OUR SHARED VALUE

2018 SUSTAINABLE BUSINESS REPORT

Safaricom

Twaweza

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INTRODUCTION

Why do we publish our Sustainable Business Report?

We publish this report to disclose the progress we have made towards our goal of building a more sustainable future. Since 2012, we have been documenting our sustainability journey because we believe in holding ourselves accountable by sharing our successes, our challenges and our constraints in a public, transparent and open manner.

We also publish this report because we believe that we have a duty to raise awareness of the sustainability challenges we face as a society and to ensure that these remain part of the discussion in Kenya and around the world.

This report is also an explicit responsibility of our continued membership of the UN Global Compact (UNGC), and an expression of our belief in the principles enshrined in the Code of Ethics for Business in Kenya.

What information is in this report?

This report describes what sustainability means to us and the role it plays in our strategic thinking and day-to-day operations. It includes an explanation of how sustainable business practices fit into our corporate strategy and business model. It also includes an examination of our performance through the broad lens of sustainability, which assesses our wider socio-economic and environmental impact, including the value we create for Kenyan society (using the KPMG "True Value" methodology).

Shared value

Our theme for this year is: "Creating Shared Value". This is described as "generating economic value in a way that *also* produces value for society by addressing its challenges. A shared value approach reconnects company success with progress along all elements of the value chain." (Michael Porter)

About our reporting

Our sustainable business reporting focuses on activities and imperatives that are both of material importance to our business and of interest to our stakeholders. This report covers our fiscal year of 01 April 2017 to 31 March 2018 and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For more information on material topics and purpose of our reporting, methodology and assurance process, please visit: https://www.safaricom.co.ke/sustainabilityreport_2018/.

Help us improve our reporting

We hope this report provides you with a clear and meaningful understanding of what sustainable business means to Safaricom; how it unites us and governs our internal and external approaches to business. We welcome your feedback on our sustainability reporting, which you can share by emailing: sustainability@safaricom.co.ke

Our pledge to our stakeholders

In line with our purpose of transforming lives, Safaricom remains committed to putting our customers first, delivering relevant products and services, and enhancing operational excellence. By running a sustainable business, we seek to contribute towards improving the quality of life of every Kenyan. We also seek to contribute to sustainable living throughout Kenya and are committed to managing our operations in a responsible and ethical manner.

On behalf of the board, we acknowledge our responsibility to ensure the integrity of this sustainable business report and are confident that it presents the progress we have made towards our goal of building a more sustainable future with satisfactory accuracy and impartiality.

Nicholas Nganga
Chairman

Robert Collymore
Chief Executive Officer

FY18 IN REVIEW

This section highlights our most significant challenges and areas of progress during FY18. Any changes in performance have been stated using year-on-year comparisons with FY17 performance.

43 ⇩17%
dismissals for fraud

0
Fatalities

97% ⇧2%
staff members proud to work at Safaricom (SEMA Survey*)

98%
staff trained on ethics and anti-corruption

171,369 ⇧5%
jobs sustained
(FY18 True Value assessment)

1.7% ⇧0.3%
colleagues are differently-abled people

32% ⇧2%
proportion of women in senior management
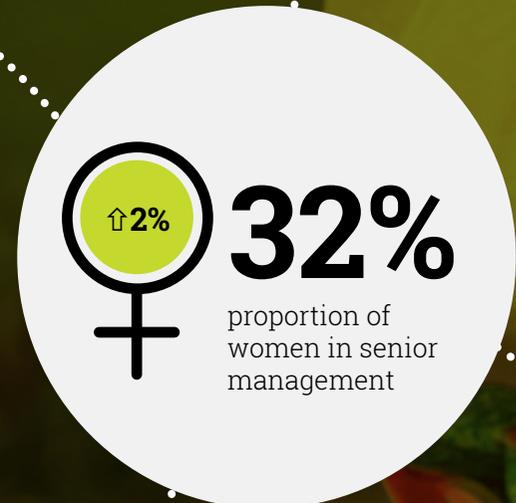
* The SEMA Survey is an annual internal survey that solicits feedback from all staff on various metrics within the business.

Market share (active subscribers) ⇩4.9%

67%

6.5%

contribution to Kenya's GDP

98%

suppliers signed up to the Code of Ethics for Businesses in Kenya

96% ⇧1%

2G Coverage (% population)

86% ⇧1%

3G Coverage (% population)

35% ⇧10%

4G Coverage (% population)

6.9 hours

24 April 2017 network outage

CO₂

⇧5%

Carbon emissions (tCo2e)

63,685

97%

waste generated within the business is now recycled or reused (Administrative buildings in Nairobi (HQ1-3, Jambo Contact Centre (JCC), Safaricom Care Centre (SCC))

Water consumption

91,449m³

⇩5%

⇩0.1%

Fuel Consumption* (litres)

9,432,788

*Safaricom Network

7,000,000

single-use plastic bags replaced by eco-friendly, reusable carry bags

855

tonnes of e-waste collected since 2013

⇩2%

Cost of energy per site (KES per site per month)

47,511

2,800,000+

students receiving educational support through *Shupavu 291*
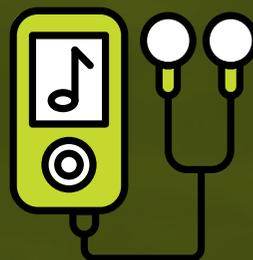
76,000

Songa By Safaricom music streaming app downloads

⇧97%

916,584

Kenyans saving for healthcare using M-Tiba

⇧16.5%
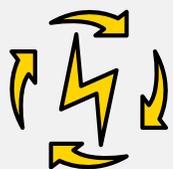
155

sites powered by renewable energy

⇧21%

141,500

Electricity consumption (MWh)

479,000

Kenyan households using M-KOPA Solar's clean, green energy home lighting solutions

43,000

refugee students accessing high quality education through *Instant Network Schools* programme

MESSAGE FROM THE CHAIRMAN

A VISION OF BUSINESS-LED SUSTAINABLE DEVELOPMENT

It is my pleasure to present to you our 7th annual sustainability report. This year, we renamed it the Sustainable Business Report to better reflect our belief in the commercial importance of sustainable development. Sustainable business make good business sense not just because it results in profit, but more importantly, uplifts communities. One of our objectives is to position sustainabi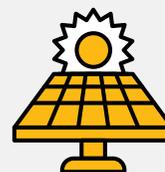lity as a business response to the challenges we face as a society. We still have much to learn, of course, but the process of establishing how our commitment to sustainability fits within our business strategy has helped us recognise that commercial, business-driven approaches are required to create the lasting economic growth needed to address social needs and empower communities.

> "Commercial, business-driven approaches are required to create the lasting economic growth needed to address social needs and empower communities."

It's fair to say that 2017 was a challenging year for businesses in general, driven by the uncertainty of a protracted electioneering period and subdued economic growth.

For the first time in three years, economic growth slowed to 4.9 per cent. The credit market also recorded its slowest growth in 14 years, attributed to interest rate capping and reduced economic activity compounded by drought, which hindered agricultural productivity and resulted in inflated food prices.

REGULATORY CONCERNS

The last year was also marked by changes in the regulatory environment that were reason for significant concern, specifically in regard to a draft industry study commissioned by the Communications Authority of Kenya (CA). The study, which proposed a raft of measures that remain of concern to us, including proposals such as regulated infrastructure sharing and price controls. While we remain open to interventions that benefit the Kenyan consumer, we have expressed our strong opposition to those that will limit the ability of operators to compete on price and innovation. In light of these developments, we continue to engage the regulator, Ministry of ICT and other relevant stakeholders in pursuit of a more considered outcome that will lead to a win-win result.

INNOVATION AND COMPETITION

The ICT industry continues to be a vibrant, innovative contributor to Kenya's economy, with new entrants expected to keep it competitive and exciting in the months ahead.

Innovation remains a key ingredient to success in this market, a factor that has not only earned Kenya the honour of being recognised as an African innovation hub, but one that continues to power the engine of economic growth. According to the Economic Survey 2018 report published by the Kenya National Bureau of Statistics, the ICT sector expanded by 11 per cent in 2017, supported mainly by growth in the digital economy, mobile telephony, e-commerce and online trading among others.

A CHANGE OF GUARD

We consider sound corporate governance fundamental to our commercial sustainability and so I am pleased to welcome Mohamed Joosub, Till Streichert and Linda Muriuki to the board, each of whom brings a wealth of experience and knowledge to the table. I would also like to take this opportunity to thank our departing colleagues, John Otty and Nancy Macharia, for their significant contributions to our governance and success during their tenure on the board.

COMMITTED TO OUR VISION

In closing, I would like to welcome our CEO, Bob Collymore, back from his medical leave of absence. Even though he was not physically present, he continued to provide valuable leadership and to work closely with the Board of Directors and Executive Committee, both of which contributed significantly to the business' positive performance in the last year.

On behalf of the Board, I would also like to thank the management and staff for their enthusiasm and commitment to our vision throughout the year.

Having successfully integrated the SDGs into our operations, we are even more acutely aware of the challenges and opportunities that lie ahead. There is much to be excited about, and a lot to be hopeful for.

Looking ahead, we remain committed to our vision of business-led sustainable development, and to our role as an advocate for the adoption of the SDGs by our community of business powers. In the true spirit of our brand promise of Twaweza, we believe that when we come together, great things happen.

Nicholas Nganga
Chairman and Non-Executive Director
Safaricom PLC

MESSAGE FROM THE CEO

USING INNOVATION TO CREATE SHARED VALUE

Our approach to innovation is simple: use technology to create relevant products and services that transform lives and empower communities.

Based on this premise we launched our innovation hub, Alpha, whose objective is to focus on innovating for long-term initiatives in health, education, agriculture and payments, as well as capture insights that will help the business tap into the full range of opportunities offered by Big Data.

Prior to the creation of Alpha, we had been incubating and piloting a number of innovative solutions in the same priority sectors. I am delighted to report that some of these solutions have been successfully transitioned into our commercial business units and are now being scaled by the business. Among these are M-TIBA and Digifarm, two services that are successfully leveraging the power of mobile technology to drive sustainable growth while addressing local challenges in healthcare and agriculture.

While these two represent some of the significant wins we have enjoyed this year, we admit that not all our ideas and experiments are instant successes. Innovation is about taking risks, and sometimes the only payoff from risks is the lessons learned.

Some of the biggest lessons we have learned in the last year are a result of the failure of products and services such as M-PESA 1Tap and Masoko to take off as planned. Both have offered valuable lessons in agility, putting the customer first and building a business that is fit for the future.

MIXED RESULTS ON OUR SDG INTEGRATION JOURNEY

In 2016 we began the process of integrating nine of the 17 Sustainable Development Goals (SDGs) into our business strategy. A year later, we have made considerable progress in aligning our business objectives to these goals, in line with our commitment to creating viable responses to the challenges faced by society.

Some of the areas in which we have recorded progress include Good Health And Wellbeing (SDG 3), Quality Education (SDG 4), Decent Work And Economic Growth (SDG 8), and Industry, Infrastructure And Innovation (SDG 9).

Additionally, we have introduced various initiatives in an effort to achieve SDG 12 (Responsible Consumption And Production), including the introduction of our internal 'zero waste to landfill' programme, which is already ensuring that 97 per cent of the waste generated within our administrative buildings in Nairobi is recycled or reused. This initiative is buoyed by the continued success of our e-waste programme, which has collected 855 tonnes of electronic waste since its inception in 2013, and complements the replacement of single use plastic bags at our retail shops with eco-friendly, reusable carry bags. This move alone is expected to replace up to 7 million plastic bags distributed per annum.

While our performance in these areas is reason for celebration, it is unfortunate that these gains are somewhat overshadowed by the increase in our carbon footprint. We are cognizant of the very real threats posed by climate change, and have committed to becoming a 'net zero' carbon-emitting company by the year 2050.

To get us there, we have reduced the number of sites running solely on diesel-powered generators, and are exploring ways in which we can do more, including: compensating for our emissions through carbon offsets, embracing hybrid or renewable power solutions and introducing science-based carbon reduction targets.

GENDER, DIVERSITY AND INCLUSION

In the past year, we have reflected deeply on what true diversity and inclusion mean to out business. While we are proud of our overall gender equality as a company, we cannot be content with the lack of equal gender representation in senior management and the executive leadership, which remain 68 and 75 per cent male, respectively.

So we have committed to matching the number of women to men in senior management by 2020. To do so, we have put in place a number of initiatives aimed at creating more growth opportunities for women at Safaricom, including our Women in Leadership and Women in Technology programmes.

We are also making headway in relation to achieving SDG 10 (Reduced Inequalities), through our pledge to increase the number of staff with disabilities from the current 1.7 per cent to 5 per cent by 2020.

> "We cannot succeed in isolation. We need a 'coalition of the willing' to address these challenges."

To achieve this goal, we have provided various business units with specific hiring targets to open up more opportunities for qualified Kenyans with disabilities over the next three years. We are also working with organisations such as the Kenya Union for the Blind and the Kenyan Paraplegic Organisation to form a network through which we can identify suitable candidates.

By doing this, we hope that we can influence others in the public and private sectors to work towards the full inclusion of people with disabilities.

THE B TEAM – AFRICA

The private sector has a responsibility to drive conversations around sustainability, not only because we have a lot to gain from running sustainable businesses, but also because by doing so we can empower and uplift communities.

To achieve this, we need a 'coalition of the willing', and *B Team – Africa* is that very coalition. The *B Team – Africa* is an alliance of progressive business leaders who are dedicate to empowering Africans by creating more sustainable and just economies across the continent. The alliance was formally launched in March 2018, with the purpose of creating a network of people and resources who can catalyse the adoption of the SDGs, and create shared value.

CREATING SHARED VALUE

At Safaricom, we like to say that business of business is not just business any more. Over and above innovating and selling relevant products and services, our business exists to transform lives. That is our purpose, and that is what we believe will guide us as we seek to create shared value not just for our shareholders, but for stakeholders including the communities we operate in.

This year's theme, Shared Value, is therefore very fitting. Not only does it speak to our purpose, it brings to life our brand promise of Twaweza, which is that when we come together, great things happen. What we have been able to achieve since our inception in the year 2000 is testament to the power of coming together. It is that same spirit that informs our positive outlook for the coming years as we work towards creating shared value, in line with our believe that when we put purpose and people before profits, then the profits will naturally follow.

Bob Collymore
Chief Executive Officer
Safaricom PLC

Safaricom exists to transform lives. Our products and services play a central role in the daily lives of more than 29 million customers, providing voice, SMS, data and payments solutions to individuals, enterprise customers and the Kenyan Goverment.

A proudly Kenyan brand, Safaricom PLC (Safaricom)* operates solely in Kenya, with headquarters at Safaricom House, Nairobi.

This section presents a brief overview of the company and the business ecosystem within which we operate. It includes a summary of our strategy, an explanation of how sustainability fits into our strategy, our business model, and an assessment of the value we have created and allocated during the reporting period.

* Safaricom has four subsidiaries, which are 100 per cent held and are disclosed in the notes of the Annual Financial Statements in our FY18 Annual Report. These subsidiaries are covered by the disclosures made in this report.

OUR BUSINESS

In this section:

SAFARICOM AT A GLANCE

Our Purpose
To transform lives

Our Values
Speed
Simplicity
Trust

Our Promise
Twaweza
When we come together, great things happen
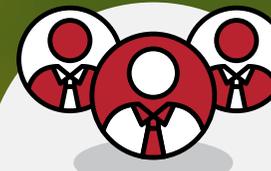
2000
Year founded

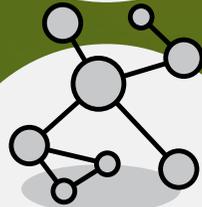**Nairobi, Kenya**
Headquarters

5,556
Employees

96%
2G Coverage
(% population)

5,469
Fibre Optic Footprint
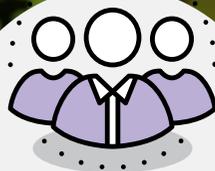(kilometres)

156,000+
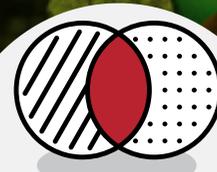M-PESA Agents

4,945
Network Sites

86%
3G Coverage
(% population)

29.6
Customers
(million)

67%
Market Share
(% subscribers)

233.7
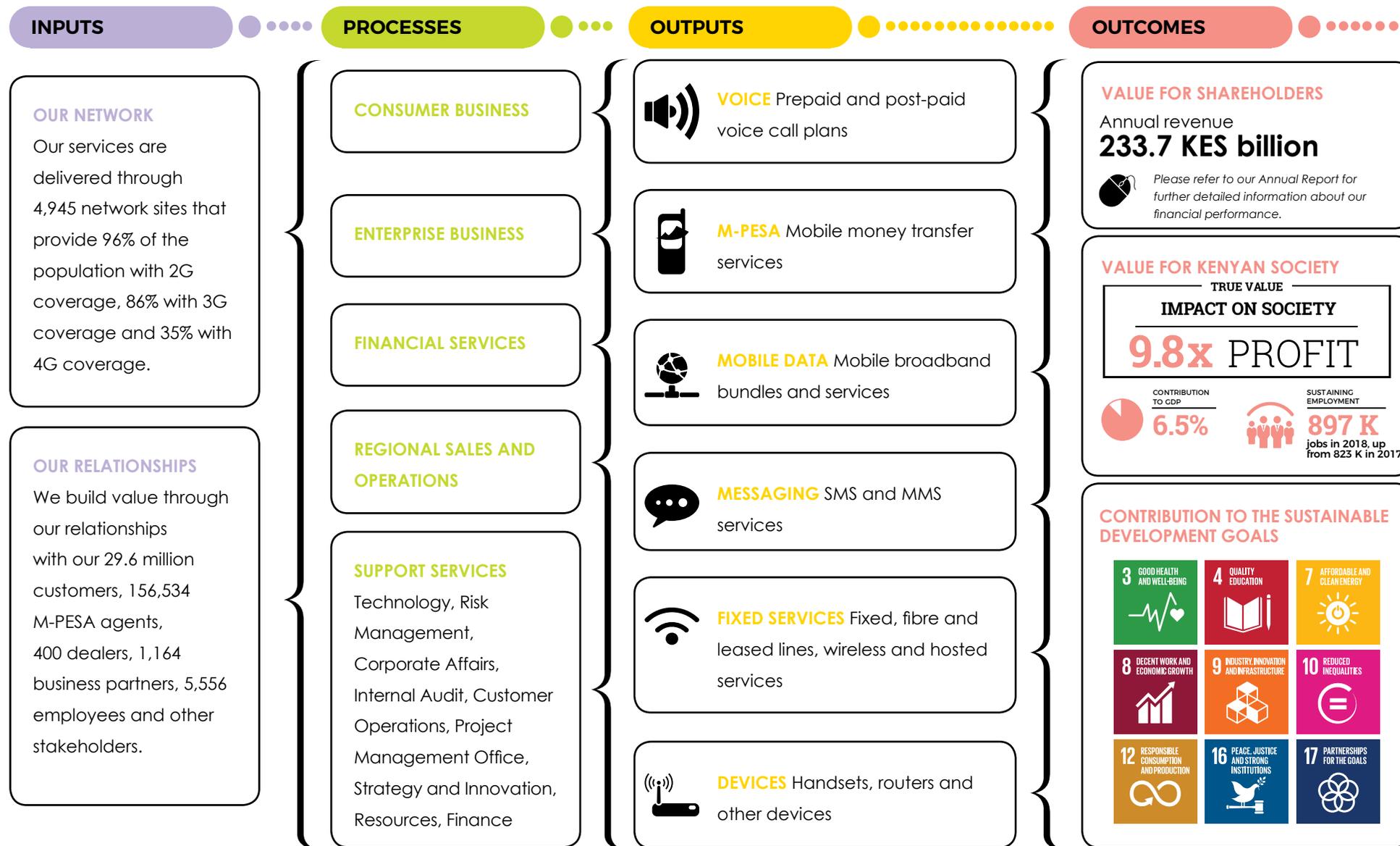Annual Revenue
(KES billion)

35%
4G Coverage
(% population)

OUR BUSINESS MODEL

INPUTS   **PROCESSES**   **OUTPUTS**   **OUTCOMES**

OUR NETWORK

Our services are delivered through 4,945 network sites that provide 96% of the population with 2G coverage, 86% with 3G coverage and 35% with 4G coverage.

OUR RELATIONSHIPS

We build value through our relationships with our 29.6 million customers, 156,534 M-PESA agents, 400 dealers, 1,164 business partners, 5,556 employees and other stakeholders.

CONSUMER BUSINESS

ENTERPRISE BUSINESS

FINANCIAL SERVICES

REGIONAL SALES AND OPERATIONS

SUPPORT SERVICES

Technology, Risk Management, Corporate Affairs, Internal Audit, Customer Operations, Project Management Office, Strategy and Innovation, Resources, Finance

VOICE Prepaid and post-paid voice call plans

M-PESA Mobile money transfer services

MOBILE DATA Mobile broadband bundles and services

MESSAGING SMS and MMS services

FIXED SERVICES Fixed, fibre and leased lines, wireless and hosted services

DEVICES Handsets, routers and other devices

VALUE FOR SHAREHOLDERS

Annual revenue
233.7 KES billion

Please refer to our Annual Report for further detailed information about our financial performance.

VALUE FOR KENYAN SOCIETY

TRUE VALUE

IMPACT ON SOCIETY

9.8x PROFIT

CONTRIBUTION TO GDP
6.5%

SUSTAINING EMPLOYMENT
897 K jobs in 2018, up from 823 K in 2017

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

OUR SUSTAINABLE BUSINESS STRATEGY

Our sustainable business strategy unites our sustainability vision with our corporate strategy and the UN Sustainable Development Goals (SDGs). Integrated into the business in 2017, the SDGs have enabled us to unite our three-pillared corporate strategy with our sustainability vision and to translate our strategic sustainability ambitions into specific, measurable objectives for every division, department and team.

INTEGRATED SDGS

The purpose of integrating the SDGs is to convert our sustainability ideals into a set of meaningful, realistic and tangible daily objectives for every member of the company. The first phase of this process involved asking each division to select the goals most relevant to their activities and then communicating the importance of the goals to every employee. Based on the deliberations of the divisions, we identified nine SDGs to integrate into our business operations. We have since mapped products, services and processes against the SDGs. In the future, our focus will be to report against SDG-related targets and, ultimately, to empower individuals to set their own SDG-related objectives.
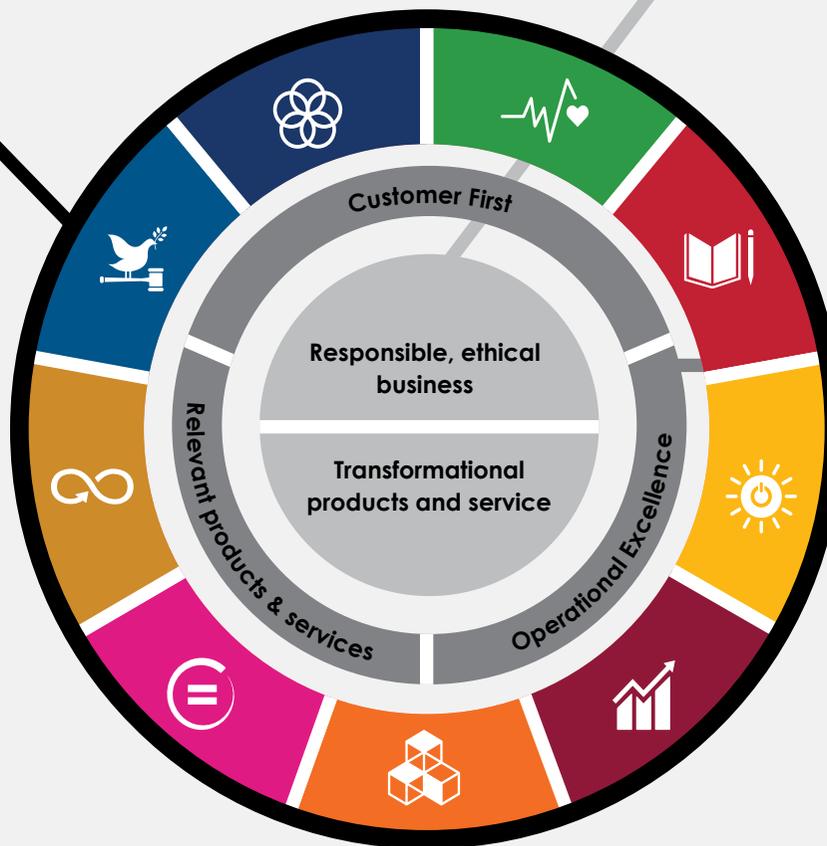
SUSTAINABILITY VISION

We aspire to use our products and services to transform lives and contribute to sustainable living throughout Kenya. Based on this fundamental aspiration, our vision sets out how we use our ability to deliver connectivity and innovative services to improve the quality of life and livelihoods of all Kenyans. Central to achieving this vision is our commitment to managing our operations responsibly and ethically. Our vision is based upon the twin pillars of responsible, ethical business and transformational products and services.

CORPORATE STRATEGY

Our corporate strategy is based on three strategic objectives: 'Customer First', 'Relevant Products' and 'Operational Excellence'. 'Customer First' requires understanding our 29 million customers and their specific needs better by classifying and analysing them in much smaller groups or 'segments'. 'Relevant Products' requires using our better understanding of customer needs and challenges to design more relevant products and services that meet those exact needs. 'Operational Excellence' requires us to assess every aspect of the business from the perspective of how well it is serving the customer and helping to deliver quality experiences to them.

Customer First
Relevant products & services
Operational Excellence
Responsible, ethical business
Transformational products and service

WHAT THE SUSTAINABLE DEVELOPMENT GOALS MEAN TO US

The integration of the SDGs has taught us to view sustainable development as a business response to the challenges we face as a society — to use business-driven approaches to create lasting economic growth to address social needs and empower communities.

Last year, we identified nine SDGs to integrate into our business operations and drafted a purpose statement to articulate how our commitment to sustainability fits within our business strategy. The following three pages provide a brief overview of these nine goals and how we have interpreted/integrated them, together with examples of specific contributions we have made towards them during the year.

What are the Sustainable Development Goals?

The UN Sustainable Development Goals (SDGs) are a set of 17 'Global Goals' that describe how we can work together as countries, businesses and individuals to end poverty, protect the planet and ensure prosperity for all. https://sustainabledevelopment.un.org/sdgs

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3 GOOD HEALTH AND WELL-BEING

The Goal:
Ensure healthy lives and promote well-being for all at all ages.

What it means to us:
Leverage our mobile technologies to transform lives by improving access to quality and affordable healthcare services and by promoting wellbeing for all.

Examples of our contribution:
- Over 916,000 low-income earners are able to save towards their healthcare expenses using M-Tiba.
- More than 95% of the company has received health and wellbeing training and support through the *Thrive Global Programme*.

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4 QUALITY EDUCATION

The Goal:
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

What it means to us:
Expand access to education through innovative solutions, our network and partnerships.

Examples of our contribution:
- More than 2.8 million students have accessed information and services through our USSD-based education platform, *Shupavu 291*.
- Over 43,000 refugee students have accessed high-quality educational content for free through our *Instant Network Schools* programme.

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7 AFFORDABLE AND CLEAN ENERGY

The Goal:
Ensure access to affordable, reliable, sustainable and modern energy for all.
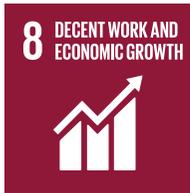
What it means to us:
Increase use of clean energy at our network sites and leverage technology to provide clean energy solutions to a greater proportion of Kenyan citizens, including facilitation of payments for local and renewable energy solutions.

Examples of our contribution:
- 155 network sites already powered by solar/wind hybrid renewable energy solutions.
- 479,000 Kenyan households using M-KOPA Solar's clean, green energy home lighting solutions.

8 DECENT WORK AND ECONOMIC GROWTH

The Goal:

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

What it means to us:

Provide decent work within Safaricom and its broader ecosystem. Ensure all employees are empowered and able to thrive.

Examples of our contribution:

- 102,337 merchants trading using our payment platform during the year.
- Over 20 million customers making an average of 11 transactions per month using our M-PESA mobile money platform.
- All guarding contracts receive a living wage.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Goal:

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

What it means to us:

Deliver connectivity and innovative products and services of unrivalled quality to meet the needs of Kenyans.

Examples of our contribution:

- Over 96% of the population of Kenya is now able to access 2G services and 86% is now able to access 3G services.
- More than 141,700 Kenyan homes now able to access high speed broadband connectivity through our fibre optic network.

10 REDUCED INEQUALITIES

The Goal:

Reduce inequality within and among countries.

What it means to us:

Reduce inequalities by providing everyone with equal access to opportunities, especially vulnerable groups, using our leadership, network, technologies and solutions.

Examples of our contribution:

- 50% of employees and 32% of senior management working at Safaricom are women.
- 57 women have received additional support and mentorship through our *Women in Leadership* programme, which aims to grow female representation in senior management to 50% parity by 2020.
- More than 324,000 affordable devices, such as the *Neon Kicka,* sold during the year to help low-income earners access mobile services.
- We increased the number of women-owned businesses from which we purchase from 20 to 39 during the year and our target is to ensure women-owned businesses account for 10% of procurement spend by 2020.

The Goal:
Ensure sustainable consumption and production patterns.

What it means to us:
Manage our operations responsibly, decreasing our environmental impact and promoting responsible behaviour among all our stakeholders.

Examples of our contribution:
- Over 7 million retail plastic bags replaced with eco-friendly, reusable carry bags.
- Over 97% of the waste generated within our administrative buildings in Nairobi is now recycled or reused through our *Zero waste to landfill* programme.
- 20 'green' jobs created through our integrated waste management programme.
- Sea-based shipping now accounts for 66% of total imports (more environmentally friendly than air- or land-based transportation).
- We have collected over 855 tonnes of e-waste since 2013.

The Goal:
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

What it means to us:
Manage our operations responsibly and ethically and fight corruption in all its forms.

Examples of our contribution:
- 98% of suppliers have signed up to the Code of Ethics for Businesses in Kenya.
- 100% of high-risk suppliers have been assessed for sustainable business practices (ethics, labour laws, welfare and human rights).
- Actively working to prevent fraud by accurately registering SIM cards through our *Know Your Customer* campaign.

The Goal:
Strengthen the means of implementation and revitalise the global partnership for sustainable development.

What it means to us:
Partner with people, organisations and nations to build our collective capacity to promote and advance the SDGs.

Examples of our contribution:
- Safaricom is a key member and supporter of the *B Team* and the *B Team – Africa*, alliances of business leaders who are committed to responsible and sustainable business practices.
- We hosted a series of SDG-themed forums for our business partners and suppliers during the year to help raise awareness of the goals.

The Safaricom SDG purpose statement

"We commit 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."

THE TRUE VALUE WE HAVE CREATED

We assess the significant indirect value contribution we make to the economy, society and environment in Kenya using the KPMG "True Value" methodology. When monetised, the net value of the most material social, environmental and economic impacts of the company, both positive and negative, gives an indication of the total value that Safaricom creates for the people of Kenya. The following "True Earnings" bridge shows that the total value we created for Kenyan society in FY18 was KES 543 billion, 12 per cent greater than in FY17 and around 9.8 times greater than the financial profit the company made in the same year. This ratio is slightly smaller than the 10.03 ratio of FY17. This can be ascribed to the growth in company profits in the last financial year, which changed by 14 per cent.

Definitions

True Value: A three-step methodology that enables companies to (i) assess their 'true' earnings including externalities, (ii) understand future earnings at risk and (iii) develop business cases that create both corporate and societal value.

True Earnings: The first step of the True Value methodology, which quantifies and monetizes the material externalities of a company.

Total Economic Value: The nature and magnitude of the contribution to the Kenyan economy made by Safaricom.
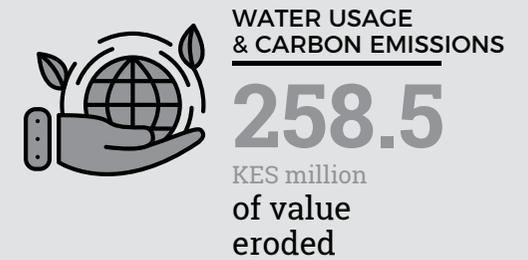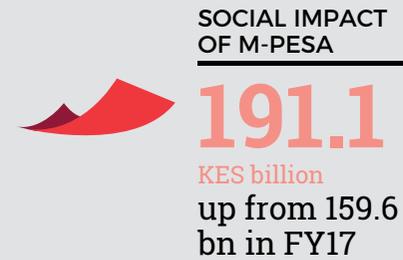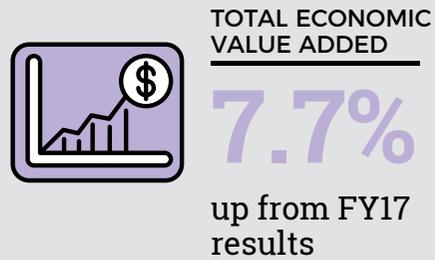
Induced economic impact: Operational and capital expenditure by Safaricom will create additional employment and also benefit the employees of suppliers affected. A share of the additional income generated in this way will be spent on the consumption of goods and services, which, through linkages and multiplier effects, will benefit the broader economy by stimulating additional demand for the products and services produced within that economy. This collective impact is referred to as "induced economic impact".

TRUE VALUE
IMPACT ON SOCIETY

9.8 x
PROFIT

The True Value assessment calculates that Safaricom sustained over 171,369 direct and indirect jobs during the year and, if the wider effects on the economy are included, this number increases to over
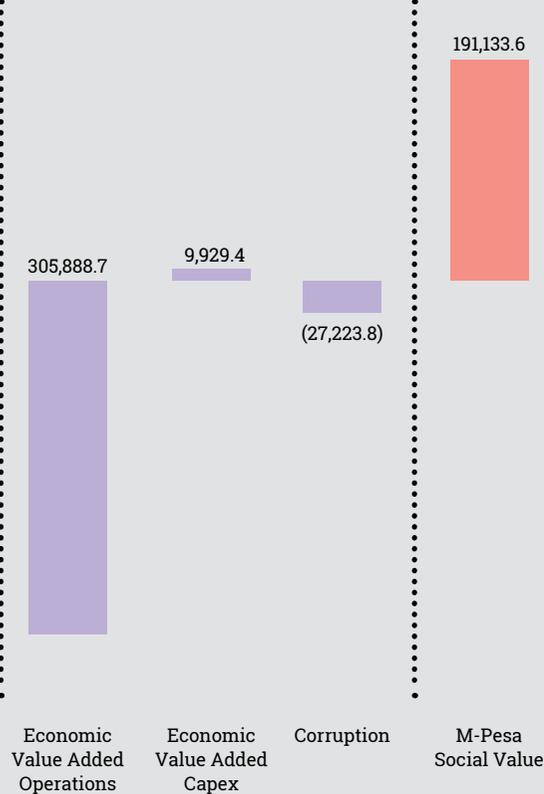
897,372 jobs.

Figures in KES million

Source:
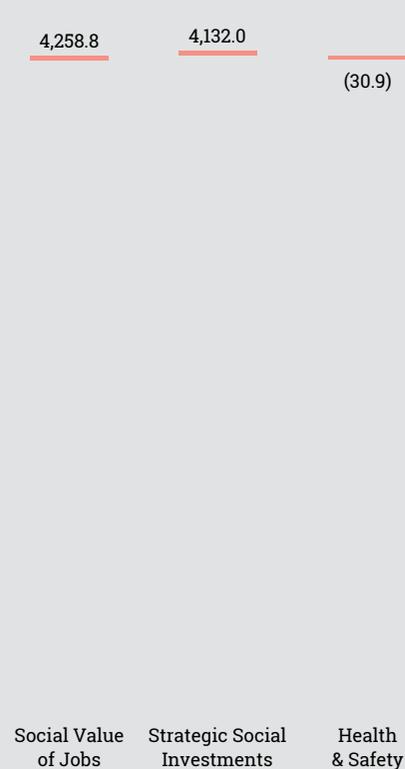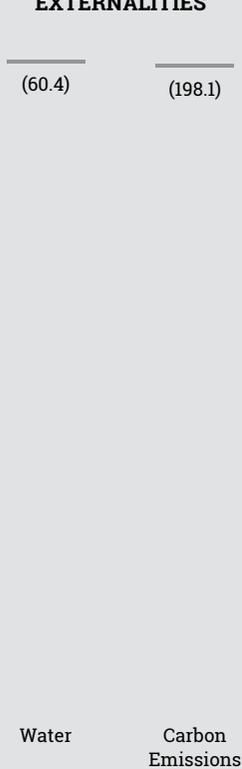KPMG 2018, KPMG True Value Case Study - Safaricom Ltd

CONTRIBUTION TO GDP

6.5%

TOTAL ECONOMIC VALUE ADDED

7.7%

up from FY17 results

SOCIAL IMPACT OF M-PESA

191.1
KES billion

up from 159.6 bn in FY17

WATER USAGE & CARBON EMISSIONS

258.5
KES million

of value eroded

EARNINGS			ECONOMIC VALUE-ADD				SOCIAL EXTERNALITIES			ENVIRONMENTAL EXTERNALITIES		TRUE EARNINGS
						191,133.6	4,258.8	4,132.0	(30.9)	(60.4)	(198.1)	543,118.3
			305,888.7	9,929.4	(27,223.8)							
233,717.0	(178,428.0)	55,289.0										
Revenue	Cost	Profit	Economic Value Added Operations	Economic Value Added Capex	Corruption	M-Pesa Social Value	Social Value of Jobs	Strategic Social Investments	Health & Safety	Water	Carbon Emissions	True Earnings
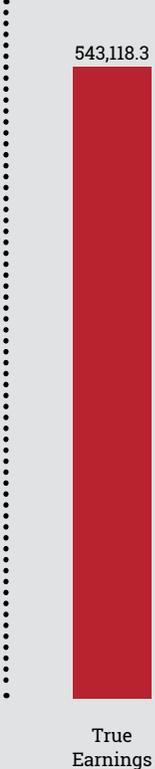
THE FY18 TRUE EARNINGS BRIDGE

The economic impact made through the operations of Safaricom is the greatest contributor to the value created and has grown (7 per cent) since FY17. The value created through capital expenditure also increased and was 11 per cent higher in FY18, largely as a result of the investments in network infrastructure over the period.

> All financial information was derived from the 2018 annual financial report, including the taxes paid by Safaricom and the actual direct employment. Both the capital expenditure, as well as the operational expenditure were run through the Kenyan national economic impact assessment model. The model was set up to accept the economic structure of the communication industry as is contained in the Kenyan Social Accounting Matrix (SAM).

The total economic impact of the estimated KES 233,717 million annual revenues generated from the operations of Safaricom results in a total estimated Gross Domestic Product (GDP) contribution of KES 484,969 million. This GDP impact can be separated into a direct impact of KES 134,563 million, an indirect impact of KES 83,680 million and an induced impact of KES 266,726 million. The total economic impact of the estimated KES 36,308 million capital expenditure in Safaricom results in a total estimated GDP contribution of KES 17,319 million. This GDP impact can be separated into a direct impact of KES 7,280 million, an indirect impact of KES 2,649 million and an induced impact of KES 7,390 million. The 'Total Economic Value-added' on the Safaricom True Earnings Bridge only includes the direct and indirect GDP impact associated with Safaricom operations and capital expenditure.

The social value of M-PESA remains a significant creator of value for Kenyan society, increasing by 20 per cent in the last financial year. The major drivers for this growth have been the increase in customer, agent and merchant numbers, the increase in the average number of transactions per customer, as well as the increased value paid to M-SHWARI users in interest. The greatest value continues to be felt by the customer stakeholder group. Customers benefit from improved ability to manage and save money, as well as the wellbeing that comes with access to goods, services and opportunities that would not previously have been available to them.

The overall negative environmental impact on the Safaricom True Earnings was reduced. Total water consumption decreased, and the amount of water harvested by Safaricom has increased year on year. Carbon emission increased in FY18, but the negative impact of the carbon emissions on the results was reduced through the use of an updated, lower electricity emission factor (IEA 2014). There were also no recorded fatalities in FY18, further reducing the negative impact on the Safaricom True Earnings for the period.

How we arrive at these numbers

The first time that the True Value methodology was used to identify the most material socio-economic and environmental impacts of Safaricom and to quantify them in financial terms was in the 2014/15 financial year. During that year, Step 1 of the True Value methodology was carried out to estimate the True Earnings of Safaricom for the year in question.[1]

Primary research was conducted to complete this exercise and to ascertain the social value created by M-PESA, in particular. In order to quantify this social value, principles from the Social Return on Investment (SROI) methodology were used. SROI is an open-source, principles-based method used to account for social change. More detail regarding the 2014/15 True Earnings exercise can be accessed at: https://home.kpmg.com/content/dam/kpmg/pdf/2016/07/case-study-safaricom-limited.pdf

Since 2014/15, True Earnings has been used by Safaricom as a way of understanding and expressing the value that the company creates for society. A decision has been made not to carry out the same level of primary research in the following years, but to extrapolate existing primary data and research points from 2014/15, or other years in which relevant data has been publicly available, to create a picture of the relevant period that is as accurate as possible. This has necessitated making certain informed assumptions, all of which have been interrogated internally and confirmed to be the most appropriate in the specific Kenyan context.

For the 2015/16 and 2016/17 True Earnings updates, secondary data was updated with the latest available information, one more externality (the Social Value of Jobs) was added, and one discontinued product *(Linda Jamii)* was removed. The same has been done for the 2017/18 True Earnings Bridge. Therefore, the update for 2017/18 did not include new / additional M-PESA products, new primary data, nor a new 'deep dive' on any of the activities of the company.

[1] 2014, KPMG, A New Vision of Value. Available at: https://assets.kpmg.com/content/dam/kpmg/pdf/2014/10/a-new-vision-of-value-v1.pdf

Please visit the companion website for this report at https://www.safaricom.co.ke/sustainabilityreport_2018/ for more information regarding how we determine our material topics.

Our sustainability material topics are the most important environmental, social, economic and governance imperatives and opportunities for our organisation and stakeholders.

This section describes each of our most material topics, how these influence us and how we respond to them as an organisation. As part of our ongoing commitment to the SDGs, we have included references to the goals to which we have aligned our efforts in each chapter again this year.

There have been no significant changes to the list of our material topics from last year and all of these topics are material to all entities within the organisation.
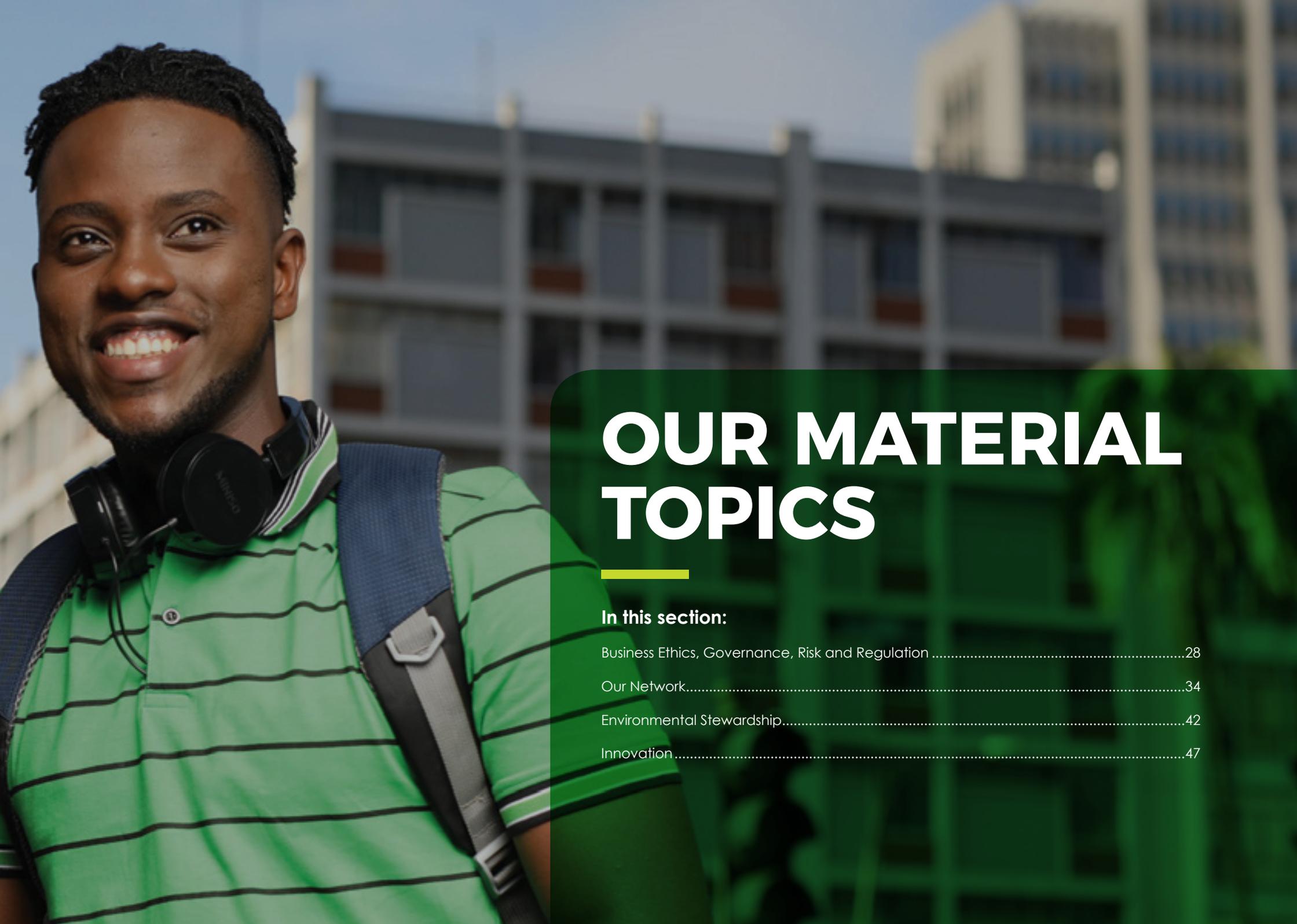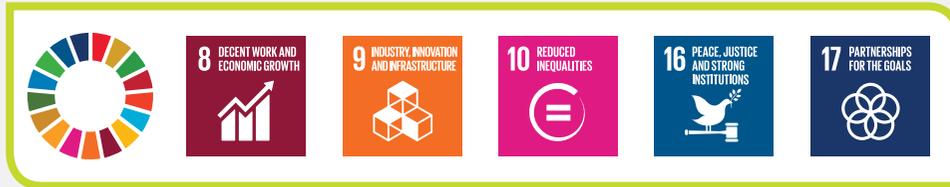
OUR MATERIAL TOPICS

In this section:

BUSINESS ETHICS, GOVERNANCE, RISK AND REGULATION

We consider sound corporate governance, ethical behaviour, robust risk management and regulatory compliance to be fundamental to our commercial sustainability. If the business is not run in an ethical, transparent and accountable manner, Safaricom is likely to be impacted by legal and reputational risks, as well as being disadvantaged as a result of eroded employee and investor trust and confidence, which quickly translates into lost opportunities and diminished success.

As part of our ongoing commitment to the SDGs, we continued to align our efforts regarding ethics, governance, risk and regulation with five of the goals that represent areas over which we are able to achieve significant impact in our own business and amongst our stakeholders: promoting ethical business practices and fighting corruption in all its forms within Safaricom (SDG16) and within the wider business community (SDG17); pledging to create a non-hostile and secure workplace (SDG8) within which all employees are treated equally (SDG10); and striving to provide universal access to high quality information and communications technology for Kenyan citizens through our network (SDG9) as part of our work with the regulators.

> Upholding the highest standards of corporate governance and acting in an ethical manner makes business sense.

KEY FOCUS AREAS DURING THE YEAR

- Regulation
  (monitoring and responding to all regulations)

- Compliance
  (ensuring compliance to all regulations, policies and procedures)

- Economy
  (impact of slow economic growth on the business)

- Market disruptions
  (technological changes, in particular)

- Security
  (physical security of personnel and equipment, especially in high-risk areas)

- Fraud and corruption
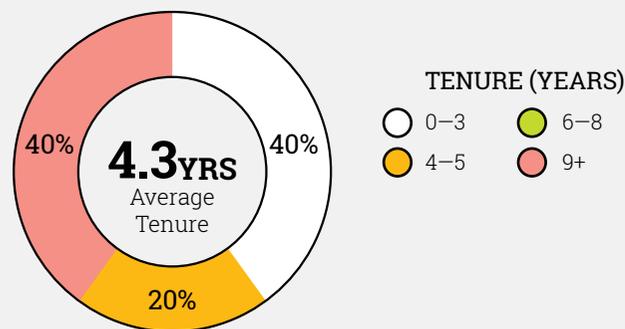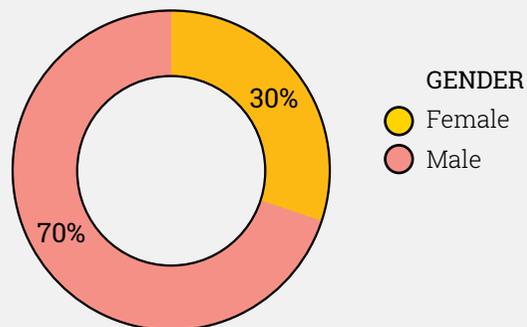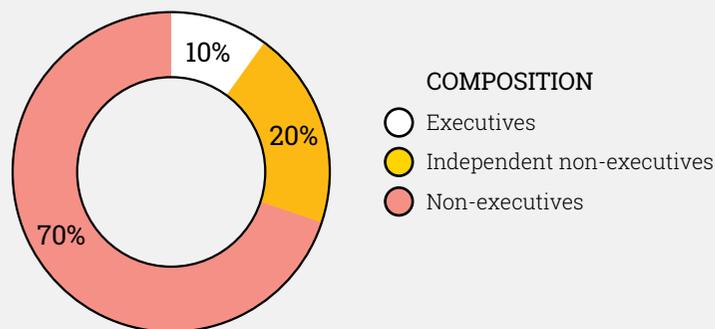 (both internal (Safaricom-related) and external (customer-related))

CORPORATE GOVERNANCE

We ensure that Safaricom is run in an ethical, transparent and accountable manner by having strong governance processes and structures in place, along with explicit guiding principles and clear lines of responsibility.

The Board of Directors of Safaricom is, ultimately, responsible for corporate governance throughout the organisation and the behaviour of members is governed by an explicit Governance Charter. Members of the board also undergo collective and individual performance assessments at least once annually. The board meets at least four times a year.
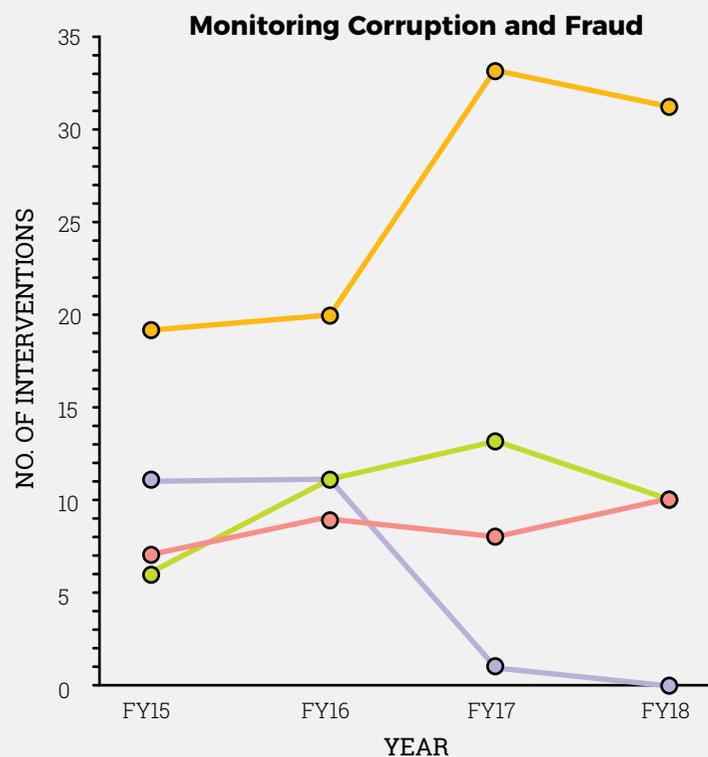
SDG 16

Demographics of the Board

COMPOSITION
- 10%
- 20%
- 70%

- ○ Executives
- ● Independent non-executives
- ● Non-executives

GENDER
- 30%
- 70%

- ● Female
- ● Male

TENURE (YEARS)
- 40%
- 40%
- 20%

4.3 YRS Average Tenure

- ○ 0—3
- ● 4—5
- ● 6—8
- ● 9+

Please refer to the 'Our Governance' section of the 2018 Safaricom Annual Report at https://www.safaricom.co.ke/ investor-relation/financials/reports/annual-reports for more information regarding our governance structures and reporting processes.

RISK MANAGEMENT

Our governance objectives are supported by our risk management processes. The Audit and Risk Committee reviews and assesses the risk management processes of the company and ensures the adequacy of our overall control environment. Our risk management initiatives are led by the Director of Risk Management.

We use a combination of risk assessments, audit and fraud reviews to monitor and manage risk throughout the company. We also benchmark ourselves against other world-class companies and leading telecommunications operators globally and independent assurance is provided through both internal and external audit functions. As a company, we also endeavour to apply the Precautionary Principle to all our activities to help ensure that we continue to act as a responsible corporate citizen.

Monitoring Corruption and Fraud

Y-axis: NO. OF INTERVENTIONS (0 to 35)
X-axis: YEAR (FY15, FY16, FY17, FY18)

SDG 16

ANTI-CORRUPTION MONITORING MEASURES

Audit reviews
(in-depth reviews that evaluate specific internal controls and processes

Special request reviews
(reviews of special areas / processes requested by management)

Risk Assessments (bi-annual cycle)
(comprehensive evaluations of range of risks, from operational & strategic to ethical)
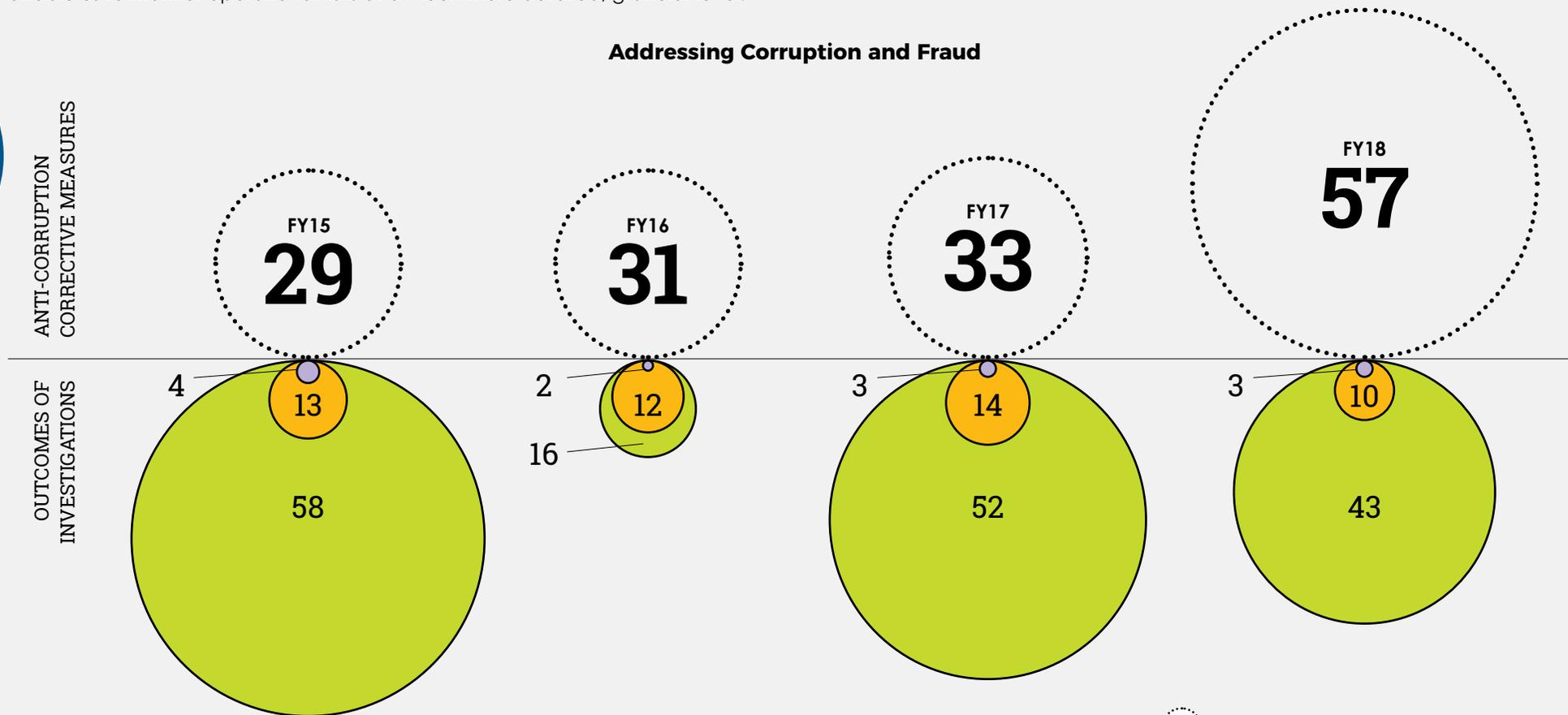
Fraud Reviews
(conducted on specific areas / processes suspected of having become compromised)

Overall, we are satisfied with the performance of our monitoring processes during the year. The processes we employ appear to be an effective combination. The one change we intend to make next year reflects the growing maturity and sophistication of our approach. In FY19, we intend to conduct risk assessments at the departmental level, rather than the current divisional level. This new approach will triple the number of assessments we need to conduct within the year, but it will enable us to monitor operational risks at a much more detailed, granular level.

SDG 16

Addressing Corruption and Fraud

ANTI-CORRUPTION
CORRECTIVE MEASURES

OUTCOMES OF
INVESTIGATIONS

FY15
29

FY16
31

FY17
33

FY18
57

4

2

3

3

13

12

14

10

16

58

52

43

While it is difficult to accept any number of disciplinary actions and dismissals, we are satisfied with our ability to detect and investigate unethical behaviour. Regrettably, we recognise that it is unlikely a business the size of ours will ever be free from fraud entirely and that the better we get at detecting it, the more effectively it is concealed. It is also worth noting that it is 10 warnings and 43 dismissals out of 5,556 employees. Overall, our main goal remains to have procedures in place that show that we are proactively detecting, investigating and penalising wrongdoing.

Fraud Cases Investigated

Disciplinary warnings

Dismissals

Cases reported to law enforcement agencies

SDG 16

Helping customers tackle fraud

During the year, we continued to help customers safeguard themselves from social engineering attacks and the criminal syndicates that target M-PESA users. As prevention is far better than cure, our focus remains on raising awareness of the common techniques used by crime syndicates and to offer advice on steps customers can take to prevent being defrauded. We ran a series of programmes during the year, including print, radio and digital media campaigns, along with mass market caravan road shows and other activations in rural areas.

> We also continue to monitor suspicious activity on the M-PESA platform and will investigate and report suspicious M-PESA transactions within seven days to the Mobile Money Investigations Unit (MMIU), which effectively investigates cases of mobile money fraud committed by cartels and forwards such cases for prosecution.

Assuring the deployment of our new billing system

The risk management division also played an important role in the successful deployment of the CBS v5.5. billing system during the year. The deployment was considered a high-risk undertaking due to the complexity of the system and its potential impact on customers and revenue. Fifteen members of the division worked on the project for four months, as part of the larger team, and played a central role in data migration, product assurance, user access management, performance testing, redundancy testing and project governance.

ETHICAL BEHAVIOUR

Our ethics and values are the principles and standards that guide our behaviour as employees and individuals. The management Ethics Committee provides strategic direction and oversight on our ethical awareness initiatives.

We use an independent ethics perception survey and preventative measures like our continuous ethics awareness and staff anti-corruption training programmes to monitor and manage the ethical culture across all of our operations. We use our supplier Code of Conduct and the Code of Ethics for Businesses in Kenya to manage the ethical culture of our business partners.

Staff ethics training and awareness sessions

We conduct regular ethics awareness sessions with staff every year. The focus of these sessions is to address any concerns revealed by the ethics perception survey. The survey is an independent assessment of the opinions of our internal and external stakeholders conducted by the Ethics Institute of South Africa. Topics covered during the ethics awareness sessions held throughout the year included sexual misconduct, duty to report and conflicts of interest.

SDG 16

Anti-corruption preventative measures	FY18	FY17	FY16	FY15
Ethics and anti-corruption staff training *(% of total staff)*	98%	98%	98%	94%
High-risk departments*	98%	98%	98%	97%
Medium-risk departments	98%	98%	98%	83%

* Due to the nature of their work, these departments are more susceptible to fraud

We achieved a 98 per cent participation rate again this year, despite training more than 1,000 additional members of staff during the year. The increase was due to the employment of additional personnel and the decision to include contract and temporary members of staff in the training sessions as well. We attribute this excellent achievement to the continued understanding of the importance of these sessions across the business.

SDG 17

Business partner ethics training

We continued to promote ethical business practices among our business partners during the year. We held ethics sessions and fraud training with our M-PESA agents, dealers and suppliers. We supplemented the sessions with ethics-related newsletters. Topics covered included: honest business practices; adherence to the *Know Your Customer* (KYC) campaign; ethical selling; fraud awareness; bribery and corruption. We also continued to mandate that suppliers sign up to the Code of Ethics for Businesses in Kenya and will not renew their contracts unless they do so.

Anti-corruption collaborations

We continued our work tackling corruption and enhancing governance and transparency both internally and within our broader business ecosystem with the United Nations Global Compact (UNGC) and the *B-Team — Africa* during the year. Highlights of our collaboration included the finalising of the Anti-Corruption SME toolkit, which is now ready for dissemination, and a review of the gaps in the Kenyan Private Sector Anti-Bribery Act, which has identified areas within the guidelines (procedures) described by the Act that could be more specific and detailed.

> Every member of staff is expected to attend ethics training at least once a year. Most of the training is undertaken through face-to face-sessions and supplemented by e-learning courses. The awareness training is tailored to address the specific ethics risks faced by the attendees.

REGULATORY COMPLIANCE

We ensure that we remain compliant with regulatory requirements by assessing our processes against all applicable laws and regulations. We also engage with our regulators proactively on all issues through a variety of channels (please see the Stakeholders section on page 56 of this report for further information about these important relationships). Our engagement with regulatory bodies and compliance with regulatory requirements is managed by the Regulatory and Public Policy Department.

Communications Authority Quality of Service (QoS) compliance

The Communications Authority of Kenya (CA) is mandated by government to ensure that mobile network operators are delivering services of adequate quality. Accordingly, the CA tests every operator annually against a series of Quality of Service (QoS) measures it has developed. Operators that fail to meet any of these criteria are fined. The results of these tests are made available to the public and published on the CA website.

SDG 9

Non-compliance register	FY18	FY17	FY16	FY15
Number of fines for non-compliance	0	1*	1*	1*
Cost of fines for non-compliance (KES)	0	293,527,836	157,000,000	500,000
Non-monetary sanctions for non-compliance	0	0	0	1
Legal actions lodged for anti-competitive behaviour	0	0	2†	0

* Communications Authority of Kenya (CA) Quality of Service (QoS) fine

† Escalated actions lodged before the Competition Authority (outcome pending)

At the time of going to press with this report, the CA had not levied or imposed any fines on Safaricom.

The CA introduced an enhanced framework for the measurement of the QoS of mobile networks halfway through the year. As part of this enhanced framework, the CA has introduced a new Quality of Experience (QoE) measure. The new

QoE measure will use customer surveys to evaluate user experience The QoE scores will be added to the existing metrics to establish operator QoS scores. Safaricom and other mobile network operators continue to engage the CA on the implementation of QoE, considering how subjective this type of measurement can prove to be. The Authority has begun measuring QoE, but has stated that it will not use the metric to penalise network operators while it establishes the best methodology to determine it.

SDG 9

Closing 2G gaps around the country

We began the challenge of constructing and commissioning of 48 2G-enabled new Base Transceiver Stations (BTS) in underserved, remote areas during the year. We were awarded the tender to deliver the BTS by the CA as part of its initiative to use the Universal Service Fund (USF) to close '2G gaps' around the nation. The USF was created to support widespread access to ICT services and the '2G gap' initiative aims to ensure that that there is mobile voice and data coverage in even the most inaccessible and isolated areas of the country. In spite of the onerous logistical challenges involved, we are pleased to report that we have already commissioned 30 of the 48 sites.

SDG 9

### Network Redundancy, Resilience and Diversity (NRRD) Guidelines

During the year, the CA concluded its stakeholder consultation on the improved NRRD guidelines and regulations for ICT networks in Kenya and began a pilot period. The new guidelines are a toughening up of QoS regulations, designed to ensure network resilience and minimal disruption to customer services for business continuity. The result of the pilot, which will be run from October 2017 to June 2019, will be used to fine tune the thresholds of the final framework.

LOOKING AHEAD

FY19 Goals

- Triple the amount of risk assessments conducted during the year (target is 34) as part of our new, departmental-level approach

- Achieve the GSMA Mobile Money Certification through an independent audit of our M-PESA policies and practices

- Continue our efforts to raise customer awareness regarding social engineering fraud through a wide variety of initiatives and media campaigns

- Review our data protection policies to ensure that these are aligned with the European General Data Protection Policy and proposed data protection legislation in Kenya

- Continue to participate actively in the *Kikao Kikuu* consumer affairs forums hosted by the CA

- Work closely with the CA and other government agencies to complete the remaining 18 sites in our USF 2G contract

- Continue to engage government and the CA on the ongoing initiatives highlighted in this report

- Intensify our external Child Online Safety advocacy, launching our internal policy to an external audience and working with the CA to develop its guidelines

- Take an active role in implementing *B-Team — Africa* governance and transparency initiatives, including the launch and dissemination of the Anti-Corruption SME toolkit with the UNGC

OUR NETWORK
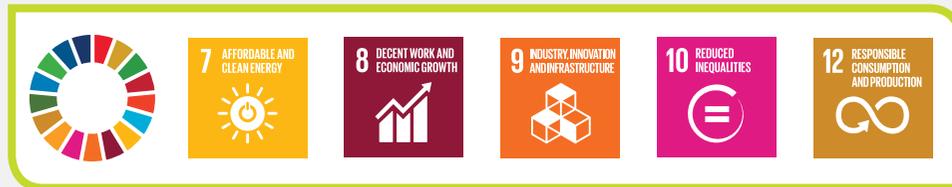
Our network remains a material topic from a sustainability perspective because it is essential to our business. It is a fundamental aspect of our operations as all of the services we provide to our customers are delivered through the network platform. It is also the medium through which we reach stakeholders and transform lives through our wide range of products and services. The quality, coverage and availability of our network impacts our business as it provides us with a competitive advantage, allowing us to differentiate ourselves in a highly competitive industry.

As part of our ongoing commitment to the SDGs in the expansion and maintenance of our networks, we aligned our efforts with five of the goals during the year: fostering a conducive work environment (SDG8) by putting the safety of all staff and our partners first, by ensuring that all staff are treated equally, and by promoting and supporting Diversity and Inclusion (SDG10); entrenching the use of energy-efficient technologies (SDG7) within our environmentally friendly installations and our facilities; and extending coverage of our services and offering an excellent network experience to society in general (SDG9).

> Our network is the core of our business and the medium through which we transform lives.

KEY FOCUS AREAS DURING THE YEAR

- Digital Telco migration
  (using automated performance monitoring and data-driven insights to improve network)

- Net Zero by 2050
  (road map of activities and targets to achieve our goal)

- Converged Billing System (CBS) upgrade
  (successful migration to CBS v5.5)

- Aggressive expansion of fibre optic network
  (fast tracking budgets, securing materials on time and expanding number of partners)

- Energy efficiency and sustainability
  (optimising energy consumption patterns and focusing on sustainable energy sources)

BEST NETWORK IN KENYA

Independent Quality of Service (QoS) testing is one of the main indicators we use to monitor and manage the quality of our network. We have yet to receive the results of the P3 Communications QoS tests for the period under review, but we have adopted the P3 methodology internally and have published our internal testing results using the exact same measurements in the interim.

SDG 9

Independent Quality of Service (QoS) test results

Service	KPI	FY18*	FY17	FY16	FY15
Voice	Call setup success rate	1	1	1	1
	Dropped call ratio	1	1	2	2
	Speech quality	1	1	1	2
Data	Mean user data rates (download)	1	1	1	1
	Mean data rates (upload)	1	1	1	1
	Mean web browsing session time	1	1	1	1
	Network Delay	1	1	1	1

* Summarised results of Safaricom internal testing of the network, using the P3 QoS, ranked against other Kenyan mobile operators

1 1st Position   **2** 2nd Position   **3** 3rd Position

According to the results of our internal testing, we remained the overall leader for both voice and data among mobile operators in Kenya. As the preceding table shows, the one area where we experienced some drop in comparative performance was the 'network delay' measurement. While testing, high latencies (delays) were noted in 3G and lower throughputs in some of the main cities due to interference. Ongoing optimisation efforts have since resolved the pertinent issues that were, on the whole, caused by constraints on capacity.

> The seven KPIs tabulated in the Quality of Service (QoS) test results table above are a simplified illustration of the full scope measured for the P3 Certification Benchmark criteria. For the purposes of this disclosure, we have ranked ourselves against the other mobile operators in Kenya. The comprehensive P3 Certification Benchmark criteria is composed of an extensive set of 29 KPIs for 'Big Cities', 'Small Cities' and 'Interconnecting Highways', with each KPI having a score. The full set of P3 certification results can be obtained from the P3 website.
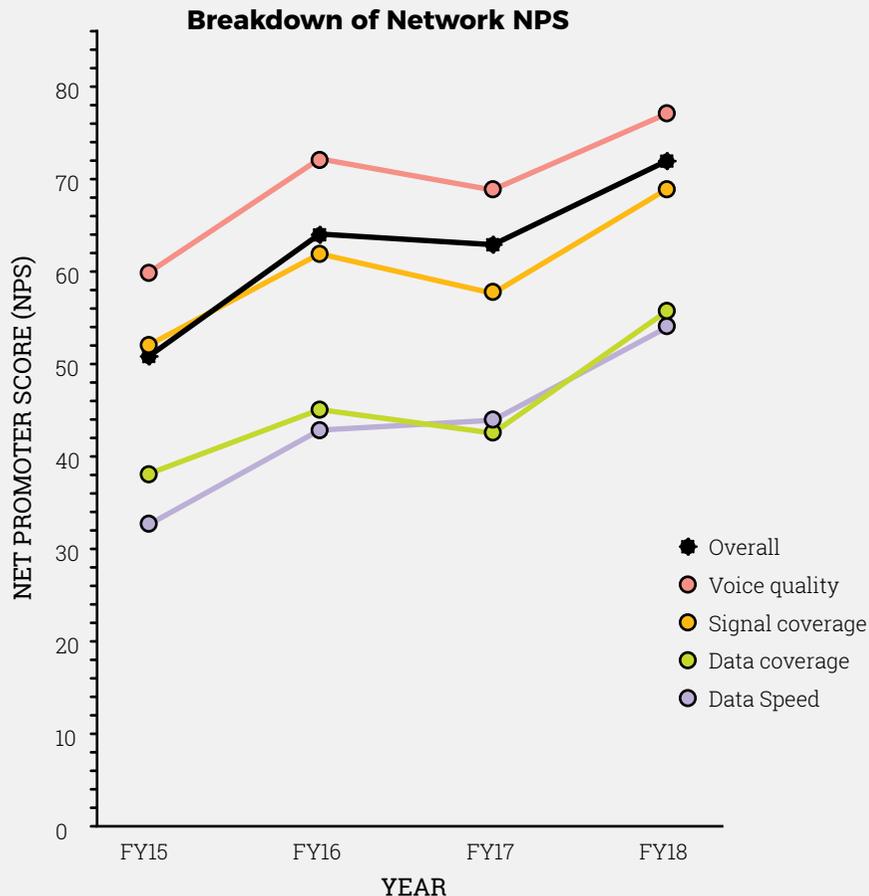
Fastest Mobile Network in Kenya

We are also delighted to report that we were awarded the 'Fastest Mobile Network in Kenya' award in October 2017 by Ookla, the company behind Speedtest.net and one of the global leaders in internet testing and analysis. Our network was rated as offering average download speeds of 21.25 Mbps and average upload speeds of 9.67 Mbps by Ookla.

CUSTOMER SATISFACTION HIGHEST IN FOUR YEARS

Another important metric we use to measure our performance is the network-related Net Promoter Score (NPS). The NPS is an independent survey of customer satisfaction and the 'Network NPS' metric allows us to monitor whether our customers are experiencing the improvements we make to the network. While NPS is a useful indicator, it is important to note that it measures customer opinions regarding network performance, not actual network performance.
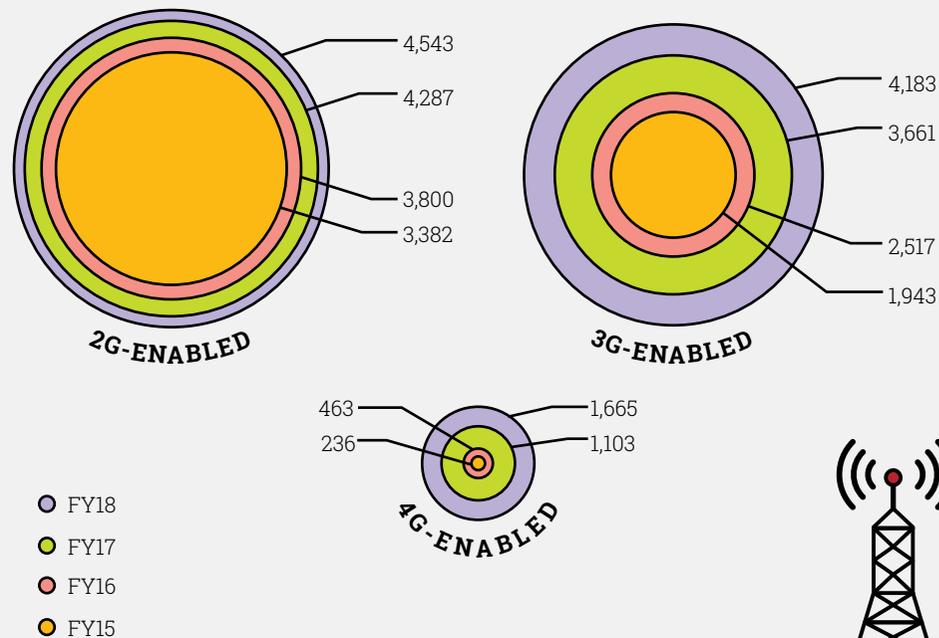
Breakdown of Network NPS

Legend:
- Overall
- Voice quality
- Signal coverage
- Data coverage
- Data Speed

Customer billing upgraded

A major achievement during the year was the successful upgrade of our Converged Billing System (CBS). The large-scale upgrade involved migrating more than 35 million subscriber profiles and 2,000 products across to CBS v5.5, as well as integrating 42 external systems into the new platform overnight. The modernisation project was nicknamed *Alfajiri* or 'new dawn' in recognition of its scale and complexity and involved over 140 experts from a wide variety of disciplines.

NETWORK EXPANSION ON TRACK

Base Stations by Type (Total number)

2G-ENABLED
- 4,543
- 4,287
- 3,800
- 3,382

3G-ENABLED
- 4,183
- 3,661
- 2,517
- 1,943

4G-ENABLED
- 463
- 236
- 1,665
- 1,103

Legend:
- FY18
- FY17
- FY16
- FY15

SDG 9

As the black line in the preceding graph shows, our overall Network NPS was 72 in March 2018, a significant increase of 9 points from 63 in March 2017. The graph also illustrates the breakdown of different network elements used to determine the overall NPS. We are satisfied with our improved results across all of the metrics, which we attribute to increased broadband (3G and 4G) coverage and improved data speeds, as well as a successful marketing campaign that promoted the superiority of our 4G network to customers and positively changed perceptions (see the Innovation section on page 47 of this report for further detail).

Network Coverage (% population)

○ FY15 ● FY16 ● FY17 ● FY18

2G ENABLED
- 92%
- 95%
- 95%
- 96%

3G ENABLED
- 69%
- 78%
- 85%
- 86%
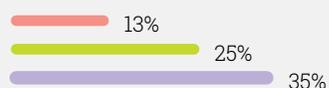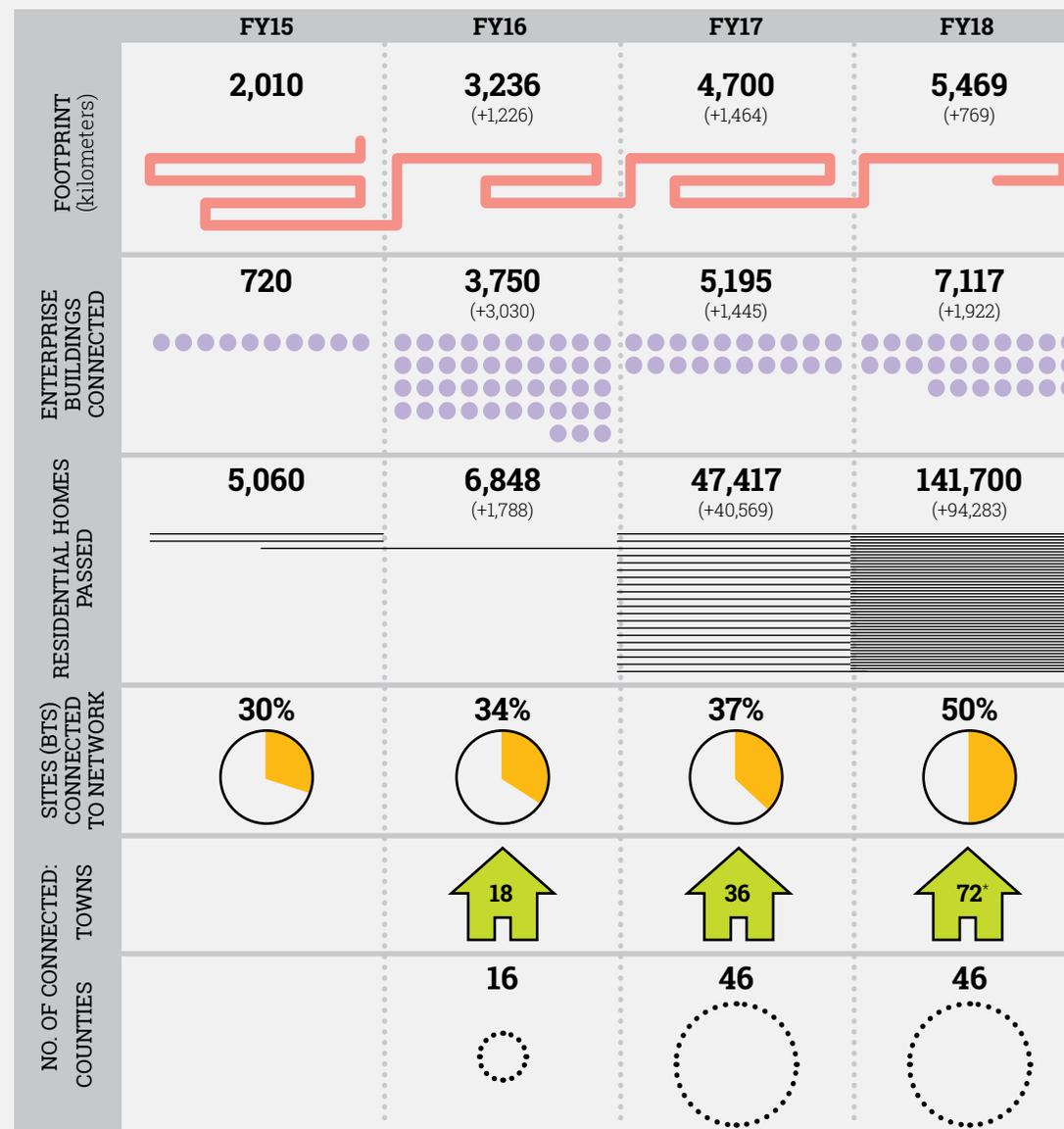
4G ENABLED
- 13%
- 25%
- 35%

We continued to make significant progress with regards to the ongoing expansion of our network during the year. The focus remained on increasing broadband coverage and we rolled out an additional 703 3G-enabled sites, many of these were in rural areas, which equates to providing an additional 1 per cent of the population with coverage.

We also deployed 562 4G-enabled sites during the year. Most of these sites used the 800 MHz band to improve capacity and data speeds in major towns and, as a result, we achieved rapid growth and extended 4G services to an additional 10 per cent of the population, meeting the ambitious target we set for ourselves.

We failed to achieve our target of 4,646 2G-enabled sites due to logistical challenges and instability/security concerns in certain parts of the country, but we still deployed an additional 312 2G-enabled sites during the year and provide 96 per cent of the population with access to 2G services.

FOCUSED EXPANSION OF FIBRE OPTIC NETWORK

SDG 9

	FY15	FY16	FY17	FY18
FOOTPRINT (kilometers)	2,010	3,236 (+1,226)	4,700 (+1,464)	5,469 (+769)
ENTERPRISE BUILDINGS CONNECTED	720	3,750 (+3,030)	5,195 (+1,445)	7,117 (+1,922)
RESIDENTIAL HOMES PASSED	5,060	6,848 (+1,788)	47,417 (+40,569)	141,700 (+94,283)
SITES (BTS) CONNECTED TO NETWORK	30%	34%	37%	50%
NO. OF CONNECTED: TOWNS		18	36	72*
NO. OF CONNECTED: COUNTIES		16	46	46

* Due to difficulties classifying towns based on amenities, we have changed this metric to towns with a population of greater than 100,000.

We are delighted to be able to report that we have made excellent progress in terms of expanding our fibre optic network again this year, surpassing even the achievements of FY17. We laid an additional 769 kilometres of fibre optic cables during the year and our network is now 5,469 kilometres in length and connects 72 cities in 46 counties. We have also connected 50% of our sites (BTS) to the network.

In terms of enterprise buildings, we deployed the network in three new towns during the year — Bungoma, Kitale and Nyeri — and exceeded our target of connecting 1,850 enterprise buildings connected by 72 to bring the total of connected buildings to 7,117. We were able to achieve this because partners and materials were secured early in the year and thanks to a focus on acquiring buildings during construction, which is typically a faster process than acquiring existing buildings.

In terms of residential homes, we surpassed our achievements in FY17 and passed an additional 100,000 homes. Again, this was achieved as a result of early deployment of materials, along with the on-boarding of two additional partners.

NETWORK AVAILABILITY AND STABILITY

The stability and availability of our network remains a critical necessity. Any interruption in energy supply, such as grid electricity outages and national shortages of diesel fuel, poses a direct challenge to the continuity of our operations. We continue to manage our response to this issue primarily through our Service Unavailability Rate (SUR). Our SUR is calculated by dividing the minutes of downtime per week per network element by the number of sites in our network.

	FY18	FY17	FY16	FY15
Radion Access Network Service Unavailability Rate (SUR) - (minutes)	22.2	22.9	41.5	60*

* SUR measurement started midway through the financial year.

Service Unavailability Rate (SUR)
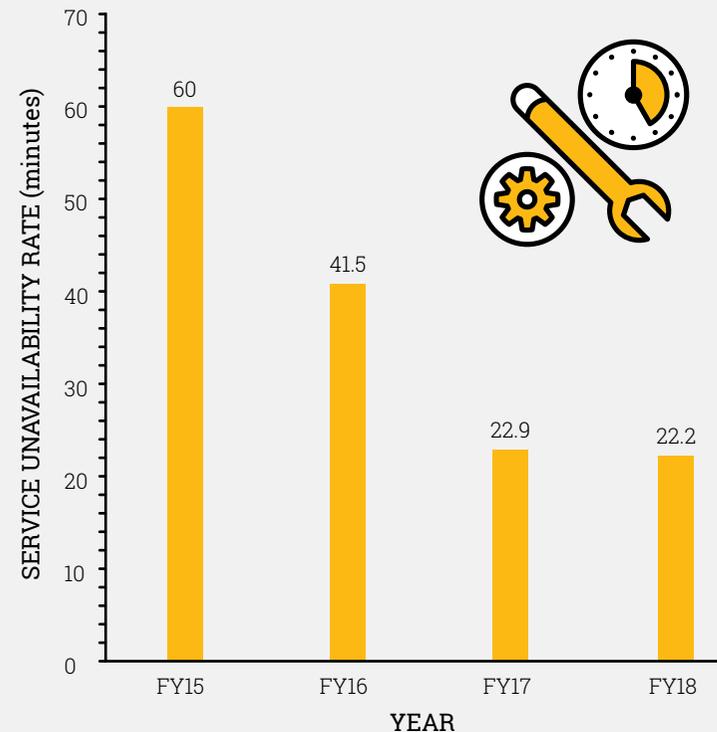
As the preceding table (left) and graph (above) show, the SUR for the Radio Access Network improved slightly during the year, reducing from 22.9 minutes in FY17 to 22.2 minutes in FY18. We are not satisfied with this result, however, and will redouble our efforts to achieve a SUR of below 15 minutes in FY19. Our progress was hampered again this year by power outages and transmission failures. The network outage that occurred

The network outage that occurred on 24 April 2017, when we lost connectivity into our core network as well as the redundant path, had a significant impact on our SUR.

SDG 9

on 24 April 2017, when we lost connectivity into our core network as well as the redundant path, had a significant impact on our SUR. As well as improving power redundancy and backup solutions, we are renegotiating the terms of Service Level Agreements (SLAs) with contractors and service providers to ensure that transmission failures, due to fibre cuts etc., are addressed more swiftly. Like last year, insecurity in parts of the country also had an impact on the restoration of services at remote locations.

ENERGY EFFICIENCY

Our network uses a variety of energy sources, including national grid, diesel generator, deep cycle battery and renewable energy (solar) solutions. The network continues to grow in size and sophistication every year and so making it more energy efficient and intelligent remains an ongoing priority.

One way we manage this ambition is to measure our performance against energy consumption targets (reducing the amount of energy consumed at sites by deploying more energy-efficient technologies and alternative energy solutions).

As the following table (top right) shows, we have steadily reduced the cost of energy consumption by site. During the year, we reduced our cost of energy consumption by site by a further KES 1,103 to KES 47,511 per month. The main reason for this improvement is a decrease in generator running times, which has resulted in less diesel being consumed. As well as actively working with Kenya Power to ensure that failures of national grid

supplied electricity are resolved swiftly, we have begun replacing the generators at sites that have average running time of two hours per day with deep cycle batteries and/or solar power solutions.

	FY18	FY17	FY16	FY15
Cost of energy consumption by site (KES per month)*	47,511	48,614	50,292	51,626

* Energy consumed is electricity, diesel and solar. The sources are supplier monthly fueling data and KP bills. Solar energy is only measured at some sites, as such we have extrapolated the solar data to the other sites. Energy mix influences the cost.

Cost of Energy Consumption by Site (KES per month)

● FY15   ● FY16   ● FY17   ● FY18

51,626
50,292
48,614
47,511
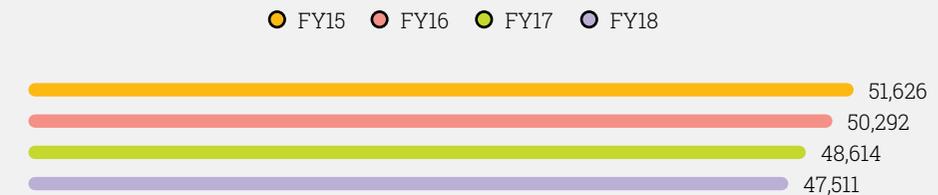
We also began rolling out a Fuel Management System (FMS) during the year that provides accurate data on site fuel consumption remotely. The FMS prevents fraud and helps us to optimise fuel supplies across the network. We have successfully installed the FMS at 1,173 sites and 850 are already commissioned and operational.

We continued deploying a wide range of energy-efficient solutions, including Low-voltage Auto Phase Selectors (APS), free cooling units, and replacing rectifier and smart controller units, as part of our ongoing network modernisation programme.

> Our vision is still to create a powerful, streamlined network that uses the minimal amount of energy to deliver its growing array of services. One that transforms the lives of the communities it serves with the lightest of environmental touches.

SDG 7

SDG 12

ENERGY MIX

As reported last year, we have adjusted our approach to the mix of energy sources used throughout our network in response to the SDG strategy. Our current focus is on using sustainable energy sources and consumption patterns to achieve network availability and energy efficiency goals. In practical terms, this means avoiding, and phasing out, the use of diesel generators wherever possible, either by ensuring that Kenya Power (national grid) energy is available at a site or by employing alternative energy solutions.

As the following table shows, we significantly reduced the number of sites powered 24/7 by diesel generators. This was achieved by bringing national grid energy to larger sites (that provide critical coverage) and prioritising the use of solar-based energy solutions at smaller sites (that provide additional capacity). The number of sites connected to the national grid increased by 149 and an additional 22 sites were converted to solar or wind and hybrid power solutions. While it is satisfactory progress, delays with the provisioning of commercial power smart meters and the shipping of solar equipment prevented us from achieving more.

Network energy sources by site (total at year-end)	FY18	FY17	FY16	FY15
KP* and Genset	3,755	3,623	3,080	2,763
KP* (No generator)	705	688	555	323
24/7 Diesel Generator	78	191	129	41
PowerCube (energy efficient generator)	46	47	53	91
Solar or Wind and Hybrid solution	155	133	98	56

* Kenya Power (national grid supply)

Network Energy Mix (Number of sites)

FY15 FY16 FY17 FY18

KP* and Genset
- 2,763
- 3,080
- 3,623
- 3,755

KP* (No Generator)
- 323
- 555
- 688
- 705

24/7 Diesel Generator
- 41
- 129
- 191
- 78

PowerCube (Energy Efficient Generator)
- 91
- 53
- 47
- 46

Solar or Wind & Hybrid Solution
- 56
- 98
- 133
- 155
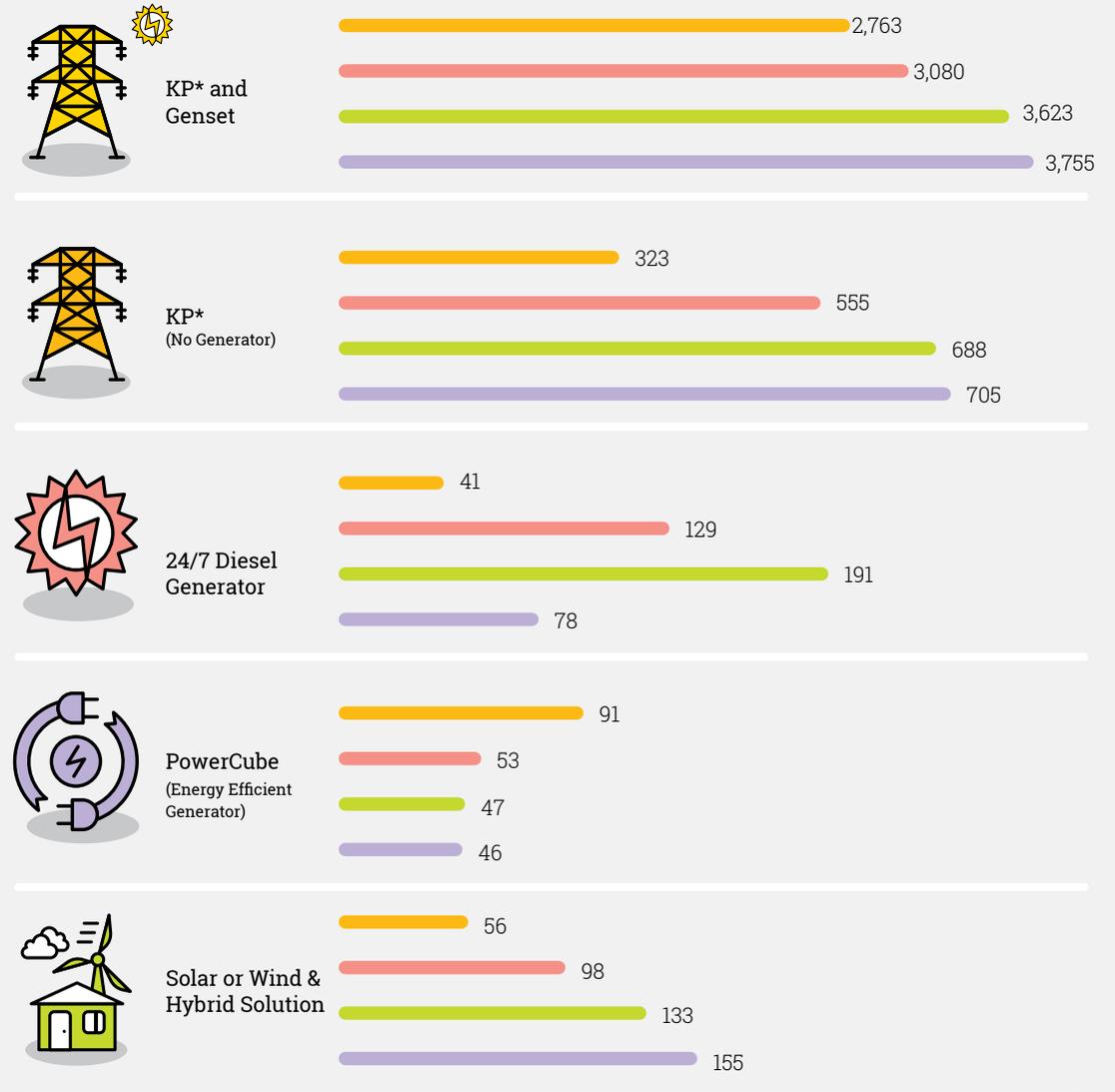
LOOKING AHEAD

FY19 Goals

- Complete testing of VoLTE (Voice over Long-Term Evolution) and VoB (Voice over Broadband) by the end of FY19

- Complete installations of smart commercial meters across network by March 2020

- Accelerate 4G and 4G+ densification to increase coverage and double speeds, from 150 to 300 Mbps

- Achieve ISO 50001 certification by March 2020

- Achieve a SUR of less than 15 minutes in FY19

- Enhance rural broadband by converting 100% of our physical sites to 3G-enabled (currently at 96%)

- Accelerate installation of cyclic batteries and enhance battery cycling configuration

- Accelerate focus on renewable energy

- Improve energy efficiency by converting sites from indoor to outdoor and replacing old R22 air conditioners with more energy-efficient inverter types and variable speed drive R410 air conditioners

ENVIRONMENTAL STEWARDSHIP

We continue to take our social and moral responsibility to manage our environmental impact very seriously. We recognise that environmental considerations are not separate from our core business, but have an impact on our overall commercial sustainability and success. We acknowledge the effects that our activities have on the environment, and remain committed to operating in an environmentally sound and sustainable way and to managing and reporting our environmental performance in an open and transparent manner.

As part of our ongoing commitment to the SDGs and to the environment, in particular, we are committed to maximising our positive impact and mitigating our negative impact through the continued alignment of our efforts with three of the goals this year: promoting the use of affordable and clean energy (SDG7), both within our network and the homes of employees; advocating for, implementing and promoting the responsible production and consumption of resources (SDG12); and guiding efforts towards achieving our 'net zero' carbon-emitting aspiration through the development and implementation of climate change-related strategies and policies (SDG13).

KEY FOCUS AREAS DURING THE YEAR

- Net zero by 2050 initiatives
  (monitoring our emissions and introducing science-based carbon reduction targets)

- Continued compliance
  (compliance with regulations regarding plastics, air quality and noise levels)

- Waste management
  (e-waste collection initiative and internal end-to-end waste management programme)

- ISO 14001 recertification
  (upgrades to Environmental Management System (EMS) and successful transition to ISO 14001:2015 version)

MANAGING OUR EMISSIONS

We have committed to becoming a net zero carbon-emitting company by 2050. The current scientific consensus is that global carbon emissions need to be reduced by 80% by 2050 to avoid catastrophic climate change and we are determined to play our part.

Our bold pledge has focused our thinking and efforts across the entire business, from improving energy efficiencies and reducing the energy consumed across our network and facilities to deploying renewable energy solutions and exploring carbon offset projects*.

As part of our commitment to meeting the net zero carbon target, we continue to monitor and report our carbon footprint. We have calculated and published our carbon footprint for the seventh time this year.

SDG 13

 * 'Carbon offset projects' are carbon dioxide and/or greenhouse gas reducing initiatives in which companies (or individuals) can invest in order to counteract emissions produced somewhere else. Popular examples of such projects include tree growing and capturing methane gas at landfill sites. Offset projects allow companies that are dependent on carbon producing technologies to lessen their carbon footprints by investing in diverse carbon reducing projects that might not otherwise attract funding.
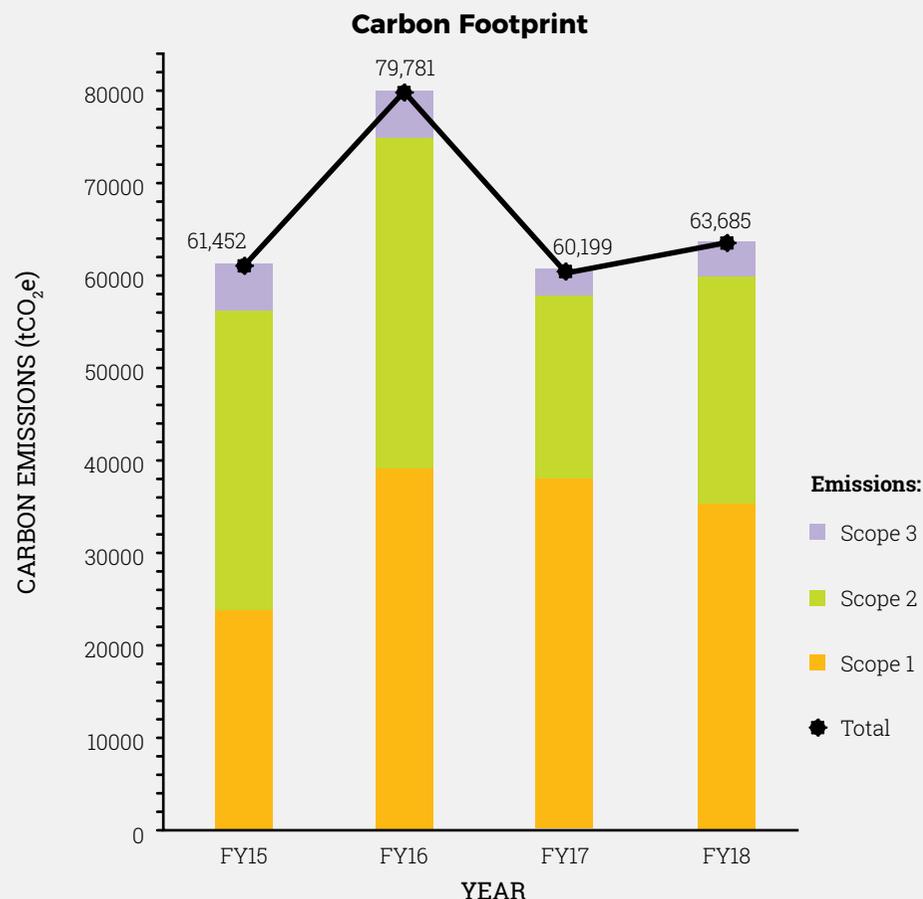
Carbon Footprint

This year, we changed the electricity emissions factor we use to calculate our footprint, based on the latest world carbon dioxide emission factors for electricity generation and fuel combustion developed by the International Energy Agency (IEA Data) © OECD/IEA 2016. The IEA has revised this figure downwards for Kenya, based on the current energy generation mix (for Kenya) that is mainly renewable from geothermal and hydro sources. For the purposes of easy comparison, we have revised the figures for FY17 as well.

We are pleased to note that our Scope 1 emissions (which include the diesel consumed in our generators, the fuel used in our fleet vehicles and the fugitive emissions associated with our air-conditioning systems) reduced by 4 per cent as a result of the decrease in diesel use and fugitive gases replaced across our network. We expect this trend to continue as we roll out renewable energy initiatives and improve our energy efficiency through upgrades like the fuel management system. Scope 2 emissions (which are the indirect emissions associated with our consumption of purchased electricity) increased by around 21 per cent, nonetheless, because of the continued expansion of our network and the accelerated connection of national grid electricity to new sites (instead of being powered by diesel generators). Our Scope 3 emissions (which include other indirect sources, such as air travel and taxi hire) also increased slightly from 2,863 tonnes in FY17 to 3,813 tonnes in FY18. Looking ahead, we intend to offset our carbon emissions through a comprehensive mitigation and management plan.

For more detailed information regarding the methodology/guidelines and processes we use to calculate our emissions, please see the About our reporting *Appendix to this report, which has been published online at* https://www.safaricom.co.ke/sustainabilityreport_2018/
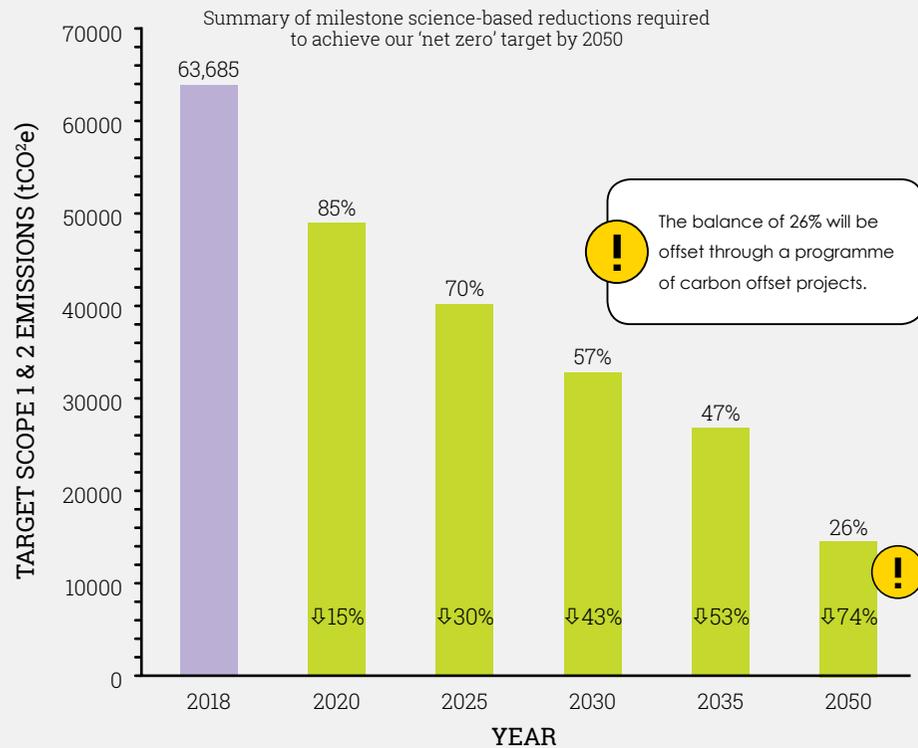
Introducing science-based targets*

We introduced science-based carbon reduction targets this year to help us plot our progress towards becoming 'net zero' by 2050. Using our FY17 carbon footprint as a baseline, we have adopted an ambitious decarbonisation scenario that will lead to the earliest reductions and the least cumulative emissions (using the Organisation for Economic Co-operation and Development (OECD) pathway and Compound Annual Growth Rate (CAGR) interpolation method).

* Carbon reduction targets are considered 'science-based' if they are in line with the level of decarbonisation required to keep the average global temperature increase below 2°C compared to pre-industrial temperatures. (IPCC)

As the following bar chart describes, we have calculated milestone targets of a reduction of absolute carbon emissions (scope 1 and 2) of 15 per cent by 2020, 30 per cent by 2025, 43 per cent by 2030, 53 per cent by 2035 and 74 per cent by 2050. We intend to compensate for the remaining 26 per cent through our programme of carbon offset projects*.
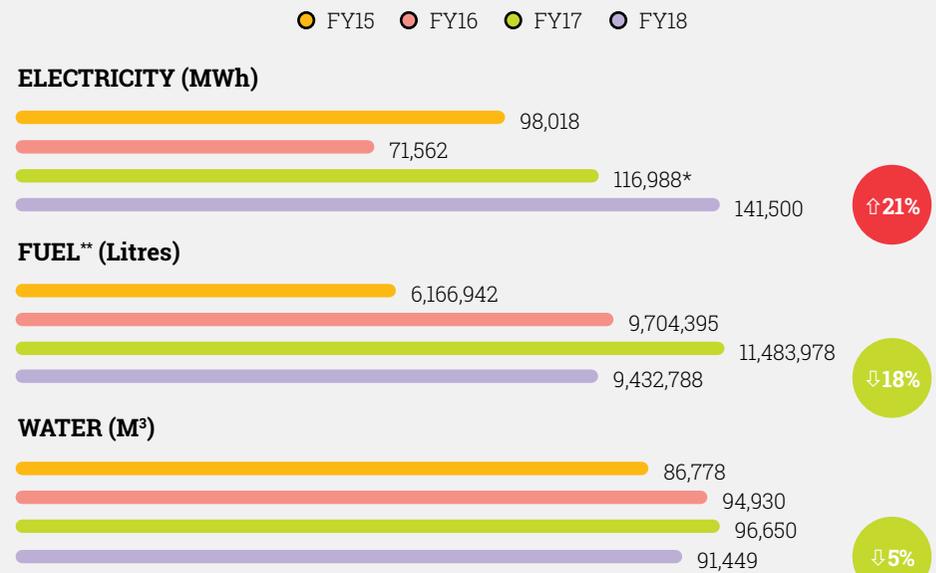
OECD Pathway

Summary of milestone science-based reductions required to achieve our 'net zero' target by 2050

TARGET SCOPE 1 & 2 EMISSIONS (tCO²e)

- 2018: 63,685
- 2020: 85% ⇩15%
- 2025: 70% ⇩30%
- 2030: 57% ⇩43%
- 2035: 47% ⇩53%
- 2050: 26% ⇩74%

The balance of 26% will be offset through a programme of carbon offset projects.

YEAR

Our next step is to submit these targets for official validation by the Science-based Targets Initiative (SBTi).

ENERGY AND WATER MANAGEMENT

One of the key ways in which we monitor and manage our environmental impact is through our energy (electricity and diesel) and resource (water) consumption targets. As the following graphic illustrates, our electricity consumption increased by 21 per cent during the year, as a result of the continued expansion of our network and the accelerated connection of national grid electricity to new sites. Conversely, our fuel consumption decreased by 18 per cent, from 11,483,978 litres in FY17 to 9,432,788 litres in FY18.

Energy and Resource Consumption

● FY15   ● FY16   ● FY17   ● FY18

ELECTRICITY (MWh)

- FY15: 98,018
- FY16: 71,562
- FY17: 116,988*
- FY18: 141,500

⇧21%

FUEL (Litres)

- FY15: 6,166,942
- FY16: 9,704,395
- FY17: 11,483,978
- FY18: 9,432,788

⇩18%

WATER (M³)

- FY15: 86,778
- FY16: 94,930
- FY17: 96,650
- FY18: 91,449

⇩5%

* Reflects a change in calculation methodology to improve accuracy
** Diesel and petrol

Although electricity consumption has increased, it is part of our focus on becoming more energy-efficient and environmentally friendly because national grid electricity is a cheaper and cleaner source of power than the current alternative, namely, diesel generators. This shift in focus is also the main reason

SDG 12

why our fuel consumption has decreased, as we continue to reduce the amount of time our sites are powered by generators. We also continued to upgrade and replace parts of the equipment used to power our sites with more energy-efficient units during the year, and successfully rolled out a fuel management system to help us monitor and optimise our fuel consumption further.

We are pleased to be able to report that our water consumption decreased during the year. We attribute this to a campaign to raise awareness of water usage among members of staff; the installation of meters on kitchen inlet pipes to measure water usage more accurately; and the termination of the reverse osmosis process on the bore hole water supply at Jambo Contact Centre (JCC), as we were losing around 45 per cent of the water supply during the process.

E-WASTE MANAGEMENT

E-Waste Collected* (tonnes)

FY15	FY16	FY17	FY18
220	430	632	855
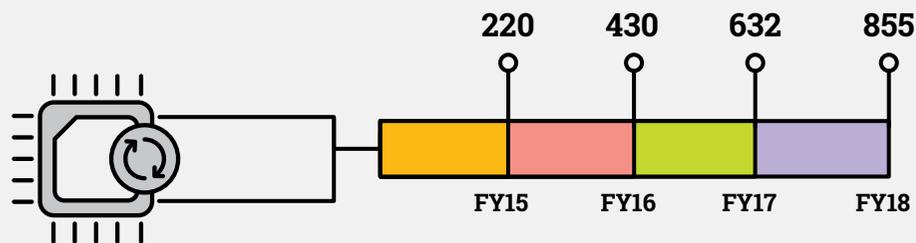
* Cumulative tonnes since the inception of the project

We are pleased to report another year of good progress with a record 223 tonnes of e-waste collected. We opened a new e-waste collection centre at Ol Pejeta Conservancy, which will serve as a collection point for the wider Nanyuki area, and we continued with the effective format employed in previous years of targeting larger institutions; for example, holding successful activations at the Eldoret National Polytechnic and several government ministries. Our partner, the Waste Electrical and Electronic Equipment (WEEE) Centre processes the e-waste we collect.

We have also developed a communication strategy to help promote the collection programme and explain the importance of proper e-waste disposal to a wide audience across the public and private sectors, which will be rolled out next year.

Eco-Friendly Carrier Bags Introduced

We launched our new eco-friendly, reusable carrier bags on World Environment Day in June 2017. The new non-woven bags will replace all single-use polythene plastic bags used in our retail shops. The new bags are eco-friendlier due to their re-usability, cost effectiveness and durability. The carrier bags, which will last for up to 40 shopping trips, will have a significant impact on plastic waste reduction and more than 7 million plastic bags are expected to have been removed from circulation by the end of this year. A reflection of our determination to become a 'plastic free' company by 2019, the switch to the eco-friendly bags will also save the company an average of KES 10 million per year, in terms of the cost of procuring bags for our retail outlets.

Right: Former Cabinet Secretary, Ministry of Environment and Natural Resources, Prof. Judi Wakhungu speaking at the launch of the Safaricom eco-friendly reusable bags.

Left: Safaricom staff pictured with the new non-woven, reusable bags.

SDG 12
∞

ZERO WASTE TO LANDFILL

We successfully launched our internal waste management programme during the year and Safaricom is now recycling or reusing 97 per cent of the waste generated within our administrative buildings in Nairobi. Dubbed 'Zero waste to landfill', the programme targets plastics, food and paper waste and has been fully implemented at our main facilities (HQ1, HQ2, HQ3, Safaricom Call Centre (SCC) and Jambo Call Centre (JCC)).

ISO 14001 RE-CERTIFICATION

A major achievement during the year was our successful transition to the new ISO 14001:2015 Environment Management System (EMS) Standard. The new standard is more robust and better aligned with sustainable business strategies and we are one of the first Kenyan companies to go through the audit process and achieve the certification.

AUDITING OUR NETWORK

We continued to undertake Environmental Impact Assessments (EIAs) and Environmental Audits (EAs) during the year. Part of our monitoring and evaluation of our environmental impact, we conduct EIAs on new and proposed infrastructural developments (from BTS to fibre optic network trenching) and EAs on our existing infrastructure.

	FY18	FY17	FY16	FY15
Environmental Impact Assessments	590	527	463	260
Environmental Audits	458	447	342	275

All scheduled EIAs and EAs were successfully carried out during the year. The slight increases in numbers of EIAs and EAs conducted reflect the additional structures (predominantly BTS) either deployed or operationalised (i.e. co-located) during the year.

Addressing EMF concerns in Mombasa

A one-day training workshop addressing common public concerns regarding Electromagnetic Frequencies (EMFs) was held for residents of Mombasa in August 2018. Over 200 people attended the event, which was held at the Royal Court Hotel in Mombasa. The workshop was hosted by Safaricom in partnership with the National Environment Management Authority, the Communication Authority of Kenya and the Kenya Alliance of Residents Association. The training greatly improved the knowledge, understanding and perceptions of the participants regarding the sensitive topic of EMFs.

LOOKING AHEAD

FY19 Goals

- Continue evaluating and implementing carbon offset projects *
- Become a 'plastic free' organisation by FY19 by eliminating all forms of plastic used within Safaricom facilities (with some exceptions, such as the Safaricom clinic and personal plastic items brought in by members of staff) and minimising the plastic used in retail packaging
- Submit our carbon reduction milestone targets for official validation by the Science-based Targets Initiative (SBTi)
- Continued implementation of the Green Procurement Policy across the business
- Develop a framework in readiness for release of the first ever 'green bond' in the Kenyan market
- Continue to organise forums with residents' associations and the public to create awareness of Environmental Impact Assessments (EIAs) and to address Electro-Magnetic Frequency (EMF) concerns
- Develop and implement our climate change policy
- Continue to implement renewable energy initiatives across the business

INNOVATION

Technology is constantly evolving, and new technological capabilities are regularly changing what can be done and how it can be done. Every company needs to innovate and keep abreast of technological developments and disruptions, but, as a technology-based company, we run an even greater risk of not keeping up with the needs of our customers and ahead of our competitors if we are not constantly innovating. Many of our customers are quick to embrace new technologies, becoming ever more sophisticated and demanding, and each generation expects to accomplish more. If we do not keep up with the needs of our customers, we run the risk of being impacted by decreased market share and revenue.

As part of our ongoing commitment to the SDGs, we know that our ongoing innovation is key to broadening and deepening the impact that we have on all of our stakeholders. For this reason, we have continued to align our focus on innovation with three of the goals this year: promising to create innovative products and services (SDG9) that transform and empower the lives of our customers (SDG8); and partnering with other organisations to avoid duplication of effort and ensure our innovations are aligned with the ambitions set out in the goals (SDG17).

> Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow.

KEY FOCUS AREAS DURING THE YEAR

- Brand trust
  (billing transparency, balance notifications and campaigns to increase trust)

- Safaricom Alpha
  (establishing of new innovation hub)

- Technology for Development (T4D)
  (renaming of social innovation and transitioning of successful pilots to the business for scaling)

- Masoko
  (launch of the portal to stimulate the nascent e-commerce market in Kenya)

- M-PESA
  (improving security and convenience, while deepening financial inclusion)

- Mobile data
  (campaigns to stimulate use of 4G, expansion of 4G network and 4G-enabled devices)

MONITORING AND MANAGING INNOVATION

Innovation is a multi-dimensional material topic. At a strategic level, we manage and monitor this aspect of our business using several sets of indicators, including:

- Net Promoter Score (NPS) and Brand Consideration (BC) score
  (tracking customer satisfaction with, among other things, our new products and services)

- Mobile data usage and revenue
  (tracking how well data-related product & service innovations are being adopted and used)

- M-PESA usage and revenue

  (tracking whether new products and services are helping to deepen financial inclusion)

- Technology for development users/subscribers

 (gauging the impact and success of social innovations through active users/subscribers)

PREEXISTING ISSUES DEFLATE CUSTOMER SATISFACTION

Net Promoter Score*	FY18	FY17	FY16	FY15
Consumer - Overall	72	70	66	53
Brand Consideration†				
Overall	60	80	82	-

* Assessment of customer satisfaction. Research performed by TNS.

† Assessment of likelihood of customer choosing Safaricom in the future.

Customer Satisfaction

● FY15   ● FY16   ● FY17   ● FY18

Net Promoter Score: 72, 70, 66, 53

Brand Consideration: 80, 82, 60
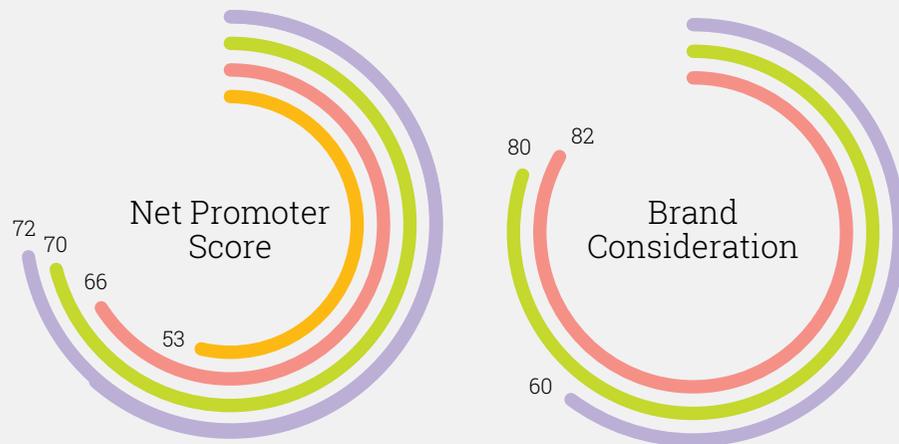
As the preceding graphics (bottom left) show, our NPS score for overall consumer customer satisfaction was 72 per cent in March 2018 (the end of the reporting period). It peaked at 80 per cent earlier in the year, prior to the elections, but dropped afterwards and only recovered to 72 per cent by March 2018. Our Brand Consideration (BC) score also decreased significantly from 80 in FY17 to 60 during the year.

Overall, the protracted electioneering period and subdued economic environment did exert some downward pressure on both our NPS and BC scores. Our NPS recovered quicker and to higher levels, which we attribute to the introduction of several successful new products and services, as well as the positive influence of established services like M-PESA. The reduction in our Brand Consideration score can be partly attributed to the weighting given to certain questions asked in the research, such as the question 'which SIM card would you buy for a second line?'. The reduction can also be attributed to the perception that Safaricom products and services are expensive, as well as a decrease in consumer trust. When faster data transfer speeds were introduced, some customers were surprised by how much quicker data bundles were consumed and distrusted the balances on their accounts as a result.

We acknowledge the feedback given by our customers in regard to our data products. During the period under review, we introduced My Data Manager as a first step in helping customers take control of their data usage and data spend. My Data Manager allows customers to choose to only access data when on a data bundle, which means that their airtime will not be consumed once they exhaust their data bundle. There are also plans to roll out more data management tools in the coming financial year, with a goal of empowering our customers to fine tune what services have access to their data and how much data these services can consume.

Successful innovations

New products and services launched during the year include the following:

Name	Description	Downloads / Users
Safaricom Platinum	Launched in February, this lifestyle service offers tailored plans/bundles and exclusive discount offers with partners like EatOut Kenya, Shell and Ticketsasa to high value customers through the mySafaricom app.	6,402 downloads/users
Songa by Safaricom	Also launched in February, this music streaming app offers subscribers access to more than 2.5 million songs, with a strong emphasis on supporting local artists that ensures content providers receive 65% of revenues generated through royalty payments.	76,000 downloads/users
Tunukiwa	This service uses data-driven insights to offer customers individualised value-for-money bundles based on their consumption patterns.	11,685,764 customers
FLEX	A flexible, token-based option that allows subscribers to purchase units and then choose whether to convert the units into airtime, data or SMS, according to their changing needs. Flex gives users 35% more value compared to using their top up as loaded.	Over 279,307 subscribers

Safaricom Platinum *offers high-value subscribers exclusive lifestyle bundles and discounts.*
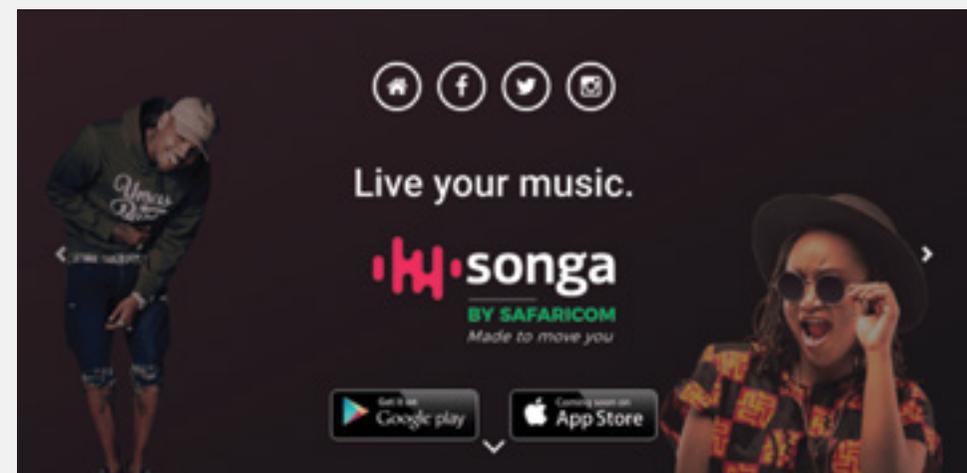
Songa by Safaricom *is a music streaming app that helps artists earn extra revenue from their music and, at the same time, gives our customers easy access to, and control of, the music they like from their mobile devices.*
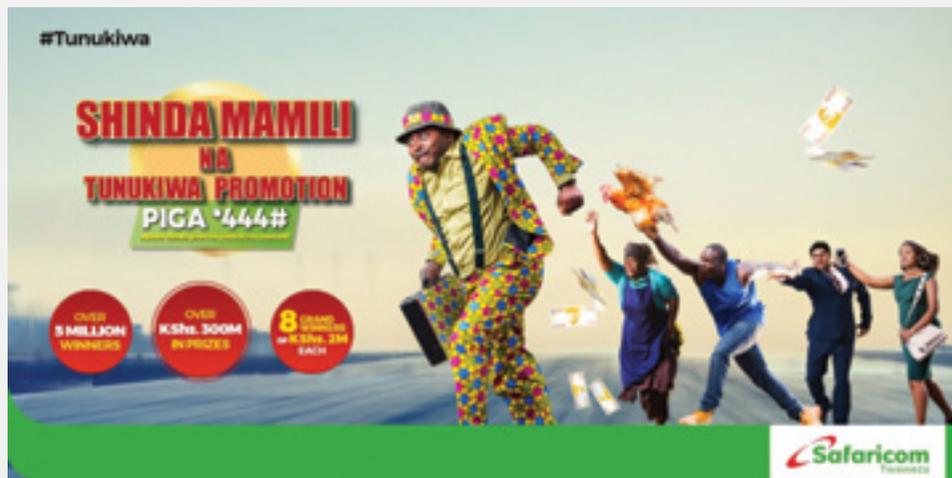
Artwork from the Shinda Mamili *campaign that incentivised customers to purchase* Tunukiwa *offers (bundles) by entering them into regional prize draws.*

FLEX *allows users to convert prepaid units into airtime, SMS or data as needed.*

Voice biometrics introduced

In December 2017, we launched a new voice biometric authentication service, known as *Jitambulishe*. An industry first in Kenya, the innovative service allows customers to record a 'voiceprint' that can be used to identify them in the future. Once their voiceprint has been captured, customers can identify themselves by saying "at Safaricom, my voice is my password" when they call our customer service lines.
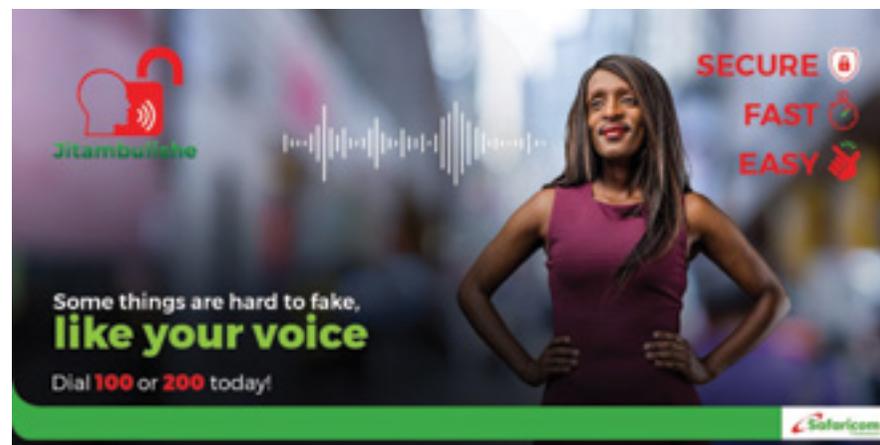
As well as cutting down the authentication steps required before customers can be assisted with services like resetting M-PESA PINs and PUK requests, *Jitambulishe* is expected to help us reduce fraud and identity theft because voiceprints are extremely hard to falsify, and customers will no longer need to divulge sensitive security information to third parties.

Over 463,000 customers have successfully enrolled on *Jitambulishe* and it has also increased the scope and efficiency of our Interactive Voice Recognition (IVR) service, allowing us to introduce eight additional self-service options and serve a daily average of 52,000 customers.

MOBILE DATA CONTINUES TO GROW

SDG 8

SDG 9

	FY18	FY17	FY16	FY15
Mobile Data Revenue (KES billion)	36.4	29.3	21.15	14.82
Mobile Data Customers (million)*	17.7	16.6	14.08	11.59

* 30-day active

We are satisfied with the growth in mobile data revenue and customers during the year, given the challenging political and economic environment. We increased our mobile data customers (who have been active within the last 30 days) from 16.6 to 17.7 million. Likewise, our revenue from mobile data grew from KES 29.3 to KES 36.4 million, and now accounts for 16.2% of our total service revenue. While year-on-year growth was less than that achieved in FY17, we increased mobile data usage per customer by 56.3%, exceeding our target for FY18 by 10.2%.

*Among the campaigns we ran during the year were the **Funtastic 4Gs** web series (pictured is one of the characters, Gina), which highlighted the reliability, speed and coverage of our network, and the **Swift Squad**, which offers customers advice on how to manage their apps and settings to ensure they get the most out of their bundles and airtime.*

New hub for innovation

An exciting change during the year was the creation of the Safaricom Alpha (Innovation Hub) in April 2017. The new hub was created to build platforms, products and services within various verticals like Health, Education, Agriculture and Payments.

The purpose of Safaricom Alpha is to explore long-term opportunities and challenges. The team is innovating for the future and designing and developing products that may only be relevant in three to five years' time — or even 20 years' time.

Key to note is that in June 2017, Safaricom Alpha supported the Kenya start-up ecosystem. The Spark Fund (our innovation investment fund) closed an investment in iProcure. iProcure is a Nairobi-based start-up working to optimise the agriculture input supply chain in rural Kenya. iProcure's web and mobile technology solution improves agriculture retailers' operations. It enables them to manage ordering based on inventory, point of sale activities, and client profiles along with geo-located purchasing patterns, real-time agent performance and transaction analysis, and built-in mobile payments.

M-PESA MAKES HEADWAY

	FY18	FY17	FY16	FY15
M-PESA Revenue (KES billion)	62.9	55.1	41.50	32.63
M-PESA Customers (million)*	20.5	19.0	16.6	13.86

* 30-day active

SDG 8

As the preceding table shows, there was a significant amount of activity and movement through the M-PESA mobile money platform during the year, despite the subdued economic conditions. Revenue from the service grew from KES 55.1 million in FY17 to KES 62.9 million during the year and the number of users (active in the last 30 days) increased from 19 to 20.5 million by March 2018.

It appears that the political uncertainty may have counteracted the challenging economic conditions to an extent and that the elections may have stimulated a considerable amount of entrepreneurial activity, as well as prompting people to travel, to purchase certain goods and foodstuffs, and even to stockpile funds on the platform itself.
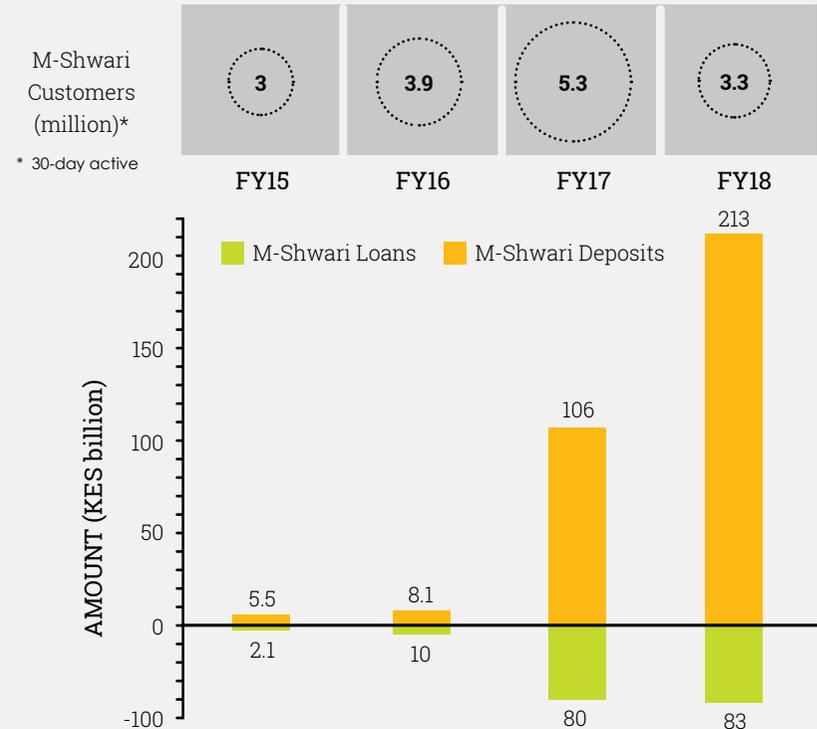
Deepening financial inclusion

Aside from the important financially-enabling role M-PESA plays in the lives of more than 20 million Kenyans, two of the specific ways we monitor its impact on deepening financial inclusion are through the *M-Shwari* micro-finance savings and loans service, which helps underserved Kenyans access banking facilities and credit, and the *Lipa Na M-PESA* merchant service, which supports and enables entrepreneurial and SME activity across the economy.

The reduction in *M-Shwari* customers during the year is a reflection of the increasingly competitive nature of the micro-finance market. The market has entered a natural period of volatility and growth as it matures, with companies that have larger appetites for risk entering the market and customers evaluating different products to suit their needs. The significant growth of deposits can be attributed to more M-PESA users moving money between their M-PESA and M-Shwari accounts in order to maximise the benefits of each.
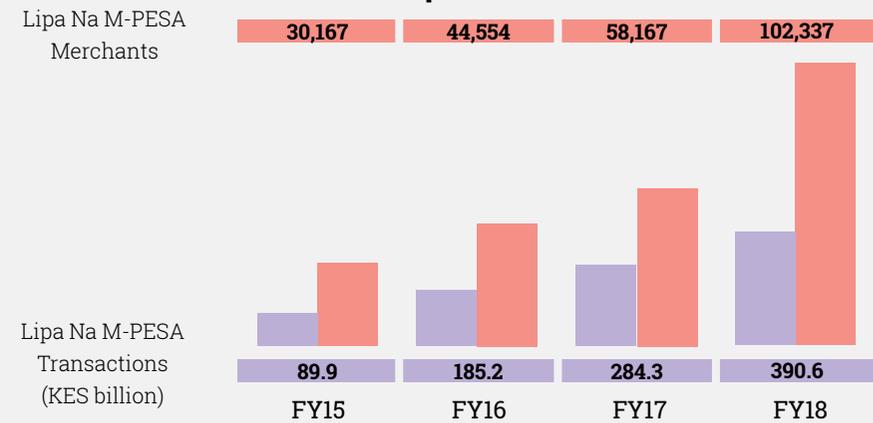
Our *Lipa Na M-PESA* merchant service enjoyed solid growth this year, which we attribute to the 50% reduction on all merchant fees and the extension of the M-PESA *Kadogo* (no charges on transactions under KES 100) rate to customers as well as merchants.

M-Shwari makes it possible for ordinary Kenyans to save, earn interest and borrow money using their mobile phones and the M-PESA platform.

M-Shwari

M-Shwari Customers (million)*

* 30-day active

	FY15	FY16	FY17	FY18
M-Shwari Customers (million)	3	3.9	5.3	3.3

M-Shwari Loans   M-Shwari Deposits

AMOUNT (KES billion)

	FY15	FY16	FY17	FY18
M-Shwari Deposits	5.5	8.1	106	213
M-Shwari Loans	2.1	10	80	83

Lipa Na M-PESA

Lipa Na M-PESA Merchants	30,167	44,554	58,167	102,337
Lipa Na M-PESA Transactions (KES billion)	89.9	185.2	284.3	390.6
	FY15	FY16	FY17	FY18

SDG 10

New IVR service offers visually impaired customers independence and convenience

An expression of our commitment to the SDGs and Goal 10 – Reduced Inequalities, in particular, we launched a new Interactive Voice Recognition (IVR) M-PESA balance enquiry service for visually-impaired people in December 2017.

Visually-impaired people are vulnerable to fraud when they transact on M-PESA because they must rely on third parties to handle their cash deposits and withdrawals. Moreover, the thefts are often only discovered much later, when the visually-impaired person shares their M-PESA PIN with a different third party and asks them to confirm their balance.

Our new service enables a visually-impaired person to check and hear their M-PESA balance by following oral prompts on our adapted customer service IVR system.

The new service has been an instant success and already handles an average of 1,500 enquiries per day, which surges to 2,500 enquiries on average per day during the first and last weeks of the month.

NEW E-COMMERCE PORTAL TO OPEN UP NEW MARKETS

We launched our e-commerce portal, *Masoko*, in November 2017 to help stimulate the nascent e-commerce market in Kenya. The portal connects consumers, merchants and vendors to each other and allows them to trade a wide array of goods and services online. The portal launched with close to 200 vendors offering over 20,000 products. While it has been slow to gain traction, we have learnt much during the year and used this experience to improve the platform, such as enforcing much more stringent quality control measures to ensure the integrity of products on offer, which resulted in the number of vendors reducing to just over 100 high-quality suppliers. We have begun a process of improving the user experience and are looking at ways of growing the service in FY19, including an exciting collaboration with the DigiFarm app.

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THE ONLINE MARKETPLACE THAT
KEEPS YOU TRENDY
LOG ON TO WWW.MASOKO.COM

SDG 8

SDG 9

SDG 10

SDG 17

TECHNOLOGY FOR DEVELOPMENT CONTINUES TO TRANSFORM LIVES

During the year, we renamed our Social Innovation unit as Technology for Development (T4D) to reflect the unit's identity and portfolio of work better.

We are delighted to be able to report that many of the innovations we have been incubating and piloting in recent years have been successful and, as a result, have transitioned into commercial operations that are managed and scaled by the business. Among our successful projects are the M-Tiba health payment 'e-wallet', the DigiFarm suite of financial and informational services, and the Shupavu 291 USSD-based educational platform (please see the society segment in the stakeholders section of this report for further detail on these projects).

During the year, we continued to build on our work in areas such as agriculture, education and health, where technology is a critical tool that can make a significant difference to people's lives. Not only are these areas aligned to our areas of influence, but they are key elements of both national and international development priorities. We use numbers of active users/subscribers as a primary gauge of the impact and success of the new ideas we develop, together with usage data. Among the applications and programmes we continued to develop during the year were the following:

- **Fafanuka 215**
  An SMS-based information service that aims to provide support and information to patients suffering from non-communicable diseases — for example, cancer, epilepsy and diabetes — and their families. The service can be accessed by dialing *215#. During the year, focus groups were held in Embu and Nairobi and the insights gathered were used to re-evaluate the product value proposition and redesign the service. An enhanced version has since been piloted to 1,200 subscribers and we anticipate launching the product nationally in FY19.

- **Instant Network Schools (INS)**
  The INS programme helps students in East African refugee camps receive an education by transforming the most basic of classrooms into a digital learning hub. Through the INS programme, each class of teachers and students in the refugee schools are provided with 25 tablets, a laptop, a projector and speaker; free internet connectivity and Wi-Fi; localised mobile content and a robust teacher training programme. During the year, the programme was expanded to more than 43,000 students in 14 camps.

SDG 3

SDG 4

INS students in Kakuma refugee camp accessing classroom content through the Safaricom network and using tablets supplied by the Vodafone Foundation.

- **M-Salama**

  This disaster management service sends early warning information and natural disaster alerts to subscribers. A pilot was conducted in March 2018 with 800 subscribers to gain feedback and develop insights for improvement of the platform and, during the year, over 10 million messages were sent during the outbreaks of flooding and Rift Valley Fever. The service is run in partnership with the Kenya Red Cross Society (KRCS) and the platform also enables Kenyans to register as volunteers with the KRCS.

LOOKING AHEAD

FY19 Goals

- Actively build trust in the brand through billing transparency, balance notifications and other enhancements
- Deepen financial inclusion by introducing overdraft facilities for M-PESA transactions and linked bank accounts
- Reevaluate the Masoko value proposition and strategy to gain traction in FY19
- Make M-PESA agent shops more accessible to visually impaired people using braille
- Grow the portfolio of products and services within Alpha

Our approach

Listening to our stakeholders and learning from them is of vital importance to us. We employ a variety of informal and formal methods to gather and exchange information with our stakeholders, and we tailor our engagement processes to suit each different stakeholder group. The insights we gain through these exchanges are fed directly into our decision-making processes and inform the sustainability strategies and priorities of the organisation.

We consider our stakeholders to be the individuals, communities and organisations that are most affected by, or most likely to influence, our business.

In this section, we describe each category of stakeholder, the nature of our relationship with them, and how we have delivered value to them during the year. There have been no significant changes to the categories of stakeholders from last year.

As part of our ongoing commitment to the SDGs, we have included references to the goals to which we have aligned our efforts in each chapter again this year.

STAKEHOLDER ENGAGEMENT

SOCIETY

We consider our society to be, first and foremost, the Kenyan people, and then the broader regional and global community within which we operate. We take pride in being a responsible corporate citizen and productive member of Kenyan society. We remain committed to working closely with Kenyans to be a respected and empowering contributor to the social and economic development of the country. We acknowledge that the society that surrounds us is an integral part of who we are and what enables our success, providing us with a conducive operating environment and a market for our products and services.

We refreshed our brand during the year and our new promise of "twaweza — when we come together, great things happen" epitomises the spirit of collaboration and partnership with which we seek to participate in Kenyan society.

OUR RELATIONSHIP WITH KENYAN SOCIETY

We take our broader corporate role and responsibilities very seriously and consider every Kenyan citizen to be a member of our society. As a result, the needs and expectations of our society extend beyond those of our customers and include: safeguarding the natural heritage of the nation and operating in an environmentally friendly manner; partnering with government, communities, NGOs and individuals to empower and uplift our fellow Kenyans; providing access to health, education, empowerment and agricultural services; as well as providing access to transformative mobile communications solutions.

Our relationship with Kenyan society remained positive during the year, despite the turmoil brought about by the prolonged electioneering period and the call for a boycott of our services.

CREATING SHARED VALUE

We deliver value to the Kenyan society within which we operate on an ongoing basis as a top Kenyan tax payer and employer, and by engaging and empowering groups and individuals throughout the country in a variety of diverse ways. The services we provide through our network enhance and transform the lives of Kenyans every day, we also invest in communities directly, and have an active Corporate Social Investment (CSI) programme through the Safaricom and the M-PESA Foundations. Along with these ongoing channels, a few of the specific ways in which we have delivered value to Kenyan society during the year included:

Award-winning health payments solution bringing healthcare to one million low-income earners

M-Tiba has continued to grow at a rapid rate and now has just under one million active users, who are able to receive treatment at over 400 accredited medical facilities in the Nairobi, Mt Kenya, Western and Nyanza regions, and who have redeemed more than KES 200 million on healthcare to date.

M-Tiba is a health payments solution with an 'e-wallet' that enables low-income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.

M-Tiba was awarded the 'Shared Value' award at the 2017 Loeries Awards for creative excellence in Durban, South Africa, and the 'Achievement in Sustainable Development' award at the FT/IFC Transformational Business Awards in London, England, in June 2017.

Harnessing mobile technology to transform farming

DigiFarm is a platform that provides smallholder farmers with convenient access to a variety of services, including discounted inputs, financing and advice on best farming practice: all from the comfort of a mobile phone. We are delighted to report that 700,000 farmers registered on our *DigiFarm* platform during the year, with over 200,00 using the service daily and 7,000 successfully taking out loans to assist with purchasing high-quality seeds, fertilisers and pesticides. Based on this immediate success, our target is to register 1.4 million farmers on the platform by December 2018.

DigiFarm offers smallholder farmers access to a suite of information and financial services, including discounted products, customised information and tutorials on farming best practices, and access to credit and other financial facilities. The service has also been expanded through the addition of our *Connected Farmer* solution to enable farmers to share information, such as expected yields with processors, and to transact through seamless M-PESA payments.
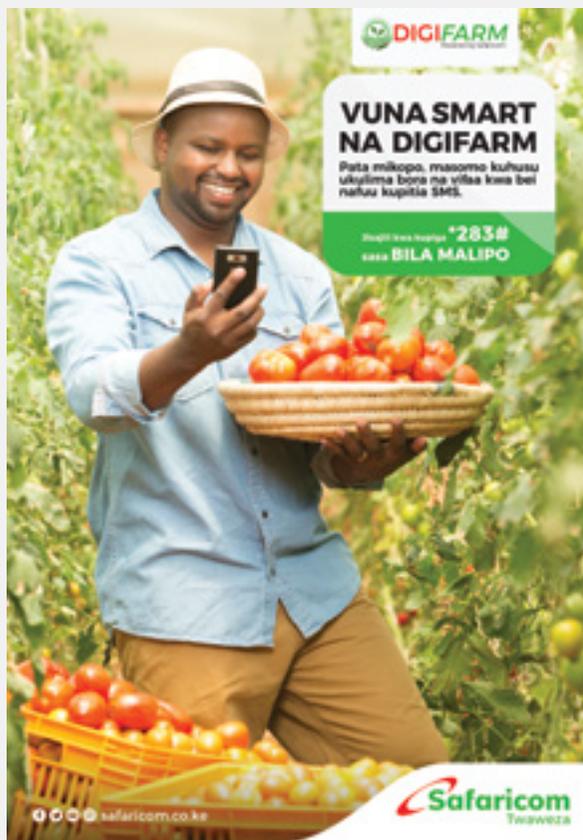
Supporting educational outcomes in Kenya

More than 2,800,000 learners and 40,000 teachers across Kenya are now using our SMS, USSD and web-based education platform, *Shupavu291*. The platform provides lessons and quizzes to primary and high school students, who can also search for information and access Wikipedia summaries without an internet connection. The popular service also includes an *Ask-a-Teacher* feature, through which students can ask a qualified teacher questions remotely. Over 60 million questions have been exchanged on *Shupavu291* and users have been found to score 22.7% higher than the national average for their standard. Students can register for the service by dialing *291#.

Shupavu291 won the 'Best Mobile Innovation for Education' award at the 2018 GSMA Global Mobile (GLOMO) Awards.

B Team keeping sustainable business on the leadership agenda

The *B Team – Africa* continued to gain momentum during the year and was formally launched at the Africa CEO Forum in Abidjan in March 2018. The *B Team – Africa* is an alliance of progressive business leaders who want to empower Africans by helping to create more sustainable and just economies across the continent. The purpose of the alliance is to assist each other by sharing ideas and resources.

Launch of the B Team – Africa *at the Africa CEO Forum in Abidjan in March 2018.*

SDG 9

Computer labs for primary schools

The 47-in-1 initiative is our programme to roll out computer labs to at least one primary school in every county in Kenya. Computer labs are a proven way of providing students with access to digital learning environments and tools. The computers in each lab are preinstalled with learning software customised to the school syllabus and training is facilitated to ensure sustainability of the project once handed over to the community. To date, we have deployed 17 labs and our target is to launch another 20 labs by the end of FY19.

A container constructed from prefabricated recycled ('green') materials, fully equipped with a solar-powered server and 10 solar-powered computers.

Chapa Dimba na Safaricom

The Chapa Dimba na Safaricom Football Tournament aims to recruit young talented footballers, aged between 16 and 20 years old, to play in a national tournament, showcase their talent, and enjoy an opportunity to earn from their passion by winning the overall prize money worth KES 1 million and an international training camp opportunity.

Pictured, from left: Nick Mwendwa, Football Federation Kenya President; Bob Collymore, Safaricom CEO; and Victor Wanyama, Captain of the Harambee Stars and Tottenham Hotspurs midfielder.

Over 1,600 teams from across the country registered for the first season, which saw Kapenguria Heroes from Rift Valley and Plateau Queens from Nyanza emerge as champions during the national finals held at the Bukhungu stadium in Kakamega. Thirteen players from the first season were called up to the national under 20 team while another six have been snatched up by various Kenya Premier League clubs.

SDG 3

SDG 4

SDG 8

New strategy aligns Safaricom Foundation investments to SDGs

We continued to transform lives throughout Kenyan society through the investments of the Safaricom and MPESA Foundations. This year, the Safaricom Foundation developed and launched its three year strategy for the period 2018-2021. As part of the new strategy, each of the trustees of the Foundation will now provide oversight and stewardship for the respective pillars of the strategy. Based on a rigorous assessment of where the investments of the Foundation can be most impactful, the new strategy also clearly links the investments of the Foundation to the SDGs.

The Foundation will focus on the three areas of health (SDG 3), education (SDG 4) and economic empowerment (SDG 8) over the next three years. As well as continuing with its ongoing philanthropic grants, the Foundation will proactively co-create five new programmes with its partners based on specific SDG targets.

Safaricom Foundation focus areas and beneficiaries

Focus Area	FY18		FY17		FY16	
	% spend	# ben.*	% spend	# ben.*	% spend	# ben.*
Disaster Response	1.3%	300	3%	1,500	2%	2,100
Education	28%	46,076	33%	43,622	24%	76,255
Environment	2%	72,500	0%	65,350	0%	65,000
Health	24%	245,507	21%	140,768	22%	172,898
Water	9%	64,150	5%	47,000	N/A	40,500
Other†	36%		38%		52%	

* Number of beneficiaries (individual people benefiting from programmes in the related focus areas)
† This category includes spend on areas such as Technology for Good, arts and culture, and pass on grants.

Please refer to the Safaricom Foundation website at https://www.safaricomfoundation.org/ for more detailed information.

REGULATORS

Regulatory bodies are the means through which the people of a nation can supervise the activities of organisations and companies. The fundamental goal of any regulator is to protect the safety and interests of the public, which typically means ensuring that there is adequate, healthy competition among providers and that the public are protected from misleading or unscrupulous business practices. We are overseen by eight regulatory authorities and our chief regulator is the Communications Authority of Kenya (CA), which is the regulatory authority for the Information, Communications and Technology (ICT) sector in Kenya.

OUR RELATIONSHIP WITH OUR REGULATORS

Our services play an important and, occasionally, critical role in the daily lives of over 29 million Kenyans. As a result, our regulators expect us to provide our services in a reasonable, responsible, ethical and environmentally sensitive manner, providing customers with adequate information and support to access and enjoy our services, while respecting their rights. Our regulators also require us to compete for business fairly and to play our part in helping to empower and transform the lives of Kenyans through innovation and investment.

Our primary regulators

Regulator	Mandate	Issues on which we engage
Communications Authority of Kenya (CA)	The CA is the regulatory authority for the ICT sector in Kenya. It works to ensure the people of Kenya receive the best possible services from communications providers.	• Licensing • Spectrum Management • Consumer issues • Quality of Service (QoS) and Quality of Experience (QoE) • SIM-card Registration Regulations • Universal Service Fund (USF)

Regulator	Mandate	Issues on which we engage
Competition Authority of Kenya (CAK)	The CAK works to promote competition for the benefit of consumers, businesses and the economy as a whole.	• Competition and Trade practices • Consumer issues
Central Bank of Kenya (CBK)	The CBK seeks to promote and maintain a stable, efficient financial system that serves the economy and the people of Kenya.	• Mobile money transfer services (M-PESA) • International money transfer services
Kenya Revenue Authority (KRA)	The KRA is responsible for the efficient assessment and collection of revenue (taxes) on behalf of the government.	• Taxation
National Environment Management Authority (NEMA)	NEMA is mandated to ensure the natural resources and environment of Kenya are managed in a sustainable manner	• Environmental Impact Assessments • Environmental Audits • E-waste management • Energy management regulations • Climate change
Betting Control and Licensing Board (BCLB)	The BCLB seeks to promote reasonable, legal and sustainable gambling activities in Kenya and authorises lotteries and prize competitions.	• Safaricom promotions
Kenya Civil Aviation Authority (KCAA)	The KCAA is responsible for the safety and management of the Kenyan airspace.	• Site acquisitions • Approval of proposed Base Transceiver Stations
Capital Markets Authority (CMA)	The CMA protects the interests of investors and publicly-listed companies through licensing and supervising the capital markets industry.	• Corporate Governance

SDG 9

SDG 17

DELIVERING VALUE TO OUR REGULATORS

On a regular, ongoing basis, we deliver value to our regulators by complying with the obligations they have given us and through communicating and engaging with them on the issues that arise. In response to the SDG strategy, we now ensure that all collaborations and discussions with regulatory bodies support the creation and expansion of resilient infrastructure development in Kenya, based on inclusive, sustainable models that foster innovation.

Some of the specific issues on which we have engaged our regulators during the reporting period included: the new framework for measurement of Quality of Service (QoS) introduced by the CA; the draft Broadband Spectrum Policy published by the Ministry of ICT; our progress regarding the new 2G sites commissioned by the CA as part of the USF project; and the new Child Online Protection Strategy Framework being developed by the CA and the Ministry of ICT. (Please see the Business Ethics, Governance, Risk and Regulation section on page 28 of this report for further detail regarding these specific engagements.)

SHAREHOLDERS

Our shareholders expect us to remain a high-performing company that balances delivering consistent and sustainable financial returns against ethical and environmentally responsible operations. As a reflection of this, they expect us to retain a stable, experienced and proven management team and to uphold the very highest standards of corporate governance and practices.

OUR RELATIONSHIP WITH OUR SHAREHOLDERS

Shareholding Structure (%)

○ Government of Kenya   ● Vodacom*   ● Vodafone*   ● Freefloat
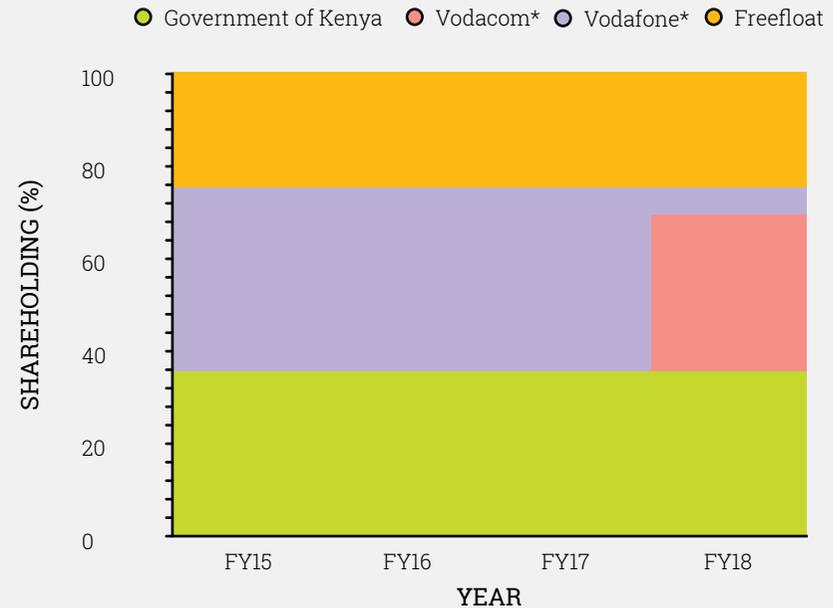
* Company holds an indirect interest in Safaricom through a wholly-owned subsidiary, Vodafone Kenya Ltd (VKL).

Our shareholding structure changed during the year and is currently comprised of the Government of Kenya (35 per cent), Vodacom (35 per cent), Vodafone (5 per cent) and free float (25 per cent).

In August 2017, Vodafone transferred 35 per cent of its stake in Safaricom to South Africa-based Vodacom. Vodafone is consolidating its African assets under its subsidiary, Vodacom, to reduce costs and to provide the parent company with a streamlined, single-entry point into sub-Saharan Africa. The deal also diversifies the earnings of Vodacom and reduces its reliance on the South African market, which has a 146 per cent mobile penetration rate.

The Safaricom share price rose 1.2 per cent at the announcement of the deal, which is considered a vote of confidence in the Safaricom management team and our plans to expand our M-PESA platform to other African markets.

As the graph describes, there has been an increase in local corporate shareholders within the 'free float', while the decline in retail shareholders has continued.

Shareholders by shareholding band

Shareholders by Shareholding Band (volume of shares held)	FY18	FY17	FY16	FY15
1 to 1,000	370,747	377,352	386,151	397,215
1,001 to 10,000	176,142	182,116	189,837	200,039
10,001 to 100,000	19,804	20,771	22,234	23,954
100,001 to 1,000,000	1,727	1,854	1,955	2,066
1,000,001 to 10,000,000	498	492	465	428
10,000,001 to 100,000,000	175	179	176	161
Over 100,000,000	10	11	11	11

The preceding table shows that 96% of our shareholders hold a maximum of 10,000 shares and are mostly comprised of the local individuals.

Free Float Investors by Category

- Foreign Corporate
- Local Corporate
- Local Individual
- Foreign Individual

FY18
FY17
FY16
FY15
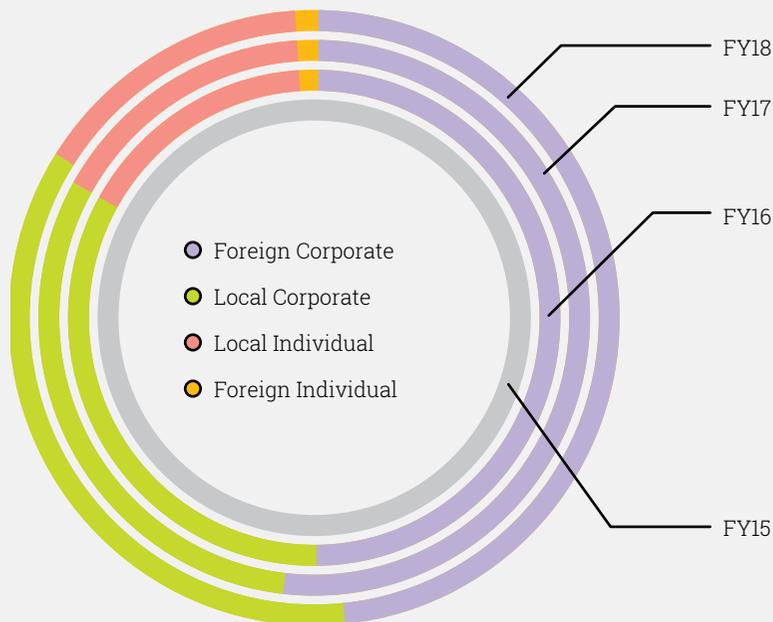
Shareholding by Shareholder Band

- 1 to 1,000
- 1,001 to 100,000
- 100,001 to 1,000,000
- Over 1,000,001

FY18
FY17
FY16
FY15
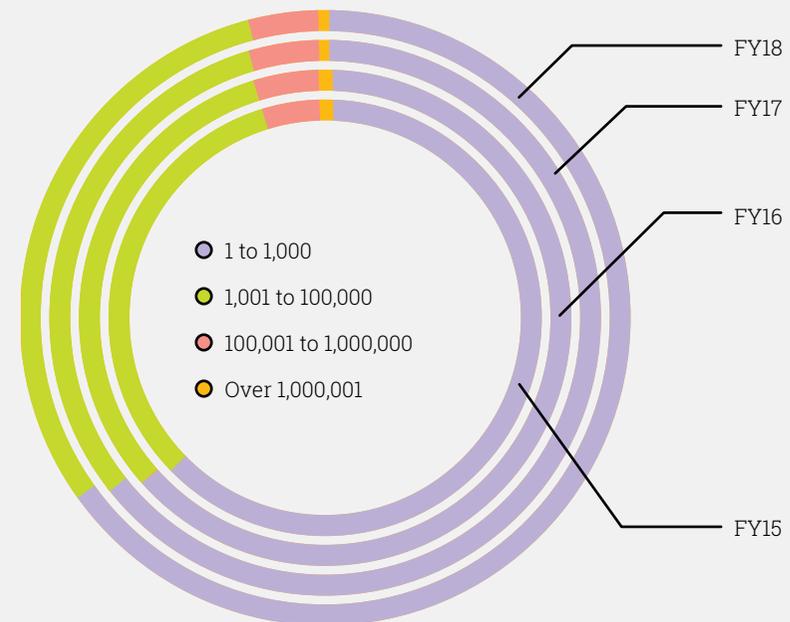
DELIVERING VALUE TO OUR SHAREHOLDERS

We continue to monitor our performance and deliver value to our investors through our financial performance and through how we engage and communicate with them.

Robust financial performance given conditions

We delivered robust financial performance yet again this year, which has resulted in further dividend growth and share appreciation.

	FY18	FY17	FY16	FY15
EBITDA (KES billion)	112.8	103.6	83.1	71.2
Net income (KES billion)	55.3	48.4	38.1	31.9
Dividend per share proposition	1.1	0.97	0.76	0.64
Free cash flow (KES billion)	55.4	43.5	30.4	27.5

During the year, our net income grew from KES 48.4 billion in FY17 to KES 55.3 billion. Our free cash flow also increased from KES 43.5 billion in FY17 to KES 55.4 billion. We also achieved an EBITDA of KES 112.8 billion, up from KES 103.6 billion in FY17. The EBITDA was sufficient to reduce our net borrowings by KES 12.5 billion, pay dividends of KES 38.9 billion and invest KES 36.4 billion of CAPEX.

Please refer to the Safaricom Annual Report at https://www.safaricom.co.ke/ annualreport_2018/ for more detailed information and discussion regarding our financial performance.

Active investor engagement

We continue to engage with individual investors, fund managers, analysts and other members of the investment community actively. On a regular, ongoing basis, we deliver value to these important stakeholders by ensuring that we are available to them and that we respond to their telephonic, email and message-based enquiries swiftly. We also publish an annual report to keep investors updated on financial and non-financial performance, and we hold an annual general meeting, which provides a forum for discussion and debate with shareholders.

We also disseminate information about financial results, reports and upcoming events to shareholders via press releases and other communiqués. In addition, we invite shareholders and other members of the investment community to briefings and workshops as required.

During the year, we hosted investor road shows to share our interim and full year results. During these roadshows, we update shareholders on our strategy and outlook. Roadshows were held in the UK, Europe, America, Canada, Johannesburg and Cape Town, as well as Nairobi.

We also continue to maintain an up-to-date investor dashboard on the Safaricom website, which enables investors to access a wide range of information conveniently and easily, including our investor calendar of events and forms, analyst coverage, fact sheets, share price information, half year and full year results, along with information regarding our current governance processes, sustainability objectives and performance.

We have launched dedicated contact channels for investors via the email address: Safaricomshares@image.co.ke and telephone number +254 7090-170041. We have also introduced internal SLAs for response times following a query and will endeavour to respond within 24 hours, unless the query requires additional input, in which case it will be addressed within 48 hours.

Sustainable development in financial markets

An expression of our commitment to the SDGs and goal 17, in particular, we were silver sponsors of the 7th Building African Financial Markets (BAFM) seminar in Nairobi. The theme of the seminar was "adaptive innovation as a lever for growth and sustainable development of financial markets".

SDG 17

MEDIA

The media play an important role in society by providing a platform for discussion, debate and dissemination of information. They are also an important stakeholder of ours as they provide us with a channel through which we can communicate with our other stakeholders, such as our customers. Accordingly, we need to make sure that the relevant members of the media are presented with the right facts and information and that significant issues are identified and explained fully so that topics and events are reported in an accurate and balanced manner.

OUR RELATIONSHIP WITH THE MEDIA

We maintain good working relationships with a wide variety of media representatives to ensure that our voice is heard on pertinent issues and to help provide information and guidance topics that are related to our areas of expertise. We are open to liaise with all members of the local, regional and international media. We work closely with both traditional and digital media houses and individuals — from radio and TV stations to print media publishers (newspapers, magazines) and digital media channels (news sites, bloggers, influencers and social media personalities).

We monitor our performance through regular independent assessments and through hosting events and engagements with the media. Our latest independent assessment, conducted by a leading public opinion research consultancy, suggested that we are one of the top three best corporate communicators in Kenya. We scored highly for being accessible and for responding promptly to media enquiries. The only areas where we scored slightly lower were (i) not directing our stories precisely (only pitching them to the specific media outlets that cover the subjects being discussed) and (ii) taking longer than anticipated to source senior leadership spokespeople for responses to stories.

DELIVERING VALUE TO THE MEDIA

On a regular, ongoing basis, we deliver value to our media stakeholders by providing them with accurate, timely information, further guidance and context regarding complex issues or controversial statements, and access to appropriate company spokespeople.

During the year, we have made good progress in terms of addressing the two areas highlighted by members of the media during our most recent independent assessment. We have restructured internally and now target stories to different media channels and news outlets more specifically. We have adopted stricter protocols to decide which stories are newsworthy and have created more targeted pitching so that stories are not blasted to all media. Journalists may also access and filter our news stories through our Telegram channel: @SafaricomNews. We have also launched a news portal called *Newsroom (https://newsroom.safaricom.co.ke)*, which enables journalists and other media representatives to browse and search for relevant stories. As well as reducing the volume of stories disseminated to journalists indiscriminately, the portal also covers community investment stories.
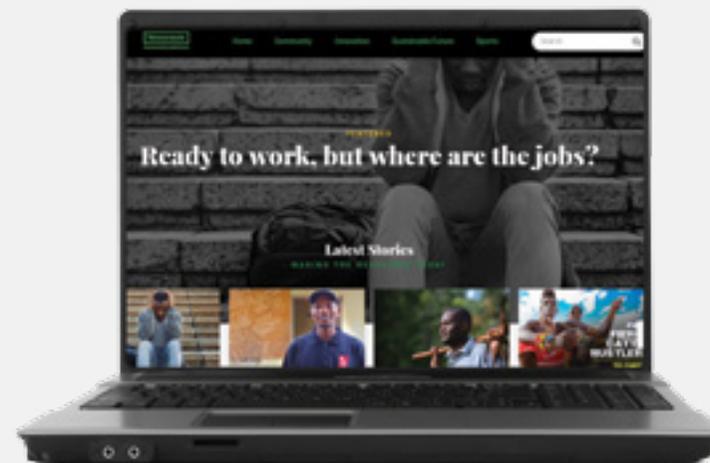
Launched this year, the Safaricom Newsroom portal provides the media with 'soft news' stories and information.

During the year, we also introduced internal Service Level Agreements (SLAs) for response times to media following a query. Naturally, enquiries that require a more senior spokesperson will take longer to organise, but we have agreed to respond to all media enquiries within 48 hours and we plan to reduce this time to 24 hours soon.

We are also pleased to be able to report that our efforts publicising the SDGs and the efforts of the company to integrate the goals are attracting media interest. We are now being approached for thought leadership with regards to the goals and sustainability on a regular basis. Initially, our CEO has been handling media interviews on this subject, but we have expanded our pool of SDG spokespeople this year to include Executive Committee (EXCO) members, with each director assuming responsibility for an SDG that relates closely to his or her division and areas of responsibility.
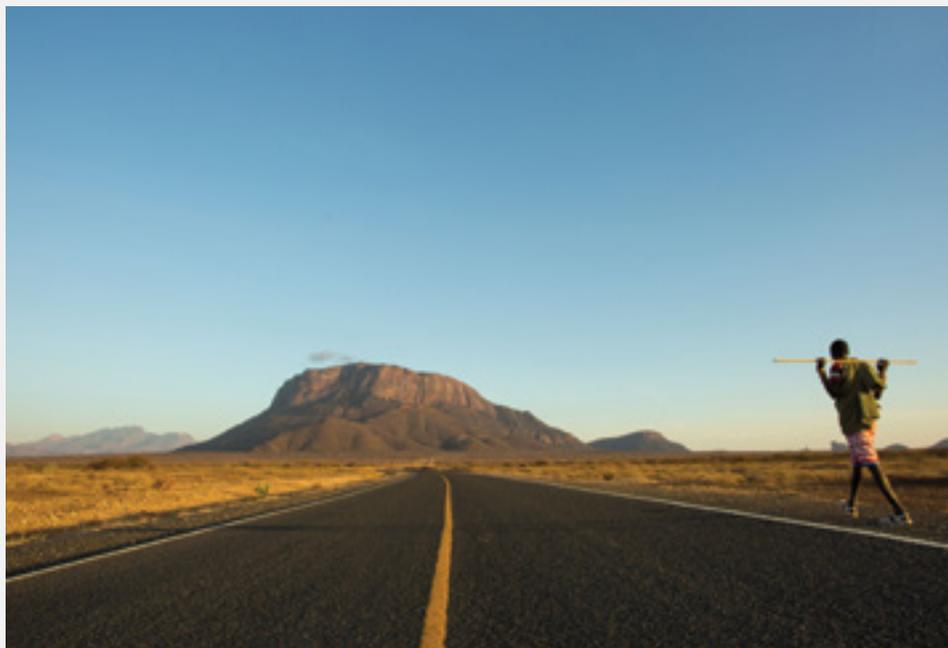
CUSTOMERS

Our broad customer base encompasses the full spectrum of individuals and organisations across Kenya. We classify our customers into two main categories: consumer and enterprise. Consumer customers are individual purchasers of goods and services, while enterprise clientele includes business of all sizes, ranging from small-to-medium enterprises (SMEs) to large corporate firms. Our customer base grew by 5 per cent to 29.6 million in total this year.

MONITORING OUR PERFORMANCE

We continue to use the Net Promoter score (NPS) to monitor customer satisfaction. NPS measures the likelihood that a customer would recommend Safaricom to other businesses or friends, based on his or her overall experience. NPS is measured separately for consumer and enterprise customers. Our ongoing NPS targets are to be the number one integrated communications service provider by a margin of 5 per cent relative to our nearest competitor for consumer customers, and to grow our NPS by 10 per cent annually for enterprise customers. The following table presents a breakdown of our NPS.

NPS Results	FY18	FY17	FY16	FY15
Consumer NPS	61	48	42	-
Enterprise NPS	26	12	6	-

As the preceding table illustrates, our Enterprise NPS improved significantly during the year. In terms of our Enterprise NPS, we attribute the growth from 12 to 26 per cent to several factors, including the continued strengthening of the dedicated Enterprise Business Unit (EBU) call centre Care team, our improved turnaround times for resolving major faults, and the migration in-house of our fibre network customer management, which has given us better control of network performance and the end-user experience.

CONSUMER CUSTOMERS

In order to service the differing needs of our large consumer customer base more precisely, we divided consumer customers into four major segments in FY16. Despite the political turbulence experienced during the year, our consumer customer base grew by just under 1.5 million customers and we continue to enjoy nearly 70 per cent of the consumer market in Kenya.

	FY18	FY17	FY16	FY15
Number of consumer customers (million)	29.6	28.1	25.2	23.3
Market share (% consumer subscribers)	67%	72%*	65.6%*	67.1%

* These figures reflect the adjusted definition of 'active' customers (from 120-days to 90-days) requested by the CA.

We attribute most of the growth described in the preceding table to gains made following: the launch of our successful *Mtaani* promotion — a roadshow of entertainment and information that travelled around the country and interacted with customers directly, giving them easy access to customer care and helping them make informed decisions about the products and services best suited to their needs — and the continuation of our *Dandia* acquisition initiatives, which included extremely competitive data bundle and affordable handset promotions, together with a special *Tunukiwa* offer and a 15 per cent bonus on recharge via M-PESA.

We also introduced our *FLEX* and *Safaricom Platinum* products during the year. (Please refer to the Innovation section on page 47 of this report for further information about the new services and products introduced during the year.)

*During the year, we launched the **Jichanue** self-service tips initiative with the help of local comedienne Jemutai. **Jichanue** is designed to help customers solve common issues, such as how to retrieve an M-PESA mini-statement or request a reversal, how to request a PUK number or report fraudsters.*

ENTERPRISE CUSTOMERS

Enterprise customers are split into three major groups: Large Enterprises; Small-to-Medium Enterprises (SMEs); and Small Offices-Home Offices (SOHO). We currently have a presence in over 196,000 enterprise customers, which represents an increase of over 72,000 customers from the previous year. This growth can be attributed to the acquisition of 23,777 SME and 62,042 SOHO customers.

	FY18	FY17	FY16	FY15
Number of enterprise customers	169,000	96,712	84,000	67,925
Market share by revenue	65%	61%	54%	49%

The SME and SOHO segments have experienced solid growth during the year. In terms of large enterprise customers, our focus has remained on nurturing long-term relationships and up/cross-selling in this market segment.

Enterprise Market Share by Segment (% customer)	FY18	FY17	FY16
Large enterprises (public and private sector)	99%	99%	99%
SMEs	23%	20%	13%
SOHOs	11%	11%	5.2%

Delivering value to our enterprise customers

During the year, we experienced continued growth and acquisition of SME and SoHo customers by offering business payment solutions and tailored mobile GSM solutions. We are satisfied with this growth, but believe that there is still an opportunity to drive additional growth based on the addressable market opportunity. The large enterprise customers still account for most of the enterprise revenues and within this space we will up/cross sell new segmented propositions.

Looking ahead, we want to continue to offer enterprise customers real-time monitoring of services and an enhanced billing service, together with an improved self-service portal.

BUSINESS PARTNERS

Our business partners include suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and in terms of our reputation as they are our interface with many of our other important stakeholders. We also understand that we can play an important role in encouraging sustainable practices throughout our business ecosystem and value chain by engaging with our partners in this regard. Our business partner network is currently comprised of 1,164 suppliers, 440 'active' dealers and 156,000 M-PESA agents.
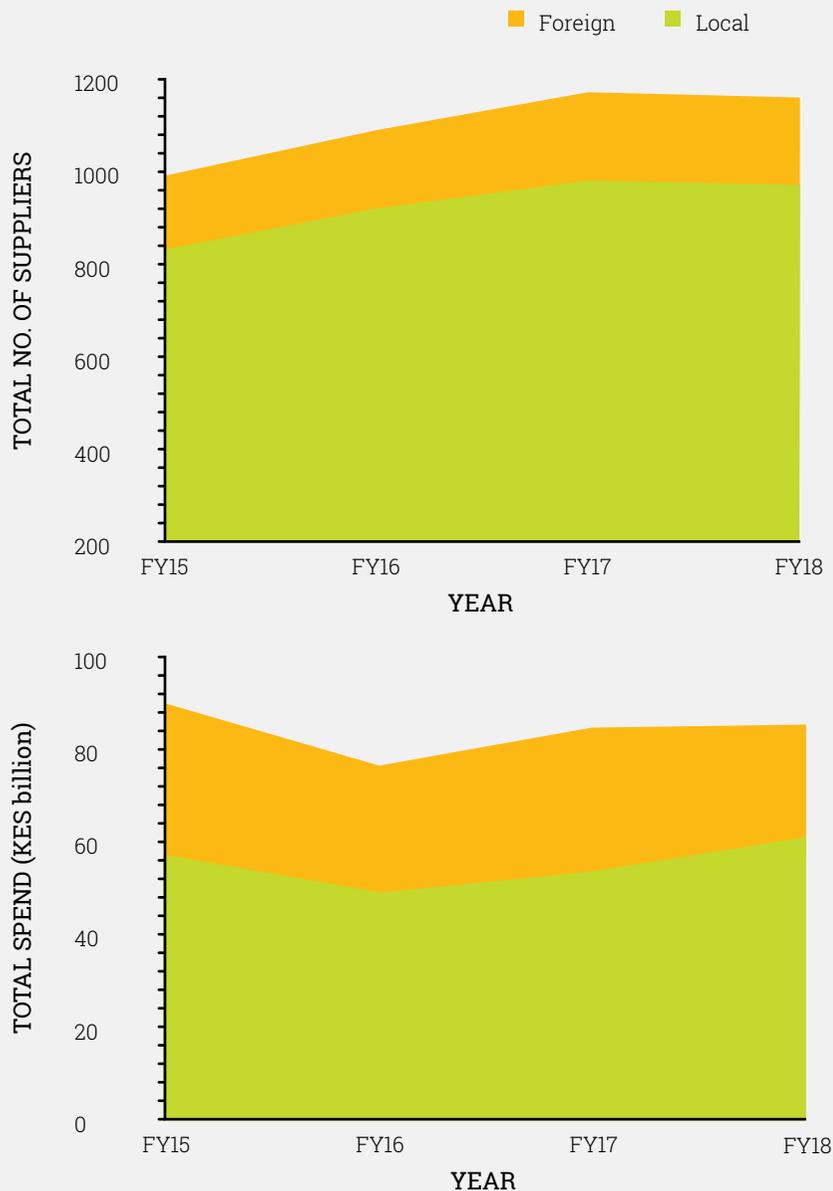
SUPPLIERS

	FY18	FY17	FY16	FY15
Total no. of suppliers	1,164	1,204	1,094	994
Total spend (KES billion)	85.6	84.4	76.8	89.9

We partnered with 1,164 providers and spent a total of just over KES 85.6 billion on products and services during the reporting period. As the following graphics (overleaf) show, we continue to favour local suppliers where feasible and we are satisfied with the weighting towards Kenyan companies achieved during the year, with an 8 per cent increase of spend with local suppliers and 83 per cent of our providers remaining local companies.

SDG 5

We increased the number of women-owned businesses from which we purchase from 20 to 39 during the year and they now represent 9.1 per cent of all vendors, although only 2.3 per cent of procurement spend. Our target is to ensure women-owned businesses account for 10 per cent of procurement spend by 2020.

Total Spend (Local vs Foreign Suppliers)

Encouraging sustainable practices among our suppliers

We continue to undertake performance evaluations of all of our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators — including cost, quality, delivery, responsiveness, flexibility, value-add, health and safety — and a performance score is calculated.

Suppliers whose performance is below the required threshold (<60%) are assisted with customised performance improvement plans (PIP) and mentored towards achieving acceptable levels of service. In cases of lack of improvements after a PIP has been implemented, the contract is recommended for termination and no invitations are sent for participation in future business opportunities.

	FY18	FY17	FY16	FY15
Suppliers evaluated	750	1,099	947	400
Average score	78%	82%	78%	77%

The number of suppliers evaluated this year was greatly reduced as the majority of contracts were expiring in the last quarter and, thus, evaluations were not required, only the issuing of notices of expiry. We missed our target of an average score of 80 per cent by two per cent, which we attribute to the on-boarding of new suppliers, who often require a transitional period to adjust to our performance thresholds and requirements.

We continue to insist that all suppliers sign up to the Code of Ethics for Business in Kenya as well. The Code is based on the principles of the United Nations Global Compact (UNGC). We maintained the same level as FY17 this year, with of 98 per cent of suppliers with running contracts having signed up to the Code. Suppliers are not invited to take up new business opportunities until they sign up to the Code.

SDG 17

Delivering value to our suppliers

We meet with our suppliers every year at our Annual Suppliers Forum to hear their concerns and exchange ideas and information with them. During the event, we conduct a survey to assess their perceptions and levels of satisfaction and confidence regarding Safaricom. We use the feedback gained through the survey to adjust our processes and offerings to partners.

This year, we commissioned an independent firm to survey our suppliers and the overall 'satisfaction with Safaricom' level reported was 94 per cent. Reasons offered for the high level of satisfaction included the improved payment turnaround time through the iSupplier portal of 19 days on average, and our more straightforward contracts, with clearly defined service levels.

Areas for improvement that were raised by suppliers during the survey included the tendering process — from submission periods to the communication of outcomes and negotiated rates — and the level of communication provided by Safaricom staff.

We have already begun to address these concerns by introducing a dedicated helpdesk to respond to supplier queries and we intend to improve our levels of communication through periodic emails to suppliers, mini-forums for specific supplier groups, and by holding debriefing sessions with suppliers at the end of tender processes.

DEALERS

We have the same network of 400 'active' dealers across Kenya that sell data, devices and airtime on behalf of Safaricom as we did in FY17. We continue to believe that this is the right size of network to support the market and so we are not actively on-boarding new dealers at the moment. Our focus remains on helping each individual dealer achieve greater volumes and success.

Delivering value to our dealers

The elections and prolonged drought constrained the trading environment during the year and so we supported dealers with capital financing to cushion them against these effects and decreased consumer purchasing power, in particular. We undertook country-wide training of our key dealer outlet managers during the year as well, providing them training in basic finance skills and book-keeping, stock management and customer service skills. We also hosted our Annual Dealer of the Year Awards (DOYA) to recognise and reward dealers who have excelled in different areas of the sales environment while maintaining high standards.

We branded an additional 47 dealer activation vans during the year and have branded 200 vehicles in total to date. The vans were especially useful this year as dealers were able to participate in our successful joint market activation road shows, such as *Safaricom Mtaani*.

We also supported dealers in meeting the regulatory subscriber registrations requirements with our Know Your Customer awareness campaign and the Subscriber Registration App, which automates as much of the registration process as possible.

AGENTS

After the significant growth experienced in FY17 and our successful regionalisation programme, our network of M-PESA agents grew slightly in size during the year to 156,000 agents. As with our dealer network, we believe that this is the right size of agent network to support the market and so our growth targets for the next two years are the on-boarding of only an additional 14,000 agents in FY19 and 10,000 in FY20.

	FY18	FY17	FY16	FY15
M-PESA agents	156,000	130,000+	100,744	85,756

Delivering value to our agents

The turbulence around the elections was a concern this year and our focus was on minimising disruption to our partners and keeping them safe. Some infrastructure was damaged, and we withdrew from the market in July, but we are pleased to report that perceptions and business levels have recovered since then.

Two of the ongoing ways in which we seek to discover, and address, agent concerns and frustrations are through hosting Principle Forums twice a year in all six regions and providing Agent Assistance Training sessions every quarter in all sales areas. Our Principle Forums address a range of issues, including: how to grow businesses; identifying new investment opportunities; new products; the *Know Your Customer* (KYC) initiative; security of outlets; and emerging types of fraud. We also hosted our popular Regional Agent Awards during the year and rewarded our 98 top-performing M-PESA outlets with KES 2.8 million in prizes.

A reflection of how our network is maturing, we doubled the number of care desks to 137 during the year, hiring and training members of the local communities as part of the process. We also upgraded 3 strong performing aggregated outlets (sub-agents) to Full M-PESA agencies during the year, which entitles them to earn 100 per cent commissions.

We continued to offer float automation, through which agents who maintain float levels of KES 20,000 and above in 70 per cent of their network can apply for additional tills automatically, and offered weekend capital financing of KES 1 billion to 1,324 agents.

We also continued to work with agents to address security concerns, with theft and losses from armed robberies a growing issue, and we installed 1,100 security boxes (safes) at 965 agent outlets and 135 care desks. We have also purchased an additional 2,000 security boxes and will offer these to agents on a subsidised basis (we will cover 40 per cent of the cost) during FY19.

EMPLOYEES

We remain committed to being a world-class employer and take our responsibility to maintain a productive, supportive and safe working environment seriously. Our vision of transforming lives begins with transforming the lives of our employees and a key aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. We continue to measure staff morale using an annual SEMA Survey, staff turnover rates, the Staff Council and the *Sema na CEO* chat room.

OUR WORKFORCE DEMOGRAPHICS

We classify our employees by the following attributes: age; gender; job grade; location; and contract status (permanent or contractor). The size of our workforce increased by 466 people during the year, which was largely the staffing of the new contact centre in Eldoret and new recruits joining the Alpha innovation hub.

Age

The clear majority of our employees remain Kenyans in their 30s, based in Nairobi, with this age cohort still accounting for over 60 per cent of the workforce. There were marginal gains made in the 40s and 20s age groups, and slight decreases in the numbers of employees in the 50s and 60s age groups.

Employees by Age Bracket & Type

Employees by Contract Status	FY18	FY17	FY16	FY15
Permanent	4,376	4,245	4,287	4,192
Contractor*	1,180	845	468	515
Employees by Age Bracket (years)	**FY18**	**FY17**	**FY16**	**FY15**
60s	0.04%	0.08%	0.1%	0.1%
50s	1.58%	1.36%	1%	1%
40s	14.99%	13.75%	19%	13%
30s	61.05%	63.58%	67%	70%
20s	22.34%	21.23%	13%	16%

* We define a contractor as someone on a fixed-term (3-6 month) contract.
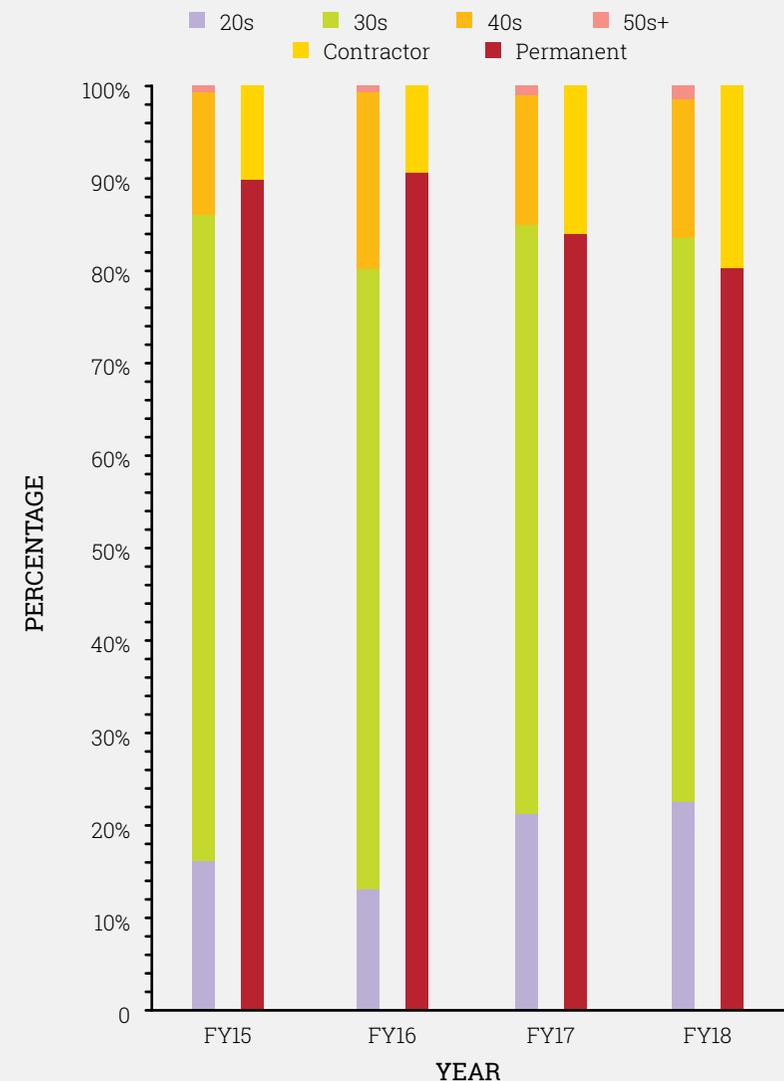
Gender

While we remain satisfied with our overall gender parity and our 50-50 per cent ratio between men and women, the number of women in more senior positions remains low. We are not satisfied with only 32 per cent of our senior management and 25 per cent of our executive leadership being female. Our target is to achieve gender parity — a 50-50 per cent ratio between men and women — in senior management by 2020.

This is a multi-dimensional issue and one that affects technology companies like Safaricom disproportionately. We recognise that the lack of women in senior positions is an issue that starts at tertiary-level educational institutions, which find fewer women applying to study technology-related subjects, and even earlier, at school. We are addressing this aspect of the issue through our *Women in Technology* programme, building partnerships with tertiary institutions and visiting schools to raise awareness of potential career options among young female students.

In terms of supporting and fast-tracking the careers of the women that join us, we have started a series of interrelated initiatives, including the annual Women in Leadership (WIL) programme, through which a group of female members of staff acquire leadership and career management skills at Strathmore Business School. More than 57 women have attended the WIL programme to date.

The WIL programme is supported by several internal mentoring and support programmes, such as *PAA DADA*, through which women managers support and coach each other. We are currently planning to expand the *PAA DADA* initiative and relaunch the *She for She* programme to ensure that all women receive support and mentoring throughout the organisation. We are also introducing 'top talent mentoring and coaching' for women in middle and senior management by members of the Executive Committee in the near future.

> We recognise that women are often required to play many roles outside of the workplace, in their families and in society, which inevitably impact upon their careers.

Gender Ration (%) by Employment Level	FY18		FY17		FY16		FY15	
	M	F	M	F	M	F	M	F
Executive leadership	75%	25%	75%	25%	57%	43%	64%	36%
Senior management	68%	32%	69%	31%	67%	33%	64%	36%
Overall (permanent staff)	50%	50%	49%	51%	50%	50%	51%	49%

Internal labour market map

SDG 5

Career Level	Hires (%)				Internal Mobility (%)				Lateral Moves (%)				Voluntary Exits (%)				Total Exits (%)			
	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17	FY18	FY15-17
	F	F	M	M	F	F	M	M	F	F	M	M	F	F	M	M	F	F	M	M
Senior management	7.8	29.7	5.3	21.5	1.1	5.6	2.9	2.6	17.8	19.8	9.2	17.1	7.8	16.9	4.9	17.8	7.8	32.3	5.8	24.7
Middle management	6.4	9.4	7.8	5.6	5.3	2.4	3.4	4.1	10.5	5.7	7.4	5.3	4.2	5.7	4.2	6.4	4.7	7.1	5.2	8.2
Entry level	22.0	8.1	25.8	10.9	2.1	8.1	4.1	10.4	2.6	10.3	2.4	7.6	2.7	5.6	3.6	6.1	5.7	8.0	8.3	10.7

The preceding table (on page 73) describes the movement of members of staff during the year by career level and gender. The percentages in the table represent the proportion of the staff population at that career level and gender (not the proportion of the total staff population). As the table describes, a higher percentage of female staff in senior management joined the company during the year, as well as moved laterally within the company, and exited voluntarily. In middle management, an equal percentage of the male and female members of staff exited the company voluntarily.

Diversity and inclusion

(% of total work force)	FY20 Target	FY18	FY17	FY16
Differently-abled people	5%	1.7%	1.4%	1.2%

SDG 10

We have set ourselves an aggressive target of increasing the number of our colleagues who are differently-abled to 5 per cent by March 2021. We have made some progress during the year, but it was a year of preparation and researching best practices overall.

As well as providing each division with specific targets for the next three years, we began an outreach programme at institutions of higher learning to meet and explore career options with differently-abled people during the year. The purpose of the programme is to learn more about the needs of differently-abled people and to ensure that they are aware of the opportunities we offer.

We have also started working with several organisations, such as the Kenya Union for the Blind (KUB) and the Kenyan Paraplegic Organisation (KPO), to form a network through which we can identify suitable candidates. We are also liaising closely with our existing colleagues who are differently-abled to better understand their needs and challenges, providing them with talent mapping and job shadowing opportunities and interview skills training.

STAFF MORALE

We continue to measure employee morale using the Employee Engagement and Manager Index, which is part of our 'SEMA Survey', and staff turnover rates. Overall, staff morale appears to have improved again this year, with the latest Index results suggesting that 90 per cent of employees are happy with employment conditions at the company, in general, and are reasonably motivated or engaged with their work. This overall perception of high morale is again supported by a staff turnover of only 5.4 per cent.

SDG 8

Staff Morale	FY18	FY17	FY16	FY15
Employee Engagement Index	90%	84%	75%	75%
Manager Engagement Index	87%	85%	81%	81%
Staff Turnover Rate (% of total workforce)	5.4%	5.2%	5.6%	5.7%

The results of the SEMA Survey suggested strong improvement in many areas and continued good performance against benchmarks. Responses to several questions were more than 10 per cent higher than the previous survey, which is evidence of real change. Interestingly, the *Kaa Chonjo* (SMS) channel appears to be considered the most effective, with a 96 per cent positive rating. The number of employees describing themselves as 'engaged' increased from 88 per cent in FY17 to 91 per cent this year and an impressive 97 per cent of employees reported that they are 'proud' to work at Safaricom. Belief in both our purpose as a company and the SDG strategy remained at over 90 per cent and 80 per cent of employees believe that the Thrive programme has contributed to their wellbeing.

Members of staff remain able to voice their needs and expectations through a variety of channels besides the SEMA Survey, including the Staff Council and the *Sema na* CEO ("speak with the CEO") chat room.

Eighty-five per cent of employees — 4,658 people — participated in the SEMA Survey and five out of the seven categories showed significant improvement.
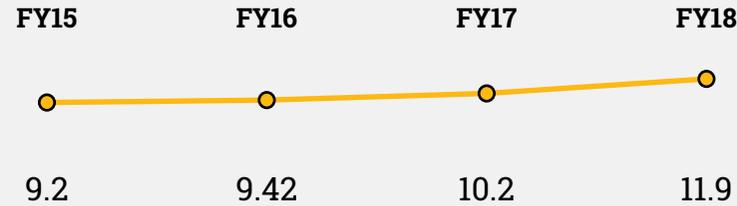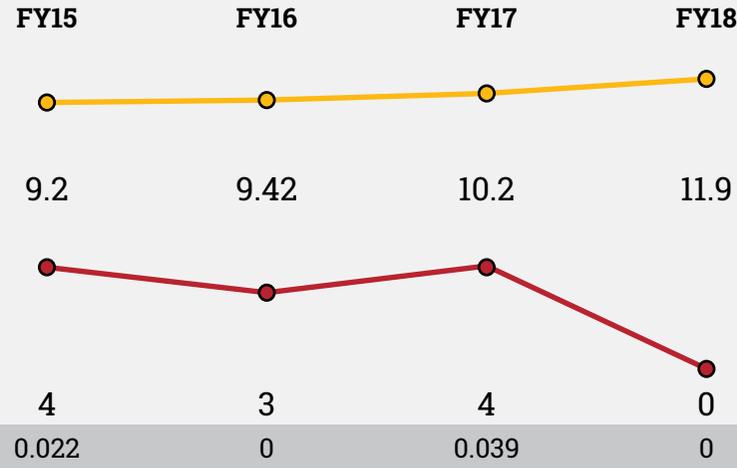
SDG 8

STAFF HEALTH AND SAFETY

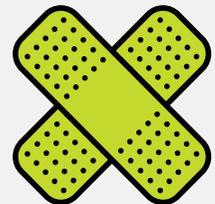|	FY15	FY16	FY17	FY18
Manhours Worked (million)	9.2	9.42	10.2	11.9
Fatalities	4	3	4	0
Fatal Injury Frequency Rate (FIFR)*	0.022	0	0.039	0

* Employee-related

	FY15	FY16	FY17	FY18
Lost-Time Injuries (LTIs)	4	2	0	5
LTI Frequency Rate (LTIFR)	0.0.43	0.2	0	0.017
Medical Treatment Cases	21	17	22	22
Health and Safety Incidents	106	191	154	158
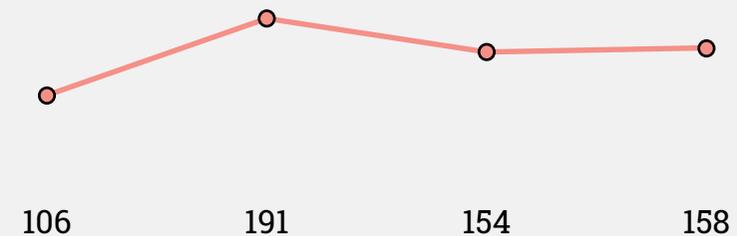
We take our responsibility to maintain a safe working environment for staff and contractors very seriously and are delighted to report no fatalities this year. One of the Lost Time Injuries (LTIs) sustained during the year was an employee and the other four were sustained by contractors. This satisfying performance is attributed to the tangible commitment of the Safaricom leadership to the importance of employee health and safety, in general, and our focus on road safety over the last few years, specifically, including the recent introduction of the *"Tea with Bob"* initiative, which has helped drive behavioural change and reduce speed and other traffic-related incidents.

CONCLUDING REMARKS

Thank you for reading our sustainable business report. As stated at the outset, we hope that our report has presented you with a concise, yet meaningful overview of the role sustainability plays in our day-to-day operations and business practices. Please refer to the companion website for this report at https://www.safaricom.co.ke/sustainabilityreport_2018/ for more information regarding the list of material topics and purpose of our reporting, the methodology we use to determine our most material topics, the methodology we use to calculate our emissions and water consumption, our governance structures and processes, as well as our assurance process.

As we continue to learn and evolve on our journey of sustainable business reporting, we value your views and feedback. Please share any comments, queries or suggestions you have regarding this report with the reporting team by emailing sustainability@safaricom.co.ke

"The concept of shared value calls upon us to pursue inclusive business models, and emphasises the fact that no business can survive in isolation. The future proof businesses are those that focus on addressing the challenges that face the societies in which they operate."

— Bob Collymore, Chief Executive Officer, Safaricom PLC

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