every two years.

The current agreed fees and allowances structure is as follows:

- Annual Directors fees paid to the Chairman of the Board agreed at KShs 8,500,000 per annum.
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 3,000,000 per annum.
- Sitting allowance payable to the Chairman of the Board retained at KShs 230,000 per meeting.
- Sitting allowance payable to the Chair of a Committee retained at KShs 125,000 per meeting.
- Sitting allowance payable to each Non-Executive Director retained at KShs 110,000 per meeting.

The annual Directors' fees for the director representing the National Treasury and Economic Planning is paid directly to the National Treasury and Economic Planning.

The annual Directors' fees for the directors representing Vodafone Kenya Limited are paid directly to Vodafone Foundation/Vodacom Group Limited.
The Board members are also entitled to telephone and internet usage allowance.
The Board has in place a formal process of reviewing its performance and that of its committees and individual directors. Evaluation of the Board during the year ended 31 March 2023 was facilitated by an independent external consultant.

Directors' Remuneration Report (continued)

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

EXECUTIVE DIRECTORS' REMUNERATION

The Executive Director's remuneration is as per the negotiated employment contract and is employed on permanent basis.

Besides the basic salary, the Executive Director is entitled to an annual performance-based bonus and shares, residential accommodation, utility bills payment and club membership.

STATEMENT OF VOTING ON THE DIRECTORS' REMUNERATION REPORT AT THE PREVIOUS AGM

During the AGM held on 29 July 2022, voting was done by the ballot to approve the Directors' Remuneration Report.

The results of the vote were as below;

Agenda	Vote	Total votes	Percentage of the total votes
Directors' Remuneration report	For	32,557,898,414	99.27%
	Against	240,314,530	0.73%
	Spoilt Votes	–	–
	Withheld	1,426,306	–
Total votes		**32,799,639,250**	**100.00%**

INFORMATION SUBJECT TO AUDIT

The following table shows remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the financial year ended 31 March 2023 and comparative figures for the year ended 31 March 2022. The aggregate Directors' emoluments are shown in Note 32(iii).

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 MARCH 2023

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	Total KShs'm
Executive Directors					
Peter Ndegwa	95.24	–	196.27	21.60	313.11
Dilip Pal	57.94	–	39.67	17.73	115.34
Total	**153.18**	**–**	**235.94**	**39.33**	**428.45**
Non-Executive Directors					
Adil Khawaja	–	4.65	–	0.02	4.66
John Ngumi	–	7.90	–	3.07	10.97
Michael Joseph	–	15.71	–	5.39	21.10
Bitange Ndemo	–	5.68	–	0.19	5.88
Rose Ogega	–	10.39	–	0.21	10.60
Linda Muriuki	–	7.37	–	0.32	7.69
Mohamed Joosub	–	6.74	–	–	6.74
National Treasury	–	2.50	–	–	2.50
Francesco Bianco	–	5.53	–	–	5.53
Christopher Kirigua	–	0.88	–	5.65	6.53
Eng. Stanley Kamau	–	2.89	–	0.10	2.99
Winnie Ouko	–	8.54	–	0.35	8.89
Sitholizwe Mdlalose	–	2.21	–	–	2.21
Raisibe Morathi	–	7.84	–	–	7.84
Ory Okolloh	–	0.80	–	–	0.80
Karen Kandie	–	0.66	–	–	0.66
Total	**–**	**90.29**	**–**	**15.30**	**105.59**
Grand total	**153.18**	**90.29**	**235.94**	**54.63**	**534.04**

Directors' remuneration report (continued)

FOR THE YEAR ENDED 31 MARCH 2023

INFORMATION NOT SUBJECT TO AUDIT (CONTINUED)

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 31 MARCH 2022

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	Total KShs'm
Executive Directors					
Peter Ndegwa	88.89	–	178.88	21.16	288.93
Dilip Pal	54.05	–	13.77	19.91	87.73
Total	142.94	–	192.65	41.07	376.66
Non-Executive Directors					
Michael Joseph	–	24.93	–	0.27	25.20
Bitange Ndemo	–	7.42	–	0.01	7.43
Rose Ogega	–	10.76	–	0.22	10.98
Linda Muriuki	–	7.79	–	0.14	7.93
Mohamed Shameel Joosub	–	6.16	–	–	6.16
Francesco Bianco	–	5.50	–	–	5.50
Christopher Kirigua	–	5.85	–	1.65	7.50
National Treasury	–	2.80	–	–	2.80
Winnie Ouko	–	8.52	–	0.18	8.70
Sitholizwe Mdlalose	–	5.89	–	–	5.89
Raisibe Morathi	–	6.79	–	–	6.79
Total	–	92.41	–	2.47	94.88
Grand total	142.94	92.41	192.65	43.54	471.54

** EPSAP – Employee Performance Share Award Plan*

On behalf of the Board

Winnie Ouko

Winnie Ouko
Chairperson, Board Nominations and Remuneration Committee
10 May 2023

EY

Report of the Independent Auditor to the shareholders of Safaricom PLC

FOR THE YEAR ENDED 31 MARCH 2023

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS

OPINION

We have audited the Group and Company financial statements of Safaricom PLC (the ''Company'') and its subsidiaries (together, the ''Group'') set out on pages 184 to 268, which comprise the Group and Company Statements of Financial Position as at 31 March 2023, and the Group and the Company's Statements of Profit or Loss, the Group and the Company's Statements of Comprehensive Income, the Group and the Company's Statements of Changes in Equity and the Group and the Company's Statements of Cash Flows for the year then ended, and notes to the Group and the Company's financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the Group and the Company's financial position of Safaricom PLC as at 31 March 2023, and its Group and the Company's financial performance and its Group and the Company's cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Group and the Company's Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and Company's financial statements of the current period. These matters were addressed in the context of our audit of the Group and Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Group and Company's Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Group and Company's financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Group and Company financial statements.

The Key Audit Matters below apply to the audits of the Group and the Company's financial statements.

Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

KEY AUDIT MATTERS (CONTINUED)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition – occurrence, completeness and measurement of recorded revenue given the complexity of products, systems and IFRS 15: Revenue from contracts with customers. The occurrence and accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of the billing systems arising from changes in products and plans – including multiple element arrangements, the number of products sold and the tariff structure changes during the year. The application of the revenue recognition accounting standard IFRS 15: Revenue from contracts with customers, requires the use of complex rating, billing and accounting systems. The complexity is compounded by the significant number of revenue transactions that are accounted for on an annual basis. We therefore considered revenue recognition to be a matter of most significance to our current year audit. The significant accounting policies and detailed disclosures on revenue recognition are included in Note 2(f) – Revenue recognition, Note 5(a) – Revenue from contracts with customers, and Note 30(b) – Contract liabilities, to the financial statements.	• We understood and tested the design and operating effectiveness of management's controls over the transfer of revenue information between the multiple systems involved in recording revenue; • We tested the controls in place over the authorisation of rate changes and a review of the new products recorded in the billing systems; • We tested the IT general controls of the rating and billing environment, as well as assessed the completeness of the relevant revenue reports utilised for audit purposes; • We tested the end-to-end reconciliation over significant revenue streams from rating and billing systems to the journals processed in the general ledger; • We performed analytical review procedures over significant revenue streams; • We selected and tested a sample revenue contracts and assessed, in line with the requirements of IFRS 15: Revenue from contracts with customers, that contracts with customers were valid, that performance obligations were agreed by both parties and that revenue was appropriately recognised; • We selected and tested a sample of journal entries, processed in relation to non-standard revenue including manual journals, by reviewing supporting documentation to ensure that the journals were supported by an underlying business rationale, were accounted for correctly, in the correct period and appropriately authorised; and • We examined and assessed the accounting policies applied and disclosures in terms of the recognition of revenue for compliance with IFRS 15: Revenue from contracts with customers and industry guidance.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Hyperinflation accounting in the subsidiary, Safaricom Telecommunications Ethiopia PLC. As disclosed in Notes 2(e), 3(iv) and 35, the Ethiopian economy, where Safaricom Telecommunications Ethiopia PLC operates, has been classified as hyperinflationary as of 31 December 2022 and thereafter. As a result, the financial statements of Safaricom Telecommunications Ethiopia PLC, have been prepared in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies, and consolidated into the Group's financial statements. IAS 29 requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date by applying a general price index. We have considered this as a Key Audit Matter due to the complexity and significant judgements relating to the restatement of the Safaricom Telecommunications Ethiopia PLC's financial statements into current measuring units, and the importance of IAS 29 disclosures i.e. Notes 2(e), 3(iv) and 35, to the financial statements.	We performed the following audit procedures in response to this matter: • Obtained the IAS 29 model used by management in the restatement of the Safaricom Telecommunications Ethiopia PLC's financial statements into current measuring units. • Assessed whether the underlying assumptions and judgements applied in the model were justifiable in the context of IAS 29. • Re-calculated the current measuring units and the hyperinflationary monetary gain in the restated financial statements using management's model. • Assessed the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards.

Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

OTHER INFORMATION

The other information comprises Report of the Directors, Statement of Directors' Responsibilities, and Directors' Remuneration Report, which we obtained prior to the date of this report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date. Other information does not include the Group or the Company's financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Group and the Company's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out in the Report on Other Matters Prescribed by the Kenyan Companies Act, 2015 section of our report.

In connection with our audit of the Group and Company's financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Group and Company's financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE GROUP AND COMPANY'S FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the Group and Company's financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of Group and Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Company's financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP AND COMPANY'S FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Group and Company's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group and Company's financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Report of the Independent Auditor to the shareholders of Safaricom PLC (continued)

FOR THE YEAR ENDED 31 MARCH 2023

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP AND COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Group and Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

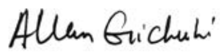
REPORT ON OTHER MATTERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

i) in our opinion, the information given in the Report of the Directors on pages 166 to 175 is consistent with the Group and Company's financial statements.

ii) in our opinion, the auditable part of Directors' Remuneration Report on page 177 to 179 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Allan Gichuhi practicing certificate number 1899.



For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya
16 May 2023

Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Revenue from contracts with customers	5(a)	**307,142.1**	295,441.4	**302,579.4**	292,556.2
Revenue from other sources	5(b)	**3,762.7**	2,636.5	**7,900.4**	3,289.7
Total revenue		**310,904.8**	298,077.9	**310,479.8**	295,845.9
Direct costs	6(a)	**(92,232.1)**	(91,467.8)	**(89,363.4)**	(90,613.6)
Expected credit losses on financial assets	6(b)	**(4,725.3)**	(2,361.2)	**(4,925.3)**	(2,602.7)
Other expenses	7	**(74,085.0)**	(55,187.0)	**(53,118.7)**	(49,545.5)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**139,862.4**	149,061.9	**163,072.4**	153,084.1
Depreciation – property and equipment	18	**(39,754.5)**	(34,145.2)	**(36,971.8)**	(33,922.2)
Amortisation – indefeasible rights of use (IRUs)	19	**(281.3)**	(281.3)	**(281.3)**	(281.3)
Amortisation – intangible assets	21	**(8,417.9)**	(1,850.0)	**(2,329.6)**	(1,850.0)
Amortisation – right-of-use (RoU) assets	22(a)	**(6,411.3)**	(3,656.8)	**(4,419.0)**	(3,644.2)
Operating profit		**84,997.4**	109,128.6	**119,070.7**	113,386.4
Finance income	8	**4,075.2**	2,413.4	**2,403.7**	2,050.1
Finance costs	9	**(11,162.3)**	(8,852.6)	**(12,416.0)**	(8,895.2)
Fair value adjustment to investment properties	20	**90.0**	–	**90.0**	–
Share of profit/(loss) of associates	23(b)	**12.5**	(279.8)	**12.5**	(279.8)
Share of loss of joint venture	23(b)	**(50.7)**	(196.2)	**(50.7)**	(196.2)
Hyperinflationary monetary gain	35	**10,383.1**	–	**–**	–
Profit before income tax		**88,345.2**	102,213.4	**109,110.2**	106,065.3
Income tax expense	12(a)	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Attributable to:					
Equity holders of the parent		**62,268.9**	69,648.1	**74,939.6**	71,789.3
Non-controlling interests		**(9,786.1)**	(2,152.0)	**–**	–
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Basic earnings per share (KShs per share)	13	**1.6**	1.7	**1.9**	1.8
Diluted earnings per share (KShs per share)	13	**1.6**	1.7	**1.9**	1.8
Profit for the year		**52,482.8**	67,496.1	**74,939.6**	71,789.3
Other comprehensive income/(loss):					
Items that will subsequently be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		**10,260.0**	(9,536.3)	**–**	–
Other comprehensive income/(loss) for the year		**10,260.0**	(9,536.3)	**–**	–
Total comprehensive income for year		**62,742.8**	57,959.8	**74,939.6**	71,789.3
Attributable to:					
Equity holders of the parent		**34,954.0**	64,335.4	**74,939.6**	71,789.3
Non-controlling interests		**27,788.8**	(6,375.6)	**–**	–
Total comprehensive income for year		**62,742.8**	57,959.8	**74,939.6**	71,789.3

** These components of other comprehensive income/(loss) do not attract any tax*

Statement of Financial Position

AS AT 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Non-current assets					
Deferred income tax assets	17	**15,337.0**	9,908.8	**15,338.0**	9,908.7
Property and equipment	18	**221,987.6**	148,993.0	**141,803.5**	138,502.6
Indefeasible rights of use	19	**2,283.0**	2,564.3	**2,283.0**	2,564.3
Investment properties	20	**935.0**	845.0	**935.0**	845.0
Intangible assets	21	**150,198.8**	93,647.2	**14,163.0**	11,349.6
Right of use assets	22(a)	**36,885.5**	18,301.7	**17,691.3**	17,177.4
Investment in subsidiaries	23(a)	**–**	–	**78,012.5**	59,057.8
Investment in associates and joint venture	23(b)	**3,943.9**	3,982.1	**3,943.9**	3,982.1
Restricted cash	26(b)	**1,481.4**	1,759.9	**1,481.4**	1,759.9
Deferred restricted cash asset	26(c)	**278.2**	407.9	**278.2**	407.9
Contract costs	30(a)	**1,852.7**	1,138.7	**1,578.3**	1,138.7
Loans receivable from related company	32(x)	**1,588.4**	–	**1,588.4**	–
Loan receivable from subsidiary	32(x)	**–**	–	**565.5**	666.1
		436,771.5	281,548.6	**279,662.0**	247,360.1
Current assets					
Current income tax	12(b)	**851.6**	7.9	**–**	–
Inventories	24	**3,655.6**	4,306.8	**2,231.5**	4,147.4
Trade and other receivables	25	**40,791.5**	25,919.2	**23,862.0**	22,003.7
Net cash and cash equivalents	26(a)	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Restricted cash – letter of credit	27	**615.1**	–	**–**	–
Other financial assets	28	**28.6**	–	**–**	–
Contract costs	30(a)	**4,395.0**	2,951.5	**4,236.3**	2,951.5
Loan receivable from related company	32(x)	**–**	1,285.0	**–**	1,285.0
		72,435.5	65,250.0	**48,391.7**	55,948.2
Total assets		**509,207.0**	346,798.6	**328,053.7**	303,308.3
Equity					
Share capital	14	**2,003.3**	2,003.3	**2,003.3**	2,003.3
Share premium	14	**2,200.0**	2,200.0	**2,200.0**	2,200.0
Retained earnings		**121,823.6**	110,528.9	**137,065.2**	110,204.0
Other reserves		**36,688.4**	(5,312.7)	**–**	–
Proposed dividend	15	**24,840.6**	30,049.1	**24,840.6**	30,049.1
Equity attributable to equity holders of the parent		**187,555.9**	139,468.6	**166,109.1**	144,456.4
Non-controlling interests	23(a)	**75,810.0**	40,232.3	**–**	–
Total equity		**263,365.9**	179,700.9	**166,109.1**	144,456.4

Statement of Financial Position (continued)

AS AT 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Non-current liabilities					
Borrowings	16	**42,050.0**	44,910.8	**38,533.6**	44,910.8
Lease liabilities	22(b)	**29,984.0**	14,584.9	**17,070.1**	14,079.2
Payables and accrued expenses	29(a)	**27,359.3**	4,330.6	**–**	–
Provisions for liabilities	29(b)	**4,462.8**	3,183.3	**3,410.7**	3,183.3
Contract liabilities	30(b)	**1,607.8**	1,937.5	**1,607.8**	1,937.5
Financial guarantees liability	32(xi)	**–**	–	**960.4**	120.9
		105,463.9	68,947.1	**61,582.6**	64,231.7
Current liabilities					
Current income tax	12(b)	**2,408.8**	5,291.2	**192.2**	5,086.3
Dividend payable	15	**1,783.0**	12,053.9	**1,783.0**	12,053.9
Borrowings	16	**43,492.3**	20,400.0	**35,500.0**	20,400.0
Lease liabilities	22(b)	**5,354.9**	5,508.5	**4,376.6**	5,437.4
Payables and accrued expenses	29(a)	**72,688.2**	41,312.6	**44,298.6**	38,058.2
Provisions for liabilities	29(b)	**4,524.1**	3,373.8	**4,524.1**	3,373.8
Contract liabilities	30(b)	**10,125.9**	10,210.6	**9,687.5**	10,210.6
		140,377.2	98,150.6	**100,362.0**	94,620.2
Total liabilities		**245,841.1**	167,097.7	**161,944.6**	158,851.9
Total equity and liabilities		**509,207.0**	346,798.6	**328,053.7**	303,308.3

The financial statements on pages 184 to 268 were approved for issue by the Board of Directors on 10 May 2023 and signed on its behalf by:

Adil Arshed Khawaja (MBS)
Chairman

Peter Ndegwa
Chief Executive Officer

Group Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

		GROUP							
	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Other reserves** KShs'm	Proposed dividend KShs'm	Total KShs'm	Non-controlling interests KShs'm	Total equity KShs'm
Year ended 31 March 2023									
At start of year		2,003.3	2,200.0	110,528.9	(5,312.7)	30,049.1	139,468.6	40,232.3	179,700.9
– Adjustment on initial application of IAS 29	35(b)	–	–	(2,895.8)	36,285.3	–	33,389.5	26,545.0	59,934.5
As restated		2,003.3	2,200.0	107,633.1	30,972.6	30,049.1	172,858.1	66,777.3	239,635.4
Profit for the year		–	–	62,268.9	–	–	62,268.9	(9,786.1)	52,482.8
Other comprehensive income									
Exchange differences on translating foreign operations		–	–	–	5,715.8	–	5,715.8	4,544.2	10,260.0
Total comprehensive income/(loss) for the year		–	–	62,268.9	5,715.8	–	67,984.7	(5,241.9)	62,742.8
Transactions with owners:									
Dividend:									
– Declared final dividend for 2022	15	–	–	–	–	(30,049.1)	(30,049.1)	–	(30,049.1)
– Interim dividend paid	15	–	–	(23,237.8)	–	–	(23,237.8)	–	(23,237.8)
– Capital contribution from NCI shareholders*		–	–	–	–	–	–	14,274.6	14,274.6
– Proposed final dividend for 2023		–	–	(24,840.6)	–	24,840.6	–	–	–
		–	–	(48,078.4)	–	(5,208.5)	(53,286.9)	14,274.6	(39,012.3)
At end of year		2,003.3	2,200.0	121,823.6	36,688.4	24,840.6	187,555.9	75,810.0	263,365.9

Group Statement of Changes in Equity (continued)

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Other reserves** KShs'm	Proposed dividend KShs'm	Total KShs'm	Non-controlling interests KShs'm	Total equity KShs'm
		GROUP							
Year ended 31 March 2022									
At start of year		2,003.3	2,200.0	96,571.8	–	36,860.2	137,635.3	–	137,635.3
Profit for the year		–	–	69,648.1	–	–	69,648.1	(2,152.0)	67,496.1
Other comprehensive loss		–	–	–	(5,312.7)	–	**(5,312.7)**	(4,223.6)	(9,536.3)
Total comprehensive income/(loss) for the year		**–**	**–**	**69,648.1**	**(5,312.7)**	**–**	**64,335.4**	**(6,375.6)**	**57,959.8**
Transactions with owners:									
Dividend:									
– Declared final dividend for 2021	15	–	–	–	–	(36,860.2)	(36,860.2)	–	(36,860.2)
– Interim dividend	15	–	–	(25,641.9)	–	–	(25,641.9)	–	(25,641.9)
– Capital contribution from NCI shareholders*		–	–	–	–	–	–	46,607.9	46,607.9
– Proposed final dividend for 2022		–	–	(30,049.1)	–	30,049.1	–	–	–
		–	–	(55,691.0)	–	(6,811.1)	(62,502.1)	46,607.9	(15,894.2)
At end of year		2,003.3	2,200.0	110,528.9	(5,312.7)	30,049.1	139,468.6	40,232.3	179,700.9

* *Capital contribution from NCI shareholders relates to the contribution of non-controlling shareholders towards investment in the equity of Safaricom Ethiopia PLC.*

** *Other reserves include foreign currency translation reserve representing the cumulative position of translation gains and losses arising from translation of net assets of foreign subsidiary companies to the presentation currency and adjustment on initial application of IAS 29 (Note 35(b)).*

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2023

		COMPANY				
	Notes	**Share capital KShs'm**	**Share premium KShs'm**	**Retained earnings KShs'm**	**Proposed dividend KShs'm**	**Total equity KShs'm**
Year ended 31 March 2023						
At start of year		**2,003.3**	**2,200.0**	**110,204.0**	**30,049.1**	**144,456.4**
Profit for the year		**–**	**–**	**74,939.6**	**–**	**74,939.6**
Transactions with owners:						
Dividend:						
Declared final dividend for 2022	15	**–**	**–**	**–**	**(30,049.1)**	**(30,049.1)**
Interim dividend	15	**–**	**–**	**(23,237.8)**	**–**	**(23,237.8)**
Proposed final dividend for 2023		**–**	**–**	**(24,840.6)**	**24,840.6**	**–**
		–	**–**	**(48,078.4)**	**(5,208.5)**	**(53,286.9)**
At end of year		**2,003.3**	**2,200.0**	**137,065.2**	**24,840.6**	**166,109.1**
Year ended 31 March 2022						
At start of year		2,003.3	2,200.0	94,105.7	36,860.2	135,169.2
Profit for the year		–	–	71,789.3	–	71,789.3
Transactions with owners:						
Dividend:						
Declared final dividend for 2021	15	–	–	–	(36,860.2)	(36,860.2)
Interim dividend	15	–	–	(25,641.9)	–	(25,641.9)
Proposed final dividend for 2022		–	–	(30,049.1)	30,049.1	–
		–	–	(55,691.0)	(6,811.1)	(62,502.1)
At end of year		2,003.3	2,200.0	110,204.0	30,049.1	144,456.4

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Cash flows from operating activities					
Cash generated from operations	31(a)	**159,596.8**	143,574.7	**164,463.4**	145,801.0
Interest received		**1,571.0**	1,254.5	**1,302.3**	1,207.9
Income tax paid	12(b)	**(45,016.7)**	(34,128.7)	**(44,493.9)**	(33,784.2)
Net cash generated from operating activities		**116,151.1**	110,700.5	**121,271.8**	113,224.7
Cash flows from investing activities					
Purchase of property and equipment		**(66,331.2)**	(41,058.0)	**(38,564.0)**	(34,667.6)
Proceeds from disposal of property and equipment		**43.8**	49.2	**43.6**	49.2
Acquisition of intangible assets	21	**(5,143.0)**	(96,288.3)	**(5,143.0)**	(4,728.1)
Investment in other financial assets	28	**(28.6)**	–	**–**	–
Movement in restricted cash		**(116.6)**	352.3	**416.0**	352.3
Loans to joint ventures		**(300.0)**	–	**(300.0)**	–
Loans to subsidiaries		**–**	–	**(120.0)**	(500.0)
Investment in subsidiaries		**–**	–	**(18,116.1)**	(58,626.6)
Net cash used in investing activities		**(71,875.6)**	(136,944.8)	**(61,783.5)**	(98,120.8)
Cash flows from financing activities					
Dividend paid	15	**(63,557.8)**	(59,132.3)	**(63,557.8)**	(59,132.3)
Repayment of lease liabilities – principal	22(b)	**(8,349.1)**	(3,806.4)	**(4,001.3)**	(3,220.5)
Repayment of lease liabilities – interest	22(b)	**(1,768.5)**	(1,347.9)	**(1,735.3)**	(1,345.4)
Interest paid on borrowings		**(6,924.4)**	(2,477.9)	**(6,415.4)**	(2,419.8)
Proceeds from borrowings	16	**62,238.1**	120,564.8	**51,500.0**	120,564.8
Repayment of borrowings	16	**(42,777.2)**	(70,026.0)	**(42,777.2)**	(70,026.0)
Capital contribution from NCI shareholders		**14,274.6**	46,607.9	**–**	–
Net cash (used in)/generated from financing activities		**(46,864.3)**	30,382.2	**(66,987.0)**	(15,579.2)
(Decrease)/increase in cash and cash equivalents		**(2,588.9)**	4,137.9	**(7,498.7)**	(475.3)
Movement in cash and cash equivalents					
At start of year		**30,779.6**	26,736.1	**25,560.6**	26,035.9
Net foreign exchange differences		**537.6**	(94.4)	**–**	–
Net monetary gain on cash and cash equivalents		**(6,630.3)**	–	**–**	–
(Decrease)/increase in cash and cash equivalents		**(2,588.9)**	4,137.9	**(7,498.7)**	(475.3)
At end of year	26(a)	**22,098.1**	30,779.6	**18,061.9**	25,560.6

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2023

1 GENERAL INFORMATION

Safaricom PLC is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya.

The address of the registered office of the Company is:

L.R. No. 13263
Safaricom House, Waiyaki Way
P.O Box 66827-00800
Nairobi, Kenya

The Company's shares are listed on the Nairobi Securities Exchange.

For the Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and Other Comprehensive Income, in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The financial statements, except for cashflow information have been prepared using the accrual accounting basis. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency of the Company, rounded to the nearest million (KShs'm), except where otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

MEASUREMENT BASIS

The measurement basis used is the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies except for investment property that has been measured at fair value. The financial statements have been adjusted for the effects of inflation for Safaricom Telecommunication Ethiopia PLC as the Ethiopian economy has been declared hyperinflationary on or after 31 December 2022.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

New and amended standards

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

These amendments apply for the first time in the period, but do not have significant impact on the audited financial statements of the Group and Company. Below are the new standards or amendments which affect the Group and Company:

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments do not have a material impact on the Group and Company as there are no transactions relevant to the amendments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT BASIS (CONTINUED)

New and amended standards (continued)

Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2: Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the Statement of Comprehensive Income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the Statement of Comprehensive Income include(s) such proceeds and cost.

The amendments do not have a material impact on the Group and Company as there are no items of property and equipment relevant as defined under the amendments.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle

Where applicable, the Group and Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1: First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

IFRS 9: Financial Instruments

The amendment clarifies that in applying the "10 per cent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16: Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41: Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

These amendments do not have a material impact on the Group and Company as they currently do not have any onerous contracts.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT BASIS (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are listed below:

New standards or amendments	Effective for annual period beginning on or after
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10	To be determined

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group and Company, but management will continue to assess the impact up to the point of initial application.

IFRS 17: Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IAS 1: Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Group and Company currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4–5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period.

The amendments are not expected to have a material impact on the Group and Company, but management will continue to assess the impact up to the point of initial application, with earlier application permitted.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) BASIS OF PREPARATION (CONTINUED)

New and revised IFRS Accounting Standards in issue but not yet effective (continued)

Amendments to IAS 12: Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.
Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group and Company is currently assessing the impact of these amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The management of the Group and Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group and Company is currently assessing the impact of these amendments.

(B) CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively. When the proportion of the equity held by non-controlling interests' changes, the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the owners of the parent

(ii) Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Group considers among other parameters whether there is:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in the policy-making process and material transactions between the investor and the investee;
- interchange of managerial personnel between the investor and the investee; and
- provision of essential technical information by the investor to the investee.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) CONSOLIDATION (CONTINUED)

(ii) Investment in associates (continued)

In certain instances, the requirement that significant influence arises from a 20% or more in investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investments in associates are accounted for using the equity method of accounting. The initial investment is recognised at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain purchase is recognised through the Statement of Profit or Loss and Other Comprehensive Income.

(iii) Investment in joint ventures

The Group assesses its joint arrangements to determine whether they are joint ventures or joint operations. A joint venture arises from a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The resultant share of operational results, assets and liabilities of joint ventures are incorporated in the consolidated annual report and financial statements from the date on which the Group has joint control and derecognised on the date when the Group ceases to have such control.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Under the equity method, joint ventures are carried in the consolidated Statement of Financial Position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain purchase is recognised through Statement of Profit or Loss and Other Comprehensive Income.

(iv) Separate financial statements

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates and joint venture are accounted for using the equity method. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-maker. The Chief Operating Decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

The SLT consider the Company to be comprised of two operating segments, namely Kenya and Ethiopia. The financial statements are presented on the basis that risks and rates of return are related to these two reportable segments. Entity wide segments information is the same as that presented in these financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the Group's revenue.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Kenya Shillings (KShs), which is the Group's and Company's presentation currency. The Company's functional currency is Kenya Shillings.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

These are recognised in Other Comprehensive Income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(iii) Translation of foreign operations

The results, cash flows and financial position of Group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- Foreign exchange translation differences are recognised in OCI and accumulated in the foreign currency translation reserve (FCTR), except to the extent the difference is allocated to non-controlling interests.

The results, cash flows and financial position of the Group entities, which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current financial year.

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income and accumulated in the foreign currency translation reserve.

(iv) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing in the months of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) HYPERINFLATION

The financial statements of the Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the consumer price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior period gains and losses are recognised directly in equity.

An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the Income Statement are restated by applying the change in the consumer price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a consumer price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated Statement of Financial Position.

If on initial application of hyperinflation accounting the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings.

At the end of the first period and in subsequent periods, all components of equity are restated by applying a consumer price index from the beginning of the period or the date of contribution, if later. All items in the Statement of Cash Flows are expressed in terms of the consumer price index at the end of the reporting period.

The Ethiopian economy has been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiary; Safaricom Telecommunication Ethiopia PLC have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to Note 35.

(F) REVENUE RECOGNITION

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that best reflects the delivery of the Group's performance obligations; or
- at a point in time, when control of the goods or services is transferred to the customer.

The Group applies the five-step model as per IFRS 15: Revenue from contracts with customers, to determine when to recognise revenue and at what amount.

The following approach is used:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group accounts for a contract with a customer only when:

i. There is evidence of an arrangement.

ii. The Group can identify each party's rights and obligations regarding the goods and services to be transferred.

iii The contract has commercial substance and collectability is reasonably assured.

The transaction price is allocated between performance obligations based on relative standalone selling prices as determined at contract inception.

Since the timing and classification of revenue recognised for a contract will often be dependent on the standalone selling prices that are identified for each performance obligation, the determination of standalone selling prices is critical.

The standalone selling price of a performance obligation is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If a standalone selling price is not directly observable, then it is estimated. Estimations consider all relevant facts and circumstances and maximise the use of observable inputs.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either upfront at the time of sale or over the term of the related service agreement.

The Group's principal business has been the provision of telecommunication services. Airtime can be bought as scratch cards or PINless top ups through dealers and own-retail centres spread across the country. Customers can also buy airtime through M-PESA, emergency top up and direct top up for bulk purchases. Revenue from sale of the airtime is deferred and recognised as revenue on usage or expiry. Customers can use airtime to make voice calls, send SMSes and browse the internet.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

Voice and SMS revenue

Voice and SMS services enable both prepay and postpay customers to make calls and send text messages respectively within and outside the network. Prepay customers top up their phones by either buying prepay cards from dealers, other retail outlets, M-PESA or borrowing credit through emergency top up service (Okoa Jahazi). They can also receive airtime from other subscribers through Sambaza. Postpay customers subscribe to various tariffs and are billed at the end of the month based on a fixed charge or usage.

The headline voice tariff for prepay customers is called Uwezo and Advantage tariff for postpay customers. The on-net and off-net rate is KShs 4.87 per minute during the peak hours (08:00 to 22:00) and KShs 2.50 per minute during off-peak hours (22:00 to 08:00) applicable to both prepay and post pay customers. Revenue from prepay voice customers is recognised on usage whereas postpay revenue is recognised at the end of every month based on a monthly charge.

In the spirit of being Simple, Transparent and Honest, the Group introduced a non-expiry product named Milele Airtime (Neo). The customer is awarded 50% bonus on purchases of the product. The customer can use the airtime to either call or SMS at the normal rates.

On purchase, the billed amount is deferred and only revenues recognised when the service is rendered as either voice or SMS.

The Group has in place the Stori Ibambe bonus scheme where the subscribers are required to attain a predetermined daily target of usage after which the Group awards 100% bonus airtime valid until midnight daily that can be used for Safaricom to Safaricom Voice calls and SMS, for which the revenue is recognised based on customers usage or upon expiry.

The Group has signed interconnect agreements with both local and foreign partners. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised when partners' calls are terminated to the Groups' network i.e. the service is rendered.

The Group has roaming agreements with roaming partners that enable customers to make and receive calls when travelling around the world. The agreed charges vary per partner. When visitors roam on Safaricom network, revenue is earned by billing the visiting customers' network while revenue from Safaricom customers is earned from customer billing for voice, SMS and data usage while roaming on other networks. Revenue is recognised on billing.

Customers can send messages for KShs 1.20 per SMS on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than KShs 1.20. Revenue from SMS service is recognised on earlier of usage or expiry of SMS bundle.

Mobile data enables both Prepay and Postpay customers access the internet. Prepay customers top up their lines by purchasing credit or bundles in advance whereas Postpay customers are availed credit based on the tariff subscribed.

Mobile data has a wide range of propositions available as per customers' requirements. These include, Pay as you Go, daily bundles, 7-day, 30-day, 90-day bundles and time-based billing.

The data bundles are deferred on purchase and recognised as revenue on the earlier of usage or expiry.

The validity of purchased but unutilised data bundles is extended upon additional purchase of data bundles and the Group prompts the subscriber in advance before unutilised bundles expire and are consequently unavailable for use. Like voices and SMS, the Group introduced no expiry data bundles dubbed Neo data, the new data tariff now allows customers to buy data for any amount they wish.

The Group has in place, My Data Manager, a tool that gives subscribers power to control data bundle usage and allows them to restrict browsing out of bundle which enables them to take control of their browsing and internet usage.

The Group has rolled out its own home fibre to connect both households and businesses through Fibre-to-the-Home (FTTH) and Fibre-to-the-Building (FTTB) services that enable fast, reliable and unlimited internet access from the comfort of a customer's home/premises. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes/ premises connected to the Safaricom fibre grid.

The price charged is based on the bandwidth and speed contracted by the customer. The price is charged upfront for a standard period of 30 days and the customer can renew the subscription by making a payment. The amount charged is deferred and recognised as revenue proportionately over the subscription period.

Integrated bundles

An integrated bundle is a one-stop package that offers subscribers freedom to choose their preferred resources in the form of voice minutes, SMS bundles and mobile data bundles.

The Group has in place All in One monthly bundles, Tunukiwa tariff, BLAZE, FLEX, Songa Music app and Platinum products under this category.

All in One monthly bundles are available to all Safaricom customers (prepay, postpaid and hybrid) and they have a simplified journey that seeks to offer the consumer the best choice for maximising their purchase, including free WhatsApp access once the customer exhausts their mobile data bundle and the expiry date has not yet elapsed.

Customers can access these bundles on USSD *544#, *100#, *200# and *456#, select the amount they wish to spend and then view all data and integrated products and resources at the respective amounts. All in One monthly bundles have a validity of 30 days.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

Tunukiwa tariff is a personalised offer that is based on an individual customer usage, network utilisation, capacity availability, device type and general location. Daily, upon dialling *444# from their Safaricom line, customers access a list of custom-made options being number and value of voice minutes, SMS bundles and mobile data bundles, to choose from.
Customers are able to purchase multiple options of the personalised package depending on their preferences. The personalised options are subject to the validity as specified in the USSD (*444#) before purchase.

BLAZE is a platform that empowers the youth using mobile phones and targets the fast growing 18 to 26-year-old demographic Group. The platform offers access to custom-made tariffs and product offerings that leverage Safaricom's extensive mobile network.

Create Your Plan is one of several unique services offered under the BLAZE portfolio that allows users to control how much they spend on voice, data and SMS each time they purchase airtime.

FLEX product has been designed for the customer who demands the most from their mobility and it allows customers to choose how they allocate airtime for voice calls, SMS or mobile data services.
Customers are able to subscribe to daily, weekly or monthly packages that offer value beyond typical bundles in order to maximise on their spend. Customers can roll over any unused FLEX units by renewing their existing FLEX bundles before expiry.

Songa by Safaricom is a music application (App) that enables our Prepay and Postpay subscribers to get in one place and stay entertained with all genres of their preferred local and international songs. Subscribers opt in by dialing *812# or downloading the App from Google Play Store. There are affordable daily, weekly and monthly propositions available and subscribers will be required to utilise their mobile data bundle resources to stream and download the songs. Normal mobile data rates will apply.

Safaricom Platinum Plans are value for money mobile packages available to all individual Prepay, Postpay and Hybrid subscribers. The plan offers integrated data, voice and SMS packages at different price points ranging from KShs 1,000 to KShs 10,000 with a 30-day validity.

Currently the subscribers who opt into the Platinum Plus plan have accessibility to incentivised services from Shell Petrol station, TicketSasa and Eat Out outlets accessible through the MySafaricom App, "Hot Deals" tab.

The price charged on these bundles is deferred on purchase and recognised as revenue on utilisation by the customers or on expiry in line with the validity period. Revenue from integrated bundles is recognised under the respective revenue stream i.e. voice, SMS and/or mobile data revenue streams.

M-PESA revenue

M-PESA is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services (Lipa na M-PESA) using a mobile phone. M-PESA is available to all Safaricom subscribers (Prepay and Postpay). Registration is free and available at any M-PESA agent countrywide. The M-PESA application is installed on the SIM card and works on all types of handsets.

Revenue from this service which is earned at a point in time is largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction revenue.

In partnership with Kenya lenders, NCBA and KCB Bank Kenya, the Group operates Overdraft (OD) facility dubbed "Fuliza", a product that enables customers to access unsecured line of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable predetermined limit.

Fuliza is underwritten by Kenyan lenders, NCBA and KCB Bank Kenya. Customers who "opt in" on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based a predetermined matrix. Safaricom earns a proportion of the fee based on a predetermined revenue share matrix. The revenue is recognised at a point in time.

The Group in partnership with M-Gas, a subsidiary of Circle Gas UK, launched a revolutionary, prepaid gas service for Kenyan households. The innovation empowers millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the flexibility of purchasing gas based on their needs and how much they can afford at a time.

The Group is extending its digital and payment capabilities to M-Gas, powering the smart meter technology on each cylinder that enables customers to have control over how the use and pay for gas. The M-Gas solution has been made possible by Safaricom's Narrow Band Internet of Things (NB IoT) network and M-PESA. Powered by Group's robust 4G network, NB IoT provides a low-power, mobile connectivity to devices across the country. The revenues are calculated as a percentage of gross sales based on prior year audited financial statements and is recognised at a point in time.

Safaricom PLC through its fully-owned subsidiary, Safaricom Money Transfer Services Limited (SMTSL), operates the remittance services that allows customers to send and receive money to a beneficiary through registered mobile phone numbers in partnership with third party International Money Remittance (IMT) Providers. Revenues are earned from transaction fees charged to customers for international money transfers (inbound and outbound). The revenue is recognised at a point in time. The partnership is part of Safaricom's contribution to attainment of the Sustainable Development Goals, particularly goals 3 ,4, 7, 8, 9, 10, 12, 16 and 17.

The Group has in place an M-PESA tariff dubbed "M-PESA Kadogo" where transaction charges for single transaction amounts that are up to KShs 100 were waived. This allows subscribers to send as little as KShs 1 on the M-PESA platform with nil charges.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) REVENUE RECOGNITION (CONTINUED)

M-PESA revenue (continued)

Lipa na M-PESA enables merchants to accept cashless payments for goods and services from customers. Revenue is earned on all the transactions based on a graduated tariff applied on the transacted values. Revenue is recognised at a point in time when the transactions occur.

In line with the financial inclusion strategy Safaricom has partnered with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA services respectively. These services enable customers to save as little as KShs 1 (USD 0.01) and get loans from KShs 1,000 (USD 10.00) to KShs 1 million (USD 9,900.99). Revenue is shared among the partners on the basis of the facility fee and other charges to customers based on a predetermined revenue share matrix. Revenue is recognised at a point in time when the transactions occur.

This has enabled more subscribers to get access to mobile banking services that they did not have before. There are no application forms, no ledger fees, no limits on the frequency of withdrawal, no minimum operating balance and no charges for moving money from M-PESA to bank accounts and vice versa. M-Shwari lock box product enables customers to make fixed deposit savings at a higher interest rate.

Other service revenue

This includes access fees charged on emergency top up service when a customer borrows airtime (Okoa Jahazi) and data bundles (Okoa Data) with the debt being repayable within five days. It also includes set-up fee charged for codes allocated to premium rate services providers (PRSPs). The fee charged is deferred and recognised as revenue on the usage of borrowed airtime and data over the contract period for PRSPs.

Loyalty programme

The Group's loyalty programme, "Bonga Points", was introduced in January 2007 for both Prepay and Postpay subscribers. Under this scheme, subscribers earn one Bonga point for every Shs 10 spent on voice calls, short messages service (SMS), data and M-PESA services. These points can be redeemed for airtime, SMS or merchandise such as phones, modems and tablets at Safaricom retail outlets.

The Group has in place the "Bonga everywhere" scheme where subscribers can utilise their Bonga points in appointed retail outlets e.g. Naivasha supermarkets amongst others to purchase goods and services. Management defers revenue for every point accumulated and recognises the revenue relating to the points earned on redemption either at point in time (for merchandise or Bonga everywhere) or overtime based on usage of acquired resources. Management also recognises revenue on the remaining loyalty points for churned SIM cards at the point when the SIM cards are churned.

In addition, Enterprise Business customers earn loyalty points upon achievement of their revenue targets and the accumulated amounts are only redeemable after the maturity of the underlying revenue contracts with the Group. Management defers revenue for amounts accumulated guided by a predetermined matrix and recognises the revenue earned upon redemption.

Contract-related costs

Connection commissions paid to dealers and SIM activation costs are recognised as costs to fulfill a contract in the Statement of Financial Position when the related payment obligation is extinguished through payments.

Deferred SIM costs are incurred prior to connecting customers to the network and are recognised as costs to obtain a contract in the Statement of Financial Position when the SIM card is sold to the dealer. Contract cost are then amortised over the customer life as determined by the Group.

Handsets and acquisitions revenue

These include revenue on sale of mobile phone handsets, decoders, starter packs, SIM swaps and other accessories sold through dealers and own-retail centres spread across the country. Starter packs consist of a SIM card and information brochures. Handsets, SIM swaps and accessories have no right of return and revenue is recognised on sale.

However, income from sale of SIM cards is deferred and recognised as revenue over the determined customer life when the customer activates the line through initial top up.

Other revenue

This includes, among others, site rentals. Site rental revenue is billed monthly and is based on the number of sites and equipment hosted per site. Revenue is recognised systematically over the lease period. Please refer to accounting policy 2(k) Accounting for leases, for the Group’s lessor accounting policy in this regard.

Miscellaneous income

Miscellaneous income includes among others cash discounts received from vendors, donations from third parties utilised to fund Safaricom Foundation activities, and gains on disposal of property and equipment.

(G) PROPERTY AND EQUIPMENT

All categories of property and equipment are initially recorded at cost. Following initial recognition, property and equipment are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss statement during the financial period in which they are incurred.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Network infrastructure	5–20 years
Equipment and motor vehicles	4–10 years
Fibre	25 years
Leasehold improvements	Shorter of life of lease or useful life of the asset
Network maintenance spares	4–10 years

Depreciation relating to the property and equipment of Safaricom Telecommunications Ethiopia PLC is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Spare parts, standby equipment and servicing equipment are recognised as property and equipment when they meet the definition of property, plant and equipment.

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each period end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value of the newly acquired asset cannot be determined reliably, then the newly acquired asset is measured at the carrying amount of the asset given up.

The carrying amount of an item of property and equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss from the derecognition is calculated as the net disposal proceeds (usually income from sale of item) less the carrying amount of the item.
As the functional currency of Safaricom Telecommunication Ethiopia PLC is currency of hyperinflationary economies, property and equipment relating to the subsidiary are restated by applying the change in the consumer price indices from the date of acquisition to the current reporting date. Depreciation relating to property and equipment of Safaricom Telecommunication Ethiopia PLC is based on the restated amounts which have been adjusted for the effects of hyperinflation.

Asset retirement obligations

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site to its original condition upon termination of the network infrastructure site.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation.

The best estimate of average restoration costs per site is determined using historical and current experience, adjusted where necessary for known factors which will impact the future. In the absence of such experience, the best estimate is based on quotations obtained from relevant suppliers or an equally rigorous internal costing process.

Upon recognition of a provision, a corresponding amount is recognised as part of the cost of the asset and depreciated over its useful life, which would normally be the period to the removal of the network infrastructure from the site. This period should not exceed the remaining lease term.

Where the impact is material, the provision, as originally established, should be discounted using the appropriate pre-tax discount rate. This discount should be unwound through the finance cost in the Statement of Profit or Loss over the period to the lease termination date.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. The changes and adjustments to the provisions are made directly against the underlying asset to which the provision relates.

(H) INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Group reassess the fair value of its investment property annually.

An investment property is de-recognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is de-recognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) INTANGIBLE ASSETS – NETWORK LICENCES

Separately acquired trademarks and licenses are measured on initial recognition at cost. Following initial recognition, they are carried at cost, net of accumulated amortisation and accumulated impairment losses, if any. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Licenses that have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 10 to 15 years.

As the functional currency of Safaricom Telecommunication Ethiopia PLC is currency of hyperinflationary economies, intangible assets relating to the subsidiary are restated by applying the change in the consumer price indices from the date of acquisition to the current reporting date. A telecommunication license is a requirement of the Communications Authority of Kenya (CA) for mobile telephone companies. The licence is renewable for an additional period upon its expiry. Currently Safaricom PLC is licenced under the Unified Licence Framework which is technology and service neutral.

Telecommunication license fees are capitalised at cost and amortised over the period of the license using the straight-line method from commencement of the service of the network.

Safaricom has the following licences:

- Network Facilities Provider licence Tier 1 (NFP) licence;
- Applications Services Provider (ASP) licence;
- Content Service Provider (CSP) licence; and
- International Gateway Systems and Service (IGSS) licence.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Amortisation relating to Safaricom Telecommunication Ethiopia PLC is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

There are annual network licence fees associated with these licences which are expensed each year.

The following licences are also in place for subsidiaries.

- Subscription Broadcasting Licence issued by Communication Authority of Kenya on 16 July 2019 to Comtec Integration Systems Limited valid for 10 years.
- Unified Telecommunications Services License issued by Ethiopian Communications Authority (ECA) on 9 July 2021 to Safaricom Telecommunications Ethiopia PLC valid for 15 years.

(J) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and dismantling and restoration costs, less any lease incentives received, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over of the lease term.

The right-of-use assets are also subject to impairment. Refer to Note 22(a).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments included in the lease liability include fixed payments and in-substance fixed payments during the term of the lease less any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease and amounts expected to be payable by the lessee under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group's lease liabilities are shown in Note 22(b).

(K) ACCOUNTING FOR LEASES

The Group is the lessor – Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group recognises leased assets on the Statement of Financial Position as right-of-use assets.

The Group acts as lessor of sites. These leases have an average life of between five and ten years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is KShs 2,557.5 million (2022: KShs 2,193.9 million).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of sites, shops, facilities and secondees/expatriates houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of sites, shops, facilities and secondees/expatriates houses that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(L) FINANCIAL ASSETS

Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

Initial measurement

On initial recognition:

- Trade receivables are measured at their transaction price.
- All other financial assets and financial liabilities are initially measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument, except for financial assets and financial liabilities measured at fair value for which the directly attributable transaction costs are expensed in profit or loss.

Classification

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

Financial assets held during the year were classified as follows:

- Trade and other receivables, loan to subsidiary, loans and receivables due from related parties, cash and cash equivalents were classified as at amortised cost.
- Restricted cash was classified as at amortised cost.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) FINANCIAL ASSETS (CONTINUED)

Subsequent measurement

After initial recognition, financial assets are measured at amortised cost using the effective interest method.
Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial assets for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within Twelve-month after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For receivables, due from related parties and bank balances, the Group and Company applies a simplified approach in calculating ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, and assessed forward-looking factors specific to the debtors, banks and the economic environment.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default and credit impaired when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, prepayments relating to this subsidiary are restated by applying the change in the general price indices from the date of payment to the current reporting date.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's Consolidated Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset; or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) INDEFEASIBLE RIGHTS OF USE

The Group enters into long-term fibre contracts under which it purchases capacity from fibre networks. The purchase involves making prepayments to acquire indefeasible right of use (IRU) for a fixed period. The prepayment is amortised and recognised in the profit or loss on a straight-line basis over the life of the contract.

Provider	Inception	Contract period
The East African Marine Systems Limited (TEAMS)	1 May 2011	25 years
Kenya Power and Lighting Company (KPLC)	1 Feb 2010	20 years
SEACOM	1 July 2008	20 years

(N) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for saleable inventories are made based on aged listing for items older than 180 days, damaged and unusable stocks. As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, inventories relating to this subsidiary are measured at the lower of the restated cost and net realisable value.

(O) PAYABLE AND ACCRUED EXPENSES

Payables and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables and accrued expenses are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables and accrued expenses are recognised initially at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Payables and accrued expenses are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

(P) SHARE CAPITAL

Ordinary shares are classified as "share capital" in equity. Any premium received over and above the par value (KShs 0.05) of the shares is classified as "share premium" in equity.

Ordinary shares represent the residual economic value of a Company. They carry rights to distribution of profits through dividend, to the surplus assets of a Company on a winding up and to votes at general meetings of the Company.
There are no differences in the voting rights of the ordinary shares held by the shareholders of the Company.

(Q) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(R) RESTRICTED CASH

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group.

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank Kenya and KCB Bank Kenya Limited. The cash is used as a backup for the staff mortgage loans and its withdrawal is restricted, up to the point when the mortgage has been repaid.

The restricted cash is initially measured at fair value using discounted cash flow method. The discount rate used is based on 70 % of the Central Bank of Kenya Rate (CBR). Subsequently, the restricted cash is measured at amortised cost. The difference between the actual cash held as deposits and the determined value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit.

(S) EMPLOYEES BENEFITS

(i) Retirement benefit obligation

The Group has a defined contribution plan for its employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) EMPLOYEES BENEFITS (CONTINUED)

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the Statement of Financial Position date is recognised as an expense accrual.

(iv) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity-based benefits and termination benefits.
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(T) SHARE-BASED PAYMENTS

The Group operates an Employee Performance Share Award Plan (EPSAP) under which senior management and other qualifying staff are entitled to receive a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

The process of EPSAP includes the Group purchasing shares from the market pro-rata to vesting period and then issuing the same to eligible employees after a 3-year vesting period at no cost. The shares are purchased through a Trust and held until the end of the vesting period. The cost of purchase is charged to profit or loss.

(U) TAXES

The income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity respectively.

Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and separate financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Generally, the Group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) TAXES (CONTINUED)

Deferred income tax (continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

As the functional currency of Safaricom Telecommunications Ethiopia PLC is of hyperinflationary economy, deferred tax relating to this subsidiary is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Value added tax

Expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(V) BORROWINGS

Borrowings are recognised initially at fair value net of directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates and accounted for as "finance cost" within profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Capitalisation of borrowing cost

The Group from time to time capitalises borrowing costs as provided under IAS 23. In line with the standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, will be capitalised. A qualifying asset is one which necessarily takes more than six months to get ready for its intended use or sale. A qualifying asset can either be tangible or intangible in nature.

Examples of qualifying assets include core network equipment, transmission and radio equipment for base station sites and computer software development. The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of the specific borrowing. There were no borrowing costs capitalised during the year.

(W) DIVIDEND DISTRIBUTION

Dividend payable to the shareholders are recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. Proposed dividend is shown as a separate component of equity until approved.

(X) PROVISIONS

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. The details on specific provisions are outlined under Note 29(b).

(Y) DIVIDEND INCOME

Dividend income is recognised when the Group's and Company's right to receive payment is established.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Z) SEGMENT REPORTING

The Group has identified reportable segments that are used by the Group Executive Committee (Chief Operating Decision-maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are grouped according to their geographic locations namely Kenya and Ethiopia.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(I) SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

The management have made judgements in the process of applying accounting policies that would have significant effects on the amounts recognised in the consolidated financial statements. Judgement was made in determining whether the economy of Ethiopia in which Safaricom Telecommunications Ethiopia PLC operates was hyperinflationary as at 31 March 2023.

Income taxes

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Note 12 and 17).

Property and equipment

Critical estimates are made by management in determining depreciation rates and timing of capitalisation of the assets. The depreciation rates used are set out in Note 2(g) above and PPE Note 18.

IFRS 16 leases

The key areas where estimates and judgement were applied included the interpretation of the requirements to determine the contracts containing leases and separating the lease and the non-lease components of a contract, the determination of the incremental rate of borrowing and the decision to exercise the extension or termination options while determining the lease term. See further details under Note 2(k), Note 22(a) and Note 22(b).

Valuation of Bonga points

The price attributed to the awarded Bonga points is determined by historical redemption information. The length of historical period used to determine the price is set by management and is based on previous redemptions rates on airtime, data, SMS or merchandise.

These balances have been included under contract liabilities, Note 30(b).

Expected credit losses

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating, and coverage by letters of credit). The Group also considers forward-looking information at a customer level based on macroeconomics, microeconomics around the customer and level of effort utilised to collect the debt.

This estimate is therefore based on factors not in control by the Group. Based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments (Note 6(b)).

Provisions

The Group faces exposure to claims and other liabilities arising from normal course of business. These claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal, tax and other advisers estimates a provision based on exposure, precedents and industry best practice. Further details can be found in Note 29(b).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(II) SIGNIFICANT JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management has made judgements in determining:

- The classification of financial assets, contract costs and liabilities.
- Whether assets are impaired.
- The average customer life: Customer life is based on the average churn period of the customers from the network.
- Assessment of IFRS 16 – Leases.
- Assessment of IFRS 9 – Financial instruments.
- Income taxes – Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
- Assessment of significant influence over an associate – The Group considers that it has significant influence over Circle Gas Limited though it owns less than 20% of the voting rights of the company because of the following reasons:
  i. The Group has one non-executive directors' slot in Circle Gas Board where Safaricom PLC has one reserved Board seat so long as a Trademark Licence and Brand Management Co-operation Agreement made remains in force and Safaricom PLC remains a holder of ordinary shares.
  ii. The associate uses Safaricom PLC's trademarks as per agreement in return for a royalty fee agreement and interchange of managerial personnel between the entities.
  iii. The associate is riding on Safaricom's network to guarantee connectivity to its smart meters.

(III) SIGNIFICANT JUDGEMENT ON GOING CONCERN

The Group's current liabilities exceed its current assets by KShs 67.9 billion (2022 net current liabilities position: KShs 32.9 billion) at the statement of financial position. For items that significantly impact the net working capital, refer to Notes 24 to 30.

This net current liability position is expected to remain in the near future as a result of the nature of the Group's business. A significant portion of creditors relate to network infrastructure investments rather than ongoing trading hence net working capital is typically a negative amount due to the mismatch of the financing (short term) and the investment (long term). Other significant portion of current liabilities is a result of how revenue is recognised. The related liabilities are all held in the Statement of Financial Position and are explained below:

- Unused airtime and data bundles by prepaid customers of KShs 2.6 billion (2022: KShs 2.3 billion). Prepaid airtime when sold to customers is held as a liability in the Statement of Financial Position (deferred revenue) until the customer uses it, at which point revenue is recognised by reducing the liability and reporting revenue. Based on its nature, there is no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Loyalty points earned by customers (Bonga points) of KShs 3.0 billion (2022: KShs 4.5 billion). Loyalty points are earned when a customer uses a Safaricom service including use of airtime, data or M-PESA. These points are valued and accumulated into the customer account until such a time when the customer opts to redeem the points against merchandise (devices including handsets, accessories and merchandise from appointed Bonga everywhere outlets) or non-merchandise (free airtime and data bundles). Based on its nature, there is no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Unutilised resources by the customers of KShs 3.7 billion (2022: KShs 2.9 billion). The Group applies IFRS 15 — Revenue from Contracts with Customers in accounting for bundled resources. The value of unutilised resources (customer balances) reported as subscriber liability until the customers use the resources. Based on its nature, there is no expected cash outflow since its reduction is based on usage rather than actual cash settlement.

These amounts are included under contract liabilities in the Statement of Financial Position. Management has accessed each of the items above and does not anticipate any cash outflow.

Further, the Group uses a broad mix of long-term and short-term debt to finance its operations. In the year ended 31 March 2023, the Group borrowed KShs 62.2 billion and repaid KShs 42.8 billion. Of the outstanding loan amount of KShs 85.5 billion, KShs 43.5 billion is short-term working capital loan.

Management is confident that sufficient funds will be available and accessible to meet all obligations as they fall due.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(IV) SIGNIFICANT JUDGEMENT ON HYPERINFLATION

The Group applies IAS 29 in accounting for entities in hyperinflationary economies.

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Based on inflation data published by the International Monetary Fund (IMF) World Economic Outlook (WEO) in October 2022, Ethiopia reported a 3-year cumulative rate of inflation of 91% as of December 2021. For 2022, the IMF WEO forecasts an annual rate of inflation of 32% (2023: 26%) and a 3-year cumulative rate of inflation of 111% (2023: 126%). The Ethiopian National Statistics Office reported a 3-year and 12-month cumulative rate of inflation of 107% and 33%, respectively, as of August 2022.

Based on the criteria for determining hyperinflationary economies provided under IAS 29, management believes that Ethiopia is hyperinflationary as at 31 December 2022 and thereafter. Following management's assessment, the Group's subsidiary, Safaricom Telecommunication Ethiopia PLC has been accounted for as an entity operating in hyperinflationary economies. The results, cash flows and financial positions of Safaricom Telecommunication Ethiopia PLC have been expressed in terms of the measuring units current at the reporting date.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

Financial risk management is carried out by the Group Treasury section in Finance Division under policies approved by the Board of Directors. The Group Treasury section identifies, evaluates and manages financial risks.

The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investing excess liquidity.

Financial assets and financial liabilities have been carried at amortised cost.

MARKET RISKS

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages foreign exchange risk arising from future commercial transactions by holding adequate foreign currency reserves to meet future cash flow requirements.

The Group does not have any derivative instruments.

If there was a 10% change in the shilling against the US dollar during the year, with all other variables held constant, the pre and post-tax profit for the year would change by KShs 1,249.9 million and KShs 874.9 million for Group (2022: KShs 209.5 million and KShs 146.6 million) and KShs 879.6 million and KShs 615.7 million respectively for Company (2022: KShs 614.7 million and KShs 430.3 million), mainly as a result of US dollar denominated cash and bank balances, borrowings, receivables and payables.

If there was a 10% change in the shilling against the Euro during the year with all other variables held constant, consolidated pre- and post-tax profit for the year would change by KShs 2,714.5 million and KShs 1,900.1 million for Group (2022: KShs 454.1 million and KShs 317.9 million) respectively for Company KShs 514.2 million and KShs 359.9 million (2022: KShs 211.9 million and KShs 148.4 million), mainly as a result of increased Euro denominated creditors balances and bank balances.

The Group's exposure to foreign currency changes for all other currencies is not material.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISKS (CONTINUED)

(ii) Interest rate risk

Interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group regularly monitor financing options available to ensure optimum interest rates are obtained.

A 100-basis points fluctuation in interest during the year (2022: 100 basis points) would have resulted in a net decrease/increase in Group's consolidated pre and post-tax profit of KShs 469.7 million and KShs 328.8 million respectively (2022: KShs 175.2 million and KShs 122.3 million). This sensitivity is a fair and reasonable reflection of the Group and Company's pre- and post-tax.

(iii) Price risk

The Group and Company do not hold any financial instruments subject to price risk.

CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial instruments, loans receivable from related parties, trade receivables, related parties' receivables, loans to subsidiaries and other receivables. The Group has no significant concentrations of credit risk. The Group assesses the expected credit losses for all financial assets and all changes in loss allowance are recognised in profit or loss as impairment gains or losses.

Cash at bank, government securities and deposits with financial institutions

For banks and financial institutions, only reputable well-established investment grade financial institutions are used, which are considered to have a low credit risk. The following table represents the cash and short-term fixed deposits held in financial institutions per category. Category 1 is made up of counterparties with international presence; Category 2 are counterparties who are subsidiaries of parents that have an international presence; Category 3 counterparties are local banks that are categorised as tiers 1 and 2 by the Central Bank of Kenya. These categories are reflective of the credit risks rating of the financial institutions.

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Category 1	**4,042.1**	12,618.4	**4,013.4**	12,618.4
Category 2	**8,493.2**	9,891.1	**4,645.0**	6,923.9
Category 3	**9,573.2**	8,284.7	**9,404.8**	6,029.4
	22,108.5	30,794.2	**18,063.2**	25,571.7

The Group has used the general approach for measuring the loss allowance for cash at bank, government securities and deposits with financial institutions. No collateral is held on any of the cash at bank, government securities and deposits with financial institutions.

Management has assessed the expected credit losses on cash at bank, government securities and deposits with financial institutions. The loss allowance as at 31 March 2023 are shown in Note 25(a). The calculated ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL). There has been no significant increase in credit risk within these financial assets.

Other receivables

Management has assessed the expected credit losses on the other receivables. The loss allowance as at 31 March 2023 is shown in Note 25.

The Group has used the simplified approach where applicable for measuring the loss allowance for other receivables. The Group has established a provision matrix that is based on its historical credit loss experience. No collateral is held on any of the other receivables. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

Amounts due from related parties

The Group has used the simplified approach where applicable for measuring the loss allowance for balances due from related parties. In the simplified approach, the Group has established a provision matrix that is based on its historical credit loss experience. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

No collateral is held on any of the receivables from related parties. The loss allowance as at 31 March 2023 are disclosed in Note 25.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables

For trade receivables, depending on the type of customer, the Group Credit Controller assesses the credit quality of each customer, taking into account their financial position, past experience and other factors including information from credit reference bureau to set individual risk limits. The utilisation of credit limits is regularly monitored.

The dealer channel comprises the largest distribution network for the Group. Dealers operate either on a cash basis or on credit following successful application of the credit facility. All credit limits are supported by a bank guarantee.

Postpay debtors comprise individuals as well as corporate customers. Postpay debtors have a 15-day credit period after which individual customers must pay within 10 days after due date, while business accounts have up to 30 days. The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimises the credit risk associated with these customers.

The Group has signed international roaming agreements. The roaming strategy is to have preferential partners in countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighboring countries. Roaming partners have entered into an agreement with the Group to terminate their calls on the Group's network for visitors travelling into Kenya. Amounts due from the contracted roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Comfone, the current roaming clearing house.

The Group has also signed interconnect agreements with partners to terminate calls to and from other networks on the Group's network. Amounts due from interconnect partners are settled within 30 days of invoice unless a dispute arises. Disputes are handled in the first instance by the Regulatory Department of the Group. The Group's maximum exposure to credit risk is approximated by the carrying amounts.

The Group has a defined aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored in line with existing credit policy.

Collateral is held for select trade receivables in the form of bank guarantees and deposits.

The Group applies the simplified approach to determine the expected credit losses (ECL) for trade receivables. This results in calculating lifetime expected credit losses (ECL) for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

The Group segregates the trade receivables based on the aging of the receivables. The Group determines the expected loss rate per the categories based on a historical 24-month roll over model. The loss rate is computed based on the rate movement of the outstanding balances between categories and the recovery rate of past debtors for the respective debt categories.

The loss allowance as at year end was determined as shown below for trade receivables.

	GROUP			
	0–30 days KShs'm	**31–90 days KShs'm**	**Over 91 days KShs'm**	**Total KShs'm**
At 31 March 2023				
Trade receivables	**12,774.2**	**3,667.3**	**8,441.8**	**24,883.3**
Expected credit loss rate	**6.1%**	**40.1%**	**96.7%**	**–**
Loss allowance	**776.9**	**1,469.8**	**8,164.5**	**10,411.2**
	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2022				
Trade receivables	10,551.2	2,126.0	5,696.7	18,373.9
Expected credit loss rate	7.1%	32.3%	96.3%	–
Loss allowance	743.9	686.9	5,486.1	6,916.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables (continued)

COMPANY

	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2023				
Trade receivables	**10,470.5**	**3,669.6**	**8,529.5**	**22,669.6**
Expected credit loss rate	**5.8%**	**40.1%**	**92.6%**	**–**
Loss allowance	**607.7**	**1,469.7**	**7,894.2**	**9,971.6**
	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2022				
Trade receivables	10,517.3	2,143.5	5,516.5	18,177.3
Expected credit loss rate	7.1%	32.0%	96.1%	–
Loss allowance	743.9	686.9	5,299.1	6,729.9

A detailed assessment of the trade receivables as shown below;

GROUP

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Dealers	**21.1**	**(14.0)**	**7.1**
Postpay	**4,264.1**	**(1,326.4)**	**2,937.7**
Roaming and interconnect	**3,286.5**	**(1,583.1)**	**1,703.4**
Other trade receivables	**17,311.6**	**(7,487.7)**	**9,823.9**
Total trade receivables	**24,883.3**	**(10,411.2)**	**14,472.1**
At 31 March 2022			
Dealers	165.0	(25.3)	139.7
Postpay	3,333.1	(1,128.9)	2,204.2
Roaming and interconnect	3,838.6	(1,344.5)	2,494.1
Other trade receivables	11,037.2	(4,418.2)	6,619.0
Total trade receivables	18,373.9	(6,916.9)	11,457.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Trade receivables (continued)

	COMPANY		
	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Dealers	**20.4**	**(14.0)**	**6.4**
Postpay	**4,263.9**	**(1,326.4)**	**2,937.5**
Roaming and interconnect	**3,273.6**	**(1,583.1)**	**1,690.5**
Other trade receivables	**15,111.7**	**(7,048.1)**	**8,063.6**
Total trade receivables	**22,669.6**	**(9,971.6)**	**12,698.0**
At 31 March 2022			
Dealers	165.0	(25.3)	139.7
Postpay	3,333.1	(1,128.9)	2,204.2
Roaming and interconnect	3,845.0	(1,344.5)	2,500.5
Other trade receivables	10,834.2	(4,231.2)	6,603.0
Total trade receivables	**18,177.3**	**(6,729.9)**	**11,447.4**

Collateral held on the trade receivables as at 31 March 2023 is KShs 165.2 million (2022: KShs 195.4 million). The collaterals relate to bank guarantees issued by dealers on dealer receivables. There is no concentration risk on trade receivables or revenue.

Maximum credit exposure

The amounts on the Statement of Financial Position represent the maximum credit exposure for financial assets not subject to credit risk and financial assets that are subject to credit risk. Below is a summary of the maximum credit exposure.

	GROUP		
	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2023			
Cash at bank, government securities and deposits with financial institutions	**22,108.5**	**(10.4)**	**22,098.1**
Trade receivables	**24,883.3**	**(10,411.2)**	**14,472.1**
Due from related parties	**1,599.3**	**(12.0)**	**1,587.3**
Other receivables	**13,296.0**	**(71.7)**	**13,224.3**
Total	**61,887.1**	**(10,505.3)**	**51,381.8**
At 31 March 2022			
Cash at bank, government securities and deposits with financial institutions	30,794.2	(14.6)	30,779.6
Trade receivables	18,373.9	(6,916.9)	11,457.0
Due from related parties	1,801.2	(6.7)	1,794.5
Other receivables	6,628.0	(117.5)	6,510.5
Total	57,597.3	(7,055.7)	50,541.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Maximum credit exposure (continued)

	COMPANY		
	Gross carrying amount KShs'm	**Expected credit loss KShs'm**	**Net carrying amount KShs'm**
At 31 March 2023			
Cash at bank, government securities and deposits with financial institutions	**18,063.2**	**(1.3)**	**18,061.9**
Trade receivables	**22,669.6**	**(9,971.6)**	**12,698.0**
Due from related parties	**4,580.5**	**(1,413.6)**	**3,166.9**
Other receivables	**5,146.0**	**(71.7)**	**5,074.3**
Total	**50,459.3**	**(11,458.2)**	**39,001.1**
At 31 March 2022			
Cash at bank, government securities and deposits with financial institutions	25,571.7	(11.1)	25,560.6
Trade receivables	18,177.3	(6,729.9)	11,447.4
Due from related parties	3,834.7	(1,096.3)	2,738.4
Other receivables	4,989.7	(117.5)	4,872.2
Total	52,573.4	(7,954.8)	44,618.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Such forecasting takes into consideration the entity's debt financing plans, prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. (See Note 16 for undrawn bank facilities), covenant compliance, compliance with internal Statement of Financial Position ratio targets. Surplus cash held by the entity over and above the amounts required for working capital management are invested in interest bearing current accounts and fixed deposit accounts and marketable securities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the Group's reputation.

Due to the dynamic nature of the underlying businesses, Group Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as monthly cash forecast that monitors debt structure and expected cash position.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	GROUP					
	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	22,098.1	–	–	–	–	22,098.1
Receivables and prepayments	12,774.2	3,667.3	8,441.8	15,908.2	–	40,791.5
Loans and receivable from related companies	–	–	–	–	1,588.4	1,588.4
Other assets*	–	28.6	5,752.1	278.2	–	6,058.9
Total non-derivative financial assets	34,872.3	3,695.9	14,193.9	16,186.4	1,588.4	70,536.9
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	67,092.4	27,359.3	–	94,451.7
Borrowings	8,081.4	36,154.6	4,590.6	35,352.4	3,516.4	87,695.4
Lease liabilities (Note 22(c))	–	–	5,800.9	–	43,516.4	49,317.3
Other liabilities**	6,307.1	–	4,462.8	–	–	10,769.9
Total non-derivative financial liabilities	14,388.5	36,154.6	81,946.7	62,711.7	47,032.8	242,234.3
Liquidity gap at 31 March 2023	20,483.8	(32,458.7)	(67,752.8)	(46,525.3)	(45,444.4)	(171,697.4)

Guarantees amounting to KShs 292.3 million (2022: KShs 258.9 million) have been issued by the banks to various suppliers for services provided to the Group (Note 33).
There are also undrawn bank facilities amounting to KShs 25.9 billion (2022: KShs 21.9 billion) that would be utilised to settle its obligations as they fall due.

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

GROUP

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	30,779.6	–	–	–	–	30,779.6
Receivables and prepayments	10,551.2	2,126.0	5,696.7	7,545.3	–	25,919.2
Loans to subsidiaries	–	–	–	–	–	–
Loans and receivable from related companies	–	–	1,285.0	–	–	1,285.0
Other assets*	7.9	–	6,058.8	407.9	–	6,474.6
Total non-derivative financial assets	41,338.7	2,126.0	13,040.5	7,953.2	–	64,458.4
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	33,994.2	4,330.6	–	38,324.8
Borrowings	–	25,769.7	1,380.0	29,706.5	12,444.3	69,300.5
Lease liabilities (Note 22(c))	–	–	5,641.9	–	21,495.6	27,137.5
Other liabilities**	15,427.7	–	3,183.3	–	–	18,611.0
Total non-derivative financial liabilities	15,427.7	25,769.7	44,199.4	34,037.1	33,939.9	153,373.8
Liquidity gap at 31 March 2022	25,911.0	(23,643.7)	(31,158.9)	(26,083.9)	(33,939.9)	(88,915.4)

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

COMPANY

	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	**18,061.9**	**–**	**–**	**–**	**–**	**18,061.9**
Receivables and prepayments	**10,470.5**	**3,669.6**	**8,529.5**	**1,192.4**	**–**	**23,862.0**
Loans and receivable from related companies	**–**	**–**	**–**	**2,153.8**	**–**	**2,153.8**
Other assets*	**–**	**–**	**3,712.8**	**278.2**	**–**	**3,991.0**
Total non-derivative financial assets	**28,532.4**	**3,669.6**	**12,242.3**	**3,624.4**	**–**	**48,068.7**
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	38,905.9	–	–	38,905.9
Borrowings	–	36,154.6	4,590.6	35,352.4	–	76,097.6
Lease liabilities (Note 22(c))	–	–	4,498.3	–	23,521.5	28,019.8
Other liabilities**	6,307.1	–	3,410.7	–	10,647.9	20,365.7
Total non-derivative financial liabilities	**6,307.1**	**36,154.6**	**51,405.5**	**35,352.4**	**34,169.4**	**163,389.0**
Liquidity gap at 31 March 2023	**22,225.3**	**(32,485.0)**	**(39,163.2)**	**(31,728.0)**	**(34,169.4)**	**(115,320.3)**

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

	COMPANY					
	Maturing within 1 month KShs'm	Maturing after 1 month but within 6 months KShs'm	Maturing after 6 months but within 12 months KShs'm	Maturing after 12 months but within 5 years KShs'm	Maturing after 5 years KShs'm	Total KShs'm
Non-derivative financial assets						
Cash and bank balances	30,779.6	–	–	–	–	30,779.6
Receivables and prepayments	10,517.3	2,143.5	13,258.4	–	–	25,919.2
Loans to subsidiaries	–	–	–	–	666.1	666.1
Loans and receivable from related companies	–	–	–	–	1,285.0	1,285.0
Other assets*	–	–	6,066.7	407.9	–	6,474.6
Total non-derivative financial assets	41,296.9	2,143.5	19,325.1	407.9	1,951.1	65,124.5
Non-derivative financial liabilities						
Payables and accrued expenses	–	–	41,204.1	–	–	41,204.1
Borrowings	–	22,938.0	1,380.0	29,706.5	12,444.3	66,468.8
Lease liabilities (Note 22(c))	–	–	5,570.6	–	20,602.7	26,173.3
Other liabilities**	15,427.7	–	3,183.3	–	10,210.6	28,821.6
Total non-derivative financial liabilities	15,427.7	22,938.0	51,338.0	29,706.5	43,257.6	162,667.8
Liquidity gap at 31 March 2022	25,869.2	(20,794.5)	(32,012.9)	(29,298.6)	(41,306.5)	(97,543.3)

Other assets includes restricted cash, deferred restricted cash assets, inventories, restricted cash-letter of credit and other financial assets*
*Other liabilities** includes provision for liabilities, financial guarantee for liabilities and dividend payable*

CAPITAL MANAGEMENT

The Group and Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital levels, the Group may adjust the amount of dividend paid to shareholders.

The Company has a dividend policy that permits dividend to be paid if the Board of Directors finds that the payments are sustainable, after taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Group's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants.

The first priority of the Group is to maintain sufficient liquidity to ensure that operational needs and/or business growth are not limited by the unavailability of funds and also that facilities are available to cover all known contingencies.

The Group maintains to operate a progressive distribution policy based on what it assess to be sustainable levels of dividend payments.

The Group's focus is to minimise funds tied up in working capital, whilst ensuring that it has sufficient financial ability to meet its liabilities as and when they fall due. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The Group aims to maintain the Gearing ratios within the industry standards with the optimal debt equity mix as demonstrated by the position below:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

CAPITAL MANAGEMENT (CONTINUED)

Gearing ratio

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Net debt – Note 31(b)	**98,783.1**	54,624.6	**77,418.4**	59,266.8
Total equity	**263,366.0**	179,700.9	**166,109.1**	144,456.4
Total capital	**362,149.1**	234,325.5	**243,527.5**	203,723.2
Gearing ratio	**27.3%**	23.3%	**31.8%**	29.1%

FAIR VALUE ESTIMATION

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
The carrying amounts of borrowings, loans to subsidiaries, cash and cash equivalents, trade and other receivables, loans receivable from related parties, restricted and deferred restricted cash asset, investment properties, other financial assets, payables and accrued expenses approximate their fair values due to the nature of these instruments.

5 REVENUE

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has two reportable operating segments whose revenue is presented below:

	GROUP					
	31 March 2023			**31 March 2022**		
	KShs'm At a point in time	**KShs'm Over time**	**KShs'm Total**	KShs'm At a point in time	KShs'm Over time	KShs'm Total
M-PESA revenue	**117,192.2**	**–**	**117,192.2**	107,691.8	–	107,691.8
Voice revenue	**–**	**81,053.9**	**81,053.9**	–	83,211.8	83,211.8
Mobile data revenue	**–**	**53,952.4**	**53,952.4**	–	48,441.0	48,441.0
Fixed data revenue	**–**	**13,458.0**	**13,458.0**	–	11,242.5	11,242.5
Messaging revenue	**–**	**11,375.6**	**11,375.6**	–	10,876.7	10,876.7
Interconnect revenue	**–**	**5,303.5**	**5,303.5**	–	6,840.6	6,840.6
Mobile incoming	**–**	**2,805.9**	**2,805.9**	–	3,007.6	3,007.6
Other services revenues*	**–**	**10,550.8**	**10,550.8**	–	9,795.3	9,795.3
Service revenue	**117,192.2**	**178,500.1**	**295,692.3**	107,691.8	173,415.5	281,107.3
Handset revenue	**10,468.9**	**–**	**10,468.9**	12,334.7	–	12,334.7
Connection revenue	**–**	**980.9**	**980.9**	–	1,999.4	1,999.4
Total revenue	**127,661.1**	**179,481.0**	**307,142.1**	120,026.5	175,414.9	295,441.4

** Other services revenues include Okoa Jahazi fees, roaming revenues, bulk SMS, and digital agriculture revenues.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

5 REVENUE (CONTINUED)

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers per geographical markets:

GROUP

	KENYA			ETHIOPIA			ELIMINATIONS	CONSOLIDATED
	KShs'm At a point in time	KShs'm Over time	KShs'm Sub Total	KShs'm At a point in time	KShs'm Over time	KShs'm Sub Total	KShs'm Total	KShs'm Sub Total
Service revenue	117,117.9	178,063.4	295,181.3	–	518.9	518.9	(7.9)	295,692.3
Handset revenue	9,796.9	–	9,796.9	672.0	–	672.0	–	10,468.9
Connection revenue	–	976.2	976.2	–	4.7	4.7	–	980.9
Total revenue	126,914.8	179,039.6	305,954.4	672.0	523.6	1,195.6	(7.9)	307,142.1

The geographical segments include Ethiopia. Safaricom Telecommunication Ethiopia launched its operations in Ethiopia in October 2022.

COMPANY

	31 MARCH 2023			31 MARCH 2022		
	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
M-PESA revenue	114,359.7	–	114,359.7	105,218.1	–	105,218.1
Voice revenue	–	80,918.2	80,918.2	–	83,211.8	83,211.8
Mobile data revenue	–	53,596.0	53,596.0	–	48,441.0	48,441.0
Fixed data revenue	–	13,496.6	13,496.6	–	11,242.5	11,242.5
Messaging revenue	–	11,371.7	11,371.7	–	10,876.7	10,876.7
Interconnect revenue	–	5,302.2	5,302.2	–	6,840.6	6,840.6
Mobile incoming	–	2,753.8	2,753.8	–	3,007.6	3,007.6
Other services revenues*	–	10,008.2	10,008.2	–	9,383.8	9,383.8
Service revenue	114,359.7	177,446.7	291,806.4	105,218.1	173,004.0	278,222.1
Handset revenue	9,796.9	–	9,796.9	12,334.7	–	12,334.7
Connection revenue	–	976.1	976.1	–	1,999.4	1,999.4
Total revenue	124,156.6	178,422.8	302,579.4	117,552.8	175,003.4	292,556.2

** Other services revenues include Okoa Jahazi fees, roaming revenues, bulk SMS, and digital agriculture revenues*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

5 REVENUE (CONTINUED)

(B) REVENUE FROM OTHER SOURCES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Site rental revenue	**2,557.5**	2,193.3	**2,557.5**	2,193.3
Other income				
– Gain on disposal of property and equipment	**34.6**	47.1	**34.6**	47.1
– Dividend income	**–**	–	**4,200.0**	–
– Miscellaneous income*	**1,170.6**	396.1	**1,108.3**	1,049.3
	3,762.7	2,636.5	**7,900.4**	3,289.7

** Miscellaneous income includes cash discounts and non-recurring revenue from partnership agreements.*

6(A) DIRECT COSTS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
M-PESA commissions	**(35,599.2)**	(32,546.8)	**(35,191.0)**	(32,302.5)
Airtime commissions	**(8,281.7)**	(9,420.7)	**(8,104.9)**	(9,420.7)
Licence fees	**(10,986.3)**	(10,463.5)	**(10,854.7)**	(10,363.3)
Interconnect and roaming costs	**(7,581.7)**	(8,681.3)	**(7,350.7)**	(8,681.3)
Handset costs	**(10,929.3)**	(12,392.5)	**(10,097.8)**	(12,392.5)
Customer acquisition and retention	**(11,203.2)**	(10,590.2)	**(10,699.9)**	(10,590.2)
Promotions and value-added services costs (voice and SMS)	**(5,387.8)**	(5,210.0)	**(5,363.1)**	(5,210.0)
Other direct costs	**(2,262.9)**	(2,162.8)	**(1,701.3)**	(1,653.1)
	(92,232.1)	**(91,467.8)**	**(89,363.4)**	**(90,613.6)**

6(B) EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Trade and other receivables	**(4,732.5)**	(2,348.5)	**(4,717.9)**	(2,521.8)
Loan receivables	**3.4**	(2.8)	**(217.2)**	(73.0)
Cash and cash equivalents	**3.8**	(9.9)	**9.8**	(7.9)
	(4,725.3)	(2,361.2)	**(4,925.3)**	(2,602.7)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

7 OTHER EXPENSES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Repairs and maintenance	**(302.1)**	(272.3)	**(274.4)**	(258.8)
Non-lease operating costs – buildings**	**(67.2)**	(107.4)	**(40.2)**	(64.6)
Non-lease operating costs – sites**	**(1,247.8)**	(760.1)	**(1,199.2)**	(752.0)
Inventory storage costs	**(319.3)**	(325.7)	**(291.1)**	(321.6)
Employee benefits expense (Note 10)	**(28,334.9)**	(22,554.1)	**(21,266.5)**	(20,118.2)
Auditor's remuneration	**(125.3)**	(62.2)	**(81.8)**	(51.2)
Sales and advertising	**(5,593.7)**	(4,380.5)	**(4,326.8)**	(4,469.5)
Consultancy and legal fees	**(966.7)**	(3,036.9)	**(75.1)**	(1,678.9)
Network operating costs	**(19,699.7)**	(14,087.7)	**(14,228.6)**	(14,050.7)
Travel and accommodation	**(1,287.9)**	(803.5)	**(462.3)**	(457.6)
Computer maintenance	**(2,968.2)**	(2,670.6)	**(2,381.1)**	(2,443.0)
Office administration	**(669.4)**	(482.0)	**(449.5)**	(440.2)
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	**(2,162.9)**	(434.4)	**(1,073.8)**	(392.3)
Other operating expenses*	**(10,339.9)**	(5,209.6)	**(6,968.3)**	(4,046.9)
	(74,085.0)	(55,187.0)	**(53,118.7)**	(49,545.5)

** Other operating expenses includes Vodafone procurement fees (Note 32(ii)), fleet management costs, general staff expenses including training and welfare costs and innovation costs.*

*** Relates to non-lease components of the lease e.g. services charges and VAT disallowed on lease payments. The cost is excluded from the measurements of the lease liabilities as required by IFRS 16: Leases.*

8 FINANCE INCOME

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Interest income*	**1,563.7**	1,227.6	**1,304.9**	1,206.0
Foreign exchange gain on cash and borrowings	**2,503.7**	1,206.4	**1,091.0**	864.7
Amortisation of deferred restricted cash asset	**7.8**	(20.6)	**7.8**	(20.6)
	4,075.2	2,413.4	**2,403.7**	2,050.1

** Interest income relates to income earned from fixed deposits. The interest income is calculated at effective interest rates.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

9 FINANCE COSTS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Interest expense	**(7,786.6)**	(3,165.4)	**(7,320.6)**	(2,986.4)
Foreign exchange losses on cash and borrowings	**(152.1)**	(2,816.6)	**(2,511.5)**	(2,961.4)
Interest on asset retirement obligation (ARO)	**(382.6)**	(379.4)	**(382.6)**	(379.4)
Interest on lease liabilities	**(2,875.9)**	(1,802.9)	**(2,238.5)**	(1,772.4)
Financial guarantee	**–**	–	**–**	(120.9)
Origination fee on credit facilities	**(1.5)**	(724.4)	**0.8**	(710.8)
Discounting adjustment on construction contract receivables*	**36.4**	36.1	**36.4**	36.1
	(11,162.3)	(8,852.6)	**(12,416.0)**	(8,895.2)

** This adjustment is in relation to discounting of construction contract receivable (due from Government of Kenya).*

The interest expense included within finance costs relates to interest paid on borrowings and is calculated at effective interest rates.

10 EMPLOYEE BENEFITS EXPENSE

The following items are included within employee benefits expense:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Club membership	**(147.4)**	(35.6)	**(147.2)**	(34.6)
Employee other administrative costs	**(284.3)**	(64.6)	**(15.7)**	(64.6)
Secondees other administrative costs	**(1,173.5)**	(803.0)	**(174.8)**	(140.3)
Employee Performance Share Award Plan	**(304.4)**	(663.4)	**(304.3)**	(661.4)
Leave provision	**(10.3)**	(77.1)	**12.1**	(57.5)
NSSF	**(25.3)**	(12.9)	**(25.3)**	(12.6)
Defined pension contribution	**(886.1)**	(743.3)	**(805.2)**	(737.7)
Salaries	**(19,116.5)**	(17,110.5)	**(17,895.4)**	(16,719.0)
Secondee salaries	**(4,593.7)**	(1,237.6)	**(224.3)**	81.5
Staff medical and life insurance	**(1,793.4)**	(1,806.1)	**(1,686.4)**	(1,772.0)
	(28,334.9)	(22,554.1)	**(21,266.5)**	(20,118.2)

NUMBER OF EMPLOYEES

	GROUP		COMPANY	
	2023	2022	**2023**	2022
Permanent employees	**6,271**	4,631	**5,362**	4,631
Fixed-term contract employees	**392**	1,221	**345**	1,221
	6,663	5,852	**5,707**	5,852

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

11 EMPLOYEE PERFORMANCE SHARE AWARD PLAN

On 1 July 2011, the Group implemented an Employee Performance Share Award Plan (the Trust) where shares are awarded to qualifying staff based on previous years' achieved performance ratings. Under the outright grant scheme, shares are purchased from the market and transferred to eligible staff at no cost after a three-year vesting period. The shares are purchased and held by the Trust until the end of the vesting period.

During the year, 12.4 million shares were bought by the Trust, at a cost of KShs 489.4 million (2022: 12.4 million shares at a cost of KShs 489.4 million). Additionally, 15.3 million shares historically valued at KShs 519.4 million (2022: 15.3 million shares valued at KShs 519.4 million) vested and were exercised by eligible staff.

The Trust currently holds 11.5 million shares at a total cost of KShs 416.2 million (2022: 11.5 million shares at a cost of KShs 416.2 million).

The Trust is an "equity-settled share-based Payment scheme" as described in IFRS 2 Share Based Payments, as the Company provides money to the Trust to purchase shares which will be distributed to the entitled employees on the vesting date.

The Company has accounted for a receivable from the Trust in relation to shares purchased and payables to employees in these financial statements.

12(A) INCOME TAX EXPENSE

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Current income tax	**(41,113.5)**	(39,146.8)	**(39,422.7)**	(38,706.8)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Deferred income tax (Note 17)	**5,194.6**	4,472.0	**5,195.6**	4,473.4
Adjustments in respect of deferred income tax of previous year	**233.6**	(30.4)	**233.6**	(30.5)
Income tax expense	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)
Profit before income tax	**87,500.9**	102,213.4	**109,110.2**	106,065.3
Tax calculated at the applicable income tax rate of 30%	**(26,250.3)**	(30,664.0)	**(32,733.1)**	(31,819.6)
Tax effect of:				
– Income not subject to tax	**2,174.2**	283.2	**3,424.6**	1,635.0
– Expenses not deductible for tax purposes	**(4,984.1)**	(4,112.6)	**(4,918.6)**	(4,048.8)
Adjustments in respect of deferred income tax of previous year	**233.6**	(30.4)	**233.6**	(30.5)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Deferred tax not recognised in the year	**(6,858.7)**	(181.4)	**–**	–
Income tax expense	**(35,862.4)**	(34,717.3)	**(34,170.6)**	(34,276.0)

12(B) CURRENT INCOME TAX PAYABLE

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**(5,283.3)**	(253.1)	**(5,086.3)**	(151.6)
Current income tax	**(41,113.5)**	(39,146.8)	**(39,422.7)**	(38,706.8)
Adjustments in respect of current income tax of previous year	**(177.1)**	(12.1)	**(177.1)**	(12.1)
Tax paid during the year	**45,016.7**	34,128.7	**44,493.9**	33,784.2
At 31 March	**(1,557.2)**	(5,283.3)	**(192.2)**	(5,086.3)
Current asset	**851.6**	7.9	**–**	–
Current liabilities	**(2,408.8)**	(5,291.2)	**(192.2)**	(5,086.3)
At end of year	**(1,557.2)**	(5,283.3)	**(192.2)**	(5,086.3)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

13 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2023	2022	**2023**	2022
Profit attributable to equity holders of the Group (KShs million)	**62,268.9**	69,648.1	**74,939.6**	71,789.3
Total number of ordinary shares in issue (million)	**40,065.4**	40,065.4	**40,065.4**	40,065.4
Basic earnings per share (KShs)	**1.6**	1.7	**1.9**	1.8
Diluted earnings per share (KShs)	**1.6**	1.7	**1.9**	1.8

There were no potentially dilutive shares outstanding as at 31 March 2023. Diluted earnings per share are therefore the same as basic earnings per share.

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (million)	Ordinary shares KShs'm	Share premium KShs'm	Total KShs'm
As at 31 March 2023 and 31 March 2022	40,065.4	2,003.3	2,200	4,203.3

The authorised share capital of the Company is KShs 6,000,000,000 divided into 119,999,999,600 ordinary shares of KShs 0.05 each and 5 non-redeemable preference shares of KShs 4 each. The issued share capital comprises 40,065,428,000 (2022: 40,065,428,000) ordinary shares with a par value of KShs 0.05 each. Share premium reserve was established on initial issuance of the Company's ordinary shares at premium. Holders of ordinary shares are entitled to dividend as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

15 DIVIDEND

Proposed dividend is classified as a separate component of equity in the Statement of Changes in Equity through a transfer from retained earnings. They are transferred to the dividend payable account once approved by shareholders in a general meeting. During the year, an interim dividend of KShs 0.58 per ordinary share (2022: KShs 0.64) amounting to KShs 23.24 billion (2022: KShs 25.64 billion) was declared. The Directors have proposed a final dividend in respect of the year ended 31 March 2023 of KShs 0.62 per ordinary share amounting to a total of KShs 24.84 billion to be approved at the Annual General Meeting (AGM) to be held on 28 July 2023. This brings the total dividend for the year to KShs 48.08 billion (2022: KShs 55.69 billion) which represents KShs 1.20 per share in respect of the year ended 31 March 2023 (2022: KShs 1.39 per share). The payment of dividend is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and 0% for resident Kenyan companies with a shareholding of 12.5% or more in the Company. Total dividend payouts in the year were as follows:

MOVEMENT IN THE YEAR

	GROUP	
	2023 KShs'm	2022 KShs'm
At start of year	**12,053.9**	8,684.1
Final dividend declared	**30,049.1**	36,860.2
Interim dividend declared	**23,237.8**	25,641.9
Paid during the year	**(63,557.8)**	(59,132.3)
At end of year	**1,783.0**	12,053.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

16 BORROWINGS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**65,310.8**	14,772.0	**65,310.8**	14,772.0
Additions	**62,238.1**	120,564.8	**51,500.0**	120,564.8
Repayments	**(42,777.2)**	(70,026.0)	**(42,777.2)**	(70,026.0)
Foreign exchange difference	**770.6**	–	**–**	–
At end of year	**85,542.3**	65,310.8	**74,033.6**	65,310.8

SPLIT

	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Current	**43,492.3**	20,400.0	**35,500.0**	20,400.0
Non-current	**42,050.0**	44,910.8	**38,533.6**	44,910.8
At 31 March	**85,542.3**	65,310.8	**74,033.6**	65,310.8

Under the terms of the loan facilities, the Group is required to comply with certain covenants. The Group had complied with all the covenants.

The loan facilities are with Kenyan banks at an average interest rate of 8%–13% (2022: average interest rate of 8%–13%). Long-term facilities repayment period is 7 years for the Kenya shilling denominated loan and 5 years for United States dollar and Ethiopian Birr denominated loan.

17 DEFERRED INCOME TAX

GROUP

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	2023 KShs'm	2022 KShs'm
– Deferred income tax assets	**21,144.4**	15,152.9
– Deferred income tax liability	**(5,807.4)**	(5,244.1)
Net deferred income tax asset	**15,337.0**	9,908.8

Deferred income tax is calculated using the enacted income tax rate of 30%.

	2023 KShs'm	2022 KShs'm
At start of year	**9,908.8**	5,467.2
Credit to profit or loss (Note 12)	**5,194.6**	4,472.0
Adjustments in respect of deferred income tax of previous year (Note 12)	**233.6**	(30.4)
At end of year	**15,337.0**	9,908.8

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

Consolidated deferred income tax assets and liabilities and deferred income tax credit/(charge) in the Statement of Profit or Loss and Other Comprehensive Income (SOCI) are attributable to the following items:

Year ended 31 March 2023	1 April 2022 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2023 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(90.8)	(411.6)	(502.4)
Right of use assets	(5,153.3)	(153.9)	(5,307.2)
	(5,244.1)	(565.5)	(5,809.6)
Deferred income tax assets			
Unrealised foreign exchange losses	119.5	101.0	220.5
Tax losses	391.5	6,858.7	7,250.2
Property and equipment	4,738.8	3,171.4	7,910.2
Lease liabilities	5,855.0	579.0	6,434.0
Other temporary differences*	4,525.2	2,142.3	6,667.5
	15,630.0	12,852.4	28,482.4
Deferred tax asset not recognised	(477.1)	(6,858.7)	(7,335.8)
Net deferred income tax asset	9,908.8	5,428.2	15,337.0

Year ended 31 March 2022	1 April 2021 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2022 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(10.6)	(80.2)	(90.8)
Right of use asset	(4,428.9)	(724.4)	(5,153.3)
	(4,439.5)	(804.6)	(5,244.1)
Deferred income tax assets			
Unrealised foreign exchange losses	30.1	89.4	119.5
Tax losses	242.8	148.7	391.5
Property and equipment	1,350.8	3,388.0	4,738.8
Lease liabilities	4,822.1	1,032.9	5,855.0
Other temporary differences*	3,756.6	768.6	4,525.2
	10,202.4	5,427.6	15,630.0
Deferred tax asset not recognised	(295.7)	(181.4)	(477.1)
Net deferred income tax asset	5,467.2	4,441.6	9,908.8

**Other temporary differences mainly relate to deferred income tax on expected credit losses on financial assets and provisions for liabilities.*

In relation to Ethiopia, Federal Income Tax Proclamation 979/2016 Article 26 allows carry forward of a maximum of two years of losses. According to the proclamation, if the determination of taxable profits results in a loss in a tax period, the loss may base off against a future taxable income, but a taxpayer is not allowed to carry a loss forward for more than 5 tax years after the end of year in which the loss was incurred.

The Group has not recognised deferred income tax asset relating to tax losses carried forward amounting to KShs 7,335.8 million (2022: KShs 477.1 million) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. There is no expiry date to this unrecognised asset.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

COMPANY

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	2023 KShs'm	2022 KShs'm
– Deferred income tax assets	21,686.3	15,152.9
– Deferred income tax liability	(6,348.3)	(5,244.2)
Net deferred income tax asset	**15,338.0**	9,908.7

Deferred income tax is calculated using the enacted income tax rate of 30%.

	2023 KShs'm	2022 KShs'm
At start of year	9,908.7	5,465.8
Credit to Statement of Profit or Loss (Note 12)	5,195.6	4,473.4
Adjustments in respect of deferred income tax of previous year (Note12)	233.7	(30.5)
At end of year	**15,338.0**	9,908.7

Company deferred income tax assets and liabilities and deferred income tax charge/(credit) in the Statement of Profit or Loss and Other Comprehensive Income are attributable to the following items:

Year ended 31 March 2023	1 April 2022 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2023 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(90.9)	(99.9)	(190.8)
Right of use assets	(5,153.3)	(1,004.2)	(6,157.5)
	(5,244.2)	(1,104.1)	(6,348.3)
Deferred income tax assets			
Unrealised foreign exchange losses	119.3	(409.4)	(290.1)
Property and equipment	4,741.6	3,167.5	7,909.1
Lease liabilities	5,855.0	579.1	6,434.1
Other temporary differences*	4,437.0	3,196.2	7,633.2
	15,152.9	6,533.4	21,686.3
Net deferred income tax asset	9,908.7	5,429.3	15,338.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

17 DEFERRED INCOME TAX (CONTINUED)

COMPANY (CONTINUED)

Year ended 31 March 2022	1 April 2021 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2022 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(12.1)	(78.8)	(90.9)
Right of use assets	(4,428.9)	(724.4)	(5,153.3)
	(4,441.0)	(803.2)	(5,244.2)
Deferred income tax assets			
Unrealised foreign exchange losses	30.1	89.2	119.3
Property and equipment	1,350.4	3,391.2	4,741.6
Lease liabilities	4,822.1	1,032.9	5,855.0
Other temporary differences*	3,704.2	732.8	4,437.0
	9,906.8	5,246.1	15,152.9
Net deferred income tax asset	5,465.8	4,442.9	9,908.7

In the opinion of the Directors, the deferred income tax balances are expected to be recoverable against future profits.

** Other temporary differences mainly relate to deferred tax of expected credit losses on financial assets and provisions*

18 PROPERTY AND EQUIPMENT

GROUP

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total KShs'm
Year ended 31 March 2023								
Opening carrying amount	57,017.3	25,181.6	360.8	886.9	36,903.4	28,438.7	204.3	148,993.0
Hyperinflation adjustment (Note 35(a))	–	5,288.8	–	–	24.0	–	–	5,312.8
Additions	–	105,981.8	–	–	411.7	–	–	106,393.5
Transfers from CWIP	11,911.1	(41,885.3)	81.6	50.5	24,549.9	5,292.2	–	–
Disposal – cost	(1,625.7)	–	–	–	(3,149.9)	(2.6)	–	(4,778.2)
Asset retirement – cost	(12,056.7)	–	–	–	(10,271.1)	–	–	(22,327.8)
Asset retirement obligation (ARO) additions	1,052.1	–	–	–	–	–	–	1,052.1
Asset retirement – depreciation	12,056.7	–	–	–	10,271.1	–	–	22,327.8
Depreciation charge	(16,630.8)	–	(124.4)	(354.1)	(21,077.0)	(1,568.2)	–	(39,754.5)
Depreciation on disposals	1,620.0	–	–	–	3,148.6	0.3	–	4,768.9
Closing carrying amount	53,344.0	94,566.9	318.0	583.3	40,810.7	32,160.4	204.3	221,987.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

	GROUP							
	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total KShs'm
At 31 March 2023								
Cost	**252,588.4**	**94,566.9**	**1,811.4**	**7,986.0**	**149,808.4**	**40,787.6**	**204.3**	**547,753.0**
Accumulated depreciation and impairment	**(199,244.4)**	**–**	**(1,493.4)**	**(7,402.7)**	**(108,997.7)**	**(8,627.2)**	**–**	**(325,765.4)**
Net book carrying amount	**53,344.0**	**94,566.9**	**318.0**	**583.3**	**40,810.7**	**32,160.4**	**204.3**	**221,987.6**

**Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

Included in property and equipment are fully depreciated assets amounting to KShs 202,423.4 million (2022: KShs 203,855.1 million) which would have a notional depreciation of KShs 2,921.0 million (2022: KShs 2,557 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Lease-hold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold property KShs'm	Total KShs'm
Year ended 31 March 2022								
Opening net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7		133,833.7
Additions	–	49,168.0	–	–	406.3	–	204.3	49,778.6
Transfers from CWIP	10,428.8	(32,241.7)	150.1	6.5	19,348.7	2,307.6	–	–
Disposal – cost	(299.5)	–	–	(12.8)	(1,104.7)	–	–	(1,417.0)
Asset retirement obligation (ARO) non-cash adjustments	(286.5)	–	–	–	-	–	–	(286.5)
Depreciation charge	(15,042.8)	(144.0)	(127.6)	(453.0)	(16,976.1)	(1,401.7)	–	(34,145.2)
Depreciation on disposals	301.4	–	–	12.8	1,100.7	–	–	1,414.9
Translation differences	–	(157.6)	–	–	(27.9)	–	–	(185.5)
Closing net book amount	57,016.4	25,181.4	360.2	889.1	36,903.0	28,438.6	204.3	148,993.0
At 31 March 2022								
Cost	253,444.8	25,181.4	1,730.4	7,934.4	138,346.4	35,504.1	204.3	462,345.8
Accumulated depreciation and impairment	(196,428.4)	–	(1,370.2)	(7,045.3)	(101,443.4)	(7,065.5)	–	(313,352.8)
Net book amount	57,016.4	25,181.4	360.2	889.1	36,903.0	28,438.6	204.3	148,993.0

**Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network mainte-nance spares KShs'm	Leasehold improve-ments KShs'm	Vehicles and equip-ment KShs'm	Fibre KShs'm	Freehold Property KShs'm	Total KShs'm
Year ended 31 March 2023								
Opening net book amount	**57,017.3**	**14,917.7**	**360.8**	**886.9**	**36,677.0**	**28,438.7**	**204.3**	**138,502.7**
Additions	**–**	**39,866.7**	**–**	**–**	**411.7**	**–**	**3.3**	**40,281.7**
Transfers from CWIP	**11,911.1**	**(41,745.7)**	**81.6**	**50.5**	**24,410.3**	**5,292.2**	**–**	**–**
Disposal – cost	**(1,625.7)**	**–**	**–**	**–**	**(3,149.8)**	**(2.7)**	**–**	**(4,778.2)**
Asset retirement – cost	**(12,056.7)**	**–**	**–**	**–**	**(10,271.1)**	**–**	**–**	**(22,327.8)**
Depreciation charge	**(14,376.9)**	**–**	**(124.4)**	**(351.0)**	**(20,551.3)**	**(1,568.2)**	**–**	**(36,971.8)**
Asset retirement – depreciation	**12,056.7**	**–**	**–**	**–**	**10,271.1**	**–**	**–**	**22,327.8**
Depreciation on disposals	**1,620.0**	**–**	**–**	**–**	**3,148.8**	**0.3**	**–**	**4,769.1**
Closing net book amount	**54,545.8**	**13,038.7**	**318.0**	**586.4**	**40,946.7**	**32,160.3**	**207.6**	**141,803.5**
At 31 March 2023								
Cost	**251,536.3**	**13,038.7**	**1,811.4**	**7,986.0**	**149,245.1**	**40,787.5**	**207.6**	**464,612.6**
Accumulated depreciation and impairment	**(196,990.5)**	**–**	**(1,493.4)**	**(7,399.6)**	**(108,298.4)**	**(8,627.2)**	**–**	**(322,809.1)**
Net book amount	**54,545.8**	**13,038.7**	**318.0**	**586.4**	**40,946.7**	**32,160.3**	**207.6**	**141,803.5**

**Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

Included in property and equipment are fully depreciated assets amounting to KShs 202,423.4 million (2022: KShs 203,855.1 million) which would have a notional depreciation of KShs 2,921.0 million (2022: KShs 2,557 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

18 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY

	Network infra-structure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Fibre KShs'm	Freehold Property KShs'm	Total KShs'm
Year ended 31 March 2022								
Opening net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	–	133,519.3
Additions	–	38,583.5	–	–	406.3	–	204.3	39,194.1
Transfer from CWIP	10,428.8	(32,078.7)	150.1	6.5	19,185.7	2,307.6	–	–
Disposal – cost	(299.5)	–	–	(12.8)	(1,104.7)	–	–	(1,417.0)
Asset retirement obligation (ARO) non-cash adjustments	(286.5)	–	–	–	–	–	–	(286.5)
Depreciation charge	(15,042.8)	–	(127.6)	(453.0)	(16,897.1)	(1,401.7)	–	(33,922.2)
Depreciation on disposals	301.4	–	–	12.8	1,100.7	–	–	1,414.9
Closing net book amount	57,016.3	14,918.6	360.8	887.0	36,676.9	28,438.7	204.3	138,502.6
At 31 March 2022								
Cost	253,308.2	14,918.6	1,730.4	7,934.4	137,844.4	35,498.0	204.3	451,438.3
Accumulated depreciation	(196,291.9)	–	(1,369.6)	(7,047.4)	(101,167.5)	(7,059.3)	–	(312,935.7)
Net book amount	57,016.3	14,918.6	360.8	887.0	36,676.9	28,438.7	204.3	138,502.6

**Capital work-in-progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

19 INDEFEASIBLE RIGHTS OF USE (IRUS)

GROUP

	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	EATCL KShs'm	Total KShs'm
Year ended 31 March 2023							
Opening net book amount	**1,622.5**	**613.2**	**328.6**	**–**	**–**	**–**	**2,564.3**
Amortisation charge	**(76.7)**	**(41.9)**	**(162.7)**	**–**	**–**	**–**	**(281.3)**
Closing net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**–**	**2,283.0**
At 31 March 2023							
Cost	**3,253.0**	**1,534.9**	**838.3**	**–**	**–**	**–**	**5,626.2**
Accumulated amortisation	**(1,707.2)**	**(963.6)**	**(672.4)**	**–**	**–**	**–**	**(3,343.2)**
Net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**–**	**2,283.0**
Year ended 31 March 2022							
Opening net book amount	1,785.2	689.9	370.5	–	–	–	2,845.6
Amortisation charge	(162.7)	(76.7)	(41.9)	–	–	–	(281.3)
Closing net book amount	1,622.5	613.2	328.6	–	–	–	2,564.3
At 31 March 2022							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortisation	(1,630.5)	(921.7)	(509.7)	(111.3)	(183.9)	(91.5)	(3,448.6)
Net book amount	1,622.5	613.2	328.6	–	–	–	2,564.3

COMPANY

	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	Total KShs'm
Year ended 31 March 2023						
Opening net book amount	**1,622.5**	**613.2**	**328.6**	**–**	**–**	**2,564.3**
Amortisation charge	**(76.7)**	**(41.9)**	**(162.7)**	**–**	**–**	**(281.3)**
Closing net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**2,283.0**
At 31 March 2023						
Cost	**3,253.0**	**1,534.9**	**838.3**	**–**	**–**	**5,626.2**
Accumulated amortisation	**(1,707.2)**	**(963.6)**	**(672.4)**	**–**	**–**	**(3,343.2)**
Net book amount	**1,545.8**	**571.3**	**165.9**	**–**	**–**	**2,283.0**
Year ended 31 March 2022						
Opening net book amount	1,785.2	689.9	370.5	–	–	2,845.6
Amortisation charge	(162.7)	(76.7)	(41.9)	–	–	(281.3)
Closing net book amount	1,622.5	613.2	328.6	–	–	2,564.3
At 31 March 2022						
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4
Accumulated amortisation	(1,630.5)	(921.7)	(509.7)	(111.3)	(183.9)	(3,357.1)
Net book amount	1,622.5	613.2	328.6	–	–	2,564.3

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

20 INVESTMENT PROPERTIES (GROUP AND COMPANY)

The investment properties relate to vacant parcels of land title No. 164259 and 164260 located in the Nairobi area. This land does not generate any rental income or direct operating costs. There are no restrictions attached to realisability of the investment properties or the remittance of income and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

GROUP AND COMPANY

	2023 KShs'm	2022 KShs'm
At 1 April	**845.0**	845.0
Net gain from fair value adjustment	**90.0**	–
At 31 March	**935.0**	845.0

The fair value measurement of the investment property as at 31 March 2023 was performed by a registered and independent valuation firm who has valuation experience for similar properties in Kenya. They are members of the Institute of Surveyors of Kenya.

The fair value was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of those similar properties was assumed.

Details of the Group's and Company's investment properties and information about fair value hierarchy as at 31 March 2023 and 31 March 2022 is as follows:

Non-financial asset	Fair Value as at 31 March 2023 KShs'm	Fair Value as at 31 March 2022 KShs'm	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Investment properties	**935.0**	845.0	Level III	Market comparison approach	**Recent sale transactions for similar properties in the neighbourhood**

SENSITIVITY ANALYSIS

If there was a 10% change in the selling prices of similar properties, with all other variables held constant, the fair value of the investment properties would have been KShs 93.5 million lower/higher.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

21 INTANGIBLE ASSETS – NETWORK LICENCES

GROUP

	2023 KShs'm	2022 KShs'm
Opening carrying amount	93,647.2	8,475.5
Additions – cost	5,143.0	96,288.3
Hyperinflation adjustment	52,433.0	–
Translation difference	7,393.4	(9,266.6)
Derecognition – cost	(1,673.8)	(5,077.6)
Derecognition – amortisation	1,673.8	5,077.6
Amortisation charge	(8,417.9)	(1,850.0)
Closing carrying amount	150,198.8	93,647.2
Cost	168,300.2	105,004.5
Accumulated amortisation	(18,101.4)	(11,357.3)
Carrying amount	150,198.8	93,647.2

21 INTANGIBLE ASSETS – NETWORK LICENCES (CONTINUED)

COMPANY

	2023 KShs'm	2022 KShs'm
Opening carrying amount	11,349.6	8,471.5
Additions – cost	5,143.0	4,728.1
Derecognition – cost	(1,673.8)	(5,077.6)
Derecognition – amortisation	1,673.8	5,077.6
Amortisation charge	(2,329.6)	(1,850.0)
Closing carrying amount	14,163.0	11,349.6
Cost	26,157.8	22,688.6
Accumulated amortisation	(11,994.8)	(11,339.0)
Carrying amount	14,163.0	11,349.6

Derecognition represents amounts derecognised upon expiry of license.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES

(A) RIGHT OF USE ASSET (ROU)

	GROUP						
	Site KShs'm	**Co-location KShs'm**	**Shops KShs'm**	**Facilities KShs'm**	**Secondees houses KShs'm**	**Equipment KShs'm**	**Total KShs'm**
Year ended 31 March 2023							
Opening cost	7,082.9	8,270.1	806.7	2,081.5	52.8	7.6	18,301.6
Additions	5,460.5	15,809.7	337.7	1,768.8	1,071.2	–	24,447.9
Termination and revisions cost	71.2	719.9	4.5	(1,397.2)	0.7	–	(600.9)
Armortisation charge	(1,610.3)	(2,372.1)	(293.4)	(1,327.6)	(801.3)	(6.6)	(6,411.3)
Amortisation on termination and revision	23.3	(4.6)	–	1,136.4	–	–	1,155.1
Hyperinflation adjustment	(1.8)	–	(0.2)	(3.1)	(1.8)	–	(6.9)
Closing net book amount	11,025.8	22,423.0	855.3	2,258.8	321.6	1.0	36,885.5
At 31 March 2023							
Cost	15,637.6	28,078.9	1,906.4	4,802.9	1,188.5	15.8	51,630.1
Accumulated amortisation	(4,611.8)	(5,655.9)	(1,051.1)	(2,544.1)	(866.9)	(14.8)	(14,744.6)
Closing net book amount	11,025.8	22,423.0	855.3	2,258.8	321.6	1.0	36,885.5

	GROUP						
	Site KShs'm	Co-location KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2022							
Opening cost	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
Additions	1,136.2	4,058.9	170.9	549.5	65.6	(1.6)	5,979.5
Termination and revision cost	19.8	811.2	(20.7)	237.2	–	(0.5)	1,047.0
Armortisation charge	(1,041.4)	(1,318.4)	(259.7)	(1,014.4)	(16.3)	(6.6)	(3,656.8)
Translation differences	1.6	–	0.1	1.8	0.1	–	3.6
Amortisation on termination and revision	66.5	–	0.2	98.9	–	–	165.6
Closing net book amount	7,082.6	8,270.5	806.7	2,081.6	52.8	7.5	18,301.7
At 31 March 2022							
Cost	10,078.0	11,549.3	1,564.2	4,431.4	144.1	15.8	27,782.8
Accumulated depreciation	(2,995.4)	(3,278.8)	(757.5)	(2,349.8)	(91.3)	(8.3)	(9,481.1)
Closing net book amount	7,082.6	8,270.5	806.7	2,081.6	52.8	7.5	18,301.7

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(A) RIGHT OF USE ASSET (ROU) (CONTINUED)

COMPANY

	Site KShs'm	Co-location KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2023							
Opening cost	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4
Additions	508.7	3,407.3	199.5	262.3	–	–	4,377.8
Termination and revisions cost	71.9	719.5	4.6	(1,397.3)	0.7	0.1	(600.5)
Armortisation charge	(1,086.1)	(2,005.0)	(262.9)	(1,050.2)	(8.2)	(6.6)	(4,419.0)
Amortisation on termination and revision	22.9	(4.6)	–	1,137.3	–	–	1,155.6
Closing net book amount	6,148.1	10,387.7	712.8	431.5	10.2	1.0	17,691.3
At 31 March 2023							
Cost	10,203.1	15,676.1	1,732.9	2,688.7	106.6	15.9	30,423.3
Accumulated amortisation	(4,055.0)	(5,288.4)	(1,020.1)	(2,257.2)	(96.4)	(14.9)	(12,732.9)
Closing net book amount	6,148.1	10,387.7	712.8	431.5	10.2	1.0	17,691.3

COMPANY

	Site KShs'm	Co-location KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2022							
Opening cost	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
Additions	685.3	4,058.9	135.6	279.7	27.50	(1.6)	5,185.4
Termination and revisions cost	16.8	811.2	(20.7)	(98.8)	–	(0.5)	708.0
Amortisation charge	(1,037.8)	(1,318.4)	(259.3)	(1,008.9)	(13.2)	(6.6)	(3,644.2)
Amortisation on termination and revision	66.5	–	0.1	98.8	–	–	165.4
Closing net book amount	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4
At 31 March 2022							
Cost	9,622.5	11,549.3	1,528.8	3,823.8	105.9	15.8	26,646.1
Accumulated amortisation	(2,991.8)	(3,278.8)	(757.2)	(2,344.4)	(88.2)	(8.3)	(9,468.7)
Closing net book amount	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(B) LEASE LIABILITIES

The lease liabilities balance at the end of the period was as follows:

	GROUP		
	Current KShs'm	Non-current KShs'm	Total KShs'm
Year ended 31 March 2023			
Opening balance	**5,508.4**	**14,584.9**	**20,093.3**
Additions	**2,844.2**	**13,927.2**	**16,771.4**
Interest charge	**2,875.9**	**–**	**2,875.9**
Payments	**(10,117.6)**	**–**	**(10,117.6)**
Termination and revisions	**4,274.7**	**–**	**4,274.7**
Forex revaluation	**–**	**731.1**	**731.1**
Translation reserves	**(30.7)**	**740.8**	**710.1**
Closing balance	**5,354.9**	**29,984.0**	**35,338.9**
Year ended 31 March 2022			
Opening balance	4,119.5	11,954.2	16,073.7
Additions	3,535.3	2,443.1	5,978.4
Interest charge	1,802.9	–	1,802.9
Payments	(5,154.3)	–	(5,154.3)
Termination and revisions	1,204.8	–	1,204.8
Forex revaluation	–	184.7	184.7
Translation reserves	0.3	2.9	3.2
Closing balance	5,508.5	14,584.9	20,093.4

Included in the direct costs and reported in the Statement of Profit or Loss in the period is an amount of KShs 1,549.7 million (2022: KShs 1,828.7 million) for Group and KShs 1,383.8 million (2022: KShs 1,725.5 million) for Company relating to short-term leases of less than one year which were not accounted for under IFRS 16.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

22 LEASES (CONTINUED)

(B) LEASE LIABILITIES (CONTINUED)

There were no leases not commenced to which the Group had committed.

	COMPANY		
	Current KShs'm	Non-current KShs'm	Total KShs'm
Year ended 31 March 2023			
Opening balance	**5,437.4**	**14,079.2**	**19,516.6**
Additions	**1,972.8**	**2,404.7**	**4,377.5**
Interest charge	**2,238.5**	**–**	**2,238.5**
Payments	**(5,736.6)**	**–**	**(5,736.6)**
Termination and revisions	**464.5**	**–**	**464.5**
Forex revaluation	**–**	**586.2**	**586.2**
Closing balance	**4,376.6**	**17,070.1**	**21,446.7**
Year ended 31 March 2022			
Opening balance	4,119.5	11,954.2	16,073.7
Additions	3,245.1	1,940.3	5,185.4
Interest charge	1,772.4	–	1,772.4
Payments	(4,565.9)	–	(4,565.9)
Termination and revisions	866.3	–	866.3
Forex revaluation	–	184.7	184.7
Closing balance	5,437.4	14,079.2	19,516.6

Payments split

The lease payment split is as follows:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Repayment of lease liabilities – principal	**8,349.1**	3,806.4	**4,001.3**	(3,220.5)
Repayment of lease liabilities – interest	**1,768.5**	1,347.9	**1,735.3**	(1,345.4)
Total payments	**10,117.6**	5,154.3	**5,736.6**	4,565.9

(C) MATURITY ANALYSIS OF UNDISCOUNTED LEASE LIABILITIES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Less than 1 year	**5,800.9**	5,641.9	**4,498.3**	5,570.6
Greater than 1 year	**43,516.4**	21,495.6	**23,521.5**	20,602.7
Total	**49,317.3**	27,137.5	**28,019.8**	26,173.3

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS

From time to time the Group invests in various entities in the form of subsidiaries, associates and joint arrangements and ventures for strategic reasons in order to achieve its overall objective of transforming lives.

(A) INVESTMENT IN SUBSIDIARIES

All subsidiaries are unlisted and have the same year end as the Company except for Safaricom Money Transfer Services Limited which has a 31 December year end because of Central Bank of Kenya's reporting guidelines. The investments relate to cost of shares held in the subsidiaries.

COMPANY

	2023 KShs'm	2022 KShs'm
At start of year	**59,057.8**	431.3
Additions – financial guarantees issued in the year	**838.7**	–
Additional investment – Vodafamily Ethiopia Holding Limited	**18,116.0**	58,626.5
At end of year	**78,012.5**	59,057.8

In April 2021, Safaricom PLC in partnership with Vodacom Group, Sumitomo and CDC partnered 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, United Kingdom), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V. (a private limited company incorporated in the Netherlands), as the investment vehicle to Ethiopia with the respective shareholding into the Company being Vodafamily Ethiopia Holding 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and British International Investment PLC (formerly known as CDC Group PLC) 10.9%. The intention was to bid for one of the telecommunications license in Ethiopia.

On 26 April 2021, the Global Partnership for Ethiopia (the "GPE") submitted a response to the Request for Proposals (the "RFP") by the Government of Ethiopia (the "GoE") that was issued by the Ethiopian Communications Authority (the "ECA"). On 24 May 2021, the ECA formally notified the GPE of its decision to award it one of the two telecommunication licences that were available in the bid process. Licence fee paid was USD 850 million to Government of Ethiopia. In addition, transaction fees of USD 4 million was paid to International Finance corporation (IFC). The total cost was distributed proportionate to each consortium partner shareholding in GPE.

GPE thereafter incorporated a fully-owned subsidiary in Ethiopia, Safaricom Telecommunication Ethiopia PLC (STEP), and the certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopia regulation. The indirect shareholding of Safaricom PLC in STEP is 55.71%. STEP's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

The subsidiary financial position and results have been consolidated in the Group's financial statements.

Below is the contribution for Non-Controlling Interest (NCI) arising from their ownership in GPE and STEP:

Name	Non-controlling percentage	At start of year	Contribution by NCI shareholders KShs'm	Other reserve KShs'm	Loss allocated to NCI KShs'm	Totals NCI KShs'm
Vodacom Group Limited	6.19%	5,622.9	1,995.0	4,345.1	(1,367.7)	10,595.3
Sumitomo Corporation	27.20%	24,708.0	8,766.5	19,092.8	(6,010.0)	46,557.5
CDC Group PLC	10.90%	9,901.4	3,513.1	7,651.3	(2,408.4)	18,657.3
Total	44.29%	40,232.3	14,274.6	31,089.2	(9,786.1)	75,810.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(A) INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company's interest in its subsidiaries was as follows:

	Year end	% interest held	2023 KShs'm	2022 KShs'm
Vodafamily Ethiopia Holding Limited	31 March	90	**77,581.2**	58,626.5
Instaconnect Limited	31 March	100	**411.2**	411.2
Safaricom Money Transfer Services Limited	31 December	100	**20.0**	20.0
DigiFarm Kenya Limited[1]	31 March	100	**0.1**	0.1
One Communications Limited and its subsidiaries*[2]	31 March	100	**–**	–
East Africa Tower Company Limited*	31 March	100	**–**	–
			78,012.5	59,057.8

[1] In October 2019, DigiFarm Kenya Limited was incorporated as a 100% owned subsidiary by Safaricom PLC. The nominal share capital of the Company is KShs 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness technology support services to Kenyan farmers linking the entire production chain by connecting producers to buyers and cushioning farmers from middlemen. Other expected value additions to the DigiFarm model will be filling the gaps below:

- *Access to financial services – credit and insurance.*
- *Access to quality inputs.*
- *Knowledge on best farming practices through extension services.*
- *Access to market and post-harvest loss management.*

The investment in One Communications Limited and its subsidiaries together with East Africa Tower Company Limited were written off in the year ended 31 March 2017.The summarised financial information of Vodafamily Ethiopia Holding Limited consolidated is provided below. The subsidiary is incorporated in United Kingdom and the principal place of business is London, United Kingdom. This information is based on amounts before inter-company eliminations.
[2]The subsidiaries are Comtec Training Management Services Limited, Comtec Integrations System Limited and Flexible Bandwidth Service Limited.

Vodafamily Ethiopia Holding Limited consolidated summarised Statement of Profit or Loss and Other Comprehensive Income for year ended 31 March

	2023 KShs'm	2022 KShs'm
Total revenue	**1,834.5**	–
Total expenses	**(22,324.0)**	(5,109.2)
Loss before interest, tax, depreciation and amortisation	**(20,489.5)**	(5,109.2)
Depreciation and amortisation	**(10,767.4)**	(14.3)
Financing costs	**(1,478.0)**	(75.9)
Finance income	**212.7**	340.6
Net monetary gain (Note 35)	**10,383.1**	–
Income tax expense	**–**	–
Loss after tax	**(22,139.1)**	(4,858.8)
Other comprehensive income		
Exchange differences on translation of foreign operations	**10,260.0**	(9,536.3)
Total comprehensive income	**(11,879.1)**	(14,395.1)
Attributable to non-controlling interests	**(11,879.1)**	(5,484.5)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(A) INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Vodafamily Ethiopia Holding Limited consolidated summarised Statement of Financial Position as at 31 March

	2023 KShs'm	2022 KShs'm
Equity attributable to:		
Equity holders of parent	106,026.4	56,229.6
Non-controlling interest	65,260.2	34,609.8
Non-current liabilities	44,841.6	4,715.3
Total equity and non-current liabilities	216,128.2	95,554.7
Non-current assets	235,461.7	93,672.9
Current assets		
Cash and cash equivalents	3,806.4	2,687.6
Other current assets	11,175.0	3,255.9
Total current assets	14,981.4	5,943.5
Current liabilities	34,314.9	4,061.7
	216,128.2	95,554.7

Vodafamily Ethiopia Holding Limited consolidated summarised cashflow information for period ended 31 March

	2023 KShs'm	2022 KShs'm
Cash flows from operating activities	31,104.0	148.4
Cash flows from investing activities	(68,763.6)	(102,002.5)
Cash flows from financing activities	38,240.8	104,636.1
Net increase in cash and cash equivalents	581.2	2,782.0
Movement in cash and cash equivalents		
At start of year	2,687.6	–
Net foreign exchange differences	537.6	(94.4)
Increase in cash and cash equivalents	581.2	2,782.0
Cash and cash equivalents at end of year	3,806.4	2,687.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY

	2023 KShs'm	2022 KShs'm
Investment in associates		
Circles Gas Limited	–	–
The East African Marines Systems Limited (TEAMS)	135.6	123.1
Total investment in associates	135.6	123.1
Investment in joint ventures		
M-PESA Africa Limited	3,808.3	3,859.0
Total investment in joint ventures	3,808.3	3,859.0
Total investment in associates and joint ventures	3,943.9	3,982.1
The movement in investment in associates and joint ventures is as follows:		
At start of year The East African Marines Systems Limited (TEAMS)	123.1	118.1
Share of profit from TEAMS	12.5	5.0
At start of year Circle Gas Limited	–	284.8
Share of loss from Circle Gas Limited	–	(284.8)
At start of year M-PESA Africa Limited	3,859.0	4,055.2
Share of loss from M-PESA Africa Limited	(50.7)	(196.2)
At end of year	3,943.9	3,982.1
Share of profit from The East African Marines Systems Limited (TEAMS)	12.5	5.0
Share of loss from Circle Gas Limited	–	(284.8)
Total share of profit/(loss) of associates	12.5	(279.8)
Share of loss from M-PESA Africa Limited	(50.7)	(196.2)
Total share of loss of joint venture	(50.7)	(196.2)

In December 2019, Safaricom completed a purchase of 18.96% of the issued shares capital of Circle Gas Limited (KShs 385 million), a company incorporated in England. Principal place of business for Circle Gas Limited is London, United Kingdom. Strategically, the investment in Circle Gas Limited solution is a digital service offering leveraging Internet of Things (IoT) and M-PESA, that will drive our ambition to be the leading digital services in Kenya whilst driving financial inclusion through technology by offering customers an affordable, clean energy source for cooking.

In 2022 Circle Gas Limited subsequently issued ordinary shares which were used in settlement of debt. This led to a dilution of the Safaricom's shareholding to 14.648%.

The investment in Circle Gas Limited has been treated as an investment in associate as per IAS 28.6 where the existence of significant influence by an investor is usually evidenced if one or more of the following exists:

- Representation on the Board of Directors or equivalent governing body of the investee.
- Participation in the policy-making process material transactions between the investor and the investee.
- Interchange of managerial personnel.
- Provision of essential technical information.

Circle Gas Limited has a 31 December year end and derives its revenues from the provision of an affordable, clean energy source for cooking. Changes in the risk and fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. Initial Investment on Circle Gas Limited were fully written off by the reported losses. Further details are provided in Note 3(ii).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

Circle Gas Limited summarised Statement of Profit or Loss and Other Comprehensive Income

	6 months ended 30 June 2022 KShs'm	12 months ended 31 December 2021 KShs'm
Revenue	**357.6**	418.9
Expenses	**(1,578.4)**	(2,508.2)
Loss before tax	**(1,220.8)**	(2,089.3)
Income tax expense	**–**	–
Loss after tax	**(1,220.8)**	(2,089.3)
Share of loss after tax	**–**	–
Share of loss of associate – reported	**–**	(284.8)
Share of loss of associate – unrecognised	**(178.8)**	(21.2)

Circle Gas Limited summarised Statement of Financial Position

	As at 30 June 2022 KShs'm	As at 31 December 2021 KShs'm
Total equity	**(2,713.3)**	(514.1)
Current liabilities	**1,511.9**	103.9
Non-current liabilities	**10,377.1**	7,435.9
Total liabilities and equity	**9,175.7**	7,025.7
Non-current assets	**6,039.7**	4,333.9
Current assets	**3,136.0**	2,691.8
Total assets	**9,175.7**	7,025.7

At the time of the report the financial statements for Circle Gas Limited as at 31 December had not been received. As such, the unaudited six months results for the associate have been incorporated in the Group's financial statements.

Included in the investment in associate is the investment of 32.5% (2022: 32.5%) of the ordinary shares of The East African Marines Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares. TEAMS' place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the Group's interest in the associate.

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. Changes in the risk and fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited nine months results for the associate have been incorporated in the Group's financial statements. Set out below is the summarised financial information for TEAMS as at 31 March 2023, which is accounted for using the equity method.

TEAMS summarised Statement of Financial Position as at 31 March 2023

	2023 KShs'm	2022 KShs'm
Total equity	**415.7**	462.2
Current liabilities	**386.7**	189.9
Non-current liabilities	**–**	–
Total liabilities and equity	**802.4**	652.1
Non-current assets	**24.1**	4.3
Current assets	**778.3**	647.8
Total assets	**802.4**	652.1

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

TEAMS summarised Statement of Profit or Loss and Other Comprehensive Income for the 9 months period ended 31 March

	2023 KShs'm	2022 KShs'm
Revenue	49.3	218.7
Other income	16.1	12.6
Total Income	65.4	231.3
Operating expenses	(3.7)	(175.5)
Administrative expenses	(7.6)	(27.5)
Total expenses	54.1	28.3
Profit before tax	54.1	28.3
Income tax expense	(16.2)	(8.1)
Profit after tax	37.9	20.2
Share of profit of associate reported	12.3	6.6
Profit/(loss) after tax for the 3 months ended 30 June (2022 and 2021)	0.2	(1.6)
Share of profit of associate reported	12.5	5.0

The information above reflects the amounts presented in the management accounts of the associate and not Safaricom PLC's share of those amounts, adjusted for differences in accounting policies between the Company and associate. The results of TEAMS do not have a material impact on the Group's results.

In March 2020, Safaricom PLC and Vodacom Group Limited completed the acquisition of the M-PESA brand, product development and support services from Vodafone Group PLC through the Joint Venture (JV), M-PESA Africa Limited. The new objectives of the JV is to strategically help accelerate M-PESA growth in Africa and giving both Safaricom PLC and Vodacom Group Limited full control of the M-PESA brand in Africa. Safaricom PLC owns 50% of the issued share capital of the JV with Vodacom Group Limited owning the remaining 50%.
The JV is registered in Kenya and has a 100% owned subsidiary, K2019102008 (South Africa) (Proprietary) Limited registered in South Africa. The joint venture is accounted for using equity method in these consolidated and separate financial statements. Summarised financial information in respect of Safaricom PLC investment in joint venture as at year end is set out below:

There are no significant restrictions on the ability of the JV to transfer funds to Safaricom PLC in the form of a cash dividend or repayment of loans. Decisions by the JV to declare and/or pay any dividend or make any capital distribution to shareholders must have prior written consent of the existing shareholders.

M-PESA Africa Limited summarised Statement of Financial Position as at

	2023 KShs'm	2022 KShs'm
Total equity	8,597.0	8,756.8
Non-current liabilities		
Deferred income tax	2,741.9	2,909.9
Other non-current financial liabilities	8,473.2	3,922.2
Total non-current liabilities	11,215.1	6,832.1
Total equity and non-current liabilities	19,812.1	15,588.9
Non-current assets	23,110.0	18,623.5
Current assets		
Cash and cash equivalents	2,029.8	2,431.3
Other current assets	1,287.1	1,015.2
Total current assets	3,316.9	3,446.5
Current liabilities		
Payables and accrued expenses	6,596.6	3,314.3
Other current financial liabilities	18.2	3,166.8
Total current liabilities	6,614.8	6,481.1
Net current assets	(3,297.9)	(3,034.6)
	19,812.1	15,588.9

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

23 INVESTMENTS (CONTINUED)

(B) INVESTMENT IN ASSOCIATES AND JOINT VENTURES – GROUP AND COMPANY (CONTINUED)

M-PESA Africa Limited summarised Statement of Profit or Loss and Other Comprehensive Income for year ended

	2023 KShs'm	2022 KShs'm
Revenue	**5,576.1**	4,269.8
Total expenses	**(3,575.0)**	(2,918.2)
Profit before interest, tax, depreciation and amortisation	**2,001.1**	1,351.6
Depreciation and amortisation	**(1,756.2)**	(1,477.4)
Financing costs	**(235.7)**	(125.1)
Income tax expense	**(110.6)**	(141.6)
Loss after tax	**(101.4)**	(392.5)
Share of loss before tax (50%)	**(50.7)**	(196.3)
Share of loss from joint venture	**(50.7)**	**(196.2)**

24 INVENTORIES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Handsets and accessories	**2,362.1**	3,402.3	**1,288.1**	3,402.3
Scratch cards	**53.7**	32.6	**19.4**	32.6
Starter packs	**1,648.7**	733.1	**1,215.9**	733.1
Stationery and other stocks	**124.4**	10.3	**4.4**	10.3
Set top boxes	**–**	2.0	**–**	2.0
Less: Provision for obsolescence	**(540.5)**	(32.9)	**(296.3)**	(32.9)
	3,648.4	4,147.4	**2,231.5**	4,147.4
Farm stocks	**7.2**	159.4	**–**	–
	3,655.6	4,306.8	**2,231.5**	4,147.4

The cost of inventories recognised as an expense during the year was KShs 11,261.1 million (2022: KShs 14.5 million) reported under direct costs Note 6. The cost of inventories written down during the year is KShs 60.4 million (2022: Nil). This cost is included under direct costs Note 6.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

25 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Current:				
Trade receivables	**24,883.3**	18,373.9	**22,669.6**	18,177.3
Less: Allowance for expected credit losses	**(10,411.2)**	(6,916.9)	**(9,971.6)**	(6,729.9)
	14,472.1	11,457.0	**12,698.0**	11,447.4
Receivable from related parties (Note 32 (viii))	**1,599.3**	1,801.2	**4,580.5**	3,834.7
Less: Allowance for expected credit losses	**(12.0)**	(6.7)	**(1,413.6)**	(1,096.3)
	1,587.3	1,794.5	**3,166.9**	2,738.4
Other receivables*	**13,296.0**	6,628.0	**5,146.0**	4,989.7
Less: Allowance for expected credit losses	**(71.7)**	(117.5)	**(71.7)**	(117.5)
	13,224.3	6,510.5	**5,074.3**	4,872.2
Prepayments	**11,507.8**	6,157.2	**2,922.8**	2,945.7
	40,791.5	25,919.2	**23,862.0**	22,003.7

** Other receivables include deposit, interest receivable and EPSAP share receivable.*

The carrying amounts of the above receivables approximate their fair values.

Movements on the allowance for expected credit losses on trade receivables, other receivables and related parties' receivables are as follows:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**7,041.1**	5,436.0	**7,943.7**	6,165.3
Provision for expected credit losses for the year				
– Trade and other receivables	**5,150.3**	2,874.7	**5,209.3**	2,770.0
– Related parties	**5.3**	9.3	**317.3**	275.2
Release of prior year provisions	**(423.1)**	(535.5)	**(808.7)**	(523.4)
Provision for expected credit losses	**4,732.5**	2,348.5	**4,717.9**	2,521.8
Receivables written off during the year as uncollectible	**(1,278.9)**	(942.7)	**(1,204.7)**	(942.7)
Recovery from third parties	**0.2**	199.3	**–**	199.3
Closing allowance for expected credit losses at year end	**10,494.9**	7,041.1	**11,456.9**	7,943.7
Provision for trade receivables	**10,411.2**	6,916.9	**9,971.6**	6,729.9
Provision for related parties	**12.0**	6.7	**1,413.6**	1,096.3
Provision for other receivables	**71.7**	117.5	**71.7**	117.5
Closing allowance for expected credit losses as at year end	**10,494.9**	7,041.1	**11,456.9**	7,943.7

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

26 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
(A) CASH AND CASH EQUIVALENTS				
Cash at bank	**22,108.5**	30,794.2	**18,063.2**	25,571.7
Allowance for expected credit losses	**(10.4)**	(14.6)	**(1.3)**	(11.1)
	22,098.1	30,779.6	**18,061.9**	25,560.6
(B) RESTRICTED CASH				
Restricted cash	**2,014.8**	2,430.8	**2,014.8**	2,430.8
Discounting adjustment at inception	**(533.4)**	(670.9)	**(533.4)**	(670.9)
	1,481.4	1,759.9	**1,481.4**	1,759.9
(C) DEFERRED RESTRICTED CASH ASSET				
Discounting adjustment at inception (Note 26(b))	**533.4**	670.9	**533.4**	670.9
Accumulated amortisation	**(255.2)**	(263.0)	**(255.2)**	(263.0)
Net deferred restricted cash asset	**278.2**	407.9	**278.2**	407.9
(D) RESTRICTED CASH ASSET MOVEMENT				
At start of year	**2,167.8**	2,540.7	**2,167.8**	2,540.7
Staff mortgage issued	**32.8**	50.0	**32.8**	50.0
Repayments	**(433.3)**	(402.3)	**(433.3)**	(402.3)
Amortisation of deferred restricted cash asset	**(7.7)**	(20.6)	**(7.7)**	(20.6)
Net deferred restricted cash asset at end of year	**1,759.5**	2,167.8	**1,759.5**	2,167.8

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank Kenya PLC and KCB Bank Kenya Limited. The cash is used as a backup to the staff mortgage loans and its withdrawal is restricted.

The restricted cash has a significant timing difference due to the contractual period of the mortgage loans, therefore the fair value of the restricted cash upon initial recognition includes the effect of discounting taking the impact of time value of money into consideration. The fair value of the restricted cash on initial recognition was determined using the discounted cash flow method. The difference between the actual cash held as deposits and the fair value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit. Subsequently, the restricted cash is carried at amortised cost.

The fair value adjustment at inception is amortised over the period of the staff's mortgage.

27 RESTRICTED CASH LETTER OF CREDIT

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**–**	–	**–**	–
Restricted cash-letter of credit issued	**615.1**	–	**–**	–
At end of year	**615.1**	–	**–**	–

The restricted cash-letter of credit balance relates to cash deposited by Group and held by the Bank as security to the letters of guarantee issued by the Bank to external suppliers as a guarantee for payment once goods have been delivered. As at 31 March 2023, a guarantee of KShs 615.1 million had been issued by the Bank to external suppliers.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

28 OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**–**	–	**–**	–
Government securities	**28.6**	–	**–**	–
At end of year	**28.6**	–	**–**	–

Safaricom Foundation invested in Government securities during the year.

29(A) PAYABLES AND ACCRUED EXPENSES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Trade payables	**14,296.8**	6,636.6	**12,564.0**	7,264.8
Due to related companies (Note 32 (ix))	**2,304.7**	1,678.5	**817.3**	630.9
Accrued liabilities				
– Network infrastructure	**53,154.7**	11,312.5	**6,315.1**	6,711.4
– Inventory	**1,165.1**	1,892.7	**683.3**	1,817.7
– Other expenses	**15,243.5**	13,356.4	**11,315.0**	10,923.1
Other payables				
– Indirect and other taxes payable	**7,416.3**	4,330.7	**6,733.0**	4,321.9
– M-PESA agent accrual	**3,023.7**	3,107.1	**3,023.7**	3,107.1
– Other accrued expenses	**3,442.7**	3,328.7	**2,847.2**	3,281.3
	100,047.5	45,643.2	**44,298.6**	38,058.2

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Split				
Current	**72,688.2**	41,312.6	**44,298.6**	38,058.2
Non-current	**27,359.3**	4,330.6	**–**	–
At 31 March	**100,047.5**	45,643.2	**44,298.6**	38,058.2

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

29(B) PROVISIONS FOR LIABILITIES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**6,557.1**	5,712.9	**6,557.1**	5,712.9
Charge for the year	**1,532.9**	1,377.4	**1,532.9**	1,377.4
Addition ARO provision	**926.0**	(286.5)	**(126.1)**	(286.5)
Payments and release for the year	**(29.1)**	(246.7)	**(29.1)**	(246.7)
At end of year	**8,986.9**	6,557.1	**7,934.8**	6,557.1
Current	**4,524.1**	3,373.8	**4,524.1**	3,373.8
Non-current	**4,462.8**	3,183.3	**3,410.7**	3,183.3
	8,986.9	6,557.1	**7,934.8**	6,557.1

Legal contingencies

The Group is currently involved in various legal disputes and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 31 March 2023.
Due to the nature and uncertainty of the outcomes of the various litigation cases, management exercises judgement to determine the quantum and adequacy of the provision carried. Settlement only happens when a case is closed either through court rulings or out of court agreement between parties involved. The impact of discounting on the provision is not considered to be material.

Tax matters

The Group is subjected to regular compliance audits by Kenya Revenue Authority (KRA) mainly around direct and indirect tax, capital allowances, withholding taxes and transfer pricing. Disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. To address and manage this tax environment uncertainty, good governance is fundamental to the Group's business sustainability. The Group employs multiple approaches in tax self-assessment in order to arrive at the final Group's tax position. This includes internal reviews and periodic consulting with external tax experts in addition to periodic reviews by our external auditors. Tax decisions are always subject to review by management and are periodically reported to the Board. The Group has considered all tax matters, including ongoing tax audits by KRA within the knowledge of management and has accounted for them appropriately.

Asset restoration provision (ARO)

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation. This is then discounted to the present value of the obligation using a pre-tax discount rate.

The increase in ARO provision is mainly attributed to roll out of the network by Safaricom Telecommunications Ethiopia PLC.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

30(A) CONTRACT COSTS

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Costs to fulfil a contract:				
Dealer connection commissions	**3,894.7**	2,541.6	**3,844.5**	2,541.6
SIM activation cost	**1,122.4**	548.5	**917.8**	548.5
	5,017.1	3,090.1	**4,762.3**	3,090.1
Costs to obtain a contract:				
Deferred SIM cost	**1,230.6**	1,000.1	**1,052.3**	1,000.1
Total contract cost	**6,247.7**	4,090.2	**5,814.6**	4,090.2
The movement of the contract costs is as below:				
Opening balance – 1 April	**4,090.2**	4,534.6	**4,090.2**	4,534.6
Additions in the year	**7,524.6**	6,066.1	**6,801.8**	6,066.1
Armortised costs in the year	**(5,367.1)**	(6,510.5)	**(5,077.4)**	(6,510.5)
Closing balance – 31 March	**6,247.7**	4,090.2	**5,814.6**	4,090.2
Current	**4,395.0**	2,951.5	**4,236.3**	2,951.5
Non-current	**1,852.7**	1,138.7	**1,578.3**	1,138.7
	6,247.7	4,090.2	**5,814.6**	4,090.2

30(B) CONTRACT LIABILITIES

	GROUP 2023 KShs'm	GROUP 2022 KShs'm	COMPANY 2023 KShs'm	COMPANY 2022 KShs'm
Customer loyalty programmes	**2,965.1**	4,509.1	**2,965.1**	4,509.1
Deferred airtime revenue	**2,598.1**	2,335.1	**2,289.1**	2,335.1
Deferred connection revenue	**1,906.0**	1,243.3	**1,838.5**	1,243.3
Deferred integrated products	**1,811.8**	1,683.3	**1,749.9**	1,683.3
Deferred Neo voice and data	**1,349.9**	1,138.3	**1,349.9**	1,138.3
Deferred fixed data	**717.7**	637.5	**717.7**	637.5
Deferred fibre and site rental revenue	**225.6**	274.7	**225.6**	274.7
Deferred bulk SMS	**152.1**	128.7	**152.1**	128.7
Deferred Visa revenues	**–**	189.8	**–**	189.8
Deferred bundled handset resources	**3.1**	0.4	**3.1**	0.4
Deferred emergency top up access fee	**3.9**	4.4	**3.9**	4.4
Deferred PRSP initial set-up fee	**0.4**	2.8	**0.4**	2.8
Deferred interest on device financing	**–**	0.7	**–**	0.7
Total contract liabilities	**11,733.7**	12,148.1	**11,295.3**	12,148.1
The movement of the contract liabilities is as below:				
Opening balance – 1 April	**12,148.1**	13,469.6	**12,148.1**	13,469.6
Additions in the year	**211,080.3**	189,898.3	**210,641.9**	189,898.3
Recognised as revenue in the year	**(211,494.7)**	(191,219.8)	**(211,494.7)**	(191,219.8)
Closing balance – 31 March	**11,733.7**	12,148.1	**11,295.3**	12,148.1
Current	**10,125.9**	10,210.6	**9,687.5**	10,210.6
Non-current	**1,607.8**	1,937.5	**1,607.8**	1,937.5
	11,733.7	12,148.1	**11,295.3**	12,148.1

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(A) CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Profit before income tax	**88,345.2**	102,213.4	**109,110.2**	106,065.3
Adjustments for:				
Hyperinflationary monetary gain	**(10,383.1)**	–	**–**	–
Interest income (Note 8)	**(1,563.7)**	(1,227.6)	**(1,304.9)**	(1,206.0)
Interest expense (Note 9)	**7,786.6**	3,165.4	**7,320.6**	2,986.4
Interest on lease liability	**2,875.9**	1,802.9	**2,238.5**	1,772.4
Depreciation on property and equipment (Note 18)	**39,754.5**	34,145.2	**36,971.8**	33,922.2
Amortisation of financial guarantee	**–**	–	**–**	120.9
Amortisation of right of use (ROU) asset (Note 22(a))	**6,411.3**	3,656.8	**4,419.0**	3,644.2
Amortisation of intangible assets (Note 21)	**8,417.9**	1,850.0	**2,329.6**	1,850.0
Share of loss from associate (Note 23(b))	**(12.5)**	279.8	**(12.5)**	279.8
Amortisation of IRUs (Note 19)	**281.3**	281.3	**281.3**	281.3
Share of loss of Joint Venture (M-PESA Africa Limited) (Note 23(b))	**50.7**	196.2	**50.7**	196.2
Fair value adjustment to investment properties (Note 20)	**(90.0)**	–	**(90.0)**	–
Gain on disposal of property and equipment (Note 5(b))	**(34.6)**	(47.1)	**(34.6)**	(47.1)
Amortisation of deferred restricted cash asset (Note 8)	**(7.8)**	20.6	**(7.8)**	20.6
Discounting adjustment on construction contract receivable	**(36.4)**	(36.1)	**(36.4)**	(36.1)
Interest on ARO liability	**382.6**	379.4	**382.6**	379.4
Gain/loss on lease termination	**(56.1)**	(8.9)	**(90.0)**	(7.1)
Revaluation of lease liability	**731.1**	184.7	**586.2**	184.7
Expected credit loss of receivables	**4,725.3**	2,351.3	**4,925.3**	2,594.8
Change in operating assets and liabilities:				
– Movement in accrual for other liabilities (Note 29(b))	**2,429.8**	751.3	**995.1**	751.3
– Movement in contract liabilities	**(414.4)**	(1,321.5)	**(852.9)**	(1,321.5)
– Movement in contract costs	**(1,946.7)**	444.4	**(1,724.5)**	444.4
– Movement in receivables and prepayments	**(10,042.5)**	(5,945.3)	**(6,537.5)**	(4,265.5)
– Movement in inventories	**651.2**	(1,819.8)	**1,916.0**	(1,706.2)
– Movement in payables and accrued expenses	**21,341.2**	2,258.3	**3,627.6**	(1,103.4)
Cash generated from operations	**159,596.8**	143,574.7	**164,463.4**	145,801.0

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(B) NET CASH/(DEBT) RECONCILIATION

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Net cash and cash equivalents (Note 26(a))	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Borrowings (Note 16)	**(85,542.3)**	(65,310.8)	**(74,033.6)**	(65,310.8)
Lease liabilities (Note 22)	**(35,338.9)**	(20,093.4)	**(21,446.7)**	(19,516.6)
Net debt	**(98,783.1)**	(54,624.6)	**(77,418.4)**	(59,266.8)
Net cash and cash equivalents (Note 26(a))	**22,098.1**	30,779.6	**18,061.9**	25,560.6
Gross debt	**(120,881.2)**	(85,404.2)	**(95,480.3)**	(84,827.4)
Net debt	**(98,783.1)**	(54,624.6)	**(77,418.4)**	(59,266.8)

31(C) LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT

	GROUP				
	Borrowings KShs'm	**Lease liabilities KShs'm**	**Sub total KShs'm**	**Cash and cash equivalents KShs'm**	**Net debt KShs'm**
Net debt – 2023					
As at 1 April 2022	**(65,310.8)**	**(20,093.4)**	**(85,404.2)**	**30,779.6**	**(54,624.6)**
Receipts	**(62,238.1)**	**(16,771.4)**	**79,009.5**	**(9,223.4)**	**(88,232.9)**
Payments	**44,533.8**	**10,117.6**	**54,651.4**	**–**	**54,651.4**
Acquisitions and revision	**–**	**(4,274.7)**	**(4,274.7)**	**–**	**(4,274.7)**
Interest charged	**–**	**(2,793.6)**	**(2,793.6)**	**–**	**(2,793.6)**
Forex revaluation	**(770.6)**	**(731.1)**	**(1,501.7)**	**–**	**(1,501.7)**
Translation reserves	**(1,756.6)**	**(792.4)**	**(2,549.0)**	**527.3**	**(2,021.7)**
As at 31 March 2023	**(85,542.3)**	**(35,339.0)**	**(120,881.3)**	**22,083.5**	**(98,797.8)**
Net debt – 2022					
As at 1 April 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,736.1	(4,109.6)
Receipts	(120,564.8)	–	(120,564.8)	4,137.9	(116,426.9)
Payments	70,026.0	5,154.3	75,180.3	–	75,180.3
Acquisitions and revision	–	(7,183.2)	(7,183.2)	–	(7,183.2)
Interest charged	–	(1,802.9)	(1,802.9)	–	(1,802.9)
Forex revaluation	–	(184.7)	(184.7)	–	(184.7)
Translation reserves	–	(3.2)	(3.2)	(94.4)	(97.6)
As at 31 March 2022	(65,310.8)	(20,093.4)	(85,404.2)	30,779.6	(54,624.6)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

31(C) LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT (CONTINUED)

	COMPANY				
	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
Net debt – 2023					
As at 1 April 2022	**(65,310.8)**	**(19,516.6)**	**(84,827.4)**	**25,560.6**	**(59,266.8)**
Receipts	**(51,500.0)**	**(4,377.5)**	**(55,877.5)**	**(1.3)**	**(55,878.8)**
Payments	**42,777.2**	**5,736.6**	**48,513.8**	**–**	**48,513.8**
Acquisitions and revision	**–**	**(464.5)**	**(464.5)**	**–**	**(464.5)**
Interest charged	**–**	**(2,238.5)**	**(2,238.5)**	**–**	**(2,238.5)**
Forex revaluation	**–**	**(586.2)**	**(586.2)**	**–**	**(586.2)**
Translation Reserves	**–**	**–**	**–**	**–**	**–**
As at 31 March 2023	**(74,033.6)**	**(21,446.7)**	**(95,480.3)**	**25,559.3**	**(69,921.0)**
Net debt – 2022					
As at 1 April 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,035.9	(4,809.8)
Receipts	(120,564.8)	(5,185.3)	(125,750.1)	(475.3)	(126,225.4)
Payments	70,026.0	4,565.9	74,591.9	–	74,591.9
Acquisitions and revision	–	(866.4)	(866.4)	–	(866.4)
Interest charged	–	(1,772.4)	(1,772.4)	–	(1,772.4)
Forex revaluation	–	(184.7)	(184.7)	–	(184.7)
As at 31 March 2022	(65,310.8)	(19,516.6)	(84,827.4)	25,560.6	(59,266.8)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS

Vodafone Kenya Limited incorporated in Kenya, whose ultimate parent is Vodafone Group PLC, incorporated in the United Kingdom (UK), is the largest single shareholder of the Company. There are other companies in the Vodafone Group that are related to the Company through common shareholdings or common directorships.

The following are the significant arrangements that exist and form the basis of various transactions within the Group:

(a) The Company has interconnection and roaming agreements with Vodafone affiliated companies in many countries around the world, including the UK.

(b) The Company operates the M-PESA business which offers integrated financial services. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions and pay for goods and services by use of mobile phone for which the Company earns a commission which is based on the amounts transacted. The Company also uses the M-PESA platform to sell airtime to M-PESA account holders as well as run the M-Shwari and KCB M-PESA products as detailed out in Note 2(f).

M-PESA Africa Limited is a joint venture between Safaricom PLC and Vodacom Group (SA). The Company has entered into a managed services agreement with the Safaricom PLC to provide technical and product-based M-PESA solutions against which a fee is charged monthly. The fee is based on 2% of the M-PESA transaction revenue effective 1 April 2020.

M-PESA Holding Co. Limited acts as the trustee for M-PESA customers and holds all funds from the M-PESA business in trust to ensure that those funds are safeguarded at all times.

(c) The Company has signed an agreement with Vodafone for participation in the Vodafone procurement company services and other commercial services support. The agreement is effective from April 2020 to March 2023. Under the agreement, Safaricom PLC will have access to Vodafone's support for purposes of procurement, terminals management, Vodafone technical expertise, best practice systems and processes, Vodafone knowledge bank, benchmarking reports, Vodafone Global Enterprise customers to increase revenues, Vodafone business assurance and business and consumer products and marketing support.

The contract provides for a fixed participation fee of EUR 6,747,143 payable in two equal installments (6 months) in advance and a variable procurement fee at 6.3% calculated as a percentage of the actual purchase order value.

(d) The Company has employees who are seconded from Vodafone affiliate companies. The payroll cost for the secondees is managed by Vodafone Group Services Limited and recharged (invoiced) to the Company for payment on a monthly basis.

(e) The Company seconds its staff to other Vodafone affiliate companies. The payroll cost for these secondees is managed by Vodafone Group Enterprises (VGE) and recharged (invoiced) by the Company for payment on a monthly basis.

The following relationships exist within Safaricom PLC:

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

		PERCENTAGE OF INTEREST HELD AS AT	
		March 2023	March 2022
Subsidiaries	**Held by**		
One Communications Limited	Safaricom PLC	**100%**	100%
Instaconnect Limited	Safaricom PLC	**100%**	100%
Safaricom Money Transfer Services Limited	Safaricom PLC	**100%**	100%
East Africa Tower Company Limited	Safaricom PLC	**100%**	100%
Safaricom Foundation*	Safaricom PLC	**–**	–
Flexible Bandwidth Services Limited	One Communications Limited	**100%**	100%
Comtec Training and Management Services Limited	One Communications Limited	**100%**	100%
Comtec Integration Systems Limited	One Communications Limited	**100%**	100%
DigiFarm Kenya Limited	Safaricom PLC	**100%**	100%
Vodafamily Ethiopia Holding Company Limited	Safaricom PLC	**90%–1share**	90%–1share
Global Partnership for Ethiopia B.V	Vodafamily Ethiopia Holding Company Limited	**61.9% (Safaricom indirectly owns 55.71%)**	61.9% (Safaricom indirectly owns 55.71%)
Safaricom Telecommunications Ethiopia PLC (STEP)	Global Partnership for Ethiopia B.V (GPE)	**100 % (Safaricom indirectly owns 55.71%)**	100 % (Safaricom indirectly owns 55.71%)
Associates			
The East African Marines Systems Limited (TEAMS)	Safaricom PLC	**32.5%**	32.5%
Circle Gas Limited	Safaricom PLC	**14.648%**	14.648%
Joint venture			
M-PESA Africa Limited	Safaricom PLC	**50%**	50%

* *Safaricom Foundation was established by Safaricom PLC as a public charitable trust by a Declaration of trust dated 14 August 2003 and is domiciled in Kenya.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(I) SALE OF GOODS AND SERVICES

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	**79.7**	69.5	**79.7**	69.5
Vodacom Tanzania Public Limited Company	**40.6**	49.6	**40.6**	49.6
M-PESA Holding Co. Limited	**106,362.2**	96,826.8	**106,361.5**	96,826.8
Vodafone Group Enterprises	**–**	95.7	**–**	95.7
Vodacom (Pty) Limited	**440.8**	508.7	**440.8**	508.7
Vodacom Business (Kenya) Limited	**16.2**	13.5	**16.2**	13.5
Vodafone Egypt Telecom. S.A.E.	**1.3**	10.3	**1.3**	10.3
Vodafone Network PTY Limited	**1.6**	0.6	**1.6**	0.6
Vodafone Sverige AB	**0.5**	0.4	**0.5**	0.4
Vodafone Qatar Q.S.C.	**2.2**	0.7	**2.2**	0.7
Vodafone Group Services Limited	**42.5**	–	**42.5**	–
Vodafone Malta	**0.4**	–	**0.4**	–
Vodafone Enterprise Global Limited	**194.6**	292.9	**194.6**	292.9
Vodafone Ghana	**–**	9.2	**–**	9.2
Vodafone DRC Congo	**–**	0.3	**–**	0.3
Vodafone US Inc.	**8.7**	9.2	**8.7**	9.2
Vodacom Group Limited	**118.4**	35.7	**118.4**	35.7
Vodafone Sales & Services Limited	**47.9**	–	**47.9**	–
Joint venture				
M-PESA Africa Limited	**929.4**	628.0	**929.4**	628.0
Subsidiaries				
Safaricom Money Transfer Services Limited	**–**	–	**876.2**	810.8
DigiFarm Kenya Limited	**–**	–	**202.0**	251.4
Global Partnership for Ethiopia B.V	**–**	–	**60.9**	124.6
Instaconnect Limited	**–**	–	**0.1**	–
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1,435.1**	725.7
Safaricom Foundation	**–**	–	**81.0**	–
One Communications Limited	**–**	–	**3.2**	–
	108,287.0	98,551.1	**110,944.8**	100,463.6

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) PURCHASE OF GOODS AND SERVICES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Sales and Services Limited	**1,657.4**	2,416.9	**1,657.4**	2,416.9
Vodafone Global Enterpise Limited	**214.5**	–	**214.5**	–
Vodafone Roaming Services S.à r.l	**220.2**	151.5	**205.2**	151.5
Vodafone UK	**195.6**	642.3	**135.0**	148.1
Vodacom South Africa Limited	**–**	57.1	**–**	57.1
Vodacom Tanzania Public Limited Company	**209.7**	217.8	**176.2**	217.8
Vodacom Service Provider Company (Pty) Ltd	**37.3**	–	**37.3**	–
Vodafone Egypt Telecom. S.A.E.	**0.9**	2.8	**0.9**	2.8
Vodafone Network (Pty) Limited	**2.1**	1.6	**2.1**	1.6
Vodafone Qatar Q.S.C.	**53.0**	86.8	**53.0**	86.8
Vodacom Group Ltd	**103.2**	552.6	**–**	250.7
Vodacom International	**146.9**	–	**–**	–
Vodafone Innovus S.A.	**14.1**	23.4	**14.1**	23.4
Vodacom Business (Kenya) Limited	**65.7**	28.5	**34.1**	–
Telecel Vodafone S.A.	**–**	1.6	**–**	1.6
Vodafone Hungary Ltd	**–**	1.3	**–**	1.3
Vodafone Telekomunikasyon A.S	**–**	1.4	**–**	1.4
Vodafone-Panafon Hellenic Tel.Co	**–**	3.1	**–**	3.1
Vodafone Dağitlm	**–**	2.3	**–**	2.3
Iot Nxt (Pty) Limited	**2.1**	418.3	**2.1**	418.3
Sendy Office	**14.5**	15.3	**14.5**	15.3
Eneza Education Ltd	**–**	67.3	**–**	67.3
Mtc Vodafone Bahrain	**1.9**	–	**1.9**	–
The East African Marine System Limited	**113.3**	103.2	**113.3**	103.2
Sumitomo Corporation Group	**368.5**	179.0	**–**	–
Vodafone Foundation	**–**	–	**–**	–
Vodafone Malta	**0.1**	–	**0.1**	–
Vodafone Sverige Ab	**–**	–	**0.0**	–
Vodafone Mobile Services Limited	**0.2**	–	**0.2**	–
Vodafone Procurement Company S.A.Rl.	**1,765.7**	1,152.6	**–**	–
Vodafone Group Services Ltd	**747.6**	–	**–**	–
Vodacom Lesotho Proprietary Limited	**21.0**	–	**–**	–
Vodacom Mocambique S.A.	**46.2**	–	**–**	–
Vodacom Congo (RDC) S.A.	**30.4**	–	**–**	–
Vodacom Proprietary Limited	**126.7**	–	**–**	–
Vodafone Ghana Limited	**22.8**	–	**–**	–

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(II) PURCHASE OF GOODS AND SERVICES (CONTINUED)

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Joint venture				
M-PESA Africa Limited	**2,126.9**	1,956.4	**2,126.9**	1,956.4
Subsidiary				
Safaricom Foundation	**–**	–	**90.0**	–
Safaricom Money Transfer Services Limited	**–**	–	**761.3**	459.6
DigiFarm Kenya Limited	**–**	–	**5.9**	4.3
Comtec Integrated Services Limited	**–**	–	**–**	4.3
Safaricom Telecommunication Ethiopia PLC	**–**	–	**8.0**	–
	8,308.5	8,083.1	**5,654.0**	6,395.1

(III) DIRECTORS' REMUNERATION

	GROUP AND COMPANY	
	2023 KShs'm	2022 KShs'm
Fees for services as Director	**90.3**	92.4
Salaries	**153.2**	142.9
Bonuses	**235.9**	192.7
Value for non-cash benefits	**54.6**	43.5
	534.0	471.5

(IV) KEY MANAGEMENT COMPENSATION

	GROUP AND COMPANY	
	2023 KShs'm	2022 KShs'm
Salaries and other short-term employment benefits	**661.4**	505.7
Employee Performance Share Award Plan	**38.2**	109.8
Pension contribution	**26.8**	27.0
Termination benefits	**47.8**	87.0
	774.2	729.5

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity.

(V) LOANS FROM SHAREHOLDERS

There are no loans from shareholders outstanding as at 31 March 2023 (2022: Nil).

(VI) LOANS TO DIRECTORS OF THE COMPANY

There are no loans to Directors of the Company as at 31 March 2023 (2022: Nil).

(VII) DONATIONS TO SAFARICOM FOUNDATION

Donations made during the year amounted to KShs 588 million in March (2022: KShs 510 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(VIII) OUTSTANDING RECEIVABLE BALANCES ARISING FROM SALE OF GOODS/SERVICES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	**11.4**	–	**11.4**	–
Vodafone Group Enterprises	**–**	45.2	**–**	44.2
M-PESA Holding Co. Limited	**1,124.2**	1,160.9	**1,124.2**	990.4
Vodacom Tanzania Public Limited Company	**–**	3.1	**–**	3.1
Vodacom South Africa Limited	**–**	85.7	**–**	85.7
Vodafone US Inc.	**0.9**	1.6	**0.9**	1.6
Vodafone UK	**–**	25.7	**–**	25.7
Vodacom Business (Kenya) Limited	**22.8**	8.3	**5.1**	8.3
Vodafone Egypt Telecom. S.A.E.	**16.4**	8.6	**16.4**	8.6
Vodafone Group Services Limited	**61.7**	1.2	**61.7**	1.2
Vodafone Ghana	**0.4**	0.4	**0.4**	0.4
Vodafone Qatar Q.S.C.	**0.1**	–	**0.1**	–
Vodafone Sverige Ab	**–**	0.1	**–**	0.1
Vodacom Group Limited	**111.4**	37.0	**111.4**	37.0
Vodafone DRC Congo	**0.3**	0.3	**0.3**	0.3
Vodafone Malta	**0.1**	–	**0.1**	–
Vodacom (Pty) Limited	**37.2**	–	**37.2**	–
Vodafone Network PTY Limited	**0.2**	–	**0.2**	–
Vodafone Sverige AB	**0.2**	–	**0.2**	–
Telecel Vodafone S.A.	**–**	1.5	**–**	1.5
Vodafone Sales and Services Limited	**55.6**	–	**55.6**	–
Joint venture				
M-PESA Africa Limited	**156.4**	421.6	**156.4**	421.6
Subsidiaries				
East African Towers Company Limited	**–**	–	**16.0**	16.0
One Communications Limited	**–**	–	**3.2**	–
Instaconnect Limited	**–**	–	**90.1**	90.1
Safaricom Money Transfer Services Limited	**–**	–	**38.1**	93.4
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1,486.9**	725.7
Global Partnership for Ethiopia B.V	**–**	–	**–**	124.6
DigiFarm Kenya Limited	**–**	–	**1,363.1**	1,153.0
Safaricom Foundation	**–**	–	**1.5**	0.9
Vodafamily Ethiopia Holding Company Limited	**–**	–	**–**	1.3
	1,599.3	1,801.2	**4,580.5**	3,834.7

The receivables arise mainly from trading, are unsecured and bear no interest. An allowance of KShs 12.0 million and KShs 1,413.6 million for the Group and Company respectively (2022: KShs 6.7 million and KShs 1,096.3 million for the Group and Company respectively) is held against receivables from related parties as indicated in Note 25.

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(IX) OUTSTANDING PAYABLE BALANCES ARISING FROM PURCHASES OF GOODS/SERVICES

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Other related parties				
Vodafone Sales and Services Limited	**163.1**	151.6	**163.1**	151.6
Vodafone Roaming Services S.à r.l	**–**	28.5	**–**	28.5
Vodacom Tanzania Public Limited Company	**63.0**	29.8	**13.4**	29.8
Vodacom South Africa Limited	**–**	3.1	**–**	3.1
Vodafone Group Services Limited	**385.1**	–	**–**	–
Vodafone UK	**44.7**	535.2	**44.7**	40.9
Vodafone Sverige AB	**–**	0.3	**–**	0.3
Vodafone Qatar Q.S.C.	**3.4**	7.9	**3.4**	7.9
Vodafone Egypt Telecom. S.A.E.	**–**	0.3	**–**	0.3
Vodacom Business (Kenya) Limited	**16.7**	18.8	**–**	–
MTC Vodafone Bahrain	**0.1**	–	**0.1**	–
M-PESA Holding Co. Limited	**3.3**	–	**–**	–
Vodacom Mocambique S.A.	**68.1**	0.1	**–**	0.1
Vodafone Network (Pty) Limited	**0.2**	1.1	**0.2**	1.1
Vodafone Malta	**–**	0.2	**–**	0.2
Vodacom Mobile Services Limited	**–**	0.1	**–**	0.1
Vodafone Services LLC Oman	**–**	0.2	**–**	0.2
Vodafone Hungary Limited	**–**	1.2	**–**	1.2
Vodafone Telekomunikasyon A.S	**–**	1.3	**–**	1.3
Vodafone-Panafon Hellenic Tel.Co	**–**	3.0	**–**	3.0
Vodafone Innovus S.A.	**–**	17.7	**–**	17.7
Vodacom Group Limited	**219.1**	652.9	**–**	–
Sumitomo Corporation Group	**506.2**	179.0	**–**	–
Vodacom Proprietary Limited	**188.8**	–	**–**	–
CDC Group	**–**	7.8	**–**	–
Vodafone Ghana Limited	**29.4**	–	**–**	–
Vodacom Lesotho Proprietary Limited	**18.6**	–	**–**	–
Vodacom International Limited	**259.9**	–	**–**	–
Vodacom Service Provider Company (Pty) Ltd	**4.9**	–	**4.9**	–
Vodacom Congo (RDC) S.A.	**44.5**	–	**–**	–
Sendy Limited	**3.1**	–	**3.1**	–
Vodacom Pty Limited South Africa	**37.2**	–	**37.2**	–
Joint ventures				
M-PESA Africa Limited	**245.3**	38.4	**245.3**	38.4
Subsidiaries				
One Communications Limited	**–**	–	**299.0**	299.0
Safaricom Money Transfer Services Limited	**–**	–	**–**	1.9
DigiFarm Kenya Limited	**–**	–	**1.1**	–
Comtec Integrated Services Limited	**–**	–	**–**	4.3
Safaricom Telecommunication Ethiopia PLC	**–**	–	**1.8**	–
	2,304.7	1,678.5	**817.3**	630.9

The payables arise mainly from trading, are unsecured and bear no interest.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(X) LOAN TO RELATED COMPANIES

The Group has a 50% shareholding in M-PESA Africa Limited and owns 100% of DigiFarm Kenya Limited. During the period under review, the Group issued intragroup loans to the two entities to support their operations as per shareholders agreement and Board approvals.

The DigiFarm Kenya Limited loan will be channelled towards financing both operating and capital expenditure activities. The facility has a principal and interest repayment moratorium until the business moves to positive returns and a maximum tenure of five years.

The M-PESA Africa Limited loan facility is used to support the company's working capital requirements. The loan is repayable with interest at the 91 days treasury bill plus a margin of 1.75%.

X(A) LOANS RECEIVABLE FROM M-PESA AFRICA LIMITED, RELATED COMPANY

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
At start of year	**1,285.0**	1,287.8	**1,285.0**	1,287.8
Additions in the year	**300.0**	–	**300.0**	–
Allowance for expected credit losses	**3.4**	(2.8)	**3.4**	(2.8)
At end of year	**1,588.4**	1,285.0	**1,588.4**	1,285.0

X(B) LOAN RECEIVABLE FROM DIGIFARM KENYA LIMITED, SUBSIDIARY

	COMPANY	
	2023 KShs'm	2022 KShs'm
At start of year	**666.1**	236.2
Additions in the year	**120.0**	500.0
Less: Allowance for expected credit losses	**(220.6)**	(70.1)
At end of year	**565.5**	666.1

(XI) FINANCIAL GUARANTEES

The Group has issued parental guarantees to Safaricom Telecommunication Ethiopia PLC vendors (Huawei and Nokia) for the supply of network rollout equipment in Ethiopia on credit terms of up to 24 months from the date of equipment receipt. This enables the parent to spread the funding requirement to the subsidiary over a longer period of time. There are no restrictions on title, property and equipment of the Group.

The fair value of a financial guarantees contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free rate calculated from the average of the last 3 two-year Kenyan treasury bonds yield.
As at 31 March 2023, the Company had recognised KShs 960.4 million in relation to parental guarantee (2022: KShs 120.9 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

33 CONTINGENT LIABILITIES

The Group has contingent liabilities arising from normal course of business. This includes outstanding matters with Kenya Revenue Authority and various ongoing legal cases from trade and contractual disputes.

As at 31 March 2023, a guarantee of KShs 25 million (2022: KShs 25 million) had been given to Citibank NA against credit cards for use by senior staff during travel and other ordinary business function. The Company has also issued a guarantee of KShs 291.3 million (2022: KShs 258.9 million) to various suppliers of goods and services regularly provided by the Company.

The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on these financial statements.

34 COMMITMENTS

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	GROUP		COMPANY	
	2023 KShs'm	2022 KShs'm	**2023 KShs'm**	2022 KShs'm
Property and equipment	**42,147.0**	36,420.4	**11,785.8**	9,310.9

35(A) GAIN ON MONETARY POSITION

The consumer price indices (CPI) used in the restatement of the balances are indicated on the table below:

Month	**Consumer price index**
Opening CPI – April 2022	**273.1**
Closing CPI – March 2023	**358.6**
Movement	**(85.5)**

The financial statements have been adjusted for the effects of inflation for Safaricom Telecommunication Ethiopia PLC as the Ethiopian economy has been declared hyperinflationary on or after 31 December 2022.

The gain in monetary position as a result of translating the financial statements as at 31 March 2023 was KShs 10,383.1 million.

Management has restated all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date. Monetary items were not restated, because they represent money held, to be received or to be paid. Monetary items are therefore already expressed in current purchasing power at the reporting date.

	GROUP		
	Monetary *ETB'm	**Non-monetary *ETB--'m**	**Total *ETB'm**
Assets	**6,449.7**	**97,254.3**	**103,704.0**
Liabilities	**(32,098.0)**	**(179.2)**	**(32,277.2)**
	(25,648.3)	**97,075.1**	**71,426.8**
Equity			**82,454.5**
Retained earnings			**(15,272.8)**
			67,181.7
Net monetary gain ETB			**4,245.1**
Exchange rate (USD/KShs)			**132.5**
Exchange rate (USD/ETB)			**54.2**
Exchange rate (ETB/KShs)			**2.4459**
Net hyperinflationary monetary gain (KShs)			**10,383.1**

Ethiopian Birr (ETB) is the national currency of the Federal Democratic Republic of Ethiopia.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

35(B) IMPACT OF INITIAL APPLICATION OF IAS 29

The Directors have applied IAS 29 Reporting in Hyperinflationary Economies to account for the results of the Company's subsidiary, Safaricom Telecommunication Ethiopia PLC. The resultant impact on the Group's opening total equity and other reserves is as follows:

	GROUP			
	Retained earnings KShs'm	*Other reserves KShs'm	Non-controlling interest KShs'm	Total KShs'm
Balance as at 31 March 2022	110,528.9	(5,312.7)	40,232.3	
Impact of initial application of IAS 29 attributable to:				
– Intangible assets (Note 21)	–	33,329.3	26,497.2	59,826.5
– Right of use assets (Note 22)	–	(3.8)	(3.1)	(6.9)
– Property and equipment (Note 18)	–	2,959.8	2,353.0	5,312.8
– Retained earnings	(2,895.8)	–	(2,302.2)	(5,198)
Total	(2,895.8)	36,285.30	26,544.9	59,934.4
Restated as at 1 April 2022	107,633.1	30,972.60	66,777.2	

36 SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the period ended 31 March 2023.

	GROUP				
	Kenya KShs'm	Ethiopia KShs'm	Total segments KShs'm	Eliminations KShs'm	Consolidated KShs'm
Revenue from contracts with customers	305,954.4	1,195.6	307,150.0	(7.9)	307,142.1
Revenue from other sources	3,167.2	595.5	3,762.7	–	3,762.7
Total revenue	309,121.6	1,791.1	310,912.7	(7.9)	310,904.8
Direct costs	(90,441.6)	(1,798.4)	(92,240.0)	7.9	(92,232.1)
Expected credit losses on financial assets	(4,720.2)	(5.1)	(4,725.3)	–	(4,725.3)
Other expenses	(53,608.0)	(20,477.0)	(74,085.0)	–	(74,085.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	160,351.8	(20,489.4)	139,862.4	–	139,862.4
Depreciation – property and equipment	(37,067.7)	(2,686.8)	(39,754.5)	–	(39,754.5)
Amortisation – indefeasible rights of use (IRUs)	(281.3)	–	(281.3)	–	(281.3)
Amortisation – intangible assets	(2,329.6)	(6,088.3)	(8,417.9)	–	(8,417.9)
Amortisation – right-of-use assets (ROU)	(4,419.0)	(1,992.3)	(6,411.3)	–	(6,411.3)
Operating profit/(loss)	116,254.2	(31,256.8)	84,997.4	–	84,997.4
Finance income	3,862.5	212.7	4,075.2	–	4,075.2
Finance costs	(9,805.2)	(1,478.0)	(11,283.2)	120.9	(11,162.3)
Fair value adjustment to investment properties	90.0	–	90.0	–	90.0
Share of profit of associates and joint ventures	12.5	–	12.5	–	12.5
Share of loss of joint venture	(50.7)	–	(50.7)	–	(50.7)
Hyperinflationary monetary gain	–	10,383.1	10,383.1	–	10,383.1
Profit/(loss) before income tax	110,363.3	(22,139.0)	88,224.3	120.9	88,345.2
Income tax expense	(35,862.4)	–	(35,862.4)	–	(35,862.4)
Profit/(loss) for the year	74,500.9	(22,139.0)	52,361.9	120.9	52,482.8

There is no single customer with revenue above 10% (2022: None).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2023

36 SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information for the Group's operating segments for the period ended 31 March 2022.

	GROUP				
	Kenya KShs'm	Ethiopia KShs'm	Total segments KShs'm	Eliminations KShs'm	Consolidated KShs'm
Revenue from contracts with customers	295,441.4	–	295,441.4	–	295,441.4
Revenue from other sources	2,636.5	–	2,636.5	–	2,636.5
Total revenue	298,077.9	–	298,077.9	–	298,077.9
Direct costs	(91,467.8)	–	(91,467.8)	–	(91,467.8)
Expected credit losses on financial assets	(2,361.2)	–	(2,361.2)	–	(2,361.2)
Other expenses	(50,077.8)	(5,109.2)	(55,187.0)	–	(55,187.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	154,171.1	(5,109.2)	149,061.9	–	149,061.9
Depreciation – property and equipment	(34,143.4)	(1.8)	(34,145.2)	–	(34,145.2)
Amortisation – indefeasible rights of use (IRUs)	(281.3)	–	(281.3)	–	(281.3)
Amortisation – intangible assets	(1,850.0)	–	(1,850.0)	–	(1,850.0)
Amortisation – right-of-use (RoU) assets	(3,644.3)	(12.5)	(3,656.8)	–	(3,656.8)
Operating profit/(loss)	114,252.1	(5,123.5)	109,128.6	–	109,128.6
Finance income	2,072.8	340.6	2,413.4	–	2,413.4
Finance costs	(8,776.7)	(75.9)	(8,852.6)	–	(8,852.6)
Share of loss of associates and joint ventures	(476.0)	–	(476.0)	–	(476.0)
Profit/(loss) before income tax	107,072.2	(4,858.8)	102,213.4	–	102,213.4
Income tax expense	(34,717.3)	–	(34,717.3)	–	(34,717.3)
Profit/(loss) for the year	72,354.9	(4,858.8)	67,496.1	–	67,496.1

The following tables present asset and liabilities information for the Group's operating segments as at 31 March 2022 and 31 March 2023.

	GROUP				
	Kenya KShs'm	**Ethiopia KShs'm**	**Total segments KShs'm**	**Eliminations KShs'm**	**Consolidated KShs'm**
Total assets					
31 March 2023	**261,188.9**	**250,443.2**	**511,632.1**	**(2,425.1)**	**509,207.0**
31 March 2022	**306,660.5**	**99,616.4**	**406,276.9**	**(59,478.3)**	**346,798.6**
Total liabilities					
31 March 2023	**(169,230.5)**	**(79,156.6)**	**(248,387.1)**	**2,546.0**	**(245,841.1)**
31 March 2022	**(159,172.4)**	**(8,777.0)**	**(167,949.4)**	**851.7**	**(167,097.7)**
Equity and reserves					
31 March 2023	**(91,958.4)**	**(171,286.6)**	**(263,245.0)**	**(120.9)**	**(263,365.9)**
31 March 2022	**(147,488.1)**	**(90,839.4)**	**(238,327.5)**	**58,626.6**	**(179,700.9)**

The geographical segments include Ethiopia. Safaricom Telecommunication Ethiopia launched its operations in Ethiopia in October 2022.

37 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any other events (as defined by IAS 10: Events after the Reporting Period) after the reporting date of 31 March 2023 and the date of authorisation of these consolidated and separate annual report and financial statements.

Appendix 1 – principal shareholders

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2023 were as follows:

	Name of shareholder	Number of shares
1	VODAFONE KENYA LIMITED	16,000,000,000
2	CABINET SECRETARY TO THE NATIONAL TREASURY	14,022,572,580
3	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	330,463,100
4	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE19796	269,131,800
5	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004667	251,379,206
6	STANBIC NOMINEES LIMITED A/C NR1031458	233,129,100
7	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B	216,664,886
8	STANBIC NOMINEES LIMITED R6631578	178,185,153
9	STANBIC NOMINEES LIMITED A/C NR1030824	174,528,200
10	STANDARD CHARTERED NOMINEES RESD A/C KE11443	134,458,207
11	OTHERS	8,254,915,768
Total		**40,065,428,000**

DISTRIBUTION OF SHAREHOLDERS

Range (number of shares)	Number of shareholders	Number of shares	% Shareholding
1 – 1,000	351,675	207,661,310	0.52%
1,001 – 10,000	161,677	461,523,173	1.15%
10,001 – 100,000	18,868	481,828,608	1.20%
100,001 – 1,000,000	1,817	487,211,862	1.22%
1,000,001 – 10,000,000	480	1,586,709,276	3.96%
10,000,001 – 100,000,000	187	4,514,115,995	11.27%
100,000,001 – 1,000,000,000	13	2,303,805,196	5.75%
1,000,000,001 – 100,000,000,000	2	30,022,572,580	74.93%
Total	**534,719**	**40,065,428,000**	**100.00%**

Other Information

Notice and Agenda of the 2023 Annual General Meeting (AGM)

TO ALL SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Safaricom PLC for the year 2023 will be held via electronic communication on Friday, 28 July 2023 at 11:00 a.m. to conduct the following business:-

ORDINARY BUSINESS

1) To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2023 together with the Chairman's, Directors' and Auditors' reports thereon.

2) Dividend

   a) To note the payment of an interim dividend of KShs 0.58 per share (Total: KShs 23.24 billion) which was paid to shareholders on or about 31 March 2023.

   b) To approve a final dividend of KShs 0.62 per share for the Financial Year ended 31 March 2023 as recommended by the Directors. The dividend will be payable on or about 31 August 2023 to the Shareholders on the Register of Members as at the close of business on 28 July 2023.

3) Directors

   a) To re-appoint Ms. Winnie Ouko who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.

   b) To re-appoint Ms. Ory Okolloh who retires at this meeting having been appointed in the course of the financial year, and being eligible, offers herself for re-election.

4) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit Committee be elected to continue to serve as members of the said Committee subject to the re-election of the Directors mentioned in Agenda 3 above:-

   - Ms. Rose Ogega
   - Ms. Winnie Ouko
   - Ms. Raisibe Morathi
   - Ms. Ory Okolloh

5) Directors' Remuneration

   a) To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 March 2023.

   b) To approve the Directors' Remuneration Report (other than the part relating to the Directors' Remuneration Policy) and the remuneration paid to the Directors, for the year ended 31 March 2023.

6) To re-appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.

7) Any other business of which due notice has been given.

SPECIAL BUSINESS

8) To consider and if thought fit to pass the following resolutions as ordinary resolutions, as recommended by the Directors: -

Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions in regard to the business of Safaricom PLC and in the interests of Safaricom PLC:

a) That the incorporation of a new operating company in Ethiopia known as Safaricom M-PESA Mobile Financial Services PLC, to deliver and provide mobile financial services in Ethiopia, resulting in this new entity becoming a wholly owned subsidiary of Safaricom Ethiopia Telecommunication and ultimately a resultant subsidiary of Safaricom PLC, be and is hereby ratified and approved.

b) That the acquisition by Safaricom PLC of the entire issued share capital of M-PESA Holding Company Limited from Vodafone International Holdings BV be and is hereby ratified and approved.

c) That the incorporation of a company limited by guarantee to invest in seed stage startups to support the development and growth of technology entrepreneurs and build reputation and trust within the tech community in Kenya be and is hereby approved.

d) That the incorporation of a private limited company (or alternatively the repurposing of an existing subsidiary) to invest in growth stage startups (scale-ups) and initiatives that enable achievement of Safaricom PLC's strategic mission for a financial return (profit) be and is hereby approved.

By order of the Board

Kathryne Maundu (Ms)
Company Secretary
5 July 2023

Notice and Agenda of the 2023 Annual General Meeting (AGM) (continued)

NOTES ON THE ANNUAL GENERAL MEETING (AGM)

1) Safaricom PLC has convened and is conducting this virtual annual general meeting in line with the provisions of the Company's Articles of Association.

2) Shareholders wishing to participate in the meeting should register for the AGM by doing the following: -

   a) Dialing *717# for Safaricom telephone networks, *483*903# for all Kenyan telephone networks, *284*280# for Ugandan telephone networks, *149*46*24# for Tanzania networks, *801*40# for Rwanda networks, *120*6210*10# for South Africa networks and *384*6# for Zambia networks and following the various registration prompts; or

   b) Send an email request to be registered to safaricomshares@image.co.ke

   c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

   In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 041 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

3) Registration for the AGM opens on Wednesday, 5 July 2023 at 9:00 am and will close on Wednesday, 26 July 2023 at 11:00 am.

4) In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.safaricom.co.ke (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 31 March 2023.

   The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

5) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a) Sending their written questions by email to agmquestions@image.co.ke; or

   b) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts; or

   c) To the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Safaricom House, or to Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

   d) Sending their written questions with a return physical address or email address by registered post to the Company Registrars address: Image Registrars, P O Box 9287, 00100 Nairobi.

   Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   Questions and/or clarifications must reach the Company on or before Wednesday, 26 July 2023 at 11:00 am. Some questions will also be responded to at the Annual General Meeting.

   Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the Annual General Meeting.

6) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

   A proxy need not be a shareholder of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: www.safaricom.co.ke. Physical copies of the proxy form are also available at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide or from Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.

   A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Wednesday, 26 July 2023 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday, 26 July 2023 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday, 27 July 2023 to allow time to address any issues.

7) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

8) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

9) Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts. A poll shall be conducted for all the resolutions put forward in the notice.

10) Results of the poll shall be published within 48 hours following conclusion of the AGM, in two newspapers of national circulation and on the Company's website.

11) The preferred method of paying dividends which are below KShs 150,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars Tel: +254 709 170000/ +254 735 565666/ +254 709 170041, Email: safaricomshares@image.co.ke or Safaricom PLC's Investor Relations Team (Tel: +254 427 4233/6218 Mobile: +254 722 004233/6218, Email: investorrelations@safaricom.co.ke).

12) Shareholders are encouraged to continuously monitor the Company's website www.safaricom.co.ke for updates relating to the AGM.

EXPLANATORY NOTES TO THE RESOLUTIONS TO BE PASSED UNDER THE **SPECIAL BUSINESS:**

1) RESOLUTION 8 (A) – INCORPORATION OF A NEW OPERATING COMPANY IN ETHIOPIA TO DELIVER AND PROVIDE MOBILE FINANCIAL SERVICES IN ETHIOPIA

In 2021, the Safaricom PLC led consortium of Vodacom Group Limited (Vodacom SA), Vodafone PLC (UK) (Vodafone), British International Investment (BII) (formerly known as CDC) and Sumitomo Corporation (Sumitomo), bid for and were successfully awarded a telecommunication licence to operate in the Federal Democratic Republic of Ethiopia.

The telecommunication licence held by the operating entity, Safaricom Telecommunications Ethiopia P.L.C permitted the Consortium to provide telecommunication services within the Federal Democratic Republic of Ethiopia but did not extend to the provision of mobile financial services.

The Government of Ethiopia has subsequently undertaken commendable and significant legislative steps to liberalise the financial sector in Ethiopia to allow the participation of foreign owned entities, including permitting participation by the Consortium. Following consultative discussions with the National Bank of Ethiopia, the financial sector regulator in Ethiopia, the Consortium successfully secured a Payment Instrument Issuer licence which permitted the Consortium to offer mobile financial services under the brand, M-PESA.

To this end, and in compliance with the licence conditions, the Consortium has paid the required regulatory fee of USD 150,000,000 to the National Bank of Ethiopia and set up the new entity, Safaricom M-PESA Mobile Financial Services PLC (Safaricom MPESA ET), to deliver and provide mobile financial services in Ethiopia. Safaricom M-PESA ET, is wholly owned by Safaricom Telecommunications Ethiopia P.L.C, apart from a nominal share held by the Consortium holding company, Global Partnership of Ethiopia BV.

Safaricom will indirectly hold a controlling stake of more than a 50% in Safaricom M-PESA ET and therefore this entity is a subsidiary company of Safaricom. In order to meet the stringent regulatory timelines in Ethiopia and commence its mobile financial services delivery plans in Ethiopia, Safaricom Plc wrote to and obtained the consent of the Capital Markets Authority for the approval of the shareholders for the incorporation of Safaricom M-PESA ET to be sought by way of ratification at the next scheduled annual general meeting, being this Annual General Meeting.

Safaricom and its Consortium partners intend to launch our mobile financial services under the brand, M-PESA by end of 2023.

2) RESOLUTION 8 (B) – ACQUISITION BY SAFARICOM PLC OF THE ENTIRE ISSUED SHARE CAPITAL OF M-PESA HOLDING COMPANY LIMITED FROM VODAFONE INTERNATIONAL HOLDINGS BV

Background

Safaricom's M-PESA service was launched in 2007 following a successful pilot phase. The M-PESA service has been and continues to be a means for us to transform lives in line with the Safaricom purpose.

At the point of launching the M-PESA Service in 2007, Safaricom and the Vodafone Group put in place a raft of measures to safeguard customers' funds held in trust accounts and represented in the M-PESA System. These measures included the establishment of a trust to hold all the moneys of M-PESA account holders in view of the risks that could arise in absence of an appropriate legal framework.

In this regard, Safaricom and the Vodafone Group incorporated M-PESA Holding Co. Limited (M-PESA Holding) as the custodial trustee of the M-PESA service. Vodafone International Holdings BV (Vodafone Holdings), a holding company of the Vodafone Group was designated as the shareholder of M-PESA Holding due to Vodafone's established presence in the market in 2007, existing strategic partnership with Safaricom among other factors.

The income generated by M-PESA Holding is utilised to cover its direct costs related to providing the service, in compliance with the NPS Act. Any additional income or interest is donated to a public charitable organisation for the purpose of public charitable endeavors as required by law.

Notice and Agenda of the 2023 Annual General Meeting (AGM) (continued)

The Transaction

As part of strengthening our governance systems, Safaricom and the Vodafone Group have had discussions with a view to transferring the shareholding of M-PESA Holding to Safaricom. These discussions culminated in the parties signing an agreement for the sale and transfer of the shares on 17 April 2023.

Pursuant to the agreement, Safaricom would acquire 50,000 shares of M-PESA Holding. The sale shares represent the entire issued share capital of M-PESA Holding, which has been held by Vodafone Holdings from incorporation.

The transaction is also part of the final steps of Safaricom's "bring M-PESA home" initiative which commenced in 2015 with the relocation of M-PESA servers to Kenya from Germany. The transaction will bring M-PESA's trust operations closer to its Kenyan users and stakeholders.

After completion, Safaricom PLC became the sole shareholder of M-PESA Holding.

Consideration and completion

Safaricom will pay Vodafone Holdings a nominal cash consideration of USD 1 for the Transaction as M-PESA Holding is a trust company and the transfer does not bring any financial benefit to either party. Having Safaricom as the shareholder of M-PESA Holding aligns with regulatory requirements under the NPS Regulations by ensuring that Safaricom assumes overall responsibility and oversight for the trust's operations and the entire M-PESA payment system.

The Board has considered this matter and recommends that the shareholders approve the resolution.

3) RESOLUTION 8 (C) – INCORPORATION OF A COMPANY LIMITED BY GUARANTEE TO INVEST IN SEED STAGE STARTUPS (SPARK FUND)

In line with Safaricom's purpose to transform lives by connecting people to people, people to opportunities and people to information, Safaricom has from 2015, been running and operating an investment fund, dubbed 'Spark Fund'. The aim of Spark Fund is to support the successful growth and development of seed stage startups in Kenya, as well as enhance Safaricom's position as a key enabler of the tech-ecosystem in Kenya.

Recognising the importance of early-stage investments in spurring innovation and growth, Safaricom proposes to continue supporting seed stage start-ups in Kenya through Spark Fund.

Spark Fund has since its inception, been administered through an unincorporated trust known as the Zindua Trust governed by a Board of Trustees. For administrative ease and to further strengthen governance processes, the Board has recommended that Safaricom continues this investment through a newly formed company limited by guarantee under the Companies Act, Laws of Kenya.

This new entity will be a wholly owned subsidiary of Safaricom PLC. The Board recommends that the shareholders approve the incorporation of the said new subsidiary to invest in seed stage startups to support the development and growth of tech entrepreneurs and build reputation and trust within the tech community in Kenya.

4) RESOLUTION 8 (D) – INCORPORATION OF A PRIVATE LIMITED COMPANY (OR ALTERNATIVELY THE REPURPOSING OF AN EXISTING SUBSIDIARY) TO INVEST IN GROWTH STAGE STARTUPS (VENTURE CO.)

Safaricom's mission to become a purpose led technology company, has driven us to accelerate our ambitions to scale up our strategic partnerships and investments. We seek to broaden our scope on investments in the tech-ecosystem beyond seed stage investment to include investments in growth stage startups (scale-ups) that are strategically aligned and accelerate achievement of our strategic mission.

To this end we are proposing the setup of a Limited Liability Company for investing in growth stage startups (scale-ups) and initiatives that are strategically aligned to our mission for a financial return (profit). The intention being that any gains from the portfolio of investments will be capitalised back into Safaricom PLC.

The Board is confident that this is in the best interest of the Company and its shareholders as the investments through Venture Co. will allow Safaricom to:

a) drive expansion of our core business into new customer segments within the Consumer, Financial Services, Enterprise and SME space

b) accelerate Safaricom's entry into new verticals in areas such as health, agriculture, education by:
   - unlocking value chain opportunities
   - driving innovation and value creation

c) build new capabilities and enable exploration of new business models

d) explore nascent and emerging technologies to complement our capabilities (Analytics, Machine Learning/Artificial Intelligence, Internet of Things)

This new entity will be a wholly owned subsidiary of Safaricom PLC. The Board recommends that the shareholders approve the incorporation of the new subsidiary to invest in growth stage startups (scale-ups) for a financial return (profit) where any gains from the portfolio can be capitalised back into Safaricom PLC.

Proxy

I/WE ____

Share A/c No ____

Of (Address) ____

Being a member (s) of Safaricom PLC, hereby appoint: ____________________ of mobile no./email ____________________

Or failing him/her, the duly appointed Chairman of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 28 July 2023 and at any adjournment thereof.

As witness I/We lay my/our hand(s) this ____________________ day of ______________________________ 2023.

Signature ____

Signature ____

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2023 together with the Chairman's, Directors' and Auditors' reports thereon.			
2) To note the payment of an interim dividend of KShs 0.58 per share which was paid to shareholders on or about 31 March 2023 and to approve a final dividend of KShs 0.62 per share for the Financial Year ended 31 March 2023 as recommended by the Directors. The dividend will be payable on or about 31 August 2023 to the Shareholders on the Register of Members as at the close of business on 28 July 2023.			
3) To re-appoint Ms. Winnie Ouko who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.			
4) To re-appoint Ms. Ory Okolloh who retires at this meeting having been appointed in the course of the financial year, and being eligible, offers herself for re-election.			
5) To elect the following Directors, being members of the Board Audit Committee to continue to serve as members of the said Committee:- Ms Rose Ogega; Ms Winnie Ouko; Ms Raisibe Morathi and Ms Ory Okolloh			
6) To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the year ended 31 March 2023.			
7) To approve the Directors' Remuneration Report (other than the part relating to the Directors' Remuneration Policy), and the remuneration paid to the Directors, for the year ended 31 March 2023.			
8) To re-appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.			
9) **Special Business** To consider and if thought fit to pass the following resolutions as ordinary resolutions, as recommended by the Directors:- **Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.** For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions in regard to the business of Safaricom PLC and in the interests of Safaricom PLC:			
a) That the incorporation of a new operating company in Ethiopia known as Safaricom M-PESA Mobile Financial Services PLC, to deliver and provide mobile financial services in Ethiopia, resulting in this new entity becoming a wholly owned subsidiary of Safaricom Ethiopia Telecommunication and ultimately a resultant subsidiary of Safaricom PLC, be and is hereby ratified and approved.			
b) That the acquisition by Safaricom PLC of the entire issued share capital of M-PESA Holding Company Limited from Vodafone International Holdings BV be and is hereby ratified and approved.			
c) That the incorporation of a company limited by guarantee to invest in seed stage startups to support the development and growth of technology entrepreneurs and build reputation and trust within the tech community in Kenya be and is hereby approved.			
d) That the incorporation of a private limited company (or alternatively the repurposing of an existing subsidiary) to invest in growth stage startups (scale-ups) and initiatives that enable achievement of Safaricom PLC's strategic mission for a financial return (profit) be and is hereby approved.			

Proxy (continued)

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ______________________________

____

____

Address: ______________________________

____

Mobile Number ______________________________

Date: ______________________________

Signature: ______________________________

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

APPROVAL OF REGISTRATION

I/WE approve to register to participate in the virtual Annual General Meeting to be held on Friday, 28 July 2023 ☐

CONSENT FOR USE OF THE MOBILE NUMBER PROVIDED

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. ☐

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarised certified copy of such power or authority) to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to safaricomshares@image.co.ke to arrive not later than 11:00 a.m. on Wednesday, 26 July 2023 i.e. 48 hours before the meeting or any adjournment thereof or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorised attorney for that company.
6. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

Corporate Information

REGISTERED OFFICE

Safaricom House, Waiyaki Way, Westlands
P.O. Box 66827-00800, Nairobi
Telephone: +254 722 003272
Email: **www.safaricom.co.ke**

REGISTRARS

Image Registrars Limited
5th Floor, Absa Towers, Loita Street
P.O. Box 9287-00100, Nairobi
Telephone: +254 709 170 000
Email: **info@image.co.ke**
Website: **www.image.co.ke**

SHAREHOLDER RELATED ISSUES

Telephone: +254 709 170 041/00
Email: **safaricomshares@image.co.ke**

INVESTOR RELATIONS

Safaricom House, Waiyaki Way, Westlands
P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 6218/4233
Email: investorrelations@safaricom.co.ke
Website: **www.safaricom.co.ke/investorrelations**

AUDITORS

Ernst & Young
Kenya Re Towers, Off Ragati Road
P.O. Box 44286-00100, Nairobi
Telephone: +254 20 2886000

WHO **WE ARE**

Safaricom PLC is a leading Kenyan communications company and a digital innovator providing a wide range of communication services, including mobile voice, messaging, data, financial and converged services with a purpose to Transforming Lives.

OUR PURPOSE

Transforming Lives.

OUR VISION

We are a purpose-led technology company that uses innovation to drive social and social-economic empowerment in society.

OUR BRAND PROMISE

Simple. Transparent. Honest. FOR YOU

OUR CULTURE: **THE SPIRIT OF SAFARICOM**

PURPOSE

When we focus on our purpose, profits will come naturally.

COLLABORATION

We all matter; our diversity is our strength.

INNOVATION

We are enterprising, innovative and take risks to grow – for self and business.

CUSTOMER OBSESSION

Our customers, partners and colleagues trust us. We are accountable, vulnerable and authentic.

ABOUT US