

UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS



April 30, 2009

Safaricom Limited is implementing the United Nations Global Compact as part of our broader commitment towards being a responsible and accountable business.

We ensure that our operating standards are of a consistently high level, and that our policies and are translated into practical actions.

Through this report on our progress, Safaricom Limited expresses its willingness to support and advance the ten Principles of the UN Global Compact through our policies, processes, products and services.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Michael Joseph', with a long horizontal flourish extending to the right.

Michael Joseph

Chief Executive Officer

Safaricom is the leading mobile telecommunications network operator in Kenya with an estimated market share of 78% as of December 2008. The principal objects of Safaricom as set out in the Memorandum of Association of the Company are:

- Clause 3 (1): To take on license, install, establish and operate commercial cellular telecommunications systems.
- Clause 3 (2): To purchase, take on license, otherwise acquire construct, install, establish, maintain, operate, turn to account and deal with apparatus equipment for the transmission of messages and information by any means

In 2008, Safaricom held a successful Initial Public Offering that saw over 800,000 members of the public become shareholders.

The company's aim is to remain the leading Mobile Network Operator in Kenya. In order to achieve this, a strong focus has been placed on the implementation of best practices and quality of service to our customers.

With our fast growing subscriber base, we now have over 2,000 employees so as to keep up with this fast growing industry. Safaricom has also opened over 20 retail shops countrywide, and we have a countrywide dealer network to handle distribution and selling of Safaricom services and products

In the modern world of globalization, Safaricom has been able to keep pace with the global mobile telecommunication scenario by having strategic business associations; associations which add value to the global mobile telecommunication initiative and which help in meeting the dynamic challenges of the modern mobile telecommunication world

The Company has the benefit of experienced shareholders, attractive tariffs, a nationwide network of experienced and effective dealers and customer service, a modern network and high caliber management, enabling it to maintain its position as Kenya's mobile market leader.

Addressing Rights in our Business and Amongst our Staff

Our Staff – The pillar of our business

Safaricom staff remain the pillar against which we run our business and through the year our efforts were geared towards making each and every employee appreciate their value and contribution in achieving the Safaricom vision of becoming the Best Company in Africa.

In acquiring the right talent for Safaricom, we have achieved great success in obtaining the right skills and creating a diverse workforce. We have re-assessed our work environment and physical amenities to ensure that they take into consideration our workforce needs including the physically challenged, and we will continue to do more.

It is Safaricom's policy to constantly strive to create a productive working environment, representative of and responsive to people of different backgrounds, cultures, nationalities religions, gender, status, and abilities - where everyone has an equal chance to succeed.

Our commitment to ensuring we provide a favorable work environment for all employees, means that we take into account "what matters to staff" in Safaricom. We moved our customer care team to their new work location in Mlolongo, which is in the outskirts of Nairobi – opening the doors of the Safaricom Jambo Contact Centre. The state of the art centre has the capacity to seat 1,000 employees. In line with our commitment to provide a favorable work environment, our employees enjoy in-house medical services that are available on a 24-hour basis, a fully kitted gymnasium, children's crèche and recreational facilities. We also have fully operational resource centers at Jambo Contact Centre and Safaricom Head Office, which provide our employees with hard and electronic literature to serve their needs.

With the increase in competition and resulting demand for skilled workforce, we have implemented new retention strategies that focus on the individual employee. Through our management and leadership development program, we have ensured that our management team is equipped with the soft skills and business acumen required to deliver on our commitments to the business and our people. In order to continuously understand the needs of our employees, we conducted a staff satisfaction survey where we identified our gaps in meeting employee expectations and we continue to focus our efforts in addressing them.

We are ISO 9001:2000 certified and we therefore continue to embrace our ISO certification principles by continuous review of our work processes in line with our objectives. The customer relationship management process is just one example of an area that we have critically reviewed and believe that the value acquired through this exercise will be passed on to the customer.

Focusing on our vision to become the Best Company in Africa, we will continue acquiring the right talent and taking proactive measures which include collaborating with the academia to influence curricula in order to develop the right skills for the ever changing telecommunications industry. We have ongoing

collaborative initiatives with Moi University and Jomo Kenyatta University of Agriculture and Technology (JKUAT).

We will also develop our existing talent in line with the changing landscape of our industry and drive performance through our people. We continue to look at our organizational structures with a view to optimizing on productivity in each service line and ensuring that we deliver in a cost effective manner.

Through the Safaricom Foundation, Safaricom implements its Corporate Social Investment agenda, involving staff in its work with communities. Each staff person has been allocated four paid leave days per year to engage in Corporate Social Responsibility activities with any of the project partners of the Foundation. In addition, this year, the Company launched the first phase of an initiative which will provide the unique opportunity for a team of staff to provide their professional skills to selected project partners for a year (three months for each person), during which the company will continue to cover their salaries. This initiative demonstrates the fact that Safaricom staff represent a pool of talent that can contribute their skills and knowledge to build capacity within other organizations as well as contribute towards positive changes within communities.

Safaricom has the following policies and procedures in place to ensure that our staff work in an appropriate work environment, ensuring equal opportunity and ensuring non discriminatory practices.

- Health and Safety Policy
- Equal Opportunities Policy
- Recruitment Policy
- Grievance Policy
- Harassment Policy
- Job Description Policy
- Annual Leave Policy
- Maternity Leave Policy
- Paternity Leave Policy
- Whistleblower Policy

Promoting Greater Environmental Responsibility

At Safaricom, we acknowledge we need to look at more than just the bottom line. We have to take due consideration of the environment and issues such as renewable energy, emissions and climate change in order to remain sustainable.

In 2003 Safaricom, in partnership with Vodafone group initiated a series of energy cost cutting initiatives. Since then, the company has allocated financial and human resources to roll out a strategy aimed at providing 'green solutions' in the form of wind and solar to power our Base Transceiver Stations (BTS). The imperative to provide environmentally conscious solutions has been driven by our commitment to environmental social responsibility, the availability of adequate wind and solar resources, the desire to provide services to Kenyans even if they are located in areas off the national electricity grid, and the high cost of diesel and engine maintenance. There are currently 85 green BTS sites. Diesel use has reduced, as have our carbon emissions. These sites have increased access to mobile technologies, often outside the national grid and the supply of excess power has been provided to the local community, for example in health centers, water pumps and street lighting.

In the roll out of our network, the company engages with communities where BTS are to be installed to ensure that community perspectives are taken into consideration. Our equipment is type approved internationally and our processes reflect international best practices. We have also installed a number of BTS designed to blend in with the surrounding environment, making them aesthetically in line and acceptable with communities. We have also engaged in a number of co-location agreements with other providers so that we minimize on the impact of our technologies.

We have introduced products that are environmentally friendly. The highly successful MPESA virtual money transfer system has reduced the paper work that comes from traditional money transfer mechanisms, resulting in less harm to the environment. In addition, our virtual air time top up system reduces the need for paper scratch cards, reducing the number of trees used for the production, and also reducing the need for waste management of paper scratch cards.

This year, we led the Kenyan corporate sector in partnering with WWF and UNEP and for the inaugural Earth Hour commemoration held in Nairobi, Kenya. The company has been awarded the Total Eco Challenge award for planting one million trees, and in recognition of its efforts in re-afforestation. Additionally, through the Safaricom Foundation, we are supporting an innovative project on e-waste management in Kenya. Our project partner recycles computers, mobile phones and other electrical devices, either preparing them for re-use in the market or processing them for environmentally sound disposal. The Foundation also funds a wide range of projects that contribute towards environmental conservation in various areas of the country.

Working Against Corruption

Corporate Governance

At Safaricom, we are committed to the highest level of corporate governance, which we consider critical to business integrity and to maintaining investors' trust in the Company. We foster a culture that values and rewards the highest ethical standards and personal and corporate integrity. The Company expects all its directors and employees to act with honesty, integrity and fairness. The Company strives to act in accordance with the laws of Kenya and observes and respects the cultures of the Kenyan people.

The Company has adopted a Code of Conduct, which complies with the highest standards of integrity, honesty and ethics in dealing with all its stakeholders, including directors, managers, employees, customers, suppliers, competitors, shareholders and society at large. The Code also stipulates policies and guidelines regarding the personal conduct of employees. All new staff receive a copy of the Code and a presentation on the Code as part of the induction process. They are required to sign a declaration stating that they have received it, have read and understood it, and will comply with it.

Safaricom's gift policy ensures that all business dealings on behalf of Safaricom with existing and potential customers, suppliers, other members of staff etc are conducted fairly and equitably. Staff must not be influenced by friendship or association, either in meeting customers, suppliers' requirements, or in recommending that they be met. The policy aims at ensuring that employees maintain the ethical and professional standards expected of them when dealing with customers, suppliers and staff.

The Company also has a copyright and intellectual property rights policy to encourage the development of inventions and other creative works for the best interest of the business and to protect any copyright and or patent rights inherent therein. The policy is further intended to ensure that the benefits of such copyright and patent rights accrue to the business.

The company has also implemented an independently administered ethics hotline to encourage whistleblowing by employees.

In order to ensure best practices amongst our over 500 suppliers, Safaricom administers a legally binding questionnaire as part of the Request for Proposal, requiring suppliers to provide information on their health and safety policy, environmental policy, waste management plans and their corporate social responsibility plans (for those with revenues over a certain threshold). Suppliers also provide information on whether they are facing any legal actions and on their gift giving practices.

Corporate Social Investment The Safaricom Foundation

This year, the Safaricom Foundation celebrates five years of working with partners to help Kenyan communities improve their livelihoods. These five years have seen significant challenges and successes. Our work with partners has enabled many thousands of young Kenyans to enjoy better classroom environments; experience the thrill of having quality textbooks and science laboratories and have the use of modern computers; many rural women now have access to quality healthcare during pregnancy; tens of thousands of Kenyans have attended free health clinics; through the provision of mobile clinics - even specialized health care has been taken to the street children and slums of Nairobi; hundreds of thousands of trees have been planted and environmentally important sites protected from human encroachment.

The Foundation undertook a strategic review and planning exercise and identified strategies to guide its support to the following focus areas:

Health: The Foundation recognizes that for many Kenyans, access to affordable or specialized health care is a challenge, hence our response has been to partner with health service providers and communities to increase access to healthcare services, including specialized services.

Education: The Foundation has supported the construction and equipping of classrooms, libraries and laboratories in order to provide a satisfactory learning environment for children. Support from the Foundation to institutions providing learning opportunities for children with special needs have enabled them to acquire specialized learning equipment, and establish income -generating projects. Some funding has also gone to providing sanitary facilities to help retain girls in schools.

Economic Empowerment: Communities in Kenya possess unique and innovative ideas aimed at providing sustainable sources of livelihood. However materializing these ideas is often stifled by factors such as lack of capital and lack of expertise. The Foundation partners with organizations and communities to support initiatives in income generation, food security, employment creation in order to improve their livelihoods. Projects range from small scale community based initiatives to larger country wide initiatives.

Environmental Conservation: Providing sustainable support for the preservation of the Kenyan environment and the management of her natural resources.

Sports: Providing opportunities for the integration of education and life skills into sport; as a means of promoting cohesion amongst groups and communities and also building our national pride.

Music, Arts and Culture: Preserving and promoting Kenya's national heritage in terms of art, music, theatre and culture as a whole.

Disaster Relief: Projects supported under this focus area respond to disasters and humanitarian emergencies that have arisen. The Foundation has put in place structures that allow for shorter turnaround times, thus saving time and more importantly lives. The Foundation partners with Kenya Red Cross in its disaster relief efforts and provided Ksh. 10 million for the resettlement of Internally Displaced Persons in Eldoret and Ksh. 10 million to support famine relief efforts

In 2008/9, the Foundation committed Ksh. 210 million to various projects. Some of the highlights of our partnerships and projects follow:

- **Operation Smile Kisumu Mission:** For surgeries for cleft and lip palate repairs and surgeries for burn victims through the Operation Smile Mission in Kenya. 131 surgeries were conducted, bringing smiles to both patients and families
- **Medical Camps:** For the provision of medical services through mobile clinics organized by the Kenya Diabetes Management and Information Centre. 18 camps will be held in various locations throughout the country. Services provided include dental care, eye care, screening and management for diabetes and hypertension, pediatric services and treatment of general medical ailments.
- **Nairobi Women's Hospital Gender Violence Recovery Centre:** For the operations of the Gender Violence Recovery Center.
- **Junior Achievement:** For the Junior Achievement programme in support of providing experiential learning and exposure opportunities for secondary school students.
- **Infrastructural support,** Laboratories, libraries and books were provided to various schools in Bogoria, Garissa, Kajiado and Kapenguria
- **Income generating activities:** Community groups in Nairobi's Eastlands, Taveta, Kerugoya, Nakuru have received funding support to establish income generating activities in areas such as poultry rearing, dairy projects, craft making and baking
- **Best Buddies Kenya:** For mentoring support and income generating activities for young adults with disabilities to enable them to plan for their future jobs and incomes.
- The Foundation has partnered with Kenya Red Cross in its disaster relief efforts and provided funding for the resettlement of Internally Displaced Persons in Eldoret and for famine relief efforts

Staff participation has been key to the ability of the Foundation to connect with communities and to participate in the implementation and monitoring of their activities. This year, staff participated in the Junior Achievement Job Shadow programme, provided logistical and administrative support during medical camps, planted trees in Ngare Ndare, participated in an anti-jigger campaign in Lewa, and partnered with Kenya Red Cross to distribute food in Yatta.