

Stakeholder	Material matter(s)	Charter
Customers	Network quality Innovation	We will communicate honestly, offer simple and relevant products and deliver on our promises to the customer with speed and consistency.
Employees	Governance, risk and regulation Environmental impact	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
Business partners	Governance, risk and regulation Innovation	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
Shareholders	Financial sustainability Innovation Governance, risk and regulation	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.
Society	Environmental impact Innovation	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.
Regulators	Governance, risk and regulation Network quality Environmental impact	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.
Media	Environmental impact Governance, risk and regulation Innovation	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

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



CUSTOMERS

WHO ARE OUR CUSTOMERS?

We are delighted to be able to report that we have grown to 23.4 million customers in total this year, which represents an increase of 8.3% from the previous year. Our broad customer base encompasses the full spectrum of individuals and organisations across Kenya. We offer voice, data and financial (mobile money) products and services to both consumer and enterprise customers.

Consumer customers are individual purchasers of goods and services while enterprise clientele are business of all sizes, ranging from small-to-medium enterprises (SMEs) to large corporate firms. Each type of customer is managed by its own Business Unit; namely, the Consumer Business Unit (CBU) and the Enterprise Business Unit (EBU).

Consumers

Of our total customer base, 99% are consumer customers. Consumer customers grew by 1.78 million during the year and we now enjoy 67.1% of the total Kenyan market in the consumer space. This 8% growth in consumer customers during the year was driven by our compelling voice, data and SMS propositions as well as our commitment to providing unmatched customer experience at all of our customer touch points.

Enterprise customers

We have two customer segments in our Enterprise Business Unit: SMEs and corporate clients. We currently have a presence in 67,925 enterprise customers, which represents an increase of 91% from the previous year. This growth is attributable to our significant acquisitions in the SME segment. Recognising that the needs of an SME client are vastly different to those of a corporate client, we formed a separate department focusing solely on SME clients and developing a SME-centric product portfolio in FY15.

Number of consumer customers

(Million)



Market share

(% consumer subscribers)

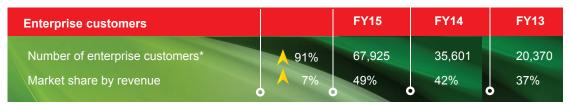


While the SME segment has seen great growth, our corporate customers account for 85% of enterprise business revenue. Our market share of customers in the corporate space is 99% and our focus remains on nurturing long-term relationships and up/cross-selling in this market segment. We are delighted to report that we exceeded our target for the year and now enjoy 49% market share in terms of revenue in the enterprise space.



^{*} EBU only started to measure and report its customers in the separate segments of SME and corporate customers from FY14.

^{**} The FY 2014 SME market share (9.4%) is an estimate as management measured the number only from FY 2015



^{*} Corporate plus SME clients

Monitoring our performance

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.

The second aspect was one of the reasons why we moved to monitoring our performance using the Net Promoter Score (NPS) in FY14. NPS assesses the likelihood that a customer would recommend Safaricom to other businesses or friends, based on their overall experience. Our NPS is measured separately for consumer and enterprise customers. Our NPS target is to be the number one integrated service provider by a margin of 5% for consumer customers and 10% for enterprise customers. This margin is relative to our competitors. The following table presents a breakdown of our NPS scores for the last two years.



^{*} Research performed by TNS

Consumer NPS

Our consumer NPS margin was 4%, which is an improvement from the prior year, but still slightly short of our 5% target. The main areas for improvement are (i) accessibility of our call center and (ii) suitability of our products. Some customers have expressed frustration about the inability to get through to our call center and, despite providing alternate channels for customer contact, the majority of customers prefer to speak to a consultant over the phone. Consumer customers also see us as flooding the market with untargeted products that are commercially driven and not focused on specific customer needs.

Based on our NPS scores and our experience on the ground, we have recognised that we have become detached from our customers. In order to bridge that gap, we will be implementing various initiatives that put the customer first in the next year (please refer to the 'year ahead' sub-section at the end for further details of these initiatives).

Enterprise NPS

We exceeded our enterprise NPS target of a 10% margin in FY15. This is attributable to the targeted initiatives that were conducted during the year (please refer to the 'how we delivered value' sub-section for further details of these initiatives).

Safaricom retail shops

The service consumers receive in Safaricom retail shops is also monitored using a customer service rating. The following table presents our retail service ratings over the last three years. Our Safaricom retail shops delivered a 9 customer service rating for the year against a target of 9. This is an affirmation from our customers that our service has remained strong for the second year in a row. This strong performance can be attributed to close follow-up with customers, faster service, exciting promotions, enhanced in-store ambience and improved ability to engage with customers in cross selling.



WHAT ARE CUSTOMERS' NEEDS AND EXPECTATIONS OF US?

Customers are the backbone of our business and it is important that we ensure the best customer experience possible. We are guided by our Customer Service Charter in this regard, which commits us to 'communicating honestly, offering simple and relevant products, and delivering on our promises with speed and consistency'.

Both our consumer and enterprise customers need us to deliver reliable, consistent services and so expect us to respond to network failures swiftly. They also expect us to keep them informed of both failures and planned maintenance/upgrades. Both sets of customers also expect a smooth customer service experience when purchasing new or additional products and services. First and foremost, this translates into outlets with stock and salespeople who are enthusiastic and knowledgeable.

From the perspective of our consumer customers, the focus is on usability and support. They believe our products to be the best on the market in most cases, but find that they can be quite complicated to understand and master initially. This ties into their need for access to support and the ease with which they can get through to our call centre.

Enterprise customers, on the other hand, prioritise our responsiveness. As commercial operations, they need us to be able to set up the services they require swiftly. The focus is less on simplicity and affordability and more on expertise, responsiveness and reliability.

HOW DID WE DELIVER VALUE TO CUSTOMERS DURING THE YEAR?

Consumers

In terms of delivering value to our consumer customers, the main way we achieved this during the year was through providing information, assistance and support in terms of purchasing and using our products and services. The two main ways we deliver this value are (i) in-person through our retail outlets and (ii) remotely through our contact center and digital channels.

In addition to using our NPS to track the quality of our overall customer experience (in-person and remote), we monitor calls to our contact center. Over the past three years, we have seen an increase in the number of customer queries (hits); however, our ability to respond to all these queries has not kept up due to internal capacity constraints. Over the past three years, our average number of calls per day has remained at 74,000. The increase in number of queries is attributable to customer base growth and complaints in response to untargeted marketing campaigns and unsuitable products.

We have provided additional digital channels for support and assistance as well. If a customer does not want to call the contact center for any reason, they can now access information and support at any time through a variety of digital channels, including email,





SMS, social media and our web self-care portal. The majority of our customers still prefer to call the contact center, nonetheless, and the percentage of customers accessing social media platforms are a technologically savvy small minority.

The growth of our digital channels offers customers increased convenience and ease and we are particularly pleased to note that the number of web self-care service users grew to 2.67 million during the year. We also offer specific information and support through our expanding Interactive Voice Response (IVR) channels, which enable customers to quickly access the exact assistance they require using voice and menu prompts.

Enterprise customers

One of our strategic objectives is to be the Partner of Choice for businesses and our 49% share of the enterprise market reflects our continued success towards achieving this ambition. There are three main, interrelated ways through which we deliver value to our enterprise customers every year: the quality and reliability of our network; the efficacy of our products and services; and the expertise and efficiency of support services (delivered through staff and partner organisations).

We are reaping the rewards of our continued investment and expansion and, in particular, our growing fibre network. We have now laid over 2,010 km of fibre in the five key cities of Nairobi, Mombasa, Kisumu, Nakuru and Eldoret and 720 of 1,020 enterprise client buildings have already been connected to the network and are enjoying super fast, reliable connectivity.

We have also made good progress in terms of the expertise and efficiency of our staff and partners. Launched in FY14, our Partner Engagement Programme (PEP) is an intensive training initiative designed to ensure that every partner interaction with customers is of the very highest standards of professionalism. It is a comprehensive programme that consists of four subject areas or pillars and we successfully trained 328 partners and staff on these four pillars during the year.

Another specific way we delivered value to enterprise customers during the year was through our 'Project Delight' initiative. Project Delight recognises that our customers are more than transactions and reminds us that, no matter how successful and big we become, we must remain focused on the individual relationships that are at the heart of our success. Through the project we organise a series of networking and social events for enterprise customers throughout the year and, fundamentally, it reminds us that we are a group of people achieving things together. We successfully executed 20 events this year, which impacted 3,750 customers.

We also scaled up our internal monitoring programme during the year., The programme has proved a useful way of listening to our enterprise customers and gathering specific customer experience feedback. This program is linked to our Legendary Experience Awards programme, which recognises and motivates exceptional service offered to customers.



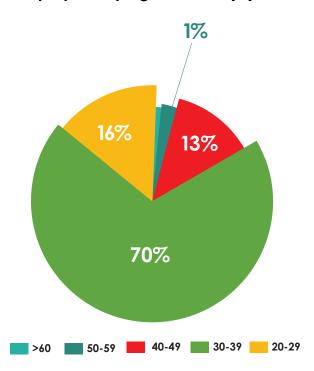
EMPLOYEES

WHO ARE OUR EMPLOYEES?

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 are 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.

In general, employee morale appears high and our staff appear to be happy with employment conditions at the company and motivated or engaged with their work. We assess this every year through our 'People Survey' and the results remain positive. The following table discloses our employee and line manager engagement indexes. The employee engagement index measures these four aspects: pride in working for Safaricom; personal levels of motivation; overall happiness with the working environment; and intention to stay with the company. The managers engagement index is similar, but tailored to measure aspects of the working environment that are within a manager's control. We are currently engaging with employees, managers and various other stakeholders to establish specific reasons for the slight drop in the results this year.

Employees by age bracket (%)



People survey results	FY16 Target	FY15	FY14	FY13
Employee engagement index	80%	75%	79%	76%
Manager engagement index	81%	81%	81%	77%

This is supported by a staff turnover of only 5.7%, which is the same as last year and slightly down on the 6% experienced in 2013. These exits are largely from our retail stores and the call centre and in line with expected norms for these types of positions. As the following table shows, the character of our workforce changed little during the year. Our staff complement increased slightly, but not significantly, and 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. (These were predominantly individuals in customer-facing roles and it was felt that they would embody the values and standards of Safaricom more if they felt part of the company.)

Workforce demographics	FY15 %	FY15	FY14	FY13
Number of permanent male employees	51	2,132	2,032	1,526
Number of permanent female employees	49	2,060	2,005	1,141
Total number of permanent employees		4,192	4,037	2,667

Overall, 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.

WHAT ARE EMPLOYEES' NEEDS AND EXPECTATIONS OF US?

Staff are able to voice their needs and expectations through a variety of channels, including the annual People Survey, the Staff Council and the Sema na CEO ("speak with the CEO") chat room. Along with the specific issues raised

during the year (discussed in detail in the next section), staff have the following four ongoing needs and expectations:

Needs and/or expectation	Our response
Market-related remuneration and benefits	We benchmark our offers regularly and ensure that these are in line with market and industry standards.
Career development and opportunities to gain recognition	We work with staff to identify career development and training opportunities every year and staff work towards those objectives. Our framework for helping staff to develop themselves is explicitly set out in our L&D Policy.
Safe, flexible and productive working environment	We have focused on creating a fair, non-discriminatory and safe environment. Acceptable working conditions are explicitly set out in our HR and OSH Policies and regularly reviewed.
Opportunity to interact with management and the CEO directly	Employees are able to raise concerns at any time through the Sema na CEO chat room and the Staff Council, which is chaired by the CEO, meets quarterly

^{*} L&D - Learning and Development

Maintaining a safe working environment

We take our responsibility to maintain a safe working environment for staff and contractors very seriously and regret to report four fatalities this year: an employee, a contractor and two third parties. Three of the deaths were the result of road traffic accidents and one was caused by a balcony collapsing at a roof top site. Two

of the four Lost Time Injuries (LTIs) reported during the year were injuries sustained in road traffic accidents as well. The other two LTIs were caused by falls, one after slipping and one while working at height. The following table details our OSH-related incidents during the year.

FY15 OSH-related incidents

Incident Classification	Employees	Contrac- tors	Third Parties	Total
Fatalities	1	1	2	4
Lost Time Injuries(LTIs)	2	2	-	4
Incidents	92	11	3	106
Medical Treatment Cases	8	4	9	21
Man-hours	9,233,018			
FIFR*	0.022			
LTIFR**	0.043			

Total OSH-related incidents during last three years

Incident Classification	FY15	FY14	FY13
Fatalities	4	1	6
Lost Time Injuries (LTIs)	4	6	6
Incidents	106	141	143
Medical Treat- ment Cases	21	48	37
Man-hours	9,233,018	8,656,000	7,255,200
FIFR*	0.022	0	0
LTIFR**	0.043	0.05	0.11

^{*} Fatal Injury Frequency Rate (employees)

^{**} Lost Time Injury Frequency Rate (employees)

^{*} OSH - Occupational Safety and Health

While it is favourable to note that our employee Lost Time Injury Frequency Rate (LTIFR) has improved slightly from 0.05 last year to 0.043 for the period under review, we are determined to continue to tackle the issue of road traffic accidents and one of our initiatives during the year in this regard was the 'I Pledge' Campaign (please see the following 'How did we deliver value' section for further information about this initiative).

HOW DID WE DELIVER VALUE TO OUR STAFF DURING THE YEAR?

We are committed to being a world-class employer of choice and take our responsibility to maintain a productive, supportive and safe working environment seriously. Our vision of transforming lives begins with transforming the lives of our employees and a key aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. For brevity and interest, the focus of our report this year is on our highlights — the major initiatives and programmes that have been launched or significantly evolved during the reporting period — rather than the established, ongoing ways in which we support and empower our staff that have been in place for several years.

Empowering female staff

We were delighted to be able to announce our updated Maternity Leave Policy in March 2015. Part of our ongoing efforts to ensure that the needs of working mothers are addressed, the Policy offers new mothers a minimum of 16 weeks fully-paid maternity leave and a reduced hours for the first six months (6 hours instead of 8 per day). The Policy is part of a package of initiatives for employees who are mothers, including fully equipped and professionally staffed child care facilities, a doctor on site, a private Mother's Room and comprehensive medical insurance.

We continue to create the most mother-friendly working conditions we can for two main reasons. The first is to reduce the disruption and costs associated with replacing women leaving the workforce to raise families and the second is to help address the shortage of women in senior management positions within the company. Aside of supporting new mothers, we are also actively identifying female employees with leadership potential and deliberately growing them at every level of the company.



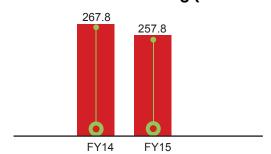
Expediting career development

We officially launched our Career Path Framework during the year, which has made it much easier for staff to identify the career paths available to them and the skills gaps they need to close in order to fast track their career development. The Framework has improved the way staff competency assessments are carried out and helps employees establish where they are in their chosen careers, along with the skills, experience and competencies required to progress to a new position Part of our objective to nurture and grow internal talent, the Framework was launched with a company-wide awareness campaign between June and September 2014 and is available to staff through the intranet and the Safaricom Academy Portal.

Targeted training improves efficiency

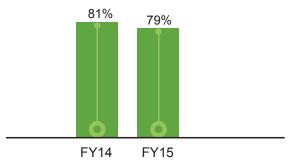
As the following table demonstrates, we managed to maintain our training spend and percentage of staff trained. Our training is however more streamlined. This was partly due to the launch of the Career Path Framework, which has enabled us to target training requirements more accurately, partly because the assessment process has had time to become embedded and accepted by staff, who are starting to realise the full benefits after using the system for two years, and partly because of an increased emphasis on using cost-effective internal resources in the form of in-house trainers and employee self-learning through the intranet and Safaricom Academy Portal.

Investment in staff training (KSH million)



FY16 Target is KSH 257.8 million

Average training index *



FY16 Target is 80%

*Percentage of staff that attended training during the year

Our training target index is 80%. Ideally we would like every member of staff attending some form of training at least once a quarter, but this is not always possible because of unavailability due to leave, illness or other commitments.

Preventing injuries and fatalities

One of the highlights of the year was the successful 'I Pledge' Campaign. The purpose of the campaign was to reinvigorate awareness of our 'Absolute Rules' and persuade employees to take the rules to heart for their wellbeing and safety. Launched in April 2015 on the World Day for Safety and Health at Work, the campaign encouraged staff to understand how the 'Absolute Rules' keep everyone safe, then undertake an honest self-assessment of their behaviour in relation to the 'Absolute Rules' and, finally, to voluntarily promise to observe the rules if they so wanted.

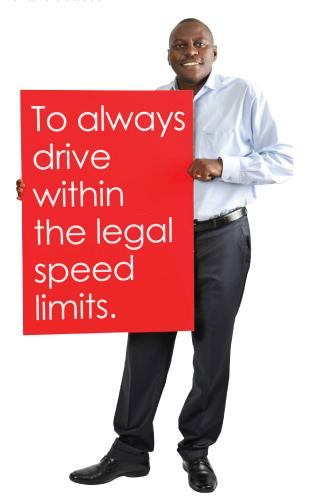
Raising awareness of acoustic shock

Acoustic shock is a hearing condition that can affect call centre staff and we have been monitoring and assessing the situation closely for two years. Usually triggered when people are exposed to a loud and unexpected noise, acoustic shock can leave the listener with muffled hearing, dizziness and tinnitus, a constant ringing in the ear. During the year under review, we initiated a second, follow up medical surveillance programme to test employees for the condition and monitor the situation.

Our focus is to use what we are learning about the situation to ensure that (i) staff and managers are aware of this potential condition, (ii) to explore mitigation measures, such as customised headsets, and (iii) the right procedures are in place to ensure those who may be in need can access specialist medical treatment.

FOCUS AREAS FOR THE YEAR AHEAD

From an employee perspective, the new corporate strategy for FY16 focuses on achieving operational excellence by assisting staff to expand their skills and capabilities. Consequently, much of our focus will be on consolidating the enhancements that have been made during the year. The newly launched Career Path Framework, for example, represents a significant step forward for us as an organisation and we will continue to embed this new approach in the year ahead; similarly, we will continue to establish and raise awareness of the Safaricom Academy Portal as an important means of expanding employee self-learning and skills development. Another area of focus will be learnerships and the Safaricom Discover Programme, through which we aim to develop a pool of enthusiastic young talent that will help us transform into the even more agile and customer-centric organisation the new strategy has envisaged.





BUSINESS PARTNERS

WHO ARE OUR BUSINESS PARTNERS?

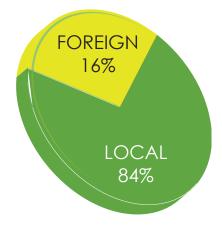
Our business partners include suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and also in terms of our reputation. We also understand that we can play an important role in encouraging sustainable practices throughout our business ecosystem and value chain by engaging with our partners in this regard.

In terms of our suppliers, we used 994 providers and spent a total of just under KSH 89.9 billion on products and services during the reporting period. The increase in year-on-year spending can be attributed to capital investment in technology networks relating to a significant government project.

We continue to promote local suppliers where feasible and we are satisfied with the weighting towards Kenyan companies achieved during the year, with 84% of our providers being local. We categorise our suppliers based on the nature of the product or service provided and the majority of our spend during the year was on network technology-related goods and services. There were no significant changes in our supply chain during the reporting period.

	FY15		FY14		FY13	
Supplier location	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers	Spend Value (KSh billion)	No. Suppliers
Foreign	32,548	164	26,474	184	27,961	175
Local	57,346	830 (84%)	40,415	796 (81%)	32,421	888 (84%)
Total	89,894	994	66,889	980	60,382	1063

FY15 SUPPLIER LOCATION



We have a network of 487 'active' dealers across Kenya that sell data, devices and airtime on behalf of Safaricom. We believe that this is the right size of network to support the market at the moment so we are not actively onboarding new dealers and expect this number to remain fairly stable in the near future. Our current focus is not to increase the number of dealers, but to help each individual dealer achieve greater volumes and success.

We also have 85 756 M-PESA agents who support and administer M-PESA related transactions for customers. The size of our current agent network is also fairly stable and, as with our dealers, our present focus is to help individual agents achieve greater volumes and success rather than grow the network.

WHAT ARE BUSINESS PARTNERS' NEEDS AND EXPECTATIONS OF US?

Like all commercial organisations, our business partners rely on us to honour our agreements, fulfill our obligations and to engage with them in an ethical, responsible and respectful manner. Aside of their expectations in terms of how we transact, our business partners are also keenly interested in our sustainability as a business, of course. Other specific areas of concern for partners include: pricing and profit margins; timely payment and favourable terms; the swift resolution of conflicts and disagreements; and support and assistance when needed.

HOW DID WE DELIVER VALUE TO THEM DURING THE YEAR?

Suppliers

Annual Partners Forum

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

At this year's forum, suppliers revealed that they are not happy in general and with delayed payments, in particular. While there was a slight improvement in terms of their satisfaction with their relationship with Safaricom, the overall supplier confidence score dropped from 76% to 64%. This feedback triggered an internal workshop to assess supplier payment processes and an initiative to help address this issue will be launched next year.

The survey also exposed low levels of awareness of Safaricom products and services among suppliers, especially data services, which presents us with an opportunity to market our products and increase usage.

The main areas where suppliers expressed improved satisfaction during the year were our levels of transparency and secure contracts.

Performance evaluations

We undertake performance evaluations of all of our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators (e.g. cost, quality, delivery, responsiveness, flexibility, value-add, health and safety) and a performance score is calculated. Suppliers whose performance is below the required threshold (<60%) are assisted with customised performance improvement plans (PIP) and mentored towards achieving acceptable levels of service. In case of lack of improvements after a PIP has been implemented, the contract is recommended for termination and no invitations are sent for participation in future business opportunities.

There has been an increase in supplier performance evaluations since implementation of our online enterprise performance management portal in November 2013. Our average supplier performance score has been >75% for the past three years. Our FY15 score was 78% with a participation of 354 suppliers. Our focus in the coming year is optimisation of the performance to enhance value to our customers.





Sustainability self-assessments

We help suppliers embed sustainability within their organisations by asking them to complete a sustainability self-assessment. The questionnaire raises supplier awareness of the issues by asking them to evaluate 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; regulatory compliance; and child rights.

We identified focus areas from prior survey results and engaged our suppliers at the supplier forum on the following topics: fraud and ethics; health and safety; the environment; the community; and corporate giving. For each topic, we engaged on key considerations and suggestions on how to manage risks posed. We plan to conduct another supplier self-assessment in FY16.

Dealers

Relationship Managers

We introduced dealer Relationship Managers (RMs) last year. The RMs provide each dealer with a single point of contact to assist them with any challenges or issues they are facing. The RMs also put together business plans for each dealer to help them identify areas for improvement and potential growth. We currently have four dealer RMs, who are supported by four support executives.

Area Sales Managers

We expanded the geographical coverage of our Area Sales Managers (ASMs) from 32 to 36 areas during the year. ASMs provide essential on-site support to dealers and serve as a direct link between our RMs at head office and dealer branches around the country. As well as assisting dealers with implementing their business plans and other needs, the ASMs also listen to the ideas and concerns of dealers and share this feedback with our RMs.

Mobility scheme

Dealers need to be mobile as they may have as many as 10 outlets. We help them achieve this through our subsidised motorbike scheme. During the year, we expanded the range of bikes available to 10, each suited to different terrains and lengths of journey.

Weekend capital financing

During the year, we began providing dealers with interest-free, unsecured loan facilities to help them make

sure they have enough working capital and stock to meet demand over the weekend while the banks are closed.

Lipa na M-PESA upgrade

We also upgraded the Lipa na M-PESA merchant collections service during the year, reducing the turnaround time from 2 hours to 30 minutes and enabling dealers to view tills and see how their agents are trading.

Dealer of the Year Awards

We expanded the format of our annual Dealer of the Year Awards (DOYA) to include a Lipa na M-PESA category and increased the number of winners from three to five.

Dealer Forums

This is an ongoing initiatives and we host several Dealer Forums each year. It is an excellent opportunity for us to listen to dealers as they share their concerns, needs and ideas for ways in which we can improve our services and support them further. Our RMs were an idea that came out of a forum, for instance.

Agents

Relationship Managers

We also introduced agent Relationship Managers (RMs) last year. Our agent RMs provide agents with similar support and assistance as the dealer RMs discussed previously. We currently have four agent RMs, who manage the 300 top performing accounts.

Principle Forums

We changed the format of our agent Principle Forums this year. We solicited feedback on challenges and issues at the start of the year, such as commissions and the migration to the new system, and then reported back on our progress against these challenges at the end of the year. As a result, the forums are much more intensive and focused and agents are seeing quicker, more tangible outcomes.

Agent assistant training

A new initiative launched during the year, this is a oneon-one training session that identifies and plugs the gaps in an individual's knowledge, empowering them and improving the service they are able to provide customers and colleagues. So far, our area managers have been trained.

Weekend capital financing

Like the service launched for dealers, this new facility provides agents with an internal float over weekends and public holidays, ensuring they have enough stock to meet demand during these periods.

Kenya Commercial Bank service upgrades

As well as not being charged to replenish their floats at Kenya Commercial Bank (KCB), agents can now access loans at a reduced rate of 16% interest.

Merchandising

During the year, the top 300 accounts were rewarded with a wider range of branded merchandising than in previous years, including calendars, umbrellas, caps and t-shirts. The top 1,000 outlets also received t-shirts.

Regional Agent Awards

Our annual Awards event was expanded and improved this year as well. Events were held in five regions and there were more categories of winners than previously.

FOCUS AREAS FOR THE YEAR AHEAD

Suppliers

Supplier portal upgrade

A direct result of the feedback received at this year's Forum regarding delayed payments, we will be upgrading the supplier portal this year to enable supplier to submit and track invoices online.

Prospective supplier portal

We look forward to implementing a portal for prospective suppliers, through which they can express their interest in doing business with Safaricom.

Procurement policy revisions

We will be updating our procurement policy to include criteria for evaluating 'diversity' and 'inclusiveness'. This revision is designed to address a bias built into our current procurement policies towards large companies and ensure that smaller companies and those run by women, in particular, are not excluded from our procurement processes.

Supplier risk assessments

Monthly spot reviews have proved a useful way of improving supplier performance against various risks, including health and safety issues. We increased the number of assessments carried out during the year and plan to further increase this number in the year ahead.



Dealers

Relationship Managers

We are planning to on-board an additional RM and Support Executive. This will make RM workloads more manageable — 90 dealers per RM instead of 120 — and enable RMs to provide additional support to dealers. The way we measure the performance of RMs will also be improved through a set of expanded KPIs, which will include the NPS, ensuring that soft issues are measured alongside numbers and targets.

Customer acquisition campaign and free branding

We have finalised plans for an exciting new customer acquisition campaign that will launch during the year ahead. In tandem with this campaign, we will also help dealers increase their visibility in the market through free signage and branding for shops, walls and vans.

Dealer empowerment scheme

We plan to expand this scheme next year through extra branding and product launches and provide customer care support and assistance to around 300 dealers.

Agents

Our overall focus regarding agents in the year ahead will be to get closer to them and provide them with extra support as their success is our success. We are keen to reach out to agents and make sure there is no disconnect between agents and head office, particularly given the increased competition we expect to see at this level. We do not want to be seen as 'a transaction', but as an operator who is listening to them and responsive to their needs.

Among specific focus areas are:

Increasing the number of Super Agents

Super Agents provide an essential service to other agents in areas that are poorly serviced by banks because they can sell float on to other agents. During the year ahead, we intend to appoint additional Super Agents and ensure there is one every 10 kilometres.

Expanding the Relationship Manager service

We are planning to on-board an additional RM in the year ahead and to provide RM services to an additional 200 accounts (the top 500).

Agent assistant training

We intend to cascade this training down to people working in outlets during the year ahead.



WHAT ARE SHAREHOLDERS' NEEDS AND EXPECTATIONS OF US?

Our shareholders expect us to remain a high-performing company that balances delivering consistent and sustainable financial returns against ethical and environmentally responsible operation. As a reflection of this, they expect us to retain our experienced, proven management team and to uphold the very highest standards of corporate governance and practices. In terms of the exchange of information and ideas that also underpins shareholder trust and fosters commitment, they expect:

- · Timely and accurate financial information;
- Explanations of our business model and strategy for creating long-term value;
- Updates on management expectations regarding changes in macro and micro environments;
- Updates regarding changes in the competitive and regulatory landscapes;
- Consistent and sustainable financial performance; and
- Experienced management and strong corporate governance practices.

HOW DID WE DELIVER VALUE TO SHAREHOLDERS DURING THE YEAR?

We deliver value to our shareholders through our strong financial performance and through how we engage and communicate with them.

Financial performance

We delivered strong financial performance in the current year, which has resulted in dividend growth and share appreciation:

- Achieving an EBITDA of KSH 71.2bn, up 17% from the prior year
- Achieving a 38% increase in net income (increase to KSH 31.9bn)
- Proposing a dividend per share of KSH 0.64, which is 36% higher than last year
- Increasing our free cash flow by 21% to KSH 27.5bn

This strong financial performance is the result of Safaricom successfully implementing its strategy to grow revenue while controlling costs (please refer to the Annual Report for more details).

Communications to shareholders

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

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

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

Along with these standard, ongoing responses, some of the specific ways in which we have delivered value to our shareholders during the reporting period include:

Local and international investor road shows

During the year, we hosted investor road shows to share our interim and full year results. During these roadshows we update shareholders on our strategy and outlook.

Swift dividend payouts

During the year, we began paying shareholders their dividends through our M-PESA platform, which has made it a cheaper and more convenient process for recipients, particularly smaller investors.

FOCUS AREAS FOR THE YEAR AHEAD

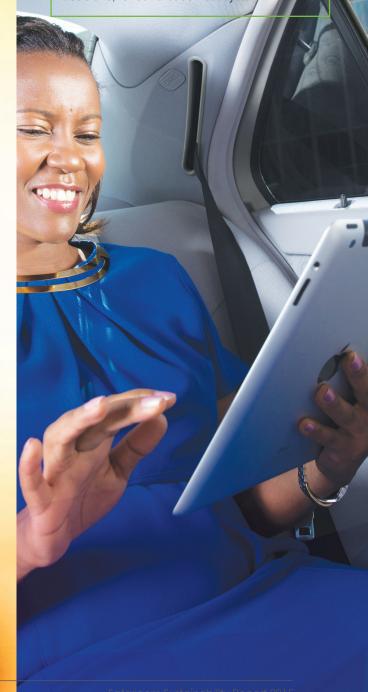
In the new financial year, we will continue to grow our revenue and control costs, through the following strategic objectives:

- · putting our customers first;
- · delivering relevant products; and
- · ensuring excellence in operations.

These strategic imperatives will be underpinned by evolving the Best Network in Kenya programme to become Best Network for you, growing our mobile data, delighting our customers, deepening financial inclusion, striving to be the partner of choice, growing our youth appeal and encouraging further innovation.

We will continue the communications and engagement programme established with our investors.

Sustainability is still not viewed as a strategic priority for many of the organisations in our business ecosystem. As we continue to integrate sustainability in our own company, we hope to elevate the importance of integrating sustainability in business practice and investme decisions, for our broader ecosystem.



SOCIETY

WHO IS OUR SOCIETY?

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

The current population of Kenya is estimated to be 44.35 million, with around 11 million or 25% of Kenyan people living in urban areas (World Bank, 2013). The two largest cities in Kenya are the capital, Nairobi, which has a population of more than 3.1 million and Mombasa, which is home to just under one million inhabitants (United Nations, 2009).

Kenyan society reflects its fascinating history of centuries of migration and it is one of the most diverse African countries culturally and linguistically. The country is home to more than 40 different ethnic groups. Among the largest ethnic groups are the Kikuyu, representing around 22% of the population, the Luhya, Luo, Kalenjin, Kamba, Kisii and Meru. Although more than 60 different dialects are spoken in Kenya, the two official languages are Swahili and English.

Kenya is classified as a middle-income country and the ninth biggest economy in Africa, with an estimated Gross Domestic Product (GDP) of KSH 4.76 trillion and a GDP per capita of KSH 111,330 in 2013 (Kenya National Bureau of Statistics). Agriculture is still the backbone of the economy and contributes around 25% to the GDP.

OUR SOCIETY CHARTER

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.

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

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

HOW DID WE DELIVER VALUE TO SOCIETY DURING THE YEAR?

We deliver value to the society within which we operate on an ongoing basis as a top Kenyan tax payer and employer, and by engaging and empowering groups and individuals throughout the country in a variety of diverse ways. The services we provide through our network enhance and transform the lives of Kenyans every day, we also sponsor a variety of cultural and sporting events, and have an active Corporate Social Investment (CSI) programme.

Along with these ongoing channels, a few of the specific ways in which we have delivered value to Kenyan society during the year include:

Supporting the Global Compact Network Kenya (GCNK)

The United Nations Global Compact (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 anticorruption. We renewed out commitment to its Local Network in Kenya during the year and seconded a full-time staff member to the GCNK office. We worked together to strengthen the value proposition, reinforce the attractiveness of the network and recruit new members. With the support of our leadership team we seized opportunities to mobilize the business community around the principles and to raise awareness around responsible business practices.

Serving on the Board of the UNGC

We are also delighted to able to announce that our CEO, Bob Collymore, will have his term as a Board Member of the UNGC officially renewed for another three years in May 2015. This renewal is recognition of his remarkable contribution to championing the work of the UNGC across Africa. Beyond his mandate of strategic guidance



and promotion of the UNGC, Bob is also engaged as a member of the UNGC Anti-Corruption Working Group, which is advancing Principle 10 ('Businesses should work against corruption in all its forms, including extortion and bribery'), and was one of the key speakers at the UNGC 10th Principle Anniversary event in New York in December 2014. He is also an enthusiastic member of the UNGC Africa Strategy team, which is at the forefront of advancing corporate sustainability and responsible business practices across the continent.

Keeping anti-corruption on the local agenda

Closer to home, CEO Bob Collymore has been working closely with the Ethics and Anti-Corruption Commission (EACC) and was one of the key speakers during a CEO Breakfast organised by the British High Commission to strategise and share ideas on how to tackle corruption.

Protecting the rights of children

We have developed and published a Children's Rights and Business Principles Policy, which will help ensure children are not exploited or neglected by our operations in any way. As well as drafting the policy, we have mobilised the support of senior leaders and identified a team of champions from across the business to strengthen our collective awareness and capacity in this regard. We will conduct an analysis to identify gaps and opportunities and we will develop an action plan to respond. In the next year we will continue working with the team of champions to integrate Children's Rights in our business, address the gaps and embrace the opportunities identified.

Tackling Gender-based violence

Gender-based violence (GBV) permeates every corner of society. It is widespread and, whether the violence occurs within the workplace or outside of it, the detrimental effects on the workplace and society are substantial. As a first step towards addressing this issue, we have engage the Gender Violence Recovery Centre to train the senior leadership management team and equip them with the skills needed to start addressing GBV-related issues. We will look in the next year at how we can raise awareness on the matter within our staff members and create adequate mechanisms to respond to GBV.

Protecting the safety of Kenyans

In December 2014, the Government of Kenya entrusted Safaricom to build the National Security Surveillance, Communication and Control System for Nairobi and Mombasa. The system will help the National Police Service protect the safety of Kenyan citizens and save lives in an emergency and the first phase of the project will soon be officially handed over. 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.

FOCUS AREAS FOR THE YEAR AHEAD

Safaricom will continue to engage the UNGC by actively encouraging its business partners and peers to sign up to the GCNK and support in creating a responsible business community in Kenya. With globalisation, a responsible business community in Kenya forms an integral part of a sustainable, transparent and inclusive global economy.

REGULATORS

WHO ARE OUR REGULATORS?

The Communications Authority of Kenya (CA) is the regulatory authority for the communications sector in Kenya. Established in 1999, the purpose of the CA is to ensure the people of Kenya receive the best possible services from communications providers. This responsibility requires making sure that there is adequate, healthy competition among providers, and that the public are protected from misleading or unscrupulous business practices. Among its duties, the CA licenses all communications systems and services, allocates and manages the frequency spectrum of the country, sets tariffs and monitors the activities and performance of licensees.

Other primary regulators of ours include:

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

WHAT ARE REGULATORS' NEEDS AND EXPECTATIONS OF US?

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

HOW DID WE DELIVER VALUE TO REGULATORS DURING THE YEAR?

On a regular, ongoing basis, we deliver value to our regulators by complying with the obligations they have give us and through communicating and engaging with them on the issues that arise. We ensure that we are

COMPLY

Proactively ensure compliance with all licence obligations, legislation, regulations, by-laws and regulatory guidelines

ENGAGE

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

DISCUSS

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

ATTEND

Be present at stakeholder workshops and lobby on behalf of the telecommunications industry

available and open to our regulators, that we respond to their enquiries in a smooth and swift manner, and that we take responsibility for dealing with compliance issues, such as paying fines. Accordingly, we have adopted the following strategies to manage regulatory issues:

Along with these standard, ongoing responses, some of the specific issues on which we have engaged our regulators during the reporting period include:

M-PESA agency network

We entered into discussions with the regulator at the beginning of the process and jointly agreed to open up our M-PESA agency network in order to see the market progress and expand to help deepen financial inclusion in Kenya

(see page 25 of this report for further discussion of this issue).

Quality of Service (QoS) measurements

Following engagement by Safaricom, the CA is developing a new Quality of Service (QoS) Measurement and Methodology Framework. The new framework shall cover, among other things, data and voice services, network installations, Electro-magnetic fields (EMF), billing accuracy and customer care.

The revised framework will also cover financial reporting that will require implementation of separation of accounts per licence.

Information and Communications Sector Regulations

The CA has begun a comprehensive review of the regulations governing the sector and is proposing to impose retail price controls on dominant operators.

We have contributed to industry responses to these proposals and continue to engage with the regulator to ensure that consumers enjoy the very best offerings in terms of variety, price and quality through robust, healthy competition.

National ICT Policy

In October 2014, the government published a draft ICT policy for stakeholder comments and input. We have made formal submissions in response regarding infrastructure sharing, the county telecommunications operators, the reduction of radio spectrum fees and the need to include incentives for environmental management.

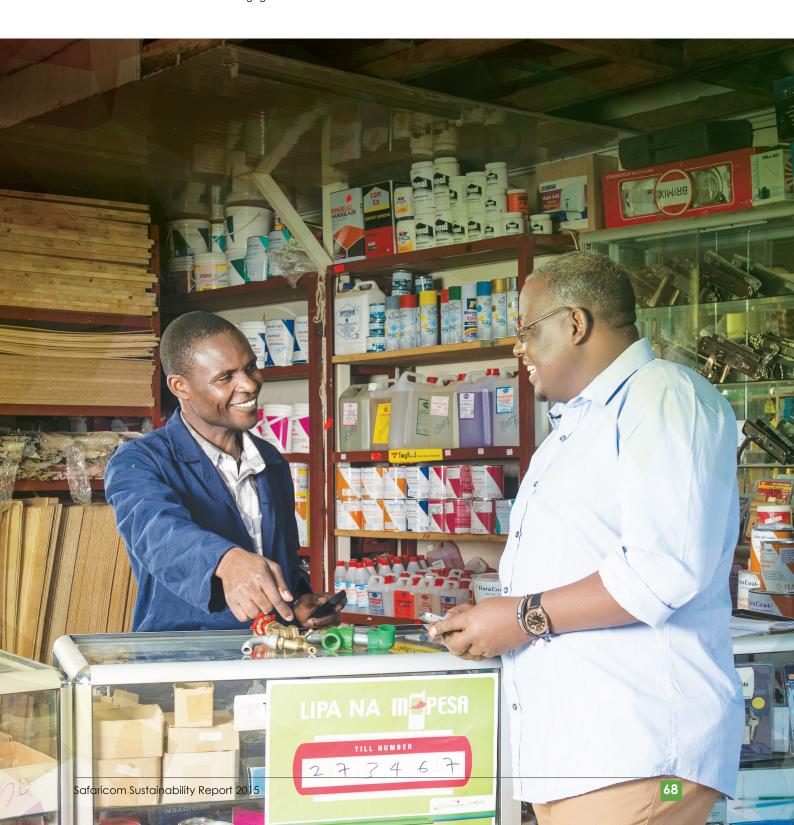
Universal Service Fund (USF) Fees

We have lobbied the CA to consider the proposals of operators that they be represented on the Universal Service Advisory Council (USAC) and that interconnect and MMT revenue be excluded from the USF payable by operators. The CA has since accepted the proposal to exclude interconnect fees.

FOCUS AREAS FOR THE YEAR AHEAD

Along with continuing to engage on the ongoing issues in the preceding list, a key focus area for us for the year ahead will be to continue our engagements with the CA

regarding the proposed amendments to the Information and Communications Sector Regulations. The current proposals present a significant concerns as these will unduly impact our ability to respond to market forces and to compete fairly. This consultation is ongoing. We are also keen to review the impending Data Protection Bill and establish how this will affect our strategies and practices in terms of collecting and using customer data analytics to customise our services to individuals more effectively.



MEDIA

ASSISTING THE MEDIA WITH THEIR IMPORTANT TASK

The media play an important role in society through providing a platform for discussion and debate. They are also an important stakeholder of ours as they provide us with a channel through which we can communicate with our other stakeholders, such as our customers.

Accordingly, we need to make sure that the relevant members of the media are presented with the right facts and information and that significant issues are identified and fully explained so that topics and events are reported in an accurate and balanced manner.

We maintain good working relationships with a wide variety of media representatives to ensure that our voice is also heard on pertinent issues and to help provide information and guidance topics that are related to our areas of expertise.

We liaise with members of the media to ensure:

- Issues are reported in an accurate and balanced manner
- Our perspective is included when pertinent issues are discussed
- · Our reputation and brand is protected and maintained

Our interactions with members of the media are guided by our charter, which commits us to 'continuously and proactively engaging with 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 also hold them to account for responsible reporting.

WITH WHICH MEDIA DO WE LIAISE?

We are open to liaise with all members of the local, regional and international media. We work closely with both traditional and digital media houses and individuals (journalists and bloggers etc.). The types of media organisations we liaise with regularly include:

- Radio stations
- TV stations
- Print media (Newspaper and magazine publishers)
- New media (digital channels, including websites, blogs and social media)

WHAT ARE THEIR NEEDS AND EXPECTATIONS OF US?

- Access to timely, accurate information (packaged in convenient formats)
- Access to appropriate company spokespeople on issues and events
- Guidance and clarification regarding controversial issues or statements
- Access to 'exclusive' information or commentary to make news
- Provision of detailed background data and information for understanding/context

HOW DID WE DELIVER VALUE TO THEM DURING THE YEAR?

On a regular, ongoing basis, we deliver value to our media stakeholders by ensuring that we are available to them and respond to their telephonic, email and message-based enquiries swiftly. We also disseminate information about product and service launches, financial results and reports, and upcoming events to them via press releases and other communiqués.

We also invite members of the media to briefings, product and service launches and other company events, such as industry and policy-related workshops, providing them with supplementary information and arranging interviews with key spokespeople as needed.

We maintain an up-to-date online media centre on the Safaricom website as well, which enables journalists to access an archive of press releases, speech transcripts, contact details and other materials conveniently and easily.

Along with these standard, ongoing responses, some of the specific ways in which we have delivered value to the media during the reporting period include:



Media visits

We arranged for journalists to visit various Safaricom Foundation (CSI) and company projects during the year and interact directly with those responsible/involved. The purpose of these visits was for the media to understand the impacts of our investments.

Business reporting training

During the year, we worked with Strathmore University to deliver training on business reporting to journalists from a variety of different media houses.

Interviews

We facilitated 10 one-on-one sessions between journalists and senior management over the course of the year. The topics of these interviews ranged from new products/ services, financial results and key milestones achieved.

Workshops

We held seven workshops with members of the media during the year. The purpose of the workshops was to engage the interest of members of the media and to give them an indepth understanding of a product or service pre-launch to ensure accurate reporting.

FOCUS AREAS FOR THE YEAR AHEAD

We endeavour to deliver Public Relation (PR) strategies that holistically cover mainstream and new media. We would like to grow our 'influencer network', specifically in the digital space (e.g. bloggers). We will do this by clearly defining our digital marketing scope and online PR scope. Historically, we have used the digital space to market our products/ services mostly, in the near future, we would like to expand our online PR scope to include opinion pieces that will influence what people think about us positively.





