



2012 Sustainability Report



Transforming
lives



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About This Report



1. About this report

1.1. Scope

The Safaricom Limited Sustainability Report 2012 (hereafter referred to as 'sustainability report') is our first annual sustainability report and covers the period 01 April 2011 to 31 March 2012.

Presenting a balanced overview of our material sustainability issues and related performance, this report includes information on Safaricom Limited's (hereafter referred to as 'Safaricom') operations in Kenya. We do not believe that there are any material economic, social or environmental impacts of the organisation that have been excluded from this report.

In 2011, Safaricom undertook a risk identification assesment to define key issues of relevance to the organisation and its stakeholders. The key material sustainability issues defined as part of this process inform our strategy and provide the basis for our sustainability reporting.

Our material sustainability issues include:

- Dynamic regulatory environment
- Energy security
- Network stability
- Innovation
- Supplier ethics and performance
- Ethics and values
- Employee environment
- Environmental performance

Reporting guidelines

We have used the Global Reporting Initiative (GRI) version 3.1 reporting guidelines to develop this sustainability report and it fulfils the requirements for a C-level application. More information about the GRI is available at www.globalreporting.org. Our achievements against each of our material sustainability issues are provided in subsequent sections of the report. Please also refer to the GRI Table on page 114 for an overview of our GRI C-level application.

1.2. Where we are in the journey of reporting

This is the first sustainability report for Safaricom. It reflects our ongoing commitment to operating and growing in a sustainable manner, and our aim of becoming a leader in sustainability in Kenya.

Accordingly, we will continue to develop and improve our management of environmental, social, economic and governance challenges, together with our sustainability reporting processes. We are also committed to managing our carbon footprint as we continue to uplift and stimulate the communities and society to which we belong.

This report has been collated with all of our key stakeholder groups in mind, namely, customers, future generations, regulators, employees, shareholders, business partners, the media and society.

There have been no significant changes during the reporting period regarding the size, structure or ownership of the organisation.

1.3. Navigating this report

This sustainability report consists of a number of sections that describe who we are as an organisation, the market in which we operate, our sustainability risks and strategy, as well as our achievements and performance.

The structure of this report

- 2. Executive Summary - P.8
- 3. About Safaricom - P.22
- 4. Our Sustainability Strategy - P.44
- 5. Our Performance - P.50
 - Dynamic Regulatory Environment - R1 - P.52
 - Energy Security - R2 - P.56
 - Network Stability - R3 - P.62
 - Innovation - R4 - P.66
 - Supplier Ethics & Performance - R5 - P.78
 - Ethics and Values - R6 - P.82
 - Employee Environment - R7 - P.86
 - Environmental Performance - R8 - P.96
- 6. The Safaricom Foundation - P.102
- 7. Indicator Overview - P.108
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- 11. Sustainability Report Feedback Form - P.130

Quick Response (QR) codes and icons

Throughout this report, we make reference to information contained within our annual report, Safaricom Foundation report and the Safaricom website. Rather than duplicating this background information here, we have incorporated QR codes and icons to help interested readers locate this supplementary information as easily as possible.

QR code (like the example at the bottom of this column) work like barcodes. Once you have installed the free 'Tag reader' app on your smartphone, the patterned square can be 'scanned' using the phone's camera to automatically access to requested content online. Open your phone's web browser and visit <http://gettag.mobi> to get started.

-  Safaricom Annual Report
-  Safaricom Foundation Report
-  Safaricom Website
-  GRI Performance Indicator

Let us know what you think

We welcome the views of our stakeholders on our first sustainability report. There are three ways you can contact us with your feedback and comments: sustainability@safaricom.co.ke, complete the form provided at the back of this report and drop it off at any of our retail centres countrywide, or access our online feedback form using the feedback QR code below.



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Executive Summary



Our sustainability vision



Affordable and relevant products and services



Financial inclusion

Transformational products and services

Mobile technology has the potential to transform lives and societies. We are committed to developing innovative products and services that help our customers realise this potential and enjoy improved access to essential services.

Public sector support



Innovation for social development



Strong governance structure



Ethics and anti-corruption initiatives

Responsible, ethical business

Acting responsibly, honestly and with integrity is good for business, good for individuals and good for society. We are committed to the highest ethical standards and promote a culture that values personal and corporate integrity.



Supplier ethics and performance



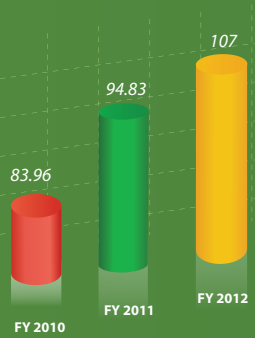
Corporate social investment



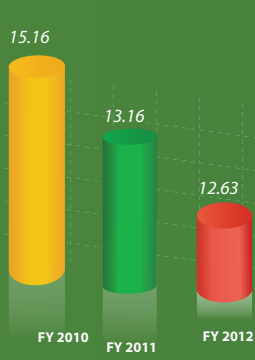
Sustainability Performance: At a glance (31 March 2012)

Financial sustainability

Revenue KShs Billion



Profit KShs Billion



Continuing customer growth and rising ARPU's across voice, mobile broadband and M-PESA increased revenues by 12.8% from 2011, but increasing direct and operational costs, as well as a forex loss in the year, resulted in a 4% decrease in net income.

23%

Percentage of annual GDP transferred through M-PESA

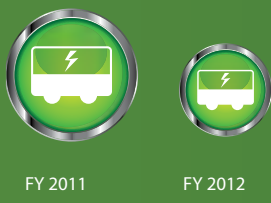
Energy management

Facilities Lighting



LED lighting has been installed in all the main administration facilities, resulting in a substantial 40% reduction in energy consumed.

Diesel Generator Running Hours



Combination of network-related energy efficiency initiatives has had the cumulative effect of reducing the running hours (and carbon emissions) of our diesel generators by approximately 67%.



Energy consumption

Electricity
118 232 786 Kwh



Diesel
8 424 563 Litres

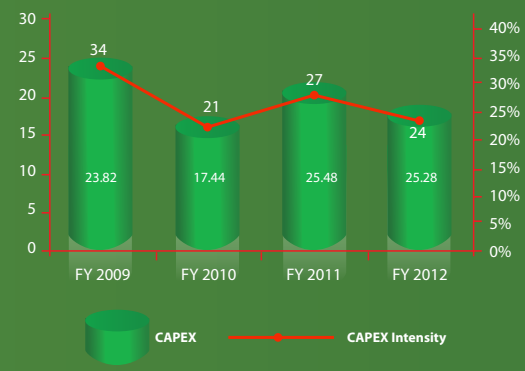
As this is our first sustainability report, no formal benchmarks have yet been established for our energy performance. In financial year 2012/13, we will establish energy performance baseline data that can be used to benchmark our progress going forward.

For full data and discussion, see page 60

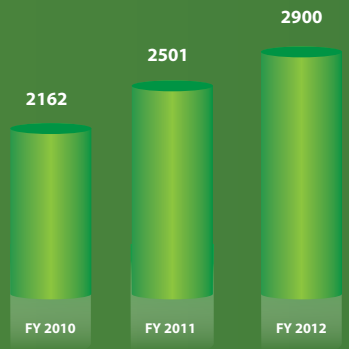
Infrastructural investment

CAPEX

Kshs. billion



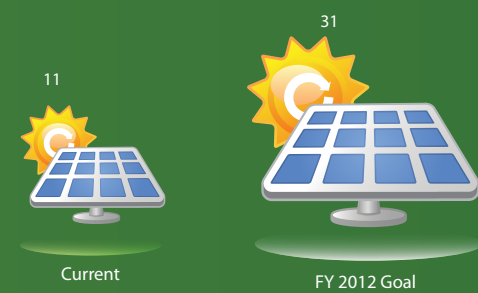
Base Stations



Safaricom has continued to invest in modernising its network to improve call quality and capacity. Over KShs 25billion of capital expenditure has been invested in the current financial year and the network has expanded to approximately 2,900 Base Stations (BTS) and over 50% of these are 3G-enabled.

For full data and discussion, see page 63

Solar Energy 'Diet Sites'

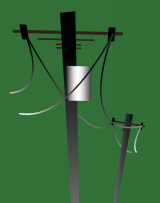


For full data and discussion, see page 63

Carbon emissions



Scope1: 25 462tCO₂e



Scope2: 44 795tCO₂e



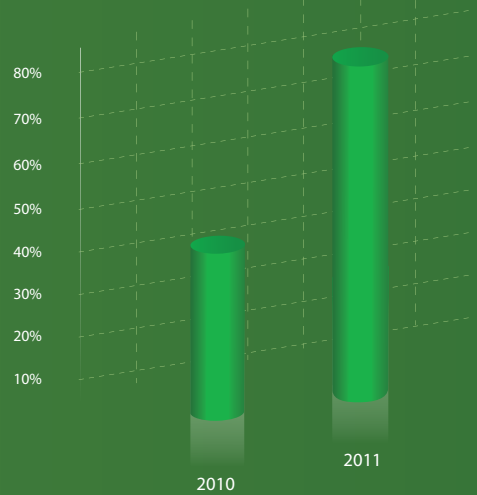
Total: 70 257tCO₂e

For full data and discussion, see page 98

14,900,000

Total number of registered M-PESA customers

Communication Commission of Kenya (CCK) compliance



The CCK has developed eight key performance indicators (KPIs) to assess the performance of mobile operators. Safaricom's performance improved from being 37.5% compliant in 2010 to 75% by November 2011.

For full data and discussion, see page 65

Recognition

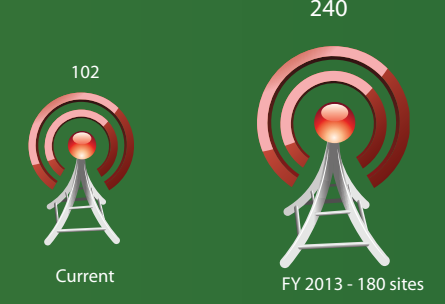
- **United Nations** — Lifetime Contribution to the Millennium Development Goals
- **MIT Technology Review** — Top 50 Most Innovative Companies 2012
- **Global Mobile International Awards 2012** — Best Product, Initiative or Service for Underserved Segments

For full data and discussion, see page 36

16,500

Kenyans enjoying water security through the *Maji na Uhai* project

Hybrid/Renewable BTS

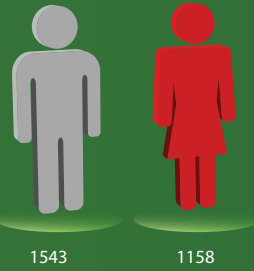


1,136

Digital villages successfully implemented

Employee environment

Employees by gender



Percentage of employees who have undergone OSH Training



For full data and discussion, see page 86

3,591

Total number of permanent and temporary employees

84%

Average supplier sustainability self-assessment score



Message from
Our Chairman
Mr Nicholas Nganga

The start of an exciting journey

It is with great pleasure that I present to you our first sustainability report. It is an exciting milestone for us as a Kenyan company, as it reflects our very real commitment to our 'triple bottom line' and to responsibly managing the economic, social and environmental impact we have on the communities and landscapes that surround and support us.

Being our inaugural report, it also represents the start of the exciting journey we have embarked upon as a company and as individuals. Sustainability and sustainability reporting is much more than the set of procedures, policies and business practices that constitute its parts, it is a philosophy and set of values that guides and defines decision making throughout the company, and shapes our future positioning.

“We are also proud of the contribution the Safaricom Foundation continues to make towards improving the lives of Kenyans”

It is in this spirit that we offer this report as a transparent and holistic account of our current performance and future targets. The first of many such reports, it represents a benchmarking of where we are now and the start of an ongoing conversation about the exhilarating journey ahead.

Trends and concerns

Our future is being shaped by international and regional trends. Worthy of particular mention is the impact of global economic trends, fast moving technology trends and rapidly shrinking borders.

Among other immediate concerns, diesel price hikes and exchange rate fluctuations have impacted our operating environment, but we have continued to produce good results and our sustained profitability has been used to fund further investment in our infrastructure, with over KShs 25billion of capital expenditure being invested in financial year 2012/13.

Obviously, regulatory commitments also have a significant impact on our sustainability and we continue to take a lead role in negotiating with government and various regulators, protecting and supporting the industry as a whole through robust, constructive dialogue and positive initiatives.

Innovation remains a key driver

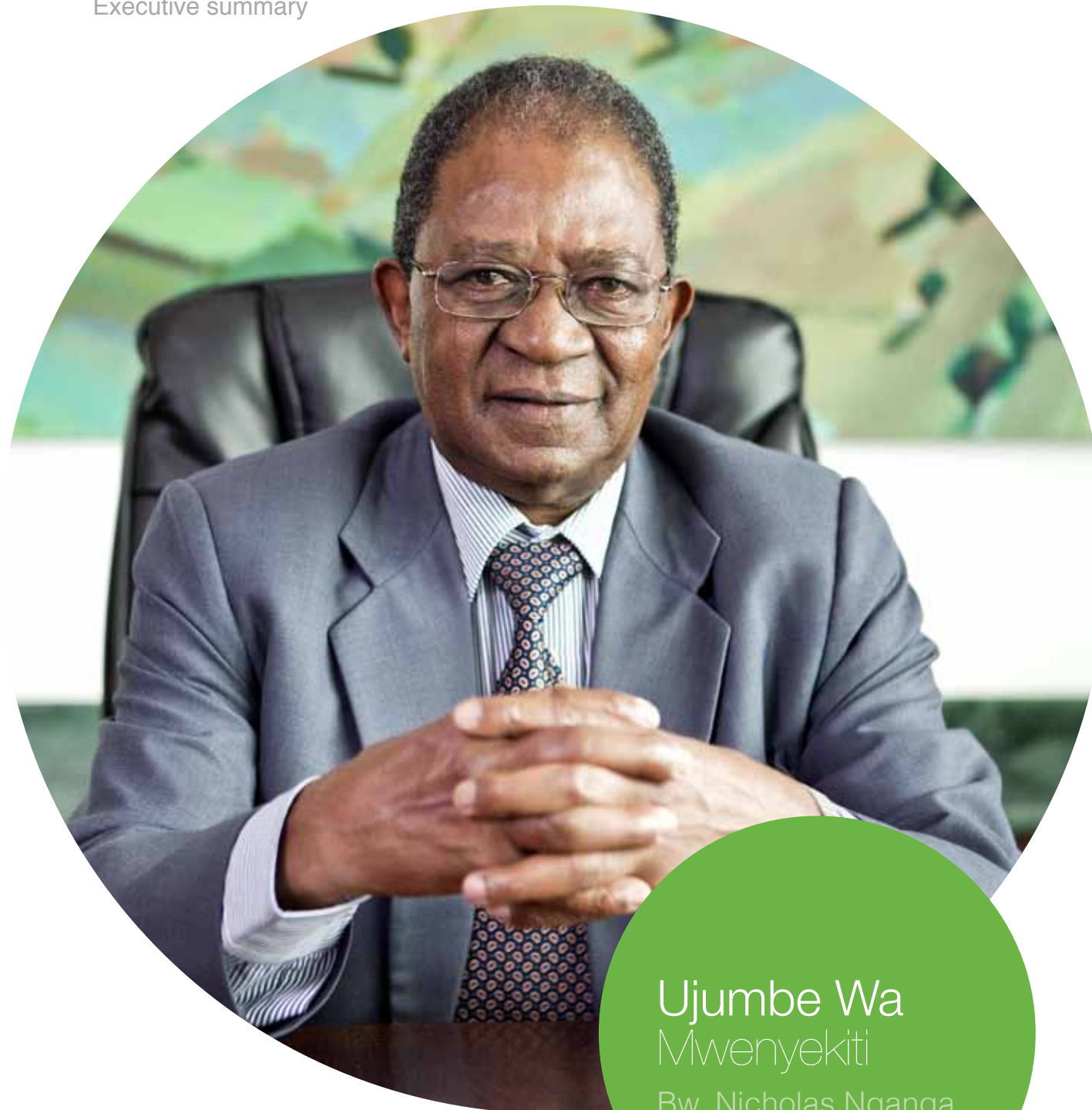
Innovation continues to be a key growth driver and we remain focused on providing products and services that add value to the lives of Kenyans. One example of this is our M-PESA mobile money transfer service. With over 15 million customers and over 39,000 agent outlets, M-PESA continues to grow in significance and to dramatically improve the way Kenyans carry out their daily activities.

Delivering on our CSI mandate

We are also proud of the contribution the Safaricom Foundation continues to make towards improving the lives of Kenyans. Registered in 2003, the Safaricom Foundation is an independent charitable trust that delivers on our Corporate Social Investment mandate and addresses a wide range of issues, such as health, education, economic empowerment and the environment. Particularly noteworthy, was the *Kenyans for Kenya* initiative where the Foundation and the company played a key role in galvanising Kenyans towards fundraising for famine relief initiatives.

Future outlook

Our business priorities for the year are dependent on our focus on quality of services, product differentiation, value addition and unmatched customer experience. We will deliver this with the utmost regards towards our impact on our ecosystem, the industry and the Kenyan economy as a whole, in line with our commitment to being an outstanding corporate citizen.



Ujumbe Wa
Mwenyekiti
Bw. Nicholas Nganga

Ni mwanzo wa safari ya kulisimua

Nafurahia mno fursa ya kuwasilisha kwenu taarifa hii ya kwanza ya kudumisha usitawi inayoashiria mfululizo wa mafanikio. Ni tukio muhimu na la kulisimua kwetu sisi kama Shirika la hapa Kenya, kwa vile ni dhihirisho la kujitolea kwetu kuzidi kupania faida na kuwajibika kusimamia vyema mchango wetu katika uchumi, jamii, mazingira na kwenye jumuiya tunakoendeshea shughuli zetu na tunakoendelea kuungwa mkono.

Kwa vile hii ni taarifa yetu zinduzi, ndiposa ikawa na taswira ya safari ya kulisimua ambayo sisi kama kampuni na pia kama watu binafsi tumeianza. Kudumisha usitawi na kuripotiwa kwake kunajumuisha mengi zaidi ya utaratibu, sera na desturi za kibiashara, ni falsafa na mpangilio wa maadili yanayoongoza na kufafanua maamuzi kwote katika kampuni, na inaonyesha hali mambo itakavyokuwa katika mstakabala wetu.

“Ubunifu bado unasalia kuwa kichocheo muhimu cha ukuaji na tunaendelea kuangazia utoaji wa bidhaa na huduma zinazoongezea thamani katika maisha ya wakenya”

Tunawasilisha kwenu taarifa hii tukiwa na msimamo huo, taarifa yenye maelezo yaliyo wazi na yanayojumlisha hali halisi ya mafanikio yetu na malengo yetu katika siku zijazo. Hii ni moja tu kati ya ripoti nyingi zitakazokujieni, na inawakilisha kigezo kinachoonyesha mahala tulipo sasa na mwanzo wa gumzo linaloendelea juu ya safari ya kulisimua tunayodhamiria kuanza.

Mambo mapya yanayojiri na Mashaka yake

Hali yetu ya siku zijazo inategemea zaidi baadhi ya matukio yanayojiri humu nchini na katika eneo hili. La muhimu kutajwa hapa ni mwelekeo wa athari ya mabadiliko ya uchumi wa ulimwengu, teknolojia yenye kasi inayobadilika kila kunapokucha na huku mipaka ikiendelea kunywea. Miongoni mwa baadhi ya mashaka yanayotukabili kwa sasa ni, kupanda mara kwa mara kwa bei ya mafuta na kubadilikabadilika kwa kima cha ubadilishanaji pesa za kigeni hali ambayo inaathiri mno mazingira ya biashara yetu, lakini tumeendelea kuwasilisha matokeo mazuri na faida tunayopata tumeitumia kuwekeza zaidi katika muundo msingi wetu, kukiwa na zaidi ya KShs Bilioni 25 za faida itokanayo na mauzo ya rasilimali zikiwekezwa katika kipindi cha mwaka wa kifedha wa 2012/13

Ni jambo lililo wazi kuwa utekelezaji wa sheria pia unaathiri udumishaji wa usitawi wetu na tuko mstari wa mbele kuanzisha mashauriano na serikali pamoja na mamlaka mbali mbali za kusimamia utekelezaji kanuni, huku tukilinda na kusaidia biashara hii kwa ujumla kupitia kuimarisha maelewano na mipango yenye manufaa.

Ubunifu unaendelea kuwa kichocheo muhimu

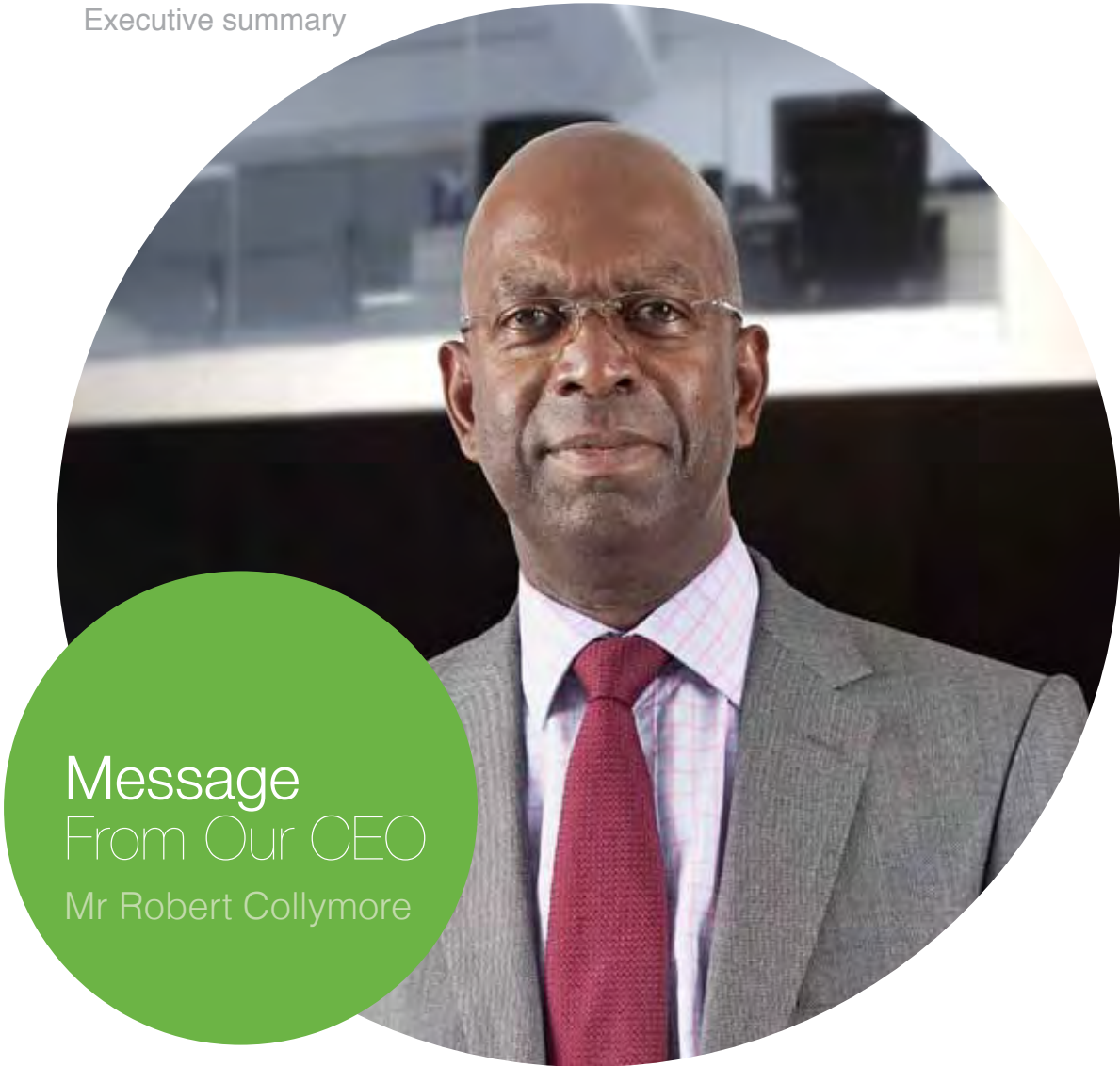
Ubunifu bado unasalia kuwa kichocheo muhimu cha ukuaji na tunaendelea kuangazia utoaji wa bidhaa na huduma zinazoongezea thamani katika maisha ya wakenya. Mfano mzuri wa ubunifu wetu ni M-PESA, huduma yetu ya uhawilishaji pesa kupitia simu ya mkononi. Kukiwa na wateja zaidi ya milioni 15 na mawakala zaidi ya 39, 000, M-PESA inaendelea kupata ukuaji imara na kuchangia pakubwa kuboresha hali ya wakenya na jinsi wanavyoendesha shughuli zao za kila siku.

Kutekeleza uwajibikaji wa maswala ya jamii

Vile vile tunajivunia mchango ambao taasisi ya Safaricom Foundation inaendelea kutoa katika kuboresha maisha ya wakenya. Safaricom Foundation, ambayo ilisajiliwa mwaka wa 2003, ni taasisi huru ya kuchangisha pesa za kusaidia wale wasiojiweza katika jamii. Ni hazina ya amana inayotusaidi kutekeleza ahadi yetu ya kuwekeza katika uwajibikaji kwenye Jumuiya na inaangazia masuala mbali mbali ya kijamii kama vile afya, elimu, uwezo wa kiuchumi na ulindaji wa mazingira. Mpango unaostahili sifa hapa, ni ile kampeni ya Kenyans for Kenya ambapo Safaricom Foundation na idara zote za Safaricom kwa ujumla walihusika sana katika kuhamisisha wakenya kuchangia pesa za kusaidia wahanga wa baa la njaa.

Mtazamo wa siku zijazo

Mambo tunayoyapa umuhimu zaidi mwakani yanategemea ari yetu wa kuboresha huduma, bidhaa bora zinazotutofautisha na washindani wetu, kuongeza thamani kwenye huduma na utoaji huduma za kipekee kwa wateja. Tutafikia haya huku tukizingatia zaidi athari yetu kwenye mazingira yetu, kwenye biashara hii na uchumi wa Kenya kwa ujumla, haya yote yakienda sambamba na ahadi yetu ya kuwa shirika linalochukuana na matakwa ya raia.



Message
From Our CEO
Mr Robert Collymore

Identifying our baseline and delivering on our pledges

It gives me great personal satisfaction to welcome the publication of this report. Sustainability is an ongoing process for Safaricom, and this report marks an important benchmark for us as a company. The Future Generation is part of the Safaricom 2.0 ecosystem charters, and the imperative exists to bring our holistic performance into focus and transparently benchmark ourselves. We wanted to do this to start an honest conversation about sustainability with our community of stakeholders.

As a company with a reputation for enthusiastically leading the way, it also

seems appropriate that we are one of the few Kenyan companies to report on sustainability using the rigorous Global Reporting Initiative guidelines and the United Nations Global Compact Communication on Progress.

Our sustainability reporting and our sustainability actions will not be one-off events or events in isolation, since setting sustainability targets, benchmarking our progress and reporting back on improvements is now an ongoing activity that is central to our operational culture.

“ We recognise that our business practices today must be designed to create and shape a sustainable tomorrow ”

We are our people

The openness and transparency reflected in this report is manifested internally, as well as externally. We recognise that sustainability is driven by a shared set of values across the organisation and within our ecosystems, and it is made tangible in the daily actions and decisions of every employee, business partner and community partner. Accordingly, we have made candid, sincere and open internal and external discussions a fundamental part of our sustainability strategy.

We have made a number of innovations in the way that we listen to, and communicate with, our customers, including our on-line customer care, upgrades to our customer care platforms and continuous training of our call centre and retail centre staff. This year, we held an “in your shoes” programme, through which all staff in the company spent a day at the call centre and at a retail centre to understand our drive towards customer - centricity.

We are also passionate about creating a working environment that supports our staff so that they are free to concentrate on their work and enjoy their achievements. We take a holistic approach and offer employees a wellness programme, crèche facilities, access to subsidised gym facilities, leisure amenities, regular social events, as well as competitive salaries and career opportunities.

Improving gender ratios is something about which I feel strongly. As we document in this report, the overall gender ratio across all job grades within the company is approaching 1:1, but there is still room for improvement, particularly at the higher grades. We are committed to employing women with the right skills in top positions and have introduced specific initiatives to help female employees successfully maximise their career opportunities.

Broadening our ethical commitment

We have signed onto the code of ethics for business in Kenya and made a public commitment to adhere to ethical business practices at every level of the company. We are tough on internal corruption and fraud, but we also recognise that we can only be as successful as our environment allows, and that our suppliers and business partners also have an important role to play.

Mitigating our environmental footprint

We recognise that our business practices today must be designed to create and shape a sustainable tomorrow. We have undertaken our carbon footprint analysis and identified key actions that we need to take to manage our carbon footprint. We are proactively deploying ‘green’ solutions in our operations and facilities, and we mitigate our impacts on the environment through voluntary initiatives, such as community power projects, recycling and re-use activities and reforestation programmes.

Future outlook

In April this year, I was appointed to the Board of the United Nations (UN) Global Compact. This is a voluntary initiative that encourages businesses globally to adopt sustainable and socially responsible policies, to support the UN’s Millennium Development Goals, and to adhere to human rights, good labour practices and support for the environment and anti-corruption. The Board is chaired by the UN Secretary General and provides high level, strategic advice relating to the UN Global Compact and, at a more general level, the evolving United Nations-Business relationship.

This brings Safaricom’s work into greater focus and I am committed to ensuring that we continue to assess and report on our operations from a holistic perspective. My priorities for the year ahead are to:

- continue to improve the working conditions for our employees so that Safaricom becomes the employer of choice within the region;
- improve accessibility to our products and services for our customers with special needs;
- ensure that we, and our business partners, operate to the highest level of corporate governance and ethical standards;
- develop a robust portfolio of products and services to address some of the challenges we face as a nation in the areas of health, education and agriculture, and to
- continue to minimise the impact our operations have on the environment.

Want to get up close and personal?
Use this QR code to watch a short video clip of Chief Executive Officer, Bob Collymore, presenting his message.



Ujumbe Wa Afisa Mkuu Mtendaji Bw. Robert Collymore

Kutambua msingi wa malengo yetu na utimizaji wa ahadi zetu

Nimejawa na furaha isiyo kifani ninapokaribisha taarifa hii ya udumishaji wa usitawi. Kudumisha mafanikio ni jambo linaloendelea daima hapa Safaricom, na taarifa hii inaashiria kigezo muhimu kwetu kama kampuni. Kizazi kijacho kimejumuishwa kwenye mikataba ya Safaricom ya kuzingatia mazingira yaani Safaricom 2.0 ecosystem charters, na kuwepo kwa jambo hili muhimu kunaonyesha lengo letu la kutimiza wajibu kwa ujumla na kujiwekea kigezo cha ufanisi kwa njia ya uwazi. Tulipendelea kutekeleza haya ili kuanzisha mjadala na washakadau wetu kwa uaminifu.

Kama kampuni inayoheshimika na yenye sifa ya kuwa kiongozi, basi pia inakuwa ni

jambo sawa kabisa tunapotambulika kuwa miongoni mwa kampuni chache za hapa Kenya kutoa taarifa yake ya usitawi kwa kutumia muongozo mkakamavu wa ukadriaji wa Global Reporting Initiative (GRI) na ule wa Umoja wa Mataifa wa United Nations Global Compact Communication on Progress.

Uwasilishaji wa taarifa ya usitawi na juhudi zetu za kufikia usitawi huo sio matukio ya mara moja tu au matukio ya kiupweke, kwa vile sasa kuweka malengo ya usitawi, kujiwekea kigezo cha mafanikio na kuwasilisha ripoti juu ya ukwaji ni shughuli inayoendelea ambayo ni muhimu na kiini hasa cha namna tunavyotekeleza shughuli zetu.

Kuweko kwetu kunatokana na watu wetu

Uwazi na ubayana uliyo kwenye taarifa hii ya kifedha unadhihirika humu ndani, pamoja na nje. Tunatambua vyema kuwa udumishaji wa usitawi unasukumwa mbele kwa maadaili ambayo yanashirikisha watu wote katika shirika na katika mazingira yetu, na utekelezaji wake hutokana na shughuli za kila siku na maamuzi yafikiwayo na kila mfanyakazi, mshirika wa kibiashara na mshirika katika jumuiya. Kwa madhumuni hayo, tumechukulia majadiliano uliyo wazi na wa uaminifu, humu kwenye shirika na nje, kuwa kiungo muhimu cha mkakati wetu wa usitawi.

Tumebuni njia mbali mbali za namna ya kusikiliza na kuwasiliana na wateja wetu; hii ikijumuisha kuwahudumia wateja wetu moja kwa moja kupitia internet, kuboresha huduma tunazotoa na kuendelea kutoa mafunzo kwa wafanyakazi wetu waliyo kwenye vituo vya kuhudumia wateja na madukani. Mwaka huu, tulizindua mpango wa “in your shoes”, ambapo wafanyakazi wote wa kampuni hii hupata fursa ya kuhudumu siku nzima katika kituo cha kuhudumia wateja na kwenye duka ili wapate kufahamu ana kwa ana umuhimu wa uhusiano wetu na wateja.

Pamoja na hivyo tunajizatiti kuhakikisha kuwa kuna mazingira mazuri yanayowasaidia wafanyakazi wetu kujisikia huru na kumakinika kwenye kazi zao na pia kufurahikia mafanikio yao. Mkabala wetu ni wa kujumuisha kila kitu na huwapa wafanyakazi wetu mpango kamili wa uzima, mahali pa watoto kucheza, huduma ya ukumbi wa mazoezi kwa bei nafuu, wasaa wa mapumziko, sherehe za kijamii za mara kwa mara, pamoja na mshahara mzuri na fursa mbali mbali za kujiendeleza kikazi.

Kuendelea kuimarisha uwiano wa jinsia ni jambo ninalolipa uzito sana. Wakati huu tunapotoa ripoti hii, uwiano wa jinsia katika vyeo vyote vya kazi vilivyo katika kampuni hii uko katika hali nzuri ya kima cha 1:1, hata hivyo kuna nafasi ya kuimarika zaidi, hasa upande wa kazi na nafasi ya juu katika kampuni. Msimamo wetu ni kuwaajiri wanawake wenye ujuzi ufao katika vyeo hivyo vya juu na tumeanzisha mpango maalum wa kuwasaidia wafanyakazi wa kike kufanikisha fursa zao za kupanda madaraka kazini.

Kushadidi ahadi yetu juu ya maadili

Tulitia saina mikataba wa kuzingatia kanuni za maadili ya biashara hapa Kenya na kuahidi umma kuwa tutatilia maanani maadili katika uendeshaji wetu wa biashara hii katika kila kiwango cha kampuni hii. Tunachukulia kwa uzito mkubwa swala la ufisadi na ulaghai ndani ya shirika, lakini hata hivyo tunatambua kuwa kufaulu kwetu kwa suala hili kunategemea zaidi mazingira yaliopo, na kuwa hata wagawaji na washirika wetu wa kibiashara vile vile wana jukumu muhimu la kutekeleza katika kufanikisha azimio hili.

Jee ungependa kumsikiza Afisa Mkuu Mtendaji Robert Collymore? Tumia kodi hii ya QR kufungua tovuti ya Safaricom na utazame video fupi/onyesho kupitia kwenye mtandao Afisa Mkuu Mtendaji akitoa ujumbe wake.



Juhudi za kupunguza athari yetu kwenye mazingira

Tunatambua kuwa jinsi tunavyoendesha biashara yetu hivi leo sharti iweni kwa njia inayotilia maanani usitawi katika siku zinazokuja. Tumeandaa uchanganuzi kabambe kuhusu kaboni na kutambua hatua muhimu tunazohitaji kuchukua ili kupunguza athari yetu ya kaboni. Tukiwa na moyo wa kujituma tutafuatilia suluhisho zitazopelekea ulindaji misitu wakati tunapoendelea kutekeleza shughuli zetu, na kupitia harakati za kujitolea kama vile miradi ya kutoa nishati kwa jamii, uundaji wa bidhaa tena na vitu vilivyomaliza kutumika na kupanda miti upya, kwa njia hizi basi tunapunguza athari yetu kwenye mazingira.

Mtazamo wa siku zijazo

Mnamo mwezi wa Aprili mwaka, nilitueliwa kwenye Bodi ya Umoja wa Mataifa ya United Nations Global Compact. Huu ni mpango wa harakati ya kujitolea wa kuhimiza wenye biashara kote ulimwenguni kukubali sera za kuwajibika kwa masuala ya kijamii, na kuhimiza mashirika kuunga mkono ruwaza ya Malengo ya Milenia yaani Millennium Development Goals, pamoja na mashirika kuzingatia haki za kibinadamu, maadili yafaayo ya kuajiri, kuunga mkono ulindaji wa mazingira na vita dhidi ya ufisadi. Mwenyekiti wa Bodi hii ni Katibu Mkuu wa Umoja wa Mataifa na huwa inatoa ushauri wa upeo wa juu wa mikakati kwa hili la UN Global Compact, na kwa kiwango cha kawaida, pia hutoa ushauri kwa kitengo kinachoendelea kukuwa cha kudumisha uhusiano baina ya Umoja wa Mataifa na Wafanyibiashara.

Hii inabainisha zaidi shughuli za Safaricom, na mimi naahidi kuwa nitahakikisha tunaendelea kukadiria na kuwasilisha kwenu ripoti yetu ya utendaji kazi kiukamilifu. Miongoni mwa mambo nitakayoyapatia kipaumbele katika mwaka huu unaokuja ni:

- Kuendelea kuboresha mazingira ya kazi ya wafanyakazi wetu ili Safaricom iwe ndiyo muajiri anayependwa zaidi katika eneo hili
- Kuboresha njia za kupatikana kwa bidhaa na huduma kwa wateja waliyo na mahitaji muhimu.
- Kuhakikisha kuwa sisi na washirika wetu wa kibiashara tunaendesha shughuli zetu kwa uadilifu na uwajibikaji wa hali ya juu zaidi.
- Kukuza jalada imara la bidhaa na huduma ili kuangazia baadhi ya changamoto zinazokabili taifa hili katika maswala ya afya, elimu na kilimo.
- Kuendelea kupunguza athari kwenye mazingira isababishwayo na uendeshaji shughuli zetu.

3

About Safaricom



3.1. Who we are

With over 19.1 million subscribers, Safaricom is one of the leading **integrated communications companies** in Africa, providing voice and data communications services to business, consumer and public sector clients.

- **Widest 3G network and most expansive WIMAX presence in Kenya**
Safaricom provides connectivity to over 70% of Kenyans who use the internet regularly.
- **Most successful commercial mobile money transfer service worldwide**
Since its launch in 2007, M-PESA has grown spectacularly and is now used actively by over 15 million people.
- **Continuously innovating and connecting communities**
Safaricom continues to innovate and create new solutions to service the communication needs of Kenyans. Our ability to deliver voice and data services across a diverse variety of platforms is backed by substantial investments in broadband capacity and a strong foundation in undersea cable, satellite, metro and trunk cable connectivity.

Operating solely in Kenya, Safaricom is listed on the Nairobi Stock Exchange, trading in the telecommunications and technology segment. The company headquarters are located at Safaricom House along Waiyaki Way in Nairobi.

Safaricom exercises its corporate social investments through the Safaricom Foundation, a separate legal entity registered as a charitable trust. The Foundation is responsible for charitable contributions to communities, community groups and NGOs in Kenya.

As an organisation, we consist of ten operating divisions, namely:

- Chief Executive Office
- Executive Business Office
Project Management Office
- Profit centres:
 - Enterprise Business Unit
 - Consumer Business Unit
 - Financial Services
- Corporate centres:
 - Risk Management
 - Customer Care
 - Marketing
 - Corporate Affairs
 - Finance
 - Resources
 - Technology

Launched
in October
2000



JANUARY	FEBRUARY	MARCH	APRIL
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
MAY	JUNE	JULY	AUGUST
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Annual revenues of
**KShs 107
BILLION**

19.1 million
customers



Average minutes use per month
per subscriber:
116 minutes

64% of revenue from
voice calls



Over 70% share of
internet
subscriptions



71.3%
Market
penetration



67% market share by
SIM cards

3.2. What we do

Our Products and Services

FY 2011/12

VOICE

Contributing 64% of total revenues



Despite intense competition and price wars, mobile voice calls remain the primary contributor to the company revenues.

Reduced tariffs continue to stimulate increased demand:

Voice usage grew 84% year-on-year and average monthly minutes of use (MOU) per subscriber rose from 96 to 116 minutes. Successful initiatives include:

- Skiza (caller ringback tone) service 22% of subscribers
- International traffic 130% increase



Revenue



KShs 68.96bn

SMS

Focused initiatives deliver growth



Ongoing initiatives have maintained usage and year-on-year revenues have remained stable at 7.7% of total revenue.

Successful initiatives include:

- Introduction of SMS bundles
- Launch of unlimited SMS services with Twitter and Facebook SMS
- Premium Rate Service Provider (PRSP) promotions



Revenue



KShs 7.77bn

DATA

The next frontier of growth



Low penetration and rapidly growing demand presents significant growth opportunities. WIMAX is an area that has been identified as offering particular opportunities for growth for enterprise data.

Safaricom currently enjoys more than 70% share of the internet subscriptions market.

Our investment in the most extensive 3G national data network, capable of offering speeds of up to 42 mbps, has ensured our continued strength in this key area of future growth.

Successful initiatives include:

- Safaricom Media Store
- Daily bundles launched
- Kulahappy - local content push
- Internet down campaign - usage and bundle awareness



Revenue



KShs 6.59bn

FINANCIAL SERVICES

Spectacular growth drives expansion and evolution



Launched in 2007, M-PESA has been responsible for significantly deepening financial inclusion and now forms a core part of the lives of Kenyans, with over 15 million subscribers, over 900 business partnerships and a nationwide agent network of over 39 000 outlets.

Successful initiatives include:

- Nunua na M-PESA service (buy goods)
- M-PESA PrePay Visa Card
- Lipa Karo na M-PESA (pay school fees)
- M-Ticketing



Revenue



KShs 16.87bn

DEVICES

Migrating to data-enabled devices



Focus is on transitioning to data-enabled devices (handsets/ laptops/ tablets). The terminals team (responsible for purchasing) has a KPI to ensure that 96% of the devices they purchase are data-enabled within the year.

Successful initiatives include:

- Smart O Campaign
- Webbox
- Introduction of a sub US\$100 smartphone



Revenue



KShs 6.80bn

3.3. The market in which we operate

Telecommunications is an exciting, rapidly developing industry. The continuous introduction of new technologies shifts capabilities and brings new entrants and competitors into the sector. As a result, the landscape is a vibrant one of shifting competition between traditional fixed-line telcos, mobile network operators, internet service providers and cable operators.

This competition is also changing and expanding the role of telecommunications and creating new product and service opportunities that have the potential to not only be profitable, but to mitigate climate change and reduce fossil fuel use as well.

The sector has the ability to help other sectors address their sustainability challenges by providing enabling technologies to help increase their energy efficiency and reduce their carbon footprints. Remote networking and mobile applications for services such as banking, healthcare and shopping, for example, can help to reduce travel-related carbon emissions.

An assessment of the sustainability of the telecommunications sector undertaken by KPMG¹ notes that the opportunity is there for the Telecommunications and Internet (T&I) sector to become the key enabler for 'green growth' in all sectors of the economy.

The T&I sector is not without its sustainability challenges, nonetheless. The KPMG report also notes that the sector faces the risks inherent in the sustainability megafactors of climate change, population growth, urbanisation and wealth.

Although the entire Information and Communications Technology (ICT) sector only accounts for approximately 2-3% of global CO₂ emissions², the anticipated growth of global demand for telecom services will require huge amounts of energy in the years to come, more than doubling the sector's global greenhouse gas (GHG) emissions by 2020³.

The rapidly growing demand for telecommunication products and services also requires large energy inputs, particularly as datacenters continue to grow, which will continue to contribute to the sector's carbon footprint.

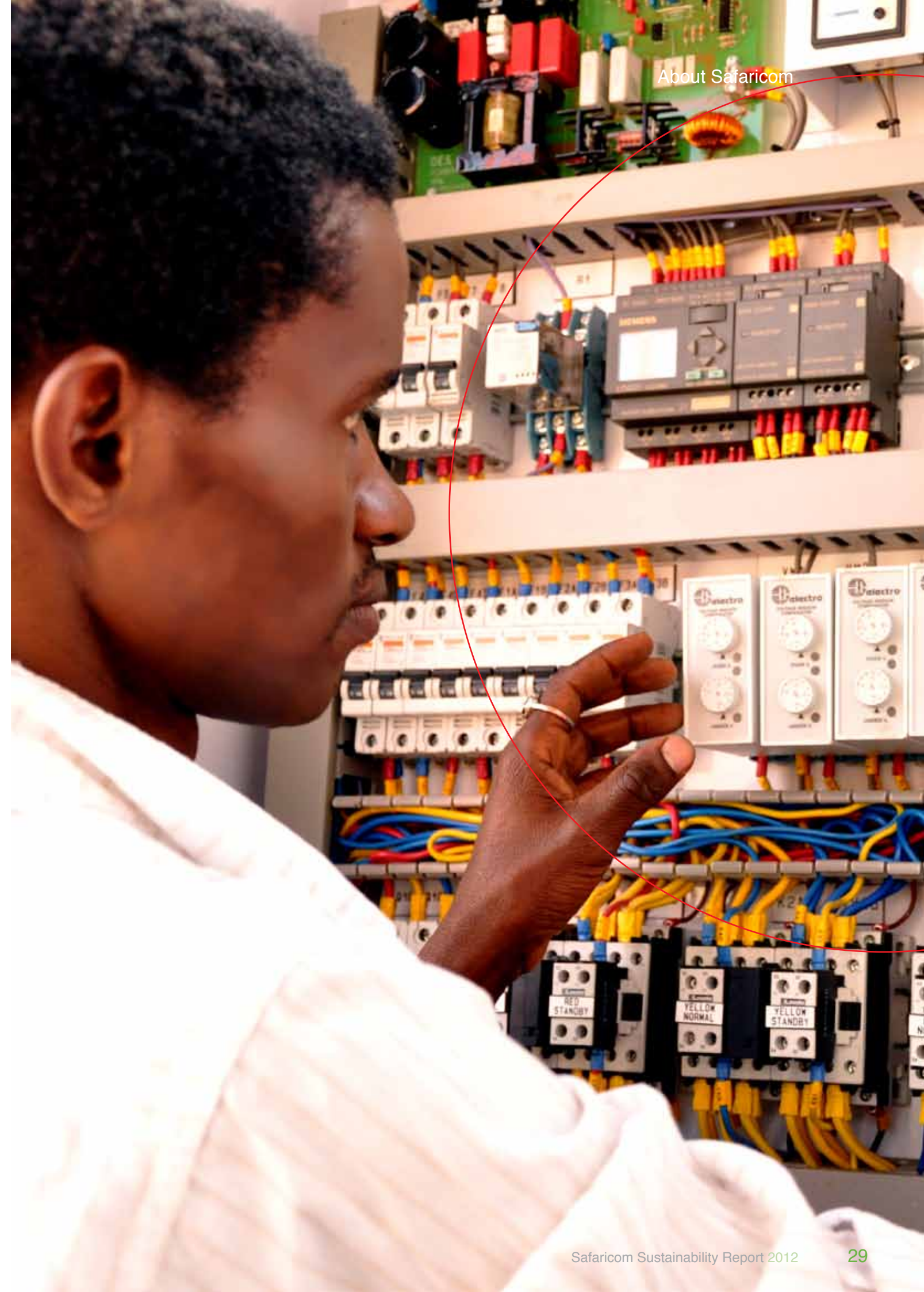
As the KPMG report concludes, the challenge for the T&I sector is to remain innovative and proactive in offering other industries sustainable solutions, while improving its own preparedness for the effects of the sustainability megafactors.

Accepting the challenge

KPMG's *International Survey of Corporate Responsibility Reporting 2011* indicates that 74% of T&I companies now report on sustainability, an increase of over 50% since 2008.

We are delighted to be part of this group and to be leading the way as one of the first Kenyan companies to report on sustainability based on the GRI reporting guidelines.

1. KPMG International (2012): *Expect the Unexpected: Building Business Value in a Changing World*.
2. OECD (2010): *Greener and smarter: ICTs, the Environment and Climate Change*.
3. The Climate Group (2008): *SMART 2020: Enabling the low carbon economy in the information age*.
Global eSustainability Initiative (GeSI).



3.4. The value we create

As a converged communications company, the provision of our services directly contributes to the functioning and development of Kenyan society, both directly and indirectly.



Our direct value to society

The direct value we create is represented in the value added statement below:

Sustainability Report - Financial Data (FYs 2010/11 and 2011/12)

	FY 2011/12 KShs '000 FY 2012	FY 2010/11 KShs '000 FY 2011
Value Generated		
Revenue	106,995,529	94,832,227
Other income	487,881	36,368
Finance income	873,518	871,249
Share of profit from associate	805	7,748
Total value generated	108,357,734	95,747,592
Value Allocated		
Distributions to Employees as Salaries, Wages and Other benefits	5,103,487	4,463,404
Paid to dealers and agents	16,536,008	14,601,409
Paid to landlords	1,050,839	920,106
Paid to other suppliers	43,082,884	35,926,022
To government as taxation and dividends	11,226,376	11,036,541
Current income tax	4,741,793	5,202,390
Dividends	3,080,000	2,800,000
Licences fees	3,404,582	3,034,151
To shareholders (except Government) as dividends	5,720,000	5,200,000
To providers of finance as finance expenses	3,656,280	1,907,783
To Corporate Social Investment through Safaricom Foundation	210,000	200,000
Retained for growth	21,771,860	21,492,328
Depreciation and amortization	17,944,253	16,333,355
Retained income	3,827,607	5,158,973
Total value allocated	108,357,734	95,747,592

Over and above the KShs 11 bn payments shown above, we also contributed the following to the government:

PAYE & Withholding taxes	4,878,344	4,402,875
Net Value Added Taxes	10,594,103	9,293,240
Duty (Stamp, Excise & Import taxes)	8,884,047	10,989,022
	24,356,493	24,685,137

This is a reflection of our commitment to development within the country. We won the top tax payer award for the 4th year in a row.



3.5. Sponsorships

Safaricom Marathon

Lewa Wildlife Conservancy in northern Kenya hosted the 13th Safaricom Lewa Marathon in 2012. The event allows participants from all over the globe to compete in an internationally-acclaimed race, while running through some of Africa's most breathtaking scenery.

As a result, this popular race has become one of the country's major sporting events and one of the 10 'must do' marathons in the world, growing from 180 runners raising US\$50 000 in 2000 to 1 000 runners raising US\$500 000 in 2011.

Since the inaugural marathon in 2000, US\$3.25m has been raised for a wide range of projects and thousands of Kenyans have benefitted through schools, hospitals, community and conservation projects.



Safaricom Sevens Rugby Tournament

Safaricom has been the title sponsor of Africa's premier sevens rugby tournament, Safaricom Sevens, since October 2009. An iconic event, the tournament is a platform for marketing Kenya as a tourism destination and for raising the profile of the sport of rugby. Since its inception in 1996, the Safaricom Sevens tournament has continued to grow in strength, as more and more teams express interest in attending Africa's premier 7-a-side rugby tournament.



Sakata Ball

Safaricom Sakata Ball aims to expose and nurture our youth football talent. After a rigorous and competitive selection process of countrywide under-17 football tournaments, 22 boys and 14 girls are chosen to represent the diversity of the Kenyan nation. The selected players then spend six months at a training academy, being coached by seasoned, professional football talent managers and exposed to local and international scouts.



Safaricom Groove Awards

The Safaricom Groove Awards seek to promote, expose and celebrate gospel talent across Africa. Since its inception in 2004, over 1 000 artists and groups have been nominated and over 150 groove statuettes have been presented to artists throughout Kenya and the East Africa region in recognition of their gospel talent.



Safaricom Kenya Live

Safaricom Kenya Live is an exciting engagement between Safaricom and the Kenyan music industry. It is an initiative aimed at promoting music excellence and talent among Kenyan artists across all genres and regions. The initiative helps artists hone their stage skills through a series of live music performances and provides eager audiences with access to fresh, exciting homegrown musical content downloads via digital mobile platforms.



Safaricom Kenyan Classical Fusion

Safaricom Kenyan Classical Fusion aims to nurture and develop budding local musical talent, taking young vocalists, instrumentalists and choirs to the next level. Selected artists are given a shared platform to perform for audiences all over the world.



Dealer of the Year Awards (DOYA)

DOYA is an annual event that recognises the efforts and successes of our dealer and agent partners. As well as recognising and rewarding top achievers, the event allows us to show our appreciation for all of our business partners and to build rapport with them in a festive, social setting.



3.6. Recognition

We are proud of the numerous awards we have won since our launch in 2000. As this is our first sustainability report, we have included highlights of the awards we have received during the last 10 years, with an emphasis on sustainability and innovation. In the future, we will share significant milestones and awards received for the reporting period.



Lifetime Contribution to the Millennium Development Goals 2010



Best Product, Initiative or Service for Underserved Segments 2012
Best Mobile Money Transfer Service 2011
Best Mobile Money Service 2009/2010
Best Broadcast Commercial Category 2008



Warrior of Warriors 2010
Most Profitable Company 2010
Best Social Marketing Campaign 2007
Best CSR Campaign 2005 (Runner Up)
Best CSR Campaign 2004



Company of the Year 2004/2005/2007
Investor of the Year 2004/2005/2007
Corporate Social Responsibility 2002/2003/2004/2005/ 2007



Changing Lives Award (Kenya) for Kenya) 2011



Outstanding contributions and/or innovations in conservation of natural areas and support for sustainable tourism 2007



Corporate that has planted the most trees in the year 2005/2006



Highly Commended Work Place Practice Award 2010



Best Overall Campaign 2011
Sponsorship of the Year 2010
Campaign of the Year (non-profit) 2006



World Business and Development 2008



Technology Review Top 50 Most Innovative Companies 2012



East Africa's Most Respected Company 2007/2009



African Telecoms of the Year 2010



Best ICT Solutions Provider For Enterprise Markets in Africa at the 2011 AfricaCom Awards

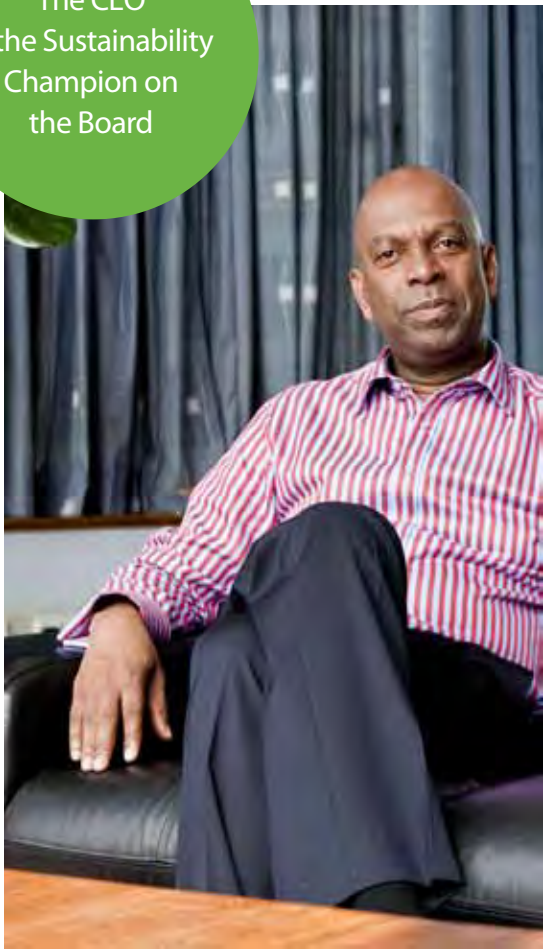
3.7. Governance

The Board of Directors of Safaricom is responsible for the governance of the company and has final accountability for its management, direction and performance. In executing these duties, the Board is accountable to stakeholders for ensuring that the company complies with all relevant laws and the highest standards of business ethics.

The Chief Executive Officer (CEO) is the Sustainability Champion on the Board and presents the sustainability strategy, and related considerations, to the Board. Regular updates on the sustainability process are provided to the CEO to feed into updates to the Board.

Appointment process
In accordance with good corporate governance, the appointment of Directors to the Board is made in a formal, rigorous and transparent manner, based on merit and against objective criteria. Members of the Board also have to declare whether they have any shareholdings in companies that deal with Safaricom or in companies that could pose a potential conflict of interest.

The CEO is the Sustainability Champion on the Board



Board members
The Board is composed of the following members, represented in the table below. For further detail regarding members of the Board, and their résumés, please refer to the Annual Report.

Mr Nicholas Nganga Chairman and Non-Executive Director (Male)	Mr Robert Collymore CEO and Executive Director (Male)
Mrs Susan Mudhune Non-Executive Director (Female)	Mr Michael Joseph Non-Executive Director (Male)
Mr Joseph Kinyua Non-Executive Director (Male)	Mrs Esther Koimett Alternate Director to Joseph Kinyua (Female)
Mr Timothy Harrabin Non-Executive Director (Male)	Mr Nicholas Johnathan Read Non-Executive Director (Male)
Ms Nancy Macharia Non-Executive Director (Female)	Mr John Tombleson Alternate Director to Robert Collymore (Male)
Mrs Enid Muriuki Company Secretary (Female)	Ms. Karen Witts Non-Executive Director (Female)

Board committees

The Board has established an Audit Committee and a Nomination and Remuneration Committee, each of which has formal terms of reference approved by the Board.

The **Audit Committee** assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards. Risk Management matters relating to operations are regularly reported to the Board Audit Committee.

It is comprised of financially-literate members, having the necessary ability and experience to understand financial statements. The Chief Executive Officer, Chief Financial Officer and Director of Risk Management, as well as external audit representatives (the company's auditors) attend all committee meetings as permanent attendees.

The Director of Risk Management and the external auditors have unrestricted access to the committee and its Chairman.

The **Nomination and Remuneration Committee's** responsibilities include the review of remuneration and incentives for the Board and Senior Management. The terms of this committee satisfy the requirements of the Capital Markets Authority. At present, compensation is not linked to social and environmental performance specifically, but to the overall performance of the company.

Accessibility and accountability

Shareholders and employees are able to provide recommendations or direction to the Board through the Annual General Meeting (shareholders), Investor Briefings (shareholders) and via inputs into the management report to the Board.

For further detail on committee members and meeting attendance, please refer to the Annual Report.



We recognise and value our mutually beneficial relationship with the communities that surround us. We operate within a business ecosystem comprised of numerous stakeholders whose dedicated support enables our continued success.

In recognition of this interdependence, we are committed to engaging our stakeholders in a consistent manner guided by the 'Safaricom Way' values of speed, simplicity and trust.

The precautionary principle

At Safaricom, the precautionary principle is applied in the following instances and manner:

- Where unambiguous scientific proof of cause and effect is not available (in the case of rolling out our BTS, for example), we act with a duty of care.
- Where the benefits of early action are judged to be greater than the likely costs of delay (installation of new masts and radio equipment, for example), we will inform society why such action is being taken.
- Where there is the possibility of irreversible damage to natural life-support functions, we take precautionary action irrespective of the forgone benefits.
- We always listen to calls for a change of course, incorporating representatives of such calls into deliberative forums and maintaining transparency throughout the discussions.
- We never shy away from publicity and never try to suppress information, however unpalatable.
- Where there is public unease, we act decisively to respond to that unease by facilitating extensive, open deliberations.



We subscribe to the United Nations Global Compact, all the regulations of the National Environment Management Authority, and the Global Reporting Initiative.

Our stakeholder charters

The customer charter

We will communicate honestly, offer simple and relevant products, and deliver on our promises to the customer with speed and consistency.

An output of the Safaricom 2.0 process, the following charters describe our commitment to each of our stakeholder groups.

The employee charter

We will provide a great place to work and grow, where both individual accomplishments and team effort will be rewarded.

We will provide opportunities for personal empowerment and career growth in an atmosphere of trust, honesty and openness.

The future generation's charter

The future is now — and our conduct and business practices today must be designed to create and shape a sustainable tomorrow.

The regulators charter

We will build constructive, respectful, open and transparent relationships with all regulators. While being compliant with all regulation and applicable laws, we will adopt a firm approach on issues that may be detrimental to industry growth.

The shareholder charter

We will enhance shareholder value through adherence to the highest standards of corporate governance and world-class management practice.

Our shareholders can expect timely and accurate information, and the opportunity to engage with us through various convenient forums.

The media charter

In order to actively participate in informing public opinion, we will continuously and proactively engage with the media in a factual, speedy and honest way.

We will take the lead in building industry knowledge among the various media groups and hold them to account for responsible reporting.

The society charter

We will work closely with Kenyans to be a respected and empowering contributor to society. Focused on upliftment, our relationship will be built on the principles of partnership, humility, openness and professionalism.

The business partners charter

We will engage in mutually beneficial and sustainable relationships with all business partners in an environment of equity, mutual respect and honesty.

We are committed to growing Kenyan businesses and will offer preferential support to innovative local businesses.

How we engage with our stakeholders



Ways in which we engage with our stakeholders

Method	Customers	Employees	Shareholders	Business Partners Dealers	Suppliers	Regulators	Society	Media	Future Generations
Media (traditional and social)	✓						✓	✓	
SMS	✓	✓							
Direct (shop etc)	✓								
Web	✓	✓	✓	✓	✓				
Team-building activities		✓							
Staff Council		✓							
Surveys and market research	✓	✓							
Briefings	✓	✓	✓	✓	✓		✓	✓	
Annual General Meeting (AGM)			✓					✓	
Phone	✓		✓						
Email	✓		✓	✓	✓		✓		
Bulletins	✓	✓	✓	✓	✓		✓		
Visits	✓			✓	✓		✓		
Newsletters	✓	✓		✓	✓		✓		
Magazine	✓	✓		✓	✓		✓		
Forums (online and offline)	✓	✓		✓	✓	✓	✓		
Proactive engagement on behalf of the Industry						✓			
Company Events	✓	✓		✓	✓	✓	✓	✓	
Reports	✓		✓			✓	✓	✓	✓
Charters	✓	✓	✓	✓	✓	✓	✓	✓	✓

We're listening

Channels customers and other stakeholders can use to reach us:

100 (PrePay) or 200 (PostPay)

+254 722 002100 (PrePay)

+254 722 002200 (PostPay)



Customercare@safaricom.co.ke



www.facebook.com/SafaricomLtd



@Safaricom_Ltd

4

Our Sustainability Strategy



4.1. Our strategic vision

Sustainability is fundamental to our strategic thinking. As this report reflects, we understand that we have a significant role to play as a responsible corporate citizen, and take the cumulative effect of our activities on long-term sustainability very seriously.

As a growing organisation, we appreciate the importance of managing our carbon footprint. The first step is to measure our emissions and these are reported on in this document.

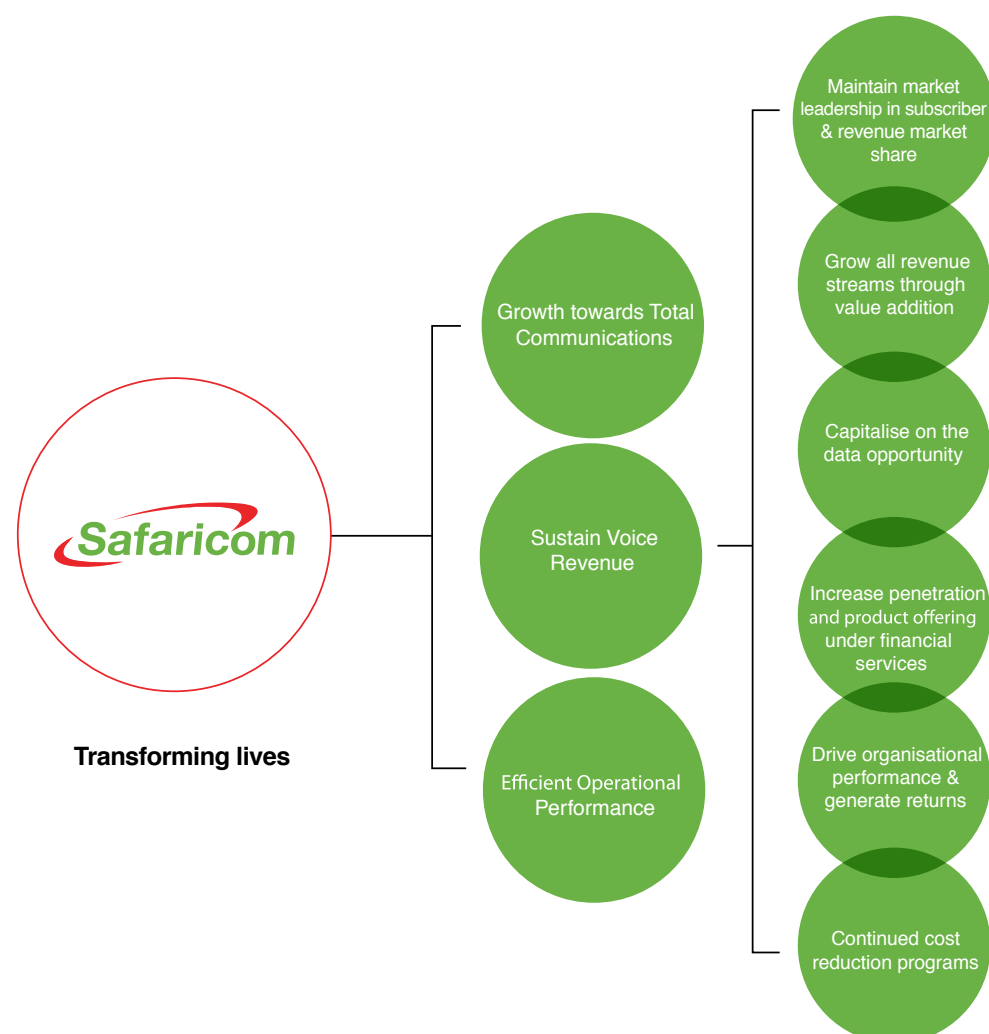
We maintain three to five year strategic planning cycles and review the social, environmental and economic contexts of our operations during each cycle.

4.2. How we manage risk

Risk Management at Safaricom is promoted and promulgated by the Risk Management Division. The division works with management to address key risks in the telecommunications environment — including revenue assurance and fraud, information systems auditing, security, and business improvements and controls — using a credible Enterprise Risk Management (ERM) process.

Most environmentally compliant

In December 2010, we were distinguished as the most environmentally compliant firm in telecommunications by the National Environment Management Authority.



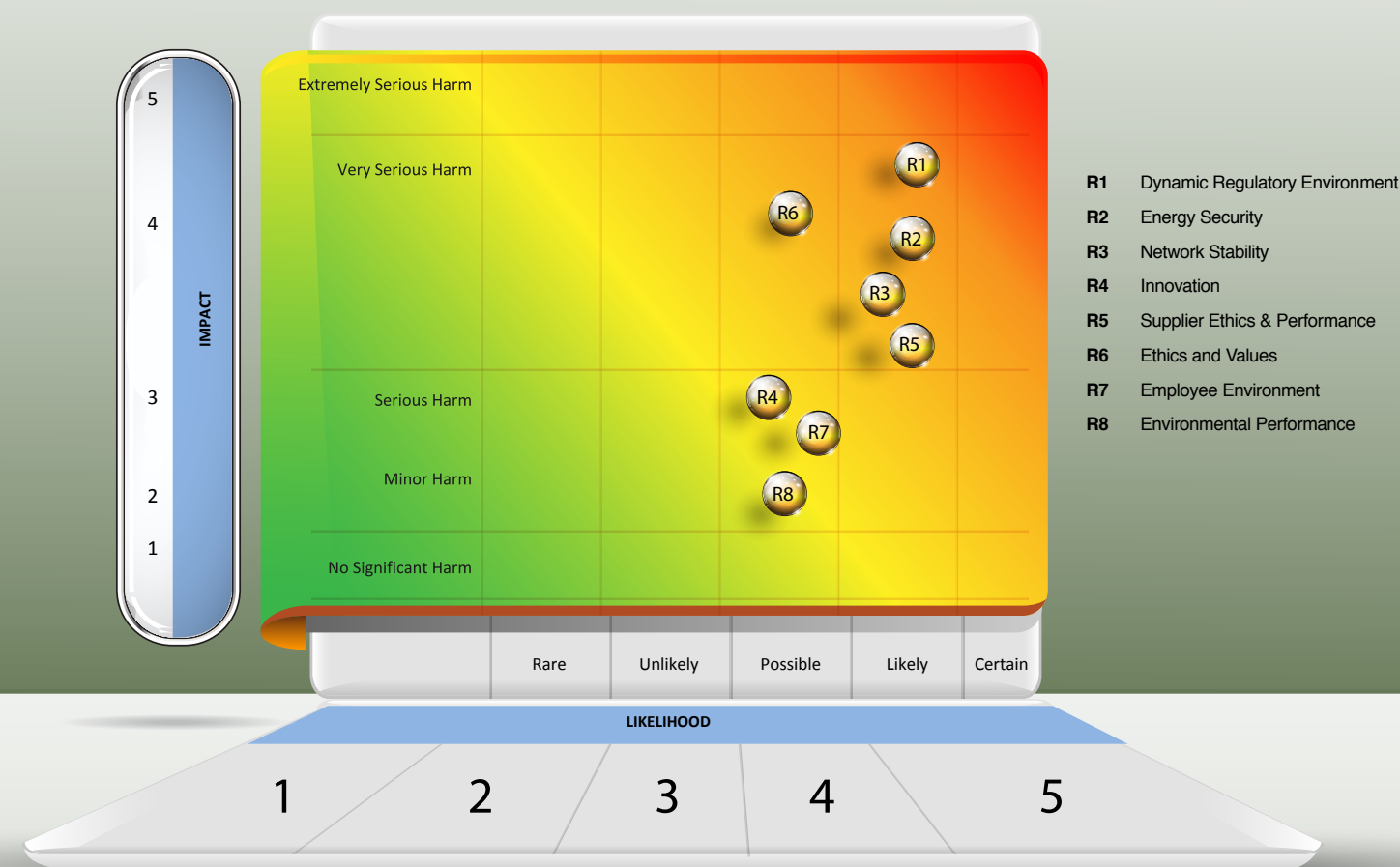
Our ERM process is based on the COSO framework. It uses a defined risk universe and definitive scales of 1 to 5 for 'likelihood' and 'impact'. Established risk registers are reviewed by division managers, with risks re-assessed quarterly. The divisional assessments are compiled by the enterprise risk team and the critical and high risks are presented to, reviewed, discussed and moderated as necessary by the Executive Committee (Ex-Co).

4.3. Our sustainability risks

In determining our sustainability risks, Safaricom engaged KPMG to undertake a sustainability risk materiality assessment for the business. KPMG interviewed eight Ex-Co members to identify the cross-functional risks to the business.

The identified risks were then grouped together into eight risk categories, with associated sub-risks. Once categorised, Ex-Co members were asked to rank each risk category using Safaricom's existing ERM criteria at a materiality assessment workshop.

The outcome of the materiality assessment is presented in the sustainability risk heat map below.



The heat map plots each of the eight identified risks (R1 to R8) in terms of the possibility or 'likelihood' of the risk happening and the potential damage or 'impact' it will have on the business should it occur.

Our risk categories and associated sub-risks

Each of the risk categories and its associated sub-risks are described in the following table. The risks are also linked to the organisational strategic pillars and stakeholder groups they are likely to impact, as well as how Safaricom measures its performance in relation to the risk and sub risk category.

Risk category	Sub-risks identified	Strategic pillars affected	Relevant stakeholder group(s)	GRI Performance Measures
R1 Dynamic Regulatory Environment	<ul style="list-style-type: none"> 4% revenue to regulator and increasing Changing legislation and regulation Compliance Regulatory environment around mobile money transfer Spectrum allocations — particularly Long Term Evolution/4G 	<ul style="list-style-type: none"> M-PESA Voice revenue Cost reduction 	<ul style="list-style-type: none"> Regulators Customers 	<ul style="list-style-type: none"> SO5: Public policy positions, participation in public policy development and lobbying SO7: Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
R2 Energy Security	<ul style="list-style-type: none"> Availability Cost Emissions 	<ul style="list-style-type: none"> Cost reduction 	<ul style="list-style-type: none"> Regulators Customers 	<ul style="list-style-type: none"> EN4: Indirect energy consumption by primary source EN3: Direct energy consumption by primary energy source
R3 Network Stability	<ul style="list-style-type: none"> Coverage Maintenance Customer churn Sub-optimal fibre infrastructure Vandalism/theft 	<ul style="list-style-type: none"> Market leadership Value addition Data opportunities M-PESA 	<ul style="list-style-type: none"> Regulators Customers Business partners 	<ul style="list-style-type: none"> Completed calls Call setup success rate Dropped calls Blocked calls Speech quality Handover success rate Call set up time RX Levels
R4 Innovation	<ul style="list-style-type: none"> Stagnation Cost Competitive edge Speed of deployment Consumer awareness 	<ul style="list-style-type: none"> Market leadership Value addition Data opportunities M-PESA Organisational performance Cost reduction 	<ul style="list-style-type: none"> Customers Society Future generations 	<ul style="list-style-type: none"> Social innovations successfully piloted or taken to market
R5 Supplier Ethics & Performance	<ul style="list-style-type: none"> Bribery and corruption Fraud Compliance Child labour 	<ul style="list-style-type: none"> Organisation performance Cost reduction 	<ul style="list-style-type: none"> Business partners 	<ul style="list-style-type: none"> Number of suppliers that completed Supplier Sustainability Self-Assessment exercise

Risk category	Sub-risks identified	Strategic pillars affected	Relevant stakeholder group(s)	GRI Performance Measures
R6 Ethics and Values	<ul style="list-style-type: none"> Ethics Bribery and corruption Fraud Perceived dominance in market Transparency in CSI programmes 	<ul style="list-style-type: none"> M-PESA Organisational Performance Cost reduction 	<ul style="list-style-type: none"> Shareholders Society Employees 	<ul style="list-style-type: none"> SO2: Percentage & total number of business units analysed for risks related to corruption SO3: Percentage of employees trained in organisation's anti-corruption policies and procedures SO4: Actions taken in response to incidents of corruption
R7 Employee Environment	<ul style="list-style-type: none"> Skills availability Retention Employee health and safety Lost hours 	<ul style="list-style-type: none"> Market leadership Value addition Organisational performance Cost reduction 	<ul style="list-style-type: none"> Employees 	<ul style="list-style-type: none"> LA1: Total workforce by employment type, employment contract, and region, broken down by gender LA 3: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations Health and safety statistics. LA10: Average hours of training per year per employee by gender and by employee category EC5: Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations
R8 Environmental Performance	<ul style="list-style-type: none"> Carbon emissions Waste (electronic, paper) Electromagnetic radiation Infrastructural impacts 	<ul style="list-style-type: none"> Market leadership Cost reduction 	<ul style="list-style-type: none"> Regulators Future generations Society 	<ul style="list-style-type: none"> EN8: Total water withdrawal by source EN16: Total direct and indirect greenhouse gas emissions by weight



5

Our Performance

Safaricom's sustainability performance is linked to its material sustainability issues. Each material issue has one or more associated Key Performance Indicators (KPIs) by which it is measured. In this section, each of the eight categorised sustainability risks is assessed in detail. Each category of risk is evaluated from the following perspectives: how we have approached the risk, our engagement with stakeholders and our performance.



Safaricom operates in a dynamic regulatory environment that requires it to ensure full compliance with licence conditions, regulations, by-laws and changes to governing legislation. Failure to meet prescribed compliance levels will expose Safaricom to penalties and other remedial sanctions from sector regulators.

R1

Dynamic regulatory environment

Some of the risks associated with this category include:

- **Risk of non-compliance with regulatory requirements**
Apart from the conditions set out in Safaricom's operating licence, Safaricom is required to comply with the provisions of various Acts of Parliament and the Regulations, such as the Kenya Information and Communications Act (KICA), Environmental Management and Coordination Act (EMCA), Capital Markets Authority (CMA) and the Kenya Civil Aviation Act (KCAA). Adherence to Local Authority by-laws and guidelines, as well as Codes of Practice developed by Regulators is also mandatory. Failure to comply with any of these regulatory requirements would expose Safaricom to non-compliance penalties and other unfavourable regulatory interventions.

Safaricom's compliance with regulatory requirements remains very high. Safaricom files Quarterly Returns with the Communications Commission of Kenya (CCK) on a wide range of parameters, including service levels, customer management and usage of spectrum resources. Safaricom will continue to ensure compliance with all regulatory and licence requirements, while ensuring engagement with industry regulators on issues that affect our operations.

- **Changing legislation and regulations relating to mobile money transfer**
Legislation and regulatory requirements governing mobile money transfers are evolving alongside changes in the Kenyan telecommunications sector. More specifically, the financial services provided by Safaricom through M-PESA are likely to attract regulation, creating additional compliance requirements.

Any significant changes to existing regulatory environment may present a

risk to mobile money transfer services. Safaricom is, however, engaging proactively with the Central Bank and other stakeholders to ensure that any regulations passed continue to promote the growth of mobile money transfer and to deepen financial inclusion.

- **Increasing regulatory fees**
Fees paid to regulators (such as licence fees, spectrum charges, compliance charges, local authority payments) remain a significant cost to Safaricom and amount to approximately 4% of revenues. Failure to pay these fees would expose Safaricom to penalties and compromise our ability to operate and deliver services to customers.

- **Safaricom's perceived dominance in the market**
Owing to our market share, Safaricom is anecdotally perceived as being dominant — although no official finding in this regard has been made at this time. If Safaricom is found to be dominant in certain markets, the company will be subject to additional regulatory scrutiny and obligations.

Competition Law in Kenya provides that an entity in a dominant position does not automatically attract regulatory sanction unless it is found to be abusing its dominant position in the market, in which case, a heavy penalty of up to 10% of revenues may be imposed.

In keeping with Competition Law provisions, Safaricom has ensured that its operations and actions in the market are

in compliance with the law and has engaged in competition with other operators using superior product offerings, customer management, quality of service and a strong brand as key differentiators.

- **Development of Long Term Evolution (LTE) in the Kenyan market**
Long Term Evolution (LTE) is currently being discussed by Government as a way to offer more broadband capacity in the telecommunications market. Accordingly, Safaricom has to ensure that it is ready to offer these services from both a technological and infrastructural perspective in order to remain competitive in the telecommunications industry.

Long Term Evolution
Long Term Evolution (LTE) is a Fourth Generation wireless broadband technology. It is an easily deployable network technology, which offers high speeds and low latencies over long distances.

Our approach

For all of the risks identified, Safaricom's strategy to mitigate or manage them includes:

- Proactively ensuring compliance with licence obligations, legislation, regulations, by-laws and regulator guidelines.
- Actively engaging with regulators through face-to-face meetings, written submissions and memoranda when changes to the existing environment are under discussion.
- Facilitating workshops and information sessions with regulators, members of the media and affected stakeholders to discuss public policy issues.
- Attending stakeholder workshops and lobbying on behalf of the industry.

Stakeholders with whom we engage

Safaricom engages with a range of stakeholders on regulatory and policy issues affecting the communications industry. Accordingly, we have developed a Regulatory Charter (see p 39) to guide our interactions with regulators. The Charter commits us to building constructive, respectful, open and transparent relationships with all regulators.

Stakeholder groups	What we engage them on:
The Communications Commission of Kenya (CCK)	Safaricom engages with regulators and industry stakeholders on a range of issues as highlighted below through face-to-face meetings, written submissions and by attending and lobbying at industry workshops and events. Mobile Termination Rates (MTRs) MTRs represent the cost of terminating or completing a call received from other networks. Safaricom receives the largest number of calls from other networks and this charge helps to cushion the cost of terminating incoming calls from other networks to Safaricom customers. Safaricom has maintained a consistent engagement strategy with CCK, the Government and other stakeholders to ensure that the MTR regime in Kenya is cost based and reflective of the operating costs in the industry. Spectrum usage fees Safaricom relies heavily on spectrum resources allocated to it by CCK to provide mobile voice and data services. CCK charges Safaricom (and other mobile operators) significant fees for use of spectrum. In the 2011/2012 financial year, Safaricom paid KShs 3.2 billion in spectrum fees. Safaricom has continued to lobby CCK to reduce the fees charged for spectrum to reduce operating costs. Following dialogue with Government and the CCK, on 06 October 2011, spectrum usage fees were reduced by an average of 41%. The new spectrum charges took effect from July 2012. Universal Service Fund (USF) The USF is created under the provisions of the Kenya Information and Communications Act (KICA). This fund is expected to enable the Government to rollout communication services to underserved areas that operators may not otherwise invest in. The CCK has set the contribution level to the fund at 0.5% of an operator's gross turnover. Safaricom and other members of the communications industry are, however, concerned about the regulatory framework governing the USF, the governance structure of the USF and the lack of representation for contributors to the fund. As an active member of the industry, Safaricom is continuing to engage the CCK and other industry stakeholders with a view to deferring the implementation of the USF levy until acceptable governance structure is in place to administer the fund. In the meantime, Safaricom has been discharging its Universal Service Fund obligations by rolling out 1 136 digital villages (remote rural villages connected to the internet through cyber cafés) in various parts of Kenya. Vandalism of telecommunications equipment The communications sector has continued to suffer from equipment vandalism and theft. These actions have led to disruption of services to customers and increased the cost of operations. As a result of engagements with regulators and stakeholders by Safaricom and other operators, the Energy and Communications (Amendment) Bill ("the Vandalism Bill") has been drafted and is currently awaiting enactment into law by Parliament. Designed to help deter vandalism and theft, this Bill proposes new offences and stiffer penalties. Counterfeit handsets The CCK had issued a directive to all mobile operators to switch off counterfeit handsets by September 2011. Along with other mobile operators and handset manufacturers, Safaricom is engaging the CCK regarding the gradual phasing out of these handsets. The Government and CCK need to put in place measures to ensure that these handsets are not allowed into the country. An awareness campaign about the detrimental effects of these handsets is being carried out to inform consumers. CCK and operators are working on the technical aspects of blocking these handsets. Subscriber registration The Government has directed mobile operators to register the identity of all their customers to improve security. As of May 2012, there is no legislation mandating the registration of subscribers in Kenya, CCK and mobile operators have developed a set of Guidelines to provide a framework for registering customer identities. As at 01 May 2012, Safaricom has 90% of its subscriber base registered.
The Central Bank of Kenya (CBK)	
Ministry of Information and Communications	
The National Environment Management Authority (NEMA)	
Competition Authority of Kenya (CAK)	
Music Copyright Society of Kenya (MCSK)	
The Capital Markets Authority (CMA)	
The Betting Control and Licensing Board (BCLB)	
The Kenya Revenue Authority (KRA)	
The Kenya Civil Aviation Authority (KCAA)	

Awareness workshops

In addition to the engagements described to the right, our Regulatory & Public Policy Department periodically hosts awareness workshops on these risk areas with relevant stakeholders, including regulators, investors and the media.

How we performed

In this context, our performance is measured through the following KPIs:

Non-compliance fines

One way we measure our performance in this area is the number of fines received for non-compliance. In the financial year 2011/2012, we were fined KShs 500 000 for failing to meet the Quality of Service (QoS) levels set by the CCK.

While there are specific reasons, including the expansion of our network, that certain CCK QoS levels were not reached, we nevertheless continue to take measures so as to improve our QoS on an ongoing basis in order to exceed the QoS targets set by the CCK.

The 'Network Stability' section of this report (see Section R3.) describes our performance relative to each QoS indicator and the actions we are taking to improve our performance.

Formal legal actions lodged

Another measure of our performance in this area is whether there are any formal legal actions* for anti-competitive behaviour, anti-trust or monopoly practices lodged against Safaricom.

At the time of reporting, no formal legal actions of anti-competitive behaviour have been lodged by, or against, Safaricom.

*For simplicity, we adopt the definition of the term 'action' as provided in section 2 of the Interpretation and General Provisions Act (Chapter 2 of the Laws of Kenya) which is any civil proceeding in a court as defined in section 2 of the Civil Procedure Act.





The primary energy source used by Safaricom is electricity from the national grid. Grid electricity is supplemented by backup diesel generators and renewable sources.

Electricity is used in Safaricom facilities and the network. As of the 31 March 2012, Safaricom facilities consist of four offices (Jambo Contact Centre, Safaricom Headquarters I and II, and the Mahiga building) and 37 retail centres (34 existing and three planned). Within the network, there are approximately 2 900 Base Transceiver Stations (BTSs), over 20 Major Switch Rooms and medium-size Media Gate Way (MGW) sites.

Our energy policy statement
Our network relies on energy, making it a vital input into our business operations. Accordingly, we have drafted an energy policy statement. Our statement prioritises energy efficiency as a means of both reducing our environmental impact and generating cost saving opportunities, and we currently have several initiatives underway. It also guides decisions made by our technical division regarding equipment specifications, site designs, power optimisations and power strategies.

- Energy security-related risks**
The risks associated with this category include:
- Energy dependence (for network stability)
 - Availability of energy
 - Cost of energy
 - Emissions associated with our energy consumption

Current energy supply resources for the Safaricom network (and facilities) include national grid electricity, diesel generators and certain renewable sources (solar, wind). Grid electricity supply is unpredictable, with long outages often experienced and current downtimes of around an hour per day. As a result, approximately 90% of our BTSs have backup generators that run on diesel fuel.

Our renewable energy commitment
Safaricom currently has approximately 100 sites using a hybrid renewable energy source (solar-wind-diesel-battery hybrid systems) and two 100% renewable energy sites, which run on solar-wind-battery hybrid systems⁴.

Our present objective is to convert 78 sites that are currently powered 24/7 by diesel generators to hybrid renewable energy sources this year.

Base Transceiver Station Energy Supplies:	
Source	% of BTSs
National grid	90.5%
24/7 diesel-generated energy	5%
Renewable and Hybrid energy	4.5%

Our carbon footprint
We are also aware of the carbon emissions associated with our energy consumption and have calculated our carbon footprint for the first time this year. This will help us understand where our biggest emission sources are and how we can start to reduce our impact (see section *R8 Environmental Performance* for further detail).

4. It is important to note that our criterion for implementing renewable energy systems is that a minimum of 70% of power can be supplied by renewable sources.

Stakeholders with whom we engage

Stakeholder groups	What we engage them on:
Government of Kenya (through Ministry of Energy, Energy Regulatory Commission and Ministry of Finance)	<ul style="list-style-type: none">Energy Regulatory Commission (ERC) petitioned to<ul style="list-style-type: none">review electricity tariffs, andreimburse the Road Maintenance Levy (RML) paid by Safaricom for diesel usage by BTS generators (as the levy applies to diesel used in vehicles, not stationary generators). <p>Safaricom has also petitioned to gazette this exception through the Ministry of Finance.</p> <p>The status of both petitions is pending.</p>
Kenya Power (KPLC)	<p>KPLC is the sole supplier of electrical power within the country. Regular engagements take place to address the speed of grid connection, quality of supply, maintenance issues (such as stolen transformers) and billing activities.</p> <p>There have been some improvements, especially regards billing management, but less so concerning the supply of quality power, the slow speed of connection and responses to maintenance issues.</p>
Rural Electrification Authority (REA)	<p>The REA is responsible for the extension of the national grid supply in rural areas. Safaricom liaises and coordinates its network extensions with the REA to ensure the optimal allocation of resources and sites.</p>
GSMA (GSM Association)	<p>The GSMA brings together stakeholders from the global GSM telecommunication sector, including mobile network operators, equipment vendors/suppliers and solution developers.</p> <p>Safaricom is an active participant in GSMA best practice workshops, hosting two workshops in September 2008 and one in March 2011.</p> <p>In partnership with the GSMA, Safaricom has also embarked on a community power feasibility study — to determine the viability of Safaricom providing power to the communities that live around its BTSs.</p>
Shareholders (Vodafone Plc, Government of Kenya Public (NSE)	<p>Safaricom shareholders, Vodafone in particular, have assisted in addressing the energy security risk by sharing best practices and processes and acting as a reference for new technologies, products and solutions, Inviting Safaricom, for instance, to attend Vodafone conferences and workshops. The most recent being the November 2011 Johannesburg conference on site and energy infrastructure.</p>







Stakeholder groups	What we engage them on:
Local communities	<p>As well as discussing proposed sites with the communities it serves, Safaricom also provides power and other services through its GSMA-guided Community Power for Mobile (CPM) programme. Examples of the amenities provided include:</p> <ul style="list-style-type: none">excess power and computers in Faza and Ndau,community lighting in Tegea, anda community water pump at Archers post. <p>In sites where renewable energy sources are deployed, such as wind turbines, the objective of the installation is explained and discussed with the local community.</p> <p>Safaricom also contributes — directly and indirectly — to the extension of the national grid in remote areas, improving the lives of these communities.</p>
National Environment Management Authority (NEMA)	<p>Safaricom works closely with NEMA as it is the local environmental regulatory authority and sets the standards that Safaricom installations must meet.</p> <p>The green initiatives implemented by Safaricom — including Green BTSs, e-waste recycling (in partnership with CFSK), SIM recycling and tree planting — have also been recognised by NEMA and, in 2010, Safaricom was awarded the best telecommunication company in terms of environmental conservation.</p>
Renewable energy equipment suppliers	<p>Safaricom engages with its renewable energy equipment partners by monitoring and reporting on the performance of installations and feeding back any performance deviations. This engagement has resulted in the optimal operation of systems, improved efficiencies and reduced energy waste.</p>

Green energy awareness workshops

Safaricom held a company-wide green energy awareness workshop in February 2011, which showcased the green energy initiatives we are undertaking. Safaricom vendors and regulatory stakeholders were also invited to exhibit and share experiences with our staff.

How we performed

The following tables detail our electricity and diesel consumption for the 2011/2012 financial year.

Electricity			
	Facilities*	Network	
		BTSs	MSRs
Megawatt Hours (Mwh)	8 538.8	78 040.52	31 653.46
Gigajoules (GJ)	30 739.68	280 945.88	113 952.47
			
Diesel			
	Facilities*	Network	
		BTSs	MSRs
Volume (Litres)	244 518	7 345 436.52	834 608.88
Gigajoules (GJ)	8 866.08	266 341.23	30 262.43
			

* The buildings data is based on monthly bills received from KPLC and includes Safaricom Headquarter I and II and the Jambo Contact Centre, but excludes the Safaricom Care Centre (SCC), which is measured as part of the Technical Network electricity consumption.

Benchmarking energy performance

As this is our first sustainability report, no formal benchmarks have yet been established for our energy performance. One of our overall objectives in financial year (FY) 2013 is to improve efficiency in diesel and electricity consumption. In FY 2013, we will also establish energy performance baseline data that can be used to benchmark us against other Vodafone companies going forward.

Other initiatives

Other initiatives under trial include: biofuels, hydrogen fuel cells and grid extensions (Safaricom constructs up to 6km of power lines in off-grid areas to substantially reduce generator running hours). These trials will be reported on at the end of the current financial year.

Lighting the way

LED lights are currently being installed at the Jambo Call Centre in Mlolongo, all future retail shops will incorporate LED lighting and, in existing retail shops, a phased replacement of the existing incandescent fluorescent lamps will be implemented in the new financial year. By 1 April 2013, all retail shops will be lit using LED lights.

Facilities energy management initiatives

Digital Addressable Lighting Interface
Safaricom House II has had the latest Digital Addressable Lighting Interface (DALI) installed. The DALI adjusts the lighting levels in the main work areas based on the intensity of external lighting, optimising lighting power consumption throughout the building.



LED Lighting
LED lighting has been installed in all the main administration facilities, resulting in a substantial 40% reduction in energy consumed. Plans are in progress to install LED lighting in all retail shop facilities during the next financial year.



Merged Electrical Systems
Previously, the power supplied to Safaricom Houses I and II was supported by different electrical and generator systems. By integrating these systems, we have been able to achieve reduced generator running hours, lower exhaust emissions and reduced diesel consumption.



Building Management System
Jambo Contact Centre, Safaricom Care Centre and Safaricom House II feature a fully integrated building management system, incorporating occupation-based lighting and air-conditioning control. The system has enabled the company to monitor and control building systems, increasing energy efficiency.



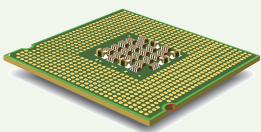
Power Factor Correction Banks
Office and administrative facilities have had power factor correction banks installed as part of the electrical system. This ensures efficient delivery of power and that Safaricom only draws from the national grid the actual load it utilises.



Network energy management initiatives

Immediately after deployment, the network-related energy efficiency initiatives described below had the cumulative effect of reducing the running hours (and carbon emissions) of our diesel generators by approximately 67%.

Power Management Units (PMUs)
By stabilising the quality of grid supply (reducing voltage fluctuations, conditioning voltages, isolating bad power, regulating under and over-voltages, regulating generator running and monitoring battery condition) these reduce unnecessary generator running and diesel consumption.



Auto Phase Selectors (APS)

Similar to the PMUs, these check voltage phases and isolate unhealthy grid phases, delaying generator running in case voltage tolerances are not met.



Automatic Voltage Regulators (AVRs)
These stabilise input voltages and are ideal for sites with very high and very low voltages.



Vanadium Redox Batteries

Switching from Lead Acid batteries to these high-cycle, deep-discharge batteries also significantly reduces generator running hours and diesel consumption.



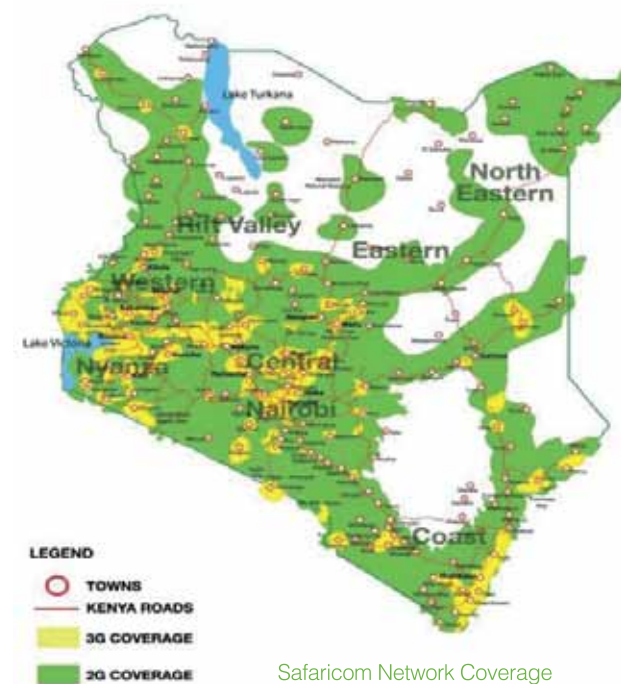
A stable network - available, uncongested and performing optimally is critical to the provision of our services and, therefore, our business as a whole.

R3

Network Stability

There are a number of sub-risks associated with network stability, including:

- **Coverage**
Although Safaricom boasts the widest network footprint in the country, there remain 'hard to reach' areas that are not yet covered.



Current 2G and 3G coverage

	2G	3G
% of Kenyan landmass	66%	16%
% of Kenyan population	85%	46%

In the major towns and environs, **acquisition of sites** for Base Transceiver Stations (BTSs) is an increasing challenge. The issues include, but are not limited to, statutory regulations (especially height restrictions), residential associations' concerns, lack of landlord interest and/or unrealistic rental demands, and lack of ownership documents.

To help address the shortage of suitable sites, Safaricom engages with other telecommunication service providers on the possibility of **co-locating BTSs**. Currently, there are over 400 co-locations and Safaricom 'hosts' other providers at 66% of these sites.

To increase coverage in remote areas, Safaricom is rolling out miniature sites, known as **Diet sites**. Run on renewable solar energy, over 10 sites have been rolled out to date, in the areas of Mandera West and Wajir North, and over 20 more are planned. An extending technology called Multi Carrier Power Amplifier (MCPA) has also been successfully trialed and is expected to assist with increasing coverage in remote areas in the near future.

- **Maintenance**
From a network stability perspective, the two main maintenance challenges Safaricom faces are network failures and congestion.

Network failures are largely attributable to power failures and fiber cuts. To combat power failures, Safaricom is focusing on improving power maintenance efficiency, as well as enhancing power solutions in the BTS sites. The fiber cuts are usually caused by vandalism, theft or construction and mechanisms are being put in place to mitigate these disruptions (see overleaf).

Network congestion usually occurs when growth in demand for voice and data services outstrips planned network capacity. To mitigate this congestion, Safaricom has embarked on a programme of continuous network

capacity expansion, acquiring extra bandwidth, introducing new technologies and modernising the network — upgrading radio elements, core network elements and transforming the transmission network. This network modernisation initiative has seen over 95% of Mobile Switching Centers (MSC) replaced with modern, high capacity MSCs to date.


- **Customer churn**
Customer ‘churn’ is when an existing customer leaves to join another network. The highly competitive nature of the telecommunications industry has resulted in significant reductions in tariffs and, as a result, significant increases in network traffic. This increase in traffic has led to network congestion and dropped calls etc. This congestion, together with network disruptions due to fiber cuts and power failures, has hampered service quality and resulted in customer churn. From a network stability perspective, the measures taken to reduce this sub-risk are, essentially, the same as those taken to mitigate the ‘maintenance’ and ‘coverage’ risks.
- **Sub-optimal fiber-optic infrastructure**
Safaricom leases fiber-optic infrastructure to provide the additional capacity required by the large volumes of data and voice traffic we handle, but the local fiber network has been significantly impaired by fiber cuts recently.

While mechanisms are being put in place to ensure that fiber redundancies protect traffic loss — including deploying our own fiber infrastructure — network disruptions caused by multiple fiber failures remain a major challenge. In March 2012, for instance, up to 20% of network unavailability was due to fiber failures.

As well as spreading the risk across multiple fiber providers and specifying continuity in service level agreements, Safaricom is currently implementing a BCP (Business Continuity Plan) that will see microwave backups installed at all major nodes, providing alternative traffic routes in the event of a fiber failure. These are already in place at Tier 1, high-risk locations and Tiers 2 and 3 will be completed in August 2012.

- **Vandalism and theft**
As already noted, the repeated vandalism of telecommunications infrastructure often leads to network instability disruptions. As a result of engagements with regulators and stakeholders by Safaricom and other operators (see Section R1. for further detail), the Vandalism Bill has been drafted and is ready to be enacted into law by Parliament.

Stakeholders with whom we engage

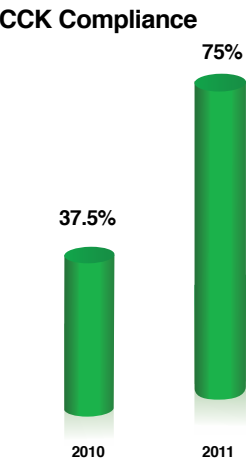
Stakeholder group	What we engage them on:
Subscribers	Information regarding planned works and network failures is promptly disseminated to Customer Care for communication to subscribers.
Regulator (CCK)	Engagement with the CCK has taken place regarding the drafting of the Vandalism Bill and the CCK’s targets (KPIs).
Government (through Ministry of Information & Communication)	Again, we have liaised with government regarding fees, levies and the drafting of the Vandalism Bill.
Fiber Providers	Safaricom leases fibre from fibre-optic providers and engages with them regarding SLAs and BCPs etc. 
Telecommunication Service Providers	Safaricom has agreements with other mobile operators to share some of its BTSSs, and vice versa.


How we performed

The Communications Commission of Kenya (CCK) is mandated with ensuring the provision of quality services by licensed mobile service operators. To meet this objective, the CCK has developed eight Key Performance Indicators (KPIs) to assess the performance of mobile operators. Mobile operators are expected to meet at least 80% (i.e. 7 out of 8) of the targets set by these KPIs.

The CCK carries out national Quality of Service (QoS) assessments based on these KPIs, to determine the level of compliance achieved by mobile operators. The results of these assessments are released to the general public and can also be found on the CCK website.

Safaricom’s performance improved from being 37.5% CCK-compliant in 2010 to 75% by November 2011. The following table details the various CCK KPIs and Safaricom’s current compliance performance status.



Safaricom Results			
KPI	CCK Target	2010	2011
Completed Calls	90%		
Call Setup Success Rate	90%		
Dropped Calls	2%		
Blocked Calls	10%		
Speech Quality (MOS, PESQ values)	95% of Samples >2.7		
Handover Success Rate	85%		
Call Set Up Time	<13.5 Seconds		
RX Levels	Outdoor -102 dBm		

Source: www.cck.go.ke

Innovation is at the core of Safaricom. The mobile phone market in Kenya is becoming increasingly saturated and our ability to innovate remains a key differentiator between us and other network operators. We are also playing a key role in the country's growth and transformation in line with *Vision 2030* public sector reform and SME private sector growth, supporting both of these sectors through innovations that liberate the economy and touch the lives of all Kenyans.

R4

Innovation

In order to differentiate ourselves, we develop both revenue-driven and social innovations. As the latter's name suggests, social innovations prioritise uplifting and improving the wellbeing of fellow Kenyans more than stretching the capabilities of existing technologies and generating profits.

Revenue generating innovation

From a revenue-driven innovation perspective, Safaricom's strategy includes:

- **Customer Service**
Customers are the backbone of our organisation and we strive to improve the customer experience at every touch point. Reducing the time customers have to spend in Safaricom shops, for instance, through the introduction of automated services and the imminent launch of self-service kiosks and online shops.
- **Customer Value Management**
We aim to develop innovative services that help us create additional customer value at every phase of our customer management model (acquire, grow usage, retain and manage churn). We also seek to develop innovative tools that aid customer segmentation and management based on value.
- **M-PESA**
M-PESA continues to grow in significance and dramatically improve the way Kenyans carry out their daily activities. We continue to evolve and expand the offering, which is now a bouquet of services that includes Prepay Safari card, Pay Bill, M-Ticketing, M-Kesho and Nunua na Mpesa. We aim to maintain this evolution by developing even more innovative new services.
- **Value Added Services (VAS)**
Value added services like our Caller Ring-Back Tone (CRBT) and SMS and Emergency Services are innovations that make a genuine difference in our customers' lives.

• Data

We also recognise that our customers want access to more data, and meaningful data services, which is why we are constantly looking to innovate in this area, introducing cloud services and making more exciting, relevant local content available, as well as introducing convenient new data bundles and reducing prices.

Social innovation

Digital Inclusion is the innovation arm of the company responsible for the development of social innovations. Digital Inclusion aims to create products and services that address key social issues using mobile communication, focussed on education, agriculture, health, 'green' energy, economic empowerment for women and youth, as well as gender issues like gender-based violence.

The objectives of social innovation include:

- positioning Safaricom as an innovative company;
- providing our customers with social products that will help them improve the way they meet their specific social needs;
- demonstrating value to our customers by providing non-revenue generating solutions that meet the needs of the customers, including emergency, gender-related, peace initiatives, civic awareness and health-related services, and
- ensuring Safaricom continues to enjoy a high, positive profile among customers.

M-PESA: At a glance

- Launched in March 2007 as a money transfer service
- Over 14.9 million customers and over 39 000 Agent Outlets
- Over 900 Pay Bill partners and over 300 Bulk Payment Partners
- Monthly value of P2P transfer is KShs 58.3 billion
- Total cumulative money moved in P2P transactions from launch to date is KShs 1.46 trillion, approximately KShs 56.3 billion per month
- Over 4 million transactions conducted by customers every day

Broadening financial inclusion

M-PESA provides financial services to a previously 'financially excluded' segment of the Kenyan population as 47% of M-PESA customers are currently 'un-banked'. Current financial inclusion levels in Kenya are at 80%, but, if you remove mobile money from this, the number of people with access to financial services and products drops to 23% (CBK statistics). Importantly, M-PESA provides financial security for women as it gives them an independent place to store and manage funds, and the number of female users has risen from 38% in 2008 to 51% in 2010.

Empowering communities

M-PESA has successfully empowered communities to pursue sustainable livelihoods by providing convenient, safe and affordable micro-payment services countrywide, in addition to partnering with Non Governmental Organisations (NGOs) to provide essential rural services, including secure water supplies, affordable maternal healthcare and agricultural insurance.

On average, M-PESA subscribers save over 3 hours of time and US\$3 per transaction — time and money that is ploughed back into economic productivity.

The Gate Process — rapid, responsible innovation

This process helps to ensure regular evaluation during product development and only allows a product to move to the next 'Gate' once the Gate committee, the CEO and Executive Committee, is convinced the product is ready to move to the next level. The process is divided into the normal phases for a project, although projects can be fast tracked due to urgency or technical readiness. The gates start at concept overview and end at project management and post implementation.

There are a number of sub-risks associated with innovation, including:

- **Stagnation**
Safaricom needs to ensure that it does not stagnate within the market, which could lead to a loss of revenue growth and market leadership to our competition. Constantly developing innovative products and solutions is the most effective way of mitigating this risk.
- **Cost**
Most social innovations are ideas brought to Safaricom by partners. Ideas usually come from three sources and require three different levels of engagement:
 - **Category 1** — — partners who have ready-developed solutions and are simply looking to integrate into the Safaricom network, with minimum modifications. The business model adopted upon commercialisation is normally a revenue-sharing model.
 - **Category 2** — partners who have ideas, but lack the capacity to develop the solutions. They partner with us to develop and integrate the solution. The business model adopted upon commercialisation is normally either revenue-sharing or outright purchase.

- **Category 3** — internally developed, integrated and taken to market.

In order to keep the overall costs of social innovations low, the majority of projects are Category 1 and 2, which require minimum budget. Since most of the inclusion services require our partners and their expertise to take the products to market, Safaricom has adopted a revenue-sharing model to reflect the shared risk.
- **Competitive edge**
Increasing competition between players in the telecommunications market has driven prices and revenues down. Safaricom has chosen to not be drawn into these 'price wars' and to gain a competitive edge by providing value added services that complement its basic voice and data offerings, instead.

As well as helping us to maintain our competitive edge, this continuous innovation and staying ahead of the technology curve helps us reduce the risk of new technology disruption.
- **Speed of deployment**
Cross-functional teams are used to accelerate development, integration and getting to market. The same cross-functional teams are also involved in testing the service and determining readiness to launch.

Streamlining internal administrative processes also helps reduce deployment timelines and this has been achieved by standardising as much internal documentation and as many internal processes as possible, for example, the introduction of a cross-departmental Service Level (SL) document that has standardised project plans and delivery processes.

- **Consumer awareness**
To keep our customers engaged and loyal, Safaricom is focusing on social innovations that meet health, education and agriculture needs. These innovations give our customers a reason to remain with Safaricom as the competition grows.

As well as developing solutions, Safaricom needs to ensure its target markets are aware of them and has adopted an innovative below and through-the line marketing approach, which keeps communication costs low while effectively generating the required levels of customer awareness.

Stakeholders with whom we engage

From an innovation perspective, our key stakeholders include: our shareholders, customers, solution partners, NGOs, universities, research organisations, regulators and various Government ministries. The table below describes each stakeholder group and what we engage them on.

Stakeholder group	What we engage them on:
Medical service providers	<p>These partners provide the required medical expertise and are also responsible for running our mobile health services. They get the necessary approvals from the medical regulators and indemnify Safaricom from any medical responsibility.</p> <p>In running <i>Daktari-1525</i>, a tele-triage service, for example, Call-a-doc Ltd is responsible for recruiting and scheduling doctors, getting the required approvals from health boards and ensuring patient confidentiality is maintained, while we are responsible for keeping the service level high, for marketing the service and for ensuring service uptake is above the necessary thresholds.</p>
Agriculture service providers	<p>These partners offer the agricultural expertise required to run our agro-based services, while we provide the enabling technology for farmers to access services, content and information. In this instance, our partners champion the interactions with farmers.</p>
Education service providers	<p>These partners are experts in education and are approved by the Kenya Institute of Education (KIE). Our engagement with them is to provide learning courses and content on a revenue-share basis.</p> <p>These partners are responsible for ensuring course content quality and we provide the platform to manage online and mobile learning. As in other services, Safaricom provides integration into payment systems for the courses and content.</p>
Content aggregators	<p>These are VAS providers licensed by the CCK to offer content to network operators.</p> <p>Safaricom engages with content aggregators on a revenue-share basis. Safaricom provides them with connectivity and access to the Safaricom network elements to facilitate their services.</p>

Stakeholder group	What we engage them on:
Non-Governmental Organisations (NGOs)	Safaricom partners with NGOs to implement social innovations that address the specific agendas/issues these NGOs tackle. Areas currently being addressed include green energy, general health, gender, maternal and new-born health, youth issues, agriculture and organic farming, water, peace and displaced persons.
Universities and research bodies	Universities and research bodies engage with Safaricom to conduct studies and pilots in specific areas. When the pilots are successful, there is normally some learning and the likelihood that the service can be scaled up to commercial levels. Safaricom normally provides the technology and customer base necessary for this research.
Regulators	<p>Social innovations bring many partners from various specialised disciplines on board, and each of these disciplines/professions is governed and regulated by a different body.</p> <p>Safaricom does not deal directly with these regulators (except for the CCK) as we only engage partners who are already licensed to operate by the relevant regulators.</p>
Government	<p>Government is the biggest client for Safaricom's services, as well as our most important partner in social inclusion innovations (since the government is the custodian and architect of Kenya).</p> <p>Safaricom engages with the government through lobbying and partnering in implementing social solutions that help the government meet its national objectives.</p>
Shareholders	Our shareholders need to see continuous growth — of our active customer base and revenue — despite the heightened competitive environment.
Customers	Our customers need to see products and services evolve to achieve better price points and to make constructive differences in their lives.

How we performed

Social Innovation

The Digital Inclusion/social innovation portfolio aims to develop relevant and sustainable products and services in the area of health, education and agriculture. Examples of

products launched include the *Daktari 1525* medical tele-triage service and the innovative *Refugees United* service that has reunited refugee families worldwide.

Health projects

Daktari-1525 is a medical tele-triage service launched in November 2011. Customers dial 1525 and receive medical advice from doctors. Calls are charged at KShs 20.00 per minute. The service is currently receiving around 2 000 calls a day. Safaricom rolled out the service in partnership with Call-a-doc Ltd.

Changamka is a micro savings health product that enables lower income groups to access essential health services that would otherwise be too expensive. Changamka customers are provided with a smartcard that they can use as a 'wallet' for pre-paid purchases of health care. Different packages of care are available, covering consultations, laboratory tests and drugs. The cards are pre-loaded with credit and the bearer can use M-PESA to top-up the balance at any time. As well as offering a convenient way to save for health care, the bearer enjoys access to discounted products and services. Medical providers, in turn, benefit from access to higher numbers of customers and assured, fortnightly payments free of administrative costs.



Over 2 500 Changamka cards have been purchased to date and maternity-related issues are the most popular services accessed. Changamka is licensed as a Medical Insurance Provider by the Insurance Regulatory Authority.

Safaricom is also involved in the **Kenya Integrated Maternal and Child Health Initiative** (KIMnCHip), collaboration with various private sector and NGO partners to provide a range of solutions and interventions to improve maternal health through information, education, messaging, health financing and service provider capacity building. Safaricom leadership in this field is underscored by Sylvia Mulinge's (General Manager, Safaricom Business) nomination to The Partnership for Maternal, Newborn & Child Health Board.

Supporting the next generation of innovators

Safaricom Academy

As a market leader in innovation, Safaricom, in partnership with Strathmore University, has started The Safaricom Academy, a Master's degree program in Telecommunication, Innovation and Development (MSc TID)

This program equips students with the know-how to develop applications for both mobile phones and computers.

The program started in March 2010 with a class of 30 students and grew to two classes of 60 students in 2011. It catered for a day class and an evening class of 70 students in total, fully sponsored by Safaricom.

The outcome of the course has seen some students develop commercial quality applications, some of which have won acclaim, such as the application that runs the NASCOP HIV test system and dashboard.

@iLab Africa

Safaricom is also the lead sponsor for @iLab Africa; a state of the art innovation and incubation lab to be used by the students and other innovators from the region. The KShs 20 million sponsorship was used for the setup and equipping of both the innovation and Incubation labs.

The innovation lab focuses on equipping students with hands-on technical skills to develop applications for every type of platform.

The incubation lab focuses on imparting business acumen to the graduates by providing the right environment for them to launch their technology companies. It also provides an environment where venture capitalists are able to partner with these start-up companies.



Corporates

Cheque clearing has been reduced from four days to two days, thanks to an innovative solution from Safaricom Enterprise. In partnership with the Kenya Bankers Association, Safaricom has implemented a new, robust network and data centre that connects the Central Bank of Kenya and all 44 banks nationwide, ensuring Kenyans can access their money faster.

Working in conjunction with the Association of Kenya Insurers, Safaricom's **integrated motor insurance data system** enables 42 insurance companies to exchange information and work more efficiently, minimising fraudulent or multiple claims and allowing for a better flow of information.

Designed to help SMEs improve their productivity, **Zidisha Biashara** is an initiative by Safaricom that offers growing companies bundled voice, data and SMS services, which can be distributed in a discretionary manner to specified Safaricom numbers. SMEs can also get a free website on signing up for any bundle between KShs 3,499 and KShs 59,999 per month. Over 5,600 SMEs are already using the Zidisha Biashara solution and plans are in place to provide an active network for SMEs to access capacity building and networking opportunities, as well as making the product eligible for BONGA Points.

Government

The **Safaricom TeleJustice solution** has improved the efficiency of the appellate courts and helped Kenyans get their cases heard. Winner of the Best ICT Solution Provider for Enterprise Markets In Africa Award at AfricaCom 2011, the TeleJustice solution enables Court of Appeal judges to sit in Nairobi and hear cases from around the country through the use of Cisco TelePresence.

Prior to the introduction of the Safaricom solution, people around the country would have to wait for the judges to travel to their cities and towns to have their cases heard, and the appellate courts in Nairobi would have to shut down for that period of time. The acclaimed Safaricom TeleJustice solution has dramatically improved the efficiency of the appellate courts and reduced the backlog of cases.



Wholesale/Carrier

Safaricom can now provide wholesale capacity and services to clients in the region who require international connectivity and internet capacity services. With around 11 Gigabits per second (Gbps) of capacity available and designed to a capacity of 1.24Tbits/second, Safaricom's wholesale capacity is the result of its ownership of 22.5% of The East African Marine System (TEAMS) capacity, the IRU purchase of Optical Power Ground Wire (OPGW) fiber with Kenya Power and Lighting Company, and the purchase of the Government-owned National Fibre Optic Backbone Infrastructure (NOFBI).



Agricultural projects

Kilimo Salama means 'safe farming' and is an agro service with two components: a crop insurance service — supported by 44 local weather stations that provide accurate local weather data used to confirm claims (the weather stations are fitted with GSM SIM cards that automatically relay data to a central database), and with payments made through M-PESA — and an agro and vet information service that is managed by agro experts providing advice via the Safaricom Call Center.

iCow is an application with several services in it. It has a cow gestation calendar, which sends a farmer timely important messages about his cow upon registering it. It has an agro-vet market where farmers can buy and sell their animals and other agriculture items. It also has weekly prompts that give farmers important tips on farming best practices.



Humanitarian projects

Refugees United is a family tracing service that helps refugees, internally displaced and stateless people to search for, and reconnect with, missing family or friends. The service allows refugees to directly register via web or mobile phone (WAP). A partnership between Safaricom, Ericsson and UNHCR, Refugees United was launched in Kenya in 2011 and, to date, 30 000 people have been registered with the service and close to 300 families reunited.



Affordability projects

A key challenge in expanding access in emerging markets is affordability. To achieve this, we continue to work with suppliers to introduce low-cost devices, including:

- **Handsets**
Safaricom's most affordable handset is the Vodafone VF150, retailing at KShs. 999. Increasingly, our priority is to reduce the cost of internet access via mobile. Our most affordable internet-enabled handsets are the Samsung Maple and Alcatel OT 306, both retailing at KShs. 1,999. The phones use the Opera Mini browser, which works effectively on 2G networks. The Kabambe 3G is our most affordable 3G internet-enabled handset, retailing at KShs. 2,999. To facilitate affordable mobile data access we have also introduced the IDEOS, a sub US\$100 smartphone — the most affordable smartphone globally.
- **Laptops**
In an effort to make computers affordable, we continuously work with suppliers to provide good

deals on various notebooks and netbooks. The most affordable laptop ever sold at Safaricom was the LG X120/X130, which retailed at KShs. 16,999. The netbooks are best suited for learning purposes, as well as web browsing.

- **Webbox**
In September 2011, Safaricom rolled out a plug and play keyboard dubbed 'Safaricom Webbox' which is revolutionising mobile internet access by using televisions to provide a big screen internet experience at home without a computer. Adopted from Vodafone, the Webbox offers an opportunity to significantly increase the number of homes with internet access for as little as KShs. 4,999. The Webbox facilitates development by enabling people to research, job search and send and receive email for business and pleasure.

Since its launch, the Webbox has sold 4 100 units and there is a strong demand across the market. We plan to launch a more advanced Webbox in the near future.

ICT and education-related projects

A government initiative called *Vision 2030* requires all schools to embrace technology at every level. In line with this vision, we have various projects to promote ICT in the education sector including:

Fun Safe Online Education

In order to give children an opportunity to explore the world and equip them with the right

skills and tools, Safaricom, in partnership with Intel, launched the Fun Safe Online Education program. This presents an opportunity for parents to purchase a laptop with basic educational content for children aged 9 – 18 years to enable them to learn and explore the world through the internet.

The laptop is bundled with Parental Control to ensure that children do not fall prey to inappropriate content

on the internet, thus, ensuring peace of mind for parents. The package includes eight fun and exciting, yet educational computer applications that aid self-learning, including: Encyclopedia

Britannica, British Council (Learning English), Intel® Easy Steps Activity Book, Intel® Education Help Guide, PC Basics, Skool.com, Intel AppUp(SM) center and McAfee Family Protection.

Ministry of Education — 'ICT For Schools' project

Safaricom, in conjunction with Microsoft, Intel and KIE, is running an initiative to help secondary schools purchase complete internet solutions. Safaricom came into the project to offer schools an attractive package of both hardware and connectivity. Each school was supplied with 11 desktops, 1 laptop, 1 printer, 1 LCD Projector and 11 UPS.

Together with these, schools either got internet connectivity via Wimax or Mobile Data. The project saw us reach 113 schools country wide. This is a continuing project and, with phase 2 on the way, Safaricom is planning to pitch and provide devices and connectivity to schools at a reasonable cost.

KSSHA — JIFUNZE

Safaricom has partnered with the Kenya Secondary School Heads Association (KSSHA) to offer principals an unbeatable laptop package, dubbed 'JIFUNZE', which enables them to access genuine software to help them accomplish tasks more efficiently. For the price of only KShs. 43,999, the teachers get a Dell Laptop packaged with free MS Office software, Antivirus, PC Basics, Safaricom modem, KIE digital content for Form 1 and Form 2, laptop bag and mouse, and capacity building to enable them use the laptop as a work tool.

Deal ya Nguvu

Safaricom has partnered with Equity Bank to help Kenyatta University students and staff acquire laptops and pay in easy installments. All Kenyatta University students, faculty

or staff members, at any grade level, qualify for this offer. We have a range of laptops to choose from, depending on individual budget and/or technology needs.

Deal Ya Nguvu package includes:

- Access to Microsoft "live@edu" platform that allows online collaboration and data sharing with 25GB virtual memory for users
- Students will be able to carry out course work online and fast-track their studies
- Students and Staff will enjoy access information, research and submit reports from any location
- Students and Staff will enjoy financing at highly subsidized rates
- Data shall be made available through the Modem over a period of 4 months for a highly discounted rate of 50%.

Mwalimu dot com

This is a special offer specifically for teachers, with the aim of bringing them to the front of the ICT tide. Safaricom has partnered with Equity Bank, Teachers Service Commission (TSC), Microsoft, Kenya Institute of Education (KIE) and Intel to support teachers who are members of TSC to acquire laptops at an affordable price and pay in easy installments.

All primary and secondary school teachers employed and registered with TSC qualify for

this offer. Our goal is to help schools gain better access to efficient, affordable and relevant technologies to promote and improve learning, foster innovative approaches to teacher professional development and provide education leaders with the tools to envision, implement and manage education transformation in the 21st Century.

Laptop ni Lazima

'Laptop ni Lazima' means 'a laptop is a must' in Swahili. This is a partnership between Safaricom and Equity Bank. The idea behind this partnership is to offer an easy payment method to all Kenyans interested in owning a laptop, but who find the costs prohibitive. This innovation provides them with an opportunity to purchase their laptop of choice from Safaricom Retail Centres through financing from Equity Bank. The product targets both salaried clients and small-to-medium enterprises that require funding to purchase ICT Hardware.

Future commitments

From a social innovation perspective, we are committed to continue to develop innovative and relevant products.

From a revenue-generating perspective, future commitments include: plugging the voice of the customer into internal performance scores; creating more alternative channels to promote accessibility (in the near future, we plan to advertise other channels that can be used to access customer care i.e. social media, SMS and email); use of the existing IVR infrastructure to promote self-service; use of the IVR as a promotional source and incident management channel (i.e. announcement of anticipated system/product downtimes).

Supplier ethics and performance is a key issue for Safaricom. Business partners engaging in unethical practices, or not performing as required, may reflect negatively on Safaricom's image.

R5

Supplier ethics and performance

There are a number of sub-risks associated with supplier ethics and performance, including:

- Bribery and corruption
- Fraud
- Compliance
- Child labour

Our charter and supplier code of conduct

It is Safaricom policy that all suppliers, and their subcontractors, observe the same high standards of ethics as Safaricom personnel. Accordingly, we have developed a Business Partner Charter (see p 39) and Supplier Code of Conduct to guide our interactions.

The Charter commits us to building mutually beneficial and sustainable relationships with all business partners in an environment of equity, mutual respect and honesty.

The Supplier Code of Conduct sets the standards that Safaricom and its suppliers wish to achieve. It is designed to promote safe and fair working conditions, along with the responsible management of environmental and social issues, throughout Safaricom's supply chain. The Code is now part of pre-qualification, RFP documentation and all signed contracts.

Among other aspects, the Code covers the following: bribes, conflicts of interest, gifts and other courtesies, relations with competitors, employment relations, child labour, forced labour, disciplinary practices, elimination of discrimination, freedom of association, wages and benefits, health and safety, environmental matters and the community, compliance and implementation, taxation, financial integrity and retention of records.

Safaricom works collaboratively with its suppliers on the implementation of the Code, including joint audits and site visits to assess

and continuously review performance. Suppliers applying the Code are, of course, also expected to comply with all relevant laws, regulations and standards in all of the countries in which they operate.

Procurement

Our purchasing decisions are defined by the following considerations:

- All purchasing decisions must be made in a fair and transparent manner.
- All situations that may prejudice a purchasing decision must be avoided.
- All information relating to suppliers must be treated as confidential.
- All purchasing activities must be of the highest professional, ethical, moral and legal standards.
- Any collusion with employees is strictly against company policy.

In order to raise awareness of the risks, the Procurement and Supply Chain Department has been trained on the company's new **corruption and bribery policy** by the Risk Division. Further training for the Department and Safaricom suppliers is under consideration.

Honest business is good business

Want to report a supplier or workplace-related irregularity? Call our ethics hotline on 0800 720 009, email safaricom@ethics-line.com or fill in the tip-off form on our ethical business website at www.safaricomethicsline.com.



Stakeholders with whom we engage

Stakeholder groups	What we engage them on:
Safaricom's business partners, including suppliers, contractors and agents	<p>Safaricom continuously engages with its business partners through supplier forums, meetings and regular communication throughout the year.</p> <p>A supplier forum was held in October 2011, for instance, where issues such as bribery and corruption, fraud and compliance were discussed.</p> <p>Business continuity</p> <p>Thirty suppliers were identified for business continuity assessments (based on the importance of their role in ensuring that our business continuity is assured). The aim of the assessments was to help suppliers formulate and adopt robust business continuity management programmes.</p> <p>The suppliers carried out risk assessments of their local operating environments, performing business impact assessments and forming crisis management committees in order to plan for, and be able to respond proactively, to a crisis.</p> <p>Based on the assessments, 19 of the 30 suppliers were compliant. The results of the assessments were communicated to the suppliers in March 2011 and individual reports provided to help them identify and address areas needing improvement.</p>

How we performed

The Procurement and Supply Chain Department recently carried out a **supplier sustainability self-assessment exercise**. A comprehensive sustainability questionnaire was sent out to 80 key suppliers, along with the company's updated Code of Ethics.

The sustainability questionnaire covered the following aspects: fraud and ethics, human resources, health and safety, environment, community and corporate giving, and regulatory compliance.

Only 12 responses have been received to date, but we are following up with the other suppliers to ensure full compliance. Based on the current feedback, the highest score is 93.6%, the average score is 84.33% and the lowest score is 76%.

We are currently considering carrying out on-site audits to corroborate the self-assessments. Should unethical practices or

human rights concerns be identified during site audits (or come to light generally), we will proactively engage with the suppliers in question, assessing these concerns with the management team and formulating appropriate action plans. Should no improvement be made after this engagement, we will consider terminating contracts and relationships.

We also recognise the need to work closely with our suppliers and to provide the relevant reference and benchmark information they need to ensure they are able to comply.

Buying locally

Where we can, we buy from local organisations in areas in which we operate. On the whole, this pertains to our OPEX purchases as most of our CAPEX purchases are quite specific and technical in nature. We remain committed to supporting and building local companies that match our needs and expectations in terms of quality and efficiency.

At Safaricom, we are committed to the highest level of corporate governance, which we consider critical to business integrity and success.

Accordingly, we promote an organisational culture that values the highest ethical standards of personal and corporate integrity, and expect all of our directors, employees and suppliers to act with honesty, integrity and fairness.

R6

Ethics and values

As a company, we are committed to operating lawfully, with integrity and respect, and to observing and respecting the cultures of the Kenyan people.

There are a number of sub-risks associated with maintaining ethics and values, including:

- Unethical behaviour
- Fraud
- Bribery and corruption
- Improper use of CSI funding

The bottom-line on governance

Maintaining our governance and values is important because any failure to do so could severely dent our reputation, leading to reduced brand value, market share and, ultimately, share price. Similarly, if the right culture is not established and upheld, the company faces an increased risk of individuals engaging in unethical practices and fraud and bribery cases. Fraud can also impair our CSI programmes because it often results in a skewed allocation of resources.

Values and policies that support our ethics culture:

- The Safaricom Way
- Supplier Code of Conduct
- Duty to Report Policy
- The Foundation's CSI Policy
- Corruption and Bribery Policy
- Gift Policy
- Disciplinary Policy

The Safaricom Foundation

The Safaricom Foundation is a charitable trust, registered by Trust Deed in 2003. The Foundation has a separate Board of Trustees and is independent from the decisions of the CEO and Company.

The Foundation considers proposals that are in line with its mandate and strategic direction. Proposals are reviewed by the Trustees on a monthly basis. Feedback is given to the applicants within eight to twelve weeks.

The Foundation ensures good corporate governance through:

- Independent trustees
- Annual external audits
- Random internal audits
- A clear mandate and criteria for project selection
- Project monitoring (Foundation staff and 'project champions')
- Transparent communication (online and print)

Specific ethics and values-related activities:

• The Safaricom Ethics Committee

An Ethics Committee has been set up to establish our ethics vision and to provide guidance on ethics management.

We are also currently reviewing our ethical management structure. This includes carrying out an ethical assessment of Safaricom, assessing our code of ethics and evaluating our ethics intervention initiatives (and improving on these).

• Fighting fraud

A number of strategic actions have been recently implemented to fight fraud, including setting up three distinct sections to handle fraud (fraud prevention, fraud detection and fraud investigation) and the use of automated fraud detection tools to increase the speed at which frauds are detected.

There has also been increased prosecution of staff involved in fraud, which acts as a powerful deterrent.

• **Bribery and corruption**

A bribery and corruption policy has been developed to guide staff on these issues. Programs to fight corruption have also been developed, including bribery risk assessments, process changes to reduce the risk of bribery and due diligences on business partners.

• **Awareness**

Company-wide training and awareness sessions are also carried out to improve staff knowledge on matters related to fraud and corruption. The main aim of the sessions is to equip employees with the understanding, skills and motivation to fight fraud and corruption.

The Kenyan Businesses Code of Ethics

The Kenyan business community recognises the need to have ethical standards in the course of doing business. Under the directorship of the UN Global Compact initiative and the Kenyan Association of Manufacturers, the business community has developed a code of ethics to guide the behaviour of Kenyan businesses. Safaricom took an active role in the drafting and reviewing of the code and was one of the first companies to sign up to it. As a signatory, Safaricom will be required to follow the code and will be accountable to the Secretariat for upholding the provisions of the code.

Customer fraud

Safaricom also considers customer-to-customer fraud to be a major issue and has undertaken various initiatives to curb such activities, including raising awareness through advertisements and promotions; introducing Line 333 for reporting hoax promotions and scams; jamming prisons; actively supporting number registrations; implementing authorisation controls and processes, and supporting the police.

Stakeholders with whom we engage

Stakeholder groups	Why we engage them:
Employees	Employees embody Safaricom's culture. Ethics programs need the buy-in of staff if they are to be successful.
Investors	Safaricom investors expect a reasonable return, but corruption and fraud erode profits. Investors also need to know that their capital is safe from embezzlement and misappropriation.
Government	The government has developed laws and guidelines to help prevent fraud, corruption and bribery.
Suppliers	Supplier's actions reflect on Safaricom. If they act unethically, Safaricom's reputation is negatively affected and rogue suppliers harm Safaricom's return on investments.
Customers	Customers need to know that Safaricom can be trusted. That the company actually charges what it advertises and that their funds are safe.

How we performed



All business units have been analysed for risks relating to unethical business practices. This analysis has been used to identify the gaps that need to be addressed, to develop appropriate training plans and to prioritise fraud reviews.

The following indicators help us to measure how we have performed:

Internal controls

Internal controls reviews are undertaken on high risk areas within the organisation's processes and systems. The objective of these reviews is to evaluate and improve the effectiveness of the organisation's internal controls. Where controls are ineffective, recommendations are made and actions followed-up to close the gap.

Bribery and ethics awareness

Ethics awareness sessions are undertaken company-wide. The particular focus this year has been on bribery. These awareness sessions are conducted face-to-face, supplemented with bulletins and emails. One thousand, six hundred and sixty staff, representing over 50% of all Safaricom employees, have attended awareness sessions to date.



Fraud reviews

Fraud reviews are undertaken on high risk areas within the organisation, with the main objective of uncovering fraud. Where fraud is detected, investigations are carried out, disciplinary measures are applied to the parties involved and action is taken to close the loophole(s).

During the last calendar year, 114 investigations were successfully completed, resulting in disciplinary actions being taken, ranging from caution letters for non-deliberate negligence, police action and prosecution.



Employees are one of Safaricom's most valuable assets and recognised as key to the sustainability of the company. Overall, Safaricom is committed to investing in its employees and creating a healthy, happy working environment.

R7

Employee Environment

The following aspects of the employee environment are considered from a sustainability risk perspective:

- Health and safety
- Lost hours
- Skills development and retention

Our employee charter

Safaricom is committed to being an employer of choice and has developed an Employee Charter (see p 39) to guide our interactions with staff. The Charter commits us to providing a great place to work — where both individual accomplishments and team effort will be rewarded — and a great place to grow — creating opportunities for personal empowerment and career growth in an atmosphere of trust, honesty and openness.

Occupational Safety and Health performance

Occupational Safety and Health (OSH) is central to the employee environment at Safaricom as we recognise the importance of creating safe, healthy and productive surroundings for all personnel. Several steps have been taken to improve our OSH performance, including:

• OSH Management System

This management system provides for a comprehensive and systematic approach to managing OSH matters across the organisation. The end result of the implementation of the system will be achieving the internationally recognised OHSAS 18001:2007 certification.

• OSH Policy

Safaricom has developed and published an OSH policy that defines our commitment to safeguarding the safety and health of employees. The policy outlines: our compliance with national laws and internationally accepted OSH standards and best practices; our accident, illness and dangerous occurrences prevention measures; our explicit philosophy that safety is everyone's responsibility (i.e. employee dialogue and active participation), and our commitment to maintaining open communications regarding the company's

OSH practices. Our OSH policy is available at all Safaricom facilities and on the company intranet.

• Safety and Health Committees

Safaricom has also established formal, joint management-worker safety and health committees, which provide a forum through which dialogue and active participation of employees in the implementation of OSH can be achieved. We believe that these committees have been instrumental in our achievement of OSH excellence.

The structure of these committees is two-tiered, comprising of facilities-based sub-committees and an overall steering committee. There are 44 sub-committees that have been formally constituted, trained and are now actively involved in activities, such as quarterly OSH inspections and meetings, accident investigation, hazard identification, risk assessment and worker safety and health training.

• OSH training

During the past year, over 90 % of employees underwent basic OSH awareness training. An online quiz was introduced to gauge their understanding of the course content and 85 % of attendees successfully obtained a grade of 80% or above.

All new employees are taken through an OSH induction training program, which introduces them to our OSH management system, OSH policy and the Safaricom Absolute Safety Rules (see sidebar). The induction program will be expanded to include all Safaricom contractors, sub-contractors, suppliers and visitors at Safaricom premises.



Absolute Rules

We have developed the safety absolute rules, which all employees and contractors must comply with. The following absolute road safety rules apply:

- Always wear a seatbelt when travelling in or operating vehicles.



- Never exceed speed limits or travel at speeds that are dangerous for the type of road, vehicle or conditions.



- Ensure that the vehicle has its statutory documents prior to road use.



- Never use a handheld phone while driving and only make calls by using hands-free devices or pulling over when it is safe to do so.



- Ensure that the vehicle is properly maintained at all times.



- Never work under the influence of substances (alcohol or drugs) that are illegal, or in excess of legal levels, or at levels that impair the individual's ability to perform tasks.



- **Other OSH-related arrangements**
Other OSH arrangements available at the workplace include in-house clinics manned by medical practitioners and staff trained as first aiders and fire marshals.

Skills development and retention
Safaricom has developed several policies to address the risks associated with skills and retention, which every employee is able to access conveniently via the company's intranet. Available policies include: talent acquisition and management, promotion, recognition, learning and development, and job evaluation.

Safaricom also regularly carries out staff surveys in order to receive vital feedback from employees. As a result of one survey, a **Staff Council** was formed. The Council meets with the CEO at least once a quarter and provides a platform for exchange of views across the organisation and for staff to engage with management on issues affecting them.



- Other initiatives that Safaricom has put in place as a result of the staff surveys include:
- Participating in salary surveys to ensure we remain competitive on compensation and benefits;
 - Identifying talent and managing their career progression and opportunities through a talent management programme;
 - Providing wellness programmes and services to establish a culture of work-life balance and to help staff remain fit and healthy, including nutrition, blood drives, blood sugar screening, breast cancer screening and wellness days;
 - Launching a campaign to propagate a culture that is inclusive and looks beyond work, dubbed 'the Safaricom way';
 - Introducing *Sema na CEO*, an intranet platform that allows staff to engage with the CEO on a one-on-one basis on any issues affecting them;
 - Hosting regular social events, such as TGIF, that allow informal interactions between staff at all layers of the organisation, and
 - Providing gym facilities within the Nairobi premises and by making arrangements with local gyms for our regional offices that enable staff to access premium services at a negligible (subsidised) cost.

Employee wellness programme
One of the most comprehensive and holistic programmes of its kind in Kenya, the Safaricom wellness programme not only focuses on supporting employees suffering from chronic diseases, it features a counselling service and family assistance, financial wellness programmes, nutritional and health advice, as well as recreational, religious, crèche/daycare and subsidised gym facilities.

Stakeholders with whom we engage

Stakeholder groups	What we engage them on:
Occupational Safety and Health	
The Directorate of Occupational Safety and Health Services in the Ministry of Labour and Human Resource Development	<p>The company engages with the Directorate of Occupational Safety and Health Services as required under the Occupational Safety and Health Act of 2007.</p> <p>The company submits annual Safety and Health Audits, Noise Surveys and Fire Audits (undertaken by government-approved auditors). The audits inform the Directorate of the company's level of compliance with OSH-related legal requirements and best practices.</p> <p>Other forms of engagement include: annual workplace registrations, reports of inspections of lifting equipment and pressurised vessels, medical reports, reports on the occurrence of accidents, occupational diseases and dangerous occurrences, and compensation matters.</p>
Local authorities	<p>Local authorities engage with the company on OSH-related issues such as fire safety, provision of sanitary conveniences and public health issues.</p> <p>Outcomes include certificates of compliance or, in the case of non-compliance, penalties and/or legal ramifications.</p>
Employees	<p>Employee engagement is facilitated through joint management-worker safety and health committees.</p> <p>The role of the employee representatives on the committees is to articulate employee OSH concerns and ensure that employees actively participate in the implementation of Safaricom's OSH policies and procedures.</p>
Contractors	<p>Contractor engagement is ensured from pre-qualification stages. Safaricom has instituted a supplier self-assessment code of conduct that seeks to determine the adequacy and efficacy of contractor OSH arrangements and a clause on safety expectations is explicitly expressed in all letters of contract.</p> <p>The OSH department has recently engaged contractors who work at heights at Safaricom administration offices in a safe work-at-height programme, which is to be expanded to include all contractors assigned to undertake work at height.</p>

Stakeholders with whom we engage

Stakeholder groups	What we engage them on:
Occupational Safety and Health (Cont'd)	
Customers	<p>Safaricom is committed to safeguarding the safety and health of customers, and anyone who may be directly affected by our business operations.</p> <p>Customer's engagement is provisioned through various channels, including the customer care helplines and email addresses, and comments sent directly to the OSH desk through the email address HSHelpdesk@safaricom.co.ke.</p> <p>Customer-related safety and health issues are addressed in risk assessments, safety and health audits and safety and health committee inspection reports.</p>
Labour/Management Relations	
Ministry of Labour	<p>This Ministry is charged with ensuring that employment laws are being followed. They have given guidelines on the reports that we, as an employer, are required to submit periodically.</p> <p>Safaricom has complied 100% with all reports requested by the Ministry.</p>
Federation of Kenya Employers	<p>This is an entity that represents employers within Kenya and we have subscribed as members. They offer guidance and advocate a better business operating environment by seeking to protect the rights of the employer.</p>
Directorate of Industrial Training	<p>This body is charged with subsidising the training offered by employers to employees. A company has to submit applications requesting for reimbursement on various courses that have been offered — a process we undertake.</p>

How we performed

The following table provides a statistical overview of our OSH performance, each of the indicators is discussed in further detail afterwards.

Occupational Safety and Health Statistics (FY 2011)

YTD: APR 2011 - MAR 2012				
ACCIDENT/ INCIDENT CLASSIFICATION	SAFARICOM EMPLOYEES	CONTRACTORS	THIRD PARTIES	TOTAL
Fatalities	0	0	2	2
Lost Time Injuries	10	4	0	14
Medical Treatment Cases	17	6	17	40
First Aid Cases	679	525	7	1211
Work-Related Incidents	107	22	1	130
Total Manhours Worked	13 179 840			
FIFR*	0			
LTIFR**	0.15			

* Fatal Injury Frequency Rate (FIFR) is calculated as (Fatal Injuries X 200,000)/man-hours worked.

** Lost Time Injury Frequency Rate (LTIFR) is calculated as (Lost Time Injuries X 200,000)/man-hours worked.

- Fatalities**

Fatalities/fatal injuries refer to work-related injuries that result in loss of life, with no time limit between the date of the incident and the date of death. We value all lives, whether it is our own employees, contractors or third parties. We regret to report that although there were no employee or contractor fatal incidents reported during the year under review, two third party fatalities occurred following a road accident that took place on the 7th January 2012. A Safaricom vehicle hit a motorcycle on the outskirts of Naru-Moru Town, injuring all three motorcycle passengers, two of whom eventually succumbed to their injuries and passed away.
- Lost time injuries**

Lost time injuries (LTIs) are a work-related injuries that causes absence for one or more scheduled workdays (or scheduled shifts), counting from the day after the injury occurs to the day before the individual returns to normal or modified work.

The majority of the LTIs reported were sustained in road traffic accidents (nine of the ten employee LTIs reported and three of the four contractor LTIs reported). Accordingly, driving presents the greatest accident risk for Safaricom employees and contractors. Other than road accidents, causes of LTIs were slip and fall injuries and, in the other contractor LTI case, a BTS pedestal fell on a contractor while at a warehouse.
- Medical Treatment and First Aid Cases**

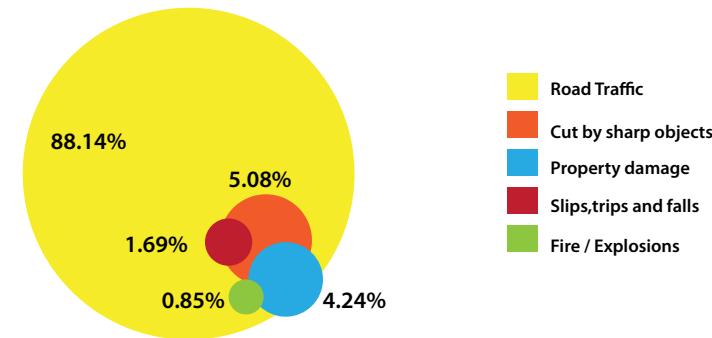
Medical Treatment Cases (MTCs) and Medical Injuries (MIs) are work-related injuries that require treatment by a trained health care professional. The medical treatment and first aid cases that were recorded were both work-related and non-work related cases attended to at the Safaricom First Aid Room during working hours.

• Work-related incidents

These are specific events, sequences of events or extended conditions that had, or could have had, unwanted or unintended impact on the safety and/or health of people, property, the environment, or on legal/regulatory compliance.

The major accident type reported in Safaricom is road traffic accidents, accounting for over 88% of reported incidents (see accompanying pie chart). As a result, several initiatives have been implemented to help deliver a reduction in the number of incidents reported, including: a review of the fleet policy; implementation of the Safaricom Absolute Road Safety Rules, along with an improved defensive driving course to be offered to all staff driving company vehicles.

Percentage (%) breakdown of incidents



Employee demographics

The following tables detail our employee demographics by gender, grade, contract and location.

Permanent employees by gender and grade				
31 March 2012				
Job Grade	Total No. of Permanent Staff	No. of Women	No. of Men	Gender Ratio
1	1	0	1	N/A
2	10	3	7	1:2.3
3	34	14	20	1:1.4
4	126	33	93	1:2.8
5	220	66	154	1:2.3
6	516	181	335	1:1.9
7	545	238	307	1:1.3
8	1 247	623	624	1:1
9	2	0	2	N/A
Totals	2 701	1 158	1 543	1:1.3

Although the overall gender ratio across all job grades within the company is approaching 1:1, we openly recognise that there is plenty of room for improvement, particularly at the higher grades. We are committed to ensuring that women who have the appropriate knowledge and skills are always equally considered for positions.

We have also introduced specific initiatives that ensure female employees receive mentoring, coaching and work-life balance counselling designed to help them successfully maximise their employment growth opportunities within Safaricom, while leading productive, fulfilling lives outside of the office.

Total number of employees by employment contract	
Employment Contracts	No. of employees
Permanent	2 701
Temporary Staff	890
Total	3 591

Permanent employees by location	
Region	Number of staff
Nairobi Region	2 276
Western (Rift, Nyanza and Western)	190
Eastern (Eastern, Central & Coast)	235
Total	2 701

Safaricom employs staff throughout the Nairobi, Western and Eastern regions of Kenya, although the overwhelming majority of the workforce is situated in Nairobi.

Employee remuneration, benefits and turnover

Safaricom's total payroll costs are approximately KShs 232 000,000 net per month. The total benefits paid to staff, including regular contributions like pension costs, amount to approximately KShs 50 000 000 per month.

The workforce is remunerated based on wages subject to Kenya's minimum wage rules. Our 2011 entry salary is 13 times higher than Kenya's minimum wage. There is no gender distinction on standard entry-level wages as these are pre-defined.

The following benefits are provided to all Safaricom employees: medical insurance and work injury benefits, as well as annual, sick, maternity/paternity and compassionate leave with funeral expenses. Permanent employees also enjoy the following additional benefits: pension, car allowance, group life insurance, social clubs (based on grade criteria), group personal accident insurance and stock ownership. There are no industry standards on employee turnover and, hence, we cannot offer a comparison. Levels of staff turnover are monitored internally, nonetheless, and we would like to achieve a rate of less than 8%, based on the closing turnover rate for the previous year of 10.05%.

Hiring procedures

Safaricom is a Kenyan company and so our hiring procedures are rightfully focused on giving opportunities to citizens with the required skills and qualifications. Where there are deviations, these have been dictated by shareholding agreements or a lack of qualified local candidates.

We have also invested in a robust performance management system that allows employee performance to be regularly monitored and reported. The system helps us ensure that every employee receives regular, objective performance and career development reviews.



Average employee training hours by gender and grade

Category / Grade	Total Number of Employees Trained	Number of Female Employees Trained	Number of Male Employees Trained	Total Training Hours by Grade	Average Training Hours by Grade	Total Training Hours – Females	Total Training Hours – Males	Average Training Hours - Females	Average Training Hours - Males	Total Cost of Training by Grade	Average cost of Training by Grade
Director/General Manager	8	3	5	484	61	308	176	103	35	2,593,651	324,206
Heads of Department	41	8	33	1,364	33	952	412	119	12	6,922,600	168,844
Senior Manager	106	27	79	2,840	27	1,424	1,416	53	18	8,888,628	83,855
Manager	403	137	266	7,782	19	2,372	5,410	17	20	25,291,252	62,757
Senior Officer	1,511	476	1,035	31,926	21	9,659	22,267	20	22	61,931,336	40,987
Specialist	3,084	1,068	2,016	65,262	21	32,868	32,394	31	16	96,935,269	31,432
Operatives	5,307	2,379	2,928	173,113	33	87,622	85,491	37	29	8,690,990	1,638

Learning and development is an integral part of Safaricom’s commitment to attract, motivate and retain talented employees. We use a blend of instructor-led and e-learning courses.

Instructor-led training hours will, on average, be higher for staff with leadership/management responsibilities as a result of longer course days. The reverse will be true for e-learning courses, which have been accessed by 2,750 staff in the categories of officers, specialists and operatives to date.

Future commitments

- An **ergonomics software solution** is being introduced to help staff develop good computing habits and workstation ergonomics, improving productivity and reducing the costs associated with workstation injuries and fatigue.
- We plan to achieve **OHSAS 18001:2007** certification, which will help us eliminate or minimise OSH-related risks for employees.
- More workplace **OSH-related training** will be introduced as we strive to entrench our health and safety culture across Safaricom.
- The **Safaricom Steering Committee** will be formally constituted, with a mandate to cohesively manage and co-ordinate the various OSH sub-committees and to provide leadership and guidance on OSH functions and programmes.



Safaricom has embraced environmental performance as a key challenge, not just to fulfill our responsibilities as a corporate citizen, but because we believe it will push us to become more productive, more innovative, more efficient and more competitive as an organisation.

R8

Environmental Performance

Safaricom has developed an **integrated green agenda**: an eight point blueprint for transforming our company into an environmentally aware and sustainable organisation. A 'greener' operation is good news for our triple bottom line (people, planet and profits); it means a lighter ecological footprint and a healthier, happier, more productive place to work.

Our integrated green agenda focuses on the following, interrelated aspects:

Climate change and carbon footprint
'Green' Base Transceiver Stations
Energy consumption
'Green' products and packaging
Paper usage
'Green' offices
Water usage
Resource sharing, reuse and recycling

Our environmental management framework

The first step was to develop and adopt an environmental management framework. The framework includes, among other elements, a policy that describes the commitments and objectives of our environmental plans and processes. It reinforces existing internal operations with a comprehensive approach to environmental management.



The environmental management framework is a path to a wide range of benefits, including:

- financial savings from reduced waste generation;
- efficient energy consumption and associated impacts;
- easier compliance with environmental legislation;
- increased staff morale and pride, and
- improved customer relations.

The framework is divided in to three parts:

- **Part one provides an overview**, explaining the elements and commitments of our proposed environmental policies and objectives.
- **Part two defines the roles and responsibilities** of the various stakeholders management in particular and environmental issues from a best practice perspective.
- **Part three focuses on the implementation of the framework**, including procedures for compliance with environmental legislation and regulations, environmental impact assessments and audits for our internal and external infrastructure. It also includes mechanisms for the management of noise pollution, energy and mitigation of the negative impacts of climate change. The framework also addresses management of mobile phones, masts and human health.

The framework has also helped us devise our Environment Management System (EMS). The EMS is an automated system, modelled around ISO14001. The system will help us to address and manage our environmental impacts. The system has been deployed and will be active in the financial year 2012/2013.

Stakeholders with whom we engage

Safaricom has internal and external stakeholders regarding environmental performance. We discuss environmental performance-related issues with internal stakeholders on a monthly basis and with external stakeholders on a quarterly or as-required basis.

Stakeholder groups	What we engage them on:
Government of Kenya (through Ministry of Environment and National Environment Management Authority (NEMA))	<p>Safaricom works closely with NEMA as it is the local environmental regulatory authority and sets the standards that Safaricom installations must meet.</p> <p>The green initiatives implemented by Safaricom — including Green BTSs, e-waste recycling (in partnership with CFSK), SIM recycling and tree planting — have also been recognised by NEMA and, in 2010, Safaricom was awarded the best telecommunication company in terms of environmental conservation.</p>
Shareholders (Government of Kenya, Vodafone Plc, Public (NSE))	<p>Safaricom shareholders, Vodafone in particular, have assisted in addressing this risk area by sharing best practices and processes and acting as a reference for new technologies, products and solutions. Safaricom shares information with other OpCos within the Vodafone Group.</p>
Local communities	<p>The communities served by Safaricom are consulted when proposed site designs are being investigated, and environmental impacts are also assessed during these investigations — as part of the Environmental Impact Assessment (EIA) process — and mitigation measures are addressed.</p> <p>Safaricom also contributes directly to the improvement of the environment around our sites, setting up schools, installing motion lights to improve security and offering free phone-charging booths.</p>
United Nations Environment Programme (UNEP)	<p>Safaricom partners UNEP for the Annual World Environment Day celebrations and partnered in the first ever Pan-African Conference on e-waste in March 2012.</p>

How we performed

As a material issue, environmental performance has been separated out into the following distinct sub-categories: carbon emissions, water, waste (electronic and paper), electromagnetic waves and infrastructural impacts, each of which is reported on in further detail section in this section.

Carbon emissions

Climate change has come to the fore as a key sustainable development issue. Many governments are taking steps to reduce Greenhouse Gas (GHG) emissions through national policies that include: the introduction of emissions trading schemes, voluntary programs, carbon or energy taxes, and regulations and standards on energy efficiency and emissions.

Accordingly, we must be able to understand and manage our GHG risks to be prepared for future national and regional climate policies and to ensure continued long-term success. Recognising this, we have calculated our carbon footprint for the first time.

We calculated it using the Greenhouse Gas Protocol – a Corporate Accounting and Reporting Standard (Revised edition) developed by the World Resources Institute and the World Business Council for Sustainable Development— and the ISO 14064-1 standard: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals and the Intergovernmental Panel on Climate Change (IPCC) guidelines for GHG inventories.

Emission factors were sourced from the United Kingdom’s Department for Environment, Food and Rural Affairs (DEFRA)/Department of Energy and Climate Change (DECC) GHG conversion factors for company reporting, along with an electricity emission factor for Kenya published by the International Energy Agency (IEA) of 0.395kgCO₂e/KWh.

We have calculated our direct Scope 1 and indirect Scope 2 emissions this year. These are composed of the following:

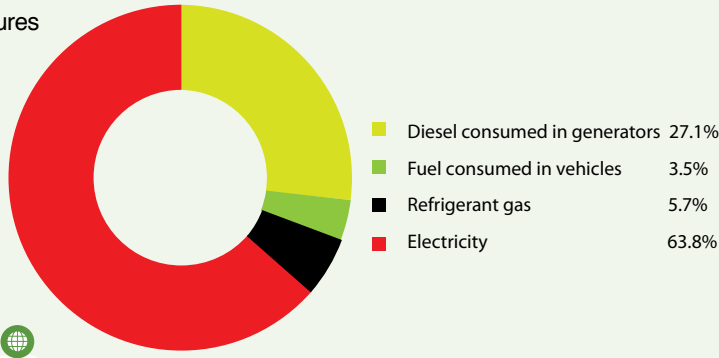
- Direct Scope 1 emissions:** These are emissions resulting from diesel consumed in generators, petrol and diesel consumed in Safaricom-owned vehicles, as well as fugitive emissions from refrigerant gases and fire extinguishers.
- Indirect Scope 2 emissions:** These are emissions associated with the consumption of purchased electricity from the Kenyan grid. This includes electricity consumption in the head office, Safaricom Care Centre, Jambo Call Centre, retail stores, BTS and MSR.

Our total Scope 1 and 2 carbon footprint is 70,257.52tCO₂e, described in the table below:

Scope	Activity data	Carbon emissions (tCO ₂ e)
Scope 1	Diesel consumed in generators	19 013.66
	Fuel consumed in vehicles	2 446.34
	Refrigerant gas	4 002.30
Total Scope 1		25 462.31
Scope 2	Electricity	44 795.22
Total Scope 2		44 795.22
Total Scope 1+2		70 257.52

As this is our first carbon footprint, there is a certain level of uncertainty in the completeness and accuracy of the information. Some supporting information was not available and estimates were used. We are working with our partners and suppliers to reduce the level of uncertainty of our carbon footprint figures going forward.

The contribution of activity data to the carbon footprint is broken down in the graph below:



We do not have targets or benchmarks for carbon emissions performance data yet, but these will be defined going forward. We are, nonetheless, already taking steps to manage our carbon emissions through initiatives aimed at improved generator usage and operational energy efficiency.

• **Water**

Safaricom receives water from three sources for its daily operations: the municipal council, boreholes and tanker water supplies. For the reporting period, the company consumed 57 420 000 litres of water — 43 272 000 in litres from the municipal council and 14 148 000 litres via tanker delivery. We do not have targets or benchmarks for water consumption performance data yet, but these will be defined going forward.

Water conservation measures

In order to minimise water wastage, the company has installed sensor taps in the Safaricom Care Centre building washrooms and these will be rolled out to all other company facilities over the next three years. Borehole supplies are also used to supplement the local council water supplies at Safaricom House I and II and the Jambo Contact Centre. Rain water collection systems will be considered for any new company facilities and plans are also underway for the construction of a borehole to supplement the existing water supplies at the Safaricom Care Centre.

• **Waste management**

The Environmental Management and Coordination (Waste Management) Regulations provide guidelines on the handling, packaging, treatment, condition, storage and disposal of waste. Waste generators are responsible for ensuring the segregation at source, collection and proper disposal of their waste streams.

We have contracted a NEMA-certified waste collection company to handle the office waste and all other waste, including IT/ Network waste, is also disposed of in accordance with the waste management regulations.

Network waste

Waste generated by Safaricom BTSs forms part of the e-waste management programme. Batteries and engine oils are returned to the suppliers for recycling (at an average of 75 generator starter batteries and 1 550 litres of engine oil a month). Site batteries are returned to the warehouse, with Logistics responsible for declaring them obsolete and disposing of them as per set procedures.

No accidental major spills have been recorded yet, but secondary containment facilities have been installed at the MSR stations and certain BTS sites have been provided with bunded areas.

IT waste

The Safaricom Foundation and Computers for Schools Kenya (CFSK) have partnered in the **refurbishment of computers** that have nil net book value to Safaricom. The Finance, Supply Chain and IT departments are involved in the clearance process of old computers and laptops. An inventory has been developed and is maintained by the IT department on the number of PCs and laptops that have been handed over to CFSK. Going forward, an agreement will be drafted stipulating the roles and responsibility of Safaricom and CFSK in the management of IT waste.

Safaricom has also piloted a **handset recycling programme** aimed at managing the environmental impact of old mobile devices and accessories, which might otherwise end up in landfills. The collected phones and accessories are recycled by CFSK.

Paper and resource management

Safaricom started to manage its paper consumption in 2008. To minimise paper usage, printing and photocopying are only recommended when absolutely necessary and printers are set to duplex printing by default. All shredded waste paper is sold to Chandaria Industries for recycling.

Solid waste management

Safaricom employees and contractors are encouraged to adopt the waste management hierarchy — prevention, minimisation, re-use, recycling, energy recovery and, finally, disposal — to promote waste minimisation within our workplaces and to encourage re-use and/or recycling wherever possible.

Waste is separated to promote recycling and composting of biodegradable waste. All waste is collected by a NEMA-licensed waste handler/collector. We avoid the use of non-recyclable plastic containers and substitute thin plastic containers with durable containers.

We do not have targets or benchmarks for waste management performance data yet, but these will be defined going forward.

• **Electromagnetic Frequencies**

At Safaricom, we are committed to ensuring that our activities and services pose no risk to the health and safety of the communities in which we operate. Even though there is no evidence that the electromagnetic waves emitted by mobile phones and base stations are dangerous, we take our responsibilities seriously and comply with the World Health Organisation (WHO) recognised, International Commission on Non-Ionizing Radiation Protection (ICINRP) guidelines.

All of our BTSs have been subjected to comprehensive actual EMF measurements and we ensure that the radio equipment we use is approved and within the internationally recommended EMF range. We are compliant with all regulations and have conducted all EIAs and EAs as required by NEMA.



We have also developed a website answering the frequently asked questions about mobile phones, masts and your health, available using the QR code on the left or via our website at www.safaricom.co.ke. All handsets sold in Safaricom shops have been 'type approved' and fall way below the required international standards.

• **Infrastructural impacts**

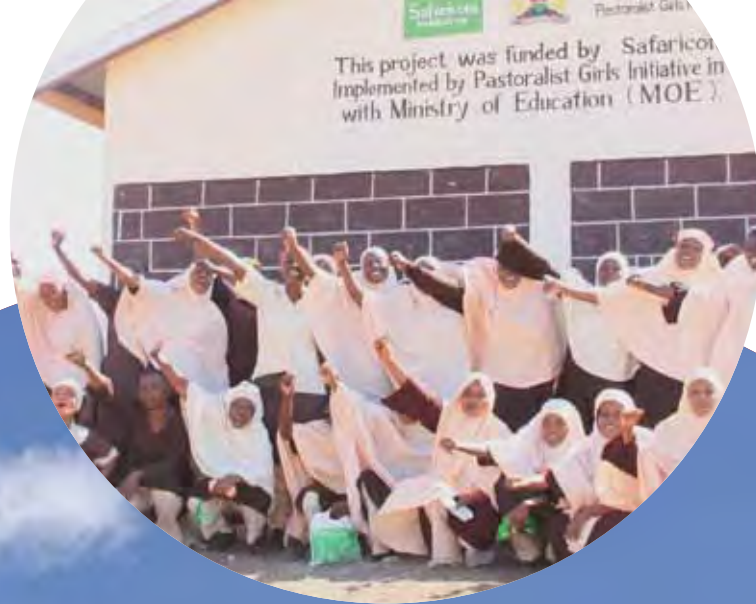
In the past year, Safaricom has developed 300 BTS sites across the country. Before a BTS or other facility is developed by Safaricom, an EIA is conducted to ensure that the development is environmentally sound and sustainable and that environmental consequences have been recognised and taken into account.

After one year of project existence, we conduct an Environment Audit (EA) of the site. The objectives of the EA include: identifying any public concerns and significant environmental impacts (and establishing mitigation measures, if required); assessing compliance with all relevant statutory and regulatory requirements (measuring air emissions, noise and vibrations, waste management processes, electromagnetic emissions, energy consumption, discharges into the aquatic environment and land/ground contamination), as well as facilitating the management and control of environmental practices.

So far, all of our facilities and BTSs have been subjected to an EA and all new developments are subjected to an EIA. We have 1 390 EIA approvals for our BTSs and approximately 2 000 EA approvals from NEMA in total.

Milestones and successes

- We launched the **handset and accessories recycling programme** in advance of any e-waste regulations. The modalities of the project are in discussion with NEMA, key internal stakeholders and CFSK.
- We were awarded the **most compliant company** in the telecommunication sector by NEMA, following negotiated compliance to EMCA 1999 and subsequent regulations.
- We have installed the IsoMetrix system and implemented an automated **Environmental Management System (EMS)**.
- We successfully launched the **Green Awareness Day** and showcased our green initiatives across the business. A launch for the JCC is in progress.
- We designed and disseminated an **EMF communication info-pack** 'The Answer is in your Hand: Mobile Phones, Masts and your health'.



Here are some highlights from the more than 120 projects implemented by the Safaricom Foundation every year.



6

The
Safaricom
Foundation





Disaster Response

Kenyans for Kenya

During July and August 2011, the Safaricom Foundation led a coalition of partners in the 'Kenyans for Kenya' fund-raising initiative, which raised over KShs 677 million to help address the famine situation in Northern Kenya.

Kenya's worst drought in six decades, compounded by runaway inflation, a poor harvest and a ballooning refugee crisis in neighbouring countries, left over 3.5 million Kenyans exposed to starvation and even death.

'Kenyans for Kenya' was the biggest such effort ever mounted in Kenya, the month-long fundraising initiative resulted in providing over 200 000 affected Kenyans with emergency food and water. The initiative will also finance a number of programmes designed to further alleviate suffering and underpin long-term food security in affected areas.



Water Security

Maji na Uhai

In partnership with the Kenya Red Cross and ActionAid Kenya, the Safaricom Foundation has implemented community-focused water projects that improve food production and food security in arid and semi-arid areas by ensuring a constant supply of clean and safe water for domestic use, livestock farming and agriculture.

A recent, typical, project was the successful piping of clean, borehole water to the communities in Katalwa and Mumbuni. Before the project was implemented in Katalwa in the Eastern province, the community had to walk 15 kilometres to draw water from the river or rely on unclean water collected from ground catchments.

To date, the project has directly benefited an estimated 16 500 people, including seven primary schools, three secondary schools and three health centres.

Staff Participation

World of Difference

The immensely popular World of Difference (WoD) is a Safaricom Foundation programme that provides employees with the opportunity to actively participate in Foundation projects by working with project partners and NGOs, such as the Kenya Red Cross Society, the Northern Rangelands Trust and Moving the Goalposts.

Through the competitive WoD application and selection process, chosen employees are seconded to work with Foundation project partners (at no cost to the partner), sharing their skills, time, energy and technical expertise, while working for an organisation or cause that they believe in and gaining insights into community development and the project partner's work.





Education

First Girls Secondary School in Fafi District

Built partly through funding of KShs 5.4 million from the Safaricom Foundation, the new Fafi Girls Secondary School was officially opened on July 14, 2010. As the only secondary school for girls in Fafi District, it is set to significantly increase access to secondary education within the district and the entire North Eastern Province.

Fafi District has one of the poorest school enrolment rates in Kenya at just 9% of girls and 11% of boys, but the new school should start to help change the situation and 54 girls were admitted in its first intake.

The Safaricom Foundation believes that education is the key to a brighter future for both boys and girls and a decisive way of eradicating poverty. Accordingly, the Foundation funds a range of projects in the education sector, supporting the provision of learning environments that encourage students to thrive and succeed.



Food Security

Ustawi

In partnership with the Kenya Community Development Foundation (KCDF), the Safaricom Foundation is implementing a programme designed to combat food insecurity in a community-focused, sustainable manner.

Through the programme, communities in arid and semi-arid areas are selected to receive funding, equipment and training to enable them to adopt alternative, more effective farming, storage and water conservation methods.

With technical support from KCDF staff, community groups are able to harvest food that caters for both their domestic needs and generates additional income within three to six months. Bumper harvests of watermelons, kale, spinach, butternut, tomatoes, avocados and pumpkins are now a common feature in communities in places such as Mwingi, Yatta, Isiolo, Garissa, Kajiado, Mbeere, Samburu, Marsabit, Wajir and Mandera, which were on the brink of food insecurity less than a year ago.



Health

Huru Reusable Sanitary Pad Project

The Safaricom Foundation has partnered with Huru International to distribute free reusable sanitary kits to needy adolescent girls to ensure their dignity and help them stay in school during their monthly cycles.

The Foundation has donated KShs 500 000 towards this project, which has seen the purchase of 455 Huru Empowerment Kits. Each kit comes packaged in a drawstring bag that also functions as a backpack and includes reusable sanitary napkins, underwear, soap, a waterproof bag to safely store used pads and an educational insert featuring information on proper pad usage, sexual and reproductive health and HIV/AIDS prevention.



Sports

Alive & Kicking Kenya

The Safaricom Foundation has partnered with Alive & Kicking Kenya, a not-for-profit ball making social enterprise that makes and donates (or sells at cost) durable, repairable, affordable leather footballs, volleyballs and netballs to orphanages, refugee camps, street kids projects, community schools, youth groups and NGOs with preventive health programmes.

Alive & Kicking Kenya encourages children to play sport to learn life skills like teamwork and to build self-esteem. It undertakes road shows around the country to interact directly with young people and address social and health issues. The road shows use music, drama, sports personalities and sporting events to create HIV/AIDS awareness and offer advice on how to avoid contracting the virus.

The Safaricom Foundation has partnered with Alive & Kicking Kenya three times, most recently to visit 40 secondary schools and youth sports groups in Mumias, reaching at least 40,000 students and youth. Overall, Alive & Kicking Kenya has conducted over 20 road shows and interacted with more than 800,000 young people.



Environmental Conservation

Aberdares National Park Elephant Grids

Since its inception in 2003, the Safaricom Foundation has supported the preservation of Kenya's environment and natural resources through reforestation, the conservation of biodiversity, reducing human-wildlife conflict and promoting of use of renewal energy sources.

The Foundation's latest environmental conservation project is the commissioning of three elephant grids along the fence of the Aberdares National Park and Forest Reserve. The grids, which allow human and vehicular traffic to pass but prevent wildlife from doing so, will help stop elephants from moving into neighbouring farmland and clashing with communities.



Arts and Culture

Kakapel Rock Art Preservation

The Safaricom Foundation has partnered with the Trust for Rock Art (TARA) to preserve and promote the Kakapel Rock Art site in Western Kenya. Invaluable historical treasures, the drawings are over 4 000 years old and an important part of the Iteso people's heritage.

The Foundation's grant made it possible for TARA to remove graffiti damage and rehabilitate the site, to construct the Abasuba Cultural Centre, and to begin marketing the site as a tourist attraction.

The project has helped uplift the community by bringing income into the area. Community members are employed at the centre on a full-time basis, over 300 were employed during the construction and rehabilitation phase, and the income from visitors is being put towards community initiatives like orphan education, building schools and the micro-financing of local businesses.



7

Indicator Overview

Indicator overview

Parameter	FY 2011
Market share of telecommunications sector (by SIM card)	67%
No. of customers	19.1 Million
Value added statement: <i>Value generated</i> (KSh)	108 357 734
Value added statement: <i>Value allocated</i> (KSh)	108 357 734
Safaricom revenue used to pay regulatory fees	4%
Fines for 2011/12 year non-compliance (KSh)	500 000

Energy Security	
Percentage of base stations on grid	90.5%
Percentage of base stations on 24/7 diesel generated power	5%
Percentage of renewable energy hybrid base stations	4.5%
No. of 100% renewable energy hybrid systems (solar-wind battery)	2
Total electricity consumption (kWh)	118 232 786
Total diesel consumption (Litre)	8 424 563

Environmental Performance	
Carbon emissions (tCO ₂ e): <i>Scope 1</i>	25 462.31
Carbon emissions (tCO ₂ e): <i>Scope 2</i>	44 795.22
Total water consumption (litres)	57,420,000

Employees	
Fatalities	2
Lost Time Injuries	14
Total number of permanent staff	2 701
Total number of permanent staff: <i>Women</i>	1 158
Total number of permanent staff: <i>Men</i>	1 543



8

Global
Reporting
Initiative
Compliance
Table

Global Reporting Initiative compliance table

GRI Section	Description	Reference	Page number(s)
1.1	Statement from the most senior decision maker of the organisation (e.g. CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.	Executive Summary > Message from our Chairman > Message from our CEO	Pages 14 - 21
2.1	Name of the organisation.	About this report Safaricom Limited	Page 6
2.2	Primary brands, products, and/or services. The reporting organisation should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.	About Safaricom <i>What we do (our products and services)</i>	Pages 26 - 27
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	About Safaricom <i>Who we are</i>	Page 24
2.4	Location of organisation's headquarters.	About Safaricom <i>Who we are</i>	Page 24
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	About Safaricom <i>Who we are</i>	Page 24
2.6	Nature of ownership and legal form.	About Safaricom > Who we are Safaricom is listed on the Nairobi Stock Exchange	Page 24
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	About Safaricom > Who we are	Page 24
2.8	Scale of the reporting organisation, including: <ul style="list-style-type: none"> Number of employees Number of operations Net sales (for private sector organisations) or net revenues (for public sector organisations); Total capitalization broken down in terms of debt and equity (for private sector organisations); and Quantity of products or services provided. 	Employee Environment About Safaricom (Value added statement) Refer to Annual Report for Annual Financial Statements	Page 32; Page 92 

GRI Section	Description	Reference	Page number(s)
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> The location of, or changes in operations, including facility openings, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations). 	About this report <i>Scope</i>	Page 6
2.10	Awards received in the reporting period.	About Safaricom <i>Recognition</i>	Page 36
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	About this report <i>Scope</i>	Page 6
3.2	Date of most recent previous report (if any).	This is Safaricom's first Sustainability Report.	Page 6
3.3	Reporting cycle (annual, biennial, etc.)	About this report <i>Scope</i>	Page 6
3.4	Contact point for questions regarding the report or its contents.	Navigating this report	Page 7
3.5	Process for defining report content, including: <ul style="list-style-type: none"> Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organisation expects to use the report. 	Our Sustainability Strategy About this report	Page 46 - 47; Page 6
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	About this report Who we are	Page 6; Page 24

GRI Section	Description	Reference	Page number (s)
3.7	State any specific limitations on the scope or boundary of the report.	About this report	Page 6
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Not applicable to Safaricom	Not applicable
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable to Safaricom	Not applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable to Safaricom	Not applicable
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found: <ul style="list-style-type: none"> • Strategy and Analysis 1.1 – 1.2; • Organisational Profile 2.1 – 2.10; • Report Parameters 3.1 – 3.13; • Governance, Commitments, and Engagement 4.1 – 4.17; • Core Performance Indicators; • Any GRI Additional Indicators that were included; and 	Refer to GRI table	Page 114 - 118
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	About Safaricom Governance	Page 37 - 38
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).	About Safaricom Governance	Page 37

GRI Section	Description	Reference	Page number (s)
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/ or non-executive members.	About Safaricom Governance	Page 37
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. <p>Include reference to processes regarding:</p> <ul style="list-style-type: none"> • The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and • Informing and consulting employees about the working relationships with formal representation bodies such as organisation level 'work councils', and representation of employees in the highest governance body. <p>Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period.</p>	About Safaricom Governance Employee Environment	Page 38; Page 88
4.14	List of stakeholder groups engaged by the organisation. Examples of stakeholder groups are: <ul style="list-style-type: none"> • Civil society; • Customers; • Local Communities; • Shareholders and providers of capital; • Suppliers; and • Employees, other workers, and their trade unions. 	About Safaricom Our stakeholders * Each performance section details the relevant stakeholders and how we engage with them	Page 38 - 43
4.15	Basis for identification and selection of stakeholders with whom to engage.	About Safaricom Our stakeholders	Page 39

GRI performance indicators

GRI Indicator	Description	Reference	Page number (s)
Environmental			
EN3	Direct energy consumption by primary energy source.	Energy Security	Page 60
EN4	Indirect energy consumption by primary source.	Energy Security	Page 60
EN8	Total Water withdrawal by source	Environmental Performance	Page 100
EN16	Total direct and indirect greenhouse gas emissions by weight	Environmental Performance	Page 99
Social			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Employment Environment	Page 92 - 93
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Employment Environment	Page 93
LA10	Average hours of training per year per employee by gender and by employee category	Employment Environment	Page 94
SO2	Percentage and total number of business units analysed for risks related to corruption	Ethics and Values	Page 85
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Ethics and Values	Page 85
SO4	Actions taken in response to incidents of corruption	Ethics and Values	Page 85
SO5	Public policy positions and participation in public policy development and lobbying	Dynamic Regulatory Environment	Page 53
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Dynamic Regulatory Environment	Page 55
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Dynamic Regulatory Environment	Page 55
Economic			
EC1	Direct economic value generated and distributed, including revenue, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	About Safaricom	Page 32
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations	Employee Environment	Page 93





9



Table of Abbreviations

Acronym	Description
3G	Third Generation
APS	Auto Phase Selectors
AVR	Automatic Voltage Regulator
BCLB	Betting Control and Licensing Board
BCP	Business Continuity Plan
BTS	Base Transmission Station
CAPEX	Capital Expenditure
CBK	Central Bank of Kenya
CCK	Communications Commission of Kenya
CEO	Chief Executive Officer
CFSK	Computers for Schools Kenya
CMA	Capital Markets Authority
COSO	Committee of Sponsoring Organisations
CPM	Community Power for Mobile
CRBT	Caller Ring Back Tone
CSI	Corporate Social Investment
CSK	Copyright Society of Kenya
DALI	Digital Addressable Lighting Interface
DECC	Department of Energy and Climate Change
DEFRA	Department of Environment, Food and Rural Affairs
DOYA	Dealer of the Year
EA	Environmental Audit
EIA	Environmental Impact Assessment
EMCA	The Environmental and Co-ordination Act
EMR	Electromagnetic Radiation
EMS	Environmental Management System
ERC	Energy Regulatory Commission
FIFR	Fatal Injury Frequency Rate
FY	Financial Year
GBV	Gender-based Violence
GHG	Greenhouse Gas
GJ	Gigajoule
GRI	Global Reporting Initiative
GSMA	GSM Association
IEA	International Energy Agency
ICT	Information and Communications Technology
ICINRP	International Commissions on Non-Ionising Radiation
IRU	Indefeasible Right of Use
IPCC	Intergovernmental Pannel on Climate Change
JCC	Jambo Contact Centre
KCAA	Kenya Civil Aviation Authority
KCDF	Kenya Community Development Foundation

Acronym	Description
KICA	Kenya Information and Communications Act
KPI	Key Performance Indicator
KRA	Kenya Revenue Authority
KShs	Kenyan Shillings
KWh	Kilowatt Hour
LED	Light Emitting Diode
LMS	Learning Management System
LTE	Long Term Evolution
LTi	Lost Time Injuries
LTIFR	Lost Time Injury Frequency Rate
MCPA	Multi Carrier Power Amplifier
MGW	Media Gate Way
MI	Medical Injuries
MOU	Minutes of Use
MSC	Mobile Switching Centre
MTCs	Medical Treatment Cases
MTR	Mobile Termination Rates
MWh	Megawatt hour
NEMA	National Environmental Management Authority
NGO	Non-Governmental Organisation
OPEX	Operational Expenditure
OSH	Occupational Safety and Health
P2P	Phone to Phone
PMU	Power Management Unit
PRSP	Premium Rate Service Provider
QOS	Quality of Service
QR	Quick Response
REA	Rural Electrification Authority
TARA	Trust for Rock Art
RF	Radio Frequency
RML	Road Maintenance Levy
SCC	Safaricom Care Centre
SLA	Service Level Agreement
SMS	Short Message Service
T&I	Telecommunications and Internet
TGIF	Thank Goodness It's Friday
UNEP	United Nations Environment Programme
USF	Universal Service Fund
VAS	Value Added Service
VRB	Vanadium Redox Battery
WHO	World Health Organisation
WOD	World of Difference



10

Safaricom
Sustainability
Team

Safaricom sustainability team

Name	Department
1. Bob Collymore	CEOs Office
2. Nzioka Waita	Corporate Affairs
3. Sanda Ojiambo	Corporate Responsibility
4. Karen Basiye	Corporate Responsibility
5. Paul Mugambi	Corporate Responsibility
6. Valentine Cheruiyot	Corporate Responsibility
7. Alfred Osiko	Corporate Responsibility
8. Steve Chege	Regulatory and Public Policy
9. Mwendwa Maundu	Regulatory and Public Policy
10. Shaka Kwach	Special Projects
11. Godfrey Munzala	Network Quality and Assurance
12. Enock Wachira	Network Service Operations
13. George Ponde	Regional Operations
14. Miriam Jemeli Kosgei	Network Quality and Assurance
15. Goldermier Opiyo	Call Centre Operations
16. Linnet Odah	Retail Sales
17. Sharon D'Souza Holi	Risk Management
18. Kevin Kariuki	Risk Management
19. Samuel Ngugi	Procurement and Supply Chain
20. Nicholas Mulila	Executive Business Office
21. Caroline Wanyoike	Executive Business Office
22. Francis Wamwangi	Human Resources Centre of Expertise
23. Karen Jeruto Rerimoi	Facilities
24. Bonventure Mutuku	Facilities
25. Charles Kimani	Enterprise Business Development
26. Wangeci Kanjama	Business Planning and Support
27. Philip Muchaba	Business Planning and Support
28. Alexander Kinyae	Business Planning and Support
29. Zaheeda Suleman	Strategic Marketing
30. Caroline Wanjiku Gichuru	Strategic Marketing



Safaricom CEO Robert Collymore appointed to United Nations sustainability body in April 2012

Safaricom CEO, Bob Collymore has been appointed to the United Nations Global Compact Board, a voluntary UN initiative that encourages businesses to adopt sustainable and socially responsible policies. The initiative also encourages corporate support for the UN's Millennium Development Goals and corporate adherence to human rights, good labour practices, support for the environment and anti-corruption.

Mr Collymore's appointment as an honorary board member for a three year term is seen as recognition of Safaricom's commitment to environmental, sustainability and anti-corruption issues, as well as the work the company is undertaking to address Millennium Development Goals 4 and 5, regarding maternal health and child mortality.

More about the UN Global Compact Board:





11

Sustainability
Report
Feedback
Form

Safaricom Sustainability report feedback form

Please either return this form to any of our retail stores or email it to: sustainability@safaricom.co.ke

Notes

Please provide your personal details (optional):

Name _____

Organisation

Telephone _____

Email address _____

What is your relationship to Safaricom?

Customer

Business partner

Employee

Government/regulator

Shareholder/investor

Media

Not-for-profit sector

Other

Please rate this report in terms of the following:

About this report

Executive summary

About Safaricom

Dynamic regulatory environment

Energy security

Network stability

Innovation

Supplier ethics and performance

Ethics and values

Employee environment

Environmental performance

Design and layout

[illegible]

How did you become aware of our report?

Printed copy delivered/posted to you

Via the company website

Through the media

Other

In what format did you view our report?

Online interactive 

Online PDF

Printed

What more would you like to learn about Safaricom?

Do you have any other comments on the report?

Thank you for your feedback.

Notes

Notes



Please scan code to
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