

EXECUTIVE SUMMARY

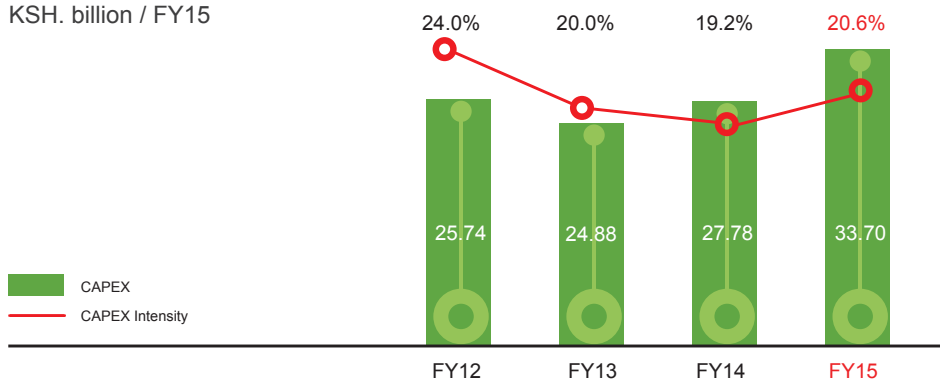
PERFORMANCE HIGHLIGHTS

NETWORK EXPANSION AND EVOLUTION

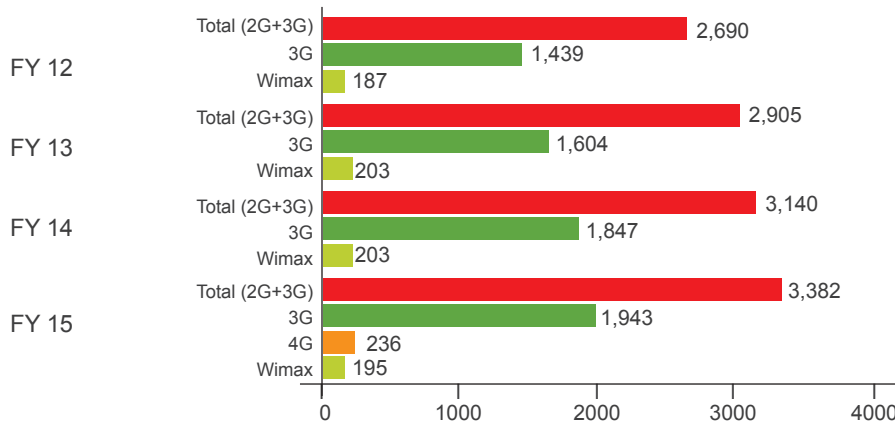
We continued to expand our network during the year with capital expenditure (CAPEX) of KSH 34 billion. This was invested in a variety of capacity building and modernising projects, including our growing fibre network (over 2,010 km now laid in key metro areas), the deploying of more than 500 new sites (2G, 3G and, for the first time, 4G-enabled), the completed modernising of our entire 2G network, the migration and upgrade of the M-PESA platform, together with the acquisition of competitor spectrum. For further information about our work in this regard, refer to page 28.

Infrastructural investment

KSH. billion / FY15



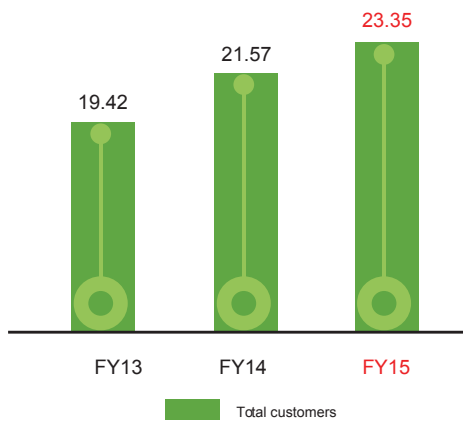
Number of Base stations



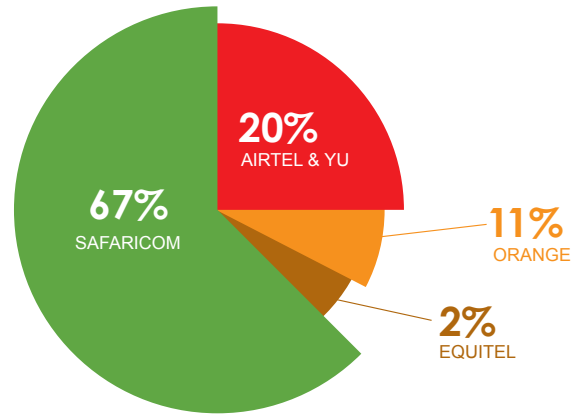
Coverage



Total customers (millions)



Market share by subscribers (%)



NETWORK QUALITY AND AVAILABILITY

The quality of our network remained high and we successfully maintained our 'Best Network in Kenya' status in FY15

Our performance was also independently evaluated and certified for the first time by the industry-leading P3 Communications Group and we achieved the best overall results among Kenyan operators.

4G

We tackled indoor penetration rates in high density urban areas with innovative solutions and, in another milestone first for Kenya, rolled out 236 super high speed 4G-enabled sites in Mombasa and Nairobi.

Net Promoter Score *	FY15	FY14	Target
Consumer NPS-competitor margin	4%	3%	5%
Enterprise NPS-competitor margin	28%	8%	10%

* Research performed by TNS

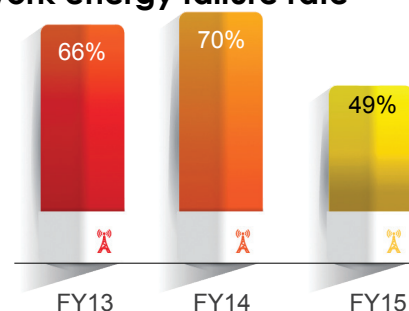
Brand Equity †	FY15	FY14
Overall	86	85
Youth	79	85

† Research performed by Millward Brown

As well as testing our network performance directly, we measure the quality of our service using the Net Promoter Score (NPS) and Brand Equity metrics. In essence, the NPS reflects how happy our customers are with our services and Brand Equity measures the 'presence' and visibility of our brand. For further information about our technical Quality of Service (QoS) information refer to page 29 and to page 49 for more detailed customer experience-related information.

The availability of our network remains a critical necessity and we are pleased to be able to report that our network energy failure rate (the amount of times sites have lost all power) dramatically dropped during the year. At the same time, we met our target of reducing energy costs per site by 10% this year and we continued to deploy a range of energy availability and efficiency initiatives throughout the network. For further information about our work in this regard, refer to page 31.

Network energy failure rate *

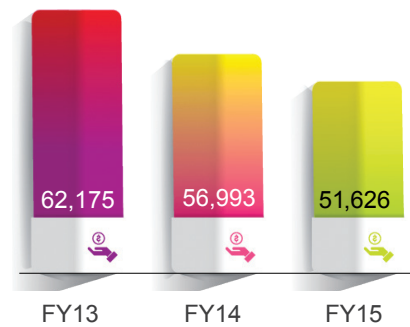


* Power failures as a percentage of total failures

ENERGY CONSUMPTION

We are pleased to report that we have achieved our target of reducing the cost of our energy consumption by 10% during the year (i.e. consumption of energy per network site and facility building). Our total consumption figures for our primary energy resources (electricity, diesel and water) may increase as our network continues to expand in size and sophistication, but we are using the energy we consume more efficiently and steadily reducing wastage. It is pleasing to see that in the current year both our electricity and diesel total consumption have decreased from the year before. This trend is a result of the numerous energy efficiency and consumption management initiatives we have been implementing across our network and facilities. For further information about our work in this regard, refer to page 33.

Cost of energy consumption by site (KSH per month)



Energy consumption

	FY15	FY14	FY13
Electricity (MWh)	98,018	113,800	96,326
Diesel (Litres)	6,166,942	6,833,590	5,748,197

FY16 Target is a 10% reduction (year-on-year)

Environmental performance

We remain committed to monitoring, reporting and reducing our carbon footprint to help meet the target of an 80% reduction in emissions by 2050. We have calculated and published our carbon footprint again this year and are satisfied to note that our overall consumption is reducing, despite the continued growth of our network infrastructure (another reflection of the various energy efficiency initiatives we have been implementing). We also

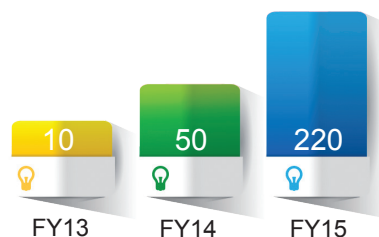
ran a hugely successful E-waste (discarded electrical or electronic devices and appliances) awareness campaign and collection roadshow during the year, which resulted in the collection of 170 tonnes. Our water consumption has significantly increased from the prior year, this is partly due to us improving our data collection and partly due to increased usage. For further information about our environmental performance, refer to page 40.

Carbon footprint

	FY15	FY14	FY13
Scope 1 emissions (tCO ₂ e)	24,298	34,341	28,922
Scope 2 emissions (tCO ₂ e)	32,202	37,387	31,655
Scope 3 emissions (tCO ₂ e)	4,953	3,634	765
Total (tCO₂e)	61,452	75,362	61,342

E-waste collected (tonnes)*

* Cumulative tonnes of E-waste collected since the inception of the project



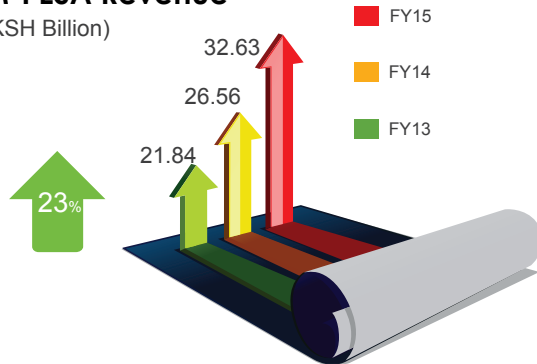
DEEPENING FINANCIAL INCLUSION

The primary way we participate in improving financial inclusion is through our M-PESA money transfer service. The service continues to grow in reach and in terms of the variety of services on offer. During the year, the number of active Lipa na M-PESA merchants (traders that can accept electronic payments and collections) grew by 105% to 49,413. Our M-Shwari service has now grown to 5.8 million customers and has facilitated KSH 5.5 billion in deposits and KSH 2.1 billion in loans at 2.0% interest per month.

During the year, we also partnered with Kenya Commercial Bank (KCB) to offer customers the KCB M-PESA account, a savings account that has already attracted 1.4 million customers, KSH 120 million in deposits and KSH 950 million in loans. We also launched two new services: Okoa Stima, which is an emergency loan facility that helps customers pay for electricity, and an international money transfer to Tanzania. For further information about our work in this regard, refer to page 39.

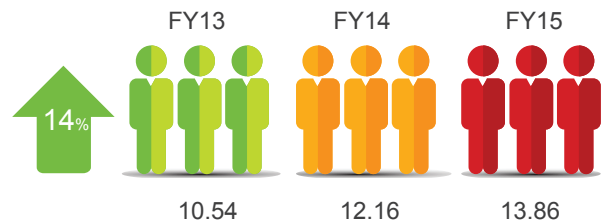
M-PESA Revenue

(KSH Billion)



M-PESA Customers

(Million - 30-day active)



INNOVATION

We are delighted to be able to report that our mobile data revenues grew by a pleasing 59% to KSH 14.82 billion during the year. In many respects, we are reaping the rewards of our continued investments in 3G technologies.

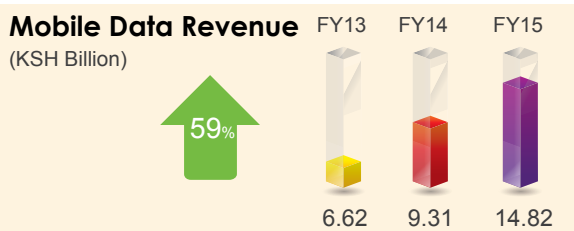
We have also been actively helping subscribers to experience the possibilities of the internet through a variety of extremely popular acquisition and stimulation campaigns and now have 11.59 million mobile data users (who have been active within the last 30 days), representing 50% of our total customer base. For further information about our work in this regard, refer to page 35.

EMPLOYEES

The character of our workforce changed little during the year. Our staff complement increased slightly, but not significantly, and overall the gender ratio remained stable. This was expected after the increase in the previous year when we offered permanent positions to just under 1,400 contract staff. Overall, our employees are young, dynamic Kenyans, with 70% of our workforce in their 30s, 16% still in their 20s and 85% of our workforce is based in Nairobi. On the whole, our staff complement is pretty evenly split between men and women, although the number of women in more senior management positions remains relatively low. As part of our acquisition of Essar, we on boarded approximately 100 Essar employees. For further information about our employees, refer to page 53.

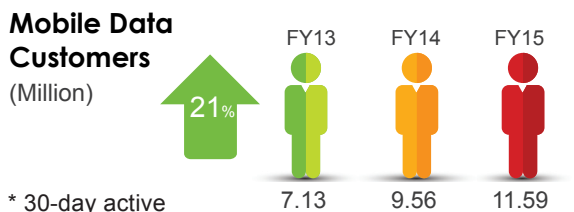
Mobile Data Revenue

(KSH Billion)



Mobile Data Customers

(Million)



* 30-day active

Appstore downloads

(Daily average)



FINANCIAL SUSTAINABILITY

We are pleased to be able to report another year of strong revenue growth. We achieved a healthy 12.9% growth in total revenue to KSH 163.36 billion. The most significant contributor to this growth was non-voice services, which grew by 27.4% and now contribute 42.1% of our total revenue. This segment include revenues from mobile data and fixed services, M-PESA and SMS. Revenues derived from voice services remained steady as well, growing by 3.7% to KSH 87.41 billion. For further information about our financial performance, please refer to our Annual Report.

MESSAGE FROM THE CHAIRMAN

‘DEEPENING OUR UNDERSTANDING’



As Chairman of the Board, it is my great pleasure to present to you our fourth sustainability report. We continue to develop as a company and deepen our understanding of sustainability and its impact on our long-term success. This awareness is also reflected in this report, which presents our sustainability challenges and successes with even greater context and connection this year.

We still have much to learn and achieve, of course, but our commitment to sustainable business practices remains strong and I am delighted to be able to report that we achieved ISO 14001 certification for our Environmental Management System during the year. This important milestone assures our stakeholders that our environmental impact is being measured and reported upon methodically and accurately.

EFFICIENCY LESSENING ENVIRONMENTAL IMPACT

During the year, we continued to invest in our infrastructure and innovate, extending the reach and sophistication of our network. We completed the modernising of our 2G network, deployed over 500 new sites and have now laid more than 2,010 kilometres of fibre network. We became the first operator in Kenya to deploy 4G in the cities of Nairobi and Mombasa and we successfully migrated and upgraded the M-PESA platform. From a sustainability perspective, it is pleasing to see how the growing intelligence and energy efficiency of our network is making its environmental impact lighter, even as more and more Kenyans enjoy access to the services we provide.

DATA CONTRIBUTING TO STRONG GROWTH

While the business environment remains challenging, we are delighted to be able to report another year of strong economic performance and a 12.9% growth in total revenue to KSH 163.36 billion. One of the most significant contributors to this growth was mobile data, which grew by 59% to KSH 14.82 billion during the year. A pleasing development that is largely the result of our efforts to help subscribers move from feature phones to affordable smartphones and provide them with affordable data bundles, our mobile data users grew by 21% during the year to 11.6 million and now represent 50% of our total customer base.



Operator in Kenya to deploy 4G
in the cities of Nairobi and Mombasa

DEEPENING FINANCIAL INCLUSION

The regulatory environment remains a key concern for us and an area within which we continue to play a proactive role. We consider regulatory compliance to be one of the four foundations upon which we build and sustain value and, as such, a material matter. One of the notable regulatory impacts during the year was our entering into discussions with the Communications Authority of Kenya and agreeing to open up our agency networks (allowing Safaricom M-PESA agents to sell the products and services of other mobile operators) in July 2014. We were happy to agree to this because we want to see the market progress and expand since we believe this will help deepen financial inclusion in Kenya, which remains one of our strategic objectives.

ACHIEVING INDEPENDENT CERTIFICATION

It gives me great pleasure to be able to report that, as well as retaining our 'Best Network in Kenya' status during the year, we progressed from benchmarking the quality of our service internally to seeking independent certification of our performance. Our network was comprehensively evaluated by leading independent testing and engineering services company, P3 Communications, and was awarded the 'Best in Test' P3 certification for the best overall results among Kenyan operators.

PROTECTING THE SAFETY OF KENYANS

We are also happy to note that the first phase of the National Security Surveillance, Communication and Control System for Nairobi and Mombasa will soon be officially handed over to the National Police Service. This first phase of the state-of-the-art system includes 1,800 CCTV cameras and 7,600 handheld communication devices connected to a national command and control

room. Over 3,000 police officers are also being trained as part of this initial deployment. We are proud of our role in building a system that will help the National Police Service protect the safety of Kenyan citizens and save lives in an emergency.

SUPPORTING WORKING MOTHERS

Another pioneering introduction during the year was our updated Maternity Leave Policy, which offers new mothers a minimum of 16 weeks fully-paid maternity leave and reduced hours for the first six months upon returning to work. This reflects our commitment to creating mother-friendly working conditions, to support mothers who have children while they are employed at Safaricom and to provide a smoother re-entry to work. We also believe that these policies will make it more attractive for female employees to join and stay on within Safaricom.

OUR COMMITMENT UNITES US

In closing, the Safaricom Board and I would like to acknowledge the efforts and achievements of staff and management during the year. We have reached several important milestones and made satisfying progress as a company. Our understanding of sustainability continues to deepen — from evaluating our personal values and behaviour to considering environmental risks — and it remains a commitment that unites us. As we anticipate the introduction of our new, more customer-centric strategy next year, it feels like the first phase of our sustainability journey has been completed successfully. Your efforts and enthusiasm and commitment continue to impress us and we look forward to the next phase of our journey together with excitement and confidence.

Nicholas Nganga
Chairman and Non-Executive Director

MESSAGE FROM THE CEO

'CHANGING BEFORE WE HAVE TO'

This report is being published at a challenging time from a sustainability perspective. As we become increasingly aware of the importance of operating in a sustainable manner, the dangers of blindly continuing with many current 'business as usual' resource consumption, management and leadership practices has been thrown into even sharper focus.

As a global community, the longer we delay making the required sustainability commitments and changes, the bigger the potential losses we face and the more radically our lives will be altered in the near future.

It is also an exciting time from a sustainability perspective, nonetheless, as more environmentally aware approaches and technologies are starting to proliferate and gain prominence in boardroom discussions around the world. These stimulating developments, along with a growing appreciation of the need to address these challenges urgently, are serving as personal motivation to redouble my efforts to help spread this message, both within the company and the wider business ecosystem of which we form a part.

PRACTICING WHAT WE PREACH

We at Safaricom are committed to 'practicing what we preach' and so it seems fitting that my report back to you should start with an objective, critical assessment of where we are as an organisation from a sustainability perspective.

This year, we have done well in terms of our goal of raising awareness of sustainability within the business ecosystem, and I must commend my Leadership team, the Sustainability Champions and our business partners for their efforts in this regard. But has this been at the expense of internal attentiveness?

We continue to make good progress in terms of our environmental impact and energy efficiency, in particular, and I am pleased with our continued adoption of environmentally friendly, alternative energy solutions and technologies. We have calculated and published our carbon footprint for the fourth time this year and I am satisfied to note that our overall consumption is reducing, despite the continued growth of our network infrastructure, a clear reflection of our continued focus on energy efficiency.

That said, we have not embedded the personal understanding and values that drive sustainability throughout the business as much as I would have liked, and this needs to be an area to which we pay close attention in the coming year.

BEYOND COMPLIANCE

We need to remind ourselves that acting with integrity and honesty is as fundamental to ensuring our long-term sustainability and shared prosperity as any new process or technology. We continue to have 'zero tolerance' for unethical or corrupt behaviour at any level of the company and have been bold and assertive when it comes to making difficult decisions.

It is not just about compliance in itself. We need to explain why unethical behaviour undermines our individual and collective futures. We need to get this message across so that it is understood. I was very happy to participate in the Ethics Awareness Week we held here at Safaricom in August 2014 and share my views with staff candidly through a video message.

While it is gratifying to note that, according to the ethics perception survey conducted in January 2015, there has been a perceived improvement in ethical standards and behaviour within the company, there is still much we can do to build ethical considerations into performance reviews and to reward exemplary ethical behaviour.

INTEGRITY ESSENTIAL FOR SHARED PROSPERITY

Ethical behaviour appears to be high on the agenda of the business community around us as well. As a member of the United Nations Global Compact (UNGC) Board and the UNGC Anti-Corruption Working Group, I was delighted to speak at the UNGC 10th Principle Anniversary event in New York in December 2014. The message from delegates there — and from the many other African business leaders with whom I have met

during the year — is that, while degradation risks to the natural environment remain an extremely important challenge, corruption is an even more pressing issue.

If I try to synthesise the feedback I have received during the year, it is that, whether we are talking about the natural environment or people of Africa, the single biggest obstacle to our long-term sustainability and shared prosperity is the corruption and unethical behaviour that results in the selfish exploitation of our people and resources for short-term gain.

It is part of the challenge the UNGC Africa Strategy team is tackling and another reason why we have re-launched the initiative recently. We believe that we need to modernise and industrialise the continent without counter-productive exploitation. It's a discussion that we need to have with some sense of urgency and one in which I would like to encourage our partners in both the public and private sectors to join us.

NO LONGER 'BUSINESS AS USUAL'

These are challenging and exciting times for us as an organisation and for the continent as a whole. There is much to be done and many enticing opportunities for those who embrace the commitments and changes that need to be made. We are all going to have to change. 'Business as usual' is going to have to change. Fortunately, sustainability provides us with a map to chart our course forward and the winners are likely to be those individuals and companies that, to paraphrase the observation of Jack Welch, 'change before they have to'.

Bob Collymore
Chief Executive Officer



OUR GOAL IS TO
RAISE AWARENESS
OF SUSTAINABILITY
WITHIN THE BUSINESS
ECOSYSTEM