LEAVING NO ONE BEHIND

SUSTAINABILITY REPORT 2017

Safaricom
Twaweza

CONTENTS

INTRODUCTION

Our products and services play a central role in the daily lives of more than 28 million Kenyans. Our purpose continues to be to transform 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 also seek to contribute to sustainable living throughout Kenya and are 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 under our sustainable business strategy.

IN THIS SECTION

ABOUT OUR REPORTING

Our sustainability reporting focuses on activities and risks that are both of material importance to our business and of interest to our stakeholders. This report covers our fiscal year of 01 April 2016 to 31 March 2017. Please visit the website associated with this report at https://www.safaricom.co.ke/sustainabilityreport_2017/ for more information about the scope and purpose of our reporting, the methodology we use to determine our most material matters, our assurance and conformance with the Global Reporting Initiative (GRI) G4 Guidelines.

THE YEAR IN REVIEW
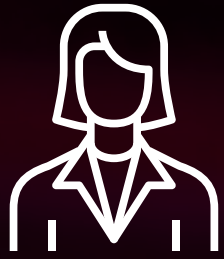
30%
of senior management are women

Water consumption
▲**2%**
to **96,650 m³**

98%
of staff trained on ethics and anti-corruption

632
tonnes of e-waste collected since 2013

70%
Safaricom staff dedicating their time to community projects

Fined
KES 270,056,720
by the Communications Authority for failing to meet its Quality of Service requirements

4
Fatalities*
* Two employees, one contractor and a third party

98%
suppliers signed up to the Code of Ethics for Businesses in Kenya

Fuel consumption
▼**2.7%**
to 9,446,251 litres

133 sites powered by renewable energy

Cost of energy consumed per site per month ▼ **3%** to **KES 48,614**
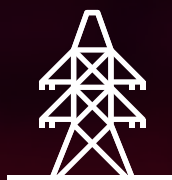
Carbon emissions ▼ **1%** to **78,927** (tCO2e)*
* Based on revised figures for FY16 and FY17

Electricity consumption ▲**8%** to 116,988 MWh*
* Reflects a change in calculation methodology to improve accuracy
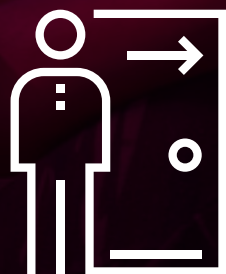
52 dismissals for fraud

Forged over **35,000** partnerships across all industries to drive change

120+ projects creating meaningful impacts in health, agriculture and education

83% staff members familiar with the UN Sustainable Development Goals**
** SEMA Survey

Only **1.4%** of our colleagues are persons with disability

Market share ▲ **5.6%** to 71.9%*
*Active subscribers

MESSAGE FROM THE CHAIRMAN

SUSTAINABLE DEVELOPMENT GOALS GUIDING US TO GREATER SUCCESS

As Chairman of the Board, it is my great pleasure to present to you our sixth sustainability report. From a sustainability perspective, it has been an exciting and bold year for us as a business as we completed the first phase of our integration of the UN Sustainable Development Goals (SDGs). The purpose of integrating the SDGs is to convert our sustainability ideals into a set of meaningful, realistic and measurable daily objectives for every staff member of the company. It has been most gratifying to see how enthusiastically staff and management have embraced this important new approach. Specific targets have been cascaded from divisions to departments and individuals and the focus in the year ahead will be to start reporting against these targets.

It was an easier year for business in Kenya, in many respects, with the World Bank reporting a modest GDP growth of 5.9% and Moody's revising our credit rating outlook from 'stable' to 'positive'. The economy is still facing headwinds in the short-term, however, from factors such as the drought, reduced agricultural output in sectors like tea and livestock and slow credit growth. In spite of these economic challenges, the ICT sector remains resilient, which can be attributed to continued expansion of the mobile telephony network and increased demand for mobile broadband and internet services.

"Businesses cannot be successful when the society around them fails."

REGULATORY ENVIRONMENT

The regulatory environment remains an area of importance to our operations and, during the year, we experienced heightened concerns from investors on the likely impact of regulatory interventions in the telecommunications sub-sector. A draft version of a study on competition in the sector by the Communications Authority was leaked to the media and raised concerns among the investment community. The leaked report was followed by calls from some members of the National Assembly to separate M-PESA from Safaricom, which further dampened investor confidence and negatively impacted our stock price on the NSE. The ICT Ministry confirmed that it does not support such a split and since then confidence has been restored and our share price has recovered. We expect a detailed engagement with the Communications Authority prior to the finalisation of the report and its recommendations.

WE CANNOT SUCCEED IN ISOLATION

Another of our key objectives is to build sustainability leadership within our business ecosystem. As proud as we are of our efforts to integrate the Sustainable Development Goals into our business, we recognise that we cannot succeed in isolation. I would like to take this opportunity to urge all Kenyan companies, especially those within our business ecosystem, to embrace sustainability and the SDGs as well. Businesses cannot be successful when the society around them fails. As companies, our continued commercial success relies upon us uplifting and empowering our fellow Kenyans. If we want to enjoy a prosperous future we must make sure no one gets left behind. Sustainability and the SDGs offer a tangible roadmap to help us achieve this — let's use them.

TWO MORE YEARS OF INSPIRING LEADERSHIP

I am also personally delighted to announce that the Board has decided to extend the contract of our CEO, Bob Collymore, for an additional two years. Bob has successfully navigated our company through some of its most difficult years, even as he has explored new areas of business and new ways of doing business. His explorations and innovations will shape the future of this company in the decades to come. It goes without saying that he has our full confidence and support.

ENSURING OUR LONG-TERM SUCCESS

In closing, the Safaricom Board and I would like to acknowledge the efforts and achievements of staff and management during the year. The enthusiasm and exertions of the whole company continue to impress us and we look forward to the year ahead with excitement. In terms of our sustainability journey, we have reached an important milestone in the embracing of the Sustainable Development Goals. I am confident that using the SDGs as a means of guiding our daily activities will not only assist us to achieve our ongoing mission of transforming lives, but ensure our long-term success by encouraging us to continue to do business in a positive, inspiring and sustainable manner.

Nicholas Nganga
Chairman and Non-Executive Director
Safaricom Limited

MESSAGE FROM THE CEO

LEAVING NO ONE BEHIND

Robert F Kennedy suggested that 'the purpose of life is to contribute in some way to making things better' and it's a sentiment that we share at Safaricom. We believe that having the right purpose is fundamental to making the right decisions. It is at the core of our ongoing mission to transform lives. It is why we reject the idea that business is about choosing between having a purpose or making a profit. We believe that business requires the 'Three Ps': Purpose, People and Profit. If we let our purpose of transforming lives guide our decision-making and put our people first, we know that the profit will follow. For us, it is a case of choosing 'people and purpose and profit'.

> "We reject the idea that business is about choosing between having a purpose or making a profit."

Our belief in the 'Three Ps' made embracing the UN Sustainable Development Goals (SDGs) an easy decision for us to make. Society and community remain at the heart of everything we do. We know that our success is thanks to the support of the people of Kenya as much as it is to our own efforts and we take our responsibility to reciprocate that support very seriously. The SDGs are a daily reminder that we cannot grow alone and that our success is only sustainable if everyone benefits from it, especially the poorest 46 per cent of the population.

GOALS HIGHLIGHT ROLE FOR BUSINESS

The SDGs have expanded our outlook and ambitions and reminded us that sustainable development is not about carrying out sustainability-related initiatives outside of our business, but rather is about creating commercially viable solutions to global problems. The SDGs seek to address large-scale issues and, if we are to tackle these challenges in meaningful, long-term ways, we must do more than simply provide financial contributions — we need to empower people to uplift themselves. The best solutions are those that are economically feasible because this makes them maintainable and scalable. This reality is why the SDGs highlight the important role business has to play in sustainable development. As the Business and Sustainable Development Commission has pithily noted: this is about return on capital, not just responsibility.

We still have much to learn and do in terms of integrating the SDGs into Safaricom, but I am pleased with the progress we have made this year. Each division has identified the SDGs that are relevant to their objectives and started aligning their activities accordingly. This first phase in the process was largely concerned with raising awareness and I am pleased to note that an independent survey found that 83%

of staff members are now familiar with the SDGs. In the next phase, we will start monitoring our progress against SDG-related targets and I look forward to reporting on our efforts in this regard next year.

"This is about return on capital, not just responsibility."

A NEW TYPE OF BUSINESS LEADERSHIP

The SDGs inspire a new type of business leadership as well — one that is bold enough to balance short-term profit against long-term gain. The SDGs remind us that sustainability needs all of us working together to make a lasting impact. That is why I have been delighted by the response to our programme of CEO Meetings and, in particular, how we built upon the momentum created at the CEO gathering in December to launch *The B Team - Africa* just two months later, in February 2017. *The B Team - Africa* is an exciting alliance of business leaders from across the region who believe that the purpose of business is to be a driving force for social and environmental, as well as economic benefit and who are committed to driving a better way of doing business for the wellbeing of both people and planet.

GENDER EQUALITY AND DIVERSITY

Gender equality and diversity were areas of particular focus for me during the year. While we have made great strides as a business in terms of our overall gender parity, women are still relatively underrepresented at senior management levels. It is an area that we are determined to address further and one of our first steps is to disclose the matter transparently and start reporting the specific numbers, and our progress against these, annually. Our level of diversity is equally unfortunate, with only 1.4% of our colleagues being people from minorities or with disabilities. We have firmly committed to address this issue and ensure that at least 5% of our workforce is diverse by 2020.

NET ZERO BY 2050

In response to the very serious threat of climate change, we have made the bold commitment to becoming a net zero carbon-emitting company by 2050. We have improved the accuracy of the data we use to calculate our carbon footprint this year as well and this improvement is discussed in further detail on page 38 of this report. Based on this enhanced data, our carbon footprint decreased by 1% to 78,927 tCO2e this year, which is a satisfactory result

given the continued strong growth of our network during FY17, but it has also inspired us to intensify our efforts in this regard in the immediate future.

"Integrating the Sustainable Development Goals into our daily operations has been both an inspiring and a humbling process."

AFFORDABLE HEALTHCARE

It has been immensely satisfying to witness the rapid growth of our M-TIBA health payment solution since its national launch in September 2016. A health payment 'e-wallet' for low income earners, the M-TIBA application now has over 465,000 active users, who have made deposits of over KES 7.3 million and can now access healthcare at 375 accredited facilities in Nairobi, Mt Kenya and the Western and Nyanza regions.

THE START OF THE JOURNEY

As a business, we realise that sustainability remains a journey, not a destination and integrating the Sustainable Development Goals into our daily operations has been both an inspiring and a humbling process. I am proud of how well we have embraced the SDGs, but I also recognise that we have a lot more to do. The SDGs have also reminded us that we cannot do this alone, and how important it is for the wider business community to join us on this journey. The challenges facing the planet and the poorest among us are substantial and urgent, but they are also opportunities for economic empowerment and business development for those bold enough to embrace them. Even more than that, though, the SDGs serve as a timely reminder that our long-term success and prosperity relies upon us making sure no one gets left behind.

Bob Collymore
Chief Executive Officer
Safaricom Limited

"The challenges facing the planet and the poorest among us are substantial and urgent, but they are also opportunities for economic empowerment and business development for those bold enough to embrace them."

OUR BUSINESS

Safaricom Limited (Safaricom) exists to transform lives. We provide voice, data, financial services and enterprise solutions for a range of subscribers, small businesses and government, using a variety of platforms. We operate solely in Kenya and our headquarters are located at Safaricom House in Nairobi. *

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.

* Safaricom has four subsidiaries, which are 100% held and are disclosed in the notes of the Annual Financial Statements in our 2017 Annual Report. These subsidiaries are covered by the disclosures in this report.
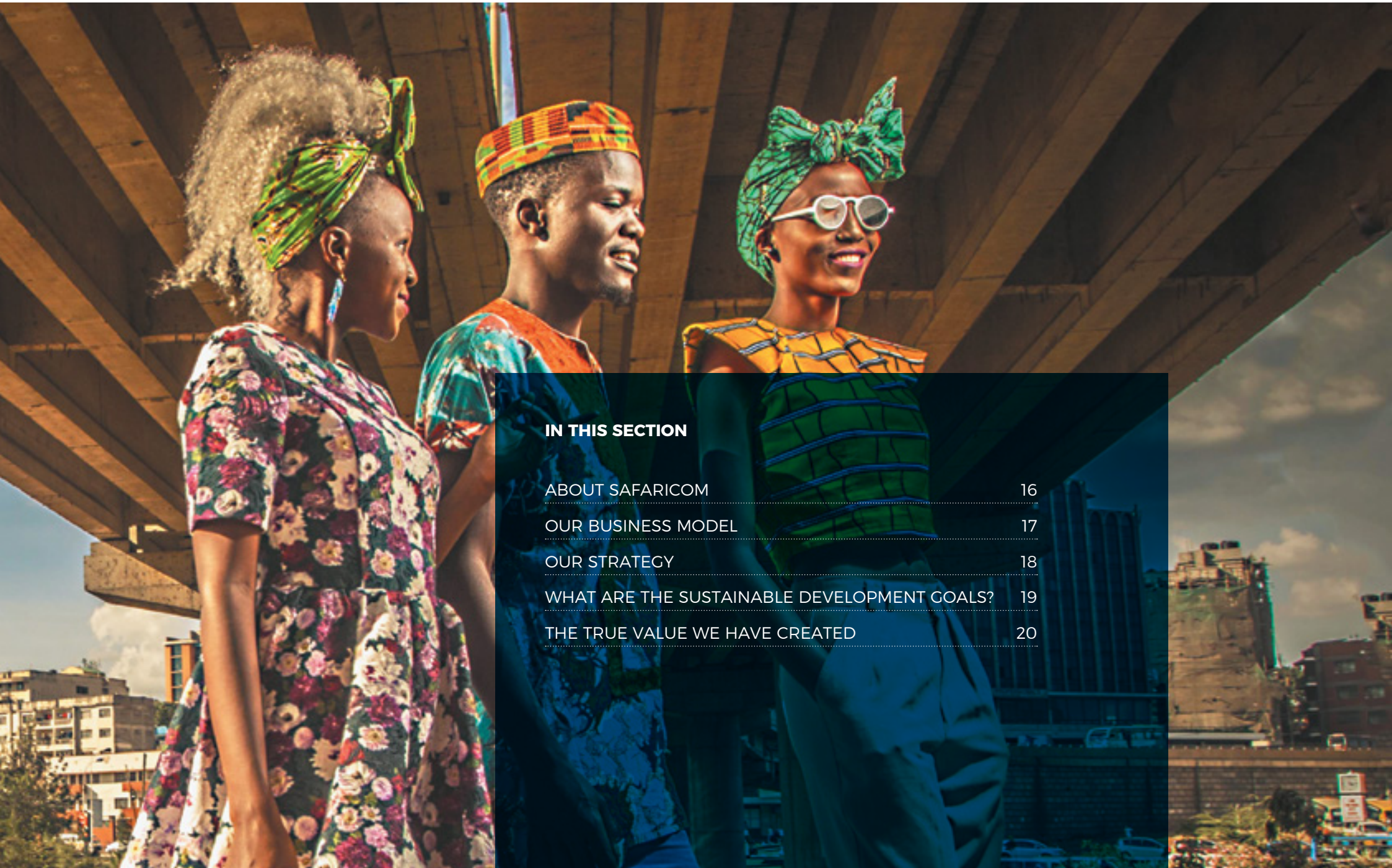
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OUR BUSINESS

ABOUT SAFARICOM

2000
Year Founded

Headquarters
Nairobi, Kenya

5,085
Employees

Fibre Optic Footprint
4,700 km

130,000+
M-PESA Agents

Network Sites
4,677

2G
95%
2G Coverage
(% population)

3G
85%
3G Coverage
(% population)

28.12 m
Customers
(million)

71.2%
Market Share
(% subscribers)

212.9 bn
Annual Revenue
(KES billion)

Safaricom at a Glance

OUR BUSINESS MODEL

INPUTS	PROCESSES	OUTPUTS	OUTCOMES

OUR NETWORK

Our services are delivered through 4,677 network sites that provide 95% of the population with 2G and 85% with 3G coverage.

OUR RELATIONSHIPS

We rely on our relationships with our 28.12 million customers, 130,000+ M-PESA agents, 400 dealers, 1,200 business partners, 5,085 employees and other stakeholders.

CONSUMER BUSINESS

ENTERPRISE BUSINESS

FINANCIAL SERVICES

REGIONAL SALES AND OPERATIONS

SUPPORT SERVICES

Technology, Risk Management, Corporate Affairs, Internal Audit, Customer Operations, Marketing, Strategy and Innovation, Resources, Finance

VOICE Prepaid and post-paid voice call plans

M-PESA Mobile money transfer services

MOBILE DATA Mobile broadband bundles and services

MESSAGING SMS and MMS services

FIXED SERVICES Fixed, fibre and leased lines, wireless and hosted services

DEVICES Handsets, routers and other devices

VALUE FOR SHAREHOLDERS

Annual revenue

Please refer to our Annual Report for further detailed information about our financial performance.

VALUE FOR KENYAN SOCIETY

TRUE VALUE
IMPACT ON SOCIETY

10.03x PROFIT

CONTRIBUTION TO GDP
6.5%
on average annually

SUSTAINING EMPLOYMENT
823 K
jobs in 2017, down from 845 K in 2016

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS

OUR STRATEGY

During the year, we successfully completed the first phase of integrating the UN Sustainable Development Goals (SDGs) into our business and corporate strategy. The SDGs have enabled us to unite our three-pillared business strategy with our sustainability vision and to translate our strategic sustainability ambitions into specific, measurable objectives for every division, department and team.

OUR INTEGRATED SDGS

The purpose of integrating the SDGs is to convert our sustainability ideals into a set of meaningful, realistic and tangible daily objectives for every member of the company. The first phase of this process involved asking each division to select the goals most relevant to their activities and then communicating the importance of the goals to every employee. Based on the deliberations of the divisions, we selected nine SDGs to integrate into our business operations. During the year, specific SDG-related targets were then identified and cascaded from divisions to departments and teams by divisional sustainability champions, directors and line managers. We are pleased to report that an independent survey found that 83% of staff members understand the relevance and purpose of integrating SDGs into the business. Our focus going forward will be to report against SDG-related targets and, ultimately, to empower individuals to set their own SDG-related objectives.

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 the people we reach. 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 CORPORATE STRATEGY

Our corporate strategy is based on three strategic objectives: 'Customer First', 'Relevant Products and Services' and 'Operational Excellence'. 'Customer First' requires understanding our 28 million customers and their specific needs better by classifying and analysing them in much smaller groups or 'segments'. 'Relevant Products and Services' requires using our better understanding of customer needs and challenges to design more relevant products and services that meet those exact needs. 'Operational Excellence' requires us to assess every aspect of the business from both the perspective of how well it is serving the customer and how it is helping us to deliver superior returns to our shareholders.

WHAT ARE THE SUSTAINABLE DEVELOPMENT GOALS?

Officially adopted by the United Nations on 25 September 2015, the Sustainable Development Goals (SDGs) are an articulation of how we can work together to end poverty, protect the planet and ensure prosperity for all.

Officially known as *Transforming our world: the 2030 Agenda for Sustainable Development*, the SDGs are a set of 17 'Global Goals' with 169 targets between them. The SDGs have set the sustainable development agenda for the next 15 years (to 2030) and will guide our efforts as countries, businesses and individuals to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

The SDGs are unique in that they call for action by all countries, poor, rich and middle-income to promote prosperity while protecting the planet. They recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. The SDGs are also a unique call to action for business to drive the delivery of the goals through business-driven approaches.

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 for our company, society and economy (SDG8)."

1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

THE TRUE VALUE WE HAVE CREATED

We assess the significant indirect value contribution we make to the economy, society and environment in Kenya using the KPMG "True Value" methodology. When monetised, the net value of the most material social, environmental and economic impacts of the company, both positive and negative, gives an indication of the total value that Safaricom creates for the people of Kenya. The following 'True Earnings' bridge shows that the total value we created for Kenyan society in FY17 was KES 486 billion, 17% greater than in FY16 and around 10 times greater than the financial profit the company made in the same year. This ratio is slightly smaller than the 10.8 ratio of FY16. This illustrates that, even in years in which the profit of the company grows substantially, Safaricom continues to create value for society that far outweighs value for shareholders.

FY17 TRUE EARNINGS BRIDGE

The economic impact made through the operations of Safaricom is the greatest contributor to the value created, and has also grown significantly (23%) since FY16. This is in contrast to the value created through operational expenditure, which was particularly high in FY16 as a result of the active network expansion of the company during that period. The reduction in capex activity is also the cause of the comparatively lower value of the 'social value of jobs' category, as less jobs were created through capex in FY17 than FY16.

The social value of M-PESA remains a significant creator of value for Kenyan society, increasing by 12% in the last financial year. The major driver for this growth has been the increase in customer, agent and merchant numbers, as well as the increased value paid to M-PESA and M-Shwari users in interest.
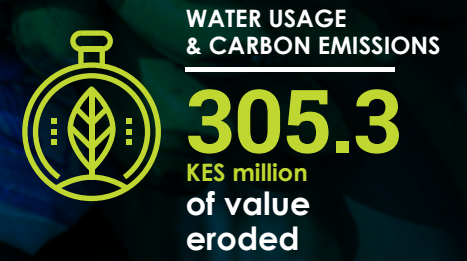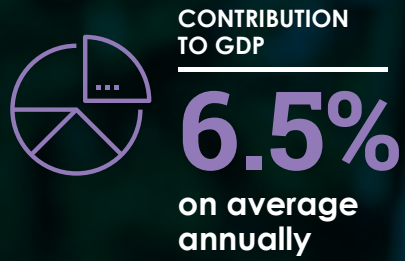
FY17 has seen substantial growth in the contributions made both through the M-PESA and Safaricom Foundations. These contributions have almost doubled in the past year, from KES 3.6 billion to KES 6.6 billion. The greatest growth has been seen in the areas of education and health.

TRUE VALUE

IMPACT ON SOCIETY

10.03x

PROFIT

The True Value assessment suggests that Safaricom sustained over 154,370 direct and indirect jobs during the year and, if the wider effects on the economy are included, this number increases to over **823,243 jobs**.

Figures in KES million

Source:
KPMG 2017, KPMG True Value Case Study - Safaricom Ltd

CONTRIBUTION TO GDP

6.5%
on average annually

TOTAL ECONOMIC VALUE ADDED

19.2%
up from 2016 results

SOCIAL IMPACT OF M-PESA

159.6
KES billion
up from 143 bn in 2016

WATER USAGE & CARBON EMISSIONS

305.3
KES million
of value eroded

EARNINGS

ECONOMIC VALUE-ADD

SOCIAL EXTERNALITIES

ENVIRONMENTAL EXTERNALITIES

TRUE EARNINGS

212,885	(164,440.8)	48,444	286,253.7	8,957.8	(27,243.5)	159,651.1	4,565.4	6,694.9	(124.0)	(61.3)	(244)	486,125.9

Revenue · Cost · Profit · Economic Value Added Operations · Economic Value Added Capex · Corruption · M-Pesa Social Value · Social Value of Jobs · Strategic Social Investments · Health & Safety · Water · Carbon Emissions · True Earnings

| ABOUT SAFARICOM | OUR BUSINESS MODEL | OUR STRATEGY | WHAT ARE THE SUSTAINABLE DEVELOPMENT GOALS? | THE TRUE VALUE WE HAVE CREATED |

OUR BUSINESS

OUR MATERIAL MATTERS

Our sustainability material matters are the most important environmental, social, economic and governance risks and opportunities for our organisation and stakeholders. This section describes each of our most material matters, how these influence us and how we respond to them as an organisation. In response to our Sustainable Development Goals (SDG) strategy, we have included references to the goals to which we have aligned our efforts in each chapter this year. There have been no significant changes to the scope of our material matters from last year and all of these matters are material to all entities within the organisation.
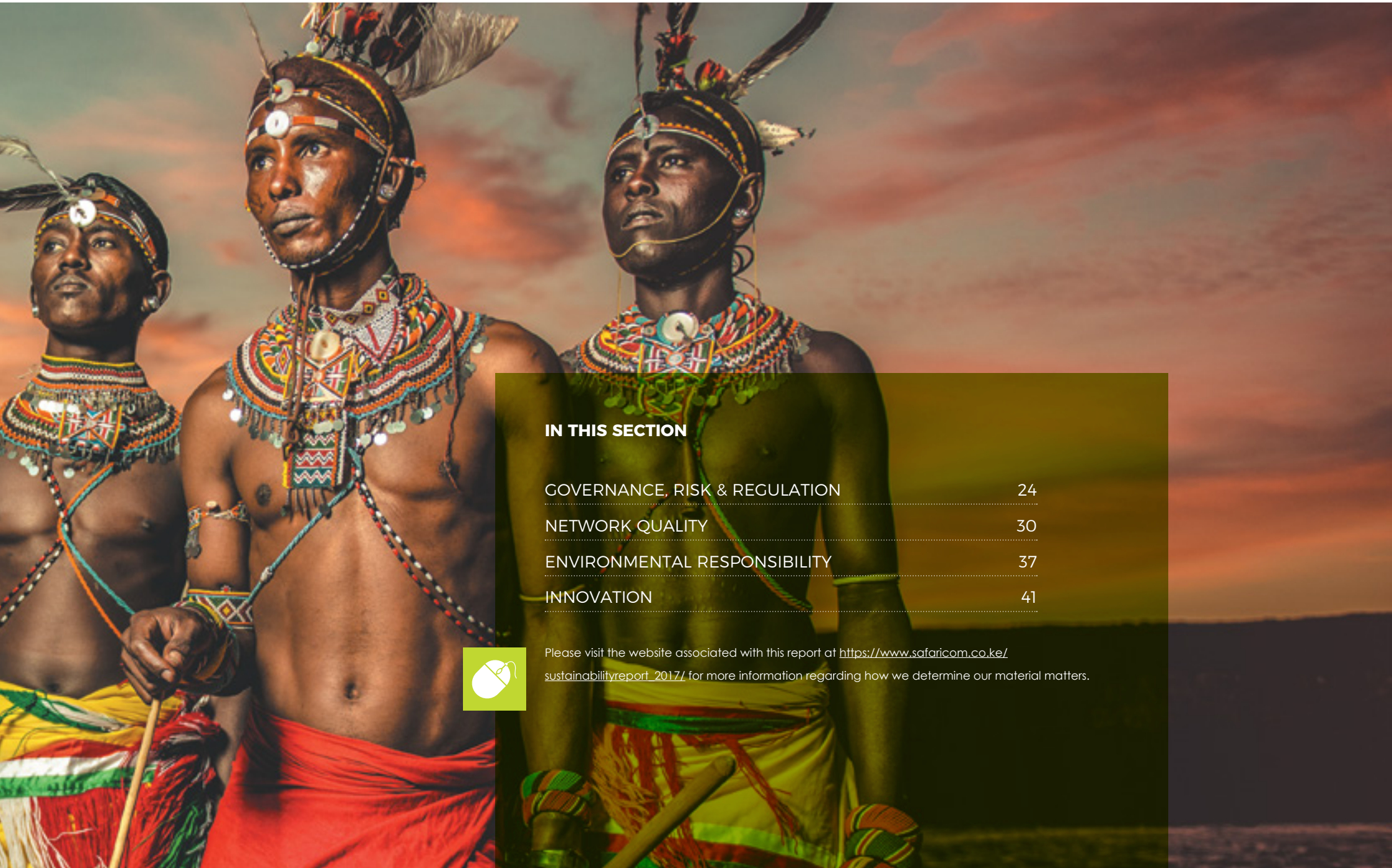
IN THIS SECTION

Please visit the website associated with this report at https://www.safaricom.co.ke/ sustainabilityreport_2017/ for more information regarding how we determine our material matters.

GOVERNANCE, RISK AND REGULATION

If the business is not run in an ethical, transparent and accountable manner, we are likely to face legal and reputational risks, as well as being disadvantaged by eroded employee and investor trust and confidence, which quickly translates into lost opportunities and diminished success. As a result, we consider sound corporate governance, ethical behaviour, robust risk management and regulatory compliance to be fundamental to our commercial sustainability.

In response to the SDG strategy, we have aligned our efforts with five of the goals this year and committed to promote ethical business practices and fight corruption in all its forms **(SDG16)** within Safaricom and within the wider business community **(SDG17)**. We have also pledged to create a non-hostile and secure workplace **(SDG8)** within which all employees are treated equally **(SDG10)**. Lastly, as part of our work with the regulators, we have committed to striving to provide universal access to high quality information and communications technology through our network **(SDG9)**.

ROBUST GOVERNANCE

From a governance perspective, we ensure that Safaricom is run in an ethical, transparent and accountable manner by having robust governance processes and structures in place, along with explicit guiding principles and clear lines of responsibility. The Board of Directors 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.
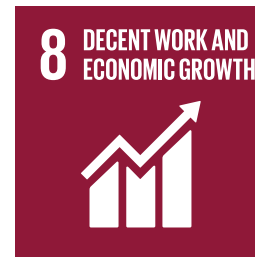
Please refer to the 'Governance, Risk and Regulation' section of the website associated with this report at https://www.safaricom.co.ke/sustainabilityreport_2017/ for more information regarding our governance structures and reporting processes.

ETHICAL BEHAVIOUR

Our ethics and values are the principles and standards that guide our behaviour as employees and individuals. We use an independent ethics perception survey and preventative measures like our continuous ethics awareness and staff anti-corruption training programmes to monitor and manage the ethical culture within Safaricom.

Ethics awareness sessions

We conduct regular ethics awareness sessions with staff every year. The focus of these sessions is to address any concerns revealed by the ethics perception survey. The survey is an independent assessment of the opinions of our internal and external stakeholders conducted by the Ethics Institute of South Africa every two years. The latest survey was conducted during the previous reporting period. Topics covered during ethics awareness sessions throughout the year included sexual misconduct, gifts and conflicts of interest.

Staff ethics training

Every member of staff is expected to attend ethics training at least once a year. Most of the training is undertaken through face-to face-sessions and supplemented by e-learning courses. The awareness training is tailored to address the specific ethics risks faced by the attendees. For high risk departments, the training focuses on anti-corruption and bribery.

We are pleased to report that we achieved a 98% attendance rate again this year. This is attributable to an understanding across the business regarding the importance of the sessions. We are finding that process owners now readily welcome the sessions and, in some cases, even request them.

Business partner ethics training

We continued to promote ethical business practices and principles throughout our value chain and the wider business ecosystem in Kenya during the year. Our CEO is a committed member of the Businesses Against Corruption in Kenya (BACK) initiative and we participated in the Siemens Anti-Corruption Collaborative Action initiative. We also reviewed the syllabus and training materials used by the UNGC for its good governance and anti-corruption training sessions for small-to-medium sized businesses. We held ethics sessions and fraud training with our M-PESA agents, dealers and suppliers. We supplemented the sessions with ethics-related newsletters. Topics covered included anti money laundering, how to safeguard against fraud and the new Bribery Act. We also continue to make it mandatory for our suppliers to sign up to the Code of Ethics for Businesses in Kenya (contracts are not renewed unless they do so) and, to date, 317or 98% of suppliers with running contracts have signed up.

Anti-corruption preventative measures	FY17	FY16	FY15
Ethics and anti-corruption staff training (% of total staff)	98%[†]	98%	94%
High risk departments*	98%	98%	97%
Medium risk departments	98%	98%	83%

* Due to the nature of their work, these departments are more susceptible to fraud
† We consider 98% to be satisfactory, given the logistics of planned and unplanned staff absences.

SDG 8

SDG 16

SDG 17

ROBUST RISK MANAGEMENT

We use a combination of risk assessments, audit and fraud reviews to monitor and manage risk throughout the company. We also benchmark ourselves against other leading telecommunications operators and independent assurance is provided through both internal and external audit functions. As a company, we also endeavour to apply the Precautionary Principle to all our activities to help ensure that we continue to act as a responsible corporate citizen.

Monitoring corruption and fraud

Anti-corruption monitoring measures	FY17	FY16	FY15
Risk Assessments (bi-annual cycle)	8	9	7
Audit Reviews	33	20	19
Fraud Reviews	13	11	6
Special Request Reviews	1	11	11

Eight risk assessments were conducted across the organisation and these were supported by in-depth audit reviews of specific internal controls within the organisation and fraud reviews of processes that are suspected of having become compromised.

Each of the risk assessments encompassed the following categories: enterprise risk management, operational risks, strategic risks and ethics risks per strategic objective. Some of the key risk items identified during the year included: insecurity, regulatory risk, market disruption and inadequate capacity on key systems.

Thirty-three audit reviews were also carried out during the reporting period. The objective of the reviews was to obtain assurance on the adequacy, design and operating effectiveness of internal controls. One additional review was carried out during the year that was a special request by management.

We also continue to take proactive steps to identify cases of fraud. These steps include using the fraud management system to identify possible cases of fraud and to carry out in-depth fraud reviews to determine whether fraud had occurred within key processes. Thirteen fraud reviews were carried out during the year. The fraud reviews led to uncovering fraud and to identification of control weaknesses. Control recommendations were made for the control weaknesses.

Addressing corruption and fraud

Anti-corruption corrective measures	FY17	FY16	FY15
Fraud cases investigated	33	31	29
Outcomes of investigations			
Disciplinary warnings	14	12	13
Dismissals	52	16	58
Cases reported to law enforcement agencies	3	2	4

While the number of investigations carried out during the year was substantively the same as FY16, the number of staff dismissed for fraudulent behaviour increased to 52. This was primarily due to an enhanced review process, which targeted a single area of concern and unearthed fraud schemes that were previously concealed. The types of fraud that led to dismissals included: theft; asset misappropriation (cash collections and devices); policy breaches (unauthorised access to data systems); and fraudulent SIM swap/M-PESA Start Key issuance. While we are disappointed by the number of people who have been involved in fraudulent activities, it is encouraging to note the increasing effectiveness of our investigations and the clear illustration of a 'no tolerance' approach from management.

Helping customers tackle fraud

During the year, we continued to help customers safeguard themselves from social engineering attacks and the criminal syndicates that target M-PESA users.

Safaricom mass market caravan campaigns and other activations, especially in rural areas, included awareness campaigns to alert customers to the common fraud schemes used by crime syndicates and to offer advice on steps they can take to prevent being defrauded.

We also increased the number of staff working in the team monitoring suspicious activity on the M-PESA platform and implementing Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) measures, which has enabled us to achieve our target of investigating and reporting suspicious M-PESA transactions within seven days. We also host a Mobile Money Investigations Unit (MMIU), which is a unit composed of officers from the Police Force. The unit investigates cases of mobile money fraud and forwards such cases for prosecution.

REGULATORY COMPLIANCE

We ensure that we remain compliant with regulatory requirements by assessing our processes against all applicable laws and regulations. We also engage with our regulators proactively on all issues through a variety of channels *(please see the stakeholders section on page 48 of this report for further information about this important relationship).*

Non-compliance register	FY17	FY16	FY15
Number of fines for non-compliance	1*	1*	1
Cost of fines for non-compliance (KES)	270,056,720	157,000,000	500,000
Non-monetary sanctions for non-compliance	0	0	1
Legal actions lodged for anti-competitive behaviour	0	2†	0

* **Communications Authority (CA) Quality of Service (QoS) fine**
† **Escalated actions lodged before the Competition Authority (outcome pending)**

We were fined by the Communications Authority (CA) again this year. The CA tested our network against its eight Quality of Service (QoS) measures and indicated that we attained a score of 62.5% against a compliance minimum

score of 80%. Consequently, the Authority imposed a penalty of KES 270,056,720 on Safaricom. This penalty represents 0.15% of our Gross Annual Revenue (GAR) for the period ending March 2017. It should be noted that we, along with the other Kenyan mobile network operators, have expressed concerns regarding the QoS measures used by the CA and that the Authority is evaluating the methodology that underpins its testing framework. We continue to engage the CA on the matter with the expectation that our framework concerns will be addressed.

Anti-bribery bill enacted

It was rewarding to be part of the coalition that helped draft Kenya's new anti-bribery legislation and we are delighted to report that the Bribery Act has been signed into law and came into force in January 2017. An important step towards addressing the issues of corrupt practices in Kenya, the Act provides a more robust system for preventing bribery, including obligations on individuals holding positions of authority in Kenyan companies or companies operating in Kenya to report instances of bribery and obligations on companies to put in place bribery prevention policies and measures.

Network Redundancy, Resilience and Diversity (NRRD) guidelines

The CA is in the process of improving the NRRD guidelines and regulations for ICT networks in Kenya (i.e. a toughening up of QoS regulations) and published a draft document for stakeholder comment. We have since made a formal submission in response to this draft and now await the regulator's response.

Counterfeit handset monitoring

The CA has expressed its intention to install a monitoring system within Kenyan mobile networks to help eradicate the use of counterfeit handsets. We, along with

every other mobile network operator in Kenya, support this ambition, but are concerned about the method currently being proposed by the Authority. Our apprehensions include quality of service compromises, single points of failure and consumer privacy concerns. We are unable to comment further because the matter is still in court and *sub judice* at the time of going to print with this report.

Improved consumer protection

During the year, we successfully migrated our Safaricom Consumer Protection email portal to a CRM-based platform in order to facilitate improved responses to issues raised by the CA through its *Chukua Hatua* consumer education outreach programme.

Proactively engaging with the regulator

We also continue to engage with the Communications Authority on the following ongoing issues:

- **Information and Communications Sector Regulations**

  The comprehensive review of the regulations governing the sector has been completed and we await the outcome of this review. We continue to support attempts to grow the market and to provide consumers with the very best offerings in terms of variety, price and quality that are aligned with international best practices.

- **SIM Registration Regulations**

  In response to the new amendments, we have introduced an app that captures and stores customer information electronically and rolled out awareness training among M-PESA agents through a campaign called *Know Your Customer* (KYC), which focuses on ensuring SIM cards are properly registered when first activated.

- **Infrastructure Sharing Regulations**

  We continue to engage with the CA and the government on these proposals.

- **National ICT Policy**

  The consultation process on the draft ICT policy has concluded and we are awaiting the regulators response to our formal submission.

LOOKING AHEAD

FY18 Goals

☑ We will continue to engage government and the CA on the ongoing initiatives highlighted in this report.

☑ We will take an active role in implementing *B-Team - Africa* anti-corruption initiatives.

☑ We will continue with initiatives to ensure that agents comply with *Know Your Customer* (KYC) initiatives. We plan on ensuring at least two company-wide compliance checks during the year.

NETWORK QUALITY

Our network remains fundamental to our business. It is an essential part of our business because all of the services we provide to our customers are delivered through the network platform. It is also the medium through which we transform lives. The quality and availability of our network is a competitive advantage as well because it allows us to differentiate ourselves in a highly competitive market.

In response to the SDG strategy, we have aligned our efforts with five of the goals this year and committed to fostering a conducive work environment **(SDG8)** by putting safety first for all staff and our partners, as well as ensuring that all staff are treated equally and to promote and support Diversity and Inclusion **(SDG10)**. We have also committed to further entrench the use of energy-efficient technologies **(SDG7)** within our installations and our facilities that are environmentally friendly **(SDG12)** and to extend coverage of our services and offer an excellent network experience to society in general **(SDG9)**.

BEST NETWORK FOR YOU

Independent Quality of Service (QoS) testing is one of the main indicators we use to monitor and manage the quality of our network. During the year, the Safaricom network was comprehensively evaluated by P3 Communications and was awarded the 'Best in Test' P3 certification for both voice and data among Kenyan operators.

We exceeded our target of scoring 650 points with a score of 733 out of a possible 1000, which is a 39% improvement on our performance last year when we scored 527 points. Our nearest competitor scored 358 points. Our results were also the best from the African countries measured by P3, which include Kenya, Ghana, South Africa and Egypt.

Alongside: Summarised results of the P3 QoS testing of the Safaricom network, ranked against other Kenyan mobile operators

| 1 | 1st Position | 2 | 2nd Position | 3 | 3rd Position |
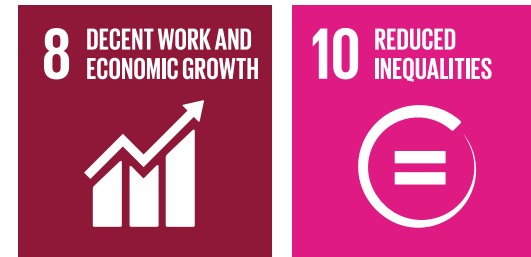
SERVICE	KPI	FY17	FY16	FY15
VOICE	Call setup success rate	2 1 3	2 1 3	2 1 3
	Dropped call ration	2 1 3	2 1 3	2 1 3
	Speech Quality	2 1 3	2 1 3	2 1 3
DATA	Mean user data rates - download	2 1 3	2 1 3	2 1 3
	Mean user data rates - upload	2 1 3	2 1 3	2 1 3
	Mean web browsing session time	2 1 3	2 1 3	2 1 3
	Network delay	2 1 3	2 1 3	2 1 3

The seven KPIs tabulated in the preceding table are a simplified illustration of the full scope measured for the P3 Certification Benchmark criteria. For the purposes of this disclosure, we have ranked ourselves against the other Kenyan mobile operators. As the table reflects, we made significant gains in terms of our dropped call ratio, which can be attributed to our ongoing investment in the network and, in particular, the expansion of our 3G and 4G coverage.

> The comprehensive P3 Certification Benchmark criteria is composed of an extensive set of 29 KPIs for 'Big Cities', 'Small Cities' and 'Interconnecting Highways', with each KPI having a score. The full set of P3 certification results can be obtained from their website at www.p3-group.com.

CUSTOMER SATISFACTION REMAINS STABLE

Another important metric we use to measure our performance is the network-related Net Promoter Score (NPS). 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 of network performance, not actual network performance.

Breakdown of Network NPS

Network Element	FY17	FY16	FY15
Signal Coverage	58	62	52
Voice Quality	69	72	60
Data Coverage	43	45	38
Data Speed	44	43	33
OVERALL	**63**	**64**	**51**

As the preceding table shows, our overall Network NPS was 63 in March 2017, a slight decrease of 1 point from 64 in March 2016. The table also illustrates the breakdown of different network elements used to determine the overall NPS. Based on the NPS results, we have noticed that our customers are not satisfied and we will work to improve this.

EXPANDING OUR NETWORK

Change in No. of Base Stations by Type

Legend: FY15, FY16, FY17

2G-ENABLED
FY17: 4,287
FY16: 3,800
FY15: 3,382

3G-ENABLED
FY17: 3,517
FY16: 2,517
FY15: 1,943

4G-ENABLED
FY17: 1,103
FY16: 463
FY15: 236
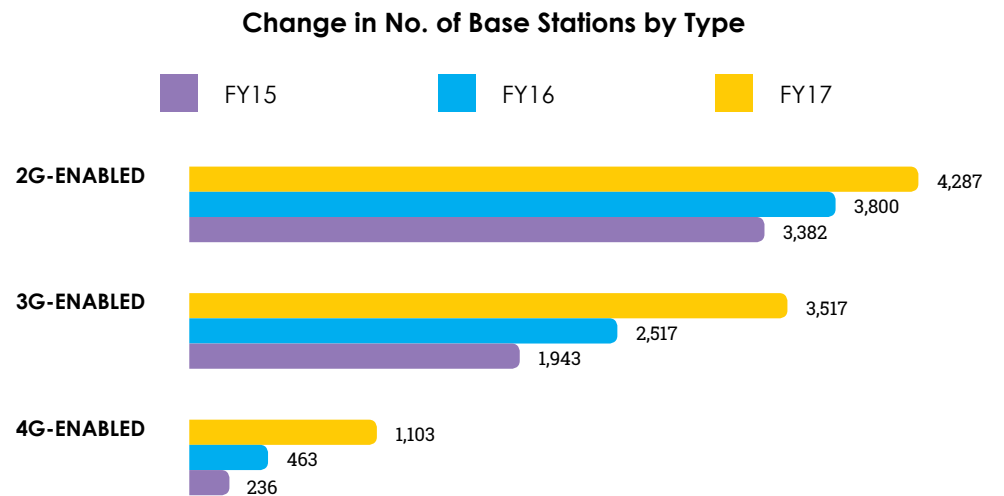
We continued to expand our network during the year and a total of 487 2G-enabled, 1,000 3G-enabled and 640 4G-enabled base stations were rolled out across the country. We were able to rollout 1,000 3G-sites as these were upgrades made to existing towers. Our 4G-enabled site target was revised up from 400 sites to 634 sites in response to our focus on providing faster data services to customers.
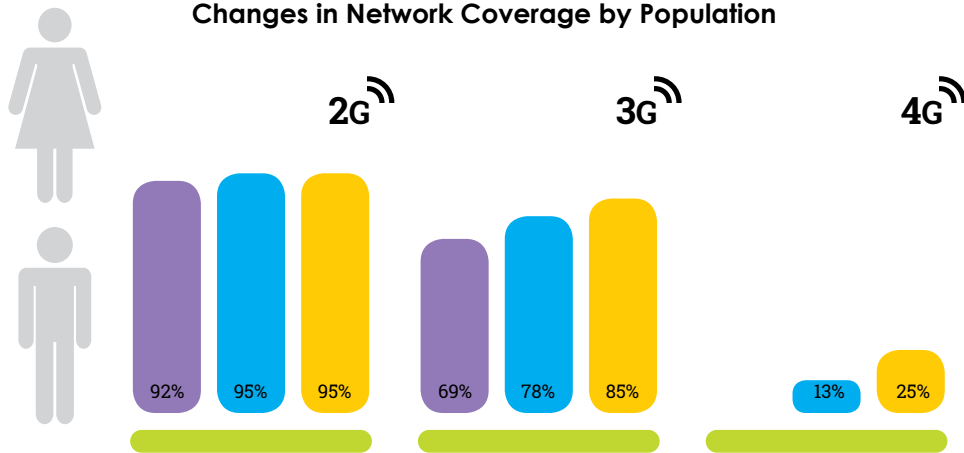
FY15   **FY16**   **FY17**

Changes in Network Coverage by Landmass

2G   **3G**

| 72% | 74% | 62%* | | 27% | 44% | 45% |
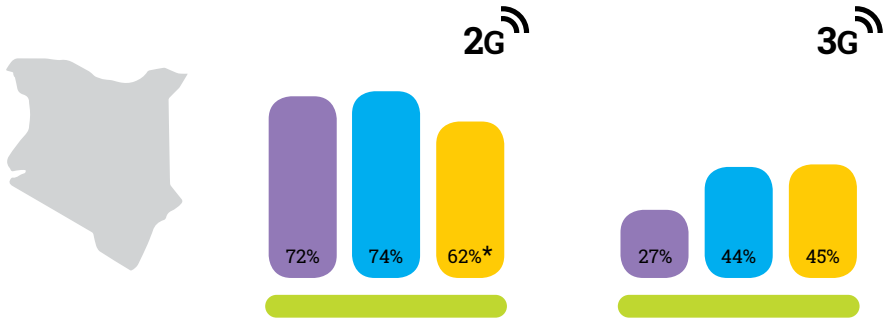
* **Reflects a change in the methodology used to calculate coverage and not a significance change in the scope of coverage**

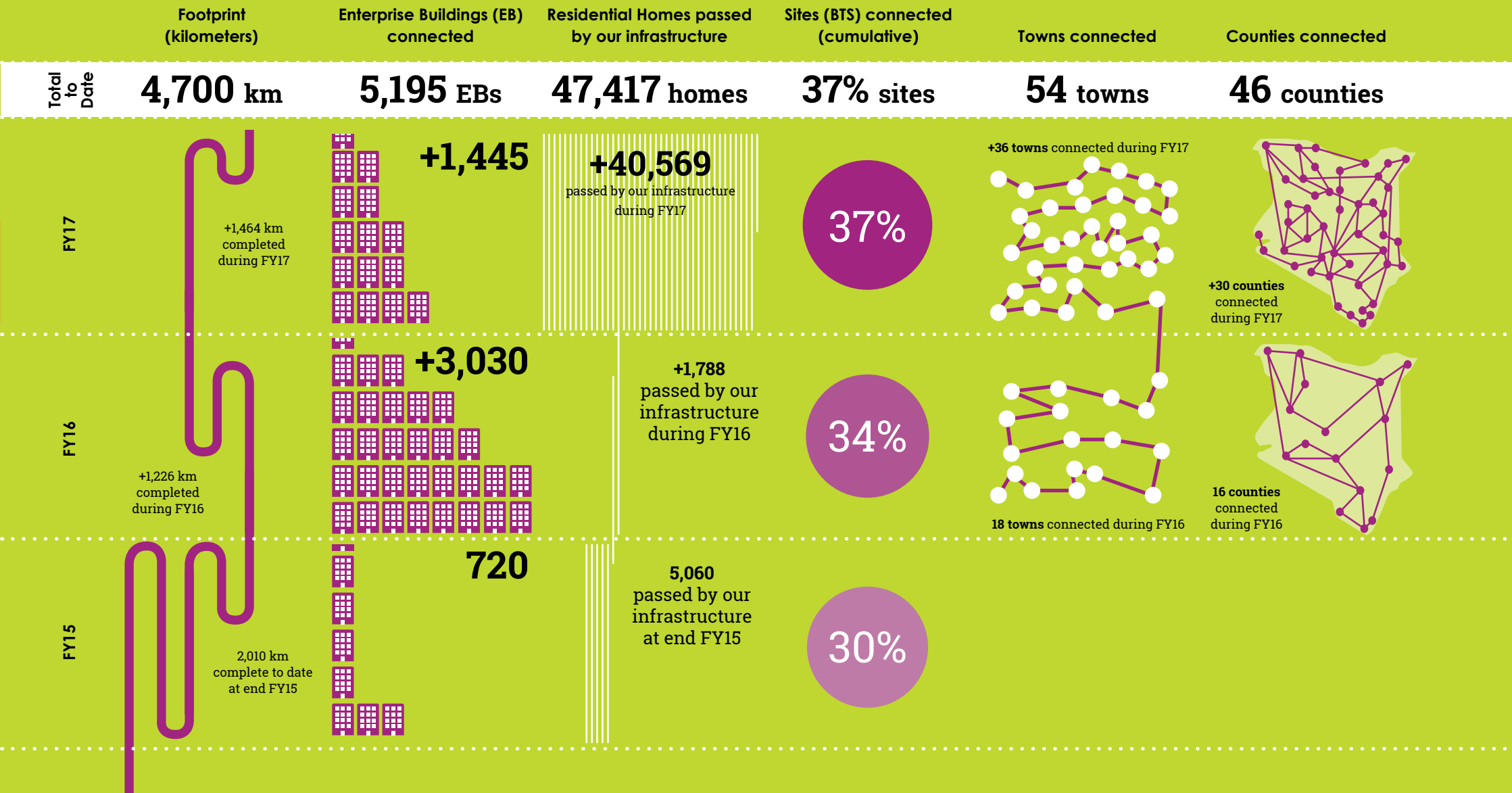### Changes in Network Coverage by Population

2G   **3G**   **4G**

| 92% | 95% | 95% | | 69% | 78% | 85% | | | 13% | 25% |

As part of our commitment to delivering broadband connectivity to as many Kenyans as possible, we surpassed our targets for 3G and 4G deployments. We now offer 85% of the population access to 3G services, which is an increase of 7% and slightly more than our target of 82% of the population with access by the end of March 2017. We also now provide 25% of the population with access to 4G services, an increase of 12%, with 40 counties now covered. We failed to achieve our target of 509 additional 2G-enabled sites due to instability and security concerns in certain parts of the country, but still deployed an additional 487 sites and we continue to provide 95% of the population with access to 2G services.

GOOD PROGRESS IN EXPANSION OF FIBRE FOOTPRINT

We made good progress in terms of expanding the footprint of our fibre optic network again this year, laying an extra 1,464 kilometres of cables and connecting 36 more towns. Our fibre network is now 4,700 km in length and connects 54 towns in 46 counties. We exceeded our target of 1,429 enterprise buildings connected during the year by 16 buildings and grew the number of connected sites (BTS) to 1,592 or 37% of the network. Early planning and increasing our deployment partners from three to seven ensured we exceeded our target for enterprise buildings, but our real success story for the year was passing by 40,569 residential homes with our infrastructure. We achieved this as a result of early budget approvals and deployment of materials, and by deploying cables overhead (on poles), which is a much faster process than trenching.

> "Our fibre optic network is now 4,700 km in length and connects 54 towns in 46 counties."

Fibre Optic Network

	Footprint (kilometers)	Enterprise Buildings (EB) connected	Residential Homes passed by our infrastructure	Sites (BTS) connected (cumulative)	Towns connected	Counties connected
Total to Date	**4,700** km	**5,195** EBs	**47,417** homes	**37%** sites	**54** towns	**46** counties
FY17	+1,464 km completed during FY17	**+1,445**	**+40,569** passed by our infrastructure during FY17	**37%**	+36 towns connected during FY17	+30 counties connected during FY17
FY16	+1,226 km completed during FY16	**+3,030**	**+1,788** passed by our infrastructure during FY16	**34%**	18 towns connected during FY16	16 counties connected during FY16
FY15	2,010 km complete to date at end FY15	**720**	**5,060** passed by our infrastructure at end FY15	**30%**		

NETWORK AVAILABILITY AND STABILITY

The stability and availability of our network remains a critical necessity. Any interruption in energy supply, such as grid electricity outages and national shortages of diesel fuel, poses a direct challenge to the continuity of our operations. Our response to this issue is primarily managed through our service and energy availability rates. Our Service Unavailability Rate (SUR) is calculated by dividing the minutes of downtime per week per network element by the number of sites in our network.

	FY17	FY16	FY15
Radio Access Network Service Unavailability Rate (minutes)	22.9	41.5	60.03*

* SUR measurement started midway through the financial year.

As the preceding table shows, the SUR for the Radio Access Network was reduced from 41.5 minutes in FY16 to 22.9 minutes in FY17. While the reduction is a satisfying achievement and reflects the stability of our network, our target for the year was an SUR of below 20 minutes. The major contributors to our FY17 SUR were Power Outages and Transmission Failures caused by fibre cuts, in particular. Small Cells also contributed to our failure to achieve the target due to their lower resilience. Insecurity in parts of the country also had an impact on the restoration of services at remote locations.

"Our vision is still to create a powerful, streamlined network that uses the minimal amount of energy to deliver its growing array of services."

ENERGY EFFICIENCY

Our network uses a variety of energy sources, including national grid, diesel generator, deep cycle battery and renewable energy (solar) solutions. The network continues to grow in size and sophistication every year and so making it more energy efficient and intelligent remains an ongoing priority. Our vision is still to create a powerful, streamlined network that uses the minimal amount of energy to deliver its growing array of services. One that transforms the lives of the communities it serves with the lightest of environmental touches. 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*
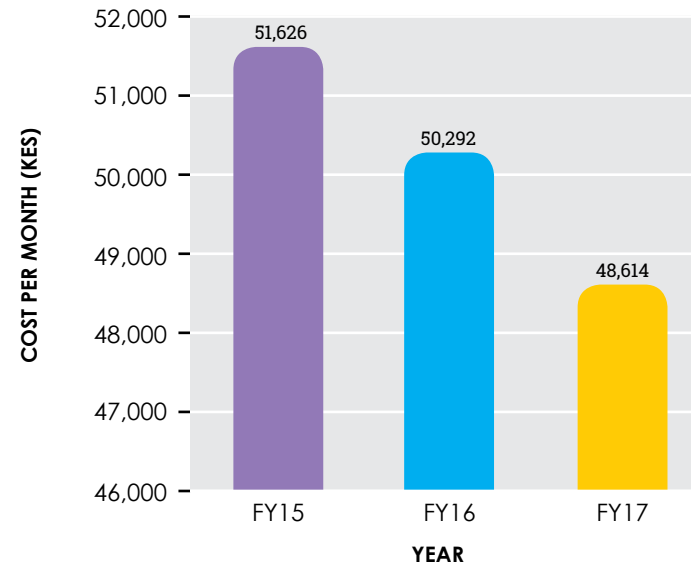
* Energy consumed is electricity, diesel and solar. The sources are supplier monthly fueling data and KPLC bills. Solar energy is only measured at some sites, as such we have extrapolated the solar data to the other sites. Energy mix influences the cost.

During the year, we reduced our cost of energy consumption by site by KES 1,678 or 3% to KES 48,614 per month. This was achieved by continuing to modernise the network and to deploy a wide range of energy-efficient solutions, including power cube generators, Low-voltage Auto Phase Selectors (APS), free cooling units, and replacing rectifier and smart controller units.

As part of our efforts to improve energy efficiency, 16 members of staff underwent training on energy management during the year. The CEM-certified course was run by the Association of Energy Engineers (AEE).

FOCUS ON SOLAR

In response to the SDG strategy, we have adjusted our approach to the mix of energy sources used throughout our network. We now seek to align network availability and energy efficiency with clean, sustainable energy sources and consumption patterns (i.e. reducing our carbon footprint). In practice, this means avoiding, and phasing out, the use of diesel generators wherever possible, either by ensuring that KPLC (national grid) energy is available at a site or by employing alternative energy solutions.

The following table describes the mix of energy sources used throughout our network. The number of 24/7 diesel generator sites increased during the year because of external delays in bringing national grid energy to sites, especially those in more rural locations, but we have begun a programme of prioritising the use of solar-based energy solutions at smaller, 'capacity' sites (as opposed to critical 'coverage' sites) and we will intensify our efforts in this regard in the year ahead. There are already 90 sites planned for FY18 and we are exploring partnership models in remote areas that will enable local residents to purchase any excess/surplus power.

* **Kenya Power and Lighting Company (national grid supply)**

Network Energy Sources by Site

	FY15	FY16	FY17
KPLC* and Genset	2,763	3,080	3,623
KPLC* (No Generator)	323	555	688
24/7 Diesel Generator	41	129	191
PowerCube (Energy Efficient Generator)	91	53	47
Diesel Generator/ Battery Hybrid Solution	11	2	0
Solar or Wind and Hybrid Solution	56	98	133

SDG 12

SDG 7

SDG 8

SDG 10
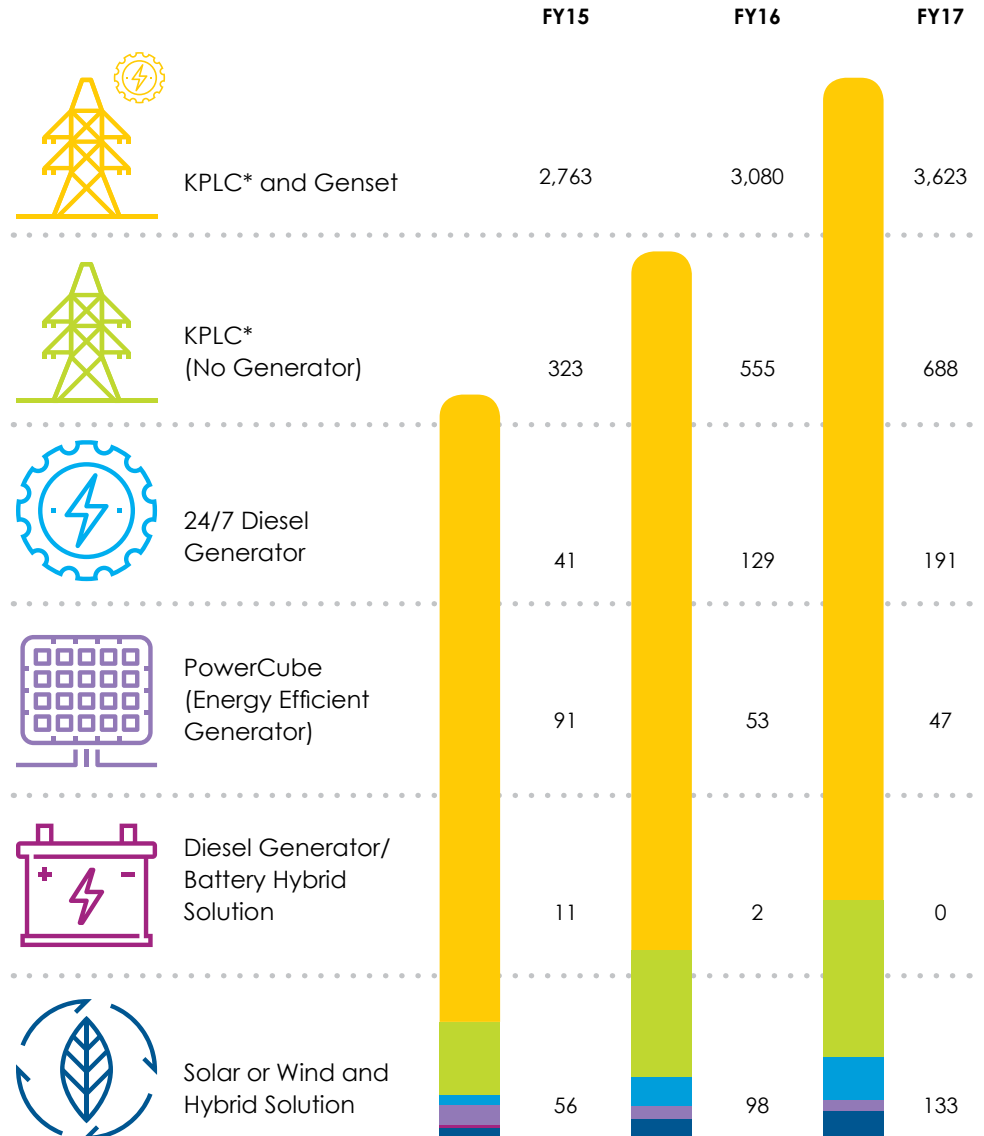
WOMEN IN TECHNOLOGY

In recognition of the gender gap in the field of technology in general we intern 40 women within the Safaricom Technology Division every quarter, which has led to increased opportunities and employment for women within the division.

Technology Division	FY17	FY16	FY15
% Female	21%	18%	17%

We also visit schools at all levels (primary, high and tertiary) to encourage girls to study technology-related courses by introducing them to the many careers available within the technology sector. Since the start of the Women in Technology programme in 2013, we have visited 25 colleges/technical campuses and 200 secondary schools and many graduate females have found jobs within Safaricom or with our technology partners.

LOOKING AHEAD
FY18 Goals

☑ Installation of 115 solar-powered sites.

☑ Deployment of 1,100 commercial power smart meters.

☑ Rollout of Fuel Management Systems at 2,000 sites.

☑ Connection of 318 sites to KPLC commercial power.
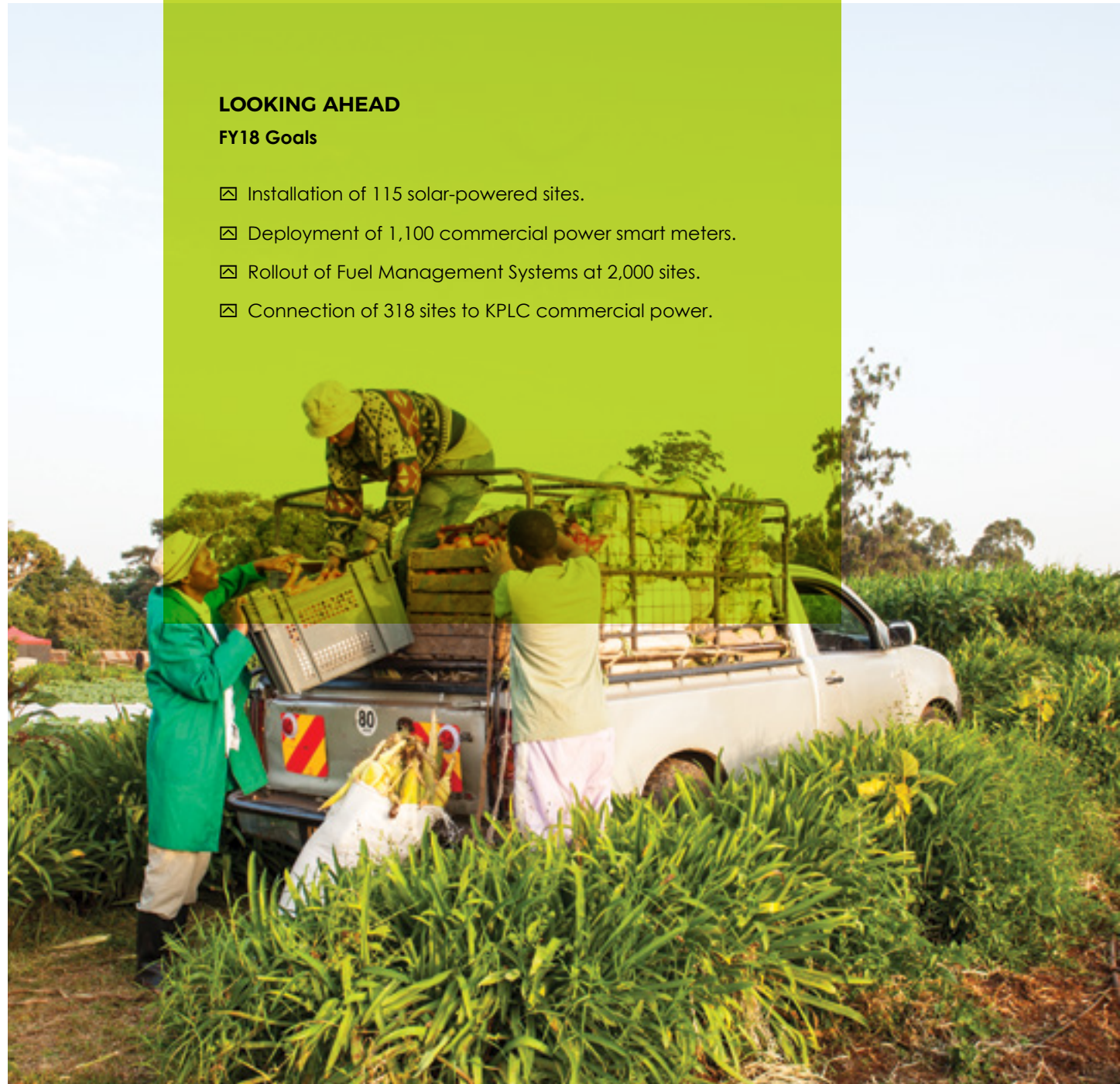
ENVIRONMENTAL RESPONSIBILITY

We continue to take our social and moral responsibility to manage our environmental impact very seriously. We recognise that environmental considerations are not separate from our core business, but an integral part of our overall business sustainability and success. Our environmental responsibility is an issue that continues to grow in importance as the size of our network continues to expand and we do more than just ensure that we comply with evolving environmental regulation and legislation. We remain committed to operating in an environmentally sound and sustainable way and to managing and reporting our environmental performance in an open and transparent manner.

In response to the SDG strategy, we have aligned our efforts with three of the goals this year and committed to promote the use of affordable and clean energy **(SDG7)**, both within our network and the homes of employees, together with the responsible consumption of resources **(SDG12)** and to guide efforts towards achieving our 'net zero' carbon-emitting aspiration through the development of climate change-related strategies and policies **(SDG13)**.

ENERGY CONSUMPTION

One of the key ways in which we monitor and manage our environmental impact is through our energy consumption targets (electricity, diesel and water). As the following table illustrates, we consumed more electricity and water during the year, but less fuel. Our fuel consumption (diesel and petrol) decreased by 2.7% to 9,446,251 litres. The reduction in fuel consumption is due to a decrease in generator running time, which is the result of several energy-efficiency initiatives, including the installation of Low Voltage Auto-Phase Selectors and 600Ah cyclic batteries at sites, better collaboration with KPLC in resolving power outages at sites, as well as the conversion of 24/7 generator sites to Grid Sites (KPLC). There was also an improvement in the fuel management process that helped curb fuel losses and false fuelling.

| **7** AFFORDABLE AND CLEAN ENERGY | **12** RESPONSIBLE CONSUMPTION AND PRODUCTION | **13** CLIMATE ACTION |

Energy Consumption

| ■ FY15 | ■ FY16 | ■ FY17 |

Electricity (MWh)
- 8%▲ 116,988*
- 107,977
- 98,018

Fuel (Litres)
- 2.7%▼ 9,446,251
- 9,704,395
- 6,166,942

Water (M^3)
- 2%▲ 96,650
- 94,930
- 86,778
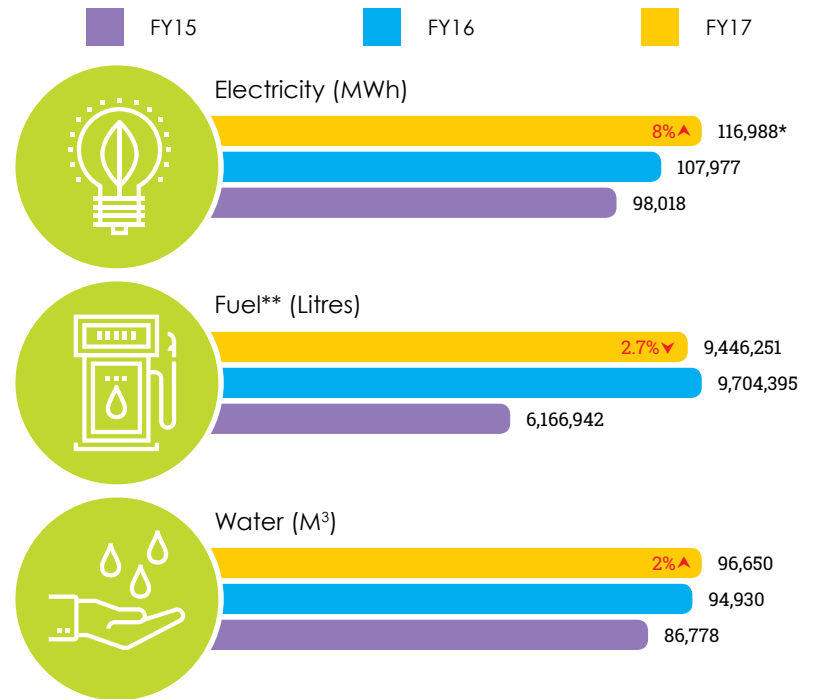
* Reflects a change in calculation methodology to improve accuracy
** Diesel and petrol

SDG 12

Our water usage increased by 2% to 96,650 m3 and our electricity consumption increased from 107,977 MWh in FY16 to 116,988 MWh in FY17. The increase in electricity consumption is due to a change in the way we calculate our usage. We used to base our calculations on the data provided in utility power bills for individual sites, but data collection challenges and discrepancies in reconciling this underlying data prompted us to change our methodology to improve the accuracy and consistency of our reporting. We now calculate our consumption based on the 'cost of power' using the exact amounts as paid by the Finance Department to the Kenya Power and Light Company. It is worth noting that we are comfortable with our electricity consumption rising (and rising in the mix) given the fact that electricity produced in Kenya by the KPLC is mainly from renewable sources, which is aligned with our SDG commitment to using environmentally 'cleaner' energy wherever possible. At this stage, we have only recalculated the FY17 electricity consumption based on improved data, but we are working on reviewing earlier data to established clearer trends.

As part of our commitment to SDG7, we also developed an Energy Policy during the year. The policy will guide and focus our ongoing efforts in this regard and has helped prioritise our research of, and investment in, clean energy technologies.

MANAGING OUR EMISSIONS

In response to the SDG strategy, we have committed to becoming a net zero carbon-emitting company by 2050. As one of the few companies in Africa to have made this commitment, we are rolling out renewable energy solutions across our network and facilities, as well as considering carbon offset proposals for sources where renewable energy may not be feasible with current technology; for example, planting trees and providing subsidised domestic solar energy solutions. As part of our commitment to meeting the net zero carbon target, we continue to monitor and report our carbon footprint. We have calculated and published our carbon footprint for the sixth time this year.

As the preceding table shows, our overall footprint has decreased to 78,927 tCO2e this year, down from a revised figure of 79,781 tCO2e in FY16. The slight decrease in overall footprint is the result of a decrease in 'Scope 1' emissions, which reflects the decrease in diesel consumed in our generators. The increase in 'Scope 2' emissions is due to elevated electricity consumption as a result of continued network expansion and an SDG-related strategic shift to using electricity instead of diesel wherever possible because it is an environmentally 'cleaner' source of power.

Carbon Footprint
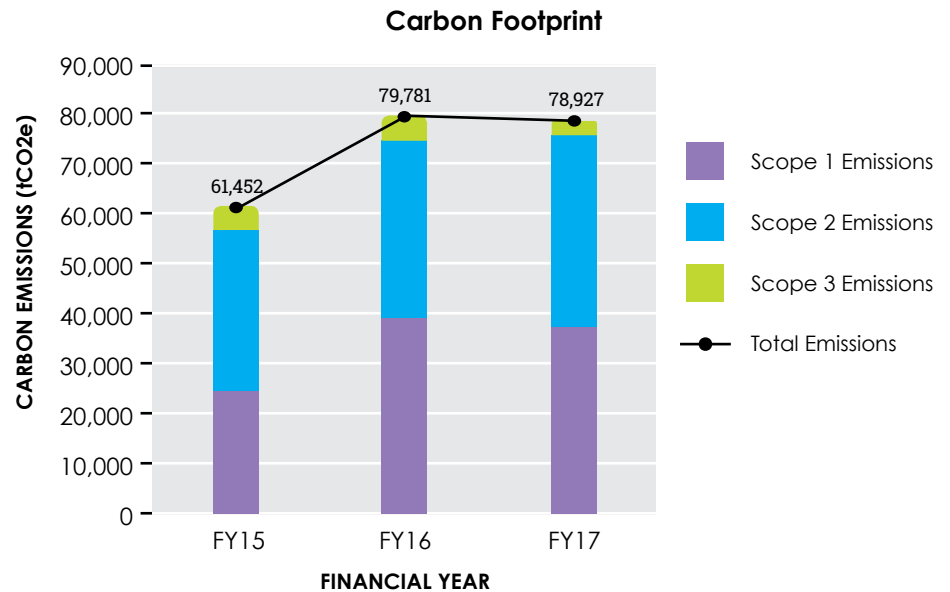
For more detailed information regarding the methodology/guidelines and processes we use to calculate our emissions, please see the *About our reporting* Appendix to this report, which has been published online at https://www.safaricom.co.ke/sustainabilityreport_2017/

SDG 13

RAISING AWARENESS OF CLEAN ENERGY SOLUTIONS FOR THE HOME

As part of our commitment to SDG7, we ran internal awareness creation campaigns during the year, exposing around 4,000 staff members to numerous domestic energy-efficiency solutions available from our business partners, including Huawei, Broadband, Delta Green Solutions and Knight and App limited. The exhibited solutions were purchased by members of staff for use in their homes. Among the most popular solutions were intelligent light bulbs, which are energy efficient and store energy to provide light should there be a power outage, and domestic solar-heating systems.

E-WASTE

A key implementation area driven by SDG12 is e-waste management. During the year, we ran an activation to improve staff engagement with e-waste. Members of staff were educated on the dangers of e-waste and encouraged to collect all of their e-waste for a proper end-of-life treatment. Collections were carried out within the four main Safaricom facilities in Nairobi and supported by a reinforcing social media campaign and, as a result, 202 tonnes of e-waste was collected. In conjunction with the staff collection campaign, we ran a campaign targeting larger institutions in partnership with the National Environment Management Authority (NEMA) and the Waste Electrical and Electronic Equipment (WEEE) Centre. A collection centre was established at the National Eldoret Polytechnic and we agreed to reimburse companies owning land needing restoration with tree seedlings, which, when planted, contribute to carbon sequestration and, hence, towards our 'net zero' carbon commitment. Our sourcing department also reviewed the Purchase Policy to include various sustainability indicators, including energy efficiency and disposal cost of equipment, at the tender evaluation stage.

	FY17	FY16	FY15
E-waste collected (tonnes)*	632	430	220

* Cumulative tonnes since the inception of the project

ADDRESSING EMF CONCERNS

During the year, two workshops were held to help mitigate Electromagnetic Frequency (EMF) concerns among the public. Over 500 participants from the Communications Authority, NEMA, Kenya Association of Residents Associations, Ministry of Environment, represented by the Cabinet Secretary, and representatives from Nairobi Residents Associations in two regions were invited to the workshops to discuss their EMF-related issues with environmental experts and to receive a copy of our revised EMF booklet. The workshops were part of an ongoing partnership with NEMA, the CA and the Kenya Alliance of Residents Association.

AUDITING OUR NETWORK

As part of our monitoring and evaluation of our environmental impact, we continued to undertake Environmental Impact Assessments (EIAs) of our infrastructural developments, such as new Base Transceiver Stations (BTS) and fibre optic networks, and Environmental Audits (EAs) of our existing infrastructure as required by NEMA. As well as maintaining our exemplary compliance record and completing all scheduled EIAs and EAs during the year, the team successfully audited an additional 200 sites that were scheduled for FY18.

	FY17	FY16	FY15
Environmental Impact Assessment	527	463	260
Environmental Audit	447	342	275

CLIMATE CHANGE HACKATHON

We partnered with the Inter-Governmental Authority for Development (IGAD) for its Climate Change Hackathon, which focused on young innovators competing to develop applications for Climate Change mitigation and information dissemination.

LOOKING AHEAD

FY18 Goals

- ☑ Mapping science-based targets to milestones.

- ☑ Enhanced weekly water consumption reporting.

- ☑ Develop an end-to-end integrated environmental management programme on paper, water and waste.

- ☑ Implementation of the Green procurement policy across the business.

- ☑ Implementation of the Integrated Waste Management policy across the business.

- ☑ Renewable energy initiatives implemented across the business.

- ☑ We plan to entrench air quality emission compliance in our BTS and MSRs (as per gazetted air quality regulations).

- ☑ Climate change policy developed and implemented.

- ☑ We will develop a communication strategy to support the e-waste management programme by deepening stakeholder engagement to improve on collection and create a platform for developing a sustainable cyclical economic model.

- ☑ Continue to organise forums with residents' associations and the public to create awareness of Environmental Impact Assessments (EIAs) and to address Electro-Magnetic Frequency (EMF) concerns.

- ☑ Carbon offset projects (e.g. tree planting).*

* **Going forward, we shall engage our staff in offsetting carbon emissions, based on contributions of each division. A carbon offset is a reduction in emissions of carbon dioxide or greenhouse gases made in order to compensate for or to offset an emission made elsewhere. It is a practical and effective way to address climate change and contribute to sustainable development.**

We understand that in the short and medium term we are not able to achieve net-zero aspiration through the renewable energy solutions that we are deploying. We, therefore, plan to carry out a tree growing as part of our offset programme. We will also explore other offset programmes and deploy as appropriately.

INNOVATION

Innovation is central to achieving our strategic objectives, retaining our competitive edge and ensuring that we continue to grow. As a technology-based company, if we are not constantly innovating, we are, effectively, stagnating and not keeping in touch with the needs of our customers. If we do not keep up with the needs of our customers, we run the risk of losing market share and revenue.

In response to the SDG strategy, we have aligned our efforts with four of the goals this year and committed to creating an environment and culture conducive to creating innovative products and services **(SDG9)** that transform and empower the lives of our customers **(SDG8)**. We have also committed to partner with members of staff, other business units and stakeholders to ensure our innovations are aligned with the ambitions set out in the goals and to leverage effectively off the core capabilities of other stakeholders so as to avoid duplication of effort **(SDG17)**.

HOW WE MONITOR INNOVATION

Our response to this multi-dimensional material matter is primarily managed through four sets of indicators: Net Promoter Score (NPS) and Brand Consideration scores; mobile data usage and revenue; M-PESA usage and revenue; and social innovation users/subscribers. We use our NPS and Brand Consideration scores to track customer satisfaction with, among other things, our new products and services and, in particular, how well we are servicing the specific demands of the growing youth sector. Mobile data usage and growth provides us with insight into how well our data-related product and service innovations are being adopted and used. As our M-PESA platform is the main way we drive financial inclusion, we use M-PESA usage and revenue indicators to help manage this aspect of innovation. In terms of our social innovations, we use numbers of active users/subscribers to gauge the impact and success of these new products and services.

CUSTOMER SATISFACTION IMPROVING

As the following table shows, our NPS score for consumer customer satisfaction improved from 66% in FY16 to 70% for the period under review. Much of this improvement can be attributed to the successful launch of BLAZE and other promotions, such as *Shinda Ma Mili* with *Stori Ibambe*, together with other 4G-related services and products. Conversely, our Brand Consideration score decreased from 82% in FY16 to 80% during the year and this can be attributed to the perception that Safaricom products and services are expensive, along with a dip in trust related to airtime and data bundles being consumed at more quickly because of the faster data transfer rates across the network.

NET PROMOTER SCORE*	FY17	FY16	FY15
Consumer (Overall)	70%	66%	53%
BRAND CONSIDERATION†			
Overall	80%	82%	-

* **Assessment of customer satisfaction. Research performed by TNS.**
† **Assessment of likelihood of customer choosing Safaricom in the future.**

Net Promoter Score

- FY17
- FY16
- FY15

Brand Consideration

- FY17
- FY16
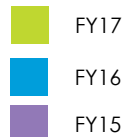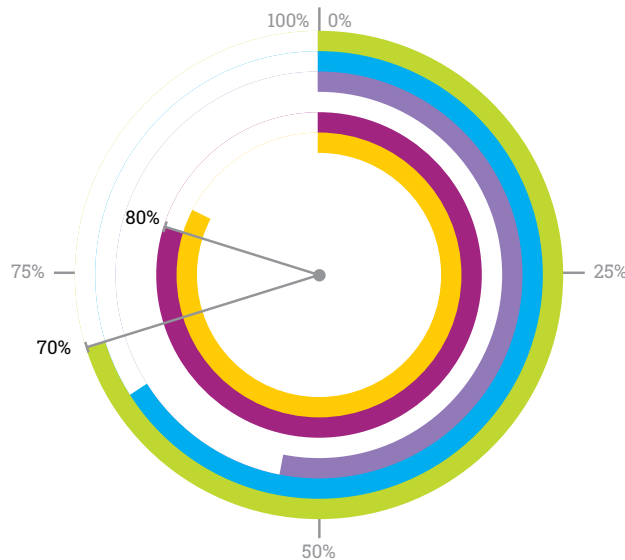
4G ADOPTION DRIVING MOBILE DATA GROWTH

In terms of mobile data usage and growth, we enjoyed another year of solid progress. We grew our mobile data customers (who have been active within the last 30 days) from 14.08 million to 16.6 million. Likewise, our revenue from mobile data grew by 38.5%, from KES 21.15 to KES 29.3 million, and now accounts for 14.3% of our total service revenue.

	FY17	FY16	FY15
Mobile Data Revenue (KES billion)	29.3	21.15	14.82
Mobile Data Customers (million)*	16.6	14.08	11.59

* **30-day active**

We are particularly pleased to have been able to realise our ambitious target of KES 7 billion additional revenue for mobile data for the year. This achievement can be attributed to three main, interrelated initiatives: the expansion of our 4G network; the execution of several campaigns to raise awareness of the potential of 4G and stimulate usage; and a concerted drive to increase smartphone penetration and the number of 4G devices connected to the network.

The expansion of our 4G network was the first step towards growing our revenue from 4G services and we increased 4G network coverage by 9% in seven major towns (Nairobi, Mombasa, Kisumu, Kisii, Meru, Eldoret and Nakuru) during the year. We also successfully increased the number of 4G devices connected to the network from 400,000 to 1.8 million by introducing affordable devices through our in-house brand *Neon* (the most affordable unit currently retails at KES 3,499), holding open days in the regions to help raise awareness of the benefits of owning a smartphone and the available options, together with targeted promotions offering subsidies, *Bonga* points and vouchers to feature-phone owners to

SDG 8

SDG 9

encourage them to upgrade. Overall, we increased the number of data-capable devices connected to the network from 7.8 to 11.5 million (both 3G and 4G-enabled) during the year.

	FY17	FY16	FY15
Smartphones connected to the network (million)*	11.5	7.8	3.4
4G-enabled smartphones (million)	1.8	0.7	0.1-

* **3G and 4G-enabled**

We also ran several promotional campaigns to raise awareness of the potential of 4G and stimulate usage during the year, including the *Don't Wait* and *360* campaigns, and successfully grew our 4G subscriber base from 200,000 to 658,000 users. Among the propositions included in the *Don't Wait* campaign were 4GB of free data issued to first time users for use within 48 hours of activation, the introduction of a 'SIM query' enabling customers to establish whether their current SIM is 4G-ready, along with the introduction of bigger, more customer-friendly bundles of data.

Adverts from the successful *DON'T WAIT* 4G promotional campaign

M-PESA CONTINUES TO DEEPEN FINANCIAL INCLUSION

M-PESA continues to grow and a drive deeper financial inclusion. Revenue from the service leapt up by 32.7% from KES 41.5 million in FY16 to KES 55.1 during the year. Likewise, the number of users (active in the last 30 days) increased by 14.6%, from 16.6 million to 19.0 million by March 2017. Monthly usage per customer also grew by 35% to an average of 10.0 transactions per customer per month.

	FY17	FY16	FY15
M-PESA Revenues (KES billion)	55.1	41.5	32.63
M-PESA Customers (million)*	19.0	16.6	13.86

* **30-day active**

During the year, we introduced M-PESA *Kadogo*, through which transactions under KES 100 do not attract a service fee. This has further strengthened our position as pioneers in entrenching financial inclusion in Kenya.

TRANSFORMING LIVES THROUGH SOCIAL INNOVATION

We continue to take our promise to transform lives and contribute to sustainable living throughout Kenya very seriously and are committed to improving the quality of life of Kenyans wherever possible. One of the key ways we seek to achieve this commitment is through our social innovation initiatives. Our approach to social innovation is to empower and uplift communities and individuals through sustainable and value-adding commercial products and services. We acknowledge that technology and money alone will not solve deep social issues in the long-term and that we need to seek innovative ways of removing the barriers to access that prevent communities from economically empowering themselves.

During the period under review, we continued to build on our work in areas such as agriculture, education and health, where technology is a critical tool that can make a significant difference to people's lives. We use numbers of active users/subscribers as a primary gauge of the impact and success of the new products and services we develop, together with usage data. Among the applications and programmes we continued to develop during the year were the following:

"We continue to take our promise to transform lives and contribute to sustainable living throughout Kenya very seriously and are committed to improving the quality of life of Kenyans wherever possible."

NAME	DESCRIPTION	IMPACT	
M-TIBA	M-TIBA is a health payment application or 'e-wallet' that enables low income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.	Rapid growth since national launch in September 2016. The application now has over 465,000 active users, who have made deposits of over KES 7.3 million and can now access healthcare at 375 accredited facilities.	SDG 3
DigiFarm and Connected Farmer	DigiFarm offers smallholding farmers access to a suite of information and financial services, including discounted products, customised information on farming best practices, and access to credit and other financial facilities. Connected Farmer helps Agribusinesses and small holding farmers share information and transact.	A successful pilot was held during the year. Expected to register 10,000 farmers for the pilot, but received 74,000 registrations (33,000 within the first month) and trial completed with just under 19,000 active users. We intend to scale further in the year ahead. About eight Agribusinesses and over 50,000 farmers have registered on the Connected Farmer platform.	SDG 2 / SDG 8
Telemedicine and Digital Clinics	A collaboration with the Government of Kenya and Huawei, this project improves access to healthcare services in rural and remote communities. Local clinics can communicate with medical specialists through video-conferencing so that patients no longer need to travel to distant facilities for diagnosis or treatment.	Over 200,000 residents on Lamu Island will benefit from the collaboration through not having to travel long distances to obtain expert medical assistance and plans are in place to expand the scope of this project to other areas outside Lamu.	SDG 3
Instant Network Schools (INS)	The INS programme transforms a basic classroom into a digital learning hub by providing each class of teachers and students with 25 tablets, a laptop, a projector and speaker; free internet connectivity and Wi-Fi; localised mobile content and a robust teacher training programme.	The INS programme currently benefits over 41,844 students in refugee camps from all over the East Africa region. The current target is to increase the number of students benefitting to 63,000 during FY18.	SDG 4
AQTap 'Water ATMs'	A partnership with Ericsson and Grundfos AQTap systems, this programme offers communities in remote areas access to affordable, clean water. Customers are issued with free water payment cards, which they can use to purchase water at their convenience. A small fee covers the cost of pumping the water and maintaining the system.	To date, 37 AQTaps have been donated to communities in Eastern parts of Kenya and the Rift Valley, such as Makindu and Nakuru, and more than 23,113 transactions, valued at just under KES 3.2 million, have been completed.	SDG 6

SPARK FUND CONTINUES TO IGNITE LOCAL INNOVATION

As part of our commitment to stimulating innovation within the developer community, we launched our venture capital fund, 'Safaricom Spark Fund' in 2014. The first corporate venture fund in East Africa targeted at local tech startups, the Safaricom Spark Fund aims to support the successful development and scale-up of high-potential, 'late seed' to 'early growth' stage, ICT start-ups in Kenya, through investment and in-kind support. The fund seeks to invest between KSh 6 and 22 million per start-up, for a minority stake in portfolio companies. In addition to the funding, Safaricom provides in-kind support, such as mentorship, technical assistance and access to Safaricom services such as SMS, SSD, cloud hosting and marketing opportunities.

During the period under review, the Spark Fund invested in the following start-ups: mSurvey (mobile phone-based market research); eneza education (virtual courses, assessments and live support over the internet and USSD/SMS); LYNK (marketplace for informal workers and customers); and FarmDrive (alternative credit scoring for small holding farmers).

BLAZE

Launched in May 2016, BLAZE is a network aimed exclusively at addressing the needs of the youth segment. By joining the BLAZE network, customers aged between 10 and 26 years old can access a variety of exclusive benefits and services, including the opportunity to attend the 'Be Your Own Boss' (BYOB) mentorship summits, shop with BLAZE Bonga, customise their own personal service plans and buy more affordable bundles with the 'Create Your Plan' application, and the possibility of participating in the BYOB TV show.

The BLAZE network has already proved to be a big success and has 1.6 million users, with youth segment customers growing by 33% or 0.9 million and revenues increasing from KES 1.4 to 1.8 billion per month. Our youth segment NPS has also increased by 14 points since the launch of the network. Over 50,000 customers have attended the six BYOB mentorship summits that have been held since the launch and the BYOB TV Show enjoys an average of 500,000 viewers per week.
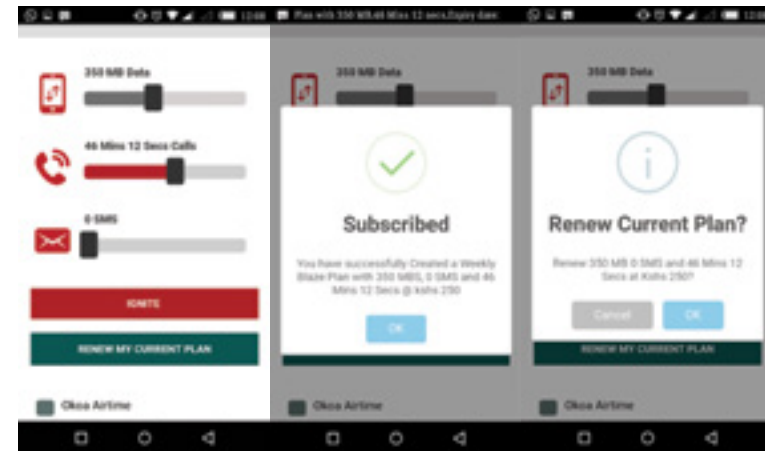
Screenshots from the BLAZE application. Customers can decide the volume of each different service (data, voice calls and SMS) they want to buy using the sliders.

LITTLE

We launched our ride-hailing (taxi) app, *Little*, in July 2016 and 1,600 drivers signed up within its first three months. A collaboration with Nairobi-based software company, Craft Silicon, *Little* is not only the cheapest ride-sharing service in Kenya, with no flat rates or price surges, but it also ensures drivers earn reasonable incomes and only deducts 15% of fares to cover service expenses, unlike Uber and other rival apps, which deduct 25% and upwards. Little runs on iOS, Android, and Windows devices and will soon be available for USSD (non-smartphone) users. The app accepts cash, card and M-PESA payments. It also offers free Safaricom Wi-Fi to passengers.
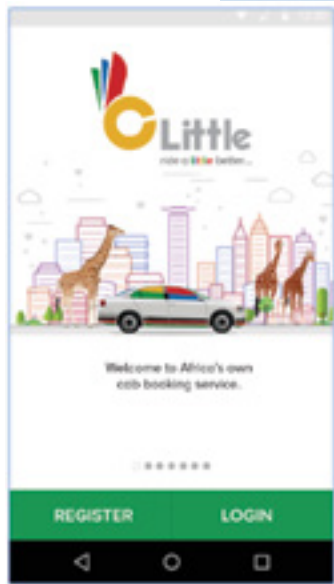
LOOKING AHEAD
FY18 Goals

- 50% tariff reduction on all *Lipa Na* M-PESA merchant fees and M-PESA *Kadogo* tariff extended for *Lipa Na* M-PESA Buy Goods.

- Over 400,000 *Shupavu 291* users.

- Achieve at least 100,000 users for *Fafanuka*, *Jamiismart*, *Telemedicine*, and *Totohealth* projects.

- At least 100,000 *M-Salama* customers.

- Provide affordable 4G LTE internet connectivity to SME customers.

- In the next year, Safaricom will be setting up an Innovation Hub to drive data analytics and strategic partnerships for innovation.

- Democratise data and voice services for SME customers to assist them to reach more of their customers and grow their businesses.

- Committed to provide enterprise customers with a Self-Service portal to view and manage IoT SIM cards.

STAKEHOLDER ENGAGEMENT

We consider our stakeholders to be the individuals, communities and organisations that are most affected by, or most likely to influence, our business. 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.

OUR APPROACH

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.
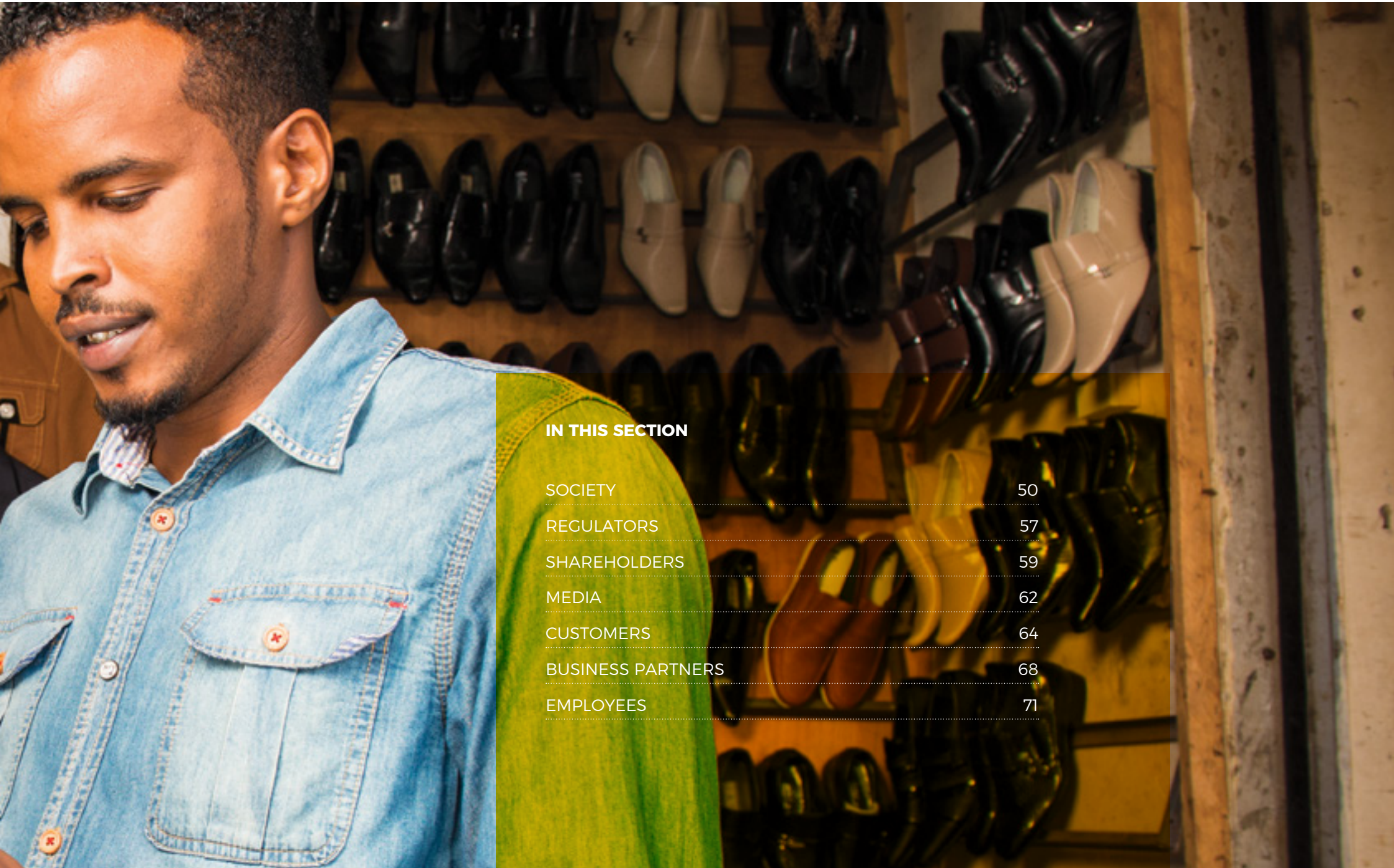
IN THIS SECTION

SOCIETY

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

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

GUIDED BY THE SUSTAINABLE DEVELOPMENT GOALS
The integration of the UN Sustainable Development Goals (SDGs) into the business has strengthened our relationship with Kenyan society during the year. The SDGs have deepened our collective sense of purpose as a business and further entrenched our commitment to deliver more value to society in general, as well as to the specific communities within which we operate.

The SDGs have also helped us appreciate that lasting solutions need to be commercially viable and based on feasible economic models if they are to be scalable and sustainable. The integration of the SDGs has taught us to regard sustainable development as an exciting business response to the challenges we face as a society and not simply an exercise in Corporate Social Investment (CSI).

The SDGs now serve as a guiding compass in all that we do as a business. The integration process has helped the Business Units link specific projects and initiatives back to the SDGs and to consider the value being delivered to society through their activities. The SDGs have also guided our research and investment efforts, particularly in terms of exploring opportunities in the areas of Health, Education and Clean Energy *(see the* Social Innovation *section on page 44 of this report for further details on our efforts in this regard)*. The SDGs have made us a more value and purpose-driven business.

FY17 HIGHLIGHTS
We deliver value to the society within which we operate on an ongoing basis as a top Kenyan tax payer and employer, and by engaging and empowering groups and individuals throughout the country in a variety of diverse ways. The services we provide through our network enhance and transform the lives of Kenyans every day, we also sponsor community events, and have an active CSI programme through the Safaricom and the MPESA Foundations. Along with these ongoing channels, a few of the specific ways in which we have delivered value to Kenyan society during the year included:

- **The CEO Sustainability Masterclass**

In December 2016, we hosted a successful masterclass conference on the key global sustainability challenges facing businesses and the need for bold leadership and proactive responses to ensure continued success. A highlight of the one-day event was a thought-provoking session on *Thinking the Unthinkable* by Nik Gowing. The event was attended by 29 C-suite executives from Kenya and culminated in the proposal to form a local *B Team –Africa*, which is an exciting alliance of business leaders from across the region who believe that the purpose of business is to be a driving force for social and environmental, as well as economic, benefit and who are committed to driving a better way of doing business for the wellbeing of both people and planet.

- **Better Business, Better World Conference**

In February 2017, we hosted the *Better Business, Better World* Conference in partnership with the Business and Sustainable Development Commission. The event brought together over 80 business leaders to build support for the SDGs and showcase how African business leaders and entrepreneurs can unlock over US$ 1.2 trillion in savings and revenue and more than 85 million jobs if they pursue sustainable business models. The Conference was also the official launch of the *B Team –Africa.*

Safaricom CEO, Bob Collymore (pictured right), and Global B Team CEO, Keith Tuffley, in the opening discussion on embracing sustainable development as a source of competitive advantage and the role of B Team in driving sustainability leadership at the *Better Business, Better World* regional conference in February 2017.

The Africa launch of the *Better Business, Better World* report by the Business and Sustainable Development Commission (BSDC). Pictured, from left: Vineet Rai, BSDC Commissioner and Founder of Aavishkaar and Intellecap Group; Lord Mark Malloch-Brown, Chair of the BSDC; Hon. Adan Mohammed, EGH, Cabinet Secretary for Ministry of Industry, Trade and Cooperatives, Kenya; and Safaricom CEO, Bob Collymore.

- **Africa Sustainability Leadership Programme (ASLP)**

  Hosted by the Centre for Sustainability Leadership at the Strathmore Business School, the annual ASLP programme offers participants five days of intensive lectures and group work analysing a range of sustainability challenges and opportunities. Twenty-one participants from both the public and private sectors attended the training course during the year.

- **Global Goals World Cup**

  We were delighted to co-sponsor and participate in the regional Global Goals World Cup (GGWC) in March 2017. The soccer tournament brought together 24 teams of women and adolescent girls, each playing for an SDG about which they felt passionate, and highlighted the need for urgent, collective action to address the goals. #TeamPepea from Safaricom played for SDG 10: Reduced Inequalities. The celebrity referee, Game of Thrones actor Nikolaj Coster-Waldau, who is also a UNDP Goodwill Ambassador, added the excitement at the event. The teams were playing for the chance to play in the GGWC Global Finals in New York City in September 2017. Our *Team Pepea* raised awareness about SDG10 on and off the pitch calling for equal rights for refugees and people with disabilities; gender equality in all spheres and improved access to basic services.

- **2016 Sustainable Finance Catalyst Awards**

  We were honoured to be recognised for our achievements in 'Sustainability Through Policy and Governance' at the inaugural Sustainable Finance Catalyst Awards in September 2016. Launched by the Kenya Bankers Association (KBA), the umbrella body of the Kenyan banking industry, the purpose of the Awards is to highlight and celebrate organisations that demonstrate leadership and innovation in balancing the quest for financial returns with the diverse priorities of our mutual economic, social and environmental context.

- **Protecting the rights of children**

  During the year, we continued to raise awareness of the rights of children. Our Children's Rights and Business Principles Policy is now shared with all new employees as part of their induction. Children's rights have also now been included in the Code of Ethics for suppliers. We were also asked to contribute to the *Tackling Childcare* case study by the International Finance Corporation (IFC) and Clinton Global Initiative (CGI), which will highlight best practices in employer-supported childcare and the related benefits when published. Our Regulatory and Public Policy team was also asked to participate in the developing of industry guidelines for Child Online Protection (COP) with the Communications Authority.

Left: Team Pepea from Safaricom in action during the Global Goals World Cup in Nairobi at Ligi Ndogo.

- **Keeping anti-corruption on the local agenda**

    As part of our ongoing focus on tackling corruption, it was rewarding to be part of the coalition that helped draft Kenya's new anti-bribery legislation. We are delighted to report that the Bribery Act has been signed into law and came into force in January 2017. The Act is an important step towards addressing the issues of corrupt practices in Kenya as it provides a more robust system for preventing bribery, including obligations on individuals holding positions of authority in Kenyan companies or companies operating in Kenya to report instances of bribery and obligations on companies to put in place bribery prevention policies and measures.

FOUNDATIONS ADDRESSING THE SDGs

While we firmly believe that the SDGs highlight the fact that sustainable development requires business responses to the challenges we face as a society, our discussion of the SDGs would not be complete without some mention of the inspiring efforts of the Safaricom and M-PESA foundations and several of their flagship projects.

Water Security

Water is the foundation of life. A person needs, on average, at least 20 litres of fresh water each day for drinking, cooking and sanitation. Access to safe drinking water is a fundamental requirement for healthy and prosperous communities. Despite this, at least 15 million Kenyans do not have access to adequate clean water. Convenient access to safe water can break the cycle of poverty in communities. It can reduce the burden of disease and free up time for more productive activities. It improves food security and nutrition, which helps people to realise their full potential. It also impacts education directly because students can return to class if they are healthy and freed from the burden of gathering water.

The Safaricom Foundation has been running community-focused water projects under its 'Maji na Uhai' ('Water and Life') programme since 2005. A partnership between the Foundation, the Kenya Red Cross Society and ActionAid Kenya, the programme is focused on improving food production and food security in arid and semi-arid areas through projects that ensure a constant supply of clean and safe water for domestic use, for use in educational and health facilities, for livestock farming and for agriculture. To date, over 350,000 people are benefitting from more than 50 projects that have been established through the programme.

Children enjoy water at the Abbas Farm Water Project sponsored by the Safaricom Foundation.

Environmental Conservation

A major contributor to global warming and climate change, deforestation is a significant environmental concern for Kenya. Two of the main causes of the massive deforestation the nation has experienced during the last 50 years have been demand for arable land for farming and the unsustainable exploitation of forest resources and products, such as wood for fuel and animal meat for food.

The Mau Eburu forest represented 40% of forest cover in Kenya in the 1960s, but has since shrunk to represent less than 25%. The 8,715 hectare forest forms one of the largest water catchment areas in the country and supplies water to many of the lakes that support life across the Rift Valley. It is also a haven for wildlife. The forest is home to a diverse multitude of bird species and over 40 mammal species, including the critically endangered mountain bongo antelope. Mau Eburu forest is one of the most pristine, important and rich forest ecosystems in Kenya, but it is also extremely vulnerable. The forest is surrounded on all sides by settlements and the inevitable human encroachment through plantations, excisions and logging (the illegal charcoal trade, in particular) has taken its toll.

As part of a comprehensive plan to protect the imperiled Mau Eburu forest, the M-PESA Foundation has provided funding for the construction of a 50 kilometre perimeter fence around the defenseless 'island' of biodiversity. The electrified fence is being constructed in partnership with the Rhino Ark Trust. The fencing allows the Kenya Forest Service (KFS) to manage access to the forest through specific gates, enabling the KFS to generate important revenue for conservation activities by collecting the prescribed fees for activities like livestock grazing and firewood harvesting, as well as reducing the negative impact of unsupervised access and human-wildlife conflict.

Safaricom staff and local communities residing near Mau Eburu Forest take part in an annual tree planting exercise, which is part of ongoing efforts to restore the Mau Forest Complex.

The comprehensive plan also includes promoting alternative energy sources and economic activities to the communities that live around the forest. Part of the long-term answer is to reduce the dependence of local communities on fuel wood extracted from the forest and one innovative solution is the energy-efficient jiko stove. It not only uses up to 50% less fuel, but can also run on any woody biomass, including farm waste like maize cobs. Another solution has been to expose local communities to beekeeping and honey production as an alternative source of income to burning wood to create charcoal. Tree nurseries have also been established within local communities and members have been taught how to plant and manage sustainable woodlets. Funds have also been used to develop educational learning materials to teach youngsters at local Eburu schools the importance of conservation and protecting the forest.

M-Pesa Foundation Academy

The M-PESA Foundation Academy is a state-of-the-art, co-educational and residential high school providing a world class education based on the Kenyan curriculum. Driven by leadership, entrepreneurship, technology and innovation, the Academy currently serves 297 talented, but economically disadvantaged students with demonstrated leadership potential. Located along Thika-Mang'u Road in Kiambu County, the Academy offers a world-class, well-rounded learning environment to develop the future leaders of the African continent.

Students at the Mpesa Foundation Academy conduct a demonstration in the lab during a visit by Safaricom's Senior Leadership Team.

The Academy places great emphasis on the holistic development of all its learners, not just in academics, but also in technology, music, sports, the arts, outdoor pursuits and community service. Learners and faculty are exposed to the latest in technology in education with the use of Apple Learning Solutions and iPads as part of the day-to-day teaching and learning. The Academy focuses on molding future leaders and entrepreneurs by incorporating the core values of Curiosity, Leadership, Accountability, Innovation, Responsible Citizenship and Excellence (CLAIRE) into every sphere of learning within the Academy.

The Academy's modern campus is established on 75 acres, which allows for a conducive learning environment, as well as an opportunity for all learners to grow their talents in all areas, including arts, sports and music. We believe in providing world-class quality education and empowering young minds. The Academy has a dedicated team of teaching and non-teaching staff all who are passionate in nurturing the students.

Maternal And Child Healthcare

The number of women who die from pregnancy-related causes in Kenya remains unacceptably high. According to the World Health Organisation (WHO), it is 530 women per 100,000 births. In comparison, the maternal mortality rate in Canada is 7 women per 100,000 births. The WHO rate for Kenya translates into around 14,700 Kenyan women and girls dying each year due to pregnancy-related complications.

Maternal deaths are only half of the story, however, and as many as 441,000 women and girls will suffer each year from disabilities caused by complications during pregnancy and childbirth, such as obstetric fistula, a ruptured uterus or pelvic inflammatory disease. The mortality rates for new-born babies and children under five years old are equally alarming. The mortality rate for children under five years old in Kenya is 86 children per 1,000 and over a third of these are new-born babies. The tragedy is that most of these deaths — mothers and children — can be prevented through access to straightforward, cost-effective healthcare services.

'Uzazi Salama' ('Safe Motherhood') is an M-PESA Foundation funded Maternal and New-born Health (MNH) project aimed at improving access to better maternal health services in Samburu County. The project addresses both the demand and supply side of issue by encompassing both the renovating and

equipping of a network of 55 health facilities throughout the County and improving the patient referral system between the facilities. The patient referral system is centred around a new Ambulance Command Centre, which uses ride-hailing technology to orchestrate a fleet of ambulances, 4x4 vehicles and tricycles to transport patients to the services they need. As well as training and upskilling health workers initially, the project also includes the deployment of mobile phone-based e-learning solutions to ensure continuous learning among health workers going forward. Creating awareness and mobilising local communities has also been a feature of the project, especially encouraging men to support clinic-based maternal and child care services for mothers and their babies. The project will improve the maternal and child health care for over 224,000 people in Samburu County.

Economic Empowerment

Unemployment is considered a leading economic policy challenge in Kenya. At the forefront of this challenge lies the high unemployment rate among young people, which is estimated by the World Bank Group to be double the national level of unemployment and around 17.3%; hence, most of the

unemployed people disproportionately stem from the youth segment of the population and belong to the bottom 40 percent of the income distribution. Many of these young people could lift themselves out of poverty through training in entrepreneurship education, as well as support to establish micro and small-scale enterprises; however, opportunities for entrepreneurial training remain few and far between and access to funding for micro and small-scale enterprises remains minimal.

A response to this challenge, the Safaricom Foundation Micro-Loan Fund is a fund that provides loans to financially marginalised and excluded groups in 13 Counties across Kenya. The Fund provides interest-free loans of up to KES 200,000 with repayment periods of between three and 24 months. The loans are available to people aged 18 years and older. To date, KES 23,393,000 has been loaned to create 5,937 jobs in a wide variety of industries, including farming, transport, retail, catering, horticulture and events management. There is an extensive training period before the loans are issued and ongoing support for the businesses. The loans have increased incomes, created jobs and transformed lives.

LOOKING AHEAD
FY18 Goals

☑ Developing a new 3-year strategy for the Safaricom Foundation.

☑ Leveraging off partnerships to build an integrated SDGs ecosystem with our partners across the country.

☑ Supporting the *B-Team Africa* to establish structures, develop a road map and recruit membership from across the continent.

☑ Deepening the embedding of Sustainability and the SDGs among our dealers and suppliers. We have identified SDGs 8, 10 and 12 as the most material for our dealers and plan to work on a pilot with five of our biggest dealers in terms of developing commitments and action plans based on these three goals.
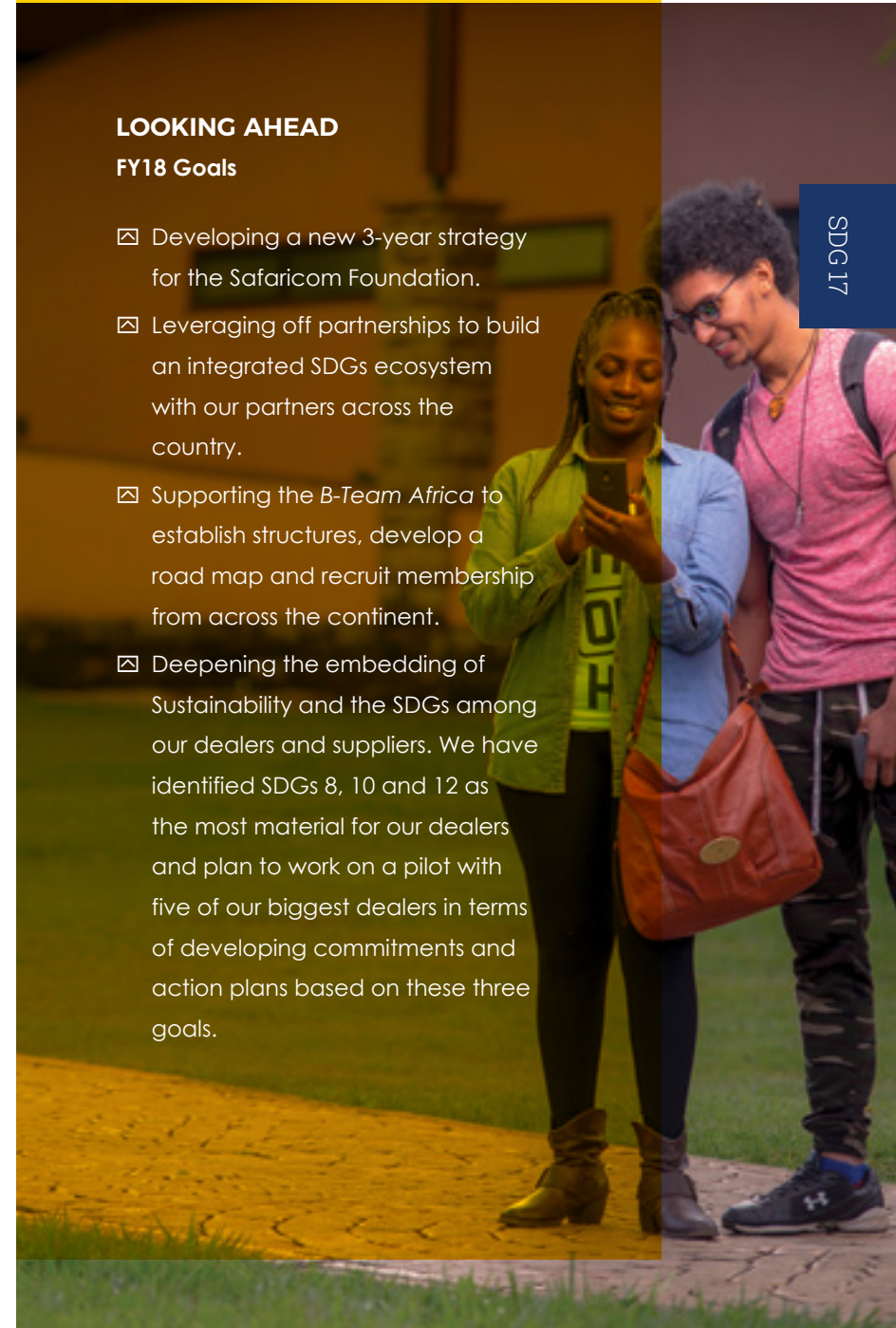
REGULATORS

Our services play an important, and occasionally critical, role in the daily lives of over 28 million Kenyans. As a result, our regulators expect us to provide these services in a reasonable, responsible, ethical and environmentally sensitive manner, providing customers with adequate information and support to access and enjoy our services, while respecting their rights. Our regulators also require us to compete for business fairly and to play our part in helping to empower and transform the lives of Kenyans through innovation and investment.

OUR REGULATORS

We are overseen by eight regulatory authorities and our chief regulator is the Communications Authority (CA), which is the regulatory authority for the communications sector in Kenya. The purpose of the CA is to ensure the people of Kenya receive the best possible services from communications providers. This responsibility requires making sure that there is adequate, healthy competition among providers, and that the public are protected from misleading or unscrupulous business practices. We engage with the CA on issues such as Quality of Service (QoS) measurements, SIM Registration Regulations, ICT sector regulations and the Universal Service Fund (USF).

OUR PRIMARY REGULATORS

| REGULATOR	MANDATE	ISSUES ON WHICH WE ENGAGE
Communications Authority	The CA works to ensure the people of Kenya receive the best possible services from communications providers.	• Quality of Service (QoS) Measurements • SIM Registration Regulations • ICT sector regulations • Universal Service Fund (USF)
Competition Authority of Kenya	The CAK works to promote competition for the benefit of consumers, businesses and the economy as a whole.	• Trade practices • Consumer issues
Central Bank of Kenya	The CBK seeks to promote and maintain a stable, efficient financial system that serves the economy and the people of Kenya.	• Mobile money transfer services (M-PESA)
Kenya Revenue Authority	The KRA is responsible for the efficient assessment and collection of revenue (taxes) on behalf of the government.	• Taxation
National Environment Management Authority	NEMA is mandated to ensure the natural resources and environment of Kenya are managed in a sustainable manner	• Environmental Impact Assessments • Environmental Audits • E-waste management • Energy management regulations
Betting Control and Licensing Board	The BCLB seeks to promote reasonable, legal and sustainable gambling activities in Kenya and authorises lotteries and prize competitions.	• Safaricom promotions
Kenya Civil Aviation Authority	The KCAA is responsible for the safety and management of the Kenyan airspace.	• Site acquisitions • Construction of Base Transceiver Station
Capital Markets Authority	The CMA protects the interests of investors and publicly-listed companies through licensing and supervising the capital markets industry.	• Corporate Governance

FY17 HIGHLIGHTS

On a regular, ongoing basis, we deliver value to our regulators by complying with the obligations they have given us and through communicating and engaging with them on the issues that arise. In response to the SDG strategy, we now ensure that all collaborations and discussions with regulatory bodies support the creation and expansion of resilient infrastructure development in Kenya, based on inclusive, sustainable models that foster innovation.

Some of the specific issues on which we have engaged our regulators during the reporting period include the Network Redundancy, Resilience and Diversity (NRRD) guidelines and regulations for ICT networks, the new National ICT Policy, how best to monitor and eliminate the use of counterfeit handsets and discussions around the proposed Infrastructure Sharing Regulations. *(Please see the Governance, Risk and Regulation material matter section on page 24 of this report for further detail on these specific issues.)*

LOOKING AHEAD
FY18 Goals

- We will continue to engage government and the CA on the ongoing initiatives highlighted in this report.

- We will ensure that the USF project is executed as per the contract awarded in all the allocated sites across the country.

- We plan to entrench air quality emission compliance in our BTS and MSRs (as per gazetted air quality regulations).

- Regulatory compliance will remain an area of focus in the year ahead and we intend to continue with company-wide regulatory awareness initiatives begun in FY16/17.

- Organise more forums with residents' associations and the public to create awareness of Environmental Impact Assessments (EIAs) and to address Electro-Magnetic Frequency (EMF) concerns.
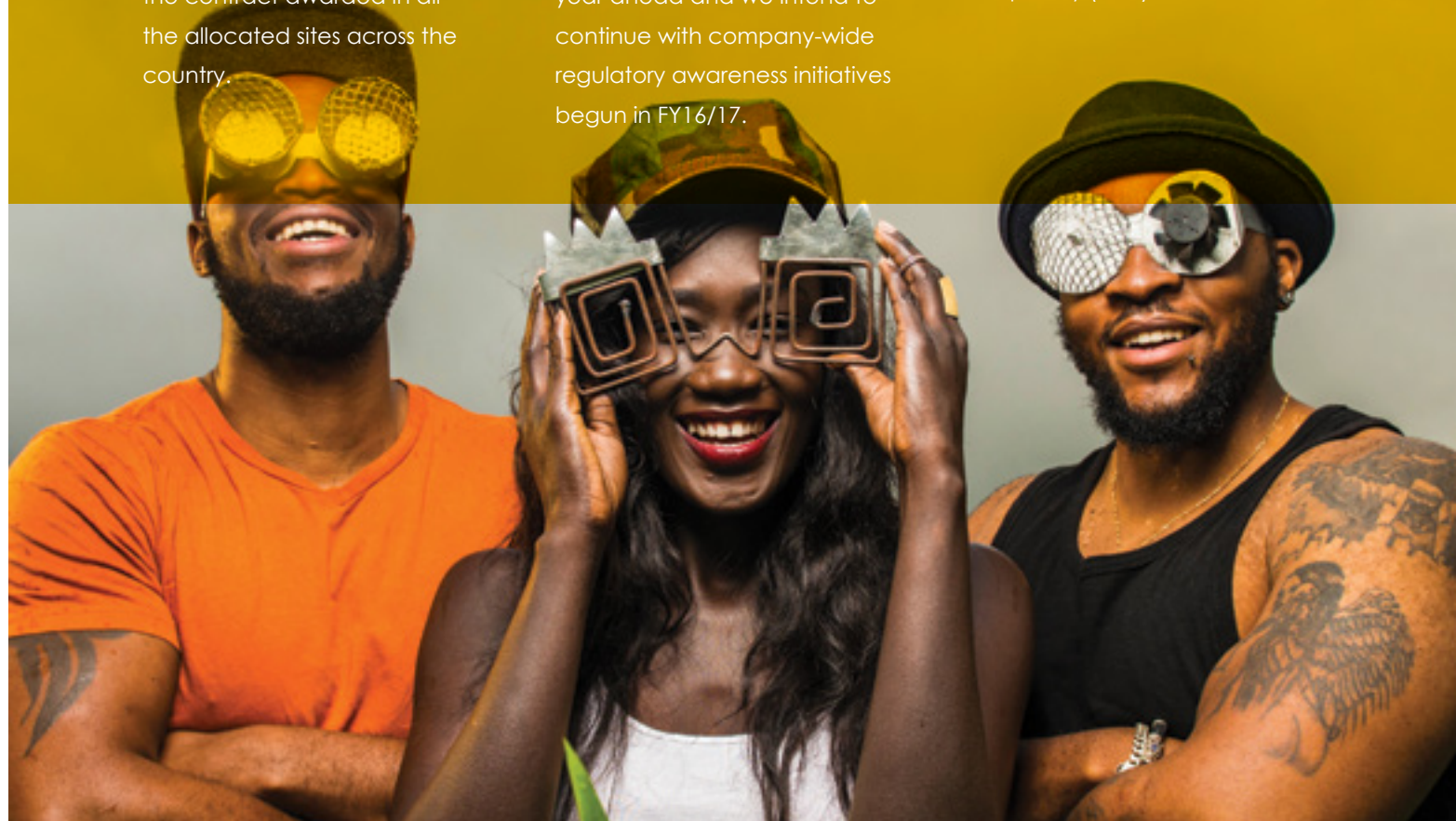
SHAREHOLDERS

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

SHAREHOLDING STRUCTURE

Our shareholding structure remained unchanged during the year and continues to be composed of the Government of Kenya (35%), Vodafone (40%) and free float (25%).

While the overall shareholding structure hasn't changed, we have noticed a decline in retail shareholders and an increase in corporate shareholders within the 'free float', especially foreign corporates. The following table presents the movements in proportions of our shareholder categories from March 2015 to March 2017.

As the table below illustrates, foreign corporates hold the highest proportion of the free float, approximately 52%. While the number of local companies holding shares in Safaricom has been on a decline, the proportion of shares they hold has also been decreasing and, currently, these companies hold 31.4% of the free float. Holdings by both retail and corporate local investors have been on a decline. We attribute this partially to profit taking as the share rose to new levels. Holdings by both individual and corporate foreign investors have been on an increase as they take positions in Safaricom attracted by its performance and strong fundamentals.

SHAREHOLDERS	FY17	FY16	FY15
Vodafone	40%	40%	40%
Government of Kenya	35%	35%	35%
Free Float	25%	25%	25%

CATEGORY	FY17				FY16				FY15			
	No.	Share Value	%	% Value	No.	Share Value	%	% Value	No.	Share Value	%	% Value
East African Individual	563,956	1,645,340,605	96.8%	16.4%	581,417	1,696,263,381	96,8%	16,9%	603,920	1,782,312,461	96.8%	17.7%
East African Corporate*	16,878	3,155,545,824	2.9%	31.4%	17,481	3,291,772,051	2.9%	32.8%	18,092	3,154,925,327	2.9%	31.4%
Foreign Individual	1,573	42,201,584	0.3%	0.4%	1,601	41,233,651	0.3%	0.4%	1590	42,181,444	0.3%	0.4%
Foreign Corporate	366	5,199,767,407	0.1%	51.8%	330	5,013,586,337	0.1%	49.9%	272	5,063,436,188	0.0%	50.4%
* Excludes VF shares - 16bn and GoK - 14bn	582,775	10,042,855,420	100.0%	100.0%	600,831	10,042,855,420	100.0%	100.0%	623,874	10,042,855,420	100.0%	100.0%

FY17

FY16

FY15

SHAREHOLDERS BY SHAREHOLDING BAND (VOLUME OF SHARES HELD)	FY17		FY16		FY15	
	No.	%	No.	%	No.	%
1 to 1,000	377,352	64.75%	386,151	64.27%	397,215	63.67%
1,001 to 10,000	182,116	31.25%	189,837	31.60%	200,039	32.06%
10,001 to 100,000	20,771	3.56%	22,234	3.70%	23,954	3.84%
100,001 to 1,000,000	1,854	0.32%	1,955	0.33%	2,066	0.33%
1,000,001 to 10,000,000	492	0.08%	465	0.08%	428	0.07%
10,000,001 to 100,000,000	179	0.03%	176	0.03%	161	0.03%
Over 100,000,000	11	0%	13	0%	13	0%

The preceding table shows that 95% of our shareholders hold a maximum of 10,000 shares and are mostly comprised of the local individuals.

FY17 HIGHLIGHTS

We continue to monitor our performance and deliver value to our investors through our strong financial performance and through how we engage and communicate with them. We delivered strong financial performance yet again this year, which has resulted in further dividend growth and share appreciation.

Please refer to the Safaricom Annual Report at https://www.safaricom.co.ke/ annualreport_2017/ for more detailed information and discussion regarding our financial performance.

	FY17	FY16	FY15
EBITDA (KES billion)	103.6	83.1	71.2
EBIT (KES billion)	70.4	55.1	45.6
Net Income (KES billion)	48.4	38.1	31.9
Dividend per Share Proposition	0.97	0.76	0.64
Free cash flow (KES billion)	43.5	30.4	27.5

During the year, our net income grew by 27.1% to KES 48.4 billion, up from KES 38.1 billion in FY16. This includes a once-off payment of KES 3.4 billion from the Kenyan government for the National Police Service Project. Our free cash flow also increased from KES 30.4 billion in FY16 to KES 43.5 billion. We also achieved an EBIT of KES 103.6 billion, up from KES 83.1 billion in FY16.

We continue to 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.

During the year, we participated investor road shows to share our interim and full year results. During these roadshows, we update shareholders on our strategy and outlook. A highlight during the year was undertaking our first roadshows in Scandinavia, specifically, Sweden and Denmark. We are also considering introducing video conference calls with investors in countries like Canada in the near future.

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

LOOKING AHEAD
FY18 Goals

- Expanding investment clientele to include investors in untapped markets.
- Taking a leadership role in championing sustainability and the SDGs in the corporate space.
- Helping to communicate the SDG story and how the business is aligning its purpose of transforming lives through the SDGs.

SDG 17

MEDIA

The media play an important role in society through providing a platform for discussion and debate. They are also an important stakeholder of ours as they provide us with a channel through which we can communicate with our other stakeholders, such as our customers. Accordingly, we need to make sure that the relevant members of the media are presented with the right facts and information and that significant issues are identified and fully explained so that topics and events are reported in an accurate and balanced manner.

MONITORING OUR PERFORMANCE

We maintain good working relationships with a wide variety of media representatives to ensure that our voice is also heard on pertinent issues and to help provide information and guidance topics that are related to our areas of expertise. We monitor our performance through regular independent assessments and engagements with the media. Our latest independent assessment, conducted by a leading public opinion research consultancy, suggested that we scored highest among Kenyan companies for prompt and truthful responses to media enquiries. We also held an engagement with the media in January 2017. The main concern raised by members of the media was the large volume of stories emanating from the company and we have since adopted stricter protocols that include more stringent decisions regarding which stores are newsworthy, more targeted pitching of stories, and monthly themes.

'FAKE NEWS' A GROWING CHALLENGE

The biggest challenge we faced during the year was the global trend of the emergence and growth of 'fake news'. The popularity and immediacy of social media has created a medium for unstructured journalism and the publishing of either unverified information or deliberately misleading stories. The Corporate Communications Department spent approximately 50% of its time and resources monitoring this activity and correcting erroneous information during the year, an increase from around 10% during FY16. In response to this challenge, we have invested in digital scanning and monitoring tools to assist the social media monitoring team in identifying fake news.

FY17 HIGHLIGHTS

Highlights from the year included hosting the successful launch of our **Sustainable Development Goal (SDGs) integration programme** in July 2016 and supporting the national launch of the SDGs in Kenya by the government at Kasarani stadium in September 2016. We are delighted to report that these events, combined with the launch of our annual *Sustainability Report* in November 2016 and *The B Team - Africa* in February 2017, appear to have established us as thought leaders on the SDGs and sustainability and we are regularly approached by the media for information and interviews with our CEO on the subject.

SDG 17

Another highlight from the year was the **Safaricom Business Journalist Fellowship Programme**. Now in its third year, the programme has become an established part of the curriculum at Strathmore Business School and 15 journalists received comprehensive training from international professors during the year. Designed to help ensure that standards of business journalism in Kenya remain as high as possible, the programme enables journalists to develop the analytical skills needed not only to connect the dots across a wide range of complicated topics, but also to produce impactful journalism that sets them apart.

Above & Left: Graduates of the Safaricom Business Journalism Fellowship pose for group photos during the FY17 graduation ceremony at Strathmore Business School.

LOOKING AHEAD
FY18 Goals

☑ Improve stakeholder communications by making these more cohesive and unified.

☑ Establish procedures for swift and effective crisis communications management.

☑ Establish communication protocols and messaging for upcoming politically active period.

☑ Enhance digital communications management through streamlined messaging and an expanded influencer network.
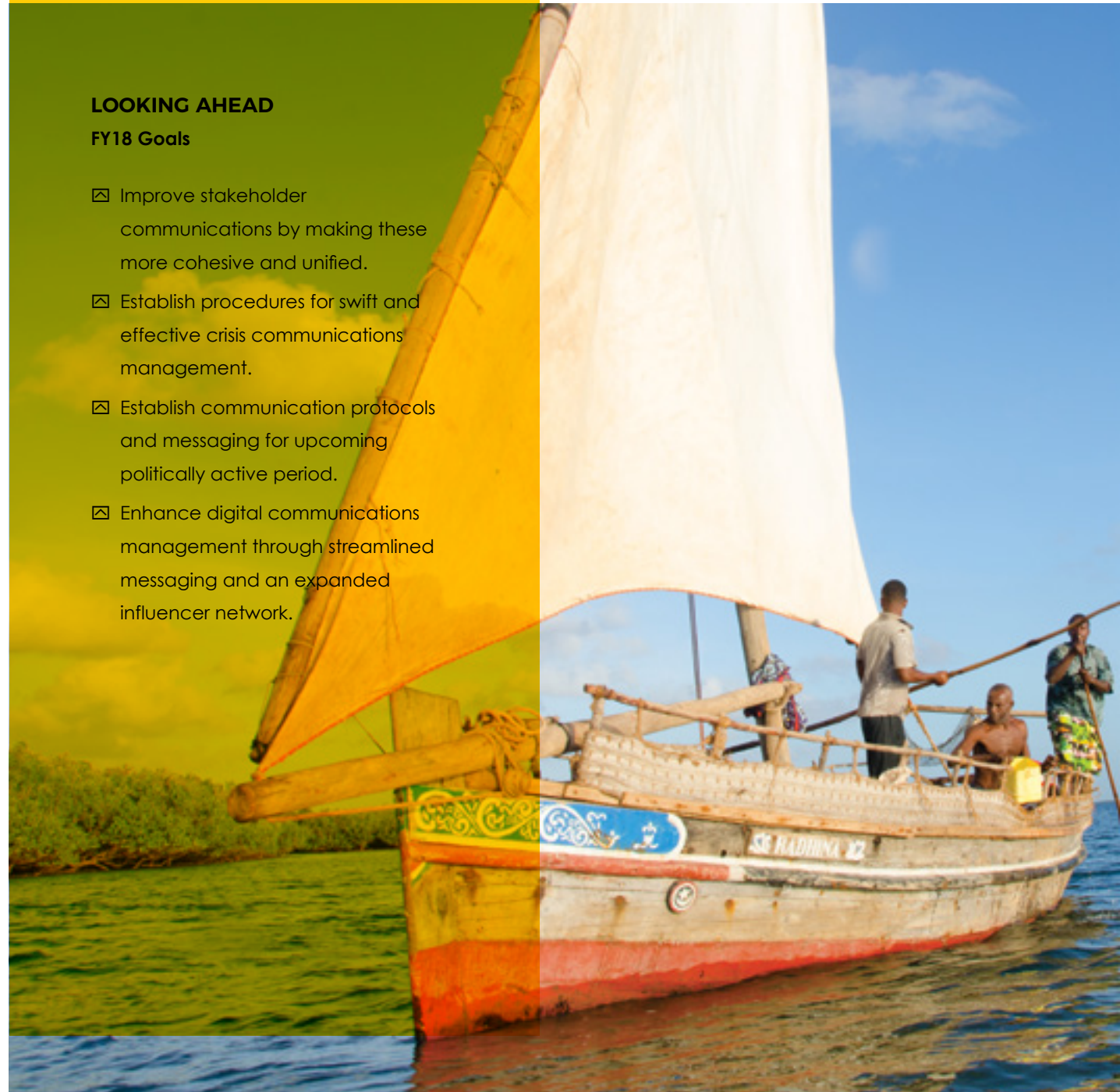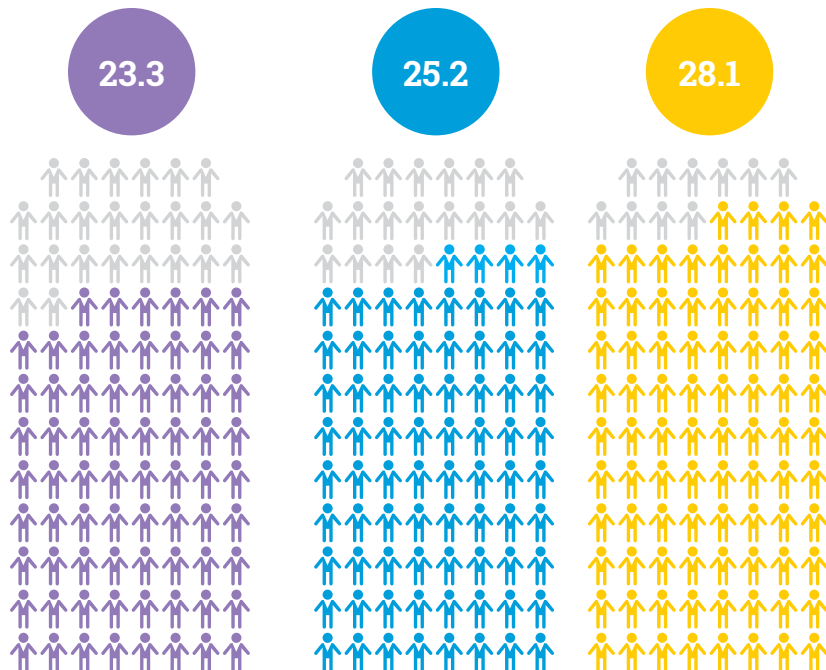
CUSTOMERS

We are delighted to report that our total customer base grew by 11.8% during the year to 28.12 million customers in total. Our broad 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 clientele includes business of all sizes, ranging from small-to-medium enterprises (SMEs) to large corporate firms.
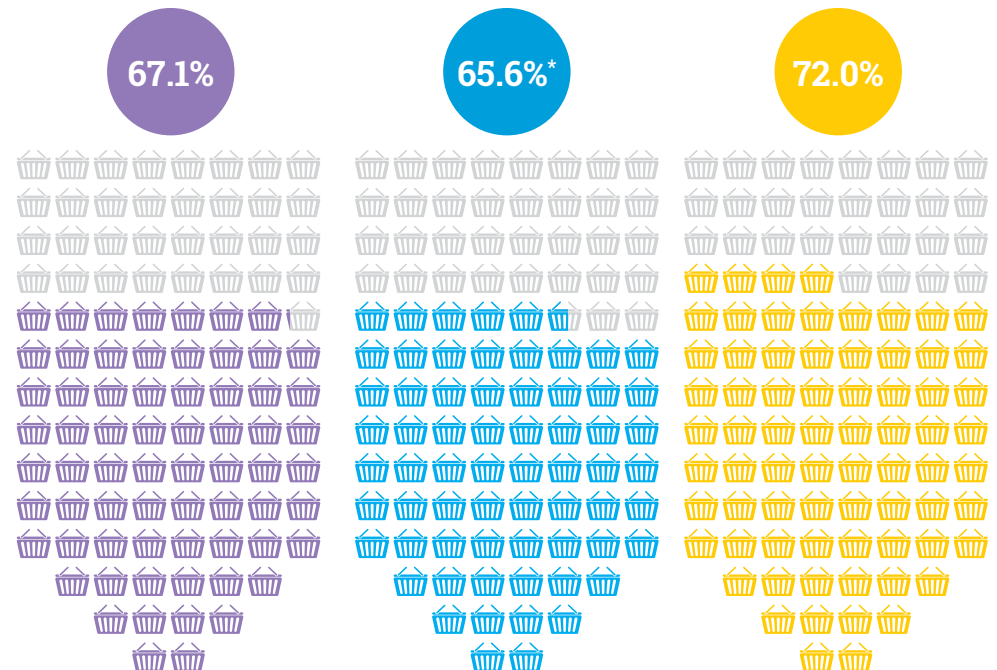
CONSUMER CUSTOMERS

Consumer customers have been segmented into four major segments, with 16 sub-segments. The four major segments are: Discerning Professionals; Hustlers; Youth; and the Masses. Of our total customer base, 28.1 million are consumer customers. Consumer customers grew by 2.97 million during the year and we now enjoy 72% of the total Kenyan market in the consumer space. We attribute this satisfying growth in consumer customers during the year to the success of our 'Dandia' acquisition initiatives, which included extremely competitive data bundle and affordable handset promotions.

■ FY15   ■ FY16   ■ FY17

Number of Consumer Customers (million)

23.3   25.2   28.1

Market Share (% consumer subscribers)

67.1%   65.6%*   72.0%

* The revised FY16 figure and significant increase in FY17 reflects the adjusted definition of 'active' customers (from 120-days to 90-days) requested by the CA.

In order to serve the needs of our consumer customers better, we classify these customers into four main market segments: the Youth, the Masses, Hustlers, and Discerning Professionals. While we are pleased to report that we exceeded our target in the Hustlers segment, which we ascribe to the popularity of the FLEX product launched during the year, we failed to achieve our targets in the other three segments because it was our first year of targeting these new segments and our customer classification rules changed during the year (as we learnt more about our customer segments). We have learnt much and have streamlined customer targets and classifications for the year ahead. Despite not reaching our overall target for Youth customers, we made good progress during the year and our BLAZE platform already enjoys 1.6million subscribers. Both the Youth and Mass segments have grown significantly during the year and we have also seen a satisfying spike in Consumer NPS as well *(see table on page 42 for more information)*.

ENTERPRISE CUSTOMERS

Enterprise customers are split into four major groups: Large Enterprises; Public Enterprises; Small-to-Medium Enterprises (SMEs); and Small Offices-Home Offices (SOHO). We currently have a presence in 96,712 enterprise customers, which represents an increase of 12,712 from the previous year. Most of this growth is attributable to our significant acquisitions in the SME segment.

	FY17	FY16	FY15
Number of Enterprise Customers	96,712	84,000	67,925
Market Share by Revenue	61%	54%	49%

While the SME segment has seen solid growth during the year, large enterprise customers still account for most of enterprise customer revenue and so our focus has remained on nurturing long-term relationships and up/cross-selling in this market segment. We are pleased to report that we grew large enterprise revenue specifically by 44% in FY17 and now enjoy 61% market share overall in terms of revenue in the Kenyan enterprise space.

Enterprise Market Share by Segment (% Customers)	FY17	FY16
Large Enterprises (Public and Private Sector)	99%	99%
SMEs	20%	13%
SOHOs	11%	5.2%

MONITORING OUR PERFORMANCE

We continue to use the Net Promoter score (NPS) to monitor customer satisfaction. NPS measures the likelihood that a customer would recommend Safaricom to other businesses or friends, based on their overall experience. NPS is measured separately for consumer and enterprise customers. Our ongoing NPS targets are to be the number one integrated communications service provider by a margin of 5% for consumer customers and 10% for enterprise customers, relative to our nearest competitors. The following table presents a breakdown of our NPS.

NPS RESULTS	TARGET	FY17	FY16	FY15
Consumer NPS (Competitor Margin)	5%	8%	10%	4%
Enterprise NPS (Competitor Margin)	10%	20%	19%	28%

As the preceding table illustrates, we maintained a healthy Enterprise NPS of 20% margin and enjoyed an 8% margin over our nearest competitors in Consumer NPS in FY17. We associate the slight growth in Enterprise NPS to our decision to send our teams into the regions during the year, which has allowed us to get significantly closer to our customers. We attribute the stability in Consumer NPS to the successful migration to a segments-based strategic approach and the successful launch of BLAZE and other promotions.

FY17 HIGHLIGHTS

In terms of consumer customers, we were delighted to introduce a **Diversity and Inclusion (D&I)** queue to our call centre during the year. The queue serves visually-challenged customers with a set service level of 70:30 (that 70% of calls to the service are answered within 30 seconds of ringing). Over 550 agents have been trained and dedicated to the D&I queue and any abandoned call within this queue will receive a call back within 20 minutes. The Service Level of the D&I queue has been 100% consistently since it was introduced. As part of our focus on diversity and inclusion, we have also ensured that assistance from call centre staff is available in 21 local languages.

In terms of enterprise customers, we sought to tackle issues regarding obtaining support by creating a new department called **EBU Care**, which offers centralised support to enterprise customers. This development was further supported with an improved presence within the regions, offering personalised assistance to customers.

LOOKING AHEAD

FY18 Goals

☑ Reduce fees and commissions on M-PESA transactions; for example, the Buy Goods Rate for merchants and the Business to Consumer (B2C) Rate for banking institutions.

☑ Reduce calls to the call centre.

BUSINESS PARTNERS

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 1,200 suppliers, 400 'active' dealers and 130,000+ M-PESA agents.

SUPPLIERS

As the following table shows, we partnered with 1,200 providers and spent a total of just under KES 84.4 billion on products and services during the reporting period. This represents a 10% growth in our supplier network and total spend, with the on-boarding of 110 additional suppliers and an increase of KES 7.6 billion in spend from FY16 levels. We continue to give preference to local suppliers where feasible and we are satisfied with the weighting towards Kenyan companies achieved during the year, with 84% of our providers remaining local.

Total Spend (Local vs Foreign Suppliers)
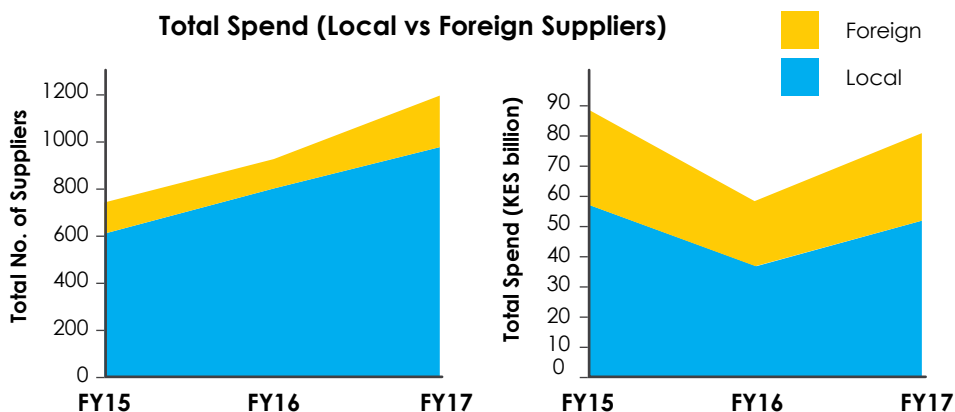
DEALERS

We have a network of 400 'active' dealers across Kenya that sell data, devices and airtime on behalf of Safaricom, which is a reduction from the 456 dealers we had last year. We believe that this is the right size of network to support the market at the moment so we are not actively on-boarding new dealers and expect this number to remain fairly stable in the near future. Our current focus is not to increase the number of dealers, but to help each individual dealer achieve greater volumes and success. It is more important to review the infrastructure growth created by our dealer network, rather than the number of active dealers. In FY17, dealers employed an additional workforce of approximately 1,500 people.

	FY17	FY16	FY15
Active Safaricom Dealers	400	456	487

AGENTS

As the following table shows, we also have 130,000+ M-PESA agents who support and administer M-PESA-related transactions for customers. Our network of agents grew by nearly 40% during the year in response to growing demand for M-PESA products and increased usage because of the accelerated rollout of the network in remoter areas, which facilitated the creation of additional M-PESA outlets, and our regionalisation programme. The increase also reflects the efforts of Area Sales Managers and Relationship Managers in helping dealers and agents identify new areas of opportunity and potential expansion.

	FY17	FY16	FY15
M-PESA Agents	130,000+	100,744	85,756

MONITORING OUR PERFORMANCE

We meet with our suppliers every year at our Annual Suppliers Forum to hear their concerns and exchange ideas and information with them. During the event, we conduct a survey to assess their perceptions and levels of satisfaction and confidence regarding Safaricom.

We use the feedback gained through the survey to adjust our processes and offerings to partners. We engaged with our principle dealers and agents during the year through 25 Principle Forums and over 200 Agent assistance training sessions nationwide. Our Principle Forums address a range of issue, including: how to grow businesses, new investment opportunities, new products, the *Know Your Customer* (KYC) initiative, security of outlets and emerging types of fraud. Through these and other channels, we seek to discover and address business partner concerns and frustrations.

We insist that all suppliers sign up to the Code of Ethics for Business in Kenya. The Code is based on the principles of the United Nations Global Compact (UNGC). By the end of the financial year, 317 or 98% of suppliers with running contracts had signed up to the Code. The remaining 2% of suppliers will not be invited for new business opportunities until they sign up to the Code.

We also undertake performance evaluations of all of our suppliers on a quarterly or bi-annual basis. Suppliers are measured against a variety of indicators (e.g. cost, quality, delivery, responsiveness, flexibility, value-add, health and safety) and a performance score is calculated.

Suppliers whose performance is below the required threshold (<60%) are assisted with customised performance improvement plans (PIP) and mentored towards achieving acceptable levels of service. In case of lack of improvements after a PIP has been implemented, the contract is recommended for termination and no invitations are sent for participation in future business opportunities.

SUPPLIER PERFORMANCE EVALUATIONS	FY17	FY16	FY15
Suppliers Evaluated	1,099	947	400
Average Score	82%	78%	77%

While the number of suppliers evaluated increased to 1,099 during the year, it was still short of our internal target of 1,200 evaluations. It was satisfying to see the average score improve from 78% to 82%, which can be attributed to closer collaboration with suppliers, the inclusion of service level agreements in supplier contracts and sensitisation of internal contract owners regarding the need to objectively and consistently evaluate our suppliers. Unfortunately, one of our suppliers suffered fatalities during the year and so was issued with a 'red card' for health and safety standards and suspended from providing us with services for 12 months.

FY17 HIGHLIGHTS

A significant change in our relationship with our dealers and agents this year was the separation of dealer and agent Relationship Managers (RMs). Previously, both agents and dealers were managed by the same RMs, with a single RM handling up to 500 dealers and 3,500 agents. The separation of agent and dealer RMs has not only made workloads easier, it has improved availability and made us closer to these two tiers of business partners. We now have 6 RMs handling the top 1,200 agents.

	FY17	FY16	FY15
Dealer Relationship Managers	6	5	4
Area Sales Managers	36	36	36
Mobility Scheme (Cumulative No. of Bikes Supplied)	2,304	1,455	10

SDG 17

A highlight of the year has been the continued popularity of our Mobility Scheme for dealers. With as many as 10 outlets to manage, our dealers need to be mobile and we help them achieve this by providing them with subsidised motorbikes. Dealers invested in an additional 849 motorbikes during the year. Since the beginning of FY17, there has been a lot of close focus on Dealers and there have been many initiatives to support them. Some of the support programmes include: dealer working capital financing, county engagements for a healthier business environment for the partners, dealer activation van branding support and Joint market activations.

Recovering commissions paid on withdrawals and deposits made by customers outside the permitted 20 kilometre radius of an outlet remained a source of frustration for agents during the year and we are considering implementing velocity checks to mitigate against the issue. Security is also a concern for agents with theft and losses from armed robberies a growing issue and, in response, we will be rolling out affordable CCTV Cameras to key M-PESA outlets in the near future. The first 1,000 cameras will be provided for free to the top segment of agents while the rest of our

agents will receive the cameras at subsidised prices. We are also in discussions with insurance companies to negotiate affordable premiums for agents to cover their losses.

During the year, we extended our e-cash/weekend capital financing service to agents to KES 600 million (that can be borrowed on Friday and returned the following Monday) and introduced Float Automation for agents as well, allowing those who maintain float levels of KES 20,000 and above in 70% of their network to apply for additional tills automatically instead of manually.

We also expanded our Regional Agent Awards events during the year and 201 outlets were awarded KES 27 million in cash prizes.

The supplier portal continued to be a success during the year, with more suppliers registered and encouraged to post their invoices before close of a calendar month for payment the following 15th day. The CEO also passed an executive order that all local suppliers be paid on 30 days after delivery of goods and services and after receipt of invoice at Safaricom.

LOOKING AHEAD
FY18 Goals

☑ Segmentation of dealers and their shops to provide more targeted support and reward.

☑ Rollout of CCTV cameras to agent outlets and the introduction of affordable insurance to cover losses from theft.

☑ Increase the weekend capital financing service for agents to KES 1 billion.

☑ Partnering with banks and micro finance institutions to offer short-term financing to agents.

☑ Increase participation of Special Interest Groups (such as women-owned and differently-abled suppliers) from current level of 2.7% of procurement opportunities to 10% by 2020.

☑ Include end-of-life e-waste disposal considerations during procurement deliberations.

EMPLOYEES

We are committed to being a world-class employer of choice and take our responsibility to maintain a productive, supportive and safe working environment seriously. Our vision of transforming lives begins with transforming the lives of our employees and a key aspect of this vision is to create a supportive working environment that allows us to attract, develop and retain the best staff. We classify our employees by the following attributes: age, gender, job grade, location and contract status (permanent or contractor). We measure staff morale using an annual 'SEMA Survey', staff turnover rates, the Staff Council and the 'Sema na CEO' chat room.

STABLE WORKFORCE DEMOGRAPHICS

The overall demographics of our workforce remained stable during the year. The closing employee number stands at 5,085, with the majority of our employees remaining Kenyans in their 30s, based in Nairobi. While the general demographics of our workforce remained steady during the year, it is interesting to note that we became slightly younger as an organisation in FY17, with the ranks for employees aged between 20 and 29 years old swelling to 1,079 people or 21% of the total workforce. Most employees are still aged between 30 and 39 years old, nonetheless, with this age bracket accounting for 3,231 people or 64% of the total company.

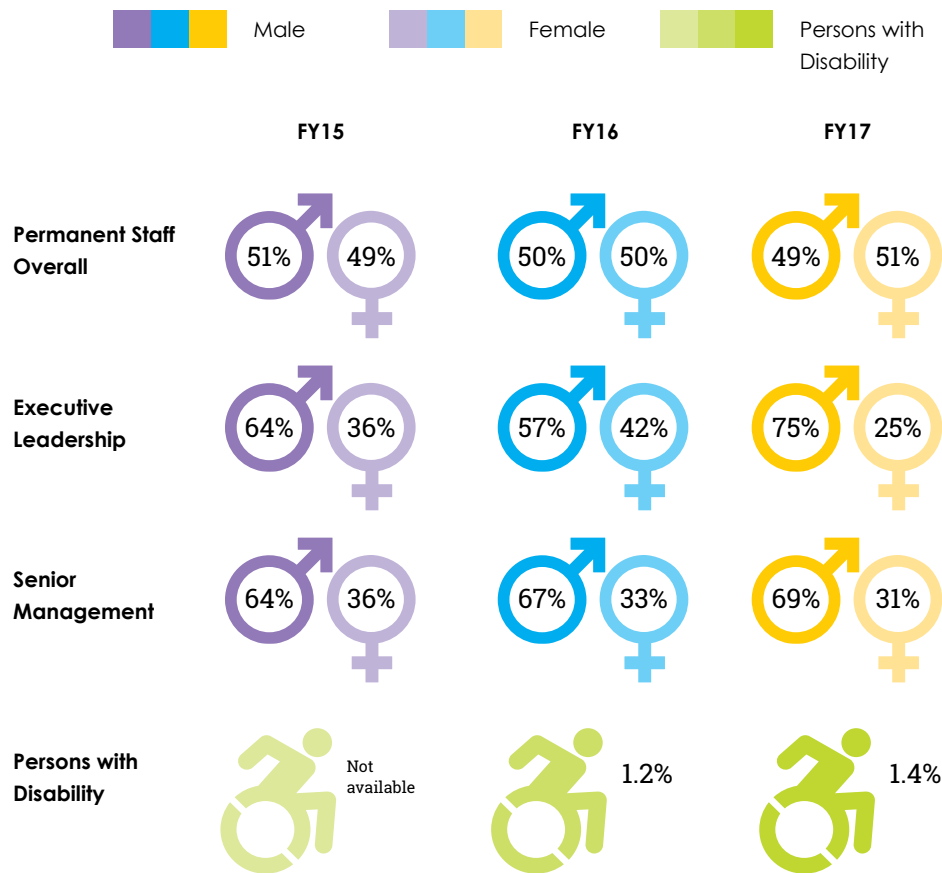| EMPLOYEES BY AGE BRACKET	FY17	FY16	FY15
20s	21.23%	13%	16%
30s	63.58%	67%	70%
40s	13.75%	19%	13%
50s	1.36%	1%	1%
60s	0.08%	0.1%	0.1%
EMPLOYEEES BY CONTRACT STATUS			
Permanent	4,245	4,287	4,192
Contract	845	468	515

The size of our permanent workforce remained constant during the year, decreasing by around 1% or 42 employees to 4,245 permanent members of staff.
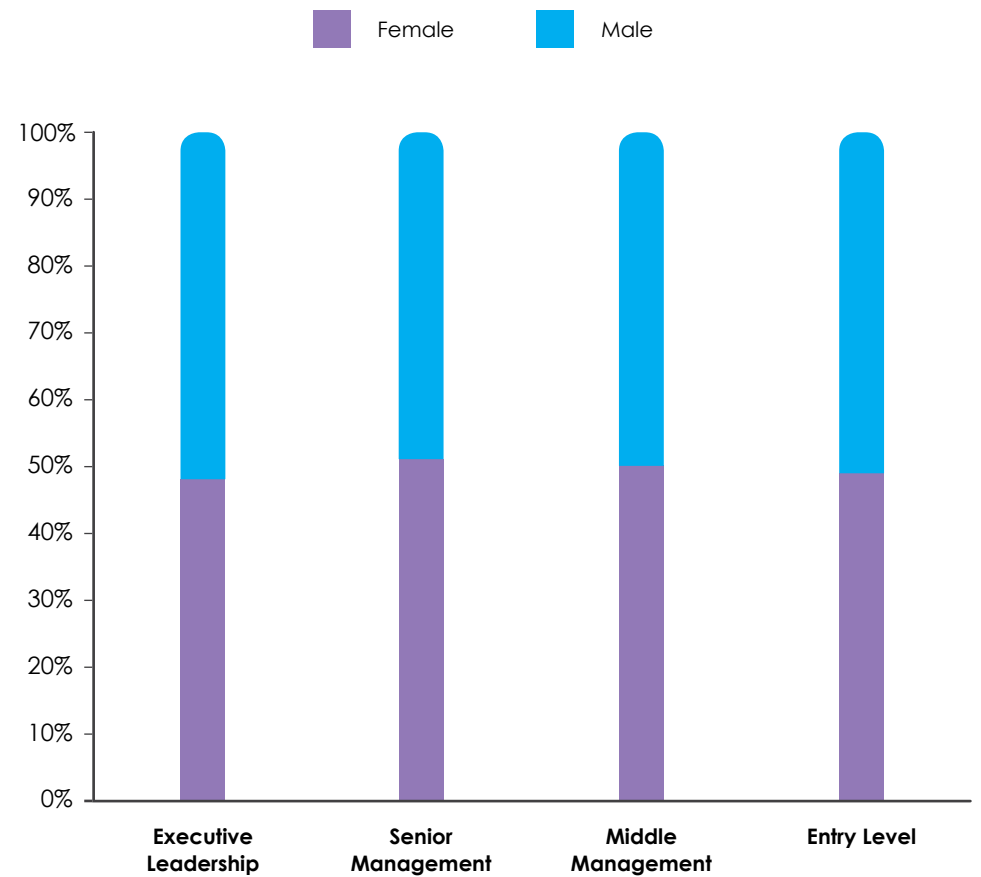

Employees by Age Bracket
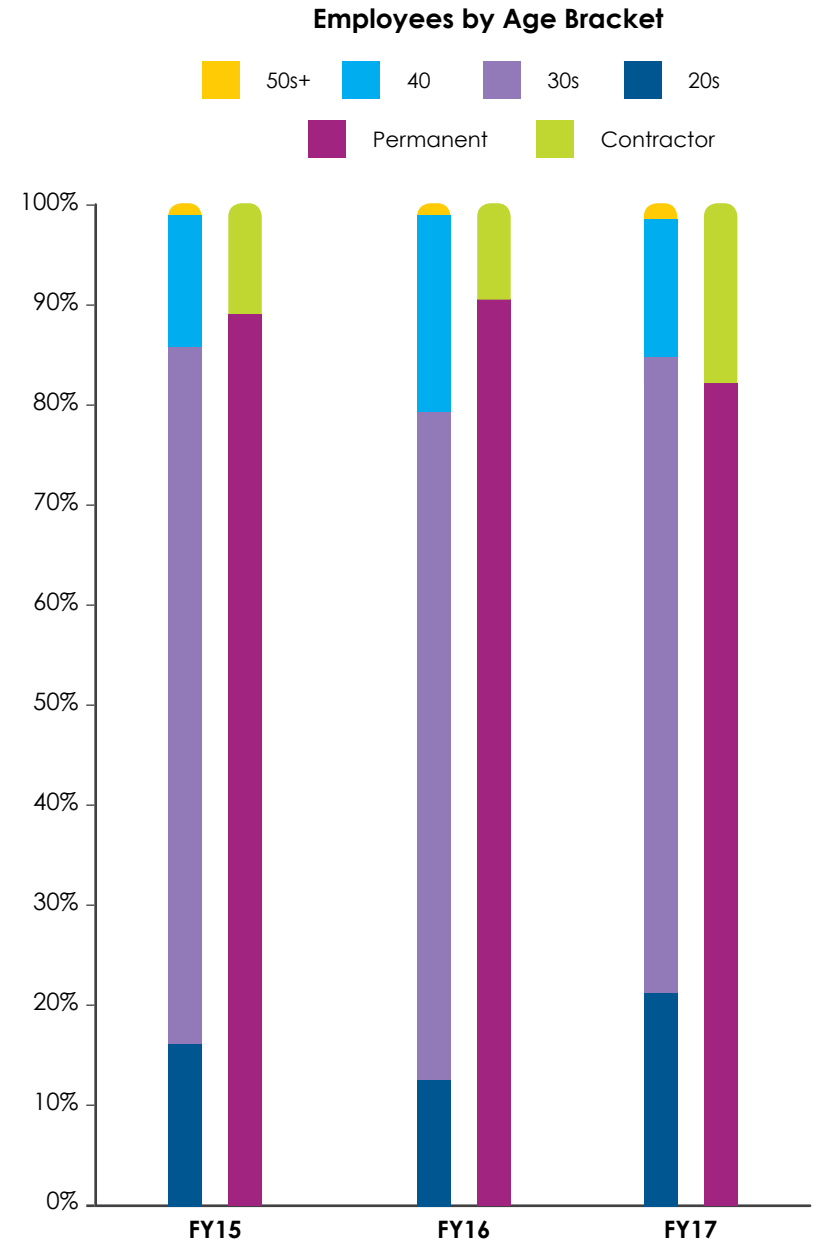
GENDER AND DIVERSITY

On the whole, our staff complement is still very evenly split between men and women, although the number of women in more senior management positions remains relatively low and, as gender equality is now an area of keen focus, we will start monitoring and publishing this figure annually. Persons With Disability (PWDs) account for 1.4% of the total staff population. We are working towards achieving a PWD target of 5% in 3 years.

Employees by Gender and Diversity

Male   Female   Persons with Disability

	FY15	FY16	FY17
Permanent Staff Overall	51% / 49%	50% / 50%	49% / 51%
Executive Leadership	64% / 36%	57% / 42%	75% / 25%
Senior Management	64% / 36%	67% / 33%	69% / 31%
Persons with Disability	Not available	1.2%	1.4%

Gender Salary Distribution per Band FY17

Female   Male

Internal Labour Market Map (FY15 - FY17)

CAREER LEVEL	HIRES		INTERNAL MOBILITY		LATERALS		VOLUNTARY EXITS		TOTAL EXIT	
	F	M	F	M	F	M	F	M	F	M
Senior Management	29,7%	21,5%	5,6%	2,6%	19,8%	17,1%	16,9%	17,8%	32,3%	24,7%
Middle Management	9,4%	5,6%	2,4%	4,1%	5,7%	5,3%	5,7%	6,4%	7,1%	8,2%
Entry Level	8,1%	10,9%	8,1%	10,4%	10,3%	7,6%	5,6%	6,1%	8,0%	10,7%

We are making a deliberate effort to increase female representation in management. The initiatives being introduced include: monthly gender target tracking at all levels; targeted recruitment of female managers; the Safaricom Women in Leadership programme, which aims to encourage women to enter the technology industry from the age of six years old and includes an internship programme and mentorship and coaching services for female staff members; and Safaricom Reconnect, which supports and assists professional women who have taken a career break of between one and 10 years to return to the corporate environment. The female Senior Leadership Team has also put together tangible annual workplans, with expected results, for three focus areas: growing the number of women-led and women-owned organisations that do business or partner with Safaricom; growing the number of female employees; developing a strong Coaching and Mentorship culture among Safaricom female employees; and building a strong ecosystem of female-driven thought leadership and social events.

> "Latest Employee Index results suggest that 84% of employees are happy with employment conditions at the company."

STAFF MORALE

We measure employee morale using the Employee Engagement and Manager Index, which is part of our 'SEMA Survey', and staff turnover rates. Overall, employee morale appears to have improved significantly during the year, with the latest Index results suggesting that 84% of employees are happy with employment conditions at the company, in general, and are reasonably motivated or engaged with their work. This overall perception of morale is supported by a staff turnover of only 5.2%, which is its lowest level in the last three years.
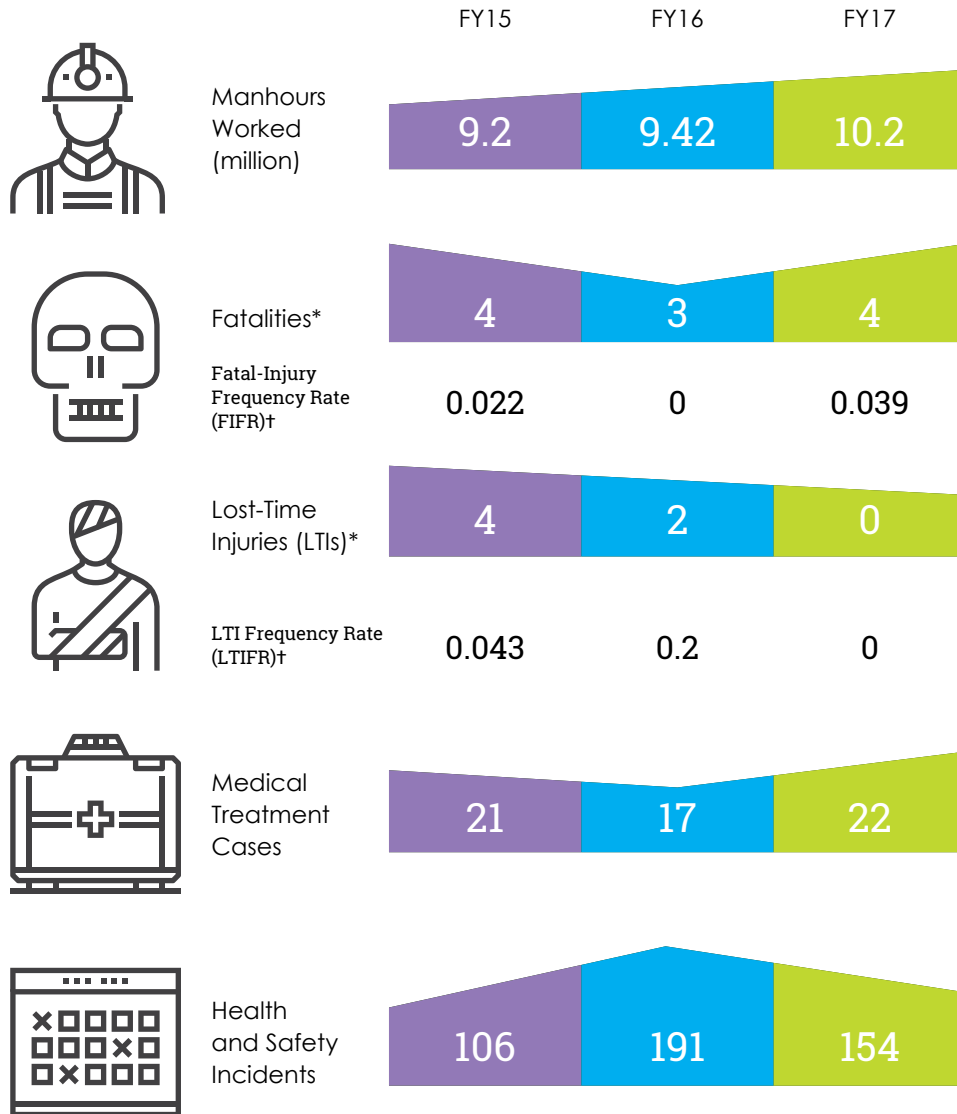
STAFF MORALE	FY17	FY16	FY15
Employee Engagement Index	84%	75%	75%
Manager Engagement Index	85%	81%	81%
Staff Turnover Rate (% of total workforce)	5.2%	5.6%	5.7%

Staff are also able to voice their needs and expectations through a variety of channels besides the SEMA Survey, including the Staff Council and the *Sema na CEO ("speak with the CEO")* chat room.

STAFF SAFETY

We continue to take our responsibility to maintain a safe working environment for staff and contractors very seriously and regret to report four fatalities this year: three of the fatalities (two employees and one contractor) were sustained in road traffic accidents and the fourth was a third party who was electrocuted while drilling through concrete after gaining unauthorised access to a Safaricom BTS. We are satisfied to be able to report that no Lost Time Injuries (LTIs) were sustained during the year.

SDG 8

SDG 10

Staff Safety Statistics

	FY15	FY16	FY17
Manhours Worked (million)	9.2	9.42	10.2
Fatalities*	4	3	4
Fatal-Injury Frequency Rate (FIFR)†	0.022	0	0.039
Lost-Time Injuries (LTIs)*	4	2	0
LTI Frequency Rate (LTIFR)†	0.043	0.2	0
Medical Treatment Cases	21	17	22
Health and Safety Incidents	106	191	154

* **Includes employees and agents**
† **Employee-related**

FY17 HIGHLIGHTS

In alignment with the SDG strategy and the mission of *The B Team - Africa*, we launched the **100% Human at Work** programme during the year. The programme is an expression of The B Team belief that it is time for businesses to stop looking at people as 'resources' and to start looking at them as 'human beings'. It represents a move away from focusing solely on maximising profits and profitability to how we can help our people reach their highest potential and purpose, which will naturally have a positive impact on the bottom line.

Through *100% Human at Work* we are aiming to create a work environment that celebrates diversity and inclusion, enables talent and career growth, promotes employee wellbeing, as well as providing equal status, rights and opportunities to all employees in the Safaricom ecosystem. We believe that work should have a purpose and that workplaces should be places of belonging that facilitate human interaction, collaboration and creativity.

The programme seeks to introduce a 100% Human culture in the workplace using five key values: equality, respect, growth, belonging and purpose. During the year, a series of training sessions were held to raise awareness of the programme. An initial area of focus was our 'invisible workers' — security, cleaning and hospitality stewards and all in-house contracted staff — and we celebrated them visibly on Christmas and Valentine's Day by hosting and sharing gifts with them under the banner of '#Homeiswheretheheartis'. We also invested in medical cover for them and streamlined their basic salaries to support this. We increased compassionate leave to help support staff grieving for lost loved ones as well. We are extremely excited and passionate about this initiative and its tag line 'happy place to work' because the business is taking care of the people who take care of it.

As part of our focus on wellbeing and in response to work-life concerns raised by staff in the last 'SEMA Survey', we partnered with Thrive Global, a wellbeing and productivity group founded and led by Arianna Huffington, and launched the **Thrive Global Programme** midway through the year. The Thrive Agenda seeks to make companies truly human organisations in the digital age and it focuses on four main areas: Body (wellbeing), Mind (wisdom), Heart (wonder) and Soul (purpose). This programme requires a full cultural transformation, working with the leadership team and workforce to improve the overall health and wellbeing of the entire Safaricom team, tackling physical health, stress management, burnout prevention and emotional wellbeing.

The initial implementation will run from January 2017 to March 2018 and will feature: company-wide awareness sessions, interactive live training, weekly curated email content (delivered post-workshop and organised around specific themes), activities such as webinars and e-courses, and through impact measurement to track and optimise employee wellbeing and engagement metrics.

This year also saw the development of an **Adoption Policy** to guide child adoption by employees. In terms of benefits, employees adopting children are now entitled to two months of maternity leave if the child is younger than two years of age and one month if the child is older than two years of age. As part of this process, we also ran awareness sessions with managers to share with them best practices in terms of handling maternity leave and flexible working hours.

Road safety remains an ongoing concern for us and we ran several initiatives this year, including the 'Drive to Live, Arrive Alive' themed Safety Week in April 2017, the modernisation of the Safaricom fleet of vehicles and maintenance of our vehicle tracking systems, defensive driving training sessions and ensuring staff

members who violate road safety requirements attend a monthly meeting with the CEO and report to line managers weekly.


The theme of this year's Safety Week was 'Drive to Live, Arrive Alive' and activities included vehicle inspections, pop quizzes on road signs, tiredness and safe driving habits, such as not texting and maintaining appropriate speeds, together with a video message from the CEO.

Our graduate management training initiative, **Safaricom Discover Programme**, continues to be a success and we managed to place all 19 management trainees in April 2017. We also successfully hired another group of 20 management trainees in April who will experience rotations within and across the business functions for 18 months before final placement. The programme aims to accelerate the development of leadership talent and uses a combination of 70% on-the-job learning, 20% coaching learning from mentors and colleagues, and 10% formal training.

Graduates recruited to the Safaricom Discover Programme in April 2017.
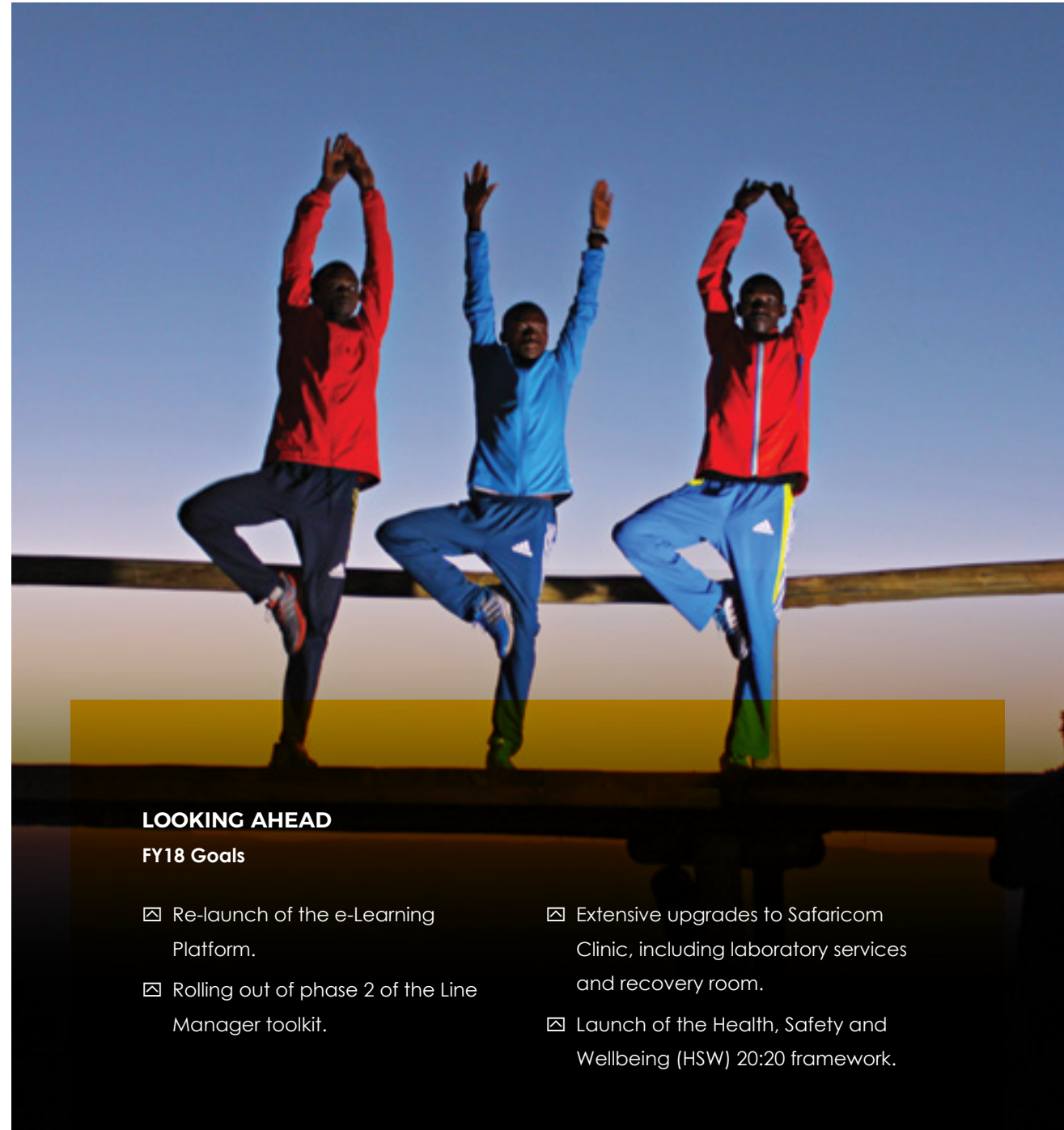
LOOKING AHEAD
FY18 Goals

☑ Re-launch of the e-Learning Platform.

☑ Rolling out of phase 2 of the Line Manager toolkit.

☑ Extensive upgrades to Safaricom Clinic, including laboratory services and recovery room.

☑ Launch of the Health, Safety and Wellbeing (HSW) 20:20 framework.

CONCLUDING REMARKS

We hope that our report has presented you with a satisfying and meaningful overview of the role sustainability plays in our day-to-day operations and business practices. Through this report, we have tried to describe what sustainability means to us, how it unites us as an organisation, how it governs us internally and how it guides us externally.

We publish an annual sustainability report as a tangible expression our commitment to transform lives and to operate in a responsible and ethical manner. It is also a reflection of our belief in holding ourselves accountable and sharing our successes, challenges and constraints in a public, transparent and open manner.

This report is also an explicit responsibility of our continued membership of the UN Global Compact Network Kenya (GCNK) and an expression of our enthusiastic adherence to the principles enshrined in the Code of Ethics for Business in Kenya.

We value your views and feedback on our sustainability reporting. Please share any comments, queries or suggestions you have with the reporting team by emailing sustainability@safaricom.co.ke

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