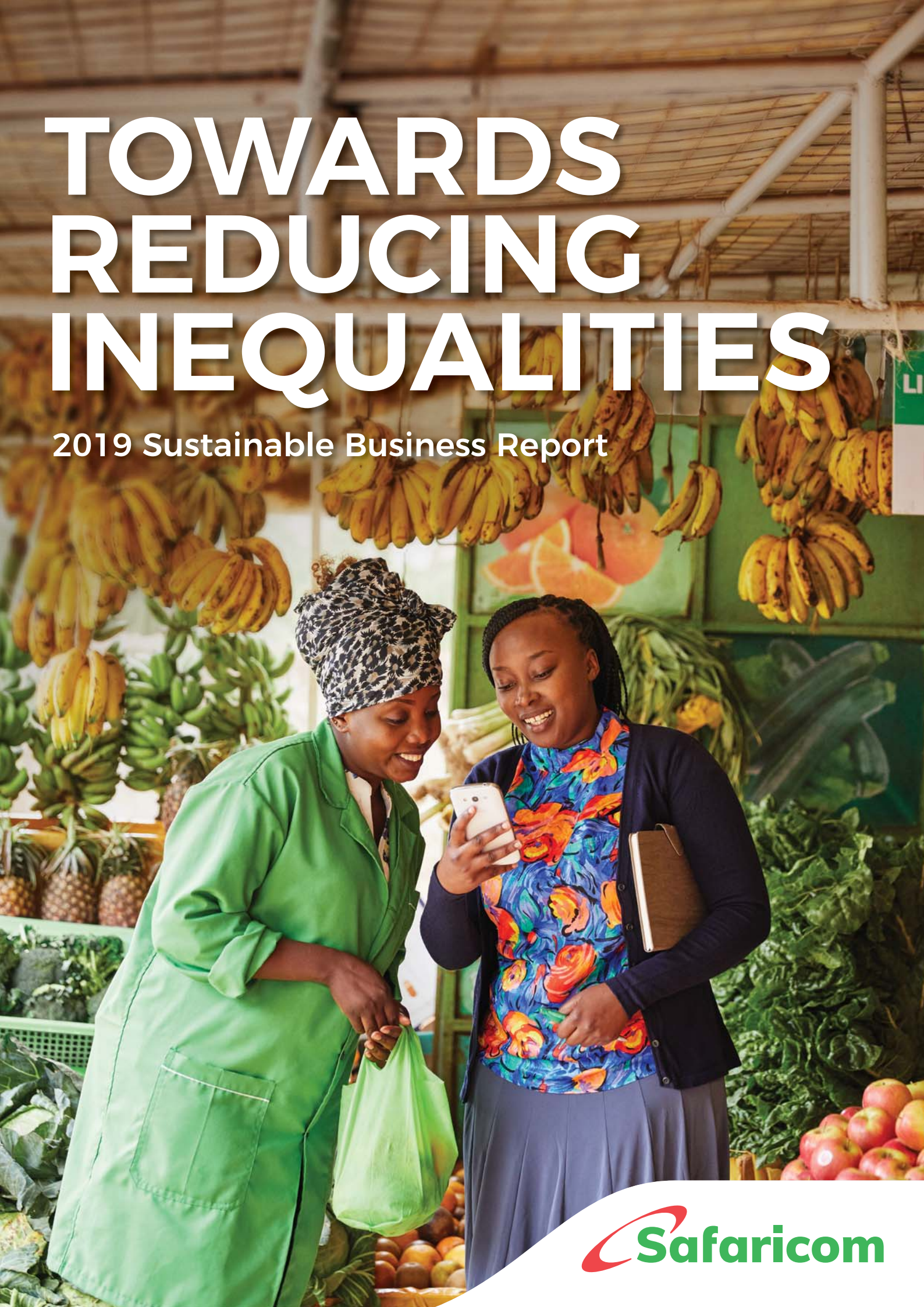


TOWARDS REDUCING INEQUALITIES

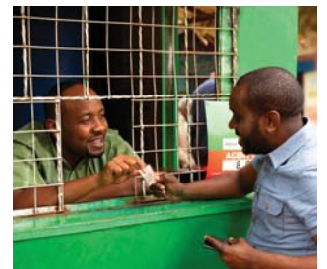
2019 Sustainable Business Report





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INTRODUCTION

The nature of telecommunications has changed since we began in 2000. Today we are a digital lifestyle enabler, a platform, bringing voice, data, financial services and enterprise solutions to a range of consumers, businesses and government.

Building on our 2018 theme of Shared Value, we have deployed a more advanced approach to report on and upscale our sustainability agenda through our focus on activities aimed at reducing inequalities.

The United Nations (UN) Sustainable Development Goals (SDGs) continue to guide, stimulate and strengthen our commitment to sustainable business.

In 2019, this commitment was achieved specifically through:

- analysing the wider economic and social impact of our business, as presented in our True Value analysis;
- driving digital democracy by connecting the unconnected and deepening digital inclusion;
- providing products and services that support and promote financial inclusion;
- enhancing access to healthcare, education, clean and affordable energy; and
- a targeted approach to building the capacity of local suppliers to engage in our supply chain;
- ongoing workforce diversity for the empowerment of women, differently-abled persons and the youth.

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THE PURPOSE OF OUR SUSTAINABLE BUSINESS REPORT

This report presents the progress we have made toward our goal of building a more sustainable future. We believe in holding ourselves accountable and sharing our successes, our challenges and our constraints in a public, transparent and open manner – a journey we have been documenting since 2012.

This report defines what sustainability means to us, and how it informs our strategic thinking and day-to-day operations. It explains how we have integrated sustainable business practices and the Sustainable Development Goals (SDGs) into our corporate strategy and business model, and describes our performance through the broad context of sustainability, our wider socio-economic and environmental impact and the value we create for Kenyan society (using the KPMG “True Value” methodology).

TOWARDS REDUCING INEQUALITIES

This report demonstrates how our business strategies are designed to reduce inequalities by addressing the needs of the society in which we operate through our various products and services, as well as integrating various stakeholder groups into our value chain, stimulating economic and social transformation and providing access to communications infrastructure and products for business growth. The report also serves to raise awareness of the sustainability challenges society faces and ensure that these remain part of the discussion in Kenya and around the world. It is an explicit responsibility of our continued membership of the B-Team and the United Nations Global Compact (UNGC), and an expression of our belief in the principles enshrined in the Code of Ethics for Business in Kenya.

The first part of this report details our approach and performance in terms of the economic, environmental and social impact of our business operations (our “material topics”) and focuses on our key sustainability drivers, operating model and aspirations. The second part provides insight into the nature of our relationships with our ecosystem of stakeholders and how much value we contribute to Kenyan society.

Throughout this report, icons representing the relevant SDGs connect the goals to our socio-economic and environmental performance and our stakeholder engagement activities.

For details of our company profile, products and services, and spread of market operations, please refer to the company website: <https://www.safaricom.co.ke/about>.

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 various stakeholders. This report covers our fiscal year of 01 April 2018 to 31 March 2019 and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. This Sustainability Report should be read together with the Safaricom Annual Report and Financial Statements 2019 to understand how we bring value to our stakeholders. For more information on the material topics and purpose of our reporting, methodology and assurance process, please visit: <https://www.safaricom.co.ke/about/transforming-lives/sustainability>.

Our 2019 Annual Report provides information beyond the scope of our sustainability activities and is available on: <https://www.safaricom.co.ke/investor-relation/financials/reports/annual-reports>

Help us improve our reporting

We hope this report provides 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 all related feedback, which can be shared via email to 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 the country and are committed to managing our operations in a responsible and ethical manner.

On behalf of the Board, we acknowledge that our responsibility is to ensure the integrity of this sustainable business report. We are confident that it presents, accurately and impartially, the progress we have made towards our goal of building a more sustainable future.



Nicholas Nganga
Chairman

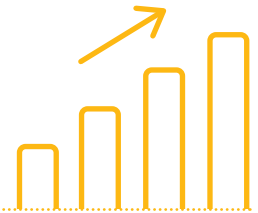


Bob Collymore
Chief Executive Officer

31 March 2019

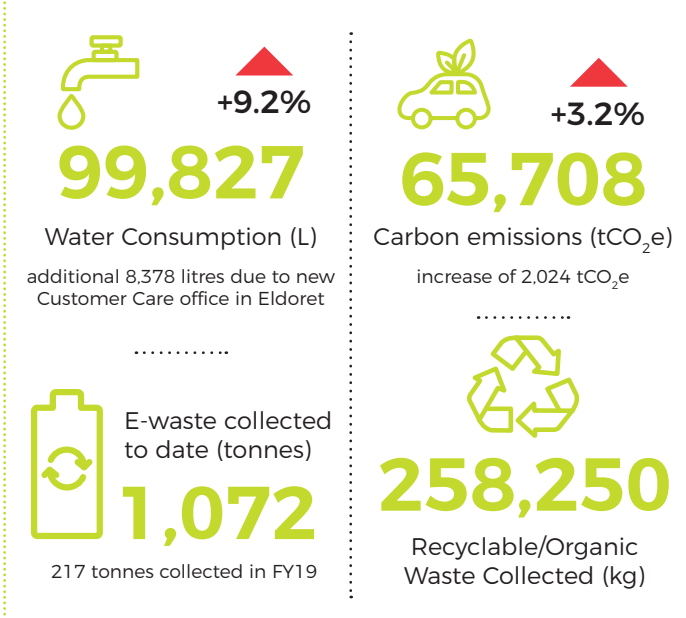
FY19 YEAR IN REVIEW

This section highlights our most significant challenges and areas of progress during the 2019 financial year (FY19). Any changes in performance are indicated against FY18 performance for year-on-year comparison.

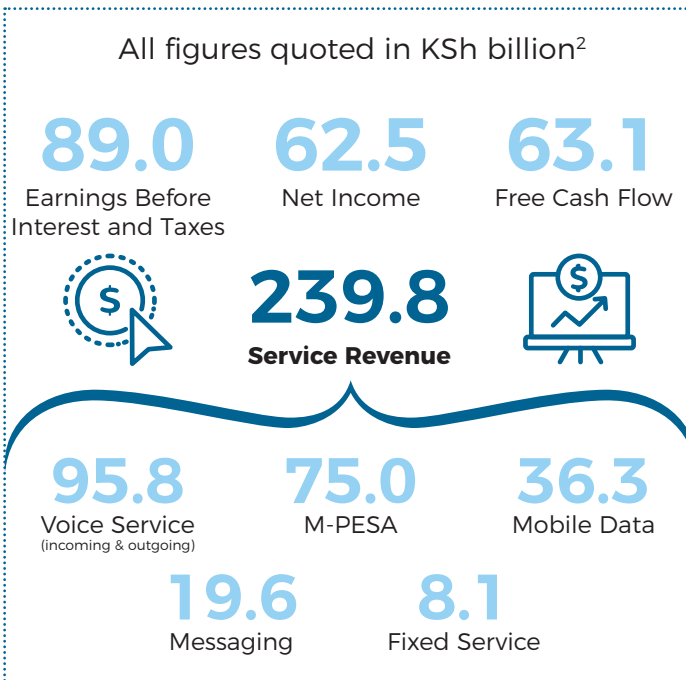


<p>31.8m +7.7% Total Customers</p> <p>22.6m +10.2% M-PESA Customers*</p> <p>2.1m additional customers in FY19</p> <p>18.8m +6.4% Mobile Data Customers*</p> <p>178 Women Owned Businesses pre-qualified under our Women in Business initiative 3.2% of total spend</p>	<p>Customer Satisfaction</p> <p>61 -11pts Net Promoter Score down from 72 in FY18</p> <p>80 +8pts Network NPS (Net Promoter Score)</p> <p>18 -43 Dismissals for fraud</p> <p>1m farmers additional 300,000 farmers since FY18</p>	<p>50% 0% percentage of female employees in workforce</p> <p>34% +2% Percentage of female employees in senior management</p> <p>94% -3% Staff likely to recommend Safaricom as a great place to work</p> <p>2.1% +0.4% Percentage of the workforce that is differently-abled</p>	<p>TRUE VALUE 9.6x financial profit of KSh 62.5b</p> <p>6.3% -0.2% Contribution to GDP</p> <p>240 +7% Service Revenue Growth (KSh billion) 7% year-on-year growth (ahead of Kenyan GDP growth)</p> <p>12 Fuliza overdrafts processed per second</p> <p>37.3% M-PESA Global (KSh 101 billion) of all diaspora remittances¹ sent through M-PESA</p>
<p>Our Customers and Ecosystem</p>			<p>Impact on the Economy</p>

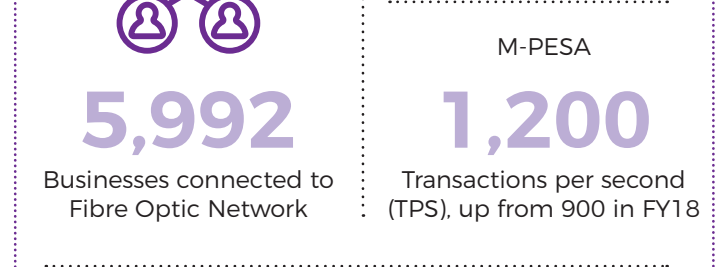
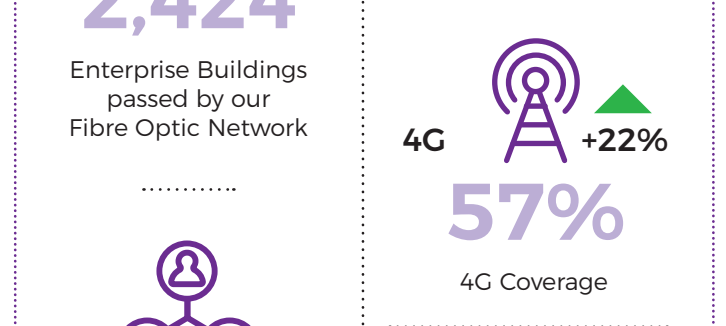
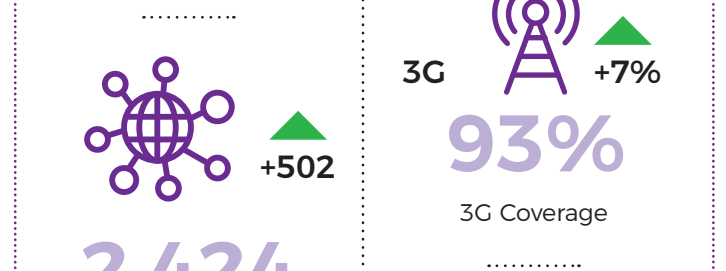
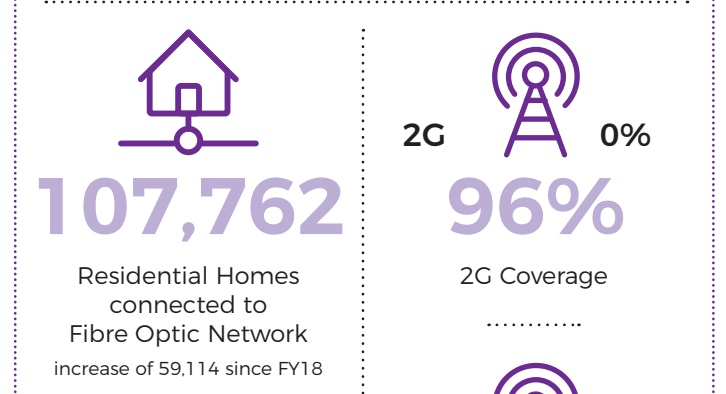
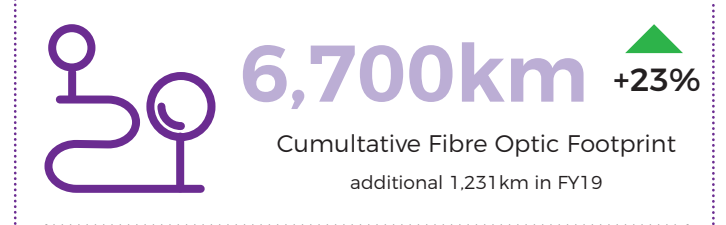
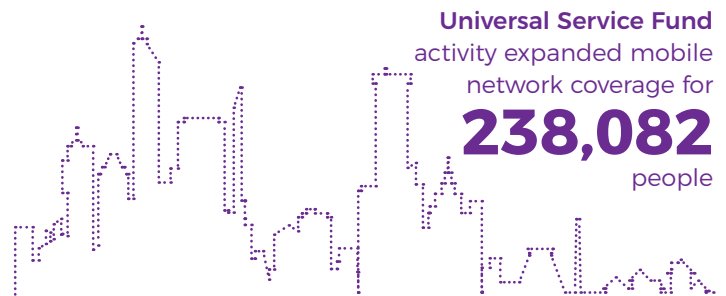
1. International money transfers remitted from outside Kenya, mostly by Kenyans living abroad.



Impact on the Environment



Financial Results



Our Infrastructure

2. These financial results reflect the adoption of IFRS 15 standards. Please refer to Safaricom Annual Report for further details on financial performance.

MESSAGE FROM THE CHAIRMAN

As Chairman of the Board, it is my pleasure to present our eighth annual sustainable business report. As this report describes, we continue to frame sustainability as a business response to the challenges we face as a society, and as a central facet of our purpose: to transform lives. In FY19 we sharpened our focus on the customer, providing affordable products and services, segmenting our product offering, innovation and development, and delivering our SDG-related commitments.

CHANGES IN OUR OPERATING ENVIRONMENT

By many accounts, last year was a challenging period for our business. While the information and communications technology (ICT) industry, like other sectors, had anticipated an economic turnaround after the prolonged electioneering period, depressed credit growth and strained consumer budgets made real recovery challenging.

Several external economic, political and regulatory issues had a significant impact on the company and, in turn, a knock-on effect on progress towards achieving both our business and sustainability objectives.

Increased taxes, especially those on mobile phone services, affected our customers' ability to consume our products and services. The drought and rising inflation depressed discretionary spending among our customer base. The recovery of the tourism sector and governance issues in both the private and public sectors also had their effects. Nonetheless, our inclusive approach not only helped propel our sustainability agenda forward, but also enabled us to strengthen partnerships and deepen community engagement, which in turn contributed towards keeping the business steady in a challenging operating environment.

SUSTAINABILITY PRIORITIES, STRATEGY AND CHALLENGES

During the year under review, the sustainability priorities of the Board were keeping Safaricom customer-focused and taking on board the findings of a report commissioned by the Communications Authority, which is likely to affect our operating regulations significantly.

We continue to establish numerous partnerships to enable us to achieve our SDG-related ambitions and have begun integrating the goals into our employees' annual performance targets.

“We continue to frame sustainability as a business response to the challenges we face as a society, as well as a central facet of our purpose to transform lives.”

LOOKING AHEAD

We remain confident that, despite the challenging business environment, we will continue to execute our strategy, seeking out new growth opportunities within and beyond the borders of Kenya and staying true to our purpose of transforming lives. This will enable us to remain purpose-driven and profitable as we grow value for our shareholders, deliver shared value to a broader stakeholder base and position Safaricom as a business that is fit for the future.



Nicholas Nganga

Chairman and Non-Executive Director
Safaricom PLC



“Our inclusive approach not only helped propel our sustainability agenda forward, but also enabled us to strengthen partnerships and deepen business community engagement.”

INTERVIEW WITH OUR CEO

It has been a demanding year for Safaricom. In this wide-ranging interview Bob Collymore, CEO of Safaricom, discusses the progress the company has made towards its sustainability commitments and offers his perspective on the important link between shared value thinking, reducing inequalities and commercial sustainability. This interview was conducted in May 2019 and is published posthumously.

You have spoken about the importance of Shared Value thinking as a way of guiding sustainable business activity. How do you define Shared Value and why do you consider it such an important guiding concept?

From a sustainability perspective, “Shared Value” is an established and important concept. It highlights why sustainable business solutions are more powerful and lasting than extractive or exploitative business practices. As its name implies, the concept emphasises how business, its stakeholders and value chains can come together and deliver products and services in a way that creates new or additional value for everyone involved.

In any case, it is encouraging to see the idea of profit with purpose – of using sound commercial principles to create sustainable economic empowerment and prosperity – being embraced by the business community. We hosted the Africa Shared Value Summit here in Nairobi in May 2019 and it was great to see how well the private sector was represented. It was encouraging to see a large number of CEOs attend in person to drive Shared Value leadership from the top.*

The public sector cannot solve the challenges we are discussing by itself. There is so much the private sector can and needs to do; so many potential partnerships that can be created to unlock extra, sustainable value. I am working with my counterparts in the banking sector, for example, to find ways of creating new entrepreneurial opportunities that will benefit them and us and entrepreneurs.

“The public sector cannot solve the challenges we are discussing by itself. There is so much the private sector can and needs to do.”

* We have published the full text of Bob’s speech at the Shared Value Summit on page 86 of this report.

Safaricom employees began the process of including SDG-related commitments in their personal performance objectives during the year and this has been described as “a significant achievement”. Do you agree with this assessment?

Yes, it is a significant achievement, particularly since I believe we are among the forerunners in this regard. We started the SDG integration process in 2016 by embracing the SDGs as a business and integrating them into our corporate strategy. We began by asking each division within the company to map its material issues against the SDGs, and were able to identify nine out of the 17 Goals as relevant to Safaricom. Our people have now embraced the Goals as individuals and begun the process of including SDG-related commitments in their personal performance objectives. Even though we still have a fair way to go in this regard, I am satisfied with our progress because it takes time to establish this kind of traction and momentum at the level of the individual.

You introduced the new role of Chief Customer Officer (CCO) as part of the restructuring of the leadership during the year. Could you tell us more about the purpose of this new executive position and what you hope it will achieve?

One of the benefits of being away from the company for part of the year was that it gave me the space and time to really think about several aspects of the business, including our customers and what customer-centricity actually means.

We decided to introduce this new role to bring together the key customer-facing functions from across the business, from products, sales and marketing to customer care, and to make one person, ultimately, responsible for the customer. It also reflects our sharper focus on the customer as a person, not a segment or a function.

We have talked about being customer-focused in the past, but until we restructured the company to reflect that commitment and put the key decision making in one place, and the right place, it was really more words we said than an actual change in mindset or the way we operate.

The company has set itself rigorous targets for diversity and inclusion by 2020. Are you pleased with progress to date?

Results have been mixed. In some respects, we have made decent progress. We are working hard to achieve our pledge to increase the number of differently-abled employees to five per cent of our workforce in 2021. We have also maintained our gender parity as an employer and 50 per cent of our permanent staff are female.

That said, I remain disappointed with our lack of progress in terms of achieving gender parity in senior management and executive leadership. We have committed to achieving equal gender representation in senior management by 2021, but only 34 per cent of our senior managers and 27 per cent of our executive leaders are female.

I recognise that this is a multifaceted challenge, of course, and more than simply a recruitment problem. The many roles that women are often required to play in their families and in society inevitably impact upon their careers.

We have been working hard to address this complex challenge through initiatives like our *Women in Leadership* and *Women in Technology* programmes, but the fact remains that we need to intensify our efforts if we are to achieve the 2021 target.

Our *Women in Business* initiative has started to show results and women-owned companies participated in a third of the contracts we put out to tender this year, up from just 16 per cent in 2017. We still have much to do to achieve our target of ensuring that women-owned companies account for at least ten per cent of our total procurement spend by 2020, but I am satisfied that we continue to shift the needle in the right direction in that regard.

You have suggested that individual ethics need to drive the fight against corruption in the long term. Could you explain what you mean by this?

We need to start moving the conversation from straightforward corruption and broaden it to consider ethical behaviour in general. Obviously, corrupt acts should continue to be pursued, exposed and punished as a top priority, but I believe that the long-term solution is to start thinking about what it means to conduct ourselves as individuals in an ethical manner, and what the personal benefits of doing so might be.

This approach makes sense because corruption begins with a single individual and his or her personal choices. So, let us start addressing this fact by becoming more conscious of the impact our choices and actions have on ourselves, each other and society in general, not just on Safaricom.

This perspective also moves the conversation on to a more sophisticated and potentially useful level. It begins to inform how we address issues like customer privacy and concerns regarding customer data collection and use, for example, which are sensitive areas that companies like ours are going to have to navigate carefully in the near future.

Accordingly, my hope is that awareness of the impact and importance of individual ethical behaviour will become central to the way the company thinks about corruption and ethics over the next few years.

Safaricom has committed to becoming a net zero carbon-emitting company by 2050. How has this courageous pledge impacted the company?

One of the biggest challenges the world is facing today is climate change. In recognition of this, we made the bold commitment to become a net zero carbon-emitting company by 2050. Did we know how we were going to achieve this goal when we started? No. We just knew that we had to try. Has embracing this challenge given us a clearer idea of what needs to be done? Yes. Making this pledge has galvanised us and many of our initiatives can be mapped to it. It is encouraging us to be more radical and inventive and to think more creatively about our relationship

with energy, together with the potential use of carbon offsets.

As a result, we are not looking simply at getting our network sites off generators and on to the national grid, but at powering them using renewable energy. We are also exploring how to consume energy more efficiently. We have started focusing in earnest on the role carbon offsets will need to play in order for us to achieve our net zero commitment as well. By the time this report is published, for instance, we expect to have announced our intention to plant a forest of one million trees as part of our carbon offset programme.

Why is addressing income inequality such an important ambition for you?

The second biggest challenge facing the world is inequality. It is on the rise globally. We can see the reality and negative consequences of this all around us in Kenya. Inequality weakens the socio-economic fabric of society. Income inequality has been linked to lower levels of education, poorer public health, higher rates of crime and lower GDP growth rates. The impact of inequality is a really important issue for us because it is clear that the ongoing success of a company is directly linked to the success of the society within which it operates.

Business has a vested interest in creating inclusive growth, as well as an important role to play. If you help your consumer base gain access to more opportunity and success through becoming more educated, healthier and productive, it is obvious that your business will thrive. In an ideal scenario, the public sector provides the enabling environment, the private sector delivers opportunities, and civil society deepens the links into the community and ensures accountability.

Safaricom is a top collector of e-waste in the Kenyan private sector. Why do you argue that this is not enough?

I am proud of the fact that Safaricom is the one of the largest private-sector collectors of e-waste in Kenya. We collected another 217 tonnes during the year and have collected over a thousand tonnes since 2015. We have begun collecting other recyclable and compostable waste

as well. I maintain that this is not enough though, because we need to stop the waste being created in the first place. In that regard, I am pleased that we have committed ourselves to eliminating all single-use plastic at our facilities, along with minimising the amount of plastic used in our retail packaging and SIM cards.

I am pleased with the start we have made, but we need to get other companies and organisations to follow suit. My understanding is that it is difficult to recycle efficiently the comparatively small amounts of e-waste and plastic that are being collected at present. As a society, we urgently need to collect more. It is the kind of challenge to which we need to apply Shared Value thinking. How can we scale up our efforts and incentivise large numbers of socio-economically challenged Kenyans to collect waste for recycling, for instance?

You have suggested that sustainability at Safaricom is “bigger than the CEO”. What do you mean by that?

Exactly that. I am delighted at how the team here at Safaricom continued to drive the sustainability agenda during my absence this year. It is a measure of how far we have come in terms of embedding such ideas institutionally within the company. The importance of being a sustainability-led business appears to have been embraced enthusiastically by our people and this fills me with confidence and optimism.

Yet we need others to join with us. We cannot succeed alone. The world appears to be becoming more divided and unequal rather than less. Our country and continent face pressing challenges that can only be solved if we all work together. Business has a vital role to play – perhaps a more important role than any other player in the theatre – and the time to unite to address the challenge of reducing inequalities is now.



Bob Collymore

Chief Executive Officer
Safaricom PLC



“The second biggest challenge facing the world is inequality. It is on the rise globally... Inequality weakens the socio-economic fabric of society.”

OUR BUSINESS

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SAFARICOM AT A GLANCE

OUR PURPOSE

Transforming lives

OUR VALUES

Speed
Simplicity
Trust

OUR PROMISE

Twaweza
When we come
together, great things
happen

OUR CULTURE

Purpose

When we focus on our purpose and our people, profits will follow naturally.

Humanness

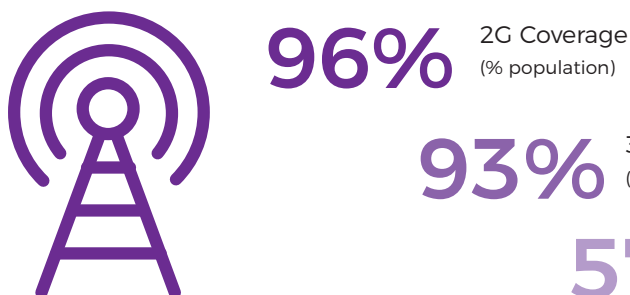
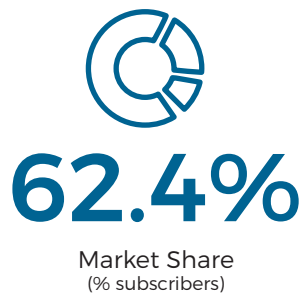
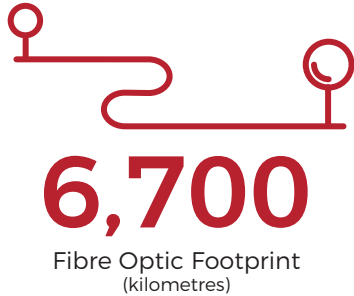
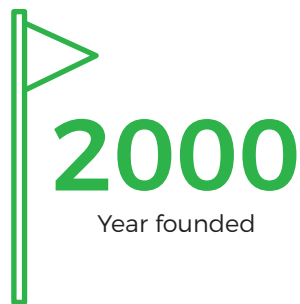
We all matter; our diversity is our strength.

Growth

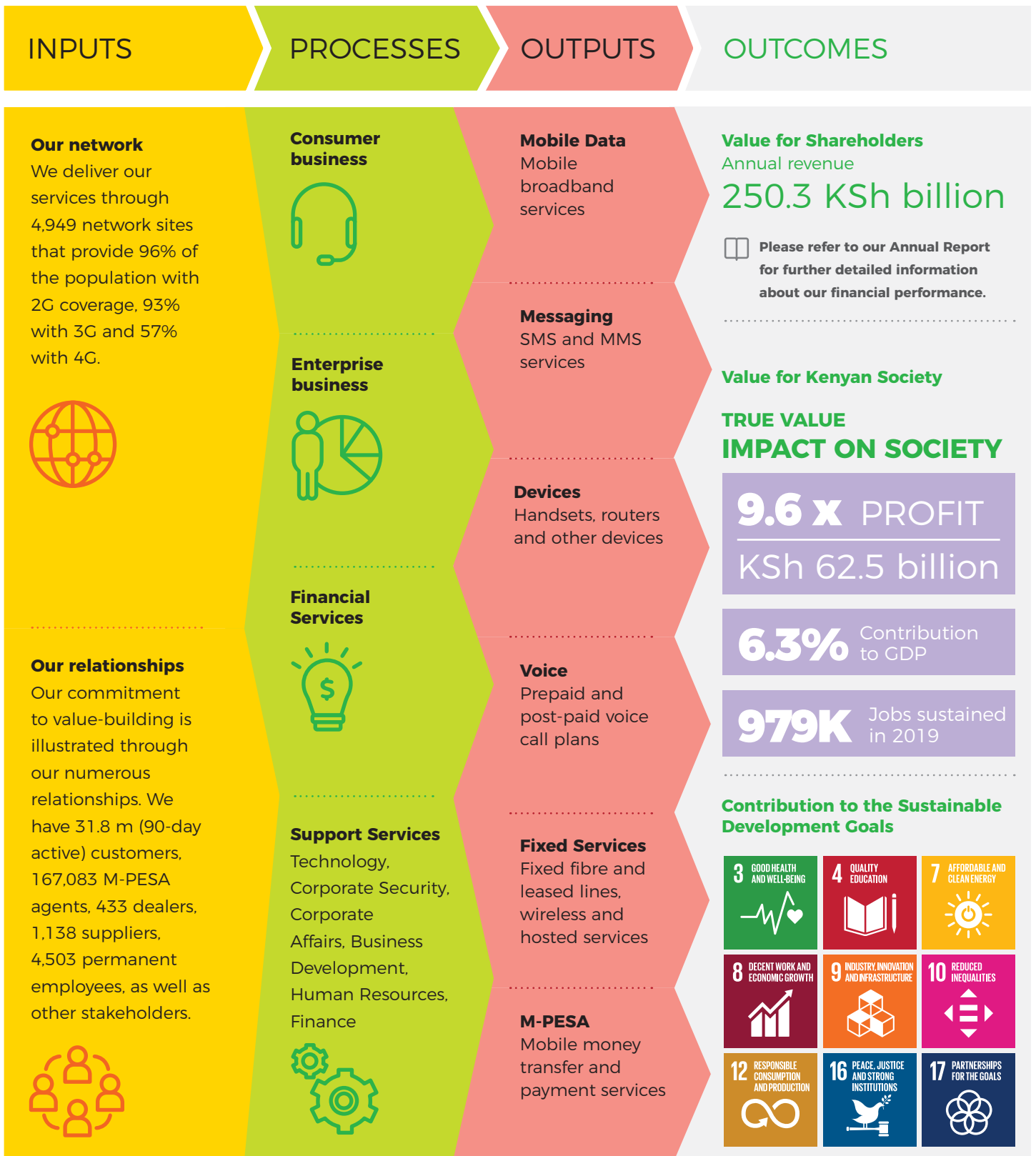
We are enterprising, innovative and take risks to grow – for self and business.

Trust

Our customers, partners and colleagues trust us. We are accountable, vulnerable and authentic.



OUR BUSINESS MODEL



OUR CORPORATE STRATEGY

The following matrix plots the three pillars of our corporate strategy (listed right) against each of our material topics (listed below) to illustrate how our strategy also supports our efforts related to the SDGs.

Customer first

Segmentation helps us understand the needs of our more than 31.8 million customers.

Relevant products

We use insight gathered from multi-level customer engagements to design products and services relevant to the precise needs of our customers.

Operational excellence

We assess everything we do in light of whether it best serves our operations and enables us to work with speed, simplicity and trust.

Governance, business ethics and risk			
Regulatory environment			
Our network			
Environmental stewardship			
Innovation			

OUR 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.

OUR SUSTAINABLE BUSINESS STRATEGY

In 2012, we integrated sustainability into our corporate strategy, bringing it in line with the SDGs in 2016 to help translate our sustainability ideals into meaningful and concrete plans, from overarching objectives to simple daily activities that could be put into practice throughout the organisation.

The Board is responsible for ensuring that sustainability is at the heart of our overall business strategy. Safaricom management assumes the responsibility of leading, implementing, monitoring and reporting on sustainability initiatives through seamless integration of the SDGs into the day-to-day operations and functional responsibilities of the business.

For more information on our governance structure and the responsibilities of the relevant governing bodies, please refer to the governance section of the 2019 Safaricom Annual Report.

Since 2016 we have incorporated nine of the 17 SDGs into our performance objectives, both as a company and on the individual employee level. Each division is implementing projects or developing products and services in line with the SDGs. Reporting on targets related to the SDGs is now central to our ways of working, and we seek to empower everyone we work with – employees, partners and other stakeholders – to set their own.

SUSTAINABLE DEVELOPMENT 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.”*

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

In making the SDGs a central pillar of our business, we have made sustainable development a part of the organisational and business culture at Safaricom.

SUSTAINABLE BUSINESS STRATEGY: BUSINESS-DRIVEN APPROACHES

- Provide business-driven solutions for the challenges faced by our society
- Stimulate continuous economic growth
- Address societal needs
- Empower communities

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

In making the SDGs a central pillar of our business, we have made sustainable development a part of the organisational and business culture at Safaricom.

16 Peace, Justice and Strong Institutions: “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”

Our contribution: Managing our operations responsibly and ethically and fighting corruption in all its forms.

- 96% of our suppliers have signed up to the Code of Ethics for Businesses in Kenya.
- 282 dealers (64%), 61,567 (38%) agents and 248 suppliers have been trained on Know Your Customer (KYC) requirements for registration of customers to combat money-laundering and other crimes associated with mobile technology.
- 96% of staff have undertaken ethics and anti-corruption training.

12 Responsible Consumption and Production: “Ensure sustainable consumption and production patterns.”

Our contribution: Managing our operations responsibly, decreasing our environmental impact and promoting responsible behaviour among our stakeholders.

- We have reduced by 50% the amount of plastic used in our SIM cards.
- 97% (253 tonnes) of the waste collected in our admin buildings in the year under review was recycled.
- 1,072 tonnes of e-waste has been collected and recycled to date.

10 Reducing Inequalities: “Reduce inequality within and among countries.”

Our contribution: Reducing inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology.

- A diverse and inclusive workforce: we have achieved a 50:50 gender balance among our employees, and 34% of senior management are women. In addition, 2.1% of our staff are persons living with disabilities.
- We have Women in Business initiative targets in place to increase the share of women-owned businesses in our supply chain from the current 3.2% to 10% by the end of 2020.
- We have partnered with device suppliers to provide affordable smart devices such as the Neon Kicka (3G) (KSh 3,500) and Neon Lite (4G) (KSh 4,999), to enable our customers to access internet. Currently 38% of the devices on our network are smart devices (3G and 4G capable).
- In the year under review, we reduced the cost of data per MB by 42%.

9 Industry, Innovation and Infrastructure: “Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.”

Our contribution: Delivering connectivity and innovative products and services that will provide unmatched solutions to meet the needs of Kenyans.

- Our mobile network coverage – 96% of the population covered by 2G, 93% by 3G and 57% by 4G.
- We have connected 107,762 homes and 5,992 businesses to high speed internet through our fibre optic network.

17

Partnerships for the Goals: “Strengthen the means of implementation and revitalise the global partnership for sustainable development.”

Our contribution: Partnering and building the collective capacity of people, organisations and nations to promote and advance the SDGs.

- Membership of B-Team Africa allows us to champion responsible and ethical business practices in Africa.
- We participate in Big Data for Social Good.
- Six portfolio companies to date have a close commercial partnership with Safaricom (Sendy, mSurvey, Eneza, Lynk, Farm Drive and iProcure).





3 Good Health and Well-being: “Ensure healthy lives and promote well-being for all at all ages.”

Our contribution: Leveraging our mobile technologies to transform lives by improving access to quality and affordable health care services and by promoting well-being for all.

- Our award-winning M-Tiba, in partnership with CarePay, is a health payments solution with an e-wallet which enables users to save towards healthcare expenses from as little as KSh 10. M-Tiba now has over 4.4 million users, 1,405 approved health facilities countrywide, and to date over KSh 600 million has been paid out.
- The Thrive programme, designed to boost the well-being of our more than 6,000 employees with its focus on body, mind, heart and soul.
- Fafanuka, an SMS and unstructured service supplementary data (USSD) service to educate the public, patients, nurses, community health workers and caregivers on how to prevent, screen for, diagnose, manage and follow up non-communicable diseases (NCDs), has reached 5,400 unique subscribers.
 - Comprehensive maternal and child health programmes and medical camps by the Safaricom and M-PESA Foundations, which are improving access to quality, affordable and accessible services for women and children, have impacted on over 100,000 lives across the country.

4 Quality Education: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

Our contribution: Expanding access to education through innovative solutions, our network and through partnerships.

- Our unstructured service supplementary data (USSD) and SMS service Shupavu291, which enables students and teachers to take quizzes, search subjects to study and access Wikipedia summaries without an internet connection, currently has 580,126 active subscribers and so far has been used by 4,129,058 learners since its launch in 2016.
- The M-PESA Foundation Academy provides 700 economically disadvantaged students access to a high-quality education through world-class learning facilities, focused on building leadership and entrepreneurship skills.

7 Affordable and Clean Energy: “Ensure access to affordable, reliable, sustainable and modern energy for all.”

Our contribution: Transitioning to the use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions.

- We have introduced science-based carbon reduction targets to help us plan our progress towards becoming a net-zero carbon emitting company by the year 2050.
- We have transitioned 196 (3.7%) of our sites to renewable and hybrid energy sources – up from 155 (2.5%) in FY18.
- In partnership with M-Kopa Solar, we have provided access to solar energy to over 500,000 households with a positive impact on 2.4 million lives.

8 Decent Work and Economic Growth: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”

Our contribution: Providing decent work within Safaricom and its broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers while at the same time contributing to the local and national economy through innovative solutions to increase employment and facilitate economic activity amongst suppliers and clients.

- We sustained 187,756 jobs directly and indirectly through our operations.
- Under Project Magenta, our commitment to improving the working conditions of our outsourced staff, we have implemented a living wage (KSh 19,639.95), which is considerably higher than the defined minimum wage (KSh 13,572.00), for our security guarding contracts.

TRUE VALUE ASSESSMENT

We continually track whether we are successfully improving quality of life and contributing towards a sustainable livelihood for people throughout Kenya. Guided by a structured impact modelling tool, we are able to conduct holistic assessments and build a foundation from which to explore inclusive solutions to further increase the value we create for society.

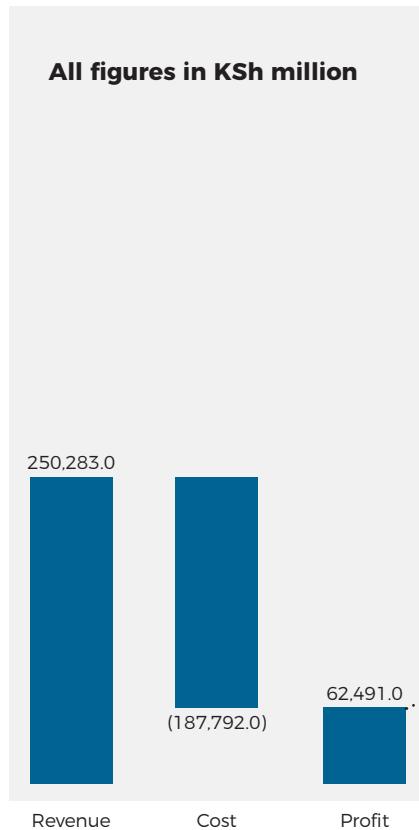
The KPMG “True Value” methodology allows us to quantify the significant indirect value contribution we make to the Kenyan economy, society and environment. By examining the positive and negative impact of the organisation on society, the environment and the economy in monetary terms, we are able to highlight how much actual value we contribute to Kenya and its people. The following is an independent analysis of our True Earnings by KPMG.

TRUE VALUE IMPACT ON SOCIETY

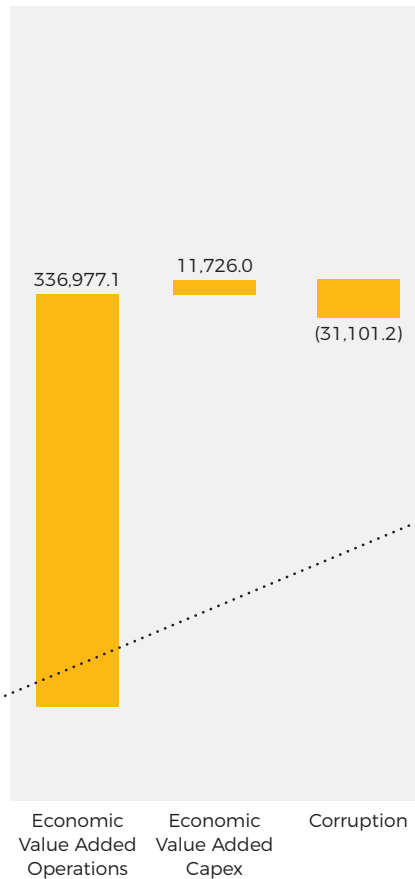
The True Value assessment calculates that we sustained over **187,756** direct and indirect jobs during the year and, if the wider effects on the economy are included, this number increases to over **978,633 jobs**.



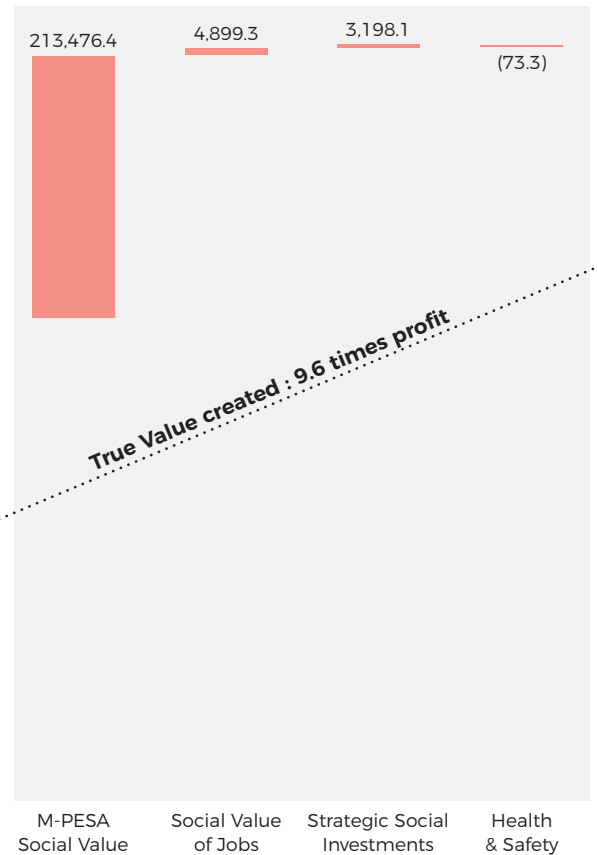
EARNINGS



ECONOMIC VALUE-ADD



SOCIAL EXTERNALITIES



True Value created : 9.6 times profit

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.

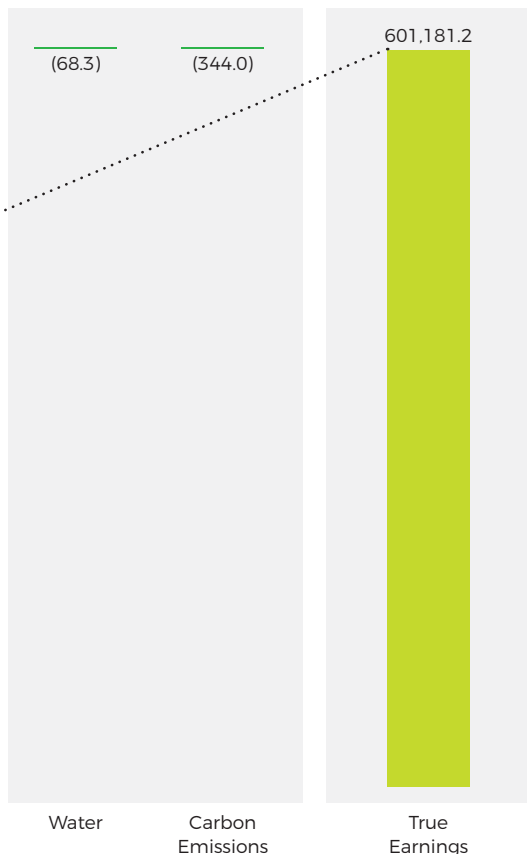
True Earnings: The first step of the True Value methodology, which quantifies and monetises the material externalities of a company.

Total Economic Value: The nature and magnitude of the contribution to the Kenyan economy made by Safaricom.

Induced economic impact: Our operational and capital expenditure will stimulate additional employment and benefit the employees of our suppliers. 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.

ENVIRONMENTAL EXTERNALITIES

TRUE EARNINGS



We remain committed to our purpose of transforming lives. Our latest True Value Report indicates that the value to Kenyan society created by Safaricom increased by **11 per cent** to **KSh 601 billion, 9.6 times** the financial profit the company earned during the same period, and we contributed a total of **6.3 per cent*** to the gross domestic product (GDP) of the country. We continue to leverage the power of mobile technology to deliver shared value propositions that disrupt inefficiencies and impact lives positively in the health, agriculture and education sectors.

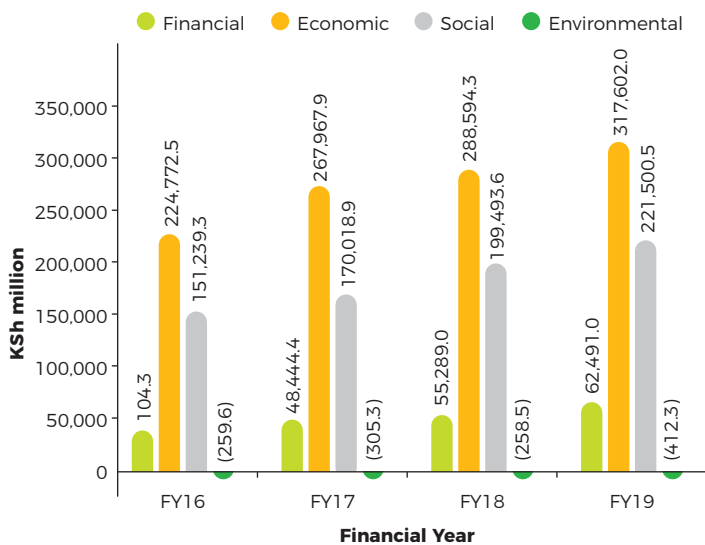
*This figure is based on the direct, indirect and induced economic impact of Safaricom (calculated using the Kenyan national economic impact assessment model) and the average estimated Kenyan GDP sourced from the Kenyan National Bureau of Statistics website <https://www.knbs.or.ke/>

Source: KPMG 2019, KPMG True Valuse Case Study – Safaricom Ltd

THE 2019 TRUE EARNINGS BRIDGE

The economic impact made through our operations is the greatest contributor to the value we create. This has grown ten per cent since FY18. The value created through capital expenditure also increased in the year under review, by 18 per cent.

True Earning: FY16 - FY19



This graph demonstrates how all factors have contributed towards the “True Earnings” of Safaricom for this period. Most noteworthy was the growing contribution from social externalities, particularly in terms of the social value created by M-PESA as the product grew and evolved.

Throughout the period, the greatest contribution to “True Earnings” came from the economic value created through the operations and capital projects of Safaricom, whereas the negative environmental externalities, though recognised as a material topic, continue to have minimal impact.

Safaricom’s contribution to the Kenyan economy, which takes into account economic value generated, tax paid and the estimated value eroded by corruption in the economy, amounts to KSh 317.6 billion.

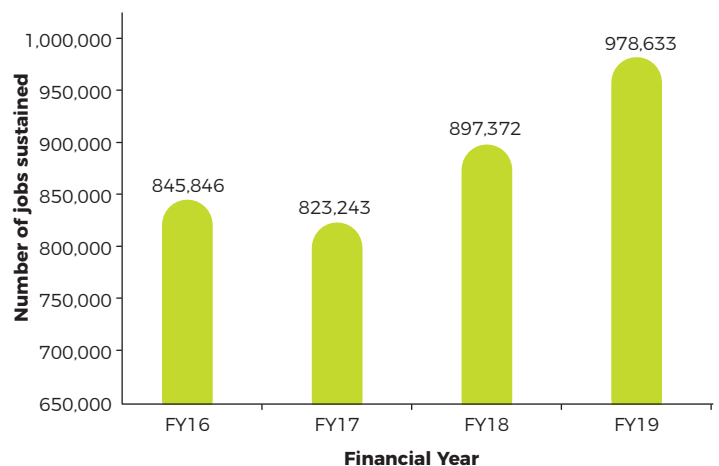
The “Total Economic Value added” on the Safaricom True Earnings Bridge includes only the direct and indirect GDP impact associated with Safaricom operations and capital expenditure. The following is a breakdown of the total GDP impact if the wider effects on the economy are included:

The economic impact of the KSh 250.3 billion in annual revenues generated from Safaricom operations resulted in an estimated KSh 531,067 million contribution to Gross Domestic Product (GDP). This GDP impact can be separated into a direct impact of KSh 147,029 million, an indirect impact of KSh 91,818 million and an induced impact of KSh 292,220 million.

The total economic impact of our estimated KSh 37.3 billion capital expenditure resulted in Safaricom resulting in a total estimated GDP contribution of KSh 20.1 billion. This GDP impact can be separated into a direct impact of KSh 8.2 billion, an indirect impact of KSh 3.5 billion and an induced impact of KSh 8.4 billion.

Each year, a portion of the economic value generated by Safaricom is lost as a result of corruption that takes place in the Kenyan economy. It is important to note that this is not directly connected to the activities of Safaricom, but rather acknowledges the unfortunate reality that not all of this value is retained.

Jobs Impact



This graph provides a high-level overview of the annual contribution to employment. The numbers are derived from a Kenya-specific economic impact assessment (EIA) model and include direct and indirect contribution to employment, as well as the wider induced effects on employment in the economy. The positive social impact associated with the direct and indirect jobs sustained as a result of our business has been included in the True Earnings bridge.

The social value of M-PESA³ remains a significant creator of value for Kenyan society, having increased by 12 per cent in the last financial year. The major drivers of this growth have been the increase in numbers of customers, agents and merchants; the increase in the average number of transactions per customer; and the increase in the average value of transactions made per customer. The social value created by M-PESA in FY19, excluding transaction fees, has been calculated at KSh 213.5 billion. This is 3 times the total amount of transaction fees earned by Safaricom in the same period. The greatest value continues to be felt by customers, who benefit from their improved ability to manage and save money, lower transaction costs, less theft, and the wellbeing that comes with access to goods, services and opportunities, and increased safety and security.

There were two recorded contractor fatalities in FY19, which negatively impacted the Safaricom True Earnings for the period.

The overall negative environmental impact on the Safaricom True Earnings increased. Our total water consumption increased due to the inclusion of a new call centre in Eldoret and a reduction in the amount of water we harvested. Carbon emissions increased in the year under review; the negative impact of these on the results was further increased by the higher cost of carbon.

All financial information can be found in the 2019 annual financial report, including taxes paid by Safaricom and actual direct employment. Both capital and operational expenditure have been processed via the Kenyan national economic impact assessment model, set up to accept the economic structure of the communication industry according to the Kenyan Social Accounting Matrix (SAM).

³ Social Return on Investment (SROI) principles were used to quantify the social value created for stakeholders through our M-PESA product offering.

How we arrive at these numbers

KPMG first carried out a “True Earnings” exercise for Safaricom in 2015 to identify the most material socio-economic and environmental impacts of Safaricom and to quantify them in financial terms. 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.

Primary research enabled us to complete this exercise and to ascertain the social value created by M-PESA in particular. 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 2018/19 True Earnings update, secondary data was updated with the latest available information. The update for 2018/19 did not include new/additional M-PESA products, new primary data, nor a renewed examination of any of the activities of the company. Further research will be undertaken in the current financial year and the assumptions updated accordingly. This will be reflected in the 2020 True Value bridge.

OUR MATERIAL TOPICS

Our material topics around sustainability are environmental, social, economic and governance imperatives and opportunities for our organisation and all our stakeholders.

This section describes our five most material topics, how they affect our operations and how we respond to them as an organisation. As part of our ongoing commitment to the SDGs, we have included those Goals to which we have aligned our efforts this year in each chapter.

In FY19, Regulatory Environment has emerged as a new material topic, and all these topics are material to all entities within the organisation.

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GOVERNANCE, BUSINESS ETHICS AND RISK

We consider sound corporate governance, ethical conduct, robust risk management and regulatory compliance to be fundamental to our



commercial sustainability. We must operate ethically, transparently and accountably if we are to avoid legal and reputational risks and maintain high employee and investor trust and confidence to maintain our sustainability and success.

CORPORATE GOVERNANCE

We continuously assess our governance operating model to ensure that robust internal governing bodies and proper systems/processes are in place to support our leadership team to drive change, set strategic direction and formulate high-level goals and policies centred around creating equal opportunities for economic advancement that are accessible to all levels of society.

The Board is responsible for overall governance and risk, through its audit and risk sub-committee. The ethics committee provides strategic direction on ethics and governance.

A NEW MANAGEMENT STRUCTURE FOR ENHANCED SECURITY

In November 2018, in line with our strategy and purpose of transforming lives, performance ambition and the realities of our operating environments, we reorganised our ways of working to enhance our focus on the customer and strategically align teams for improved execution.

The Corporate Security division, formerly Risk, is headed by the Chief Corporate Security Officer who now has responsibility for all aspects of corporate risk and security, including cyber security.

To consolidate its assurance remit and make it independent of the Technology Division, the Cyber Security Department now falls under Corporate Security, which is tasked with safeguarding network security. The Chief Corporate Security Officer and the Internal Audit team continue to report to the Board audit committee.

The Compliance and Fraud Prevention functions were merged to improve efficiency and avoid overlapping activities such as fraud-related controls and mitigations, ethics management and compliance and controls monitoring.

Key SDGs




“We must operate ethically, transparently and accountably... to maintain our sustainability and success.”

The main focus areas of potential risk for corporate security during the year under review have been:

- Adverse regulatory environment;
- Cyber risks;
- Market disruptions such as competition and changes in our business ecosystem; and
- Partnership management risk.

ETHICAL BEHAVIOUR

 We recognise that corruption drives inequality by preventing fair access to economic power and basic social needs and, in extreme cases, results in violation of human rights. We take steps to cultivate awareness and put anti-corruption monitoring and corrective measures in place, and drive behaviour change in society through collective action initiatives.

ETHICS AND COMPLIANCE AMONG OUR EMPLOYEES

In FY18, anti-corruption training of contract and full-time equivalent (FTE) staff was conducted mainly via staff sessions. In FY19, we provided customised training on a department-by-department basis. In FY20, we intend to change our approach to ensure better coverage.

Anti-corruption preventative measures (% of total staff)

	FY19	FY18	FY17	FY16
Ethics and anti-corruption staff training	96%	98%	98%	98%
In high-risk departments	98%	98%	98%	98%
In medium-risk departments	98%	98%	98%	98%

Ethics awareness sessions are conducted annually. Following feedback from our ethics perception survey, topics covered include duty to report and conflicts of interest. These awareness sessions highlight policies such as the employee code of conduct, which outlines the importance of reporting any ethical issues in the business, and by which all staff and Board members are required to make a regular declaration against conflicts of interest.

Staff ethics training to promote an ethical culture within the organisation also takes place annually, supplemented by mandatory e-learning courses. These empower staff to successfully address any risks arising in their departments or roles.

Our ethics and compliance function was independently audited to ensure its continued efficiency in promoting ethical business practices and fighting corruption, both internally and among our partners.

ETHICS TRAINING FOR OUR PARTNERS

We continuously provide business partner ethics and anti-fraud training to promote ethical business practices among our M-PESA agents, dealers and suppliers. We collect all KYC documents to ensure compliance, and are developing a new app to bring about efficiencies in the digital capture of KYC documentation during the subscriber registration process.

KYC Training for our Business Partners and Suppliers



282

Dealers trained through dealer training forums (64% attendance)



37

Awareness broadcasts covering all M-PESA agents



61,567

M-PESA agents trained



248

suppliers trained via supplier forum

The Code of Ethics promotes and enhances ethical business conduct in line with the UNGC principles relating to human rights, labour standards, environment and anti-corruption. We continue to make it mandatory that our suppliers sign up to the Code for Businesses in Kenya; their contracts are not renewed unless they do so. Ninety-six per cent of our suppliers have signed up so far.

RISK MANAGEMENT

We have undertaken key initiatives to enhance internal systems to mitigate risks such as fraud and to improve process efficiency and effectiveness. This includes strengthening the credibility of relevant products and services by pursuing professional certification.

NEW RISK MANAGEMENT SYSTEMS PUT IN PLACE

We have implemented Metric Stream software, a digital Governance, Risk and Compliance (GRC) system that will enable us to achieve objectives reliably while addressing uncertainty by ensuring we efficiently track risks and the related controls environment across the enterprise. The introduction of an automated Revenue Assurance System (RAS) will ensure efficient, timely and independent revenue reporting and billing processes.

Benefit to Safaricom

GRC system

Helps us to identify, assess, quantify, monitor and manage enterprise risk in an integrated manner

Is a unified system for managing all compliance obligations with legal and regulatory requirements

Serves as a central location for all processes, controls and risks and reports

Assists in managing risk and improving our controls environment via real-time dashboards

RAS system

Automates billing reconciliation and increases scope

Identifies billing issues in a timely manner

FRAUD AND ANTI-CORRUPTION



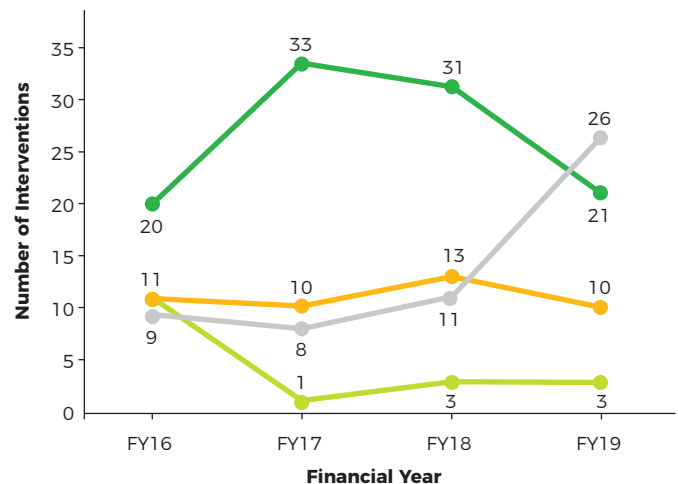
We consistently review our compliance with regulatory obligations, particularly those surrounding fraud, corruption and anti-money laundering (AML) legislation. Compliance with KYC requirements and procedures surrounding the registration of customers and M-PESA transactions to ensure security and combat money laundering, are key focus areas for us.

We more than doubled the number of assessments undertaken the previous year. Under our updated strategy, some reviews were combined so as to cover a broader scope.

ADDRESSING FRAUD AND CORRUPTION

A countrywide surge in SIM-swap fraud accounts for the high number of cases reported to law enforcement agencies in FY19. By contrast, far more fraud cases were investigated in FY18, when a major investigation was conducted involving the corporate loyalty scheme⁴, than in FY19.

Monitoring Corruption and Fraud

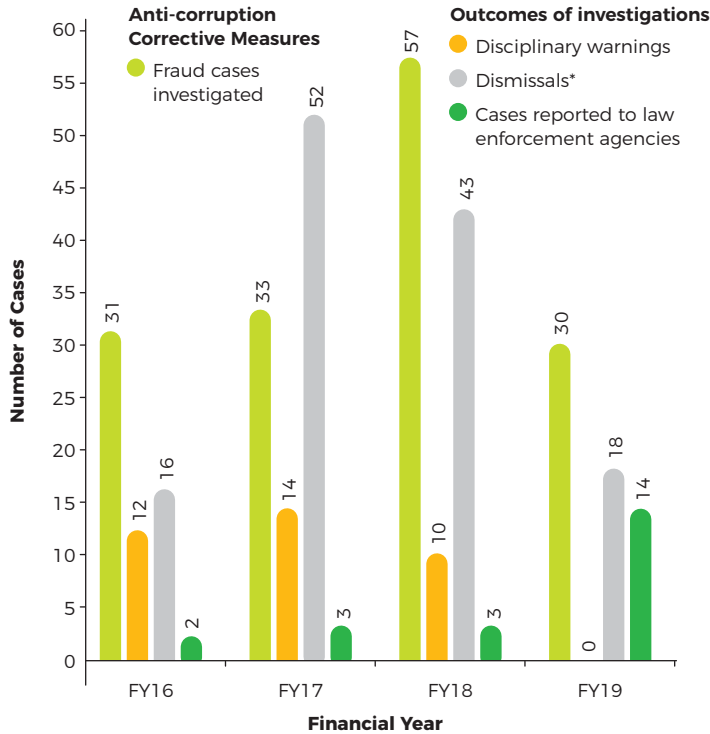


- Audit reviews:** in-depth reviews that evaluate specific internal controls and processes
- Fraud reviews:** conducted on specific areas/processes which may have become compromised
- Risk assessments:** comprehensive evaluations of a range of risks, from operational and strategic to ethical
- Special request reviews:** reviews of special areas/processes requested by management

Internally, 78 members of staff underwent a disciplinary process to deal with issues of corruption including breach of policy, negligence and asset misappropriation. Most of the cases investigated were initiated by tip offs, which indicates that our duty-to-report training has borne fruit. The nature of disciplinary cases is dynamic; the change in statistics indicates neither an improvement nor a worse environment.

⁴ Devices are issued to customers based on certain criteria such as accumulation of a certain threshold of loyalty points, but ten members of our staff had been engaged in theft of these devices. All ten were investigated.

Addressing Corruption and Fraud



* One case, involving process negligence, led to 35 further dismissals. This has not been included, however, since it is not necessarily an anti-corruption corrective measure.

CUSTOMER FRAUD AWARENESS CAMPAIGNS

Through road shows and local language campaigns in televisual, digital, print and radio media (such as *Jichanue* and our awareness campaign around the 333 fraud reporting hotline), we have raised public awareness about emerging social engineering fraud schemes. Through these channels we share the steps customers can take to avoid falling victim to scams, as well as information for reporting fraud.



The GSMA Mobile Money Certification is a global initiative by the Global System for Mobile Communications Association (GSMA) and associated operators to ensure safer, more transparent, more resilient financial services for millions of mobile money users. It defines and promotes excellence in mobile money services, enhances consumer trust, accelerates commercial partnerships and sets benchmarks.

Customer Fraud Awareness in Numbers



6 million

Estimated total population coverage



2

Live chats via social media



1

Opinion piece in daily newspapers



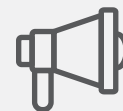
1

expert opinion interview on national television



22

FM Stations



Coverage during activities such as rig activations

This has aided us in speedily identifying fraudsters and taking action to combat them. Customer tip-offs have enabled us to block fraudulent subscribers faster and improve fraud controls.

GSMA MOBILE MONEY CERTIFICATION

One of our top aspirations for the year under review was to attain GSMA Mobile Money Certification for our M-PESA policies and practices. We became one of the first five mobile money providers ever to obtain the certification.

The GSMA commissioned a professional certification body to carry out a rigorous independent audit of our mobile money-related practices and policies. Upon successful resolution of the issues raised, Safaricom was awarded the certification on 3 April 2018.

DATA CENTRE TIER III DESIGN CERTIFICATION

Opened in 2015, the Thika Data Centre is our main data centre for co-location services. In FY19 we applied for a Tier III Design Certification for the centre from the Uptime Institute.

The certification confirms that the data centre design supports any planned works on site infrastructure (maintenance or modification) without disrupting operations, providing our enterprise customers with a differentiated service, verified by a global expert, and an assurance of 24/7 infrastructure availability.

The certification was awarded following a thorough forensic assessment of the Safaricom Data Centre design by international experts.

THE B-TEAM: KEEPING ETHICAL, SUSTAINABLE BUSINESS ON THE AGENDA

Safaricom is a founders circle member of the B-Team Africa, not-for-profit alliances of business leaders who are committed to responsible and sustainable business practices for the wellbeing of people and the planet.

RESPONSIBLE TAX PRINCIPLES

Oxfam reports that tax and benefits systems can reduce inequality and poverty, provided a government takes proportionately more tax from those on higher levels of income, and redistributes welfare benefits to those on lower incomes.⁶

The B-Team and leading companies (including Safaricom), through engagement with civil society organisations, institutional investors and international institutions, have developed a set of Responsible Tax Principles. These provide a framework for what good tax practice (a key element in reducing inequalities) should look like and a benchmark for businesses to work towards in areas such as tax management strategy, interactions with authorities and reporting.

Safaricom and KCB Group have endorsed the principles, and B-Team Africa is mobilising other business leaders to do the same in key countries including Kenya and Ghana.

⁶ Oxfam (2018), "The Commitment to Reducing Inequality Index 2018", available at <https://www.oxfam.org/en/research/commitment-reducing-inequality-index-2018> (accessed 22 June 2019)

ENDING ANONYMOUS COMPANIES AND ADVOCATING FOR OPEN CONTRACTING

B-Team Africa, with the Open Government Partnership (OGP), continues to advocate for government progress towards transparency in public, open data registers, starting in Kenya and expanding to Ghana. This will combat corruption by demanding that organisations operate transparently.

Safaricom, Invest in Africa and other B-Team Africa members continue to mobilise private sector support for transparency in public and private procurement. In partnership with HIVOS East Africa, the Government of Kenya-Business Registration Service and the private sector and the private sector, B-Team Africa joined the conversation on the new beneficial ownership requirements in the amended Companies Act of Kenya.⁷ Our supply chain team has kept ahead of the curve by being vigilant in requesting that potential and existing suppliers provide detailed beneficial ownership information before we undertake any business with them.

LOOKING AHEAD TO 2020

Future focus areas pertaining to governance, risk and regulation include:

- building on policies and processes to ensure cyber security for our business and stakeholders;
- continuing to promote and support customer awareness around social engineering fraud;
- maintaining an active role in collaborative advocacy action to promote ethics and integrity among all our stakeholders;
- expanding initiatives to ensure KYC compliance across the business and among our partners;
- promoting ethical business practices and a culture of integrity within Safaricom and among its business partners and supporting the efforts of other organisations to abide by the same;

REGULATORY ENVIRONMENT

NAVIGATING THE REGULATORY UNIVERSE

A sound regulatory system is crucial for supporting the growth of our industry. It provides an enabling environment for competition between businesses and enforces fair practices, driving equal opportunity and the inclusive participation of all segments of society in the economic and social spheres. We ensure that we remain compliant with regulatory requirements by assessing our processes against all applicable laws and regulations.

In the year under review, we successfully completed the automation of our compliance returns process. We also have updated our comprehensive archive of the laws and regulations that impact Safaricom.

THE DATA PROTECTION BILL AND POLICY

Data protection is an important topic the world over, and two Data Protection bills are currently under consideration in Kenya which, if enacted, will guarantee the protection of customers' privacy. We participated in stakeholder engagements to discuss both and provided input into their development.

We have reviewed and developed our data security and protection policy in line with the European Union (EU) General Data Protection Regulations (GDPR), as well as the proposed Kenyan legislation, which governs the management of data going forward.

THE FINANCE ACT

The Finance Act 2018 was gazetted on 21 September 2018. Sections of this legislation that affect our business include:

- A telephone and internet data services excise duty increase from ten per cent to 15 per cent, impacting the cost of our voice, SMS and data services.
- Excise duty on M-PESA transaction charges maintained at 12 per cent, following an increase from ten per cent in the initial Finance Bill proposal of June 2018.

MEETING THE REQUIREMENTS SET BY NETWORK REGULATORS

Our regulatory team supports the network by assisting in the management of key performance indicators (KPIs) related to our network license conditions including spectrum, number of resources and quality of service. Like all mobile network operators (MNOs), compliance with our network license obligations is assessed from the perspective of quality of service (QoS), measured by the Communications Authority. In the past we have been penalised for our quality of services as assessed by the CA's QoS methodologies.

A NEW QUALITY OF SERVICE FRAMEWORK

The new framework for measuring Quality of Service (QoS), introduced by the Communications Authority, was operationalised on 1 July 2018 and is expected to be fully adopted over three years. In FY19, the authority launched new monitoring equipment for more accurate measuring of end-to-end performance, as well as a supplementary questionnaire. The new QoS framework, which has not yet taken effect, will increase the scope of parameters to be measured, as well as scrutiny of our call quality and customer satisfaction levels. The new framework has three key focus areas: network performance (measuring stability and availability using data automatically submitted from operator systems); end-to-end quality of service (measured through drive tests and walk tests, where the threshold is 80%), and Quality of Experience (QoE) (using surveys to establish customer satisfaction with the performance of the network).

Non-compliance register	FY19	FY18	FY17	FY16
Number of fines for non-compliance	0	0	1	1
Cost of fines for non-compliance (KSh million)	0	0	294	157
Non-monetary sanctions for non-compliance	0	0	0	0
Legal actions lodged for anti-competitive behaviour	0	0	0	2

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

CONNECTING THE UNCONNECTED



In FY19, we constructed 38 additional Universal Service Fund (USF) sites, which are currently active on the network, and we are in the process of handing these over to the Communications Authority. Under the USF initiative, these sites were rolled out in some of the most remote parts of the country to provide broadband coverage to marginalised Kenyans, including in areas that may not be financially viable for the business. We were commended by the Communications Authority for the timely completion and high quality of these sites.

Case Study: Connecting the Unconnected



In 2018, the Communications Authority of Kenya contracted Safaricom to set up base transceiver stations (BTS) in 78 remote, underserved sub-locations across the country as part of a KSh 1.2 billion deal to boost network connectivity.

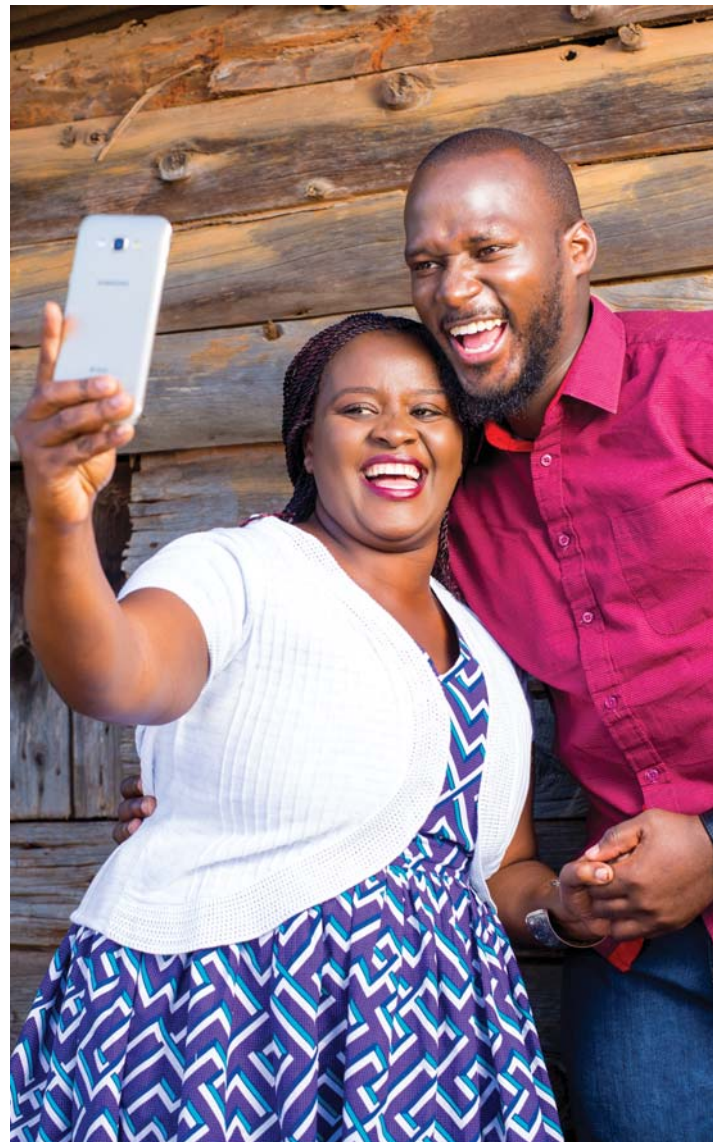
The roll-out of Safaricom BTS stations allows more entrepreneurs to open M-PESA agencies and accept payments via M-PESA, allowing customers to withdraw money from their bank accounts into their M-PESA wallets, making shopping easier and driving economic growth. USF-funded sites are transforming lives across the country: Milore village in Kilifi County has grown into a business hub for the area, as has Oloodo village in Narok West Sub-County.

So far, the USF has expanded mobile network coverage for 238,082 people, a figure expected to grow to 319,298 before the roll out is complete.

LOOKING AHEAD TO 2020

Future focus areas pertaining to the regulatory environment include:

- strengthening our stakeholder engagements with regulators;
- addressing the rising power of the consumer;
- ensuring data privacy and protection;
- building a culture of transparency;
- enhancing our regulatory platform for innovations such as artificial intelligence (AI) and the Internet of Things (IoT).



OUR NETWORK

Key SDGs



Our network is essential to the continuity and sustainability of our business. It is the foundation of all our operations, delivering our services and enabling us to transform lives. The quality, coverage and availability of our network are paramount to our competitive advantage, allowing us to differentiate ourselves in this highly competitive industry.

NETWORK QUALITY

We maintained our first-place position in all voice service categories and achieved first place in all categories for data service as per P3 certification, evaluated by P3 Communications (www.p3-group.com), an independent company. This was thanks to continuous network optimisation efforts, capacity expansion, implementation of network enhancement features and expansion of the fibre network, which offers improved capacity and reliability.

☆ First position ☆ Second position

KPI	FY19	FY18	FY17	FY16
VOICE SERVICE*				
Call setup success rate	☆	☆	☆	☆
Dropped call ratio	☆	☆	☆	☆
Speech quality	☆	☆	☆	☆
DATA SERVICE*				
Mean user data rates: download	☆	☆	☆	☆
Mean user data rates: upload	☆	☆	☆	☆
Mean web browsing session time	☆	☆	☆	☆
Network delay	☆	☆	☆	☆

* These seven KPIs are a simplified illustration of the full scope measured for the P3 Certification Benchmark criteria. For the purposes of this report, we have ranked ourselves against the other mobile operators in Kenya. The comprehensive P3 Certification Benchmark criteria comprises an extensive set of 29 KPIs for big cities, small cities and interconnecting highways, with each KPI having an individual score. The full set of P3 certification results can be obtained from the P3 website.

NETWORK AVAILABILITY AND STABILITY

Network performance	FY19	FY18	FY17	FY16
Average weekly unavailable minutes (power NUR)	6.5	4.6	4.8	5
Average radio access network SUR (minutes)	25.6	22.2	22.9	41.5

While the above shows that network unavailability rate (NUR) and service unavailability rate (SUR) have increased, this rise is due to new energy saving measures, such as removal of generators and some sites being configured to switch off when no traffic is detected. These affected NUR/SUR but not customer experience.

3G and 4G networks consume more power than 2G, so naturally our energy consumption would be expected to increase as we rolled out these technologies to more sites throughout the country.

Network Performance FY19



+1.9
6.5

Average weekly unavailable minutes (power NUR)

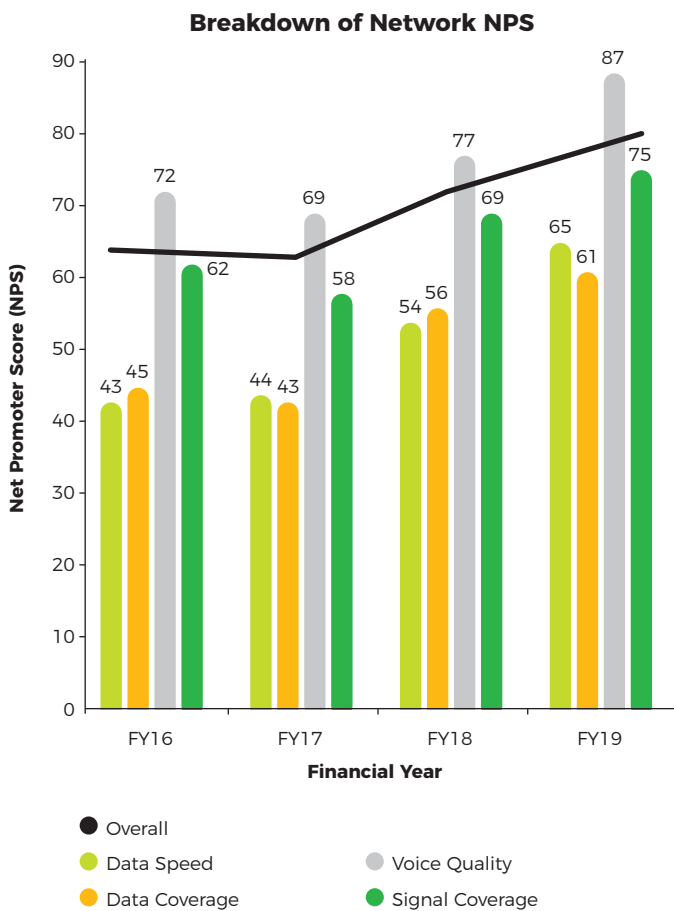


+3.4
25.6

Average radio access network SUR (minutes)

We measure our performance against this metric using the customer opinion-driven Net Promoter Score (NPS), an independent survey of customer satisfaction. While NPS is a useful indicator, it is important to note that it measures customer opinions regarding network performance, not actual network performance.

The network NPS metric allows us to monitor how our customers are experiencing our improvements to the network. The network achieved its best-ever NPS of 80, putting us in front of the field, 16 points ahead of our nearest competitor.

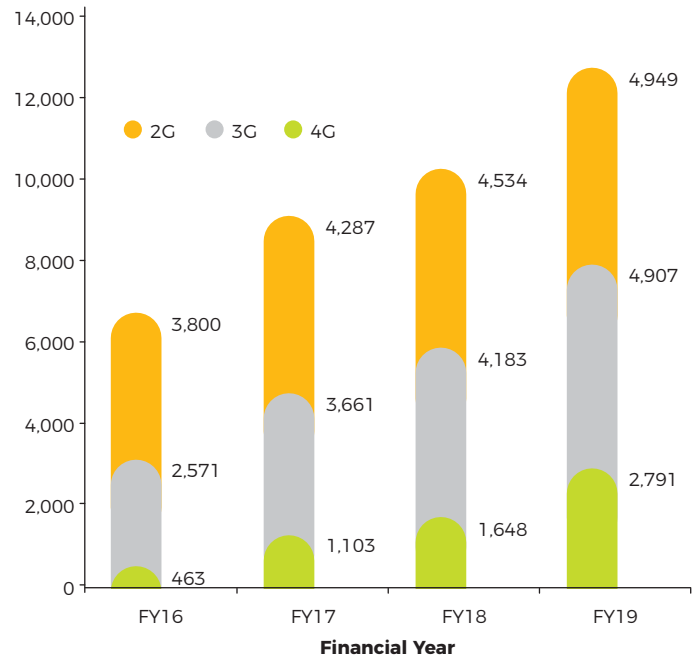


Despite achieving high NPS scores, we believe there is still more room for improvement opportunities to optimise the quality of network in different parts of the country.

NETWORK EXPANSION

EXPANDING NETWORK COVERAGE

Base Stations (total number)



In the year under review, we focused on expanding broadband coverage to bring data network coverage to more Kenyans. This involved increased roll out of 3G and 4G sites as well as FTTH (fibre to the home) service to more households.

We focused on migrating sites from microwave to fibre, increasing transmission capacity and improving customers' network experience through better, more reliable data speeds and mobile voice connectivity. Our aggressive expansion of the fibre optic network has enabled us to surpass all of our FY19 fibre-related targets (FTTH and FTTB sites).

“The network achieved its best-ever NPS of 80, putting us in front of the field, 16 points ahead of our nearest competitor.”

OUR FIBRE OPTIC FOOTPRINT



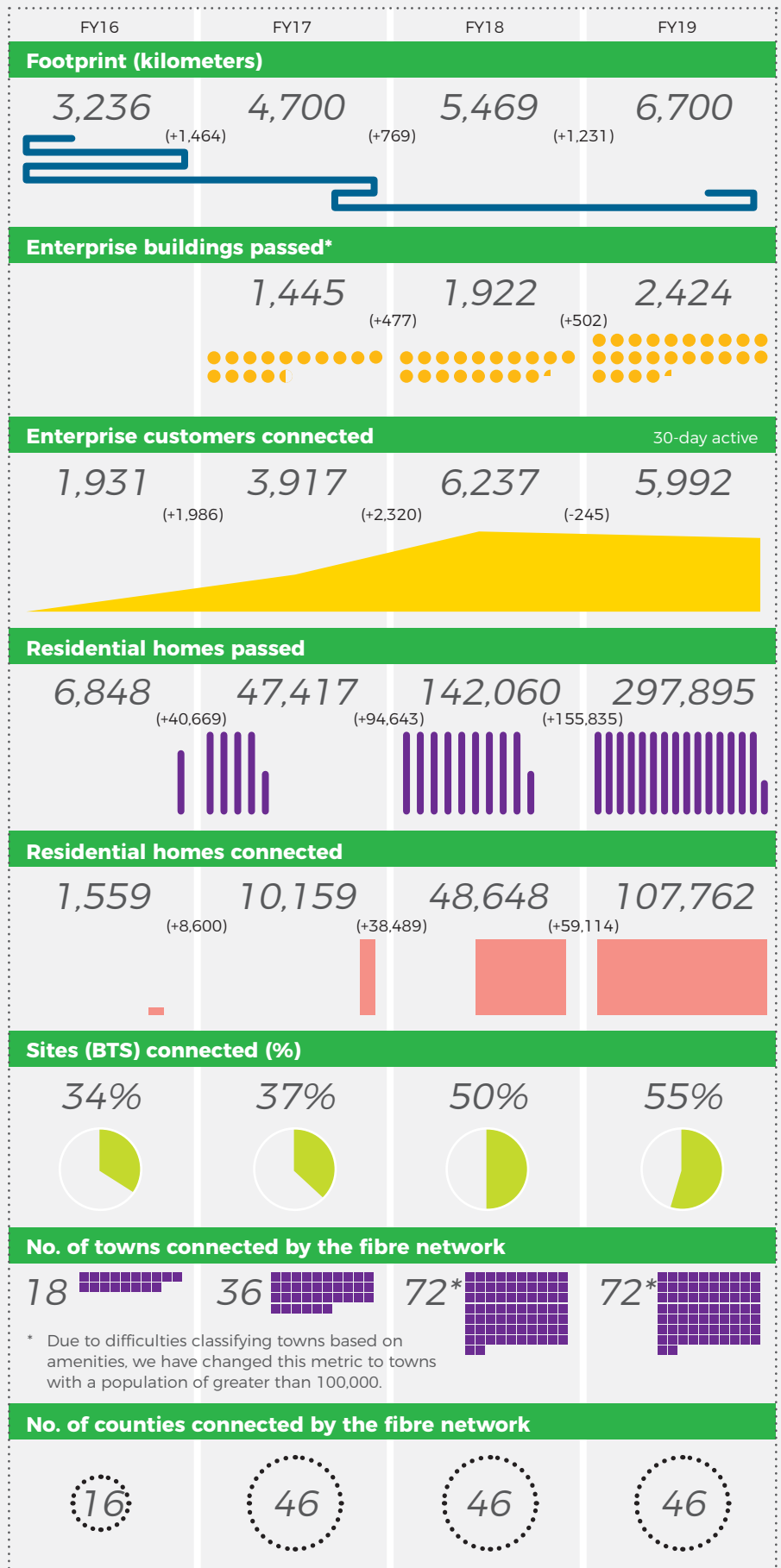
We continuously support small office/home office (SOHO) and small and medium enterprise (SME) businesses to promote economic inclusion and reduce income inequality, enabling entrepreneurs to make digital enhancements to their businesses and thus improve their livelihoods.



By the end of FY19 we had connected 107,762 residential homes to fibre, offering an opportunity to local innovators to get access to a larger digital home market. Virtually all jobs in the future will have a digital component, so the workforce must be prepared. We are able to offer digital solutions to support flexible working patterns that promote innovation and reduce operational costs.

Strategic partnerships with Kenya Power and Liquid Telecom involved leasing infrastructure to enable us to run fibre optic cable over electrical and telephone lines to residential households, rather than placing them underground. This allowed us to reach more homes than ever before - with an increase of 60% in the number of homes connected.

Fibre Optic Footprint Metrics (Cumulative)



* The number of enterprise buildings passed for the preceding years has been restated due to improved data monitoring and reporting process.

TECH 3.0: FIT FOR THE FUTURE

In the year under review we prioritised technological advancement on our network, focusing on the digitisation of operations and enhancing the digital experience for our customers by using performance monitoring and data-driven insights to improve our network.

Smart planning uses data from network KPIs, call data records and crowdsourcing tools to aid network expansion, ensure optimal customer experience and maximise revenues. Smart planning technology informed the planning of 4G site rollouts across the country and improvements to 3G coverage over a densely populated area within Nairobi.

BUILDING SKILLS FOR DIGITAL TRANSFORMATION

We revised our organisational structure to better deliver digital transformation, relying on over eight weeks of analysis, input and design consultations to develop an operating model that will facilitate this transformation.

In service of our Tech 3.0 digital transformation, our workforce has had to follow suit, upgrading to become a world-class team. Beginning in 2019, 60 members of staff attended our Digital Academy, undergoing six months of full-time digital skills training at Strathmore University.

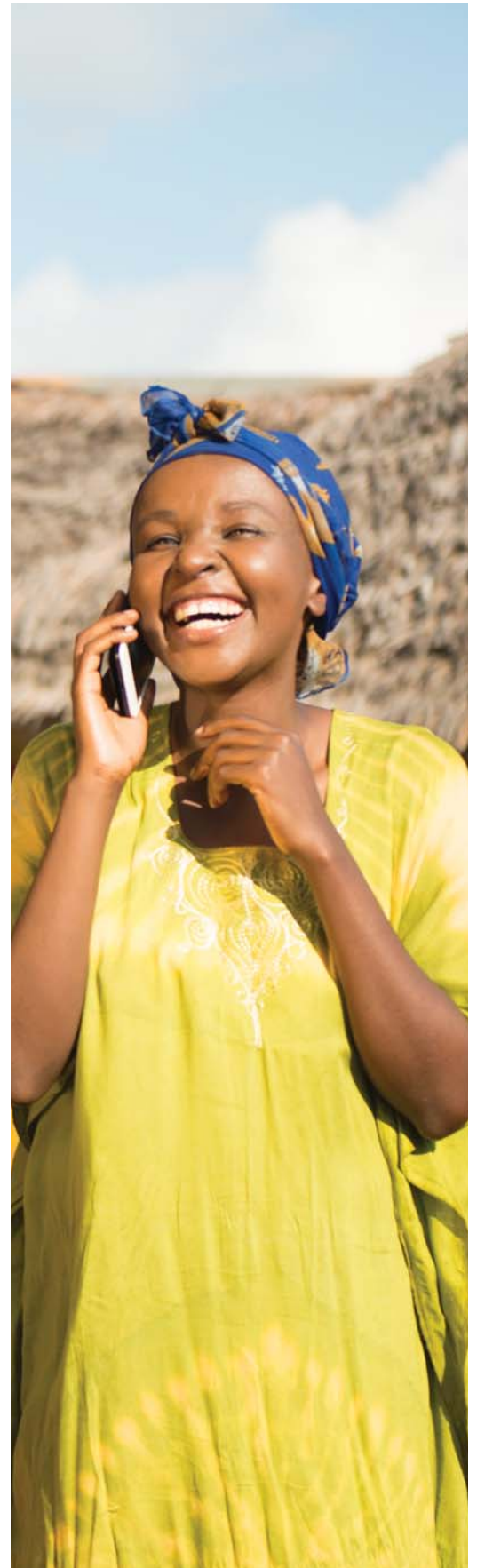
The key areas of focus for Tech 3.0 are:

- analytics and automation
- application programming interfaces (APIs) in networks and IT
- embedding customer security in our products and technologies
- fostering a data-driven and innovative collaborative culture

LOOKING AHEAD TO 2020

We plan to focus on the following:

- Increase the frequency of transmission capacity;
- 4G and 4G+ acceleration (rollout of more 4G sites);
- Activation of innovative features such as VoLTE (voice over long-term evolution) and VoBB (voice over broadband);
- Forging ahead towards becoming a digital services company, using data insights to further delight our customers through revamped customer experience tools and crowdsourced data to gather better insights;
- Monitoring new services recently rolled out, such as FTTH and fixed LTE.



ENVIRONMENTAL STEWARDSHIP

Environmental stewardship is vital to reducing inequalities. We recognise that our operations have an impact on the environment, and that we must act in an environmentally responsible and sustainable manner, report our impact transparently, and mitigate our impact.

“Poverty-environment mainstreaming is a powerful practice to help eradicating poverty, reducing inequality and combating environmental degradation. Economic development and poverty reduction strongly depend on improving management of the environment and natural resources, the ‘natural capital’ of the poor.”⁸

- Isabell Kempf, co-Director, joint UN Development Programme and UN Environment Programme (UNDP-UNEP) Poverty-Environment Initiative

In FY17, we announced our aspiration to become a net zero carbon-emitting company by the year 2050. In FY18, we introduced targets aligned to the science-based targets initiative (SBTi), in line with climate science to future-proof our growth and plot our progress towards achieving this ambitious goal. In FY19 we have converted our net-zero aspiration from policy to action.

Our clean and renewable energy initiatives go a long way toward greening the network, reducing carbon emissions and improving our overall energy efficiency. We continue to implement our green procurement policy across the business, and partner with organisations committed to combating climate change such as the B-Team and UN Global Compact.

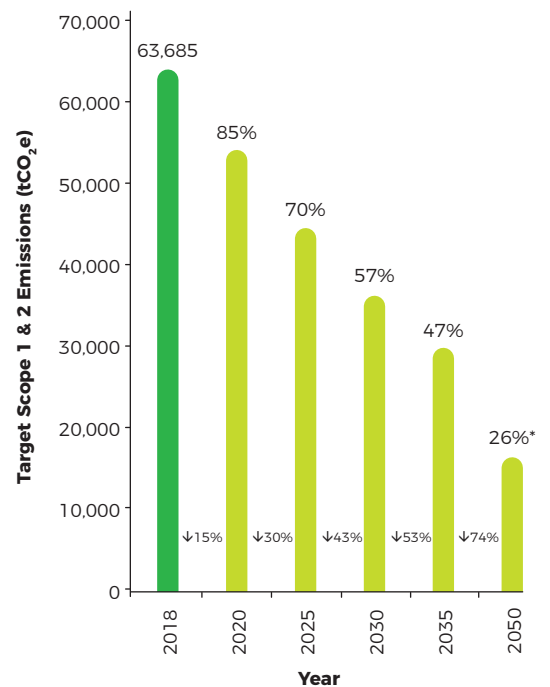
In FY19 all our environmental impact assessment (EIA) data was automated, improving efficiency, reducing turnaround time and driving EIA compliance.

Key SDGs



OECD Pathway

Summary of milestones science-based reductions required to achieve our ‘net zero’ target by 2050



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

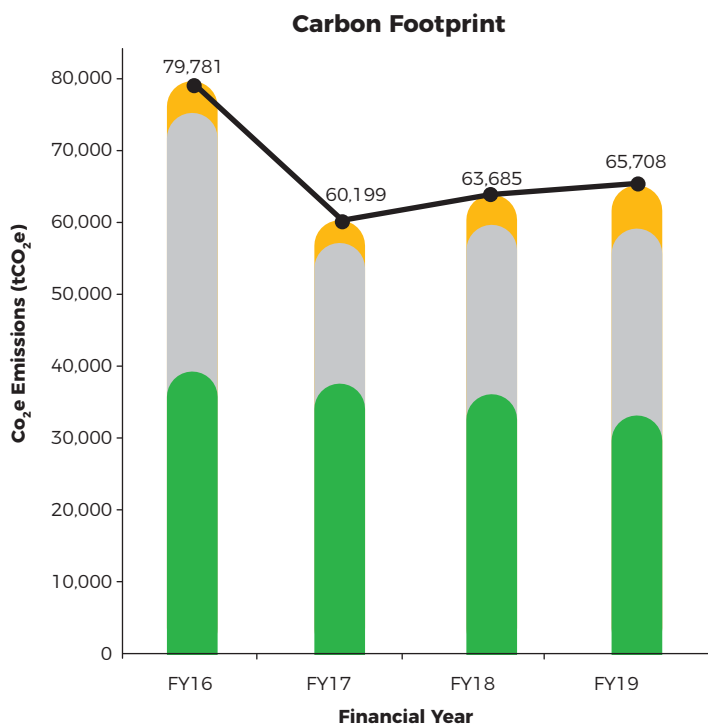
⁸ Kempf, I. (2018). “Poverty and the environment/climate change”, United Nations, available at <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/05/9.pdf> (accessed 20 June 2019)

MANAGING OUR EMISSIONS

Our Scope 1 emissions reduced by 8.3 per cent as a result of the decrease in diesel use, despite increase in the number of sites. This is attributed to the use Fuel Management System (FMS), energy efficient devices and renewable energy solutions.

Scope 2 emissions increased by around 12.6 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 also increased slightly from 3,814 tonnes in FY18 to 5,818 tonnes in FY19.



- Total
- Scope 1: direct emissions from fuels, gases, company-owned vehicles, fuels used at BTS stations, refrigerants and fugitive gases
- Scope 2: indirect emissions from electricity generation and use
- Scope 3: indirect emissions within the value chain, mostly travel-related

NET-ZERO 2050 ACTION PLAN



Our aspiration is to be carbon-neutral in terms of tCO₂ emissions by 2050. We have calculated that, with existing technology, the minimum Scope 1 and 2 emissions of which the company will be capable by 2050 are equivalent to 26 per cent of current levels. In the next financial year we look forward to setting our scope 3 targets which account for 8.9 per cent of our total emissions. This gives us opportunity to rally our top suppliers to also take action on climate by setting science-based targets for their respective organisations.

We may not be able to reduce our carbon footprint to zero in the medium term, so what cannot be eliminated must be offset. We have partnered with Kenya Forest Service (KFS) to plant a forest of one million indigenous trees over five years. The project is expected to offset over 300,000 tonnes of carbon once the trees have grown to maturity.



In time, additional benefits from the forestation project will include providing jobs and stimulating economic growth in the local community, generating income from sales of tree seedlings, eco-tourism and beekeeping.

STAFF CARBON-FOOTPRINT CALCULATOR

In February 2019, we piloted a tool among selected staff that allows employees to calculate and assess their personal “carbon footprint”; i.e. the amount of carbon dioxide released into the atmosphere as a result of their individual activities. This tool raises awareness and encourages individual and collective responsibility in reducing carbon emissions. In the next financial year we plan to expand the pilot to involve more employees.



In the year under review, we continued running awareness and training programmes aimed at preparing our staff to use less while achieving more. More than 50 champions of SDG 12 now engage their peers in a cultural shift towards responsible consumption and production.

“The tool is useful and the information on my carbon footprint is quite enlightening. I realise that anything you do on a daily basis counts. Without this measurement I would be in the business-as-usual mode of doing things, but now I have committed to carpooling with a colleague and plan to plant 100 trees to offset my personal carbon footprint.”

– Ida Juma, Safaricom staff

ONE PLANET SUMMIT - AFRICA PLEDGE

Africa is the continent most affected by the consequences of climate change – droughts, floods, coastal erosion – despite being responsible for only 4% of global greenhouse gas emissions.

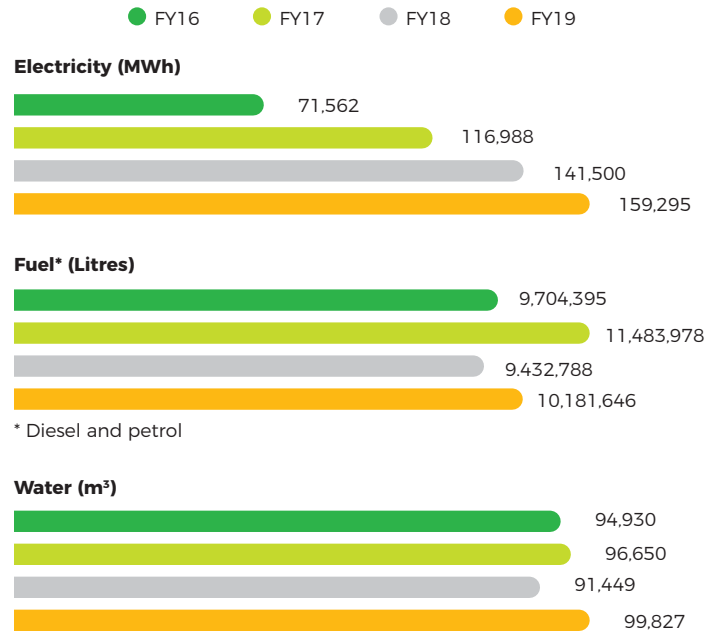


The One Planet Summit, a coalition dedicated to accelerating the global transition to a low carbon economy, took place in Nairobi on 14 March alongside the United Nations Environment Assembly (UNEA), hosted by Presidents Uhuru Kenyatta of Kenya and Emmanuel Macron of France. The event brought together government, private sector and non-governmental organisations in calling for accelerated climate action to deliver high-impact outcomes for African populations and to protect biodiversity in Africa.

OUR OVERALL ENERGY AND RESOURCE CONSUMPTION


As the following graphic illustrates, our electricity consumption increased by 12.6 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. Our fuel consumption increased by 7.9 per cent, from 9,432,788 litres in FY18 to 10,181,646 litres in FY19.

Energy and Resource Consumption



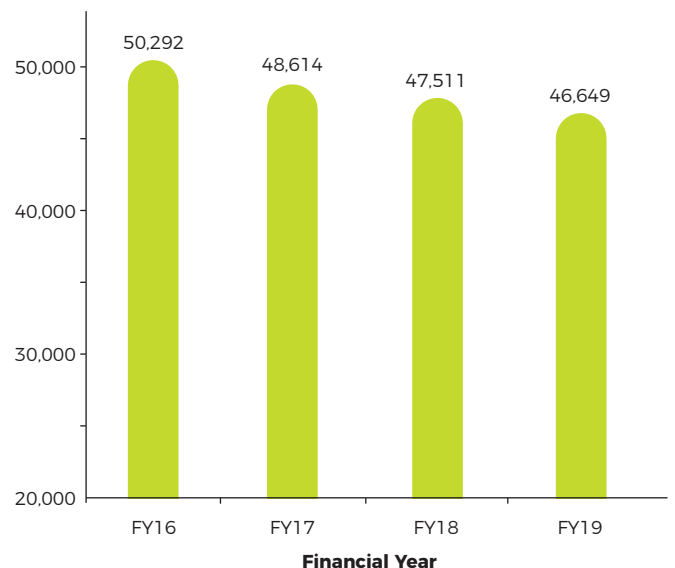
MANAGING OUR ENERGY CONSUMPTION

Our energy reduction strategy includes planning for different operating modes, reducing our reliance on fossil fuels, improving site efficiencies, greenhouse gas (GHG) and carbon emission reductions, and a roadmap towards net zero at all of our sites.

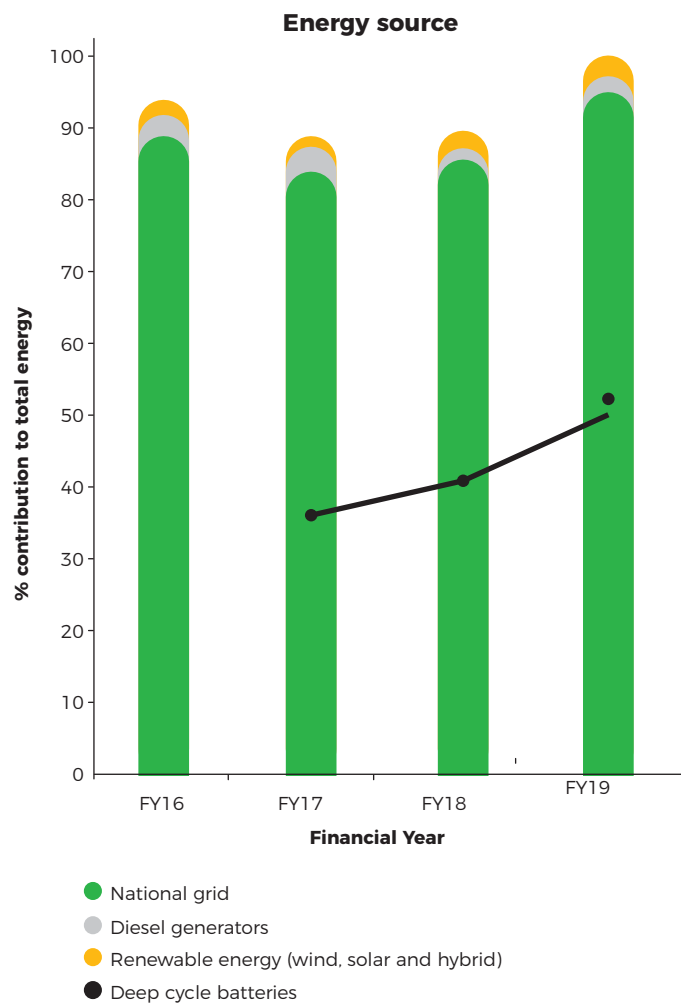


Repeaters and monitoring tools are having a positive impact on energy efficiency, and there has been a reduction in per-site costs on build.

Cost of Energy Consumption per Site (KSh per month)



Today our energy consumption is offset or mitigated in a variety of ways, including the engagement of a mini-grid constructor partner at our Remba island site, which is not connected to the national grid. Rectifiers (electronic devices that convert alternating current (AC) to direct current (DC) for better energy efficiency) and low-voltage automatic phase selectors (APS) enable us to utilise lower voltages.



Energy source	FY19	FY18	FY17	FY16
National grid	94.5%	85.6%	84%	88.8%
Diesel generators	1.9%	1.6%	3.4%	3.1%
Renewable energy*	3.7%	2.5%	1.5%	1.3%
Deep cycle batteries**	50%	40.8%	36%	-

* Wind, solar and hybrid

** Most of our sites with access to the national grid also have deep cycle batteries for back up, so the quantities may not add up to 100%.

REDUCING ENERGY INEFFICIENCIES



We have rolled out a programme to replace inefficient rectifiers and old generators, as well as to connect some unconnected sites to commercial power (so far, 394 out of 424 sites have been connected). We also are replacing our back-up batteries with more efficient cyclic batteries.

We have developed a site cost tool to manage fuelling process and payment, which will address problems of fuel theft and visibility of stock. Installation is still in progress, but we already have improved our fuelling process management at 1,800 sites, reducing our average spend on fuel from 140 litres to 80 litres per day.

We have been addressing challenges relating to the project management of our fuel management system (FMS) through regular feedback meetings and by including other stakeholders, such as field engineers and security personnel. The system has now been rolled out at 1,715 out of 2,000 sites.

RENEWABLE ENERGY

NETWORK ENERGY SOURCES

We continue spearheading green solutions on our network sites, particularly the installation of renewable energy alternatives to high-carbon technologies.

We are trialling wind turbines on two of our sites in Turkana. A battery optimisation project is under way on sites where we have good battery autonomy and stable, consistent access to the national grid. At these sites we have discontinued the use of generators, instead using battery power as a backup. This also saves costs incurred by site maintenance.

Hybrid systems have been rolled out at 91 out of 100 planned sites for FY19, using lithium batteries and solar power, supplemented by 50 per cent generator power.

Network Energy by Source (at year end)*

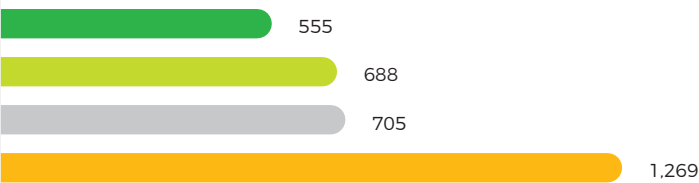
FY16 FY17 FY18 FY19



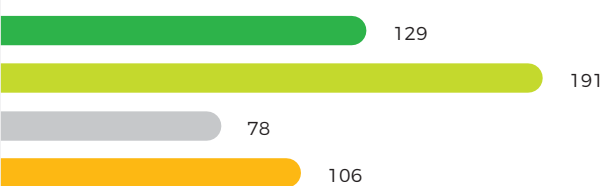
Kenya Power and Genset



Kenya Power (no generator)



24/7 Diesel Generator



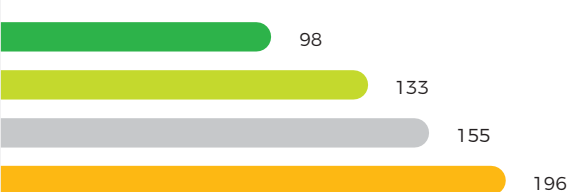
Power Cube (energy efficient generator)



Diesel Generator/Battery Hybrid Solution



Solar/Wind Hybrid Solution



“We continue spearheading green solutions on our network sites, particularly the installation of renewable energy alternatives to high-carbon technologies.”

* Graph scale varies per type of energy source

WASTE MANAGEMENT

INTEGRATED WASTE MANAGEMENT PROGRAMME



In FY19 we began measuring the progress of our integrated waste management programme (IWM).



Through our partnership with Taka Taka Solutions, a local waste management company, we have

undertaken to separate all our waste for recycling. Over 97 per cent of all waste from our main facilities was either reused, repurposed or recycled. We have also expanded the scope of the programme to include our five main mobile switch rooms in Nairobi. The sourcing team has led a culture of waste reduction in our sourcing cycles. Environmental consciousness and waste reduction play a key role in supplier selection, and partners who lack environmental compliance certifications are disqualified.

BECOMING A PLASTIC-FREE ORGANISATION

We are dedicated to becoming a plastic-free environment by eliminating all single-use plastic at our facilities and minimising the plastic used in our retail packaging.

- Single-use plastic has been phased out in all our cafeterias across the country.
- Staff are encouraged to carry reusable water bottles.
- Single-use plastic tumblers for use by visitors will be replaced with reusable glasses. The project is slated for roll out in May 2019.
- We have reduced the size of our SIM cards, effectively halving the amount of plastic used in their production.
- In total, this initiative has removed 2.52 tonnes of plastic from our organisation, conserved 8.64 tonnes of paper, and saved KSh 46.8 million.



The government ban first on single-use plastics and then on non-woven bags has required us to seek a more permanent solution for our retail outlets and dealers. We are working with suppliers to find a long lasting solution.



258,250

Total waste collected (kilograms)
April 2018 to March 2019



68,348

Cardboard and paper



23,509

Plastics



153,215

Organic waste



4,414

Metal



2,615

Glass



2,687

Textile



823

Construction waste

plus 2,639kg of "Other" waste

MANAGING ELECTRONIC WASTE

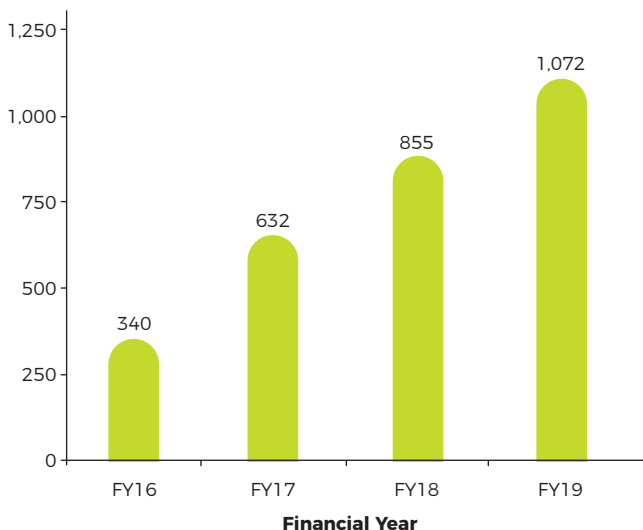


E-waste, which consists of inappropriately discarded electrical or electronic devices, is a growing problem. Only 20 per cent of global e-waste is recycled each year, leaving 40 million tonnes to be placed in landfills, burned or illegally traded. Much of it consists of hazardous materials such as mercury, cadmium and sulphur. The consequence is a loss to the supply chain of valuable and critical raw materials, as well as serious health, environmental and societal issues. We continue to collect and manage e-waste with our partner, the Waste Electrical and Electronic Equipment (WEEE) Centre.

INTERNATIONAL E-WASTE DAY

On 13 October 2018, we joined organisations around the world in celebrating the first-ever International E-Waste Day, along with the WEEE Centre and other partners. Invited guests including members of Parliament used the day to raise the public profile of e-waste recycling and to encourage customers, consumers and government institutions to recycle devices through our e-waste management programme. In the ensuing six months, nationwide public consultations were held on three proposed pieces of e-waste legislation due to be enacted in 2019.

Cumulative E-waste Collected (tonnes)



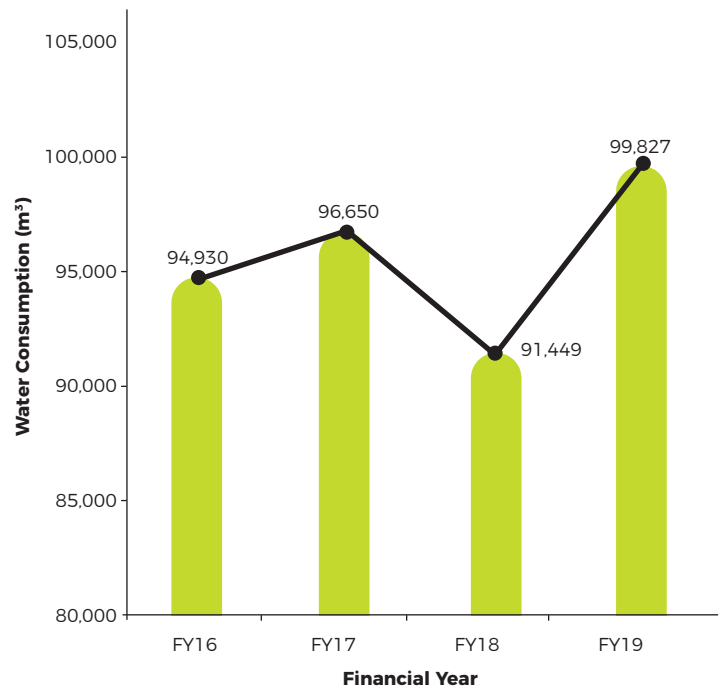
WATER MANAGEMENT

WATER CONSUMPTION



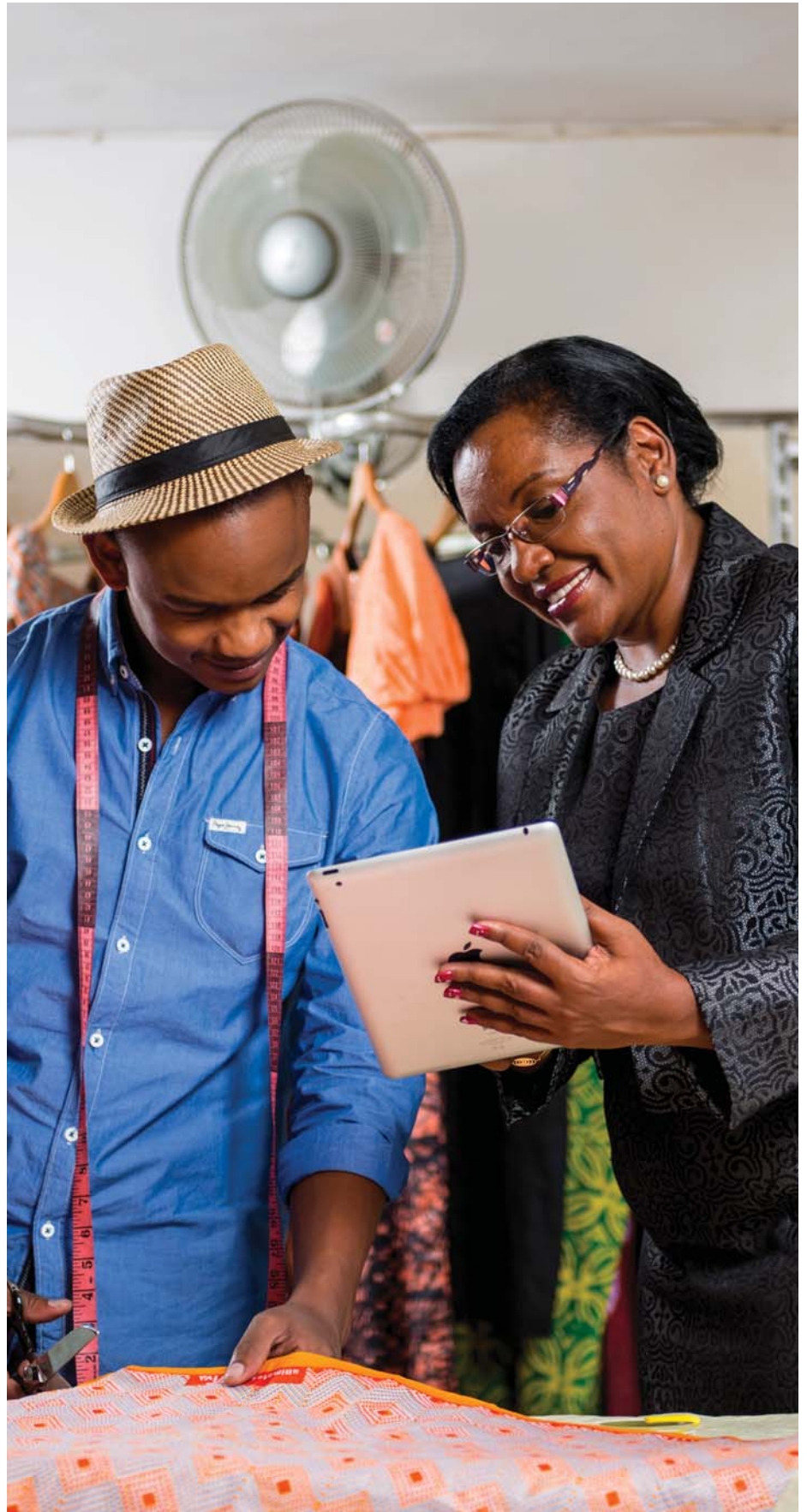
Our measured water consumption increased in the year under review by 9.2 per cent. This increase was due to the newly opened care centre at Eldoret, which consumed 9,169m³.

Water Consumption Trends



LOOKING AHEAD TO 2020

- In the year ahead, we will continue implementing our plans to become a net zero carbon-emitting company by 2050.
- We plan to achieve ISO 50001 Energy Management certification by March 2020, as well as fully roll out smart commercial meters as planned.
- We continue working towards a plastic-free Safaricom.
- 2020 will see a roll out of our Integrated Waste Management (IWM) programme to all regional sites and offices.
- The staff carbon footprint calculator pilot will be expanded company-wide.



INNOVATION

We continuously challenge ourselves to extend our innovative approach to problem-solving and meeting the needs of our customers and society at large. In FY19, we focused on learning more about our customers' needs, by assessing how we can leverage the capabilities required to create products and services that meet them.

Data gathering has proved far more reliable than experiential or anecdotal reporting in identifying new markets. Now we use analytics to scope out new business and markets and design bespoke solutions to fit the market, taking care to ensure our focus groups, market visits and surveys are representative of the customers we aim to serve.

MONITORING AND MANAGING INNOVATION

Innovation is a multi-dimensional 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 and service innovations are being adopted and used)
- M-PESA usage and revenue (tracking whether new products and services are helping to deepen financial inclusion)
- Users of/subscribers to technology for development (T4D) products (gauging the impact and success of social innovations through active users/subscribers).

A NEW STRUCTURE FOR STRATEGY AND INNOVATION

In FY19, we created the new role of Chief Business Development Officer and restructured our Strategy and Innovation Division. Now known as the Business Development Division, this includes five teams:

- Strategy
- Innovation
- Big Data and Analytics
- Market Research and Consumer Insights
- Regional Expansion

Key SDGs



“We continuously challenge ourselves to extend our innovative approach to problem-solving and meeting the needs of our customers and society at large.”

The Business Development Division reviewed the existing plan and tactical challenges in our evolving operating environment to develop our priorities for the year under review. The resulting changes in structure will change how we innovate.



Becoming a digital company

reviewing our operations, people and tools to be a more digitally in-tune company



Expanding on our partnership framework

stimulating the wider ecosystem and development of a partnership framework



Regional expansion

deepening financial inclusion beyond Kenya



Putting our customers first

shaping products and services through data analytics and customer research

SLOW GROWTH FOR MOBILE DATA

Our mobile data subscriptions and revenue grew relatively slowly (by 6.4%) in the year under review. This can be attributed to numerous factors, including:

- increased tax on mobile data;
- revised data prices to cushion customers against inflation;
- shifting market trends – high-value customers who have home fibre internet services are switching to home internet when they are there; and
- shrinking of the consumer wallet.

	FY19	FY18	FY17	FY16
Net Promoter Score*	61	72	70	66
Brand Consideration**	63	60	80	82

* Assessment of customer satisfaction

**Assessment of likelihood of customer choosing Safaricom in the future

Our NPS score for overall consumer customer satisfaction was 61 per cent in March 2019 (the end of the reporting period). The score trend was steady earlier in the year, but plunged into a steep dip in September 2018, which we attribute partly to customers being disgruntled at the prices of our data offerings. This was followed by a gradual growth post-October 2018, and a strike of 64 per cent in February 2019 – backed by our excellent mobile money services, good network quality and effective turnaround plans that put our performance on track. Our Brand Consideration score recorded a more stable trend, with marginal improvement from 60 per cent earlier in the year and constant performance at 63 per cent towards the final quarter of the year.

Harsh economic conditions in the first half of the year reduced disposable income, and hence the spend on our products. For customers on a tight budget, mobile data was a luxury. A key initiative taken to combat was the repackaging of our data plans, which saw a drastic reduction in the cost of data per MB by 41.9%. Our customers enjoy worry-free experience through WhatsApp Kadogo, which allows customers to use WhatsApp services at no cost when their data bundle has run out. This resulted in a surge in the rate of uptake of these products by 6.6% and 150% respectively, within a short span of time between February and May 2019.

	FY19	FY18	FY17	FY16
Mobile data revenue (KSh billion)	38.7	36.4	29.3	21.1
Mobile data customers (million)*	18.8	17.7	16.6	14.08
% increase in mobile data usage per customer	77.9%	56.3%	60.3%	77%

* 30-day active

M-PESA RECORDS IMPRESSIVE GROWTH



M-PESA, our mobile money transfer and payments platform, remains a large component of our business. In this financial year we launched two exciting new services:

M-PESA GLOBAL

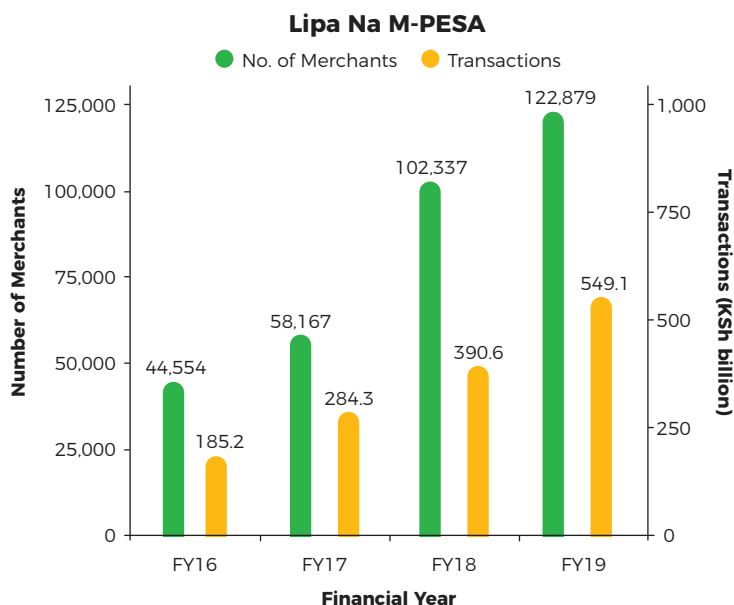
Our push to take M-PESA beyond Kenya's borders, M-PESA Global includes partnerships with Google, PayPal and Western Union to enable seamless international money transfer and payments.

	FY19	FY18	FY17	FY16
M-PESA Revenue (KES billion)	75.0	62.9	55.1	41.5
M-PESA Customers (million)*	22.6	20.5	19.0	16.6

* 30-day active

As the preceding table shows, there was a significant amount of activity and movement through the M-PESA mobile money platform during the year. Revenue from the service grew from KES 62.9 million in FY18 to KES 75 million during the year and the number of users (active in the last 30 days) increased from 20.5 to 22.6 million by March 2019.

Our Lipa Na M-PESA merchant service, supports and enables entrepreneurial and SME activity across the economy. This service allows our enterprise customers to buy and make payment for retail purchase of goods and services. As shown in the table below, our Lipa Na M-PESA merchant service enjoyed solid growth of 41% increase in value of transactions this year.



Case Study: Fuliza

The world's first contextual mobile overdraft facility, Fuliza launched in January 2019. It allows M-PESA customers to complete transactions even if they have insufficient funds in their M-PESA accounts.



10.7 million

Opt-in customers



29 billion

KSh disbursed

M-PESA #MaishaNIMPESATU

Fuliza means adding more stock for your business

Never let insufficient M-PESA balance limit you again

Just Dial *234# to join FULIZA

Also available on mySafaricom App
safaricom.co.ke

Safaricom Twaweza



180,000

M-PESA Global active customers



22.6 m ▲ +10.2%

M-PESA Customers in FY19
(30-day active)



KSh 75 bn

Revenue contribution

New devices & technologies offers visually impaired customers independence and convenience

We are making our products and services more accessible for persons with disabilities through the facilitation of affordable and accessible assistive devices and technologies. An example is our partnership with Dot Incorporation for the development of Dot Braille Watch (smart watch) for the visually impaired. The device enables the visually impaired/Braille users to read all SMS notifications in Braille. It also has an additional functionality that enables them to manage calls, set time and alarm in braille.

CONSUMER INNOVATION

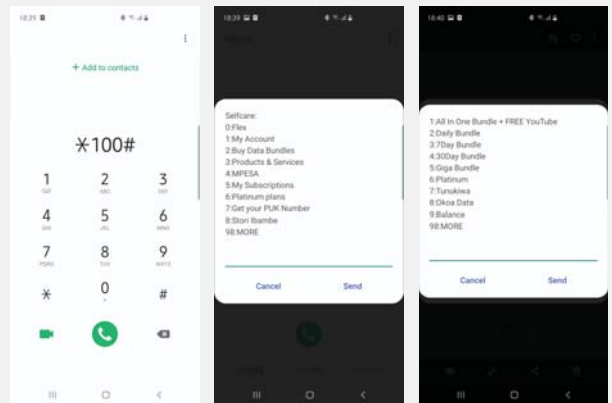


Our consumer business unit (CBU) continues to focus on driving the uptake and growth of internet usage by lowering the cost of data per MB and working with partners to make affordable devices accessible to the Kenyan market, continuously reducing the cost of 4G enabled devices. The number of smartphones connected to the network grew this year by 12 per cent, and the number of 4G-enabled smart phones by 50 per cent.

The technology team worked to enhance coverage of the 4G network and deliver faster internet speeds. Data speeds improved from 54Mbps in March 2018 to 65Mbps in March 2019.

Simpler Customer Journeys

We have simplified our customer journeys so that there are only three steps from opt-in to purchase.



	FY19	FY18	FY17	FY16
Smart phones connected to the network (million)	12.2	10.9	11.5	7.8
4G enabled smartphones (millions)	3.3	2.2	1.8	0.7

In FY19, we rolled out a campaign to increase the penetration of 4G devices and ease congestion on the 3G network by migrating more customers to the 4G network for a superior user experience.

Case Study: DigiFarm

DigiFarm is an integrated agriculture platform that helps agribusinesses and smallholder farmers share information and transact. It won the Shared Value Award at the August 2018 Loeries Awards held in South Africa.

Our vision is for DigiFarm to increase the income of small scale farmers using the same piece of land by addressing:

- Knowledge gaps on best farming practices
- Shortage of quality, affordable inputs
- A lack of access to financial services such as credit and insurance
- Difficulty finding access to markets

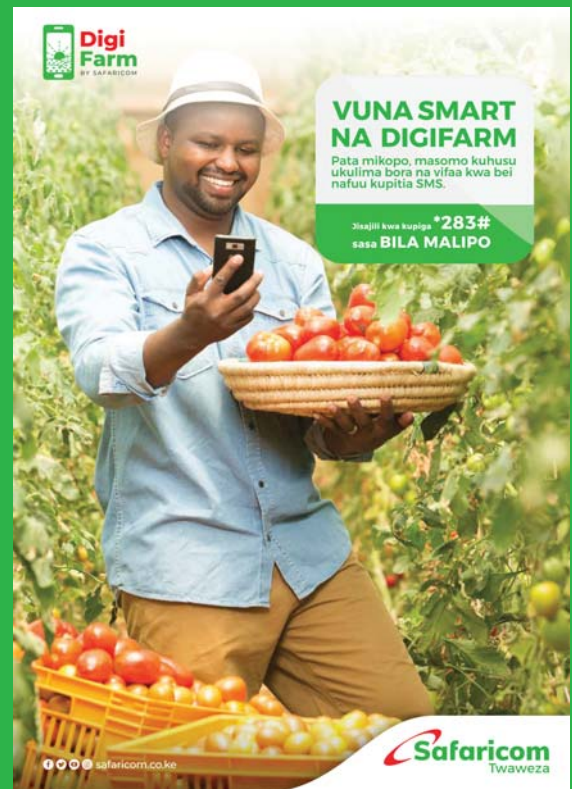
DigiFarm has over a million farmers on its platform, more than 300,000 of whom are 30-day active customers. DigiFarm has opened 144 depots around the country to enable farmers to access quality inputs. To date 61,435 loans have been approved, and 23,107 loans have been redeemed at DigiFarm depots.

DigiFarm's buyer-driven model seeks to drive behaviour change by encouraging smallholder farmers to grow crops based on market demand. This allows them to produce with a level of certainty, with a minimum price guaranteed before planting commences. Farmers also receive:

- Soil testing services
- Check off loan for inputs needed
- Yield insurance on the farm
- Extension services through DigiFarm Village Advisors
- A ready market for their produce

In FY19, we partnered with the Makueni County government to pilot the buyer-led model, resulting in over 600 sunflower farmers signing up to produce raw material for purchase by Bidco Africa, a leading manufacturer of fast-moving consumer goods including edible oils.

DigiFarm is expected to transform the lives of smallholder farmers by enabling them to produce optimally and make farming a profitable business. This will help to ensure food security in Kenya and provide an opportunity for Africa to feed the world.



ALL-IN-ONE BUNDLE

The All-in-One Bundle provides our customers with discounted data and calling minutes based on their usage and how much they would like to spend. Customers may choose from five price points – KSh 1,000, KSh 2,000, KSh 3,000, KSh 5,000 or KSh 10,000 – for a 30 day bundle. At each price point, they may then customise their bundle to optimise their usage:

- Data only: for those who prefer to spend all their usage on data.
- Data heavy + voice light: for those who prefer a mix of data and calling minutes with an emphasis on data.
- Voice heavy + data light: for those who prefer to talk more but also to use some data.
- Other offerings: free WhatsApp services and football passes that enabled customers to stream World Cup matches on their smartphones.

**Nawe
Kila
Wakati**



DIAL *544# & CHOOSE A BUNDLE THAT WORKS FOR YOU



Jipange on the network that never lets you down

TERMS AND CONDITIONS APPLY

[@SafaricomPLC](#) [www.safaricom.co.ke](#)

Safaricom
Twaweza

EDUCATION: SHUPAVU291

Now transitioned into the Consumer Business Unit (CBU), Shupavu291 is a learning programme that incorporates game-style incentivisation to help students learn and study. The platform has a growing subscriber base, currently at 580,126 subscribers, and has 4,129,058 learners since its launch in 2016.

M-TIBA

M-TIBA, a mobile-based health proposition developed in partnership with CarePay and PharmAccess, provides easier access to affordable healthcare for Kenyans on a lower income. M-TIBA enables them to register for NHIF and provides an electronic wallet system to help them save towards healthcare. We provide the backbone technology on which M-TIBA runs.

The scheme has over 4,270,844 subscriptions, injecting more than KSh 200 million in savings into the healthcare system, and provides services at over 400 accredited clinics.

E-COMMERCE PARTNERSHIPS



We partnered with Lynk, an online platform that showcases and promotes Kenyan artisans' products and services, and through which Masoko will be the first e-commerce platform in Kenya to sell spa and beauty treatments. Another key partnership was formed between M-PESA and Alipay to enable international payments for purchases via AliExpress.

Masoko

Launched in 2017, Masoko is our e-commerce platform, whose vision is to "Africa's Lifestyle Marketplace". The online marketplace creates opportunities for customers to access locally manufactured goods from anywhere in Kenya. Sixty-four per cent of vendors on the platform are SMEs, and we work with local manufacturers to help them grow their businesses through e-commerce. In addition to high performing e-commerce categories like phones and electronics, home and living, fashion and accessories, our Made in Kenya category helps craftspeople sell online to a wider market.



120,000

people tuned in on their phones to share in the World Cup excitement

CONTENT PARTNERSHIPS

We are very proud to work in partnership with major content providers in the entertainment market.

- In mid-2018, we partnered with Kwesé iflix, StarTimes and DSTV to bring the soccer World Cup to our subscribers on mobile – a first for Kenya – at an affordable KSh 99/- per day.
- Our expanded offering provides Kenyan content (in partnership with Showmax), something not offered by our South African competitor, DSTV.
- Songa by Safaricom, launched in February 2018, now has 3,000 users and a revenue share of 75:25 in favour of the content provider, Radio Africa Group.
- The Beatz app, delivered in partnership with Spice, offers universal music content.



INNOVATION

The Innovation department within Safaricom explores and establishes new ways to meet the evolving needs of our customers. It consists of two collaborative and interdependent functions:

Products - build and experiment; fail fast and often to develop new, dynamic products and services that might otherwise be considered too risky or time-consuming for the business.

Strategic partnerships and engagement - facilitates investment in start-ups through the Safaricom Spark Fund to cultivate partnerships and create an ecosystem in which start-ups may thrive.

TECHNOLOGY FOR DEVELOPMENT



Our Technology for Development (T4D) unit designs, co-creates and develops products and services that deliver social impact in health, education, agriculture and other areas aligned to the SDGs. The team uncovers new opportunities and unmet needs, then incubates relevant products and services and scales them through the relevant business units.

The key focus area for T4D this year has been to extend our existing portfolio of products and services.

Development Area	Solution	Description
Health	Fafanuka ("be enlightened"), in partnership with the Ministry of Health and the Non-Communicable Diseases Alliance of Kenya (NCDAK)	An SMS and USSD ⁹ service to educate the public, health workers and caregivers on treatment of non-communicable diseases (NCDs) including diabetes, cardiovascular diseases, cancer and epilepsy. Fafanuka was relaunched in November 2018 and has reached 5,400 unique subscribers.
Disaster management	M-Salama ("to be safe"), in partnership with the Kenyan Red Cross	An SMS-based information tool to provide early warning for disasters (floods, famine and drought). In the long term, M-Salama will enhance disaster preparedness and strengthen community resilience.

⁹ unstructured service supplementary data.



ENTERPRISE INNOVATION

Our enterprise business unit (EBU) delivers enterprise grade services on expansive 4G LTE infrastructure. These aim to grow access to reliable broadband connectivity for both small and large businesses across the country. We started by delivering fixed internet over LTE, then added various enhancements to improve the experience.

In addition to increasing the capacity of our product, we delivered advanced functionality including:

- Port forwarding, a way of making a computer on an enterprise network accessible to computers on the internet, even though they are behind a router;
- Traffic shaping, a means of managing network bandwidth to prioritise network traffic and reduce the impact of heavy use cases on other users; and
- Bandwidth burstability, a cost-efficient solution that allows our customers, for a time, to exceed the usual maximum bandwidth during peak usage periods at no additional charge.

A key result of these initiatives has been a sudden surge in the number of 4G LTE Enterprise Customers to 3,744 in FY19, from only 70 customers in FY18.

“We continue to work with US tech giants Amazon and Microsoft to drive a number of areas of innovation, co-creating new products and building capacity.”

LOOKING AHEAD TO 2020

The next financial year presents exciting new opportunities in the following areas:

Content bundling

With customers using so much of their data to browse social media, we plan to bundle capabilities with content, such as talk time + Facebook, data + WhatsApp, All-in-One + YouTube and so on. Facebook Kadogo (“small”) will allow customers to enjoy some of the features of Facebook free of charge.

“Internet of Things” (IoT)



We aim to be a digital partner of choice for businesses by providing solutions that improve the efficiency with which they do business, saving them money and creating additional value for their end users. Examples of areas where we bring valuable solutions by leveraging on IoT is smart water metering and animal tracking system.

Zwuup

Zwuup is a WhatsApp-style messaging platform and entrepreneurial tool for small business owners. It includes M-PESA integration for peer-to-peer payment capabilities, bringing together the convenience of mobile messaging and the security of digital payments. Zwuup is undergoing public data testing, with a market launch planned for FY20.

International partnerships

We continue to work with US tech giants Amazon and Microsoft to drive a number of areas of innovation, co-creating new products and building capacity.

STAKEHOLDER ENGAGEMENT

Our stakeholders are individuals, communities or organisations who are affected by, or who may influence, our business. This includes our customers, shareholders, business partners (suppliers, agents and dealers) and employees; our regulators, the media and Kenyan society as a whole.

This section defines the categories of stakeholders with whom we engage, including demographics, extent of reach, engagement channels and stakeholder responses, as well as the nature of our relationship with them. There have been no significant changes to the categories of stakeholders from last year.

Listening and responding to stakeholder needs and feedback remains an important aspect of our business. It is in line with our strategic pillar of putting the customer first and helps inform our contributions towards reducing inequalities. Formally and informally, we consider ourselves to be in constant dialogue with our stakeholders, and we feed what we learn from them into the decisions we make and the actions we take in shaping the sustainability strategies and priorities of the organisation.

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OUR CUSTOMERS

Our broad customer base encompasses the full spectrum of individuals and organisations across Kenya. Our customers are split into consumer customers, individual purchasers of goods and services, and enterprise clientele, which include businesses of all sizes, ranging from small office/home office (SOHO) businesses and small-to-medium enterprises (SMEs) to large corporate firms.

CONSUMER CUSTOMERS

Customer Growth	FY19	FY18	FY17	FY16
Total consumer customers (millions)	31.8	29.6	28.1	25.2
Total market share (%)	62.4	67	72	65

CUSTOMER EXPERIENCE MANAGEMENT

Our customer-centric approach, wherein we focus on user experience rather than network performance, is facilitated by customer experience management (CEM) software Crowdsourcing, a tool from Vodafone that collects user experience data such as signal level. The tool, which allows for granular assessment of user experience, uses information from customers who have had a poor experience to enable us to improve it.

REBUILDING CUSTOMER TRUST

In the year under review we faced pricing wars with our competitors. The harsh economic conditions of the first half of the year, characterised by depressed credit growth and strained consumer budgets, made spending money on new products less of a priority.

We faced trust issues around mobile data usage and billing. Our customers felt their data resources were dwindling out of proportion to their usage, when in fact new technology demands higher rates of data usage as apps incorporate complex content such as video. We acknowledge our customers' sentiments and experience, and have been able to design innovative, viable solutions to address these issues.

Following negative feedback from customers, we simplified our opt-out procedures to put them in control. For easy opt-out of premium rate subscriptions, we created the USSD string *456*20#, which has been used by two million customers to date. In addition, a unified opt-out for all marketing or promotional messages was enabled using the string *456*9*5#, giving customers control over the types of messages they receive.

Innovative Solutions and the Value Added to Customer Experience

My Data Usage



A feature of MySafaricom app that enables customers to track their data usage by various applications in their device.

Value Add: Expanded the scope of the tool to include our youth package, BLAZE, and Safaricom Platinum, making our data pricing more transparent.



Data Save is

an additional feature of My Data Manager that

allows customers to choose to watch video content in lower resolution, without compromising quality which makes data resources last longer.

Data bundle amnesty:

Customers are able to recover expired data bundle by buying a new bundle. The new bundle has a longer validity than the duration left on the bundle about to expire.

MONITORING OUR PERFORMANCE

Customer satisfaction is determined by the Net Promoter Score (NPS), which measures the likelihood of a customer's recommending (promoting) our services to friends, family or colleagues.

The revamping of our data offering has led to swift recovery in both NPS and mobile data growth. In the last four months of FY19, this growth was consistent, and we finished the financial year with an NPS of 61, five points behind our closest competitor. M-PESA remains the key driver of NPS. Safaricom mobile money services are extremely popular,

especially thanks to their ease of use. Our overall NPS score for enterprise customers peaked at 29 per cent between July and October 2018, but dropped afterwards to 24 per cent towards the end of the year. This is due to decline in network reliability, whilst our performance in terms of product and services reliability and price competitiveness (value for money) remained stable.

	FY19	FY18	FY17	FY16
Consumer NPS	61	72	70	66
Enterprise NPS	26	26	12	6

BLAZING INTO THE FUTURE



In FY19, we sought to drive uptake of BLAZE, our network catering to young people aged 10 to 26 years old, which has 3.2 million subscribers.

Case Study: Profile of a BLAZER

Name: Kelvin Musyoka

Business category: Fashion

Aspiration: Designer

Niche: Recycling leather to make jackets and designing unique bags for the local market.

BLAZE activity: Be Your Own Boss (BYOB) Creation Camps and TV show

I started off selling "mitumba" (second-hand) clothes, and I took a loan from my brother to kick-start my business selling leather bags and jackets.

My BLAZE training helped me set up a retail shop in the CBD. I was able to market and position my business to corporate clients and landed a large order, which helped me scale my business and set up a manufacturing workshop with two permanent employees. We broke even in our second month and have expanded our customer base.

I was invited on to *10/10*, a popular TV show, to speak about BLAZE BYOB, my business and entrepreneurship. I offered to dress the show's host for two months and he agreed to wear my jackets on the show every Friday in November and December. The publicity was a huge boost for my business.

	What you get	Price
Daily	70mb + 70sms +WhatsApp	20/-
	200mb + 200sms +WhatsApp	50/-
	1gb + 200sms + WhatsApp	100/-
Weekly	350mb + WhatsApp	100/-
	1gb + WhatsApp	250/-
	4gb + WhatsApp	500/-
Monthly	3gb + WhatsApp	500/-
	7.5gb + WhatsApp	1000/-
	20gb + WhatsApp	2000/-



ENTERPRISE CUSTOMERS

Enterprise Customers	FY19	FY18	FY17	FY16
Total enterprise customers	180,164	169,000	96,712	84,000
Total market share	68%	67%	72%	65%

Enterprise market share by segment	FY19	FY18	FY17	FY16
Large enterprises (public and private sector)	99%	99%	99%	99%
SMEs	14%	23%	20%	13%
SOHOs	9%	11%	11%	5%
Total market share (% customer)	68%	67%	72%	65%

ENGAGEMENT WITH OUR CUSTOMERS

In the last quarter of FY19, our Customer Operations Department was redesigned and some roles were redeployed. The resulting efficiencies cut across retail channels and the call centre, allowing employees to work together in allocating and aligning resources where they are most needed.

Customers, especially the youth demographic, are increasingly taking up our self-service options, choosing to use digital channels rather than phone customer care.



Daily distinct user base grew by: **200%**

Zuri AI (artificial intelligence) chatbot, enables mobile data users to perform tasks, saving on costs and driving efficiencies.

Weekly average calls answered increased **27%** after ECC & Zuri AI came onboard: **107k** out of 121k calls received

71% **MySafaricom App** growth in downloads for FY19 from 2.1 million to 3.6 million

215% enrolment growth for **Jitambulisho** voice biometric verification system: 476,000 to 1.5 million customers

Interactive voice recognition (IVR) An automated telephony system technology that interacts and provides self-service support to customers. Use grew in FY19 by **83%**, from 47,000 to 86,000 daily interactions.

Case study: The Social Media Team

The social media team was established in 2011 as a small team of 25 and since has grown to 130 agents, at least 60 of whom are available daily. The team comprises a youthful mix of individuals who reach an average of 5,000 customers daily via Facebook, Twitter and Instagram.

The social media team's priority is to give excellent service in the shortest time possible and we have maintained this over the years. Our response time and resolution management performance have become industry benchmarks, earning us several awards.

During the most recent Customer Service Week, which runs the first full week in October each year, our focus was to encourage our customers to engage with Zuri and use the MySafaricom app for self-service. The response was very positive; our customers are happy to have more self-service solutions.

This year we also launched our Facebook Live channel, where we interact with customers to promote products and services. The broadcasts help with customer education and encourage instant feedback.

SOCIETY

ADDRESSING INEQUALITIES IN SOCIETY



Part of our work to transform lives throughout Kenyan society takes place through investment by the Safaricom and M-PESA Foundations.

This financial year is the first in which we have implemented the Safaricom Foundation 2018-2021 strategy. The three pillars of the strategy are health, education and empowerment. These pillars are further split into the following programme

areas: maternal and child health, non-communicable diseases, technical and vocational training, improving learning outcomes and youth economic empowerment.

Aimed at building a stable and inclusive society, the Safaricom Foundation spent a total of KSh 434 million on 157 projects that transformed the lives of 185,513 individuals.

Focus Area	FY19		FY18		FY17		FY16	
	spend*	lives**	spend*	lives**	spend*	lives**	spend*	lives**
Health	27%	88,246	24%	245,507	21%	140,768	22%	172,898
Education	52%	51,413	28%	46,076	33%	43,622	24%	76,255
Economic empowerment	14%	5,415	36%	-	38%	-	52%	-
Disaster response	2%	5,000	1.3%	300	3%	1,500	2%	2,100
Environment	0%	5,000	2%	72,500	0%	65,350	0%	65,000
Water	6%	30,439	9%	64,150	5%	47,000	N/A	40,500

* Percentage of total spend ** Number of lives transformed

HEALTH



Foundation initiatives to improve health and well-being included access to cancer screening, medical camps and the renovation and equipment of health centres and maternity wings. KSh 44 million was spent on strategies to enhance maternal health and prevent and manage non-communicable diseases.

The M-PESA Foundation established a number of programmes including Uzazi Salama ("safe pregnancy"). These interventions saw immunisation figures increase from 49% of children to 60%. Furthermore, 6,000 mother-baby packs were given to women delivering at facilities in Samburu County.

Safaricom Foundation Camps

Safaricom Foundation, in partnership with the Kenya Diabetes Management and Information Centre (DMI), offered free medical services to Kenyans as part of Safaricom Twaweza ("we can") Live, a seven-month long programme of life-transforming community engagement across Kenya. Services offered at the medical camps included diabetes and cancer screening, dental and eye checks, family planning, voluntary HIV counselling and testing services, deworming and general check-ups.

- 4,429 people were screened for diabetes
- 2,954 people received eye examinations
- 1,245 people received a dental check-up
- 38 patients with vesicovaginal fistulae (VVF) were operated upon
- 84 patients with rectal vaginal fistula (RVF) were operated upon
- 155 other patients received necessary operations

EDUCATION



Projects in which the Safaricom Foundation participated to enable access to quality education included the construction and equipping of classrooms, kitchens, dining halls, latrines, libraries and science laboratories. We contributed to classroom renovations, computer and ICT equipment, autism therapy, manual skills training in electricity, assistive devices for the visually impaired and equipment for differently-abled persons, school learning materials and solar installations.

BENEFITING SOCIETY THROUGH OUR ENVIRONMENTAL STEWARDSHIP



In the past financial year, we initiated a number of ecological and conservation projects and collaborated with various partners to roll them out in partnership with our Foundations.

In June 2018, we completed the KSh 164 million Mau Eburu conservation project, initiated in 2013 by the Ministry of Environment and Forestry and funded by the M-PESA Foundation. The project involved the construction of a 50-kilometre electric fence and extensive reforestation to resolve persistent human-wildlife conflict and restore parts of the forest degraded by human encroachment.

Case Study: Wezesha and Generation in Kenya



The Safaricom Foundation Wezesha Programme has partnered with Generation in Kenya to support youth to access entry-level job opportunities. The purpose of this partnership is to equip unemployed youth aged 18 to 35 with the knowledge, skills and tools required to succeed in the workplace, and position them for ongoing personal and professional success. To date, the programme has trained 156 young people on employability skills in the areas of financial services, distribution, sales, customer care and operations, with 99 receiving placements before completion of the training. Our targeted number of youngsters for this programme is 400.

Testimonials

"A friend invited me to the Blaze BYOB event at Kisumu Show Ground, and I later registered for the Financial Services Sales programme. Amazingly, after the training, I did not have to look for a job, since employers were waiting for me. I never knew I would have such a skill, especially in selling insurance."

- Eve, now employed at Pioneer Insurance

"I benefited richly from Generation in Kenya, acquiring customer care skills, confidence and a desire to succeed in all I do. These have helped me to start a shop, where I employ two people, while still working for Post Bank. I believe that I can pass on skills to my staff to help them. I have been rewarded multiple times by my employer for my good performance at work."

- Henry, now employed at Post Bank

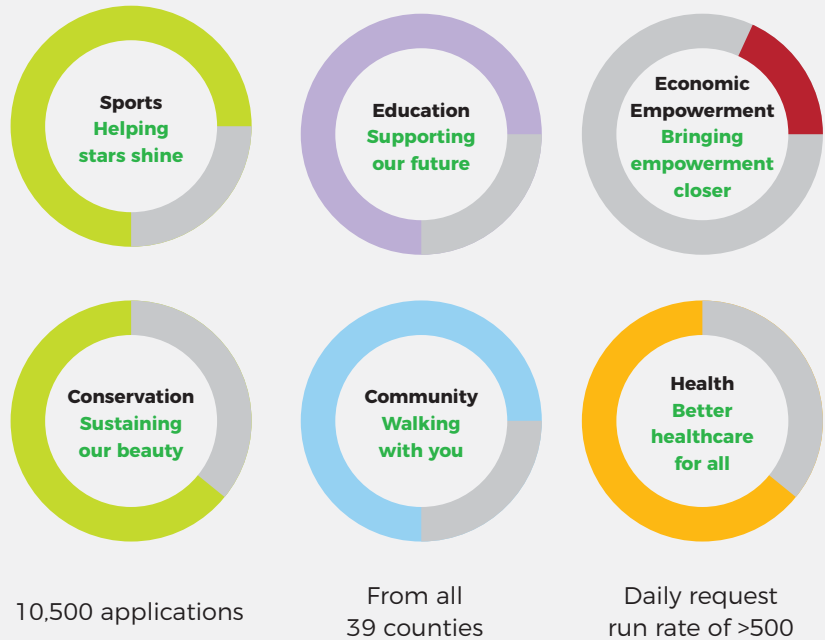
NDOTO ZETU

As part of our Safaricom@18 celebrations, marking 18 years in business, we launched Ndotu Zetu (“Our dreams”), an expression of our commitment to transforming communities.

Through impactful investment, The Safaricom Foundation aims to fulfil communities’ most pressing needs, such as rehabilitating schools, community facilities (e.g. boreholes) and health facilities.

People were encouraged to share their aspirations via various platforms, including Safaricom retail shops and online. In all, we reached 8 million people and gathered 398 dreams to fulfil.

Sharing Aspirations with Ndotu Zetu



A selection of our Ndotu Zetu projects:



Maternal healthcare; “Mama Care” packs for new mothers

Impact

>20 women and children

Nairobi



Molo Beba Beba community project to set up chicken farming and provide handcars

Impact

>12 men and their families

Molo Nakuru



Supplied Tritagoi Football Club with kit and equipment

Impact

36 active players

Tritagoi Rift Valley



Slum Youth Talanta Foundation computer lab funding

Impact

>100 youth

Huruma Nairobi



Jiggers (tunga penetrans parasites) eradication drive

Impact

>150 children, women and men

Bungoma Western Kenya

PROMOTING AND PROTECTING CHILDREN'S RIGHTS



In the year under review, we conducted our first Children's Rights assessment using the UNICEF Mobile Operators' Child Rights Self-Assessment Tool (MO-CRIA). The tool provides guidance for mobile operators on assessing their policies and processes as they relate to children's rights.

MO-CRIA assesses the measures our business has deployed to safeguard against infringing the rights of the child under three risk assessment categories derived from the UNICEF and Save The Children framework:

Risk Category	Functional Areas	Action Implemented by Safaricom	
Workplace	Legal	<ul style="list-style-type: none"> Security Employer supported childcare Child-friendly workplace Upholding/promoting the wellbeing of children 	<ul style="list-style-type: none"> Child online safety measures for our data products Health and safety – clinics within premises to cater for children at the work place
	Human resources		
	Product development		
	Security and emergencies		
Marketplace	Sales and marketing	<ul style="list-style-type: none"> Avoid using children in advertising unless entirely necessary Portray children positively where used in advertising Children's compensation for modelling in an advert must be at the same rate as adults 	<ul style="list-style-type: none"> Continue to hold suppliers accountable through impromptu visits and inspections to ensure they do not employ children in any part of their value chain Communicate labour rights to suppliers, 96% of whom are signatories to the UN Global Compact 10 Principles, one of which commits the members to uphold labour rights and avoid child labour
	Procurement		
Community	Corporate social investment and compliance	<ul style="list-style-type: none"> CSI programmes focusing on children's health, education and empowerment 	<ul style="list-style-type: none"> Ensure non-encroachment on to spaces used by children in site acquisition and laying of fibre optic cables
	Network operations		

MO-CRIA Assessment Results



The results of this assessment were mixed; in some areas, we met the commitments we made, while in others, we have lagged behind. In the upcoming financial year we aim to implement the recommendations arising from the assessment, such as reviewing our and procedures to ensure we meet our commitments across all the areas.

CHILD ONLINE SAFETY ADVOCACY



A particular area of interest for us is online safety, given that we provide internet connectivity and content both for devices and homes through our Home Fibre network. We have put controls in place to ensure the online safety of our data products.



In FY19, we collaborated with the GSMA, UNICEF and other MNOs to develop and launch the WeCare campaign initiative, the first of its kind in Africa, and developed and launched the child online safety industry charter. We have hosted forums such as Safer Internet Day, which aims to enhance the safety of children online.

Case Study: 47-in-1



Computer laboratories, providing students with early access to digital learning environments and tools, can be a game-changer in an individual's eventual employability and earning power.

Our Technology Division has rolled out prefab computer labs in primary schools. Our aim is to have a lab in at least one primary school in every county in Kenya as part of our 47-in-1 initiative. Twenty-one counties have completed fundraising activities for the programme, raising KSh 98 million of the KSh 112 million target. We have deployed a total of 18 computer labs, most recently in Turkana.





INSPIRING WOMEN TO SHAPE THE FUTURE IN TECHNOLOGY

“Gender, poverty and (economic) inequality are intrinsically linked... in countries where many women have an income of their own, relative poverty rates are lower.”¹⁰

– 2018 UN Women discussion paper

A study conducted by the World Bank Group reports that global wealth would increase by US\$23 620 per person, on average, in the 141 countries studied – for a total of US\$160 trillion, if women earned the same over their lifetimes as men.¹¹ A clear link exists between empowering women and reducing economic inequality for all.

Our commitment to gender diversity in the sphere of technology remains a key area of focus. Our outreach programmes in schools and on campuses encourage girls to study science, technology, engineering and mathematics (STEM) courses. We achieved a presence in 50 high schools in the past year, reaching approximately 2,000 girls, and organised career talks at universities and colleges.

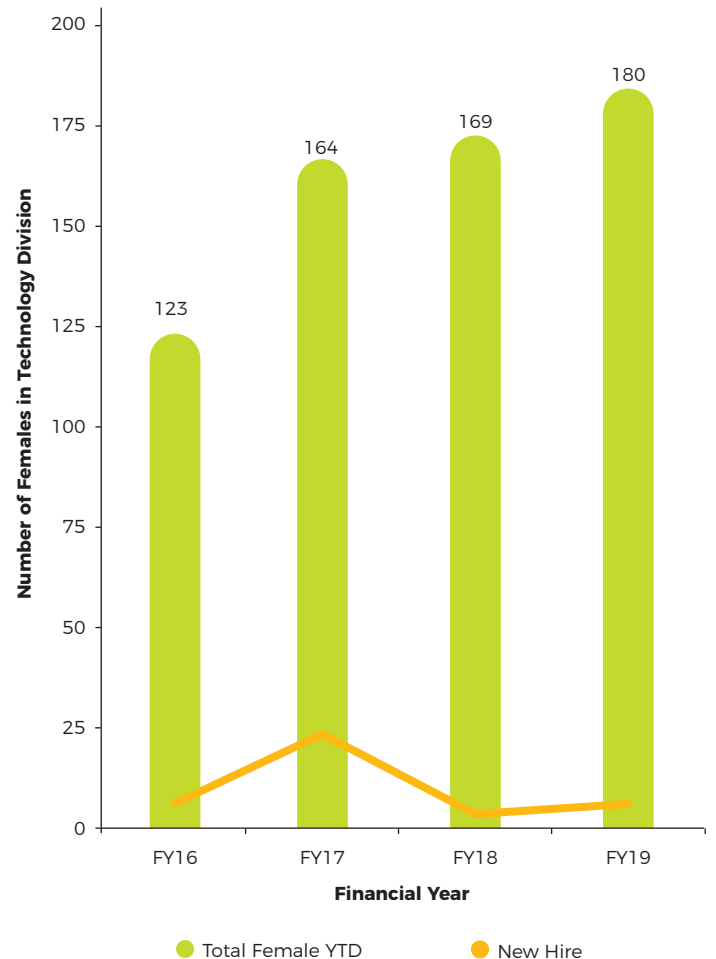
Our Safaricom Women in Technology (WIT) programme is an initiative dedicated to inspiring women to advance their STEM careers through internships, mentorship culture and coaching programmes. In FY19, the proportion of women in our technology division is 22 per cent and we are targeting to hit 25 per cent by the end of FY20.

¹⁰ Nieuwenhuis, R., Munzi, T., Neugschwender, J., Omar, H. and Palmisano, F. (2018), “Gender equality and poverty are intrinsically linked: a contribution to the continued monitoring of selected sustainable development goals”, UN Women, available at www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2018/discussion-paper-gender-equality-and-poverty-are-intrinsically-linked-en.pdf?la=en&vs=4100 (accessed 20 June 2019)

¹¹ Georgieva, K. and Bibieau, M. (2018), “This is the global price of gender inequality”, World Economic Forum, available at www.weforum.org/agenda/2018/06/the-high-price-of-gender-inequality (accessed 22 June 2019)

SAFARICOM WOMEN IN TECHNOLOGY HIGHLIGHTS

Technology Division Female Count



WOMEN IN TECHNOLOGY INITIATIVES

Kids-Go-Tech

Early age technology experiments

- 24 sessions
- 40 experiments
- 750 participants
- 200 kids sponsored

47/47 High School

47 girls' high schools in 47 counties

- 45 counties

Technology Academy

Value added internship

- Academy reserves a quota for differently-abled persons, males and females
- Support design thinking, hackathons, career fairs.



Age (years)



Tech-novation Challenge

High school innovation competition

- 10 teams shortlisted for 2018 Global Tech semifinals
- 650 participants in 86 teams registered this year
- 65 teams formed this year

Campus Outreach

Technology usage touchpoint

- collaboration with Daraja API Team
- 2 Hackathons
- 30 local universities reached.
- 36 industrial visits and in-house workshops.
- 6 university career fairs
- 3 BLAZE summits reached over 500 students

Networking Forums

Building professional networks

- 4 networking forums



OUR EMPLOYEES


 Offering job opportunities allows us to help integrate many talented and diverse population groups into the economy, ensuring that growth has a broad effect and is sustainable. Close collaboration between business units provides opportunities for the integration and sharing of ideas, knowledge and good practices.

Our value proposition to our employees is to offer a transformative experience throughout their entire journey working at Safaricom. The transformative experience is built upon inclusivity, equal opportunities for learning and career growth and unique reward propositions. We add value to our employees' lives through humanness, trust, purpose and growth. Safaricom is an environment in which all employees have equal opportunity to be themselves and to belong.

As an employer, our values are:

- We are diverse and inclusive
- We offer dynamic workspaces
- We offer unique wellbeing propositions
- We are vibrant and fun
- We strive to shape the future through innovation
- We impact the community
- We strive to support growth and learning opportunities

EQUAL OPPORTUNITIES

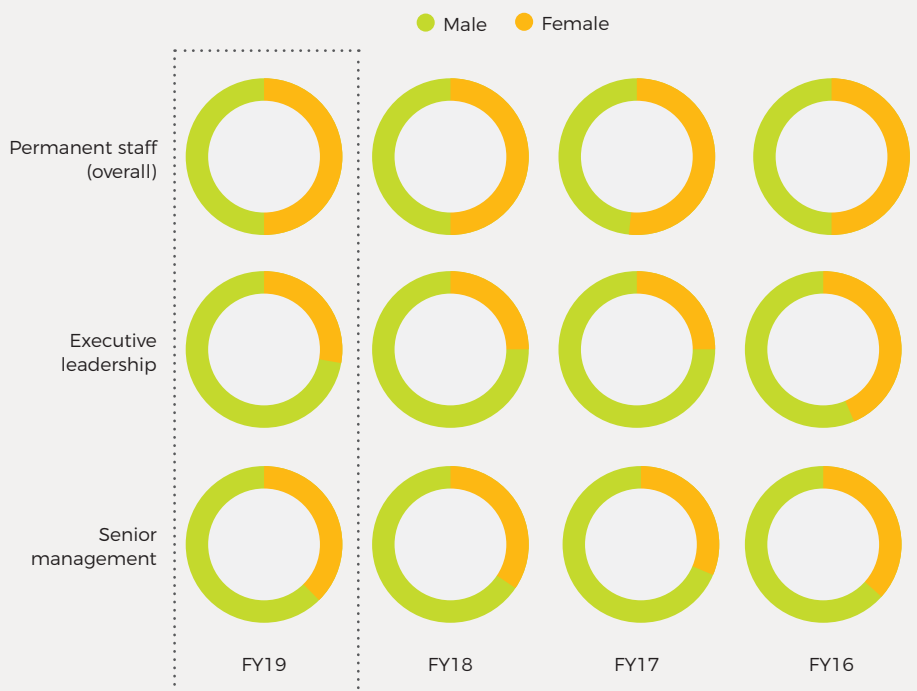
 We are an equal opportunity employer, actively recruiting diverse staff from different backgrounds to reflect the communities we serve. We strive to create an environment in which employees are empowered to thrive, regardless of gender, disability, religion, race, age, thinking style or any other quality.

Workforce demographics	FY19	FY18	FY17	FY16
No. of permanent male employees	2,251	2,190	2,080	2,131
No. of permanent female employees	2,252	2,186	2,165	2,153
Total number of permanent employees	4,503	4,376	4,245	4,284

Employees by gender and diversity (%)	FY19		FY18		FY17		FY16	
	M	F	M	F	M	F	M	F
Permanent staff (overall)	50%	50%	50%	50%	49%	51%	50%	50%
Executive leadership	73%	27%	75%	25%	75%	25%	57%	43%
Senior management*	66%	34%	68%	32%	69%	31%	67%	33%

* target is 50% female employees by 2021

Employees by Gender and Diversity (%)



INTERNAL LABOUR MARKET MAP

The following table 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 of each gender (not the proportion of the total staff population).

Career Level			Snr Mngmt	Mid. Mngmnt	Entry Level
Hires	F	FY19	2.1%	5.4%	6.4%
		FY17-18	7.8%	6.4%	-
	M	FY19	2.9%	6.7%	11.0%
		FY17-18	5.3%	7.8%	25.8%
Internal mobility	F	FY19	2.1%	4.6%	6.2%
		FY17-18	1.1%	5.3%	2.1%
	M	FY19	7.3%	3.9%	7.8%
		FY17-18	-	-	-
Laterals	F	FY19	15.5%	5.7%	2.3%
		FY17-18	17.8%	10.5%	2.6%
	M	FY19	11.7%	6.3%	1.9%
		FY17-18	9.2%	7.4%	2.4%
Voluntary exits	F	FY19	6.2%	2.8%	2.4%
		FY17-18	7.8%	4.2%	2.7%
	M	FY19	5.8%	3.4%	3.0%
		FY17-18	4.9%	4.2%	3.6%
Total exits	F	FY19	9.3%	3.6%	5.2%
		FY17-18	7.8%	4.7%	5.7%
	M	FY19	8.3%	7.0%	5.9%
		FY17-18	5.8%	5.2%	8.3%

SUPPORTING GENDER DIVERSITY

We are committed to gender diversity at all levels. Our vision is to achieve 50:50 gender parity at management level by the year 2021. In FY19, the percentage of women in senior management roles stands at 34 per cent (up two per cent from last year), and in FY20 we aim to close at 39 per cent. To drive this, we conduct continuous gender target tracking at all levels, targeted recruitment of female managers and Safaricom Women in Leadership programmes such as Women in Technology, Paa Dada and the Safaricom Mowgli Mentorship programme.



Our maternity leave allowance is four months (longer than the statutory three), and we offer flexible working hours for six months upon return to work. To further support working parents, our facilities include a crèche with caretakers and teachers, and staff are encouraged to bring children to work. In the year under review, staff at our two crèches cared for a combined total of 638 children per month on average. We provide a mothers' room and private areas for expressing and storing milk. We also offer additional support to staff who parent children with special needs.

We have a Women in Technology (WIT) internship programme in place to foster burgeoning careers in the industry, and among our own staff women comprise 30 per cent of our technology division.

SUPPORTING DIFFERENTLY-ABLED PERSONS

Inequality and poverty disproportionately affect people who are differently-abled, especially in developing nations.



At the inaugural Disability Summit in July 2018, held in London and co-hosted by the Kenyan and UK governments, Safaricom signed the Disability Charter for Change. This commits us to the following objectives for differently-abled persons:

- eliminating stigma and discrimination;
- economic empowerment; and
- accessibility and affordability of assistive devices and technologies.

We aim to recruit more people in this group as permanent staff in the technology division and across the business. We have set a target that five per cent of our workforce will comprise differently-abled people by the end of FY21. Currently, 2.1 per cent of our employees are differently-abled and in FY20 we intend to grow this to 2.9 per cent.

	FY20 target	FY19	FY18	FY17	FY16
Differently-abled persons	2.9%	2.1%	1.7%	1.4%	1.2%

Case Study: Thrive



One of the fundamental pillars of Safaricom culture is Humanness, which affirms that we all matter and that our diversity is our strength. In line with our efforts to be 100 per cent “human at work”, our health and safety team has launched a holistic employee wellness programme called Thrive, a work-based intervention programme designed to provide support to members of staff and create a happy, healthy and productive workforce.

This programme offers interventions to support and sustain the integrated wellbeing of our staff based on:

- Body – physical fitness, nutrition, sleep and movement;
- Heart – a sense of connectedness and belonging;
- Soul – a sense of purpose;
- Mind – mental health and wellbeing through mindfulness, meditation, connections with family, gratitude and empathy.

The Thrive programme, which is in phase 2 in FY19, has a 90 per cent reach across the business.

We work hard to create an inclusive and safe environment that enables our staff to achieve both individual and business objectives. Initiatives include:

- training all our line managers and employees on unconscious bias;
- training at least 500 employees in basic Sign Language, which is a key driver for inclusive communication (these will be deployed “on the ground” in shops and centres to facilitate communication with the hearing-impaired community);

- providing customised business tools (assistive devices and technologies);
- ensuring our physical environment is accessible, such as by installing braille lift buttons and audible instructions;
- procuring specialised evacuation equipment and continuous training; and
- celebrating our diversity.

EMPLOYEE ENGAGEMENT

Safaricom uses the Employee Engagement and Manager Index (part of our “SEMA Survey”) and staff turnover rates to measure the morale of employees.

Employee engagement measures how employees view the organisation by which they are employed, the level of connection and commitment they feel to the organisation and how they passionate they are about their jobs.

While staff gave their overall work environment a rating of 81 (-2 vs FY18), we have made in-roads through a variety of initiatives.

In the year under review, our engagement score rose from 91 to 95. Ninety-four per cent of our staff are likely to recommend Safaricom as a great place to work, reflecting an affection for and commitment to the brand that is corroborated by Safaricom being rated the best company in Africa to work for in 2018 by *Forbes Magazine*. Staff turnover, at a five-year low of five per cent, bears this out.

Our Manager Engagement Index is 84% - this speaks of our ability to create a conducive environment for our employees to be at their very best when working at Safaricom - developing self and team, leading to creating a compelling career growth.

SEMA SURVEY SUMMARY RESULTS:



Successful
change
management

96%

of staff believe that the recent changes in the business will contribute to the future success of Safaricom.



Work-life
balance

73 **+11** vs FY18

Flexible work schedules enable employees to meet personal commitments.



Innovation

95%

of staff believe Safaricom is innovative and are likely to recommend our products.



Happiness
Index

85 **+4** vs FY18

Our culture engagement journey has fostered better working relationships and embedded the Safaricom purpose of transforming lives.



Ethics &
compliance

84 **+6** vs FY18

Staff are significantly more confident in reporting unethical behaviour. This can be attributed to our focus on Ethics and Compliance awareness and training.



Communication
across tiers of
influence

72 **+2** vs FY18

Staff feel that they can communicate honestly to all levels. We encourage continuous engagement in divisions through skip-level meetings*.

Diversity &
inclusion



94%

of staff believe that we celebrate our diverse workforce.



Internal
processes

72 **+10** vs FY18

The processes that support staff in performing their work have been significantly streamlined and simplified.



Speedy decision
making

71 **+8** vs FY18

Adopting agile ways of working has enabled us to improve our decision-making processes.

* Meetings in which a manager's manager meets with employees to improve overall communication.

PERFORMANCE MANAGEMENT

Our new performance management process embraces partnering for success and has played a role in driving positive performance:



INTEGRATING THE SDGS INTO OUR GOAL-SETTING

This year, we began the process of integrating the SDGs into our annual objectives. All staff members were required to align their performance goals to the nine SDGs on which we have pledged to focus. Eighty-three percent of our staff were aware of how their performance goals contribute to the SDGs. This has helped them set more impactful objectives, as well as fostering a spirit of innovation in which they may identify business opportunities in underexploited areas such as (but not limited to) health, agriculture, education and green energy.

TRAINING AND CAREER DEVELOPMENT

We strive to inspire all our employees by supporting a culture of learning, growth and development.

Training	FY19	FY18	FY17	FY16
Investment in staff training (KSh million)	310	298.7	298.7	257.8
Percentage of staff attending training	83%	83%	79%	79%

Our learning philosophy:

70% + 20% + 10%

On-the-job learning

Social learning

Formal training

Our learning platforms:

- eLearning platform
- On-demand learning
- Coaching
- Safaricom University
- Digital Academy



We partnered with Nokia, Huawei, the Moringa coding school, Strathmore Business School, the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Health Risk Managers (IHRM) and the Institute of Human Resource Managers (IHRM) to provide learning opportunities to our staff and promote employability.

Company-wide career planning and counselling sessions have reached 4,000 employees. Eighty-five per cent of line managers have undergone our Line Manager Toolkit Programme for developing self and team and creating a compelling career.

SAFARICOM DIGITAL ACADEMY

Our drive to meet the digital future head-on is facilitated by the introduction in 2019 of Safaricom Digital Academy. Over a six-month period, 60 engineers joined an in-house programme based on a hybrid model of learning, delivered in part by external partners (Strathmore, Moringa, Huawei, Edureka) and in part by an internal faculty of experts.

The programme covers the seven essential domains of our digital future, mapping them to real business challenges and opportunities:

- Cloud computing
- Cyber security
- Mobile and web app development
- Dev-ops
- Data science and analytics
- Future network technologies such as 5G, SDN (software-defined networking), IoT, NFV (network functions virtualisation)
- Agile methodology and design thinking

SAFARICOM DISCOVER GRADUATE MANAGEMENT PROGRAMME



Our Discover programme is a graduate management trainee programme that enables greater talent mobility within the business and supports our drive to make Safaricom increasingly global by accelerating the development of our talent pool. The 18-month programme incorporates rotations within and across functions in an accelerated learning environment to build depth and breadth of experience, and is designed to prepare future leaders to assume challenging responsibilities and roles.

Each year we hire 20 graduates, split 50:50 by gender. We currently have 73 Discover trainees.



Discover alumni/alumnae working at Safaricom

- 1 member of senior management
- 12 managers
- 7 Future leaders

SAFARICOM INTERNSHIP PROGRAMME

Our internship programme provides university students with three months' job experience wherein students are exposed to real-life work scenarios and challenges. The programme provides a holistic view of how corporations are structured, fosters teamwork and provides an opportunity to build confidence.

Seventy-five of our interns in the year under review work under our "liquid workforce" programme, geared toward developing employees able to adapt and change based on their environment and meet the challenges of the digital age. The programme prepares students for a corporate career by furnishing the skills and experiences to make them employable after college while paying them a stipend.

A SAFE AND SECURE WORKING ENVIRONMENT

We take any potential risk to our staff seriously. We have occupational health and safety (OSH) protocols in place to ensure the physical security of staff, including strict security measures on all of our sites. In the event of a security incident, staff receive real-time SMS alerts and updates.

Total OSH-related incidents	FY19	FY18	FY17	FY16
Fatalities	2	0	4	3
LTIs (lost time injuries)	2	5	0	2
Incidents	150	158	154	191
Medical treatment cases	20	22	22	17
Man-hours* (millions)	12.3	12	10.2	9.4
Fatal injury frequency rate (FIFR)*	0	0	0.039	0
LTI frequency rate (LITFR)*	0.016	0.017	0	0.2

* Only Safaricom employee man-hours are tracked, so the FIFR and LITFR are derived from the single recorded employee LTI

In FY19, the number of OSH-related incidents, LTIs and medical treatment cases were down year-on-year. Two tragic fatalities were recorded during the reporting period, both involving contract staff, and we have used our quarterly engagements with suppliers and the annual supplier conference to: address the need for enhanced awareness and oversight on contractor activities; offer training around common health and safety standards; provide assessment tools that enable our suppliers to identify and understand the areas in which they may not meet standards, and the associated risks.

OUR REGULATORS

NURTURING A SYMBIOTIC RELATIONSHIP WITH REGULATORS



We continue to build and maintain cordial relationships with regulatory bodies and policy makers. Our engagements are regular, transparent and mutually beneficial, as we endeavour to uphold the highest standards of compliance to our license obligations and engage our regulators on challenges unique to the telecommunications industry.

We continue to uphold the highest levels of compliance to our licence obligations while conducting our business in an ethical manner. We have developed our regulatory universe to help us improve compliance monitoring.

Our principal regulator remains the Communications Authority of Kenya, and in total we engage with eight regulatory bodies:

Regulator	Mandate	Issues on which we engage
Communications Authority of Kenya	The regulatory authority for the ICT sector in Kenya, including broadcasting, multimedia, telecommunications, electronic commerce, postal and courier services.	<ul style="list-style-type: none"> • Licensing • Spectrum management • Consumer affairs • Quality of service (QoS) and Experience • KYC regulations • Universal service fund (USF) • Interconnect
Competition Authority of Kenya	Enforces the Competition Act, No. 12 of 2010, to promote competition for the benefit of consumers, businesses and the economy as a whole.	<ul style="list-style-type: none"> • Competition and trade practices • Consumer affairs • Mergers and acquisitions
Central Bank of Kenya	Formulates monetary policy to maintain price stability; promotes financial stability; oversees payments, clearing and settlements system; foreign exchange policies and reserves; issues currency; is banker and fiscal agent of Government.	<ul style="list-style-type: none"> • Mobile money transfer services (M-PESA) • International money transfer services.
Kenya Revenue Authority	Responsible for the efficient assessment and collection of revenue (taxes) on behalf of the Government.	<ul style="list-style-type: none"> • Taxation
National Environment Management Authority	Ensures the natural resources and environment of Kenya are managed in a sustainable manner.	<ul style="list-style-type: none"> • Environmental impact assessments and audits • E-waste management • Energy management regulations • Air quality regulations
Betting Control and Licensing Board	Promotes reasonable, legal and sustainable gaming activities in Kenya and authorises gambling, lotteries and prize competitions.	<ul style="list-style-type: none"> • Safaricom product and service promotions
Kenya Civil Aviation Authority	Responsible for the safety and management of Kenyan airspace.	<ul style="list-style-type: none"> • Site acquisition • Approval of proposed base transceiver stations
Capital Markets Authority	Protects the interests of investors and publicly-listed companies through licensing and supervising the capital markets industry.	<ul style="list-style-type: none"> • Corporate governance

Alongside ensuring that we retain company-wide compliance with our regulators, we are also working on tangible ways to strengthen our stakeholder engagements in a rapidly changing regulatory landscape. With consumers gaining more power, the need for robust data protection standards has come strongly into focus for the mobile industry. We seek to maintain its high standards of transparency to ensure that customer rights are placed at the centre of our product development and service delivery, even as new technologies such as Artificial Intelligence (“AI”) and Internet of Things (“IoT”) emerge.

In line with this, the Regulatory and Public Policy team expanded to include the International Carrier, Roaming and Co-location teams, in order to ensure regulatory compliance and assure customer satisfaction. In addition to the team’s pre-existing support role, it is now responsible for revenue generation arising from these new functions.

QUALITY OF SERVICE & CUSTOMER PROTECTION

Alongside rising public interest, regulators have also begun to place a high premium on quality of service and customer protection.

The Communications Authority’s new Quality of Service (QoS) standards were operationalised on 1st July, 2018 and are expected to be fully adopted over a period of three years. These will introduce new fines for non-compliance and a fresh scope of parameters to determine call quality and customer satisfaction levels.

At the same time, the issue of grey traffic continues to raise both billing and national security concerns. Grey traffic is currently on an upward trend in the Kenyan Market, mainly due to international traffic being disguised as local calls. The result is that unscrupulous service providers can take advantage of the difference in local and international termination rates, and there is no traceable evidence of the calls once they are terminated. The CA issued Determination No. 1 of 2018 which establishes a framework that will enable operators in Kenya to deal with illegal international traffic.

We continue to work in tandem with the Regulator to eliminate this practice.

“Grey traffic” refers to network traffic that is legal on one end of the network, but illegal on the other. International calls are disguised as local calls in order to take advantage of the difference in local and international termination rates. This is contrary to international best practice as well as International Telecommunication Union (ITU) standards requiring that genuine Caller Line Identity (CLI) (which enables operators to route international and local traffic accurately) be displayed.

OUR BUSINESS PARTNERS

Our business partners are our agents, dealers and suppliers, on whom we rely both operationally and in terms of our reputation, since they help to drive transformation through our products and services. We have a tremendous opportunity to encourage sustainable practices throughout our business ecosystem, value chain and society at large by engaging with these partners. Our business partner network comprises 1,138 suppliers, 433 active dealers and 167,083 M-PESA agents.

AGENTS

Where in previous years our agents dealt mainly in airtime, data and M-PESA products, sometimes informally selling devices, in FY19 we have introduced formalised device sales and attendant sales targets.

	FY19	FY18	FY17	FY16
M-PESA Agents	167,083	156,000	130,000+	100,744

ENGAGEMENT WITH OUR AGENTS

28

Biannual principal forums held



Quarterly agent assistant training

on M-PESA innovations, fraud trends, KYC and AML held in all sales areas

ADDING VALUE FOR OUR AGENTS:



Financing



- increased availability of financing to agent head offices by onboarding Stanbic as a banking partner
- doubled weekly financing issued to 1,600 agent head offices to KSh 1 billion
- introduced close float monitoring by agents' account managers



Security



- emphasised the importance of KYC, enforcing compliance by agent head offices, sub-agents and sub-agents' assistants
- invested in counterfeit currency detectors (UV lights) for M-PESA agent shops
- security box incentive scheme, financing 40% of the cost of CCTV cameras to combat fraud and theft. 1,260 cameras issued in FY19

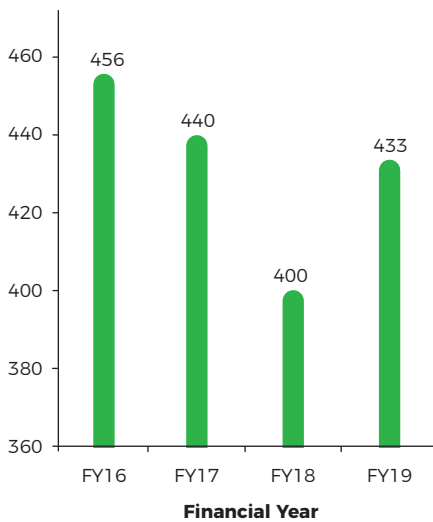
Reward schemes



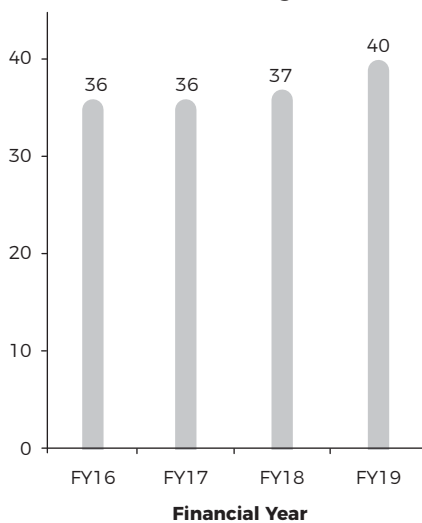
- Stawisha Biashara* (Enhance Your Business) promotion
- enables agents to earn a point for every 1,000 transactions facilitated
- Points can be redeemed by USSD for cash via their M-PESA accounts

DEALERS

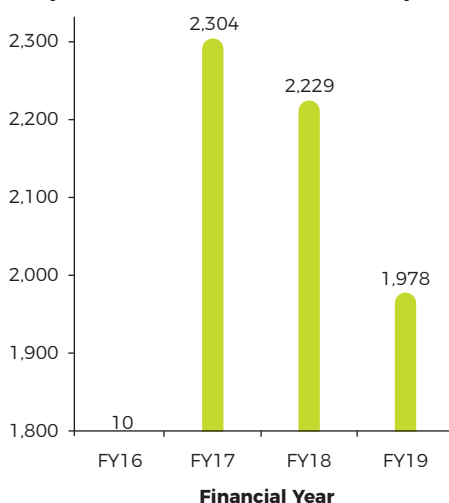
Active Dealers



Area Sales Managers



Mobility Scheme (cumulative number of bikes)



active dealers up by

+8.3%



Increased transparency through digitisation

Shared prosperity vision:

- new business lines
 - potential return on investment (RoI)
- Increased transparency around internal processes, e.g. line activation, that affect dealers' revenue generating activities



Continuous support programmes

- Training and life skills for dealers' staff on basic bookkeeping, shop and staff management
- Branch managers equipped to handle end-to-end duties at their shops and encouraged to take up leadership roles within their areas of operation



Chanua Biz (Enlighten your business)

- Encourages dealers' direct sales agents to take up M-PESA functionality
- Provides a secure and effective channel through Lipa Na M-PESA (Pay by M-PESA) to digitise and streamline collections
- Allows them to go cash-free, making them far safer and reducing their insurance costs
- Rewards agents with commissions for signing up new recruits, enables them to earn points (redeemable for airtime)



direct sales agents benefited

2,000+



60

dealers benefited



M-Jeki (A little boost)

- Unsecured short-term loan for dealers and agents (head offices) to cover airtime, float and device purchases
- Enables smaller and emerging operators to raise extra working capital against their trading history with Safaricom

OPPORTUNITIES FOR GROWTH



The 2019 Dealer of the Year awards and Dealer Conference sessions were combined into a single event. Dealers were treated to a demonstration of opportunities across new business lines such as Masoko, DigiFarm, Home and Terminals.

Our programme to onboard more dealer vans, for which Safaricom supplies branding and recommended routes, resulted in phenomenal growth, from 200 vans in FY18 to 298 in the year under review. This will increase our market penetration into more remote areas and increase the uptake of M-PESA.

SUPPLIERS

SAFARICOM SPEND WITH SUPPLIERS

	FY19	FY18	FY17	FY16
Spend with foreign suppliers	33%*	29%	36%	36%
Spend with local suppliers	67%	71%	64%	64%
Total spend (KSh billion)	84.8	85.6	84.4	76.8
No. of foreign suppliers	182	194	193	174
No. of local suppliers	956	970	979	920
Total suppliers who received POs during the period	1,138	1,164	1,172	1,094

* This increase is attributable to our need to procure specialised network equipment that could not be sourced locally. We are, however, committed to growing the number and diversity of our local suppliers.



SAFARICOM SUPPLIER PERFORMANCE

Overall our suppliers scored 80 per cent (on-target) in the year under review, two per cent up from FY18, in evaluations of 605 participating suppliers. Underperforming vendors received performance improvement plans (PIP), providing them the opportunity to do better.

SUPPLIERS' RELATIONSHIPS WITH SAFARICOM



During FY19, our finance operations changed the date on which suppliers were paid from the 15th of the month to the 10th, provided invoices were posted to the iSupplier online portal by the end of the preceding calendar month and goods or services had been delivered. Our suppliers have responded positively and are satisfied with our payments process.

We have automated and expedited our purchase orders (POs) process by introducing catalogues and "touchless" (not requiring human intervention) POs, wherein sales processes are digitally integrated. By the end of FY19, over 75 per cent of purchase orders were touchless, reducing the PO turnaround time from an average of three days in April 2018 to half a day in March 2019.

We set up a help desk with a dedicated email account to improve our engagement with suppliers. We conducted mini-forums in October and November 2019, attended by 240 suppliers, to provide feedback on issues they have raised, share our vision for sustainable business and encourage them to implement the SDGs into their own businesses.

Our independent annual partners' forum survey, conducted by TNS Kantar, received responses from 151 partners. There was a slight dip in supplier satisfaction from 94 per cent in FY18 to 91 per cent in the year under review. An NPS score, which assessed how likely our partners are to recommend our goods and services, was introduced for the first time. We achieved a score of 73.

ENSURING A SUSTAINABLE SUPPLY CHAIN

The code of conduct clause, 2.9 of our supplier contract, is guided by the principles of human rights, labour rights, environmental responsibility and anti-corruption, and stipulates that our partners have an obligation to sign up to the Code of Ethics for Business in Kenya. Three hundred and twenty-four out of our 335 suppliers, or 96.7 per cent, have done so. We are following up with our longstanding suppliers to ensure the remainder sign up. We are working with Global Compact Network Kenya to determine how best to align our partners with the code to transition it from a compliance concern to a way of doing business, how to move to the next level and how to sustain our membership.



We conduct continuous screening of all our potential partners for ethical issues prior to awarding any contract. Under Project Magenta we expect our supply chain to champion the decent



or living wage (KSh 19,639.95) over the minimum wage (KSh 13,572.00), and we have seen this implemented in our security guarding contracts. We closely monitor our suppliers' compliance with labour laws and other regulatory and statutory adherence. In the year under review we instituted consequences for non-compliance and contracts with three suppliers were terminated for violation.

Under **Project Magenta** we expect our supply chain to champion the decent or living wage over the minimum wage, and we have seen this implemented in our security guarding contracts.

19,640 Living wage

13,572 Minimum wage

WOMEN IN BUSINESS (WIB)

Empowering women-owned businesses can have a very significant impact on society and reducing inequalities. In the year under review we established a mentorship programme wherein experienced WIB volunteer to mentor start-ups and SMEs, providing guidance and technical expertise. Three cohorts of mentees have benefited and the first cohort are now mentoring other emerging SMEs. Awareness of WIB is growing, and through our mentorship and capacity-building programmes we have observed a mind-shift among participating suppliers.

At the start of FY19, our active suppliers included 113 women-owned businesses. Most of these suppliers, however, fulfilled relatively low-spend needs such as stationery supplies, cleaning and cafeteria services.

In July 2018 we put out a call for applications from women-owned businesses specialising in technology. By the end of FY19 we had grown our list of active WIB suppliers to 178, and our spend with them increased from KSh 1.9 billion to KSh 2.4 billion, which represents 3.2 per cent of our total amount of goods and services purchase expenditures. We have seen tremendous growth among women-owned businesses in the technological arena; the number of WIB with the expertise to handle various scopes in technology has increased from fewer than five to 50.



In FY20, we aim for 10 per cent of procurement spend to go to women-owned businesses. Various categories of specific capacity building initiatives have been conducted for the WIB, both with internal teams in supply chains and other WIB supporting partners. This means that when a specific need arises, no further prequalification assessments need to be done. The women have already been scaled up (through capacity building sessions, mentorship sessions and subcontracting to tier one suppliers) and can take up bigger, more challenging assignments.

SUPPLIER RECOGNITION FRAMEWORK

This year, for the first time, we commissioned an independent partner to measure supplier NPS by means of a satisfaction survey. Our supplier NPS was 73%. Going forward, we intend to focus on improving our suppliers' experience and enhancing our support of them through various touchpoints.

In FY19, we introduced the Safaricom Supplier of the Year Award (SASA), formalising our supplier recognition framework. The objective of SASA is to strengthen partnerships for the SDG, in addition to creating a sense of belonging and commitment in our partners and improving supplier performance.

A total of 19 awards were presented, acknowledging and rewarding supplier excellence in a variety of areas including service delivery (in various categories), organisational health and safety and the embedding and implementation of sustainable business practices.

The overall Supplier of the Year Award was presented to the Fireside Group, a woman-owned enterprise that has surpassed delivery expectations, embedded sustainable business practices and, above all, shared the Safaricom vision of transforming lives by impacting the community in which it operates.

In FY20, we plan to introduce additional awards to recognise and reward suppliers that seek to transform lives as well as provide excellence in delivery.

Case Study: Creating local jobs for local people



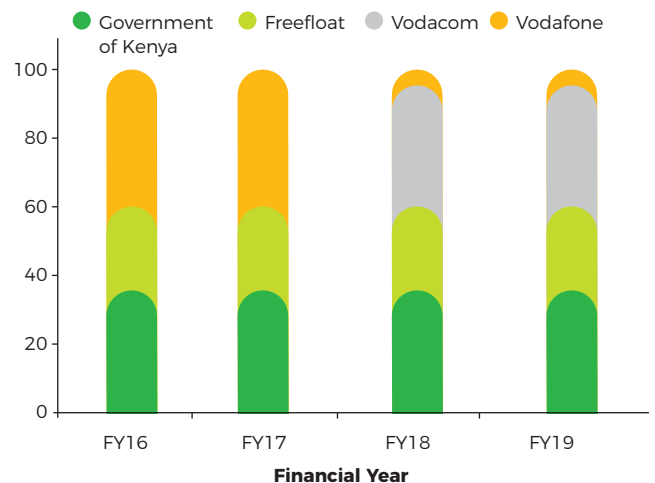
Job creation plays a vital role in our commitment to inclusive growth. The Eldoret Call Centre (ECC) partners with local businesses to provide employment opportunities in the local community. ECC is served by suppliers that employ local people on contracts to provide cleaning, security, staff transport, hospitality and other services.

OUR SHAREHOLDERS

An ever-increasing global emphasis on sustainability metrics allocates capital to companies demonstrating their intention of generating measurable, beneficial social or environmental impacts in addition to financial returns. Many global funds give higher weightings to organisations that adopt the SDGs. We take a holistic approach to reporting on our business, of which sustainability is an integral part, and so are committed to reporting on total impact, not only financial performance.

WHO ARE OUR SHAREHOLDERS?

Breakdown of Shareholders (%)



Shareholder category	FY19*	FY18*	FY17*	FY16*
Foreign corporate	45.1%	48.4%	51.8%	49.9%
Local corporate	39.0%	35.6%	31.4%	32.8%
Local individual	15.5%	15.5%	16.4%	16.9%
Foreign individual	0.4%	0.4%	0.4%	0.4%



* Proportion of "free float" shareholders (%) by category

WHAT IS IMPORTANT TO OUR SHAREHOLDERS?

We have changed the way we interact and engage with shareholders. We have sharpened the focus of our Investor Relations (IR) department and ensure that our website and dashboard remain up to date with information relevant to our investors. All queries directed to the investor relations desk are addressed within 24 hours, while those requiring further input are completed within 48 hours.

We also sustain engagement with institutional investors through conferences; local and overseas roadshows (where we present annual and interim earnings releases, and update stakeholders on our way forward); and email correspondence.

Based on feedback received from these engagements, the following are their primary areas of interest:

-  Governance, including Board composition and remuneration
-  Carbon emissions and carbon reduction strategies
- Internal policies, including
 - data protection policy
 - AML
 - whistleblowing
 - anti-bribery and corruption policy
 - energy efficiency policy
 - workplace diversity policy
 - labour training and development activities
 - health and safety practices
- Environmental, social and governance (ESG) strategy
- Risks and opportunities related to sustainability
- Integration of the UN SDGs
- Reporting and monitoring of carbon and greenhouse emissions
- Shareholding and composition of the company

Customer relationship management solutions from Bloomberg support our scouting initiatives. The IR team has onboarded Chorus Call, a teleconferencing service, to handle conferencing sessions for annual and interim results announcements. Investor conference calls take place several times a year between management, IR, investors and fund managers, and transcripts and recordings of these calls are available to all parties.

CREATING VALUE FOR OUR SHAREHOLDERS

Our Board remains committed to investing in the business and maintaining our strong record for paying progressive dividends each year. The proposed dividend for the financial year is KSh 50.1 billion, an increase of 13.6 per cent year-on-year. Given the strong position of the balance sheet, we were also happy to propose a special dividend of KSh 24.8 billion for the year under review.

We are pleased with the strong results we have delivered for the year, building on our long track record of consistent delivery, protecting shareholder value and putting the customer first, and we anticipate continued growth in the future. Our financial outlook for 2020 reflects the adoption of the International Financial Reporting Standards (IFRS) 15 and IFRS 16 accounting standards guidance for EBIT moving from KSh 89 billion to KSh 93-97 billion, with Capex remaining within the KSh 36-38 billion range.

THE MEDIA

Over the last three years, we have sought proactively to cultivate an understanding of how the SDGs can support private sector growth, and made concerted efforts to share this knowledge with the media and general public through opinion pieces, interviews and media events. This has created more opportunities for local media to make reference to our work when covering the SDGs, positioning us as a thought leader in this space.

In September 2018 we held a sustainability workshop for news editors from all electronic, print and digital news agencies to build awareness of sustainability among key newsroom decision makers as a topical issue for business news coverage, highlighting the role of the media in championing sustainable business practices.

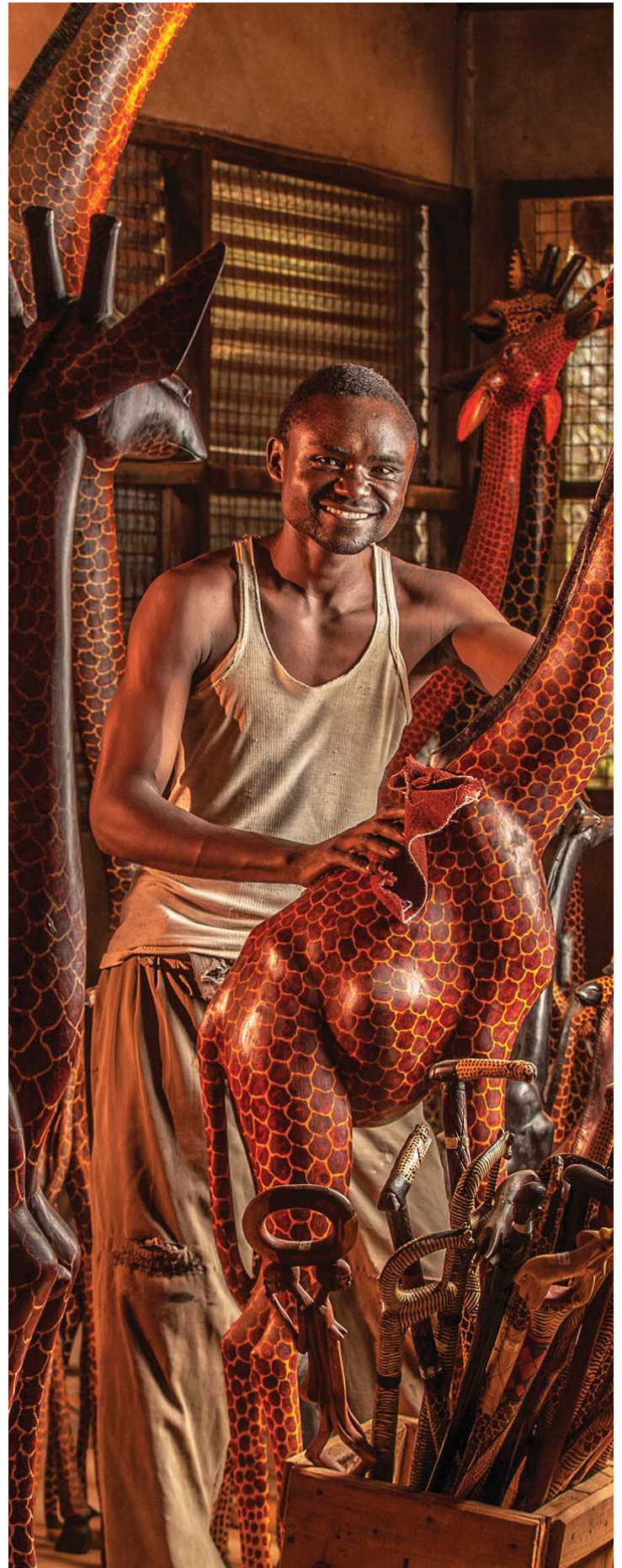
We have reviewed the way we communicate with the media to counter message fatigue, which proved a key issue last year. We segmented our engagements by region and subject matter, communicating only what was relevant to consumers, news outlets and their audiences based on their geographical areas and subject matter, such as technology, business, entertainment, sports, etc.

We continue to deepen our media engagement beyond content sharing by hosting formal and informal media engagements which allow us the opportunity to reinforce our brand narrative, listen to media concerns and feedback, and thus build and maintain mutually beneficial relationships with them.

In the last financial year, we held five such engagements:

Region/Interest	Attendance*
North Eastern	20
Coast	100
Nairobi	100
Western and Nyanza	100
Rift Valley	50

* Number of journalists



CONCLUDING REMARKS

Our focus on the customer remains a key priority. We have restructured the business to make it more customer-centric, which turned around our growth in the second half of the year.

Despite 2019 being a challenging year, we remained true to our purpose of transforming lives, maintaining our excellent track record on reducing inequalities.

Although there is much to be done, we are working towards achieving our target of a 50/50 gender split at senior management level by 2021, and we have begun conducting research into gender pay differentials. In the wider society, we are an equal-opportunities customer, support women-led businesses, as well as the work of differently-abled people, and the youth.

We continue to reduce inequalities and contribute to the economy by creating jobs, providing economic opportunities for all Kenyans through our products and services, and stimulating the wider ecosystem.

Our shared value partnerships reinforce our purpose-driven approach to business and our commitment to transforming lives. Stakeholder engagement has enabled us to lead by example in areas such as social justice, sustainability, environmental responsibility and ethical business, and address inequalities in our supply chain.

In the near future, we will continue to focus on becoming the premier digital company in Kenya, integrating shared value across the business, building our customers' trust in Safaricom, and being responsible stewards of the planet. All of this will be done in furtherance of our purpose: to transform lives.

Thank you for taking the time and effort to read this report. We welcome any comments, queries or suggestions you have regarding this report, which can be shared with the team via email to sustainability@safaricom.co.ke.









On 24 and 25 May, 2019, we hosted the Africa Shared Value Summit, where CEO Bob Collymore gave the keynote speech focusing on reducing inequalities – the theme for this year’s report. We have published the full speech in his memory and as a reflection of his commitment to reducing inequalities.

Distinguished guests, ladies and gentlemen,

One of the things that I like about the area we are in right now is that you can enjoy some of the most panoramic views of Nairobi from vantage points of the gleaming buildings that have been built in the Upper Hill and its surroundings.

Upper Hill is actually billed by some as Nairobi’s new commercial district. The view speaks of a vibrant business sector abuzz with opportunity.

But yet Nairobi, and many of the cities in which we live, have another side to them, a side that we all probably know.

I am told that there are 14 countries represented here, so for those delegates not from Kenya, I will explain that just about a 10 minute drive away will get you to the Southern bypass.

These gleaming buildings pale into the distance and right in front of you, adjacent to the bypass, is the sprawling Kibera settlement: rows of tightly squeezed, tin-roofed shacks that represent the reality in which millions of Nairobians live.

That picture from the southern bypass of Nairobi also demonstrates graphically the inequality that exists in the city and, sadly, throughout our nation, our continent and our globe.

According to Oxfam, the richest 10 per cent of people in Kenya earn, on average, 23 times more than the poorest 10 per cent.

What is even more distressing from the annual Oxfam study is that a girl from a poor family in Kenya has a one in 250 chance of continuing her studies beyond secondary school.

The picture is almost the same across the continent.

The latest edition of *Time* magazine paints a picture of inequality in South Africa that should attract everyone’s attention.

Time reports that the World Bank last year deemed South Africa the world’s most unequal society, estimating that the top 10 per cent owned 70 per cent of the nation’s assets in 2015.

The *Time* story further tells us that the societal split is still largely along racial lines; the bottom 60 per cent, is largely composed of black, mixed-race and Asian people descended from an era of slavery and colonial rule.

This bottom 60 per cent controls only seven per cent of the country’s net wealth and half the South African population live on less than five US dollars a day.

The inequality problem we face today is not only limited to Africa. As a matter of fact, it is the norm across the global arena.

I recently came back from Seattle in Washington State. To quickly bring this to perspective, Washington State plays home to the headquarters of Microsoft and Starbucks, as well as laying claim to being the founding home of Boeing, the largest private employer in the State.

The Washington state tax system has the dubious distinction – according to some analysts – of being the most regressive tax regime in America.

Reports compiled by independent analysts show that poor residents in that state pay 16.8 per cent of family income in state and local taxes, while the wealthiest one per cent pay only 2.4 per cent.

The same situation plays out in San Francisco, where there is immense income per capita, but it is virtually impossible to live there as it is so expensive.

These statistics, whether describing Nairobi, Johannesburg or Seattle, are pointing to a grim and growing reality: that the number of economically disenfranchised people is growing rapidly right around the world.

And yes, this worsening state of affairs – the growing divide between the ‘haves’ and the ‘have nots’ – is happening in many of the areas where our businesses are thriving and where we live.

The reality is that our global economy is broken.

Hundreds of millions of people live in extreme poverty while huge rewards go to those at the very top. Many reports show that there are more billionaires than ever before, and their fortunes have grown to record levels. Meanwhile, the world’s poorest are getting poorer.

This state of affairs is not sustainable.

Over the long-term, business cannot succeed where society is failing, and the reality is that the existing models of business are not generating enough value to contribute to societal good.

As our African economies focus on their growth trajectory – from lower to middle-income countries – the question is whether our nations should pursue GDP-driven economic growth or growth that aims to bridge these inequalities.

We may ask ourselves why this matters to business.

Now, more than ever, there is a clear call to action to business that the business of business can no longer be just business.

The Sustainable Development Goals, the call for more private sector innovation and the call for businesses to develop products and services that address societal needs has been a constant topic in business leadership discussions.

You will hear more from Mark Kramer and other speakers through the two days of this Summit about the changing role of business and business leadership.

Issues such as climate change, inequalities and rights are increasingly becoming fundamental issues that we will have to tackle as the private sector if we are to succeed.

The truth is, no one sector – public, private or NGO – has the capacity to address the fundamental business and social challenges that we face today.

And that is why collaborative and inclusive approaches to business and cross-sectoral partnerships are critical.

But this must be looked at through a business lens for it to make sense over the long term.

Increased inequalities lead to socio-political ills, such as increased disaffection, disengagement, migration, sectionalism, clanism, tribalism and xenophobia.

If not addressed, inequalities will ultimately create a political and business landscape that will be difficult to reverse – we see this in the U.S. and with Brexit.

Inequalities drive people to engagement in nefarious activities, such as trafficking and slavery.

The BBC reported not too long ago that there are about 45 million people living in slavery-type situations in the world today, which is many more than at the time slavery was abolished.

Faced with this global challenge of inequality, what should businesses do?

I wish to propose four approaches;

Firstly, we must adopt inclusive business approaches. Let’s seriously think about how to create employment for the youth, how we can do business more with women-led firms and the SME sector.

Secondly, we must address corruption. Corruption is a challenge in our country, on the continent and globally. It is often executed with the concurrence of the private sector. We are the other side of the coin. This scourge which causes a significant hemorrhage to the economy, drives inefficiencies, drives up prices, widens the inequality gulf and deprives government of revenue that should be used to deliver services.

Thirdly, we must be responsible and transparent taxpayers. We cannot avoid or evade taxes and then take the high road of criticising corrupt or poor government services. Let's do our part and then, if need be, shout it from the rooftops that we paid our taxes if, feasibly, that might drive transparency.

Fourthly, we must tackle inequalities in the workplace. We also need to self-examine by asking pertinent business questions like: how we are performing on gender pay gaps or gaps between executive salaries and median salaries, especially now, with more transparency around wealth declaration.

Indeed, no one sector can do this alone. But we must commit to do our part.

The public sector needs to set the enabling environment, while those of us in the private sector need to drive delivery of products and services that will transform society for the better.

Civil society should provide the links to community and support accountability throughout.

When we bring all these players together, you create what I like to call Constructive Value – which suggests that when you add one plus one you get something that is greater than two.

The only way to achieve this is by partnering together across sectors and sometimes even across platforms.

What are we at Safaricom doing about all this?

In 2016, we started the process of integrating nine of the 17 SDGs into our core business strategy.

We did this because we believe that the SDGs provide the opportunity to really engage in purpose-driven business, a business that is both sustainable and inclusive.

We asked ourselves: what business could we do in the SDGs areas that would help us drive inclusive growth?

Our nine priority goals are the goals related to health; education; affordable and clean energy; decent work and economic growth; innovation and infrastructure; reducing inequalities; responsible consumption and production; climate action; peace and justice and partnerships.

We have since registered significant impact and transformation through our products in health, education, agriculture; our advocacy and partnership efforts in anti-corruption; our ambitious target of being a Net-Zero Carbon Emitting Company by 2050; and our focus on building an inclusive supply chain.

As I conclude, Mark Kramer will talk about shared value – but unless we can address the context within which businesses operate today, it will be an uphill task to deliver Sustainable Shared Value.

We must all re-think our business models and strategies and see how to address the growing inequalities.

I look forward to hearing about how we can create Constructive Value across sectors that are very important for our continent – health, agriculture, energy, manufacturing – with a view to ensuring that we can drive inclusive growth – growth that bridges the gaps and helps bring down the walls that divide our populations.

I thank you for your kind attention.



BIRDS OF EAST AFRICA

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