Simple • Transparent • Honest

FOR YOU

SAFARICOM PLC
ANNUAL REPORT AND
FINANCIAL STATEMENTS 2020

Safaricom

We are Safaricom,

the company that…

…made a brand promise to CUSTOMERS Read more pages 6 and 7

partnered with banks to boost FARMERS' prosperity Read more pages 8 and 9

made a commitment to HOUSEHOLDS Read more pages 10 and 11

addressed diversity and inclusion among OUR PEOPLE Read more page 39

moved children's EDUCATION online Read more page 41

and kept KENYA connected. Read more page 42

Following the adoption of IFR 16 leases on 1 April 2019, the Group's results for the year ended 31 March 2020 are on IFRS 16 basis, whereas the results for the year ended 31 March 2019 are (as previously reported) on an IFRS 15/IAS 17 basis. To ensure appropriate disclosure during the period of transition onto IFRS 16, numbers for the year ended 31 March 2020 have been disclosed on both IFRS 16 and IAS 17 basis and our commentary describing our operating performance has been provided solely on IFRS 15/IAS 17 basis.

Our strategic framework to deliver our brand promise

Safaricom PLC is a purpose-led technology company providing a wide range of services and solutions, including mobile voice; messaging; data; financial and converged services; and digital services that enables platforms and ecosystem partnerships.

Our purpose – Why we exist

To transform lives

Our vision – Where we are going

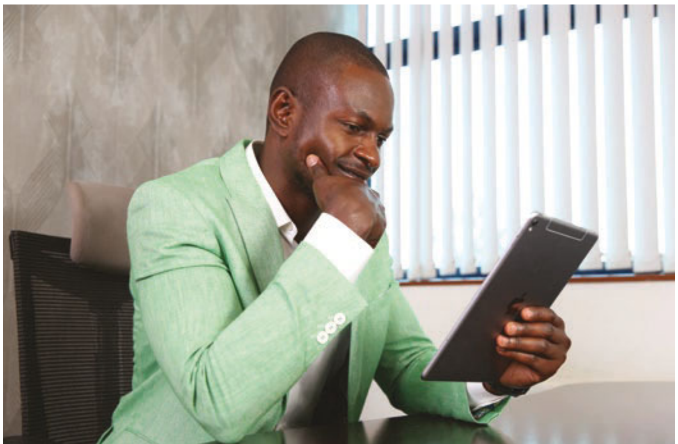
We are a purpose-led technology company that uses innovation to drive social and social economic empowerment in society

Our way – How we need to do it

Speed, simplicity and trust

Our brand promise – Becoming a better company

Simple. Transparent. Honest.
FOR YOU



Our business model

The foundation of our growth is the sustained investment we make centred around customer experience.

See more page 30

Our capitals

Human and intellectual capital – the technical and managerial skills, productivity and wellbeing of our people – coupled with a company culture and governance systems that foster innovation and compliance – are critical to our long-term success.

Social and relationship capital – a positive brand and quality relationships with customers, regulators, investors, suppliers and communities is the foundation of our ability to generate revenue.

Manufactured capital – our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation.

Financial capital – which includes shareholders' equity, debt and reinvested capital – is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital.

Natural capital – we require natural capital such as land and energy to deploy and operate our manufactured capital.

See more pages 32 to 46

Putting the customer first

Relevant products

Operational excellence

Our strategy

Putting the customer first

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

Relevant products

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

Operational excellence

- **Technology enabling a digital society** – it's not just about providing the bare minimum in voice, messaging and data services; it's about investing in enablers that allow our customers to stay connected to each other and to the world around them.
- **Digital First** – rethinking and digitising our operations, products and services to become more agile in order to enable the digital lifestyles of our customers.
- **Cost transformation** – structurally transform our operating model and fundamentally reshape our cost base, while also improving the overall experience for our customers and generating incremental value.

See more page 56 to 66

OUR PERFORMANCE

OUR GOVERNANCE

OUR FINANCIALS

OTHER INFORMATION

Safaricom at a glance

Our 4G network covers 77% of the Kenyan population and our 3G network covers 94%. We have platforms and partnerships that span Kenyan life from agriculture to financial services.

Coverage

4G
77%
Proportion of the population covered by our 4G network

3G
94%
Proportion of the population covered by our 3G network

+330k
Homes passed by fibre in FY20 +11.2% YoY

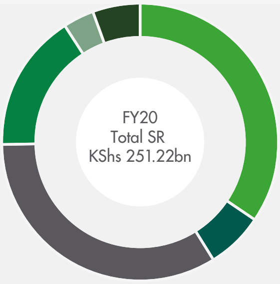
25.6k
Fixed data links +34.5% YoY

Partnerships and platforms

Platform	Partners	Sector	Description
M-PESA	Visa Credit and savings Global payment partners Ant Financial	Financial services	A service that enables M-PESA registered customers to send and receive money globally.
m-tiba	Care Pay	Health	A health payment application or 'e-wallet' that enables low income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.
FULIZA Dial *234# to join	KCB Group NCBA	Financial services	An overdraft facility that allows our customers to complete their transaction in case of insufficient funds.
DigiFarm BY SAFARICOM	Farmers Financial institutions Input providers Content providers Off-takers	Agriculture	An integrated mobile platform that offers farmers convenient, one-stop access to a suite of products including financial and credit services, quality farm products, access to market and customised information on farming best practices.
SOMA NA SHUPAVU 291	Eneza Education	Education	An SMS and USSD-based education platform that enables students to study without an internet connection.
M-Salama	Kenya Red Cross Society	Charity	A platform on USSD and SMS that sends early warning information.
MASOKO BY SAFARICOM	Sendy Wells Fargo	E-commerce	An e-commerce platform that creates opportunities for customers to access locally manufactured goods from anywhere in Kenya. 64% of vendors in the platform are SMEs, and we work with local manufacturers to help them grow their businesses through e-commerce.

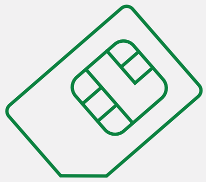
Service revenue profile

%



- Voice outgoing **34.5%**
- SMS **6.8%**
- M-PESA **33.6%**
- Mobile data **16.2%**
- Fixed data **3.6%**
- Others **5.3%**

35.61m
Total customers

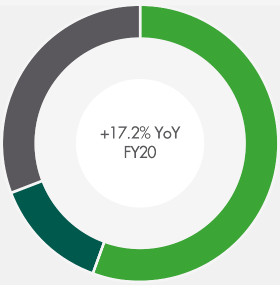


21.99m
One month active mobile data customers

M-PESA revenue profile

excluding impact of betting and COVID-19 response

%



- New Business **KShs 22.09bn, +43.4% YoY**
- Withdrawals **KShs 30.32bn, +5.4% YoY**
- Transfers **KShs 28.83bn, +14.6% YoY**

24.91m
+10.0% YoY
One month active M-PESA customers

+173k
+40.1% YoY
Number of one month active Lipa Na M-PESA tills

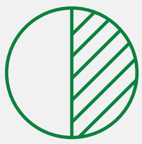
+173k
+3.7 YoY
Number of M-PESA agents

Shareholder structure

%

- **40%** Vodafone of Kenya Limited (VKL) (Vodacom ownership of VKL 87.5%)
- **35%** Government of Kenya (GoK)
- **25%** Nairobi Stock Exchange (NSE)

607%
Total shareholder return on stock since listing



c50%
Percentage of Safaricom market cap to total NSE market cap

We are the company that made a brand promise to CUSTOME

Simplified data and voice with no expiry date

One simplified customer journey; dial *100# for service and *544# for purchase

As our customers enter the shop, we serve them within five minutes reducing the need to get to the counter

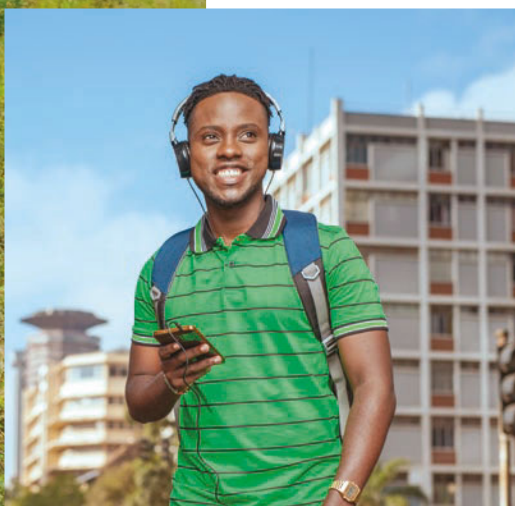
We shall serve them a cup of free Wi-Fi when they visit us in our shops or offices

We shall pick up their call within five minutes or call them back

When customers lose their SIM, they can simply replace it themselves using voice authentication

We simplified the look and feel of all our shops and open a few for longer hours

Customers do not have to queue to get service. Our shop attendants have CEEs with tablets and smartphones to serve them while on the floor



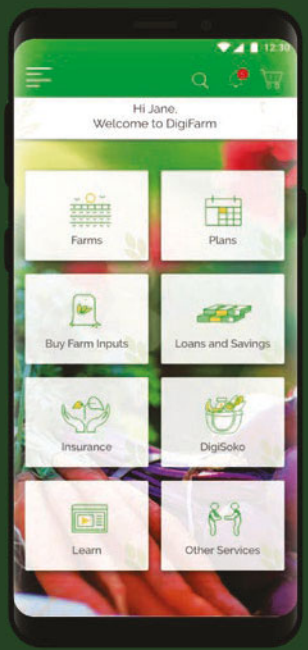
Simple. Transparent. Honest. FOR YOU.

We launched a unique customer-centric offer, with no expiry on data and voice in October, as part of our intention to be Simple, Transparent and Honest with our customers.

We found that our customers wanted simplified data and voice offerings and a better customer experience. They wanted more control over the choice of data speed and premium rate services (PRS) and more affordable data bundles and voice offerings.

As a result of this initiative, we have regained market share, and seen mobile data growth move into double digits. Underlying service revenue growth is steady and better asset utilisation has enhanced brand consideration. We have regained consideration and love for the Safaricom brand.

> Our former CEO, Bob Collymore said Africa could feed the world. I daresay with the right technological support, Kenya could feed Africa.
>
> **Peter Ndegwa**
> CEO, Safaricom

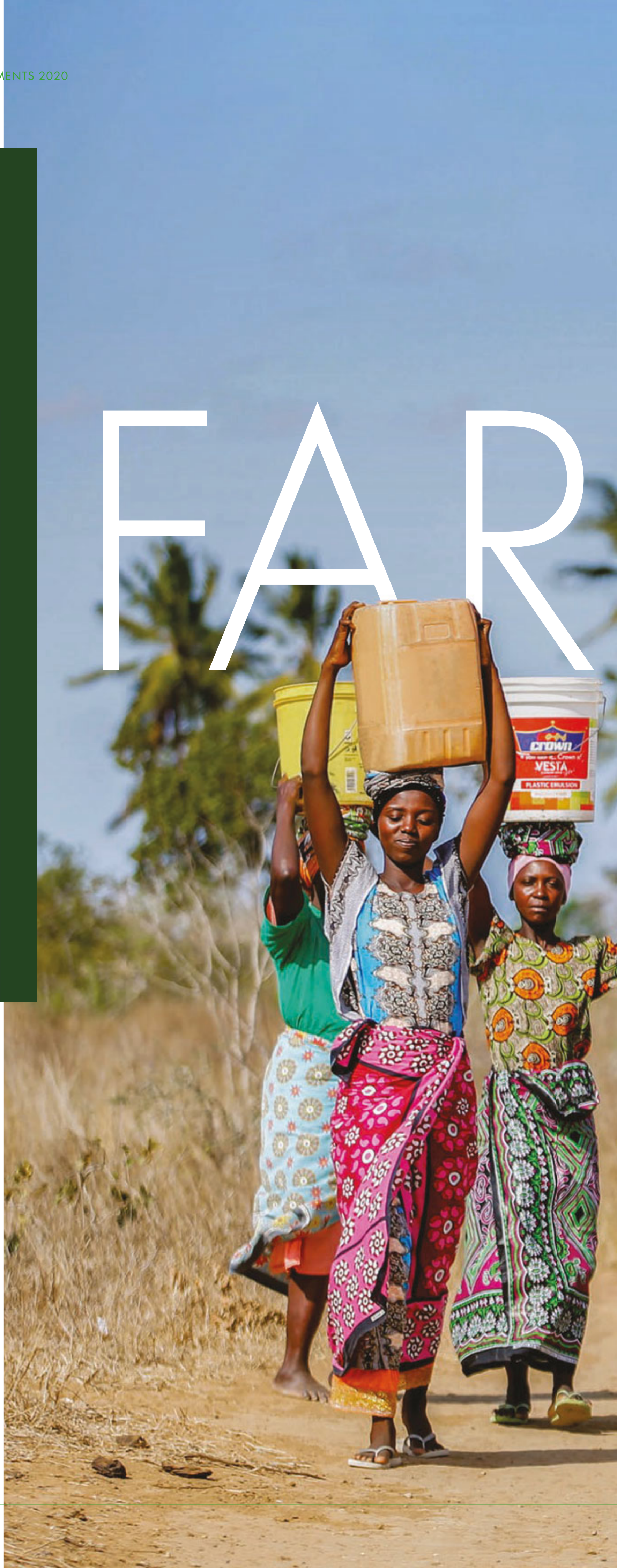


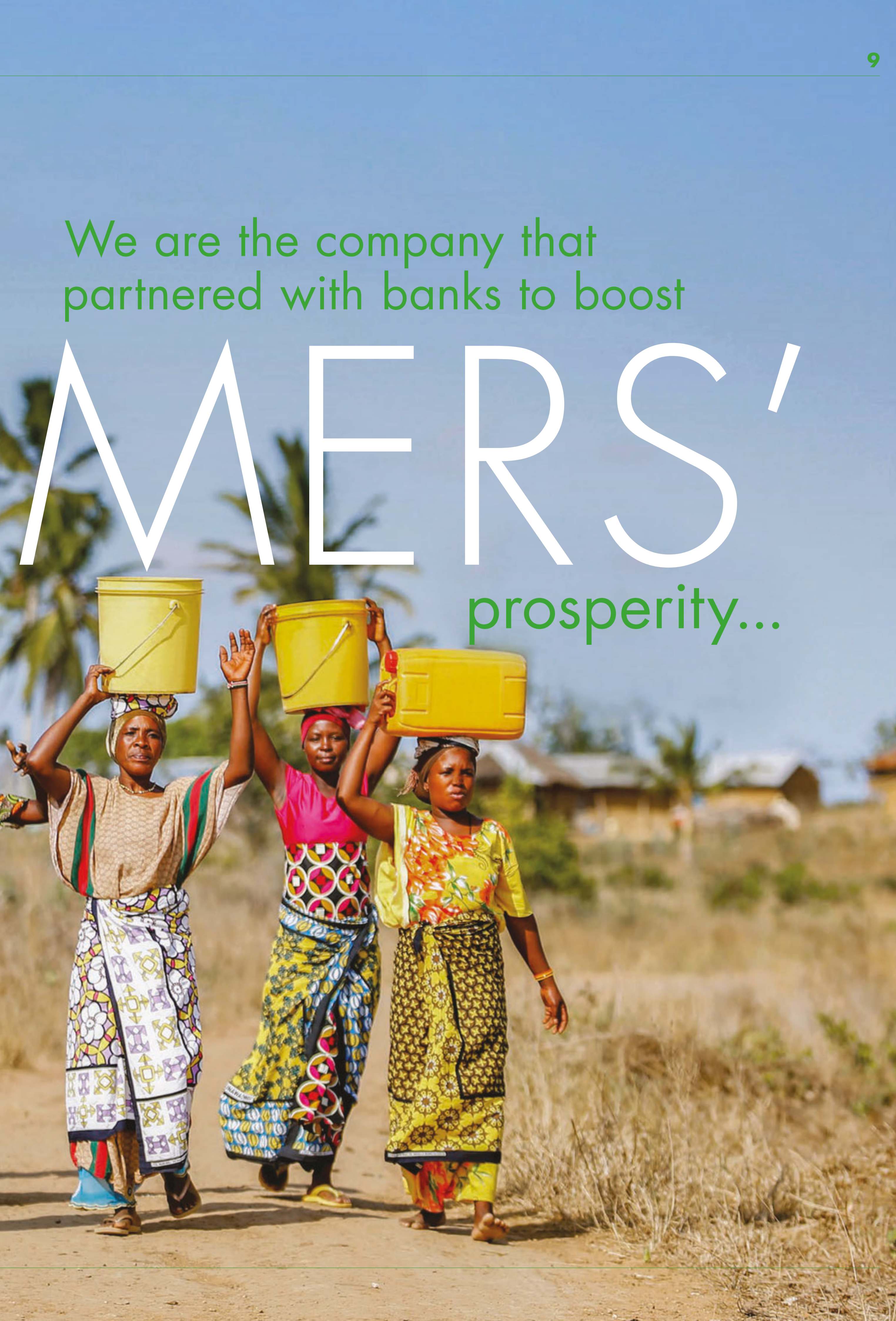
DigiFarm

In agriculture, 80% of Kenya is arid and semi-arid land and only 10% is arable.

DigiFarm is an integrated mobile platform that offers farmers convenient, one-stop access to a suite of products, including financial and credit services, quality farm products and customised information on farming best practices. It helps agribusinesses and small holding farmers share information and transact more easily. Our focus is on small holder farmers who produce over 70% of the food consumed in Kenya but are below 30% in production potential and our goal is to increase the productivity through: Quality inputs, access to credit, information through digital platforms and Access to Market.

We see opportunities to help realise Kenya's agricultural potential using our mobile technology.





We are the company that partnered with banks to boost MERS' prosperity...

We are the company that made a commitment to HOUSE

Safaricom and M-PESA Foundations response to COVID-19

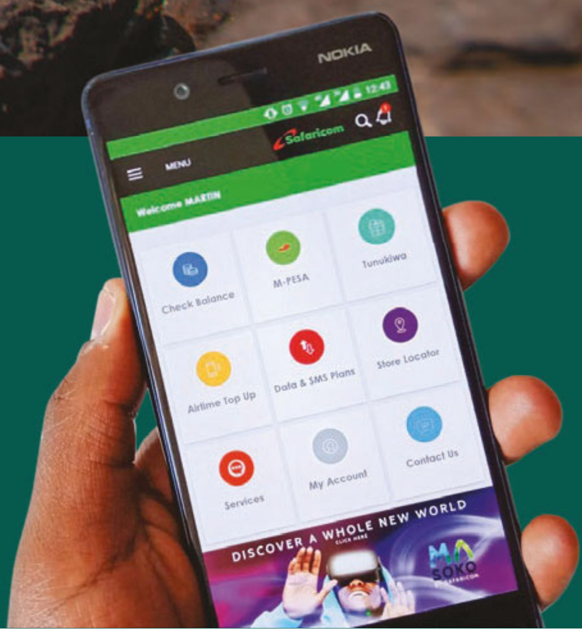
Governments and organisations across Africa have grappled with how to enhance food security for the vulnerable without them sliding into famine during the COVID-19 crisis.

Safaricom has committed KShs 400 million through its "Bonga for Good" initiative to enable customers to give and share Bonga points worth KShs 2 billion. This has enabled Kenyans in need during the pandemic to pay for essential food and nutrition. Donors are able to donate points to those in need.

Under the initiative, Kenyans redeemed an average of 20 million points a day at the height of the pandemic. The Campaign ended on 4 June 2020.

With evidence showing cash transfers are often more efficient and cost-effective than other forms of aid, this is an innovative way for donors to reach the vulnerable using technology.

> Cash and vouchers result in more aid directly reaching beneficiaries, which ultimately ensures maximum impact for those in need and better value-for-money for donors and taxpayers.
>
> **Philip Ogola**
> renowned Kenyan humanitarian



A letter to investors and stakeholders

Our investment case

Headwinds – upside in our performance

- ‘For You’ – new customer proposition renewing our commitment to customers to be Simple. Transparent. Honest. FOR YOU
- Neo, our new customer proposition in the form of a no-expiry resources plan
- Digital transformation and investment in IT capabilities
- Commitment to sustainability and social inclusion guided by the Sustainable Development Goals
- Target to become carbon neutral by 2050

Tailwinds – downside risk to our performance

- Global health emergency: impacts and uncertainties of the COVID-19 pandemic
- Pressure on the consumer wallet
- Climate change: impacts on agricultural production and food security
- Regulatory risk
- Changing competitive landscape

To our investors and stakeholders

This Annual Report provides a concise, material and honest assessment of how Safaricom PLC creates value over time. It gives an overview of Safaricom's strategy and business model, risks and opportunities, operational and governance performance and activities for the financial year 1 April 2019 to 31 March 2020.

We look beyond the boundaries of traditional financial reporting to assess the broader risks, opportunities, impacts and outcomes that materially impact on Safaricom's value creation over the short- (less than 12 months), medium- (one to five years) and long-term (beyond five years). Financial and non-financial data from all divisions are fully 'consolidated'.

Reporting frameworks

This report is prepared in accordance with the International Financial Reporting Standards (IFRS) Framework and the International Integrated Reporting Framework. Our reporting process is guided by the principles and requirements of IFRS, the Nairobi Securities Exchange (NSE) Listings Requirements and the Kenyan Companies Act.

Materiality

This report provides information on the matters we believe could substantively affect value creation at Safaricom PLC. Written primarily for current and prospective investors, our aim is to meet the needs of every stakeholder who wishes to make an informed assessment of Safaricom's ability to create sustainable value over time.

We carry out a structured process involving senior decision-makers from across the Group to identify and prioritise the material matters for inclusion in our Annual Report. This process involved a considered review of Safaricom's business model and strategy: our operating environment, and the interests of our key stakeholders as expressed by them during our normal business engagements with them. The outcomes were reviewed and signed off by the Board Committees, namely the Audit, Nominations and Remuneration Committees.

This report presents the identified material information through a clearly structured narrative. Additional information that is not material to the report but is of interest to stakeholders for other purposes, is provided in our other reports, including our Sustainability Report and on our website.

Integrated thinking

Integrated thinking is intrinsic to how we manage our business and our strategy development and reporting practices. Our strategy and its three strategic pillars have been developed to ensure that we manage the key resources and relationships that enable us to create value over time. Considered assessment of the three strategic pillars inform our strategy and the materiality process used to determine the content and structure of this report. A review of our interaction with key resources and relationships is presented on pages 32 to 46 of the report.

Assurance

Our Board Audit and Nominations and Remuneration Committee provide internal assurance to the Board on an annual basis on the execution of our three strategic priorities. The Company's financial, operating, compliance and risk management controls are assessed by the Company's internal audit function, which is overseen by the Audit Committee.

Board approval

The Board has applied its collective mind to the preparation and presentation of the information in this report, which has been guided by International Financial Reporting Standards (IFRS) and IIRC's International Reporting <IR> Framework. The Board believes that this report addresses all material issues and presents a balanced and fair account of the Company performance for the reporting period, as well as an accurate reflection of our core strategic commitments for the short, medium and long term.

The Directors have applied their judgement regarding the disclosure of Safaricom's strategic plans and have ensured that these disclosures do not place Safaricom at a competitive disadvantage.

On the recommendation of the Board Audit and Nominations and Remuneration Committees, the Board approved the Safaricom PLC Consolidated Audited Financial Statements (AFS) on 28 April 2020.

Signed on behalf of the Board

Nicholas Nganga
Chairman

Peter Ndegwa
Chief Executive Officer

OUR BUSINESS

Financial highlights

Five year historical performance

Income Statement – KShs'm	FY16	FY17	FY18	FY19 IAS 18	FY19 IFRS 15/IAS 17	FY20 IFRS 15/IAS 17	FY20 IFRS 15/16
Voice revenue	90,802	93,459	95,639	95,938	95,798	94,452	94,452
M-PESA revenue	41,500	55,084	62,907	74,990	74,990	84,438	84,438
Mobile data revenue	21,154	29,328	36,357	38,687	36,265	40,668	40,668
Fixed data revenue	3,815	5,242	6,673	8,191	8,101	8,967	8,967
SMS revenue	17,328	16,679	17,721	17,496	19,612	17,185	17,185
Other service revenue	3,185	4,317	5,237	5,001	5,001	5,504	5,504
Service revenue	177,784	204,109	224,535	240,303	239,767	251,214	251,214
Handset and other revenue	8,621	8,700	8,980	9,584	9,448	10,488	10,488
Construction revenue	9,280	76	202	603	603	584	584
Other income	232	2,511	510	464	464	270	270
Total revenue	195,917	215,396	234,227	250,955	250,283	262,556	262,556
Direct costs	(62,310)	(66,781)	(70,555)	(71,818)	(71,796)	(74,701)	(74,701)
Provision for expected credit loss (ECL) on receivables	–	–	–	–	10	(1,670)	(1,670)
Construction costs	(9,280)	(76)	(202)	(603)	(603)	(584)	(584)
Contribution margin	124,327	148,539	163,470	178,534	177,893	185,601	185,601
Operating expenses	(41,261)	(44,929)	(50,636)	(53,590)	(53,590)	(50,968)	(47,560)
EBITDA	83,066	103,610	112,834	124,944	124,304	134,623	138,042
Depreciation & amortisation costs	(27,943)	(33,234)	(33,568)	(35,331)	(35,331)	(33,625)	(36,548)
EBIT	55,124	70,375	79,266	89,613	88,973	100,998	101,494
Net finance costs	504	297	659	2,251	2,251	2,563	922
Net forex gain/(loss)	398	(59)	(26)	(11)	(11)	(20)	(20)
Share of associate profit/(loss)	104	19	10	5	5	61	61
Fair value loss on investment property	(367)	–	–	–	–	–	–
Share of profit of joint venture (M-PESA Global Services Limited)	–	–	–	–	–	3,296	3,296
EBT	55,763	70,632	79,910	91,859	91,218	106,918	105,763
Taxation	(17,658)	(22,188)	(24,620)	(28,460)	(28,727)	(32,229)	(32,115)
Net Income*	38,104	48,444	54,290	63,399	62,491	74,699	73,658
Earnings per share (KShs)*	0.95	1.21	1.35	1.58	1.56	1.86	1.84
Free cash flow (KShs'm)	30,360	43,515	55,387	63,105	63,105	70,270	70,270
Ordinary dividend (paid/proposed) (KShs'm)	30,483	38,863	44,071	–	50,082	–	56,092
Ordinary dividend per share (KShs)	0.76	0.97	1.10	–	1.25	–	1.40
Special dividend (paid/proposed) (KShs'm)	27,244			–	24,841	–	–
Special dividend per share (KShs)	0.68			–	0.62	–	–

* For FY20, the share of profit of joint venture, KShs 3.30 billion relates to the purchase of the M-PESA brand, with the gain being attributed to the intrinsic value of the M-PESA brand previously unrecognisable due to the ownership structure. As this is exceptional in nature, the normalised profit and total comprehensive income for the year grew at 14.3%, and headline earnings per share (HEPS) amounted to KShs 1.78, an increase of 14.3% year on year.

IFRS 16 impact – The Group has recognised amortisation of ROU asset of KShs 2.92 billion and interest on lease liability of KShs 1.64 billion compared to operating lease expenses of KShs 3.41 billion that would have been recognised under IAS 17. The net impact to FY20 is KShs 1.04 billion.

Steady service revenue growth on an underlying basis**

Service revenue growth
+4.8%
KShs **251.22**bn

Service revenue growth
+5.9%
on an underlying basis*

Fixed service revenue
+10.7%
KShs **8.97**bn

One month active overall customers
+9.5%
28.63m

One month active chargeable mobile data customers
+10.2%
19.62m

Voice (incoming and outgoing)
-1.4%
KShs **94.45**bn

Mobile data revenue
+12.1%
KShs **40.67**bn

Messaging revenue
-12.3%
KShs **17.19**bn

One month active M-PESA customers
+10.0%
24.91m

M-PESA revenue
+12.6%
KShs **84.44**bn

Earnings outperforms guidance generating solid shareholder returns

EBIT (Profit before interest and tax)
+13.5%
KShs **101.01**bn

EBIT margin
38.6%
+3.0ppts YoY

Free cash flow
+11.4%
KShs **70.27**bn

Headline earnings per share (HEPS)**
+14.3%
KShs **1.78**

* Excluding the impact of betting and free M-PESA transactions in response to COVID-19.

** Headline Earnings per share (HEPS) calculated excluding the gain on acquisition of the M-PESA brand (KShs 3.3 billion) divided by number of issued share capital.

CHAIRMAN'S STATEMENT

Stability and innovation

Safaricom is committed to keeping Kenya connected and to supporting the government and Kenyans at large during this unprecedented time. Our contribution to the fight against the COVID-19 pandemic stands at KShs 6.5 billion and it is growing all the time.

Welcome to our 2020 Annual Report. I would like to begin by welcoming Peter Ndegwa who joined us as Safaricom's new CEO on 1 April 2020. Peter is the first Kenyan to lead the Company and the Board is extremely pleased with his appointment. It goes without saying that Peter has my full support and that of the whole Board as he leads the organisation into the next phase of growth.

I would also like to thank Michael Joseph for his strong leadership during this period of change which was unexpected in many ways. Michael has done an outstanding job in steering the Company through this transition and delivering the strong results we are able to report.

Keeping Kenya connected during the pandemic

These are unprecedented times – the extent of the COVID-19 challenge is not something any of us would have imagined. Unlike in the past when we have faced election-related volatility, the pandemic arrived with high uncertainty and unpredictability. The effects are not limited to public health; they affect all spheres of Kenyan society. Globally, the economy is experiencing a colossal negative impact with the International Monetary Fund projecting severely impacted growth across all regions.

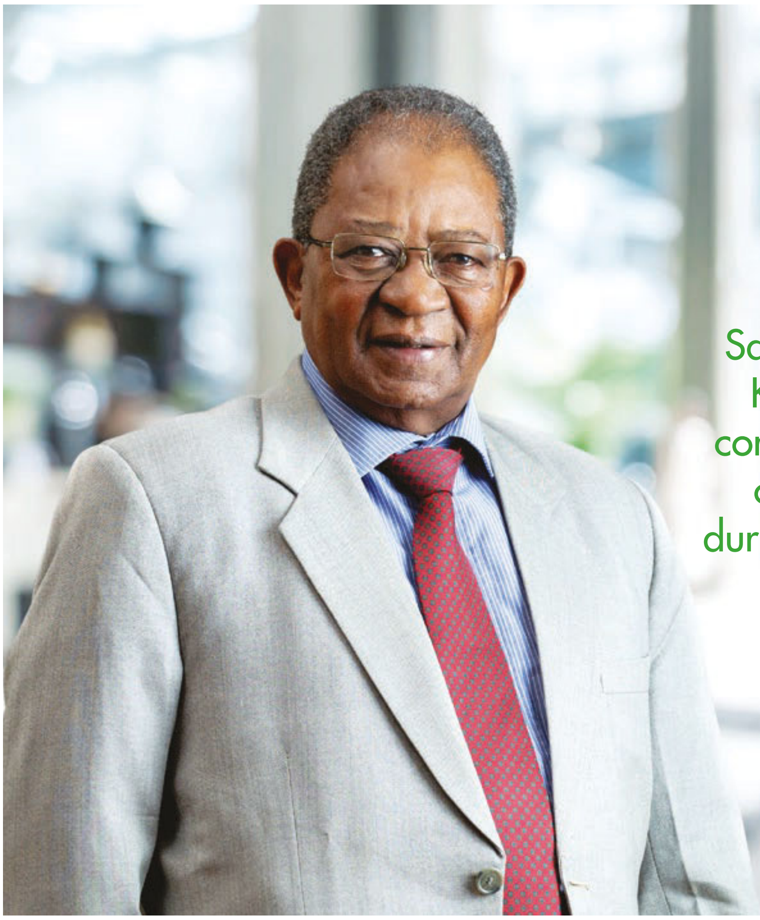
Our purpose of transforming lives is at the core of everything we do and I believe we have an opportunity to develop relevant solutions that will play a crucial role in the national response and help cushion Kenyans from the negative impact of the pandemic.

In an increasingly digital economy, we are committed to keeping Kenyans connected and to supporting the Government of Kenya – including healthcare systems, education and commerce – as we work together to weather the storm. To demonstrate resilience and ensure the long-term sustainability of the business, we must innovate and execute with speed sustainable solutions to the needs facing our customers now, and in the future.

We have made some significant decisions in recent months to support customers and ensure Kenyans can spend their money where they need it most. Our current support, which extends to 30 June 2020, is valued at KShs 6.5 billion. We zero-rated the following transactions until 30 June 2020 to reduce the risk of handling cash:

- Person to Person and Lipa Na M-PESA transactions below KShs 1,000
- Bank to M-PESA wallet and M-PESA wallet to bank transactions

It includes zero-rating M-PESA payment transactions to reduce the risk of handling cash and increasing transaction limits to support small businesses, doubling bandwidth on our fibre connections to enable customers to work and learn from home and providing concessional data rates for universities and other learning institutions. Through the M-PESA and Safaricom Foundations, we have committed KShs 200 million to provide food and nutrition to Kenyans in need. In addition, our support to the Kenyan government includes thermal cameras worth KShs 10 million donated to the Ministry of Health for use at entry points to the country and support to establish and operate a 24-7 COVID-19 Information Centre, leveraging the capabilities of our Customer Contact Centre, and hosting over 300 doctors to support frontline staff in educating, informing and managing the spread of COVID-19.



> Safaricom is committed to keeping Kenyans connected and we will continue to support the Government of Kenya and Kenyans at large during this unprecedented pandemic.
>
> **Nicholas Nganga**
> Chairman of the Board

However, our most critical support to the country remains ensuring network stability to support the usage in M-PESA, voice, SMS and data. As working from home becomes the new normal, this is a shift that we should be able to support effortlessly. We have a responsibility to keep the country connected.

Enabling innovation to thrive

The reason that we have been able to offer this support is because we operate in a regulatory environment that allows innovative businesses to thrive. We are aware that the national economy is under great pressure and that is why we have extended our hand of support. Our appeal to the government is that the regulatory environment continues to support the revival of businesses in the long term by enabling innovation and a return to growth.

We are aware that the post-COVID-19 period will come with heightened demands for the government to re-establish a strong footing to ensure sustainable economic and social development. We take this opportunity to ask both the National and County Governments to find thoughtful ways to balance revenue maximisation with boosting business growth. We are keen to support them in navigating this challenge.

Stronger together

As a Board, we feel privileged to be able to support the Safaricom management in responding to the current global crisis. I would like to recognise the efforts of all those employees who have remained so committed to delivering an outstanding service to our customers and stakeholders over the past year.

Moving forward, we remain steadfast in delivering on our strategy and growing shareholders' wealth as we deliver on our purpose of transforming lives. The Board will continue to ensure 100% support to Peter and the management as they adjust business plans to reflect changes in the needs and behaviour of customers in response to COVID-19. We have faced difficult times before and we emerged stronger. I have no doubt that we will do the same once again.

Nicholas Nganga
Chairman of the Board

COVID-19 support from Safaricom included:

719
toll free line powered by Safaricom

KShs **10m**
thermal cameras for the Ministry of Health

2X
bandwidth for homes

KShs **6.5bn**
Our contribution to COVID-19 pandemic

OVERVIEW | OUR BUSINESS | OUR PERFORMANCE | OUR GOVERNANCE | OUR FINANCIALS | OTHER INFORMATION

CHIEF EXECUTIVE OFFICER'S STATEMENT

Leveraging the power of partnerships and platforms

The COVID-19 pandemic has brought to the fore the importance of technology in all our lives. Technology holds the world together and it has become one of the most important platforms for connecting people around the globe.

We are focused on developing products and services that combine investment and innovation to transform lives. The impact of the pandemic has exposed the inequalities that exist for people who are unable to access the internet. This is something I am committed to addressing to ensure we leave no-one behind.

I would like to begin by congratulating Michael and the team for achieving a strong performance over the past year. While the months ahead will be challenging, I am confident that we will navigate our way through the uncertainty and play a key role in supporting the country through the post-COVID recovery period and into the next period of growth.

Capturing the opportunities of digital

I joined Safaricom at a unique time. The COVID-19 pandemic presents a crucial opportunity to leverage our digital and data capability to create a more sustainable future for our business and for Kenyan society through the transformation of agriculture, health, education and essential services.

I grew up in rural Kenya and I went to school and university in Kenya. I am confident there is no better organisation with which to support Kenya through this difficult period. Safaricom is a source of great pride for its employees and its ubiquitous brand is a household name. But beyond succeeding as a business, it has shaped Kenyan society. It is an honour to lead such a great organisation with its strong purpose of transforming lives.

One of the key strengths I believe has enabled the Company to post strong results year after year is its consistent focus on investment in telecoms infrastructure and innovative platforms and services. This combination of investment and innovation has been critical to delivering the best service and network for customers and enabling more Kenyans to benefit from a digital lifestyle.

We will continue to develop new digital products and services that solve societal challenges in agriculture, health, education and essential services. Leveraging the power of partnerships and our digital platforms, we will drive affordability and innovation of mobile communication, financial services and enterprise solutions while maintaining our leadership in the best network quality.

Sharing the digital dividend

As smartphone use in Kenya increases, we are witnessing a marked difference in the incomes of those with access to internet-enabled devices and those without. Vendors are able to increase their customer base by leveraging online marketplaces and boda-boda riders can take advantage of online taxi and delivery services and mobile applications to increase their income. However, despite the high percentage of mobile telephone penetration in Kenya, a large part of the population still relies on 2G handsets, with affordability being the main reason they do not have a 4G-enabled handset.

Changing this will take time. We are bridging the gap through our ground-breaking Lipa Mdogo Mdogo campaign by offering a device financing programme in partnership with Google and Teleone. It is the first initiative of its kind in the world to give customers access to quality 4G phones under a flexible payment plan and our aim is that one million more customers will gain access to the power of the internet.

I also want to see many more businesses benefiting from the digital dividend. Micro, small and medium enterprises (MSMEs) are the foundation of our country. I believe M-PESA has the potential to empower many more MSMEs who can use it as a business platform to improve their businesses, much in the same way that it has enabled retail-based businesses to thrive.

Reimagining the future

Having grown up in rural Nyandarua County, I am passionate about food security. I am especially glad to see technology scaling Kenya's agriculture capabilities by supporting smallholder farmers like my parents. By applying the same technology solutions mindset and innovation capability that underpinned the success of M-PESA, I am committed to developing the next innovation to leverage Kenya's agricultural potential using the power of mobile technology.

The reality of COVID-19 is that the government and essential service providers are already supporting citizens remotely using rapidly developed online tools. Our doctors are holding 4G-enabled video conferences with their counterparts abroad and the government is piloting using M-PESA to deliver the COVID-19 cash disbursement to vulnerable households. We are also working to provide solutions for many online services including the renewal of driving licences, passports, county land rates and others. I see great potential for the future digitisations of essential services in Kenya.

In education, access to online learning has never been more critical as during the current pandemic. With eLearning fast becoming the norm, I see opportunities to partner with technology firms to create new innovations for eLearning, supporting our universities and higher learning institutions and increasing access to education for many more young people. As we have transformed financial inclusion, so we will transform many lives through supporting educational inclusion.

Harnessing the energy of our people

Since April, a large part of my focus has been on interacting with employees. I am filled with admiration for their resilience and commitment to supporting customers at a time when staying connected has never been more important. As we progress towards Digital First, we are focused on developing the digital skills of our people and empowering youth to succeed in a digital future through the work of the Safaricom and M-PESA Foundations.

We must also reimagine the future of work and consider what it will mean for our employees. The impact of the health crisis has heightened the importance of looking after peoples' health and wellbeing; their safety is our number one priority. This includes those employees who work in our frontline shops and those who will continue to work more flexibly from home. As work becomes a space rather than a place, we will leverage the potential of technology to ensure people are fully enabled and connected, wherever they are located.

Looking ahead

Safaricom has always been a pioneer and I am committed to continuing this path to tap into the vast opportunity. At the same time, we will stay true to who we are to society, both within Kenya and as we begin to expand out in the region. We will do it by combining investment and innovation, while remaining rooted in the principle of customer first to identify the next innovation to serve our customers better.

Peter Ndegwa
Safaricom PLC CEO

OUTGOING CEO'S STATEMENT

Strong results in a shifting landscape

My aim was to refocus the business on the customer to build trust and regain market share. We have delivered on both counts. As a result, the business has delivered exceptionally well, outperforming guidance and generating solid returns to our shareholders.

I would like to begin by joining Nicholas in welcoming Peter Ndegwa to the Safaricom family. Peter joins us at a challenging time and I and the other members of the Executive Team offer him all our support as we lead the Company in supporting the country to manage the impacts of the pandemic.

Our focus during the year was to regain customer trust and market share to deliver our purpose of transforming lives. We launched 'For You', our customer proposition that renews our commitment to be Simple, Transparent and Honest across our products and operations. It has delivered improved customer sentiment, greater brand consideration and a gain in market share for the first time since 2017.

We are focused on giving customers even greater flexibility and a more agile network. We have continued our digital transformation, automating internal and customer facing operations and enhancing our use of artificial intelligence (AI). We increased investment in IT capabilities with the objective of mapping a monetisation path for critical verticals such as agriculture, health, education and e-commerce.

We successfully completed the acquisition of the M-PESA brand. Our joint venture with Vodacom will enhance M-PESA's growth in Africa by giving us full control of the M-PESA brand, product development and support services and the opportunity to expand M-PESA into new African markets.

Our long-term focus on the Sustainable Development Goals (SDGs) underpins our approach to business and our commitment to ensure we leave no-one behind. We sourced 74% of our procurement needs from local suppliers and our investments in local communities through the Safaricom and M-PESA foundations positively impacted millions of Kenyans. During the year, we also made the bold commitment to become carbon neutral by 2050. To achieve it, we will plant five million trees in the next five years along with investments and improvements across our network and operations.

Operational review

We are very pleased with our performance which outperformed our EBIT guidance. Service revenue increased 4.8% driven by sustained customer acquisition, a return to double-digit mobile data growth and continued M-PESA and fixed data growth. The growth was partially offset by contraction of the betting industry and the free transaction fees associated with our COVID-19 response. On an underlying basis, service revenue increased 5.9%. We sustained strong investment with capital additions amounting to KShs 36.10 billion. Capex intensity reduced 1.1% YoY to 13.8% as we continued to focus on enhancing monetisation and cost-saving opportunities upon deployment.

Dividend

The Board is committed to investing in the business and maintaining our strong record for paying progressive dividends each year. The proposed dividend for FY20 is KShs 56.09 billion, comprised of a proposed dividend per share (DPS) of KShs 1.40.

Michael Joseph
Outgoing CEO to 31 March 2020

Celebrating Bob

A year ago, on July 1st 2019, Bob's light left us. While it was a sad and difficult time for all of us, we take courage that his dreams of doing business for good lives on in our work, our customers and our vision.

Bob lived a purposeful life. He touched and transformed many, within Safaricom, in Kenya and beyond.

Thank you for your time with us, Bob. Your legacy lives on and will never be forgotten. Rest in Peace.

TAARIFA YA MWENYEKITI

Uthabiti na Ubunifu

Safaricom imejitolea kuendelea kuiunganisha Kenya na kuisaidia Serikali na Wakenya kwa jumla wakati huu mgumu. Mchango wetu katika vita dhidi ya janga la ugonjwa wa COVID-19 kufikia sasa umefikia KShs 6.5 bilioni na unaendelea kuongezeka.

Karibu kwa Ripoti ya Kila Mwaka ya 2020.

Ningependa kuanza kwa kumkaribisha Peter Ndegwa aliyejiunga nasi kama Afisa Mkuu Mtendaji mpya wa mnamo 1 Aprili 2020. Peter ndiye Mkenya wa kwanza kuiongoza kampuni hii na Bodi ina furaha sana kutokana na uteuzi wake. Si siri kwamba Peter anajivunia uungaji mkono wangu kikamilifu na wa Bodi yote pia anapoiongoza kampuni hii hadi awamu nyingine ya ukuaji.

Ningependa pia kumshukuru Michael Joseph kwa uongozi wake thabiti kipindi hiki cha mpito ambacho hakikutarajiwa hata kidogo. Michael amefanya kazi nzuri sana katika kuiongoza kampuni hii wakati wa mpito na kuandikisha matokeo mazuri sana ambayo tunawatangazia.

Kuiweka Kenya ikiwa imeunganishwa wakati wa janga

Huu ni wakati mgumu ambao haukutarajiwa – kiwango halisi cha changamoto zilizoletwa na COVID-19 si jambo ambalo mtu yeyote angelifikiria.

Kinyume na siku za nyuma ambapo tulikumbana na misukosuko iliyotokana na uchaguzi, janga hili lilifika bila kutarajiwa na kwa hali isiyoweza kutabirika. Madhara yake sio tu kwa afya ya umma pekee; ni katika karibu kila sehemu kwenye jamii. Ulimwenguni, uchumi umeathirika pakubwa na Shirika la Fedha Duniani linabashiri kwamba ukuaji wa uchumi utaathirika kote.

Lengo letu kuu la kubadilisha maisha ya watu huongoza kila jambo tunalolifanya na ninaamini kwamba tuna fursa ya kufanikisha suluhu ambayo itachangia pakubwa katika juhudi za taifa za kukabiliana na athari za ugonjwa huu. Kadhalika, itawakinga Wakenga dhidi ya madhara ya janga hili.

Katika uchumi ambao unaendelea kuwa wa kidijitali, tumejitolea kuendelea kuwaunganisha Wakenya na kuisaidia Serikali ya Kenya – ikiwa ni pamoja na mifumo ya afya, elimu na biashara – tukiendelea kufanya kazi kwa pamoja kuhimili dhoruba hii. Ili kudhihirisha ukakamavu na kuhakikisha uendelevu wa kipindi kirefu, ni lazima tuwe wabunifu na kutekeleza kwa haraka suluhu endelevu kwa mahitaji ya wateja wetu sasa, na katika siku zijazo.

Tumefanya maamuzi kadha muhimu katika miezi ya karibuni kuwasaidia wateja wetu na kuhakikisha Wakenya wanatumia pesa zao wanakohitaji zaidi. Mchango wetu, ambao unaendelea hadi 30 Juni 2020, unakadiriwa kuwa na thamani ya KSh6.5 bilioni. Tuliondoa ada kwenye shughuli za kibiashara zifuatazo hadi 30 Juni 2020 ili kupunguza matumizi ya pesa taslimu. Shughuli hizo ni pamoja na:

- Kutuma pesa Mtu binafsi kwa Mtu binafsi na Lipa na M-PESA kwa kiasi cha chini ya KSh1,000
- Shughuli za kuhamisha pesa kutoka Benki hadi M-PESA na M-PESA hadi Benki

Hii ni pamoja na kuondoa ada kwenye malipo ya kupitia M-PESA ili kupunguza hatari ya watu kugusa pesa taslimu na pia tuliongeza viwango vya juu vinavyoruhusiwa kutumwa ili kusaidia biashara ndogo, tukaongeza maradufu nguvu ya mtandao kwa wanaotumia faiba yetu kuwawezesha wateja wetu kufanya kazi na kusoma wakiwa nyumbani. Tulitoa pia bei nafuu ya data kwa vyuo vikuu na taasisi nyingine za elimu. Kupitia Wakfu wa M-PESA na Wakfu wa Safaricom, tumetoa KSh200 milioni za kutoa chakula kwa Wakenya wanaohitaji. Kadhalika, usaidizi wetu kwa serikali ya Kenya ni pamoja na kamera za kupima joto za thamani ya KSh10 milioni.

Tulizozitoa kwa Wizara ya Afya zatumika katika maeneo ya kuingilia watu nchini. Tulisaidia pia kuanzishwa na kuendeshwa kwa Kituo cha Habari cha COVID-19 kinachofanya kazi 24-7, kutumia vyema uwezo wa Kituo cha Simu cha Huduma kwa Wateja, na kuwaalika zaidi ya madaktari 300 kusaidia wafanyakazi wanaokutana moja kwa moja na wateja katika kuwaelimisha, kuwafahamisha na kudhibiti kuenea kwa COVID-19.

> Safaricom imejitolea kuendelea kuwaunganisha Wakenya na tutaendelea kuisaidia Serikali ya Kenya na Wakenya kwa jumla kipindi hiki cha janga la ugonjwa huu.
>
> **Nicholas Nganga**
> Mwenyekiti wa Bodi

Hata hivyo, mchango wetu mkuu kwa taifa unasalia kuwa kuhakikisha uthabiti wa mtandao kuwezesha matumizi ya M-PESA, kupigwa kwa simu, SMS na data. Huku kufanyia kazi nyumbani ikiwa ndiyo hali mpya ya kawaida, ni jambo ambalo tunaweza kulifanikisha kwa urahisi. Tuna wajibu wa kuhakikisha taifa limeunganishwa.

Kuwezesha ubunifu kunawiri

Sababu iliyotuwezesha kutoa mchango huu ni kwa sababu huwa tunafanya kazi katika mazingira ya kisheria yanayoruhusu biashara zilizo na ubunifu na uvumbuzi kunawiri. Tunafahamu kwamba uchumi wa taifa unakabiliwa na shinikizo kubwa na ndiyo sababu tumetoa usaidizi wetu. Ombi letu kwa serikali ni kwamba mazingira haya ya kisheria yaendelee ili kusaidia biashara kufufuka katika kipindi kirefu kwa kuwezesha ubunifu na uvumbuzi na kurejelewa kwa ukuaji wa kibiashara.

Tunajua kwamba kipindi cha baada ya COVID-19 kitajiri na tunakumbatia wito wa serikali kujiweka imara zaidi kuhakikisha maendeleo endelevu ya kiuchumi na kijamii. Tunachukua fursa hii kuziomba serikali za Taifa na Kaunti kutafuta njia za kuongeza mapato ya serikali kwa busara bila kuathiri ukuaji wa biashara.

Tuko tayari kuwasaidia katika kukabiliana na changamoto hii.

Imara zaidi pamoja

Kama bodi, tunajivunia kuweza kuusaidia usimamizi wa Safaricom katika kukabiliana na mzozo wa huu ulio kote ulimwenguni. Ningependa kutambua juhudi za wafanyakazi wote ambao wameendelea kujitolea kutoa huduma bora kwa wateja na wenyehisa wetu katika mwaka huo uliomalizika.

Tukisonga mbele, tunaendelea kujitolea kutekeleza mkakati wetu na kukuza mali ya wenyehisa huku tukitimiza lengo letu kuu za kubadilisha maisha ya watu. Bodi itaendelea kuhakikisha kwamba kuna uungwaji mkono 100% kwa Peter na usimamizi wa kampuni wanapobadilisha mipango ya kibiashara ya kampuni kuakisi mabadiliko kwenye mahitaji na tabia za wateja kutokana na COVID-19.

Tumewahi kukumbana na nyakati ngumu awali, na tukaibuka imara zaidi pamoja. Sina shaka kwamba tutafanya hivyo kwa mara nyingine tena.

Nicholas Nganga
Mwenyekiti wa Bodi

Usaidizi wa Safaricom Kukabiliana na COVID-19 ni pamoja na:

719
Nambari ya kupiga simu bila malipo kupitia Safaricom

KShs 10m
Kamera za kupima joto kwa Wizara ya Afya

2X
ya nguvu ya mtandao nyumbani

KShs 6.5bn
Mchango wetu kukabiliana na Covid-19

TAARIFA YA AFISA MKUU MTENDAJI

Kutumia vyema nguvu ya ushirikiano na mifumo ya dijitali

Janga la ugonjwa wa COVID-19 limedhihirisha umuhimu wa teknolojia katika maisha yetu yote. Teknolojia hushikamanisha ulimwengu pamoja na imekuwa ndiyo njia muhimu zaidi ya kuwaunganisha watu duniani.

Tunaangazia kutengeneza bidhaa na huduma zinazofungamanisha uwekezaji na ubunifu na uvumbuzi kubadilisha maisha ya watu. Athari za janga hili zimefichua ukosefu wa usawa uliopo miongoni mwa wale wasioweza kupata huduma ya mtandao wa intaneti. Hili ni jambo ambalo nimejitolea kuliangazia kuhakikisha hakuna mtu yeyote anayeachwa nyuma.

Ningependa kutanguliza kwa kumpongeza Michael na timu yote kwa kupata matokeo mazuri sana katika mwaka uliomalizika. Ingawa miezi ijayo itakuwa na changamoto, nina imani kwamba tutaweza kuhimili changamoto hizo na kutekeleza jukumu muhimu katika kuisaidia nchi kupitia kipindi cha ufufuzi baada ya COVID-19 na kuingia hadi kipindi cha ukuaji.

Kutumia fursa za dijitali

Nilijiunga na Safaricom katika kipindi cha kipekee. Janga la ugonjwa wa COVID-19 linatoa fursa muhimu ya kutumia vyema uwezo wetu katika dijitali na data kujenga siku za usoni endelevu zaidi kwa biashara yetu na jamii nchini Kenya kupitia kubadilisha kilimo, afya, elimu na huduma nyingine muhimu.

Nililelewa maeneo ya mashambani Kenya na nilisomea elimu yangu ya shule na hata chuo kikuu hapa Kenya. Ninaamini kwamba hakuna shirika jingine bora zaidi la kuisaidia Kenya kupitia kipindi hiki kigumu isipokuwa Safaricom. Safaricom ni chanzo cha fahari kuu kwa wafanyakazi wake na nembo yake inafahamika kote. Lakini zaidi ya kufaulu kama biashara, imebadilisha jamii nchini Kenya. Ni heshima kubwa kuongoza kampuni kubwa hivi iliyo na lengo lake kuu la kubadilisha maisha ya watu.

Moja ya nguvu ambazo ninaamini zimeiwezesha kampuni hii kuandikisha matokeo mazuri ya kifedha mwaka baada ya mwaka ni kuendelea kwake kuwekeza katika miundo mbinu ya mawasiliano na mifumo na huduma mpya kwa kutumia ubunifu. Ufungamanisho huu wa uwekezaji na ubunifu umekuwa muhimu katika kuhakikisha tunatoa huduma na mtandao bora zaidi kwa wateja na kuwezesha Wakenya zaidi kufaidi kutokana na mtindo wa maisha wa dijitali.

Tutaendelea kutengeneza bidhaa na huduma mpya za dijitali ambazo zinatatua baadhi ya shida zinazokabili jamii katika kilimo, afya, elimu na huduma nyingine muhimu. Kwa kutumia vyema nguvu ya ushirikiano na mifumo yetu ya dijitali, tutahakikisha wateja wanamudu bei na pia kuhakikisha ubunifu na uvumbuzi katika mawasiliano ya simu, huduma za kifedha na suluhu kwa wajasiriamali. Tutafanya hivyo tukihakikisha pia kwamba tunasalia kuwa mtandao unaoongoza kwa ubora.

Kugawana matunda ya dijitali

Matumizi ya simu za kisasa yanapoongezeka Kenya, tunashuhudia tofauti bayana katika mapato kati ya walio na simu zinazoweza kupokea intaneti na wale wenye simu zisizoweza. Wauzaji bidhaa na huduma wanaweza kuongeza idadi ya wateja wao kwa kutumia masoko ya mtandaoni kupata wateja zaidi. Waendeshaji boda-boda wanaweza kutumia huduma za teksi mtandaoni, huduma za kusafirisha bidhaa na programu au App za simu kujiongezea mapato. Hata hivyo, licha ya watu wengi kutumia simu Kenya, sehemu kubwa ya watu bado wanatumia simu za 2G. Sababu kuu ya kutokuwa na simu za 4G huwa ni gharama.

Itachukua muda kubadilisha hili. Tunapunguza pengo hili kupitia kampeni yetu ya Lipa Mdogo Mdogo ambapo tuna mpangilio wa malipo kupitia ushirikiano na Google na Teleone. Huu ndio mkakati wa kwanza kabisa wa aina yake duniani wenye lengo la kuwawezesha watu kupata simu za 4G chini ya mpangilio nafuu wa malipo. Lengo letu ni kuwa wateja milioni moja zaidi watawaweza kuanza kutumia intaneti.

Ningependa pia kuona biashara nyingi zaidi zikifaidi matunda ya dijitali. Biashara ndogo ndogo na za wastani (MSMEs) ndio msingi wa nchi hii. Ninaamini kwamba M-PESA ina uwezo wa kuziwezesha MSMEs ambazo zinaweza kuitumia kama jukwaa la kibiashara kuimarisha biashara zao, sawa na vile ambavyo imewezesha biashara za rejareja kunawiri.

> Lengo langu ni kuiongoza kampuni hii kutumia fursa za dijitali.
>
> **Peter Ndegwa**
> Afisa Mkuu Mtendaji

Kubadilisha siku zijazo

Nililelewa maeneo ya mashambani Kaunti ya Nyandarua na nathamini sana masuala ya kujitosheleza kwa chakula. Nina furaha sana hasa kuona kwamba teknolojia inaongeza uwezo wa Kenya katika kilimo kwa kuwasaidia wakulima wadogo wadogo kama wazazi wangu. Kwa kutumia mtazamo huo wa kutoa suluhu kupitia teknolojia pamoja na uwezo wa ubunifu na uvumbuzi uliochangia ufanisi wa M-PESA, nimejitolea kustawisha uvumbuzi zaidi kuwezesha kutumiwa vyema kwa uwezo wa Kenya katika kilimo kwa kutumia nguvu za teknolojia ya simu.

Uhalisia wa COVID-19 ni kwamba serikali na watoaji huduma muhimu tayari wanawasaidia wananchi wakiwa mbali kwa kutumia huduma za mtandaoni. Madaktari wetu wanafanya mikutano na wenzao maeneo mbalimbali duniani kwa njia ya video wakitumia 4G.

Serikali nayo inafanyia majaribio matumizi ya M-PESA kusambaza pesa za kusaidia jamii maskini wakati wa COVID-19. Tufanya juhudi pia kutoa suluhu kwa huduma nyingi za mtandaoni zikiwemo kulipia leseni za udereva, pasipoti, kodi ya ardhi na mengineyo. Ninaona fursa kuu siku za usoni katika kufanya kwa huduma hizi muhimu Kenya kuwa za kidijitali.

Katika Elimu, kupata elimu mtandaoni imekuwa muhimu sana wakati huu wa janga la ugonjwa huu. Huku masomo ya mtandaoni yakiendelea kuwa kawaida, naona fursa ya kushirikiana na kampuni za teknolojia kutengeneza huduma mpya za masomo mtandaoni, kusaidia vyuo vikuu vyetu na kusaidia vijana zaidi kupata elimu. Sawa na tulivyobadilisha maisha ya watu kwa kuwafikishia wengi huduma za kifedha, vivyo hivyo tutabadilisha maisha ya wengi kwa kuwafikishia elimu.

Kutumia nguvu kazi ya watu wetu

Tangu Aprili, sehemu kubwa ya mambo niliyoyaangazia imekuwa ni kutangamana na wafanyakazi wetu. Nimefurahishwa sana na ukakamavu wao na kujitolea kwao kuwasaidia wateja katika kipindi ambapo watu kukaa wakiwa wameunganishwa ni muhimu sana. Tunaposonga mbele kuelekea kwenye Dijitali Kwanza, tunaangazia kuendeleza ujuzi wa masuala ya dijitali kwa wafanyakazi wetu na kuwawezesha vijana kufanikiwa katika ulimwengu wa siku zijazo wa dijitali kupitia kazi za Wakfu wa Safaricom na Wakfu wa M-PESA.

Ni lazima pia tufikirie upya hali ya ufanyaji kazi siku zijazo na tutafakari maana yake kwa wafanyakazi wetu. Athari za hali hii ngumu kiafya zimeongeza umuhimu wa kuwatunza wafanyakazi wetu kiafya na uzima wao; usalama wao uwe kipaumbele kwetu. Hii ni pamoja na wafanyakazi wanaofanya kazi katika maduka yetu na wale wanaoendelea kufanya kazi wakiwa nyumbani. Huku utendakazi unapoendelea kuwa nafasi ya kufanyia kazi badala ya pahali, tutatumia teknolojia kuhakikisha wafanyakazi wetu wanawezeshwa kufanya kazi na kuunganishwa, popote walipo.

Kutazama mbele

Safaricom imekuwa kiongozi na nimejitolea kuendelea katika njia hiyo kutumia fursa kubwa zilizopo. Vile vile, tutaendeleza sifa zetu kwa jamii ndani ya Kenya huku tukiendelea kupanua biashara zetu katika kanda. Tutafanya hivyo kwa kuunganisha uwekezaji wa ubunifu na uvumbuzi, huku tukiendelea kuongozwa na kauli ya kumuweka mteja mbele, kutambua uvumbuzi muhimu utakaofuata kuwahudumia wateja wetu vyema zaidi.

Peter Ndegwa
CEO wa Safaricom PLC

TAARIFA YA AFISA MKUU MTENDAJI ANAYEONDOKA

Matokeo mazuri katika mazingira yanayobadilika

Lengo langu lilikuwa kuelekeza upya biashara yetu kwa mteja kujenga imani na pia kurejesha sehemu ya soko tuliyokuwa tumeipoteza. Tumefanikiwa katika mambo yote mawili. Kutokana na hilo, biashara yetu imefanya vyema sana, kuzidi matarajio na pia kuzalisha matunda kwa wenyehisa.

Ningependa kutanguliza kwa kuungana na Nicholas katika kumkaribisha Peter Ndegwa katika familia ya Safaricom. Peter anajiunga nasi katika kipindi kigumu na mimi na wanachama wengine wa Kundi la Watendaji tunamuahidi uungaji mkono wetu tunapoiongoza kampuni hii kusaidia nchi kukabiliana na athari za janga la ugonjwa huu.

Lengo letu katika mwaka huo lilikuwa kurejesha tena imani ya wateja na kuongeza udhibiti wa soko na kufanikisha ahadi yetu kuu ya kubadilisha maisha ya watu. Tulizindua kampeni ya "For You" kwa maana ya "Yako" kwa wateja ambayo ni kuweka upya ahadi yetu kwa wateja ya kuwa Rahisi kuelewa, wenye Uwazi na wa Kuaminika katika bidhaa na shughuli zetu.

Kampeni hii imetimiza mengi ikiwemo kupendwa zaidi na wateja, nembo kuonekana zaidi na ongezeko kwenye udhibiti wa soko kwa mara ya kwanza tangu 2017.

Tunaangazia kuwapa wateja njia nyingi za kujiridhisha na mtandao bora zaidi.

Tumeendeleza mabadiliko yetu ya kidijitali, tukaanza kutumia kompyuta katika baadhi ya shughuli za ndani na za kuhudumia wateja. Tunaongeza pia matumizi ya teknolojia ya kompyuta zenye uwezo wa kufikiria yaani Artificial Intelligence (AI). Tuliongeza uwekezaji wetu katika uwezo wa teknolojia ya habari (IT) kwa lengo la kuandaa njia inayoweza kutumiwa kupata pesa kutoka kwa sekta muhimu kama vile kilimo, afya, elimu na biashara ya mtandaoni.

Tulikamilisha kwa ufanisi ununuzi wa nembo ya M-PESA. Uwekezaji wetu wa pamoja na Vodacom utaimarisha ukuaji wa M-PESA Afrika kwa kutupatia udhibiti kamili wa nembo ya M-PESA, uandaaji bidhaa na pia huduma za usaidizi vilevile kutupatia fursa ya kuingiza M-PESA katika masoko mapya Afrika.

Hatua yetu ya kuangazia Malengo ya Maendeleo Endelevu (SDG) katika kipindi kirefu ni ishara ya mtazamo wetu kuhusu biashara na kujitolea kwetu kutoacha mtu yeyote nyuma. Tulitafuta 74% ya mahitaji yetu ya ununuzi kutoka kwa watoaji bidhaa wenyeji na uwekezaji wetu katika jamii wenyeji kupitia Wakfu wa Safaricom na Wakfu wa M-PESA umewasaidia mamilioni ya Wakenya. Katika mwaka huo, tulifanya pia ahadi yenye ujasiri ya kutochangia ongezeko la gesi ya kaboni kufikia mwaka 2050. Ili kutimiza hilo, tutapanda miti milioni katika katika miaka mitano ijayo na kufanya uwekezaji na maboresho mengine kwenye mtandao wetu na shughuli zetu.

Utathmini wa biashara

Tumefurahishwa na matokeo yetu ya kifedha ambayo yalizidi makadirio yetu ya Mapato Kabla ya Riba na Ushuru (EBIT). Mapato kutoka kwa huduma yalipanda kwa 4.8% kutokana na ongezeko la wateja, ongezeko la ukuaji wa mauzo ya data kupitia simu na kuendelea kwa ukuaji wa M-PESA na huduma ya mtandao ya kupitia nyaya.

Ukuaji uliathiriwa kidogo na kudorora kwa sekta ya kamari ya ubashiri wa matokeo michezoni na pia kufutwa kwa ada kwenye huduma za kutuma pesa kama sehemu ya hatua za kudhibiti athari za COVID-19.

Kimsingi, mapato yetu kutoka kwa huduma yaliongezeka kwa 5.9%. Tuliendelea kufanya uwekezaji, ambapo tuliwekeza jumla ya KSh 36.10 billion. Kipimo chetu cha uwekezaji na mapato yanayopatikana kilipungua 1.1% mwaka baada ya mwaka hadi 13.8% kutokana na kuendelea kwetu kuangazia juhudi za kupata pesa zaidi na kupunguza gharama.

Mgawo wa faida

Bodi imejitolea kuwekeza katika biashara hii na pia kuendeleza rekodi yetu nzuri ya kuongeza mgawo wa faida unaolipwa kila mwaka.

Mgawo wa faida uliopendekezwa kwa mwaka wa kifedha wa 2020 ni jumla ya KSh 56.09 billion, ambazo ni mgawo wa KSh 1.40 kwa kila hisa.

Michael Joseph
CEO anayeondoka 31 Machi 2020

> Nini msukumo wangu? Kujaribu kubadilisha mambo yawe bora na kuacha kumbukumbu ya mema.
>
> **Robert 'Bob' Collymore**
> (Januari 13, 1958 – Julai 1, 2019)

Kumsherehekea Bob

#KumsherehekeaBob

Mwaka mmoja uliopita, mnamo Julai 1, 2019, mwangaza wa Bob ulituacha. Ingawa ulikuwa ni wakati wa huzuni na kipindi kigumu kwetu sote, tunafarijika kwamba ndoto yake ya kuendesha biashara kwa maslahi mema inaendelea katika kazi zetu, wateja wetu na azma yetu kuu.

Bob aliishi maisha yenye maana kubwa. Aliwagusa wengi na kubadilisha maisha ya wengi, ndani ya Safaricom, nchini Kenya na hata nje.

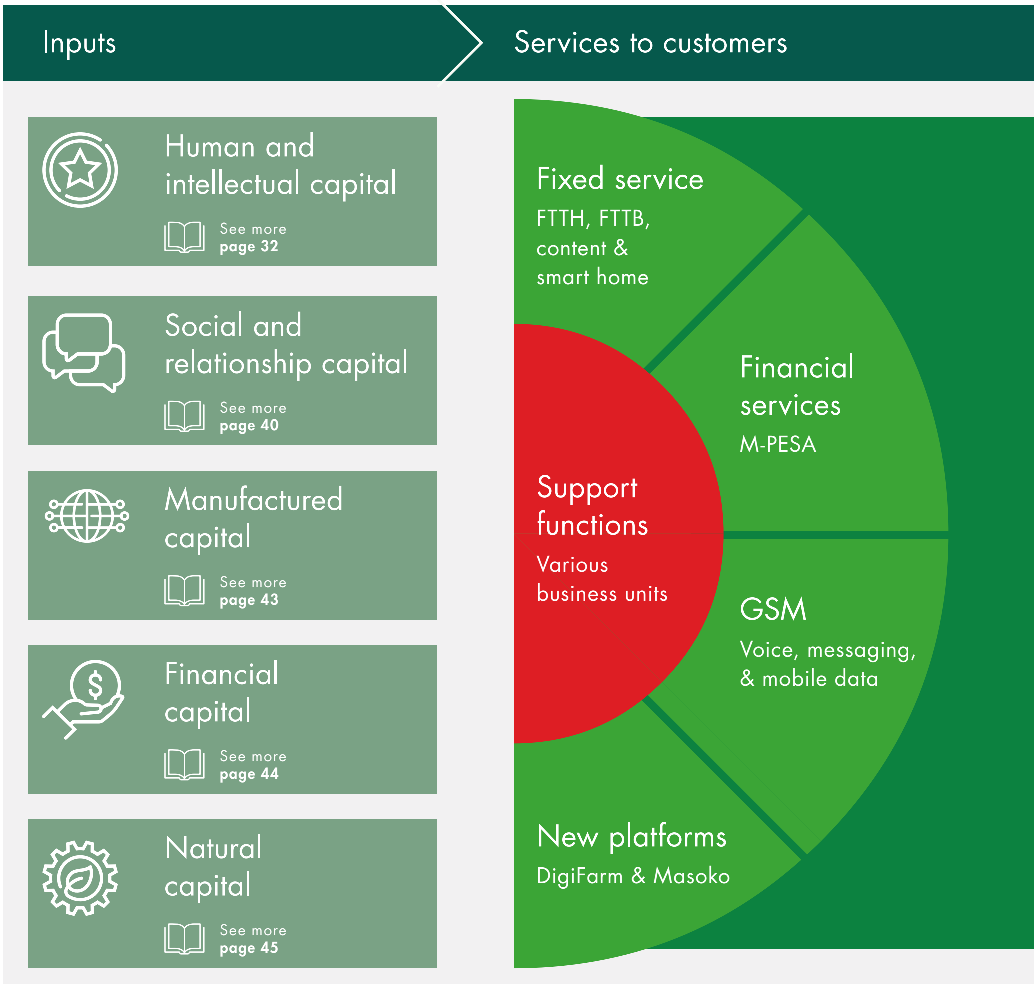
Asante sana kwa muda uliokuwa nasi, Bob. Sifa zako zitaendelea kuwa nasi na kamwe hautasahaulika. Pumzika kwa Amani.

OUR BUSINESS

Our business model

The foundation of our growth is the sustained investment we make centred around customer experience.

We have continued investing heavily and strategically in 4G and now have more than 4,300 sites. Our fibre roll out now covers more than 9,000 kms opening up opportunities for content, smart home and enterprise propositions in the medium term. We strive to complement the quality of network experience with personalised products and pricing offers, resulting in customers getting much more to use by paying a little more.



Services to customer

GSM

We focus on providing customers with affordable segmented offerings on voice, messaging and mobile data by progressing the use of CVM and data analytics. We are providing enablers for our customers' digital lifestyles including: enhancing our 3G and 4G coverage currently at 94% and 77% respectively; providing the market with affordable 4G smartphones and other use cases such as Cloud, Self Service Channels, Internet of Things and VoLTE.

Financial services

M-PESA not only allows for P2P transfers and withdrawal but also payment options, connectivity to formal banking and credit access. It has also facilitated international transactions and deepened financial inclusion in the country.

Fixed service

As we drive digitisation for our consumers and enterprise customers, we have laid more than 9,000 kilometers of fibre and connected more than 140,000 homes (up 31.9% YoY) and 4,000 buildings (up 64.7% YoY). We continue to increase usage through affordable tiered pricing. We see future opportunity in converged service of data, content, smart home and fixed mobile.

Platforms

In line with our purpose to transform lives, we continue to leverage the power of mobile technology to deliver on shared value propositions that disrupt inefficiencies and impact lives positively. The platforms include DigiFarm, our platform which connects farmers to knowledge, quality and affordable inputs, credit and insurance and market opportunities and our e-commerce platform 'Masoko'.

Support functions

These are the various business units that offer the strategic support needed to deliver and offer customers a truly differentiated experience and satisfaction within the network including: Regional Sales and Operations; Customer Experience; Product and Service Development; Sales and Distribution; Financial Services; Strategy and Innovation; Finance; IT; Risk and Corporate Affairs and Regulatory.

Customers	Outputs	Outcomes

Consumer

Enterprise

Mobile data
Mobile broadband services

Messaging
SMS and MMS services

Devices
Handsets, routers and other devices

Voice
Prepaid and post-paid voice call plans

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

M-PESA
Mobile money transfer and payment services

For our customers

KShs **1,000**	**-28.3%** YoY KShs **16.23**	**-20.1%** YoY KShs **0.25**
Free Person-to-Person & Lipa na M-PESA transactions below	Reduction on the average rate per megabyte	Reduction on the average rate per SMS

For our shareholders

+13.5% YoY KShs **101**bn	**+11.4%** YoY KShs **70.3**bn	**+19.5%** YoY KShs **1.86**
Increase in EBIT	Increase in free cash flow	Increase in EPS

For our employees

2.3%	**24%**	**35%**
Total staff of differently-abled employees	Percentage of women in technology	Percentage of women in senior management

Our revenue drivers

M-PESA now contributes 33.6% of service revenue while mobile data is now contributing 16.2%, thereby reducing the reliance on voice and messaging revenues. Fixed data now contributes 3.6% of service revenue. We have, over the years, successfully managed to expand the portfolio which builds resilience and strength to our business model.

Our costs

We have achieved significant results in limiting cost growth by focusing on digitising and driving efficiencies. The Company now has a cost culture which helps maximise returns. Thanks to some strong cost controls and capex monetisation, underlying EBIT margin improved by 3.0ppts YoY on an IFRS 15/IAS 17 basis to 38.6% in FY20 and capex intensity improved by 1.1ppts YoY to 13.8% in FY20 respectively on an underlying (page 17) basis. Effective and efficient capex investment has been complemented by successful commercial monetisation and revenue growth. As a result, despite increasing capex investments, capex intensity has reduced. This has resulted in superior shareholder returns.

Our resulting strong cash flow helps us to maintain a high level of capital reinvestment, primarily in our network infrastructure to maintain a leading position in network coverage, call quality and data speed in the market. We have also focused capital spend on our new billing system as we look forward to a becoming transformative digital company. In addition to investing in the future prosperity of the business, cash generated from our business allows us to maintain our progressive shareholder returns, guided by our dividend policy of paying 80% of net income each year out of net income reported in that specific year.

HOW WE SUSTAIN VALUE

Human and intellectual capital

People, culture and governance

The technical and managerial skills, productivity, creativity and wellbeing of our people – coupled with a company culture and governance systems that foster compliance and innovation – are crucial to our success. Investing in our people is one of the most significant costs to the business, impacting short-term financial capital but generating long-term returns.

Key inputs

- 6,185 (full-time employees and contractors) in FY20
- Digital operating model and agile ways of working
- Strong employee proposition and unique reward propositions
- Commitment to equal opportunities, safety and wellbeing
- Digital and leadership upskilling and reskilling
- Investment in training and development
- Sound compliance and governance systems
- Fair and transparent pay and benefits

The Safaricom Spirit

Our culture is part of how we carry out our operations, decision making and business strategy. The outcomes include a high employee engagement and culture score and recognition as the best employer brand of the year in 2019 by the LinkedIn talent awards.

On October 23rd, we made a new brand promise to our customers and partners, "Simple. Transparent. Honest. FOR YOU". We will demonstrate the values of Simple. Transparent. Honest through our service, network, products and communication promises.

We have reviewed our culture framework by retiring the Safaricom Way, which comprised the values of Speed, Simplicity and Trust, and introduced belief systems and behaviours that will connect and re-frame our shared language of success as Safaricom. The Spirit of Safaricom.

The Spirit of Safaricom will be brought to life through four behaviours which are embodied in our culture of Purpose, Humanness, Growth and Trust:

The Spirit of Safaricom is guided by four elements:

Customer obsession

Trust

We earn customers loyalty

Simple. Transparent. Honest. FOR YOU

We will safeguard you

Purpose

Drive

We create the future

Purpose driven, Transforming lives

Our culture

Collaboration

Belong

We get it done, together

We treat you like family

We will be your life companion

Innovation

Curiosity

We experiment and learn fast

Innovative

Digital solutions provider

Our behaviours will manifest in our Language, Rituals, Symbols and Stories.

The beliefs underpinning our behaviours: Drive and Passion, Inclusiveness, Curiosity and Trust.

We are embedding these belief systems and behaviours through a five phased approach culture journey. We have completed the "Make it clear" phase where 322 leaders participated in nine workshops-Exco, heads of departments; senior managers; new employees; Founders; discover trainees; Staff Council & Culture Champions. We co-created the narrative that demonstrates how our culture will support our purpose, brand promise and organisation strategy. We will continue to engage these leaders and develop them to be our storytellers and culture accelerators through the "Leading through storytelling" program where 71 leaders are already participating. In addition, we embedded the Spirit of Safaricom into our employee engagement survey platform, SEMA for you, the culture monitoring and evaluation tool. We collected feedback on the Spirit index and the four behaviours; We create the future; We get it done, together; We experiment and learn fast; and We earn customer loyalty. The baseline scores are indicated against each category. We will continue to monitor and track the progress in embedding the Spirit of Safaricom and against each behaviour with our target scores across each category being above 80.

We are benchmarking with Vodafone, Towers Watson Global high performing companies, Global Technology high performing companies and other Kenyan high performing companies. We also intend to showcase our Spirit of Safaricom heroes internally and externally in Vodacom and Vodafone. We are the current winners of the Employer of the year award 2019 and we look forward to participating this year too.

We are now communicating the culture journey to all staff and supporting them to translate the culture pillars, belief systems and behaviours to their work environment and daily tasks based on insights from the SEMA survey in the "Make it known" and "Make it real" phase. Through Culture sessions at functional level for all staff, divisional culture champions for each team will identify culture language, rituals, symbols, and stories that will enable them to embed the culture into their daily work life. We aim to involve over 75% of all staff on the culture journey.

On a global level we will "Make it happen" and "Make it stick" by bringing to life our culture through the following identified **language**, **rituals**, **symbols** and **stories**.

Developments during the year

Safaricom is a market leader and influencer on many fronts. We are regarded as a role model in Kenya in adopting the Sustainability Development Goals and the 100% Human agenda and integrating them into our business practices.

Our employee experience is built upon inclusivity, equal opportunities for learning and career growth and unique reward propositions. The digital agenda is core to how we work and think. We have incorporated agile ways of working which see teams organised in self-managed squads and tribes, allowing the movement of skills from different parts of the organisation (see page Page 65).

Employee diversity

We strive to create an environment that empowers people to thrive – regardless of gender, disability, religion, race, age, thinking style or any other quality. We focus on gender and disability inclusion to achieve excellence in operations by attracting, retaining and growing diverse talent. This provides insights in designing relevant products and services that meet customer needs.

We deliver a range of initiatives designed to create an inclusive and safe working environment, including: training for all line managers and employees on unconscious bias; training in basic sign Language; customised business tools including assistive devices and technologies; an accessible physical environment; specialised evacuation equipment and continuous training; and events that celebrate difference.

HOW WE SUSTAIN VALUE CONTINUED

Human and intellectual capital

People, culture and governance

Gender balance

We are committed to gender equality and we integrate a gender perspective in the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and programmes. We have made a commitment to achieve gender parity among senior management by 2025. In FY20, we maintained an overall workforce of 50% female, 50% male and increased women among our senior management by 1% to 35%.

We have embraced HE4SHE as a vehicle for driving female empowerment and building capacity through networking forums, themed talks, training, career development, coaching and mentorship – guided by the seven UN Women's Empowerment Principles. We have now trained 50 women under our Safaricom Women in Leadership programme and 45 women mentees and mentors to provide support and mentorship for women growing their careers.

Promoting Women in Business

We partner with Women in Business to help drive progress in diversifying our supplier base and promoting women in technology. The aim is to build the talent pipeline and increase the representation of women in the technology space. We now have 24% women working in technology.

The launch of the Sustainable Development Goals (SDGs) in 2015 indicated a clear call to action for businesses to seize the opportunities to drive a better world by adopting them into their operations. Safaricom took this opportunity to address the world's challenges to achieve a better and more sustainable future for all. To achieve this, the company decided to integrate sustainability deep into the core of every business decision by adopting nine out of the 17 SDGs to transform and boost the success of the business and to enhance their transforming lives agenda.

After critically analysing their procurement process and the number of business opportunities granted to women, the Safaricom procurement team realised that women-owned businesses were not well represented. To solve for this, they started the **Women in Business Programmes** (WIB) in March 2017 anchored on Sustainable Development Goal No 10 to reduce inequality within and among countries. The forum seeks to create economic empowerment by ensuring that there is a fair share of procurement opportunities allocated to women. In addition, they also provide the women with capacity building trainings, mentorship and coaching among other measures with the aim of improving their economic status and that of the communities which the women impact.

Safaricom also revised its procurement policy to make provisions that ensure there is participation of women as special interest groups and the same policy makes provision for a margin of preference for women suppliers during evaluations when they have already met the minimum threshold for technical capacity to deliver. Our commitment is to progressively increase the procurement spend to Women-Owned-Businesses to >10% of the total Procurement spend by end Year 2020.

Challenges

While the Women in Business (WIB) Programme has managed to provide more business opportunities, challenges for Micro, Small and medium size enterprises (MSMEs) in Kenya remain, including:

- Lack of access to affordable financing. MSMEs require finance for expansion, productivity and growth yet the majority self-finance their businesses. Analysis of the World Bank Enterprise Survey Data suggests that close to 68% of Kenyan enterprises state access to finance as a key challenge. Safaricom therefore needed a unique and cost-effective financing solution, which would enhance the WIB's cash conversion cycle and provide them with the much-needed capital to deliver their goods and services.
- Under-representation. Most organisations' procurement data would confirm women suppliers are less than 20%. Safaricom's data check confirmed women spend was 2.7% at beginning of 2017.
- Experience and skills. Lack of capacity to undertake complex and technical projects.
- Women suppliers (supply market) currently only concentrate in low spend and simple categories also translating to low spend category.

1. Demonstration of best practice and/or innovation

It has become normal practice for companies to have programmes in place to manage the environmental, social, and governance (ESG) risks in their supply chains. By implementing the Women in Business supply chain finance programme, Safaricom has aligned its organisational objectives to the sustainability objectives guided by the SDGs to provide a shared blueprint for peace and prosperity for people and the planet, now and into the future.

In line with Safaricom's sustainability goals, sustainable supply chain financing provides all of the benefits of supply chain finance, with the additional benefit of rewarding sustainable behaviours in the supply chain. The programme reinforces Safaricom's commitment to sustainability, strengthening the sustainability expectations for suppliers, and has contributed to better representation of women in Safaricom's supply chain. It also puts a value on the sustainability efforts of suppliers, providing them with an internal business case for more sustainable improvements.

Qualitative benefits

- **Social impact:** by supporting women in business, Safaricom's platform is financially empowering women. Investing in women's economic empowerment sets a direct path towards gender equality, poverty eradication and inclusive economic growth.
- **Security of supply:** Safaricom's sustainable supplier financing programme has reinforced the security of supply by strengthening the financial sustainability of suppliers by offering working capital solutions.
- **Improved supplier relationships:** the programme has helped strengthen Safaricom's working relationships with their suppliers.
- **Alignment with the sustainable development goals:** both the Women in Business and supplier finance programmes are testament to Safaricom's commitment to the SDGs Goals.
- **Supplier diversity:** the programme has helped to create an inclusive supply chain by driving supplier inclusivity.
- **WIB mentorship:** Safaricom started the WIB Mentorship programme in 2018 and is now in its fourth Cohort with approximately 40 women CEOs in the programme. Over 40 women CEOs have gone through the programme and have reaped the benefits from it, which include:
  - More business opportunity from the safaricom WIB network i.e. Safaricom's peer companies and partners, Safaricom PLC's Tier one supplier subcontracting business to WIB members.
  - Growing their business skills.
  - Upscaling their existing delivery capabilities as the women collaborate to update bigger procurement opportunities which they would have otherwise shied away from due to limited resources in Financing (working capital)as well as other capabilities.
  - Getting real and practical learnings from existing businesses and helps, they avoid past mistakes – as opposed to textbook versions of learnings.
  - Emergence of Women Leaders who are transformational.
- Opportunities from peer companies: 20 WIB members have got business opportunities from peer companies.
- Forum and partnership engagements for the WIB programme: Safaricom sponsors WIB participants to several industry sessions. Some of the forums held in 2019 include:
  - In 2019, Safaricom held forums with the Kenya Private Sector Forum to train the women on diversity capacity building and managing complex tender processes.
  - In partnership with Shetrades (an initiative started by the International Trade Centre, which seeks to connect three million women entrepreneurs to market by 2021), three Safaricom WIB members and businesses went to the GSM conference in South Africa.
  - Supporting Trade Beyond Boundaries – Safaricom sponsored 19 WIBs to the conference organised Ministry Public Service, Youth and Gender Affairs and the Kenya Private Sector Forum (KEPSA).
  - Annual Safaricom WIB forum: with key agenda on Supplier Financing solutions and Design thinking to drive positive changes and ensure businesses sustainability during inevitable changes.
  - 2020 Huawei ICT Academy: held five Days training on routing and Switching for 25 Technicians from 10 WIB companies in readiness for Technical work assignments by clients.

Quantitative benefits

- The supply chain programme benefits:
  - Non-debt liquidity source for suppliers; working capital benefit via early payment; shortened DSO.
  - No impact to existing credit facilities.
  - Enhanced borrowing capacity unavailable to them in the market at lower borrowing costs which therefore helped to reduce their reliance on external sources of capital.
- Increase in women representation in Safaricom's supply chain:
  - By end of FY 19/20, there were 202 Women prequalified from 27 women (10.2%) of total supplier base of 1990.
  - Growth of work assignment in Safaricom from 25 new awards this year compared to 16 new awards last year.
  - 65 Women actively receiving business from 17 women at beginning of programme in march 2017.
  - Increase in women participating for tenders.
- Number of women who are now participating in tenders over total:
  - In 2018 – 24/77 (31.2%)
  - In 2019 – 16/57 (28%)
  - In 2020 – 25/50 (50%)
- Number of Women in Business in each Major Category (procurement categories):
  - Technology Engineering: Went from three at the start of the programme (2017) to 23 today.
  - IT/Vas and Terminals: Went from two at the start of the programme (2017) to 24 today.
  - Corporate and Commercial Services: Went from 27 at the start of the programme (2017) to 158 today.
  - Construction (Civil works): Went from none at the start of the programme (2017) to 11 today.

HOW WE SUSTAIN VALUE CONTINUED

Human and intellectual capital

People, culture and governance

2. Financial support

- Safaricom has a MOU with some financial institutions for supply chain finance among them Safaricom Sacco has been open for WIB.

3. Additionally

- Last year the programme won the 2019 Vodafone Top Global Hero's Award and The Safaricom Way Heroes.
- As a result of the programme, several women suppliers have been awarded in the annual Safaricom Annual Supplier awards and one of them emerged Overall Supplier of Year in 2019 year's award ceremony. The awards focus on excellency in delivery of services, implementing sustainable business practices and running a purpose led business aligned with transforming lives and impacting communities in which they operate.
- Through Safaricom's leadership, other organisations in the country have initiated their own Women in Business programmes.
- The platform has also provided areas of collaboration for the suppliers and has seen them come together for business partnerships.
- In implementing the Women in Business programme, Safaricom has shown leadership in not only Kenya but Africa as well by committing to the SDGs and using them to better the lives of Kenyans.
- The programme provides all of the benefits of supply chain financing with the additional benefit of rewarding sustainable behaviours in the supply chain. The programme reinforces Safaricom's commitment to sustainability, strengthening the sustainability expectations for suppliers, and has contributed to better representation of women in Safaricom's supply chain.
- By supporting women in business, Safaricom's platform is financially empowering women. Investing in women's economic empowerment sets a direct path towards gender equality, poverty eradication and inclusive economic growth.
- The Safaricom WIB capacity building programme has already up scaled the women suppliers to undertake technical and complex project they would have otherwise shied away from thereby translating to more procurement spend.
- The network is designed to not only enable women to have procurement opportunities in safaricom, but also its wider supply chain ecosystem and therefore broadening the pie. From getting work from Tier 1 suppliers, Safaricom's financiers (banks), work assignments amongst themselves to getting work in peer organisations through referrals.

Differently-abled people

Disability inclusion is an important element of our business ethos and we aim to accelerate change to ensure no-one is left behind. Safaricom is guided by the 10 principles of the ILO Global Business Disability Network (GBDN). We are a signatory to the Disability Charter for Change which commits us to eliminating stigma and discrimination, promoting economic empowerment of differently-abled persons and accessibility and affordability of assistive devices and technologies.

Human capital data

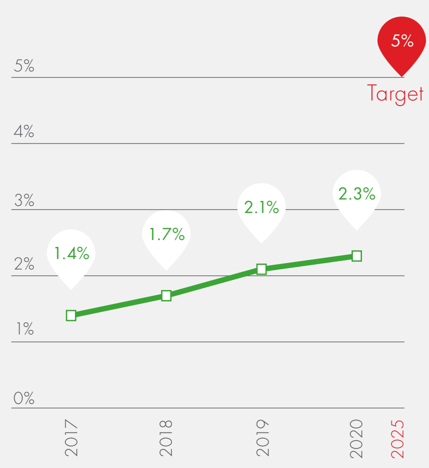
	2017	2018	2019	2020
Percentage of total staff trained on ethics	98%	98%	98%	**98%**
Number of fatalities during year	4	0	2	**0**
Number of permanent male employees	2,080	2,190	2,251	**2,278**
Number of permanent female employees	2,165	2,186	2,252	**2,237**
Total number of permanent employees*	4,245	4,376	4,503	**4,515**

* excludes temporary employees

Employees by gender and diversity (%)	2017		2018		2019		2020	
	M	F	M	F	M	F	**M**	**F**
Permanent staff (overall)	49%	51%	50%	50%	50%	50%	**50%**	**50%**
Executive Committee	75%	25%	75%	25%	73%	27%	**71%**	**29%**
Senior management* (including executive leadership)	68%	32%	68%	32%	66%	34%	**65%**	**35%**

* target is 50% female by 2021

Number of differently-abled persons



Our target is for 5% of our workforce to comprise differently-abled people by 2025. We have had a more than double increase in employees with disabilities over the past four years, along with a diversification of disability types. We have broadened the scope of our on-boarding to look beyond physical disability and include less visible cognitive and learning disabilities. In FY20, we had 2.3% employees with disabilities at 129 .

Training and development

Our Performance Development principles are anchored on the belief that all our staff are talented can grow and develop to their fullest potential. We develop our employees to be fit for future hence improving their employability index. Our Reskilling and Upskilling initiatives follow the principles of developing and embedding the right Mindset, Skillsets and Toolsets to support a culture of lifelong learning through our 70:20:10 learning approach. Due to the current trends, where learning is becoming atomised, incremental and social, learning is primarily delivered via our robust eLearning platform – Safaricom Business School which has aggregated content from five vendors with over 10,000 digital courses accessible anywhere and everywhere.

Agile Leaders are critical in supporting change and transformation in the business. One of the critical skills required by an agile leader is the ability to coach, empower and hold to account. Our Coaching and Mentorship programme offers a targeted and tailored approach to accelerating our people’s personal and professional development aligned with the business goals. We have a total of 110 professional certified Coaches mentoring 45 mentees with 22,452 coaching hours recorded within the Year. Also 85% Line Managers have been trained on how to Coach for Optimal Performance as part of our Line Manager Toolkit Programme. This has since boosted our Manager Index Score to the current 85% from 81%. In FY20, we invested KShs 273 million in our employee learning and development, reinforcing our culture pillar of Growth, Experiment, Learn Fast, Fail Forward and Scale Fast.

Employee engagement
%

Safaricom Digital Academy – The Future is Exciting, Are You Ready?

Our drive to meet the digital future head-on is facilitated by the Safaricom Digital Academy, launched in 2019. The programme maps the seven essential domains of a digital future to real business challenges and opportunities cloud computing; cyber security; mobile and web app development; dev-ops; data science and analytics; future network technologies, agile methodology and design thinking.

In FY20, we scaled the Digital Academy from 60 employees in cohort one to 100 employees in cohort two, with 23% of employees coming from commercial and support teams. We have also recorded 100% transition of our Cohort 1 to digital roles in the business to promote application of learning. We have a vision to scale the academy to all staff as we all prepare for the future.

We launched the Safaricom Business School in October 2019. The platform hosts over 10,000 digital learning opportunities sourced from five different vendors. It fuels our upskilling and reskilling strategies by ensuring employees can access rich learning content, anywhere, any time. We achieved 85% licence activation with 68% course completion since the platform launch, and an average 15 learning hours per employee. The target for FY20/21 is 90% license activation and 40 learning hours per employee during the financial year with a key focus on digital and leadership upskilling.

Rewarding our people

We have continued with our digital transformation journey and completed various automation processes aimed at improving employee experience such as pay slip certification and update of bank details. We also participated in the HR caravan where were created awareness on the reward offering to staff, which translated to an improvement in the reward score in our annual SEMA survey. We also completed testing of the flexi-ben programme which we will be piloting in the new year. This will enable staff choose and substitute benefits in line with their personal preferences.

HOW WE SUSTAIN VALUE CONTINUED

Human and intellectual capital

People, culture and governance

Coaching

During this period, all the EXCO members and leadership team constituting a total of 16 coaches crystallised their Executive Coaching practice and are now enrolled for the Coaching Supervision Programme. In addition, 18 Certified Engagement & Productivity (CEPC) coaches within the business were upskilled through the Coaching Supervision Programme. Upon completion of the programme, all of them attested that the programme had impacted their informal coaching practice positively. Through coaching supervision, they have become better in contracting with coachees. Their coaching approach is now more structured and they can plan for coaching more effectively.

Supervision has grown their coaching skills through reflection which has led to self-discovery, broadened their horizon of possibilities and shifted them from transactional coaching to human-centred coaching. Coach supervision has enhanced their skills in boundary management. They can now clearly identify when the need of the client is to coach, counsel, mentor and advise.

In relation to formal coaching, supervision has impacted their practice in such a way that they use the coaching approach in their daily interactions, when conducting weekly and monthly team performance review meetings. They are using the power of questions to get answers without defaulting to prescribing solutions. Supervision has also helped them become more reflective. They can readily identify their biases and blind-spots and work towards continuous improvement. Coaching is now a way of life.

Other achievements include development of the Safaricom Coaching Framework, sponsorship for 12 coaches to attend a workshop on Performance Management and Use of Psychometric Assessments to Coach plus eight more coaches sponsored for a workshop dubbed 'Coaching 360-degrees: Weaving Coaching into The Human Tapestry.' In addition, over 200 line managers stepping into management were upskilled on 'Coaching Leadership Style' through the Amazing Line Manager Toolkit Programme. Company-wide sensitisation on coaching was undertaken through the HR Caravan Coaching Booths and a Company-wide coaching collaboration network dubbed 'Coaching Community' created on Yammer with over 1,171 active members currently.

To ensure stickiness, awareness on coaching is done progressively via digital tools with a key focus to making it Known, Clear, Real, Happen and Stick.

Our levels of employee engagement and managerial effectiveness continue to improve. Employees at all levels are sharing interesting stories on the value of coaching. We continue to entrench a coaching culture using our Language, Rituals, Symbols and Stories (LRSS).

Safety and wellbeing

We take the health and wellbeing of our people very seriously. In FY20 there were no fatalities among our employees.

We have occupational health and safety (OSH) protocols in place to ensure the physical security of staff, including strict security measures on all of our sites. In the event of a security incident, staff receive real-time SMS alerts and updates. In FY20, we achieved 100% compliance during Senior Leadership Team tours. We implemented risk treatment plans and hosted World Day for Safety and Health under the theme of "Work Safe, Home Safe". 98% of the workforce are covered by initiatives to promote mental health.

Outcomes

- 50:50 male to female ratio in our workforce
- 35% women in senior leadership
- 24% women in technology
- 205 women-owned businesses pre-qualified under our Women in Business initiative
- 2.3% employees with disabilities
- KShs 273 million invested in employee training
- Launched the Safaricom Business School

We are the company that addressed diversity and inclusion among our PEOPLE

Inequality and poverty disproportionately affect people who are differently-abled, especially in developing nations. At Safaricom, we aim to drive change to ensure no one is left behind.

Safaricom was the first company in Kenya to join the Valuable 500 Movement – a campaign which calls on influential business leaders to ignite systemic change to unlock the potential of the 1.3 billion people living with disabilities around the world. We are also actively involved in the Forum of the Global Disability Summit (GDS) which aims to accelerate inclusion of persons with disabilities.

In 2019, in recognition of these efforts, Safaricom won the coveted FKE Inclusiveness & Diversity Award and the Diversity & Inclusion Awards and Recognition (DIAR).

> "Operating in a developing nation, we witness first-hand the disproportionate effects of inequality and poverty on people with disability. Guided by our purpose of Transforming Lives and the Sustainable Development Goals, we are committed to driving the disability inclusion agenda in the communities we serve.
>
> **Michael Joseph**
> Outgoing Chief Executive Officer, Safaricom

HOW WE SUSTAIN VALUE CONTINUED

Social and relationship capital

Quality relationships with key stakeholders

Our brand and relationships with customers, regulators, investors, suppliers and communities are the foundation on which we generate revenue. We believe in maintaining strong partnerships with all our stakeholders. We see our role in society as positively contributing to a sustainable future and we particularly focus on education, health and security. Investing in social capital often requires short and medium-term financial capital inputs, but generally generates positive returns across most capitals.

Key inputs

- 35.61 millions customers
- 24.91 millions one month active M-PESA customers
- 173k+ M-PESA agents
- Informed engagement with regulators
- New brand promise
- Investor confidence
- Long-standing supplier partnerships
- Strong corporate governance

Developments during the year

Our overall customer growth momentum remained solid, 3.8 million more subscribers joining Safaricom in the year. We saw a 10.0% increase in one month active M-PESA customers to 24.91 million.

Our partnerships with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA services respectively have enabled more subscribers to get access to mobile banking services. In partnership with M-Gas, a subsidiary of Circle Gas UK, we launched a revolutionary, prepaid gas service for Kenyan households.

We have increased our use of data analytics to provide personalised offers to customers, driving down the average rate of our offering. We also increased deployment of electronic know-your-customer tools.

The mySafaricom app now has over 1.3 million daily users and our M-PESA Interactive Voice Response (IVR) self-service has over 98,000 daily successful self service with a 91% success rate.

We engaged 20 million customers through investment in Customer Value Management (CVM) to ensure our products and services remain relevant across customer profiles.

Outcomes

- 12.2% growth in total customer base
- 10.0% increase in one month active M-PESA customers
- Network leadership maintained
- Social value through enhanced connectivity and services in inclusive finance, education and health
- 74% of procurement spend to local suppliers

We are the company that moved children's EDUCATION online...

We see opportunities to help grow Kenya's leaders of tomorrow by using technology to support education.

We partnered with Eneza Education to produce an SMS platform that enables students to study without an internet connection. During the pandemic, our partnership allowed students from grade 4 to form four access learning and revision content on the SMS-based Shupavu291 free of charge following a 60-day waiver of the daily KShs 3 subscription fee.

Learners were also able to access education content on Shupavu Web, Viusasa E-learning and the Longhorn E-learning portal through the Safaricom network at no data cost, up to 250MB per day, for 60 days.

ELearning in Kenya is now the norm. Cloud storage means students no longer need to wade through piles of books when researching assignments.

> "Eneza Education is excited to partner with Safaricom to make the Shupavu291 learning platform available for free to learners across the country during this time.
>
> **Wambura Kimunyu**
> Eneza Education CEO

We are the company that kept KENYA connected

Facing the biggest pandemic in our lifetime, the Cabinet Secretary of Health, Mutahi Kagwe, requested communication support from Safaricom.

We agreed to provide communication resources equivalent to 195 terabytes of data, 10 million voice call minutes and 33 million SMSs to critical government healthcare workers for three months.

These resources included:

- Monthly bundle for frontline government healthcare workers.
- 100 Mbps Internet Connectivity at Afya House for the National Command and Control Centre in the fight to safeguard our health.
- COVID-19 Emergency Response Fund airtime support – substantial one-off bundle to 15 members to assist in the smooth running of the fund activities.

The initiative was part of our commitment, valued at KShs 6.5 billion as of May 2020, to keep the country connected during the crisis. We have supported our customers and the country through interventions in financial services, transport, education and healthcare.

> "As we face this crisis, seamless worry-free communication between the frontline teams, the Command Centre and their loved ones was crucial. The contribution by Safaricom to support over 5,500 government healthcare workers goes a long way in helping us execute a coordinated national response.
>
> **Hon. Mutahi Kagwe**
> Cabinet Secretary, Ministry of Health

Manufactured capital

Network and IT infrastructure

Our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation. Investing in building and maintaining this infrastructure requires significant financial capital and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. Over the long term, the investments in manufactured capital typically generate net positive outcomes.

Key inputs

- 9,000km fibre footprint
- KShs 73.66 billion net income
- KShs 36.10 billion capital expenditure for the year
- A total of 5,314 2G base stations of which 5,275 are 3G base stations and 4,342 are 4G base stations
- Optimised capital allocation and diversification of revenue growth areas

Developments during the year

The quality, coverage and availability of our network are paramount to maintaining our competitive advantage in a highly competitive industry.

In line with our mission to digitise Kenya, we have invested heavily and strategically in 4G, expanding to more than 4,300 sites. 77% of the Kenyan population is now covered by our 4G network and 94% is covered by our 3G network.

Our fibre roll out now covers more than 9,000 km opening up opportunities for more content and smart home and enterprise propositions in the medium term.

We reached 4,000 fibre-ready buildings, a +64.7% growth, in the year with more than 24,000 enterprises enjoying FTTB across all towns.

We increased the number of houses passed and connected by our fibre network to more than 331,000 houses, up 11.2% YoY, equivalent to 42% penetration.

We maintained mid-teens capex intensity which is above industry standards as we strive to provide the best technology. Capital additions amounted to KShs 36.10 billion.

Outcomes

- Kenya's best 4G network covering 77% of the population, up 20.0% YoY
- 9,000km fibre layout achieved in FY20, up 34.3% YoY
- +142,000 residential homes connected to our fibre optic network
- +24,000 businesses connected to fibre optic network
- Neon Ray – most affordable 4G smartphone in Kenya at KShs 3,999

HOW WE SUSTAIN VALUE CONTINUED

Financial capital

Financial capital

Financial capital, which includes shareholders' equity, debt and reinvested capital, is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital. Balancing the short-term interests of investors with longer-term growth objectives and with some of the interests of other stakeholder groups remains a critical objective. This can involve balancing certain trade offs.

Key inputs

- 64.8% market share as at 31st December 2019
- KShs 70.3 billion free cash flow
- KShs 2.12 billion net interest earned

Developments during the year

The Group and Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

During the year, the Group maintained a strong balance sheet. Opening cash was KShs 20.03 billion with a cash inflow of KShs 158.0 billion, giving the Group cash in hand of KShs 178.0 billion. Cash outflows to cover capex, tax paid and short-term debt payment meant cash generated from operations was KShs 101.7 billion. After returns to shareholders of KShs 74.9, the Group's closing cash was KShs 26.8 billion.

The Group has delivered a robust financial performance for the year ended 31 March 2020. On IFRS 15/IAS 17 basis, earnings or Profit Before Interest and Tax (EBIT) grew 13.5% YoY to KShs 101.0 billion, while headline earnings per share (HEPS) excluding a one-off gain arising from acquisition of the M-PESA brand grew 14.3% to KShs 1.78. Free cash flow also performed strongly growing at 11.4% YoY to KShs 70.3 billion, ensuring a strong opening position to the new financial year.

The profit for the year before share of profit from joint venture (M-PESA Global Services Ltd) was KShs 70.4 billion (2019: KShs 62.5 billion), and KShs 73.7 billion after inclusion of the share of profit from the Joint Venture and has been added to retained earnings. In the year ended 31 March 2020, the Group borrowed KShs 20.1 billion and repaid KShs 16.2 billion. The outstanding amount of KShs 8 billion is due for payment by May 2020.

Outcomes

- Service revenue up 4.8% to KShs 251.22 billion
- EBITDA up 8.3% to KShs 134.63 billion
- Free cash flow up 11.4% YoY to KShs 70.27 billion
- Proposed dividend pay-out KShs 56.09 billion
- KShs 481 million invested by Safaricom Foundation in FY20
- KShs 1.1 billion invested by M-PESA Foundation
- Taxpayer of the year 12 years in a row

Natural capital

The environment and natural resources

We require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes financial and natural capital, the impact of which is lowered through energy efficiency initiatives and site sharing.

Key inputs

- Electricity consumption – 179,565.5 MWh
- Water consumption – 102,230.84 m^3 (Cubic Metre)
- Fuel consumption – 9,762,820.60

Developments during the year

Environmental considerations are not separate from our core business as they impact on our overall commercial sustainability and success. The policies that address the environmental and social impacts of the business include an Environmental Management Policy and Children's Rights Policy. We are also in compliance with the ISO 26000 guidelines on CSR.

As part of our commitment to the SDGs and to protecting the environment, we are committed to maximising our positive impact and mitigating our negative impact by aligning our activities to two goals in particular:

- SDG 7 – promoting use of affordable and clean energy, both within our network and the homes of employees.
- SDG 12 – advocating for, implementing and promoting responsible production and consumption of resources.
- Our pledge has refocused our thinking and efforts across the entire business – including improving energy efficiency and reducing energy consumption across our network and facilities, deploying renewable energy solutions and exploring carbon offset projects.
- We have committed to become a net zero carbon-emitting Company by 2050. We have initiatives in place to monitor our emissions and have set science-based carbon reduction targets.

Other focus areas include:

- Compliance with regulations regarding use of plastics, air quality and noise levels.
- Clearly defined waste management policy, including e-waste management programme and an end-to-end waste management approach, partnering with competent partners in the respective industries.
- ISO 14001 recertification, upgrades to our Environmental Management System (EMS) and successful transition to ISO 14001:2015.

Reducing waste

Our biggest focus has been SDG 12 – Responsible consumption and production. By recycling instead of landfilling waste, we save greenhouse gas emissions and use less energy. Production of recycled materials is, in most cases, more energy efficient than making new products. We also save natural resources, for example it is estimated that recycling one tonne of paper saves 17 trees from being cut down – also benefiting climate change.

We continue to expand our waste management programme to achieve the objective of zero waste to landfill. During the year, this involved rolling out the programme beyond our main office buildings to shops mainly in Nairobi and surrounding areas. Out of the 299.9 tonnes of waste collected from our facilities, we recycled 97% of the waste that could have gone to landfill.

HOW WE SUSTAIN VALUE CONTINUED

Natural capital

The environment and natural resources

E-Waste Management

We continued implementation of initiatives under our E-Waste Management Programme to increase volumes collected and create awareness among customers and citizens of the negative impacts of e-waste and health. For the second year running, we worked with the Ministry of Environment and Forestry to mark International E-waste Day to promote awareness of recycling and proper disposal of e-waste. We brought together stakeholders including the Ministry of Environment, Communications Authority, National Environment Management Authority, WEEE Centre, Formal and Informal recyclers, universities and other government institutions to mark the day. We reached over 5,000 people directly and engaged wider society through media coverage. Activities included waste collection from government institutions, universities, government ministries and also internally within Safaricom. As part of the initiative, the Ministry of Environment wrote to all government ministries and departments to encourage them to dispose of e-waste through our programme. We collected over 50 tonnes of waste as part of the campaign.

During the year, Safaricom actively participated in the development of the draft e-waste strategy spearheaded by the Ministry of Environment and Forestry. We hope the strategy will be adopted by the government soon for implementation and our own E-Waste Management Programme is aligned to the draft national strategy.

Net-Zero carbon ambition

The latest science has made it clear that more needs to be done – and faster – in order to avoid the worst impacts of climate change and secure a thriving, sustainable economy. The next few years are critical, and companies have a vital role to play in helping achieve transformation at the pace and scale that is needed. As Safaricom we have started this journey by setting science-based targets.

In FY20, Safaricom registered its emissions target with Science-based targets initiative (SBTi). Science-based targets are emissions reduction targets in line with what the latest climate science says is needed to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. They show companies how much and how quickly they need to reduce their greenhouse gas emissions in order to be consistent with keeping warming below the most dangerous levels.

Net-Zero initiatives continued to be implemented with measures being undertaken including:

- Continuous monitoring of energy consumption and related carbon emissions.
- Roll out of energy efficiency programme.
- National grid expansion which is largely renewable.
- Increase use of renewable power from solar and wind – we deployed 100 solar PV projects last year.
- Reduction of diesel delivery and consumption.
- Modernisation of power systems to improve capacity and efficiency.
- Energy audits to ensure that our sites are power efficient.

Conserving biodiversity and restoring Kenya's forests

Our target is to grow 5 million trees in five years.

We recognise that climate change is affecting the global community in far-reaching ways. The impacts can be seen across many regions and crucial sectors of the economy such as food security, agriculture, transportation, ecosystems, energy, water supply and human health. A report on national forest resource mapping and capacity development shows that forest cover in Kenya declined from 7.89% in 1990 to 5.90% in 2000. However, there has been increase from 5.90% to around 7.2% in 2018. Some of the impacts are seen in form of prolonged droughts and flooding resulting in massive economic losses.

In partnership with the Kenya Forest Service, Safaricom has signed a partnership agreement to rehabilitate and increase Kenya's forest cover in line with meeting the country's objective of 10% forest cover. In August 2019, we committed to grow 5 million indigenous seedlings over five years to offset our emissions, mitigate climate change and conserve water and biodiversity. The programme will be implemented in selected gazetted forests across the country. We are working with the Kenya Forest Service and the community in the reforestation programme across Kenya.

Tree growing has a number of benefits which include: carbon removal potential from the atmosphere; release of oxygen and carbon storage; stabilising the soil and providing habitat and food for wildlife; and deriving materials for tools and shelter.

The main objective for the programme in our case is offsetting carbon emissions from our business operations in the long term. Our primary objective is to reduce emissions through re-engineering our technology operations. However, with the current technology, we may not reach zero and we want to use forest rehabilitation through a verified methodology to offset the balance. It is also an opportunity to engage employees in conservation efforts through participation in tree planting across the country.

Environmental compliance and regulations

We continued to monitor our performance against regulations and completed 100% of initial environment audits. We also carried initial self-audits that were not planned at beginning of the year in compliance with the NEMA requirements. Over 60% of the sites were completed by the end of the year. We also removed 9,600 single use plastics from receptions and replaced them with 300 reusable glasses. Over 200,000 single use plastics have been removed across the business.

ISO 14001 certified

We carried out recertification audit based on the ISO 14001:2015 and met all the requirements. In this audit, we had several good practices and one minor non-conformance. We also trained all ISO 14001 Implementers from across the business.

A solution to e-waste

In Kenya, an estimated 35 million people use electronic devices and the majority of these are mobile phones. The downside is 120 tonnes of electronic waste once they reach the end of their life, a problem compounded by the influx of counterfeit products with shorter life cycles.

In October 2012, we introduced the Safaricom E-Waste Management Programme to provide an end-to-end solution. Designed in partnership with National Environment Management Authority, the initiative aims to collect all types of old electronics and hands them in to our recycling partner. The Waste Electrical and Electronic Equipment Centre (WEEE) disassembles the gadgets, separating them into different parts. It recycles the locally recyclable materials and sends the non-recyclable materials to other partners for safe end of life management. Educating the public and encouraging other stakeholders are also key objectives.

Through the programme, Safaricom has collected and recycled over 1,200 tonnes of e-waste to date.

> “If you are not part of the solution, you are part of the problem.
>
> Safaricom team quoting a well-known Mahatma Gandhi saying

OUR BUSINESS

SDGs and materiality

The United Nation's Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the planet and ensure all people can enjoy peace and prosperity by 2030.

Our four material issues

1. Governance Business Ethics, Risk and Regulation

We consider sound corporate governance, ethical conduct, robust risk management and regulatory compliance to be fundamental to our commercial sustainability.

2. Our network

Our network is essential to the continuity and sustainability of our business. It is the foundation of all our operations, delivering our services and enabling us to transform lives.

3. Environmental stewardship

Environmental stewardship is vital to reducing inequalities. We must act in an environmentally responsible and sustainable manner, report our impact transparently, and mitigate our impact.

4. Innovation

We continuously challenge ourselves to extend our innovative approach to problem-solving and meeting the needs of our customers and society at large.

Our four material issues	Strategic pillars: Customer First	Strategic pillars: Relevant Products	Strategic pillars: Operational Excellence	Capitals: Human and Intellectual	Capitals: Social and Relationship	Capitals: Manufactured	Capitals: Financial	Capitals: Natural
1. Governance Business Ethics, Risk and Regulation	9, 16	9	8, 10, 16, 17	8	8, 16, 17			
2. Our network	9	8, 9	9	8, 9, 10	8, 10			
3. Environmental stewardship			7, 8, 12, 17		8, 17			7, 12
4. Innovation	9, 10	3, 4, 8, 9, 10, 17	8, 17		8, 17			

Since their launch in 2015, the SDGs have become a central pillar of our business, positioning sustainable development as part of our culture at Safaricom.

We have identified the nine SDGs on which we believe we have the greatest impact and opportunity to make a lasting difference.

We have integrated the selected SDGs below into our strategy and operations. Since 2018 all employees have integrated the Goals by including SDG-related commitments in their annual performance objectives.

For more details on our contribution to the SDGs see our **Sustainable Business Report**

Good health and wellbeing

Our mobile technologies such as M-TIBA, a health payments solution which enables low-income earners to save towards healthcare expenses, transform lives by improving access to quality and affordable healthcare services and promoting wellbeing.

Quality education

We are committed to increasing access to educational opportunities through innovation, products and services including Shupavu 291 and our M-PESA Foundation Academy.

Affordable and clean energy

We are working to transition our network sites to clean energy, roll out new green/hybrid sites and find innovative ways to provide and promote clean energy solutions throughout Kenya.

Decent work and economic growth

Our greatest contribution is through the jobs we create, both direct and indirect across the value chain, our contribution to financial inclusion, and the taxes we pay. We empower our employees and we support young entrepreneurs through the work of the Safaricom Foundation and other initiatives.

Industry, innovation and infrastructure

We aim to provide quality connectivity and innovative, relevant products and services, to serve the needs of society. Expanding the quality, coverage and availability of our networks is paramount to support economic development and transform lives. We are growing the network in remote areas in Kenya while expanding the fibre-optic network and developing globally-focused, human-centred products.

Reduced inequalities

We leverage our leadership, network, technology and solutions to promote equal access to opportunities to succeed, especially for those who face obstacles. Key activities include expanding our diversity agenda, developing our Women in Business programme and enhancing access to our products and services by addressing affordability of smart devices and data plans.

Responsible consumption and production

We strive to manage our potential negative environmental impacts and we encourage our stakeholders to do the same. Our focus is on embracing circularity, eliminating plastic, digitising practices and processes to increase efficiency and reduce waste and supporting global advocacy initiatives.

Peace, justice and strong institutions

We are committed to running a responsible and ethical business and we practice and uphold strong governance and ethical standards. We aim to report our progress and performance honestly and transparently and we engage openly with key stakeholder groups.

Partnerships for the Goals

Partnerships are embedded in our business model; we work together with individuals, organisations and countries to support and sustain many of the targets set out in the SDGs. We collaborate with organisations that share our vision of transforming lives and our values with regard to ethics, diversity and inclusion and environmental responsibility to promote financial inclusion, education, health, agriculture and empowerment initiatives.

OUR BUSINESS

What impacts value – our stakeholders

Our stakeholders are the individuals, communities and organisations who are affected by and who may influence our business.

Our success depends on understanding and responding to their needs and building long-term relationships. We maintain constant dialogue with key stakeholder groups and what we learn from them informs our decisions and shapes our strategic priorities and sustainability approach.

Stakeholder group	Material relationships	Means of engagement	Material interests
Government and regulators	Provide access to spectrum and operating licences, the basis for creating value. Impose regulatory measures with potential cost implications.	– Participation in consultations and public forums – Submission and engagement on draft regulations and bills – Engagement through industry consultative bodies – Publication of policies and research engagement papers – Partnering on key areas including education, health and gender based programmes	– Ensuring this wide spectrum of interests is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in underserviced and rural markets. Others include: – Promoting opportunities for job creation and socioeconomic development – Protecting consumer interests on service quality, costs and privacy – Regulatory compliance on issues such as mobile termination rates, price, security, safety, health and environmental performance – Contribution to the tax base
Customers	Investing in tools and products that are designed to give our customers variety and control through relevant products and services.	– Call centres, retail outlets and online – mySafaricom app, messaging and USSD channels – Net Promoter Score (NPS) feedback – Facebook and Twitter platforms – Safaricom PLC website – Open days offering customers affordable deals on products	– Better value offerings – Faster data networks and wider coverage – Making it simpler and quicker to deal and connect with us by using Safaricom self-care services – Converged solutions for business customers – Managing the challenge of data-usage transparency by using tools like My Data Manager and Subscription Manager – Privacy of information; simple tools like Jitambulishe help to minimise fraud and theft cases – Feedback on service-related issues via CARE

Stakeholder group	Material relationships	Means of engagement	Material interests
Investors and shareholders	Provide sustainable financial capital required to grow and feedback to inform our management and reporting practices.	– Investor engagements that include roadshows, conferences and meetings – Annual and interim results announcements – Annual General Meetings with shareholders to update them on our business strategy – Investor relations section on our main website	– Sound investment to ensure sustainable growth and risk management and to ensure that we take advantage of the opportunities that arise. Others include: – Responsible allocation of capital – Sound corporate governance practices – Transparent executive remuneration – Stable dividend policy
Employees	Our employees' engagement, determination and skills drive our ability to realise our vision of transforming lives.	– Internal website – Newsletters, internal magazine and electronic platform communication – Employee surveys – Employee hotline – Leadership coaching and mentorship forums – CEO mailbox	– Clear career paths through individual development plans and performance reviews to assist in career development – Improved knowledge sharing across the Company – Simplicity, agility and engagement – Building the coaching and mentoring capability of leaders – Better understanding of reward structures – Competitive remuneration
Suppliers	Impact on our ability to offer quality and cost-effective products and services and to provide cutting-edge technology.	– Supplier engagement forums – Ongoing site visits – Audits	– Timely payment and fair agreement terms – Occupational Safety and Health Act compliance – Improving health and safety standards – Partnering on environmental solutions
Communities	Transforming lives through sustainable development initiatives that strengthen the socioeconomic context in which we operate.	– Safaricom Foundation partnering with communities – M-PESA Foundation investing in projects with Corporate Social Investment – Public participation in projects and initiatives that give back to the society such as the Safaricom Marathon geared towards the Lewa Wildlife Conservancy	– Access to mobile voice and data services – Access to basic services such as finance, health and education – Investment in infrastructure – Responsible expansion of infrastructure
Business partners	A key interface with our customers; they are custodians of our brand and reputation and critical to ensuring effective delivery of our strategy of delivering the best customer experience. They include financial services partnerships e.g. Fuliza and content providers.	– One-on-one business meetings – Training sessions on new products and services – Market visits	– Making it simpler and quicker to deal with us – Fair treatment – Involvement of top management with customers
Media	Critical role as the contact point with external stakeholders and keeping them informed of the facts, business developments, new products, services and the impact of our business operations.	– Media releases and product-related publicity – Roundtables – Product launches – Face-to-face and telephonic engagements – Interviews with the CEO and key executives	– Updated on key activities and offerings by the business – Transparency

OUR OPERATING ENVIRONMENT

Key trends shaping our industry

No business exists in isolation; we must understand the macro-social, economic and environmental issues affecting our industry and stakeholders. Staying abreast of these issues helps shape our strategy and informs our response.

Stability in a shifting landscape

Market trends	Global health emergency	Regulatory risk
Growing demand for mobile data and converged solutions	COVID-19 "Creative disruptions" have changed M-PESA and data customer behaviour	Enabling future growth through judicious taxation
The rise of the platform economy	Delayed network deployment and commercial disruptions driven by short-term supply issues	New registration governance measures
The expansion of mobile money		Data Protection Act 2019
Fluid competitor space		

Market trends

Growing demand for mobile data and converged solutions

When it comes to the mobile economy, Sub-Saharan Africa is the fastest growing region in the world, driven by continued improvements in affordability of smartphones and mobile data plans. However, Sub-Saharan Africa continues to be the largest non-internet population in the world, with rural coverage a major challenge along with other barriers. With our position at the forefront of the digital transformation in Kenya, we see many opportunities in powering digital lifestyles by offering affordable 4G smartphones and data plans and growing our 4G sites.

The rise of the platform economy

Mobile-enabled platforms are increasingly disrupting traditional value chains across the region. These platforms – mostly developed by a rapidly expanding local tech start-up ecosystem – aim to eliminate inefficiencies in conventional business models, as well as extend the reach of services and provide greater choice to customers. Four key verticals on which mobile platforms are having a significant impact are financial services, commerce, transport and logistics.

The expansion of mobile money

Mobile money is a key enabler for people with limited access to traditional financial institutions, including those on low incomes and rural communities. Kenya continues to lead the way and the growth trajectory of mobile money is likely to remain strong, especially with more Kenyans adopting online shopping.

Future growth of mobile money services in Sub-Saharan Africa will be largely driven by interoperability of mobile money services, giving users the ability to transfer between customer accounts held with different mobile money providers and other financial system players. Opportunities lie in the implementation of innovative solutions to integrate mobile money platforms with the broader financial ecosystem.

Fluid competitor space

Even as global trends continued to drive more use of data products, the local mobile landscape also started to shift with the announcement of a merger between Telkom Kenya and Airtel Kenya in February 2019. The transaction is still undergoing regulatory approvals, however it is expected to significantly alter the industry profile giving customers a stronger number two player.

Global health emergency

Following the reports of the first coronavirus case in Kenya on 13 March 2020, Safaricom acted quickly to use the power of its network to set up several solutions in order to assist with the national response to the epidemic.

Within the first three months of the crisis, Safaricom had implemented measures to cushion customers and Kenyans at large from negative impact valued at KShs 5.5 billion, including the establishment and operation of a 24-7 COVID-19 Information Centre, leveraging the capabilities of its Customer Contact Centre.

Safaricom embedded over 300 doctors to support the frontline staff in educating, informing and managing the spread of COVID-19. Safaricom also doubled data capacity for its Fibre at Home customers and removed transaction costs on M-PESA for amounts below KShs 1,000.

In addition, Safaricom launched Bonga for Good, an initiative that sought to empower customers by handing them an extra cash flow to buy food and essential services by enhancing the value of their Bonga Points by 50%, from 20 cents to 30 cents. The initiative also empowers customers to donate their Bonga Points to those in need as a show of goodwill.

In line with the unprecedented and extraordinary steps taken by regulators around the world to create enabling policies in order to assure technology availability during the crisis, Safaricom heavily engaged its regulators to identify ways to enhance operations for the benefit of customers.

Locally, the regulator has taken steps to monitor network performance by requesting weekly reports from all operators to ensure stable network availability for customers.

Regulatory risk

With the rising growth of data-savvy consumers tempered by the fact that voice and SMS use has started to plateau, competition between operators continued to drive acquisition, even as pressure on the consumer wallet continued to increase due to the economic environment. This meant that Safaricom had to both identify new opportunities even as it attempted to retain consumer interest in its products. These influences shaped the regulatory environment for Safaricom and demonstrated the need for more supportive policies to create a more competitive and vibrant playing field.

Enabling future growth through judicious taxation

Studies show that Kenya's telecommunications sector's growth is hampered by above average taxation on mobile services, which increases the cost of using mobile services and limits more widespread access.

According to a recent report on tax in Kenya by the GSMA, the tax contribution of the mobile sector in Kenya is high compared to other countries in Sub-Saharan Africa (SSA). In 2018, the total tax contribution of the mobile sector was estimated at KShs 97 billion ($954 million), representing 37% of the total market revenue. This was above the average in SSA (26%) and any other reviewed region, including Europe (21%) and Latin America (18%).

Further, the Kenyan mobile sector makes a large contribution in taxes and fees relative to its economic footprint; while the mobile market revenue accounted for 3% of Kenya's GDP, the sector's tax and fee payments accounted for around 6.5% of government total tax revenue. The tax contribution of the mobile sector is therefore 2.2 times its size in the economy. This is limiting mobile operators' ability to make the necessary investments in Kenya's mobile networks and improve the affordability of mobile services.

Mobile operators in Kenya make a significant and valuable contribution to the economy and society. There is potential for the mobile sector to make a far greater economic and social contribution by increasing mobile connectivity, so everyone can participate in the country's digital economy.

New registration governance measures

The Communications Authority in November 2019 issued draft Guidelines for Reporting on SIM-Card Registration by Telecommunication Operators for public consultation. The Guidelines provide for more robust measures for SIM registration in Kenya.

A joint communication from the MNOs was sent on 31 January 2020 to the Authority highlighting the various concerns regarding the implementation of the Guidelines.

In its latest draft on the regulations, the Authority introduced a new provision for setting up of a USSD code to enable subscribers confirm numbers registered against their National IDs. In May 2020, Safaricom launched a service that enables customers to alert customers once a SIM card is purchased in their name.

Whenever a customer's National ID number is used to register a new SIM card, they receive an SMS notification from service number 707 asking for consent. The customer will be prompted to accept or cancel the registration. During the registration, if a customer responds with 'no', the new line will not be registered and the matter will be escalated automatically to the Safaricom fraud team for investigation. If the customer chooses not to respond with either of the options given, the registration will not be completed.

Data Protection Act 2019

The Data Protection Act, 2019 came into force in November 2019. The Act establishes the office of the Data Commissioner and makes regulation for the processing of personal data, rights of data subjects and obligations of data controllers and processors.

The Act outlines the various principles of data protection and further defines the lawful basis for processing of personal information. Safaricom, as a data controller and processor, is required to register with the Office of the Data Commissioner once the same is up and running. The Public Service Commission declared vacant the position of the Data Protection Commissioner on 25 March 2020, kickstarting the recruitment process. Interested parties had until 14 April 2020 to submit their application. It was anticipated that the Data Protection Commissioner shall be appointed before the end of the government fiscal year on 30 June 2020.

Thus far, a data protection officer has been recruited for the Company to guide on various matters touching on privacy and a privacy department has been established in the Risk Division. A data protection policy framework has also been developed for use internally. A data privacy impact assessment was conducted Company-wide to establish the various processes and procedures that touch on personal data and the privacy department is putting in place mitigation measures to ensure that our processes align to the Act.

OUR PERFORMANCE

OUR PERFORMANCE

Our strategy

We have set our sights on transforming our business into a digital lifestyle enabler. This means looking for opportunities to apply more advanced technology to every consumer context. We aim to develop a deep understanding of what our customers need and to apply it to delivering innovative solutions to meet those needs.

Putting the customer first

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

1 Sustaining customer growth through segmentation

2 Enhancing digital experience and driving efficiency

3 Our brand and reputation: "Neo"

Relevant products

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

1 Progress the use of CVM and data analytics to drive core products and meet segment needs i.e. voice, messaging, mobile data and financial services

2 Grow fibre monetisation to core business

Operational excellence

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

1 Technology enabling a digital society

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

2 Digital First

Rethinking and digitising our operations, products and services to become more agile in order to enable the digital lifestyles our customers.

3 Business model transformation

Structurally transform our operating model and fundamentally reshape our cost base, while also improving the overall experience for our customers and generating incremental value.

Putting the customer first

Short and medium-term measures of success

1 Sustaining customer growth through segmentation

Measure:
- Growth in one month active customers by mid-single digit ppts

2 Enhancing digital experience and driving efficiency

Measure:
- Number 1 Overall NPS
- Reduce churn by mid-single digit NPS

3 Our brand and reputation: "Neo"

Measure:
- Number 1 Overall NPS
- Reduce churn by mid-single digit NPS

We are progressively providing a seamless, frictionless and personalised digital experience to our customers. Our focus is to position Safaricom as a brand with simple and reliable products and services that are transparent, easy to use and offer an enhanced customer experience and security.

Highlights:

- 12.2% customer growth to 35.61m in FY20
- Maintained leadership as the most trusted company
- No. 1 in Network NPS with 71 points, a 10 points leadership (As May 2020)

1. Sustaining customer growth through segmentation

We have maintained our focus on the customer by investing in the quality of our service, the performance of our network and differentiated customer experiences. Our actions in this area are guided by our purpose of transforming lives.

We further increased our use of data analytics to provide predictive, proactive and personalised offers to our customers, driving down the average rate of our offering. This translated into accelerated growth in customers.

To sustain growth, we personalise our products to provide a diverse offering that targets different segments. Our key customer propositions include:

All-in-one monthly bundles – Mass

All-in-one bundles are available to all Safaricom customers (Prepay, Postpaid and Hybrid). Customers can select the amount they wish to spend and can view all data and integrated products and resources at the respective amounts. All-in-one monthly bundles have a validity of 30 days. They provide a simplified journey that seeks to offer the consumer the best choice for maximising their purchase. For example, we provide free WhatsApp access once the customer exhausts their mobile data bundle and the expiry date has not yet elapsed.

Tunukiwa – (Be rewarded)

Tunukiwa tariff is a personalised offer based on individual customer usage, network utilisation, capacity availability, device type and general location. Customers can access a list of personalised options daily across voice minutes, SMS bundles and mobile data bundles by dialling *444# from their Safaricom line. They are able to purchase multiple options depending on their preferences.

Putting the customer first with YouTube

An affordable YouTube data bundle

Increasingly, Kenyans are turning to the internet for entertainment, education and to learn new skills.

To meet this demand, we partnered with Google to leverage our digital and data capability and enable our customers to access the wide collection of entertainment, education, sports and news content available on YouTube. A new daily bundle, which was free on the first day for first-time subscribers, offered 80MBs for use on YouTube, which is equivalent to up to 30 minutes of standard definition streaming and up to an hour of low definition streaming.

An affordable KShs 10 data bundle will also ensure that no-one is left behind by the accelerated digital transformation brought about by social distancing amidst the ongoing pandemic.

> We are excited about this partnership with Safaricom that will make data more affordable to users in Kenya who in this current situation are looking for affordable ways to stay connected, informed and entertained. This partnership will provide Kenyans the opportunity to go to YouTube daily to watch their favourite shows, listen to music, learn a skill or develop their passion with the millions of content available without the hassle of thinking of their data.

Mariam Abdullahi
Director, Android and Platforms Partnerships for Africa

OUR PERFORMANCE

Our strategy Continued

Blaze – Youth

Blaze is a platform that empowers the largest demographic in the country – young people aged 18–26. Create Your Plan is one of a number of unique services offered under the BLAZE portfolio. It allows users to control how much they spend on voice, data and SMS each time they purchase airtime.

Flex – Entrepreneurs

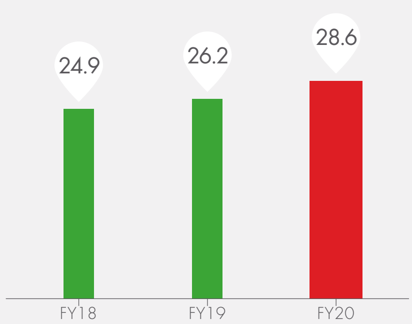
FLEX is designed for the customer who demands the most from their mobility. It allows customers to choose how they allocate airtime for voice calls, SMS and mobile data services. Customers are able to subscribe to daily, weekly or monthly packages that offer value beyond typical bundles to maximise on their spend. They can roll over unused FLEX units by renewing FLEX bundles before expiry.

Safaricom Platinum – Discerning professional

Safaricom Platinum plans are value-for-money mobile packages available to individual Prepay, Postpay and Hybrid subscribers. The plan offers integrated data, voice and SMS packages at price points ranging from KShs 1000 to KShs 10,000 with a 30-day validity. Platinum Plus customers can access incentives from Shell Petrol stations, TicketSasa and Eat Out outlets through the mySafaricom app.

One month active customers

m



2. Enhancing digital experience and driving efficiency

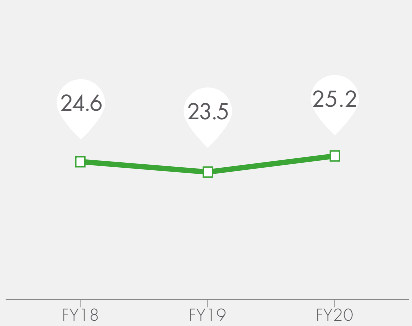
Our digital strategy aims to position Safaricom as the brand of choice for customers by providing personalised products and enhanced self-service platforms. It has been fully developed and cascaded across the organisation and centres around building capability for digital customers, enterprises and corporates (see page 65).

Our focus on the customer aims to improve our products and services leading to better customer sentiment, through measures such as NPS and brand consideration. Key developments in FY20 include digital marketing initiatives using analytics for targeted advertisements, use of an electronic queue management system and deployment of a new generation of point of sale across all shops.

We are developing a single view of the customer through our Data Lake consolidation to improve experience and drive up customer value. Electronic know-your-customer tools are increasingly being used to leverage biometrics, improving security and providing a faster, more seamless registration for subscribers. The mySafaricom app now has over 1.3m daily users and our Contact Centre Interactive Voice Response (IVR) self-service is currently handling 100K daily users with a success rate of 91%. We are continuing with and aggressive push to grow our Zuri chat BOT penetration targeting 70% of the 6.8 million customers on our network.

Annualised rate of churn

%



3. Sustaining customer growth

We launched our new brand promise, "For You" as part of our commitment to being Simple, Transparent and Honest. It provides a unique customer-centric offer with no expiry on data and voice. The new offering provides a simplified customer journey with one USSD for service (*100#) and one USSD for purchase (*544#). In addition, we have enhanced the customer experience at our retail stores.

The campaign enabled us to regain market share with mobile data growth returning to double digit, steady underlying service revenue growth, enhanced margins for better asset utilisation and improved brand consideration.

As part of our promise to be Simple. Transparent. Honest. FOR YOU we introduced the new customer proposition, Neo – a no-expiry resources plan. The plan gives customers the freedom to purchase talk time and data bundles of any amount, starting from as low as KShs 1. Customers can clearly see how much data MBs, minutes and SMS they will receive before completing the transaction. Customers purchasing the new Call and SMS plans get an extra 50% talk time with every purchase, enabling them to talk more for less.

OUR PERFORMANCE

Our strategy Continued

Relevant products

Short and medium-term measures of success

1 Progress the use of CVM and data analytics to drive core products and meet segment needs i.e. voice, messaging, mobile data and financial services

Measure:
- Sustain double-digit growth for mobile data
- Grow contribution of M-PESA "New Business" revenue and transaction volume

2 Grow fibre monetisation to core business

Measure:
- Enhance growth in homes connected and enterprise links, grow content partnerships, fixed mobile convergence and smart home proposition

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

Highlights

- 12.1% YoY growth in mobile data revenue to KShs 40.67bn
- 10.0% YoY growth in one month active M-PESA customers to 24.91m
- 10.7% YoY growth in fixed service revenue growth to KShs 8.97bn
- 71% penetration, engaging 20 million customers through CVM
- 43.0% (up 6.7ppts YoY) penetration of fibre to the home, reaching +142k homes
- +4k ready buildings (+64.7% in FY20) reached by our fibre network

1. Increased use of Customer Value Management (CVM) and data analytics to drive core products

Customer needs in the Sub-Saharan Africa region are constantly evolving, driving demand for affordable digital products and services. We put our customers first by investing in CVM and data analytics to inform our product and service development and ensure they remain relevant across customer profiles.

We focus on applying CVM to deliver improvements at all stages of the customer journey, with the focus on:

Acquisition and onboarding – onboarding new customers (PUK self service, Line 100, Jitambulishe, Bonga) and educating pre-pay customers on propositions and value-added services.

Base management – cross-selling of products, enhancing use cases, engagement through personalised offers (Tunikiwa), usage stimulation (Stori Ibambe and Okoa Jahazi).

Lifetime extension – application of churn prediction models, incentives to return, free airtime, loyalty programmes and anniversary management.

We achieved over 71% CVM penetration in FY20, engaging 20 million customers across the base through 'Just4U' initiatives such as Tunukiwa (meaning 'get rewarded'), Stori Ibambe (meaning 'keep talking') and outbound segmented 1-2-1 campaigns.

Investment in CVM delivered a 5% increase in average revenue per user (ARPU) and over KShs 1 billion cost savings were achieved through M-PESA 1-21 recharge conversation campaigns.

Voice and messaging

Affordability is the major issue driving the slowdown of mobile subscription across Sub-Saharan Africa. Through our "Story Ibambe" we drive affordability of voice to customers through giving more for more. In line with global industry trends, voice and messaging revenue recorded a blended decline of 3.3%. This decline was partly driven by competitive pressures and migration to newer technologies, and partly by the impact of corrective actions taken last year to make it easier for our customers to manage their premium-rate subscriptions, opt out of them and regain customer trust. Voice and messaging are now 44.4% of service revenue.

Voice and messaging still have a lot of opportunity to be explored despite stiff competition from both direct competitors and cannibalisation from IP messaging platforms such as WhatsApp.

Mobile data

We currently have 28.63 million one month active subscribers in our network amongst whom 21.99 million are mobile data customers. On average, our customers are now using more than 1GB per month and mobile data achieved double-digit revenue growth of 12.1% YoY. Mobile data now accounts for 16.2% of service revenue and it grew 12.1% in the second half of the year. Growth in mobile data was driven by increased smartphone penetration and usage and a 28.3% reduction in effective rate per MB. The launch of "For You" in October 2019 enhanced affordability and gave customers more control and confidence when using mobile data. In the bid to be the leader in Kenya's digital migration and mobile internet uptake, we aim to double our 4G sites to almost 5,000 sites, covering every town in Kenya with 4G and facilitating 80% of the population.

Smartphone affordability

Smartphone uptake continues to increase, driven by the decline in prices, and enabling more people to gain mobile internet connectivity. In FY20, we launched a KShs 20 a day 4G smart phone package aimed at empowering customers currently on 2G devices to upgrade and enjoy high-speed internet connectivity. The 'Maisha ni Digital' (meaning 'life is digital') campaign aims to ensure that Kenyans from all walks of life can enjoy 4G. Launched in partnership with Teleone and Google, it aims to digitise the 2G customer by introducing the most affordable 4G smartphone globally: Neon Ray.

We also partnered with Samsung and M-KOPA on an innovative project which combines Samsung's mobile security solution, Safaricom's fast 4G network and M-KOPA's pay-as-you-go platform to empower consumers to upgrade to aspirational smartphones at lower upfront fees and interest rates.

Additionally, we launched the pilot Lipa Mdogo Mdogo smartphone campaign. This campaign, in partnership with Android and Teleone, is the first of its kind the world. Lipa Mdogo Mdogo is a revolutionary method of accessing a smartphone with easy and affordable through daily or weekly instalment for as low as KShs 20 while enjoying all the benefits that come with being digitally connected.

Financial services

M-PESA

In FY20, M-PESA revenue grew 12.6% to KShs 84.44 billion. This was driven by a 10.0% increase in one month active M-PESA customers to 24.91 million, savings and lending and person-to-person (P2P) transfers, which make up two-thirds of the total growth.

On an underlying basis, excluding the impact of betting and our COVID-19 response, M-PESA grew 17.2%. This growth was driven by savings and lending and P2P which make up two thirds of the total growth. However, we have seen a slowdown in the growth rates across withdrawals and payments, partly driven by a general economic slowdown, and this is likely to get worse as we face the coronavirus pandemic in FY21. While we are facing some short-term headwinds, there is still a lot of opportunity to grow and we are excited about M-PESA's future.

Expanding Lipa Na M-PESA to help SMEs grow

As part of our efforts to support small and medium businesses with technology solutions, we have expanded Lipa Na M-PESA capabilities to provide a broader range of functionalities. Businesses can now make payments to both individuals and other businesses' Till Numbers, pay bills and withdraw funds directly from M-PESA Agents. Through the new Lipa Na M-PESA Business smartphone app, more than 170,000 businesses will be empowered to make payments, access real-time statements, export statements and track their business performance on the go. Business owners can apply online for a Lipa Na M-PESA Till online and the "M-PESA for Business" app will be immediately available once their application is processed and Till Number allocated.

M-PESA Global

Our ambition is to open the world to our customers through M-PESA Global which provides the ability to send money and make purchases far beyond the Kenyan borders. To facilitate M-PESA Global, we partner with PayPal, Google Playstore, Western Union and AliExpress. Over 28 other international partners on IMT and payments through PayPal, our customers make +11,000 transactions monthly, +5,200 monthly apps purchase through Google Playstore and through Western Union our customers can send money to +500,000 cash agents and more than three billion bank accounts worldwide.

A focus on SMEs

As a purpose-driven business, Safaricom has been prioritizing support to SMEs during the COVID-19 pandemic and this will continue post COVID-19 to ensure support during the recovery period.

SMEs make a significant contribution to the economy and wellbeing of most of the people who earn on a daily basis. The viral infection has shaken a sector that struggles to access finance and communication networks and doesn't have the resources to wade through a complex and unpredictable regulatory environment.

Through M-PESA, we work with about half of the 600,000 registered and active SMEs in the country We indirectly reach almost all SMEs in the country given that they use the M-PESA platform for money transfer services, payments and micro-financing services. During the crisis, we have delivered this support through the Bonga for Good initiative have been looking at ways to work with lenders to support the SME sector to support supply chain financing for SMEs.

We will continue to work with partners to support these businesses to digitise and help them grow. We have recently launched the Lipa Na M-PESA Business APP. M-PESA for Business will empower the SME business owners to access real-time statements, transact their accounts to make payments, track their business performance on the go amongst others.

> "We cannot afford to leave SMEs behind. The future success of our country will not be achieved in their absence.
>
> **Peter Ndegwa**
> CEO, Safaricom

OUR PERFORMANCE

Our strategy Continued

Visa partnership

Safaricom announced a new partnership with Visa, the global leader in digital payments, that will enable the development of products to support digital payments for M-PESA customers. Subject to regulatory approval, the partnership will cover over 24 million M-PESA customers, more than 173,000 Lipa Na M-PESA merchants, over 61 million merchant locations throughout Visa's global network, and over 3.4 billion Visa cards in more than 200 countries. With this joint effort, Visa and Safaricom will seek to eliminate barriers to global commerce and offer an expanded set of mobile e-commerce capabilities to merchants and consumers by enabling secure and convenient cashless payment solutions.

2. Growing fibre monetisation to core business

In line with our mission to digitise Kenya, our fixed infrastructure strategy aims to increase partnerships to achieve the widest coverage at the most attractive economic cost for our customers. We connect both households and businesses through Fibre to the Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes or premises connected to the Safaricom fibre grid.

We continued to extend the reach of fibre in FY20, now passing more than +330k homes and more than 4k buildings. Fixed service revenue grew 10.7% and contributed 3.6% of total service revenue in the period. Fixed revenue is driven by increased activity and penetration for Fibre to the Home (FTTH).

A) Fibre to the Business (FTTB)

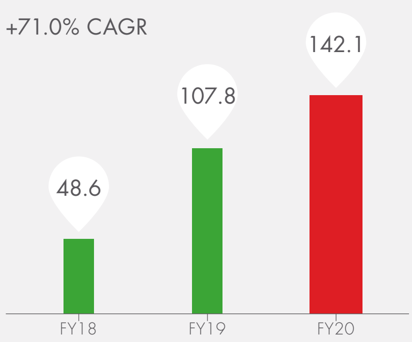
In FY20, we achieved 4k fibre ready buildings, a +64.7% growth in the year with more than 24k enterprises enjoying FTTB across all towns. We continue to operate tiered pricing for different customer profiles. For small and medium enterprises, the entry price is KShs 5,000 while for large enterprises, the entry price is KShs 15,000.

B) Fibre to the Home (FTTH)

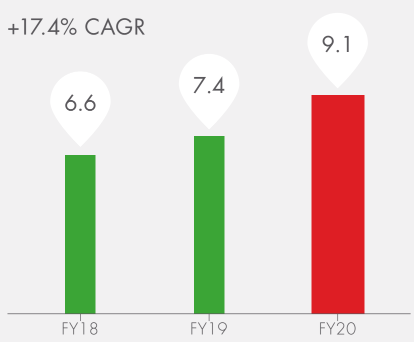
We increased the number of homes passed and connected from +297k in FY19 to +330k homes passed in FY20 and from +107k in FY19 to +142k homes connected in FY20, increasing our penetration from 38.0% in FY19 to 43.0% in FY20.

We keep monitoring our customers' data usage and keep advising them when they need to upgrade to a higher bandwidth package to accommodate their needs and have a seamless experience. We see future opportunity in converged service of data, content, smart home and fixed mobile.

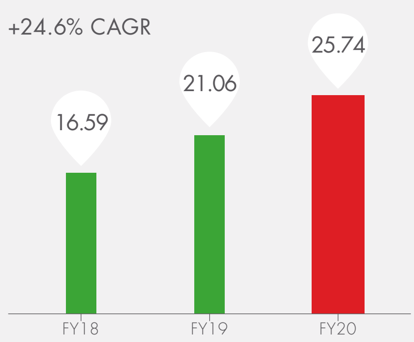
Number of fibre to the home connections
'000



Mobile data customers using <100MBs
m



Growth in M-PESA New Business revenue
KShs bn



OUR PERFORMANCE

Our strategy Continued

Operational excellence

Short to medium-term measures of success

1 Technology enabling a digital society

Measure:
- Grow fibre and 4G coverage to 80% by end of FY20
- Service availability at 99.9%

2 Digital First

Measure:
- 92 staff trained on digital skills at the Digital Academy and digitisation of customer engagement through the mySafaricom app and Zuri

3 Business model transformation

Measure:
- Maintain mid-teen level capex intensity

We are developing a deep insight of our customers' needs, wants and behaviours and providing propositions to lead in chosen segments. Our aim is to maintain meaningful relevance by being the biggest supporter of communities and showcasing our commitment to building a better Kenya. We work to achieve it through our brand assets and commitment to sustainable business.

Highlights

- 3G and 4G coverage increased to 94% and 77% respectively in FY20
- Digital initiatives delivered KShs 1.7bn savings and KShs 1.6bn digital revenues
- 60 employees attended and graduated from digital academy. 92 commenced digital academy in FY20 Feb and will graduate this FY21
- 305 employees working within 24 agile teams
- 13.8% Capex intensity in FY20

1. Technology enabling a digital society

We are constantly exploring new opportunities to invest in enablers to transform the lives of our customers through making meaningful connections. The success of our business is heavily dependent on our ability to connect people to people, knowledge and opportunities – wherever they are in Kenya and beyond.

Investing in the network

We sustained a high level of investment in FY20, with capital expenditure totalling KShs 36.10 billion for the year, enabling us to expand our network and ensuring the widest reach to our customer base. Our fibre footprint grew from 6,700km in FY19 to 9,000km in FY20.

Accelerating access to 3G and 4G

We increased the number of sites to widen the reach of our 3G and 4G coverage. Sustained investment in our network means we now have over 4,300 4G sites across the country. We increased our 3G and 4G coverage in FY20 to 94% and 77% respectively.

LTE (Long-Term Evolution)

It has been forecasted that LTE is and will be the foundation for operators in many parts of the world for at least the next 10 years. We have over one million VoLTE enabled phones in the system and we aim to increase these over the coming years.

Cloud services for enterprises

Cloud computing is a catalyst for digital transformations with companies increasingly making their businesses more agile and cutting costs by renting software. We launched our cloud business in 2011 and currently have a 20% market share.

We have entered into a new strategic agreement with Amazon Web Services (AWS) and became a reseller of AWS services. The agreement is designed to accelerate Safaricom's internal IT transformation, lower costs and provide it with a blueprint and skilled resources to assist customers with their journey to the cloud. In addition, Safaricom will be able to offer AWS services to East African customers, allowing businesses of all sizes to quickly get started on AWS cloud and accelerate innovation. The partnership has been met with interest by customers, with enterprises, startups, and government agencies expressing a desire to use the partnership to build their cloud strategy.

We also announced the attainment of Advanced Consulting Partner status in the AWS Partner Network (APN), becoming one of the first APN members in East Africa. The APN is the global partner programme for technology and consulting businesses who leverage AWS to build solutions and services for customers. It helps companies build, market, and sell their AWS offerings by providing valuable business, technical, and marketing support. This achievement recognises the skills, knowledge and experience in AWS cloud services that the Safaricom PLC team has gained.

2. Digital First

To enable the digital lifestyles of our customers, we are on a digital transformation journey, rethinking and digitising our operations, products and services.

Our digital strategy

We want to be Digital First in everything we do:

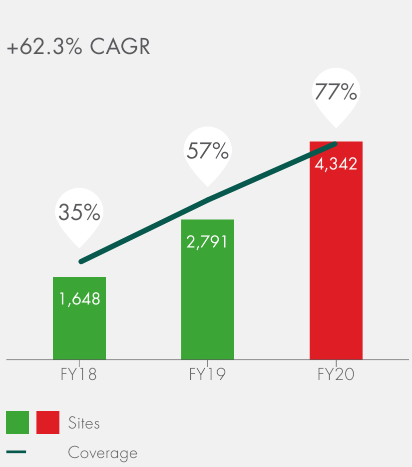
1. Strengthening the core areas of business i.e. growing the contribution of digital revenue to top line.
2. Reducing our cost line – digital Safaricom.
3. Enhancing customer experience preparing Safaricom to serve a digital Kenya.

All divisions embarked on digital initiatives in FY20, delivering KShs 1.7 billion savings and KShs 1.6 billion digital revenues.

Our operating model, dubbed Tech 3.0, is focused on:

- Analytics and automation.
- Application Programming Interfaces (APIs) in networks and IT.
- Embedding customer security in our products and technologies.
- Fostering a data-driven and innovative collaborative culture.

4G coverage



The Four Ps of our digital transformation

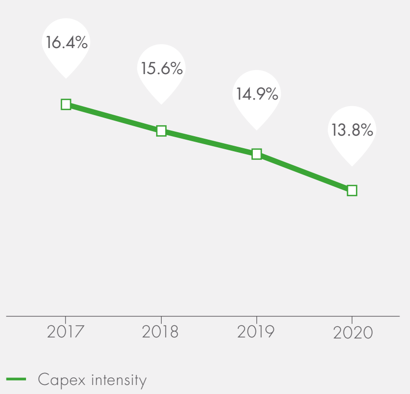
To execute our digital strategy, we developed Four Ps for our digital transformation journey:

- Platforms – Developing digital platforms, moving the business to cloud.
- Processes – simplification and automation, use of data science and design thinking, agile ways of working.
- People – Upscaling agile ways of working and developing a digital workplace.
- Performance – Developing digital revenue streams for the future (M-Gas, DigiFarm etc).

People

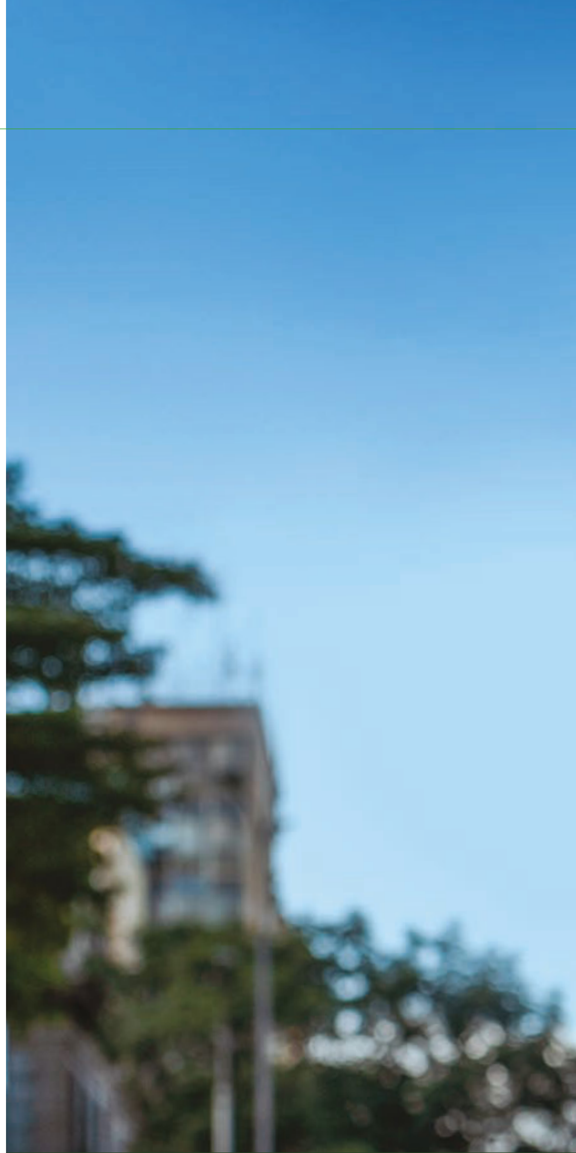
In FY20, 60 employees attended the Digital Academy, adopting a blended staggered learning approach of digital skills training at Strathmore University, Moringa School and MPIRICAL. Digital Champions have been established across each of the divisions and there are now 305 employees (6% of the organisation) working within 24 agile teams grouped into seven tribes. We launched the use of Yammer and Teams to facilitate internal communications and collaboration.

Capex intensity



OUR PERFORMANCE

Our strategy Continued



Platform

We continue to revamp and scale up digital assets. Key priorities to drive up revenue included promoting higher adoption of digital assets, better use of analytics and higher usage of digital media. In FY20, KShs 1.63 billion revenue was generated via the mySafaricom app and web.

Process

Digitising processes across all functions continues to drive cost savings and service improvements. In FY20, this included insourcing digital media buying to maintain our digital advantage and adoption of machine learning models for churn prediction and workforce planning. Simplification of the CARE process has resulted in financial savings and faster responses. Efficiencies have also been delivered through fuel and electricity charges management for network operations and automation of Enterprise business units.

As we continue to develop our digital workplace 18% of HR processes have now been simplified and 38% automated. Recruitment has gone digital with 100% of recruitment conducted via HireVu and digital video interviews with over 5,000 candidates.

Performance

Governance through Monthly Digital SteerCo i.e. digital steering group centrally driving execution of the digital strategy under leadership, digital KPIs and impact measurement and data privacy regulation compliance.

Key outcomes from Digital First

Objective 1: Cost savings

Key priorities:

- Process changes
- Better analytics
- Automated steps

FY20 outcome: KShs 1.9 billion cost savings

Objective 2: Digital revenue

Key priorities:

- Higher adoption of digital assets
- Better analytics
- Higher usage of digital media

FY20 outcome: Enhanced digital revenue

Objective 3: Digital Net Promoter Score (NPS)

Key priorities:

- Real-time Transactional NPS
- Better customer analytics

FY20 outcome: Improved Transactional NPS

Business model transformation

Capex intensity

Our continued focus on enhancing monetisation has enabled us maintain mid-teens capex intensity. While this continues to reduce each year, it remains above industry standards as we strive to provide the best technology to our customers.

We sustained strong investment in FY20 with capital additions amounting to KShs 36.10 billion. Capex intensity reduced 1.1% YoY to 13.8% as we continued to focus on enhancing monetisation and cost saving opportunities upon deployment.

Opex intensity

Benefits of cost optimisation also trickled down operating costs, with operating expenses (Opex) 1.6ppts.

“We have continued our digital transformation, automating internal and customer facing intelligence (AI).

Michael Joseph
Outgoing Chief Executive Officer, Safaricom

Operational excellence and a digital society

Majority of Kenyans access the internet via mobile broadband. The key barriers to people coming online are device and data affordability.

In partnership with Google, we launched a KShs 20 a day 4G smart phone package to make it easier for customers on 2G devices to upgrade and enjoy high speed internet connectivity. It builds on our Maisha Ni Digital campaign that saw over 1 million customers acquire 4G enabled devices.

The new campaign seeks to empower an extra one million customers to upgrade to 4G enabled devices in the coming financial year.

> "A smartphone device is critical in supporting the new realities brought about by COVID-19. This proposition aims to support Kenyans during and beyond this pandemic by enabling them to access more opportunities, be it learning, working or running businesses from the comfort of their homes.
>
> **Peter Ndegwa**
> CEO, Safaricom

Opportunity for growth of mobile data revenue and usage

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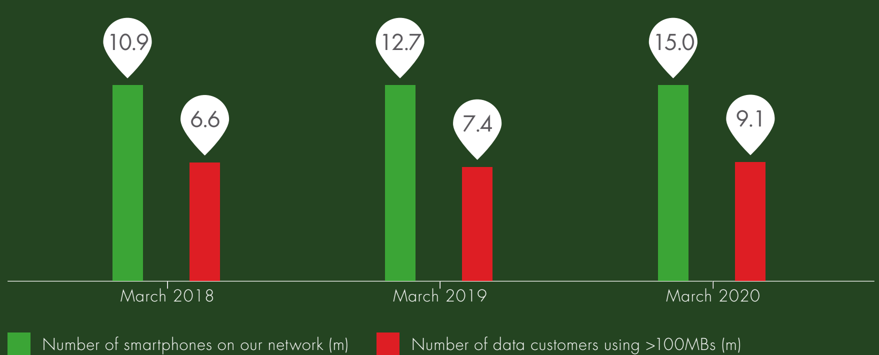


OUR PERFORMANCE

Chief Financial Officer's statement

We are very pleased with our performance for the year which outperformed our EBIT guidance. This strong result builds on our track record of consistent delivery, protecting shareholder wealth and putting the customer first.

FY20 was an unprecedented year as COVID-19 affected all of our lives and forced us to adopt new ways of living and working. Despite the challenges, we continued to post solid shareholder returns. Operating performance was strong: Earnings Before Interest and Tax (EBIT) grew 13.5% while headline earnings per share (HEPS) grew 14.3%. Free cash flow grew by 11.4% ensuring a strong opening position to the new financial year.

Service revenue grew 4.8%, slightly slower than the 5.3% growth we posted in the first half of the year. Revenue growth was driven by strong underlying performance from M-PESA and mobile data. We grew 5.9% on an underlying basis, excluding the impact of the contraction in the betting industry and the M-PESA transactions we made free in response to COVID-19.

Our reason for switching to headline earnings is the acquisition of the M-PESA brand which gave us a one-off gain. We have excluded this in the interests of transparency and consistency, as the upside is more accounting in nature rather than cash generative.

M-PESA

Now accepted in over 173,000 outlets in Kenya and 167 countries worldwide, M-PESA is broadening and maturing as an ecosystem. New Business grew 43.4% YoY and contributed to more than 50% of overall M-PESA growth

M-PESA accounted for 33.6% of service revenue in the year, an increase of nearly 7% from three years ago. Active customer growth was strong at 10.0% YoY. Chargeable monthly transactions per customer grew 21.0% YoY, now standing at 13 transactions per customer per month. We believe this still has significant opportunity to grow.

On an underlying basis, M-PESA grew by KShs 11.9 billion, or 17.2% YoY, driven by 14.6% growth in transfers. Savings and lending, powered by Fuliza, continued to drive growth, accounting for 5.8ppts contribution to new business growth overall and two-thirds of new business growth. International Money Transfer (IMT), while still relatively small, grew by 50.7% in FY20. Payments increased 18.2% YoY in FY20 and were somewhat subdued as economic activity began to slow down in quarter four.

Our strategy was to introduce more use cases which it is accepted will negatively impact withdrawals in the short term. Withdrawals grew just 5.4% in FY20 and we saw 28% growth in customer e-money balances. While this impacts in the short term, it is good for the long term and will create more reasons to use M-PESA and increase velocity in the ecosystem.

M-PESA revenue from betting declined by KShs 1.9 billion, a 33% decline YoY. The impact of the transactions we made free in response to COVID-19 impacted the business by KShs 650 million in March 2020. We absolutely believe this was the right thing to do as we stand by our customers and our purpose of transforming lives.

Mobile data

Mobile data remains under-penetrated and is an engine to fuel future growth. Overall data penetration continues to increase with customers using more than 100MB per month growing at 23.7% and active 4G devices growing at 84.4% YoY in FY20. These encouraging trends demonstrate the significant opportunity that remains.

We were happy with progress in mobile data which gained momentum and accounted for KShs 4.4 billion contribution to service revenue growth, or nearly 40% of growth for the year. In the second half of the year, mobile data revenue was an impressive 21.1%, driven by strong uptake of our no-expiry Neo offers which represent almost 40% of total data revenue.

Average MBs per customer continues to increase, growing 46.5% YoY, while rate per MB declined through uptake of our affordable offers. Average revenue per user (ARPU) grew 5.1% YoY.

Affordability is key to unlocking the business potential of 4G. Looking to the future, our new partnership with Google will target another one million acquiring 4G enabled devices in the coming financial year.

Fixed data

Fixed data revenue grew 10.7% YoY to KShs 8.97 billion. We are making good progress on the home front with Fibre to the Home (FTTH) revenue driving 60% of this growth at 42.7% YoY. FTTH remains an under-penetrated with strong growth potential. It is important to note that homes connected is growing faster than homes passed and we continue to drive activity and penetration.

Fibre to the Business (FTTB) was the second biggest contributor, growing at 8.9% YoY for FY20. We also saw 9.2% growth in cloud, co-location and capacity. As we increase the richness of our portfolio, new services will fuel further growth – especially as working from home and working longer, more flexible hours becomes the new normal. We have opportunities to drive both activity and penetration as we monetise the investment we made in the second half of this year.

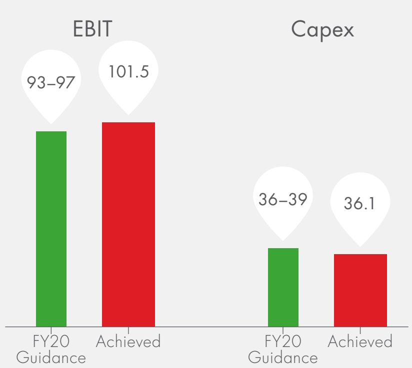
> "We continue to increase margins and reward our shareholders.
>
> **Sateesh Kamath**
> Chief Financial Officer (Outgoing)

Our NPS contract with the National Police service ended in November 2019 and, as a result, NPS revenue declined 33.3% YoY in FY20. Excluding the impact of the NPS contract, underlying fixed data grew at 16.7%

Solid margin improvement

EBIT grew from KShs 89 billion to KShs 101 billion. This was underpinned by solid commercial performance and a strong focus on digitisation driving efficiencies. Thanks to strong Opex initiatives, we have become more efficient and agile. We registered a YoY decline in operating expenses for the first time in an inflationary environment.

Earnings outperform guidance
KShs bn



Sustained capital investment

We continued our strong track record of investment in the network, investing KShs 36.1 billion. Capex intensity continues to reduce, closing at 13.8% for the year. This reflects strong monetisation and efficiency in our investments. Underpinning our digital strategy, digital capex now represents 18.6% of the total – up 4.4% from last year.

Dividend and shareholder returns

The Board remains committed to increasing margins, rewarding shareholders and investing in the business for the long term. The proposed dividend for FY20 is KShs 56.09 billion, with a proposed dividend per share (DPS) of KShs 1.40. This has been computed at 80% of profit and total comprehensive income for the year (excluding the one-off exceptional item of share of profit of joint venture of KShs 3.3 billion) divided by the number of issued share capital on an IFRS 15/16 basis. Earnings per share has improved by 19.5% YoY (12.6% based on IFRS 16).

Investment guidance

While providing clear guidance on projected earnings and capital expenditure has become a hallmark of our financial reporting, the uncertainty created by the COVID-19 pandemic makes postponing such guidance the responsible thing to do. The parameters we would normally factor in are changing due to evolving social restrictions and economic measures and we have decided to postpone giving guidance until quarter two of FY21 when we hope to be able to provide a more accurate forecast.

Looking ahead – what does the future look like?

While the economic situation will remain challenging in the short term, we are well placed to weather the storm. Kenya's economy is relatively diverse, which increases its resilience to short-term shocks, and as one of the most diversified companies in the sector, we are well positioned to maintain our strategy of developing products and services to meet evolving customer needs.

Looking ahead, we will leverage the strength of our balance sheet and our resilient business model to ensure we continue to innovate and generate efficiencies to deliver sustained returns to our shareholders.

Sateesh Kamath
Chief Financial Officer (Outgoing)

OUR PERFORMANCE

Performance against our four material sustainability matters

As a purpose-driven business whose mission is to transform lives, we need to deliver transformational products and services while at the same time minimising our potential detrimental impacts on people and the environment.

To ensure our long-term existence, it is vital we remain committed to running an ethical and responsible business. We have signed up to the 10 principles of the UN Global Compact made it compulsory for all our suppliers to do the same. To date, 96% of suppliers have signed up.

Our sustainability material issues

Our material sustainability topics comprise the environmental, social, economic and governance issues that matter most to our organisation and our stakeholders.

1. Governance, business ethics and risk

We continuously assess our governance operating model to ensure robust internal governing bodies and proper systems and processes. These support the Executive Team in driving change, setting strategic direction and formulating high-level goals and policies centred around creating opportunities for economic advancement that are accessible to all levels of society.

Risk management

We continuously enhance our internal systems to mitigate risks such as fraud, cyber risks and market disruptions and to improve process efficiency and effectiveness. This includes strengthening the credibility of relevant products and services by pursuing professional certification.

Anti-fraud and corruption

We consistently review our compliance with regulatory requirements, particularly those surrounding fraud, corruption and Anti-Money Laundering (AML).

Key focus areas include compliance with Know Your Customer (KYC) requirements and procedures surrounding the registration of customers and M-PESA transactions.

Ethical behaviour

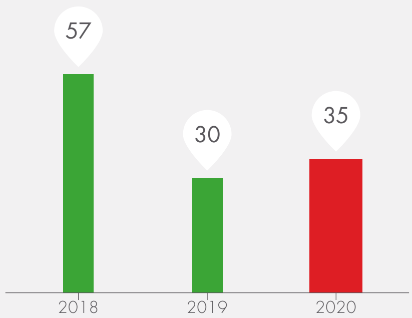
Corruption drives inequality by preventing fair access to economic benefits and basic social needs. In extreme cases, it can result in violation of human rights. We promote employee awareness and put anti-corruption monitoring and measures in place to drive behavioural change through collective action.

Regulatory compliance

A sound regulatory system is crucial for supporting growth of our industry; it enables fair competition between businesses and enforces good practices. This in turn drives the inclusive participation of all parts of society in economic and social activities. We are committed to compliance with regulatory requirements and we assess our processes against all applicable laws and regulations.

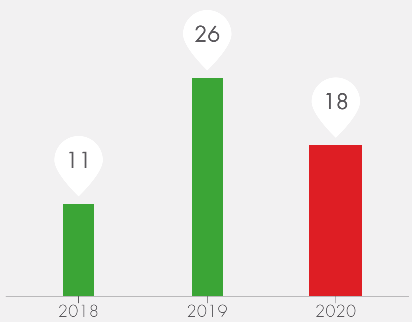
Addressing fraud and corruption

Fraud cases investigated

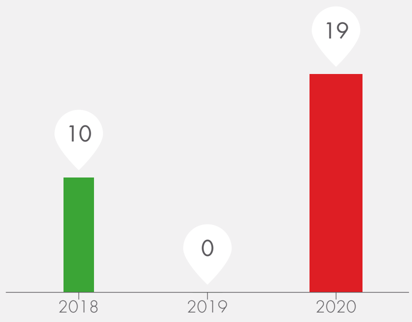


Anti-corruption monitoring measures

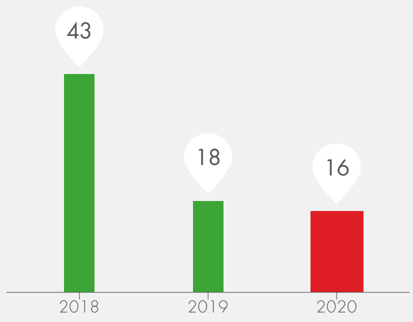
Risk assessments



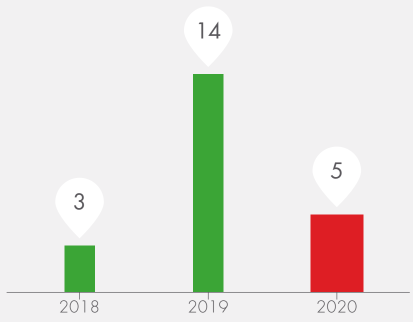
Addressing fraud and corruption
Disciplinary warnings



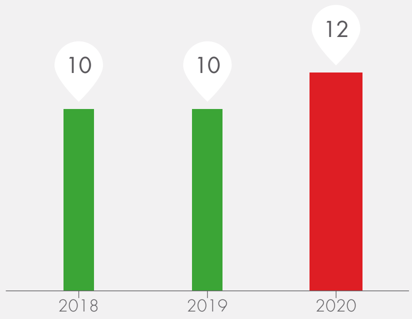
Addressing fraud and corruption
Dismissals



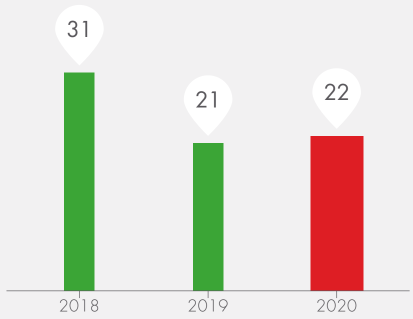
Addressing fraud and corruption
Cases reported to law enforcement agencies



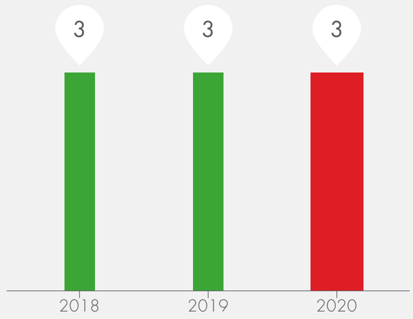
Anti-corruption monitoring measures
Fraud reviews



Anti-corruption monitoring measures
Audit reviews



Anti-corruption monitoring measures
Special request reviews



OUR PERFORMANCE

Performance against our four material sustainability matters Continued

2. Our network

Our network is essential to the continuity and long-term sustainability of our business. It is the foundation of all our operations, delivering our services and enabling us to transform lives. The quality, coverage and availability of our network are paramount to maintaining our competitive advantage in a highly competitive industry.

Network quality

We continue to maintain our first-place position in all voice service categories and achieved first place in all categories for data service as per P3 certification, evaluated by P3 Communications (www.p3-group.com), an independent company.

This is thanks to continuous network optimisation, capacity expansion, network enhancement features and expansion of the fibre network.

Customer satisfaction with our network (NPS)

We measure customer satisfaction using the customer opinion-driven Net Promoter Score (NPS), an independent survey of customer satisfaction. The network NPS metric allows us to monitor how our customers are experiencing our improvements to the network.

3. Environmental responsibility

Responsible environmental stewardship is vital to reducing inequalities and maintaining our licence to operate. Our operations impact on the environment and we take responsibility for managing our impacts and reporting our progress honestly and transparently.

Towards net zero carbon emissions

Our ambition is to be carbon-neutral by 2050. We aim to achieve 74% overall reduction in our emissions by 2050, with the remaining 26% – largely comprising Scope 3 emissions – to be offset through various initiatives. This gives us the opportunity to rally our top suppliers to take action by setting science-based targets for their respective organisations.

Integrated Waste Management programme

We started measuring the progress of our Integrated Waste Management programme (IWM) in FY19 when we partnered with Taka Taka Solutions, a local waste management company, to separate our waste for recycling. In FY20, over 98% of all waste in our main facilities was either reused, repurposed or recycled.

Becoming a plastic-free Company

We are committed to eliminating single-use plastics from our facilities and minimising our use of plastic in our packaging. We have reduced the size of our SIM cards, effectively halving the amount of plastic used in their production and delivering cost savings.

Cumulative E-waste collected (tonnes)

2016	2017	2018	2019	**2020**
340	632	855	1,072	**1,287**

Total waste collected: 299,910Kgs

Organic waste	168,438 Kgs
Cardboard and Paper	82,887 Kgs
Plastics	26,665 Kgs
Metals	5,112 Kgs
Glasses	2,602 Kgs
Textiles	3,098 Kgs
Construction waste	3,816 Kgs
Others	7,292 Kgs

4. Innovation

We focus on delivering products and services inspired by the needs of our customers, many of whom are savvy early adopters of new, sophisticated technology. Innovative technology affords entrepreneurs access to new markets and ways of doing business, and as such is integral to supporting financial inclusion.

Become carbon neutral by 2050

Plant five million trees in the next five years

OUR PERFORMANCE

Safaricom and M-PESA Foundations

Safaricom and M-PESA Foundations play a key role in delivery of our transforming lives agenda, whose projects and corporate social investments contribute to the delivery of our commitment to the UN Sustainable Development Goals (SDGs).

Safaricom Foundation

The Safaricom Foundation, established in 2003, focuses on building communities and transforming lives. The Foundation's strategy is focused on investments in health, education and economic empowerment. The M-PESA Foundation, launched in 2010, is driven by the mission to make a lasting contribution to society by focusing on four main sustainable initiatives: health, education, environmental conservation and integrated livelihoods.

In FY20, the Safaricom Foundation spent a total of KShs 481.5 million on 150 projects while the M-PESA Foundation invested KShs 1.2 billion 6 projects.

Empowering Kenya's youth for a digital future

The employment landscape demands a range of digital skills not available in the existing educational programmes. In response to this, the Safaricom Foundation's Wezesha Programme has partnered with Generation Kenya and CloudFactory Kenya to support youth to access job opportunities through the CloudFactory Academy. The academy trains and equips young people aged 18 to 25 with game-changing digital skills and, since January 2019, 600 young people have been equipped with digital skills. The Safaricom Foundation provides laptops and funding for student scholarships for those who are unable to secure places after the competitive interview process.

Investing in vocation training with Zizi Afrique Foundation

Analysis by the Kenya's Higher Education Loans Board shows employability is at 96% for people with Technical and Vocational Education and Training (TVET) compared to 40% of those with a university degree. However, TVET participation remains low with enrolment at only 60%.

To help address this, the Safaricom Foundation is partnering with Zizi Afrique Foundation and TVET institutions to set up an ICT-enabled Skills Centre in Nairobi and to sponsor students in other institutions over the next two years. The Waithaka Vocational Training Centre will act as the model centre with Safaricom Foundation establishing an ICT-enabled Centre of Excellence. The Foundation will also sponsor 200 students at the centre to undergo training and later place them in jobs. The KShs 130 million Safaricom Foundation investment is expected to benefit close to 1,000 young people.

Keeping girls in school

About two in three women and girls in Kenya cannot afford sanitary towels, shows a 2016 report by the global consulting firm, FSG. The situation is worse for girls from disadvantaged families who miss at least 20% of school days in a year due to lack of sanitary towels and many more drop out once they start menstruating. Through the Keeping Girls in School Programme, the M-PESA Foundation has made an estimated investment of KShs 281 million to help change this narrative for over 800,000 girls across all 47 counties, including Dabaab and Kakuma refugee camps.

Celebrating the inaugural class of the M-PESA Foundation Academy

The M-PESA Foundation Academy is a state of the art, co-educational and residential High school offering four-year scholarships to children from economically disadvantaged backgrounds. 2019 was the fourth year of the institution's existence and the year of the Kenya Certificate of Secondary Education (KCSE) examinations for the first class of students to join the Foundation. The students performed remarkably well with 76 out of 91 scoring grades A to C, but the results were not all that mattered. The school's focus is to nurture well-rounded learners and it places significant emphasis on music, sports, community service projects, entrepreneurship, the arts and other extra-curricular activities. The Uongozi Centre will see some of the bright students from the inaugural class hosted for a unique, year-long Entrepreneurial Leadership programme at a cost of KShs 100 million a year. Several partner institutions and charities deliver the programme. This year, the school admitted 96 students into form one.

96
students admitted into form one this year

3,000
Community Health Volunteers trained and a fully equipped newborn unit at Maralal Referral Hospital constructed

Supporting communities halt the spread of COVID-19

Improving maternal health services

As part of our commitment to reducing maternal deaths, the M-PESA Foundation has partnered with Pharm Access, AMREF and the County Government of Samburu through the Uzazi Salama programme. The aim is to improve health service delivery infrastructure, build the capacity of health workers and enhance community-based information and education and health care financing. Since its launch, the programme has seen a 75% Increase in the use of maternity services, over 3,000 Community Health Volunteers trained and a fully equipped newborn unit at Maralal Referral Hospital constructed.

Supporting the recovery of flood-hit communities

Over 13,000 people affected by floods in Tana River, Lamu, Isiolo, Baringo, Homa Bay, Kisumu, Siaya and Busia counties benefitted from donation of non-food items. This is after the Safaricom Foundation partnered with the Kenya Red Cross to help households in those counties. Safaricom Foundation committed in KShs 25 million towards the provision of three months' supply of sanitary towels, kitchen sets, mattresses, sleeping mats, mosquito nets, soap, jerricans, water disinfectants and face masks to prevent the spread of COVID-19 to the families. Safaricom is also working with the Kenya Red Cross to send out SMS early warning alerts to people living in flood-prone counties, asking them to take early precaution. 11 million people in Western Kenya, Rift Valley, Coast, North Eastern and Central received the messages.

Safaricom has donated, through the Foundations, KShs 200 million towards providing cash transfers for food to support vulnerable communities during the COVID-19 pandemic.

An estimated 60,000 people are expected to benefit daily from sanitation booths set up by Safaricom Foundation in partnership with Scope International to help curb the spread of COVID-19 in the counties of Homabay, Siaya, Migori, Kisii, Bungoma and Busia. The sanitation booths daily were installed at a cost of KShs 1.1 million.

Safaricom Foundation also donated personal protective equipment (PPEs) to healthcare workers in several Counties including Mombasa, Uasin Gishu, Meru, Kajiado and Baringo to boost the fight against the coronavirus disease. Residents of Kibera, Mathare, Kawangware and Korogocho have also benefited from Safaricom Foundation water funded projects while several counties have also received handwashing soap.

OUR PERFORMANCE

Safaricom Women in Technology

Safaricom Women in Technology (WIT) in line with the global goals (supporting SDG 4 – Quality Education, SDG 5 – Gender Equality and SDG 9 – Industry Innovation and Infrastructure) is an initiative of passionate women who form a Technology Incubator with an aim of strategically and consistently helping to nurture young generation of students and youth that will form fit for future creators and innovators for next generation employment and entrepreneurship.

This is achieved through six key programmes aimed at reaching out to the girl child at various stages of her education cycle by continuously providing support through coaching, mentorship, exposure to evolving technologies, technical platforms and networks. This is to facilitate onboarding, building and retention of the number of women within the STEM careers.

Children are hardly given opportunity to explore or engage their minds and tap into their inner innovative space. Technology is never considered as a first subject or skill and this has created a vacuum where we do not have children growing up embracing technical subjects or coming up with innovations in this space. Early age experiments that are carried out by our youngest ranging from six to 13 years dubbed Kidz-Go-Tech by Funkidz in collaboration with WIT strategically engages children in science-based experiments to embrace at a young age, changing technologies and their use or application to solve every day societal problems. The experiments use interactive kits to simulate real world applications and when done, as a bonus they get to carry these kits home. Materials in use are easily and locally available that can be recycled. The young ones use these to simulate real world objects and robots that move, light up and make sounds. In 2019-2020, this pillar managed three successful sessions covering Nairobi, Mombasa and Lamu towns. Over 10 experiments were done by 580 self-sponsored children from various backgrounds and a few Safaricom sponsored ones from disadvantaged backgrounds like SOS (Buruburu & Mombasa) and Shofco Children's Home in Kibera.

In the age brackets between 14 and 18 years, we continue with our mission of reaching out to 47 schools in each of the 47 counties through 47/47 High School programme. This programme seeks to invite averagely three different schools (one per county) for a one-day workshop at our regional Safaricom offices during the first or second term sessions in the school calendar. The sessions are planned to run over 4-5 consecutive days over the chosen period for that region. During the day the young girls are taken through the technical basics to spark their interest for the science-based courses and are also mentored and counselled on various life issues affecting them at this stage by the WIT champions – more of a see and believe matrix. In 2019-2020, the programme reached out to more than 1,720 high school students (approx. 60 schools) and of that number 400 students were from marginalised communities in Samburu.

The Tech-novation Challenge programme where innovation is harnessed also targets girls in high school between ages of 14 to 18 years. The students are required to submit apps addressing identified community problems. This usually spans over four months of team formation, intense research, business proposal, coding and presentations at various judging stages. All this is done under rigorous coaching and mentoring of the students by Tech-novation coaches (volunteer individuals obtained via other WIT programmes).
In 2019-2020, 103 teams registered, with a whopping 515 students in total participating. So far 38 teams have submitted their projects for this year's 2020 Global tech competition in August 2020.

This year the team were able to reach marginalised girls' high schools in Uasin Gishu and Taita Taveta counties. One of the biggest achievements has been successfully mentoring a high school student through technovation challenge that steered her to choose a career in Engineering and currently she is giving back and mentoring younger girls through the same path she went through, they group is currently creating a mobile app that strives to reduce global warming by increasing tree coverage in the country.

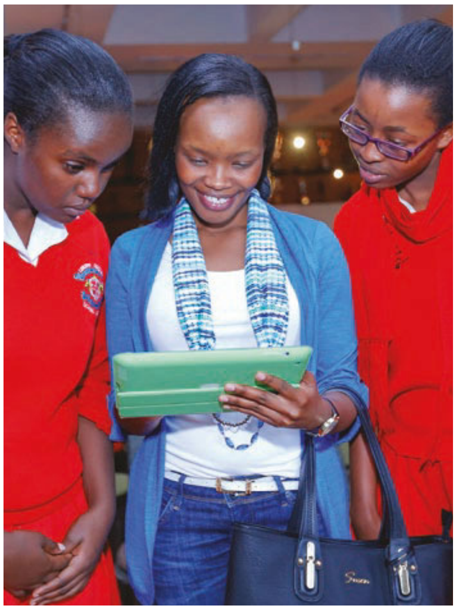
As we embarked on a digital transformation journey in 2019-2020, we are glad that the Campus outreach programme already had relevant topics in its programme at hand to challenge and support female STEM students academically, socially, and professionally. This is to Ensure the highest level of retention within the courses by fostering an environment that encourages curiosity, creativity, resilience and hunger personal growth. To redefine the dynamics of the technical-based professions, this programme prides in making sure women are on track for employment viability, growth into management and have the necessary skills in place to preserve a work-life balance in those professions. There is more demand in new age careers like Cyber Security, Dev-ops, Data Science and Analytics as captured from Q&A in previous outreaches conducted. In 2019-2020, the programme successfully reached out to 10 local universities/colleges, one international university and held five university Industrial visits. It also had great collaborations with Akira chicks, Daystar University, Education For All Children organisation and Georgetown University's School of Foreign Affairs that has increased WIT's international reach as a brand and also of the programme line. The programme

WIT Technology Academy programme provides added value internship for a period of three months through placement within various teams in Safaricom PLC based on the skillset required and offered. in addition, the interns go through several class-based sessions, thrive sessions and even community giving back sessions. One of the best sessions had include a design thinking class prompting the interns to develop different prototypes for different issues affecting the employees or customers in Safaricom. This equips them with design thinking skills and triggers them to apply creatively and innovatively based on understanding of their environment. Financial year 2019/2020 Technology Academy managed to have 3 cohorts, that is, cohort 8, 9 and 10 with a total of 88 candidates. Out of the 88 candidates,60 candidates were ladies. During cohort 8 period, the cohort had a successful CSR at AIC CURE international Hospital in Kijabe and Talithakum children's home in Nyahururu This was a great initiative to give back to the community as they mobilised the whole company to contribute reading materials and other essentials.

60/88
candidates were ladies

WIT Internal & Networking programme seeks to focus on the working ladies to give them a platform to build their professional networks and to assist them equip themselves holistically to adapt and succeed in all aspects of their lives – courting and marriage, parenting, spirituality, entrepreneurship, personal branding, etc. In 2019-2020, the programme held a one day SHE CONNECT internal forum for the ladies in technology division with focus on professional profile build and branding oneself. In addition, it was a great year that saw many of the WIT ladies speak at various renowned forums in the industry, Joylyn Kirui for Cyber Security and Caren Awuor for programming and the ladies also bagged various prestigious awards, that is, The Vodacom CEO "Shiriki" Awards for Best Volunteer International went to Nancy Wamaitha in her efforts to support a feeding programme for women and children in Mathare slums, Elizabeth Nguli won the Vodafone Women in Red Award for Exemplary Leadership, Asha Panyako won the Vodacom CEO Award for her initiative to Teach Young Disadvantaged Kids how to code.

Looking forward to a bigger and better 2020-2021.



OVERVIEW
OUR BUSINESS
OUR PERFORMANCE
OUR GOVERNANCE
OUR FINANCIALS
OTHER INFORMATION

OUR PERFORMANCE

Looking ahead

While we make the business decisions that are needed to support society through the pandemic and aid recovery, our long-term strategy to sustain returns to shareholders remains the same.

We will continue to focus on cementing Safaricom's leadership position as a digital services provider in the region by delivering great value to customers, investing in the quality of our service, diversifying our revenue portfolio and offering more solutions outside of traditional telecommunications.

As humanity responds to the considerable challenges posed by the COVID-19 pandemic, we will do what is necessary to support the citizens of this country and our customers. As we enter the post-pandemic recovery phase, we will focus on resilience – of our country, our customers, our business and our supply chain.

What we have learned through the crisis has served to reinforce our commitment to being a purpose-driven company with a strategic focus on technology and innovation. At the same time, it has highlighted the crucial importance of partnership, both within the private sector and beyond. We must work together to reach a much broader base of the population as we work to develop the next innovations in health, education, agriculture and commerce.

Investing in technology and innovation

We will continue to use innovative digital enterprise solutions such as big data and analytics, AI and machine learning to create new ways in which challenges are analysed and solved. As well as using these technologies, we will also leverage the capabilities of the Vodacom group for CVM-driven initiatives to leapfrog the traditional ways of addressing business and societal challenges.

Investment in big data and analytics is providing us with a far deeper understanding of our customers – increasing our customer focus and shaping big-data informed solutions. While to many this is disruptive change, at Safaricom we are glad to have the opportunity to offer digital solutions at scale and to ease Kenya's digital transformation. We will continue to work with partners locally and globally who share our purpose of transforming lives to enhance the development and delivery of innovative services.

We completed the acquisition of the M-PESA brand, product development and support services from Vodafone Plc through a newly-created joint venture between ourselves and Vodacom. This initiative will enhance M-PESA's growth in Africa by giving us both full control of the M-PESA brand, product development and support services as well as the opportunity to expand M-PESA into new African markets.

We continue to be guided by the Sustainable Development Goals, which are not only influencing a more sustainable approach to business, but also strengthening our commitment to ensuring that we leave no-one behind. We continue to support the economy, from job creation to the taxes and duties we pay, and now source 74% of our procurement needs from local suppliers. We continue to support the communities we operate in, impacting millions of Kenyans each year and disbursing support on many projects from both our Safaricom and M-PESA foundations. And we do this while being environmentally conscious, we are targeting to become carbon neutral by 2050, and to support this have an ambitious target of planting five million trees in the next five years.

Driving operational efficiency

Operational efficiency will remain a high priority as we challenge ourselves to reduce costs and drive productivity in all areas of the business. Achieving operational excellence through smart investment and everyday efficiencies enables us to invest in creating additional value for society, our customers and our shareholders. This includes improving affordability of data and voice and enabling more people to access the internet.

Partnerships

We launched a partnership with M-Gas, a subsidiary of Circle Gas UK, to offer a revolutionary, prepaid gas service for Kenyan households. The innovation empowers millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the exibility of purchasing gas based on their needs and how much they can afford at a time.

FY21 guidance is postponed to Q2 FY21 due to COVID-19 pandemic

Possible tailwinds

- Opportunity to shift away from cash
- Increased uptake of mobile data
- Increased penetration of fixed connectivity
- Enhanced long-term customer loyalty

Headwinds

- Economic growth slowdown
- Increased pressure on consumer wallet
- Interest rates and currency devaluation
- Reduced government income

Uncertainty for FY21

- Very early in the cycle for Kenya
- Local response – curfew vs lockdown
- Containment vs resurgence worldwide
- Economic impact to Kenya

Postponing guidance to enable

- A clearer picture of the curve
- Better visibility on economic outlook
- Better view of impacts and opportunities
- More accurate forecast for FY21

OUR GOVERNANCE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OUR GOVERNANCE

Who governs us

The constitution of the Company's board as stipulated by its Articles of Association is 11 directors. There are currently 10 Directors of whom 9 are Non-Executive Directors and 1 is an Executive Director.

Peter Ndegwa
Chief Executive Officer and Executive Director

Nicholas Nganga
Chairman and Non-Executive Director

BNRC

Michael Joseph*
Chief Executive Officer (Outgoing)

BAC BNRC

Esther Koimett
Alternate to Cabinet Secretary the National Treasury

BAC BNRC

Read more on our Board profiles available in the appendix pages 188 to 191.

KEY

BAC Board Audit Committee BNRC Board Nominations and Remuneration Committee Solid background indicates Committee Chair

Linda Muriuki
Non-Executive Director
BNRC

Mohamed Joosub
Non-Executive Director
BAC

Till Streichert
Non-Executive Director
BAC

Vivek Badrinath**
Non-Executive Director
BNRC

Francesco Bianco***
Non-Executive Director
BNRC

Bitange Ndemo
Independent Non-Executive Director
BAC

Rose Ogega
Independent Non-Executive Director
BAC

Kathryne Maundu
Company Secretary
BAC BNRC

* Michael Joseph attended the Audit Committee meetings in his capacity as the interim Chief Executive Officer for the period 2 July 2019 to 31 March 2020.
** Vivek Badrinath ceased to be a Director with effect from 20 March 2020.
*** Francesco Bianco was appointed with effect on 20 March 2020.

OUR GOVERNANCE

Who leads us

We continuously assess our governance operating model to ensure that robust internal governing bodies and proper systems and processes are in place to support our leadership team to drive change, set strategic direction and formulate high-level goals and policies.

Sateesh Kamath
Chief Financial Officer (Outgoing)

Peter Ndegwa
CEO and Executive Director

Sylvia Mulinge
Chief Customer Officer

Joseph Ogutu
Chief Special Projects Officer

Read more on our Senior management profiles available in the appendix pages 192 to 195.

Stephen Chege
Chief Corporate Affairs Officer

Nicholas Mulila
Chief Corporate Security Officer

Rita Okuthe
Chief Enterprise Business Officer

Sitoyo Lopokoiyit
Chief Financial Services Officer

Paul Kasimu
Chief Human Resources Officer

Debra Mallowah
Chief Business Development Officer

Thibaud Rerolle
Chief Technology Officer

OUR GOVERNANCE

Corporate Governance Statement

Safaricom PLC, through its Board of Directors, is committed to implementing and adhering to good corporate governance and best practice.

Introduction

The Company has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the Company. Safaricom continues to endeavour to comply with the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code).

Over and above the annual self-assessment that the Company is expected to complete on its level of compliance with the Code, the Corporate Governance Statement as provided in this Annual Report will highlight to the Company's shareholders and various stakeholders, the performance to date. We remain committed to the highest standards of corporate governance and business ethics. Good corporate governance practices are essential to the delivery of long term and sustainable stakeholder and shareholder value.

The Company also adheres to other regulations promulgated by the CMA and the Nairobi Securities Exchange and the ethical standards prescribed in the Company Code of Conduct. In addition, Safaricom abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

We continuously assesses our governance operating model to ensure that robust internal governing bodies and proper systems/processes are in place to support the Board and Management to drive change, set strategic direction and formulate high-level goals and policies.

The Board of Directors of Safaricom is responsible for the governance of the Company. The Directors are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practiced with respect to dealings with the Company's shareholders, customers and other relevant stakeholders in line with the spirit of the Code of Corporate Governance for listed Companies.

The Board of Directors

The primary role of the Board remains provision of effective leadership to the Company towards:

- Sustainable long-term success through the exercise of objective and informed judgement in determining the strategy of the Company;
- Having the right team in place to execute the strategy through effective succession planning;
- Setting up appropriate governance structures for the management of the business operations;
- Monitoring business performance and maintaining an effective framework of controls to mitigate risks facing the business; and
- Ensuring ethical behaviour and compliance with the laws and regulations.

The Board is solely responsible for its agenda. It is however, the responsibility of the Chairman and the Company Secretary, working closely with the Chief Executive Officer, to come up with the annual Board work plan and the agenda for the Board meetings.

Board size, composition and appointments

The constitution of the Company's Board is stipulated by the Company's Articles of Association. It comprises of 11 directors, 9 of whom are Non-Executive Directors and one is an Executive Director. Of the 9 Non-Executive Directors we have 2 independent directors. The Company is in the process of identifying a suitable candidate to take on the role of third independent director. The Non-Executive Directors, other than those appointed by Vodafone and the Government of Kenya, are subject to retirement by rotation and must seek re-election by shareholders in accordance with the Articles of Association.

The Board is responsible for recommending independent directors for election by shareholders at the annual general meetings. Nominated directors undergo a formal screening process conducted by the Nominations and Remuneration Committee of the Board before they are formally appointed. The committee also considers and screens director nominees recommended by shareholders. Between annual general meetings, the Board may appoint directors to serve until the next AGM. Any such appointment of independent directors must be ratified by the shareholders at the next AGM following their appointment.

The Directors who served during the year to 31 March 2020 are as follows:

Name	Nationality	Date of appointment
Nicholas Nganga	Kenyan	6 May 2004
Michael Joseph	American/Kenyan	8 September 2008
Linda Watiri Muriuki	Kenyan	31 August 2017
Bitange Ndemo	Kenyan	2 March 2017
Esther Jepkemoi Koimett (Alt. to CS National Treasury)	Kenyan	5 November 2013
Mohamed Joosub	South African	31 August 2017
Till Streichert	German	8 May 2018
Vivek Badrinath*	French	12 January 2017
Rose Ogega	Kenyan	12 February 2019
Francesco Bianco	Italian	20 March 2020

* Vivek Badrinath ceased to be a Director with effect from 20 March 2020.

In the period from 2 July 2019 to 31 March 2020, Michael Joseph played the role of interim Chief Executive Officer following the demise of Bob Collymore and prior to the recruitment of the current CEO, Peter Ndegwa, who was appointed as CEO and Executive Director with effect from 1 April 2020.

Board diversity

The Board appreciates diversity, recognises its role in bringing different perspectives into Board debates, and offers better anticipation of the risks that are inherent in the business and the opportunities that the business pursues. The Safaricom Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

The areas of expertise of the current Board of Directors are business management, telecommunications, banking and finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management, human resources, governance, and legal and ethics issues.

The role and responsibilities of the Board

The Safaricom Board meets at least four times a year and the meetings are structured in a way that allows for open discussions.

Comprehensive Board papers are prepared and circulated to all Directors for all substantive agenda items prior to the meeting. This allows time for the Directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings. The submissions and notification period may be waived should any urgent and critical matters arise within the two-week period to the date of the meeting.

The Senior Leadership Team members may be invited to attend the Board meetings if deemed necessary. Where Directors are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to make their views known to the Chairman or the Chief Executive Officer prior to the meeting.

The Non-Executive Directors are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed, as they do not form part of the Executive Management Team. This enables the Directors to promote the success of Safaricom for the benefit of its shareholders, with consideration of, among other matters, the interests of employees, the fostering of business relationships with customers, suppliers and other stakeholders.

The Non-Executive Directors oversee the operational performance of the business. To perform these tasks, they have full access to all relevant information, with updates provided on governance, regulatory and other matters affecting the Company.

The Executive Committee members and other Senior Executives can be invited, as appropriate, to Board meetings to make presentations on their areas of responsibility. This serves as an opportunity to give the Directors greater insights into their business areas. Non-Executive Directors are also occasionally invited to attend the senior leadership's strategic and operations review meetings to gain further insights into different aspects of the business.

OUR GOVERNANCE

Corporate Governance Statement Continued

A summary of Board meetings and attendance is shown below:

Board meeting attendance from 1 April 2019 to 31 March 2020

	2 May 2019	26 June 2019 (Sp Board)	1 July 2019 (Sp Board)	29 August 2019	1 October 2019 (Sp Board)	31 October 2019	9 December 2019 (Sp Board)	13 February 2020	20 March 2020 (Sp Board)
Nicholas Nganga	■	■	■	■	■	■	■	■	■
Bob Collymore	■	■	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Michael Joseph	■	■	■	■	■	■	■	■	■
Esther Koimett	■	■	■	■	■	■	■	■	■
Shameel Joosub	■	■	■	■	Apology	Apology	■	■	■
Till Streichert	■	■	■	■	■	■	■	■	■
Vivek Badrinath	■	■	■	■	■	■	■	■	■
Bitange Ndemo	■	■	■	■	■	■	■	■	■
Linda Muriuki	■	■	■	■	■	■	■	■	■
Rose Ogega	■	■	■	■	■	■	■	■	■
Francesco Bianco*	–	–	–	–	■	–	–	–	–
Kathryne Maundu	■	■	■	■	■	■	■	■	■

* Francesco Bianco was appointed as alternate to Vivek Badrinath with effect from 2 May 2019 and was subsequently appointed as a substantive Director on 20 March 2020.

Key deliberations by the Board

During the financial year, the key areas of focus for the Board's activities and topics discussed during the year were on the following matters:

- Succession planning for the CEO leading to the recruitment of the current CEO;
- Reviewed and monitored the business development projects in the pipeline;
- Approved the FY2019/20 budget;
- Monitored performance against the approved budget of the Company;
- Approved the half year results as well as the end of year results, press release and commentary;
- Approved the final dividend recommendation;
- Approved the employee compensation, bonus and share grants;
- Approved the Audit fees;
- Monitored the political and regulatory trends and developments and their implications for the business;
- Reviewed and monitored the Significant Litigation cases and their Liability; and
- Received regular reports of the proceedings of the Audit and Risk Committee and the Nominations and Remuneration Committee.

The Company Secretary

The Company Secretary is a member in good standing with the Institute of Certified Secretaries (ICS). The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators.

Role of the Company Secretary

- Providing a central source of guidance and advice to the Board, and the Company, on matters of statutory and regulatory compliance and good governance.
- Providing the Board and the Directors individually with guidance on how their responsibilities should be discharged in the best interests of the Company.
- Facilitating the induction training of new Directors and assisting with the directors' professional development as required. This includes identifying and facilitating continuous Board education.
- In consultation with the CEO and the Chairman, ensuring effective flow of information within the Board and its committees and between senior management and Non-Executive Directors. This includes timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from Board meetings.
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision-making by shareholders, customers and other stakeholders.
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

Separation of powers and duties of the Chairman and the Chief Executive Officer (CEO)

The separation of the functions of the Chairman (a Non-Executive Director) and the CEO (Executive Director) supports and ensures the independence of the Board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

A summary of each role can be found below:

The Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions.
- Promotes a culture of open debate between the Non-Executive Directors and Executive Directors and holds meetings with the Non-Executive Directors, without the Executive Directors present.
- Regularly meets with the Chief Executive and other senior management to stay informed.
- Ensures effective communication with shareholders and other stakeholders.
- Promotes high standards of corporate governance.
- Promotes and safeguards the interests and reputation of the Company.
- Represents the Company to government, shareholders, regulators, financial institutions, the media, the community and the public.

The Chief Executive Officer

- Is responsible for the day-to-day management of the business of the Company and to oversee the implementation of strategy and policies approved by the Board and serving as the official spokesperson for the Company.
- Provides coherent leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public and enhances the Company's reputation.
- Leads the Executive Directors and senior management team in running the Company's business, including chairing the Executive Committee.
- Develops and implements the Company's objectives in line with the strategy having regard to shareholders and other stakeholders.
- Manages the Company's risk profile and ensures appropriate internal controls are in place.
- Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements and best practice.
- Ensures that there are effective processes for engaging with, communicating with, and listening to, employees and others working for the Company.

Board and Directors' effectiveness

Board effectiveness in its oversight and leadership role is enhanced by a robust support system. This is facilitated through the following:

Board induction and training

Board members undergo regular training and education to enable them to fulfill their responsibilities. All Board members receive an induction upon joining. This provides an overview of the Company, new developments in the environment in which the Company operates, accounting and financial reporting developments, as well as any regulatory changes.

As part of the induction training, detailed presentations by Management, are factored in, so that the Directors gain a good sense of the Company's operations and central functions. The Board receives regular briefings on legal and regulatory developments at the Board meetings, with particular emphasis on regulations that directly impact the operations of the Company.

During the financial year under review, the Directors discussed salient aspects of the Code and engaged in e-learning or facilitator led training on areas of governance from credible sources, as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, Cyber security and Anti money laundering and Counter Finance Terrorism.

Board evaluation

In line with the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board undertook an annual evaluation of its performance as an entity, its committees, the Chairman and each individual Director and the Company Secretary. This was aimed at enabling the Board and its members and the committees to gauge their performance and identify areas of improvement.
An independent consultant was hired to carry out the evaluation.

Governance audit

In line with the initiatives that the Capital Markets Authority (CMA) is undertaking to review the frequency of the governance audits cycles from one year to two years, Safaricom requested the CMA and the CMA granted the Company an exemption from undertaking the governance audit for the year ending 31 March 2020. This was on the background that the Company had undertaken two governance audits, for the years ended 31 March 2018 and 31 March 2019.

Legal and compliance audit

The Board commissioned a legal and compliance audit in 2019 to establish the level of adherence by the Company to applicable laws, regulations and standards. In the legal and compliance auditor's opinion, the Company, in material respects, broadly complies with the requirements of the internal and external legal framework. Implementation of the recommendations from the 2019 Legal and Compliance audit are ongoing. The next audit is due in FY 2020/21.

Access to independent advice

The Board recognises that there may be occasions when one or more Directors considers it necessary to take independent legal and/or financial advice at the company's expense. This is provided for in the Board charter.

OUR GOVERNANCE

Corporate Governance Statement Continued

Internal regulations

Besides complying with the Code and the laws, the Company has committed to embed internal rules of engagement to support corporate governance. These internal guidelines are constituted in various policies and in the Code of Business Conduct to which every employee, supplier and the Board makes a commitment to comply with.

Board Charter

The Board Charter is critical to the Company's governance framework, and offers guidance on matters including but not limited to the following:

- The separation of the roles, functions, responsibilities and powers of the Board and its individual members;
- Powers delegated to the Board committees;
- Matters reserved for final decision-making and approval by the Board;
- Policies and practices of the Board on matters of corporate governance, directors' declarations and conflict of interest, conduct of Board and Board committee meetings; and
- Nomination, appointment, induction, ongoing training and performance evaluation of the Board and its committees.

The Charter is not a substitute or a replacement of any laws and regulations that govern the running of the Company.

Code of Ethics and Conduct

The Company pursues ethical decision making and leadership to promote corporate social responsibility, fair business practices, sustainability and the triple bottom line that focuses on the society, the environment and profitability. The Board has implemented a Code of Ethics and Conduct which binds Directors and Employees and is subscribed to by all members of the Company. Initiatives to ensure its application include training, monitoring, mechanisms for whistle blowing, taking disciplinary action, etc. The Code has been integrated into the Company's operations through the development of various policies and reporting mechanisms.

Safaricom Directors and employees are expected to act with honesty, integrity and fairness in all their dealings with one another and with stakeholders. When joining Safaricom, every employee is provided with a copy of the Code and must commit to abide by its requirements as part of the employment contract with the Company.

Board policies

The Board has established policy and procedure documents to guide the Directors and Management in the implementation of their roles and responsibilities. A brief summary of the governance documents and their key provisions are listed below:

Board Remuneration policy

The policy sets out guidelines and criteria for the compensation of the Non-Executive Directors. The remuneration to be paid to the NEDs is guided by the findings of a survey conducted by an independent consultant and which is compared against the remuneration of a comparator organisations in the market. The findings of the survey are tabled and discussed in detail by the Board Nominations and Remuneration Committee. In order to ensure that the Company remunerated its Non-Executive Directors at the desired position to pay at least at the 75th percentile of the market.

Whistleblowing policy

We have a whistleblowing policy that provides for an ethics hotline managed by an independent, accredited and external institution. Through the hotline, anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals.

Whistleblowing statistics are reported to the Ethics Committee and the Audit Committee on a quarterly basis. Staff members and business partners are also regularly sensitised on the need to report any suspected unethical business practices.

The whistleblowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrong doing, and the policy details how such concerns are addressed.

The whistleblowing policy has been uploaded on the Company's website.

Operational policies

There are broad operation policies that guide Management in execution of the Company's operations in an efficient and socially responsible manner. The policies cover various operational functions including: Human Resource, ICT, Risk Management, Financial Management, Sustainability, Environment, Safety and Health and Corporate Affairs.

Corporate Social Responsibility

Safaricom recognises that Corporate Social Investment (CSI) issues are of increasing importance to its stakeholders and are fundamental to the continued success of the business. Thus, we have a CSI policy that ensures we operate our business in a responsible manner at all times for the benefit of our customers, staff, suppliers, and the wider community. We exercise CSI by partnering with and investing in communities to find sustainable solutions. We also encourage our employees to take part in CSI initiatives aimed at improving the standards of living of the communities that they come from. Our CSI activities are disclosed every year in the social impact section of this report, sustainability and foundation reports.

Procurement policies

We have in place procurement policies that promote a fair and transparent procurement process, with emphasis on value for many and building mutually beneficial relationships with our suppliers. A Management Tender Committee oversees the award of tenders and there is appropriate Risk assurance for procurement activities.

Insider trading policy

The Company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period. To ensure compliance with the Companies Act, 2015 the Company communicates 'open' and 'closed' periods for trading in its shares to its employees and Directors on an annual basis. To the best of the Company's knowledge, there was no insider dealing in the financial year under review.

Management of conflict of interest

The Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to any Director's attention, whether direct or indirect. The statutory duty to avoid situations in which the Directors have or may have interests that conflict with those of the Company has been observed by the Board in the financial year under review. All business transactions with all parties, Directors or their related parties are carried out at arm's length. An acknowledgement that should it come to the attention of a Director that a matter concerning the Company may result in a conflict of interest, obligates the Director to declare the same and exclude himself/herself from any discussion or decision over the matter in question.

The Board has formal procedures for managing conflicts of interest in accordance with the Companies Act 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public.

Directors are required to give advance notice of any conflict issues to the Chairman or Company Secretary and these are considered at the next Board meeting.

Declaration of conflicts of interest is also a standard agenda item which is addressed at the onset of each Board meeting. Directors are excluded from the quorum and vote in respect of any matters in which they have an interest. No material conflicts were reported by Directors in the year under review.

Shareholder relations

We believe that good corporate governance is critical, not only at the corporate level but also at the national level. We require our partners to adhere to the highest level of integrity and business ethics in their dealings with us or with others.

In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following areas:

- Continuing to implement our strategy for the long-term prosperity of the business;
- Timely and relevant disclosures and financial reporting to our shareholders and other stakeholders for a clear understanding of our business operations and performance;
- Ensuring execution of strong audit procedures and audit independence;
- Strong internationally recognised accounting principles;
- Focus on clearly defined Board and management duties and responsibilities; and
- Focusing on compliance with relevant laws and upholding the highest levels of integrity in the Company's culture and practice.

Relationship and communication with shareholders

Safaricom remains committed to relating openly with its shareholders by providing regular as well as ad hoc information on operating and financial performance and addressing any areas of concern. This is achieved through the following:

- Interim and annual results and publication of extracts of its financial performance in the daily newspapers, preparation of annual audited accounts and holding of the annual general meeting;
- Copies of the annual reports are made available to shareholders at least 21 days before the date of the AGM and they are free to raise questions to the Board during the meeting;
- The Company has a well-established culture on shareholder management which is handled by the Internal Investor Relations team, supported by the Company Secretary's office and the Shares Registrars Image Registrars Limited;
- The Safaricom website has a specific webpage dedicated to the information requirements of the shareholders and investment analysts;
- Investor briefing sessions are held immediately after the announcement of interim and full year results;
- Local and international investor road shows are held after interim and full year results announcements; representatives of the Company's senior leadership team in collaboration with known stock brokerage firms organise meetings with institutional investors, individual shareholder groups and financial analysts; and
- The Board of Directors encourages shareholder participation at the Company's annual shareholder meetings.

OUR GOVERNANCE

Corporate Governance Statement Continued

Directors' shareholding

Directors can purchase or sell shares of the Company in the open market. None of the Directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the Company's total equity.

The breakdown of the Directors' personal shareholding in the Company as at 31 March 2020 is as follows:

Name of Director	2020	2019	Change
Nicholas Nganga	669,200	855,100	-185,900
Linda Muriuki	12,800	–	12,800
Rose Ogega	2,000	–	2000
Sateesh Kamath (Outgoing)	310,000	310,000	–

Board committees membership and meeting attendance

Board committees

The Board has two standing committees: an Audit Committee and a Nominations and Remuneration Committee. Each committee has formal and approved terms of reference. The Board periodically reviews the terms of reference for each of these committees to ensure they are in line with current legislation and best practice. The committees are provided with all necessary resources to enable them to undertake their duties effectively.

Audit Committee

Membership and functions of the Board Audit Committee

The Audit Committee consists of five Non-Executive Directors and reports to the board after every committee meeting. The chairperson is an independent Non-Executive Director.

Functions of the Audit Committee

To fulfill its oversight responsibility, the Audit Committee receives reports from management, the internal auditors and external auditors, as appropriate.

The responsibilities and role of the Audit Committee includes:

- Monitor the integrity of the financial statements, including the review of significant financial reporting judgements;
- Provide advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit;
- Review the system of internal financial control and compliance;
- Monitor the activities and review the effectiveness of the Internal Audit function; and
- Monitor the Company's risk management system, review of the principal risks and the management of those risks.

A summary of the Audit Committee meeting members attendance is shown below:

The attendance of the Board Audit Committee meetings for 2019/2020

Board Member	30 April 2019	28 August 2019	30 October 2019	20 January 2020 (Sp Meeting)	12 February 2020
Rose Ogega	■ (In attendance)	■	■	■	■
Michael Joseph*	–	■	■	■	Apology
Esther Koimett	–	■	Apology	■	Apology
Shameel Joosub	■	■	Apology	Apology	■
Till Streichert	■	■	■	■	■
Bitange Ndemo	■	■	■	■	■
Kathryne Maundu (Company Secretary)	■	■	■	■	■

* Michael Joseph attended the Audit Committee meetings in his capacity as the interim Chief Executive Officer for the period 2 July 2019 to 31 March 2020.

Key discussions by the Board Audit Committee

During the financial year, the Committee substantively discussed the following matters:

- Discussed the Rotation of the Company's External Auditors;
- Reviewed of the half years results and audited accounts and related reports;
- Reviewed and recommendation of dividend;
- Reviewed of External Auditors Management Letter;
- Discussed the External Audit Service Plan for the year ending 31 March 2020;
- Reviewed of the Internal Audit plan for the year ending 31 March 2020;
- Reviewed of the Internal Audit Reports in every quarter;
- Discussed in detail the Business Risk Updates, Cyber Security Management Updates and Business Ethics Updates; and
- Quarterly In camera sessions were held with the External and Internal Auditors.

Nominations and Remuneration Committee

The committee is mandated to review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels.

Membership and functions of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee is established by the Board of directors and comprises of five Non-Executive Directors and meets at least four times a year. The purpose of the committee is to assist the Board by:

- Monitoring the size and composition of the Board and its succession plans;
- Recommending individuals for nominations as members of the Board and its committees; and
- Reviewing Executive appointments, succession and development plans and proposing the remuneration structures of executive and Non-Executive members of the Board.

A summary of the Nominations and Remuneration Committee meeting members attendance is shown below:

The attendance of the Nominations and Remuneration Committee meetings for 2019/2020

	30 April 2019	29 August 2019	10 September 2019 (Sp. Meeting)	30 October 2019	13 March 2020
Nicholas Nganga	■	■	■	■	■
Bob Collymore	■	N/A	N/A	N/A	N/A
Michael Joseph	■	■	■	■	■
Esther Koimett	■	■	■	Apology	Apology
Vivek Badrinath	■	■	■	■	■
Linda Muriuki	■	■	■	■	■
Francesco Bianco	–	–	■	■	■
Kathryne Maundu (Company Secretary)	■	■	–	■	■

Key discussions by the Nominations and Remuneration Committee

During the financial year, the Committee substantively discussed the following matters:

- Discussed the succession planning for the CEO and oversaw the appointment of the current CEO;
- Discussed the succession Planning for the Senior Leadership Team in order to maintain the necessary balance of skills, knowledge and experience to remain effective;
- Reviewed the results of the annual employee opinion survey;
- Nomination of a third independent Director;
- Review of the Non-Executive Directors' Remuneration;
- Employee Compensation and Bonus Review for the year 2019/2020;
- Share Grants Proposal for the year 2019/2020; and
- Discussed various HR Thematic Areas including: Culture, Organisation effectiveness, Talent and Diversity.

Special committees

The Board is authorised by the Company's Articles of Association to form ad hoc or special committees to deal with specific matters for a defined term period.
The Board retains oversight authority over such committees.

The Board Investment Committee which handles key projects for the Company and the Ethics Committee, which plays an oversight role on behalf of the Board with regard to matters of ethics, integrity and best business practices.

OUR GOVERNANCE

Corporate Governance Statement Continued

Directors' Remuneration Report for the year ended 31 March 2020

1.1 Introduction

The key objective of the Board Nominations and Remuneration Committee (BNRC) is to make sure that the Board comprises of individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to review the remuneration of Directors and Senior Management as well as the succession planning at Board and senior leadership levels.

The members of the Committee during the year were as indicated below:

- Nicholas Nganga – Chairperson
- Esther Koimett
- Michael Joseph
- Vivek Badrinath
- Francesco Bianco*
- Linda Muriuki

All members of the Committee are Non-Executive Directors.

* Francesco Bianco was appointed a substantive Director with effect from 20 March 2020.

The Committee's responsibilities have been set by the Board and are outlined in the Board Charter and the Terms of Reference of the Committee.

1.2 Directors' Remuneration Report

1.2.1 Report preparation

The Directors' Remuneration Report has been prepared to enlighten the shareholders on the remuneration payable to both the Executive and Non-Executive Directors. No changes have been made to the remuneration policy since its approval at the 2018 Annual General Meeting as it continued to support the strategy of the Company. It is the view of the Committee and the Board that the Company's reward arrangements best support our business effectiveness by only delivering above target payouts when this is justified through Company performance and the current policy will support the implementation of the Company's short term and long-term objectives.

The Directors' Remuneration Report is unaudited except where otherwise stated.

1.2.2 Regulatory compliance

In March 2016, the Capital Markets Authority ("CMA") issued the Capital Markets Code for Issuers of Securities ("The Code") which became operational 12 months after its gazettement. The Code outlines various compliance requirements with respect to the remuneration of Directors'.

The Companies Act, 2015 which was enacted in September 2015 and became operational in June 2016, requires the Company to table a Directors' Remuneration Report to its shareholders as part of its audited financial statements. The Committee has prepared this report in accordance with the requirements of the Code and the Companies Act 2015 ("the Act").

1.2.3 Current policy

The Company's current Remuneration policy reflects a commitment to the following principles:

a) ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;

b) maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance;

c) aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term; and

d) offering competitive and fair rates of pay and benefits.

1.2.4 Remuneration for Non-Executive Directors

The Company's Non-Executive Directors' (NEDs) are compensated in the form of fees but are not entitled to any pension, bonus or long-term incentives such as performance share plans. The package covers a Director's role in the Board, any Board Committee(s) and any other activities as identified in the approved compensation schedule and in line with the Non-Executive Directors policy.

Elements of the compensation schedule include the following:

a) Annual retainer fee for the Chairman and other Non-Executive Directors;

b) Sitting allowances for Board and Board Committee meetings; and

c) Expenses incurred with respect to travel, accommodation, pre-approved consultancy fees or other expenses incurred as a result of carrying out duties as a Director are reimbursed at cost.

The Company's policy is to remunerate its Non-Executive Directors at the desired position, so as to pay at least at the 75th percentile of the market. This ensures that the Company is competitive in sourcing and retaining its Directors.

The current compensation structure was determined following a benchmarking exercise with comparable entities. A similar exercise was undertaken in February 2018 and the Board approved a revised compensation package for the Non-Executive Directors at their meeting held on 8 May 2018, which package was maintained in the year under review.

Details of the fees for the Non-Executive Directors and remuneration of the Executive Directors paid in the financial year under review are set out on the financial statements part of the annual report.

Going concern

The Board confirms that the financial statements are prepared on a going concern basis and is satisfied that the Company has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

OUR GOVERNANCE

Risk management

Safaricom remains committed to robust risk management as an integral part of strong governance and good management.

Our risk management framework

Our commitment is demonstrated by a top-down approach, with the Board taking overall responsibility for managing risk. Appropriate support towards risk management ensures a positive risk culture across the organisation.

We operate a mature risk management framework that is aligned with the ISO 31000. International Risk Management Standard. This ensures our strategic and operational risks are identified, managed, assured and reported in a consistent way. It is an evolving framework as we continually seek to improve and enhance our risk management processes and designed to be responsive to the ever-changing environments in which we operate.

The framework provides management with a clear line of sight to enable informed, risk based decision-making.

We continuously review the risk management framework, which provides the foundation and arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.

Our risk management framework

Identify risk

Risk assessments are conducted twice every year, in conjunction with the business units and other stakeholders.

We undertake ad hoc risk assessments that are necessitated by the ever changing environment we operate in.

Measure risk

We have a standardised risk scoring and categorisation process that makes reference to our risk appetite that has been set by the Board.

The measurement takes into account both the probability of occurrence and potential impact should the risk crystallise.

Manage risk

We manage risk by implementation of appropriate mitigations and controls to eliminate the risk or reduce the impact of likelihood of the risk.

Effectiveness of control and oversight is tested across the "three lines of defence".

Monitor and report

We have adopted a continual and iterative process to monitor risks, effectiveness of controls and provision of continuous reporting to our Board and Executive Committee on how effectively risks are being managed.

Establishing the context

We begin by defining the external and internal parameters to be taken into account when managing risk and setting the scope and risk criteria for the risk management policy.

External context includes our external stakeholders, our local, national, and international operating environment, and other external factors that influence our objectives. Internal context includes our internal stakeholders, governance approach, contractual relationships and our capabilities, culture, and standards.

OUR GOVERNANCE

Our principal risks

We classify our risks into the following categories:

- Strategic/external
- Operational
- Compliance
- Technology
- Financial

Risk appetite statement

Safaricom recognises that risk is an integral part of creating value, as such we have developed processes to ensure all major risks are proactively managed. We will ensure that our customers get quality and reliable products and services by employing best practices across all touch points. We hold our management team, employees and business partners to the highest standards of integrity and will constantly ensure principles of good corporate governance are upheld.

Identifying our principal risks

Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environment that we operate in.

We identify the key risks through our Enterprise Risk Management Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The following are the principal risks and related mitigation strategies that receive close management attention:

Risk 1
Economic growth prospects and challenging macroeconomic context

Rating: High

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Opportunity

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion against the economic shocks but also open new market ventures.

Context

The COVID-19 outbreak has placed significant added pressure on an already difficult macroeconomic environment. While the scale of the outcome remains uncertain, it is clear it will have significant long-term ramifications for the global economy and compound existing macroeconomic challenges in our key markets.

2019 saw increased economic confrontations such as high taxation, increased inflation and raising government debt in turn resulting in reduced consumer purchasing power due to low disposable incomes.

The GDP declined to 5.1% in the last quarter of 2019 following a 5.6% growth in the previous period as activity slowed in general.

The prolonged drought, floods and locust invasion impacted negatively on agriculture production thus impacting a large part of the population as agriculture is the backbone of our economy

The COVID-19 pandemic which gained momentum in early 2020, is causing unprecedented turmoil globally, shutting down entire sectors of economies, disrupting supply chains and placing people out of work. Locally the disruptions are affecting various sectors in the economy leading to business losses, increased unemployment and reduction of consumer purchasing power.

Mitigation

Continue to proactively monitor these factors, implement measures to mitigate the effects and cushion the business from adverse effects.

Adjust our products and services to continue to serve customer needs.

Implemented a cost-efficiency programme to combat the effects of inflationary pressure on costs.

Include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rates.

Movement during the year

Up Down No change

Risk 2
Adverse impact on our business operations due to COVID-19 pandemic

Rating: High

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Opportunity

The imperative of social distancing, work from home and the introduction of lockdowns have heightened the role of the telecoms industry in supporting citizens and businesses to connect and function under extreme circumstances.

Context

The last quarter of the financial year has been impacted by the COVID-19 pandemic and like any other organisation our operations have been affected resulting in:

- Increased cost of operations due to COVID-19 response for implementing prevention measures.
- Supply chain disruptions affecting operations.

Mitigation

Robust measures were implemented via our pandemic response plan and implementation of our business continuity to ensure that our staff are safe, and our business operations are not impacted

We are also supporting our stakeholders and the community through various initiatives geared towards:

- Prevention and awareness of COVID-19 by supporting initiatives such as the COVID-19 719 call centre, hosting medics and providing free voice and data bundles to health workers.
- Abilities for businesses to continue working from home by providing affordable fibre to home solutions and other internet propositions.
- Promoting a cashless economy via our M-PESA service offering by zero rating transactions below 1,000, zero rating medical pay bills and increasing transaction limits.
- Promoting of affordable educational content by zero rating educational content.

Simulation scenario for long-term impact to the business.

OUR GOVERNANCE

Our principal risks Continued

Risk 3
Tough regulatory and policy environment

Rating: High

Strategic risk category:

- Strategic/external
- Operational
- **Compliance**
- Technology
- Financial

Context

We operate in a complex and heavily regulated environment. A breach of these regulatory requirements could expose Safaricom to significant financial implications, reputational damage and/or suspension of our licence.

The nature of products and services that we provide requires that we comply with a wide range of rules and laws from our regulators namely Communications Authority of Kenya (CA), Competition Authority of Kenya (CAK) and Central Bank of Kenya (CBk).

Opportunity

Enhanced collaboration with our regulators to ease some regulatory pressures while ensuring that satisfactory measures are taken to safeguard our customers and other stakeholders' interests.

Mitigation

We continue to build and maintain proactive and constructive relationships with the regulators and government, informed by a shared understanding of the need for inclusive economic development.

Participating in industry forums and other policy forums as well as contributing to discussions on emerging legislation and regulations as we prepare to comply with the same.

Our products and services are carefully and continuously monitored to ensure they do not contravene any regulations.

Strengthened focus placed on ensuring robust governance processes and strong management of regulatory compliance in place.

Risk 4
Cyber threats and data privacy risk

Rating: High

Strategic risk category:

- Strategic/external
- Operational
- Compliance
- **Technology**
- Financial

Context

An external cyber-attack, insider threat or supplier breach (malicious or accidental) could cause service interruption or the loss of confidential data.

Cyber threats could lead to major customer, financial, reputational and regulatory impact including potential costs associated with fraud and/or extortion.

Implementation of the General Data Protection Regulations (GDPR) in 2018 as well enactment of the Kenya Data Protection Act 2019 continues to raise the bar on data protection.

There are strong obligations placed on data controllers and processors requiring them to abide by principles of meaningful user consent, collection limitation, purpose limitation, data minimisation and data security.

Movement during the year

Up Down No change

Opportunity

Protecting our customers' personal data that is crucial to being a trusted provider and supporting our enterprise customers by providing managed security services to safeguard their business operations.

Mitigation

Robust cyber security controls complemented by the 24/7 Cyber Defence Centre to ensure we safeguard the services that we offer.

Our networks and infrastructure are built with security in mind with layers of security control applied to all applications and infrastructure.

Our ISO 27001 Information Security Certification is an independent confirmation to our customers that we have implemented appropriate processes and controls relating to products and services to protect the privacy of their information.

Data Protection Impact Assessment across our operations done in compliance with the Data Protection Act.

Dedicated team in place to handle customer privacy concerns.

Ongoing proactive monitoring of access to customer data with real-time logging and monitoring to identify, prevent and respond to attempted data breaches.

Risk 5
Market disruption and heightened competitor activity

Rating: High

Strategic risk category:

– Strategic/external
– Operational
– Compliance
– Technology
– Financial

Context

In our shift from a more conventional telco to a digital services provider, we are facing strengthened competition both for customer and for digital talent from various non-traditional sources.

Competition in the telecommunication industry is on the rise in terms of product and service offerings.

Dynamic market needs, ever-changing consumer trends, entrance of new players in the market coupled with speed of new disruptive technologies have also intensified the competition with customer value proposition being the competitive edge.

We face increased competition from a variety of new technology platforms, which aim to build alternative communications, which could potentially affect our customer relationships.

Opportunity

The competitive and disruptive environment has yielded innovations that are setting us apart, allows us to be agile and drive partnerships while providing our customers with world-class experience.

Mitigation

Our strategies to manage competition focus on growing and retaining our customers by:

- Developing insights into our customer's needs, wants and behaviours and provide propositions to lead in chosen segments.
- Offering quality services and leveraging on strategic partnerships within different sectors to ensure we provide our customers with relevant products and services.
- Embedding a purpose-led culture that drives innovation and partnership.

We continue to be innovative and adopt an agile operating model to be able to respond rapidly to the ever-changing customers' needs.

OUR GOVERNANCE

Our principal risks Continued

Risk 6
Geo-political risks and insecurity

Rating: High

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

There has been an increase in terror related activities in the country and targeted attacks in North Eastern region.

Due to our countrywide presence, these uncertainties have also led to security concerns affecting our business operations and leading to increased cost of operations.

The political climate also remained tense as more activities are noted towards the 2022 politics.

Opportunity

Our existing community interactions has embedded our brand creating a sense of ownership and protection. Our collaborations with government and other agencies to combat crime and insecurity enable us to take part in creating a better environment for all.

Mitigation

The business continues to monitor the political situation keenly while taking appropriate business measures to safeguard our operations.

To manage security risks, we have invested heavily to ensure our staff, contractors and assets are protected and we continue to work closely with law enforcement authorities to ensure our customers' interests are well protected.

Further, we carry out proactive intelligence gathering, increased surveillance, screening around and across all our facilities with additional physical security measures to enhance our detection capability and serve as additional deterrence.

Risk 7
Supply chain disruption

Rating: High

Strategic risk category:

- **Strategic/external**
- Operational
- Compliance
- Technology
- Financial

Context

We operate a complex infrastructure to run our operations. Our systems and network are dependent on a wide range of suppliers locally and internationally. If we were unable to execute our plans, we and the industry would face potential delays to network improvements and increased costs.

Movement during the year

Up Down No change

Opportunity

The growing supplier base through innovations is creating an array of alternatives within our market space safeguarding our supplier resiliency model.

Mitigation

We operate our supply chain with resiliency in design by having dual supply partners and robust spares stockholding capacity.

We are closely monitoring the political situation around our key suppliers. We are also engaging with the Vodafone global supply chain, experts and suppliers to remain fully informed so that we can respond accordingly.

Risk 8
Technology resilience

Rating: High

Strategic risk category:

- Strategic/external
- Operational
- Compliance
- **Technology**
- Financial

Context

Our customer value proposition is based on the reliable availability of our high-quality network.

A major failure in critical network or information technology assets – for example, through natural disasters, insufficient preventative maintenance, or malicious attack – would have a profound impact on our customers.

Opportunity

Extensive investment in a robust network architecture driven by customer need to ensure we meet customer expectations all the time. In addition, we have strong technology redundancies to minimise technology failures.

Mitigation

Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place.

Investments to ensure adequate redundancy capabilities and elimination of any single point of failure.

OUR FINANCIALS

DIRECTORS' REPORT

Business review

The Directors submit this report together with the audited financial statements for the year ended 31 March 2020 which disclose the state of affairs of Safaricom PLC (the "Company" or "Safaricom") and its subsidiaries (together, the "Group").

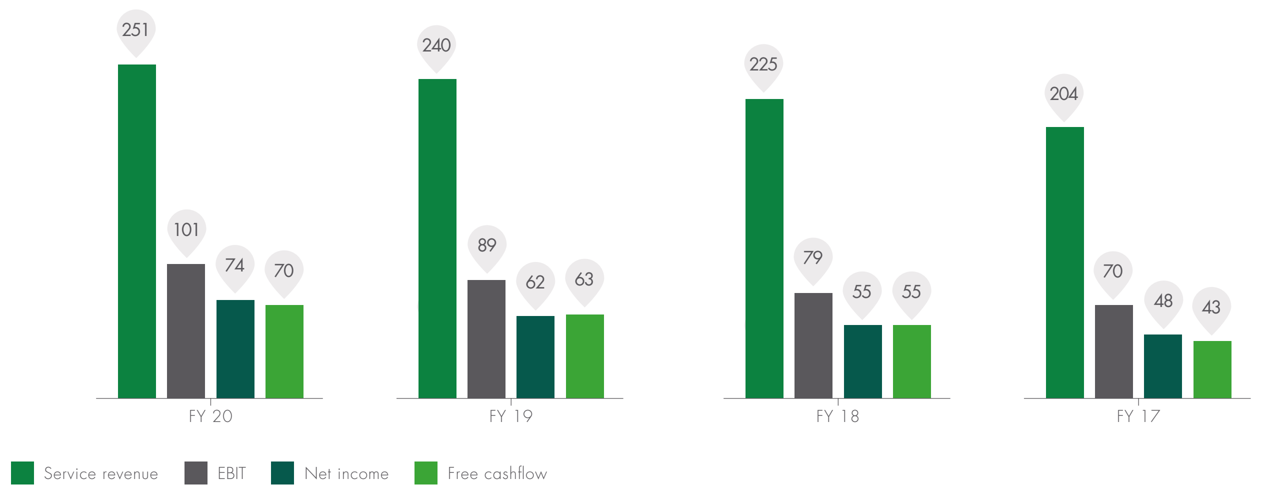
Business review

Safaricom exists to transform lives. We provide voice, data, financial services and enterprise solutions via multiple platforms to diverse subscribers, small businesses, large corporates and government institutions. We promise our customers to deliver our services simply, transparently and honestly.

Our corporate strategy is guided by three pillars: Customer first; Relevant products and services; and Operational excellence. It has enabled us grow our loyal customer base, produce excellent results across our key financial and commercial performance indicators and impact positively on society.

The graph below shows a five-year key performance indicators trend:

Key performance indicators
KShs billions



The Group has delivered a robust financial performance for the year ending 31 March 2020. To provide an accurate comparison for the year under review against the prior year, we have used the performance as would have been under IAS 17 – Leases (see Appendix 2).

Service revenue grew by 4.8% to KShs 251.21 billion. This was driven predominantly by increased use of non-voice services – mainly M-PESA, mobile data and fixed data service revenues – supported by 11.8% growth in the total customer base, to 35.6 million.

Overall voice service revenue stands at 37.6% of service revenue, representing a 1.4% decline to KShs 94.45 billion.

Mobile data revenue accounted for 16.2% of service revenue and grew at 12.1% to KShs 40.6 billion. This was driven by a 14.2% increase in 30-day active mobile data customers to 21.99 million.

Fixed data service revenue registered a growth of 10.7% and contributed 3.6% of total service revenue. Fixed revenue is driven by increased activity and penetration for Fibre to the Home (FTTH), which contributed 80.6% of the total growth.

The fixed data revenue includes KShs 648 million relating to the annual management service charge for the national secure communication network.

DIRECTORS' REPORT

Business review Continued

M-PESA revenue grew 12.6% to KShs 84.44 billion. This was driven by a 10.0% increase in 30-day active M-PESA customers to 24.91 million.

Operating profit (EBIT) increased by 13.5%. This is attributed to growth in service revenue, cost optimisation and prudent capital expenditure (capex) investments.

Earnings per share improved by 14.5% Year on Year (YoY) (12.6% based on IFRS 16) driven by strong operating performance. Free cash flow improved by 11.4% YoY.

The accounting policies adopted in the financial year ended 31 March 2020 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2019. The exceptions are the adoption of IFRS 16 – Leases, effective for annual reporting periods beginning on or after 1 January 2019, and the implementation of an updated depreciation policy for Company assets.

Safaricom PLC has elected to use a modified retrospective approach for transition to IFRS 16 accounting for Company leases from 1 April 2019, without having to restate comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 April 2019.

In the period to 31 March 2020, the Company reviewed the expected useful life and residual values of its assets in line with IAS 16 Property Plant and Equipment (PPE) requirements and updated its PPE depreciation policy prospectively effective 1 April 2019.

As part of our promise to be Simple. Transparent. Honest. FOR YOU, we introduced the new customer proposition, Neo – a no-expiry resources plan. The plan gives customers the freedom to purchase talk time and data bundles of any amount, starting from as low as KShs 1. Customers can clearly see how much data MBs, minutes and SMS they will receive before completing the transaction. Customers purchasing the new Call and SMS plans get an extra 50% talk time with every purchase, enabling them to talk more for less.

Our "For You" strategic theme was launched in October 2019 in the spirit of transforming lives. Inspired by the resilience of Kenyans who wake up every day to make a positive impact on those around them, the Company continues to partner with communities to bring their dreams to life. Our continued focus on health, education and empowerment enables us and our partners to develop new and exciting partnership models which combine philanthropy, strategic investments, shared values and issue-based advocacy to create meaningful connections with communities.

We take our social and moral responsibility to manage our environmental impacts very seriously. Environmental considerations are not separate from our core business and they impact on our overall commercial sustainability and success.

As part of our commitment to the Sustainable Development Goals (SDGs), and to protecting the environment, we are committed to maximising our positive impact and mitigating our negative impact by aligning our activities to three of the goals in particular:

i. promoting use of affordable and clean energy, both within our network and the homes of employees (SDG 7);
ii. advocating for, implementing and promoting responsible production and consumption of resources (SDG 12); and
iii. guiding efforts towards achieving 'net zero' carbon emissions through the development and implementation of climate change-related strategies and policies (SDG 13).

Key focus areas during the year included:

- Committing to become a net zero carbon-emitting Company by 2050. We have initiatives in place to monitor our emissions and introduce science-based carbon reduction targets;
- Continued compliance with regulations regarding use of plastics, air quality and noise levels;
- Clearly defined waste management policy, including e-waste collection initiatives and an end-to-end waste management, partnering with competent partners in the respective industries; and
- ISO 14001 recertification, upgrades to our Environmental Management System (EMS) and successful transition to ISO 14001:2015.

DIRECTORS' REPORT

Business review Continued

Our bold pledge has refocused our thinking and efforts across the entire business – including improving energy efficiency and reducing energy consumption across our network and facilities, deploying renewable energy solutions and exploring carbon offset projects.

Our risk management framework

Safaricom remains committed to robust risk management as an integral part of strong governance and good management. This is demonstrated by a top-down approach, with the board taking overall responsibility of managing risk. Appropriate support towards risk management ensures a positive risk culture across the organisation.

Our risk management framework is aligned to ISO 31000 and allows us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides management with a clear line of sight to enable informed, risk-based decision-making.

We continuously review the risk management framework, which provides the foundation and arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation. The key components of the framework are outlined below.

We classify our risks into two categories: Strategic and Operational.

Our risk management framework

Identify

Risk assessments are conducted twice every year, in conjunction with the business units and other stakeholders.

We undertake ad hoc risk assessments that are necessitated by the ever changing environment we operate in.

Measure

We have a standardised risk scoring and categorisation process that makes reference to our risk appetite that has been set by the Board.

The measurement takes into account both the probability of occurrence and potential impact should the risk crystalise.

Manage

We manage risk by implementation of appropriate mitigations and controls to eliminate the risk or reduce the impact of likelihood of the risk.

Effectiveness of control and oversight is tested across the "three lines of defence".

Monitor and report

We have adopted a continual and iterative process to monitor risks, effectiveness of controls and provision of continuous reporting to our Board and Executive Committee on how effectively risks are being managed.

Establishing the context

We begin by defining the external and internal parameters to be taken into account when managing risk and setting the scope and risk criteria for the risk management policy.

External context includes our external stakeholders, our local, national, and international operating environment, and other external factors that influence our objectives. Internal context includes our internal stakeholders, governance approach, contractual relationships and our capabilities, culture, and standards.

DIRECTORS' REPORT

Business review Continued

Risk appetite statement

Risk is an integral part of creating value. We have robust processes in place to proactively manage all major risks. We ensure customers get quality and reliable products and services by employing best practices across all touch points. Our management team, employees and business partners are held to the highest standards of integrity and we strive to ensure the principles of good corporate governance are upheld.

Our principal risks and what we are doing about them

Our risk identification and mitigation processes are designed to respond to the ever-changing operating environment.

We identify key risks through our Enterprise Risk Management (ERM) Framework. This provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded ERM process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to inform risk-based decision-making.

The following are the principal risks and related mitigation strategies that receive close management attention:

Adverse regulatory pressures

We operate in a complex and heavily regulated environment. A breach of regulatory requirements could expose Safaricom to significant financial implications, reputational damage and/or suspension of our license.

The nature of our products and services requires that we comply with a wide range of rules and laws from our regulators, namely: Communications Authority of Kenya (CA); Competition Authority of Kenya (CAK); and Central Bank of Kenya (CBK).

Mitigation

We continue to build constructive relationships with regulators. We contribute to discussions on emerging legislation and regulations as we prepare to comply with them.

Our products and services are carefully and continuously monitored to ensure they do not contravene any regulations.

We have developed a robust assurance programme on regulatory compliance.

DIRECTORS' REPORT

Business review Continued

Cyber threats and Data privacy

An external cyber-attack, insider threat or supplier breach (malicious or accidental) could cause service interruption or loss of confidential data.

With the enactment of the Kenya Data protection Act 2019, there are specific obligations placed on data controllers and processors on how they collect and process customer data.

Mitigation

Robust cyber security controls are complemented by the 24/7 Cyber Defence Centre to safeguard the services we offer.

Our networks and infrastructure are built with security in mind; layers of security controls are applied to all applications and infrastructure.

ISO27001 Information Security Certification provides independent confirmation to our customers that we have implemented appropriate processes and controls to protect the privacy of their information.

We carry out continuous Data Protection Impact Assessment across our operations in compliance with the Data protection Act.

Economic growth prospects

The year 2019 saw mixed macro-economic changes such as high taxation, increased inflation and raising government debt in turn resulting to reduced consumer purchasing power due to low disposable incomes.

GDP declined to 5.1% in the last quarter of 2019 following a 5.6% growth in the previous period as economic activity and growth slowed in general.

The prolonged drought impacted negatively on agricultural productivity, affecting a large part of the population as agriculture is the backbone of our economy.

In the last quarter of the financial year, we experienced adverse global and local economic impact related to Covid-19 disruption. This affected broad ranging sectors leading to business losses, increased unemployment and a reduction of consumer purchase power.

Mitigation

We continue to proactively monitor these factors and to implement measures to mitigate the effects and cushion the business from adverse effects. These included:

Revamping our products and services to continue to serve customer needs.

Including contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rates.

Implementing a cost-efficiency programme to combat the effects of inflationary pressure on costs.

Pandemic response planning and implementation of business continuity to ensure that our employees are safe and our business operations are not impacted.

DIRECTORS' REPORT

Business review Continued

Market disruption and heightened competitor activity

Competition in the telecommunication industry remains vibrant in terms of product and service offerings by both traditional Telco's and Over the top (OTT) players.

Dynamic market needs, ever-changing consumer trends, new players entering the market and the speed of disruptive technologies have intensified competition with customer value proposition providing the competitive edge.

Mitigation

Our strategies to manage competition focus on growing and retaining customers by offering quality services and leveraging strategic partnerships across sectors to provide customers with relevant products and services.

We continue to innovate and adopt an agile operating model to respond rapidly to ever-changing customers' needs.

Geo-political risks and insecurity

There has been an increase in terror related activities in the country and targeted attacks in North Eastern region.

With our countrywide presence, these uncertainties have led to security concerns affecting our business operations and increasing the cost of operations.

The political climate has remained tense as more activities are noted towards the Building the Bridges Initiative and 2022 elections.

Mitigation

We continue to closely monitor the political situation while taking appropriate business measures to safeguard our operations.

To manage security risks, we have invested heavily to protect our staff, contractors and assets and we work closely with law enforcement authorities to ensure our customers' interests are well protected.

We also carry out proactive intelligence gathering, screening and security surveillance.

Results and dividend

The profit for the year before Share of profit from Joint Venture (M-PESA Global Services Ltd) is KShs 70,362 million (2019: KShs 62,491 million), and KShs 73,658 million after inclusion of the share of profit from the Joint Venture and has been added to retained earnings.

The directors recommend the approval of a final dividend in respect of the year ended 31 March 2020 of KShs 1.40 (2019: KShs 1.25) of KShs 56,092 million (2019: KShs 50,082 million) and the approval of a special dividend of KShs nil (2019: KShs 24,841 million equivalent to KShs 0.62 per share).

DIRECTORS' REPORT

Directors' report

The Directors who held office during the year and to the date of this report were:

Name	Representing	Nationality	Date of Appointment
Nicholas Nganga	Chairman and Government of Kenya nominee	Kenyan	6 May 2004
Bob Collymore[1]	Managing Director and Chief Executive Officer	British & Kenyan	5 September 2006
Michael Joseph[2]	Vodafone Kenya Limited nominee	Kenyan & American	8 September 2008
Peter Ndegwa[2]	Chief Executive Officer and Executive Director	Kenyan	1 April 2020
Sateesh Kamath (Outgoing)[1]	Chief Finance Officer	Indian	30 June 2016
CS, National Treasury	Cabinet Secretary to the National Treasury	Kenyan	5 November 2013
Esther Koimett	Alternate to CS, National Treasury	Kenyan	5 November 2013
Vivek Badrinath[3]	Vodafone Kenya Limited nominee	French	12 January 2017
Gianluca Ventura[3]	Alternate to Vivek Badrinath	Italian	6 March 2015
Francesco Bianco[3]	Vodafone Kenya Limited nominee	Italian	20 March 2020
Linda Muriuki	Government of Kenya nominee	Kenyan	31 August 2017
Mohamed Joosub	Vodafone Kenya Limited nominee	South African	31 August 2017
Bitange Ndemo	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	12 February 2019
Till Streichert	Vodafone Kenya Limited nominee	German	8 May 2018

1 Bob Collymore ceased to be a Director on 1 July 2019 and consequently Sateesh Kamath (Outgoing) ceased to be his alternate.

2 Michael Joseph ceased to be the Interim Chief Executive Officer with effect from 31 March 2020.

2 Peter Ndegwa was appointed as the Chief Executive Officer and Executive Director in the Board with effect from 1 April 2020.

3 Vivek Badrinath ceased to be a Director with effect from 20 March 2020.

3 Gianluca Ventura ceased to be the Alternate Director to Vivek Badrinath on 2 May 2019.

3 Francesco Bianco was appointed as the Alternate Director to Vivek Badrinath on 2 May 2019. He subsequently ceased to be the Alternate Director to Vivek Badrinath on 20 March 2020 and was appointed a substantive Director in the Company with effect from 20 March 2020.

Statement as to disclosure to the Group's and Company's auditor

With respect to each Director at the time this report was approved:

a. there is, so far as the Director is aware, no relevant audit information of which the Group's and Company's auditor is unaware; and

b. the Director has taken all steps that the Director ought to have taken as a Director to be aware of any relevant audit information and to establish that the Group's and Company's auditor is aware of that information.

Terms of appointment of the auditor

The term of the audit engagement for PricewaterhouseCoopers is coming to an end after this year's audit work and hence they will cease to be the Company's auditor at the conclusion of the forthcoming Annual General Meeting of the Company on 31 July 2020. The Board will make a recommendation to the shareholders at the Annual General Meeting, to approve the appointment of the new auditor in accordance with the provisions of Section 721 of the Kenyan Companies Act, 2015.

The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to profit or loss in the year.

By order of the Board

Ms Kathryne Maundu
Company Secretary
28 April 2020

Statement of Directors’ responsibilities

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Group and Company; (b) disclose, with reasonable accuracy, the financial position of the Group and Company; and (c) enable the Directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. selecting suitable accounting policies and then applying them consistently; and

iii. making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group’s and Company’s ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group’s and Company’s ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 28 April 2020 and signed on its behalf by:

Nicholas Nganga
Chairman and
Non-Executive Director

Michael Joseph
Director

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Company's Board composition is as below:

Name	Representing	Nationality	Date of Appointment
a) Seven Non-Executive Directors:			
Nicholas Nganga	Chairman and Government of Kenya nominee	Kenyan	6 May 2004
CS, National Treasury	Cabinet Secretary to the National Treasury	Kenyan	5 November 2013
Esther Koimett	Alternate to CS, National Treasury	Kenyan	5 November 2013
Vivek Badrinath[3]	Vodafone Kenya Limited nominee	French	12 January 2017
Gianluca Ventura[3]	Alternate to Vivek Badrinath	Italian	6 March 2015
Francesco Bianco[3]	Vodafone Kenya Limited nominee	Italian	20 March 2020
Linda Muriuki	Government of Kenya nominee	Kenyan	31 August 2017
Mohamed Joosub	Vodafone Kenya Limited nominee	South African	31 August 2017
Till Streichert	Vodafone Kenya Limited nominee	German	8 May 2018
b) Two Independent Non-Executive Directors:			
Bitange Ndemo	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	12 February 2019
c) One Executive Director:			
Bob Collymore[1]	Managing Director and Chief Executive Officer	British & Kenyan	5 September 2006
Michael Joseph[2]	Vodafone Kenya Limited nominee	American & Kenyan	8 September 2008
Peter Ndegwa[2]	Chief Executive Officer and Executive Director	Kenyan	1 April 2020
Sateesh Kamath (Outgoing)[1]	Chief Finance Officer	Indian	30 June 2016

During the period, there were below changes in the Board composition:

1 Bob Collymore ceased to be a Director on 1 July 2019 and consequently Sateesh Kamath (Outgoing) ceased to be his alternate.

2 Michael Joseph ceased to be the Interim Chief Executive Officer with effect from 31 March 2020.

2 Peter Ndegwa was appointed as Chief Executive Officer and Executive Director in the Board with effect from 1 April 2020.

3 Vivek Badrinath ceased to be a Director with effect from 20 March 2020.

3 Gianluca Ventura ceased to be the Alternate Director to Vivek Badrinath on 2 May 2019.

3 Francesco Bianco was appointed as the Alternate Director to Vivek Badrinath on 2 May 2019. He ceased to be the Alternate Director to Vivek Badrinath on 20 March 2020 and was appointed a substantive Director in the Company with effect from 20 March 2020.

Non-Executive Directors' remuneration

The Board establishes and approves transparent and competitive remuneration policies for the Non-Executive Board members. These policies clearly stipulate remuneration elements such as Directors' annual fees, sitting allowances per meeting attended and other benefits that are based on proper benchmarking and taking into consideration the prevailing market conditions.

Information not subject to audit Continued

Non-Executive Directors' remuneration (continued)

Safaricom PLC seeks to remunerate Non-Executive Directors at least at the 75th percentile. The current remuneration structure is based on a survey commissioned by the Board through its Board Nominations and Remuneration Committee and carried out by PricewaterhouseCoopers (PwC) across peer organisations comparable with Safaricom. Remuneration for Non-Executive Directors is reviewed every two years.

The below is the current agreed fees and allowances structure:

- Annual Directors fees paid to the Chairman of the Board agreed at KShs 5,700,000 per annum (2019: KShs 5,700,000);
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 2,200,000 per annum (2019: KShs 2,200,000);
- Sitting allowance payable to the Chairman of the Board retained at KShs 85,000 per meeting (2019: KShs 85,000);
- Sitting allowance payable to the Chair of a Committee retained at KShs 74,150 per meeting (2019: KShs 74,150);
- Sitting allowance payable to each Non-Executive Director retained at KShs 60,000 per meeting (2019: KShs 60,000).

Annual Directors' fees for the Director representing the National Treasury are paid directly to the National Treasury.

Annual Directors' fees for the Directors representing Vodafone Kenya Limited are paid directly to Vodafone Group.

Board members are also entitled to telephone and internet usage allowance.

The Board carries out a formal annual process to review its performance and that of its committees and individual Directors. Evaluation of the Board is facilitated by an independent external consultant.

Executive Director's remuneration

The Executive Director's (the CEO) remuneration is as per the negotiated employment contract and is employed on a fixed term basis.

Besides basic salary, the Executive Director is entitled to an annual performance-based bonus and Vodafone PLC shares, residential accommodation, utility bills payment, children's school fees and club membership.

Changes to Directors' remuneration

There were no changes during the year in Non-Executive Directors' remuneration fees and allowances as shown above.

DIRECTORS' REMUNERATION REPORT

Information not subject to audit Continued

Non-Executive Directors' remuneration (continued)

Statement of voting on the Directors' Remuneration Report at the previous Annual General Meeting (AGM)

During the AGM held on 31 August 2019, voting was carried out by ballot to approve the Directors' Remuneration Report.

The results of the vote were as follows:

Agenda	Vote	Total votes	As a percentage of the total votes cast
Directors Remuneration Report	For	30,056,567,040	99.9997%
	Against	21,800	0.0001%
	Spoilt Votes	78,888	0.0003%
	Abstained	–	–
Total		**30,056,667,728**	**100%**

The Directors Remuneration Report for the year ended 31 March 2020 will be presented to shareholders for approval at the AGM scheduled to be held on 31 July 2020.

Information subject to audit

The following table shows a single figure remuneration for Executive and Non-Executive Directors in respect of qualifying services for the financial year ending 31 March 2020. Comparative figures for the year ended 31 March 2019 are also shown. The aggregate Directors' emoluments are shown in Note 31(iii).

Directors' remuneration for the year ended 31 March 2020

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Totals KShs'm
Executive Directors						
Bob Collymore	25.26	–	6.53	7.76	23.53	63.08
Sateesh Kamath (Outgoing)	55.55	–	13.48	22.17	9.38	100.58
Michael Joseph	88.48	0.36	23.49	13.98	–	126.31
Total	**169.29**	**0.36**	**43.50**	**43.91**	**32.91**	**289.97**
Non-Executive Directors						
Nicholas Nganga	–	8.84	–	0.19	–	9.03
Bitange Ndemo	–	3.88	–	0.07	–	3.95
Rose Ogega	–	4.74	–	0.14	–	4.88
Linda Muriuki	–	3.82	–	–	–	3.82
Mohamed Joosub	–	2.98	–	–	–	2.98
Vivek Badrinath	–	3.22	–	–	–	3.22
Till Streichert	–	3.28	–	–	–	3.28
Francesco Bianco	–	–	–	–	–	–
National Treasury	–	2.20	–	–	–	2.20
Esther Koimett	–	1.20	–	0.22	–	1.42
Total	**–**	**34.16**	**–**	**0.62**	**–**	**34.78**
Grand Total	**169.29**	**34.52**	**43.50**	**44.53**	**32.91**	**324.75**

DIRECTORS' REMUNERATION REPORT

Information subject to audit Continued

Directors' remuneration for the year ended 31 March 2019

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Totals KShs'm
Executive Directors						
Bob Collymore	96.83	–	32.87	41.49	29.76	200.95
Sateesh Kamath (Outgoing)	54.78	–	14.44	22.18	10.89	102.29
Total	151.61	–	47.31	63.67	40.65	303.24
Non-Executive Directors						
Nicholas Nganga	–	8.68	–	0.12	–	8.80
Bitange Ndemo	–	3.34	–	0.03	–	3.37
John Otty	–	0.73	–	–	–	0.73
Michael Joseph	–	3.40	–	1.19	–	4.59
Linda Muriuki	–	3.52	–	–	–	3.52
Mohamed Josuub	–	3.16	–	–	–	3.16
Susan Mudhune	–	2.57	–	0.01	–	2.58
Vivek Badrinath	–	3.10	–	–	–	3.10
Till Streichert	–	2.85	–	–	–	2.85
Gianluca Ventura	–	0.12	–	–	–	0.12
Rose Ogega	–	0.06	–	0.01	–	0.07
National Treasury	–	2.20	–	–	–	2.20
Esther Koimett	–	0.90	–	0.25	–	1.15
Total	**–**	**34.63**	**–**	**1.61**	**–**	**36.24**
Grand Total	**151.61**	**34.63**	**47.31**	**65.28**	**40.65**	**339.48**

* EPSAP – Employee Performance Share Award Plan. Actual settlement is done by the seconding Vodafone affiliate Company.

On behalf of the Board

Chairman, Board Nominations and Remuneration Committee
28 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFARICOM PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Safaricom PLC (the Company) and its subsidiaries (together, the Group) set out on pages 120 to 181, which comprise the consolidated statement of financial position at 31 March 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2020 and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Safaricom PLC give a true and fair view of the financial position of the Group and the Company at 31 March 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Key audit matter	How our audit addressed the matter
Recognition of revenue from contracts with customers As explained in notes 2 (e), 5 and 29 of the financial statements, the Company has several revenue streams driven by different contractual arrangements with customers. The determination of the quantum and timing of revenue recognition is complicated by the multiple information technology systems, tariff structures and pricing models for the various products to customers. Variations in the configurations of systems or accounting processes for the individual products could result in materially different revenue recognition outcomes.	We evaluated the Group's accounting policies and processes for revenue recognition. We tested the design and operating effectiveness of the controls over the integrity of the IT systems that relate to revenue, including the general and application controls on the revenue billing systems and their interfaces with the general ledger. On a sample basis, we tested individual transactions for accuracy and occurrence of revenue transactions, authorisation of rate changes and input of information into the billing system during the year. We performed substantive analytical reviews on relevant revenue streams. This was done by comparing the actual revenues to the expected revenue based on volumes and tariff rates of the various products. We traced the revenue amounts on a sample basis to source systems and other supporting documents. We evaluated and tested the adequacy of the relevant disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFARICOM PLC

Report on the audit of the financial statements Continued

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Measurement of bargain purchase (gain) from the acquisition of the M-PESA brand. As described in note 23(b) of the financial statements, the Company completed the acquisition of the M-PESA brand, product development and support services from Vodafone Group Plc through a newly created joint venture, M-PESA Global services Limited in March 2020. The accounting for the transaction resulted in bargain purchase (gain) of KShs 3.3 billion to the profit or loss account, being the difference between the fair value of the net assets acquired including identifiable intangible assets and the consideration paid. The determination of the fair value of the acquired net assets, including identifiable intangible assets, involved the use of significant estimates and assumptions such as the brand's useful life, projected cash flows, discount rate and terminal growth rate, that are not wholly based on observable data. A change in the assumptions could have a material variation in the fair value outcomes.	We evaluated management's processes and controls around recognizing transactions of this nature including the oversight from those charged with governance; With the assistance of our internal valuation experts, we tested the appropriateness of the valuation methodology and the reasonableness of the assumptions used by management in valuing the acquired net assets; We tested the logical and mathematical accuracy of the valuation models; and We evaluated the adequacy and consistency of disclosures in the financial statements.
Measurement of the right-of-use assets and related lease liabilities on adoption of IFRS 16 As described in note 2(a) and 22 of the financial statements, the Group adopted IFRS 16, Leases, which was applicable for periods beginning on or after 1 January 2019. Being the first year of adoption for the Group, the new standard on leases introduced new requirements which necessitated the use of significant judgements and assumptions in the measurement of the right-of-use asset and the related lease liabilities. The key areas where estimates and judgement were applied included: (i) The interpretation of the requirements to determine the contracts containing leases and separating the lease and the non-lease components of a contract; (ii) Determination of the incremental rate of borrowing; and (iii) The decision to exercise the extension or termination options while determining the lease term.	We obtained an understanding and evaluated the Group's IFRS 16 implementation process including governance over the implementation process; We reviewed the Group's updated accounting policies for compliance with the principles of IFRS 16; We assessed the reasonableness of the significant estimates and the judgements applied by management; We validated key inputs into the model against lease agreements in place and checked for mathematical accuracy of the computations; and We checked the financial statement disclosures for compliance with IFRS 16.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFARICOM PLC

Report on the audit of the financial statements Continued

Other information

The other information comprises the Directors' Report, Statement of Directors' Responsibilities, Directors' Remuneration Report and the appendices (Principal shareholders, Statement of profit or loss and other comprehensive income based on IAS 17 and Mobile money services performance) which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report, and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAFARICOM PLC

Report on the audit of the financial statements Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the Directors

In our opinion the information given in the Directors' report on pages 104 to 110 is consistent with the financial statements.

Directors' Remuneration Report

In our opinion the auditable part of the Directors' Remuneration Report on pages 114 to 115 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi
28 April 2020

CPA Peter Ngahu, Practising certificate No. 1458
Signing partner responsible for the independent audit

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Statement of profit or loss and other comprehensive income

		Group		Company	
	Notes	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Revenue from contracts with customers	5(a)	260,463.8	248,101.8	259,078.7	247,237.8
Revenue from other sources	5(b)	2,091.9	2,181.3	2,326.8	2,242.9
Total revenue		**262,555.7**	**250,283.1**	**261,405.5**	**249,480.7**
Direct costs	6	(75,284.9)	(72,398.8)	(75,468.7)	(73,030.2)
Impairment (losses)/gains on receivables	25	(1,669.6)	9.6	(1,418.7)	9.6
Other expenses	7	(47,559.7)	(53,590.2)	(47,023.1)	(52,935.3)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**138,041.5**	**124,303.7**	**137,495.0**	**123,524.8**
Depreciation of property, plant and equipment	18	(31,964.8)	(33,660.4)	(31,925.3)	(33,660.4)
Amortisation – Indefeasible Rights of Use (IRUs)	19	(301.0)	(301.0)	(301.0)	(301.0)
Amortisation – intangible assets	21	(1,359.1)	(1,370.3)	(1,358.0)	(1,369.1)
Amortisation–Right of Use (ROU) assets	22(a)	(2,922.8)	–	(2,922.8)	–
Operating profit		**101,493.8**	**88,972.0**	**100,987.9**	**88,194.3**
Finance income	8	3,518.8	2,760.2	3,494.5	2,742.1
Finance cost	9	(2,596.6)	(519.6)	(2,585.5)	(472.6)
Share of profit of associate	23(b)	60.9	5.2	60.9	5.2
Share of profit of Joint Venture (M-PESA Global Services Limited)	23(b)	3,296.1	–	3,296.1	–
Profit before income tax		**105,773.0**	**91,217.8**	**105,253.90**	**90,469.0**
Income tax expense	12	(32,115.1)	(28,727.3)	(31,969.7)	(28,502.9)
Profit after tax		**73,657.9**	**62,490.5**	**73,284.2**	**61,966.1**
Other comprehensive income		–	–	–	–
Profit and total comprehensive income for the year attributable to the owners of the Company		**73,657.9**	**62,490.5**	**73,284.2**	**61,966.1**
Basic and diluted earnings per share (KShs per share)	13	1.84	1.56	1.83	1.55

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Statement of financial position

		Group		Company	
		2020	2019	**2020**	2019
	Notes	**KShs'm**	KShs'm	**KShs'm**	KShs'm
Share capital	14	2,003.3	2,003.3	2,003.3	2,003.3
Share premium	14	2,200.0	2,200.0	2,200.0	2,200.0
Retained earnings		82,785.2	65,218.9	81,038.6	63,846.0
Proposed dividend	15	56,091.6	74,922.4	56,091.6	74,922.4
Total equity		**143,080.1**	**144,344.6**	**141,333.5**	**142,971.7**
Non–current liabilities					
Payables and accrued expenses	28(a)	985.4	1,131.0	985.4	1,131.0
Contract liabilities	29(b)	983.4	739.5	983.4	739.5
Lease liability	22(b)	11,675.3	–	11,675.3	–
		13,644.1	**1,870.5**	**13,644.1**	**1,870.5**
Total equity and non–current liabilities		**156,724.2**	**146,215.1**	**154,977.6**	**144,842.2**
Non–current assets					
Deferred income tax	17	1,104.7	1,602.9	937.4	1,566.4
Property, plant and equipment	18	129,337.2	125,217.8	128,968.7	124,820.8
Right of use (ROU) assets	22(a)	15,242.9	–	15,242.9	–
Indefeasible rights of use (IRUs)	19	3,252.1	3,553.1	3,252.1	3,553.1
Investment property	20	845.0	845.0	845.0	845.0
Intangible assets	21	6,026.2	7,385.4	6,021.8	7,379.7
Investment in subsidiaries	23(a)	–	–	431.3	431.2
Investment in associate and joint venture	23(b)	4,965.1	150.3	4,965.1	150.3
Prepaid operating lease rentals		–	56.8	–	56.8
Contract assets	29(a)	881.7	964.5	881.7	964.5
Restricted cash	26(b)	1,911.7	1,845.5	1,911.7	1,845.5
Deferred restricted cash asset	26(c)	836.1	895.5	836.1	895.5
		164,402.7	**142,516.8**	**164,293.8**	**142,508.8**
Current assets					
Cash and cash equivalents	26(a)	26,759.7	20,030.1	25,859.7	19,828.1
Other financial assets	27	188.6	8,043.0	–	7,866.8
Receivables and prepayments	25	17,190.3	18,126.3	16,801.9	17,206.1
Inventories	24	1,859.4	1,774.6	1,793.1	1,774.6
Current income tax		260.4	–	251.8	–
Contract assets	29(a)	2,563.8	1,984.6	2,563.8	1,984.6
		48,822.2	**49,958.6**	**47,270.3**	**48,660.2**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Statement of financial position Continued

		Group		Company	
	Notes	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Current liabilities					
Payables and accrued expenses	28(a)	29,920.1	28,703.9	30,153.8	28,911.4
Current income tax		112.9	351.3	–	253.1
Borrowings	16	8,000.0	4,032.0	8,000.0	4,032.0
Dividends payable	15	1,045.1	–	1,045.1	–
Lease liability	22(b)	3,549.4	–	3,549.4	–
Provisions for liabilities	28(b)	4,462.3	3,893.5	4,462.3	3,893.5
Contract liabilities	29(b)	9,410.9	9,279.6	9,375.9	9,236.8
		56,500.7	**46,260.3**	**56,586.5**	**46,326.8**
Net current assets/(liabilities)		**(7,678.5)**	**3,698.3**	**(9,316.2)**	**2,333.4**
		156,724.2	**146,215.1**	**154,977.6**	**144,842.2**

The financial statements on pages 120 to 181 were approved for issue by the Board of Directors on 28 April 2020 and signed on its behalf by:

Chairman and Non-Executive Director
Nicholas Nganga

Director
Michael Joseph

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Consolidated statement of changes in equity

Year ended 31 March 2019	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Proposed dividends KShs'm	Total equity KShs'm
At start of year		2,003.3	2,200.0	75,638.4	44,071.0	123,912.7
Initial application of IFRS 15		–	–	2,012.4	–	2,012.4
Restated balance at 1 April 2018		2,003.3	2,200.0	77,650.8	44,071.0	125,925.1
Profit and total comprehensive income for the year		–	–	62,490.5	–	62,490.5
Transactions with owner:						
Dividends:						
– Final for 2018	15	–	–	–	(44,071.0)	(44,071.0)
– Proposed final for 2019	15	–	–	(50,082.0)	50,082.0	–
– Proposed special dividend for 2019	15	–	–	(24,840.4)	24,840.4	–
		–	–	(74,922.4)	30,851.4	(44,071.0)
At end of year		**2,003.3**	**2,200.0**	**65,218.9**	**74,922.4**	**144,344.6**
Year ended 31 March 2020						
At start of year		2,003.3	2,200.0	65,218.9	74,922.4	144,344.6
Profit and total comprehensive income for the year		–	–	73,657.9	–	73,657.9
Transactions with owners:						
Dividends:						
– Total final and special dividend for 2019	15	–	–	–	(74,922.4)	(74,922.4)
– Proposed final for 2020	15	–	–	(56,091.6)	56,091.6	–
		–	–	(56,091.6)	(18,830.8)	(74,922.4)
At end of year		**2,003.3**	**2,200.0**	**82,785.2**	**56,091.6**	**143,080.1**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Company statement of changes in equity

Year ended 31 March 2019	Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Proposed dividends KShs'm	Total equity KShs'm
At start of year		2,003.3	2,200.0	74,789.9	44,071.0	123,064.2
Initial application of IFRS 15		–	–	2,012.4	–	2,012.4
Restated balance at 1 April 2018		2,003.3	2,200.0	76,802.3	44,071.0	125,076.6
		–	–			
Profit and total comprehensive income for the year		–	–	61,966.1	–	61,966.1
Transactions with owners:						
Dividends:						
– Final for 2018	15	–	–	–	(44,071.0)	(44,071.0)
– Proposed final for 2019	15	–	–	(50,082.0)	50,082.0	–
– Proposed special dividend for 2019	15	–	–	(24,840.4)	24,840.4	–
		–	–	(74,922.4)	30,851.4	(44,071.0)
At end of year		**2,003.3**	**2,200.0**	**63,846.0**	**74,922.4**	**142,971.7**
Year ended 31 March 2020						
At start of year		2,003.3	2,200.0	63,846.0	74,922.4	142,971.7
Profit and total comprehensive income for the year		–	–	73,284.2	–	73,284.2
Transactions with owners:						
Dividends:						
– Total final and special dividend for 2019	15	–	–	–	(74,922.4)	(74,922.4)
– Proposed final for 2020	15	–	–	(56,091.6)	56,091.6	–
		–	–	(56,091.6)	(18,830.8)	(74,922.4)
At end of year		**2,003.3**	**2,200.0**	**81,038.6**	**56,091.6**	**141,333.5**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Statement of cash flows

	Notes	Group		Company	
		2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Cash flows from operating activities					
Cash generated from operations	30(a)	139,604.2	125,285.9	138,635.6	124,992.9
Movement in restricted cash		(67.9)	(332.8)	(67.9)	(332.8)
Interest received	8	2,940.9	2,318.5	2,917.1	2,300.4
Income tax paid		(32,114.6))	(27,460.0))	(31,845.9)	(27,184.1)
Net cash generated from operating activities		110,362.6	99,811.6	109,638.9	99,776.4
Cash flows from investing activities					
Purchase of property, plant and equipment	18	(36,098.5)	(37,253.3)	(36,087.5)	(36,857.2)
Proceeds from disposal of property, plant and Equipment		69.8	245.3	70.6	245.3
Purchase of other financial assets	27	–	(8,043.0)	–	(7,866.8)
Disposal of other financial assets		7,854.4	–	7,866.8	–
Investment in associates and joint ventures		(1,457.8)	–	(1,457.8)	–
Net cash used in investing activities		(29,632.1)	(45,051.0)	(29,607.9)	(44,478.7)
Cash flows from financing activities					
Dividends paid	15	(73,877.3)	(44,071.0)	(73,877.3)	(44,071.0)
Repayment of lease liabilities		(3,742.8)	–	(3,742.8)	–
Interest paid	9	(348.8)	(148.1)	(347.6)	(148.1)
Proceeds from short-term borrowings	16	20,132.0	8,028.0	20,132.0	8,028.0
Repayments on short-term borrowings	16	(16,164.0)	(8,036.0)	(16,164.0)	(8,036.0)
Additional investment in subsidiaries	23(a)	–	–	–	(407.2)
Repayment of loans by subsidiaries	31(x)	–	–	–	121.9
Net cash used in financing activities		(74,000.9)	(44,227.1)	(73,999.7)	(44,512.4)
Increase in cash and cash equivalents		6,729.6	10,533.5	6,031.3	10,785.3
Movement in cash and cash equivalents					
At start of year		20,030.1	9,496.6	19,828.4	9,043.1
Increase in cash and cash equivalents		6,729.6	10,533.5	6,031.3	10,785.3
At end of year*	**26(a)**	**26,759.7**	**20,030.1**	**25,859.7**	**19,828.4**

* Included in this balance are the effects of exchange rate changes on cash and cash equivalents.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes

1 General information

Safaricom PLC is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya.

The address of the registered office of the Company is:
L.R. No. 13263
Safaricom House, Waiyaki Way
P.O. Box 66827-00800
Nairobi

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenya Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of other comprehensive income in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The financial statements are presented in Kenya Shillings (KShs), which is also the functional currency, rounded to the nearest million (KShs'm), except where otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 April 2019:

- IFRS 16: Leases.

Adoption of IFRS 16: Leases

The Group has adopted IFRS 16 leases retrospectively from 1 April 2019 but has not restated comparatives for the reporting period ended March 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The observable incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 13%.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognises an amortisation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognises an operating lease expense for these leases as was the case in IAS 17 Lease accounting.

The Group's leasing activities and significant accounting policies

The Group's leases include base transceiver stations (BTS) sites, collocation sites, retail stores spaces, administrative office spaces and residential facilities.

Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. However, leases in similar categories have almost similar and homogeneous contract terms albeit with varying lease periods and lease amounts. Rental contracts are typically made for fixed periods varying between one to 15 years with a predetermined rent expense escalation clause varying between 2.5% to 15% with renewal periods as per contract terms.

As a lessee, the Group previously classified leases as operating, or finance leases based on assessment of whether the lease transferred substantially all the risks and rewards of ownership to the Group.

Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

At any reporting date, prepaid operating lease rentals were categorised under receivables and prepayments and current and non-current assets determined on the basis of the duration of lease period paid for in advance in the statement of financial position. After the adoption of IFRS 16, Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments which is included in cash used in financing activities.

Lessor accounting remains like previous accounting under IAS 17.

Transition to IFRS 16: Changes in accounting policy

The lease liability is the present value of the remaining lease payments, discounted using the leasee's incremental borrowing rate at the date of the initial application. The right-of-use asset measurement is by retrospective calculation, using a discount rate based on the Group's incremental borrowing rate at the date of initial application.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months.

As a general policy guideline, lease payments are discounted using the Group's incremental borrowing rate which is determined from time to time based on the prevailing macroeconomic and regulatory guidelines.

The Group has elected to use the incremental rate of borrowing that reflects what it would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The initial incremental cost of borrowing for KShs denominated leases is 13% being Central Bank of Kenya Rate (CBR) + 400 basis points which was the ceiling lending rate for banks and lending institutions in Kenya as stipulated by Central Bank of Kenya at the time of adoption of IFRS 16.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

The right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs.

The right-of-use assets are subsequently measured at cost less any accumulated amortisation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group reassessed whether a contract is or contains a lease at the date of initial application and applied Interpretation 4 Determining whether an Arrangement contains a lease.

Renewal and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Lease and non-lease component

Several lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component based on their contractual terms.

The Group has not elected to use the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities.

When measuring lease liabilities for operating leases, the Group discounted the future lease payments using its incremental borrowing rate of 13%.

Notes Continued

A reconciliation of the operating lease commitments disclosed as at 31 March 2019 discounted using the incremental borrowing rate at 1 April 2019 to the lease liability recognised on 1 April 2019 is disclosed below:

	1 April 2019 KShs'm
Operating lease commitments disclosed as at 31 March 2019	14,275.0
Discounted using the lessee's incremental borrowing rate at the date of initial application	8,621.2
Add: Contracts reassessed as lease contracts (adjustments as a result of newly identified leases e.g. collocation and residential leases)	7,328.6
Lease liability recognised as at 1 April 2019	15,949.8

At transition, the right-of-use is measured as follows:

	1 Apr 2019 KShs'm
Lease liabilities	15,949.8
Add prepaid lease rentals	838.9
Right-of-use (ROU) asset	**16,788.7**

The recognised right-of-use assets relate to the following types of right-of-use assets;

	31 Mar 2020 KShs'm	1 Apr 2019 KShs'm
Site lease	8,672.8	8,054.0
Collocation	5,281.2	5,051.0
Shops	1,286.6	1,173.9
Facilities	2,882.8	2,492.4
Secondees houses	42.3	17.4
Totals	**18,165.7**	**16,788.7**
Accumulated amortisation of right-of-use (ROU)	(2,922.8)	–
ROU carrying value	**15,242.9**	**16,788.7**

In order to show the impact of adoption of IFRS 16 and enhance comparability of current period results to prior year's (year ending March 2019) on a year on year (YoY) basis, the Group has presented in the table below a bridge between results as per IAS 17 and IFRS 16 for impacted revenue and cost lines for the 12 months period ended 31 March.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

	Group				
	31 March 2020 (IFRS 16) KShs'm	31 March 2019 (IAS 17) KShs'm	Delta KShs'm	31 March 2020 KShs'm	YoY Growth
Contribution margin	**185,601.2**	**185,601.2**	**0.0**	**177,893.9**	**4.3%**
Payroll & publicity	(21,730.9)	(21,730.9)	–	(23,406.4)	–7.2%
Network opex	(15,500.2)	(17,756.1)	2,255.9	(18,503.3)	–4.0%
Operating expenses (including forex gain/(loss) on working capital)	(10,328.6)	(11,481.5)	1,152.9	(11,680.5)	–1.7%
EBITDA	**138,041.5**	**134,632.7**	**3,408.8**	**124,303.7**	**8.3%**
Depreciation & amortisation	(33,624.9)	(33,624.9)	–	(35,331.7)	–4.8%
ROU asset amortisation expense	(2,922.8)	–	(2,922.8)	–	<100%
EBIT	**101,493.8**	**101,007.8**	**486.0**	**88,972.0**	**15.7%**
Net interest receivable	2,592.1	2,592.1	–	2,170.4	19.4%
Interest on ARO liability	(57.6)	(57.6)	–	(51.0)	13.0%
Interest on lease liability	(1,640.7)	–	(1,640.7)	–	<100%
Foreign exchange gain on cash and borrowings	38.0	38.0	–	40.5	–5.2%
Fair value gain construction and maintenance contract	51.5	51.5	–	135.2	–61.9%
Share of profit of associate	60.9	60.9	–	5.2	–
Share of profit of Joint Venture (M-PESA Global Services Limited)	3,296.1	3,296.1	–	–	<100%
Amortisation of impairment loss on restricted cash	(61.1)	(61.1)	–	(54.5)	10.8%
EBT	**105,773.0**	**106,927.7**	**(1,154.7)**	**91,217.8**	**13.6%**
Corporate tax	(31,616.7)	(31,736.3)	119.6	(28,169.2)	12.7%
Deferred income tax	(498.4)	(493.0)	(5.5)	(558.1)	–11.7%
Net Income	**73,657.9**	**74,698.4**	**(1,040.5)**	**62,490.5**	**19.5%**

In the statement of profit or loss and other comprehensive income, the Group has recognised amortisation of ROU asset of KShs 2,922.8 million and interest on lease liability of KShs 1,640.7 million compared to operating lease expenses of KShs 3,408.8 million that would have been recognised under IAS 17.

The unfavourable IFRS 16 impact at profit before income tax of KShs 1,154.7 million is mainly due to front loading effect of interest on lease liability and amortisation of ROU asset. The unfavourable IFRS 16 deferred tax liability impact of KShs 5.5 million arises from the written down value of the ROU assets.

In the statement of financial position, the Group recognised KShs 15,242.9 million of right-of-use assets and KShs 15,224.7 million of lease liabilities as at 31 March 2020.

Amounts recognised in the statement of cash flows

The statement of cash flows shows the following amounts relating to leases;

	March 2020 KShs'm
Interest paid	1,233.4
Repayment of lease liabilities	2,509.4
Total cash outflow	**3,742.8**

(ii) Change in accounting estimate

IAS 16.51 guides that the residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8. On an annual basis, the Group through its internal technology team conducts an extensive review of the useful life of its property, plant and equipment assets. This year the Group reviewed and subsequently changed the accounting estimate on useful life for specific property plant and equipment asset categories.

Notes Continued

The review of the accounting estimate resulted in changes in the expected average useful life for the specific assets categories disclosed below:

Asset category	Prior Useful life (Years)	Current Useful life (Years)
Network Infrastructure		
Towers	8	20
Civil works (fences and walls)	8	15
Radio & Core (BSC's & RNC's)[1]	8	5
Transmission (ATNs, PTNs, VSATs, repeaters & links)[2]	8	5
Equipment		
Generators	5	10
Computer hardware and software		
IT servers	3	5
Computer equipment (laptops, monitors, desktops)	3	4

1 BSC – Base Station Controller
RNC – Radio Network Controller

2 ATN – Aeronautical Telecommunication Network
PTN – Packet Transmission Network
VSAT – Very Small Aperture Terminal

Subsequently the Group adopted a revised depreciation policy effective 1 April 2019. In the period, underlying depreciation charge on the asset categories above reduced by KShs 2.30 billion.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Investment in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and less than 50% of the voting rights of the entity. In assessing existence of significant influence, the Group considers among other parameters whether there is:

- Representation on the board of directors or equivalent governing body of the investee
- Participation in the policy-making process and material transactions between the investor and the investee
- Interchange of managerial personnel between the investor and the investee
- Provision of essential technical information by the investor to the investee

In certain instances, the requirement that significant influence arises from a 20% or more in investments can be invalidated where an entity can demonstrate that it does not have significant influence, or there is demonstrable presence of significant influence in an investment of less than 20% based on the above assessment criteria.

Investments in associates are accounted for using the equity method of accounting. The initial investment is recognised at cost of acquisition and any share of profit or loss from the investment is reflected as changes in the value of the investment.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

The Group assesses its joint arrangements to determine whether they are joint ventures or joint operations. Such arrangements are thereafter accounted for in line with the requirements of IFRS 3, IFRS 10 and IFRS 11. The nature, extent and financial effects of the interests in joint arrangements including information about contractual relationships with the other parties to the joint arrangement is disclosed in specific notes.

A joint venture arises from a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The resultant share of operational results, assets and liabilities of joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has joint control and derecognised on the date when the Group ceases to have such control, using the equity method of accounting.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint operations

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The results, assets and liabilities of joint ventures are incorporated in the consolidated annual financial statements from the date on which the Group has joint control, respectively up to the date on which the Group ceases to have such influence, using the equity method of accounting.

Under the equity method, joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that joint venture are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment. A gain on bargain is recognised through statement of profit or loss and other comprehensive income.

(iv) Separate financial statements

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates is accounted for using the equity method. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team (SLT) that makes strategic decisions.

The SLT consider the Company to be comprised of one operating segment. The financial statements are presented on the basis that risks and rates of return are related to this one reportable segment.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings (KShs), which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for-sale financial assets reserve'.

(e) Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that best reflects the delivery of the Group's performance obligations; or
- At a point in time, when control of the goods or services is transferred to the customer.

The Group applies the five-step model as per IFRS 15 – *Revenue from contracts* with customers, to determine when to recognise revenue and at what amount. The following approach is used:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group accounts for a contract with a customer only when: there is evidence of an arrangement; the Group can identify each party's rights regarding the goods and services to be transferred; the contract has commercial substance and collectability is reasonably assured.

The Group's principal business is the provision of telecommunication services. The business is transforming itself to a digital service provider. Airtime can be bought as scratch cards or PINless top ups through dealers and own-retail centres spread across the country. Customers can also buy airtime through M-PESA, emergency top up and direct top up for bulk purchases. Revenue from sale of the airtime is deferred and recognised as revenue on usage or expiry. Customers can use airtime to make voice calls, send SMS and browse the internet.

Voice and SMS revenue

Voice and SMS services enable both Prepay and Postpay customers to make calls and send text messages respectively within and outside the network. Prepay customers top up their phones by either buying Prepay cards from dealers, other retail outlets, by using M-PESA or borrowing credit through Emergency Top Up Service (Okoa Jahazi). They can also receive airtime from other subscribers through Sambaza. Postpay customers subscribe to various tariffs and are billed at the end of the month based on a fixed charge or usage.

The headline voice tariff for Prepay customers is called Uwezo and Advantage tariff for Postpay customers. The on-net and off-net rate is KShs 4.3 during the peak hours (8:00 am to 10:00 pm) and KShs 2.2 during off-peak hours (10:00 pm to 8:00 am) applicable to both Prepay and Postpay customers. Revenue from Prepay voice customers is recognised on usage whereas Postpay revenue is recognised at the end of every month based on a monthly charge.

In the spirit of being Simple, Transparent, Honest, for you, the Group introduced a non-expiry product named Milele Airtime (Neo). The customer is awarded 50% bonus on purchases of the product. The customer can use the airtime to either call or SMS at the normal rates. On purchase, the billed amount is deferred and revenues only recognised when the service is rendered as either voice or SMS.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

The Group has in place the Stori Ibambe bonus scheme where the subscribers are required to attain a predetermined daily target of usage after which the Group awards 100% bonus airtime valid until midnight daily that can be used for Safaricom to Safaricom Voice calls and SMS.

The Group has signed interconnect agreements with both local and foreign partners. This allows customers from either network to originate or terminate calls to each other's network. Revenue is earned and recognised when partners' calls are terminated to the Groups' network i.e. the service is rendered.

The Group has roaming agreements with roaming partners that enable customers to make and receive calls when travelling around the world. The agreed charges differ per partner. When visitors roam on Safaricom network, revenue is earned by billing the visiting customers' network while revenue from Safaricom customers is earned from customer billing for voice, SMS and data usage while roaming on other networks. Revenue is recognised on billing.

Customers can send messages for KShs 1.10 on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than KShs 1. Revenue from SMS service is recognised on usage of SMS bundle.

Data revenue

Mobile data enables both Prepay and Postpay customers access the internet. Prepay customers top up their lines by purchasing credit or bundles in advance whereas Postpay customers are availed credit based on the tariff subscribed.

Mobile data has a wide range of propositions available as per customers' requirements. These include daily bundles, 7-day, 30-day, 90-day bundles and time-based billing.

The data bundles are deferred on purchase and recognised as revenue on usage.

The validity of purchased but unutilised data bundles is extended upon additional purchase of data bundles and the Group prompts the subscriber in advance before unutilised bundles expire and are consequently unavailable for use. Like voice and SMS, the Group introduced no expiry data bundles dubbed Neo data; the new data tariff now allows customers to buy data for any amount they wish.

The Group has in place a data manager tool that gives subscribers power to control data bundle usage and allows them to restrict browsing out of bundle which avoids instances of higher pricing when browsing the internet.

The Group has put in place its own home fibre to connect both households and businesses through Fibre to the Home (FTTH) and Fibre to the Building (FTTB) services that enable fast, reliable and unlimited internet access from the comfort of a customer's home/premises. This service is open and available to all customers residing within areas that have Safaricom fibre infrastructure ready and have applied to have their homes/ premises connected to the Safaricom fibre grid.

The price charged is based on the bandwidth and speed contracted by the customer. The price is charged upfront for a standard period of 30 days and the customer can renew the subscription by making a payment. The amount charged is deferred and recognised as revenue proportionately over the subscription period.

Integrated bundles

An integrated bundle is one stop package that offers subscribers freedom to choose their preferred resources in form of voice minutes, SMS bundles and mobile data bundles (MBs).

The Group has in place All in One monthly bundles, Tunukiwa tariff, BLAZE, FlEX, Songa Music App and Platinum products under this category.

All in One monthly bundles are available to all Safaricom customers (Prepay, Postpaid and Hybrid) and they have a simplified journey that seeks to offer the consumer the best choice for maximising their purchase including free WhatsApp access once the customer exhausts their mobile data bundle and the expiry date has not yet elapsed.

Customers can access these bundles on USSD *544#,*100#,*200# and *456#, select the amount they wish to spend and then view all data and integrated products and resources at the respective amounts. All in One monthly bundles have a validity of 30 days.

Tunukiwa tariff is a personalised offer that is based on an individual customer usage, network utilisation, capacity availability, device type and general location. Daily, upon dialling *444# from their Safaricom line, customers access a list of custom made options being number and value of voice minutes, SMS bundles and mobile data bundles, to choose from.

Customers are able to purchase multiple options of the personalised package depending on their preferences. The personalised options are subject to the validity as specified in the USSD (*444#) before purchase.

Notes Continued

BLAZE is a platform that empowers the youth using mobile phones and targets the fast-growing 18 to 26-year-old demographic group. The platform offers access to custom-made tariffs and product offerings that leverage Safaricom's extensive mobile network.

Create Your Plan is one of a number of unique services offered under the BLAZE portfolio that allows users to control how much they spend on voice, data and SMS each time they purchase airtime.

FLEX product has been designed for the customer who demands the most from their mobility and it allows customers to choose how they allocate airtime for voice calls, SMS or mobile data services.

Customers are able to subscribe to daily, weekly or monthly packages that offer value beyond typical bundles in order to maximise on their spend. Customers can roll over any unused FLEX units by renewing their existing FLEX bundles before expiry.

Songa by Safaricom is a music application (app) that enables our Prepay and Postpay subscribers' to get in one place and stay entertained with all genres of their preferred local and international songs. Subscribers opt in by dialling *812# or downloading the app from Google Play Store. There are affordable daily, weekly and monthly propositions available and subscribers will be required to utilise their mobile data bundle resources to stream and download the songs. Normal mobile data rates will apply.

Safaricom Platinum Plans are value for money mobile packages available to all individual Prepay, Postpay and Hybrid subscribers. The plan offers integrated data, voice and SMS packages at different price points ranging from KShs 1,000 to KShs 10,000 with a 30-day validity.

Currently the subscribers who opt into the Platinum Plus plan have accessibility to incentivised services from Shell Petrol station, TicketSasa and Eat Out outlets accessible through the mySafaricom app, 'Hot Deals' tab.

The price charged on these bundles is deferred on purchase and recognised as revenue on utilisation by the customers or on expiry in line with the validity period. Revenue from integrated bundles is recognised under the respective revenue stream i.e. voice, SMS and/or mobile data revenue streams.

M-PESA revenue

M-PESA is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services (Lipa Na M-PESA) using a mobile phone. M-PESA is available to all Safaricom subscribers (Prepay and Postpay). Registration is free and available at any M-PESA agent countrywide. The M-PESA application is installed on the SIM card and works on all makes of handsets.

Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as M-PESA transaction commission revenue.

In partnership with Kenya lenders, NCBA and KCB Bank, the Group operates an Overdraft (OD) facility dubbed 'Fuliza', a product that enables customers to access unsecured lines of credit by overdrawing on M-PESA to cover short-term cash-flow shortfalls subject to an applicable pre-determined limit.

Fuliza is underwritten by Kenyan lenders, NCBA and KCB Bank. Customers who 'opt in' on Fuliza are charged a one-off access fee and daily maintenance fees on unpaid loan amounts based a predetermined matrix. Safaricom earns a proportion of the fee based on a predetermined revenue share matrix.

The Group, in partnership with M-Gas, a subsidiary of Circle Gas UK, launched a revolutionary, prepaid gas service for Kenyan households. The innovation empowers millions of Kenyan homes to enjoy access to clean, affordable and reliable cooking gas, providing them with the flexibility of purchasing gas based on their needs and how much they can afford at a time. The Group is extending its digital and payment capabilities to M-Gas, powering the smart meter technology on each cylinder that enables customers to have control over how they use and pay for gas. The M-Gas solution has been made possible by Safaricom's Narrow Band Internet of Things (NB IoT) network and M-PESA. Powered by the Group's robust 4G network, NB IoT provides a low-power, mobile connectivity to devices across the country.

The partnership is part of Safaricom's contribution to attainment of the Sustainable Development Goals, particularly goals 1, 3, 5, 7, 9, 11, 13 and 17.

The Group has in place an M-PESA tariff dubbed 'M-PESA Kadogo' where transaction charges for single transaction amounts that are up to KShs 100 were waived. This allows subscribers to send as little as KShs 1 on the M-PESA platform with nil charges.

Lipa Na M-PESA enables merchants to accept cashless payments for goods and services from customers. Revenue is earned on all the transactions based on a graduated tariff applied on the transacted values.

In line with the financial inclusion strategy, Safaricom has partnered with NCBA and KCB Bank Kenya Limited to offer Mshwari and KCB-M-PESA services respectively. These services enable customers to save as little as KShs 1 (USD 0.01) and get loans from KShs 50 (USD 0.491) to KShs 1 million (USD 9,900.99). Revenue is shared among the partners on the basis of the facility fee and other charges to customers based on a pre-determined revenue share matrix.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

This has enabled more subscribers to get access to mobile banking services that they did not have before.

There are no application forms, no ledger fees, no limits on the frequency of withdrawal, no minimum operating balance and no charges for moving money from M-PESA to bank accounts and vice versa.

M-Shwari lock box product enables customers to make fixed deposit savings at a higher interest rate.

Other service revenue

This includes access fees charged on emergency top up service when a customer borrows airtime (Okoa Jahazi) and data bundles (Okoa Data) with the debt being repayable within five days. It also includes a set-up fee charged for codes allocated to premium rate services providers (PRSPs). The fee charged is deferred and recognised as revenue on the usage of borrowed airtime and over the contract period for PRSPs.

Loyalty programme

The Groups loyalty programme, 'Bonga Points', was introduced in January 2007 for both Prepay and Postpay subscribers. Under this scheme, subscribers earn one Bonga point for every KShs 10 spent on voice calls, short messages service (SMS), data and M-PESA services. These points can be redeemed for free airtime, SMS or merchandise such as phones, modems and tablets at Safaricom retail outlets.

The Group has in place the 'Bonga everywhere' scheme where subscribers are able to utilise their Bonga points in appointed retail outlets e.g. Naivas supermarkets amongst others to purchase goods and services.

Management defers revenue for every point accumulated and recognises the revenue relating to the points earned on redemption. Management also recognises revenue on the remaining loyalty points for the churned SIM cards.

In addition, Enterprise Business customers earn loyalty points upon achievement of their revenue targets and the accumulated amounts are only redeemable after the maturity of the underlying revenue contracts with the Group. Management defers revenue for amounts accumulated guided by a predetermined matrix and recognises the revenue earned upon redemption.

Handsets and acquisitions revenue

These include revenue on sale of mobile phone handsets, decoders, starter packs, SIM Swaps and other accessories sold through dealers and own-retail centres spread across the country. Starter packs consist of a SIM card and information brochures. Handsets, SIM Swaps and accessories have no right of return and revenue is recognised on sale.

However, income from sale of SIM cards is deferred and recognised as revenue over the determined customer life when the customer activates the line through initial top up.

Construction and managed service contract

The Company has a construction contract for the construction of a national secure communication network and surveillance system for the National Police Service. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions, or their ultimate purpose or use.

Construction costs incurred are accumulated under inventory work in progress until when they are billed or the percentage of completion is determined. Revenue from construction is recognised progressively on a percentage of completion basis.

The contract also has a managed service element. Revenue from the managed service of the infrastructure is recognised when delivered on a pro rata basis. Costs relating to the managed service are recognised as incurred. Costs incurred in the year in connection with future construction services are presented under inventories as work in progress.

Other revenue

This includes, among others, site rentals. Site rental revenue is billed monthly and is based on the number of sites and equipment hosted per site. Revenue is recognised systematically over the lease period.

Miscellaneous income

Miscellaneous income includes among others cash discounts received from vendors, donations from third parties utilised to fund Safaricom Foundation activities.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Network infrastructure	5 – 20 years
Equipment and motor vehicles	4 – 10 years
Fibre	25 years
Leasehold improvements	Shorter of life of lease or useful life of the asset
Network maintenance spares	4 – 10 years

Spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

The Group capitalises staff costs directly attributable to construction of network infrastructure that meet the recognition criteria of IAS 16.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each period end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are taken into account in determining profit for the period.

Asset retirement obligations

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease in accordance with IAS 16.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property, plant and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation.

The best estimate of average restoration costs per site is determined using historical and current experience, adjusted where necessary for known factors which will impact the future. In the absence of such experience, the best estimate is based on quotations obtained from relevant suppliers or an equally rigorous internal costing process.

Upon recognition of a provision, a corresponding tangible fixed asset is recorded and depreciated over its useful life, which would normally be the period to the removal of the network infrastructure from the site. This period should not exceed the remaining lease term.

Where the impact is material, the provision, as originally established, should be discounted using the Company's incremental cost of borrowing. This discount should be unwound through the interest line in the income statement over the period to the lease termination date.

(g) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Group reassess the fair value of its investment property annually.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

(h) Intangible assets – network licences

Separately acquired trademarks and licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences that have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 to 15 years.

A telecommunication licence is a requirement of the Communications Authority of Kenya (CA) for mobile telephone companies. The licence is renewable for an additional period upon its expiry.

Telecommunication licence fees are capitalised at cost and amortised over the period of the licence using the straight-line method from commencement of the service of the network.

Currently, the Group has the following licences:

Safaricom PLC is licenced under the Unified Licence Framework which means it possesses:

- Network Facilities Provider licence Tier 1 (NFP) licence;
- Applications Services Provider (ASP) licence;
- Content Service Provider (CSP) licence;
- International Gateway Systems and service (IGSS) licence;
- Spectrum licence 2G (900, 1800 MHz) licence;
- Spectrum licence 3G (2100 MHz) licence; and
- Spectrum licence 4G (800 MHz LTE) licence.

These licences were initially issued in June 1999 for a 15-year term ending 30 June 2014. The licences were further renewed by CA for a period of 10 years and expire in June 2024. The 3G licence will expire in June 2022. The 4G licence was issued in 2016 and will expire in 2026.

Licence fees are amortised on a straight-line basis over the life of the licence.

There are annual network licence fees associated with these licences which are expensed each year.

The following licences are also in place:

- Subscription Broadcasting Licence issued on 16 July 2019 to Comtec Training and Management Services Limited valid for 10 years.

Network licences are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Accounting for leases

The Group has adopted IFRS 16 from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(k) Financial assets

Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

Classification

The Group classifies its financial instruments into the following categories:

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables, loan to subsidiary, fixed deposits, treasury bills and cash and bank balances were classified as at amortised cost.
- Restricted cash was classified as at amortised cost.

Initial measurement

On initial recognition:

- Financial assets classified as at fair value through profit or loss are measured at fair value.
- Trade and other receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets after initial recognition are measured either at amortised cost.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

(l) Indefeasible rights of use

The Group enters into long-term service contracts under which it purchases capacity from fibre networks. The purchase involves making prepayments to acquire indefeasible right of use (IRU) for a fixed period of time. The prepayment is amortised and recognised in the profit or loss on a straight-line basis over the life of the contract.

IRU	Contract period
TEAMS	20 years
KPLC	20 years
SEACOM	20 years
TATA	15 years
ETISALAT	15 years

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other incidental costs. Net realisable value is the estimate of the selling price and other incidental costs.

Provisions for saleable inventories are made based on aged listing for items older than 180 days, damaged and unusable stocks.

(n) Payables and accrued expenses

Payables and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables and accrued expenses are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value (KShs 0.05) of the shares is classified as 'share premium' in equity.

Ordinary shares represent the residual economic value of a company. They carry rights to distribution of profits through dividends, to the surplus assets of a company on a winding up and to votes at general meetings of the Company.

There are no differences in the voting rights of the ordinary shares held by the shareholders of the Company.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(q) Restricted cash

Restricted cash is an asset that is constrained from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank Kenya Limited. The cash is used as a backup for the staff mortgage loans and its withdrawal is restricted.

The restricted cash is initially measured at fair value using discounted cash flow method. The discount rate used is based on 70% of the Central Bank of Kenya Rate (CBR). Subsequently, the restricted cash is measured at amortised cost. The difference between the actual cash held as deposits and the determined value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit.

(r) Employees' benefits

(i) Retirement benefit obligation

The Group has a defined contribution plan for its employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

(s) Share-based payments

The Group operates an Employee Performance Share Award Plan (EPSAP) under which senior management and other qualifying staff are entitled to receive a predetermined number of shares at a predetermined price, subject to fulfilment of the vesting conditions.

The process of EPSAP includes the Group purchasing shares from the market pro-rata to vesting period and then issuing the same to eligible employees after a three-year vesting period at no cost. The shares are purchased through a Trust and held by the same until the end of the vesting period. The cost of purchase is charged to profit or loss.

(t) Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Borrowings

Borrowings are recognised initially at fair value including transaction costs and subsequently stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Capitalisation of borrowing cost

The Group from time to time capitalises borrowing costs as provided under IAS 23. In line with the standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, will be capitalised. A qualifying asset is one which necessarily takes more than six months to get ready for its intended use or sale. A qualifying asset can either be tangible or intangible in nature. Examples of qualifying assets include core network equipment, transmission and radio equipment for base station sites, computer software and licences.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

2 Summary of significant accounting policies continued

(v) Dividend distribution

Dividends payable to the shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until approved.

(w) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(x) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Property, plant and equipment

Critical estimates are made by management in determining depreciation rates and timing of capitalisation of the assets. The depreciation rates used are set out in Note 2 (f) above.

Further details on the revision of useful lives is included under Note 2 (a) (ii).

IFRS 16 leases

The key areas where estimates and judgement were applied included the interpretation of the requirements to determine the contracts containing leases and separating the lease and the non-lease components of a contract, the determination of the incremental rate of borrowing and the decision to exercise the extension or termination options while determining the lease term. See further details under Note 2(a).

A fluctuation in the discounting rate by 1% would have resulted in an increase/decrease of the right-of-use asset and lease liability by KShs 212 million.

Valuation of Bonga points

Bonga points are valued based on fair value which is determined by historical redemption information. The length of historical period used to determine the fair value is set by management and is based on previous redemptions rates on airtime, data, SMS or merchandise.

If the fair value per point was +/- 2% higher/lower, there would be a decrease/increase in profit before tax of KShs 67 million respectively (2019: KShs 71 million).

Provisions

The Group faces exposure to claims and other liabilities arising from normal course of business. These claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal, tax and other advisers estimates a provision based on exposure, precedents and industry best practice.

Expected credit losses

The Group considers forward looking information at a customer level based on macroeconomics, microeconomics around the customer and level of effort utilised to collect the debt. This estimate is therefore based on factors not in control by the Group. Based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments. The Group has considered the impact of COVID-19 in assessing the expected credit losses and this has been included in the financial statements.

Determination of the bargain purchase on M-PESA brand acquisition

The determination of the fair value of the acquired net assets, including identifiable intangible assets, involved the use of significant estimates and assumptions such as the brand's useful life, projected cash flows, discount rate and terminal growth rate, that are not wholly based on observable data. A change in the assumptions could have a material variation in the fair value outcomes.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- The classification of financial assets, contract assets and liabilities;
- Whether assets are impaired;
- The average customer life; Customer life is based on the average churn period of the customers from the network;
- Impact of application of IFRS 16 – Leases; and
- Impact of application of IFRS 9 – Financial instruments.

(iii) Critical judgement on going concern

The Group's current liabilities exceed its current assets by KShs 7.7 billion (2019 net current asset position: KShs 3.7 billion) at the statement of financial position date as shown on page 122. For items that significantly impact the net working capital, refer to Notes 24 to 29.

This net current liability position is expected to remain in the near future as a result of the nature of the Group's business. A significant portion of creditors relate to network infrastructure investments rather than ongoing trading hence net working capital is typically a negative amount due to the mismatch of the financing (short term) and the investment (long term). Other significant portion of current liabilities is a result of how revenue is recognised. The related liabilities are all held in the statement of financial position and are explained below:

- Unused airtime and data bundles by prepaid customers of KShs 2.5 billion (2019: 2.5 billion). Prepaid airtime when sold to customers is held as a liability in the statement of financial position (deferred revenue) until the customer uses it, at which point revenue is recognised by reducing the liability and reporting revenue. Based on its nature, there is no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Loyalty points earned by customers (Bonga points) of KShs 3.9 billion (2019: KShs 3.8 billion). Loyalty points are earned when a customer uses a Safaricom service including use of airtime, data or M-PESA. These points are valued and accumulated into the customer account until such a time when the customer opts to redeem the points against merchandise (devices including handsets, accessories and merchandise from appointed Bonga everywhere outlets) or non-merchandise (free airtime and data bundles). Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash outflow.
- Unutilised resources by the customers of KShs 2.1 billion (2019: KShs 0.9 billion). The Group applies IFRS 15 — Revenue from Contracts with Customers in accounting for bundled resources. During the year the Group introduced the no expiry products under the Neo theme to ensure customers get value for what they buy. As a result, the value of unutilised resources increased sitting us subscriber liability at 31 March 2020 went up in line with IFRS 15 revenue recognition requirements. Based on its nature, there is no expected cash outflow since its reduction is based on usage rather than an actual cash settlement.

These amounts are included under contract liabilities in the statement of financial position. Management has accessed each of the items above and does not anticipate any cash outflow.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

3 Critical accounting estimates and judgements continued

Further, the Group finances its long-term projects with short-term debt. In the year ended 31 March 2020, the Group borrowed KShs 20.1 billion and repaid KShs 16.2 billion. The outstanding amount of KShs 8 billion is due for payment by May 2020. Management is confident that sufficient funds will be available and accessible to meet obligations as they fall due.

Given the nature of the liabilities listed above, other than the repayment of the short-term loans no significant cash outflow is expected during the 12 months after the date of the statement of financial position in relation to these liabilities.

Based on this, management has assessed that the Group and Company will continue as a going concern.

4 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

Financial risk management is carried out by the Treasury section in the Finance division under policies approved by the Board of Directors. The Treasury section identifies, evaluates and hedges financial risks.

The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

Loans and receivables have been disclosed at their carrying values. Financial liabilities have been carried at amortised cost.

Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using spot and forward contracts but has not designated any derivative instruments as hedging instruments. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

A 10% fluctuation of the shilling against the US dollar during the year, with all other variables held constant, consolidated post tax profit for the year would have been KShs 16.4 million (2019: KShs 11 million) lower/higher, mainly as a result of US dollar denominated cash and bank balances, receivables and payables.

A 10% fluctuation of the shilling against the Euro during the year with all other variables held constant, consolidated post tax profit for the year would have been KShs 76.6 million (2019: KShs 21million) lower/higher, mainly as a result of increased Euro denominated creditors balances.

(ii) Price risk

The Group does not hold investments or securities that would be subject to price risk. The Group is not exposed to commodity price risk.

(iii) Interest rate risk

Interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group regularly monitor financing options available to ensure optimum interest rates are obtained.

A 100-basis points fluctuation in interest during the year (2019: 100 basis points) would have resulted in a net decrease/increase in consolidated post tax profit of KShs 263 million (2019: KShs 215 million).

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial instruments, trade receivables and other receivables. The Group has no significant concentrations of credit risk. The Group assesses the expected credit losses for all financial instruments and all changes in loss allowance are recognised in profit or loss as impairment gains or losses.

Cash at bank, government securities and deposits with financial institutions

For banks and financial institutions, only reputable well-established financial institutions are used. The following table represents the cash and short-term fixed deposits held in financial institutions per category. Category 1 is made up of counterparties with international presence; Category 2 are counterparties who are subsidiaries of parents that have an international presence; Category 3 counterparties are local banks that are categorised as tiers 1 and 2 by the Central Bank of Kenya.

Notes Continued

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Category 1	8,820.8	11,866.9	8,632.2	11,690.7
Category 2	10,084.9	9,083.2	10,019.8	9,068.0
Category 3	8,042.6	7,123.0	7,207.7	6,936.4
	26,948.3	28,073.1	25,859.7	27,695.1

The Group has used the general approach for measuring the loss allowance for cash at bank, government securities and deposits with financial institutions using the lifetime expected credit loss model which is based on external ratings for the institutions. None of the balances are past due or impaired, and no collateral is held on any of the cash at bank, government securities and deposits with financial institutions.

Management has deemed the expected credit losses on cash at bank, government securities and deposits with financial institutions to be insignificant, and there is no charge to the statement of profit or loss and other comprehensive income during the year.

Other receivables

The credit risk for other receivables is considered negligible, since counterparties are reputable institutions without a history of default and are going concerns. The Group has used the simplified approach for measuring the loss allowance for other receivables using the lifetime expected credit loss model which is based on external ratings for the institutions. No collateral is held on any of the other receivables. None of the balances are past due, impaired, or have had their terms renegotiated.

Management has deemed the expected credit losses on the other receivables to be insignificant, and there is no charge to the statement of profit or loss and other comprehensive income during the year.

Due from related parties

The credit risk for related party receivables is considered negligible and no collateral is held on the amount outstanding. This receivable arises mainly from interconnect and roaming business and adequate ECL provisions are made in the financial statements. None of the balances are past due, impaired, or have had their terms renegotiated. A list of, and amounts due from, related parties is disclosed in Note 31.

Trade receivables

For trade receivables, depending on the type of customer, the Group Credit Controller assesses the credit quality of each customer, taking into account its financial position, past experience and other factors including information from credit reference bureau to set individual risk limits. The utilisation of credit limits is regularly monitored.

Dealers comprise the largest distribution network for the Group. Dealers operate either on a cash basis or on credit following successful application of the credit facility. All credit limits are supported by a bank guarantee.

Postpay debtors comprise of individuals as well as corporate customers. Postpay debtors have a 15-day credit period after which individual customers must pay within 10 days after due date, while business accounts have up to 30 days. The auto-bar feature ensures that once the limit has been reached the customer account is barred. This minimises the credit risk associated with these customers.

The Group has signed international roaming agreements. The roaming strategy targets countries which historically have had the most visitors to Kenya, including UK, Italy, Spain, Sweden, South Africa, and Kenya's neighbouring countries. Roaming partners have entered into an agreement with the Group to terminate their calls on the Group's network for visitors travelling into Kenya. Amounts due from the roaming partners are settled within 60 days unless a dispute arises. Disputes are handled by Syniverse, a roaming clearing house.

The Group has also signed interconnect agreements with partners to terminate calls to and from other networks on the Group's network. Amounts due from interconnect partners are settled within 30 days of invoice unless a dispute arises. Disputes are handled in the first instance by the Regulatory Department of the Group. The Group's maximum exposure to credit risk is approximated by the carrying amounts.

The Group has an elaborate ageing system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

4 Financial risk management continued

Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits. None of the above assets are either past due or impaired except for the following amounts in trade receivables.

The Group applies the simplified approach to determine the expected credit losses (ECL) for trade receivables. This results in calculating lifetime expected credit losses (ECL) for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

The Group segregates the trade receivables based on the ageing of the receivables. The Group determines the expected loss rate per the categories based on a historical 24-month roll over model. The loss rate is computed based on the rate movement of the outstanding balances between categories and the recovery rate of past debtors for the respective debt categories. The Group has considered forward looking information at a customer level based on macroeconomics, microeconomics, including the impact of COVID 19, around the customer and level of effort utilised to collect the debt.

The loss allowance as at 31 March 2020 was determined as shown below for trade receivables.

Group At 31 March 2020	0-30 days KShs'm	30-90 days KShs'm	Over 90 days KShs'm	Total KShs'm
Trade receivables	7,780.3	971.5	2,099.6	10,851.4
Expected credit loss rate	5.004%	41.195%	97.124%	–
Loss allowance	**389.3**	**400.2**	**2,039.2**	**2,828.7**
At 31 March 2019				
Trade receivables	6,868.0	1,040.0	1,261.1	9,169.1
Expected credit loss rate	4.07%	19.52%	98.57%	–
Loss allowance	**280.3**	**203.4**	**1,242.1**	**1,725.8**
Company				
At 31 March 2020				
Trade receivables	7,067.1	971.5	2,099.6	10,138.1
Expected credit loss rate	3.777%	41.190%	97.125%	–
Loss allowance	**266.9**	**400.2**	**2,039.2**	**2,706.3**
At 31 March 2019				
Trade receivables	6,316.3	1,040.0	1,325.9	8,682.2
Expected credit loss rate	4.43%	19.52%	93.74%	–
Loss allowance	**280.3**	**203.4**	**1,242.1**	**1,725.8**

A detailed assessment of the trade receivables as shown overleaf:

Notes Continued

(a) Group	Gross carrying amount KShs'm	Expected credit loss KShs'm	Exposure to credit risk KShs'm
At 31 March 2020			
Dealers	82.5	(1.0)	81.5
Postpay	2,781.9	(851.1)	1,930.8
Roaming and interconnect	2,488.3	(664.0)	1,824.3
Other trade receivables	5,498.7	(1,312.6)	4,186.1
Total trade receivables	10,851.4	(2,828.7)	8,022.7
At 31 March 2019			
Dealers	64.9	–	64.9
Postpay	2,578.8	(831.4)	1,747.4
Roaming and interconnect	2,085.3	(388.0)	1,697.3
Other trade receivables	4,440.3	(506.7)	3,933.6
Total trade receivables	9,169.3	(1,726.1)	7,443.2

(b) Company	Gross carrying amount to credit risk KShs'm	Expected credit loss KShs'm	Exposure KShs'm
At 31 March 2020			
Dealers	82.5	(1.0)	81.5
Postpay	2,781.9	(851.1)	1,930.8
Roaming and interconnect	2,488.3	(664.0)	1,824.3
Other trade receivables	4,785.4	(1,190.2)	3,595.2
Total trade receivables	10,138.1	(2,706.3)	7,431.8
At 31 March 2019			
Dealers	64.9	–	64.9
Postpay	2,578.8	(831.4)	1,747.4
Roaming and interconnect	2,086.3	(388.0)	1,697.3
Other trade receivables	3,952.2	(506.7)	3,445.5
Total trade receivables	8,681.2	(1,726.1)	6,956.1

None of the trade receivables are impaired or have had their terms renegotiated. Collateral held on the trade receivables as at 31 March 2020 is KShs 243.0 million. (2019: KShs 263.0 million). The collaterals relate to guarantees on dealer receivables. There is no concentration risk on trade receivables or revenue.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

4 Financial risk management continued

Maximum credit exposure

The amounts on the statement of financial position represent the maximum credit exposure for financial assets subject to credit risk. Below is a summary of the maximum credit exposure.

(a) Group	Gross carrying amount KShs'm	Expected credit loss KShs'm	Exposure to credit risk KShs'm
At 31 March 2020			
Cash at bank, government securities and deposits with financial institutions	26,948.3	–-	26,948.3
Trade receivables	10,851.4	(2,828.7)	8,022.7
Due from related parties	1,511.0	(11.7)	1,499.3
Other receivables	4,202.6	–	4,202.6
Total	**43,513.3**	**(2,840.4)**	**40,672.9**

At 31 March 2019	Gross carrying amount KShs'm	Expected credit loss KShs'm	Exposure to credit risk KShs'm
Cash at bank, government securities and deposits with financial institutions	28,073.1	–	28,073.1
Trade receivables	9,169.3	(1,726.1)	7,443.2
Due from related parties	2,117.0	(10.7)	2,106.3
Other receivables	2,970.6	–	2,970.6
Total	**42,330.0**	**(1,736.8)**	**40,593.2**

(b) Company	Gross carrying amount KShs'm	Expected credit loss KShs'm	Exposure to credit risk KShs'm
At 31 March 2020			
Cash at bank, government securities and deposits with financial institutions	25,859.7	–	25,859.7
Trade receivables	10,138.1	(2,706.3)	7,431.8
Due from related parties	1,821.4	(11.7)	1,809.7
Other receivables	4,108.7	–	4,108.7
Total	**41,927.9**	**(2,718.0)**	**39,209.9**
At 31 March 2019			
Cash at bank, government securities and deposits with financial institutions	27,695.2	–	27,695.2
Total trade receivables	8,681.2	(1,726.1)	6,955.1
Due from related parties	1,804.1	(10.7)	1,793.4
Other receivables	2,866.2	–	2,866.2
Total	**41,046.7**	**(1,736.8)**	**39,309.9**

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Notes Continued

Such forecasting takes into consideration the entity's debt financing plans (See Note 16 for undrawn bank facilities), covenant compliance, and compliance with internal statement of financial position ratio targets. Surplus cash held by the entity over and above the amounts required for working capital management are invested in interest bearing current accounts and fixed deposit accounts and marketable securities.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management includes maintaining sufficient cash, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as a monthly cash forecast that monitors debt structure and expected cash position.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

(a) Group	Less than 1 year KShs'm	Over 1 year KShs'm	Total KShs'm
At 31 March 2020:			
– payables and accrued expenses	29,920.1	985.4	30,905.5
– lease liabilities*	3,549.4	11,675.3	15,224.7
– borrowings	8,000.0	-	8,000.0
Total financial liabilities	**41,469.5**	**12,660.7**	**54,130.2**
At 31 March 2019:			
– payables and accrued expenses	28,703.9	1,131.0	29,834.9
– borrowings	4,032.0	-	4,032.0
Total financial liabilities	**32,735.9**	**1,131.0**	**33,866.9**

(b) Company	Less than 1 year KShs'm	Over 1 year KShs'm	Total KShs'm
At 31 March 2020:			
– payables and accrued expenses	30,153.9	985.4	31,139.3
– lease liabilities*	3,549.4	11,675.3	15,224.7
– borrowings	8,000.0	–	8,000.0
Total financial liabilities	**41,703.3**	**12,660.7**	**54,364.0**
At 31 March 2019:			
– payables and accrued expenses	28,911	1,131.0	30,042
– borrowings	4,032.0	–	4,032.0
Total financial liabilities	**32,943**	**1,131.0**	**34,074**

* The lease liability presented above is discounted. The undiscounted lease liability payable in less than one year is KShs 3,677.0 million and over one year is KShs 14,953.4 million.

Guarantees amounting to KShs 244.4 million (2019: KShs 195.8 million) have been issued by the banks to various suppliers for services provided to the Group as detailed under Note 32.

There are also undrawn bank facilities amounting to KShs 31.84 million (2019: KShs 36.33 million) that would be utilised to settle its obligations as they fall due.

Capital management

The Group and Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

4 Financial risk management continued

The Company has a dividend policy that permits dividends to be paid if the Board of Directors finds that the payments are sustainable, after taking into account the sufficiency of distributable reserves and liquidity in order to ensure the Group's operational needs and/or business growth are not limited by the unavailability of funds, as well as the Company's known contingencies and compliance with any funding facility covenants.

The first priority of the Group is to maintain sufficient distributable reserves and liquidity to ensure that operational needs and/or business growth are not limited by the unavailability of funds and also that facilities are available to cover all known contingencies.

Subject to this, the Group intends to operate a progressive distribution policy based on what it believes to be sustainable levels of dividend payments.

Whenever possible, it will be the Group's intention to, at least, maintain annual dividend payments at the level declared in the previous year. However, past dividend payments should not be taken as an indication of future payments.

The Group's focus is to minimise funds tied up in working capital, whilst ensuring that it has sufficient financial ability to meet its liabilities as and when they fall due. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The strategy is to maintain gearing at low levels as demonstrated by the position below:

	Group		Company	
Gearing ratio	**2020 KShs'm**	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Net cash – Note 30 (b)	3,535.0	15,998.1	2,635.0	15,796.4
Total equity	143,079.3	144,346.6	141,333.7	142,971.7
Total capital	139,544.3	128,348.5	138,698.7	127,175.30
Gearing ratio	0%	0%	0%	0%

Fair value estimation

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

Group and Company	Level 1 KShs'm	Level 2 KShs'm	Level 3 KShs'm	Total KShs'm
At 31 March 2020				
Restricted and deferred restricted cash asset	–	–	2,747.8	2,747.8
Construction contract receivable	–	–	601.5	601.5
	–	**–**	**3,349.3**	**3,349.3**

Group and Company	Level 1 KShs'm	Level 2 KShs'm	Level 3 KShs'm	Total KShs'm
At 31 March 2019				
Restricted and deferred restricted cash asset	–		2,741	2,740.9
Construction contract receivable	–	–	1,735	1,735.1
	–	**–**	**4,476.0**	**4,476.0**

There were no transfers between levels in 2019 and 2018.

The fair valuations on the two instruments are a consideration of the discounted cash flows, utilising a discounting rate. The discounting rate is the yield, if the entity had invested similar values of money in alternative financial instruments. The discounting rate utilised is 6.5%. A 1% fluctuation in the discounting rate would result in a movement in fair value by KShs 8 million for restricted cash and KShs 2 million for construction contract receivable.

5 Revenue

(a) Revenue from contracts with customers

The Group has one reportable operating segment whose revenue is presented below.

Group	31 March 2020 KShs'm At a point in time	31 March 2020 KShs'm Over time	31 March 2020 KShs'm Total	31 March 2019 KShs'm At a point in time	31 March 2019 KShs'm Over time	31 March 2019 KShs'm Total
Voice revenue	–	89,521.9	89,521.9	–	91,171.9	91,171.9
Interconnect voice revenue from local partners	–	4,930.2	4,930.2	–	4,626.4	4,626.4
Messaging revenue	–	17,075.8	17,075.8	–	19,517.5	19,517.5
Interconnect messaging revenue from local partners	–	109.1	109.1	–	94.6	94.6
Mobile data revenue	–	40,668.0	40,668.0	–	36,265.4	36,265.4
Fixed data revenue	–	8,966.9	8,966.9	–	8,101.0	8,101.0
M-PESA revenue	84,438.0	–	84,438.0	74,989.9	–	74,989.9
Emergency top up access fee	–	4,494.2	4,494.2	–	4,309.0	4,309.0
Premium rate services initial set up fees	–	2.0	2.0	–	1.8	1.8
Other service revenue	–	1,008.0	1,008.0	–	689.9	689.9
Service revenue	**84,438.0**	**166,776.1**	**251,214.1**	**74,989.9**	**164,777.5**	**239,767.4**
Handset revenue	6,631.0	–	6,631.0	6,008.4	–	6,008.4
Connection revenue	–	2,034.8	2,034.8	–	1,722.9	1,722.9
Construction revenue	–	583.9	583.9	–	603.1	603.1
Total revenue	**91,069.0**	**169,394.8**	**260,463.8**	**80,998.3**	**167,103.5**	**248,101.8**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

5 Revenue continued

Company	31 March 2020 KShs'm At a point in time	KShs'm Over time	KShs'm Total	31 March 2019 KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	89,521.9	89,521.9	–	91,171.9	91,171.9
Interconnect voice revenue from local partners	–	4,930.2	4,930.2	–	4,626.4	4,626.4
Messaging revenue	–	17,075.8	17,075.8	–	19,517.5	19,517.5
Interconnect messaging revenue from local partners	–	109.1	109.1	–	94.6	94.6
Mobile data revenue	–	40,668.0	40,668.0	–	36,265.4	36,265.4
Fixed data revenue	–	8,966.9	8,966.9	–	8,101.0	8,101.0
M-PESA revenue	83,135.6		83,135.6	74,126.0	–	74,126.0
Emergency top up access fee	–	4,494.2	4,494.2	–	4,309.0	4,309.0
Premium rate services initial set up fees	–	2.0	2.0	–	1.8	1.8
Other service revenue	–	925.3	925.3	–	689.9	689.9
Service revenue	**83,135.6**	**166,693.4**	**249,829.0**	**74,126.0**	**164,777.5**	**238,903.5**
Handset revenue	6,631.0	–	6,631.0	6,008.4	–	6,008.4
Connection revenue	–	2,034.8	2,034.8	–	1,722.8	1,722.8
Construction revenue	–	583.9	583.9	–	603.1	603.1
Total revenue	**89,766.6**	**169,312.1**	**259,078.7**	**80,134.4**	**167,103.4**	**247,237.8**

(b) Revenue from other sources

	Group 2020 KShs'm	Group 2019 KShs'm	Company 2020 KShs'm	Company 2019 KShs'm
Collocation	1,822.0	1,716.9	1,883.3	1,778.5
Other income				
– Gain on disposal of property plant and equipment	56.5	160.2	56.5	160.2
– Miscellaneous income*	213.4	304.2	387.0	304.2
	2,091.9	**2,181.3**	**2,326.8**	**2,242.9**

* Miscellaneous income includes cash discounts received from vendors and donations received from third parties for Safaricom Foundation activities.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

6 Direct costs

M-PESA commissions	(23,823.4)	(22,255.5)	(23,676.3)	(22,255.5)
Airtime commissions	(10,961.9)	(11,012.6)	(10,961.9)	(11,012.6)
Licence fees	(9,794.7)	(10,078.5)	(9,739.8)	(10,063.5)
Interconnect and roaming costs	(7,596.3)	(7,546.1)	(8,129.3)	(8,192.5)
Handset costs	(7,580.8)	(6,093.6)	(7,580.8)	(6,093.6)
Customer acquisition and retention	(8,511.6)	(7,800.6)	(8,511.6)	(7,800.6)
Promotions and Value-Added Services costs (Voice &SMS)	(5,790.2)	(6,308.4)	(5,790.2)	(6,308.4)
Other direct costs	(642.1)	(700.3)	(494.9)	(700.3)
Construction costs	(583.9)	(603.2)	(583.9)	(603.2)
	(75,284.9)	**(72,398.8)**	**(75,468.7)**	**(73,030.2)**

7 Other expenses

Repairs and maintenance expenditure on property, plant and equipment	(334.1)	(311.5)	(333.6)	(311.2)
Operating lease cost-buildings**	(48.8)	(1,206.3)	(48.8)	(1,206.3)
Operating lease cost-sites**	(345.1)	(2,563.2)	(345.1)	(2,563.2)
Warehousing costs	(324.7)	(318.1)	(324.7)	(318.1)
Employee benefits expense (Note 10)	(16,937.5)	(16,929.9)	(16,807.1)	(16,853.3)
Auditor's remuneration	(55.6)	(54.0)	(49.4)	(47.7)
Sales and advertising	(5,792.4)	(7,483.7)	(6,177.9)	(7,786.7)
Consultancy including legal fees	(1,431.4)	(40.0)	(1,431.0)	(37.4)
Network operating costs	(13,408.2)	(14,036.9)	(13,145.0)	(13,713.4)
Travel and accommodation	(751.4)	(874.1)	(738.5)	(857.0)
Computer maintenance	(2,092.7)	(2,219.7)	(2,092.7)	(2,219.7)
Office administration	(1,020.5)	(1,328.4)	(1,016.2)	(1,325.2)
Net foreign exchange gains, other than on borrowings and cash and cash equivalents	172.3	64.0	131.6	14.4
Other operating expenses*	(5,189.6)	(6,288.4)	(4,644.7)	(5,710.5)
	(47,559.7)	**(53,590.2)**	**(47,023.1)**	**(52,935.3)**

* Other operating expenses includes Vodafone procurement fees (Note 31 c), fleet management costs, general staff expenses including training and welfare costs and innovation costs.

** The current period balance relates to the non-lease component of the leases e.g service charge. The cost is excluded from the measurement of the lease liability as provided for by IFRS 16. The prior year number included the rent expense.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

8 Finance income

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Interest income	2,940.9	2,318.5	2,917.1	2,300.4
Foreign exchange gain on cash and borrowings	639.0	496.2	638.5	496.2
Fair value (loss) on restricted cash*	(61.1)	(54.5)	(61.1)	(54.5)
	3,518.8	**2,760.2**	**3,494.5**	**2,742.1**

9 Finance costs

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Interest expense	(348.8)	(148.1)	(347.6)	(148.1)
Foreign exchange losses on cash and borrowings	(601.0)	(455.7)	(591.1)	(408.7)
Interest on asset retirement obligation (ARO) liability	(57.6)	(51.0)	(57.6)	(51.0)
Interest on lease liability	(1,640.7)	–	(1,640.7)	–
Fair value gain on construction and* maintenance contract receivable	51.5	135.2	51.5	135.2
	(2,596.6)	**(519.6)**	**(2,585.5)**	**(472.6)**

10 Employee benefits expense

The following items are included within employee benefits expense:

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Club membership	(61.2)	(133.4)	(60.8)	(130.9)
Employee other administrative costs	(66.1)	(78.6)	(66.1)	(78.4)
Secondees other administrative costs	(126.1)	(233.7)	(124.2)	(232.5)
Employee Performance Share Award Plan	(432.6)	(449.9)	(433.7)	(449.9)
Leave accrual	(16.9)	(59.8)	(16.3)	(59.7)
NSSF	(12.8)	(12.7)	(12.8)	(12.7)
Pension	(698.8)	(644.0)	(695.1)	(642.4)
Salaries	(13,786.9)	(13,559.3)	(13,662.0)	(13,488.3)
Secondee salaries	(292.6)	(399.4)	(292.6)	(399.4)
Staff medical & life insurance	(1,443.5)	(1,359.1)	(1,443.5)	(1,359.1)
	(16,937.5)	**(16,929.9)**	**(16,807.1)**	**(16,853.30)**

	Group and Company	
Number of employees	2020	2019
Permanent employees	4,523	4,503
Fixed term contract employee	1,100	1,820
	5,623	6,323

* Time value for money adjustment

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

11 Employee Performance Share Award Plan

On 1 July 2011, the Group implemented an Employee Performance Share Award Plan (the Trust) where shares are awarded to qualifying staff based on previous year's achieved performance ratings. Under the outright grant scheme, shares are purchased from the market and transferred to eligible staff at no cost after a three-year vesting period. The shares are purchased and held by the Trust until the end of the vesting period.

During the year, 12.5 million shares were bought by the Trust, at a cost of KShs 355 million. Additionally, 17.83 million shares historically valued at KShs 438.6 million (2019: 15.1 million shares valued at 268.2 million) vested and were exercised by eligible staff.

The Trust currently holds 16.94 million shares at a total cost of KShs 486.7 million (2019: 21.83 million shares at a cost of KShs 570.0 million).

The Trust is a 'cash-settled share-based scheme' as described in IFRS 2, Share Based Payments as the Company provides money to the Trust to purchase shares which will be distributed to the entitled employees on the vesting date.

The Company has accounted for a receivable from the Trust in relation to shares purchased and payables to employees is recognised in these financial statements.

12 Income tax expense

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Current income tax	(31,616.7)	(28,169.2)	(31,340.6)	(27,942.1)
Deferred income tax (Note 17)	(498.4)	(558.1)	(628.9)	(560.8)
Income tax expense	**(32,115.1)**	**(28,727.3)**	**(31,969.5)**	**(28,502.9)**
Profit before income tax	105,772.7	91,217.9	105,254.0	90,469.2
Tax calculated at the applicable income tax rate of 30% (2019: 30%)	(31,731.8)	(27,365.4)	(31,576.2)	(27,140.1)
Tax effect of:				
Income not subject to tax	2,190.4	56.1	2,150.0	42.1
Expenses not deductible for tax purposes	(2,573.7)	(1,367.4)	(2,543.3)	(1,367.4)
Under provision of deferred tax in prior years	–	(53.6)	–	(40.5)
Under provision of current tax in prior years	–	3.0	–	3.0
Income tax expense	(32,115.1)	(28,727.3)	(31,969.5)	(28,502.9)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

13 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	Mar 2020	Mar 2019
Profit attributable to equity holders of the Group (KShs million)	73,658	62,491
Weighted average number of ordinary shares in issue (million)	40,065	40,065
Basic earnings per share (KShs)	1.84	1.56
Diluted earnings per share (KShs)	1.84	1.56
Headline earnings per share		
Profit attributable to equity holders of the Group (KShs million)	73,658	62,491
Less: share of profit of joint venture	(3,296.1)	–
Headline earnings after tax	70,361.9	62,491.0
Headline earnings per share (basic & diluted)	1.76	1.56

14 Share capital and share premium

	Number of shares (million)	Ordinary shares KShs'm	Share premium KShs'm	Total KShs'm
At 1 April 2018, 31 March 2019 and 31 March 2020	40,065	2,003.3	2,200	4,203

The authorised shares capital of the Company is KShs 6,000,000,000 divided into 119,999,999,600 ordinary shares of KShs 0.05 each and 5 non-redeemable preference shares of KShs 4 each.

The issued share capital comprises 40,065,428,000 (2019: 40,065,428,000) ordinary shares with a par value of KShs 0.05 each.

Share premium reserve was established on initial issuance of the Group ordinary shares at premium.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

15 Dividends

Proposed dividends are classified as a separate component of equity in the statement of changes in equity through a transfer from retained earnings. They are transferred to the dividends payable account once approved by shareholders in a general meeting.

At the Annual General Meeting to be held on 31 July 2020, a final dividend in respect of the year ended 31 March 2020 of KShs 1.40 per share (2019: KShs 1.87 per share, comprising of KShs 1.25 final dividends and KShs 1.10 special dividends) amounting to a total of KShs 56 billion (2019: KShs 74 billion) is to be proposed.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders. Total dividends payouts in the year were as follows:

Movement in the year	2020 KShs'm	2019 KShs'm
Opening balance – 1 April	–	–
Declared during the year	74,922.4	44,071.0
Paid during the period	(73,877.3)	(44,071.0)
Closing balance – 31 March	1,045.1	–

16 Borrowings

The Group has a short-term revolving facility with Standard Chartered Bank of Kenya of KShs 8 billion with maturity date of May 2020. The interest rate for the facility is Central Bank Rating (CBR) plus margin (where the margin equals the 91-day T-bill plus 42.5bps minus CBR). This facility was fully drawn as at 31 March 2020.

As at 31 March 2020, the Group had undrawn credit facilities with various banks equivalent of KShs 31,84 million (2019: KShs 36,3 million).

The movement in borrowings is as below:

	Group and Company	
	2020 KShs'm	2019 KShs'm
Opening balance – 1 April	4,032.0	4,040.0
Additions	20,132.0	8,028.0
Repayments	(16,164.0)	(8,036.0)
Closing balance – 31 March	**8,000.0**	**4,032.0**

Under the terms of the loan facilities, the Group is required to comply with certain covenants. The Group had complied with all the covenants

17 Deferred income tax

(a) Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020 KShs'm	2019 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	752.7	587.6
– Deferred tax assets to be recovered within 12 months	2,577.2	1,936.9
	3,329.9	**2,524.9**
Deferred tax liabilities:		
– Deferred tax liability to be recovered after 12 months	(2,225.1)	(921.1)
– Deferred tax liability to be recovered within 12 months	–	(0.7)
	(2,225.2)	(921.8)
Net deferred income tax asset	**1,104.7**	**1,603.1**
Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%).		
At start of year	1,603.1	2,159.9
Charge to statement of profit or loss and other comprehensive income	(498.4)	(557.8)
At end of year	**1,104.7**	**1,603.1**

Consolidated deferred income tax assets and liabilities and deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income (SOCI) are attributable to the following items:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

17 Deferred income tax continued

Year ended 31 March 2020	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2020 KShs'm
Deferred income tax liabilities			
Property, plant and equipment	(921.1)	(1,298.7)	(2,219.8)
Unrealised foreign exchange gains	(0.7)	12.8	12.1
Net right-of-use	–	(5.5)	(5.5)
	(921.8)	(1,291.4)	(2,213.2)
Deferred income tax assets			
Unrealised foreign exchange losses	0.9	37.7	38.6
Tax losses	18.4	111.8	130.2
Other temporary differences	2,505.6	643.5	3,149.1
	2,524.9	793.0	3317.8
Net deferred income tax asset	**1,601.1**	**(498.4)**	**1,104.7**

Year ended 31 March 2019	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2019 KShs'm
Deferred income tax liabilities			
Property, plant and equipment	(606.0)	(315.1)	(921.1)
Unrealised foreign exchange gains	(17.0)	16.3	(0.7)
	(623.0)	(298.8)	(921.8)
Deferred income tax assets			
Unrealised foreign exchange losses	2.9	(2.0)	0.9
Tax losses	–	18.4	18.4
Other temporary differences	2,780.0	(275.4)	2,504.6
	2,782.9	(259.0)	2,523.9
Net deferred income tax asset	**2,159.9**	**(557.8)**	**1,602.1**

(b) Company

	2020 KShs'm	2019 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	752.8	586.9
– Deferred tax assets to be recovered within 12 months	2,395.6	1,917.6
	3,148.4	2,504.5
Deferred tax liabilities:		
– Deferred tax liability to be recovered after 12 months	(2,223.8)	(937.8)
– Deferred tax liability to be recovered within 12 months	12.8	(0.4)
	(2,211.0)	(938.2)
Net deferred income tax asset	**937.4**	**1,566.3**

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%).

	2020 KShs'm	2019 KShs'm
At start of year	1,566.3	2,127.1
Charge credit to statement of profit or loss and other comprehensive income (Note 12)	(628.9)	(560.8)
At end of year	**937.4**	**1,566.3**

Company deferred income tax assets and liabilities and deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following items:

Year ended 31 March 2020	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2020 KShs'm
Deferred income tax liabilities			
Property, plant and equipment	(938.0)	(1,280.4)	(2,218.4)
Unrealised foreign exchange gains	(0.4)	12.4	12.8
Net right-of-use	–	(5.5)	(5.5)
	(938.4)	(1,273.5)	(2,211.9)
Deferred income tax assets			
Unrealised foreign exchange losses	2.0	36.6	38.6
Other temporary differences	2,502.7	628.0	3,110.7
	2,504.7	644.6	3,148.3
Net deferred income tax asset	**1,566.3**	**(628.9)**	**937.4**

Year ended 31 March 2019	1 April 2019 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2019 KShs'm
Deferred income tax liabilities			
Property, plant and equipment	(625.0)	(313.0)	(938.0)
Unrealised foreign exchange gains	(16.0)	16.4	0.4
	(641.0)	(296.6)	(937.6)
Deferred income tax assets			
Unrealised foreign exchange losses	3.0	(1.0)	2.0
Other temporary differences	2,765.0	(263.0)	2,502.0
	2,768.0	(264.0)	2,504.0
Net deferred income tax asset	**2,127.0**	**(560.6)**	**1,566.4**

In the opinion of the Directors, the deferred income tax balances are expected to be recoverable against future profits.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

18 Property, plant and equipment

(a) Group	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles & equipment KShs'm	Fibre KShs'm	Total KShs'm
At 1 April 2018							
Cost	249,124.9	15,042.0	1,527.7	6,709.7	71,051.8	20,018.3	363,474.4
Accumulated depreciation	(185,555.7)	–	(819.8)	(4,954.8)	(48,231.1)	(2,203.4)	(241,764.8)
Net book amount	**63,569.2**	**15,042.0**	**707.9**	**1,754.9**	**22,820.7**	**17,814.9**	**121,709.6**
Year ended 31 March 2019							
Opening net book amount	63,569.2	15,042.0	707.9	1,754.9	22,820.7	17,814.9	121,709.6
Additions	–	36,970.0	9.3	–	274.0	–	37,253.3
Transfers from CWIP	17,177.4	(38,749.4)		330.4	16,018.0	5,223.6	–
Disposal – cost	(519.0)			(1.1)	(326.8)	–	(846.9)
Asset retirement – cost**	(42,395.6)	–	–	–	–	–	(42,395.6)
Depreciation charge	(17,786.3)	–	(139.7)	(538.4)	(14,246.3)	(949.7)	(33,660.4)
Depreciation on disposal	410.0			1.1	351.1	–	762.2
Depreciation on retired assets**	42,395.6	–	–	–	–	–	42,395.6
Closing net book amount	**62,851.3**	**13,262.6**	**577.5**	**1,546.9**	**24,890.7**	**22,088.8**	**125,217.8**
At 31 March 2019							
Cost	223,387.7	13,262.6	1,537.00	7,039.0	87,017.0	25,241.9	357,485.2
Accumulated depreciation	(160,536.4)	–	(959.5)	(5,492.1)	(62,126.3)	(3,153.1)	(232,267.4)
Net book amount	**62,851.3**	**13,262.6**	**577.5**	**1,546.9**	**24,890.7**	**22,088.8**	**125,217.8**
Year ended 31 March 2020							
Opening net book amount	62,851.3	13,262.6	577.5	1,546.9	24,890.7	22,088.8	125,217.8
Additions		35,738.0	27.5	–	333.0	–	36,098.5
Transfers from CWIP	16,190.1	(38,673.5)	–	404.2	17,033.2	5,046.00	–
Disposal – cost	–	–	–	–	(278.5)	–	(278.5)
Asset retirement – cost**	(11,451.6)	–	–	–	–	–	(11,451.6)
Depreciation charge	(17,041.9)	–	(141.6)	(537.7)	(13,042.9)	(1,200.7)	(31,964.8)
Depreciation on disposal	–	–	–	–	264.2	–	264.2
Depreciation on retired assets**	11,451.6	–	–	–	–	–	11,451.6
Closing net book amount	**61,999.5**	**10,327.1**	**463.4**	**1,413.4**	**29,199.7**	**25,934.1**	**129,337.2**
At 31 March 2020							
Cost	228,126.2	10,327.1	1,564.5	7,443.2	104,104.7	30,287.9	381,853.6
Accumulated depreciation	(166,126.7)		(1,101.1)	(6,029.8)	(74,905.0)	(4,353.8)	(252,516.4)
Net book amount	**61,999.5**	**10,327.1**	**463.4**	**1,413.4**	**29,199.7**	**25,934.1**	**129,337.2**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

(b) Company	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles & equipment KShs'm	Fibre KShs'm	Total KShs'm
At 1 April 2018							
Cost	248,988.3	15,042.1	1,527.7	6,709.7	70,948.9	20,012.3	363,229.0
Accumulated depreciation	(185,419.2)	–	(819.2)	(4,956.9)	(48,127.8)	(2,197.2)	(241,520.3)
Net book amount	**63,569.1**	**15,042.1**	**708.5**	**1,752.8**	**22,821.1**	**17,815.1**	**121,708.7**
Year ended 31 March 2019							
Opening net book amount	63,569.1	15,042.1	708.5	1,752.8	22,821.1	17,815.1	121,708.7
Additions	–	36,573.9	9.3	–	274.0	–	36,857.2
Transfer from CWIP	17,177.4	(38,749.4)	–	330.4	16,018.0	5,223.6	–
Disposal – cost	(519.0)	–	–	(1.1)	(326.8)	–	(846.9)
Asset retirement – cost**	(42,395.6)	–	–	–	–	–	(42,395.6)
Depreciation charge	(17,786.3)	–	(139.7)	(538.4)	(14,246.3)	(949.7)	(33,660.4)
Depreciation on disposals	410.0	–	–	1.1	351.1	–	762.2
Depreciation on retired assets**	42,395.6	–	–	–	–	–	42,395.6
Closing net book amount	**62,851.2**	**12,866.6**	**578.1**	**1,544.8**	**24,891.1**	**22,089.0**	**124,820.8**
At 31 March 2019							
Cost	223,251.1	12,866.6	1,537.0	7,039.0	86,914.1	25,235.9	356,843.7
Accumulated depreciation	(160,399.9)	–	(958.9)	(5,494.2)	(62,023.0)	(3,146.9)	(232,022.9)
Net book amount	**62,851.2**	**12,866.6**	**578.1**	**1,544.8**	**24,891.1**	**22,089.0**	**124,820.8**
Year ended 31 March 2020							
Opening net book amount	62,851.2	12,866.6	578.1	1,544.8	24,891.1	22,089.0	124,820.8
Additions	–	35,738.0	27.5	–	322.0	–	36,087.5
Transfer from CWIP	16,190.1	(38,420.4)	–	404.2	16,780.2	5,045.9	–
Disposal – cost	–	–	–	–	(278.5)	–	(278.5)
Asset retirement – cost**	(11,451.6)	–	–	–	–	–	(11,451.6)
Depreciation charge	(17,041.9)	–	(141.6)	(537.7)	(13,003.4)	(1,200.7)	(31,925.3)
Depreciation on disposals	–	–	–	–	264.2	–	264.2
Depreciation on retired assets**	11,451.6	–	–	–	–	–	11,451.6
Closing net book amount	**61,999.4**	**10,184.2**	**464.0**	**1,411.3**	**28,975.6**	**25,934.2**	**128,968.7**
At 31 March 2020							
Cost	227,989.6	10,184.2	1,564.5	7,443.2	103,737.8	30,281.8	381,201.1
Accumulated depreciation	(165,990.2)	–	(1,100.5)	(6,031.9)	(74,762.2)	(4,347.6)	(252,232.4)
Net book amount	**61,999.4**	**10,184.2**	**464.0**	**1,411.3**	**28,975.6**	**25,934.2**	**128,968.7**

* Capital work in progress largely relates to self-constructed assets not yet completed. These mostly include network infrastructure and fibre that had not been brought into use as at year end.

** During the year ended 31 March 2019, the Company carried out an assessment of the Fixed Asset Register, (FAR). From this assessment, assets worth KShs 54 billion were identified to be fully depreciated and not in use. The assets were mainly network infrastructure. The assets have been written off.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

19 Indefeasible rights of use (IRUs)

(a) Group	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	EATCL KShs'm	Total KShs'm
Year ended 31 March 2019							
Opening net book amount	2,273.3	920.0	496.2	61.9	102.7	–	3,854.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	–	(301.0)
Closing net book amount	**2,110.6**	**843.3**	**454.3**	**54.5**	**90.4**	**–**	**3,553.1**
At 31 March 2019							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortisation	(1,142.4)	(691.6)	(384.0)	(56.8)	(93.5)	(91.5)	(2,459.8)
	2,110.6	**843.3**	**454.3**	**54.5**	**90.4**	**–**	**3,553.1**
Year ended 31 March 2020							
Opening net book amount	2,110.6	843.3	454.3	54.5	90.4	–	3,553.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	–	(301.0)
Closing net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**–**	**3,252.1**
At 31 March 2020							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortisation	(1,305.1)	(768.3)	(425.9)	(64.2)	(105.8)	(91.5)	(2,760.8)
Net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**–**	**3,252.1**

(b) Company	TEAMS KShs'm	SEACOM KShs'm	KPLC KShs'm	ETISALAT KShs'm	TATA KShs'm	Total KShs'm
Year ended 31 March 2019						
Opening net book amount	2,273.3	920.0	496.2	61.9	102.7	3,854.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	(301.0)
Closing net book amount	**2,110.6**	**843.3**	**454.3**	**54.5**	**90.4**	**3,553.1**
At 31 March 2019						
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4
Accumulated amortisation	(1,142.4)	(691.6)	(384.0)	(56.8)	(93.5)	(2,368.3)
	2,110.6	**843.3**	**454.3**	**54.5**	**90.4**	**3,553.1**
Year ended 31 March 2020						
Opening net book amount	2,110.6	843.3	454.3	54.5	90.4	3,553.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(7.4)	(12.3)	(301.0)
Closing net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**3,252.1**
At 31 March 2020						
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4
Accumulated amortisation	(1,305.1)	(768.3)	(425.9)	(64.2)	(105.8)	(2,669.3)
Net book amount	**1,947.9**	**766.6**	**412.4**	**47.1**	**78.1**	**3,252.1**

20 Investment property

The investment property relates to a vacant open land title No. 164259 and 164260 located in Nairobi area. This land does not generate any rental income or direct operating costs. There are no restrictions attached to realisability of the investment property or the remittance of income and proceeds of disposal.

Group and Company	2020 KShs'm	2019 KShs'm
At 1 April	845.0	845.0
Fair value adjustment	–	–
At 31 March	**845.0**	**845.0**

The fair value measurement of the investment property as at 31 March 2020 was performed by registered and independent valuers. They are members of the Institute of Surveyors of Kenya, have appropriate qualifications, relevant and recent experience in the fair value measurement of properties in various locations in Kenya.

The fair value was determined by reference to market evidence of recent transactions for similar properties. In estimating the fair value of the properties, the highest and best use of those similar properties was assumed. There was no significant change in the previous valuation and management has opted to retain the existing value.

Details of the Group's investment property and information about fair value hierarchy as at 31 March 2020 is as follows:

Non-financial asset	Fair value as at 31 March 2020 KShs'm	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment property	845.0	Level II	Open market value basis – highest and best use model	Not applicable	Not applicable

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

21 Intangible assets

(a) Group	Licence fees KShs'm	Total KShs'm
Year ended 31 March 2019		
Opening net book amount	8,755.6	8,755.6
Amortisation	(1,370.3)	(1,370.3)
Closing net book amount	**7,385.3**	**7,385.3**
At 31 March 2019		
Cost	18,982.6	18,982.6
Accumulated amortisation	(11,597.3)	(11,597.3)
Net book amount	**7,385.3**	**7,385.3**
Year ended 31 March 2020		
Opening net book amount	7,385.3	7,385.3
Amortisation	(1,359.1)	(1,359.1)
Closing net book amount	**6,026.2**	**6,026.2**
At 31 March 2020		
Cost	18,982.6	18,982.6
Accumulated amortisation	(12,956.4)	(12,956.4)
Net book amount	**6,026.2**	**6,026.2**

(b) Company	2020 KShs'm	2019 KShs'm
Opening net book amount	7,379.8	8,748.9
Amortisation charge	(1,358.0)	(1,369.1)
Closing net book amount	**6,021.8**	**7,379.8**
Cost	18,960.3	18,960.3
Accumulated amortisation	(12,938.5)	(11,580.5)
Net book amount	**6,021.8**	**7,379.8**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

22 Leases

The Group has adopted IFRS 16 from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Right-of-use (ROU) asset movement schedule

Group and Company	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees' houses KShs'm	Total KShs'm
Year ended 31 March 2020						
Balance on migration (1 April 2019) (Note 2 (a) (i))	8,054.0	5,051.0	1,173.9	2,492.4	17.4	16,788.7
Additions for the year	618.7	230.2	112.7	390.4	25.0	1,377.0
Closing book cost	**8,672.7**	**5,281.2**	**1,286.6**	**2,882.8**	**42.4**	**18,165.7**
At 31 March 2020						
Cost	8,672.7	5,281.2	1,286.6	2,882.8	42.4	18,165.7
Amortisation charge	(1,089.9)	(910.2)	(252.5)	(647.8)	(22.4)	(2,922.8)
Closing net book amount	**7,582.8**	**4,371.0**	**1,034.1**	**2,235.0**	**20.0**	**15,242.9**

(b) Lease liability movement schedule

Group and Company	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Total KShs'm
Year ended 31 March 2020						
Balance on migration (1 April 2019) (Note 2 (a) (i))	(7,458.8)	(4,983.4)	(1,072.7)	(2,412.6)	(22.3)	(15,949.8)
Additions for the year	(618.7)	(230.2)	(112.7)	(390.4)	(25.0)	(1,377.0)
Interest charge	(904.5)	(384.6)	(100.0)	(250.1)	(1.5)	(1,640.7)
Payments	1,651.8	1,074.1	314.0	674.8	28.1	3,742.8
Lease liability balance	**(7,330.2)**	**(4,524.1)**	**(971.4)**	**(2,378.3)**	**(20.7)**	**(15,224.7)**

The lease liability balance at the end of the period was as follows:

Year ended 31 March 2020	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Total KShs'm
Current	(1,304.8)	(1,138.4)	(295.6)	(798.3)	(12.3)	(3,549.4)
Non-current	(6,025.4)	(3,385.7)	(675.8)	(1,580.0)	(8.4)	(11,675.3)

Included in the direct costs and reported in the statement of profit or loss and other comprehensive income in the period is an amount of KShs 1,527.3 million (2019: KShs 1,497.0 million) relating to short term leases of less than one year which were exempted from the lease liabilities above due to the application of short term leases expedient as provided by IFRS 16.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

23 Investments

From time to time the Group invests in various entities in form of subsidiaries, associates and joint arrangements for strategic reason in order to achieve the overall objective of transforming lives.

(a) Investment in subsidiaries

All subsidiaries are unlisted and have the same year end as the Company except for Safaricom Money Transfer Services Limited which has a 31 December year-end. They are all incorporated in Kenya. The investments relate to cost of shares held in the subsidiaries.

	Company	
	2020 KShs'm	2019 KShs'm
At start of year	431.2	24.0
Additional investment (Instaconnect Limited)		407.2
Additional investment (DigiFarm Limited)	0.1	–
At end of year	**431.3**	**431.2**

As at 31 March 2020, the Company's interest in its subsidiaries was as follows:

	Year end	% interest held	**2020 KShs'm**	2019 KShs'm
One Communications Limited and its subsidiaries[1]	31 March	100	–	–
Packet Stream Data Networks Limited	31 March	100	–	–
IGO Wireless Limited	31 March	100	–	–
Instaconnect Limited	31 March	100	411.2	411.2
East Africa Tower Company Limited	31 March	100	–	–
DigiFarm Kenya Limited[2]	31 March	100	0.1	–
Safaricom Money Transfer Services Limited	31 December	100	20.0	20.0
			431.3	**431.2**

1 Comtec Training Management Service Limited, Comtec Integrations System Limited, and Flexible Bandwidth Service Limited.

2 In October 2019, DigiFarm was incorporated as a 100% owned subsidiary by Safaricom PLC. The nominal share capital of the Company is 100,000 divided into 1,000 ordinary shares of KShs 100 each. The entity is primarily designed to offer agribusiness tech support services to Kenyan farmers linking the entire production chain by connecting producers to buyers and cushioning farmers from middlemen. Other expected value addition to the DigiFarm model will be filling the gaps below:
- Access to financial services – credit & insurance.
- Access to Quality inputs.
- Knowledge on best farming practices through Extension services.
- Access to market and post-harvest loss management.

The subsidiary is still in its initial set up stages operationally.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

(b) Investment in associates and joint ventures – Group and Company

	2020 KShs'm	2019 KShs'm
Investment in associates		
Circle Gas	384.6	–
TEAMS	211.2	150.3
Total investment in associates	**595.8**	**150.3**
Investment in joint ventures		
M-PESA Global Services Limited	4,369.3	–
Total investment in joint ventures	**4,369.3**	–
Total investment in associates and joint ventures	**4,965.1**	**150.3**
The movement in investment in associate and joint ventures is as follows:		
At start of year	150.3	145.1
Share of profit TEAMS	60.9	5.2
Acquisitions – Circles Gas	384.6	–
Acquisitions – M-PESA Global Services Limited	1,073.2	–
Share of profit from M-PESA Global Services Limited	3,296.1	–
At end of year	**4,965.1**	**150.3**

In December 2019, Safaricom completed a purchase of 18.96% of the issued shares capital of Circle Gas Limited (KShs 385 million), a company incorporated in England. Strategically, the investment in Circle Gas solution is a digital service offering leveraging IoT and M-PESA, that will drive our ambition to be the leading digital services provider in Kenya whilst driving financial inclusion through technology by offering customers an affordable, clean energy source for cooking. Key features of the investment contract are:

- One Non-Executive Director's slot on Circle Gas board – Safaricom has one reserved board seat so long as a Trade Mark Licence and Brand Management Co-operation Agreement made remains in force and Safaricom remains a holder of ordinary shares.
- Use of Safaricom trademarks as per agreement in return for a royalty fee agreement and interchange of managerial personnel between the entities.
- Circle Gas shall be riding on Safaricom's network to guarantee connectivity to its smart meters.

The investment in Circle Gas has been treated as an investment in associate as per IAS 28.7.

Included in the investment in associate is the investment of 32.5% (2019: 32.5%) of the ordinary shares of The East African Marines Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares. TEAMS's place of business and country of incorporation is Kenya. There are no contingent liabilities relating to the Group's interest in the associate.

TEAMS has a 30 June year end and derives its revenues from the provision of submarine fibre optic cable system. Changes in the risk and fluctuation in the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited nine months results for the associate have been incorporated in the Group's financial statements. Set out below is the summarised financial information for TEAMS as at 31 March 2020 and 31 March 2019 which is accounted for using the equity method.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

23 Investments continued

TEAMS summarised statement of financial position	2020 KShs'm	2019 KShs'm
Total equity	442.3	293.2
Non-current assets	7.7	8.0
Current assets		
Cash and cash equivalents	701.5	625.8
Other current assets	37.0	99.9
Total current assets	**738.5**	**725.7**
Current liabilities	(303.9)	(440.5)
Net current assets	**434.6**	**285.2**
Net assets	**442.3**	**293.2**

TEAMS summarised statement of profit or loss and other comprehensive income for the nine months period ended 31 March	2020 KShs'm	2019 KShs'm
Revenue	231.4	221.2
Other income	13.1	11.7
Operating expenses	(148.3)	(144.0)
Administrative expenses	(32.7)	(31.9)
Total expenses	(181.0)	(175.9)
Profit before tax	63.5	57.0
Income tax expense	–	–
Profit after tax	63.5	57.0
Share of profit before tax (32.5%)	20.6	18.5
Profit/(loss) for the 3 months ended 30 June (2019 and 2018 respectively)	40.3	(13.3)
Share of profit of associate	**60.9**	**5.2**

The information above reflects the amounts presented in the management accounts of the associate and not the Safaricom PLC share of those amounts, adjusted for differences in accounting policies between the Company and associate. The results of TEAMS do not have a material impact on the Group's results.

In March 2020, Safaricom PLC and Vodacom Group Limited completed the acquisition of the M-PESA brand, product development and support services from Vodafone Group Plc through a newly-created joint venture (JV), M-PESA Global Services Limited, for a cash consideration of KShs 2,146.4 m with each entity paying 50% of this amount (KShs 1,073.2 million) commensurate to their proportionate interest in the joint venture. The new JV will strategically help accelerate M-PESA growth in Africa by giving both Safaricom PLC and Vodacom Group Limited full control of M-PESA brand in Africa.

M-PESA Global Services Limited is registered in Kenya. It has one 100% owned subsidiary, K2019102008 (SOUTH AFRICA) (Proprietary) Limited registered in South Africa. Safaricom PLC owns 50% of the issued share capital of the JV with Vodacom Group Limited owning the remaining 50%.

Details of the Company's joint venture as at 31 March is as follow:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

Name of joint venture	Principal activity	Country of incorporation or registration	Percentage of shareholding
M-PESA Global Services Limited	M-PESA product development and support services	Kenya	50%
K2019102008 (South Africa) (Proprietary) Limited	M-PESA product development and support services	South Africa	50%

The joint venture is accounted for using equity method in these consolidated financial statements. Summarised financial information in respect of Safaricom PLC investment in joint venture as at 31 March 2020 is set out below:

	31 March 2020 KShs'm
Cost of investment in joint venture	1,073.2
Share of profit of joint venture	3,296.1
	4,369.3

There are no significant restrictions on the ability of the joint venture to transfer funds to Safaricom PLC in the form of cash dividends or repayment of loans. Decisions by the joint venture to declare and/or pay any dividends or make any capital distribution to shareholders must have prior written consent of the existing shareholders.

M-PESA Global Services Limited summarised statement of profit or loss and other comprehensive income

	31 March 2020 KShs'm
Profit for the period (including bargain purchase gain[1])	6,592.2
Profit and total comprehensive income for the year	**6,592.2**
Share of profit of Joint Venture Safaricom PLC (50%)	3,296.1
Share of profit of associate Vodacom Group Limited (50%)	3,296.1

1 The revaluation of the acquired assets exceeded the consideration paid to Vodafone Group. This was due to the valuation of the M-PESA brand in Africa that was acquired together with the assets.
As a result, this resulted to a bargain purchase gain. The bargain purchase gain was shared equally to the investors.

M-PESA Global Services Limited summarised Statement of financial position

	31 March 2020 KShs'm
Total equity	8,725.9
Non-current liabilities[1]	2,688.4
Total equity and non-current liabilities	11,414.3
Non-current assets	11,414.2
Current assets	0.1
Total assets	**11,414.3**

1 The current liabilities at the end of the year relates to deferred tax liability arising from the acquisition transaction.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

24 Inventories

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Handsets and accessories	1,275.8	1,609.7	1,275.8	1,609.7
Scratch cards	64.6	74.8	64.6	74.8
Starter packs	453.1	202.0	453.1	202.0
Stationery and other stocks	8.8	10.0	8.8	10.0
Set top boxes	5.1	20.4	5.1	20.4
Less: provision for obsolescence	(174.9)	(200.8)	(174.9)	(200.8)
	1,632.5	1,716.1	1,632.5	1,716.1
Inventory work-in-progress	160.6	58.5	160.6	58.5
DigiFarm stocks	66.3	–	–	–
	1,859.4	**1,774.6**	**1,793.1**	**1,774.6**

Note: The amount of inventories recognised as an expense during the period was KShs 9,245.5 million (2019: 7,599.4 million reported under direct costs (Note 6).

25 Trade and other receivables

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Current:				
Trade receivables	10,851.4	9,169.3	10,138.1	8,682.2
Less: provision for impairment losses	(2,828.7)	(1,726.1)	(2,706.3)	(1,726.1)
	8,022.7	7,443.2	7,431.8	6,956.1
Receivable from related parties (Note 31 (viii))	1,511.0	2,117.0	1,821.4	1,803.1
Less: provision for impairment losses	(11.7)	(10.7)	(11.7)	(10.7)
	1,499.3	2,106.3	1,809.7	1,792.4
	–	–	–	–
Other receivables	4,202.6	2,970.6	4,108.7	2,866.2
Less: provision for impairment losses		–		–
	4,202.6	2,970.6	4,108.7	2,866.2
Prepayments	2,864.2	3,871.1	2,850.2	3,856.3
Construction and maintenance contract receivable	614.0	1,799.1	614.0	1,799.1
Less: provision for fair value losses	(12.5)	(64.0)	(12.5)	(64.0)
Net construction and maintenance contract receivable	601.5	1,735.1	601.5	1,735.1
	17,190.3	**18,126.3**	**16,801.9**	**17,206.1**

Movements on the provision for impairment of trade and other receivables are as follows:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
At start of year	1,800.8	2,271.4	1,800.8	2,271.4
Provisions made in the year				
– trade and other receivables	2,188.5	3,386.3	1,937.6	3,386.3
– related parties	11.7	10.7	11.7	10.7
Release of prior year provisions	(530.6)	(3,406.6)	(530.6)	(3,406.6)
Impairment gain/(loss) on trade receivables	1,669.6	(9.6)	1,418.7	(9.6)
Provisions made in the year for construction and maintenance contract receivable	12.5	64.0	12.5	64.0
Release of prior year provisions	(64.0)	(199.2)	(64.0)	(199.2)
Impairment gain/(loss) on construction and maintenance contract receivable	(51.5)	(135.2)	(51.5)	(135.2)
Total impairment gain/(loss) for the year	**1,618.1**	**(144.8)**	**1,367.2**	**(144.8)**
Receivables written off during the year as uncollectible	**(566.0)**	**(325.8)**	**(437.4)**	**(325.8)**
Closing provisions as at year end	**2,852.9**	**1,800.8**	**2,730.6**	**1,800.8**

The carrying amounts of the above receivables approximate their fair values.

In connection with the National Police Service contract, bills have been raised for both the construction and maintenance service as per the contract terms. An amount of KShs 1.78 billion was received during the year and the outstanding balance at year end was KShs 646.8 million. Due to the extended payment terms of the contract, fair value adjustment of KShs 12.5 million has been made in arriving at the outstanding receivable.

26 Cash and cash equivalents and restricted cash

Cash equivalents

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
a) Cash and cash equivalents				
Cash at bank and in hand	26,759.7	20,030.1	25,859.7	19,828.1
b) Restricted cash				
Restricted cash	2,963.2	2,895.5	2,963.2	2,895.5
Fair value adjustment at inception	(1,051.5)	(1,049.9)	(1,051.5)	(1,049.9)
	1,911.7	**1,845.6**	**1,911.7**	**1,845.6**
c) Deferred restricted cash asset				
Fair value adjustment at inception (b)	1,051.5	1,049.9	1,051.5	1,049.9
Amortisation	(215.4)	(154.3)	(215.4)	(154.3)
Net deferred restricted cash asset	**836.1**	**895.6**	**836.1**	**895.6**

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and Kenya Commercial Bank (KCB). The cash is used as a backup to the staff mortgage loans and its withdrawal is restricted.

The deposit earns interest below the market rate and therefore the need to fair value at inception. The fair value of the restricted cash on initial recognition was determined using the discounted cash flow method. The difference between the actual cash held as deposits and the fair value (i.e. the deferred restricted cash asset) is amortised over the term of the deposit. Subsequently, the restricted cash is carried at amortised cost. The fair value adjustment at inception is amortised over the period of the staff's mortgage.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

27 Other financial assets

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
At 1 April 2019	8,043.0	–	7,866.8	–
Government securities at amortised cost	–	4,043.0	–	3,866.8
Deposits with financial institutions	–	4,000.0	–	4,000.0
Less; matured assets	(7,854.4)	–	(7,866.8)	–
At 31 March	188.6	8,043.0	–	7,866.8

28(a) Payables and accrued expenses

Current				
Trade payables	7,181.1	3,811.2	7,128.8	3,764.2
Due to related companies (Note 31 (ix))	949.9	1,198.3	1,254.5	1,467.8
Accrued liabilities				
– Network infrastructure	3,893.2	4,525.7	3,893.2	4,525.7
– Inventory	850.0	491.4	850.0	491.4
– Other expenses	9,834.3	11,360.9	9,837.8	11,392.9
Other payables				
– Indirect and other taxes payable	3,619.8	3,941.6	3,640.4	3,926.9
– M-PESA agent accrual	1,996.0	2,044.3	1,996.0	2,044.3
– Other accrued payables	1,595.8	1,330.5	1,553.2	1,298.2
	29,920.1	**28,703.9**	**30,153.9**	**28,911.4**
Non-current				
At 1 April 2019	1,131.0	–	1,131.0	–
Charge for the year	26.8	1,209.3	26.8	1,209.3
Payments for the year	(172.4)	(78.3)	(172.4)	(78.3)
At 31 March	**985.4**	**1,131.0**	**985.4**	**1,131.0**

This relates to the payable amount for the overdraft facility (Fuliza) platform payable after 12 months.

Notes Continued

28(b) Provisions for liabilities

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
At 1 April	3,893.6	4,027.6	3,893.6	4,027.6
Charge for the year	1,428.9	906.1	1,428.9	906.1
Payments and release for the year	(860.2)	(1,040.2)	(860.2)	(1,040.2)
At 31 March	**4,462.3**	**3,893.5**	**4,462.3**	**3,893.5**

The Group faces exposure to claims and other liabilities arising from the normal course of business. These claims and other liabilities normally take time to be determined and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal, tax and other advisers estimates a provision based on exposure, precedents and industry best practice. Specific provisions are made for estimated claims and other liabilities to the extent that the Group considers it probable that there will be an outflow of economic benefits.

In the Directors' opinion after taking appropriate legal and management advice, the outcome of existing claims and obligations will not give rise to any significant loss beyond the recorded provisions at 31 March 2020. Due to the nature of these provisions, management is unable to estimate the timing of their settlement with certainty. The impact of discounting on the provision is not considered to be material.

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease in accordance with IAS 16.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property, plant and equipment and restoring each site) multiplied by the number of sites for which the Company has a restoration obligation. This is then discounted to the present value of the obligation.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

29(a) Contract assets

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Dealer connection commissions	2,695.0	2,250.0	2,695.0	2,250.0
SIM activation cost	750.5	699.8	750.5	699.8
Total contract assets	**3,445.5**	**2,949.8**	**3,445.6**	**2,949.8**
The movement of the contract assets is as below:				
Opening balance – 1 April	2,949.8	–	2,949.8	–
Opening adjustments on adoption of IFRS 15	–	2,802.6	–	2,802.6
Additions in the year	4,029.2	3,056.0	4,029.2	3,056.0
Amortised as costs in the year	(3,533.5)	(2,908.8)	(3,533.5)	(2,908.8)
Closing balance – 31 March	**3,445.5**	**2,949.8**	**3,445.5**	**2,949.8**
Current portion	2,563.8	1,985.3	2,563.8	1,985.3
Non–current portion	881.7	964.5	881.7	964.5
	3,445.5	**2,949.8**	**3,445.5**	**2,949.8**
(b) Contract liabilities				
Customer loyalty programmes	3,936.5	3,853.7	3,936.5	3,853.7
Deferred airtime revenue	2,477.4	2,388.2	2,477.4	2,388.2
Deferred connection revenue	877.3	1,378.0	877.3	1,378.0
Deferred NPS revenue	–	648.4		648.4
Deferred integrated products	1,565.2	764.4	1,565.2	764.4
Deferred fixed data	509.2	481.7	474.2	438.9
Deferred fibre & collocation revenue	438.9	421.5	438.9	421.5
Deferred bulk SMS	216.1	62.6	216.1	62.6
Deferred bundled handsets resources	28.5	12.9	28.5	12.9
Deferred ETU access fee	2.3	5.2	2.3	5.2
Deferred PRSP initial set up fee	2.3	2.5	2.3	2.5
Deferred Neo Voice, data	236.1	–	236.1	–
Deferred Karibu Postpay	48.0	–	48.0	–
Deferred Neo voice	56.5	–	56.5	–
Total contract liabilities	**10,394.3**	**10,019.1**	**10,359.3**	**9,976.3**
The movement of the contract liabilities is as below:				
Opening balance – 1 April	10,019.1	8,846.2	9,976.3	8,790.6
Opening adjustments on adoption of IFRS 15	–	790.2	–	790.2
Additions in the year	214,698.6	170,133.3	214,142.7	169,558.2
Recognised as revenue in the year	(214,323.4)	(169,750.6)	(213,759.7)	(169,162.7)
Closing balance – 31 March	**10,394.3**	**10,019.1**	**10,359.3**	**9,976.3**
Current portion	9,410.9	9,279.6	9,375.9	9,236.8
Non–current portion	983.4	739.5	983.4	739.5
	10,394.3	**10,019.1**	**10,359.3**	**9,976.3**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

30(a) Cash generated from operations

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Profit before income tax	105,773.0	91,217.8	105,253.9	90,469.0
Adjustments for:				
Interest income (Note 8)	(2,940.9)	(2,318.5)	(2,917.1)	(2,300.4)
Interest expense (Note 9)	348.8	148.1	347.6	148.1
Depreciation on property, plant and equipment (Note 18)	31,964.8	33,660.4	31,925.3	33,660.4
Amortisation of right-of-use (ROU) asset	2,922.8		2,922.8	
Amortisation of intangible assets (Note 21)	1,359.1	1,370.3	1,358.0	1,369.1
Share of profit from associate (Note 22 (b))	(60.9)	(5.2)	(60.9)	(5.2)
Amortisation of IRUs (Note 19)	301.0	301.0	301.0	301.0
Share of profit of Joint Venture (M-PESA Global Services Limited) (Note 23 (b))	(3,296.1)	–	(3,296.1)	–
Gain on disposal of property, plant and equipment (Note 5 (b))	(56.5)	(160.2)	(56.5)	(160.2)
Fair valuation of restricted cash (Note 8)	61.1	54.5	61.1	54.5
Fair value adjustment on construction contract receivable	(51.5)	(135.2)	(51.5)	(135.2)
Interest on ARO liability	57.6	51.0	57.6	51.0
Interest on lease liability	1,640.7	–	1,640.7	–
Change in operating assets and liabilities:				
– Movement in provision for other liabilities (Note 28(b))	511.2	(185.0)	511.2	(185.0)
– Movement in contract liabilities	375.2	382.2	383.0	395.0
– Movement in contract assets	(496.4)	(146.5)	(496.4)	(146.5)
– Prepaid lease rental	(838.9)	–	(838.9)	–
– Movement in receivables and prepayments	987.5	(2,134.0)	455.7	(2,071.9)
– Movement in inventories	(84.8)	(170.0)	(18.5)	(170.0)
– Movement in non-current prepaid operating lease rentals	56.8	(12.3)	56.8	(12.3)
– Movement in payables and accrued expenses	1,070.6	3,367.5	1,096.80	3,731.5
Cash generated from operations	139,604.2	125,285.9	138,635.6	124,992.9

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

30(b) Net cash/(debt) reconciliation

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Cash and cash equivalents (Note 26 (a))	26,759.7	20,030.1	25,859.7	19,828.4
Borrowings (Note 16)	(8,000.0)	(4,032.0)	(8,000.0)	(4,032.0)
Lease liabilities (Note 22)	(15,224.7)	–	(15,224.7)	–
Net cash	3,535.0	15,998.1	2,635.0	15,796.4
Cash and cash equivalents (Note 26 (a))	26,759.7	20,030.1	25,859.7	19,828.4
Gross debt – fixed interest rates	(23,224.7)	(4,032.0)	(23,224.7)	(4,032.0)
Net cash	3,535.0	15,998.1	2,635.0	15,796.4

30(c) Liabilities from financing activities

Group	Borrowings KShs'm	Lease liabilities KShs'm	Subtotal KShs'm	Cash and cash equivalents KShs'm	Total KShs'm
Net debt as at					
1 April 2019	(4,032.0)	–	(4,032.0)	20,030.1	15,998.1
Cash flows	(3,968.0)	3,742.8	(225.2)	6,729.6	6,504.4
Acquisitions	–	(17,326.8)	(17,326.8)	–	(17,326.8)
Other changes	–	(1,640.7)	(1,640.7)	–	(1,640.7)
31 March 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**26,759.7**	**3,535.0**
Net debt as at					
1 April 2018	(4,040.0)	–	(4,040.0)	9,497.0	5,457.0
Cash flows	8.0	–	8.0	10,533.0	10,541.0
Acquisitions	–	–	–	–	–
31 March 2019	(4,032.0)	–	(4,032.0)	20,030.0	15,998.0
Company					
Net debt as at					
1 April 2019	(4,032.0)	–	(4,032.0)	19,828.0	15,796.0
Cash flows	(3,968.0)	3,742.8	(225.2)	6,031.7	5,806.5
Acquisitions	–	(17,326.8)	(17,326.8)	–	(17,326.8)
Other changes	–	(1,640.7)	(1,640.7)	–	(1,640.7)
31 March 2020	**(8,000.0)**	**(15,224.7)**	**(23,224.7)**	**25,859.7**	**2,635.0**
1 April 2018	(4,040.0)	–	(4,040.0)	9,043.0	5,003.0
Cash flows	8.0	–	8.0	10,785.0	10,793.0
31 March 2019	(4,032.0)	–	(4,032.0)	19,828.0	15,796.0

31 Related party transactions

Vodafone Kenya Limited, incorporated in Kenya, whose ultimate parent is Vodafone Group PLC, incorporated in the United Kingdom (UK), is the largest single shareholder of the Company. There are other companies in the Vodafone Group that are related to the Company through common shareholdings or common directorships.

The following are the significant arrangements that exist and form the basis of various transactions within the Group:

(a) The Company has roaming agreements with Vodafone affiliated companies in many countries around the world, including the UK.

(b) The Company operates the M-PESA business on a licence basis. M-PESA is an innovative mobile payment solution that enables users to complete money transfer transactions and pay for goods and services by use of mobile phone for which the Company earns a commission which is based on the amounts transacted. The Company also uses the M-PESA platform to sell airtime to M-PESA account holders as well as run the M-Shwari and KCB M-PESA products as detailed out in Note 2(d).

Vodafone Sales and Services Limited (VSSL), which previously held the M-PESA solution, had entered into a managed services agreement with the Company under which VSSL had agreed to provide the M-PESA solution to the Company against which a licence fee was charged quarterly. The licence fee was based on 2% of the M-PESA transaction revenue effective 1 April 2017. This solution has now been transferred to M-PESA Global Services Limited.

M-PESA Holding Co. Limited acts as the trustee for M-PESA customers and holds all funds from the M-PESA business in trust to ensure that those funds are safeguarded at all times.

(c) The Company has signed an agreement with Vodafone Sales and Services Limited, a company incorporated in England. The agreement is effective from 1 April, 2011 renewable annually. Under the agreement, Safaricom PLC will have access to Vodafone's global price book and supply chain resources for purposes of procurement, terminals management, Vodafone technical expertise, best practice systems and processes, Vodafone knowledge bank, benchmarking reports, Vodafone Global Enterprise customers to increase revenues, Vodafone business assurance and the business and consumer products and marketing support.

The participation fee is fixed at an annual amount equal to six million, nine hundred thousand Euros (EUR 6,900,000) and a variable element of 6.85% of value of purchases made.

(d) The Company has employees who are seconded from Vodafone affiliate companies. The payroll cost for the secondees is managed by Vodafone Group Services Limited and recharged (invoiced) to the Company for payment on a monthly basis.

(e) The Company seconds its staff to other Vodafone affiliate companies. The payroll cost for these secondees is managed by Vodafone Group Enterprises (VGE) and recharged (invoiced) by the Company for payment on a monthly basis.

The following relationships exist within Safaricom PLC:

Related parties	Held by	Percentage of interest held as at 31 March 2020	2019
Subsidiaries			
One Communications Limited	Safaricom PLC	100%	100%
Instaconnect Limited	Safaricom PLC	100%	100%
Packet Stream Data Networks Limited	Safaricom PLC	100%	100%
Safaricom Money Transfer Services Limited	Safaricom PLC	100%	100%
East Africa Tower Company Limited	Safaricom PLC	100%	100%
IGO Wireless Limited	Safaricom PLC	100%	100%
Safaricom Foundation*	Safaricom PLC	–	–
Flexible Bandwidth Services Limited	One Communications Limited	100%	100%
Comtec Training and Management Services Limited	One Communications Limited	100%	100%
Comtec Integration Systems Limited	One Communications Limited	100%	100%
DigiFarm Kenya Limited	Safaricom PLC	100%	–
Associates			
The East African Marines Systems Limited (TEAMS)	Safaricom PLC	32.5%	32.5%
Circle Gas Limited	Safaricom PLC	18.96%	–
Joint Venture			
M-PESA Global Services Limited	Safaricom PLC	50%	–

* Safaricom Foundation was established by Safaricom PLC as a public charitable trust by a Declaration of trust dated 14 August 2003 and is domiciled in Kenya.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

31 Related party transactions continued

The following transactions were carried out with related parties:

(i) Sale of goods and services

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Vodafone Roaming Services S.à r.l	115.6	73.0	115.6	73.0
Vodacom Tanzania Public Limited Company	57.1	65.0	57.1	65.0
M-PESA Holding Co. Limited	78,795.2	72,717.7	77,493.0	72,083.0
Vodacom South Africa Limited	591.6	209.6	591.6	209.6
Vodafone UK	220.9	214.6	220.9	214.6
Vodafone Group Enterprises	158.5	171.4	158.5	171.4
Vodacom Business (Kenya) Limited	6.7	7.4	6.7	7.4
Vodafone Egypt Telecom. S.A.E.	9.3	4.4	9.3	4.4
Vodafone Network PTY Limited	1.0	0.9	1.0	0.9
Vodafone Sverige AB	0.9	0.9	0.9	0.9
Vodafone Qatar Q.S.C.	1.1	0.7	1.1	0.7
Safaricom Money Transfer Services Limited	–	–	330.0	251.3
Instaconnect	–	–	27.0	61.6
One Communications Limited	–	–	533.0	448.7
	79,957.9	73,465.6	79,545.7	73,592.5

(ii) Purchase of goods and services

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Vodafone Sales and Services Limited	3,172.1	3,856.5	3,172.1	3,856.5
Vodafone Group Services Limited	478.2	695.6	478.2	695.6
Vodafone Roaming Services S.à r.l	96.9	104.2	96.9	104.2
Vodafone UK	41.1	19.1	41.1	19.1
Vodacom South Africa Limited	26.6	36.1	26.6	36.1
Vodacom Tanzania Public Limited Company	271.8	316.8	271.8	316.8
Vodafone Sverige AB	0.9	–	0.9	–
Vodafone Egypt Telecom. S.A.E.	9.6	5.7	9.6	5.7
Vodafone Network PTY Limited	1.2	2.5	1.2	2.5
Vodafone Qatar Q.S.C.	5.7	5.7	5.7	5.7
Vodacom Business (Kenya) Limited	35.9		35.9	–
Vodafone India Limited	5.1	–	5.1	–
One Communications Limited	–	–	401.7	683.7
	4,145.1	5,042.2	4,546.8	5,725.9

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

iii) Directors' remuneration

	Group and Company	
	2020 KShs'm	2019 KShs'm
Fees for services as Director	34.5	34.6
Salaries	169.3	151.6
Bonuses	43.5	47.3
Value for non–cash benefits	44.5	65.3
Employee Performance Share Award Plan	32.9	40.6
	324.7	339.5

iv) Key management compensation

	2020 KShs'm	2019 KShs'm
Salaries and other short–term employment benefits	852.3	951.1
Employee Performance Share Award Plan	134.4	142.3
Pension contribution	20.2	18.9
Termination benefits	–	47.4
	1,006.9	1,159.7

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity.

v) Loans from shareholders

There no loans from shareholders outstanding at 31 March 2020 (2019: Nil).

vi) Loans to Directors of the Company

There are no loans to Directors of the Company at 31 March 2020 (2019: Nil).

vii) Donations to Safaricom Foundation

Donations made during the year amounted to KShs 510 million (2019: KShs 466 million).

viii) Outstanding receivable balances arising from sale of goods/services

	Group		Company	
	2020 KShs'm	2019 KShs'm	2020 KShs'm	2019 KShs'm
Vodafone Roaming Services S.à r.l	13.0	7.0	13.0	7.0
Vodafone Group Enterprises	51.9	18.2	51.9	18.2
M-PESA Holding Co. Limited	1,184.1	1,975.6	595.2	1,473.4
Vodacom Tanzania Public Limited Company	4.3	4.9	4.3	4.9
Vodacom South Africa Limited	193.1	46.8	193.1	46.8
Vodafone UK	56.4	62.6	56.4	62.6
Vodacom Business (Kenya) Limited	2.8	–	2.8	–
Vodafone Egypt Telecom. S.A.E.	5.4	0.9	5.4	0.9
Vodafone Sverige Ab	–	–	0.3	0.3
One Communications Limited	–	–	31.9	79.3
East African Towers Company Limited	–	–	16.0	16.0
Instaconnect Limited	–	–	88.4	61.6
Safaricom Money Transfer Services Limited	–	–	44.1	32.1
DigiFarm Kenya Limited	–	–	718.6	–
	1,511.0	2,116.0	1,821.4	1,803.1

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of KShs 11.7 million (2019: KShs 11 million) (Note 25) is held against receivables from related parties.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Notes Continued

31 Related party transactions continued

ix) Outstanding payable balances arising from purchases of goods/services

	Group		Company	
	2020 KShs'm	2019 KShs'm	**2020 KShs'm**	2019 KShs'm
Vodafone Sales and Services Limited	557.8	823.1	557.8	823.1
Vodafone Group Services Limited	319.6	332.0	319.6	332.0
Vodafone Roaming Services S.à r.l	4.2	6.5	4.2	6.5
Vodacom Tanzania Public Limited Company	42.6	26.9	42.6	26.9
Vodacom South Africa Limited	2.1	0.3	2.1	0.3
Vodafone UK	2.9	2.8	2.9	2.8
Vodafone Network PTY Limited	0.4	0.9	0.4	0.9
Vodafone Sverige AB	0.3	1.2	0.3	1.2
Vodafone D2 GMBH	0.9	1.2	0.9	1.2
Vodafone Qatar Q.S.C.	9.4	3.4	9.4	3.4
Vodafone Egypt Telecom. S.A.E.	0.3	–	0.3	–
Vodacom Business (Kenya) Limited	6.8	–	6.8	–
MTC Vodafone Bahrain	1.4	–	1.4	–
Vodafone India Limited	1.1	–	1.1	–
One Communications Limited	–	–	281.5	237.5
Safaricom Money Transfer Services Limited	–	–	23.0	32.0
	949.8	1,198.3	**1,254.3**	1,467.8

32 Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. At 31 March 2020, a guarantee of KShs 25 million (2019: KShs 20 million) had been given to Citibank NA against credit cards for the use by senior staff during travel.

The Company has outstanding matters with Kenya Revenue Authority (KRA) and various ongoing legal cases from trade and contractual disputes arising from normal course of business.

The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any additional material liabilities that may have a significant impact on these financial statements.

33 Commitments

Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

	Group and Company	
	2020 KShs'm	2019 KShs'm
Property, plant and equipment	11,536.2	8,974
Operating lease commitments		
Not later than 1 year	–	2,099
Between 1 year and 5 years	–	7,701
Later than 5 years	–	4,475
	–	**14,275**

Operating lease commitments relate to contracted leases for facilities and site rentals at the statement of financial position date. After adoption of IFRS 16, these have now been treated as lease liabilities and ROU assets as per the new accounting guidelines.

34 COVID-19 Assessment

The Group is continuously tracking the developing issues around COVID-19 and has put in place measures to mitigate the impact of the outbreak to customers, employees, salesforce and other stakeholders.

Based on the cash flows projections prepared by management under the different scenarios, there is no significant deterioration in the free cash flows under each scenario. Management does not expect any asset impairment resulting from the pandemic.

Based on the assessments made, the Directors are not aware of any material uncertainties related to these events or conditions that may cast doubt upon the Company's and the Group's ability to continue as going concerns. Further, the Directors consider the carrying value of the assets held at 31 March 2020 to be fairly stated.

APPENDICES TO THE FINANCIAL STATEMENTS

Appendix 1 – Principal shareholders

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2020 were as follows:

Name of shareholder

	Number of shares
1 VODAFONE KENYA LIMITED	16,000,000,000
2 CABINET SECRETARY TO THE TREASURY	14,022,572,580
3 STANDARD CHARTERED NOMINEES NON–RESD. A/C 9069	594,053,047
4 KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	321,646,300
5 STANDARD CHARTERED KENYA NOMINEES LTD,A/C KE19796	283,706,900
6 STANBIC NOMINEES LTD A/C NR1030824	178,819,400
7 STANDARD CHARTERED NOMINEES RESD A/C KE11401	150,112,517
8 STANDARD CHARTERED KENYA NOMINEES LTD,A/C KE20435	144,506,800
9 STANDARD CHARTERED NOMINEES RESD A/C KE11443	138,174,907
10 KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B KENYA	135,493,086
11 OTHERS	8,096,342,463
Total	40,065,428,000

Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
1 to 1000	360,934	215,367,874	0.54%
1001 – 10,000	168,137	478,218,513	1.19%
10,001 – 100,000	18,670	469,337,547	1.17%
100,001 – 1,000,000	1,713	479,141,975	1.20%
1,000,001 – 10,000,000	528	1,861,351,440	4.65%
10,000,001 – 100,000,000	175	4,271,937,209	10.66%
100,000,001 – 1,000,000,000	11	2,267,500,862	5.66%
1,000,000,001 – 100,000,000,000	2	30,022,572,580	74.93%
Total	550,170	40,065,428,000	100.00%

APPENDICES TO THE FINANCIAL STATEMENTS

Appendix 2 – Statement of profit or loss and other comprehensive income based on IAS 17

	Group		Company	
	2020 IFRS 16 KShs'm	2020 IAS KShs'm	2020 IFRS 16 KShs'm	2020 IAS KShs'm
Service revenue	260,463.8	260,463.8	259,078.7	259,078.7
Handset and other revenues	2,091.9	2,091.9	2,326.8	2,326.8
Construction revenue				
Total revenue	**262,555.7**	**262,555.7**	**261,405.5**	**261,405.5**
Direct costs	(75,284.9)	(75,284.9)	(75,468.7)	(75,468.7)
Provision for expected credit loss (ECL) on receivables	(1,669.6)	(1,669.6)	(1,418.7)	(1,418.7)
Other expenses	(47,559.7)	(50,968.4)	(47,023.1)	(50,431.9)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	138,041.5	134,632.8	137,495.0	134,086.2
Depreciation of property, plant and equipment	(31,964.8)	(31,964.8)	(31,925.3)	(31,925.3)
Amortisation – Indefeasible Rights of Use (IRUs)	(301.0)	(301.0)	(301.0)	(301.0)
Amortisation – intangible assets	(1,359.1)	(1,359.1)	(1,358.0)	(1,358.0)
Amortisation – Right of Use (ROU) assets	(2,922.8)	–	(2,922.8)	–
Operating profit	**101,493.8**	**101,007.9**	**100,987.9**	**100,501.9**
Finance income	3,518.8	3,518.8	3,494.5	3,494.5
Finance cost	(2,596.6)	(956.0)	(2,585.5)	(944.8)
Share of profit of associate	60.9	60.9	60.9	60.9
Share of profit of Joint Venture (M-PESA Global Services Limited)	3,296.1	3,296.1	3,296.1	3,296.1
Profit before income tax	**105,773.0**	**106,927.7**	**105,253.9**	**106,408.6**
Income tax expense	(32,115.1)	(32,229.3)	(31,969.7)	(32,083.9)
Profit and total comprehensive income for the year attributable to the owners of the Company	**73,657.9**	**74,698.4**	**73,284.2**	**74,324.7**
Earnings per share before share of profit from joint venture	1.76	1.56	1.75	1.55
Basic and diluted (KShs per share)	1.84	1.86	1.83	1.86

APPENDICES TO THE ANNUAL REPORT

The journey of transforming lives

1999
Safaricom was licensed (Officially launched in October 2000)

2000
Vodafone PLC (UK) bought 40% of Telkom Kenya

2001
Entry of Kencell into the Kenyan market

2002
Safaricom had 26k subscribers

- KShs 9 billion revenue
- Converted into a public company with 60% owned by GoK
- KShs 100 scratch card was introduced

2003
54.0% Market Share

Drive into mass market:

- Launch of Simu ya Jamii (Swahili for communal phone). Users were able to make affordable calls at regulated rates charged per unit second
- Launch of per second billing – counter competition per minute billing rates charged per unit second

2004
59.2% Market Share

- Subscriber numbers hit 2 million
- Telkom exclusivity with Safaricom ends. Kencell sold to Vivendi then Celtel
- Mobile internet launched

2005
54.5% Market Share

- Launch of Sambaza (allows subscribers to share credit)
- Launch of "Please Call Me", Safaricom's flash back service

2006
54.5% Market Share

2007
65.4% Market Share

- 6 million subscribers
- Launch of M-PESA on 1 March 2007
- First to market with 3G

2008
59.2% Market Share

- Safaricom IPO government sold 25% and diluted to 35% ownership
- 10 million subscribers
- KShs 61 billion revenue
- Celtel branded to Zain. Telkom partners with Orange. Entry of Essar Telecoms YU
- IMT pilot partnership with Vodafone and Western Union

2009
79.1% Market Share

- M-PESA Interoperability with banks, WiMAX
- Off island fibre, investment in SEACOM and TEAMS

2010

78.3%

Market Share

- Bob Collymore is appointed CEO
- Airtel buys Celtel branded as Zain
- The Commission assigned additional frequency spectrum resources to Zain to enable it offer 3G services.
- Regulator implements MTR reduction to KShs 99 which sparks price war

2011

67.0%

Market Share

- 17 million subscribers
- Mobile number portability
- Price war in the market

2012

65.3%

Market Share

- Safaricom partners with CBA to launch a savings and loan product called M-Shwari
- KShs 107 billion revenue

2013

54.5%

65.1% Market Share

- Launch of Lipa Na M-PESA
- Safaricom is the first company to launch a Sustainability Report

2014

66.7%

Market Share

- 21 million subscribers
- Launch of 4G network
- Launch of National Security Surveillance
- Launch of Spark Venture Fund – Fund started to help tech startups grow their businesses

2015

67.1%

Market Share

- Regional structure – Inspired by Safaricom's desire to put the Customer First and provide Operational Excellence in line with our strategic pillars
- Safaricom relocates M-PESA servers from Germany to Kenya
- Launch of KCB M-PESA and True Value Report (Safaricom contribution to Kenyan economy is 6% of GDP)
- Orange and Airtel receive approval to test 4G
- Safaricom partners with GoK to launch eCitizen (online payment for GoK)

2016

65.6%

Market Share

- Launch of SDGs – First company in Kenya to link its growth strategy to the UN's 17 Sustainable Development Goals (SDGs)

2017

71.9%

Market Share

- 28 million subscribers
- KShs 224 billion revenue
- Rebrand to Twaweza "When we come together, great things happen"
- Launch of Home Solutions and E-commerce

2018

67.0%

Market Share

- 29million subscribers
- Launch of e-commerce
- Launch of DigiFarm
- Launch of M-PESA Global

2019

62.4%

Market Share

- 31.8million subscribers
- Launch of Nawe Kila Wakati (NKW) Always With You campaign
- Launch of Fuliza

2020

64.8%

Market Share

- Launch of 'For You' customer promise
- Acquisition of M-PESA brand via joint venture with Vodacom
- Partnership with Visa

Simple · Transparent · Honest

FOR YOU.

APPENDICES TO THE ANNUAL REPORT

Definition of terms

Unaudited information

Name	Definition
2G	2G networks are operated using the Global System for Mobile (GSM) technology which offers services such as voice, text messaging and low speed data. In addition, all the Group's controlled networks support General Packet Radio Services (GPRS), often referred to as 2.5G. GPRS allows mobile devices to access IP based data services such as the internet and email.
3G	A cellular technology based on wide band code division multiple access delivering voice and faster data services.
4G/LTE	4G or Long-Term Evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.
5G	5G is the fifth-generation wireless broadband technology which provides better speeds and coverage than the current 4G.
Adjusted EBIT	Operating profit excluding share of results in associates and joint ventures, impairment losses, amortisation of customer bases and brand intangible assets, restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBIT may not be comparable with similarly titled measures and disclosures by other companies.
Adjusted EBITDA	Operating profit excluding share of results in associates and joint ventures, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses, restructuring costs arising from discrete restructuring plans and other income and expense. The Group's definition of adjusted EBITDA may not be comparable with similarly titled measures and disclosures by other companies.
AGM	Annual General Meeting.
ARPU	Average Revenue per user, defined as customer revenue and incoming revenue divided by average customers.
Capital additions ('capex')	Comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Customer costs	Customer costs include acquisition costs, retention costs and expenses related to ongoing commissions.
Customer Value Management ('CVM')	The delivery of perceived value to identifiable customer segments that results in a profitable return for the Company.
Depreciation and other amortisation	The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant, equipment and computer software.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
Fixed service revenue	Service revenue relating to provision of fixed line ('fixed') and carrier services.
FTTH	Fibre to the Home provides an end-to-end fibre optic connection, the full distance from the exchange to the customer's premises.
Free cash flow ('FCF')	Operating free cash flow after cash flows in relation to taxation, interest and dividends received from associates and investments and dividends paid to non-controlling shareholders in subsidiaries, but before restructuring costs arising from discrete restructuring plans and licence and spectrum payments.

Unaudited information

Name	Definition
IFRS	International Financial Reporting Standards.
IFRS 15	International Financial Reporting Standard 15 "Revenue from Contracts with Customers". The new accounting standard adopted by the Group on 1 April 2018 and applied to the Group's statutory results for the year ended 31 March 2019.
Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.
IP	Internet Protocol is the format in which data is sent from one computer to another on the internet.
IP-VPN	A Virtual Private Network ('VPN') is a network that uses a shared telecommunications infrastructure, such as the internet, to provide remote offices or individual users with secure access to their organisation's network.
Mobile broadband	Mobile broadband allows internet access through a browser or a native application using any portable or mobile device such as smartphone, tablet or laptop connected to a cellular network.
Mobile customer	A mobile customer is defined as a Subscriber Identity Module ('SIM'), or in territories where SIMs do not exist, a unique mobile telephone number, which has access to the network for any purpose, including data only usage.
Mobile customer revenue	Represents revenue from mobile customers from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge (in-bundle) and revenues from minutes,messages or megabytes of data which are in excess of the amount included in customer bundles (out-of-bundle). Mobile in-bundle and out-of-bundle revenues, previously disclosed separately, are now combined to simplify the presentation of the Group's results.
Mobile service revenue	Service revenue relating to the provision of mobile services.
Net Promoter Score ('NPS')	Net Promoter Score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses	Operating expenses comprise primarily sales and distribution costs, network and IT related expenditure and business support costs.
Operating free cash flow	Cash generated from operations after cash payments for capital additions (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment, but before restructuring costs arising from discrete restructuring plans.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.

APPENDICES TO THE ANNUAL REPORT

Board member profiles

Name	Skills and experience
Nicholas Nganga (82) Chairman and Non-Executive Director	Mr. Nganga joined the Board of Safaricom on 6 May 2004 and was elected Chairman on 16 January 2007. He is a holder of a BA Degree from Makerere University. Mr. Nganga has served on different occasions as the Permanent Secretary in the Ministry of Finance, Ministry of Foreign Affairs and the Ministry of Health. He has been extensively involved in the tea industry and was Chairman of the Tea Board of Kenya. He is a past Chairman of the National Bank of Kenya and is the current Chairman of G4S Security and Car & General Kenya Limited. He is also a member of the Board of Kakuzi PLC.
Peter Ndegwa (51) Executive Director and CEO	Peter Ndegwa is the Chief Executive Officer (CEO) of Safaricom PLC, a leading communications company in Africa and pioneer of M-PESA, the world's most developed mobile payment system. Peter joined Safaricom on 1 April 2020. He is an experienced Board level leader with a wealth of experience in General Management, Commercial and Business Strategy, Sales and Finance Operations, having spent over 25 years in various roles within the Financial Services and Fast-Moving Consumer Goods (FMCG) sectors in Africa and Europe. He holds an MBA from the London Business School and a Bachelor's degree in Economics from the University of Nairobi. He is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, Middle East and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Breweries PLC, transforming the two operations to deliver a double-digit growth by investing in people, introducing new brands and re-organising the businesses. As a Chief Executive in several markets within the Diageo Group, Peter demonstrated ability to transform businesses and organisations to deliver superior results. He has a real passion for delivering value to customers (with his principle of customer first), investing in talent and getting things done. Peter served for eight years across a range of senior Executive Director roles at East Africa Breweries Limited (a Diageo subsidiary) based in Nairobi. Serving as the Group Chief Finance Officer (CFO), Group Strategy Director, Sales Director, and as an Executive Director on the EABL Board, he was part of the team that saw the EABL business more than doubled in value – and winning the coveted Most Respected Business Award in East Africa for five years in a row. Peter is credited with the development of an affordable-beer strategy for EABL resulting in the production of new brands such as Senator beer which became one of the of the most successful innovations by Diageo. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter is an advocate for inclusive business principles that support the growth of the SME sector and supply chains in a sustainable manner. Peter draws his inspiration, in particular from his early upbringing laying the foundations for his strong value set, from his teachers and the legendary Dr Geoffrey Griffin – the late founder of Starehe Boys Centre – his alma mater, and his parents.

Name	Skills and experience
Michael Joseph (74) Director (Outgoing Chief Executive Director)	Michael Joseph is the former Chief Executive Officer of Safaricom PLC, a position held from 2 July 2019 to 31 March 2020. He joined the Board on 8 September 2008. Michael is employed by Vodafone Group Services Limited as the Director of Mobile Money. He is also Vodafone's Strategic Advisor appointed to the Boards of Vodacom Group South Africa, Vodacom Tanzania and Vodacom Mozambique. He is also the Chairman of Kenya Airways. Previously, Michael was the Chief Executive Officer of Safaricom Limited from July 2000 when the company was re-launched as a joint-venture between Vodafone UK and Telkom Kenya until his retirement in November 2010. During his tenure, he steered the Company from a subscriber base of less than 20,000 to over 16.71 million subscribers. This phenomenal growth straddling nearly a decade was motored by the launch of many innovative products and services such as M-PESA. Today, Safaricom is one of the leading companies in East Africa and one of the most profitable companies in the region. He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East. Michael is a U.S. citizen and has a B.Sc. (cum laude) in Electrical Engineering from the University of Cape Town and is a member of the I.E.E.E. and I.E.E. (U.K.). Michael, has an Honorary Doctorate degree (Doctor of Letters) from Africa Nazarene University, bestowed to him in recognition of his contribution to the growth of Safaricom from very humble beginnings to becoming one of the most innovative, influential and profitable companies in the East African region.
Esther Koimett (64) Alternative to Ukur Yattani Cabinet Secretary for National Treasury and Planning	Esther Koimett joined the Board of Safaricom in May 2005. She previously served on the Board between April 2001 and September 2002. She holds a Bachelor of Commerce and MBA Degrees from the University of Nairobi and is currently the Principal Secretary, State Department of Transport, Ministry of Transport, Infrastructure, Urban Development and Public Works. Esther has also served as the Permanent Secretary in the Ministry of Tourism, Investment Secretary in the Treasury and Information Department and Managing Director, Kenya Post Office Savings Bank.
Linda Muriuki (56) Non-Executive Director	Linda Watiri Muriuki serves as the Senior Partner at LJA Associates. She is a practising Advocate of the High Court of Kenya with over 28 years' experience and ranked by Chambers and Partners in 2015 and 2016. She has previously served as a Non-Executive Director of Old Mutual Life Assurance Company Limited and the Capital Markets Authority. She currently serves as a Non-Executive Director of East Africa Reinsurance Company Limited. Linda holds a BA Economics Degree from York University, Canada, an LLB (Honors) from the University of Leeds, United Kingdom and a Master's Degree as a Graduate of the Global Executive Masters of Business Administration from United States International University in collaboration with Columbia University New York, USA. Linda is a Commissioner for Oaths, Notary Public, Certified Public Secretary (Kenya) and a member of the Institute of Directors (K) and the Law Society of Kenya.
Mohamed Joosub (49) Non-Executive Director	Mohamed Shameel Aziz Joosub is the CEO of the Vodacom Group since September 2012. He is a former CEO of Vodafone Spain. He was previously the Managing Director of Vodacom South Africa from March 2005 to March 2011 prior to taking up the position as CEO of Vodafone Spain. Prior to that, he was the Managing Director of Vodacom Service Provider Company from September 2000 to February 2005 and Managing Director of Vodacom Equipment Company from 1998. Shameel served on the Vodacom Group Board from 2000 until March 2011, when he was seconded to Spain. He was reappointed to the Vodacom Group Board in September 2012 after his return from Spain.

APPENDICES TO THE ANNUAL REPORT

Board member profiles Continued

Name	Skills and experience
Till Streichert (46) Non-Executive Director	Till Streichert was appointed as the Chief Financial Officer and Executive Director of Vodacom Group in August 2015 after working as the Finance Director at Vodacom South Africa from February 2014. Till was also appointed as Non-Executive Director of Vodacom Tanzania, Non-Executive Director of Vodafone Kenya and as a Non-Executive Director of Safaricom respectively in August 2017. He has more than 15 years' experience supporting financial and operational transformations through expertise in financial strategy, business leadership, revenue and profit growth in international environments. Till has had a broad and successful career within large international corporations including various finance and commercial roles, including CFO and Head of Channel Marketing and Sales Operations at Vodafone Romania. He began his career at T-Mobile Germany before undertaking various roles at T-Mobile UK as well as serving as a Strategy Consultant at the Boston Consulting Group.
Vivek Badrinath (51) Non-Executive Director (Alternate to Francesco Bianco)	Vivek Badrinath joined Vodafone and the Executive Committee as CEO of AMAP in October 2016. He is responsible for Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya and New Zealand. Previously, he was the Deputy Chief Executive at the international hospitality group AccorHotels where he was responsible for Marketing, Digital Solutions, Distribution and Information Systems. Also, he was previously Deputy Chief Executive with Orange and had a long career in telecommunications and technology. Prior roles include Executive Director responsible for Orange's Business Services division, leadership of Orange's global networks and operator's division and Chief Technology Officer for Orange's mobile activities. Vivek was appointed to the Vodacom Group Board in December 2016. He is a member of the Board of GSMA and Chairman of the GSMA Policy Group. He is also a Non-Executive Director of Atos.
Francesco Bianco (48) Non-Executive Director	Francesco Bianco is the Global Talent, Capabilities and Organisational Development Director at Vodafone and an alternate Non-Executive Director in the Vodacom Group Board. Francesco has had a vast career in HR, spanning over 15 years. He originally joined Vodafone Italy in 2000 and has extended his career portfolio internationally in other Human Resources Director roles. Francesco holds a Bachelors' Degree in Law from Padova University and a Business Strategy Executive Program with Maastricht University. Francesco was appointed to the Vodacom Group Board as an alternate director to Mr Michael Joseph in January 2019 and also appointed as an alternate director to Ms Leanne Wood in July 2019.
Prof. Bitange Ndemo (61) Independent Non-Executive Director	Prof. Bitange Ndemo is a notable ICT industry expert who currently lectures on entrepreneurship and research methods at the University of Nairobi's Business School. Most of his research centres on the link between ICT and small and medium enterprises in Kenya. He is also a former Permanent Secretary, Ministry of ICT, Government of Kenya. He is a Professor at the University of Nairobi, a senior advisor with UNCDF and is the current Chairman of the Task Force on Blockchain and Artificial Intelligence.

Name	Skills and experience
Rose Ogega (60) Independent Non-Executive Director	Ms. Rose Ogega has extensive experience spanning over 30 years advising and managing both large, complex organisations and emerging startup ventures and 17 years of board experience. In recognition of her contribution to the economic development of the country, she was awarded the Moran of the Burning Spear (MBS) in 2005. Ms. Ogega is the Managing Director of Bloom Consultancy Limited. She is currently a member of the Aspen Global Leadership Network, the Institute of Directors of Kenya, the African Leadership Initiative and a fellow of the Institute of Certified Public Accountants of Kenya. She is a Certified Hogan Lead Assessor, an Executive Coach and a Member of the Academy of Executive Coaches.
Kathryne Maundu (41) Company Secretary	Kathryne Maundu has 16 years of consulting experience guiding local and multinational companies and their boards in discharging their statutory and corporate governance mandates. She is currently working as a senior executive in the Corporate Services Practice of the law firm Bowmans Coulson Harney LLP, where she provides outsourced Company Secretarial and Governance Services. Kathryne has worked in the East African countries of Kenya, Uganda and Tanzania and is well versed with the applicable corporate laws and other statutory regulations in these jurisdictions. Kathryne holds a Bachelor of Laws Degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law and a Post Graduate Certificate in International Business Law from the University of London. She is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya, a registered Certified Public Secretary and an Accredited Governance Auditor with the Institute of Certified Public Secretaries of Kenya. She is currently pursuing her LL.M (Masters in Law) in Corporate and Commercial Law with the University of London, Queen Mary College.

* The Company has two Independent Directors who duly represent the interests of the minority shareholders who hold 25% of the Company's shareholding.

APPENDICES TO THE ANNUAL REPORT

Senior management profiles

Name	Skills and experience
Sateesh Kamath Chief Financial Officer (Outgoing)	Sateesh Kamath is responsible for leading Finance operations and is in charge of Financial Planning & Analysis, Investor Relations, Internal Audit and Financial Reporting. He joined Safaricom PLC on 1 August 2016 from Vodacom Tanzania Ltd., where he was the Chief Financial Officer and Executive Director on the board. Prior to joining Safaricom, Sateesh held senior roles over the last 12 years at both a global and local level for Vodafone operations in London, Australia, New Zealand, Turkey and Fiji. He also continues to be a Non-Executive Director in other group companies and investments. Sateesh has over 20 years' experience in both mature and emerging markets across Asia, Europe and Africa, where he has built a strong background in strategic performance management and streamlining robust operations across the telecoms, FMCG and manufacturing sectors. He holds a Bachelor of Commerce Degree from Mahatma Gandhi University (First Class) and is also a Qualified Accountant from the Institute of Cost and Works Accountants of India.
Sylvia Mulinge Chief Customer Officer	Sylvia is currently the Chief Customer Officer, responsible for leading Safaricom's obsession on Customer Experience as a key differentiator of the overall company strategy. She is in charge of Consumer Business, Brand Marketing, Brand Experience, Digital Transformation, Sales & Distribution, Operations and Commercial Planning & Pricing. She joined Safaricom as the Prepay Product Manager in February 2006 from Unilever. Over the last 12 years she has risen through the ranks, holding various leadership roles from Head of Retail, Head of Safaricom Business – Sales, to General Manager – Enterprise Business before transitioning to manage the Consumer Business Unit as it's Director. In November 2018 she became the Chief Customer Officer. Sylvia is an accredited executive coach and a Bachelor of Science Degree alumni from the University of Nairobi where she graduated with the highest distinction of First-Class Honors. A mentor and a leader in both her private and professional life, Sylvia is the recipient of several awards, which include her appointment to the Presidential Award Scheme, and being named as one of Kenya's Top 25 Women In Digital in 2019. She has also been feted as one of Kenya's Top 40 under 40 Women for three consecutive years and a Young Global Leader (YGL) award recipient in 2015. She also sits on a number of local boards and is a Vice Chair of the UN Women Unstereotype Alliance.
Joseph Ogutu Chief Special Projects Officer	Joseph Ogutu, is the Chief Special Projects Officer, Chairman of Safaricom Foundation as well as Chair of the Safaricom Staff Pension Scheme. He joined Safaricom in May 2005 as Chief Corporate Affairs Officer from Telkom Kenya, and later in 2008 was appointed to serve as Chief Human Resource Officer before taking on the role of Director, Resources Division following the company reorganisation in March 2011. In October 2012, he was appointed as the Director, Strategy & Innovation Division, where he worked closely with the CEO in formulating strategic direction for the business focusing on developing Safaricom' s position as an industry leader in driving innovation in products & services. In his current role as Chief/Special Projects, he is coordinating company efforts to bid for the second telecommunications license in Ethiopia. His experience in the communications industry spans more than 35years of which the last 20 have been at Executive Committee level. At Telkom he was the Principal Assistant to the Managing Director and Chief Strategy and Regulatory Officer. He was involved in the reform of the sector including the drafting of the Postal and Telecommunication Policy Paper that saw the restructuring of the defunct Kenya Posts and Telecommunications Corporation and subsequent establishment of the Communications Authority (CA), Telkom Kenya and Postal Corporation of Kenya. Joseph is passionate about working with communities and travels regularly around the 47 counties of the country to launch projects funded by the Foundation.

Name	Skills and experience
Stephen Chege Chief Corporate Affairs Officer	Stephen Chege is the Chief Corporate Affairs Officer at Safaricom, the leading communications company in Kenya and pioneer of M-PESA, the world's most widely used mobile payments system. With a deep background in regulatory and legal affairs, Stephen is responsible for the Corporate Affairs Division, which provides strategic support functions to Safaricom's operations. These functions include the Regulatory and Public Policy, Legal and Secretarial Services; Sustainable Business & Social Impact (incorporating the Safaricom and M-PESA Foundations as well as Sustainability Reporting); Corporate Communications and International Roaming functions. He has over 16 years' experience in the telecommunications industry with focus on public policy, regulatory, and industry legislation from various organisations, including Vodafone Group UK. He first joined Safaricom in 2006 as In-House Counsel, rising over the years to hold the position of Senior Manager, Public Policy & Market Regulation until 2011 when he was appointed Head of Regulatory and Public Policy. In April 2015, he became the Director, Corporate Affairs, a position which has since been renamed Chief Corporate Affairs Officer. An advocate of the High Court of Kenya, Stephen holds a Masters in Law (LL.M) in International Trade and Investment Law from the University of Nairobi and a Bachelor of Laws Degree (LL.B) from the same university. He is a Certified Public Secretary and a Trustee of the Safaricom Foundation.
Nicholas Mulila Chief Corporate Security Officer	Nicholas Mulila is the Chief Corporate Security Officer at Safaricom PLC responsible for the Company's Risk Management, Business Assurance, Customer Data Privacy, Cyber Security, AML/CTF Program and Physical Security. He joined Safaricom in 2001 as a Senior Management Accountant in the Finance Division and has risen steadily through the ranks to serve the company in various capacities including Business Planning & Forecasting, Head of Corporate Strategy, Head of Commercial Planning & Pricing, Executive Business Analyst, Director Risk Management and is currently Chief Corporate Security Officer. Nicholas has over 20 years' experience in strategy formulation and execution, financial management, business analysis, risk management and corporate governance. Prior to joining Safaricom, Nicholas had worked for General Motors (EA) and Eastern Produce (K) Ltd. where he held various positions in finance. Mr. Mulila holds a Master of Business Administration Degree in Strategy and a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi. He is a Certified Accountant and Company Secretary, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as the Institute of Certified Secretaries of Kenya (ICSK), American Society for Industrial Security International (ASIS) and a member of the Institute of Directors (Kenya).

APPENDICES TO THE ANNUAL REPORT

Senior management profiles Continued

Name	Skills and experience
Rita Okuthe Chief Enterprise Business Officer	Rita heads Safaricom's Enterprise Business Unit (EBU) and in her role she has transformed the division's focus from just selling Telco services to becoming a Digital Partner of Choice for Business enabling them to succeed in a Digital world. Rita is also a Trustee of the Safaricom Foundation, Kenya's largest Corporate Foundations in Kenya where she leads the foundation's Maternal and Child Health focus area. Rita is also part of the team that leads the Women in Leadership and Women in Technology programmes. The two programmes focus on how to bring more women into leadership and technology by offering on the job trainings and opportunities. Rita is also a board member of the Kenya Pipeline Company where she chairs the Board Audit Committee, DigiFarm (an integrated mobile platform that offers farmers convenient, one-stop access to a suite of information and financial services) and Mezanine (a company that specialises in developing mobile enabled solutions for businesses). She is also a member of the Women Corporate Directors – Kenya chapter and a Certified Executive Coach. Rita has a degree in Economics and an MSC in Marketing from the Business Faculty at London School of Economics. Besides her family and job, she has a passion for empowering women and children and enjoys reading as well as motivating people.
Sitoyo Lopokoiyit Chief Financial Services Officer	Sitoyo Lopokoiyit is a mobile-financial services expert, who has managed mobile money in two of the largest markets in the world (Kenya & Tanzania). In his current role as Chief Financial Services Officer at Safaricom PLC, he is responsible for managing and growing M-PESA which has earned revenues of over $700 million, with the service growing at over 19% year on year. He is a passionate, energetic and easy-going leader, who has delivered major innovations that have revolutionised the global mobile money space and driven financial inclusion such as the world's first contextual overdraft facility dubbed – Fuliza, Mshwari a savings and loan proposition, M-PESA Global Payments, and partnerships with PayPal and Ali Express. Prior to joining Safaricom PLC, he served as the M-Commerce Director at Vodacom Tanzania PLC, where he led the turnaround strategy for the adoption and execution of M-PESA which resulted in the accelerated growth of M-PESA in Tanzania. He also oversaw the delivery of several other transformative products and services like the delivery of Mobile Money G2 platform, M-PESA app, interoperable transactions for both peer to peer transfers and merchant payments, Business to Business payments, M-PESA CVM and Merchant Payments. He is currently the Chairman of M-PESA Limited (Tanzania) and CEO of Safaricom Money Transfer Services Limited. He is also the Interim Managing Director of M-PESA Africa. Sitoyo has over 15 years' senior managerial experience from different fields; oil & Gas (Chevron and Total Kenya Ltd) and in the Retail industry within Kenya. He has worked extensively in the East Africa Region as well as in Mauritius and Reunion. Sitoyo holds a Bachelor of Commerce (Hons) degree in Marketing from the University of Nairobi (2000) and an MSc in Information Technology Management and Organizational Change from Lancaster University in the UK.

Name	Skills and experience
Paul Kasimu Chief Human Resources Officer	Paul Kasimu is responsible for talent and organisational effectiveness. He is in charge of Talent Acquisition & Capability, Corporate Centres, Essential Services & Facilities, Health, Safety & Wellness and responsible for driving the corporate culture. Paul joined Safaricom in July 2017 from East African Breweries where he was the Group HR Director since May 2011. Paul is an Accredited Executive Coach and HR professional with distinct expertise in business partnering in the implementation of HR Strategy, Leadership and Talent Development and Employer Branding. One of his main achievements has been an award as the Manager of the Year at the Company of the Year Awards (COYA) in Kenya. A recent achievement for Paul has been the orchestration of an Amazing People Manager Program. Paul holds a first Degree in Economics and Sociology and a Master of Science in Management and Organisational Development. He is the immediate Chairman of the Institute of Human Resource Management, Kenya and a Board member of AMREF, Kenya.
Debora Mallowah Chief Development Officer	Debra Mallowah joined Safaricom PLC on 2 January 2019, having previously served at GlaxoSmithKline where she was the General Manager – Eastern Africa, responsible for eight markets in the region. She is a seasoned broad-based professional with roles that have included Vice President for Unilever for the Personal Care Division, Africa and Group Marketing & Innovations Director in Diageo East Africa. She has worked and lived in Kenya, the United Kingdom and South Africa during the span of her career. As the Chief Business Development Officer, she is responsible for preparing Safaricom for the future, harnessing new business opportunities and leading innovation. She is responsible for Safaricom's Innovation Unit and leads any geographical expansion opportunities including M&A activities. As the executive responsible for developing the Company's strategic direction, she also leads the Knowledge Management team comprising of Research as well as Insights and Big Data. Debra holds a B.Com (Hons) Degree from the University of Nairobi and completed an Advanced Management Program at IESE Business School, Spain. Her interests include community service, African art and the adventure of discovering and meeting new people and places. She is married with children.
Thibaud Rerolle Chief Technology Officer	Thibaud Rerolle is responsible for leading technology to deliver a digital network and connected services to ensure a superior customer experience. He is in charge of Network Planning & Design, Enterprise Technology, Digital IT, Converged Services and Home Solutions. He joined Safaricom in January 2012. Previously he was the Chief Technology Officer at Orange Dominicana in the Dominican Republic. Thibaud has a Bachelor of Science Degree in Telecommunications Engineering with a specialisation in Networks from the prestigious Telecom ParisTech (ENST) and has also attended Prytanée National Militaire Preparatory School in France. Thibaud is married with children. He is fluent in six languages.

* The Company has two Independent Directors who duly represent the interests of the minority shareholders who hold 25% of the Company's shareholding.

APPENDICES TO THE ANNUAL REPORT

Our brand assets and sponsorships

Sports

Over the years we have become one of the biggest corporate supporters of sports in Kenya, investing close to 1 billion shillings in sports ranging from football, athletics, motorsport and rugby to golf and charity runs.

Through events such the Safaricom Athletics Series, Safaricom Marathon in Lewa and Chapa Dimba Na Safaricom, we have seen the transformative impact of sport in Kenya. Our deep involvement has helped us recognise the role that sports play in this country, and we remain committed to supporting our future stars right from the grassroots level to the international stage.

Supporting Grassroots Football Through Chapa Dimba Na Safaricom

Safaricom extended its partnership with LaLiga, the men's top professional football division of the Spanish League and Football Kenya Federation (FKF) for the third season of the Chapa Dimba na Safaricom youth tournament.

Chapa Dimba Na Safaricom is a national football tournament for male and female youth aged between 16-20 years. The aim of the tournament is to transform the lives of young people by giving them a platform to showcase their talent and an opportunity to earn from their passion.

The winning team, both boys and girls, each win KShs 1 million while La Liga and FKF scouts select 16 girls and 16 boys to form an all-star team.

The team attends a 10-day training camp in Spain during which they play friendly matches against top LaLiga youth sides.

Over 1,500 teams signed up for season 3 with over 33,000 players engaged. We also engaged with close to 20,000 fans at the various regional finals and over 500 players were taken through Life Skills Empowerment sessions.

In addition, 16 players from Season 2 and 3 were scouted for National team honors (5), scholarships abroad (1) and to Senior League teams in Kenya (10).

Pauline Awuor's story

Pauline Awuor was the only female coach in the third season of Chapa Dimba Na Safaricom. During season 2, her Nairobi based side, Acakoro Football Academy came very close to becoming national champions, managing to go all the way to the final before losing out on post-match penalties to winners Kitale Queens from Rift Valley.

Pauline who has been a coach for over 6 years, was one of the two coaches selected to go with season 2's all-star team to Spain for a 10-day training camp. For her, the trip to Spain and the chance to learn from some of the best coaches in the world was a dream come true. "We met some professional La Liga coaches from Atletico Madrid and Real Madrid. They were coaching our players and we, as coaches also learnt a lot. We were acting as assistant coaches for those coaches. Whenever we would enter the field, I would make sure I ask questions. I asked about everything they did that was not clear to me", says Pauline

The mother of three aims to one day take her skills to the international stage and adds that "Because I love coaching, I want to coach abroad. I want to work with academies abroad".

This year's Chapa Dimba Na Safaricom tournament featured coaching clinics which were conducted in partnership with LaLiga as part of efforts to upskill local football coaches. Over 100 grassroots coaches were trained on LaLiga football methodology as at February 20th, 2020.

Celebrating 20 Years of The Safaricom Marathon

Marking its 20th Anniversary, the 2019 Safaricom Marathon, hosted by Tusk and the Lewa Wildlife Conservancy, once again saw more than 1,400 runners from over 40 countries tackling the incredibly challenging yet breathtakingly beautiful course in northern Kenya.

Her Excellency the First Lady of Kenya, Margaret Kenyatta, ran the opening 5km run with the children, before visiting some of the important conservation and community work supported by the event.

The men's full marathon had a new winner, with Duncan Maiyo completing the course in just over 2 hours, 20 minutes, while Emmah Kilole won the women's marathon with a time of 2:50:31.

For the second year running, the half marathon was won by Moris Munene in 1:06:06. Paralympian World Champion Henry Wanyoike meanwhile recorded his Safaricom Marathon personal best in the half marathon with a time of 1:25:02.

The marathon is considered among the world's most iconic, and challenging, sporting events. Over 20,000 people have taken part, raising more than KShs 750 million for conservation and community development initiatives in Kenya.

John Ruengo's story

88-year-old John Ruengo was among more than 1,400 people who participated in the 20th edition of the Safaricom Lewa Marathon. The retired community development officer from Mutunyi Village in Meru County has now participated and completed in the 21km race in all 20 editions of the event.

Ruengo was the oldest runner in 2019 and successfully retained the half marathon title he won the previous year in the category of people aged above 52 years. Speaking to one of the local media houses, Ruengo who once represented Kenya in the full marathon in the 1962 Commonwealth Games explained why he has always enjoyed taking part in the Marathon in Lewa.

> I love running, it is my life. If I didn't embrace running, I would not have been as vibrant as I am at my age. Most of my age mates have passed away because of inactivity.
>
> **John Ruengo**

APPENDICES TO THE ANNUAL REPORT

Our brand assets and sponsorships Continued

M-PESA Goes Global with International Sporting Events

Last Financial Year we were also part of the East African Safari Classic Rally and the Magical Kenya Ladies Open golf tournament which were both sponsored by our M-PESA brand. These two globally recognised events, gave us an opportunity to showcase Kenya as a sports destination capable of hosting international events.

We also used M-PESA to rally behind Eliud Kipchoge as he successfully became the first person to run 42 kilometers in under two hours and united Kenyans through a Digital campaign dubbed Eliud 159. We temporarily redesigned the M-PESA logo and replacing it with ELIUD for seven days to pay homage to marathon record holder.

M-PESA Tees Off Magical Kenya Ladies Open

The Magical Kenya Ladies Open took place from 5-8 December 2019 on Vipingo Ridge's Baobab Course – the only (UK) PGA accredited golf course on the continent. Not only did the event mark the very first time that professional lady golfers played competitively in the region but it also marked the first ranking tournament of the Ladies European Tour's 2020 season. The 72 hole "Tournament of Champions" was a significant milestone in the history of the sport in Kenya and in motivating the next generation of female golfers throughout the country.

Broadcasted live across the globe to millions of viewers, the event showcased Kenya as a unique golfing and holiday destination as well as elevated the country as an important player on the world's stage, not just in terms of golf but sports in general.

"We are honoured to be a key sponsor of the first ever Ladies European Tour event in Kenya and the region. At Safaricom, we have always been keen at promoting the growth of sports and sporting talent in the country. The Magical Kenya Open presents an excellent opportunity to elevate Kenya as a golfing destination and to also encourage uptake of the sport among ladies in the country.

Michael Joseph
CEO, Safaricom (Outgoing)

M-PESA Global Powers East African Safari Classic Rally

Safaricom sponsored the ninth edition of the East African Safari Classic Rally under the M-PESA Global brand supporting operations, logistics and communication during the rally which took place between 27 November and 6 December, 2019. The rally covered more than 4,500 kilometers in Kenya and Tanzania over nine days.

The East African Classic Safari Rally has been running every two years since 2003 and is open to two-wheel drive, naturally aspirated rally cars built before 1985. The race showcases the beauty of the East African landscape with vehicles racing through world-famous game parks, with overnight stops at the region's finest lodges and hotels.

The rally began at Sarova Whitesands in Mombasa, Kenya and ran for four days in Kenya, before crossing over to Tanzania where stages ran across four days, finshing in Sarova Whitesands in Mombasa. Competitors covered approximately 500 kilometers every day in competitive stages of between 50 km and 160 km.

Some of the teams that participated include, Tuthill Porsche, Freestone Rally Services, Minti Motorsport Oman, Team Tido Race 4 Health, ALS Motorsport and Safari World Africa.

Nicola Bleicher recorded history as the first woman to navigate the winning car. Nicola, who was Kris Rosenberger's navigator finished ahead of 2015 Safari Classic champion Stig Blomqvist. Other than Nicola Bleicher other ladies who participated in the rally are the mother daughter duo Renee & Juliette Brinkerhoff who marveled the crowd in their Tuthill Porshe 356. Kate Hayes also from USA navigated her father Joe Hayes in their Tuthill Porsche 911.

> Our sponsorship of this ninth edition of the East African Safari Classic Rally underlines our continued commitment to support and nurture talent through sport. With races in Kenya and Tanzania and a roster of drivers from around the world, the rally provides an opportunity to empower more customers through our M-PESA Global service.
>
> **Michael Joseph**
> CEO, Safaricom (Outgoing)

APPENDICES TO THE ANNUAL REPORT

Our brand assets and sponsorships Continued

Music

We acknowledge the role which music plays in our daily lives. Science confirms that we are all hard-wired to respond to music and it can affect our emotional, social, cultural, and cognitive process.

At Safaricom, we understand the importance of music and that is why over the years we have continuously invested in projects such as the Safaricom Youth Orchestra, Safaricom Choir the Safaricom International Jazz Festival, and the Ghetto Classics music program.

Ghetto Classics; Empowering Youth Through Music

Established in 2008, Ghetto Classics (GC) is the flagship community musical programme that uses music education to provide the youth in Korogocho slum with opportunities to better themselves, instilling life skills and providing income generating opportunities.

The community program currently supports:

- 450 students from 2 Community Centre's in Korogocho and Reuben Centre in Mukuru.
- 900 Students in 5 primary schools in Nairobi and Mombasa through the Orchestra for Schools outreach (Link Up Programme).

GC programme is geared towards providing change for the community. The level of discipline in the members had significantly risen. This is attributed to the music training and mentorship programmes, to keep the children engaged and off the streets.

Collaborations and Partnerships with various individual and organisations like the Safaricom International Jazz Festival and the joint recording of a music album with American jazz saxophonist and songwriter, Kirk Whalum has led to the exposure of the GC members and nurtured them to be ambassadors beyond Korogocho where they come from.

Over the last 6 years the Safaricom International Jazz Festival has supported the Ghetto Classics Programme through the sale of tickets. All proceeds received have been channeled towards their yearly operation costs which include running expenses, paying staff resources, maintaining and purchasing new instruments, logistical and administrative costs.

Ghetto Classics has been a key partner in keeping Korogocho safe and fed during this Covid-19 Pandemic.

Future Outlook

Through the mentorship programme, Ghetto Classics seeks create outstanding adults who create a difference in the community.

- They seek to be present in many more schools across the country to reach more children and change more lives.
- Keeping more children in school and out of the streets.

Tracy Akinyi's story

Tracy Akinyi has been a member of the Ghetto classics from 2015 and plays the Clarinet. She is an assistant tutor for the clarinet section within Ghetto Classics. Tracy loves helping people around her. She is often seeing helping the young girls in the programme to navigate the intricate balance of education and their passion for music.

"GC has been more than a family to me. At GC we interact freely. This is an important element for learning and teaching music. My instrument is a good friend of mine. When look at it and play music I can see a future ahead of me".

The Covid-19 pandemic posed a great challenge to the old and sick members of the Korogocho community. They were unable to physically present themselves to the distribution centers. This sparked an idea in Tracy's mind, to step into the gap and offer delivery services to those in need. "Team Wazee" the brainchild of Tracy Akinyi was born. Team Waze comprises of 20 young men and women involved in the delivery of food to the old people. Besides the food, distribution, the team assist the old people to do their laundry and clean their houses.

Safaricom Choir; Empowering Staff Through Music

The Safaricom Choir was started in 2009 to provide an avenue for team building, boost morale among staff and provide a platform to engage in community service.

The Choir has grown into a Choral music choir whose main aim of coming together is to sharpen their music skills and use their passion in music to drive Kenyan-ness and patriotism through their performances and engagements.

At its formation, about 80% of the members had never sung in a choir or studied music before. However, since then, the choir has grown from strength to strength in their musical ability and variety of repertoire. They have provided entertainment at various corporate events like the Safaricom Annual General meeting, the Classical Fusion, The Voices for Hospices Charity Festival to name a few.

In 2019, the Choir was invited to grace auspicious occasions like the Jamuhuri Day State Luncheon at State House Gardens, the 1st anniversary celebration of our national carrier, Kenya Airways' inaugural flight to New York and at the Launch of Kenya's Bid for a seat at the United Nations Security Council in New York, America.

In partnership with colleagues in the regions, the members have been involved in various community initiatives. They have supported Likii School for Special needs in Nanyuki- Mt Kenya Region with educational material, equipped the library of the Likoni children's home and supported the eradication of bedbugs in Kiembeni estate within the Coast region.

The Choir strives to be the best Workplace choir in the region, to continually provide uplifting music to customers and showcase Safaricom's commitment towards our country and its citizens.

The story of Sam Munga

Samuel Munga commonly known as 'Sam' is a member of the customer organisation. He works within the email support team. Sam's musical journey started when he was 10 years old when he first learnt how to play the guitar. Sam sings Tenor in the Safaricom choir and you will often spot him in the second row during performances.

"The Safaricom Choir rehearsal sessions have really grown me into a great musician. The Music mentors have played a major role in boosting our courage especially in the preparation for stage performances. The confidence gained has opened other doors. I have been called upon to lead worship during the staff prayer sessions.

My desire is to grow more and have deep knowledge in music to be able to mentor others especially the Youth and to make music a way of life".

APPENDICES TO THE ANNUAL REPORT

Our brand assets and sponsorships Continued

East Africa's Got Talent

Safaricom was Kenya's title sponsor for the very first ever East Africa's Got Talent (EAGT) show while in the rest of East Africa, EAGT was presented as being "connected by M-PESA" to reaffirm M-PESA's position as a regional payments' platform provider.

The show, which is part of "Got Talent" franchise started in 2014 by Simon Cowell saw acts ranging from the sublime to the ridiculous battle it out for a chance to be crowned the most talented East African. The show was open to performers of any kind, including singers, dancers, instrumentalists, magicians, comedians and novelty acts.

Ugandan siblings Esther and Ezekiel Mutesasira were crowned the winners of the first edition. The singing duo won a cash prize of $50,000 in the finale that had six contestants. The other finalists were Comedic Dance Group (Uganda), Dance Alliance Network (Uganda), Jehovah Shalom Acapella (Uganda), Janella Tamara (Kenya), Spellcast (Kenya) and Inteyoberana cultural troupe (Rwanda).

The Safaricom Youth Orchestra

Empowering Kenya's next generation of professional musicians

The Orchestra was formed in 2014 with the aim of providing a platform for quality orchestral musical instruction to Kenyan school aged children aged 10-17 years drawn from different backgrounds. Over 65% of the members are from under-privileged backgrounds

The discipline instilled in the members during training has contributed to the emergent of leaders both in the programme and in their respective schools. There is positive social impact and personal development.

The members of the Safaricom Youth Orchestra have dominated the Kenya Music Festivals scene emerging top in their categories. In 2019, SYO produced the top player in the Alto Sax category in the Kenya Music Festivals. There is an increase in retention of children in school through the support of needy children health, medication and upkeep.

The SYO Alumni are involved in reigniting music programmes in schools, some have been absorbed as in- house assistant tutors for the orchestra whereas others are involved as key players in various orchestras countrywide. The orchestra strives to build meaningful collaborations and synergy with relevant stakeholders to nurture the youth.

The story of Mary Keni

Mary is a young ambitious girl. Her dream for the future is to make a difference in the human rights arena. Mary's Passion for music at SYO is also mirrored in her passion for society. She is an active member of the Model United Nations and the St. John Ambulance. Mary is a founder member of 'Mwangaza'. Mwangaza works with children in orphanages and foster homes, supporting them in their psychological needs. Offering a shoulder for fellow children to lean on.

Dmitri Shostakovich once said that "Art destroys silence". "I am extremely grateful that here at SYO we get to make art, together, that destroys the silence and paints stories on it like a canvas".

BLAZE, Be Your Own Boss

BLAZE, a youth network by Safaricom began in 2016 and was created to give youth aged 26 years and below products, services and benefits tailored specifically to meet their everyday needs.

The network is guided by the ambition to help the young people be successful—including in unconventional careers—by providing trainings, mentorship, funding, planning, and networking opportunities.

Be Your Own Boss (BYOB) is the BLAZE empowerment program for mentorship, networking and one-on-one training & skills development through: BYOB Summits, Creation camps, and TV shows.

In 2019, BYOB expanded its youth engagement programme to 18 summits with a target to empower 1.3 million youth.

Some of the featured mentors last year were Fundi Frank (fashion designer), Eric Musyoka (music producer), Nancie Mwai (fashion vlogger and retailer), Joanna Kinuthia (beauty content creator), Caleb Karuga (farmer and agribusiness consultant), among others.

As part of the efforts to build the capacity and to empower Kenyan youth for the future of work, BLAZE launched a new platform dubbed BLAZE LINK, an e-learning resources built to enable young people upgrade their skills through online courses and empower them to pursue success in their professions of interest.

The e-learning portal follows a partnership by BLAZE and Google, IBM, Wezesha, Cloud Factory and Brighter Monday. The free online courses, that target young adults under the age of 26, include sales and marketing, finance, agriculture, creative arts, programming and development. The platform also avails job opportunities to young people looking for employment and entrepreneurs will have visibility of market opportunities.

Courses are available based on someone's strength, skills, academic background and interest. The skills help the young people to become their own boss or get into employment. In addition, BLAZE LINK users have exclusive access to master class videos on agribusiness, creative arts, fashion, film & photography, music, technology and production and sales.

BLAZE also launched an e-sports tournament in partnership with Pro Series Gaming (PSG) and Standard Group, for youth aged between 18 and 26 who are looking at gaming as a career choice.

The e-sports tournament comprised of FIFA 19 and Tekken 7 knockouts running on Play Station 4 and was broken down into 10 grassroots knockouts and 5 regional finals.

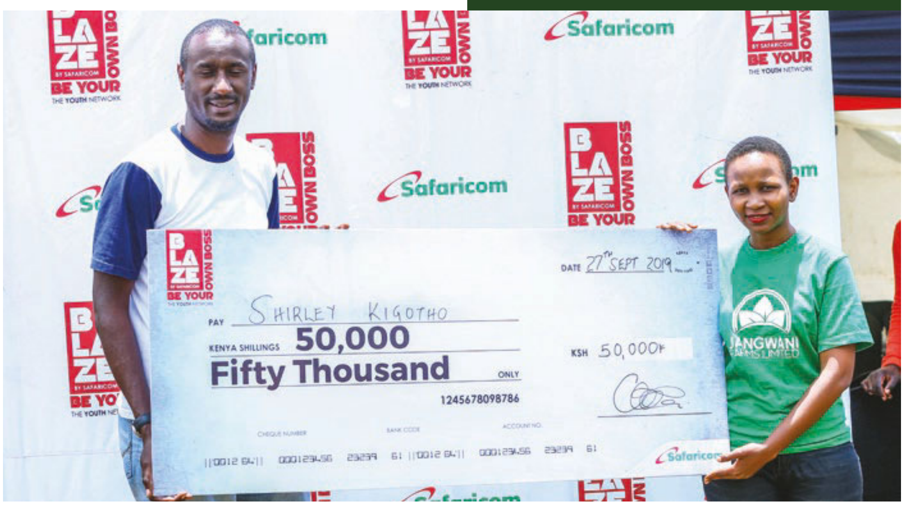
The regional finals took place in the regional BYOB creation camps where champions from the knockouts battled it out for the regional title and prize money. A total of KShs 100,000 was up for grabs in each region with winners taking home KShs 50,000 second position KShs 30,000 and third position KShs 20,000.

In the coming year, plans are underway to remodel the asset to be a strong driver of our digital channels. This will see BYOB become a digital-led platform that provides a connection point to Empowerment, Education, Music and Gaming.

Shirley Kigotho's story

My name is Shirley Kigotho, I am 26 years old and I am a farmer. For the last three days, I have been in the agribusiness pod of the BLAZE creation camp here in Eldoret where I have learnt so much about agribusiness.

The mentor, Caleb Karuga, has taught us that traditional farming and agribusiness are two very different things. I have also learnt that the problems I have been facing in farming and in my entrepreneurial journey are not unique to me, they cut across other entrepreneurs as well. I have been in the agribusiness pod and I have emerged the winner from the pod. I have won KShs 50,000 and I intend to use the money to set up my own Farming School in Kitale, Trans Nzoia County, where youth can come and be equipped with knowledge on modern, resilient and sustainable agricultural production. Thank you BLAZE for helping me launch my idea.



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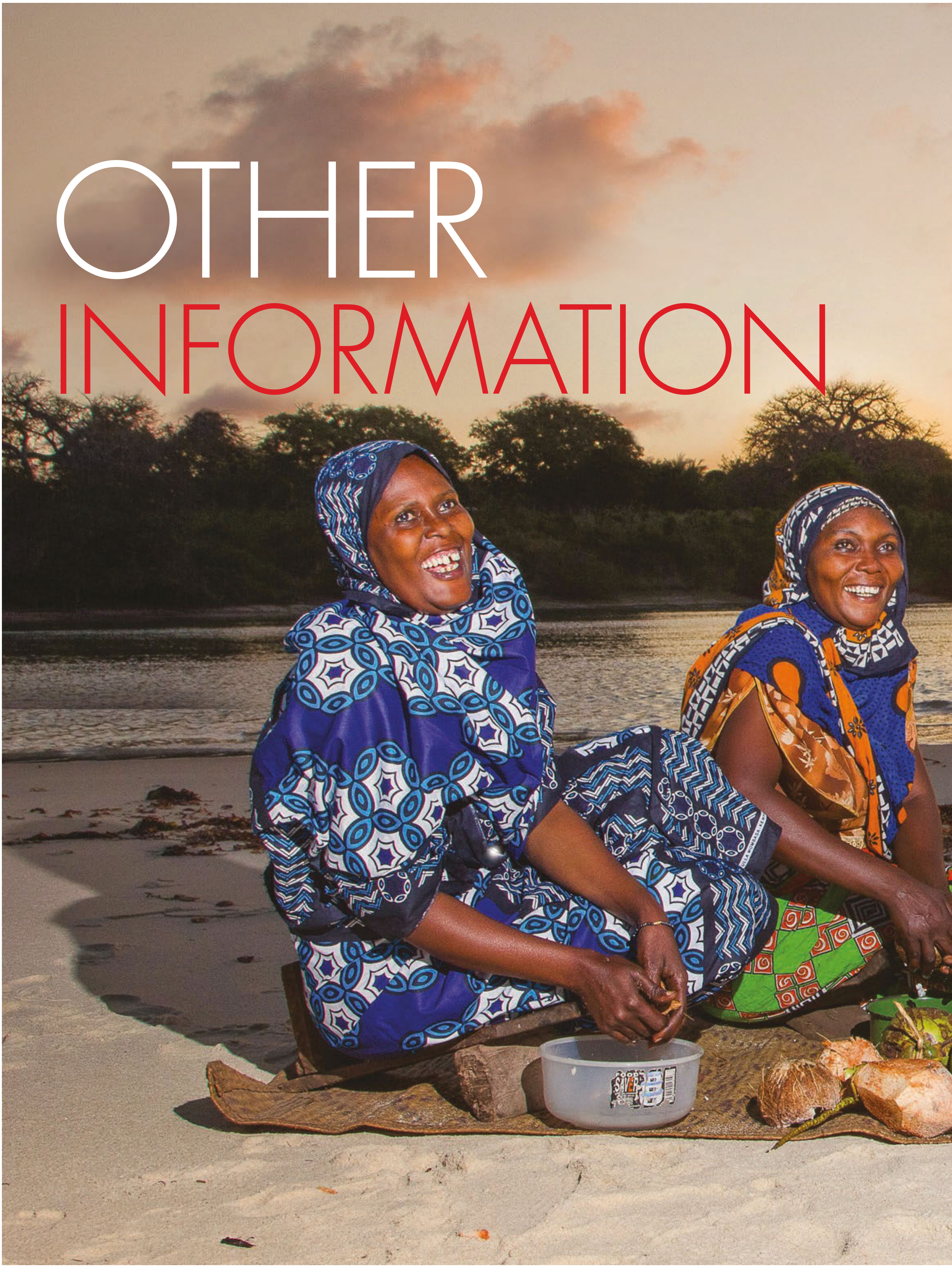

NOTICE AND AGENDA OF THE 2020 AGM

Notice and agenda of the 2020 AGM

To all shareholders

NOTICE is hereby given that in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No E.680 of 2020 on 29 April 2020, the Annual General Meeting of Safaricom PLC for the year 2020 will be held via electronic communication on Friday 31 July 2020 at 11:00 a.m. to conduct the following business:

Ordinary business

1. To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2020 together with the Chairman's, Directors' and Auditors' reports thereon.
2. Dividend

   To approve a final dividend of KShs 1.40 per share for the Financial Year ended 31 March 2020 as recommended by the Directors. The dividend will be payable on or about 31 August 2020 to the Shareholders on the Register of Members as at the close of business on 31 July 2020.
3. Directors

   To re-elect Ms Rose Ogega who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.
4. In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit Committee be elected to continue to serve as members of the said Committee:
   - Ms Rose Ogega
   - Dr Bitange Ndemo
   - Mrs Esther Koimett
   - Mr Mohamed Joosub
5. To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31 March 2020.
6. To appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.
7. Any other business of which due notice has been given.

Special business

8. To consider and if thought fit to pass the following resolutions as Special Resolution, as recommended by the Directors:

   a) That the Articles of the Company be amended by adding the following sentence as Line 2 of Article 63:

   "The Company may give such notice in writing or by electronic means or by a combination of means permitted by the Statutes."

   b) That the Articles of Association of the Company be amended by inserting the following new Article 64A:

   ### 64A Attendance of a general meeting by electronic means

   64A.1 In the case of any general meeting, the Board may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.

Notice and agenda of the 2020 AGM Continued

64A.2 The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

a) participate in the business for which the meeting has been convened; and

b) see and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

By order of the Board

Kathryne Maundu (MS)
Company Secretary

Date: 2 July 2020

Notes:

1) In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Safaricom PLC to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

2) On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).

3) Safaricom PLC has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.

4) Shareholders wishing to participate in the meeting should register for the AGM by dialing *717# for Safaricom telephone network, *483*905# for other Kenyan telephone networks and *284*34# for Ugandan telephone networks and following the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00am to 5:00pm East African time from Monday to Friday. Any shareholder outside Kenya should send their details to **safaricom2020agm@image.co.ke.**

5) Registration for the AGM opens on Wednesday 8 July, 2020 at 9:00am and will close on Tuesday 28 July, 2020 at 11:00 am East African time.

6) In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website **https://www.safaricom.co.ke/investor-relation** (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 31 March 2020; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the CMA.

   An abridged version of the Financial Statements for the year ended 31 March 2020 has been published with this Notice.

7) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a) sending their written questions by email to **agmquestions@image.co.ke**; or

   b) shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts; or

   c) to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Safaricom House, or to Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

   d) sending their written questions with a return physical address or email address by registered post to the Company Registrars address: Image Registrars, P O Box 9287, 00100 Nairobi.

NOTICE AND AGENDA OF THE 2020 AGM

Notice and agenda of the 2020 AGM Continued

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Tuesday 28 July, 2020 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

8) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.

   A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: **https://www.safaricom.co.ke/investor-relation.** Physical copies of the proxy form are also available at Safaricom House, Waiyaki Way, Westlands, Nairobi, or from any of the Safaricom Shops countrywide or from Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.

   A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Wednesday 29 July, 2020 at 11:00am East African time. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 29 July, 2020 at 11:00am East African time. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday 30 July, 2020 to allow time to address any issues.

9) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the Annual General Meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

10) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

11) A poll shall be conducted for all the resolutions put forward in the notice.

12) Results of the poll shall be published within 48 hours following conclusion of the AGM, in two newspapers of national circulation and on the Company's website.

13) The preferred method of paying dividends which are below KShs 140,000/- is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA when registering for the AGM via the USSD or contact Image Registrars (Tel: +254 20 2230330/ +254 20 2212065/ +254 20 2246449; Mobile: +254 724 699667/ +254 735565666/ +254 770 052116, Email: info@image.co.ke,) or Safaricom PLC's Investor Relations Team (Tel: +254 427 4233/4260 Mobile: +254 722 004233/4260, Email: investorrelations@safaricom.co.ke).

14) Shareholders are encouraged to continuously monitor the Company's website www.safaricom.co.ke for updates relating to the AGM.

PROXY FORM

Proxy form

I/We: ____

Share A/c No. ____

Of (address) ____

Being a member(s) of Safaricom PLC, hereby appoint: ____

Or failing him/her, the duly appointed Chairman of the Meeting, to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 31 July 2020 and at any adjournment thereof.

As witness, I/We lay my/our hand(s) this ______________________________ day of_______________ 2020.

Signature_______________________________

Signature_______________________________

PROXY FORM

Proxy form Continued

Please clearly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
1) To receive, consider and adopt the audited Financial Statements for the year ended 31 March 2020 together with the Chairman's, Directors' and Auditors' reports thereon.			
2) To approve a final dividend of KShs 1.40 per share for the Financial Year ended 31 March 2020 as recommended by the Directors. The dividend will be payable on or about 31 August 2020 to the Shareholders on the Register of Members as at the close of business on 31 July 2020			
3) To re-elect Ms Rose Ogega who retires at this meeting in accordance with the provisions of Articles 90 and 91 of the Company's Articles of Association, and, being eligible, offers herself for re-election.			
4) To elect the following Directors, being members of the Board Audit Committee to continue to serve as members of the said Committee: Ms Rose Ogega; Dr Bitange Ndemo; Mrs Esther Koimett and Mr Mohamed Joosub.			
5) To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31 March 2020.			
6) To appoint Messrs Ernst & Young as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.			
Special Business To consider and if thought fit to pass the following resolutions as Special Resolution, as recommended by the Directors: a) That the Articles of the Company be amended by adding the following sentence as Line 2 of Article 63: "The Company may give such notice in writing or by electronic means or by a combination of means permitted by the Statutes." b) That the Articles of Association of the Company be amended by inserting a new Article 64A to allow for electronic meetings. The wording of the Article is stated in the Notice and of the meeting.			

Proxy form Continued

Electronic communications consent form

Please complete in BLOCK CAPITALS

Full name of Proxy(s): ____

____

Address: ____

____

Mobile Number ______________________

Date: ______________________

Signature: ______________________

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287- 00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on 31 July 2020. ☐

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. ☐

PROXY FORM

Proxy form Continued

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287, GPO 00100, Nairobi, or via email to info@image.co.ke to arrive not later than 11:00 a.m. on 29 July 2020 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorised attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarised certified copy of such power or authority) to Image Registrars, Barclays Plaza, 5th Floor, Loita Street and address P.O. Box 9287-00100 Nairobi not later than 11.00 am on 29 July 2020 or, in the case of a poll taken subsequent to the date of the meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll which is taken more than 48 hours after the day of the meeting or adjourned meeting.
6. In the case of a company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that company or an authorised attorney for that company.
7. A vote "abstain" option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

Note

1. The completed Form of Proxy by members must be lodged at the Share Registrar, Image Registrars Limited (IMAGE), 5th Floor Barclays Plaza, Loita Street, Nairobi, or to be posted so as to reach Image Registrars Limited, P.O. Box 9287 – 00100 GPO Nairobi, not later than 3.00 p.m. on Wednesday 22 July 2020, failing which it shall be invalid.
2. In case of a Corporation, the proxy must be under its common seal.

Corporate information

Registered office

Safaricom House, Waiyaki Way, Westlands

P.O. Box 66827-00800, Nairobi

Telephone: +254 722 00 3272

Website: www.safaricom.co.ke

Registrars

Image Registrars Limited

5th Floor, Barclays Plaza, Loita Street

P.O. Box 9287-00100, Nairobi

Telephone: +254 709 170 000

Email: info@image.co.ke

Website: www.image.co.ke

Shareholder related issues

Telephone: +254 709 170 041

Email: safaricomshares@image.co.ke

Investor relations

Safaricom House, Waiyaki Way, Westlands

P.O. Box 66827-00800, Nairobi

Telephone: +254 722 00 6218/4233/4746

Email: investorrelations@safaricom.co.ke

Website: www.safaricom.co.ke/investorrelation

Auditors

PricewaterhouseCoopers LLP

PwC Tower, Waiyaki Way, Westlands

P.O. Box 43963-00100, Nairobi

Tel: +254 (20) 285 5000

Fax: +254 (20) 285 5001

Email: PwC.kenya@ke.PwC.com

Designed by Radley Yeldar
www.ry.com


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