

At Safaricom, the Board of Directors and senior management are committed to the highest level of corporate governance, which we consider critical to business integrity and to maintaining investors' trust in the Company. We foster a culture that values and rewards the highest ethical standards and personal and corporate integrity. The Company expects all its directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the business standards and in turn, the standards we set ourselves, ensure we operate lawfully, with integrity and with respect, observing and respecting the cultures of the Kenyan people.

Board organization and structure

The role of the Board

The Board is responsible for the overall conduct of Safaricom's business and has the powers, authorities and duties vested in it by and pursuant to the relevant laws of Kenya and the company's Articles of Association. The Board:

- has final responsibility for the management, direction and performance of the company and its businesses;
- is required to exercise objective judgment on all corporate matters independent from executive management;
- is accountable to shareholders for the proper conduct of the business; and
- is responsible for ensuring the effectiveness of and reporting on the company's system of corporate governance.

Activities of the Board

It is the responsibility of the Chairman and the Company Secretary to work closely together in planning the annual program and agendas for meetings. The Board meets at least four times a year and the meetings are structured to allow open discussion. All substantive agenda items have comprehensive briefing papers, which are circulated two weeks before the meeting.

In addition to regular Board meetings, there are a number of other meetings to deal with specific matters. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman or the Chief Executive prior to and/or after the meeting.

2012 BOARD MEETINGS ATTENDANCE

| Directors | 18 May 2011 | 31 Aug 2011 | 1 Sept 2011 | 9 Nov 2011 | 24 Feb 2012 |
|-----------------------------------------------------|-------------|-------------|-------------|------------|-------------|
| Mr. Nicholas Nganga | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Robert Collymore | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Timothy Harrabin | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Michael Joseph | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Joseph Kinyua | | | | | |
| Mrs. Esther Koimet (Alt to Mr. Joseph Kinyua) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ms. Nancy W Macharia | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mrs. Susan Mudhune | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. John Tombleson (Alt to Mr. Robert Collymore) | | | | ✓ | ✓ |
| Mrs. Karen Witts | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Nicholas Read | | ✓ | ✓ | ✓ | |
| Mrs. Enid Muriuki (appointed 9 September 2011) | | | | ✓ | ✓ |



Our business principles set out the business standards and in turn, the standards we set ourselves, ensure we operate lawfully, with integrity and with respect, observing and respecting the cultures of the Kenyan people.



Board effectiveness

Appointments to the Board

There is a formal, rigorous and transparent procedure, which is based on merit and against objective criteria, for the appointment of new directors to the Board.

Independent advice

The Board recognizes that there may be occasions when one or more of the directors feel it is necessary to take independent legal and/or financial advice at the Company's expense. There is an agreed procedure to enable them to do so.

Board committees

The Board has established an Audit Committee, Ethics Committee and a Nominations & Remuneration Committee, each of which has formal terms of reference approved by the Board. The Board is satisfied that the terms of reference for each of these committees satisfy the requirements of the Capital Markets Authority and are reviewed internally on an ongoing basis by the Board.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

The Company Secretary or his delegate acts as Secretary to the committees. The minutes of committee meetings are circulated to all directors.

Each committee has access to such information and advice, both from within the Group and externally, at the cost of the Company as it deems necessary. This may include the appointment of external consultants where appropriate. Each committee undertakes an annual review of the effectiveness of its terms of reference and makes recommendations to the Board for changes where appropriate.

Audit committee

The audit committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards.

The Audit Committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, including a review of the significant financial reporting judgments contained in them;
- overseeing the relationship with the external auditors; including their independence and management's response to any major external audit recommendations;
- monitoring compliance with statutory and listing requirements for any exchange on which the Company's shares and debt instruments are quoted;
- reviewing the scope, extent and effectiveness of the activity of the Risk Management Division;
- engaging independent advisers as it determines is necessary and to perform investigations;
- reporting to the Board on the quality and acceptability of the Company's accounting policies and practices including, without limitation, critical accounting policies and practices;
- playing an active role in monitoring the Company's compliance to policies and procedures; and
- reviewing the company's overall approach to securing compliance with laws, regulations and the company policies in the area of risk.

The Audit Committee is comprised of financially literate members having the necessary ability and experience to understand financial statements.

The members of the Audit Committee during the year, together with a record of their attendance at scheduled meetings which they were eligible to attend, are set out below:

| Member | 17 May 2011 | 7 Sept 2011 | 8 Nov 2011 | 13 Dec 2011 | 23 Feb 2012 |
|-------------------------------------------------------------------------------|----------------|----------------|---------------|----------------|----------------|
| Mr. Timothy Harrabin (non-executive member) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mrs. Esther Koimett (non-executive member) | ✓ | | ✓ | ✓ | ✓ |
| Ms. Nancy W Macharia (non-executive member) | ✓ | ✓ | ✓ | | ✓ |
| Mrs. Susan Mudhune (non-executive member) appointed 9 November 2011) | | | | ✓ | ✓ |

The Chief Executive Officer, Chief Finance Officer and Director – Risk Management as well as external audit representatives (the Company auditors) attend all committee meetings as permanent attendees. The Director – Risk Management and the external auditors have unrestricted access to the committee and its chairman. Risk management matters relating to operations are regularly reported to the Board audit committee.

Nomination and Remuneration Committee

The role of the Nomination and Remuneration committee includes the review of the remuneration and incentives for the Board and Senior Management. The terms of reference for this committee satisfy the requirements of the Capital Markets Authority. The committee is composed of five members, four non-executive directors and one executive director.

| Member | Designation |
|----------------------|-----------------------------------|
| Mr. Nicholas Nganga | Chairman and Non-executive member |
| Mr. Robert Collymore | Executive member |
| Mr. Michael Joseph | Non-executive member |
| Mrs. Esther Koimet | Non-executive member |
| Mrs. Susan Mudhune | Non-executive member |

Company Secretary

The Company Secretary acts as secretary to the Board and to the committees of the Board and, with the consent of the Board, may delegate responsibility for the administration of the committees to other suitably qualified staff. The Company Secretary:

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information; and
- is responsible for ensuring that the correct Board procedures are followed and is responsible for convening Board meetings.

Board of Directors Shareholding in Safaricom Limited

| Member | Number of Shares |
|----------------------|------------------|
| Mr. Nicholas Nganga | 850,100 |
| Mr. Robert Collymore | 588,000 |
| Mr. Timothy Harrabin | 0 |
| Mr. Michael Joseph | 2,357,200 |
| Mr. Joseph Kinyua | 42,500 |
| Mrs. Esther Koimett | 517,600 |
| Ms. Nancy W Macharia | 43,000 |
| Mrs. Susan Mudhune | 51,200 |
| Mr. Nicholas Read | 0 |
| Mr. John Tombleson | 0 |
| Ms. Karen Witts | 0 |
| Mrs. Enid Muriuki | 0 |

Business Continuity Planning

Key for our business and leading up to an election year is the need to ensure that our business can continue to operate no matter what challenges we face as a country. Business Continuity planning at Safaricom is coordinated centrally by the Enterprise Risk department but responsibility for the adequacy and testing of business continuity and disaster recovery plans rests with the management of each department. EXCOM and the Board Audit Committee take a keen interest in quarterly progress reports made on the adequacy and results of our testing and are committed to ensuring adequate resources are provided for continuity planning to succeed.

Business Continuity Planning (BCP) at Safaricom is based on the Business Continuity Standard BS 25999 as well as international good practices. We apply a holistic approach that identifies potential impacts that threaten the business and provides a framework for building resilience and the capability for effective responses that safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

Virtually all elements of the network have built-in redundancy and alternative procedures for key processes are designed and tested annually. The BCP programme is constantly being updated and improved as annual reviews and tests are conducted and in particular is considered when planning for new scenarios and events.

Critical to business continuity planning is ensuring that the communication component of crisis management is taken care of. In order to ensure that the right skills across the business are brought to bear in a crisis, we have implemented a Crisis Management Team who are trained and primed to coordinate activities and ensure adequate communication occurs both internally and externally during a crisis.

Ethics Committee

An Ethics committee has been constituted comprising of nominated Executive committee members and chaired by the Chief Executive Officer. The primary mandate of the committee is to be the oversight body that drives the ethics and integrity agenda in the company particularly monitoring ethics related programmes and activities to ensure ethics and integrity become part of day to day business. The ethics committee is also the guardian and custodian of the code of conduct which enumerates and enforces acceptable business conduct.

Some of the key initiatives spearheaded by the Committee in the last financial year include;

- Safaricom signing up to the recently drafted Kenyan Businesses Code of Ethics. The Kenyan Business Community under the directorship of the UN Global Initiative has developed a code of ethics to guide Kenyan businesses on matters relating to ethics. Safaricom took an active role in drafting the code and was one of the first companies to sign up to the code.
- Kicking off a review of Safaricom's ethical position and ethics management process to identify any improvement areas.
- Reviewing and approving code of ethics related policies such as the anti bribery policy, gift policy and the blacklisting policy.



Critical to business continuity planning is ensuring that the communication component of crisis management is taken care of. In order to ensure that the right skills across the business are brought to bear in a crisis, we have implemented a Crisis Management Team who are trained and primed to coordinate activities and ensure adequate communication occurs both internally and externally during a crisis.

