SUSTAINABILITY REPORT 2014

Safaricom

CONTENTS

01 ABOUT THIS REPORT

Scope

Thank you for reading the third annual sustainability report of Safaricom Limited, covering our fiscal year of 01 April 2013 to 31 March 2014. This report builds on our last sustainability report for the year ending 31 March 2013. As part of our sustainability journey, we aim to present all of our stakeholders with a consolidated view of our strategy and operations in Kenya, our material matters, how we manage these, and our related performance.

In order to determine our most material matters[1] and, in turn, inform the content and boundaries of this report, we held a series of internal workshops. During these workshops, we discussed and reviewed our sustainability context, stakeholder issues, and the associated risks and opportunities for Safaricom Limited (hereafter referred to as 'Safaricom'). We do not believe that there are any material economic, social or environmental impacts of the organisation that have been excluded from this report. For a description of our material matters, please refer to page 32.

We have compiled this report in accordance with the Core criteria of the G4 reporting guidelines of the Global Reporting Initiative (GRI).

[1] **Throughout this report we refer to our material matters. These include both G4 Aspects and Safaricom-specific topics that have been determined as material.**

For an overview of our GRI application, please refer to the GRI content index in Section 9. In addition to the GRI guidelines, our reporting is also influenced by the United Nations Global Compact (UNGC), the International Financial Reporting Standards (IFRS) and the Kenyan Capital Markets Authority (KCMA) Corporate Governance Framework.

We engaged an independent external assurance provider to undertake external assurance over some of our material sustainability key performance indicators (KPIs). Please refer to Appendix B for a copy of our external assurance statement. There have not been any significant changes during this reporting period in the size, location, structure or ownership of our organisation or our supply chain.

Navigating this report

Our sustainability reporting continues to evolve in order to provide a richer, more consolidated view of our sustainability performance. This year, we have reframed our imperatives and opportunities as our 'strategic sustainability objectives', see Section 5 (page 36), and we have defined our strategic response, relative to these objectives, in Section 6 (page 40). Our performance, in relation to each of our material matters, is described in Section 8 (page 78).

We value your views and feedback on our sustainability reporting. Contact us on: **sustainability@safaricom.co.ke**

Our Business

Our Strategy
- Partner of choice for business
- Delighting our customers
- Best Network in Kenya
- Democratising data
- YOLO: youthful, original, local, outstanding
- Deepening financial inclusion
- Staying ahead of the curve

Our Material Matters
- Network quality
- Energy security
- Innovation
- Customer experience
- Our employees
- Environmental performance
- Business partners
- Regulatory issues
- Ethics and values

Our Strategic Objectives
- Deliver the best network by maintaining and enhancing network quality
- Minimise business disruptions by rolling out alternative energy solutions and enhancing energy security for future growth
- Develop transformational products and services relevant to different customer segments
- Remain innovative to service a growing youth sector
- Actively participate in improving financial inclusion and growing the wealth of Kenyan citizens
- Protect our customers privacy and promote positive customer experiences at all touch points
- Maintain a productive, supportive and safe working environment
- Manage our environmental impact
- Promote sustainable practices within our business ecosystem
- Ensure continued regulatory compliance and influence our regulators to ensure a fair business environment
- Promote ethical and good corporate governance in our business ecosystem

Our Strategic Response

Our Performance

02 EXECUTIVE SUMMARY

PERFORMANCE HIGHLIGHTS

Innovation highlights

12
NO. OF NEW SERVICES LAUNCHED

3 103 283
MINIMUM NUMBER OF REGISTERED USERS OF OUR NEW INNOVATION SERVICES*

*Excluding M-PESA.

M-PESA

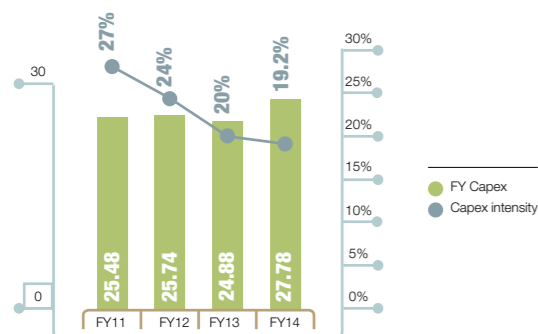**15 478**
NO. OF M-PESA OUTLETS OPENED DURING THE YEAR

81 025
TOTAL NO. OF M-PESA OUTLETS

19.3 Million
NO. OF REGISTERED M-PESA CUSTOMERS

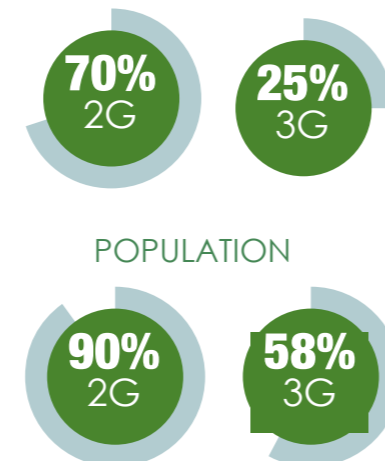## Infrastructural investment

FY Capex
KSH BILLION

Legend:
- FY Capex
- Capex intensity

FY11 25.48 27%
FY12 25.74 24%
FY13 24.88 20%
FY14 27.78 19.2%

Capital expenditure of KSh 27.78 billion spent in:
- Fibre - 770km completed
- A further 640km of fibre in progress in key metro areas Nairobi, Nakuru, Mombasa and Kisumu.
- 2G and 3G capacity growth - modernisation and upgrades
- Information systems upgrades

Coverage

KENYAN LANDMASS

70% 2G
25% 3G

POPULATION

90% 2G
58% 3G

Base stations

3 140 2G-enabled base stations of which 1 847 are also 3G-enabled (59%).

	FY11	FY12	FY13	FY14
2G	2501	2690	2905	3140
3G	1140	1439	1604	1847
Wimax	193	187	203	203

NEW SITES DEPLOYED

160 2G
126 3G
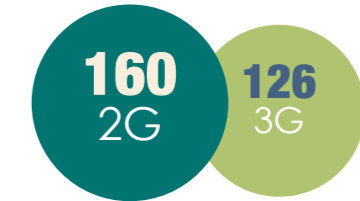
Energy consumption

Electricity (MWh)
FY13 96 362   FY14 113 800

Diesel (Litres)
FY13 5 748 197   FY14 6 833 590

Water (m³)
FY13 43 234   FY14 48 963

Environmental performance

Carbon Footprint

Scope 1 emissions	34 341 tCO$_2$e
Scope 2 emissions	37 387 tCO$_2$e
Scope 3 emissions	3 634 tCO$_2$e
CO$_2$ Total carbon footprint	75 362 tCO$_2$e

Environmental Impact Assessments: 185

Environmental Audits: 349

E-waste collected: 50 tonnes

Alternative energy solutions

Implemented during FY14

Solar and wind energy solutions deployed:
77 SITES

Power cubes (efficient hybrid energy systems) deployed:
79 SITES

Free cooling units installed:
127 SITES

Low-voltage Auto Phase Selectors (APS) deployed:
75 SITES

Deep cycle batteries installed:
75 SITES

Our business partners

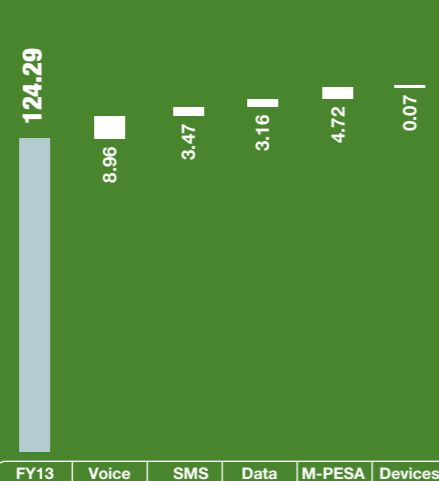**Number of suppliers undertaking sustainability self-assessment:**
174

Average supplier sustainability self-assessment score:
76.6%

Ethics and values

Anti-corruption measure	No. of employees
Issued with warning letters	16
Dismissed	56
Reported to law enforcement agencies	7

Our employees

2 005
NUMBER OF PERMANENT WOMEN

2 032
NUMBER OF PERMANENT MEN

PEOPLE SURVEY RESULTS:

Compared to last year's people survey all indices approved as shown below.

	2013	2014
Response rate	88	93
Engagement Index	74	77
Manager Index	73	76
Employee Net Promoter Score	57	59
*Safaricom Way	77	80

0   20   40   60   80   100

2013
2014

Financial sustainability

Total revenue
KSh Billion

124.29 (FY13)
144.67 (FY14)
16.4%

Total revenue growth
KSh Billion

124.29 (FY13)
8.96 (Voice)
3.47 (SMS)
3.16 (Data)
4.72 (M-PESA)
0.07 (Devices)
144.67 (FY14)

Total customers
Million

17.18 (FY11)
19.07 (FY12)
19.42 (FY13)
21.57 (FY14)
11.1%

Subscriber market share Dec 2013

7.2% ORANGE
8.5% YU-ESSAR
16.5% AIRTEL
67.9% SAFARICOM
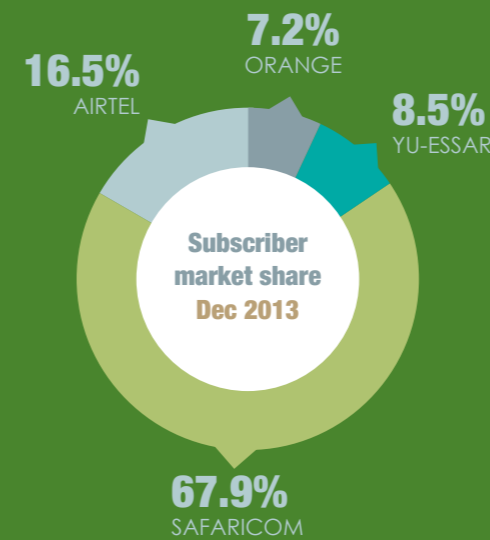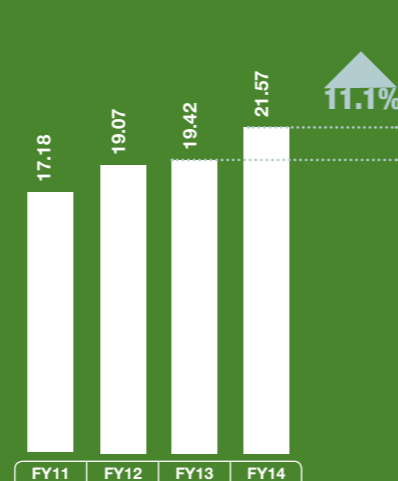
OSH PERFORMANCE	
FATALITIES	1
LOST-TIME INJURIES (LTI)	6
FIFR	0
LTIFR	0.05

OSH - Occupational Safety and Health
FIFR - Fatal Injury Frequency Rate
LTIFR - Lost Time Injury Frequency Rate

Progress Highlights

In the 2013 Sustainability Report we listed a number of initiatives that we would undertake going forward. The table below shows some of the more significant sustainability initiatives and our progress to date.

Our initiatives	Progress to date
Energy security	⟩ Create enough energy redundancy to guarantee operational business continuity
	✓ Building Management Systems installed in 100% of facilities and shops
	✓ LED lighting installed in 100% of facilities and shops
Network quality	⟩ Deliver the 'Best Network in Kenya' by November 2013
Customer experience	⟩ To be the number one enterprise integrated services and fixed data provider
	⟩ To be the clear market leader from a customer perspective
Our employees	✓ Production of a safety and health induction video
	✓ Development of a safety page on the intranet
	✓ Implementation of an automated 'permit to work' tool integrated into site access procedures
	✓ Roll-out ISOMETRIX system
Environmental performance	⟩ Achieve IS0 14001 certification
	✓ Include more emission sources in our Carbon footprint
	✓ Expand the E-waste programme
	✗ Create waste generation targets
	✗ Create water consumption targets

✓ Achieved
⟩ In progress
✗ Not acheived

MESSAGE FROM OUR CHAIRMAN

Expanding the conversation to make it more inclusive

As Chairman of the Board, it is my great pleasure to present to you our third sustainability report. The last 12 months have been a dynamic, developmental period for us as an organisation, during which our sustainability ecosystem has grown and we have expanded our sustainability conversation to include UN agencies, academia, NGOs and CBOs, as well as regulators and other corporates.

There is still much to do and learn, of course, but it is deeply satisfying to see that sustainability is an area of increasing interest and engagement among Kenyan companies. We are delighted to be able to play such an active role in helping to shape the discussion and to be partnering with a growing number of organisations to address the mutual challenges we face.

Strong economic performance

Even though economic growth fell slightly short of projected targets during the year, relatively stable interest and exchange rates secured a favourable business environment and there appears to be sustained interest in Kenya as a business hub and destination for investors.

Against this backdrop, we are pleased to be able to report strong economic performance in all aspects of our business. Our core voice revenues grew by 12% and, significantly, non-voice revenues grew by 28%, reflecting the success of our revenue diversification strategy. We have been recognised as the Tax Payer of the Year for the fifth year in a row and contributed KSh 47.61 billion in taxes, duties, spectrum fees and dividends to Government during the financial year.

Regulation and devolution

We operate within a complex, ever changing regulatory environment and it remained an area of importance and concern during the year, particularly as the momentous devolution process enters its next decisive phase. We have developed a Charter to guide our interactions and ensure that we build constructive, respectful, open and transparent relationships with all regulators. While we will remain compliant with all regulation and applicable laws, we will continue to adopt a firm approach on issues that may be detrimental to industry growth and are currently engaging with the new County administrations in that regard.

Governance and ethics

As part of our continuing focus on maintaining strong governance and ethical business practices, we introduced a rigorous Board Charter and successfully concluded the Board Audit Committee self-assessment process during the reporting period. A reflection of our unwavering commitment to the highest standards of corporate governance, I am confident that these accomplishments will guide us to new heights of ethical, accountable leadership and governance.

We have also shared our commitment to strong ethics and values with our business partners. We communicated our stance, as well as the benefits and value that we believe can be created by operating ethically, at our annual Business Partners Forum. We are also developing an 'ethics starter pack' to assist smaller business partners.

I would also like to take this opportunity to congratulate the team on attaining ISO 22301 and 27001 certification for our Business Continuity programme and Information Security Management systems, respectively. Certifying against these globally recognised standards is further confirmation of our drive to achieve world-class standards.

Coming together as a nation

While we face many challenges as a nation, it is always gratifying to witness the passion and energy with which Kenyan communities come together in response. It's an attitude that is clearly apparent in the work of the Safaricom Foundation and, as it celebrates over 10 years of partnerships with Kenyans, I would like to commend the organisation on its achievements. Together with the M-PESA Foundation, it has become an important contributor to sustainable development in Kenya.

Moving sustainability up the agenda

In closing, it is pleasing to observe that we are no longer tackling sustainability on our own. As we have expanded the conversation and reached out, we have been welcomed, and this is reflected in the deepening partnerships we are developing with different organisations. It seems that sustainability is moving up the agenda and we would like to urge Government to assist these efforts and to continue to develop policies that will drive and support responsible businesses in Kenya.

Nicholas Nganga
Chairman & Non-Executive Director
Safaricom Limited

MESSAGE FROM OUR CEO

Sustainability cannot be achieved in isolation

I am delighted to welcome the publication of this report, which serves as an expression of our ongoing commitment to sustainability and the principles of the United National Global Compact (UNGC). It has been a year of sustained growth and development for Safaricom and, as we continue to mature as an organisation, it is pleasing to see sustainability becoming ever more meaningfully embedded into our daily interactions and operations.

Want to get up close and personal?
Use this QR code to visit the Safaricom website and watch a short video clip of Chief Executive Officer, Bob Collymore, presenting his message.

From a sustainability perspective, our material concerns have not changed significantly since our last report, but our approach has continued to evolve and significantly, we have begun to engage with our business ecosystem more actively. In terms of our approach, we have engaged an independent assurance provider to undertake external assurance over some of our material sustainability indicators, refined our carbon footprint calculations, and compiled this report in accordance with the new G4 reporting guidelines of the Global Reporting Initiative.

We recognise that sustainability is not something that can be achieved in isolation and that we have a responsibility to reach out to partners, suppliers and other companies so that we can tackle the challenges that face us together. One way we have begun this task is through our supplier sustainability self-assessments and I am pleased to be able to report a much greater response this year, covering the majority of our largest suppliers. Now that the conversation has begun in earnest, we are planning to support suppliers with training that will help them achieve the objectives they have identified and prioritised.

Building a better world

In September 2013, I was delighted to participate in a UNGC Leaders Summit in New York. The theme of the Summit was 'Architects of a Better World' and it had a particular focus on Africa as the lack of resources, skills gaps and conflicting business pressures that plague the continent have prevented many African governments and corporations from embracing sustainability collectively.

We know that business and society are interdependent and that each has a considerable impact on the other. We also know that sustainable development priorities are actually compatible with long-term business goals. The challenge presented to us as African leaders is to start working together to craft solutions that reflect this knowledge and that will benefit our companies, our communities and the environments in which we operate and live.

As a result, one of my personal priorities for the year ahead is to share the concepts and messages of the UNGC Summit with as wide an audience as possible, to open up the discussion and to exchange ideas about sustainable business with other Kenyan leaders and the broader corporate community.

Investment and innovation

Our strong commercial and financial performance has been underpinned by continued investment and innovation. We invested KSh 27.78 billion of capital expenditure in our infrastructure this year, with 86% of our radio and 78% of our transmission networks now modernised, 770km of fibre optic network already laid and an additional 640km underway, 3G coverage extended to 58% of the population and 2G coverage now provided to 90% of Kenyans.

I am also particularly satisfied to report our continued adoption of environmentally friendly, alternative energy solutions, such as solar power, power cubes and deep cycle batteries.

Innovation remains an important part of our business strategy and I was especially interested in two of the initiatives that were launched during the reporting period that will significantly improve the lives of many Kenyans. The first is *Lipa na M-PESA*, which gives M-PESA customers a fast, safe and convenient way of paying for goods and services at no fee, and the second is *Linda Jamii*, an affordable micro-health insurance service offered in partnership with Britam and Changamka that will widen the bracket of the population with access to medical care.

The right time to widen the conversation

As sustainability becomes an integral part of what we do as an organisation, it also seems the right time to start turning our attention to the wider business ecosystem and communities in which we operate. I am excited about this next phase and looking forward to widening the conversation and engaging in a dialogue with the broader community about creating responsible businesses, in Kenya, and for Kenya.

I would also like to thank the many organisations and people that are already interacting with us on sustainability. It is the robust debate and vigorous questioning we receive during forums and interactions that helps guide and challenge us. We consider sharing our experiences, exchanging ideas and questioning and probing each other to be one of the real values of partnership and we look forward to many more such exchanges in the future.

Bob Collymore
Chief Executive Officer
Safaricom Limited

03 OUR BUSINESS

WHAT WE DO

Safaricom is an integrated communications company, providing voice and data communications services to consumers, businesses and public sector clients.

Our shareholding structure is composed of the Government of Kenya (35%); Vodafone (40%) and free float (25%). We are listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment. Safaricom Ltd has 4 subsidiaries, which are 100% held and are disclosed in note 19 of the Annual Financial Statements on page 111 of the 2014 Annual Report. These subsidiaries are covered by the disclosures in this report.

25%
FREE FLOAT

SHAREHOLDING STRUCTURE
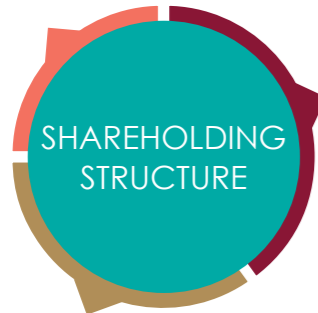
40%
VODAFONE

35%
GOVERNMENT OF KENYA

We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi. We consist of a number of operating divisions, including:

- **Chief Executive Office**

- **Profit Centres**
  - Enterprise business unit
  - Consumer business unit
  - Financial services

- **Corporate Centres**
  - Risk management
  - Internal audit
  - Customer care
  - Marketing
  - Corporate affairs
  - Finance
  - Resources
  - Technology
  - Strategy and Innovation

Our operations consist of Safaricom House 1 and 2, the Safaricom Care Centre, the Jambo Contact Centre, 40 retail stores and 3 140 2G-enabled base stations of which 1 847 are 3G-enabled.

As an organisation, we have annual revenues of KSh 144.67 billion and have 21.57 million customers in Kenya, which represents an increase of 11.1% in customers from the previous year. Our M-PESA money transfer service continues to grow and is used by over 19.3 million registered customers. For further information on the direct and indirect value we provide to society, refer to page 26.

We have provided an overview of our business, our strategy, and the stakeholders we engage with in the diagram on page 24. For further information on how we engage with our stakeholders, please refer to Section 7 of this report.

> As an organisation, we have annual revenues of KSh 144.67 billion and have **21.57 million customers in Kenya**, which represents an increase of 11.1% in customers from the previous year.
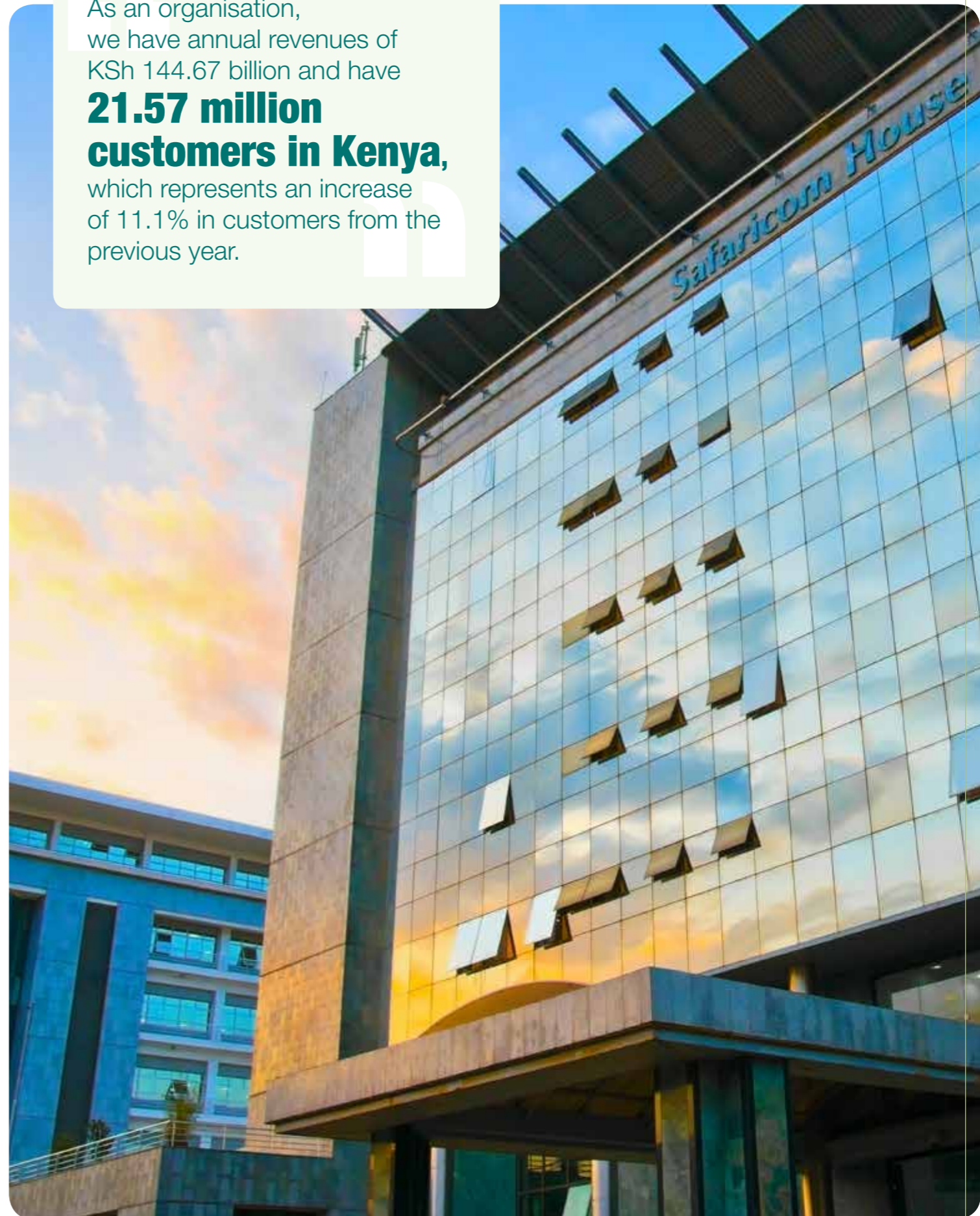
OUR BUSINESS MODEL

Shareholders
Our shareholders provide us with capital, which supports our growth.

Regulators
Our relationships with regulators impact our ability to manage our risks and retain our license to operate.

Our Customers
They are vital to the sustainability of Safaricom. They drive us to develop innovative solutions

Business Partners
They are a key part of how we engage with our customers and the overall customer experience.

Our employees
Our employees are the face of Safaricom and ambassadors for the company. They continue to drive innovation and ensure that we acheive our company objectives.

Society
Provides us with a conducive operating environment and a market for our products and services.

Media
Media provides us with a platform through which to communicate with our customers, in Kenya and globally, and also influences our brand and image.

Future Generations
Future generations will influence the future environment within which we operate.

Our strategy

TRANSFORMING LIVES

We engage with our customers through:

Business Partners (Dealers & Agents)

Direct (Retail & Call centre)

Customers
Our customers are vital to the sustainability of Safaricom. They provide feedback on our products and services and allow us to develop innovative solutions.

Voice
KSh 86.3 billion
Prepaid and Postpaid voice plans.

SMS
KSh 13.62 billion
SMS bundles, MMS, call back SMS notifications for missed calls and 'please call me' messages.

Data
KSh 11.88 billion
High speed data connectivity for access to the internet through fixed and mobile broadband.

Financial services
KSh 26.56 billion
M-PESA - a fast, safe and affordable mobile money transfer method.

Devices
KSh 4.95 billion
Mobile handsets, mobile broadband modems, routers, tablets, notebooks and laptops.

THE VALUE WE HAVE CREATED

Direct and Indirect Value to Society

We create direct and indirect value for all of our stakeholders through our business operations. Our indirect contributions are more difficult to quantify. Our direct value created, and how it was allocated, is shown in the Value-added Statement below.

Value-added Statement
All values are in KSh Billions
PY- PER YEAR

HANDSET
4.95
PY 4.93

OTHER
3.20
PY 2.69

M-PESA
26.56
PY 21.84

FIXED SERVICE
2.57
PY 2.11

MOBILE DATA
9.31
PY 6.61

MESSAGING
13.62
PY 10.15

Value created
146.51
PY 125.68

VOICE
86.30
PY 77.34

EMPLOYEES
10.09
PY 8.40

DEALERS & AGENTS
20.25
PY 17.39

OTHER OPERATING COSTS
33.01
PY 30.95

LANDLORDS
1.56
PY 1.18

Value allocated
146.51
PY 125.68

LICENSE FEES
7.96
PY 7.38

SUPPLIERS
10.99
PY 9.95

GOVERNMENT AS TAX
11.97
PY 7.91

RETAINED FOR GROWTH
29.97
PY 27.28

DIVIDEND
18.83
PY 12.40

FINANCE EXPENSES
1.88
PY 2.84

For more details on our financial performance refer to our 2014 Annual Report.

Awards

Company of the Year
2013 AFRICA INVESTOR (AI) INDEX SERIES AWARDS

Safaricom was awarded the AI 140 Company of the Year Award due to the value of its shares (measured by market capitalisation and liquidity, calculated using the average daily value traded in US dollars).

Best Operator-Led Mobile Money Service
2013 MOBILE MONEY GLOBAL AWARDS

The Safaricom M-PESA service was accorded the Best Operator-Led Mobile Money Service, beating operators from Afghanistan, UAE, Qatar and the USA, in recognition of the success of M-PESA and its potential to transform lives.

Health Care Delivery
GOOGLE INNOVATION AWARDS

The Safaricom TB Care Program Management, dubbed 'TIBU', was awarded the Google Innovation Award for Health Care Delivery on May 29, 2013.

Agricultural Application
IT NEWS AFRICA BEST MOBILE

iCow was rated as the best African Mobile Agricultural Application by IT News Africa In November 2013.

Industry Awards
AFRICACOM AWARDS 2013

★ Best Mobile Money Service
★ Rural Telecoms Award (M-KOPA)
★ Industry Personality of the year Betty Mwangi-Thuo

Social Media Awards
OLX 2013 AWARDS

★ Excellent Customer Service via Twitter
★ Corporate Twitter Account of the Year
★ Best use of Social Media in Events

Marketing Awards
MARKETING SOCIETY OF KENYA

★ Best Integrated Digital Campaign: Safaricom Ultimate 7s 2013
★ Digital Campaign Winners: Okoa Newbie Campaign

Fourth Globally most socially devoted brand in 2013
SOCIAL BAKERS SOCIALLY DEVOTED AWARDS

Overall Corporate of the Year
SOCIAL MEDIA AWARDS KENYA 2013

Kenya Revenue Authority
BIGGEST TAX PAYER OF THE YEAR

Shortlisted for the Okoa Newbie Campaign
FACEBOOK STUDIO AWARDS 2013

Shortlisted for the Shorty Awards 2014
SHORTY AWARDS 2014

★ Best use of social media for customer service.
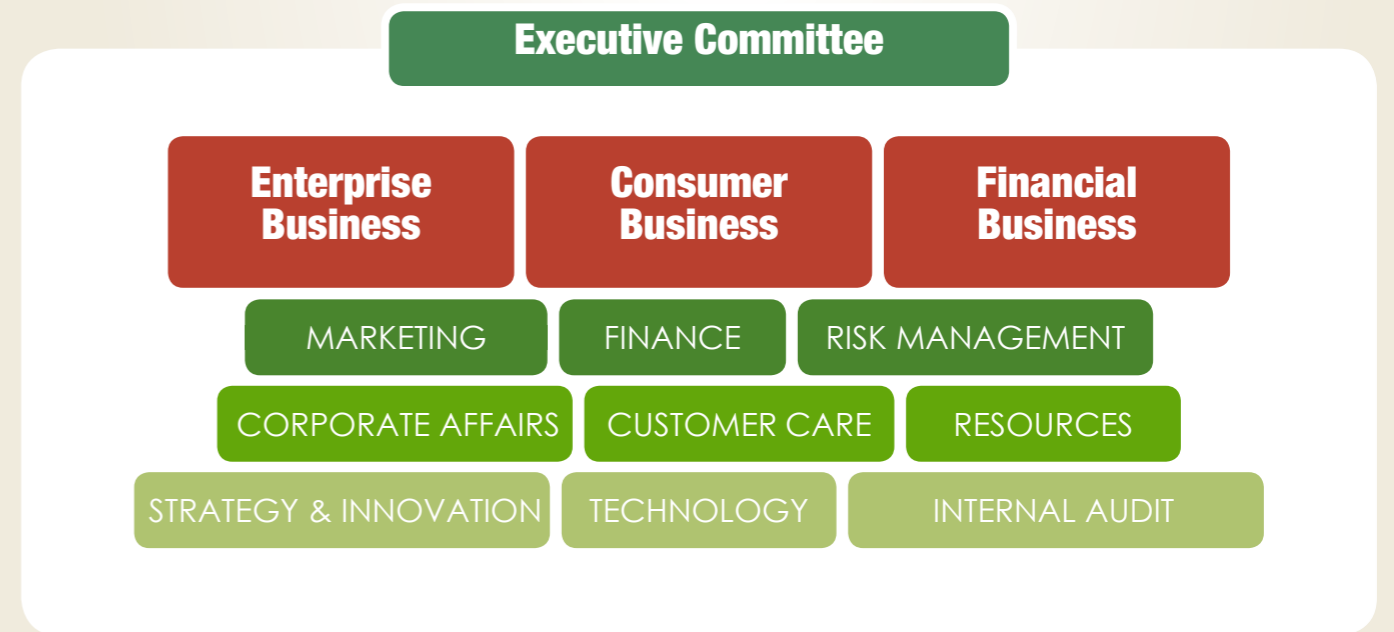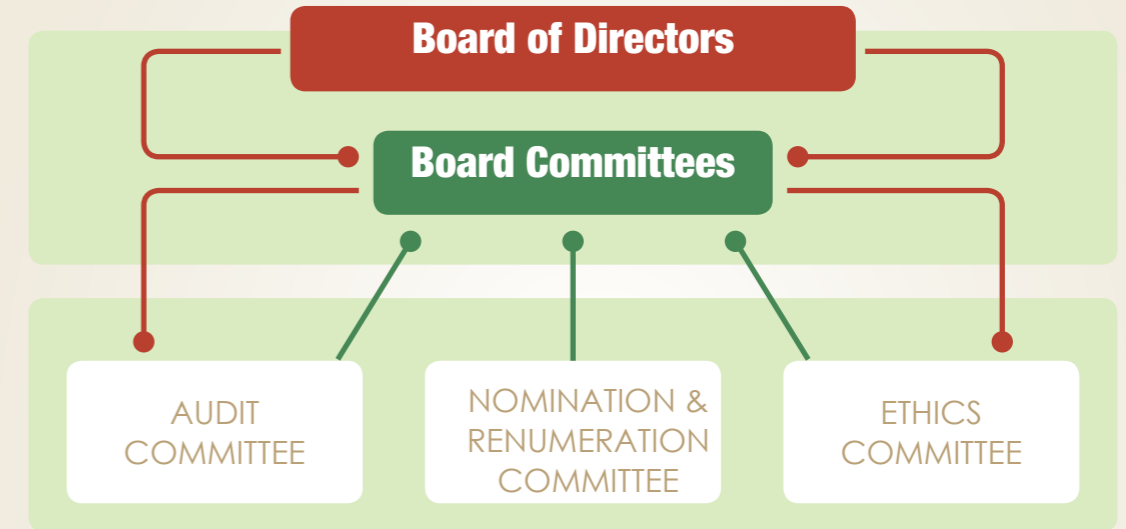
HOW WE ARE MANAGED

Governance

Good governance is the foundation upon which we build and sustain value. Integrity is fundamental to commercial sustainability and investor trust.

Our Board of Directors and Executive Committee (ExCo) remain committed to the highest levels of corporate governance, ethical management and responsible control — and regard this as being vital to our success and continued market leadership. We have developed a Governance Charter and regard the following as characteristics of good corporate governance:

Discipline:
The commitment by senior management to adhere to behaviour that is universally recognised and accepted to be correct and prudent.

Transparency and disclosure:
The ease with which an outsider is able to access information relating to the organisation and to make meaningful analysis of the actions of the company, its economic fundamentals and pertinent non-financial aspects.

Independence:
The extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest.

Accountability:
That individuals or groups within a company, who make decisions or take actions on specific issues, need to be accountable for their decisions and actions.

Adherence to laws and regulations:
The Board must act responsively and responsibly, complying with all relevant laws and regulations, and allowing for corrective action and the penalising of non-adherence or mismanagement.

Fairness:
The systems within a company must be balanced and take into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected, and the company must continually focus on stakeholder value engagement.

Social responsibility:
A well-managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards.

We foster a culture that values and rewards the highest ethical standards and personal and corporate integrity. All directors and employees are expected to act with honesty, integrity and fairness, in accordance with the laws of Kenya and with respect to the cultures of the Kenyan people. For further detail regarding the governance structure of the organisation, please refer to our Annual Report and website.

Accountability

Board of Directors

Board Committees

AUDIT COMMITTEE | NOMINATION & RENUMERATION COMMITTEE | ETHICS COMMITTEE

Executive Committee

Enterprise Business | Consumer Business | Financial Business

MARKETING | FINANCE | RISK MANAGEMENT

CORPORATE AFFAIRS | CUSTOMER CARE | RESOURCES

STRATEGY & INNOVATION | TECHNOLOGY | INTERNAL AUDIT

Ethics

We are committed to ensuring that ethics and integrity underpin day-to-day business practices in Safaricom. It is of such importance, we consider it to be one of our material matters. We have constituted an Ethics Committee to inform and drive this agenda within the organisation and have signed up to the Kenyan Businesses Code of Ethics as a company. This ambition is supported by a series of ethics and corruption-related policies.

Risk management

Risk management is considered everyone's responsibility at Safaricom. The Risk Management Division carries out periodic risk assessments to monitor our environment and performance. We benchmark ourselves against other leading telecommunications operators and independent assurance is provided through both internal and external audit functions. As a company, we endeavour to apply the Precautionary Principle to all of our activities to ensure that we continue to act as a responsible corporate citizen.

Remuneration

Our remuneration policy aims to attract and retain leaders of the highest calibre. Compensation for the highest governance body, executives and senior managers is linked to performance indicators that include social and environmental performance, as well as strategic and financial deliverables. Group Executive Committee (ExCo) members also volunteer their time and expertise to organisations and charities, serving communities in need through the Safaricom Foundation World of Difference programme. The annual pay increases awarded to executive directors are kept in line with overall employee pay increases.

Enlightened corporate citizenship

Our CEO, Bob Collymore, remains a committed, active member of the United Nations Global Compact (UNGC) Board. The UNGC encourages companies to benefit the economies and societies in which they operate by committing to 10 principles in the areas of human rights, labour, environment and anti-corruption. This sustainability report is also a reflection of our UNGC commitment to report honestly and transparently on our implementation of the 10 principles.

In September 2013, Bob Collymore participated in a series of UN-related speaking engagements in New York, including the UNGC 'Architects of a Better World' Summit, the UN Private Sector Forum on Africa and the UNICEF Children's Rights and Business Principles Initiative.

We are also members of the following industry associations: Kenya Association of Manufacturers; International Telecommunication Union; GSM Association; and the Kenya Private Sector Alliance.

The Board

The Board is heavily involved in approving the strategic plans of the organisation, which includes factors affecting sustainability. During the reporting period, the Board met twice to review strategy, and the CEO updates the Board on economic, social and environmental performance every quarter. The CEO is responsible for social, economic and environmental performance and is the sustainability champion on the Board. A Governance Charter has also been approved. The Charter outlines the mechanism for evaluating board performance on a continuing basis. This evaluation includes an assessment of the effectiveness of the full Board, the operations of Board committees and the contribution of individual Directors on all relevant issues, including sustainability. The results of the assessment of the Board and its committees are reported to the full Board. Results of individual assessments are given to individual Directors to help them enhance their contribution.

The Safaricom Board consists of 9 members, 8 non-executive and one executive director . The Board undertakes conflict of interest declarations and any potential conflicts of interest are discussed during meetings of the Board; if applicable, these conflicts are disclosed appropriately. All employees at Safaricom also make declarations, in terms of employee relations and/or business relations. The Nomination and Remuneration Committee (REMCO) recommends and nominates individuals for Board interviews. Members of the committee consider specific skills (technical, telecommunications, financial and general management) and gender when assessing potential candidates. Shareholders also nominate people to the Board.

From left to right: **Esther Koimett** - Non Executive Director and alternate to Henry Rotich, **Enid Muriuki** - Company Secretary, **Nancy Macharia -** Non - Executive Director, **John Tombleson** - Executive Director and alternate to Robert Collymore, **Michael Joseph** - Non - Executive Director, **Sunil Sood** - Non - Executive Director, **John Otty** -Non Executive Director, **Serpil Timuray** - Non Executive Director, **Susan Mudhune -** Non - Executive Director, **Robert Collymore -** Executive Director & CEO, **Nicholas Nganga -** Chairman & Non- Executive Director

04 OUR MATERIAL MATTERS

In order to determine our most material matters, we undertook a series of workshops to discuss and review our sustainability context, stakeholder issues, and the associated risks and opportunities to Safaricom. This section of our sustainability report describes each of our material matters and how they influence us as an organisation. There have been no significant changes to the scope of our material matters from last year. As part of the G4 requirements, we have described our material matter boundaries in Appendix A. This table describes whether a matter is material to, and being managed by, Safaricom, an entity outside of our organisation, or both.

Network quality

The coverage and quality of our network needs to keep up with the growth in customers and the increased demands of new technology.

Our network is core to our business. It allows us to differentiate ourselves in a competitive market and is the medium through which we transform lives. The quality of our network is an important part of our business and ensures that we are able to deliver a satisfactory service to our customers. Spectrum is allocated evenly among network providers in Kenya. This limitation means that the coverage and adequacy of our network is put under pressure as our number of customers continues to grow. We strive to provide the Best Network in Kenya and to meet all regulatory Quality of Service targets.

Energy security

The reliability and growth of our network is dependent on access to reliable and cost effective energy.

The quality of our network is directly influenced by the availability of energy. Any interruption in energy supply, such as grid electricity outages and national shortages of diesel fuel, pose a direct challenge to the continuity of our operations. As we look to grow our network, access to reliable and cost–effective energy is an important consideration in our planning processes.

Innovation

Our business transforms lives through continuous innovation.

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow. Innovation allows us to transform lives by developing tailored and transformational products and services. Our innovations are either 'social' in nature (designed to improve the lives of Kenyans directly), promoting financial inclusion (providing formal financial services to the unbanked) and/or new products or services relevant to different customer segments.

Customer experience

The experience of our customers at all touch points and on all products and services needs to remain exceptional.

As our customer numbers continue to grow, and the industry becomes more competitive, it is important that we maintain an exceptional customer experience. This creates satisfaction and trust and encourages customers to retain our services. We consider two aspects when managing our customer experiences. The first is to implement the right processes and procedures to ensure consistent, satisfactory interactions with Safaricom services, products and staff. The second is to use a combination of service excellence and appropriate marketing to create delighted customers who are happy to be ambassadors for the brand and to advocate our products and services.

Our employees

Our business performance is enhanced by productive, motivated staff and we are committed to providing a safe and supportive working environment.

Our employees are essential to the sustainability and success of Safaricom. Our vision of transforming lives begins with transforming the lives of our employees. One aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. Another aspect of this vision is to safeguard the safety and health of everyone, not just of our employees, but also of our contractors, visitors and anyone in contact with our infrastructure and operations.

Environmental performance

The environmental impact of our business must be managed to enhance value creation and maintain compliance with regulation.

Over the next few decades, businesses are going to face a growing number of social and environmental demands and tests, posing new challenges and creating new opportunities. We understand that we have an impact on the environment and that we have a responsibility to mitigate our negative environmental impacts. We also recognise that effective environmental management can do more than simply help to reduce costs and that it can promote the kind of innovation that will make our operations more resilient in an increasingly resource-constrained world.

Our business partners

We need to work with our business partners to understand their sustainability challenges and support them on their sustainability journey.

Our business partners include suppliers and dealers and are an important part of our value chain. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. It is essential that we manage our relationships with our business partners to ensure mutually beneficial and sustainable associations.

Regulatory issues

Embedding evolving regulatory best practice in our business requires proactive involvement in policy formulation, understanding policy objectives, balancing the interests of different stakeholders, and managing the costs of compliance.

The regulatory environment in which we operate is increasingly complex. The nature of our industry and the types of products and services that we provide, require us to remain compliant with a wide range of different rules and laws, including license conditions, sector regulations, by-laws and government legislation. Failure to comply with regulations can damage our reputation and expose us to penalties, onerous fines and other remedial sanctions. As a result, we consider public policy lobbying an important task and a vital way of ensuring that the operating environment for the provision of telecommunications services in Kenya remains constructive.

Ethics and values

We uphold and promote ethical business practices.

Acting in an ethical fashion is not only a key responsibility of ours as a good corporate citizen, it also makes business sense. Ethical practices bolster the reputation and trust enjoyed by an organisation, strengthening employee engagement and improving stakeholder sentiment and interest. We view ethical business practices as non-negotiable and continue to promote these principles throughout our value chain and the wider business ecosystem in Kenya.

5 OUR STRATEGIC SUSTAINABILITY OBJECTIVES
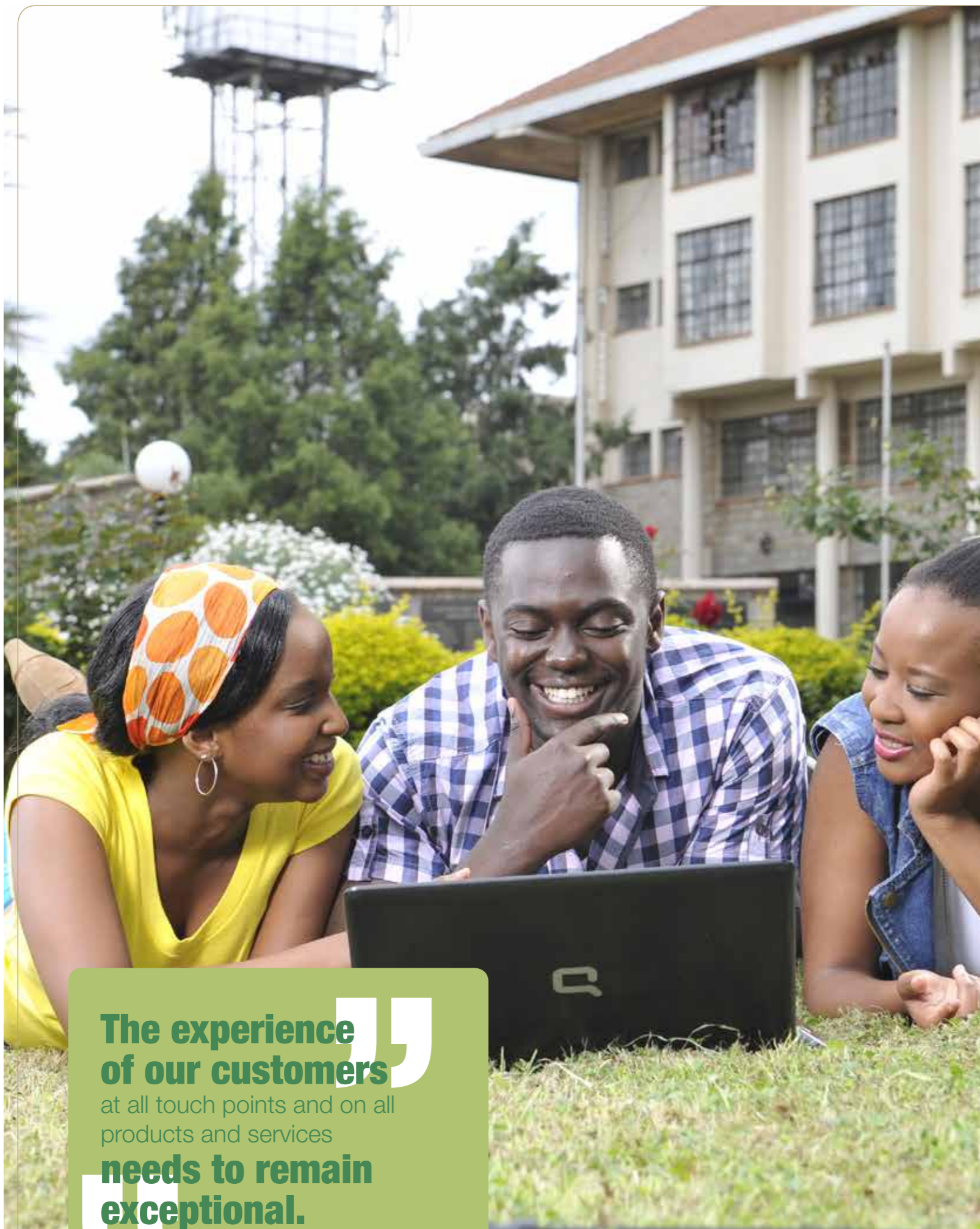
Based on our vision and material matters, we have identified a number of strategic sustainability objectives that balance our short-term position with our long-term strategy. Achieving these objectives is also an important way of protecting our reputation, which is one of our most important assets as it helps us to attract and retain customers, investment capital and talented employees.

The table below describes our strategic sustainability objectives. Our approach to managing each of these is described in Section 6 'Our strategic response'.

Material matter	Strategic sustainability objective
Network quality The coverage and quality of our network needs to keep up with the growth in customers and the increased demands of new technology.	Deliver the best network by enhancing network quality.
Energy security The reliability and growth of our network is dependent on access to reliable and cost efficient energy.	Minimise business disruptions by rolling out alternative energy solutions and enhancing energy security for future growth.
Innovation Our business transforms lives through continuous innovation.	• Develop transformational products and services relevant to different customer segments. • Remain innovative to service a growing youth sector. • Actively participate in improving financial inclusion and growing the wealth of Kenyan citizens.
Customer experience The experience of our customers at all touch points and on all products and services needs to remain exceptional.	Protect the privacy of our customers and promote a positive customer experience at all touch points.
Our employees Our business performance is enhanced by productive, motivated staff and we are committed to providing a safe and supportive working environment.	Maintain a productive, supportive and safe working environment.
Environmental performance The environmental impact of our business must be managed to enhance value creation and maintain compliance with regulation.	Ensure that our products, processes and operations are safe for the environment. Reduce energy usage and related greenhouse gas emissions, conserve water, reduce waste and explore opportunities for reuse and recycling.
Our business partners We need to work with our business partners to understand their sustainability challenges and support them on their sustainability journey.	Promote sustainable practices within our business ecosystem.
Regulatory issues Embedding evolving regulatory best practice in our business requires proactive involvement in policy formulation, understanding policy objectives, balancing the interests of different stakeholders, and managing the costs of compliance.	Ensure continued regulatory compliance and engage with our regulators to ensure a fair business environment is maintained.
Ethics and values We uphold and promote the highest ethical business practices.	Promote ethical principles and good corporate governance throughout our business ecosystem.

The experience of our customers at all touch points and on all products and services **needs to remain exceptional.**

06 OUR STRATEGIC RESPONSE

Safaricom is committed to developing innovative, affordable and relevant products and services that help our customers to transform their lives. We aim to do this in a responsible and ethical manner and believe that integrity is good for business, good for individuals and good for society. We apply the precautionary principle in our actions and to the way in which we manage our business.

We believe that identifying our most material matters and strategic objectives enables us to manage our performance effectively and ensure that we continue to create and sustain value into the future. While there have been no significant changes to the scope of our material matters from last year, we have disclosed our work around child rights and customer privacy and improved the detail of our disclosures regarding the youth, dealers and agents in this report.

Our approach to managing each of our strategic objectives is articulated in order to provide readers with an understanding of our strategic response. Performance against our strategic objectives is discussed in Section 8: 'Our Performance'.

> "We have disclosed **our work around child rights and customer privacy** and improved the detail of our disclosures regarding the youth, dealers and agents in this report."
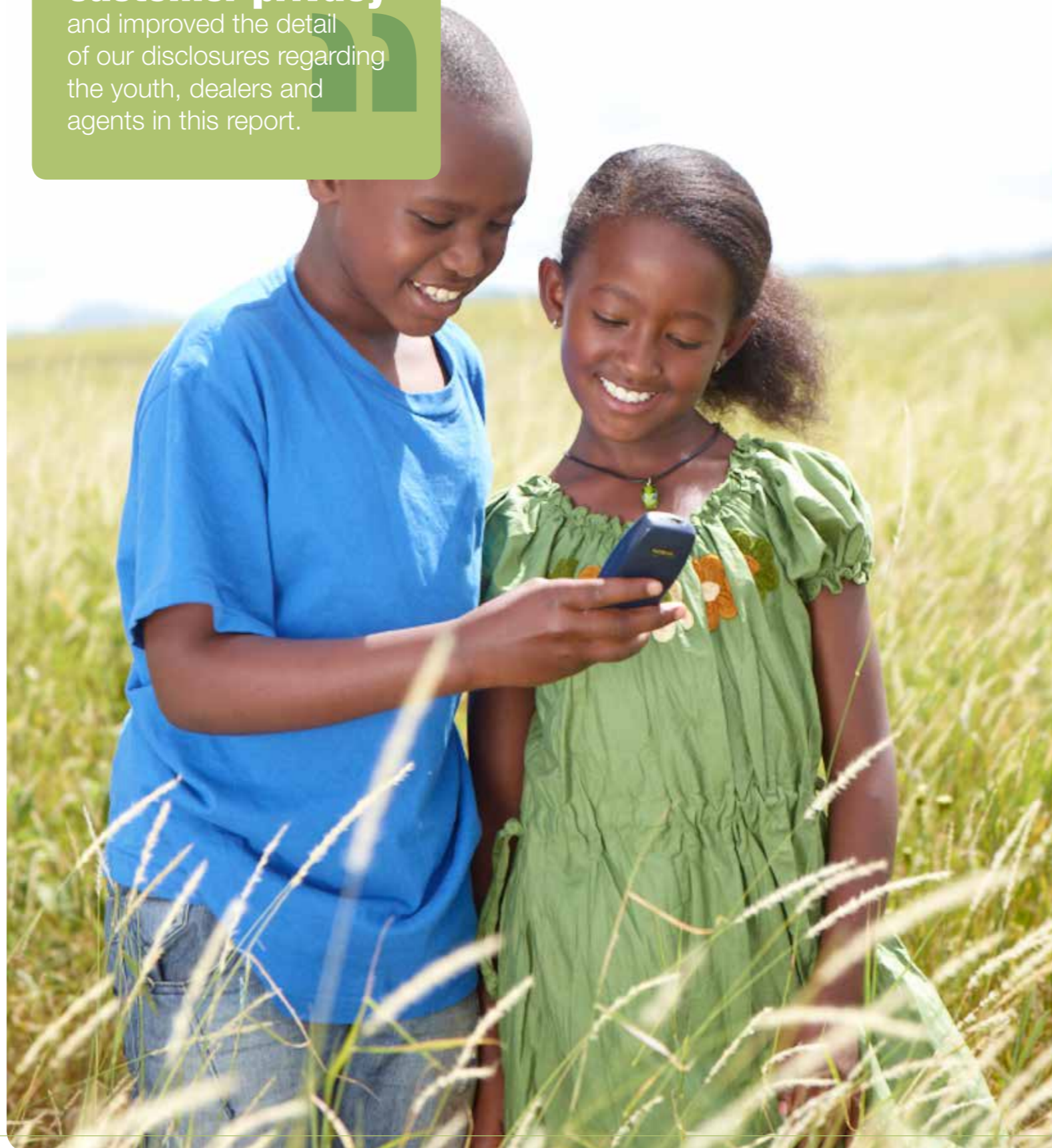
Deliver the best network by maintaining and enhancing network quality

Our approach

The quality of our network is fundamentally important to our business as it ensures that we are able to deliver a satisfactory service to our customers. Two years ago, our Technology Division adopted the Information Technology Information Library (ITIL) framework, a widely accepted industry framework, consistent with the Safaricom ISO 9001 Quality Policy. Through ITIL, network quality is achieved and sustained through set processes and procedures that include active network monitoring, event management, outage management and addressing the root causes of failures.

In November 2012, we launched the Best Network in Kenya (BNK) programme, which sets performance benchmarks that assist us to provide the best network quality to our customers.

We have also begun rolling out fibre optic cabling to improve the coverage of our network and the stability of the M-PESA service.

Initiatives to deliver the best network by maintaining and enhancing network quality

Best Network in Kenya programme

The BNK programme aims to provide our customers with an unmatched network experience in voice, mobile data, fixed data and Value Added Services. We have focused on 13 major towns, Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Thika, Malindi, Nyeri, Meru, Embu, Nanyuki, Kakamega and Kisii, and a variety of initiatives have been implemented, including:

- **Initiatives to curb grid power instability and inaccessibility:** Safaricom has invested in back-up power solutions to avoid any loss of service during grid power interruptions. We have also deployed solar and wind energy solutions at 68 sites and installed 70 'power cubes' (an extremely efficient hybrid energy system) where grid power is not accessible. Other initiatives include free cooling, low voltage auto phase selectors and deep cycle batteries. For further detail on these initiatives, refer to our strategic response to Energy security on page 45.

- **Network modernisation:** We have modernised our network equipment — our radio, transmission and core network platform, in particular — to achieve desired Quality of Service (QoS) levels and to activate certain features and capabilities that would otherwise be unavailable.

During the reporting period, a total of 267 base transmission stations (BTS) were modernised on Mombasa Island, the North and South Coasts, and at Kitale, Turkana, Kapenguria and Malaba; in addition, 500 microwave links for the transmission platform were modernised across the country.

- **Broadband capabilities:** At the core of the BNK programme is data performance. Our customers require fast data speeds and a high quality data experience. We upgraded core elements of our 3G sites and transmission links to ensure that high throughputs were achieved. As a result, over 95% of our sites are able to achieve data speeds of 21 Mbps.

- **Network capacity upgrades and optimisation:** We implemented capacity upgrades across the radio, transport and core platforms to ensure that service accessibility is guaranteed, even during peak hours. For the radio platforms, upgrades on both the 2G and 3G technologies were carried out. At the transport level, upgrades allowed us to achieve the full benefits of the radio and core platforms.

- **Core and transport network resilience:** To ensure that QoS is maintained, we have invested in redundancies in the core network and the transport platform. We have also employed a technology known as 'pooling' for core data and core voice network elements, which ensures that any failure of a network element is supported by other network elements, without the customer experiencing any service loss. The resilience of the transport platform has also been enhanced through the installation of more than one fibre cable for connectivity of any major service. To fully achieve automatic switching between multiple fibre cables, a technology called Wavelength Switched Optical Networks has been employed in six major hubs.

- **Measures to curb vandalism:** We continue to suffer losses of equipment and service through acts of vandalism, which impacts our customers through service disruptions. In order to mitigate these impacts, we have invested in security mechanisms, LED lighting solutions and the caging of frequently vandalised items. We also continue to lobby for the development and implementation of regulations to protect telecommunications infrastructure.

- **Innovative solutions:** With the increase in data usage and smartphones, there is a need to develop more 3G capacity. To meet this need, while still maintaining good QoS, we successfully piloted an innovative solution in which the 2G frequency band is used for 3G. This allows more subscribers to be served as 2G frequencies can propagate for longer distances than 3G frequencies.

Fibre roll out

Fibre instability — typically caused by road construction and acts of vandalism — contributes to a substantial proportion of all network failures. In an effort to achieve a more stable network, we have invested in our own fibre network. This allows for increased redundancies, provides us with greater control of the fibre network, and provides enough capacity for both consumer and enterprise services. The phased roll out of our fibre network continues and, to date, implementation in Nairobi is almost complete, with implementation in Mombasa, Kisumu, Nakuru and Eldoret well underway.

Network coverage

We continue to focus on the roll out of both 2G and 3G sites across the country. In terms of the 2G roll out, we are focusing on remote areas that had no coverage or areas that are now experiencing degraded signal strength due to factors such as the development of high rise buildings. While Safaricom has the widest 3G footprint in Kenya, there are still areas that are not covered. All major towns are covered and the focus is now on covering smaller urban centres and areas where coverage has shrunk because usage density has increased. Additional 2G and 3G sites have also been rolled out to provide extra capacity in areas of especially high demand.

During the reporting period, a total of 160 2G and 126 3G sites were rolled out. This has extended the coverage of our 2G network to 70% of the Kenyan landmass and 90% of the Kenyan population. Our 3G network currently covers 25% of the Kenyan landmass and 58% of the Kenyan population.

KENYAN LANDMASS
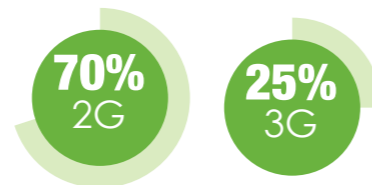
70% 2G **25%** 3G

POPULATION

90% 2G **58%** 3G

> ## We focused on
> initiatives to upgrade the capacity of
> ## the M-PESA and M-Shwari platforms.

M-PESA stability

During the reporting period, we focused on initiatives to upgrade the capacity of the M-PESA and M-Shwari platforms. System optimisations were also carried out to ensure an acceptable QoS for the M-PESA and M-Shwari services. Going forward, we will continue to invest in the M-PESA platform and ensure that it remains fortified, resilient, robust and scalable.

Awareness and training

We invested over KSh 200 million in training our technology staff during the reporting period. A total of 71 courses were delivered to 406 employees on different aspects of technology, such as fibre technology, 3G/UMTS technology, Core PS and Core CS training, and ITIL process governance courses.

Responsibility

Our Quality and Assurance Department, within the Technology Division, is responsible for co-ordinating, delivering and maintaining the BNK programme. It is overseen by a BNK Board, composed of the Director of the Technology Division and the Heads of Departments, who regularly report progress to the Safaricom Executive Committee.

Minimise business disruptions by rolling out alternative energy solutions and enhancing energy security for future growth

Our approach

The quality of our network and, in turn, our customer satisfaction is dependent on a secure and sustainable energy supply. This is becoming more important as we look to expand our network, particularly in rural areas that have less reliable access to grid electricity. We use energy throughout our business and manage it according to consumption in our facilities or network.

Our network energy sources as of 31 March 2014 are as follows:

Energy classification	No. of sites			
	Nairobi	Eastern	Western	Total
KPLC* No Diesel Generator	240	40	23	303
KPLC* Sites	767	904	895	2 566
24/7 Diesel Generator	1	15	2	17
Solar/ Wind hybrid	7	38	20	65
Power Cubes	7	61	11	79
Traditional Diesel Generator battery hybrid	2	2	9	13
Pure solar	0	12	0	12
Total	**1 024**	**1 072**	**960**	**3 056**

* Kenya Power and Lighting Company (National Grid Supply)

Energy use in Kenya is currently governed by the Energy Regulations of 2012, which give effect to the provisions of the Energy Act of 2006. These regulations are in the process of being updated. We have developed a draft energy policy, which is currently under review.

Initiatives to minimise business disruptions by rolling out alternative energy solutions and enhancing energy security for future growth

In our facilities, a number of initiatives have been undertaken during the reporting period. We have now installed energy-efficient Building Management Systems and LED lights in all facilities and shops. Solar water heating systems have also been installed in the cafeterias, gyms and in the Jambo Contact Centre (JCC) and HQ1 at Safaricom House.

In our network, we have undertaken the following initiatives:

- **Power cubes:** Seventy nine sites have now had 24/7 generators replaced with power cubes, up from 34 the previous year. A power cube is an extremely efficient hybrid energy system in which all the power components are housed in one enclosure. The components (generator, fuel tank, DC power system, batteries and controller) are all factory integrated to reduce generator runtime, human interference, prolong battery life, reduce fuel theft and enable remote monitoring.
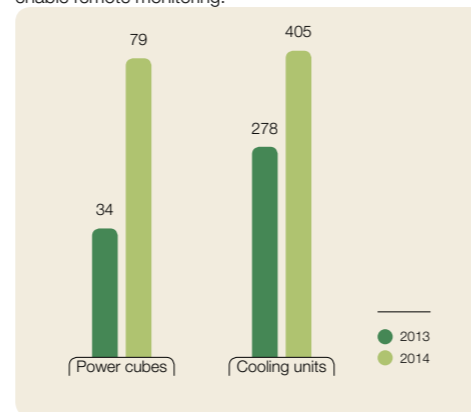
- **Free cooling units:** We have increased the number of free cooling units from 278 to 405. These units reduce the cooling energy requirement by exchanging the warm air inside the shelter with colder air from outside. As most of our sites are in areas of moderate temperatures, it has been possible to achieve significant savings with these units, especially at night. In the upcoming year we will be installing a further 235 units.

- **Extensions of the National Grid:** We continue to work closely with the Kenya Power and Lighting Company (KPLC) and Rural Electrification Authorities (REAs) to take swift advantage of extensions to the national grid and use this power to supply our sites. We have managed to connect 100% of the sites that we identified and targeted for this reporting period.

- **Low-voltage Auto Phase Selectors:** The next phase of the low-voltage Auto Phase Selectors roll out took place within the reporting period, during which a further 75 sites were installed and commissioned. An additional 203 units have been purchased and will be rolled out in the upcoming year. These units allow the sites to utilise grid power at voltages as low as 110V, which significantly reduces the instances in which generators run due to low voltages.

- **Deep cycle batteries:** Seventy five sites were fitted with deep cycle batteries during the reporting period. Deep cycle batteries allow the sites to run on stored energy when grid electricity is not available. These batteries are more efficient, last longer and are less vulnerable to theft and vandalism (as they are 2 volt batteries, which are not useful for many other applications). Specific high temperature deep cycle batteries were also installed in areas that have high ambient temperatures to save energy by reducing the need to cool the battery compartments. Safaricom has also installed 52 high density deep-cycle batteries (48V) at sites where there is not enough space for a back-up generator, such as rooftops in urban areas. These batteries store a great deal of energy relative to volume and weight and can tolerate a high number of charge-discharge cycles. The batteries are also environmentally friendly as they are made of Sodium-Nickel (instead of lead and sulphuric acid) and can be recycled.

- **Power utilisation efficiency:** Power Utilisation Efficiency (PUE) is tracked in all of our datacentres to ensure that we are using and managing energy as efficiently as possible.

Awareness and training

During the reporting period, our staff underwent a number of training sessions. These included:

- **Solar and biofuels training:** This training was provided by the Kenya Association of Manufacturers (KAM) and covered solar basics, design and component selection. The training was attended by 10 operational and middle level management staff.

- **Energy auditing:** Also provided by KAM, this training covered auditing basics, audit preparations, audit performing and audit reporting. The training was attended by 10 operational and middle level management staff.

- **Introduction to energy management:** Again provided by KAM, this training covered boilers and furnaces, compressed air systems, refrigeration, steam systems, electrical systems and lighting. The training was attended by six operational and middle level management staff.

- **Certified energy manager training:** This training was provided by AEE Power, S.A. and covered life cycle costing, auditing, and energy conservation technologies. It was attended by four operational and middle level management staff.

Responsibility

The Facilities, Safety and Health Department is responsible for the management of energy consumption in Safaricom facilities. The Regional Network Operations Department, within the Technology Division, is tasked with the management of network energy security. Both of these departments share resources, information and technology regarding the management of energy.

Develop transformational products and services relevant to different customer segments

Our approach

Innovation is an integral part of our business. We have established an Innovation Department that deals with developer engagement, strategic partnerships, idea management and embedding a culture of innovation.

We have three focus areas when it comes to innovation:

Defend our core business: generate and execute incremental improvements in our products and services, processes, customer experience and cost reduction initiatives

Transformational innovation: explore new markets and capabilities through corporate alliances and partnerships

Build momentum with respect to emerging new business: extend our current competencies into new, related markets and build and support entrepreneurship

These focus areas complement our 'four lenses of innovation', launched in February 2013. In combination, the four lenses encourage staff to (i) challenge orthodoxies, (ii) harness trends, (iii) understand needs and (iv) leverage resources.

While we are currently developing an innovation policy, our innovations are guided through a gate process. The gate process helps to ensure regular evaluation and oversight during product development and only allows a product to move on to the next stage or 'gate' once the Gate committee, (CEO and Executive Committee) are convinced that the product is ready to do so. The process follows normal project procedures and phases, although projects can be fast tracked due to urgency or technical readiness. The gates start at 'concept overview' and end at 'project management and post implementation'.

Social innovation is an important part of our business. It involves the development of products and services that add value to the lives of subscribers in the areas of health, education and agriculture. Business service innovation encourages us to develop new products and services to address the needs of our business customers.

To reflect the way that we have addressed our material matters, social and business service innovation is described under this strategic objective. For a description of innovations related to the youth and financial inclusion, refer to page 52 and page 53, respectively.

Initiatives to develop transformational products and services relevant to different customer segments

As part of our initiatives to develop innovative solutions, we established the Zindua Café, an online portal where staff can submit ideas on products, processes and customer experience. At the moment, this portal is only open to Safaricom staff. Any external parties who wish to send an idea to Safaricom have to do so via innovation@safaricom.co.ke and are required to accept the specific terms and conditions. In the future, the Zindua Café will be open to third parties. Submitted ideas are vetted and scored through a defined process. Promising ideas are refined and then passed on to the appropriate Safaricom Business Unit (BU) or to the Social innovation team for further development and implementation.

We have also nominated 'Zindua Champions', employees from different divisions that lead and drive the innovation agenda within their divisions. The Champions are supported by 'Zindua Ambassadors', employees from the same divisions who help the Champions to execute innovation initiatives within their divisions.

In order to further encourage innovation, we have developed: 'Zindua Galaxy', an innovation reward and recognition scheme; 'Zindua Challenge', where contests are run to encourage specific business innovations; and 'Zindua Inspire', an annual event where we invite innovation leaders to give guest lectures to our staff.

We support and reward developers through events such as the annual Safaricom AppWiz Challenge, through which we awarded six early stage mobile technology companies with a cumulative cash prize of KSh 3.7 million in November 2013. We participate in the annual Appstar Challenge, in partnership with Vodafone.

We provide the developers with a chance to showcase and make available their applications to Safaricom subscribers via the Safaricom App Store accessible through the data menu *544#.

We also have the Safaricom academy set up to provide talented potential application developers an opportunity to acheive thier dreams.

> **We have begun installing** 3G Wi-Fi routers in Public Service Vehicles to provide **free Wi-Fi access to commuters.**

Some of our new products and services that address the needs of our customers include:

- **SME business solutions:** During the reporting period, Safaricom launched online solutions designed to enable Small and Medium Enterprises (SMEs) to access high-end promotional tools and business management software. The solutions provide SMEs with access to website, email, payroll and accounting software packages at competitive prices.

- **Short-Term Pay Bill:** This is an M-PESA Pay bill account that can be used for short-term fundraising purposes. It is ideal for people who want to raise money over a short period of time for a specific activity, such as a wedding, funeral or to raise medical funds etc., with greater transparency and safety.

- **Internet Sambaza:** This service allows customers to share and transfer data bundles between users and devices. The objective is to promote flexible access to internet services in a cost-sensitive market and, subsequently, stimulate internet usage.

- **Vuma online:** Nairobi has over one million commuters, using matatus, buses and taxis, and spending, on average, two hours a day in traffic. As a result, we have begun installing 3G Wi-Fi routers in these Public Service Vehicles (PSVs) to provide free Wi-Fi access to commuters. The objective of this initiative is to use free data access to encourage familiarity, brand loyalty and, ultimately, increase paid data usage.

- **10 for 10 internet bundle:** This package provides 10MB of data and 10 SMS for KSh 10. The objective is to provide affordable, flexible products, with a particular focus on the youth and core markets. This is the fastest growing internet bundle in Kenya and, consequently, is helping to stimulate financial inclusion.

- **Jisort na Smartphone:** This is a new initiative that allows customers to use Bonga loyalty points to pay towards the cost of a new smartphone. The objective is to provide affordable handsets to our customers and increase smartphone penetration, particularly as Safaricom only stocks Internet-enabled phones in its retail stores and dealers.

- **Safaricom Guardian:** This is a parental control application that promotes safe internet browsing by allowing specified websites, particularly those that contain adult content, to be blocked. The objective is to provide customers with peace of mind and safe internet access. We are also developing a wider, network-based parental control system that will work across a variety of different phones.

- **Safaricom downloader (MyTunes):** This application allows Safaricom customers to download music without having to pay data charges. Designed to increase internet usage, drive consumption of relevant content and encourage youth affinity, the application downloads music during idle times on the network.

> During the reporting period,
> ## a seed replanting guarantee was added to the service,
> allowing farmers to obtain insurance against their seeds not germinating.

The following applications and products are examples of the social innovations we have developed during the reporting period, in the areas of agriculture, education, health and humanitarian services.

Agriculture

- **Kilimo Salama:** This is an innovative micro-insurance service for Kenyan farmers. During the reporting period, a seed replanting guarantee was added to the service, allowing farmers to obtain insurance against their seeds not germinating. Each year, 17% of farmers in Kenya experience a failed germination due to unpredictable weather and, without insurance, they can only afford to plant low quality seeds, which limit future harvests and incomes.

Education

- **Shupavu:** Safaricom partnered with Eneza to develop a revision application for upper primary school children. The application allows students to revise subject content and test their knowledge through quizzes. Shupavu helps ensure quality content is provided to students, teachers and parents. *291# is the short code

Health

- **Linda Jamii:** This is an affordable micro-insurance health cover that will widen the bracket of the population with access to medical insurance. Launched in January 2014 in partnership with Britam and Changamka Micro-insurance, Linda-Jamii offers comprehensive family medical cover on an annual subscription. The cover caters for in- and out-patient services, maternity, dental and optical services, a hospitalisation income replacement benefit of KSh 500 per day and, in the case of death, funeral expenses. A premium of KSh 12 000 per family per year entitles them to in- and out-patient cover of up to KSh 250 000, together with additional value added benefits. Linda Jamii has adopted a micro-saving model that uses M-PESA as the premium collection platform. Through M-PESA, subscribers can pay premiums in instalments and can access partial benefits after accumulating KSh 6 000 in contributions.

- **M-PEP:** This is a mobile application that uses SMS technology to encourage healthcare workers to use Post-Exposure Prophylaxis (PEP) services, following accidental exposure to blood. The purpose of the project is to prevent the medical transmission of HIV. After exposure, messages are sent that provide vital information, such as reminders to take PEP drugs and attend follow up testing, along with providing information on managing the side effects of the drugs.

- **TIBU:** This is a comprehensive tuberculosis disease tracking and health information system, which seamlessly integrates treatment and monitoring between patients and health facilities. TIBU was awarded the Google Innovation Award for Health Care Delivery in May 2013. Within four months of national roll out, TIBU captured electronic medical records for 75% of all Kenyan TB patients and the system has since managed the reimbursement of more than US$ 300 000 to patients via M-PESA.

Humanitarian

- **Refugees United re-launch:** Refugees United is a platform that helps families reconnect with missing loved ones through a safe, secure search tool. The project was re-launched during the reporting period to enable toll-free, global access via voice, USSD and SMS.

Awareness and training

The senior leadership team and 140 innovation ambassadors were trained on our innovation agenda, the four lenses of innovation and the innovation process in November 2013. We continue to cascade the four lenses of innovation training sessions across Safaricom divisions.

Responsibility

The Innovation Department was established in August 2013 to act as a central portal for ideas relating to innovation in Safaricom. This department registers all ideas and forwards them on to other teams in Safaricom for investigation and development. The Innovation Department forms part of the Strategy and Innovation Division and the Director sits on the Executive Committee.

There are also a number of innovation teams working within the Enterprise Business Unit (EBU), the Consumer Business Unit (CBU) and the Corporate Responsibility Department (CRD). These teams work with a number of different departments in the business, including Technology, HR, Call centre management and Supply chain. The Financial Services Business Unit (FSBU) is responsible for business-related innovation within Safaricom.

Remain innovative to service a growing youth sector

Our approach

The youth, defined as those between the ages of 18 and 24 years old, are an important market segment for Safaricom. Young people are attracted to the services we provide, are quick to embrace the potential of digital communications and content, and have a substantial influence on the spending habits of the household. We intend to capture new customers at an early age and retain them by providing an excellent customer experience. The youth are a discerning market and, as such, we need to price and position our products and services in an innovative way.

Initiatives to remain innovative to service a growing youth sector

Safaricom has undertaken a number of initiatives during the reporting period to remain innovative to service a growing youth sector:

- **Market probes:** Safaricom staff conducted market research in to youth trends by speaking with various youth groups throughout the country.

- **Niko Na Safaricom Live:** Six events were held during the reporting period, featuring live music, gaming stations and customer care booths.

- **M-Shwari:** The M-Shwari product is popular with the youth because it enables them to get access to cash that they may not be able to obtain via traditional banking services.

- **Advertisements targeting the youth:** Safaricom has flighted a series of advertisements that are tailored to the youth, known as '*Masquembe* adverts'.

- **Career fairs:** Safaricom attends career fairs to promote the company as an employer of choice.

- **Sambaza Internet:** This service allows internet bundles to be shared between devices and users.

- **Vuma online:** This service provides access to free Wi-Fi on public transportation, such as trains, buses and matatus. It builds brand familiarity, loyalty and encourages internet usage.

Awareness and training

Every other Friday, a group of Safaricom staff members are taken on a field trip to interact with, and observe, the youth. These 'youth immersion programmes' enable us to develop a more comprehensive understanding of the needs of the youth and, in turn, to develop more responsive and tailored products and services.

The Safaricom Consumer Insights and Research Department also undertakes 'flow activation' activities, designed to create awareness of youthfulness within the organisation.

Responsibility

The Consumer Insights and Research Department, which forms part of the Marketing Division, is involved in youth research and monitors and tracks progress on specific projects. The Marketing Director is a member of the Executive Committee. The Innovation Department provides guidelines and direction on the idea management process.

Actively participate in improving financial inclusion and growing the wealth of Kenyan citizens

Our approach

At Safaricom, we understand that it is important that we develop innovative products and services to cater for the financial needs of the disadvantaged and the unbanked in Kenya. We consider financial inclusion to be an opportunity for Safaricom to deliver on its mandate to transform lives and, accordingly, pay particular attention to the affordability of our products and services.

Initiatives to participate in improving financial inclusion and growing the wealth of Kenyan citizens

- **Lipa na M-PESA:** Since its launch, M-PESA has grown from a simple money transfer service to a robust payment platform and a driver of financial inclusion. M-PESA has over 19 million registered customers, all of whom consume goods and services offered by businesses. During the reporting period, we launched Lipa na M-PESA to give customers a fast, safe and convenient way of paying for goods and services. This service promotes the use of M-PESA and is part of the wider M-PESA agenda to create a more secure and convenient 'cash light' economy. Traders can sign up for this service either through Safaricom shops or Safaricom Agent outlets and then manage cashless payments from our significant customer footprint in an efficient manner.

  Lipa na M-PESA is improving financial inclusion by expanding the size and type of merchants that can accept electronic payments and collections, including those who operate on daily market receipts. This has been achieved by (i) aggregating the M-PESA buy goods service from a web-based service into a simple mobile-based till that can be used by any kind of merchant to accept M-PESA payments, (ii) simplifying the process for obtaining a till, and (iii) allowing merchants to withdraw funds from the till to their individual M-PESA accounts or banks any time they want through a USSD service.

- **Plans to boost M-Shwari:** M-Shwari is a revolutionary service that allows customers who might not otherwise have access to formal financial services to save and borrow loans against their savings. Safaricom and the Commercial Bank of Africa plan to increase the number of customers who can access M-Shwari.

- **Lipa Kodi na M-PESA:** This is a new rent collection and payment service that seeks to broaden financial inclusion in Kenya. It is designed to offer convenience and cost efficiency to tenants, landlords and housing agents by providing them with a safe and reliable rent payment and collection mechanism. Under the new scheme, customers will pay KSh 6 for transactions of up to KSh 5 000 in value and KSh 220 for transactions of between KSh 50 000 and KSh 70 000. We will be recruiting estate agents, diaspora-based landlords, local authorities and private landlords in the next financial year.

- **M-PESA retail distribution:** During the reporting period, we launched M-PESA retail distribution, which works through the M-PESA buy goods functionality and enables distributors of fast moving consumer goods (FMCGs) to receive payments in electronic form; thus, eliminating cash within the supply chain. We already have over 100 distributors using this service and transacting over KSh 7 million each month.

- **Mobile banking:** During the reporting period, there was a service improvement on the platform that allows M-PESA customers to make mobile banking transactions instantaneously. Customers are able to withdraw funds from their bank accounts to M-PESA more efficiently. This follows a system upgrade to the Application Programmable Interface (API) that has reduced the average transaction time from 2 hours to less than 30 seconds. The new platform also helps streamline operations for businesses that disburse staff salaries through M-PESA and businesses that receive payments through M-PESA and move the cash into their bank accounts on a regular basis.

Awareness and training

We have regular on-the-ground activations that allow customers to interact with brand ambassadors regarding products and services. These are supplemented with customer awareness sessions to educate customers on the benefits of financial inclusion through the use of products that are affordable and easy to understand. These sessions are targeted at women's groups, the youth (through social media) and vernacular interviews in specific regions.

Responsibility

The Financial Services Business Unit is responsible for the management of financial inclusion at Safaricom.

Protect the privacy of our customers and promote a positive customer experience at all touch points

Our approach

Customers are the backbone of our business and it is important that we ensure the best customer experience possible. We endeavour to be the Partner of Choice to business in Kenya and seek to enhance customer loyalty in a competitive market by creating an exceptional customer experience. Our Customer Service Charter provides direction on how customer experience is managed.

We also value the security and privacy of our customers' information. To this end, we have implemented a data privacy policy that guides staff, customers and other third parties on how we collect, process, use, safeguard and dispose of information at Safaricom. To keep this policy current, we monitor emerging regulations and re-evaluate the adequacy of our policies annually.

Initiatives to protect our customer's privacy and promote a positive customer experience at all touch points

In order to ensure compliance with customer data privacy policies and regulations, we align our systems and processes to protect the interests of customers, third parties and staff, in addition to our corporate information. There is a disciplinary code in force at Safaricom that defines the consequences of violations of customer data privacy by our staff. Depending on the nature of the violation, staff may receive a warning letter (for the first breach) and/or face summary dismissal. We also embed data privacy obligations into our contracts with third parties to oblige them to maintain confidentiality.

Awareness and training

On arrival at Safaricom, new employees are trained on customer experience as part of their induction into the company. We provide progressive training to employees and partners at different touch points based on gaps identified in the Customer Delight Index (CDI) and Enterprise Delight Index (EDI). We also work with our business partners to explain our vision and provide training on customer experience.

During the reporting period, our Consumer Business Unit (CBU) team undertook customer experience management training, covering brand experience and customer experience mapping.

Responsibility

All teams are charged with providing an excellent customer experience; however, key divisions that drive this agenda are the CBU, the EBU and the FSBU, supported by Customer Care and Marketing. For our business customers, customer experience is managed by the Customer Experience section of the EBU. This section reports to the General Manager of the EBU, who also sits on the Executive Committee.

Within Safaricom, there is also an initiative sanctioned by the Executive Committee known as the CDI Taskforce, through which all functions of customer experience meet to exchange ideas and co-ordinate efforts to improve customer experience.

Maintain a productive, supportive and safe working environment

Our approach

The strength of our organisation lies with our people. We focus on training our staff, managing their performance and providing safe, fair and equal opportunity working conditions.

Safaricom has focused on creating a fair, non-discriminatory environment that encourages the employment of the best people, irrespective of gender or any special needs. Our Human Resources (HR) policy provides direction in this regard and is based on Kenyan labour standards.

Learning and development are an integral part of our commitment to attract, motivate and retain talented employees. We focus on:

- Developing the skills, competencies and knowledge required to manage and grow our business;

- Developing the professional, commercial, technical, management and leadership capabilities required to maintain our competitive edge;

- Motivating and retaining high performing and high potential employees; and

- Entrenching a culture of continuous self-learning.

Safaricom has a Learning and Development (L&D) policy, approved by the Director of Resources and the Executive Committee, which provides a framework to ensure that Safaricom develops the requisite knowledge, skills and attitudes necessary to support and grow our business. This policy is based on three main elements:

- On the job training, which includes job rotations, job shadowing, mentoring, coaching and secondments;

- Structured learning and development, which covers induction, management development programmes, technical skills development, education programmes and professional certifications; and

- Self-learning, which includes e-learning, distance learning and access to our resource centre.

Safaricom is committed to performance management as a means of obtaining better results from the company, from teams and from individuals by managing performance within an agreed framework of planned goals, objectives and competency requirements. The starting point of performance management in Safaricom is defining the expectations placed on each individual. Each member of staff is made aware of his or her roles and responsibilities, which are formalised into performance objectives and signed off at the start of each financial year. We have a Performance Management Policy, which guides our performance management process. This policy was approved by the Resources Director and the Executive Committee in April 2013 and is reviewed periodically.

Safety is of prime importance and a core value at Safaricom. We are committed to ensuring that the health, safety and wellbeing of our employees, contractors and the public is protected and promoted at all times. Strong performance in Occupational Safety and Health (OSH) makes good business sense as it results in cost savings, efficient operations and enhanced employee and contractor productivity.

Safaricom has an approved OSH policy, which was recently updated to align with changes in the corporate vision of the organisation. The policy is signed off by the CEO, who is, ultimately, responsible for OSH at Safaricom. The policy sets the tone for several standards and procedures, which have been developed to provide guidance on specific aspects of OSH performance, such as incident reporting and investigations, work at height, electrical work and contractor safety management. The documented health and safety management system of the company has been developed in line with the standards set out in OHSAS 18001. Safaricom OSH management includes an OSH plan, which sets out the general direction for OSH in Safaricom, together with specific OSH objectives and targets. The plan is assured by the Vodafone Group Health, Safety and Wellbeing Team.

We also have absolute safety rules focused on road safety which all employees and contractors must comply with.

Initiatives to maintain a productive, supportive and safe working environment

We have a number of initiatives in place to maintain a productive, supportive and safe working environment. These focus on labour relations, learning and development, performance management, employee benefits and OSH initiatives.

Some of the labour relations initiatives we have undertaken during the reporting period to encourage a fair and equal opportunity workplace include:

- **Employee relation clinics** to refresh our staff on policies that affect them and the role of the HR Department in enforcing these.

- **Wheelchair maintenance/repair support**, allowing disabled staff to have their wheelchairs repaired free of charge.

- **Changes to the leave policy**, It is Safaricom's policy to create a work/life balance for its staff so that in turn, they may give their best to the company. In this regard, employees are entitled to vacations which are intended to provide a reasonable and relaxing period of time each year free of job responsibilities.

- **Interactive HR open days** to raise awareness of HR-related issues.

- **Online green card initiative**, allowing staff members to voice concerns on specific processes that may not be working or which may be affecting performance. These were introduced to enable existing processes and performance to be improved continuously.

- **The Staff Council** meets on a quarterly basis to address issues and concerns raised by employees. It is chaired by the CEO and includes elected representatives from each division.

- **Sema na CEO** ('Speak to the CEO') chat room, which fosters engagement between members of staff and the leadership team.

A key new initiative this year was the race to stardom that exposed staff to the customer experience journey through various lenses.

Initiatives focussed on learning and development include a two year People Development Programme (PDP) tailored to the needs of our different staff levels, from employees to managers and leaders, and talent development programmes for our talent pool.

When assessing and managing the performance of our employees, we use the PIGEX Model (P=poor; I=inconsistent; G=good; E=exceeded expectations; X = Exceptional). Depending on the level of the employee, the line manager interacts with them to try and boost their performance, especially for poor and inconsistent performers. If the performance of the employee doesn't improve, the manager places them on a Performance Improvement Plan (PIP) for a period of three months.

We provide a number of benefits to all of our employees, including: medical insurance and work/injury benefits, as well as annual, sick, maternity, paternity and compassionate leave with funeral expenses. Permanent employees are also provided with a pension, car allowance, group life insurance, social clubs, group personal accident insurance and stock ownership. We have an Employee Share Option Scheme (ESOP), through which share options were issued to all permanent employees in February 2010. These were vested in February 2013 and exercised by staff for a period of one year.

The ESOP closed on 26 February 2014 and no other issue has been offered. We also have an outright grant, which is a performance- and potential-based scheme pegged on talent reviews. It is band-based and issued to senior managers from band E to band SLT annually. Although not strictly an employee benefit, all members of staff were issued with a handset and a post pay line based on employee band in November 2013. There are no distinctions in salary between men and women. Our workforce is remunerated based on wages that are subject to Kenyan minimum wage rules, and our entry salary at Safaricom is higher than the minimum wage.

We also have a comprehensive employee wellness program that not only focuses on supporting employees suffering from chronic diseases, it also features a counselling service and family assistance, financial wellness programmes, nutritional health advice, as well as recreational, religious, crèche/daycare and subsidised gym facilities.

We have undertaken a number of OSH initiatives during the reporting period, which include:

- **Supplier safety management:** Safaricom has transformed its supplier engagement model and introduced safety as a key pillar in Supply Chain Management operations. In particular, we have made safety a key criterion in the supplier pre- and re-qualification stages by giving it a 15% weighting. We also request the following safety-related information from suppliers: leadership responsibility for OSH; information systems on OSH; safety statistics; sub-contractor safety management; OSH risk management process; competent personnel and provision of appropriate Personal Protective Equipment (PPE) and safety equipment. During the tendering stage, we evaluate the safety proposition of a supplier alongside the technical and commercial aspects of bids and, when awarding a contract, the OSH expectations are clearly communicated through the OSH schedule and OSH Key Performance Indicators (KPIs) specified in contract agreements. OSH performance is also monitored throughout the duration of contract. When evaluating our suppliers, OSH is a key performance criteria and can influence whether we re-engage the supplier. We continue to engage with our partners through supplier forums and other means to ensure that they adequately understand OSH requirements and deliver on them.

- **Isometrix:** Safaricom has implemented the Isometrix data management system for OSH data.

- **Safety and health induction video:** An OSH induction video has been produced for staff, contractors and visitors to company premises. The video provides an overview of general OSH considerations and regulations while visiting or operating on Safaricom premises.

- **Safety page on the Safaricom intranet:** Safaricom has developed an OSH page on the internal intranet, which acts as a convenient, accessible repository for all OSH-related policies, materials and concerns.

- **Development of robust high-risk work control procedures:** We have developed framework documents for high-risk work, including driving, working-at-height and electrical work.

- **Innovation and go live of the automated permit to work tool:** An automated system has been developed to put checks in place for all members of staff and contractors who climb towers. The system was developed in conjunction with the Technology team and restricts authority to access a site unless certain criteria are met. These criteria include: the presence of appropriate PPE for working at height; suitable weather conditions; and a rescue plan.

Photographic evidence of PPE adherence must also be provided by the staff member/contractor before access to a site is granted.

- **Monitoring and prevention of occupational diseases:** Many organisations are known to experience challenges in connection with occupational diseases. So far none has been reported in Safaricom, however we are aware that some of our call-center staff have reported experiencing challenges with their hearing and voice.
In response to this, Safaricom has undertaken a call centre-wide medical surveillance programme to understand the extent of the impact and to formulate strategies for prevention and the promotion of good health. We have also introduced pre-placement and exit medical checks as part of the overall occupational disease prevention strategy.

Safaricom is a founder member of the National Road Safety Trust (NRST) and has a staff member seconded to work at the Trust secretariat. The objective of the Trust is to curb deaths and injuries on Kenyan roads through harmonising and co-ordinating the initiatives of various players in the private sector. The Toa Sauti initiative, for instance, is a call to action for every Kenyan to help eradicate accident-related deaths and injuries.

Through the NRST, we have engaged in a number of initiatives, including:

- **Public Service Vehicles (PSV) driver wellness campaign:** This campaign was held in June and July 2013 in Nairobi, Machakos, Thika, Nakuru and Eldoret. Over 2 300 PSV drivers and touts received free check-ups for diabetes, blood pressure, eyesight and weight (using the Body Mass Index or BMI) in partnership with Aga Khan University Hospital. The aim of the campaign was to sensitise the PSV drivers and owners to the contribution their wellbeing makes to road safety. The findings from this campaign have been shared with the PSV owners and the Government agency currently in charge of reviewing the driver testing requirements for issuance of driving licences.

- **Speed camera programme:** In recognition of the fact that speed is the leading cause of accidents in Kenya, the NRST has continued to encourage corporates to donate speed guns to equip the traffic police department to monitor and control cases of speeding effectively. As of November 2013, 11 speed cameras had been donated to the traffic police.

- **Road safety merchandise sale to staff members:** The NRST has negotiated a 25% discount on vehicle lifesavers, first aid kits and fire extinguishers for Safaricom

staff members. The aim of this initiative is to equip staff members for traffic-related emergencies and encourage them to be road safety ambassadors.

- **Support for the National Transport and Safety Authority (NTSA):** The Trust has seconded two staff members from its secretariat to help the newly-formed NTSA set up operations. The two staff members support the authority in project management, public relations, media, and capacity building. In the future, the NRST will be working closer with the NTSA in developing technological solutions for road safety. Such initiatives will leverage on existing technologies in the mobile telephony sector to empower vulnerable road users, such as passengers and pedestrians.

Awareness and training

Safaricom has an employee relations awareness programme that creates awareness on employment issues, such as performance and disciplinary issues. The programme takes the form of annual face-to-face sessions undertaken throughout Kenya. Awareness is also undertaken through communications to staff on a quarterly basis. Should there be any changes in processes that are likely to affect staff — for instance, changes in the performance management programme — this will be communicated appropriately.

We have undertaken a number of training initiatives on performance management. These include:
- Training on carrying out performance reviews and the implementation of calibration in performance reviews;
- E-class training; and
- Performance management training on various topics, including: why performance management is important; the objective setting process, which includes setting SMART objectives; how to conduct continuous, mid-year and full year reviews; the Safaricom Way objectives of speed, simplicity and trust; the manager/engagement index; conducting performance calibration meetings; assessing performance through the PIGEX Model; providing feedback after reviews; managing poor performance; and reward discussions.

The Learning and Development Department communicates all training events to staff (course name, venue, dates, content, and trainer) via meetings, one-on-one sessions, email, text messages and telephone. These messages are reinforced through daily bulletins, posters, promotions and the activities of HR business partners.

Safaricom recognises that it is important to equip members of staff, contractors and other third parties involved in our operations with OSH knowledge. During the reporting period, we acquired licenses for over 25 online OSH courses that are available to all staff through

the Safaricom E-Learning portal. Many safety courses and awareness sessions were also held for members of staff, including capacity building training sessions offered to Safaricom fire marshals, first aid teams and teams involved in tower climbing, along with training and seminars held for business partners. In partnership with the NTSA, the NRST produced an awareness campaign on speed, drunk driving and passenger empowerment for the 2013 holiday season, which was conducted through outdoor, print and electronic media.

Responsibility

The Human Resources Operations Department manages human resources in Safaricom. It forms part of the Resources Division and the Divisional Director is a member of the Executive Committee.

The Learning & Development Department of the Resources Division is responsible for training at Safaricom. Safaricom also has a HR leadership team, who meet on a weekly basis to discuss the 'HR dashboard', which tracks training and other HR-related functions.

The Talent and Resourcing Department of the Resources Division is responsible for the overall management of talent acquisition and performance development at Safaricom. Members of staff and managers across the company have specific responsibilities for performance management as well, as per our Performance Management Policy. Furthermore, each Division has a Human Resources business partner, who works with the managers in the Division on performance management.

The Staff Council consists of representatives from all divisions and also includes representation from employees with special needs. The staff council presents issues that affect staff members and discusses how best these can be managed. Issues range from social issues and employee benefits to any challenges that are impeding employee engagement and performance.

The Occupational Safety and Health team within the Facilities, Health and Safety Department is responsible for managing OSH in Safaricom. This department is part of the Resources Division. It is a statutory requirement in Kenya to have an occupational safety and health committee. Safaricom also has OSH sub-committees in its facilities that report to a steering committee headed by the Head of the Department (HOD) of Technology. These committees play a key role in terms of embedding OSH into every aspect of business operations and in ensuring employee engagement.

Manage our environmental impact

Our approach

We understand the importance of sustainable business practices. We recognise that managing our environmental impact allows opportunities to improve efficiencies and reduce costs to be identified. We have a number of initiatives in place that address our primary environmental impacts, which are caused by the development of our infrastructure, the use of natural resources and the generation of E-waste and greenhouse gas emissions.

We have developed an Environmental Policy, which has been approved by the Safaricom CEO and Executive Committee. Our Environmental Policy commits us to transforming the lives of our customers and stakeholders in our ecosystem in an environmentally sound and sustainable manner, through continuous environmental improvement in our operations. We are committed to managing and reporting our environmental performance in an open and transparent manner, in line with industry best practices. Safaricom recognises that environmental considerations are not separate from our core business, but form part of our overall business strategy.

Our Environmental Policy specifies that we ensure that (i) our products, processes and operations are as environmentally safe as possible; (ii) we reduce energy usage and related greenhouse gas emissions; (iii) we conserve water; and (iv) we seek to reduce waste and explore opportunities for reuse and recycling. Our Environmental policy is currently being updated. We are working on developing a Climate Change Policy during the coming year.

Initiatives to manage our environmental impact

We have undertaken a number of initiatives during the reporting period to promote sustainable practices within our operations and business ecosystem. These include:

- Launching the Isometrix environmental management system, which will help us improve the management of our environmental disclosures.

- We have increased the scale of our E-waste management programme, through educating other parties on E-waste, as well as collecting and sending E-waste for processing. Safaricom E-waste collection stations are located in all of our retail stores, our main buildings, at the offices of the National Environment Management Authority (NEMA) and also at some of the county offices throughout Kenya. This initiative was recognised at the World Communications Awards (WCA) in 2013 and received the 'Green Award for an E-waste Management Programme'.

- Safaricom continues to conduct Environmental Impact Assessments (EIAs) on all new infrastructure developments, and to conduct environmental audits as required by NEMA and environmental legislation.

- We have also endeavoured to manage any negative noise impacts associated with our operations. We have installed 25 'super silent' generators at a number of BTS sites due to noise complaints. We sound-proofed the Michael Joseph Centre to ensure compliance with noise allowances during the reporting period and we continue to obtain noise permits from the County Council of Nairobi for any Safaricom functions where noise levels may be excessive.

- In terms of emissions, the refrigerant gas R22 was phased out in our air conditioners due to its environmental impact and has been replaced by refrigerant gases that have a lower environmental impact.

- To help us to reduce water consumption in our facilities, 28 sensor taps were installed in the Safaricom Care Centre (SCC), 28 push taps were installed in HQ1 and 32 push taps were installed in HQ2.

- All shredded paper from the business is collected by Chandaria Industries for recycling.

> "We also conduct awareness sessions on E-waste, where **the hazards of inappropriate E-waste disposal are explained** and its correct disposal is encouraged."

Awareness and training

As part of the EIA Public Participation Process (PPP), and in areas where there are specific queries or complaints on perceived Electro-Magnetic Frequency (EMF) concerns, we have conducted awareness sessions.

We also conduct awareness sessions on E-waste, where the hazards of inappropriate E-waste disposal are explained and its correct disposal is encouraged. To further promote awareness on this issue, we have produced an E-waste leaflet, which has been endorsed by NEMA and the CA. Awareness is also created among dealers and agents at the dealer and agent management forums.

Responsibility

The Corporate Responsibility Department (CRD) is responsible for managing the environmental performance and carbon footprint of Safaricom. The department falls within the Corporate Affairs Division, the Director of which is on the Executive Committee. The CRD engages with: the Technology team on the implementation of improvement orders/corrective measures from environmental audits; the roll out team on EIA approvals; the retail and marketing teams on E-waste awareness and collection; and representatives across the business regarding the Environmental Management System (EMS). The Corporate Responsibility team also engages with the Technology, Resourcing and Finance team in compiling the carbon footprint.

Promote sustainable practices within our business ecosystem

Our approach

Our value chain is made up of a number of business partners, including suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. We also understand that we can play an important role in encouraging sustainable practices throughout our business ecosystem and value chain, by engaging with our suppliers, dealers and agents. We have expanded our reporting parameters to include a description of our supply chain this year. There are 974 suppliers that service Safaricom by providing various products and services to our business. We categorise our suppliers based on the nature of the product or service provided. We have also disclosed how many of our suppliers are local or foreign, and the estimated monetary value of payments made during the reporting period. There have been no significant changes in our supply chain during the reporting period.

Location of suppliers by region	No. of suppliers	Estimated monetary value of payments (KSh)
Foreign	184	23 646 798 400
Local	790	33 369 869 429
	974	**57 016 667 829**

Category	No. of suppliers
Building and construction	42
Consultancy	30
Corporate services	56
Facilities management & maintenance	98
Fleet management	18
HR learning & development	41
HR services	27
IT infrastructure	81
Learning & development	52
Logistics	41
Marketing and public relations	112
Network infrastructure	52
Network site maintenance	31
Sponsorships	49
Staff welfare	111
Terminals	26
Utilities	107

Our suppliers are important business partners and they impact on our ability to provide quality products and services in a responsible and ethical manner. We carefully select our suppliers through a thorough pre-qualification process. Companies are assessed on a number of criteria, including: whether they have the required accreditations and licenses; are financially sound; are compliant from a legal, insurance and regulatory perspective; and whether they have the required policies in place, including OSH, customer service, staff integrity and a code of conduct, employment, environmental, Corporate Social Responsibility (CSR) and waste management policies. The supplier pre-qualification process also has specific provisions for issues such as bribes, conflicts of interest, gifts and other courtesies, employment relations, including child labour, forced labour, disciplinary practices and elimination of discrimination, freedom of association, wages and benefits, occupational health and safety, and environmental matters and the community.

Safaricom has a network of over 500 dealers across Kenya that sell data, devices and airtime on behalf of Safaricom. We also have over 87 000 M-PESA agents in Kenya that assist with registering M-PESA customers, depositing cash into the M-PESA accounts of registered customers, processing cash withdrawals for registered M-PESA customers, processing cash withdrawals for non-registered M-PESA customers, and customer education. Dealers and agents are an important touch point for our customers and it is important that they understand the M-PESA product and provide exceptional service on behalf of Safaricom.

We follow a thorough process when on-boarding dealers and agents. There are a number of minimum requirements to become a Safaricom dealer or agent, which include: having a registered company that has been trading for a minimum of 6 months; a CR12 document that names the directors of the company; a certificate of incorporation; a certificate of good conduct; and a minimum of three outlets. Safaricom reviews the documents provided by the potential dealer or agent, undertakes a check with the credit reference bureau and audits the prospective dealerships and outlets. If approved, a dealer is on-boarded after signing a contract that stipulates its contractual obligations. Dealers are provided with the required Safaricom material and branding and assigned a dealer manager and a dealer support contact person. If an agent is approved, the agent is on-boarded, issued with M-PESA enabled SIM cards, Safaricom material and branding.

Initiatives to promote sustainable practices within our business ecosystem

The theme of our Annual Partners Forum, held in February 2014, was 'Transforming lives through sustainable supply chains'. During the forum, we explained the importance of the supplier pre-qualification process, what we are looking for in our suppliers, and our supplier performance management process. We also focused on the importance of ethics in business, the requirements of the Safaricom Code of Conduct, and how the independent ethics hotline and the Safaricom ethics helpdesk work. The Partners Forum also covered the importance of business continuity management, how Safaricom manages sustainability, and why OSH is important in the operations of our partners.

Every year, our suppliers are required to complete a sustainability self-assessment that evaluates their performance in the following areas: fraud and ethics; human resources, including freedom of association and employee benefits; health and safety; the environment; the community and corporate giving; and regulatory compliance. This year 174 suppliers completed the questionnaire. See 'Our performance' page 96 for a description of the results.

We also undertake a supplier performance evaluation on all of our suppliers on a quarterly or bi-annual basis. The Safaricom user of the supplied product or service undertakes the performance evaluations. Suppliers are measured against the following indicators: cost of service; on time delivery of service; flexibility to respond to unexpected Safaricom demands; quality of service; general responsiveness; customer support; value addition; documentation and invoicing; and communication skills. We have also added an OSH assessment into this evaluation process. A performance score is calculated, with a performance target of 80%, and suppliers whose performance is below the performance threshold are placed on performance improvement plans.

We have not yet assessed the sustainability performance of Safaricom dealers and agents through self-assessments, but we work closely with our dealers and agents to help them develop resilient businesses. For our dealers, the Safaricom area sales managers ensure that every dealer branch has a sales target, sales tracker, route plan, route maps and product availability on a continuous basis. Dealers are also issued with annual business plans that are used as a basis for tracking dealer performance. Initiatives that have been put in place include: availing a credit facility to allow dealers to order enough airtime to cover for holidays; opening up of customer care desks in dealer outlets; and introducing a 30% motorbike subsidy to help dealers to invest in distribution tools.

We also monitor customer experience at dealer outlets through ad hoc 'mystery shoppers', as well as feedback received through the JCC. Feedback is also obtained from dealers through a dedicated blog for dealers.

Dealer Operating Standard Assessments (DOSA) are undertaken by Safaricom staff to assess the infrastructure and performance of dealers. Area sales managers review dealers twice a year. To verify these assessments, a third party audits the minimum requirements for dealer outlets. Once a year, Safaricom dealers are feted in a ceremony called DOYA (Dealer of the Year Awards) where the outstanding performance of dealers is recognised and rewarded. Dealers are vetted based on sales of airtime, devices, data and best practice. Dealers are also rewarded based on the number of shops, staff and distribution infrastructure they have deployed during the year.

We assist our agents through the M-PESA Management Team, who manage the top 300 agents. Agent revenue targets are monitored, as well as the standard of the M-PESA outlets.

Awareness and training

Awareness sessions for our business partners are undertaken through our Business Partner Forums, where issues such as ethics, business continuity and sustainability are discussed.

We have also undertaken training for our suppliers on iSupplier, a system that allows for online communication of purchase orders, change orders and shipments, particularly for account managers.

In terms of our dealers, we have Dealer Bulletins that are distributed to all of our dealers through email. We also hold Dealer Forums, where dealer principals meet to discuss

issues that affect their businesses, such as bank guarantee management, commission reductions, performance, risk and fraud, distribution tools, taxes and new products/service offerings. Training for our dealers is tailored to dealer staff, such as finance managers, shop managers, dealer sales agents and store managers. We normally train on subjects such as tax compliance, customer service, good trade marketing practices, risk and fraud pricing, Safaricom products and services, business acumen, financial management and customer experience.

We provide our agents with a range of training courses. Once an agent is on board, initial training on the Dealer Portal and M-PESA Web is undertaken by the Financial Services training team. M-PESA assistants are trained on common issues, such as fraud and customer experience, as well as emerging trends through quarterly Assistant Forums. Principal Forums for M-PESA outlet owners are also organised by regional sales managers to discuss new business opportunities on a quarterly basis. Other support that we provide our agents includes visiting the outlets to observe whether more material is needed, check logbooks and advise on actions that can improve the management of their outlets, such as security practices and obtaining CCTV monitoring.

Responsibility

The Supply Chain Management Department is responsible for managing suppliers. The Department forms part of the Finance Division, and interacts with all departments in Safaricom. The Finance Director sits on the Executive Committee.

The Consumer Sales Department is responsible for the management of Safaricom dealers and agents. There are specific teams that are responsible for dealer support, which involves on-boarding and supporting dealers, and dealer management, which involves communications to dealers, logistical issues and account management. For agents, there are specific teams who are responsible for agent administration, which involves on-boarding and supporting agents, and agent management, which involves account management, retaining agents and developing new ideas. The Consumer Sales Department works with the Legal, Logistics, Finance, IT and Financial Services Divisions in the management of agents and dealers.

Ensure continued regulatory compliance and engage with our regulators to ensure a fair business environment is maintained

Our approach

Regulatory issues are important to Safaricom because of the dynamic regulatory environment affecting telecommunications operators. This environment requires Safaricom to comply fully with changes to governing legislation, regulations, licence conditions and by-laws. Failure to meet prescribed compliance levels will expose Safaricom to penalties and other remedial sanctions from sector regulators.

The 'Safaricom Way', which advocates speed, simplicity and trust, guides how we manage regulatory issues. We have also developed a Regulatory Charter, which states that Safaricom will build constructive, respectful, open and transparent relationships with all regulators. While being compliant with all regulation and applicable laws, Safaricom will adopt a firm approach on issues that may be detrimental to industry growth.

Initiatives to ensure continued regulatory compliance and engagement with our regulators to ensure a fair business environment

Safaricom has adopted the following strategies to manage regulatory issues:

- Proactively ensure compliance with licence obligations, legislation, regulations, by-laws and the guidelines of regulators;

- Actively engage with regulators through face-to-face meetings, written submissions and memoranda when changes to the existing business environment are under discussion;

- Facilitate workshops and information sessions with regulators, members of the media and affected stakeholders to discuss public policy issues affecting the telecommunications industry; and

- Attend stakeholder workshops and lobby on behalf of the telecommunications industry.

We continue to actively engage Government and the CA on various issues affecting the telecommunications industry. The key public policy matters on which we have engaged Government during the reporting period include:

- **Amendments to the Kenya Information and Communications Act:** In December 2013, the Kenyan Parliament passed the Kenya Information and Communications (Amendment) Act. The Act changed the identity of the Communications Commission of Kenya (CCK) to the Communications Authority of Kenya (CA)[2]. The Act also expanded the scope of the CA to include oversight of electronic media and prosecutorial powers. It also significantly increased the penalty for non-compliance with licence conditions from approximately KSh 500 000 to 0.2% of the gross turnover of the licensee. Safaricom engaged the CA, Government and the National Assembly on the impact of the new law through meetings, correspondence and through formal written submissions.

- **Subscriber registration:** This regulatory requirement was enacted in January 2013 and revamped in September 2013 to include stiffer penalties for non-compliance and to outlaw the hawking of SIM Cards. Safaricom engaged Government and the CA on the impact of this regulation through formal memorandum and meetings.

- **Licensing:** Safaricoms' operating license was renewed for a further term of 10 years on 1st July 2014. During the renewal process we engaged the CA through meetings, written memorandum and correspondence on the issue.

- **East African Roaming:** In 2013, the Governments of Uganda, Tanzania, Burundi and Rwanda imposed a surcharge on incoming international traffic. The effect of this surcharge was to increase the cost of calling and roaming for subscribers in these countries. We engaged Government on this issue through meetings and formal correspondence, highlighting the impact of this surcharge on consumers of telecommunications services in the East African region

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[2] The CCK and CA are both used throughout the report. They both refer to the same entity.

> **Safaricom is lobbying various County Governments to ensure that any legislation introduced is constructive from the perspective of the telecommunications industry.**

- **Devolution:** This is the process through which power is being transferred from the National Government to 47 newly created County Governments. Devolution was introduced on 4 March 2013, with the onset of the general elections. Devolution presents both opportunities and challenges for the business environment within which Safaricom operates. Safaricom is lobbying various County Governments to ensure that any legislation introduced is constructive from the perspective of the telecommunications industry.

We intend to ensure continuous compliance with the current laws and regulations that affect our business, as well as to advance positions that are favourable for the telecommunications industry.

Awareness and training

Training is undertaken on specific regulatory issues and changes that have implications for Safaricom; for instance, we trained staff on the impact of devolution on the business in the previous financial year. The Regulatory and Public Policy team also receives external training on various issues, such as network cost methodology, competition issues and licensing.

Responsibility

The Regulatory and Public Policy Department is responsible for managing regulatory issues on behalf of Safaricom. This department sits within the Corporate Affairs Division. The Department interacts with different teams across the business, in particular, the strategic business units (CBU, EBU and FSBU), Technology and the Risk divisions. The Corporate Affairs Director sits on the Executive Committee, which has oversight on regulatory issues.

Promote ethical and good corporate governance throughout our business ecosystem

Our approach

Ethics and values are an important part of the business practices of Safaricom. We view ethical business practices as non-negotiable and continue to promote these principles throughout our value chain and the wider business ecosystem in Kenya.

The 'Safaricom Way' of speed, simplicity and trust sets the overall framework for ethics and values in Safaricom. Each stakeholder group also has a code of conduct, which defines specific policies that are relevant to that stakeholder group.

The code of conduct provides guidance to staff on matters related to integrity. The code of conduct includes guidelines (standards) covering the following ethical issues: conflicts of interest; corruption and bribery; gifts and entertainment; duty to report; insider trading and corporate opportunity; charitable contributions; and money laundering.

New employees are required to sign a conflict of interest declaration when they join Safaricom. An annual declaration is also required of all employees. This year, the requirements were changed to ensure that everyone completed a declaration, even if there were no conflicts to declare. Safaricom analyses the declarations and declarations deemed 'high risk' are presented to the Ethics committee, which ratifies any decisions. Members of staff with 'medium' and 'low risk' declarations are monitored on an ongoing basis. Suppliers are also required to make a conflict of interest declaration during the supplier on-boarding process.

Adherence to ethical practices and our values also applies to the Safaricom and M-PESA Foundations. We adhere to the anti-bribery policy of Vodafone and the Safaricom Foundation has an ISO procedure that describes the criteria that must be met by any organisation wishing to be funded by Safaricom. The Safaricom Foundation Board of Trustees meets on a monthly basis to review all applications for funding and to agree on the projects to be funded, based on the following guidelines. Funded projects should:

- Address interventions within the thematic areas of the Foundation;
- Be implemented within the Republic of Kenya;
- Demonstrate positive impact on a broad population/ community and not an individual;
- Demonstrate sustainability in the long-run;
- Demonstrate tangible, measurable outcomes at the community level;
- Demonstrate community ownership and participation;
- Be technically sound and viable;
- Have a budget that accurately reflects the nature of the project to be implemented; and
- Be submitted and be implemented by organisations that are registered charities, NGOs, CBOs and/or formally constituted groups.

Both Foundations do not fund any political activities.

As part of the way that we do business, Safaricom is committed to respecting and promoting the rights of all people, including children. We recognise that we must avoid being complicit and/or responsible for the abuse of rights throughout our business ecosystem, in our workplace, and through our corporate social investment partnerships, and that we should play our part in promoting the enjoyment of rights and liberties.

Children's rights are the human rights of children with particular attention to:

- The rights of special protection and care afforded to minors, including their right to association with both parents;
- Their rights to food, education, and health care;
- Their right to be protected by criminal laws appropriate for the age and development of the child;
- Equal protection of the child's civil rights; and
- Freedom from discrimination on the basis of the child's race, gender, sexual orientation, gender identity, national origin, religion, disability, colour or ethnicity.

We believe that we have a role to play in respecting children's rights by avoiding any infringement of children's rights and addressing any adverse impacts in areas in which our business is involved. We further believe that we have a corporate commitment to support child rights through voluntary actions, advocacy and lobbying.

Initiatives to promote ethical and good corporate governance throughout our business ecosystem

- **Comprehensive risk assessment:** A comprehensive risk assessment is undertaken twice a year on enterprise risk management, operational risks, strategic risks and fraud risks per division. Mitigation plans are then developed to counter any identified risks. We also take proactive steps to identify cases of fraud. This includes the use of a fraud management system to identify possible cases of fraud and carrying out in-depth fraud reviews to determine whether fraud has occurred within key processes. Thirteen fraud reviews were carried out during the year under review.

- **Audit reviews:** Thirty-two audit reviews were carried out during the reporting period. The objective of the reviews was to obtain assurance on the adequacy, design and operating effectiveness of controls. Three additional reviews were carried out that were special requests from management. Where unethical action was suspected, investigations were undertaken. The investigations covered various frauds, including asset misappropriation, fraudulent expense claims and corruption cases. The investigations led to disciplinary action against members of staff and, in some cases, reporting cases to law enforcement officers and prosecuting suspects.

- **Board self-assessment:** A Board self-assessment process was undertaken during the reporting period. The Board Audit Committee (BAC) self-assessment was carried out in March 2013 for members of the BAC. The assessment covered: BAC terms of reference and meetings; training and resources; financial reporting; internal audit process; external audit process; and the BAC relationship with the Board. Key observations were highlighted to improve the operations of the BAC. In February 2014, we also documented and approved the BAC Terms of Reference, defining the BAC mandate, authority and responsibilities.

- **Policies:** During the reporting period, the Policy for the Management of External Auditors was also documented, to ensure that audit independence is maintained, both

in fact and appearance, and that the external financial reporting of Safaricom continues to be viewed as being highly reliable and credible. Our Internal Audit function was also moved into its own independent division (previously, it was part of the Risk Division). Internal Audit now reviews the Risk Management Department as well.

- **Ethics Perception Survey:** An ethics perception survey is undertaken every two years by an external party. The purpose of the survey is to measure the ethical climate within Safaricom. The survey involves staff, suppliers, agents and key Government bodies that we interact with regularly.

- **Ethics and our Business Partners:** At our annual Business Partners Forum, we communicated our stance on ethics and values, as well as the benefits and value that can be created by ensuring that businesses operate ethically. We are also developing an 'ethics starter pack' to assist smaller business partners that may be interested in formalising their ethics management.

- **Ethics Conference:** Safaricom sponsored the Strathmore Annual Ethics Conference in October 2013 and our CEO, Bob Collymore, was a keynote speaker.

- **Children's rights:** We are in the process of approving a children's rights policy that will address: child rights in our business; child rights in our products and services; child rights in our workplace; and child rights in our corporate social investment. Within the next 12 months, we plan to:
  - Undertake a business impact assessment to understand fully our impact on children's rights;
  - Review our existing policies and identify appropriate opportunities to embed children's rights in to relevant policies;
  - Ensure that respecting and supporting children's rights becomes part of the company culture and to provide managers and employees with guidance in relation to matters that may impact the rights of children;
  - Include our child's rights framework in our sustainability framework;
  - Develop a family-friendly work environment in more of our facilities.
  - Work with our business partners to build capacity in the self-assessment of children's rights and business principles, and ensure that our business partners are aware of the special considerations required to protect children from potential risks;
  - Launch products that address children's online privacy protection and online safety, through a "make the internet safer for children" initiative;

  - Develop and implement a framework to support targeted Corporate Social Investment (CSI) that will support the fulfilment of children's rights;
  - Develop a clear student worker policy; and
  - Through the UN Global Compact, initiate a discussion among business leaders regarding the importance and impact of the application of children's rights within the corporate sector.

Awareness and training

We undertake a number of different training and awareness sessions on ethics and values in Safaricom.

Face-to-face sessions are held with different departments across the business. These sessions are tailored to the risks facing the team in attendance and focus on ethical conduct, fraud risks within the respective departments, the code of conduct, and the role of staff in promoting ethics. On the whole, the training uses an 'ethical dilemma' approach through which specific dilemmas are discussed. For high risk departments, 100% of all staff in the department must attend the training, while for medium and low risk departments, 75% of all staff must attend the training sessions. These sessions are held on an annual basis.

The face-to-face sessions are supplemented by e-learning sessions and quarterly ethics bulletins. Business partners are also provided with training on ethics and values. For the first time this year, ethics and anti-corruption training was undertaken by an external consultant for senior Safaricom leadership including members of the Executive Committee, Heads of Departments and ethics champions.

Responsibility

The Ethics and Compliance Department is responsible for managing ethics and values in Safaricom. This department forms part of the Risk Division and its Director sits on the Executive Committee. We also have ethics champions in different divisions who have been trained on ethics and values and will act as the first point of contact in that division. The Ethics and Compliance Department engages with all divisions in Safaricom.

The Ethics Management Committee has oversight over ethics management and is composed of the CEO, CFO, Director of HR, Director of Risk, Director of Strategy and the Director of Corporate Affairs. The secretary to the committee is the Head of Department for Ethics and Compliance. The mandate of the committee is to ensure that Safaricom acts ethically by:

- Making decisions on ethical dilemmas/issues brought before it;

- Recommending, reviewing and approving ethics-related policies;

- Reviewing ethical declarations, such as conflict of interest declarations; and

- Providing oversight to the Ethics and Compliance Department.

07 STAKEHOLDER ENGAGEMENT

The Safaricom 2.0 ecosystem identifies the following eight stakeholder groups and related Charters.

Customers

We will communicate honestly, offer simple and relevant products and deliver on our promises to the customer with speed and consistency.

Employees

We will provide a great place to work and grow, where both individual accomplishments and team effort will be rewarded. We will provide opportunities for personal empowerment and career growth in an atmosphere of trust, honesty and openness.

Shareholders

We will enhance shareholder value by adherence to the highest standards of corporate governance and world class management practice. Our shareholders should expect timely and accurate information and the opportunity to engage through various forums with us.

Regulators

We will build constructive, respectful, open and transparent relationships with all regulators. While being compliant with all regulation and applicable laws, we will adopt a firm approach on issues that may be detrimental to industry growth.

Business partners

We will engage in mutually beneficial and sustainable relationships with all business partners in an environment of equity, mutual respect and honesty. We are committed to growing Kenyan businesses and will offer preferential support to innovative local businesses.

Media

We will continuously and proactively engage the media in a factual, speedy and honest way, in order to participate in informing public opinion actively. We will take a lead role in building industry knowledge among various media groups and hold them to account for responsible reporting.

Society

We will work closely with Kenyans to be a respected and empowering contributor to society. While we participate as an integral part in the upliftment of society, our relationship will be built on the principles of partnership, humility, openness and professionalism.

Future generations

The future is now and our conduct and business practices today must be designed to create and shape a sustainable tomorrow.

There are a range of stakeholders that we engage with to achieve our strategic objectives. The table below describes the specific issues on which we engage our stakeholders, as well as the format and frequency of engagement.

Name of stakeholder	Key issues on which we engage	Format and frequency of engagement
Customers	• **Network quality:** Information regarding planned works and network failures is promptly disseminated to Customer Care for communication to subscribers. • **Customer experience:** We engage our customers directly to obtain feedback on our products and services, their views, complaints and suggestions. We measure this through the Customer Delight Index (CDI), Enterprise Delight Index (EDI) and Net Promoter Scores (NPS). • **Health and safety:** Safaricom is committed to safeguarding the safety and health of customers and other persons who may be directly affected by our business operations. Customer safety and health aspects are addressed in risk assessments, safety and health audits, and safety and health committee inspections reports, among other activities.	• Regular communication through Customer Care. • Regular communication through our toll free customer care lines, social media, SMS, email and interactive voice response (IVR) channels. • Online portals, such as web self-care, customer research and surveys. • Customer forums are held on an annual basis. • Monthly retail CDI reports. • Our quality team has an SMS number 4070, which can be reached 24/7. • Customer engagement on health and safety is provisioned through various channels, including the customer care helpline and email addresses, along with comments received by the safety and health desk through the email address HSHelpdesk@safaricom.co.ke.
Employees	**Staff engagement through *Sema na CEO* ('speak with the CEO') chat room, the annual People Survey and Staff Council meetings:** The Staff Council is chaired by the CEO and includes elected representatives from each division. Some of the key issues that have been raised during the reporting period include: • **Parking spots for expectant mothers:** Safaricom has limited parking spots within HQ1, HQ2 and the SCC and these are allocated on a first come/first served basis. This posed a challenge to expectant mothers who often had to seek alternative parking outside the facilities. During the staff council deliberations, it was agreed that all expectant mothers be allocated parking for the period of expectancy. • **Access to facilities for physically challenged people:** Some of our facilities are not accessible for physically challenged staff. This was raised through the Staff Council and improvements have been made to allow for easier access; for example, wall-mounted access card buttons are now positioned closer to the floor for wheelchair users. • **Taxi service concerns:** This year, our taxi services provider changed, which led to service delivery issues. These were raised on *Sema na CEO*. The resources team assessed these concerns and worked with the service provider to improve service delivery.	***Sema na CEO*, People Survey and Staff Council:** • Employees are able to raise concerns at any time through the *Sema na CEO* chat room. • The Staff Council meets on a quarterly basis to address issues and concerns raised by employees. • The People Survey takes place on an annual basis. **Innovation:** • Frequent awareness meetings with strategy and innovation; communication through the Zindua Café; and through different campaigns, including the Zindua Challenge, which encourages Safaricom staff to share ideas that would help improve and innovate operations around business processes, customer experience and product development. **Ethical engagements** include a mix of: • Formal, face-to-face sessions on an annual basis; • E-mail bulletins, posters and informal discussions on an ad hoc basis; and • Ethical dilemma discussions on an ongoing basis.

Name of stakeholder	Key issues on which we engage	Format and frequency of engagement
Employees (cont.)	**Innovation:** We engage with our employees on proposed ideas of improving customer experience and product and process development through the Zindua Café, we have innovation champions throughout the organisation; as well as an Innovation Department. **Ethical values and standards:** We assist members of staff with the resolution of ethical dilemmas. **Customer experience:** We engage with our employees and internal stakeholders in our marketing, product development, sales, service delivery and billing and payment teams, in particular, on: • Developing brand ambassadors; • The role of employees in creating customer delight and the contribution of employees to overall Safaricom objectives; • The input of employees on the relevance and impact of a 'customer centric' culture; • Customer education and campaigns; and • New products and services for specific customer segments. **Health and Safety:** Employee engagement is provisioned through joint management-employee safety and health committees. The role of committee representatives is that of articulating employee OSH concerns. **Performance Management Process:** We engage with all of our employees through the performance management process.	**Customer experience:** • Regular training and refreshers on Safaricom products and services. • Engagement is targeted and cross-functional, based on the support needed to realise any ongoing customer journey initiatives. • We have annual team building forums to strategise and communicate our annual theme. • We constantly engage our marketing team to assist in campaigns to market our products and services. **Health and safety:** • Workplace inspection reports. • Quarterly meetings. **Performance Management Process:** • This takes place throughout the year.
Communications Authority of Kenya (fomerly - The Communications Commission of Kenya)	**Network quality:** • CCK/CA QoS targets. • Notification of all new products for approval. **Regulatory & public policy interventions**, such as: • Licensing; • Mobile Termination Rates (MTRs); • Amendments to the Kenya Information and Communications Act (KICA); • Subscriber registration; and • Management of E-waste.	• Meetings; • Formal correspondence; and • Submissions . Frequency varies, depending on the nature of the issue.
Rural Electrification Authority	Safaricom engages with the Rural Electrification Authority (REA) on planned grid extensions in rural areas before prioritising the energy mix for remote sites.	• Weekly email correspondence and meetings, as required.
Kenya Power	Safaricom engages with Kenya Power regarding the grid network required for its infrastructure.	• Regular email correspondence and meetings.
Innovation partners	Innovation partners are engaged on value propositions and include: mobile phone operators; universities; incubation centres; as well as various venture capitalists.	• External stakeholder engagement is facilitated mainly through the daily Safaricom Innovation email, through which members from the public and other vendors express their interest in sharing their ideas with Safaricom.

Name of stakeholder	Key issues on which we engage	Format and frequency of engagement
Business partners (suppliers, dealers, M-PESA agents)	• Expected standards of behaviour, including health and safety standards, ethics, corruption, and bribery regulations. • Awareness of the supplier code of conduct. • Providing suppliers with avenues to report unethical matters. • Training on M-PESA fraud to ensure that they can identify counterfeit money and protect themselves from fraudulent activities targeted at agents.	• Supplier forums are held on an annual basis. • Suppliers are issued with our Supplier Code of Conduct when first engaging with Safaricom. • Annual supplier sustainability self-assessments. • Quarterly Principal forums, where agents are invited to discuss topical issues with Safaricom employees.
Ethics and Anti-Corruption Commission	Safaricom has initiated discussions with the Ethics and Anti-Corruption Commission of Kenya on areas of potential collaboration for promoting ethics.	• Engagement takes place as and when required.
Credit Rating Bureau	Verification of documents (e.g. company checks and Director vetting) when assessing potential dealers and M-PESA agents.	• Meetings and email correspondence when on-boarding new dealers or agents.
Developers	Developer engagement consists of various initiatives, such as the Vodafone App-star Challenge and the annual Safaricom AppWiz Challenge, through which we provide developers with mentorship and entrepreneurial training.	• Developer engagement is through meetings, the daily Safaricom Innovation email and competitions.
Third parties involved in audits and other assurance/ due diligence or verification exercises	Safaricom engages with Government-approved auditors, as well as with approved ISO 14001 and OHSAS 18001 auditors, to undertake audits of our business operations for compliance or certification purposes. These include audits of our safety and health standards and performance, environmental audits, energy audits and testing of EMF levels. We have also engaged an independent assurance provider to provide external assurance over selected sustainability data.	• Assurance, due diligence or verification activities, as defined by third party procedures.
Network stakeholders (Telecommunication Service Providers; Landlords; Kenya Power and Lighting Company (KPLC); renewable energy contractors; fibre cabling providers)	• Safaricom has agreements with other mobile operators to share some of its BTS sites, and vice versa. • Leases of land for putting up BTS sites. • Provision of grid power for telecommunications equipment. • Deployment of renewable energy solutions. • Safaricom leases fibre from fibre optic providers and engages with these providers on service level agreements.	• Meetings and correspondence, as required.
Government agencies	• Obtaining Government feedback on public sector perceptions of ethical practices at Safaricom. • Tax issues and tariffs.	• Interviews once every two years. • Annual meetings.

Name of stakeholder	Key issues on which we engage	Format and frequency of engagement
The Directorate of Occupational Safety and Health Services (DOSH) in the Ministry of Labour and Human Resource Development	The company engages with the Directorate of Occupational Safety and Health Services as required under the Occupational Safety and Health Act of 2007. The company submits annual reports regarding various audits undertaken by Government-approved auditors, including Safety and Health Audits, Noise Surveys, Air Quality and Fire Audits. These audits are undertaken to inform the Directorate of the level of compliance of the company with OSH-related legal requirements and best practices. Other forms of engagements include annual workplace registrations, reports of inspections of lifting equipment and pressurised vessels, medical reports, reports regarding the occurrence of accidents, occupational diseases and other dangerous occurrences, and compensation matters.	• Annual reports. • Meetings, when required. • Prescribed DOSH letters and forms .
The Competition Authority of Kenya	Competition issues, such as restrictive trade practices, consumer issues and dominance.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
The Central Bank of Kenya	Mobile Money Transfer and other related issues.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
Ministry of Information and Communications	• Telecommunications Policy. • Spectrum Policy. • KICA.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
Capital Markets Authority (CMA)	Safaricom engages the CMA as it is a publicly listed company.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
Federation of Kenyan Employers	Changes or improvements in labour laws.	• Workshops. • Correspondence, as required.
Ministry of Labour	Employee statistics.	• Monthly email correspondence.
County Governments	Finance Bills passed by the Counties.	• Meetings. • Formal correspondence. On a case-by-case basis.
County Council of Nairobi	Noise permits for any Safaricom functions.	• Correspondence, as required.

Name of stakeholder	Key issues on which we engage	Format and frequency of engagement
Kenya Revenue Authority	• Excise duty on mobile money transfer services. • VAT regime. • Compliance.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
The National Environment Management Authority	• E-waste management. • EIA approvals. • Energy management regulations. • Lobbying on economic instruments for 'green investments'. • Environmental regulations. • Compliance.	• Meetings. • Formal correspondence. • Submissions. On a case-by-case basis.
The Betting Control and Licensing Board	Safaricom promotions.	• Meetings. • Formal correspondence. On a case-by-case basis.
The Kenya Civil Aviation Authority	• Acquisitions. • Construction of BTS.	• Monthly meetings. • Formal correspondence.
Energy Regulatory Commission	Energy regulations released in 2012 require Safaricom to undertake an energy audit every three years and provide an annual report on progress towards achieving any energy conservation measures identified in previous audits.	• Annual reporting. • Correspondence, as required.
Kenya Association of Manufacturers	• Training of staff on energy matters. • Assisting KAM, as the host of the UNGC, with the sharing of best practice.	• Regular correspondence, as required. • Regular meetings. • Quarterly workshops.
Local communities	Communities are consulted as part of the public participation process during the EIAs of proposed projects.	• We engage with local communities through meetings, as required.
United Nations Environment Programme	Safaricom partners with UNEP on environmental events, awareness events and sessions, such as World Environment Day and Clean up the World Day, and through environmental and sustainability sessions with local universities.	• Meetings, as required.
Shareholders (Government of Kenya, Vodafone Plc, and Public (NSE)	Vodafone shares information and best practices regarding new technologies in the areas of energy, technical network information and network quality. The Government engages the company through relevant line ministries and departments.	• Monthly meetings and teleconferences, as required.
Third party contractors, vendors and suppliers	• Provision of staff training. • Monitoring and evaluation of customer experience. • Expert advice on network quality matters and operational engagements. • Independent benchmark measurements and reporting.	• Regular engagement, as required.

08 OUR PERFORMANCE

We measure our performance on our material matters to ensure that we are undertaking actions that enable us to reduce the risks and maximise the opportunities faced by our business.

Our performance measures consist of both qualitative and quantitative indicators that allow us to track how we are doing. Where there have been any data restatements, these are disclosed under the relevant performance section.

Network quality

How we performed

The CCK (now referred to as the CA) is mandated to ensure the provision of quality services by licensed mobile service operators. To meet this objective, the CA has developed eight Key Performance Indicators (KPIs) to assess the QoS of mobile operators. The results of these assessments are released to the general public and can be found on the CA website[3]. The table below details the various CA KPIs, and our performance against these KPIs for the past three years.

Table 1: CA QoS performance

	CA Target 2013*	CA Results 2013	CA Results 2012	CA Results 2011
Completed Calls	≥95%	●	●	●
Call Setup Success Rate	≥95%	●	●	●
Dropped Calls	≤2%	●	●	●
Blocked Calls	≤5%	●	●	●
Speech Quality (MOS, PESQ Values)	95% of samples >3.1	●	●	●
Handover Success Rate	≥90%	●	●	●
Call Setup Time	<13.5 seconds	●	●	●
RX Levels	Outdoor – 105dBm	●	●	●

*The targets for completed calls, call setup success rate, blocked calls, speech quality and handover success rate have become more stringent from 2012 to 2013.

● Achieved
● Not achieved

[3] Communications Commission of Kenya, 2013: Report on the Quality of Service (QOS) Performance Assessment for Cellular Mobile Networks Period 2012-2013. Available from: < http://www.cck.go.ke/consumers/other_info/downloads/REPORT_ON_THE_QUALITY_OF_SERVICE_2012-2013.pdf>

As part of our BNK programme, an independent company, was contracted to carry out independent audits and tests to measure our network performance relative to other mobile service providers. The table below shows our consolidated results for the 13 towns of Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Thika, Malindi, Nyeri, Meru, Embu, Nanyuki, Kakamega and Kisii:

	October 2013	April 2013	September 2012
Call Set Up Success Rate	●	●	●
Dropped Call Ratio	●	●	●
Speech Quality	●	●	●
Mean Data User Data Rate – Download	●	●	●
Mean Data User Data Rate — Upload	●	●	●
Mean Web Browsing Session Time	●	●	●
Network Delay	●	●	●

● Best Network
● Second Best
● Third Best

We continue to be concerned with the results of the CA QoS results. Network quality is an important strategic objective for Safaricom and we continue to engage with the CA in an effort to understand discrepancies between the CA QoS results and the independent results obtained through the BNK measurements.

Monitoring and evaluating our performance

In addition to the independent audits undertaken by the independant company, we monitor and evaluate our network quality performance in a number of ways:

- 24/7 network monitoring through the Network Operations Centre (NOC).
- Performance management using statistical data analysis on a daily basis to ensure that an acceptable QoS is maintained.
- Customer Experience Management (CEM) tools ensure that the gap between the performance of network elements and the customer experience is bridged. These tools are able to monitor the quality of both voice and data services.
- Daily quality briefs where all quality-related aspects of the network are discussed and tracked for resolution.
- Internal drive tests for optimisation purposes, which evaluate our performance, identify any gaps and resolve the identified gaps.
- Internal drive tests for benchmarking purposes are carried out prior to the independent assessment by the independent company. We use internationally accepted methodology for evaluating both voice and data services.
- Customer surveys are undertaken by the Market Insight teams to understand the experience of Safaricom customers and their perception of the different touch points. One of the key areas surveyed is the performance of the network. The results of these surveys are used to monitor performance and bridge any gaps identified.
- Reporting to the Vodafone Group and benchmarking with other Vodafone operators. We undertake monthly reporting to the Vodafone Group on quality matters and are benchmarked against other Vodafone operators. This provides a means of comparing our results with other operators, as well as an opportunity to share best practices in view of improving network quality.

Looking forward

In the immediate future, we aim to:

- Maintain our BNK status and add an additional two towns to the programme (Kitale and Machakos);
- Complete the migration of BTS sites to our own fibre optic cabling, along with completing the fibre-to-buildings project;
- Implement the fibre project in the towns of Mombasa, Kisumu, Nakuru and Eldoret;
- Focus on indoor coverage within major towns and the deployment of capacity and coverage sites throughout Kenya;
- Deploy up to 50 sites in areas that have security concerns; and
- Transform the M-PESA platform to ensure it is a fortified, resilient, robust and scalable system.

Energy security

How we performed

We consume both electricity and diesel in our network and facilities. The table below shows our total consumption data within our facilities and network.

Electricity consumption	Total FY14	Total FY13	Total FY12
Megawatt Hours (MWh)	113 800	96 362	118 233
Gigajoules (GJ) [4]	409 677	346 905	425 638

Diesel consumption*	Total FY14	Total FY13	Total FY12
Volume (Litres)	6 833 590	5 748 197	8 424 563
Gigajoules (GJ) [5]	245 558	206 353	305 470

*All fuel consumed is from non-renewable sources

During the reporting year, we also upgraded the cooling systems in our data centres, which resulted in an improvement in our power utilisation effectiveness (PUE) performance to between 1.5 and 1.8. PUE is a measure of how efficiently a data centre uses electricity.

[4] FY14 conversions from MWh to GJ is undertaken using conversion of MWh*1000 = KWh and KWh/277.78 = GJ

[5] FY14 conversions from litres of diesel to GJ is undertaken using value of 35.9338MJ/litre calculated from diesel Net Calorific Value and density figures from DEFRA 2013 Fuel Properties

Monitoring and evaluating our performance

Managing energy security requires that we have access to accurate energy data. Approximately 500 access sites are currently equipped with automatic meter readers to help relay grid power use accurately and to reduce meter reading costs.

Safaricom has commenced with an energy management program that will involve energy audits and benchmarking against other Vodafone operators. This programme will allow us to set SMART energy management objectives. The foundation of the programme and audit methodology has been agreed upon by the relevant stakeholders; however, actual site measurements will begin in FY15.

Looking forward

Safaricom has a target of reducing its energy cost per site by 10% each year, for the next 5 years. Future initiatives include an energy efficiency awareness campaign for the upcoming year. We will also be re-establishing our energy baseline in preparation for the upcoming energy audits, which will guide our energy investments and fulfil statutory requirements. Looking forward, another 1 300 automatic meters will be deployed in the next year. We are also contemplating the deployment of a comprehensive remote site management system that will further improve data collection, reduce energy infrastructure theft, and reduce energy associated failures.

We are also procuring solar technologies for approximately 100 sites in our network, which will be implemented in the upcoming year. Of the 100 sites, approximately 50 are expected to be pure solar power, 25 will be a combination of solar power and power cubes, and the remainder will be hybrid solutions consisting of solar power, generators and batteries.

Innovation

How we performed

For our business service, social and financial inclusion innovations, we measure the impact of the innovation and track this against our targets.

Project	Impact	Target number of users
Short-Term Paybill	Currently we have 172 accounts.	We aim to grow the number of users by 200% in the upcoming year.
Internet Sambaza A service that allows customers to share and transfer data bundles	Our current performance is at 10 terabytes (TB) per week. The impact of Internet Sambaza has been an increase in internet usage and growth in data bundle purchases.	The target for this product was to share 1TB of data per week. Since the launch, over 250TB of data has been shared using the service against a target of only 10 TB. There have been in excess of 3 million Internet Sambaza transactions to date.
Vuma online	Currently, over 2 000 Public Service Vehicles (PSVs) have been fitted with Vuma online, including taxis, tour buses and college buses. The impact of Vuma online has been an increase in internet usage, an increase in the number of internet users, and improved brand equity among the youth segment.	The target was to ensure that 1 000 PSVs have the Vuma service connected. We have exceeded this target two fold.
10 for 10 internet bundle	Currently, we have 1 000 000 customers using this service.	The initial target was to reach 300 000 customers, which we have exceeded.
Jisort na smartphone (smartphone strategy)	Currently, there are over 1.8 million smartphones on the Safaricom network.	The target was to have 1 500 000 smartphone users on the Safaricom network. We have exceeded the target by 300 000 smartphones.
Guardian (Parental Control application)	The impact of the Guardian application isn't easily quantifiable as it is an optional functionality; however, more parents feel safe letting their children access the internet knowing that they have control over what their children can access.	No targets set.
MyTunes (Trial)	The product has just been launched and we are still monitoring our performance.	We have set a target of 100 000 downloads per month by June 2014.
Kilimo Salama	We currently have 9 043 users who have redeemed their cards. A total of 687 farmers were compensated in the areas of Machakos, Embu, Migori, Meru, Kajiado and Muranga. We have helped famers increase their resilience and their yields.	We are targeting 200 000 small holder farmers for seed guarantee.
Shupavu A revision application for Upper Primary school children	We currently have 180 000 users.	We are targeting 500 000 active users by the end of June 2014.
Linda Jamii A medical mico-insurance product in partnership with Britam and Changamka	We currently have 36 000 subscribers. Families who could not afford to do so before can now access high quality healthcare.	We are targeting 200 000 subscribers by the end of March 2014.
M-PEP An application that uses SMS technology to encourage health care workers to use Post-Exposure Prophylaxis (PEP)	We have 188 hospitals that have health care workers registered in M-PEP. We have 6 067 health care workers registered. 191 injuries have been reported from M-PEP clients.	The Kenya National AIDS & STI Control Programme (NASCOP) plans to sensitise and train staff at 129 facilities on 'sharps surveillance'.

Project	Impact	Target number of users
TIBU A health information system for management of TB patients	Currently, there are over 300 000 TB patients in Kenya managed through the program. We have 60 central office staff and over 300 field staff and partners.	We had a target of launching TIBU in all 47 counties in Kenya, which was achieved by December 2013.
Refugees United re-launch	We currently have 298 000 users. Our global call centre handles approximately 1 000 calls per day.	We had a target of 200 000 users by June 2014 which was exceeded.
Lipa-na M-PESA	We have signed up over 122 000 merchants on Lipa na M-PESA so far. Previously, the total number of Merchants accepting e-Payments (predominantly cards) was less than 20 000 (despite presence of debit and credit cards for a long time). M-PESA is now the leading brand in the payment space, surpassing Visa and MasterCard. The impact we have made includes creating employment opportunities for the youth — via introducers who hire them to acquire merchants on a commission basis, which has also opened a new revenue channel for our dealers and agents. We have also improved the general security of Kenyans by reducing the need to carry cash. We provide opportunities for businesses to adopt electronic payments and rely less on cash. The security and convenience of not handling cash is of great benefit to business people. The service has enabled customers and merchants to make and accept payments from as little as KSh 10.	The target for March 2014 was 100 000 merchants, which was exceeded.
Lipa Kodi na M-PESA	This is a rent payment solution on M-PESA Pay Bill aimed at addressing the rent collection needs of housing agents, commercial real estate businesses, diaspora-based and local landlords. We have 88 major housing agents signed up to the service and currently have over 70 000 customers paying their rent through Lipa Kodi.	We will be recruiting estate agents, diaspora-based landlords, local authorities and private landlords in the next financial year.
M-PESA retail distribution	Currently, we have over 154 distributors using this service and transacting over KSh 7 million each per month. We have over 80 000 M-PESA agents countrywide, hence retailers are able to convert cash to e-money from anywhere and use the same to pay for goods delivered.	We aim to grow the number of distributors using this service.

Customer Experience
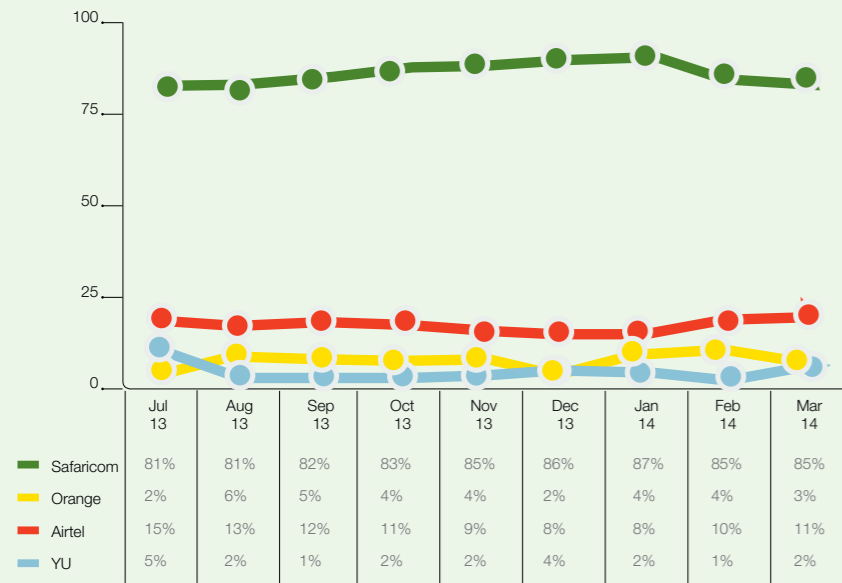
We need to remain innovative to service a growing youth sector. We measure our youth equity statistics on a monthly basis. The graph shows our youth equity over the reporting period. We have a blanket target of 85% youth equity, which we have achieved this year.

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Safaricom	81%	81%	82%	83%	85%	86%	87%	85%	85%
Orange	2%	6%	5%	4%	4%	2%	4%	4%	3%
Airtel	15%	13%	12%	11%	9%	8%	8%	10%	11%
YU	5%	2%	1%	2%	2%	4%	2%	1%	2%

— Safaricom
— Orange
— Airtel
— YU
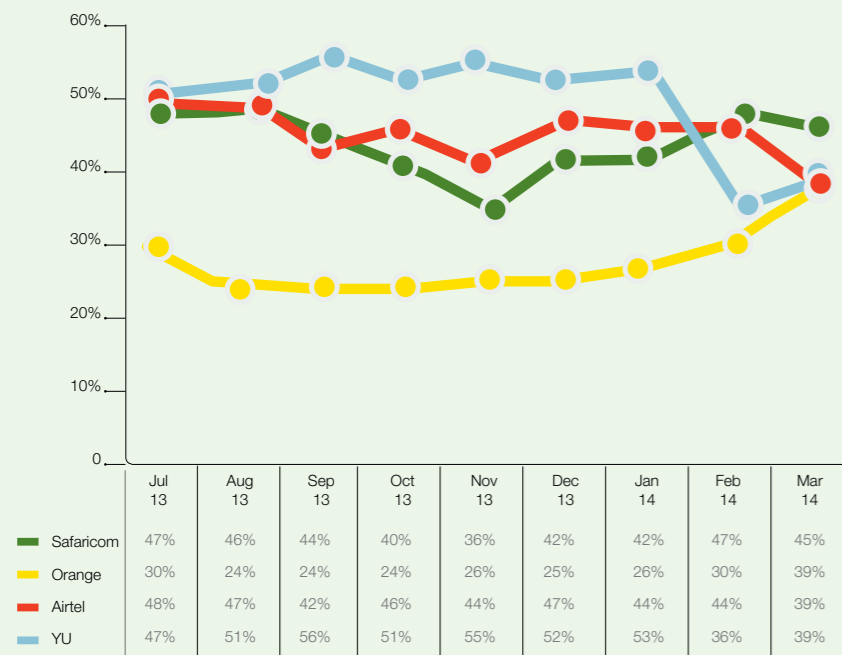
We also measure our youth Net Promoter Score (NPS). The results over the reporting period are shown.

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Safaricom	47%	46%	44%	40%	36%	42%	42%	47%	45%
Orange	30%	24%	24%	24%	26%	25%	26%	30%	39%
Airtel	48%	47%	42%	46%	44%	47%	44%	44%	39%
YU	47%	51%	56%	51%	55%	52%	53%	36%	39%

— Safaricom
— Orange
— Airtel
— YU

Monitoring and evaluating our performance

We are able to evaluate our performance on developing innovative products and services by:

- Assessing our competitors through market research and reports released by the regulator;
- Obtaining feedback on our innovations from our customer facing teams; and
- Reviewing our Customer Delight Indices and NPS performance.

For our social innovations, we also track the number of subscribers, active users and users who opt out.

Looking forward

We strive to continue innovating and providing products and services that deepen financial inclusion and transform lives in line with our strategy and customer needs. We also continue to focus on the youth segment and initiatives to further raise our youth equity.

Customer experience

How we performed

An external party, SBO, measures customer experience for the whole of Safaricom on a monthly basis. The assessment reviews competitors, as well as Safaricom, and provides feedback on our customer experience performance. In previous years, we reported our Customer Delight Index (CDI) and Enterprise Delight Index (EDI). We are moving away from these metrics to measuring our NPS and Brand Equity performance. NPS assesses the likelihood that a customer would recommend Safaricom to other businesses or friends, based on their overall experience.

KPI Name	FY14	Target
Consumer NPS	46	Our overall NPS target is to be the number one Mobile Service Provider by a margin of 5% or more.
Enterprise NPS	88	The target for Enterprise NPS is to be the number one Mobile Service Provider by a margin of 10% or more
Brand Equity	85%	80%

Monitoring and evaluating our performance

The Vodafone Group undertakes benchmarking of operators based on the NPS. Safaricom undertakes weekly measures at different touch points, referred to as internal monitoring (IM), to provide strategic insights on customer experience. In particular, the NPS at specific touch points is being assessed to determine touch-point specific customer experience. This is undertaken through questionnaires, via phone calls, market visits and face-to-face interactions. Market visits are scheduled throughout the year and customers are randomly selected. Insights from IM are used to track experience performance, with the overall objective of achieving the set NPS target.

Looking forward

In the future, Safaricom will continue moving from CDI and EDI, which measure satisfaction, to NPS, which measures the likelihood of customers to recommend our services. We are eager to take up the new challenge of creating advocates for Safaricom by creating an exceptional experience. We are also working on mapping an end-to-end customer management experience framework and creating a Customer Service Charter.

Our employees

How we performed

We measure a number of employee statistics throughout the year, including: the number of permanent and contract staff by gender, region and job grade; employee hire and turnover rates; training hours; and OSH statistics. The majority of our workforce consists of permanent staff and we do not have any seasonal workers in our employment. None of our staff are covered by collective bargaining agreements; however, we do have a Staff Council that meets on a quarterly basis to address issues and concerns raised by employees. See the Stakeholder Engagement section on page 70 for a description of the Staff Council.
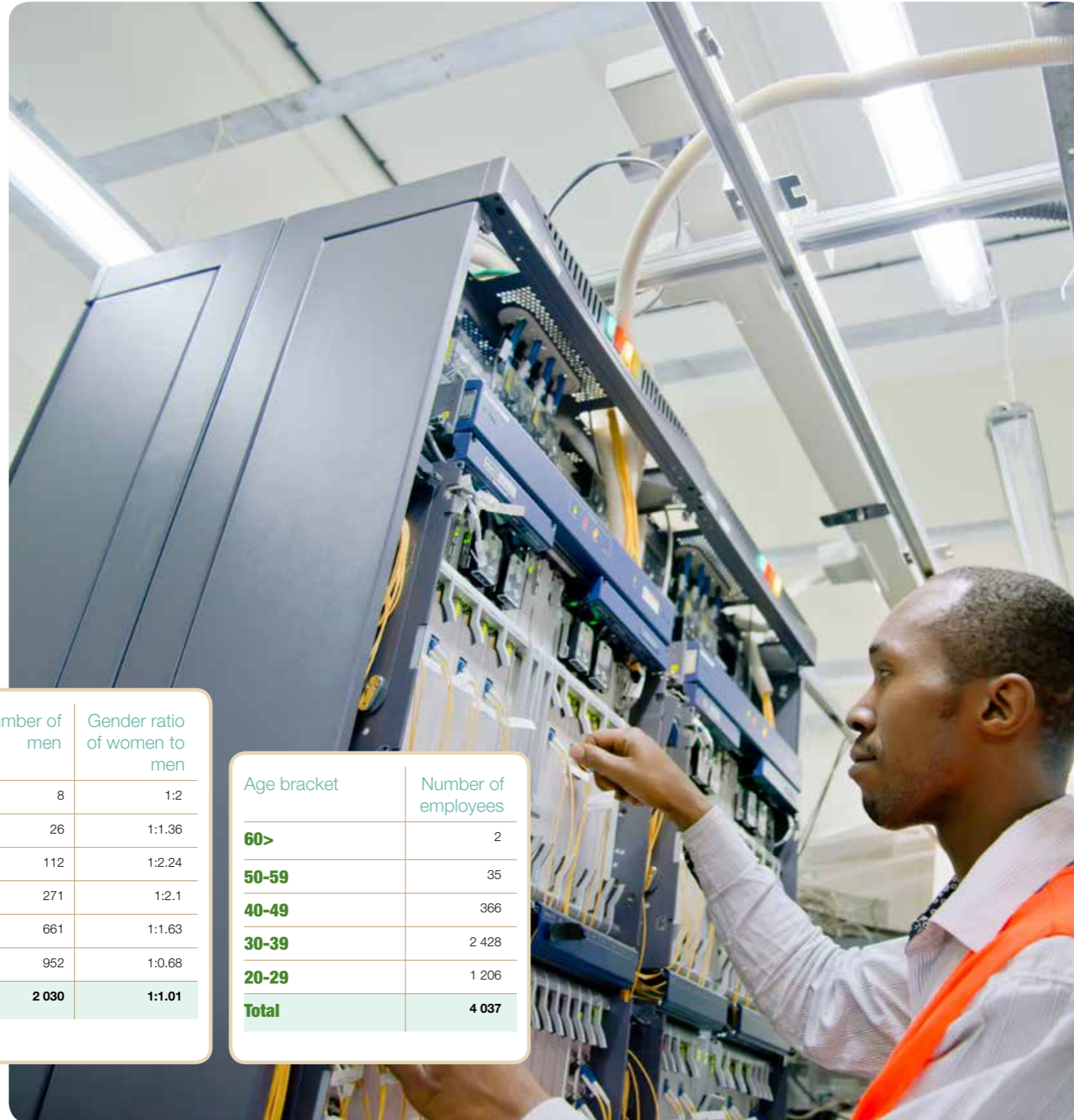
Employment contract type	Gender split	Number of employees
Permanent staff	Male	2 032
	Female	2 005
Total	**Total**	**4 037**
Contract staff (Fixed Term)	Male	21
	Female	27
Total	**Total**	**48**

Employment type (job grade)	Number of permanent staff	Number of women	Number of men	Gender ratio of women to men
SLT	12	4	8	1:2
Band E	45	19	26	1:1.36
Band F	162	50	112	1:2.24
Band G	400	129	271	1:2.1
Band H	1 067	406	661	1:1.63
Band I	2 351	1 399	952	1:0.68
Total	**4 037**	**2 007**	**2 030**	**1:1.01**

Age bracket	Number of employees
60>	2
50-59	35
40-49	366
30-39	2 428
20-29	1 206
Total	**4 037**

Region	Number of permanent staff at location of working
Nairobi	3 625
Western (Rift, Western and Nyanza)	200
Eastern (Eastern, Central and Coast)	212
Total	**4 037**

Total New Hires	1 562
Rate of employee new hire	38.7%
Male	40%
Female	60%
Age bracket	
• 18-24	70
• 25-29	751
• 30-34	539
• 35-40	171
• >45	31

Total exits	229
Rate of employee turn over	5.7%
Male exits	134
Female exits	95
Age bracket	
• 18-24	41
• 25-29	97
• 30-34	78
• >45	13

Role	Total No. of Employees Trained	No. of Female Employees Trained	No. of Male Employees Trained	Total Training Hours by Category	Average Training Hours by Grade	Total Training Hours: Females	Total Training Hours: Males	Average Training Hours: Females	Average Training Hours: Males	Total Cost of Training by Grade (KSh)	Average Cost of Training by Grade (KSh)
Senior Leadership Team	11	5	6	530	48.2	266	264	53.2	44.0	3 735 928	339 630
Band E	46	19	27	1 546	33.6	401	1 145	21.1	42.4	7 299 158	158 677
Band F	180	52	128	6 658	37.0	2 272	4 386	43.7	34.3	15 965 605	88 698
Band G	282	76	206	11 062	39.2	2 108	8 954	27.7	43.5	28 175 349	99 913
Band H	2 246	964	1 282	43 821	19.5	8 999	34 822	9.3	27.2	118 473 400	52 749
Band I	2 408	1 369	1 039	35 760	14.9	21 136	14 624	15.4	14.1	22 752 238	9 449

It is mandatory for all Safaricom employees, irrespective of gender or employee category, to take part in the performance management process.

We strive to improve our OSH performance continuously. Two hundred and eighty six employees are involved in the Safaricom Safety and Health Committee. The Committee represents 100% of Safaricom employees. Our OSH performance statistics are reflected in the table below.

Incident Classification	Employees	Contractors	Third Parties	Total FY14	Total FY13
Fatalities	0	0	1	1	6
Lost Time Injuries (LTIs)	2	4	0	6	6
Incidents	112	25	4	141	143
Medical Treatment Cases	23	9	16	48	37
Man-hours	8 656 000				7 255 200
Fatal Injury Frequency Rate (FIFR)	0				0
Lost Time Injury Frequency Rate (LTIFR)	0.05				0.11

We regret to disclose one third party fatality through a road traffic accident. The majority of LTIs reported were sustained in road traffic accidents. Others were sustained in slip and fall incidents, a gas accident at one of the cafeterias, and during a wall demolition project where the beams of the wall under demolition collapsed.

Lost Time Injuries

- **17%** SCALDS AND BURNS
- **17%** WALL DEMOLITION (COLLAPSE) INJURY
- **50%** ROAD TRAFFIC ACCIDENTS
- **16%** SLIP AND FALL INJURIES
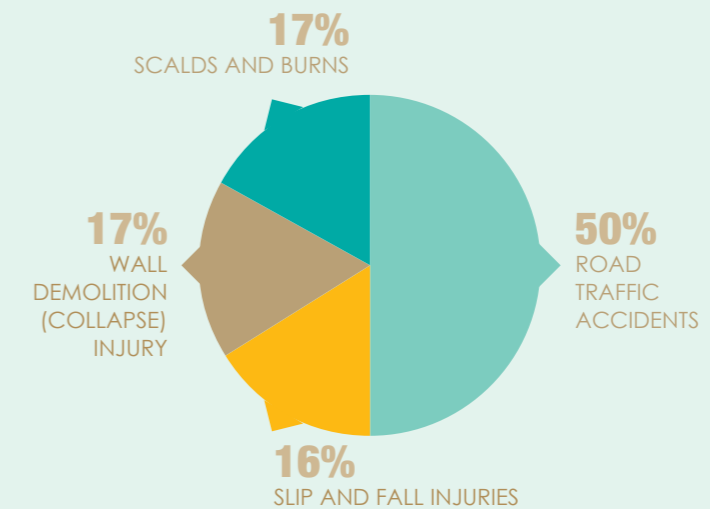
The majority of incidents that occurred during the reporting period were road traffic accidents, accounting for 80% of reports received within the business. Our LTIFR has improved from 0.11 last year to 0.05 during the reporting period.

Monitoring and evaluating our performance

We monitor and evaluate the success of our employee training initiatives through:

- Happy sheet evaluations, these are the responses received after a training session on the quality of the training, the venues and facilitators;

- Examinations/assessments after competency training sessions, which assess how successful the training was in transferring knowledge;

- Impact on the workforce and business interviews, which are held with management and a self-assessment is undertaken by training attendees on the success of the training; and

- Return on Investment tracking, we track the actual return to the business flowing from the training (e.g. if a sales course was undertaken, we assess sales before and after the training to determine what impact the training may have had).

In addition to these mechanisms, Safaricom internal audit and external assurance providers undertake ISO9001 audits on HR as a whole (which includes training). The results of all of these assessments are used to ensure continuous improvement in our management of training.

For our performance management process, we benchmark our performance against other Vodafone operators. We also obtain feedback from our employees through our annual 'People Survey'.

Safaricom undertakes an annual survey to evaluate performance on managing occupational health and safety. The following scores were attained against a targeted score of 60%:

- Workplace safety measures: 91%
- Knowledge of Safaricom Absolute Rules: 88%
- Knowledge of OSH Risks: 85%
- Effective Health and Safety Briefings: 85%
- Right to stop unsafe work: 81%
- Personal Protective Equipment use: 77%
- Adherence to the Absolute Rules: 64%
- Perception of OSH at the workplace: 64%
- Ability to speak out against unsafe work: 64%
- Safety as a key priority: 64%
- Leadership commitment to safety: 61%
- Proper channels for directing OSH issues: 59%

An evaluation of our performance indicators shows that we have seen an improvement in the safety performance and culture at Safaricom:

- Reduction in Fatalities from 6 to 1;

- Decrease in severity and number of incidents and LTI frequency rates (from 0.11 to 0.05); and

- Improved People Survey response rate of 93%, in comparison to 88% last year.

- The engagement index measures each employee's pride, motivation, overall workplace rating and intention to stay with Safaricom.

- The Manager index examines people management and the aspects of team climate that are within a manager's control.

- Employee Net Promoter Score measures the overall willingness of employees to recommend Safaricom's products and services to other people.

We also established external assurance processes to evaluate conformance to legal and best practice requirements for the attainment of sustained improvements and world-class safety standards. As a result, combined audits were undertaken at 63 company facilities. The scope of these audits covered: safety & health; fire safety; air quality analysis; noise survey; illumination survey; and an EMF survey. We also undertook a second year of audits on 294 Technology sites, in support of the attainment of the company strategy of Best Network in Kenya. In addition, we undertook 55 control audits and 239 initial audits during the reporting period.

We have also sought third party validation of the implementation of the Safaricom OSH plan by the Vodafone Group HS&W team. Commendations were made for supplier safety management progress, work at height and electrical work, development of framework documents and signoff, training of riggers, automated permit to work tool and Executive Committee senior management tours.

Looking forward

Training plans are established per division within Safaricom. One of the key targets of the training team is to identify gaps and recommend training to address these gaps. Gaps are identified through the performance management process, our competency framework, and based on our business strategy and new technological advances.

We intend to commemorate the World Day for Safety and Health at Work on 28 April 2014 through a digital campaign dubbed "I Pledge". The focus will be on the Safaricom Absolute Rules. We will involve members of the Executive Committee in the campaign through personal pledges on safety. We also intend to hold a roadshow to engage all of our staff to observe the Absolute Rules throughout the coming financial year.

In the future, we will also be undertaking checks on the Technology team and any other employees who are exposed to EMF.

Environmental performance

How we performed

During the year under review, we undertook 185 EIAs; 349 Environmental Audits; and collected over 50 tonnes of E-waste. We also reached hundreds of Kenyans through our E-waste awareness events, held in over 20 towns and residential estates.

We consume water from three main sources: the Nairobi Water Company, water tankers and boreholes. We are not able to quantify the amount of water consumed from borehole sources. This year, we have also reported on the amount of rain water that has been harvested at the Nakuru Switch Room.

Water Source	FY14 m³ withdrawn	FY13 m³ withdrawn	FY12 m³ withdrawn
Nairobi Water Company	42 293	37 815	43 272
Water Tankers	917	11 148	14 148
Water Harvested	24	-	-
Total	**43 234**	**48 963**	**57 420**

We have calculated our carbon footprint for the third year using the Greenhouse Gas Protocol (a Corporate Accounting and Reporting Standard (Revised edition)). Our consolidation approach for calculating our emissions is operational control. We used the tCO_2e Emission Factors from the UK Governmental Departments for Environment, Food and Rural Affairs (DEFRA) and Energy and Climate Change (DECC) 2013 GHG conversion factors for company reporting, which include the gases CO_2, N_2O and CH_4. The latest electricity emission factor for Kenya published by the International Energy Agency (IEA) has been used. The source for the Global Warming Potentials (GWPs) for the gases CO_2, CH_4, N_2O, as well as our refrigerant gases, R410a and R407a, is the InterGovernmental Panel on Climate Change (IPCC) Second Assessment Report over a 100 year period, while the GWP for the refrigerant gas R22 is based on the IPCC Fourth Assessment Report over a 100 year period. We have chosen the tCO_2e (with radiative forcing) factors for our air travel calculations.

Our carbon footprint emissions are composed of 'scope 1' emissions, which include the diesel consumed in our generators, the fuel used in our fleet vehicles and the fugitive emissions associated with our air-conditioning systems, 'scope 2' emissions, which are the indirect emissions associated with our consumption of purchased electricity, and 'scope 3' emissions, which include air travel and taxi hire. This year, we included a full 12 months of air travel data, compared to the 6 months used in the FY13 calculation and have used the emission factors with radiative forcing. We do not have any biogenic emission sources included in our carbon footprint.

We are still in the process of improving the calculation of our carbon emissions to determine an accurate baseline.

The FY14 total carbon footprint of 75 362 tCO$_2$e is described below.

Activity	Activity data	Emission Factor/ GWP	GHG Emissions FY14 (tCO$_2$e)	GHG Emissions FY13 (tCO$_2$e)	GHG Emissions FY12 (tCO$_2$e)
Scope 1					
Diesel consumed in generators	6 833 590 litres	2.6705 kgCO$_2$e/litre	18 249	15 387	19 014
Fleet: Petrol	159 317 litres	2.3104 kgCO$_2$e/litre	368	1 388	307
Fleet: Diesel	790 055 litres	2.6705 kgCO$_2$e/litre	2 110	1 071	2 140
Fugitive Emissions	7 574 kg (total of all gases)	GWP based on different type of gas*	13 614	11 076	4 002
Total Scope 1 Emissions			34 341	28 922	25 462
Scope 2					
Electricity consumption	113 800 082 KWh	0.3285 kgCO$_2$e/KWh	37 387	31 655	44 795
Total Scope 2 Emissions			37 387	31 655	44 795
Scope 3					
Air Travel	10 889 347 kilometres	Based on different class and category**	3 277	360	-
Taxi Hire	1 743 460 kilometres	0.2049 kgCO$_2$e/km (Assumed medium size petrol car)	357	405	-
Total Scope 3 Emissions			3 634	765	-
Total Scope 1, 2 and 3 Emissions			75 362	61 342	70 257

* R22 GWP is 10 900; R404a GWP is 3260 and R410a GWP is 1725

The different emission sources that contribute to our carbon footprint are shown above. Electricity remains our largest source of emissions, followed by diesel consumed in generators and refrigerant gases. Our carbon footprint has increased by 23% compared to the prior year due to better data collection processes and our growing network.

** Domestic (0-463 km)	Average	0.3266kgCO$_2$e/passenger km (with RF)
Short-haul international (463 – 3600km)	Economy Class	0.1834 kgCO$_2$e/passenger km (with RF)
	Business Class	0.2751 kgCO$_2$e/passenger km (with RF)
Long-haul international (>3600km)	Economy Class	0.1654 kgCO$_2$e/passenger km (with RF)
	Business Class	0.4796 kgCO$_2$e/passenger km (with RF)
	First Class	0.6615 kgCO$_2$e/passenger km (with RF)

Total carbon footprint FY14

- 50% ELECTRICITY
- 24% DIESEL CONSUMED IN GENERATORS
- 18% REFRIGERANT GASES/ FUGITIVE EMISSIONS
- 4% AIR TRAVEL
- 3% FLEET
- 1% TAXI HIRE
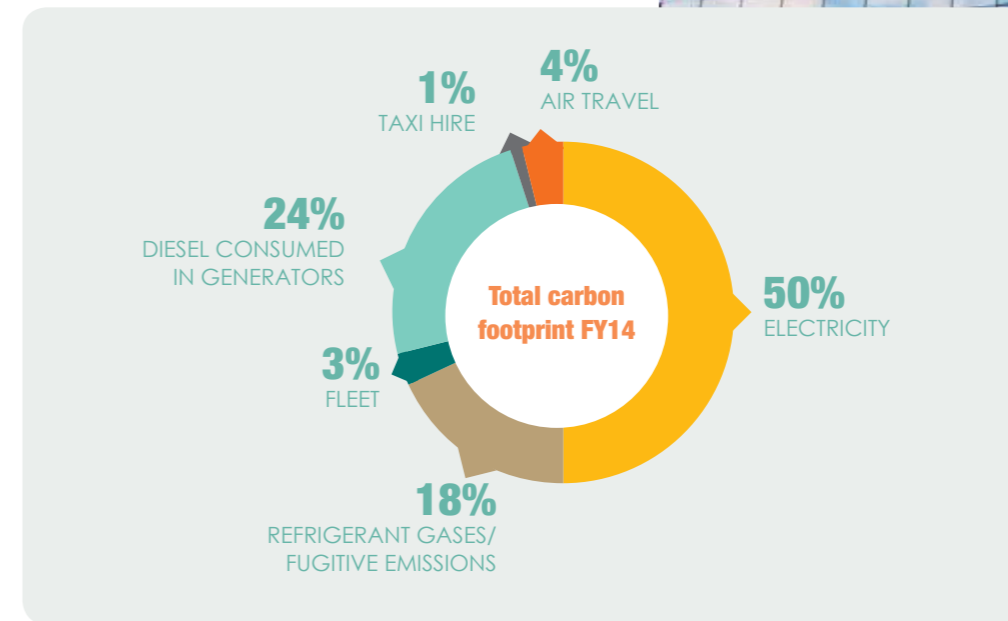
Monitoring and evaluating our performance

Environmental parameters, such as noise at generators, EMF, air quality, and liquid and solid waste management, are measured through our Environmental Audits. While we have not defined any of our own environmental targets, we compare certain environmental performance aspects with other operators in the Vodafone Group. Safaricom is the leader in E-waste performance within the Group. Information on EMF is also shared throughout the Vodafone Group through the Safaricom EMF toolkit.

Looking forward

In the next financial year, the Isometrix management system will include the disclosure of sustainability data, focusing mainly on carbon and EMF measurements at audited sites. We will also revamp our Environmental Management System (EMS) processes and apply for IS0 14001 certification.

We will continue to improve the accuracy of our carbon footprint data over the next year. We also endeavour to develop a water and energy conservation strategy, and to undertake waste management initiatives and awareness sessions in the coming year.

Our business partners

How we performed

A self-assessment questionnaire was sent to 244 of our largest suppliers and 174 responded, representing a 71% response rate. The results of the supplier self-assessment results are provided below:

Assessment Category	Company Score FY14		Company Score FY13	
	Local	Foreign	Local	Foreign
Regulatory compliance	98%	78%	84%	80%
Corporate and community giving	57%	55%	62%	53%
Environment	63%	73%	57%	64%
Human resources	91%	95%	85%	83%
Fraud and ethics	87%	85%	79%	81%
Health and safety	86%	89%	85%	84%
Child rights	83%	86%	-	-

We do not yet require sustainability self-assessments from our dealers or agents. We do, however, monitor the overall business performance of our dealers through sales targets for airtime (minimum target starts at 3 million KSh/month) and device targets (starting at 50 pieces per month). The targets are based on consumer sales targets and dealer performance over the previous 6 months. Should a dealer not meet these targets, the area managers will engage with the dealer to understand why the targets are not being met, to adapt the targets and/ or to suggest ways in which performance can be improved. If there is significant non-performance, a dealer's contract can be terminated. Contracts with our dealers are renegotiated every two years. We also provide our agents with M-PESA revenue targets, based on their specific transaction values and volumes.

Monitoring and evaluating our performance

At the Business Partners Forum held in February 2014, partners were asked to complete a survey on Safaricom. We received feedback from 86 of our partners. The objectives of the Safaricom Partners Evaluation Survey were to:

- Assess the level of awareness of Safaricom products among partners;

- Evaluate the perceptions of partners towards Safaricom;

- Assess confidence levels in Safaricom procurement processes among partners; and

- Determine the drivers of partner satisfaction in the procurement process.

The results of the survey indicated that the levels of awareness of Safaricom products among partners were low, except for data bundles and post pay voice. In terms of confidence in Safaricom procurement process, the survey showed that, although there has been a significant improvement in general knowledge and contract administration, there is a need to work on communication and accessibility. The survey also revealed that the drivers of supplier satisfaction in the procurement process were: contract administration; general knowledge; a focus on quality; innovation; and continuous improvement. Lastly, the survey suggested that the priority areas for improvement are enhanced levels of communication, honoured payment schedules and better promoting of partnership.

Looking forward

In the near future, Safaricom will be undertaking risk assessments on its suppliers to identify which types of suppliers are higher risk from an environmental, human rights and labour perspective. We intend to differentiate our sustainability screening processes based on the varying risk profiles of our suppliers.

Regulatory issues

How we performed

We measure our performance based on public policy lobbying on specific issues, the number of non-compliance fines we receive, and the number of legal actions lodged for anti-competitive behaviour.

An action for anti-competitive behaviour was lodged before the Competition Authority of Kenya of which Safaricom is a party. The issue has since been resolved and settled by the Competition Authority and Safaricom.

We were fined KSh 500 000 for failure to meet QoS parameters as set out by the CA. Please see the Network quality section on page 43 for further discussion of our network quality performance and our initiatives as part of the BNK programme.

Monitoring and evaluating our performance

We hold regular sessions with the Vodafone Group to discuss and share what we have learnt regarding upcoming regulatory and public policy issues that will have a significant impact on the telecommunications industry.

Looking forward

Our key target is to ensure that the position of Safaricom is advanced through regular engagements with Government on public policy issues. We will also endeavour to ensure compliance with the various laws, regulations and licence conditions proactively.

Ethics and values

How we performed

Safaricom assessed each of its 12 Divisions (100%) for risks related to corruption. Among the risks identified were procurement fraud risks, losses during data migration, unauthorised termination of international traffic, under billed services and sabotage by third parties.

From the investigations undertaken, 16 employees were issued with warning letters, 56 employees were dismissed, and seven employees were reported to law enforcement agencies.

Since 2011, 17 staff and 16 third parties have been charged in court, the cases are still ongoing.

The ethics awareness training statistics are as follows:
- High Risk: 99% of staff trained, against a target of 100%
- Medium Risk: 81% of staff trained, against a target of 75%
- Overall: 94% of staff trained

We also achieved our target of obtaining 100% of the conflict of interest declarations.

Monitoring and evaluating our performance

The Ethics Perception Survey provides a means of evaluating the performance of Safaricom in terms of ethics and values. Our last survey was undertaken in October 2012; however, we will be undertaking another survey in the next reporting period.

We also undertake benchmarking exercises with other operators in the Vodafone group on bribery-related policies and programmes.

Looking forward

In the next reporting period, we will be undertaking another Ethics Perception Survey.

09 GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

The tables below index our response to the GRI G4 reporting guidelines, in accordance with the Core criteria for general standard disclosures and specific standard disclosures.

General Standard Disclosures	Section Name	Page
Strategy and Analysis		
G4-1	Executive Summary – Message from our Chairman and Message from our CEO	16-19
Organisational Profile		
G4-3	About this report - Scope	6
G4-4	Our business – What we do	22
G4-5	Our business – What we do	22
G4-6	Our business – What we do	22
G4-7	Our business – What we do	22
G4-8	Our business – What we do	22
G4-9	Our business – What we do	22
	Our business – The value we've created	26
	Our performance – Our employees	88
G4-10*	Our performance – Our employees	88
G4-11	Our performance – Our employees	88
G4-12	Our strategic response – Promote sustainable practices within our business ecosystem	62
G4-13	About this report – Scope	6
	Our strategic response – Promote sustainable practices within our business ecosystem	62
G4-14	Our strategic response	42
G4-15	About this report - Scope	6
G4-16	Our Business – How we are managed	31

*External assurance provided over G4-10. Refer to Appendix B.

General Standard Disclosures	Section Name	Page
Identified Material Aspects and Boundaries		
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	Appendix A: Material matter boundaries	108
G4-22	Our performance	80
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Stakeholder Engagement		
G4-24	Stakeholder engagement	70
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G4-56	Our Business – How we are managed	28
	Our strategic response – Promote ethical and good corporate governance in our business ecosystem	67

SPECIFIC STANDARD DISCLOSURES

Material Matters	Linked G4 Aspect	DMA and Indicators – Section and Page	Omissions	External Assurance
Network quality	Safaricom specific material matter	DMA: Our strategic response – Deliver the best network by maintaining and enhancing network quality. Page 43. KPI: Our Performance – Network Quality – Quality of Service. Page 80.		✓
Energy security	G4 Energy Aspect	DMA: Our strategic response: Minimise business disruptions by rolling out alternative energy solutions and enhancing energy security for future growth. Page 45. KPI: Our Performance – Energy Security - G4-EN3: Direct Energy Consumption by Primary Energy Source. Page 82.		✓
Innovation	Safaricom specific material matter	DMA: Our strategic response – Develop transformational products and services relevant to different customer segments. Page 48. DMA: Our strategic response – Remain innovative to service a growing youth sector. Page 52. DMA: Our strategic response: Actively participate in improving financial inclusion and growing the wealth of Kenyan citizens. Page 53. KPI: Our performance – Innovation - Innovation impact and target number of users. Page 84.		
Customer experience	G4 Product and Service Labelling Aspect	DMA: Our strategic response – Protect the privacy of our customers and promote a positive customer experience at all touch points. Page 54. KPI: Our performance – Customer experience - G4-PR5: Results of surveys measuring customer satisfaction. Page 87.		✓

*Refer to Appendix B.

Material Matters	Linked G4 Aspect	DMA and Indicators – Section and Page	Omissions	External Assurance
Our employees		DMA: Our strategic response – Maintain a productive, supportive and safe working environment. Page 56.		
	G4 Employment Aspect	KPI: Our Performance – Our Employees – G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender and region – Page 89.	Data is not broken down by region. The information is not currently available.	
	G4 Employment Aspect	KPI: Our strategic response – Maintain a productive, supportive and safe working environment – G4-LA2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation – Page 57.		
	G4 Occupational Health and Safety Aspect	KPI: Our Performance – Our Employees – G4-LA5: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on Occupational Health and Safety Programmes – Page 90.		
	G4 Occupational Health and Safety Aspect	KPI: Our Performance – Our Employees – G4-LA6: Types of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender – Page 90.	Data on occupational diseases and absenteeism not provided. Data not reported per region or gender. The information is not currently available.	
	G4 Training and Education Aspect	KPI: Our Performance – Our Employees – G4-LA9: Average hours of training per year, per employee, by gender, and by employee category – Page 90.		
	G4 Training and Education Aspect	KPI: Our Performance – Our Employees – G4-LA11: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category – Page 90.		
	G4 Equal Remuneration for Men and Women Aspect	KPI: Our Performance – Our Employees – G4-LA13: Ratio of basic salary and remuneration of women to men by employee category and by significant locations of operations – Page 57.		

Material Matters	Linked G4 Aspect	DMA and Indicators – Section and Page	Omissions	External Assurance
Environmental performance		DMA: Our strategic response - Manage our environmental impact – Page 60.		
	G4 Water Aspect	KPI: Our Performance – Environmental Performance – G4-EN8: Total water withdrawal by source — Page 93.		
	G4 Emissions Aspect	KPI: Our Performance – Environmental Performance – G4-EN15: Direct GHG Emissions (Scope 1) Page 94.		✓
	G4 Emissions Aspect	KPI: Our Performance – Environmental Performance – G4-EN16: Indirect GHG Emissions (Scope 2) – Page 94.		✓
	G4 Emissions Aspect	KPI: Our Performance – Environmental Performance – G4-EN 17: Other indirect GHG Emissions (Scope 3) – Page 94.		
	Safaricom specific material matter	KPI: Our Performance – Environmental Performance – Number of EIAs and EAs – Page 93.		
	Safaricom specific material matter	KPI: Our Performance – Environmental Performance – Tonnes of E-waste collected – Page 93.		
Our business partners	Safaricom specific material matter	DMA: Our strategic response — Promote sustainable practices within our business ecosystem – Page 62. KPI: Supplier sustainability self-assessment results – Page 96.		
Regulatory issues		DMA: Our strategic response — Ensure continued regulatory compliance and engage our regulators to ensure a fair business environment – Page 65.		
	G4 Anti-competitive behaviour aspect	KPI: Our Performance – Regulatory Issues – G4-SO7: Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and the outcomes of these – Page 97.		
	G4 Compliance Aspect	KPI: Our Performance – Regulatory Issues – G4-SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations – Page 97.		

Material Matters	Linked G4 Aspect	DMA and Indicators – Section and Page	Omissions	External Assurance
Ethics and values		DMA: Our strategic response — Promote ethical and good corporate governance within our business ecosystem – Page 67.		
	G4 Anti-corruption aspect	KPI: Our Performance – Ethics and Values - G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified – Page 97.		
	G4 Anti-corruption aspect	KPI: Our Performance – Ethics and Values - G4-SO5: Confirmed incidents of corruption and actions taken – Page 97.		✓
Additional to our Material Matters: Value Creation	G4 Economic Performance Aspect	KPI: Our Business – The value we create - G4-EC1: Direct economic value generated and distributed – Page 26. KPI: Our Strategic Sustainability Objectives – Initiatives to maintain a productive, supportive and safe working environment – G4-EC5: Ratios of Standard Entry Level Wage by gender compared to Local Minimum Wage at significant locations of operation – Page 57.		

10 APPENDICES

APPENDIX A: MATERIAL MATTER BOUNDARIES

Safaricom Material Matter	Material to Safaricom	Material to external entities			
		Suppliers/ Service Providers	Dealers	Agents	Regulators
Network quality	✔	✔			
Energy security	✔	✔			
Innovation	✔	✔			
Customer experience	✔	✔	✔	✔	
Our employees	✔				
Environmental performance	✔	✔			
Business partners (suppliers, dealers, agents)	✔	✔	✔	✔	
Regulatory issues	✔				✔
Ethics and values	✔	✔	✔	✔	

Notes: Matter is material to, and being managed by, the entity or Safaricom

APPENDIX B: EXTERNAL ASSURANCE STATEMENT

Limited Assurance Report

Limited assurance report of the independent auditor, Deloitte & Touche to Safaricom Limited on their sustainability indicators as contained in the Sustainability Report for the year ended March 2014 ("the Report")

Scope of our work

Safaricom Limited (Safaricom) engaged Deloitte & Touche (Deloitte) to perform limited assurance procedures for the year ended 31 March 2014 on selected sustainability performance indicators. These selected indicators are as follows:

- **Carbon footprint**

Indirect greenhouse gas emissions by weight (tCO2e)

- **Energy security**

Electricity consumption (MWh)

- **Customer experience**

Net promoter score (absolute)

- **Quality of service**

Verified Best Network in Kenya performance (absolute)

- **Ethics and values**

Confirmed incidents of corruption and actions taken (absolute)

- **Employee data**

Total number of employees by employment type, contract, region and broken down by gender (absolute)

- **Health and safety**

Percentage of the total workforce represented in formal health and safety committees (absolute)

Directors' responsibility

Safaricom directors are responsible for the preparation of the Sustainability Report for the year ended March 2014, including the implementation and execution of systems to collect required sustainability data.

Auditors' responsibility

Our responsibility is to express our limited assurance conclusion on selected sustainability performance indicators for the year ended 31 March 2014. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000). This standard requires us to comply with ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion.

The evaluation criteria used for our assurance are the Safaricom definitions.

Summary of work performed

Considering the risk of material error, our multi-disciplinary team of sustainability assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient appropriate evidence. Our work was planned to mirror Safaricom's own group level compilation processes.

Key procedures we conducted included:

- Gaining an understanding of Safaricom systems through interview with management responsible for reporting systems at corporate head office and site level; and

- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance indicators included in the Report.

Our conclusion

Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that the selected sustainability performance indicators are not fairly presented.

This assurance statement is made solely to Safaricom in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. Thus, we do not accept or assume responsibility to anyone other than Safaricom for our work, for this report, or for the conclusions we have formed.

R. Mwaura

Deloitte & Touche

Registered Auditor Per –Rose Mwaura Partner

18 August 2014

Deloitte Limited, Deloitte Place, Waiyaki Way, Muthangari Drive.

Partners: S.O.Onyango F.O.Aloo H.Gadhoke* N.R. Hira* B.W. Irungu J.M. Kiarie D.M. Mbogho A.N. Muraya J.Nyang'aya J.W.Wangai R.Mwaura *British Member of Deloitte Touche Tohmatsu Limited

Notes