

RESILIENCE THROUGH TRANSITION

2020 SUSTAINABLE BUSINESS REPORT



Simple • Transparent • Honest FOR YOU







Welcome to our Sustainable Business Report

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INTRODUCTION

OUR BUSINESS

OUR MATERIAL TOPICS

OUR STAKEHOLDERS

CONCLUDING REMARKS

The nature of telecommunications continues to evolve and so do we. We are transforming beyond being a ‘telco’ to being a purpose-led technology company. Our core offering of voice and data services has expanded to encompass a broad range of sophisticated digital lifestyle products and services that support the aspirations and requirements of consumers, businesses and public sector clients.

Our products and services play a central role in the daily lives of just under 35.6 million Kenyans. Our purpose continues to be transforming lives and we are dedicated to delivering connectivity and innovative services that can truly improve the quality of life and the livelihood of every person we reach.

We seek to contribute to sustainable business throughout Kenya and remain committed to managing our operations responsibly and ethically, together with using our influence to highlight and address sustainability challenges. This report offers an overview of what we have achieved in this regard during the year.

The purpose of this report

We publish an annual sustainable business report to disclose the progress we have made towards our goal of building a more sustainable future. Since 2012, we have been documenting our sustainability journey because we believe in holding ourselves accountable by sharing our successes, our challenges, and our constraints in a public, transparent and open manner.

We also publish this report because we believe that we have a duty to raise awareness of the sustainability challenges we face as a society and to ensure that these remain part of the discussion in Kenya and internationally.

This report is also an explicit responsibility of our continued membership of the UN Global Compact (UNGC) and the Global Compact Network Kenya (GCNK). It also reflects our commitment to the vision and efforts of the B Team – Africa and is also an expression of our belief in the principles enshrined in the Code of Ethics for Business in Kenya.

The theme of this report

Our theme for this report is **Resilience through transition**. It highlights how we faced significant disruption during the year, but the foundations of the business proved to be resilient and strong.

Our leadership team was disrupted by the passing of our CEO, Bob Collymore, at the start of July 2019, but successfully navigated the turbulence of this sudden loss and the transition to the appointment of his successor, Peter Ndegwa.

We are grateful to Michael Joseph, who demonstrated his strong leadership during this unexpected period of change and transition.

Against the backdrop of the continued disruption we face in the telecommunications industry, we also had to contend with the impact of the COVID-19 pandemic during the later stages of the year.

Our theme also reflects our belief that embracing the ideals of sustainable business, shared value thinking and the SDGs is essential to cultivating the resilience necessary to combat large-scale crises like the COVID-19 pandemic.

The information in this report

This report is divided into four sections. The first section provides an **Executive Summary** or overview of the information contained in this report, including a snapshot of our sustainable business-related areas of focus and performance during the year and messages from our executive leadership.

The second section provides an overview of **Our Business** and describes what sustainable business means to us. It includes an explanation of how sustainable business practices fit into our corporate strategy and business model. It also features an assessment of our wider socio-economic and environmental impact, including the value we create for Kenyan society (using the KPMG “True Value” methodology).

The third section details **Our Material Topics** – the most important environmental, social, economic and governance imperatives and opportunities we face as a sustainable business.

Each of these topics is described in detail, including how it influences us and how we respond to it as an organisation.

The United Nations (UN) Sustainable Development Goals (SDGs) continue to guide and inform our commitment to sustainable business and our areas of focus during the year (see page 22 for more detail). We have included references to the goals to which we have aligned our efforts in each of the topics in this section again this year.

The fourth section provides insight into **Our Stakeholder Engagement**. We divide the broad community of individuals, communities and organisations that are most affected by, or most likely to influence, our business into seven categories. The nature of our relationship with each stakeholder group is described in detail and we assess how we have delivered value to them during the year.

About our reporting

Our sustainable business reporting focuses on activities and imperatives that are both of material importance to our business and of interest to our various stakeholders. This report covers our fiscal year of 01 April 2019 to 31 March 2020 and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. This Sustainable Business Report should be read together with the Safaricom Annual Report and Financial Statements 2020 to understand how we bring value to our stakeholders.

For more information regarding our material topics, the purpose of our reporting, and our methodology and assurance processes, please visit: https://www.safaricom.co.ke/sustainabilityreport_2020/

Help us improve our reporting

We hope this report provides a clear and meaningful understanding of what sustainable business means to Safaricom and how it unites us and governs our internal and external approaches to business. We welcome all related feedback, which can be shared via email to sustainability@safaricom.co.ke

Our pledge to our stakeholders

In line with our purpose of transforming lives, Safaricom remains committed to putting our customers first, delivering relevant products and services, and enhancing operational excellence. By running a sustainable business, we seek to contribute towards improving the quality of life of every Kenyan. We also seek to contribute to sustainable living throughout the country and are committed to managing our operations in a responsible and ethical manner.

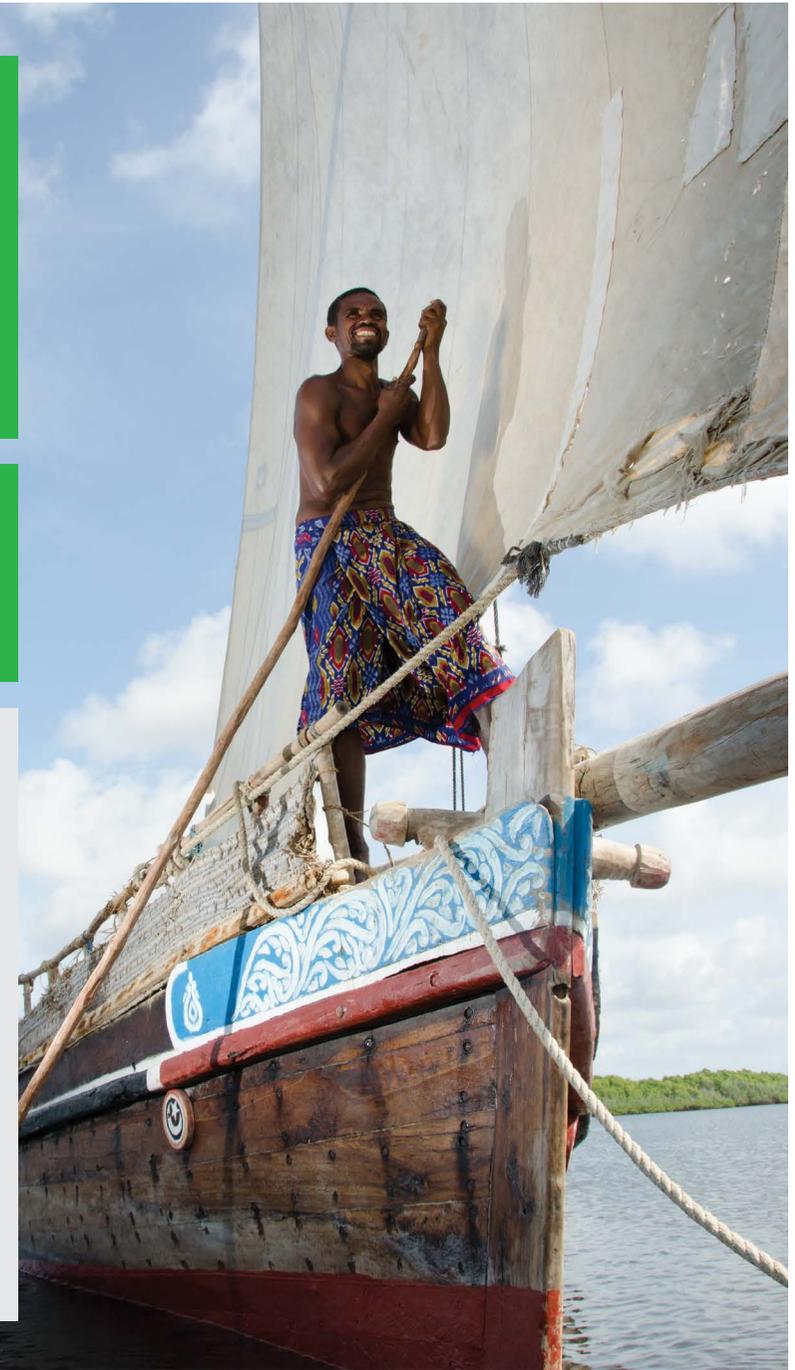
On behalf of the Board, we acknowledge that our responsibility is to ensure the integrity of this sustainable business report and we are confident that it presents the progress we have made towards our goal of building a more sustainable future with satisfactory accuracy and impartiality.



Nicholas Nganga
Chairman



Michael Joseph
Chief Executive Officer (Outgoing)



FY20 in review

This section highlights our most significant challenges and areas of progress during the 2020 financial year (FY20). Any changes in performance have been stated using year-on-year comparisons with FY19 performance.

OUR CUSTOMERS

* 30-day active customers



35.6 m

Total customers



11.9%



M-PESA

24.9 m

M-PESA customers*



10.0%



22.0 m

Mobile data customers*



14.2% YoY



M-Tiba

4.8 m

M-Tiba customers



8%



M-PESA Global¹

50%

of inbound diaspora remittances



12.1%



Fuliza

KSh 245

billion

amount disbursed from January 2019 to March 2020



Customer satisfaction

59

Consumer NPS



2 points



DigiFarm

430 k

active farmers



43%



80

Network NPS



No change



1.4 m

farmers signed up



40%

OUR PEOPLE

Diversity



50%

of total workforce

No change



35%

women in senior management



1%



2.3%

Procurement spend on women-owned businesses



0.9%



2.3%

Proportion of persons living with disabilities in workforce



0.2%

SEMA survey



81%

Staff who believe that we are open in communication across various levels



9%



92%

Staff likely to recommend Safaricom as a great place to work



2%



1

fatality (third party)



FY19: 2



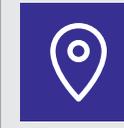
16

staff dismissed for fraud



11%

INFRASTRUCTURE



9 000

cumulative fibre optic footprint (km)



34.3%



2G

No change

96%

% population with 2G coverage



142 k

residential homes connected to fibre optic network



32%



3G



1%

94%

% population with 3G coverage



3 960

enterprise buildings connected to fibre optic network



63%



4G



20%

77%

% population with 4G coverage



11 911

businesses connected to fibre optic network



99%

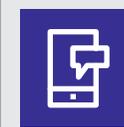


15 m

smartphones in our network



23%



189 193

No. of people for which Universal Services Fund activity expanded mobile network coverage

¹ Percentage of all diaspora remittances (International money transfers remitted from outside Kenya, mostly by Kenyans living abroad) transacted through M-PESA.

ENVIRONMENT



59 811

carbon footprint (tCO2e)

9.0%



102 231 L

water consumption

2.4%



221 sites

using solar and hybrid clean power

12.8%



299 910 kg

total waste collected (97% recycled or re-purposed)

16.1%



1 287

tonnes of e-waste collected to date

20.1%

ECONOMIC



1 013 728

Jobs sustained through wider economic impact

4%



Impact on society

9x profit

generated (KSh 74.7 bn)

0.6%



6%

GDP contribution²

0.3%



Supporting local suppliers

74%

total spend

7%



M-PESA transactions value

KSh 13.9

trillion

18.4%

FINANCIAL*

* Please refer to Safaricom Annual Reports or the FY20 Results booklet on the company website for further details on financial performance.



Earnings before interest and tax

KSh 101.0 bn

13.5% YoY



Service revenue

KSh 251.2 bn

4.8% YoY



Mobile data revenue

KSh 40.7 bn

12.1% YoY



Net income

KSh 74.7 bn

19.5% YoY



Voice service revenue

KSh 94.5 bn

1.4%



Messaging revenue

KSh 17.2 bn

12.4%



Fixed service revenue

KSh 9.0 bn

10.7% YoY



M-PESA revenue

KSh 84.4 bn

12.6% YoY



Free cash flow

KSh 70.3 bn

11.4% YoY



Taxes, duties and licence fees paid by Safaricom

KSh 111 bn

13%

2 This is a comparative decrease that reflects a greater growth in Kenyan GDP YoY (not an actual decrease in size of contribution from Safaricom).

Our response to COVID-19

ALWAYS THERE FOR YOU

In the face of COVID-19, each of us has to play our part in keeping ourselves safe. Safaricom is here with you as we move forward in these tough times

 **719**

Coronavirus toll-free line powered by Safaricom



Over 300 niched customer care executives

24/7

Information centre

HOME FIBRE 2X BANDWIDTH

At no extra cost for 90 days



BONGA FOR GOOD

KSh 320 million redeemed by 677,000 customers

Use Bonga Points at any outlets with **Lipa Na M-PESA** till to buy food and basic necessities.

 **Safaricom**
Foundation



Thermal cameras worth

KSh 10 million

donated to Ministry of Health



FOOD DONATIONS

worth **KSh 200 million**

M-PESA



Free LNM (Lipa Na M-PESA) and person-to-person transactions below KSh 1,000*

M-PESA WALLET

BANK



Free bank to/from M-PESA transactions*

ZERO RATED

charges for hospital paybills, dispensary and MyDawa payments

KSh 150,000

Daily M-PESA transaction limit to support SMEs

KSh 300,000

Daily M-PESA wallet capacity

* from 16 March 2020 to 30 June 2020

Message from the Chairman

As Chairman of the Board of Safaricom, it is my great pleasure to present to you our ninth Sustainable Business Report. The theme of this report is ‘resilience through transition’ and, as the report describes, the fundamentals of our business were tested during the reporting period. Early in the year, we were tested by an unexpected leadership transition when our CEO, Bob Collymore, suddenly and sadly passed away. We are being tested now, at the close of the year, by the global health emergency created by the COVID-19 pandemic.

We had expected the economy to recover during the year, but the economic turnaround did not materialise and, even before the pandemic reached Kenya in early 2020, we were facing the economic headwinds of rising costs, reduced consumer spending power and slowing economic growth. Against this challenging economic backdrop, we had to rely on the strong foundations of the company as we sought to rebuild customer trust and win back market share.

While the full impact of the pandemic will only become apparent in the next financial year, we have risen to the challenges we have had to confront during the period under review and I am satisfied with how resilient we have proven to be.

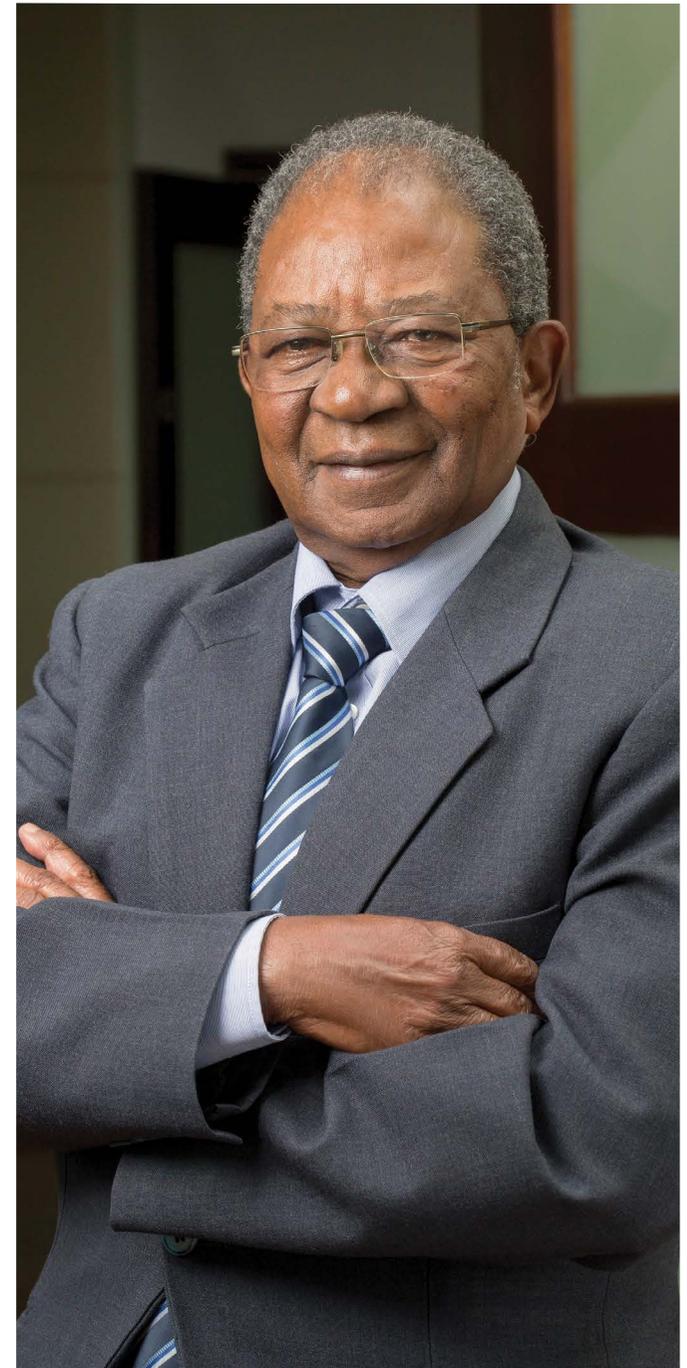
Stability and strength in leadership

On behalf of the Board, I would like to take this opportunity to welcome our incoming CEO, Peter Ndegwa, to the team. Peter joins us at a challenging

time, but the Board and I are confident that his enthusiastic vision of the pioneering role Safaricom can play in developing our collective digital future makes him the ideal person to lead us forward. We would also like to thank Michael Joseph for his capable and stable leadership during this period of disruption and transition. The strong performance of the business and the delivery of earnings ahead of projection is testament to his exacting focus, determination, and drive.

Supporting the government and people of Kenya

We remain committed to supporting the government and people of Kenya. We have contributed more than KSh 6.5 billion in money, goods and services to the fight against the COVID-19 pandemic so far and we appreciate that part of the reason why we have been able to offer this support is because we operate in a regulatory environment that allows pioneering companies to succeed. As the independent True Value assessment featured in this report highlights, we sustained more than one million jobs directly and indirectly this year and spent KSh 58 billion, or 74%, with local suppliers. We remain committed to supporting the government during these unprecedented times and, as we look ahead to the post-pandemic revival of the economy, we urge the government to balance revenue recovery with encouraging business renewal and growth.



Ensuring the stability and resilience of our network

It seems fair to say that our commitment to sustainable business practices and recognition of our interdependent relationship with the society within which we operate have guided us even more proficiently this year. We have redoubled our dedication to keeping Kenya connected and ensuring the stability and resilience of our network in the face of dramatic changes being wrought by the pandemic. We invested KSh 36 billion during the year in the modernisation of equipment and expanded our reach through 2 284 additional Base Transceiver Stations and 2 300 kilometres more of fibre optic cable, which not only enabled us to meet the surge in demand for voice and data triggered by the lockdown, but to support remote workers and families as well – by doubling the speed of broadband bandwidth available to residential customers without charge. Despite the uncertainty that lies ahead, we expect to increase our YoY investment in the network in the coming financial year.

Regulatory highlights

With regards to the regulatory environment, there were two key highlights during the year. The first was the signing of the Data Protection Act into law in November 2019. The Act has introduced a set of laws that provide clarity and certainty regarding the collection and use of personal information. We welcome this legislation and believe that it will promote greater trust between customers and companies, which, in turn, will enable innovation and progress to flourish. The second highlight was the

progress made regarding the new Quality of Service (QoS) framework. We believe that the new methodology being developed by the Communications Authority of Kenya (CA) represents a significant improvement on the previous testing metrics and processes.

Embracing shared value thinking and sustainable business practices

While external events have overshadowed the year to a great extent, I am pleased to report that, internally, we continued to consolidate the gains made in terms of embedding the United Nations (UN) Sustainable Development Goals (SDGs) into our strategic thinking and corporate DNA. The SDGs continue to develop as a guiding influence for us as individuals, with SDG-related objectives successfully included in the annual performance targets of every employee. We also hosted the 2019 Africa Shared Value Summit in partnership with the Africa Shared Value Initiative and brought together more than 300 business leaders and delegates to discuss ways of enhancing inclusive business and shared value practices in Africa. We believe that the pandemic has made embracing shared value thinking and sustainable business practices even more imperative.

“ We believe that the pandemic has made embracing shared value thinking and sustainable business practices even more imperative. ”

Gratitude and thanks

With my retirement scheduled for August 2020, I would like to take this opportunity to thank my colleagues on the Board and every member of staff. It has been a wonderful 13 years and I will leave with many happy memories of our achievements together. Of course, our growth as a company since I joined – from 6 to 35.6 million customers and from 1 000 to 4 515 employees – is a source of great pride for me. I am also pleased that we have continued to improve the representation of women and persons living with disabilities among our employees. We should also be proud of the fact that we have increased shareholder value by 607 per cent since listing in 2008; at the same time, though, we should be pleased that we have done so while focusing on our purpose of transforming lives and our commitment to responsible business. In that regard, I am satisfied that our integrating of nine SDGs into our daily operations and performance targets will stand us in good stead and ensure that we remain a company of purpose.

In closing, the Board and I would like to extend our gratitude and thanks to every member of staff and management. We appreciate that it has been your resilient energy and efforts throughout the year that have helped us navigate the internal and external challenges of this disrupted transitional period successfully.



Nicholas Nganga

Chairman and Non-Executive Director
Safaricom PLC

Message from our outgoing CEO

As many of you know, this has been my second stint as CEO of Safaricom. The sad and sudden passing of my dear friend, Bob Collymore, required the Board to ask me to step back into the role. My return made sense from a business continuity perspective. As the founding CEO and the current Chairperson of the M-PESA Foundation, I am already familiar with the company and the senior management team. I have remained close to the business in many respects. In fact, Bob and I spent a good deal of time together during the previous two years, while he was being treated in hospital. We spoke at length about the special company we both felt privileged to lead. I had also advocated for Bob to succeed me in 2010. I felt that he genuinely understood the DNA of Safaricom and the importance of being a company with purpose.

Bob Collymore did more than understand our DNA. He enhanced it. He embedded within the company an even deeper appreciation for acting with purpose. He inspired us to recognise the importance of seeing the business through the lens of sustainability and as an interconnected part of the society within which it operates. He excelled at cultivating relationships and consensus. Not only did he strengthen the sustainability agenda within Safaricom, he propagated it and brought other companies and business leaders on board. My closeness to the company and Bob helped make a difficult transition easier.

Remaining committed to our purpose

Safaricom is a purpose-led company. We started this company 20 years ago with the explicit intention to transform people’s lives for the better. This was not merely altruistic sentiment. We believed that a company that genuinely improved the quality of people’s lives would be rewarded by those people with their custom and loyalty. This was our core belief. When we launched M-PESA, for instance, we knew that our target customers’ – Kenyans in the middle and bottom of the economic foundation – had to trust us and understand how the service would improve their lives. We were proved right and that conviction is as true and necessary now as it was in October 2000. Perhaps it is even more so, given how success can breed complacency.

Most people focus on our financial success, but it is the role we have played in the Kenyan society that has made us who we are. It is our DNA. It is not possible to overestimate the importance of the position of the company in Kenyan society. We continue to make a significant contribution to the fabric of Kenyan society. We continue to create opportunities for people to empower and uplift themselves and transform their lives. This remains our purpose.

“

Most people focus on our financial success, but it is the role we have played in Kenyan society that has made us who we are. It is our DNA.



Economically sustainable innovation

Our purpose informs our approach to sustainability. We have never confused sustainability with corporate social investment. For us, sustainability means finding and devising commercially feasible solutions to the social challenges our society faces. Our partnerships and investments are economically viable and that is what makes them genuinely empowering and sustainable. It is an extension of the way we do business. It also reflects an attitude we have nurtured within the company. Our people are encouraged to view our business through the lens of the Sustainable Development Goals (SDGs), and to identify ways in which we can help society, and to participate in the solutions they devise directly. This is another reason why our purpose has infused the DNA of the company.

Several of our notable recent partnerships and investments illustrate our approach perfectly. DigiFarm capacitates smallholding farmers through access to micro-finance, discounted farm inputs and to information regarding best practices and markets. It is a virtuous circle as the success of the farmers drives the growth of the platform. Likewise, with M-Tiba, our micro-insurance healthcare product for low-income households.

The same sustainable, shared value approach underpins our new M-GAS partnership as well. Launched during the year, the M-GAS solution enables low-income households to purchase gas on a pre-paid basis, using micro-payments through M-PESA to pay for what they need. We estimate that a family can cook three meals a day for less than KSh 70 and eliminate the respiratory infection and global warming risks associated with charcoal and kerosene pollution at the same time.

Mobilising in response to crises

Our sense of purpose also mobilises us to step towards a crisis when we see it. We read about the tragedy of a young girl who committed suicide because she lacked sanitary pads and was sent home from school for menstruating. We discovered the scale of the problem and how many young female scholars miss their final year national examinations for this reason. In response, we started the Keeping Girls in School initiative through the M-PESA Foundation and have distributed three months' supply of sanitary towels and underwear and information on menstrual hygiene to around 800 000 girls.

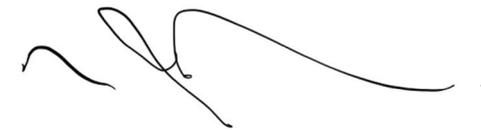
We have taken the same approach with the COVID-19 pandemic. In addition to donating KSh 200 million of food to those in need, and thermal cameras worth KSh 10 million to the Ministry of Health, we have zero rated transaction fees on M-PESA transactions below KSh 1000, and charges for hospitals and dispensaries, and doubled the bandwidth available to our home fibre customers for free. We have set up a toll-free, 24/7 Coronavirus information and support hotline (719) through our call centre and allowed customers to use Bonga points to buy food and necessities as well.

Refocusing on customer trust

We launched our 'For You' campaign in October 2019 to rebuild customer trust and win back market share. An expression of our commitment to be simple, transparent and honest with our customers, the campaign included voice and data bundles with no expiry dates and simplified tariffs. The campaign has been a success, especially the data bundles, and we intend to build on this in the near future.

Resilience through transitions

It has been a year bookended by difficult transitions: the loss of Bob in July 2019 and the arrival of the COVID-19 pandemic in March 2020. Yet we have proved to be resilient because our foundations remain strong. Our resilience is a testament to our strong sense of purpose. Our strength is drawn from our commitment to fulfilling our responsibilities as part of the fabric of life in Kenya. Safaricom is a special company and, having spent time with Peter Ndegwa, I am confident that he appreciates this and also understands our DNA. On behalf of the team, I would like to welcome Peter to the team and offer him our ongoing support.



Michael Joseph

*Chief Executive Officer (outgoing)
Safaricom PLC*

Message from our incoming CEO

I am delighted to be joining Safaricom, even at a time when humanity is facing one of the biggest challenges in modern history. While it is a difficult time for all of us, I am encouraged by the commitment I have seen from my colleagues as they find innovative ways to support our customers and the country during the COVID-19 pandemic.

The pandemic is revealing how important digital connectivity and tools have become. Amid unprecedented disruption, digital technology is holding the world together. It is helping us to share vital resources and information and to continue working as officials, employees, students and front-line health workers. It is helping us to ensure that supply chains can still function globally, and that we can continue to exchange the goods, services and equipment we need.

At the same time, the pandemic is exposing the digital divides and inequalities between us and how vulnerable certain sections of our society remain. It has illuminated the tremendous socio-economic importance of being able to access the internet and the positive impact internet-enabled devices like smartphones have on incomes and the ability of communities to withstand crises like this. Access to the internet is emerging as one of the foundations of sustainable socio-economic empowerment.

Becoming a purpose-led technology company

As we focus on the next phase of our journey, we remain steadfast not only on our Transforming Lives purpose but also on our vision to be a purpose-led technology company. Through being digital-first and an insight-led organization, our aim is to continue delivering a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges.

Becoming a customer-centric organization

Our outgoing CEO, Michael Joseph, has done well in rebuilding customer trust during the year. Customer trust underpins everything else we do. We are unlikely to fulfil our purpose or achieve our sustainable business goals if Kenyans do not trust us and, ultimately, reward us with their loyalty.

The truth of this is reflected in the positive results of the customer trust focused 'For You' campaign launched by Michael and the team earlier in the reporting period.

I would like to congratulate Michael and the team for introducing the 'For You' campaign and the strong performance they have achieved this year. I am keen to build on this success and momentum through a fundamental shift in the way we think and approach customer experience across the organization. We



are going to shift our mindset and no longer consider customer experience from a *capacity* perspective, but from a *customer obsession* perspective, where everyone in the organization will own customer centricity as the most important part of their job. This will entail listening more to our customers, drawing from their frustrations and imagination to co-create better solutions. I believe that this shift will intensify the connection with our customers and with our purpose even deeper.

Shared value partnerships

The pandemic has also highlighted the importance of partnerships. As my late predecessor, Bob Collymore, pointed out: we cannot solve the urgent, widespread challenges created by inequality in our society in isolation. The public sector cannot achieve this without the help of the private sector. We need to connect and collaborate if we are to tackle such multi-dimensional and pervasive social challenges. The pandemic has already reinforced the necessity of this approach, whether we are partnering with the Ministry of Health to disseminate public health information or partnering with the banks to provide micro-businesses with vital financial support through M-PESA.

Supporting SMEs

We need to support micro-businesses and SMEs. Some estimates suggest that small businesses provide employment to around 80 per cent of Kenyans and account for as much as 40 per cent of all economic activity. Small enterprises like these are the heart of our society and the lifeblood of our economy.

Our Lipa Na M-PESA merchants fit into this category and we are already witnessing the negative impact of the pandemic on their activity. In response, we have increased transaction limits and zero-rated person-to-person transactions below KSh 1 000 and M-PESA wallet to bank transactions. It is a great start, but we know that more will need to be done to help SMEs get back on track.

In our efforts to support SMEs recover from the impacts of COVID-19, we aspire to be the partner of choice in enabling the small businesses grow and thrive. To achieve this, we will deepen our partnerships across our various business ecosystems. We have already begun exploring ways in which we can partner with government and the banks in this regard. We are also looking at how we can continue to expand our merchant till app from a payment platform into a holistic suite of business tools; for example, we will be launching the Lipa Na M-PESA Business app in the near future. This app will empower SMEs and micro-business owners to access statements, make payments, and monitor their business performance in real-time.

Connecting a million low-income Kenyans to the internet

Despite the high level of mobile telephone penetration in Kenya, a large section of the population is unable to afford 3G- and 4G-enabled devices and still relies on 2G-enabled (voice and SMS) handsets. We recognise that this digital divide will take time to bridge, but I am passionate about doing so. We upgraded 1 551 sites to 4G, which increased the 4G coverage to an additional 20 per cent of the population. We will be supplementing the growth in 4G coverage with device financing plans

such as Lipa Mdogo Mdogo. A partnership with Google and Teleone, the Lipa Mdogo Mdogo offering will enable customers to upgrade to affordable 4G-enabled handsets using a flexible payment plan and from as little as KSh 20 a day. Our aim is to enable a million more low-income Kenyans to connect to the internet through this campaign.

Developing the untapped agricultural potential of Kenya

The pandemic has exposed an unacceptable level of food insecurity in a country with great agricultural potential like ours. Having grown up in rural Nyandarua County, I am acutely aware of the tremendous socio-economic benefits that can be gained by supporting and empowering smallholder farmers like my parents. The fact that 1.4 million farmers have already signed up to use our DigiFarm platform is extremely pleasing and I am committed to intensifying our efforts in terms of leveraging our technological capabilities and our capacity for innovation to create sustainable solutions like this.

Shared value thinking to drive sustainable innovation

Safaricom has played an important role in Kenyan society for the last 20 years and I am eager to see that role expand as we continue to identify and exploit new opportunities in critical areas like agriculture, health and education. DigiFarm is a great example of our commitment to shared value thinking and our focus on creating sustainable business solutions, but I am excited by the vast opportunities that still exist for commercially viable innovations that deliver lasting, high levels of social impact.

“ We need to support micro-businesses and SMEs. Small enterprises are the heart of our society and the lifeblood of our economy. **”**

A unique moment in history

In closing, I am delighted to be joining Safaricom at such a unique moment in history. The year ahead is likely to be full of unusual challenges, but I am confident that we will navigate our way through the uncertainty and continue to play a key role in supporting the country through the pandemic and the period of recovery and renewal afterwards. I would like to congratulate every member of staff for their commendable work and achievements during the year and thank the members of the Board for their confidence in me. It is a great honour to lead this company into its next phase of growth and I am excited to explore the opportunities that lie ahead.



Peter Ndegwa

Chief Executive Officer (Incoming)
Safaricom PLC



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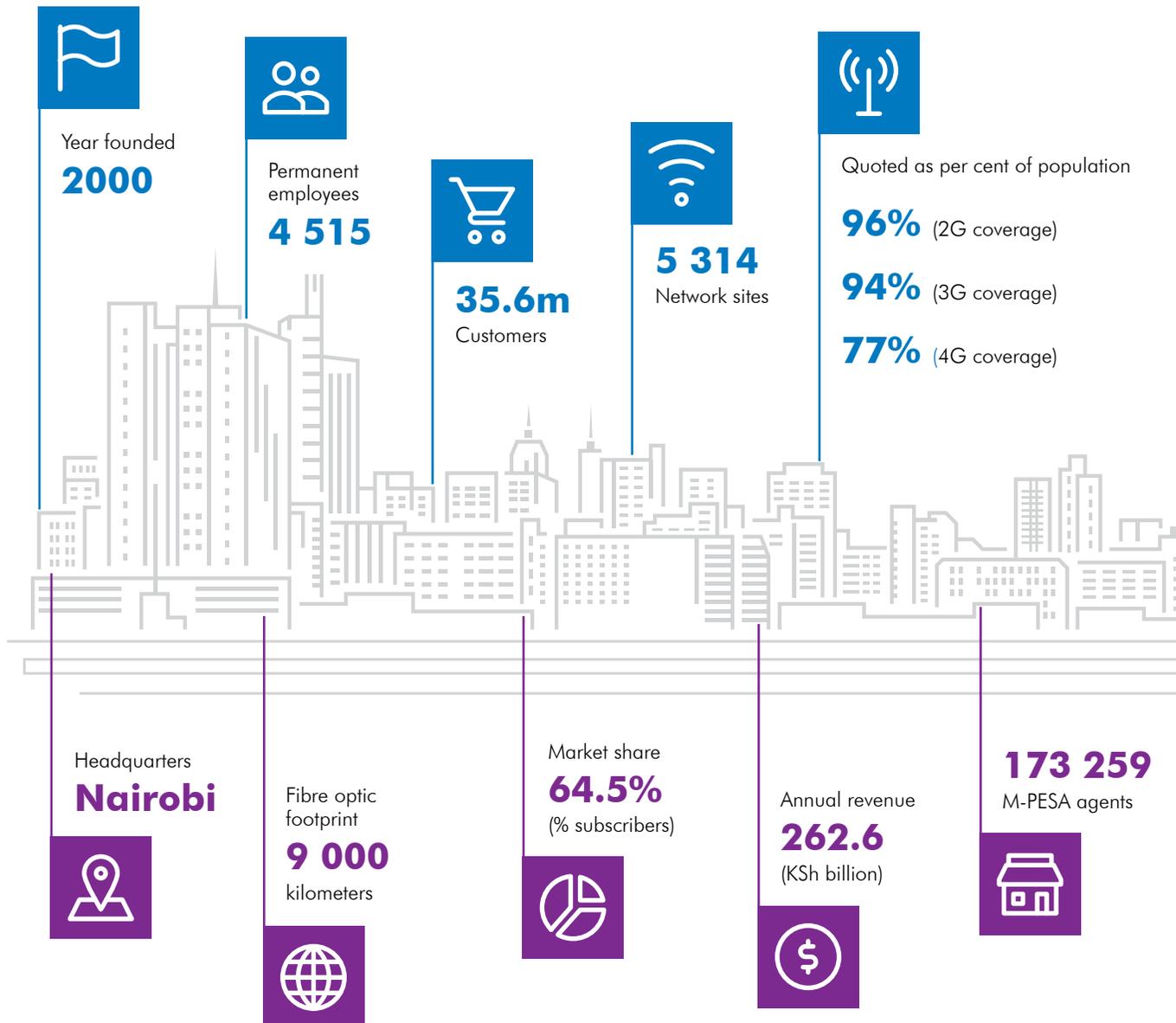
28 True value assessment

Safaricom PLC (Safaricom) exists to transform lives. Our products and services play a central role in the daily lives of 35.6 million Kenyans. We provide a broad array of products and services based on voice and data telecommunications platforms to subscribers that range from individuals to businesses of all sizes (SME to Enterprise) and the government. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi.¹

This section presents a brief overview of the company and the business ecosystem within which we operate. It includes a summary of our strategy, an explanation of how sustainability fits into our strategy, our business model, and an assessment of the total value we have created and allocated during the reporting period.

¹ Safaricom has ten subsidiaries, which are 100 per cent held. Safaricom also has 2 associates and 1 joint venture. These relationships are disclosed in the notes of the Annual Financial Statements in our FY20 Annual Report. These subsidiaries are covered by the disclosures made in this report.

Safaricom at a glance



Our new culture pillars: The spirit of Safaricom



Our vision

A purpose-led technology company



Our purpose

Transforming Lives



Our brand promise

Simple. Transparent. Honest. FOR YOU.



Our culture

Purpose BELIEF-DRIVE. Behaviour: We create the future. Purpose driven. Transforming lives.

Customer obsession BELIEF-TRUST.

Behaviour: We earn customer loyalty. Simple. Transparent. Honest. We will safeguard you.

Collaboration BELIEF-BELONG. Behaviour:

We get it done, together. We treat you like family. We will be your life companion.

Innovation BELIEF-CURIOSITY. Behaviour:

We experiment and learn fast. Innovative, digital solutions provider.

Our business model

Inputs	Processes	Outputs	Outcomes
<p>Our network</p> <p>We deliver our services through 5 314 network sites that provide 96% of the population with 2G coverage, 94% with 3G and 77% with 4G coverage.</p>	<p> Consumer business</p> <p> Enterprise business</p> <p> Financial services</p>	<p> Mobile data Mobile broadband services</p> <p> Messaging SMS and MMS services</p> <p> Devices Handsets, routers and other devices</p> <p> Voice Prepaid and post-paid voice call plans</p> <p> Fixed services Fixed, fibre and leased lines, wireless and hosted services</p> <p> M-PESA Mobile money transfer, payments and international remittances</p>	<p>Value for shareholders</p> <p>Annual revenue 262.6 KSh billion</p> <p>Please refer to our Annual Report for further detailed information about our financial performance.</p> <p>Value for Kenyan society</p> <p>TRUE VALUE</p> <p>Impact on society: 9 x Profit</p> <p>KSh 74.7 billion PROFIT</p> <p>Contribution to GDP 6%</p> <p>Sustaining employment through wider economic impact:</p> <p>1 013 728 jobs in 2020</p>
<p>Our partnerships</p> <p>Our commitment to value-building is illustrated through our numerous relationships. We have 35.6m customers, 173 259 M-PESA agents, 440 dealers, 1 095 suppliers, 4 515 permanent employees as well as other stakeholders.</p>	<p> Support services</p> <p>Technology, Corporate security, Corporate affairs, Business development, Customer operations, Human resources, Finance</p>	<p> IoT Solutions</p> <p>For applications such as:</p> <ul style="list-style-type: none"> • Asset management • Telematics • Smart metering 	<p>Our contribution to the Sustainable Development Goals</p> 

Our corporate strategy

The three pillars of our corporate strategy



Customer first

We are progressively providing a seamless, frictionless and personalised digital experience to our customers.



Relevant products

We are developing a deep insight of our customers' needs, wants and behaviours and providing propositions to lead in chosen segments.



Operational excellence

It is not just about providing the bare minimum in voice, messaging and data services; it is about investing in enablers that allow our customers to stay connected to each other and to the world around them.

The three pillars of our corporate strategy also support our efforts related to the SDGs. The following table illustrates this by mapping the SDGs against the three pillars of our corporate strategy and each of our material topics.

	Customer first	Relevant products	Operational excellence
Governance, business ethics, risk and regulation			
Our network			
Environmental stewardship			
Innovation			

Our sustainability vision

We aspire to use our products and services to transform lives and contribute to sustainable living throughout Kenya. Based on this fundamental aspiration, our vision sets out how we use our ability to deliver connectivity and innovative services to improve the quality of life and livelihoods of all Kenyans. Central to achieving this vision is our commitment to managing our operations responsibly and ethically. Our vision is based upon the twin pillars of responsible, ethical business and transformational products and services.

Our sustainable business strategy

In 2006, we signed up to the UN Global Compact (UNGC) and in 2012 we started reporting on our approach to sustainability and progress. In 2016, we brought our approach into alignment with the SDGs to help translate our sustainability ideals into meaningful and concrete plans, from overarching objectives to simple daily activities that could be put into practice throughout the organisation.

In 2018, we were awarded UN Global Compact LEAD Company status in recognition of our commitment to the 10 principles of the UNGC. Global Compact LEAD companies are identified annually for high levels of engagement as a Participant of the United Nations Global Compact. Participation in the UN Global Compact at the LEAD-eligible level provides a unique opportunity to be recognised for commitment, to lead to a new era of sustainability. By bringing committed companies together with relevant experts and stakeholders in Action Platforms,

the UN Global Compact provides a collaborative space to generate and implement advanced corporate sustainability practice. As a highly engaged part of the UN Global Compact, Global Compact LEAD companies are uniquely positioned to inspire widespread uptake of sustainability solutions among businesses around the world.

The Board is responsible for ensuring that sustainability is at the heart of our overall business strategy. Safaricom management assumes the responsibility of implementing, monitoring and reporting on sustainability initiatives through seamless integration of the SDGs into the day-to-day operations and functional responsibilities of the business. The Board and management teams are further supported by a team of champions, who assist with the implementation, monitoring and reporting of SDG-related initiatives in each of the business units.

For more information on our governance structure and the responsibilities of the relevant governing bodies, please refer to the governance section of the 2020 Safaricom Annual Report.

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



The Safaricom SDG Purpose Statement

We commit to deliver connectivity and innovative products and services (SDG9) that will provide unmatched solutions to meet the needs of Kenyans by enabling access (SDG10) through our technologies and partners (SDG17) and by exploring opportunities in Health (SDG3), Education (SDG4) and Energy (SDG7). We will do so by managing our operations responsibly (SDG12) and ethically (SDG16). This will stimulate growth and generate value (SDG8) for our company, society and economy.















Our contribution to the Sustainable Development Goals

In 2016, we identified nine SDGs to integrate into our business operations. In making the SDGs a central pillar of our business, we have made sustainable development a part of the organisational and business culture at Safaricom. The above infographic provides a brief overview of these nine goals and how we have interpreted/integrated them, together with examples of specific contributions we have made towards them since.



Good Health and Well-being

“Ensure healthy lives and promote well-being for all at all ages.”

Key targets:

- 3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100 000 live births.
- 3.2 By 2030, end preventable deaths of newborns and children under 5 years of age, with all countries aiming to reduce neonatal mortality to at least as low as 12 per 1000 live births and under-5 mortality to at least as low as 25 per 1000 live births.
- 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Our contribution:

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

Projects:

- M-Tiba has over 4.8 million users accessing health services at 3 499 approved health facilities countrywide and has paid out over KSh 1 billion to date. M-Tiba is an e-wallet health payments solution that enables the users to save towards healthcare expenses from as little as KSh 10. M-Tiba is a partnership between Safaricom and CarePay.
- We launched Safiri Smart, a disease and epidemic surveillance platform that gives travellers alerts on infections risk, it has 292 725 subscribers. Safiri Smart is a partnership between Safaricom and Korea Telecom.
- The maternal and child health programmes of the Safaricom and M-PESA Foundations have improved access to quality, affordable medical services for over 367 341 Kenyans.



Quality Education

“Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

Key targets:

4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

4.A Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

Our contribution:

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

Projects:

- Our unstructured service supplementary data (USSD) and SMS service that enables students and teachers to take quizzes, search subjects to study and access Wikipedia summaries without an internet connection, Shupavu 291, has 939 772 active subscribers and has been used by over 5 million learners since its launch in 2016.
- The M-PESA Foundation Academy provides 669 economically disadvantaged students access to a high-quality education through world class learning facilities, focused on building leadership and entrepreneurship skills.
- Over 106 208 learners have benefitted from projects funded by Safaricom Foundation through its Accelerated Learning Programme (ALP), which focuses on constructing and equipping educational facilities with books and assistive devices.



Affordable and Clean Energy

“Ensure access to affordable, reliable, sustainable and modern energy for all.”

Key targets:

7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

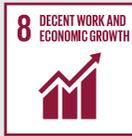
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Our contribution:

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

Projects:

- We have introduced science-based carbon reduction targets to help us plan our progress towards becoming a Net-Zero carbon emitting company by the year 2050. In FY20, we registered our targets with the Science Based Targets Initiative (SBTI).
- We have transitioned 221 (4%) of our sites to renewable and hybrid energy sources – an increase from 196 (3.7%) in FY19, while 948 (15.4%) have been connected to the national grid to date.
- We have planted over 1 44 000 trees so far as part of our commitment to grow five million trees in five years to serve as carbon sinks for our scope 3 emissions.
- In partnership with M-Kopa Solar, we have provided access to affordable solar energy to over 660 000 households, improving the quality of life for 2.5 million Kenyans and avoiding 1.5 tonnes (tco2) in emissions.
- Partnered with M-Gas to provide access to clean energy for low-income households in Kenya.



Decent Work and Economic Growth

“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”

Key targets:

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labour-intensive sectors.

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Our contribution:

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

Projects:

- We sustained 192 747 jobs directly and indirectly through our operations, including the livelihoods of 173 259 M-PESA agents and 440 dealers.

- Through the Safaricom Foundation Wezesha programme, we trained 1 883 youth on digital skills and jobs and 826 trainees secured work afterwards.
- 33 000 youth empowered through our Blaze entrepreneurship skills initiative and Chapa Dimba na Safaricom football talent exposure camp.
- Digifarm is an integrated agriculture platform that helps agribusiness and smallholder farmers access credit, information and sell their farm produce. It has 430 000 active users with 12 037 farmers using the service end-to-end and 188 350 farmers accessing learning content. KSh 348 million worth of inputs have been redeemed via the platform to date.



Industry, Innovation and Infrastructure

“Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.”

Key targets:

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

9.C Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.

Our contribution:

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

Projects:

- Our mobile network now covers 96% of the population with 2G, 94% with 3G and 77% with 4G, and more than 22 million Kenyans are now connected to mobile data.

- We extended our fibre optic cable footprint to 9 000 kilometers and have connected 142 000 homes and 11 911 businesses to our high-speed internet service to date. In addition, we have connected over 10 000 businesses through our 4G LTE service.
- We have over 700 000 ‘Internet of Things’ (IoT) connections in asset management, utilities and telematics, such as real-time monitoring of stock in cooler cabinets.
- We have invested in six portfolio companies to date through our venture capital Spark Fund (Sendy, mSurvey, Eneza, Lynk, Farm Drive and iProcure).

- Through our Women in Business (WIB) initiative, we plan to increase the share of our procurement spend going to women-owned businesses to 10%, currently we are at 2.3%.
- We have partnered with device suppliers to create affordable smart devices to enable our customers to access internet, such as the Neon Ray (4G), which costs KSh 3 999, and the Neon Nova (4G), which costs KSh 5 999. Currently, 40% of the devices on our network are smartphones (3G- and 4G-enabled), of these 40% are 4G- enabled.
- We reduced the cost of data per MB by 28% during the year under review.



10: Reducing Inequality

“Reduce inequality within and among countries.”

Key targets:

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

10.4 Adopt equality-related policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

10.C By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.

Our contribution:

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

Projects:

- 50% of our employees, 35% of senior management and 24% of our Technology Division is comprised of women. 2.3% of our employees are persons living with disabilities.



Responsible Consumption and Production

“Ensure sustainable consumption and production patterns.”

Key targets:

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Our contribution:

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

Projects:

- We have collected 299 910 tonnes of solid waste in our administration buildings this year, and 97% was recycled.
- We have collected and recycled 1 287 tonnes of e-waste to date (215 tonnes this year).
- We have continued to eliminate plastics, with 87 500 pieces of disposable plastic tumblers removed because of the change to reusable water glasses in all customer reception areas. Over 200 000 single-use plastics removed from across the business.



Peace, Justice and Strong Institutions

“Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.”

Key targets:

16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime.

16.5 Substantially reduce corruption and bribery in all their forms.

16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

Our contribution:

Manage our operations responsibly and ethically and fight corruption in all its forms.

Projects:

- 97% of our suppliers have signed up to Code of Ethics for Businesses in Kenya.
- 309 dealers, 63 812 agents and 286 suppliers trained on Know Your Customer (KYC) requirements for registration of customers to combat money-laundering and other crimes associated with mobile technology.
- 96% of employees received ethics and anti-corruption training.



Partnerships for the Goals

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

Key targets:

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

Our contribution:

Partner and build collective capacity of people, organisations and nations to promote and advance the SDGs.

Projects:

- We partnered with Amazon Web Services (AWS) to provide enterprise-grade, cloud-based digital services.
- We hosted the 2019 Africa Shared Value Summit in partnership with the Africa Shared Value Initiative. The event was designed to foster shared value thinking among businesses in the region.
- We successfully mobilised leadership in East Africa through the B-Team, with a focus on advancing open government and responsibility in tax, protecting civic rights, unlocking capital for green business and creating opportunities for women and youth.



True value assessment

We monitor and measure our contribution to Kenyan society continuously. One of the ways in which we evaluate our role is by assessing the significant indirect value contribution we make to the economy, society and environment in Kenya. We use a structured impact modelling tool – the KPMG “True Value” methodology – to quantify the positive and negative impact of the organisation on society, the environment and the economy in monetary terms. The following “True Earnings” bridge highlights our resilience as a business and strong fundamentals by showing that the total value we created for Kenyan society in FY20 was KSh 654 billion, around nine times greater than the financial profit we made during the year, and that we sustained over 192 747 direct and indirect jobs.

The following is an independent analysis of Safaricom True Earnings by KPMG.



Definitions

True Value: A three-step methodology that enables companies to (i) assess their ‘true’ earnings including externalities, (ii) understand future earnings at risk and (iii) develop business cases that create both corporate and societal value.

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

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

Induced economic impact: Operational and capital expenditure by Safaricom will create additional employment and also benefit the employees of our suppliers. A share of the additional income generated in this way will be spent on the consumption of goods and services, which, through linkages and multiplier effects, will benefit the broader economy by stimulating additional demand for the products and services produced within that economy.



True Value: Impact on society

The True Value assessment calculates that Safaricom sustained over **192 747** direct and indirect jobs during the year and, if the wider effects on the economy are included, this number increases to over **1 013 728** jobs.



Impact on society

9x profit

generated (KSh 74.7 bn)



0.6%



Economic value added

358.6 bn

direct and indirect, through operations and taxes



6%



Social Value of M-PESA

234.1 bn



9.7%



Environmental externalities

406.2 m



1.5%

We remain committed to our purpose of transforming lives. Our latest True Value Report indicates that the true value to Kenyan society created by Safaricom (the cumulative outcome of the economic, social and environmental impacts highlighted on the True earnings bridge) increased by nine per cent to KSh 654 billion, nine times the financial profit the company earned during the same period, and we contributed a total of 6 per cent to the gross domestic product (GDP) of the country. We continue to leverage the power of mobile technology to deliver shared value propositions that disrupt inefficiencies and impact lives positively in the health, agriculture and education sectors.

True Value Assessment



The FY20 True Earnings bridge

The economic impact made through Safaricom operations is the greatest contributor to the value we create. This has grown six per cent since FY19. The value created through capital expenditure also increased in the year under review, by one per cent.

True Earnings | FY17 - FY20 (KSh million)



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

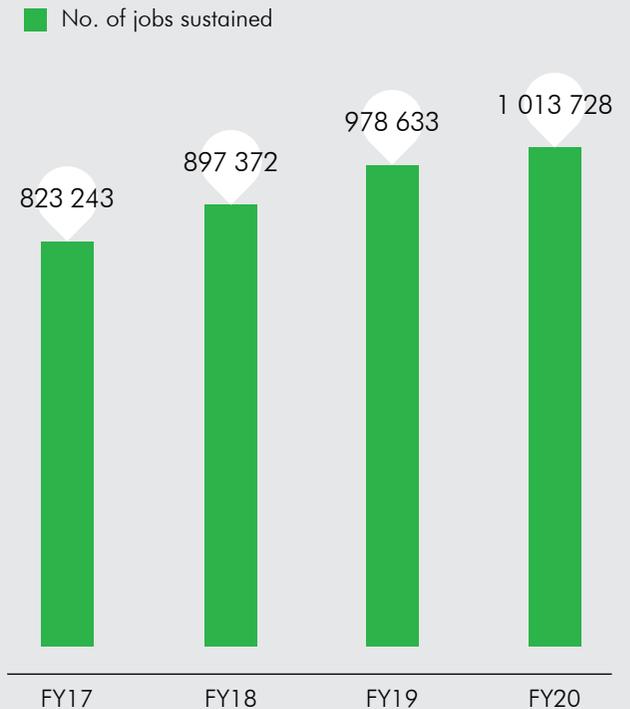
Throughout the period, the greatest contribution to “True Earnings” came from the economic value created through the operations and capital projects of Safaricom, whereas the negative environmental externalities, though recognised as a material topic, continue to have minimal impact.

The economic impact of the estimated KSh 262.6 billion in annual revenues generated from the Safaricom operations resulted in an estimated KSh 549.8 billion contribution to Gross Domestic Product (GDP). This GDP impact can be separated into a direct impact of KSh 152.7 billion, an indirect impact of KSh 94.7 billion and an induced impact of KSh 302.4 billion.

The total economic impact of the KSh 36 billion capital expenditure in Safaricom resulted in a total estimated GDP contribution of KSh 20.4 billion. This GDP impact can be separated into a direct impact of KSh 8.5 billion, an indirect impact of KSh 3.3 billion and an induced impact of KSh 8.6 billion.

The “Total Economic Value added” on the Safaricom True Earnings Bridge only includes the direct and indirect GDP impact associated with Safaricom operations and capital expenditure. Each year, a portion of the economic value generated by Safaricom is lost as a result of corruption that takes place in the Kenyan economy. It is important to note that this is not directly connected to the activities of Safaricom, but rather acknowledges the unfortunate reality that not all of this value is retained.

Jobs impact | FY17 - FY20



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

The social value of M-PESA remains a significant creator of value for Kenyan society, increasing by 10 per cent in the last financial year. The major drivers of this growth have been the increase in numbers of customers, agents and merchants; the increase in the average number of transactions per customer; and the increase in the average value of transactions made per customer. The greatest value continues to be felt by customers, who benefit from their improved ability to manage and save money, lower transaction costs, less theft, as well as the wellbeing that comes with access to goods, services and opportunities, and increased safety and security.

There was one recorded third-party fatality in FY20, and a year-on-year increase in the number of lost-time injuries, which negatively impacted the Safaricom True Earnings for the period. It is also worth noting that the decrease in spending by the Safaricom and M-PESA Foundations reduced the value created through strategic social investments during the year.

The overall negative environmental impact on the Safaricom True Earnings decreased slightly. The main contributor was the decrease in carbon emissions in the year under review due to reduced travel, improved management of diesel and refrigerant consumption and more accurate billing.

There was a slight increase in total water consumption associated with an increase in the number of staff and enhanced awareness on handwashing.

All financial information can be found in the 2020 annual financial report, including taxes paid by Safaricom and actual direct employment. Both capital and operational expenditure have been processed via the Kenyan national economic impact assessment model, set up to accept the economic structure of the communication industry according to the Kenyan Social Accounting Matrix (SAM).

How we arrive at these numbers

KPMG first carried out a “True Earnings” exercise for Safaricom in 2015 to identify the most material socio-economic and environmental impacts of Safaricom and to quantify them in financial terms. During that year, Step 1 of the True Value methodology was carried out to estimate the True Earnings of Safaricom for the year in question.

Primary research enabled us to complete this exercise and to ascertain the social value created by M-PESA¹, in particular. To quantify this social value, principles from the Social Return on Investment (SROI) methodology were used. SROI is an open-source, principles-based method used to account for social change. More detail regarding the 2014/15 True Earnings exercise can be accessed at: <https://home.kpmg.com/content/dam/kpmg/pdf/2016/07/case-study-safaricom-limited.pdf>

Since 2014/15, True Earnings has been used by Safaricom as a way of understanding and expressing the value that the company creates for society. A decision has been made not to carry out the same level of primary research in the following years, but to extrapolate existing primary data and research points from 2014/15, or other years in which relevant data has been publicly available, to create a picture of the relevant period that is as

accurate as possible. This has necessitated making certain informed assumptions, all of which have been interrogated internally and confirmed to be the most appropriate in the specific Kenyan context. For the 2019/20 True Earnings update, secondary data was updated with the latest available information. The update for 2019/20 did not include new/additional M-PESA products, new primary data, nor a renewed examination of any of the activities of the company.

Further research will be undertaken in the current financial year and the assumptions updated accordingly. This will be reflected in the FY21 True Value bridge.



OUR MATERIAL TOPICS

Our sustainability material topics are the most important environmental, social, economic and governance imperatives and opportunities for our organisation and stakeholders.

This section describes each of our material topics, how these influence us and how we respond to them as an organisation. As part of our ongoing commitment to the SDGs, we have included references to the goals to which we have aligned our efforts in each chapter again this year.

There have been no significant changes to the list of our material topics from last year and all of these topics are material to all entities within the organisation.

- 34 Governance, business ethics and risk
- 39 Building regulatory resilience
- 42 Our network
- 46 Environmental stewardship
- 52 Innovation



Please visit the companion website for this report at https://www.safaricom.co.ke/sustainabilityreport_2020/ for more information regarding the process we use to determine our material topics.

Governance, business ethics and risk

We consider sound corporate governance, ethical behaviour, and robust risk management to be fundamental to our commercial sustainability. We must operate ethically, transparently, and accountably if we are to avoid legal and reputational risks and maintain the high stakeholder trust and confidence required to maintain our sustainability and success.

Corporate governance

We ensure that Safaricom is run in an ethical, transparent and accountable manner by having strong governance processes and structures in place, along with explicit guiding principles and clear lines of responsibility.

The Board of Directors of Safaricom is, ultimately, responsible for corporate governance throughout the organisation and the behaviour of members is governed by an explicit Governance Charter. Members of the board also undergo collective and individual performance assessments at least once annually. The board meets at least four times a year.



Please refer to the 'Our Governance' section of the 2020 Safaricom Annual Report at <https://www.safaricom.co.ke/investor-relation/financials/reports/annual-reports> for more information regarding our governance structures and reporting processes.

Ethical behaviour

We recognise that acting ethically, as an organization and as individuals, is the foundation upon which all of our governance and risk management processes and ambitions rely. We continue to take steps to cultivate awareness and put anti-corruption monitoring and corrective measures in place, and to drive behavioural change within society through collective action initiatives. We use an independent ethics perception survey and preventative measures like our continuous ethics awareness and employee anti-corruption training programmes to monitor and manage the ethical culture across all our operations. We use our supplier Code of Conduct and the Code of Ethics for Businesses in Kenya to manage the ethical culture of our business partners.



Our response to COVID-19

- We activated the crisis management team in January when it became evident that we were dealing with a global pandemic. Scenario planning, testing and supply chain reviews were conducted, along with partner engagements, to ensure that we were well prepared to deal with the pandemic.
- As part of supporting the continuity of business operations, arrangements were made to ensure staff would continue to deliver remotely while taking adequate IT security precautions.
- We have ensured that our employees are continuously aware of the pandemic through various channels and that they are offered all the necessary support during this difficult period.



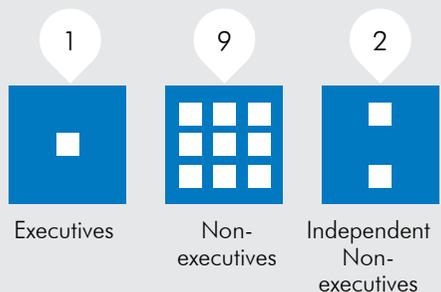
As part of our ongoing commitment to the SDGs, we continued to align our efforts regarding ethics, governance, risk and regulation with four of the goals that represent areas over which we are able to achieve significant impact in our own business and amongst our stakeholders: promoting ethical business practices and fighting corruption in all its forms within Safaricom (SDG16), our value chains and within the wider business community (SDG17) and pledging to create a non-hostile and secure workplace (SDG8) within which all employees are treated equally (SDG10).

Demographics of the board

GENDER



COMPOSITION



Employee ethics training and awareness sessions

Anti-corruption preventative measures (% of total employees)

	FY20	FY19	FY18	FY17
Ethics and anti-corruption training	98%	96%	98%	98%
High-risk departments*	98%	98%	98%	98%
Medium-risk departments	98%	98%	98%	98%

* Due to the nature of their work, these departments are more susceptible to fraud

We achieved a 98 per cent participation rate again this year. The slight drop to 96 per cent in the previous reporting period was due to the timing of the team building sessions and staff awareness events in FY19. If we are unable to plug into the main sessions and events, we follow up with e-learning sessions at an individual level instead, which can lead to a slower and lower response rate.

Ethics awareness sessions are conducted annually. Following feedback from our ethics perception survey, topics covered include Ethics risks, Data privacy & information risks, Cyber security rules, Anti-Money Laundering (AML) and Business Continuity Planning (BCP). These awareness sessions highlight policies such as the employee code of conduct, which outlines the importance of reporting any ethical issues in the business, and by which all staff and Board members are required to make a regular declaration against conflicts of interest.

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

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

Ethics training for our partners

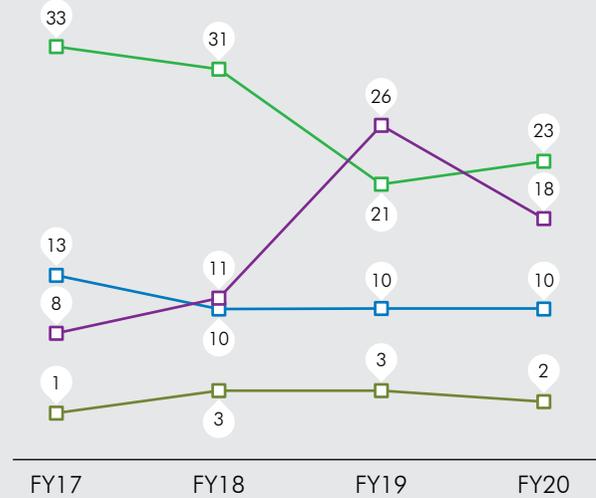
KYC and ethics training for business partners

	FY20	FY19
Dealers	309 (75%)	282 (64%)
M-PESA Agents	63 812	61 567
Suppliers	286	248

We continued to promote ethical business practices among our business partners during the year. We held ethics sessions and anti-fraud training with our M-PESA agents, dealers and suppliers. Topics covered included identifying fake currency, anti-money laundering responsibilities, the duty to report and gift declarations. We supplemented the sessions with ethics-related newsletters. We collect all Know Your Customer (KYC) documents to ensure compliance and introduced the Safaricom Jiandikishe app during the year, which makes the subscriber registration process simpler and, therefore, makes it easier for dealers to meet regulatory obligations.

We also continued to mandate that suppliers sign up to the Code of Ethics for Businesses in Kenya and their contracts are not renewed unless they do so. Ninety-seven per cent of our suppliers have signed up to date.

Monitoring corruption and fraud



- Risk assessments (bi-annual cycle):** comprehensive evaluations of range of risks, from operational & strategic to ethical
- Audit reviews:** in-depth reviews that evaluate specific internal controls and processes
- Fraud reviews:** conducted on specific areas/ processes suspected of having become compromised
- Special request reviews:** reviews of special areas/ processes requested by management

The figures presented in this graph have been externally assured and may differ from the Safaricom Annual report.

Risk management

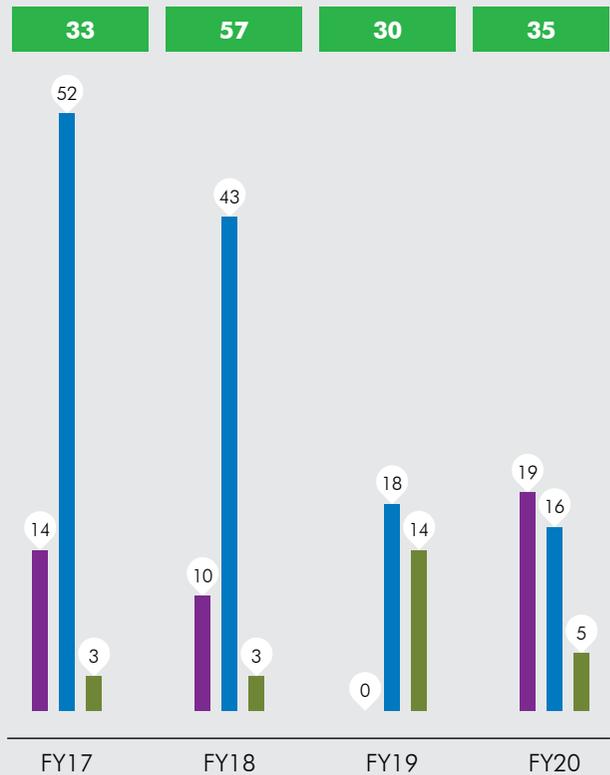
Our governance and business ethics objectives are supported by our robust risk management processes. We use a combination of risk assessments, audit and fraud reviews to monitor and manage risk throughout the company.

The decrease in the number of risk assessments conducted during the year reflects a change in strategy and approach. We now assess key processes from end-to-end, rather than reviewing a specific function or division within the business. This new approach yields improved insights because it cuts across functions and divisions. It also reduces the volume of assessments undertaken during each cycle.

It is tempting to review the trend suggested in the preceding table as a positive indication of how well our ethics awareness training, and corruption and fraud detection processes are working, and this may indeed be partly the case, but the nature of disciplinary cases remains dynamic. The change in statistics indicates neither an improvement nor a worsening of environment. We recognise that it is unlikely a business the size of ours will ever be free from fraud entirely and that, to an extent, the better we become at detecting it, the more effectively it will be concealed. Overall, our main goal remains to have procedures in place that show that we are proactively detecting, investigating, and penalising wrongdoing.

Monitoring corruption and fraud

- Fraud cases investigated**
- Outcomes:**
 - Disciplinary warnings
 - Dismissals
 - Cases reported to law enforcement agencies





Risk management systems

GRC

The Governance, Risk and Compliance System (GRC) implemented is a solution which is enabling the business to manage regulations and compliance while tracking risks and the related controls environment across the enterprise. The system has ensured easy integration of Governance, Risk and Compliance activities into existing process as well as automation of monitoring activities. It also has a case management module which is used in tracking fraud cases and managing their investigation and closure of the cases effectively.

RAS

The Revenue Assurance System (RAS) implemented has ensured automation of all end to end assurance processes. It has also ensured timely detection of billing anomalies.

The move from manual to automation has enabled more focus to improvement of business processes.

Helping our customers tackle fraud

During the year, we continued with our road shows and local language campaigns in televisual, digital, print and radio media to raise awareness of the social engineering attacks that criminal syndicates may use to exploit M-PESA users, such as Jichanue and the 333 fraud reporting hotline. Radio and TV campaigns achieved a reach of 60 per cent of our customer base, and 5.5 million customers were reached through SMS broadcasts.

We also continued to promote awareness of our voice biometric security measure, Jitambulishe, through which your voice is your password.

We also continued to work closely with the Directorate of Criminal Investigations (DCI) and through our collaborative efforts, 54 individuals were apprehended and prosecuted for various offences, ranging from irregular SIM registration to electronic fraud and identity theft.

Customer and data privacy

We created a Customer Privacy Department that reports to the Chief Corporate Security Officer during the year. The creation of this department reflects how important we consider this aspect of our business. The purpose of this department is to review our processes and policies and ensure that we are compliant with all regulations in this regard, such as the Data Protection Act of 2019 and the European Union (EU) General Data Protection Regulations (GDPR).

The department has already benchmarked the company against other members of the Vodafone Group and borrowed best practices from them, conducted a company-wide data protection impact assessment of employee awareness and published a Data Protection Policy that guides employees

on the use and management of the personal information of customers. It has also conducted customer privacy and data protection awareness sessions with key business partners, including dealers and agents. The department has also published a Data Protection Statement on our website that describes the legal rights of customers in this regard, and how these rights can be exercised.

Staying ahead of cyber threats

In order to reduce the risk exposure for the company, we have taken bold steps to combat cyber threats through our 24/7 Security Operations Centre, which has enhanced visibility to enable proactive response through monitoring, analytics and prompt detection. Our Security Operations Centre is built on a strong foundation for operational excellence driven by well-designed and executed processes, a multidisciplinary team of experienced engineers, strong governance, and a constant drive for continuous improvement to stay ahead of the cyber adversaries.

In addition, we are partners in fulfilling the business goals of our customers through a highly responsive and flexible engagement model to deliver quality Managed Cyber Security products and services at optimal costs, allowing our customers to stay focused on their core business. Our team of security engineers are highly qualified and skilled with the business and technical acumen to deliver value to our customers.

We also held quarterly sessions with Banks and Sacco Societies (savings and credit co-operatives) to raise awareness of cyber security risks and empower them to introduce effective prevention controls on their mobile money platforms.



Standards and certifications

To safeguard the security and quality of the services and products we offer our customers, we continue to benchmark our systems, processes and structures against applicable international standards. Among the recertifications we have attained are the following:



Information Security: 2014 Protect unauthorised disclosure, modification and/or deletion of information. This standard demonstrates the increased reliability and security of our systems and **information**.



Environmental Management: Environmental management to help organisations **minimise the negative effect** of their operations on the environment. This standard has helped us to improve our environmental performance by making more efficient use of resources and reducing our waste.



Guideline on Social Responsibility: This standard assists us in contributing to sustainable development.



IT Service Management: Delivery of IT services using best practice guidance. This standard demonstrates our ability to meet customer requirements through reliable, high-quality services.



Business Continuity: Framework for effective business **responsiveness** to critical incidents. Our Business continuity management system enables us to assess potential impact of disruptions, make decisions and minimise the impact of these disruptions.



Quality Management: Demonstrates our ability to consistently provide products and services that meet customer and regulatory requirements as we **manage quality** across all our operations.



GSMA Mobile Money Certification – this is a recognition of our efforts to bring safer, more transparent, and more resilient financial services to millions of mobile money users.

As well as being successfully recertified for ISO 22301, ISO 14001 and ISO 27001 this year, we are currently working towards the applicable standards in Occupational Health and Safety, PCI DSS (Payment Card Industry Data Security Standards) and Energy Management.

ISO 14001 :2015 Re-certification

During the year, we were audited by the BSI group and achieved ISO 14001:2015 re-certification for Safaricom PLC for a period of three years. The comprehensive audit included evaluations of the upgrades to our Environmental Management System (EMS) and our successful transition to the new ISO 14001:2015 standards. As part of the process, we trained 10 internal auditors from our internal audit function to maintain our ISO system and a team of 15 ISO 14001 implementers from across the business.



Looking ahead

- We will intensify our data privacy initiatives and awareness across the business.
- We will continue our customer awareness initiatives to protect them from identity theft and social engineering fraud.
- We will continue taking an active role in collaborative advocacy action that promotes ethics and integrity.
- We will continue with initiatives to ensure KYC compliance across the business and partners, such as the rolling out of our KYC App, Jiandikishe, to our dealers to improve the convenience and accuracy of the SIM registration process.
- We shall continue to promote ethical business practices and a culture of integrity within Safaricom and its business partners and support any efforts by other organisations that have pledged to abide by the same.

Building regulatory resilience



As part of our ongoing commitment to the SDGs, we continue to work with our regulators to provide universal and affordable access to all (SDG 9) reducing the digital divide (SDG 10). As a company we are also committed to ensuring that we are 100 per cent compliant with all applicable regulations and legislation (SDG 12).

We are committed to making a positive contribution to our industry and Kenyan society as a whole by operating within the boundaries of a fast-evolving regulatory environment. Our commitment to remain compliant calls for us to continuously expand our ecosystem engagement and build lasting influence with a growing number of stakeholders.

Several external economic, political and regulatory issues continue to shape and shift the regulatory landscape for Safaricom. The impact of these external forces directly impacts our ability to sustainably meet our business objectives, and provides definition in the way we hope to do business in the future.

To ensure that we remain compliant with regulatory requirements, we regularly assess our processes against all applicable laws and regulations on an ongoing basis. We also engage with our regulators proactively on all issues through a variety of channels (please see the Stakeholders section on page 56 of this report for further information regarding these important relationships).

Quality of Service (QoS) compliance register

	FY20	FY19	FY18	FY17
No. of fines for non-compliance	0	0	0	1
Cost of fines for non-compliance (KSh million)	0	0	0	294
Non-monetary sanctions for non-compliance	0	0	0	0
Legal actions lodged for anti-competitive behaviour	0	0	0	0

Data Protection Act

A key highlight of the year was the introduction of new legislation around customer privacy. As a fundamental human right, privacy has become a key focus areas as technologies continue to evolve and demand for personalised data soars. Safaricom is committed to ensure that all customer data remains protected from misuse, and the company has adopted its own robust means of ensuring that global standards of data protection were proactively implemented. The Data Protection Act of 2019 was signed into law by the President of the Republic of Kenya in November 2019. The Act has introduced a set of customer privacy and personal information protection laws and established the Office of the Data Protection Commissioner to oversee and manage the rights of data subjects and obligations of data controllers and processors.

While the Act is still in its implementation phase and a new Data Protection Commissioner is in the process of being appointed, the Act represents a significant, positive step forward for the country. By legislating clarity and certainty regarding the collection and use of personal information, the Act will foster an environment of trust that allows innovation and progress to flourish.

Safaricom participated extensively in the engagement sessions during the public participation phase and we are satisfied that our views have been reflected in the enacted laws. We have also created a Data Protection department to review our processes and policies and ensure that we are compliant with all regulations in this regard (please see the Risk Management section on page 34 of this report for further detail regarding the department and its activities).

Network regulatory compliance

The Communications Authority of Kenya (CA) is mandated by the Kenyan Government to ensure that mobile network operators are delivering services of adequate quality. A new mandate for checking this performance was passed in 2018, when the Authority created a new Quality of Service (QoS) framework that aims to provide more robust measures of network availability in Kenya. The framework has created a more decentralised gathering of information and employs the use of repeated testing to establish performance, which is an improvement on the previous methodology.

Accordingly, the CA tests every operator against a series of Quality of Service (QoS) measures it has developed. Operators that fail to meet any of these criteria are fined. The results of these tests are made public and published on the CA website.

New QoS measurement framework

In 2018, the CA introduced a new framework for the measurement of the QoS of Kenyan mobile networks. The framework is expected to be fully adopted over three years. During this transitional period, the CA has not levied or imposed any fines on mobile network operators.

We have been engaging with the regulator extensively regarding the metrics of the new framework throughout this transitional period.

The new QoS framework has three key focus areas:

- Network performance (measuring stability and availability using data automatically submitted from operator systems)
- End-to-end quality of service (measured through drive tests and walk tests, where the threshold is 80 per cent)

- Quality of Experience (QoE) (using surveys to establish customer satisfaction with the performance of the network). As well as assisting the regulator to define the performance metrics, the industry has been involved in designing and weighting the qualitative indicators included in the QoE survey questionnaire.

Subscriber registration guidelines

Despite national SIM penetration levels of over 116%, more customers continue to join mobile networks in Kenya. In the awareness that SIM registration trends continue to shift, and with the objective of curbing SIM fraud, the Communications Authority issued Subscriber Registration guidelines for stakeholder consultation during the year. The guidelines enhance existing regulations, build more robust procedures and focus on curbing SIM card fraud. Safaricom in collaboration with other mobile network operators participated in a workshop with the Authority to discuss the provisions. Further, we made a joint submission to the Authority on behalf of all the operators. The regulator was receptive to our proposals and has incorporated the same in the revised guidelines.

Spectrum management guidelines

Spectrum is a national resource that is allocated by the Communications Authority via their mandate as provided for in the Kenya Information and Communications Act (KICA), 1998.

Current regulations state that spectrum can be allocated to any licensed player, regardless of their customer size or intended use. In recognition of the fact that Kenya's telecommunications space continues to evolve, the Communications Authority issued draft guidelines to

govern the management and oversight of Spectrum usage and allocation in Kenya for public review. The proposed guidelines are set to enhance clarity and streamline the process for allocating spectrum. Safaricom alongside other industry players submitted their views for the consultation and are awaiting their feedback in the next FY.

Budget 2020 and the Finance Act

As part of our annual responses to the Budget and corresponding amendments to the Finance Act, we attended stakeholder workshops and made submissions through the Kenya Private Sector Alliance and the GSMA regarding our expectations on proposals for budget planning in the forthcoming government financial year. In partnership with the GSMA and other Kenyan operators, we published a report on the impact of tax policies on the growth of the mobile sector in Kenya. The report discovered the various elements that influence the growth of mobile networks globally, and recognised that the sector remains a key contributor for the Government of Kenya. However, striking the right balance between tax revenue maximisation, and incentivising investment and economic growth remains key for the sector's continued growth.

Closing access gaps around the country

As part of the initiative to use the Universal Service Fund (USF) to close access across the nation, we constructed and commissioned another three 2G-enabled Base Transceiver Stations (BTS) in underserved, remote areas during the year. The USF was created to support widespread access to ICT services and the '2G gap' initiative aims to ensure that there is mobile voice and data coverage in even the most

inaccessible and isolated areas of the country. In spite of the onerous security and logistical challenges involved, we are pleased to report that we have commissioned 41 of the 48 sites to date.

Consumer affairs forums

During the year under review, we participated in three *Kikao Kikuu* forums hosted by the Communications Authority through the Government Relations team. *Kikao Kikuu* are forums hosted by the CA that seek to address consumers concerns relating to the products and services provided by ICT service providers. During the events, we responded and addressed issues emerging from our customers and supported the CA in creating awareness on various matters affecting the industry. Trust issues regarding data billing and network coverage in some areas around the rift valley were raised as two key issues by consumers during the forums.

Environmental compliance and management

We continued to undertake Environmental Impact Assessments (EIAs) and Environmental Audits (EAs) during the year. Part of our monitoring and evaluation of our environmental impact, we conduct EIAs on new and proposed infrastructural developments (from BTS to fibre optic network trenching) and EAs on our existing infrastructure. We undertook 437 EIAs during the year, including for all new sites prior to construction. We completed all 513 EAs scheduled, including control audits for sites for which we had received requests from communities neighbouring our BTS sites. We are satisfied to report that we maintained 100 per cent compliance to all applicable regulations and legislation during the year and that no fines were levied against us.

	FY20	FY19	FY18	FY17
Environmental Impact Assessment	437	600	590	527
Environmental Audits	513	300	458	447



Looking ahead

- We will continue liaising with the CA regarding the full implementation of the several critical new regulations, including the new QoS framework, spectrum management and SIM registration guidelines.
- We create more opportunities for customer privacy and data protection awareness with key stakeholders.
- We will continue to build on policies and processes to enhance child online protection for our business and stakeholders.
- We will continue to retain an active role in collaborative advocacy action to promote ethics and integrity among all our stakeholders.
- We will continue our response to the COVID-19 pandemic, liaising with the CA regarding additional spectrum requirements, the Central Bank of Kenya (CBK) in terms of mobile money services (the CBK increased the size of the wallet for M-PESA to KSh150K and the daily transaction limit to KSh 300k to reduce reliance on cash transactions), and the Ministry of Health in terms of potentially assisting with tracking and tracing infections.
- We shall continue laying the foundations for favourable regulatory conditions as Safaricom explores new business products and services.



Our network



We are committed to developing reliable, sustainable and resilient network infrastructure and to providing universal and affordable access to data for all. We have set targets to roll out 4G coverage to 80% of the Kenyan population and to extend our fibre optic footprint.

Our Network is the core foundation of our business. It is the platform through which we deliver our products and services and on our promise to transform lives. Our network is a piece of critical infrastructure that facilitates inclusive, sustainable economic development and innovation. We recognise the role that network connectivity plays in relation to building socio-economic resilience in societies. The critical components of our network are quality, availability and coverage. We remain committed to building a network infrastructure that is resilient.

Network quality

We continue to use independent QoS testing to monitor and manage the quality of our network. According to the results of the tests conducted by Umlaut¹ (www.umlaut.com), we maintained our first-place position across all seven voice and data service categories. We attribute this to several initiatives, including the rollout of additional 4G-enabled sites (thereby improving coverage), upgrading our backbone transmission capacity and increasing overall capacity within the core network (supporting increased levels of data traffic), ongoing optimisation initiatives (improving user call and data experience), and sustained efforts to improve network availability.

¹ Formerly P3 Communications



Customer satisfaction

Customer satisfaction is the heart of our business and the most important metric we measure. We use the network-related Net Promoter Score (NPS) to help us measure the contribution the performance of our network makes to customer satisfaction. The NPS is an independent survey of customer satisfaction and the 'Network NPS' metric allows us to monitor whether our customers are experiencing the improvements we make to the network. While NPS is a useful indicator, it is important to note that it measures customer perceptions and opinions regarding network performance, not actual network performance.

Network NPS

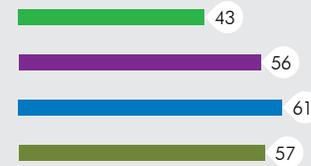
Signal coverage



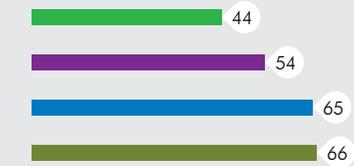
Voice quality



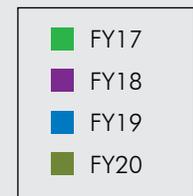
Data coverage



Data speed



Overall



Independent Quality of Service (QoS) test results

Service	KPI	FY20	FY19	FY18	FY17
Voice	Call setup success rate	🏆	🏆	🏆	🏆
	Dropped call ratio	🏆	🏆	🏆	🏆
	Speech quality	🏆	🏆	🏆	🏆
Data	Mean user data rates: download	🏆	🏆	🏆	🏆
	Mean user data rates: upload	🏆	🏆	🏆	🏆
	Mean web browsing session time	🏆	🏆	🏆	🏆
	Network delay	🏆	🏆	🏆	🏆

🏆 First 🥈 Second 🥉 Third

As the preceding graph shows, our overall Network NPS remained stable and was 80 in March 2020. The table also illustrates the breakdown of different network elements used to determine the overall NPS. While we are satisfied with the results, we believe that the tremendous surge in traffic we experienced at the end of the reporting period – an increase of 100% in data traffic year-on-year – may have reduced customer satisfaction levels.

New customer experience evaluation tool to drive network NPS improvements

One of our focus areas during the year was the development of an in-house customer experience evaluation tool, called the Customer Experience Management or CEM tool. The new tool will use bespoke KPIs that we are designing to monitor, manage and improve the customer experience for our different customer segments and their specific needs. Drawing on a wide range of network touch points and sophisticated deep packet analysis, the tool will enable us to visualise and predict customer experiences across the network.

The purpose of the tool is to provide us with more accurate and useful information in terms of what aspects of the network are impacting customer experiences. It reflects our Tech 3.0 commitment to drive our decision making with faster and more precise data and to upskill our engineers and in-house teams.

Network expansion

As per previous years, we focused on expanding fixed and mobile broadband coverage to meet growing demands for data connectivity and faster data speeds in the year under review. Driving growth for data connectivity and enhancing the experience of our customers was a key focus area for the business in FY20. This involved rolling out sites, especially 4G-enabled sites, migrating existing sites from microwave to fibre connections, and continuing with the aggressive expansion of our fibre optic network.

During the year, we rolled out an additional 365 2G-enabled sites and provide 96% of the population with access to 2G services. We also deployed an additional 368 3G-enabled sites, many of these were in rural areas and this equates to providing an additional two per cent of the population with coverage.

To support our ambition of digitising our customers, we continued our aggressive expansion of 4G-enabled sites during the year. We added 1 551 4G-enabled sites to the network and extended 4G services to an additional 20 per cent of the population as a result.

We are delighted to report that we added an additional 2 300 kilometres to our fibre optic network during the year. We continue to support businesses of all sizes and connected an additional 1 536 enterprise buildings. We also made good progress in terms of residential homes, passing an additional 42 105 houses and connecting 34 238 homes to the network. As a result, we have connected over 142 000 homes and 11 911 businesses to our fibre optic network to date.

We attribute this excellent progress to our ongoing strategic intent to become the digital services provider of choice for Kenyans. Accordingly, we set ourselves ambitious targets for the year and sustained our high levels of investment, with capital expenditure of KSh 36.1 billion.

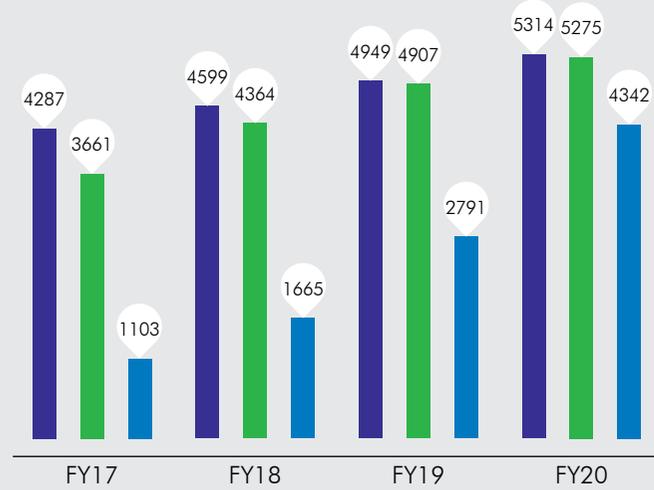
“ We attribute this excellent progress to our ongoing strategic intent to become the digital services provider of choice for Kenyans. [We] set ourselves ambitious targets for the year and sustained high levels of investment, with capital expenditure of KSh 36.1 billion. ”



Network expansion

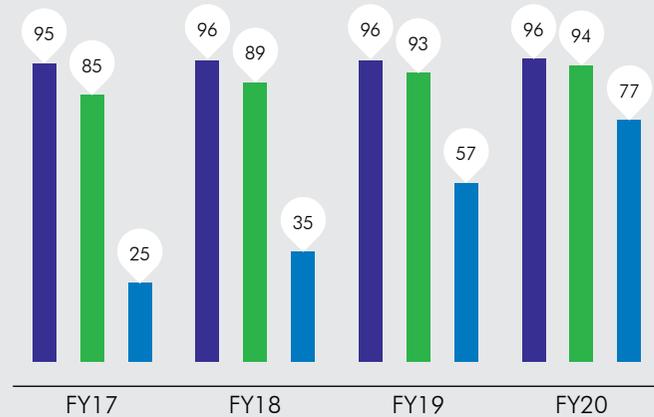
Base stations by type

2G 3G 4G



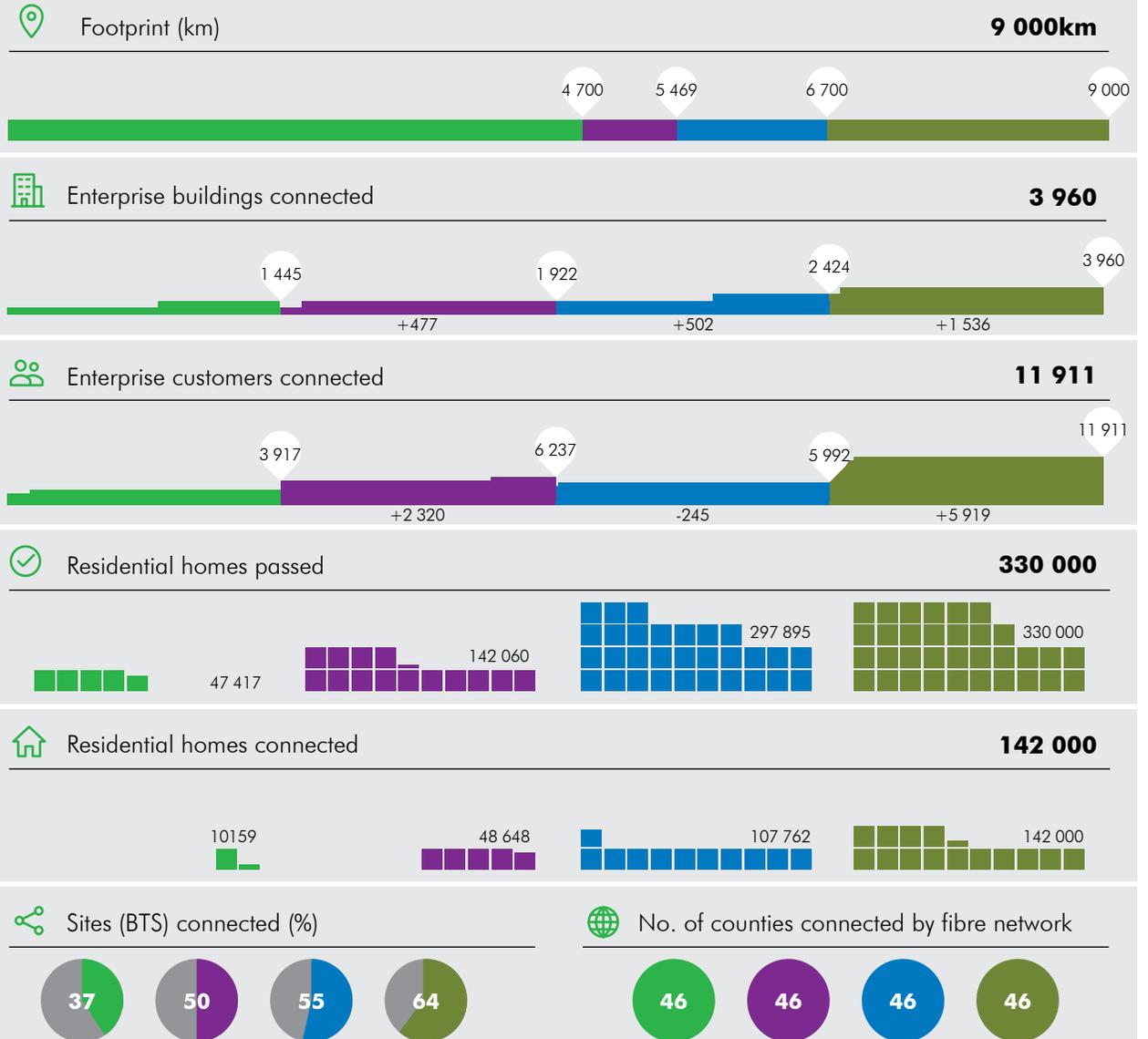
Network coverage (%) of the population covered

2G 3G 4G



Metrics (cumulative)

FY17 FY18 FY19 FY20



Focus on VoLTE

Long-Term Evolution (LTE) standards will remain the foundation for wireless broadband communication in many parts of the world for at least the next 10 years. We consider LTE an important stepping stone for Kenyan consumers migrating towards 5G-enabled services. The benefits of VoLTE include better voice clarity and quicker call set up (i.e. calls sound better and get connected quicker). We have more than one million VoLTE-enabled (voice over long-term evolution) phones connected to the network and aim to increase this significantly in the short- to medium-term through affordable handset campaigns, triple play offerings for fixed customers, redefined Hosted PBX services and by introducing supplementary VoLTE and VoBB (voice over broadband) services and solutions.

Network availability and stability

Network availability and stability is important because an unavailable or inaccessible network means that our customers experience is impacted and that they are unable to access our services and perform tasks.

Network performance

	FY20	FY19	FY18	FY17
Avg. weekly unavailable minutes (power NUR)	11.9	6.5	4.6	4.8
Average radio access network SUR (minutes)	32.4	25.6	22.2	22.9

The most significant challenge to energy availability and, hence, the Network Unavailability Rate (NUR) remains unreliable power from the national grid. It was responsible for between 40 and 47 per cent of unavailable minutes across both macro and micro sites during the year. The increase in our Service Unavailability Rate (SUR) was caused by service disruptions during the modernising of sites in the Nairobi East and Coast regions.



Looking ahead

- We will continue our initiatives to improve the transmission capacity on the core network to guarantee excellent mobile data experiences in spite of the anticipated growth in data traffic.
- We will continue the accelerated rollout of 4G services and 4G-enabled sites. Our target is to deploy an additional 1 400 4G-enabled sites in FY20, and, ultimately, to transition the entire network to 4G.
- We plan to conclude our trials of 5G-enabled sites and commission 50 commercial sites during FY20.
- We will continue our aggressive roll out of fibre connectivity to support remote working, learning and general connectivity.
- We will continue to develop our customer experiences evaluation tool (CEM) and use automated analytics and insights proactively to improve the way customers experience the network.



Environmental stewardship



As part of our ongoing commitment to the SDGs, we continue to work towards improving energy and resource efficiency in our network and facilities to reduce carbon emissions and our consumption. We are committed to a plastic free Safaricom and continue to collect and recycle waste, including E-waste. We recognise that we are uniquely placed and continue to work with our partners to develop clean, efficient and affordable energy and water related technology solutions and payment platforms.

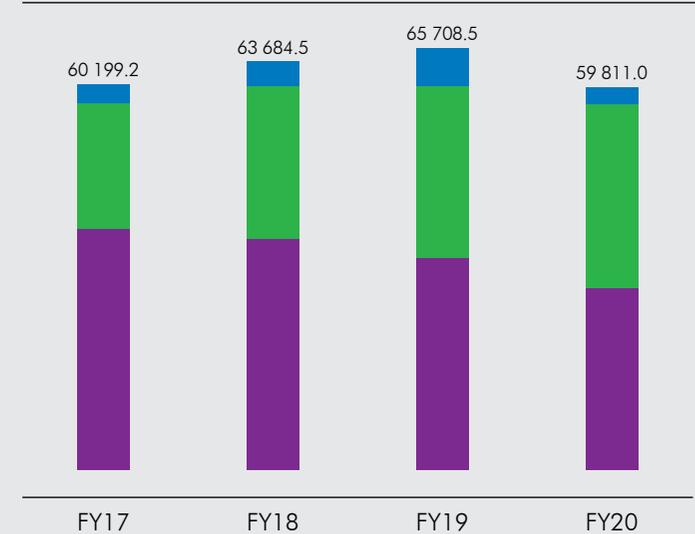
As an increasing number of business leaders and organisations are acknowledging, the future growth and resilience of successful companies will be determined by their ability to navigate the looming global shift to a low-carbon, clean-technology based economy. We continue to take our social and moral responsibility to manage our environmental impact seriously. We recognise that environmental considerations are not separate from our core business, but an integral part of our overall business sustainability and success. We remain committed to operating in an environmentally sound and sustainable way, and managing and reporting our environmental performance in an open and transparent manner.

Managing our emissions

We remain committed to becoming a net zero carbon-emitting company by 2050. As part of this commitment, we continue to monitor and report our carbon footprint.

As the graph alongside shows, we achieved 9% reduction in the overall footprint. The reduction was driven by a significant fall in scope 3 emissions, caused by COVID-19 and the associated reduction in travel. Diesel and refrigerant consumption also decreased and billing accuracy improved for electricity consumption. We remain committed to implementing Net Zero action plan that will bear long term and sustained reduction per our science based targets.

CO2e emissions (tCO2e)



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

	FY20	FY19	FY18	FY17
Scope 1	28 311.3	33 057.3	36 035.3	37 629.7
Scope 2	28 881.1	26 833.3	23 835.6	19 706.7
Scope 3	2 618.6	5 818.0	3 813.6	2 862.8
Total	59 811.0	65 708.5	63 684.5	60 199.2



Managing emissions

The reduction under Scope 1 and 2 emissions have been driven by:

Diesel

- We improved our fueling process by ensuring collaboration with all the stakeholders and coming up with routine fuel schedules
- Projects; installed deep cycle batteries, smart rectifiers with 96% efficiency, conversions of indoor sites to outdoor, connected some off-grid sites to grid power and trials on renewable powered energy sites
- Good relationship with KPLC to ensure quick power resolution

Refrigerants

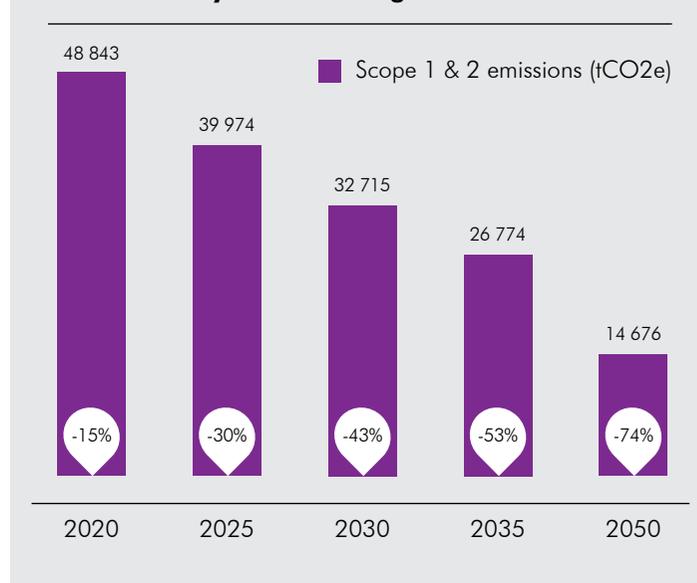
- Improved accuracy in the reporting of the refilled gas
- Ensured timely repair of leaking pipes

Electricity

- There was an improvement in billing accuracy

Our net zero aspiration

OECD Pathway reduction targets



During the year, we successfully registered our carbon reduction milestone targets with the Science-based Targets Initiative (SBTi). Our greenhouse gas emissions reduction targets were approved by the SBTi for being consistent with levels required to meet the goals of the Paris Agreement. Our Scope 1 and 2 targets are consistent with the reductions required to keep warming to below 2°C. Our Scope 3 target for the emissions from our value chain met the SBTi criteria for ambitious value chain goals, meaning that it is in line with current best practice.

We have calculated our carbon reduction milestone targets using the Organisation for Economic Co-operation and Development (OECD) pathway and Compound Annual Growth Rate (CAGR) interpolation method. The above graph summarises the levels of reduction required to achieve our 'net zero' target by 2050.

We have calculated that, based on existing technology, we can reduce emissions by 74 per cent of the baseline year. The balance will be compensated through our carbon offset programme.

Carbon offset reforestation project

Last year, we announced our ambition to grow indigenous trees as our primary carbon offset initiative. The initiative is a partnership between us, the Kenya Forest Service (KFS) and local community forest associations to grow 5 million trees over a period of 5 years in four different sites. Our original plan was to grow one million trees in South Marmanet over five years and plant 50 000 seedlings before the long rains this year. In response to our calculations of what we require to offset our carbon emissions, we have since expanded the target of the project to growing five million trees at four sites across the country over the period and to planting 500 000 trees during this year. We source our seedlings from the associations and they help us tend to the saplings and ensure the trees reach maturity.

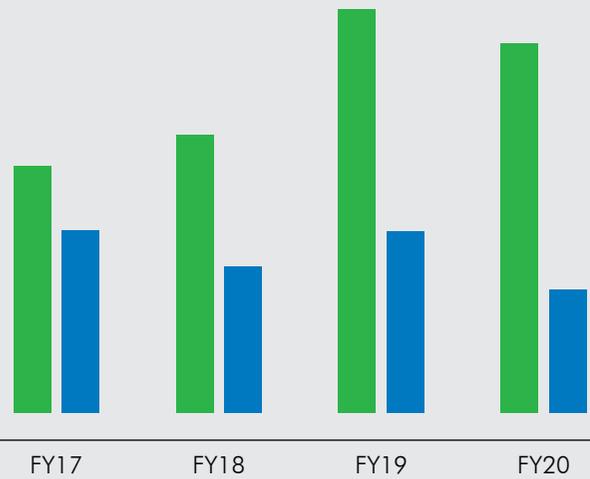
The initiative is expected to offset around 26 per cent of our carbon emissions once the trees have grown to maturity. In time, additional benefits from the forestation project will include providing jobs and stimulating economic growth in the local community, generating income from sales of tree seedlings, eco-tourism and beekeeping.

Reducing emissions from our supply chain

A key priority and focus area for our supply chain management team has been to reduce our emissions and drive cost savings by freighting goods via the sea instead of the air. The carbon footprint and greenhouse gas emissions of ocean or sea freight (goods transported using container ships) is a fraction of that

air freight (goods flown in the holds of cargo planes). Our procurement policy now states that air freight should only be used if there is no viable alternative option and we will continue to track and publish the reductions achieved through this switch.

Reduction in air and sea emissions (kg)

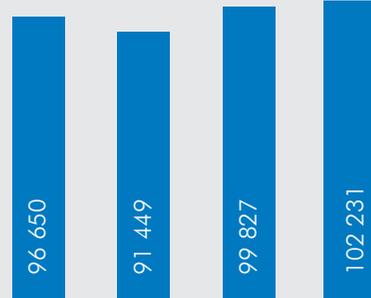


	Air	Sea
FY20	997 333.77	2 991 227.30
FY19	1 470 966.50	3 268 837.33
FY18	1 186 481.05	2 249 966.04
FY17	1 473 775.20	1 999 246.14

Energy and resource consumption



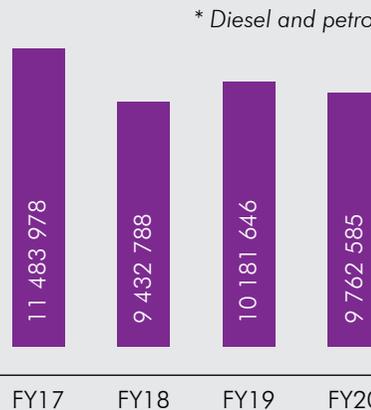
Water (m³)



Electricity (MWh)



Fuel* (Litres)



* Diesel and petrol

Energy and resource consumption

One of the ways in which we monitor and manage our environmental impact is through our energy (electricity and diesel) and resource (water) consumption targets. The reasons for the increase in water consumption include an increase in the number of staff, enhanced awareness on hand washing and more staff washing their hands due to COVID-19 (mainly in Q4).

Energy efficiency

The network continues to grow in size and sophistication every year and so making it more energy efficient and intelligent remains an ongoing priority. One way we manage this ambition is to measure our performance against energy consumption targets (reducing the amount of energy consumed at sites by deploying more energy-efficient technologies and alternative energy solutions).

Cost of energy consumption by site (KSh per month)*

* Energy consumed is electricity, diesel and solar



The sources are supplier monthly fuelling data and KPLC bills. Solar energy is only measured at some sites, as such we have extrapolated the solar data to the other sites. Energy mix influences the cost.

As the graph above shows, we have steadily reduced the cost of energy consumption by site. During the year, we reduced our cost of energy consumption by site by a further KSh 341 to KSh 46 308 per month. The main reason for this improvement is a decrease in generator running times, which has resulted in less diesel being consumed. This has been achieved by increasing in the number of sites with deep cycle batteries, continued indoor-to-outdoor site conversions, the installation of highly efficient rectifiers and inverter-based air-conditioning units, and through strict adherence to the fuelling process.

Energy efficiency initiatives

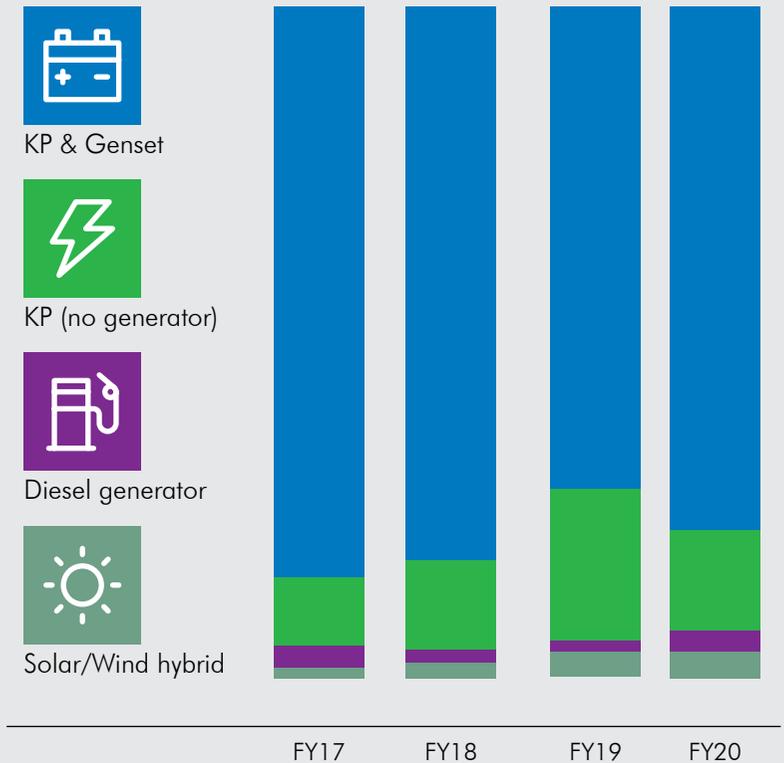
	FY20	FY19	FY18	FY17
Sites fitted with deep cycle batteries	300	193	240	293
Sites converted from indoor to outdoor	7	18	25	0
Sites fitted with low-voltage auxiliary power supply units	55	55	115	85
Sites fitted with free cooling units	88	88	92	0

Energy sources

Our network uses a variety of energy sources, including national grid, diesel generator, deep cycle battery and renewable energy (solar) solutions. The mix of energy sources impacts our energy efficiency and energy consumption patterns. Our focus remains on phasing out the use of diesel generators wherever possible, either by ensuring that national grid energy (which is cheaper and cleaner) is available at a site or by employing alternative energy solutions. We continue to prioritise the use of national grid energy at our larger sites (which provide critical coverage) and renewable energy-based solutions at our smaller sites (which provide additional capacity).

We are committed to promoting alternative clean energy sources across the network. As indicated in the preceding tables, we have been deploying and repairing solar sites and focused on connecting sites to the national grid, but in areas where the grid is unstable, we provision generators to ensure network availability and power redundancies. We minimise generator running times by installing deep cycle batteries. During the year, we continued to expand the network into areas outside the national grid and that lack reliable renewable sources of power, which resulted in the number of sites running diesel generators 24/7 increasing from 106 to 173.

Network energy sources by site (% contribution to total energy)



Network energy sources by site (total at year end)

	FY20	FY19	FY18	FY17
KP* and genset	4 775	4 060	3 755	3 623
KP* (no generator)	948	1 269	705	688
24/7 diesel generator	173	106	78	191
Solar or wind and hybrid solutions	221	196	155	133

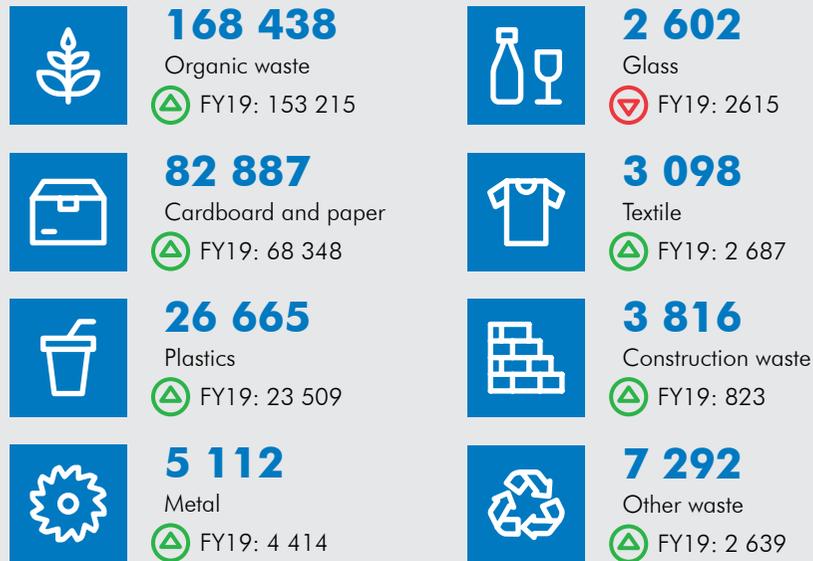
* Kenya Power (national grid supply)

Sustainable waste management

In FY18, we launched our Integrated Waste Management programme (IWM) in partnership with Taka Taka Solutions, a local waste management company that separates our waste for recycling. Since then, more than 97 per cent of all waste collected from our main facilities has been reused, repurposed, or recycled.

During the year, we expanded the IWM programme to our shops in Nairobi and audited the waste management system to ensure that it meets our internal requirements and our ISO 14001 international standards.

Waste collected (Kg)



Total waste

299 910

up from 258 250 in 2019

Managing electronic waste

	FY20	FY19	FY18	FY17
E-waste collected (tonnes)*	1 287	1 072	855	632

* Cumulative tonnes since the inception of the project

Electronic-waste or e-waste (which consists of discarded electrical or electronic devices) is an ongoing and growing problem. It remains the fastest growing stream of waste. The latest e-waste monitor report states that e-waste quantities are rising three times faster than the global population and 13 per cent faster than the global GDP during the last five years. This sharp rise creates substantial environmental and health pressures and demonstrates the urgency to shift to a new circular economy. It is for this reason that Safaricom continues to expand its e-waste management programme. We collected another 215 tonnes of e-waste this year and participated in various awareness raising campaigns and initiatives. We also worked with the government and other stakeholders in the development of the draft national e-waste strategy. We hope the strategy will be adopted for implementation by the government soon. Our e-waste programme is aligned to the draft national strategy.

Marking the International E-waste Day

For the second year running, we worked with the Ministry of Environment and Forestry to mark International E-waste Day. The day is used to raise awareness of the negative impacts of e-waste and to encourage customers, consumers, and government institutions to recycle devices. This year, we brought together numerous e-waste stakeholders, including the Ministry of Environment, the Communications Authority, the National Environment Management Authority, the WEEE Centre, formal and Informal recyclers, universities, and other government institutions. Through the event, we reached over 5 000 people directly and the broader Kenyan society indirectly through media coverage. Activities on the day included collections from universities, government ministries and parastatals and internally within Safaricom. We collected over 50 tonnes of e-waste as a result of this campaign.



Towards a Plastic-Free Safaricom

We want to eliminate the use of single-use plastic at our facilities and minimise the plastic incorporated into our retail packaging. During the year, we removed 9 600 plastic tumblers in our reception areas and replaced these with glasses. We also engaged with our outside caterers (suppliers) to eliminate single use plastic bottles at our events and, if this is not possible, to collect the plastic used after the event. Over 200 000 single-use plastic items have been removed from across the business.

Our progress since FY17



50%

reduction in amount of plastic used in a SIM card



9 600

plastic tumblers replaced with glasses



2.5

tonnes of plastic removed from our organisation



200,000

single-use plastic items eliminated from the business



7 000 000

single-use plastic carrier bags replaced by non-woven, eco-friendly reusable bags in retail shops



Looking ahead

- We will focus on circularity and explore opportunities to use waste as a resource.
- We will register our carbon reduction initiatives with the Carbon Disclosure Project (CDP)
- We will track our emissions related to our value chains.
- We will continue our partnership with the KFS towards achieving our target of growing five million trees in five years.
- We will also implement our MOU with UN Environment on Air Quality Monitoring Pilot.



Innovation



Our response to COVID-19

- All buy goods transactions below KSh 1 000 have been zero-rated to drive cashless payments during this period.
- Zero-rating of hospital bill payment via paybill.
- P2P transactions under KSh 1 000 have been zero-rated.
- Transaction limits have also been increased from KSh 70 000 per session to KSh 150 000 and from KSh 140 000 a day to KSh 300 000 a day.
- We supported the Matatus associations with collecting payments via M-PESA as a cashless initiative to minimise the increased risks associated with handling cash during the pandemic – 577 PSVs have enrolled for the cashless platform to date.



Innovation provides an opportunity to increase our contribution to the SDGs. We are committed to developing, implementing and/or scaling innovations that contribute to affordable healthcare and medical insurance, increased productivity of SMEs and smallholder farmers, deepening access to financial services and enabling greater accessibility to data for all.

Mobile communications technology is already an essential part of many people's lives and part of the fabric of the world in which we live. Our commitment to the SDGs and shared value thinking has helped us realise the tremendous potential that innovative mobile communications applications have in terms of addressing the challenges we face as a society. In addition, as a technology company, we consider innovation to be central to achieving our strategic objectives, retaining our competitive edge, and ensuring that we continue to grow. Constant innovation is an important aspect of ensuring our continued success and resilience.

Managing innovation

During the previous year, we restructured our Strategy and Innovation Division into the Business Development Division. The move consolidated different functions from across the business into the following six teams: Corporate Strategy, Products Innovation, Big Data and Analytics, Market Research and Consumer Insights, Strategic Partnerships & Engagement and Regional Expansion. The strategic Partnerships & Engagement department focuses on identifying opportunities for cross-business collaborations and partnerships.

In FY20, we introduced a Mergers & Acquisitions (M&A) department to support strategic acquisitions by the business.

Our approach to innovation continues to be guided by the four strategic priorities set by the Business Development Division last year:

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

Expanding our partnership framework stimulating the wider ecosystem and development of a partnership framework

Regional expansion deepening financial inclusion beyond Kenya

Putting our customers first shaping products and services through data analytics and customer research

M-Pesa Global

M-Pesa Global, the service launched in FY19 that enables M-PESA registered customers to send and receive money from countries across the world, continued to gain momentum during the year and, is estimated to contribute to more than 50 per cent of all inbound remittances to Kenya. Our key partners in the remittance space include Western Union, MoneyGram, Ria, WorldRemit, Wave, Remitly among others. We continue to add to our international payment partnerships as well and these now include PayPal, Google Playstore and AliExpress.

M-PESA Global

	FY20	FY19
Active customers	744 000	180 000
Countries included	167	68
Revenue contribution (KSh)	1.3 bn	0.86 bn
% Inbound remittances to Kenya	50%	37.9%

Internet of Things (IoT) solutions for our enterprise customers

The Internet of Things (IoT) has ushered in an evolution in the telecommunications sector that is enabling new life-enhancing products and services across different sectors. In the period under review, our enterprise products team focussed on developing solutions that connect devices and sensors to the internet that can collect and exchange data.

An expression of our transformation to being the digital services provider of choice, our IoT solutions enable companies to increase the responsivity and efficiency of their operations through real-time monitoring, managing and optimisation.

At the close of the period under review, we had over 700 0000 devices connected to our network and software solutions and are piloting a range of solutions in a variety of fields, including smart water and power metering, telematics, and asset tracking.

Affordable prepaid gas

Using charcoal or kerosene to cook has hefty environmental and health costs. Charcoal production is responsible for a great deal of unsustainable deforestation in Kenya. It also contributes directly to global warming as the material releases almost double the amount of carbon dioxide into the atmosphere when burned compared to propane or gas. From a health perspective, household air pollution created by the smoke from charcoal and wood fires is a leading cause of respiratory infections and believed to be responsible for more than 15 000 early deaths in Kenya every year.

Propane or gas is a cleaner, more efficient, reliable, and easier to use fuel, but it is economically out of reach for many low-income households since the upfront cost of a gas cylinder can be more than KSh 6 000 and even a refill can cost KSh 2 000.

To address this challenge, we partnered with M-GAS to develop an innovative IoT solution that addresses barriers to accessing clean and affordable energy for low income households in Kenya. Each M-GASs setup includes a 13 kg gas cylinder and 2-burner gas cooker that is provided to customers at no upfront cost. The gas cylinder is equipped with an innovative smart meter that shows the amount of gas for which a customer has paid and how much fuel they have remaining. The gas automatically disconnects when the available balance has been consumed, but top-up payments can be made easily and conveniently through M-PESA. Customers have the flexibility to purchase any amount of gas, from as little as KSh 1. The cost of providing three meals for a household is estimated at less than KSh 70 per day.



Connecting beverage coolers

In November 2019, we partnered with Kenya Breweries Limited (KBL) to connect and enhance its cooler cabinets. The connected coolers are wired with sensors that provide real-time information regarding location, power status, temperature and door opening frequency. KBL can use the insights generated by this information to optimise the management of its coolers with greater precision, hence enhancing their sales. Over 2 000 cooler cabinets have already been connected.

Partnering to accelerate the roll-out of cloud services

Cloud services allow businesses to innovate faster, scale quicker and take advantage of the very latest technologies without having to buy, maintain and upgrade expensive physical data centres and servers.

In February 2020, we became the first Amazon Web Services (AWS) Advance Consulting Partner in East Africa. Our AWS partnership means that we can replace end-of-life hardware and software so that our customers can have reliable and stable services to improve SLA/NPS. We upgraded the Cloud to automate provisioning so that we can reduce order fulfilment SLAs. We can now retain, defend and expand our cloud business in the SME and Large Enterprises markets. We have a talent pool of 130 AWS accredited employees and 35 AWS certified professionals able to design and optimise cloud computing solutions that provide businesses of all sizes with the ability to access the infrastructure and services they require cost-effectively and to harness the power of emerging technologies like Big data, Internet of Things (IoT), Machine Learning and Artificial Intelligence.

We currently have 553 customers taking advantage of our cloud computing expertise.

Partnerships to digitize our customers

In April 2019 we launched phase 3 of the Maisha ni Digital campaign, aimed at supporting more of our customers with feature phones, transition to smart devices and enabling them access a whole new digital experience. The campaign, which is in partnership with Google, aims to provide affordable devices such as the Neon Ray (4G) and Neon Storm (3G) priced at KSh 3 999 and KSh3 499 respectively.

We also partnered with M-Kopa Solar which enables our customers to acquire high-end devices through a check off system. The system allows a customer to win a high-end device through instalments of KSh 40 per day. These initiatives have resulted in a significant increase in the number of devices on our network. In FY20, the number of smart phones connected to the network increased by 23% to 15 million and 4G enabled smartphones increased by 91% to 6.1 million.

Digitizing the customer

	FY20	FY19	FY18	FY17
Smart phones connected to the network (million)	15	12.2	10.9	11.5
4G enabled smartphones (millions)	6.1	3.2	2.2	1.8

Partnership for digital postal services

In recent years, due to technology, less people have been using the Post Office. This partnership was aimed at helping to digitise the Post Office service offering. MPost is an innovative solution that provides customers with a digital Post Office Box linked to their mobile phone number. Once registered, customers use their mobile phone number as their PO Box address and choose a Post Office branch from which to collect their letters and parcels. Customers receive a convenient SMS notification when there is post waiting for them.

Digital travel booking service

During the period under review, we partnered with BuuPass, the innovative online bus, shuttle and train booking service to allow passengers to pay for their tickets using M-PESA. Customers can access the service by dialling *877# or visiting buupass.com and payments for tickets are accepted through M-PESA. Through BuuPass, customers can select a bus operator, preferred travel date and time, and reserve specific seat numbers. Customers can also reserve seats for multiple travellers, with tickets printed at the bus station after presentation of the confirmation SMS.

Fuliza

In FY19, we launched Fuliza a data insight-driven product that allows our customers to complete transactions even with insufficient balances in their M-PESA wallets. The traction that the popular facility had from its launch in January 2019 continued through the period under review, with strong growth in both numbers of customers and volumes of disbursements.

	FY20	FY19
Customers* (million)	20.8	10.7
Value disbursed* (KSh bn)	245	29
Transactions (millions)	392.9	46.4

* Cumulative customers who have used the service since launch

No expiry offer for our mobile data customers

During the year, we introduced a no expiry data bundle for our mobile data customers, which is a first of its kind in mobile industry. This was part of our brand refresh and renewed commitment to our customers to be Simple. Transparent. Honest. FOR YOU. The proposition, called NEO, is a no-expiry resources plan that gives customers the freedom to purchase talk time and data bundles of any amount that will not expire, for amounts starting from as little as a single shilling. Customers can view how many megabytes of data, minutes of airtime and SMS units they will receive before completing the transaction. Customers purchasing the new Call and SMS plans receive an additional 50 per cent of talk time with every purchase – enabling them to ‘talk more, for less’.



Technology for development

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

Besides extending our existing portfolio, such as One Health, Fafanuka and M Salama, we evolved the following products and services during the year:

Health: Safiri Smart

Safiri Smart is a disease surveillance and awareness platform on global outbreaks and epidemics. The service monitors outbreaks and epidemics and sends SMS alerts to travellers informing them of any outbreaks in the country they are visiting, along with the preventative steps they can take to avoid infection. The service which is a partnership with Korea Telecom (KT), had more than 292 000 users at the close of the period under review.

Agriculture: Bima Pima

Bima Pima is a commoditised micro-insurance product for farmers that allows them to purchase seasonal cover for each stage of the farming life cycle. The service has more than 10 000 users.



Looking ahead

- We will continue to develop and evolve our data analytics models and tools to drive smarter business decisions and actions.
- We will continue to explore opportunities for partnerships, mergers and acquisitions to win in select digital ecosystems.
- We intend to finalise partnerships with Microsoft Azure and Google Cloud to enhance our cloud computing services and solutions.
- We intend to grow Safiri Smart to at least 300 000 users and start providing regional and local (in country) alerts and advice.
- We intend to extend our Bima Pima insurance offering to 100 000 users during FY21.
- We intend to expand our financial services offering into the region.
- We intend to enter into partnerships with content providers to supply content to residential fibre customers.

OUR STAKEHOLDERS



INTRODUCTION

OUR BUSINESS

OUR MATERIAL TOPICS

OUR STAKEHOLDERS

CONCLUDING REMARKS

OLDERS



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

In this section, we describe each category of stakeholder, the nature of our relationship with them, and how we have delivered value to them during the year. There have been no significant changes to the categories of stakeholders from last year.

Listening to our stakeholders and learning from them is of vital importance to us. We employ a variety of informal and formal methods to gather and exchange information with our stakeholders, and we tailor our engagement processes to suit each different stakeholder group. The insights we gain through these exchanges are fed directly into our decision-making processes and inform the sustainability strategies and priorities of the organisation.

58 Customers

63 Society

70 Employees

78 Regulators

80 Business partners

85 Shareholders

86 Media



Supporting our customers through COVID-19

- Bonga for Good – 1.1 billion loyalty points worth KSh 320 million redeemed by 677 000 customers to purchase food items through 40 000 merchants.
- Double fibre capacity for our 142 000 home fibre customers and 10 000+ enterprise customers.
- Support for the frontline health workers – 5 529 frontline health workers provided with monthly bundles consisting of 12GB data, 600 minutes, and 2 000 SMS since April 2020.
- Supporting e-learning – over 1.7 million learners accessing learning through platforms such as Shupavu 291. We have given free access to learning platforms such as Vuisasa Elimu and Longhorn – 12 million free passes for 100MB of data content have been redeemed by over 1.2 million learners accessing the content.



We recognise the contribution of our products and services to our customers, the economy and to enabling the implementation of the SDGs. We are committed to improving the quality, reliability and coverage of our products and services.

Customers

Our customer base encompasses the full spectrum of individuals and organisations across Kenya. We classify our customers into two main categories: consumer and enterprise. Consumer customers are individual purchasers of goods and services, while enterprise customers includes business of all sizes, ranging from small-to-medium enterprises (SMEs) to large corporate firms and government entities.

Consumer customers

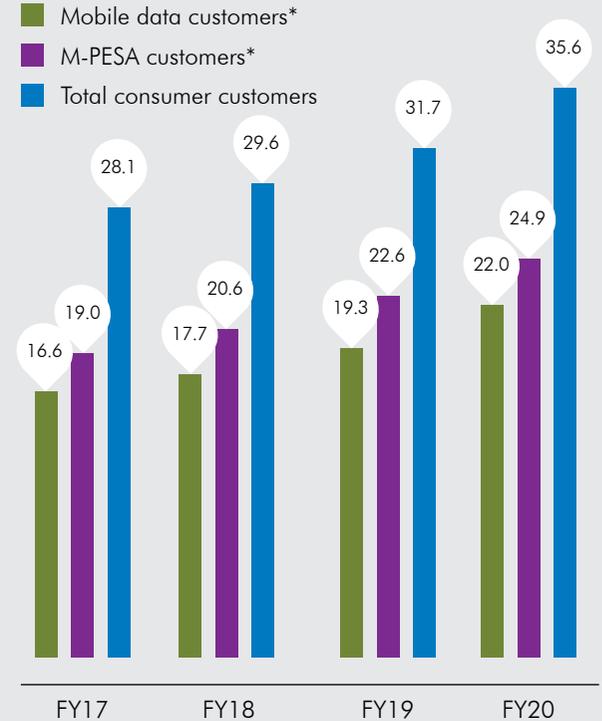
Despite intensified competition and difficult economic conditions, we added an extra 3.8 million consumer customers during the year and grew our total number of consumer customers to 35.6 million. Our overall market share increased by 2.1 per cent and we finished the year with a 51 per cent share of the gross adds (total number of new subscribers before adjustments) among Kenyan mobile network operators.

Measuring customer satisfaction

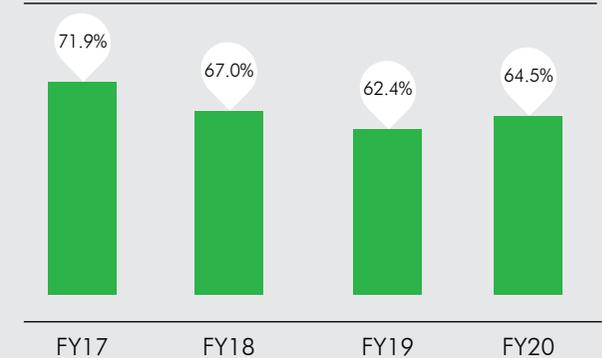
We continue to use the Net Promoter Score (NPS) and Brand Consideration (BC) score to monitor customer satisfaction. NPS measures the likelihood that a customer would recommend Safaricom to other businesses or friends, based on his or her overall experience. NPS is measured separately for consumer and enterprise customers. Brand Consideration measures the likelihood that a customer will purchase a particular brand based on their predisposition or feelings towards that brand. Both NPS and BC are primarily researched using customer surveys.

Total customers (millions)

* One-month active



Total market share (%)



	FY20	FY19	FY18	FY17
Consumer NPS	59	61	72	70
Enterprise NPS	29	26	26	12

	FY20	FY19	FY18	FY17
Brand consideration	70	63	60	80

As the preceding tables illustrate, our Consumer NPS decreased significantly during the FY18-FY19 period, which we attributed to the perception then that our products and services were expensive and the decrease in consumer trust that occurred when we introduced faster data speeds. At the time, some customers were surprised by how much quicker data bundles were consumed at the faster speeds and distrusted the balances on their accounts as a result.

Since then, we have worked hard to win back customer trust by focusing on the affordability of our products and services and reducing their complexity. An illustration of our efforts in this regard was the 'For You' campaign we launched in October 2019. The campaign sought to renew our commitment to our customers to be simple, transparent and honest.



Changing our brand promise 'For You'

We changed our brand promise from 'Twaweza' to 'For You', which articulates our commitment to the needs of our customers. Among the significant changes we made as part of this campaign were:



A commitment to serve our more than **33 million customers** in under five minutes, both at our 50 plus Safaricom shops across the country and the Call Centre.



An **increase in the sizes of available data bundles by more than 45 per cent**, especially for the more affordable price points between one and 20 shillings.



From 1 November 2019, new customers joining the network receive **SIM cards for free** at Safaricom shops and dealer outlets.



A customer purchasing five shillings' worth of data will now receive **10 MBs that will not expire**, instead of 7 MBs that expires in 24 hours.



New customers also have the freedom to **use their choice of number** when they purchase a new line.



Reorganising our shops across the country to provide a more **personalised experience** to customers.

The 'For You' campaign has improved our BC score by seven points and we closed out the year at 70, which suggests that we are slowly winning back customers and their trust. The 'For You' campaign also helped stabilise and improve our Consumer NPS by three points, but we still closed the year at 59 and appreciate that we still have work to do.

We also revamped all monthly plans to the Safaricom Karibu Postpay proposition as we continue to drive the agenda of bringing in simplicity of products. Within a month of the launch, we had 27 000 new customers on the revamped Postpay bundles (as at 31 March 2020).

Our Enterprise NPS remained steady during the year and we are still placed first in Kenya, with a score of 29 at the end of the year. Our challenge is to grow our score and we see automation and streamlining of processes as key to doing so. We have been working hard on automating the sales-to-order phase of the process this year and will launch our new processes in July 2020. We anticipate that the improved efficiency and convenience of the processes will result in an increase in our NPS score in the next financial year.

Enterprise customers

	FY20	FY19	FY18	FY17
Total enterprise customers	286 000	180 164	169 000	96 712
Total market share	70%	68%	67%	72%

Overall, it was a year of good progress and solid growth. We divide our enterprise customers into three major groups: Large Enterprises, Small-to-Medium Enterprises (SMEs), and Small Offices-Home Offices (SOHOs). We currently have a presence in over 286 000 enterprise customers, which represents an increase of more than 105 000 customers from the previous year. This growth can be attributed to the acquisition of 21 000 SME and 85 000 SOHO customers.

Our continued growth in enterprise customers is the result of a combination of factors. The accelerated rollout of our fibre optic network has allowed us to aggressively acquire both SOHO and SME customers. Likewise, our 4G LTE fixed data internet connectivity for SME customers has seen excellent growth and we closed the year with over 10 000 connections. This was supported by our competitively priced Easy 50GB and 30 GB Data Bundles.

We have also maintained our leading position in terms of large enterprise and public sector customers through a combination of aggressive pricing of fixed services and an expanded range of sophisticated solutions that take advantage of our skills in cloud computing, IoT and cyber security. Our powerful offering of end-to-end ICT services has positioned us as the digital services provider of choice for this market segment.

Customer engagement

The main channels our customers use to engage with us are through our call centre and our IVR and ZURI chatbot self-service options. Our Customer Operations team uses a variety of industry-standard metrics and thresholds to measure and monitor these diverse engagements.

Call centre performance

	FY20	FY19	FY18	FY17
Call answer rate	86%	86%	80%	55%
Abandon rate	14%	13%	18%	40%
Service level (% of calls answered within 20 seconds)	77%	78%	73%	58%
Avg. no. of calls answered weekly	99 800	98 815	112 271	92 324
NPS (COPS, overall)	38	59	64	55

Overall, our performance was short of the thresholds we set for ourselves and, as a result, we have increased our pool of contract teams to enhance accessibility for our customers.

We also set ourselves the ambitious target of achieving a Customer Operations NPS of 50 overall in FY20, but achieved 38 for the year, due to accessibility challenges. Within this, our self-service chatbot ZURI was our top performing customer service channel and contributed 56 per cent of our overall NPS performance. This result suggests that the service is handling customer queries satisfactorily and we consider this an opportunity to increase and expand its offerings.

Channel performance

	FY20	FY19	FY18
IVR (daily interactions)	114 851	86 000	47 000
Jitambulische (enrolled customers, million)	3.4	1.5	0.5
MySafaricom app (total downloads, million)	5+	3.6	2.1

Channel performance (2020)



1 949

ZURI distinct daily users



114 851

IVR daily interactions



3.4 m

Jitambulische enrolled customers



>5 m

MySafaricom app total downloads

ZURI users

Call centre performance

	FY20	FY19	FY18
Sum of New Users	318 303	344 190	101 825
Average New Users	63 661	28 683	8 485

Growth in remote working

One of the the significant changes during the year was the accelerated transition to remote working. The number of call centre agents working from home grew from 170 at the start of the year to 856 by April 2020. We are also pleased to report that 79 of the current cohort are persons living with disabilities. Power outages are biggest challenge we have faced; nonetheless, our remote working agents continue to post good performance with an average of 15 calls per hour answered.





Call center support for COVID-19 response

The first case of COVID-19 in Kenya was reported on 4 March 2020. In response, we partnered with the Ministry of Health to establish a 719 hotline to provide information and report cases. We set up USSD and IVR-based information services and two escalation lines (to doctors and the government rapid response team). A further 307 front line call centre agents were identified and trained to provide information, counselling and basic first aid. The service was designed, built, and made available to the public in 10 days.

Summary of performance



114 966

calls offered



592 534

distinct callers



58

dedicated agents



14%

Abandonment rate
for calls offered



99%

service level



101 872

calls answered



12 911 192

USSD service



30

doctors supporting
response to queries
received



KSh 5.2 m

cost to serve



1 252 481

IVR hits

5 660

average no. of calls
answered daily

934 486

IVR self-service



Looking ahead

- Supporting our customers navigate through challenges brought about by COVID-19
- Working on winning back the trust of the customer
- We will strive to achieve our service level target of 80 per cent.
- We will automate the onboarding process for enterprise customers.
- We will achieve Call centre SLA target of 80 per cent.
- We will continue to expand and enhance our self-service channels, such as Zuri.

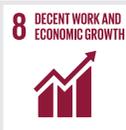


Society



Supporting society through COVID-19

- Personal Protective Equipment distributed to 5 300 frontline health workers in 13 counties
- Donated 300 4G capable phones for learners through Dignitas
- Donated 6 water tanks, water kiosks and handwashing points benefiting 27 250
- Airtime for study bundles worth KSh 525 00 donated to 350 learners
- 1 500 food packs with items worth KSh 2 000 distributed to low income households
- Sanitization spray booths erected in 4 counties, benefiting 150 000



The role that we play in society is part of our DNA. We remain committed to ensuring inclusive and equitable quality education and to promoting the life-long educational opportunities for all Kenyans through our foundations and our products and services. We continue to create opportunities for work for our youth, increasing the number of woman in our technology division and through skills development with a focus on digital skills.

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

Safaricom and M-PESA Foundations

Part of our work to transform lives throughout Kenyan society takes place through investment by the Safaricom and M-PESA Foundations. The Safaricom Foundation 2018-2021 strategy is focused on building a stable and inclusive society. The three pillars of the strategy are health, education and empowerment. These pillars are further split into the following programme areas: maternal and child health, non-communicable diseases, technical and vocational training, improving learning outcomes and youth economic empowerment. Since its inception in 2010, the M-PESA Foundation has been keen to partner with Kenyans on large-scale, long-term, highly impactful social projects.

Safaricom Foundation focus areas and beneficiaries

	FY20		FY19		FY18		FY17	
	spend*	lives**	spend	lives	spend	lives	spend	lives
Health	40%	367 641	27%	88 246	24%	245 507	21%	140 768
Education	52%	106 208	52%	51 413	28%	46 076	33%	43 622
Economic empowerment	5%	14 555	14%	5 415	36%	-	38%	-
Disaster response	-	495	2%	5 000	1.3%	300	3%	1 500
Environment	2%	-	0%	5 000	2%	72 500	0%	65 350
Water	1%	2 500	6%	30 439	9%	64 150	5%	47 000

* Percentage of total spend

** Number of lives transformed

Education: Accelerated Learning Programme (Safaricom Foundation)

The Accelerated Learning Programme (ALP) is a partnership between the Safaricom Foundation, the Participatory Action Learning Network and ZiziAfrique to build foundational literacy and numeracy skills in struggling learners rapidly.

The programme targeted children in Standards 4 and 5 in 60 selected schools in Tana River, Turkana and Bungoma. Teachers and assistants underwent six days of training on the teaching method for the ALP, which focuses on play in each lesson and one-on-one coaching for the learners. A maximum of 45 learners are in each class and each class runs for an hour. Song and dance herald the beginning of the lesson, inviting the children into a place of joy while breaking down barriers between teacher and pupil. Students are grouped according to reading ability rather than age.

For a period of ten days, the learners meet each day to focus on learning to recognise a letter, a syllable or a word. Bright and engaging materials that have been specifically developed for each cohort are shared by two students as they motivate each other by vocalising letters and syllables and by tracing words with their fingers. The lessons break for ten days, allowing the children to rest and reflect on learnings, before resuming for another intense 10-day round. This happens three times and the learners attend 30 days of lessons within a 50-day period.

ALP learner, Scovia Waswa from Shidodo Primary School, progressed from reciting from memory to writing and reading her own words on paper in under two months.



Education: Keeping Girls in School Initiative (M-Pesa Foundation)

A 2016 report by FSG, a global consulting firm, showed that only 65 per cent of women and girls in Kenya can afford sanitary towels. Additionally, it is estimated that girls from disadvantaged families miss at least 20 per cent of school days in a year due to lack of sanitary towels, which severely impairs their academic performance and chances of graduating. Accordingly, more than 800 000 girls sitting for their final year national examinations, including those in Kakuma and Dadaab refugee camps, benefitted from three months' supply of sanitary towels, courtesy of

the M-PESA Foundation. The initiative ensured that no girl would miss sitting for her exams due to lack of sanitary pads.

The M-PESA Foundation worked with local manufacturers to produce the pads, and the Ministry of Education to distribute them, at an estimated cost of KSh 281 million. The girls received a Menstrual Health package, consisting of three packets of sanitary pads (enough to last for three months), three pieces of underwear and a menstrual health information booklet, all enclosed in a drawstring bag.

Education: M-PESA Foundation Academy achieves impressive results

The M-PESA Foundation Academy offers a platform for economically disadvantaged students from across the country, with learners joining in Form One offered full, four-year scholarships. This year the school has admitted 96 students into Form One.

The Academy posted impressive results in its maiden KCSE examinations during the year, achieving a mean grade of B-, with top student Abigael Kadogo emerging 16th nationally and all 91 candidates attaining entry grades to institutions of higher learning. Seven students are also currently studying in the United States after getting fully paid scholarships.

In January 2020, the M-PESA Foundation Academy launched an 11-month post-high school programme for its 91 Form Four leavers. The programme will be hosted at the newly launched Uongozi Center, located inside the Academy, will not only give the students an opportunity to define their career and entrepreneurial choices beyond the Kenya Certificate of Secondary Education (KCSE) examinations, but will also help prepare them for leadership roles in their various interests and sectors.



Empowerment: Wezesha – unlocking the potential of the Kenyan youth

The Safaricom Foundation has partnered with Generation Kenya and CloudFactory Kenya in a youth unemployment initiative that arms young people with sought-after, highly useful IT skills. Potential candidates undergo a competitive interview process to secure places on a two-week intensive digital training course run by CloudFactory Kenya. Since January 2019, the Academy has graduated over 600 young people equipped with digital skills that can fast track their entry into jobs and careers, and the Foundation provides funding for laptops as part of the student scholarships.

Health: Afya-Uzazi Salama in Lamu County

The Safaricom Foundation Afya-Uzazi Salama programme is a partnership with PharmAccess Foundation that focuses on improving health service delivery infrastructure, building skills of health workers, enhancing community-based information and education, and health care financing.

Through Afya-Uzazi Salama, eight of the thirteen community health units in Lamu County have been revived. Additionally, 220 community health volunteers (CHVs) have been re-trained on maternal and pregnancy care family planning, data collection, entry, and monitoring. Once dispatched, the volunteers complete their rounds and report findings every month to the community health extension worker (CHEW), who is based at the health facility.

In six months, the minimal reporting rate had increased dramatically to more than 80 per cent, with encouraging results. The communities have benefitted from maternal, newborn and child health services, such as growth monitoring, immunisation, nutrition, family planning, cancer screening and treatment of other conditions that threaten the well-being of the mother and child.

Outreach activities are now conducted countywide, especially in hard-to-reach areas. Most importantly, local dispensaries and hospitals have witnessed increased numbers of patients, all due to the referral system that has been introduced. Sinambio Dispensary in Lamu West, for instance, served 159 women attending antenatal clinics between July and September 2019. Nearly all deliveries now happen at the better equipped Mpektoni Sub-District Hospital.

Health: Non-Communicable Diseases Programme in Garissa County

Unlike malaria, typhoid or cancer, Type 1 diabetes is a relatively unknown condition in our Kenyan communities. It occurs primarily in children causing their bodies to stop producing the much needed hormone insulin which the body requires to convert glucose into energy. Because Type 1 diabetes is not particularly well known in Kenya, many people suffering from the condition are often unaware that they have the condition.

Working with the Paediatric Endocrinology Training Center for Africa (PETCA) the Foundation did an assessment of counties in need of its consideration. The prevalence of the disease was one indicator for support, but another was whether the county had partners or resources actively addressing the problem.

Through this process, Garissa county was identified as having the highest prevalence and was selected as the first county for support. We partnered with the Pastoralist Girls Initiative (PGI) to address the issue in the county. In the first year of the programme, 296 children were enrolled. Children who may have never known what their affliction was until it was too late to save them. The next step was ensuring that the Garissa County Referral Hospital could perform as a beacon of service for these children. Work began in 2019 on the construction of a modern child-friendly diabetes Centre. Over the year 200 children have already learnt the critical skill of self-injecting their insulin, while parents have undergone supportive counselling to empower them with the information to understand the nature of the condition and the ways in which they can support their children through active monitoring and dietary management. Sixty health care workers and a hundred community health volunteers were identified and trained on how to identify, counsel and care for the targeted children.



New mother receiving a 'new mama gift pack', courtesy of the Safaricom Foundation.



Ndoto Zetu Phase 2

After the tremendous impact and success of the first phase of the Ndoto Zetu (Our Dreams) initiative last year, the Safaricom Foundation launched the second phase of the initiative in February 2020. Ndoto Zetu seeks to support individuals who are keen to make an impact in their communities through social investments. Kenyans who wish to participate in the second phase of Ndoto Zetu are required to nominate community projects that are related to education, health, or economic empowerment. Phase two of the initiative builds on the success achieved in the phase one last year, in which 300 projects across 40 counties positively impacted over 52 000 Kenyans. In Phase 2, we received over 4 000 proposals/requests, of which 328 dreams were selected to be realised and these are projected to transform the lives of more than one million Kenyans.

2019 Africa Shared Value Summit



As part of our commitment to shared value as a way of doing business, we partnered with the Shared Value Africa Initiative (SVAI) to host the 2019 Africa Shared Value Summit on 23 and 24 May 2019. The summit attracted over 300 business leaders, media personalities and other delegates from across the continent. The summit featured various talks by speakers from sectors such as mining, oil and gas, and start-ups from across the continent. We also hosted a group of 50 Kenyan CEOs at a lunch led by our late CEO, Bob Collymore, and Prof. Mark Kramer to discuss ways of enhancing inclusive business and shared value practices in Africa.

“Now, more than ever, there is a clear call to action to business that the business of business can no longer be just business. The Global Goals, the call for more private sector innovation and the call for businesses to develop products and services that address societal needs has been a constant topic in business leadership discussions,” our late CEO, Bob Collymore, addressing delegates at the

opening of the Africa Shared Value Summit in Nairobi. Since the Summit, we have joined the SVAI as a member and will continue to champion and advocate for shared value as a growth strategy for business in Kenya.

B-Team

Building on the launch of the Africa regional team in March of 2018, we continued to mobilise business leadership in East Africa during the year, with a focus on advancing open government and responsibility in tax, protecting civic rights, unlocking capital for green business and creating leadership opportunities for women and youth in East Africa.

We held civic rights and tax dialogues at the Mo Ibrahim Governance weekend in April 2019, building upon a series of dialogues that we held in partnership with OXFAM, GSMA and other civil society partners in Kenya and Rwanda in 2018.

Working with the regional members and Safaricom, we have helped raise the standards of corporate tax practice in East Africa and are already seeing a shift in national and regional discourses on the issue.

MyLittleBigThing SDGs Innovation Challenge

We have partnered with MK Africa for the MyLittleBigThing SDGs Innovation challenge since 2017. The challenge is an innovation contest among university and college students, aimed at driving awareness and action on SDGs by developing solutions to the challenges highlighted by the goals.

During the year, we invited entries for innovative solutions to address challenges facing Kenyans as described in the first five SDGs (1-5). The top three ideas win an all expenses trip to attend a week-long sustainability practitioners programme hosted by the University of Cambridge in South Africa.



Over 100 students participated in the challenge, with the winning innovation being Auto-Alcoblow, an alcohol detection and monitoring system created by Stephen Muchiri, who recently graduated from (JKUAT). The system measures the blood alcohol levels of a driver by analysing his or her breath and switches off the ignition of the vehicle if these levels exceed recommended safety guidelines. The system also switches off the vehicle if a driver begins consuming alcohol while driving.

In second place was Ruth Wanjiru, a 22-year old student in her fourth year at JKUAT, whose Power in Plastics project aims to encourage the reuse and recycling of plastics and empower low-income communities.

Nkanai Cynthia, 19, from Kenyatta University placed third, with her Keep A Child Warm project. Using easily available local materials, such as sisal fibre, recycled gunny bags and traditional lesos, Cynthia makes improvised blankets for distribution to street families, whom she also mentors.

47-in-1 Initiative

Our Technology Division has set itself the target of installing a prefab computer laboratory in at least one primary school in every county in Kenya. Providing young students with early access to digital learning environments and tools makes a huge difference to their skillsets and future employability and 21 labs have been funded to date. The division had planned to commission another five labs during the year, but a delay caused by the expiry of the PC supplier contract meant that deployment started late in the year and only three labs were completed in Kitui and Kwale Counties before school closures and travel restrictions related to the pandemic were introduced.

Chapa Dimba na Safaricom (Season 3)

We launched Season three of the tournament that seeks to grow and nurture football talent at the grassroots. The all-stars team from season two, comprising of 20 of the most outstanding players from all the regions, participated in a week-long football clinic by La Liga at Barcelona in Spain. Sixteen players from season two have been scouted for inclusion in the national team and various clubs in the national league.





Women in Technology (WIT) programmes

Our Women in Technology (WIT) programmes seek to address the issue of fewer women applying to study technology-related subjects at tertiary-level educational institutions and, even earlier, at school. Highlights from the year included:

Technology Academy

Three-month internship programme within the Technology Division.



88

candidates enrolled



60

of whom were female

Technovation challenge

Supporting and mentoring entrants into the annual challenge that invites teams of girls from all over the world to use technology to solve real-world problems.



513 students between 14-18 years old

WIT campus outreach programme

Supports female students studying STEM subjects academically, socially, and professionally.

10 local universities and colleges

1 international university

5 university industrial visits

Kids Go Tech

Teaches children by introducing them to the use of interactive kits, tools and robots with an aim of enabling them to become creators of technology.

580 kids

47 in 47 High school programme

Invites girls from three high schools from different counties (one per county) for a one-day workshop at our regional Safaricom offices.

1 720 high school students

±60 schools



Looking ahead

We will:

- For B Team, our work in 2020 and beyond will focus on growing the group of East African responsible business leaders and deepening existing initiatives and expanding our work to West Africa by building a cohort of responsible business leaders with a specific focus on responsible tax practice and emerging business leaders who are committed to sustainable business practice. We will work in partnership with the Open Society Initiative for West Africa on this. We will also continue to leverage the influencing power of our regional members alongside The B Team Leaders to advocate for ambitious private sector leadership across our agenda, and develop and grow strategic partnerships within Africa and globally that will support the realisation of African-led solutions that address African issues.
- We will continue supporting communities navigating through the challenges created by the COVID-19 pandemic through the Foundations.

Employees



Supporting our employees through COVID-19

- 70% of staff members have been able to work from home, including 80% of call centre staff.
- Provision of connectivity – zero-rating of calls between staff to enhance collaboration experience and provision of ergonomic seats for staff working from home.
- Provision of PPE for customer-facing members of staff working in our shops.
- Voluntary COVID-19 testing made available to employees and their immediate family members.
- Regular fumigation of office premises, especially those with high levels of customer traffic.
- Regular pulse surveys introduced to monitor the ongoing well-being of our employees.



We are committed to driving good health and well-being within our workforce (SDG 3) and to the training of all staff, providing opportunities for skills development to our employees and the youth of Kenya. We strive to recruit and retain a diverse and inclusive workforce and we have set targets for woman in leadership and persons with disabilities (SDG 8 & 10).

We remain committed to being a world-class employer and take our responsibility to maintain a productive, supportive, and safe working environment seriously. We are committed to ensuring that everyone lives the purpose and spirit of Safaricom – guaranteeing that we obtain the diverse talent and critical skills needed now and in the future, and deliver on our ambition to be the best place to be that ensures personal growth and business performance. While shaping an effective and efficient digital organisation that puts the customer first.

Employee diversity

Workforce demographics

	FY20	FY19	FY18	FY17
No. of permanent male employees	2 278	2 251	2 190	2 080
No. of permanent female employees	2 237	2 252	2 186	2 165
Total no. of permanent employees	4 515	4 503	4 376	4 245

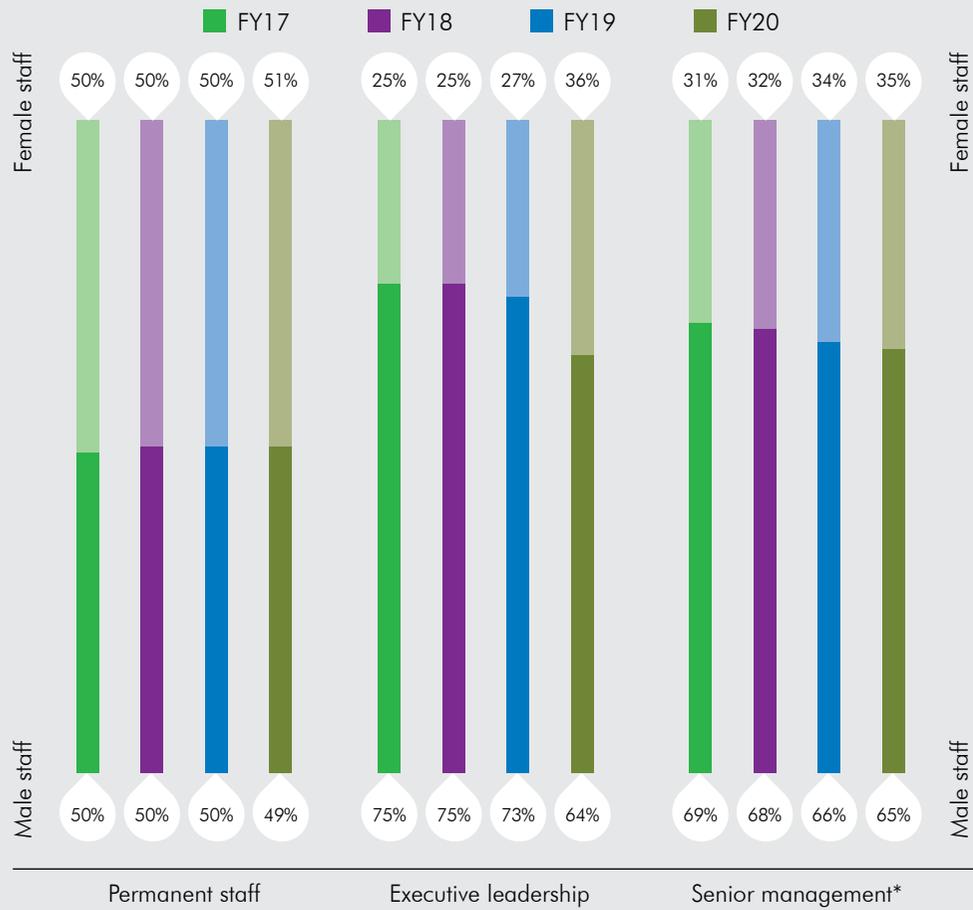
Employees by gender

	FY20		FY19		FY18		FY17	
	M	F	M	F	M	F	M	F
Permanent staff (overall)	50%	50%	50%	50%	50%	50%	49%	51%
Executive leadership	64%	36%	73%	27%	75%	25%	75%	25%
Senior management*	65%	35%	66%	34%	68%	32%	69%	31%

* Includes executive leadership

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

Employee gender diversity



* Includes executive leadership

We are committed to equal gender representation at all levels. Our target is to achieve 50:50 gender parity at senior management level by 2025. At the close of the reporting period, the proportion of women in senior management roles was 35 per cent (an increase of one per cent from FY19) and in our executive leadership it was 36 per cent (an increase of nine per cent from FY19). While we are satisfied that we are moving in the right direction, we acknowledge that there is still much work to be done if we are to achieve our ambitious target by 2025.

Women in Leadership programmes

In terms of achieving gender representation at senior levels, progress has been slower than we would like because this continues to be a multi-dimensional issue and one that affects technology companies like Safaricom disproportionately. The lack of women in senior positions is an issue that starts at tertiary-level educational institutions, which find fewer women applying to study technology-related subjects, and, even earlier, at school. We are addressing this 'external' aspect of the issue through our Women in Technology (WIT) programmes, which seek to develop a pipeline of female talent in the field of technology (see the WIT summary presented in the Society section on page 63 of this report).

Internally, our Women in Leadership (WIL) programmes, such as the Paa Dada initiative and the Safaricom Mowgli Mentorship programme, work to support and develop female leaders to create a pipeline of potential talent that is ready to assume senior positions within the firm. Overall, we trained 50 women through our WIL programmes during the year. Through the Safaricom Mowgli Mentorship Programme, specifically, we trained 15 mentors who are currently mentoring 30 mentees on career and personal growth. Six members of the programme were promoted during the year.

Technology Division

	FY20	FY19
Female employees	24%	23%

Changing skills priorities impacts gender representation

The following table describes the movement of employees during the year by career level and gender. The percentages in the table represent the proportion of the staff population at that career level and gender (not the proportion of the total staff population).

As the table illustrates, the labour movements within the business remained fairly stable. This was largely driven by the measures put in place to achieve gender parity at all levels as well as our employee value proposition aimed at making us the best place to work. As we transition to a becoming a digital services provider, we continue to invest in upskilling our workforce and exposing them to broader roles and assignments.

Our transformation from being a telco' to being the digital services provider has changed the roles and skills being prioritised within the business. This has impacted our talent management goals and slowed down the recruitment and growth of women within the business. We have had fewer vacancies this year and combined roles into bigger portfolios that are frequently absorbed upwards by a more senior employee, who is often male.

Internal labour market map

		Female employees			Male employees		
		Snr Mngmnt	Mid. Mngmnt	Entry level	Snr Mngmnt	Mid. Mngmnt	Entry level
Hires	FY20	4.6%	4.2%	1.8%	2.5%	7.7%	3.8%
	FY19	2.1%	5.4%	6.4%	2.9%	6.7%	11.0%
	FY18	7.8%	6.4%	-	5.3%	7.8%	25.8%
Internal mobility	FY20	6.5%	1.6%	0.7%	5.6%	2.3%	0.9%
	FY19	2.1%	4.6%	6.2%	7.3%	3.9%	7.8%
	FY18	1.1%	5.3%	2.1%	-	-	-
Laterals	FY20	10.2%	8.7%	2.0%	9.6%	7.0%	1.3%
	FY19	15.5%	5.7%	2.3%	11.7%	6.3%	1.9%
	FY18	17.8%	10.5%	2.6%	9.2%	7.4%	2.4%
Voluntary exits	FY20	1.9%	2.9%	3.3%	4.1%	4.1%	3.2%
	FY19	6.2%	2.8%	2.4%	5.8%	3.4%	3.0%
	FY18	7.8%	4.2%	2.7%	4.9%	4.2%	3.6%
Total exits	FY20	2.8%	3.4%	4.5%	5.1%	4.9%	4.8%
	FY19	9.3%	3.6%	5.2%	8.3%	7.0%	5.9%
	FY18	7.8%	4.7%	5.7%	5.8%	5.2%	8.3%

Supporting persons living with disabilities

	Target 2025	FY20	FY19	FY18	FY17
Persons living with disabilities	5%	2.3%	2.1%	1.7%	1.4%

The UN Flagship Report on Disability and Development 2018: Realizing the SDGs by, for and with persons with disabilities – emphasises that people living with disabilities are at a disadvantage regarding most of the SDGs, but it also highlights the growing number of good practices that can create a more inclusive society in which they can live independently. We aim to recruit more people in this group as permanent staff in the technology division and across the business. We have set an aggressive target that five per cent of our workforce will comprise persons living with disabilities by 2025. Currently, 2.3 per cent of our employees are persons living with disabilities.

Even though we had hoped to have recruited a larger number of persons living with disabilities during the year, we anticipated that progress would be slow. Much like the challenge of gender representation, this is a multi-dimensional challenge that we are unable to solve on our own. Creating a pipeline of persons living with disabilities to recruit starts long before they arrive for an interview at Safaricom. As a result, we have spent a good deal of time putting the foundational pieces in place. We have been creating relationships with around 40 disability-related organisations so that we can start identifying and supporting potential candidates at earlier stages. We are optimistic that this hard work will start to pay dividends in the near future.

During the year, we continued to raise awareness among organisations and leaders in the private and public sectors. We have become a lead member of the Forum for Global Disability, which meets quarterly to accelerate, track and report progress on the disability agenda in Kenya. We also became the first Kenyan company and fourth African company to join the coveted Valuable 500, a global movement that takes the disability agenda to the boardroom. We have also worked at raising awareness within the company and were gratified to see that 90 per cent of employees believe that we celebrate diversity within our workforce in the latest SEMA Survey. We also won two awards for Diversity & Inclusion from the Federation of Kenyan Employers (FKE) during the year, and the Daima Trust DIAR for being the most inclusive company in Kenya.

Employee engagement

We use the Employee and Manager Engagement Indexes (part of our SEMA Survey) and staff turnover rates to measure the morale of employees. The two indexes measure how employees and managers view the organisation by which they are employed, the level of connection and commitment they feel to the organisation, and how passionate they are about their jobs.

As the following table illustrates, employee engagement decreased by seven per cent to 89 this year. We attribute this decrease to the disruption and uncertainty created by the sudden passing of our late CEO, Bob Collymore, at the start of the year, and the negative impact of the COVID-19 pandemic at the end of the year. A score in the high 80s, nonetheless, suggests that employees have a very positive attitude towards the company and a high level of commitment and satisfaction.

Employee morale

	FY20	FY19	FY18	FY17
Employee Engagement Index (%)	89	96	90	84
Manager Engagement Index (%)	89	84	87	85
Staff Turnover Rate (% of total workforce)	5.0	5.7	5.4	5.2

SEMA Survey

Participation in the SEMA Survey improved this year with 4 919 members of staff responding, which equates to 89 per cent of employees (up from 85 per cent in FY19). This level of participation suggests that our people remain confident in this dialogue process. Nine out of 16 categories have improved since 2018, although some of the progress made in FY19 has not been sustained. There is continued effort to engage with employees as we work towards improving our performance going forward. Overall, the scores place the company at par with other high performance companies.



2020 SEMA survey summary

Purpose**91%**

of our members of staff believe that Safaricom is purpose driven and that we are committed to our mission of transforming lives

5% YoY

Engagement Index**89%**

of our members of staff feel connected and are committed to the organisation

7% YoY

Diversity and Inclusion**83%**

of our members of staff believe that we celebrate our diverse workforce

8% YoY

Communication**81%**

of our members of staff believe that we are open in communication across various level of influence

9% YoY

Career Development**81%**

of our members of staff feel that they have an opportunity for advancing their careers and achieving their full potential within Safaricom

2% YoY

Work Environment**80%**

of our members of staff believe that Safaricom strives to create a conducive work environment for its people

1% YoY

Ethics and Integrity**70%**

of our members of staff believe that the business is run ethically and has embraced high levels of integrity

23% YoY

CSR**88%**

of staff believe that Safaricom is committed to Kenyan society and constantly engaging with communities when providing solutions

Health, Safety and Wellness**85%**

of our members of staff believe that Safaricom is committed to providing a safe workplace and ensuring the wellness of its people

Spirit Index (Overall)**91%**

of our members of staff understand what is expected of them as part of NEO spirit

Create the future**74%**

of our members of staff believe in our ability to create the future

Customer Loyalty**84%**

of our members of staff are confident of the measures introduced to earn customer loyalty

1% YoY

Getting it done together**73%**

of members of staff believe in the effectiveness of the measures introduced to promote collaboration

5% YoY

Spirit Index**76%**

of our members of staff believe in the 'fail fast' approach to innovation and learning

Skills training and career development

Training

	FY20	FY19	FY18	FY17
Investment in staff training (KSh million)	273	310	298.7	298.7
Percentage of staff attending training	81%	83%	83%	79%

The decrease in training spend during the year reflects our intentional transition to e-learning via the Safaricom Business School and Digital Academy. The cost of delivering e-learning is substantially lower than traditional classroom-based learning. The shift has been accelerated by the COVID-19 pandemic and we anticipate that e-learning will account for at least 10 per cent of our budget going forward. Likewise, the percentage of employees that attended training was expected to decrease as we cut back on classroom-based learning and shifted perceptions from seeing training as something that we undertake ‘away from our desks’ to part of our daily job.

Safaricom Business School

As part of our transition to e-learning, we launched the Safaricom Business School in October 2019. The robust learning platform hosts over 10 000 digital courses from five different vendors. During the year, 85 per cent of distributed licences were activated, with 68 per cent of courses completed and an average of 15 learning hours per employee delivered. The learners who achieved the most training hours, received recognition from their line managers. In FY21, we aim to achieve a licence activation of 90 per cent, and an average of 40 learning hours per employee delivered.

Building a resilient workforce through Safaricom Digital Academy

The Digital Academy enables employees to reskill and learn the digital skills we have prioritised as part of our transformation to being the digital services provider of choice. We increased the number of employees participating in the Academy from 60 in FY19 to 100 this year, and plan to expand this to 500 employees in FY21. Twenty-three per cent of the employees in the current cohort are from our commercial and support teams. All 60 employees from the FY19 cohort have transitioned to digital roles within the company to encourage the application of the skills learnt and career growth.

Discover graduate management programme

Our Discover programme is a graduate management trainee programme that enables greater talent mobility within the business and supports our drive to make Safaricom increasingly global by accelerating the development of our talent pool. The 18-month programme incorporates rotations within and across functions in an accelerated learning environment to build depth and breadth of experience, and is designed to prepare future leaders to assume challenging responsibilities and roles. The professional development and growth of trainees in terms of becoming functional experts in different areas, such as cyber security and data science, is measured throughout the programme. Each year we hire 20 graduates, split 50:50 by gender. We currently have 73 Discover trainees.



A safe and secure working environment

Total OSH-related incidents

	FY20	FY19	FY18	FY17
Fatalities	1	2	0	4
LTIs (lost-time injuries)	14	2	5	0
Incidents	175	150	158	154
Medical treatment cases	18	20	22	22
Man-hours* (millions)	11.9	12.3	12	10.2
Fatal injurt frequency rate (FIFR)*	0	0	0	0.039
LTI frequency rate (LITFR)*	0.017	0.016	0.017	0

* Employee-related

We continue to take our responsibility to maintain a safe working environment for staff and contractors very seriously. Regrettably, one fatality was recorded during the year. There was a traffic accident that resulted in the death of a pedestrian (third party). Road safety remains an area of focus and we continued with our road safety awareness campaigns, three card penalty system and "Tea with the CHRO" initiative for journey management offenders. Four hundred and fifty eight fleet vehicles are currently fitted with telematics.

During the year, we also continued to work with our contractors to ensure they understand, and comply, with our health and safety standards. We used our quarterly engagements with suppliers and the annual supplier conference to address these issues and have offered further training and support. We also focused on the safety of casual workers carrying out trenching work and reclassified this activity as high-risk.

FY20 Highlights



Wellness Month

3 683

No. of staff members who participated

3 213

No. of flu vaccines administered

2 808

No. of yellow fever vaccines administered



Work/Life balance

93%

of staff members happy with flexible working arrangements introduced by the company

530

peer counsellors providing services 24/7

4 000+

No. of staff members participating in the Nairobi and regional 'Safarilympics' sports days



Employee Sports Clubs

Safaricom Employee Sports Clubs aim to:

- Offer opportunities for physical and mental exercise in pursuit of employee total wellbeing.
- Promotion of strong relationships, team building and bonding through interdivisional activities.
- Identify and promote internal sporting talent.
- Increase confidence and boost morale amongst staff.
- Give back to the community and create connections through participation in community activities.
- Embed and support the Thrive Culture.

Our new culture pillars: The Spirit of Safaricom



Our Vision

A purpose-led technology company



Our Purpose

Transforming lives



Our Brand Promise

Simple. Transparent. Honest. **FOR YOU.**



Our Culture

The Spirit of Safaricom is guided by four elements:

Purpose

Belief: Drive

Behaviour: We create the future
Purpose driven, Transforming lives

Customer Obsession

Belief: Trust

Behaviour: We earn customer loyalty
Simple, Transparent, Honest
We will safeguard you

Our Culture

Innovation

Belief: Curiosity

Behaviour: We experiment and learn fast
Innovative, Digital solutions driver

Collaboration

Belief: Belong

Behaviour: We get it done, together
We treat you like family
We will be your life companion



Looking ahead

- We plan to become a zero fatality organisation through a '100 per cent home safe' approach, with four strategic executional priorities, anchored on a risk-based approach and leveraging on the enablers of leadership, behaviour and culture. We will build a positive safety culture through visible safety leadership, the embedding of Health, Safety and Wellness objectives in individual performance objectives, and by rewarding and recognising positive safety behaviour.
- We will implement a digital tool to enable contractor oversight and enhance engagement on health and safety.
- We will continue to support our staff work safely from home during COVID-19.
- We have developed a new business and organisational culture called The Spirit of Safaricom.

Regulators



As part of our ongoing commitment to the SDGs, We continue to engage with our regulators, supporting and enforcing, sustainable resource management (SDG 12), strong governance across our organisation and ethical business practices within our value and supply chains (SDG 16).

Our services play an important and, occasionally, critical role in the daily lives of over 35 million Kenyans. As a result, our regulators expect us to provide our 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. We are overseen by eight regulatory authorities and our chief regulator is the Communications Authority of Kenya (CA), which is the regulatory authority for the Information, Communications and Technology (ICT) sector in Kenya.

Communications Authority of Kenya

The regulatory authority for the ICT sector in Kenya, including broadcasting, multimedia, telecommunications, electronic commerce, postal and courier services.

Issues on which we engage:

- Licensing
- Spectrum management
- Consumer affairs
- Quality of service (QoS) and Experience
- KYC regulations
- Universal service fund (USF)
- Interconnect

Competition Authority of Kenya

Enforces the Competition Act, No. 12 of 2010, to promote competition for the benefit of consumers, businesses and the economy as a whole.

Issues on which we engage:

- Competition and trade practices
- Consumer affairs
- Mergers and acquisitions

Central Bank of Kenya

Formulates monetary policy to maintain price stability; promotes financial stability; oversees payments, clearing and settlements system; foreign exchange policies and reserves; issues currency; is banker and fiscal agent of Government.

Issues on which we engage:

- Mobile money transfer services (M-PESA)
- International money transfer services.

Kenya Revenue Authority

Responsible for the efficient assessment and collection of revenue (taxes) on behalf of the Government.

Issues on which we engage:

- Taxation

National Environment Management Authority

Ensures the natural resources and environment of Kenya are managed in a sustainable manner.

Issues on which we engage:

- Environmental impact assessments and audits
- E-waste management
- Energy management regulations
- Air quality regulations
- Awareness on Electro-magnetic frequencies (EMF)

Betting Control and Licensing Board

Promotes reasonable, legal and sustainable gaming activities in Kenya and authorises gambling, lotteries and prize competitions.

Issues on which we engage:

- Safaricom product and service promotions

Kenya Civil Aviation Authority

Responsible for the safety and management of Kenyan airspace.

Issues on which we engage:

- Site acquisition
- Approval of proposed base transceiver stations

Capital Markets Authority

Protects the interests of investors and publicly-listed companies through licensing and supervising the capital markets industry.

Issues on which we engage:

- Corporate governance

As well as ensuring that we retain company-wide compliance with the stipulations of our regulators, we are also working on tangible ways to strengthen our stakeholder engagements in what remains a rapidly changing regulatory landscape. We expanded the size and remit of our Regulatory and Public Policy team last year and continued to build on this strong foundation during the year through proactive, effective engagements with our regulators.



Looking ahead

We will:

- work with the regulator on the implementation of Data Protection Act by reviewing our internal processes and creating awareness among key teams to ensure we are fully compliant and understand our responsibilities in terms of safeguarding the privacy of personal data.
- continue to evaluate the potential of 5G in our markets and work with the technology team to ensure regulatory support for the allocation of the spectrum required for our trials.
- actively follow the developments leading up to the adoption of the proposed Guidelines for subscriber registration and management of numbering resources and engage with the CA to ensure a viable and favourable outcome for the industry.
- strengthen our stakeholder engagements.
- continue to enhance data protection and privacy
- continue to evaluate 5G readiness and awareness on its impact
- continue to monitor upcoming regulations (e.g. Subscriber registration, Numbering Resources)

Business partners



Supporting our business partners through COVID-19

- All contractors on site have been provided with PPE at no cost.
- We provided stipend cash to 2,960 partner workers and hygiene packs to 3,315 partner workers between April and June 2020
- Support each Dealer Direct Sales Agent with at least one 500 ML sanitizer to use while undertaking their sales activities in the market. The total population supported was 5000 at a cost of KSh 2.5 million.
- Support Dealers Operations as impacts of COVID-19 take toll on Distribution efficiency through KSh 130 million as dealer resource support disbursed over three Months (June, July and August).



As part of our ongoing commitment to the SDGs, we continue to engage with our business partners and to forge new partnerships in the private sector to drive inclusiveness, promote woman owned businesses, provide decent jobs and contribute to economic growth in Kenya.

Our business partners include suppliers, dealers and agents. We rely heavily on our partners from both an operational perspective and in terms of our reputation as they are our interface with many of our other important stakeholders. 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. Our business partner network is currently comprised of 1 095 suppliers, 440 active dealers and 173 259 M-PESA agents.

Suppliers

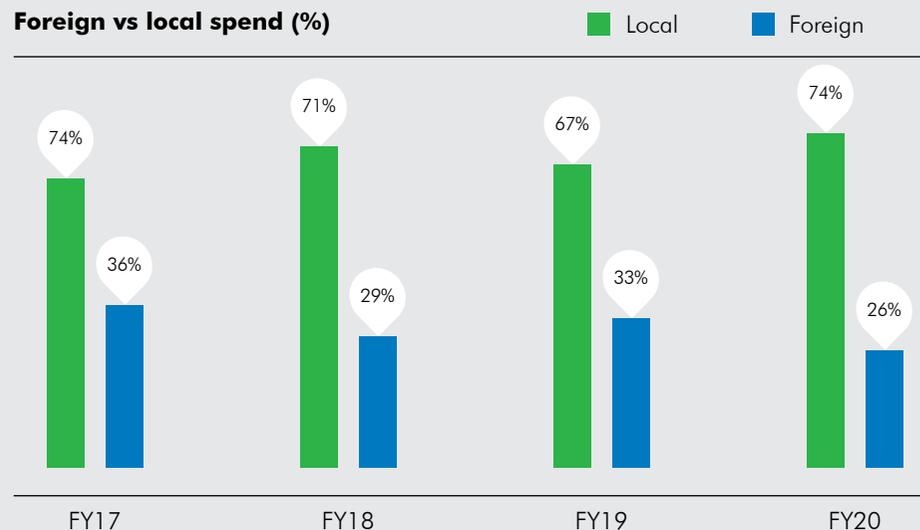
Total suppliers and spend

	FY20	FY19	FY18	FY17
Total no. of suppliers*	1 095	1 138	1 164	1 172
Total spend (KSh billion)	86.7	84.8	85.6	84.4

* Received POs during the period

We partnered with 1 095 providers and spent a total of just under KSh 86.7 billion on products and services during the reporting period. As the following table shows, we continue to favour local suppliers where feasible and, on the whole, we are satisfied with the weighting towards Kenyan companies achieved during the year, with a 7 per cent increase of spend with local suppliers and 82 per cent of our providers remaining local companies.

Foreign vs local spend (%)



No. of suppliers by category and spend

	FY20	FY19	FY18	FY17
Local suppliers	898	956	970	979
Foreign suppliers	197	182	194	193

Encouraging sustainable practices among our suppliers

We continue to undertake performance evaluations of all our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators including cost, quality, delivery, responsiveness, flexibility, value-add, health and safety. A performance score is calculated for our suppliers.

Supplier performance evaluations

	FY20	FY19	FY18	FY17
Suppliers evaluated	1 025	605	750	1 099
Average score	82.6%	80%	78%	82%

We are pleased to report that there was a 69 per cent increase in the number of supplier evaluations conducted during the year, and that average supplier performance improved from 80 per cent to 82.61 per cent over the course of the year. We attribute this to positive relationships with our suppliers and heightened awareness of the purpose of our evaluations and processes, the Symfact contract management portal becoming operational towards the end of the year, and the fact that suppliers are now proactive and promptly seeking performance feedback for their own improvement purposes.

We continue to insist that all suppliers sign up to the Code of Ethics for Business in Kenya as well. The Code is based on the principles of the United Nations Global Compact (UNGC). We maintained a similar level to FY19 this year, with of 97 per cent of suppliers with running contracts having signed up to the Code. Suppliers are not invited to take up new business opportunities until they sign up to the Code.



Delivering value to our suppliers

Our overall engagement with our suppliers has improved during the year. We implemented the supplier recognition framework, which culminated in our inaugural Safaricom Annual Partner Awards (SAPA) in April 2019 – a recognition and awards ceremony that was received positively by our community of suppliers. The event allows us to hear supplier concerns and exchange ideas and information with them.

Prior to the awards ceremony, we conducted the Supplier Satisfaction 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. The outcomes of the FY20 survey were an NPS of 73 and an overall satisfaction level of 91 per cent (same scores as FY19). The main reasons cited for the maintained high levels of satisfaction were the fact that suppliers can now invoice directly as soon as there is confirmation of completion of work, which has resulted in even more prompt payments, and our collaboration with three banks to provide initial and working capital financial support to suppliers that have been awarded contracts. Areas for improvement that were raised by suppliers during the survey included delays in issuance of contracts and purchase orders and the poor levels of communication provided by Safaricom employees.

We also engaged with our suppliers during a mini-forum in December 2020. The agenda for the event included our strategy and goals, the importance of committing to the UNGC Code of Ethics for Business in Kenya, and how to use digital technologies to reinvent and accelerate businesses. The mini-forum also allowed suppliers to raise their issues and concerns with us and these have been shared with our entire supplier community since.

Women in Business

We launched our Women in Business (WIB) in March 2017 in recognition of the significant impact empowering women-owned businesses can have on society and reducing inequalities. As part of the WIB programme, we have set ourselves the ambitious target of spending 10 per cent of our total procurement with women-owned and women-led businesses. We continued to focus on building the capacity of WIB companies during the year, enabling them to participate in tenders and, specifically, secure sub-

contracting work. We now have 65 women-owned or led businesses actively receiving business from Safaricom (an increase from 17 in FY18) and 25 new work assignments were awarded to women-owned or led businesses during the year, compared to 16 awards in FY19. We held our annual WIB even in September 2019, which 135 WIB participants attended, and we have continued to grow our list of prequalified women-owned businesses, from 178 to 205, so that, when a specific need arises, no further research needs be undertaken and the prequalified WIB suppliers can be invited to tender.

	FY20	FY19	FY18
No. of women-owned business*	205	178	113
Women-owned businesses participating in tenders (% of total)	23%	28%	31%
Procurement spend (KSh billion)	1.77	2.4	1.9
Procurement spend (% total)	2.3	3.2	2.3

* Active and/or pre-qualified suppliers

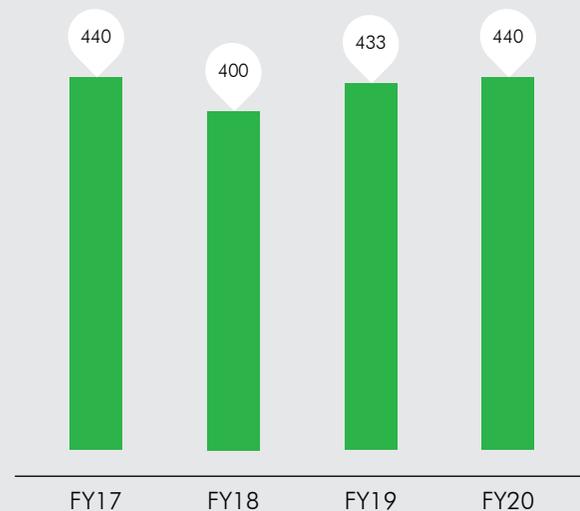
Dealers

Our dealer network remained stable during the year. Overall, our focus has remained on becoming more responsive and transparent with our dealers through the automation and digitisation of our internal processes. We are providing more detailed reports to our dealers, for instance, to enable them to plan better and identify and exploit opportunities more efficiently. We also continued to offer training programmes on basic book-keeping, shop management and life skills.

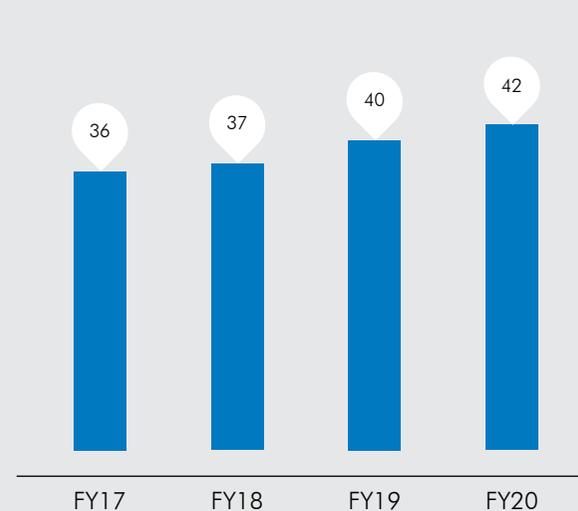
Our dealers have consistently challenged us to let them take part in other revenue generating activities based on services like fibre-to-the-home (FTTH) and enterprise sales programmes. In response, we engaged with our internal departments and BUs this year in this regard and dealers are now able to serve as Mini Store collections points, FTTH dealers and LNM resellers.

We were unable to host our annual Dealer of the Year Awards (DOYA) due to the COVID-19 restrictions introduced towards the end of the year.

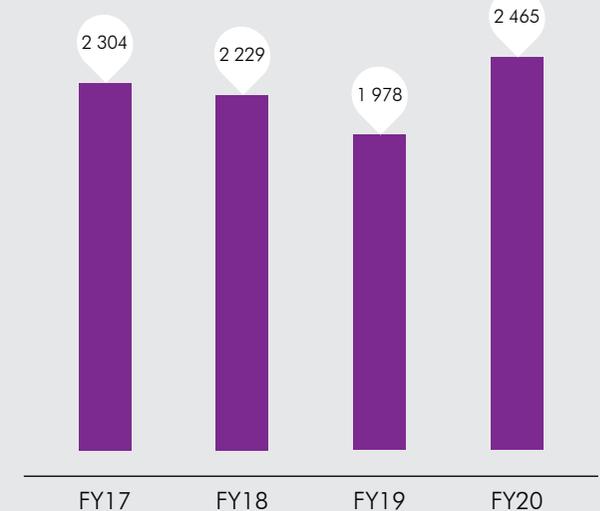
Active dealers



Active sales managers



Mobility scheme (cumulative number of bikes)



Enhancing KYC through the Jiandikishe App

One of the new ways we delivered value to our dealers during the year was the introduction of the Safaricom Jiandikishe App. By making the subscriber registration process simpler, the app makes it easier for dealers to meet their regulatory obligations and collect KYC registrations in the field. The initiative has largely been successful, with 40 per cent of KYC registrations being collected through the app by March 2020.



How the app works - The user logs into the app and scans the customer Identification document to pick up the customer KYC. This is verified within the app. The customer then selects a number of their choice. The customer receives a notification message to provide consent for registration if this is an additional line that they are purchasing. The process takes approximately three minutes from start to finish.

We further supported dealers by making a subsidised, affordable smartphone available to enable them to take advantage of the app at a greater number of registration points. The MobiGo device has no calling functionalities and, hence, is not susceptible to theft. Payment plans have also been made available, if required. More than 6 000 devices had been purchased by the end of the year.

Chanua Biz 3.0

	FY20	FY19
No. of direct sales agents participating (dealer tills)	3 276	2 500
No. of retailers participating	41 622	30 000
Value of airtime redeemed (KSh million)	162	316

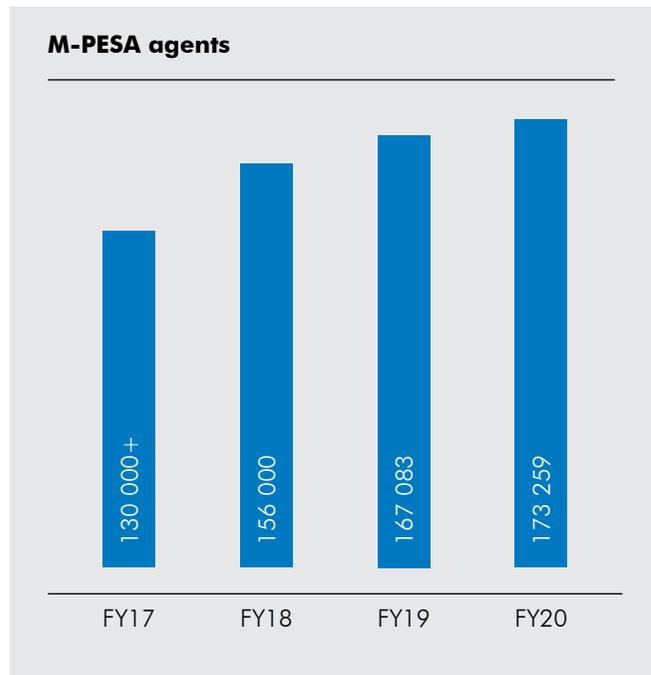
We enhanced our Chanua Biz promotional campaign for direct sales agents during the year. Dubbed Chanua Biz 3.0, the scheme allows transacting users to earn points, which they can redeem as airtime. Chanua Biz encourages direct sales agents to use M-PESA and Lipa Na M-PESA services to streamline collections and make them cashless. Not carrying cash makes direct sales agents safer in the field by reducing the incidents of theft and lowering insurance costs. As the table notes, the amount redeemed during FY20 was less than the previous year due to budget limitations for Chanua Biz 3.0.



M-Jeki

Twenty dealers joined the M-Jeki platform during the year, bringing the total to 80 dealers. The platform allows dealers and agents to access additional working capital financing (unsecured short-term loans) to purchase airtime and devices, based on their trading history with Safaricom.

Agents



Our network of agents sell airtime, data and M-PESA products and devices. The significant increase in the number of active agents can be attributed to the automation of the agent onboarding process, which has made it far easier and quicker, a change in the parameters used to allocate tills to agents, which has led to an

increased number of agents qualifying for additional tills, more active management of agents through regional teams and agent 'champions', and a concerted effort to reactivate dormant tills by our regional teams.

Stawisha Biashara

Our loyalty programme for agents, Stawisha Biashara continued to gain traction during the year and KSh 142.7 million has been redeemed since October 2018. The programme awards agents a point for every 1 000 transactions and points can be redeemed as float in their tills.

Delivering value to our agents

In spite of the COVID-19 restrictions introduced towards the end of the year, we were able to hold 11 biannual agent forums in all six regions across the country. We held an Agent Awards event in each of the regions and awarded KSh 20 450 000 in prizes to 118 agent stores and 9 agent head offices. The principal concerns of our agents remain the ability to buy float directly to obtain line allocation and earn commissions, fraud trends and sanctions, security, and logbook availability (the elimination of transaction registers).

In response, we have increased the availability of financing to agent head offices and now have 1 600 agent head offices rotating funds of KSh 1 billion. We also increased the amount of weekend capital financing from KSh 500 million to KSh 800 million. We adjusted the parameters of automated float financing to 50:50, which allows agent head offices that have maintained a float level of KSh 20 000 in 30 per cent of their tills to apply for more tills.

As part of our ongoing efforts to assist agents with their security, we distributed 607 sets of CCTV cameras to 218 agents. To help combat fraud, we distributed 42 500 UV lights to agents to help them detect counterfeit currency.

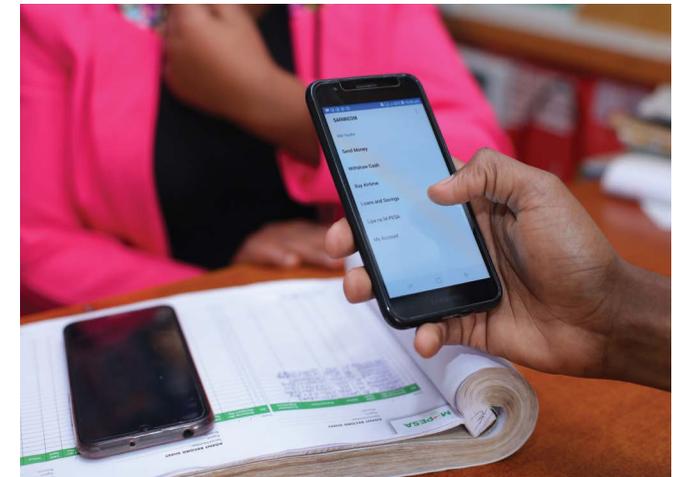
Engagement with our agents

	FY20	FY19
No. of biannual principal forums	11	28
Agent attendance	2 200	1 980



Looking ahead

- We will continue to digitise and streamline dealer processes.
- We will continue to support our business partners as they navigate through the challenges brought about by COVID-19.



Shareholders

Our shareholders expect us to remain a high-performing company that balances delivering consistent and sustainable financial returns against ethical and environmentally responsible operations. As a reflection of this, they expect us to retain a stable, experienced, and proven management team and to uphold the very highest standards of corporate governance and practices.

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

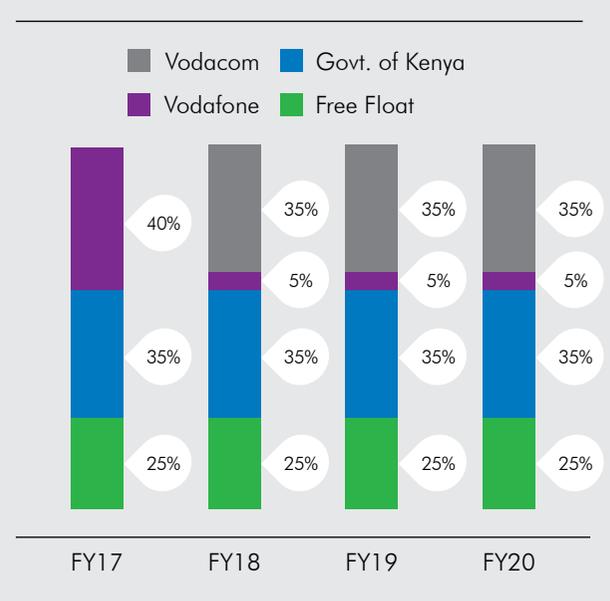
Shareholding structure

Proportion of 'free float' shareholders by category

Shareholder category (%)

	FY20	FY19	FY18	FY17
Foreign corporate	44.7	45.1	48.4	51.8
Local corporate	39.7	39.0	35.6	31.4
Local individual	15.3	15.5	15.5	16.4
Foreign individual	0.4	0.4	0.4	0.4

% Breakdown of shareholders



During the year, there was a slight decrease of shareholding numbers across most bands compared to FY19. We attribute this to the impact of the pandemic, which has triggered a negative outlook on the economy and prompted investors to secure their investments.

Delivering value to our shareholders

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

Despite difficult economic conditions, we continued to leverage the strength of our balance sheet and our

resilient business model to increase margins and reward shareholders. We delivered a strong financial performance again this year, which has resulted in a proposed dividend for FY20 of KSh 56.09 billion, and a proposed dividend per share (DPS) of KSh 1.40.

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.



Looking ahead

- We will continue to increase our investor engagement frequency and strengthen the company strategy towards becoming an agile, digital services provider that transforms lives in alignment with the SDG goals.

Media

The media play an important role in society by providing a platform for discussion, debate and dissemination of information. 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 explained fully so that topics and events are reported in an accurate and balanced manner.

We continue to maintain good working relationships with a wide variety of media representatives to ensure that our voice is heard on pertinent issues and to help provide information and guidance topics that are related to our areas of expertise. 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 – from radio and TV stations to print media publishers (newspapers, magazines) and digital media channels (news sites, bloggers, influencers and social media personalities).

We continue to have both formal and informal engagements with journalists and bloggers. During the year, we held the following five engagements:

Region/interest

	Attendance*
North Eastern Media Engagement	50
Iftar Dinner for Muslim Journalists	64
Distribution of calendars	301
World Radio Day** (No. of radio stations)	18
Sustainable Business Report media immersion	20

* Number of journalists

** Visited radio stations with cake to celebrate the day

We also provided media training to 54 regional employees during the year.



Looking ahead

We will:

- have more one on one and group engagement sessions with Nairobi –based media – We are having virtual engagements with media around the days we make important announcements (e.g. Results announcements, product launches). The CEO is also having one on one engagements with select journalists and media owners and executives.
- have a foreign correspondents forum – the focus of which will be on business updates and opportunities for more partnerships with foreign correspondents.



Concluding remarks

Thank you for reading our sustainable business report. We hope that this report has presented you with a concise, yet meaningful overview of the progress we have made towards our goal of building a more sustainable future during the year. We also hope that it has described some of the key sustainable business challenges facing us, both as a company and as a society.

It is clear that COVID-19 will reshape the business landscape and the role of businesses like ours. We anticipate that more will be expected of companies like us in terms of supporting the economic recovery of the country and building a more resilient society.

Please refer to the companion website for this report at https://www.safaricom.co.ke/sustainabilityreport_2020/ for more information regarding the purpose of our reporting, our material topics and the methodology we use to determine these, the methodology we use to calculate our emissions, our governance structures and processes, as well as our assurance process.

As we continue to learn and evolve on our journey of sustainable business reporting, we value your views and feedback. Please share any comments, queries or suggestions you have regarding this report with the reporting team by emailing sustainability@safaricom.co.ke



Acknowledgements

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