



Let's Go Beyond.

Simple • Transparent • Honest

FOR YOU

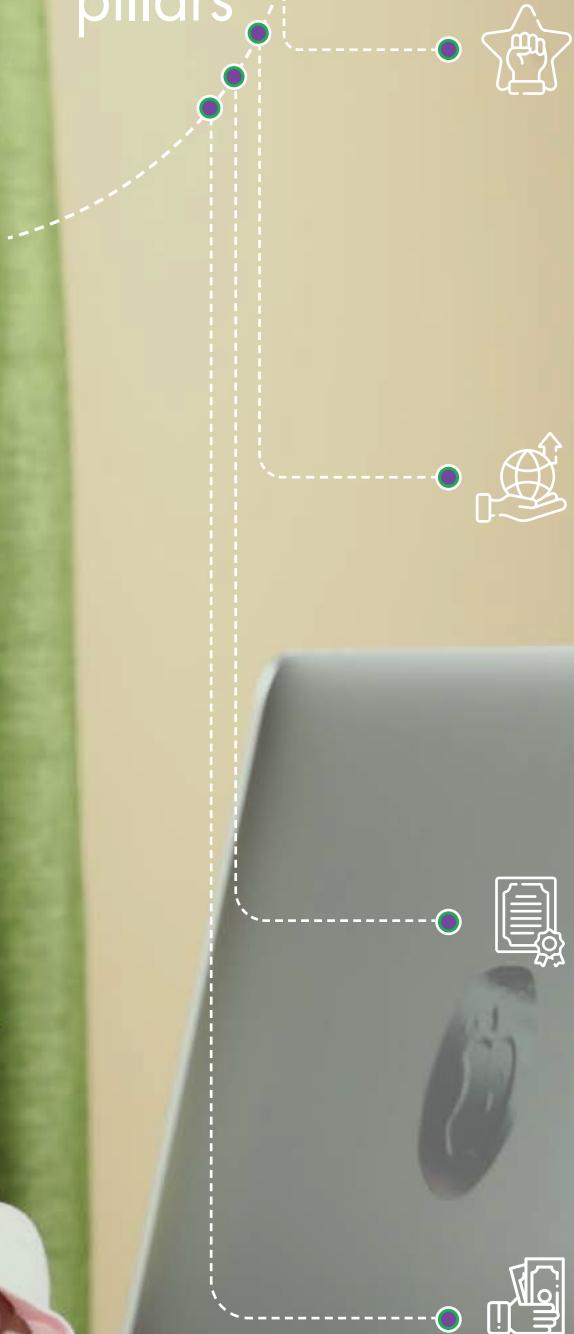
Safaricom PLC

**Annual Report and
Financial Statements**

2022

 **Safaricom**

Our strategic pillars



Strengthen the core

- Defending voice through use of Customer Value Management (CVM) platforms
- Democratising data through devices, network coverage and use cases
- Expanding our enterprise portfolio: Internet of things (IoT); Information and communication technology (ICT); Fibre to the home (FTTH); Fibre to the building (FTTB)
- Winning in FTTH/FTTB as a converged business
- Creating a FinTech anchored platform of choice for empowerment of SMEs/MSMEs
- Expanding the core financial services into new geographies

To be a financial services provider

- Next financial services: Wealth management, savings, insurance, credit
- Smart lifestyle channel: M-PESA super app
- Integrated business solution: Business App and payment aggregation platform
- Universal payment network: Enhanced merchant interoperability, and a enabling of e-commerce and cross-border payments (M-PESA Global)

Accelerate new growth areas

- Leverage technology to embed **purpose** through sustainable initiatives, strategic CSR and partnerships
- Deliver digital first **customer experiences**
- Create a turbo-charged **financial services** ecosystem
- Grow our customer base with effective **connectivity and experience**
- Aim to be the trusted partner of choice for **technology and financial solutions** for SME, large enterprises and the public sector
- Transition to the **target operating model**
- Deliver a successful launch in **Ethiopia**
- Establish capacity to win through our **Strategic Enablers**

Achieve cost leadership

- Drive cost optimisation to fuel growth in new areas
- Smart procurement, automation, digitisation and operating model transformation

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SDG GOALS

- Good health and wellbeing
- Quality education
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Responsible consumption and production
- Peace, justice and strong institutions
- Partnerships for the goals



About our report

CAPITALS



Financial capital

The pool of funds and assets that we maintain



Human capital

Our employees, and all the competencies, abilities experience and expertise that they bring to the Group



Intellectual capital

The policies, procedures, intellectual property (IP), knowledge that exists and is cultivated in our organisation, including our vision, mission, purpose, reputation, and the value of our brand



Social and relationship capital

The partnerships and relationships that we build and maintain with all our stakeholders, including our employees, providers and suppliers, and our communities



Manufactured capital

Our buildings, properties, fibre-optic and cable networks, towers and other infrastructure, and vehicles that support our operations



Natural capital

The beneficial projects that help to sustain the environment in which we operate

Our reporting scope and boundary

This Annual Report is the primary report of Safaricom PLC (the "Company") and its subsidiaries (together, the "Group") to its stakeholders, and is a concise, material and honest assessment, reviewed and authorised by our Board of Directors (the Board) of how we create long-term value and how we deliver on our purpose of Transforming Lives. The report provides an overview in terms of the six capitals of our strategy and business model, risks and opportunities, operational and governance performance and activities for the financial year 1 April 2021 to 31 March 2022. Our intention in this report is to describe both our financial and non-financial activities and performance during the year.

In compiling the report, we have reflected the integrated thinking that we apply to our business activities, and we have endeavoured to demonstrate our commitment to the principles of integrated reporting as aligned with our ability to create value in the short, short-, medium- and long-term, which we define as less than 12 months, one to five years, and beyond five years, respectively.

Materiality

We consider material matters to be those issues that could substantively affect our ability to create value over time, and as part of our commitment to understand and provide information on those material matters, we carry out a structured process involving senior decision-makers within the Group to identify and prioritise them.

This process included a considered review of our 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.

Through research and analysis, and our engagement with stakeholders, we strive to identify and gain insight into the environmental, social and governance issues that present significant risks, and/or provide opportunities to our business and our ability to create and deliver value for our stakeholders.

In providing the basis for a broader understanding of the risks and opportunities inherent in our business, our process of determining the material matters that pertain to our activities is central in both guiding our decision-making and underpinning our strategy.

OUR STRATEGIC PILLARS



Strengthen the core



Financial services provider



Accelerate new growth areas



Achieve cost leadership

Our approach to the preparation of our integrated report

Integrated thinking is intrinsic to how we manage our business, our strategy development and reporting practices. Our strategy, with its four strategic pillars, has been developed to ensure that we manage the key resources and relationships that enable us to create value over time. Considered assessment of the four strategic pillars informs our strategy and the materiality process used to determine the content and structure of this report, whose drafts, concepts and structure have been systematically reviewed and supported by the ultimate assurance of Independent Assurance providers.

Our 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, 2015.

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance and operations, and refers to certain global, regional and domestic political, social and or macro-economic conditions. By nature, these forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict, and therefore beyond our control. The conditions described could thus cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Assurance

Both our Board Audit, Risk and Compliance Committee and our Nominations and Remuneration Committee provide internal assurance to the Board on an annual basis on the execution of our strategic priorities. The Group's financial, operating, compliance and risk management controls are assessed by its internal audit function, which is overseen by the Board Audit, Risk and Compliance Committee. Our annual financial statements are assured by our external auditors, Ernst & Young.

Directors' statement of responsibility

The Board has a statutory duty to provide oversight in promoting the business success of the Group for the benefit of its stakeholders. In fulfilling this duty, the Board has due regard for the long-term implications and consequences of their decisions, as well as the legitimate interests of all the Group's stakeholders and the impact of our operations on the community and the environment. The Board acknowledges its overall responsibility for good corporate governance across the Group and ensures that its governance policies and mechanisms are appropriate to its structure, business and risks.

As a fundamental principle of its commitment to full and transparent compliance with all laws, regulations and standards applicable to it, the Board ensures adherence to the standards and practices of good corporate governance, and to the principles, practices and recommendations set out under the Code of Corporate Governance for Issuers of Securities in Kenya (the Code) as well as the Act.

The Board has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards, and is supported by qualified legal and compliance professionals.

The Board has applied its collective mind to the contents of this report and believes that it fairly represents the Group's material matters and that it offers a balanced view of our strategy, business model, financial and non-financial activities and value-creation. On the recommendation of the Board Audit, Risk and Compliance and Nominations and Remuneration Committees, the Board approved the Safaricom PLC Consolidated Audited Financial Statements on 11 May 2022.

Signed on behalf of the Board



Michael Joseph
Chairman



Peter Ndegwa
Chief Executive Officer

SAFARICOM AT A GLANCE

Key numbers – FY2022

04

How we continued to create value in FY2022

07



▲ +6.4% YoY

42.44 million total customers

▲ +4.3% YoY

32.81 million one-month active customers

▲ 7.8% YoY

30.53 million M-PESA customers

Over 3 million
businesses using M-PESA

▲ +5.7 YoY

262,004 M-PESA agents

▲ +12.9% YoY

KShs 298.1 billion total revenue

3G Coverage at 98%

4G Coverage at 97%

Key numbers – FY2022



Financial capital

KShs 281.11 billion

▲12.3% YoY

Service revenue
(2021: KShs 250.35 billion)

KShs 83.21 billion

▲0.8% YoY

Voice service revenue
(2021: KShs 82.55 billion)

KShs 107.69 billion

▲30.3% YoY

M-PESA revenue
(2021: KShs 82.65 billion)

KShs 10.88 billion

▼20.0% YoY

Messaging revenue
(2021: KShs 13.60 billion)

KShs 48.44 billion

▲8.1% YoY

Mobile data revenue
(2021: KShs 44.79 billion)

KShs 9.85 billion

▲4.0% YoY

Mobile incoming revenue
(2021: KShs 9.47 billion)

KShs 9.80 billion

▲25.9% YoY

Other mobile service revenue
(2021: KShs 7.78 billion)

KShs 11.24 billion

▲18.3% YoY

Fixed line and wholesale transit revenue
(2021: KShs 9.51 billion)

KShs 109.13 billion

▲13.5% YoY

Earnings before interest and tax (EBIT)
(2021: KShs 96.16 billion)

KShs 69.65 billion

▲1.4% YoY

Net income excluding non-controlling interests

KShs 63.67 billion

▼1.3% YoY

Free cash flow
(2021: KShs 64.52 billion)

KShs 124.70 billion

▲17.7% YoY

Taxes, duties and licence fees paid
(2021: KShs 105.92 billion)



Human capital

50%	Women in our workforce (2021: 50%)
4.0% ▲	Procurement spend on women-owned businesses (2021: 2.3%)
35% ▲	Women in senior management (2021: 33%)
3.0% ▲	Employees with disabilities (2021: 2.6%)
85% ▼	Proportion of staff engaged in their work (2021: 92%)
87% ▼	Proportion of staff likely to recommend Safaricom as a great place to work (2021: 93%)
0 ▼	Staff fatalities; 2 third-party employees (2021: 0 staff; 3 third-party employees)
23 ▲	Staff members dismissed for fraud (2021: 19)



Manufactured capital

10,880 km ▲7.9% YoY
Cumulative fibre-optic footprint (2021: 10,080 km)
193,059 ▼5.5% YoY
Residential homes connected to fibre-optic network (2021: 204,234)
97% ▲3.0%
Proportion of population with 4G coverage (2021: 94%)



Natural capital*

58,294 m³
Water consumption (2021: 57,103m³)
310
Sites using solar and hybrid clean power (2021: 255)
81,642 kgs
Total waste collected – 87.9% recycled (2021: 75,465 tonnes – 88%)
196 tonnes
E-waste collected – 100% recycled (2021: 143 tonnes; Total to date: 1,626 tonnes)

*Assured data will be included in the 2022 Sustainability Report

Key numbers – FY2022 continued



Social and relationship capital

42.44 million **▲ 6.4% YoY**

Total customers
(2021: 39.90 million)

30.53 million **▲ 7.8% YoY**

M-PESA customers
(2021: 28.31 million)

985,762 **▲ 19.8% YoY**

M-PESA Global customers
(2021: 823,101)

25.22 million **▲ 6.1% YoY**

One-month active mobile data customers
(2021: 23.77 million)

4.8 million **▼ 6.8%**

M-TIBA customers
(2021: 5.10 million)

165,981 **▲ 20.8% YoY**

Fixed Home customers
(2021: 137,390)

▼ 64

Customer satisfaction (consumer NPS) rating
(2021: 65)

▼ 79

Network NPS rating
(2021: 82)

262,000 **▲ 5.7% YoY**

Active M-PESA agents
(2021: 247,900 agents)

492,772 **▲ 63.4% YoY**

LNM active merchants
(2021: 301,597)

How we continued to create value in FY2022



For our shareholders:

Declared:

KShs 55.69 billion in dividends
(2021: KShs 54.89 billion)

KShs 0.64 DPS interim dividend
(2021: KShs 0.45 DPS)

KShs 0.75 DPS final dividend
(2021: KShs 0.92 DPS)

FY22 DPS KShs 1.39
(2021: KShs 1.37)

Recorded:

611% in total shareholder returns since listing (Closing price - IPO price + DPS) / IPO Price
(2021: 654%)

58.9% of total NSE market capitalisation on the NSE
(2021: 62.4%)

Zero-rated educational resources
(2021: Zero-rated)

Provided double permanent bandwidth to fibre customers
(2021: Provided double permanent bandwidth to fibre customers)

Cemented:

Regional expansion
by preparing for commercial launch services in Ethiopia within calendar year 2022
(2021: Drove: Regional expansion)



For our customers:

Enhanced:

4G coverage to 97%
(2021: 94%)

3G coverage to 98%
(2021: 95%)

2G coverage to 98%
(2021: 96%)

35 5G sites
(2021: 15)

Enabled:

2.48 million 4G devices
added on our network
(2021: 2.41 million)

2,000 transactions
per second on M-PESA
(2021: 1,800)

15.75 billion transactions
via M-PESA, valued at KShs 29.55 trillion
(2021: 11.68 billion transactions, valued at KShs 22.04 trillion)

Network

of over 3.2 million businesses accepting payments on M-PESA
(2021: Network of about 2 million)

492,772 active

Lipa na M-PESA (LNM) merchants
(2021: 301,597)

Key numbers – FY2022 continued

Free M-PESA

wallet-to-bank and bank-to-M-PESA wallet (C2B and B2C), 0.5 billion transactions valued at KShs 5.59 trillion and account for 18.9% of total value of M-PESA transactions)
 (2021: Free M-PESA)

99.99%

systems availability and incident reduction on our network

2021:

- Zero-rated M-PESA P2P and LNM transactions below KShs 1,000, valued at 1.7 billion transactions, valued at KShs 4.38 trillion
- Zero-rated educational resources
- Provided double permanent bandwidth to fibre customers

Deployed:

10,880km ▲ 7.9% YoY

of fibre-optic cable, with:

(2021: 10,080km)

364,980 ▲ 4.5% YoY

homes passed

(2021: 349,144)

165,981 ▲ 20.8% YoY

FTTH customers

(2021: 137,390)

For our employees, we:

Recorded:

9 out of 10

recommending Safaricom as a good place to work

(2021: 9 out of 10)

83%

of our people excited about the future of Safaricom

(2021: 89%)

70%

of our employees having completed at least one future skills course in Safaricom Business School and instructor-led training in:

- Agile
- Cybersecurity
- Data science
- Analytics

(2021: 67.2%)

50:50

gender split

(2021: 50:50)

A total workforce complement of:

5,941

including Safaricom Ethiopia staff at 305, 50% local talent

(2021: A total workforce complement of 6,230)

SC

For our society, we:

Recorded:

3.2 million

SMEs and enterprises on M-PESA
(2021: 1.4 million)

4.7 million

subscribers making use of our M-TIBA solution for sending, saving and spending funds for medical treatment at:

4,552 clinics

(2021: 5.2 million M-TIBA subscribers accessing medical treatment at 3,700 clinics)

Digitised:

300 of 5,000

government workflows
(2021: 300 of 5,000)

Integrated with M-PESA:

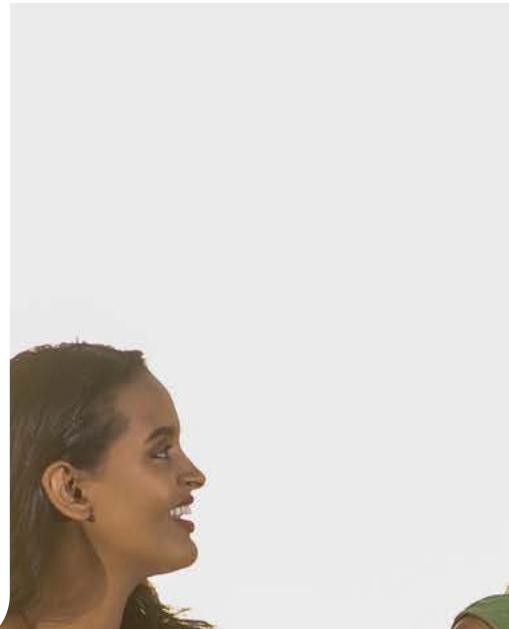
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county governments
(2021: 23 of 47)



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Message from
the CEO

Our strategic
approach

The value
we embed

The commercial
value we deliver

CFO's review

The social value
we contribute

How we
safeguard value

Financial
statements



Our purpose

To transform lives

Our vision

To become a purpose-led technology
company

Our values

Simple, Transparent, Honest

Spirit of Safaricom

Purpose-driven, Customer obsessed,
Innovative and Collaborative

Our foundations

Safaricom and M-PESA Foundations

Who we are

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 enable commercial and personal platforms as well as ecosystem partnerships.

Safaricom is one of a small group of about 400 companies across Africa whose annual revenues are more than USD1 billion. Many of these companies are pan-African in their operations and are active in increasingly diverse sectors.

We invest in a unique way of doing business through our purpose of transforming lives, and seek to create opportunities for Kenyans to be a part of our growth story by empowering them with the right tools for economic growth. We have 42 million customers on our network and over 30 million using our M-PESA service. We also have over 6,100 towers connecting Kenyans across the country.

Dignity

Through our foundations, we work to enable Kenyans access quality healthcare, education, skills and sustainable employment by providing resources, opportunity, hope and dignity to communities.

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

In 2018, we were awarded UN Global Compact LEAD Company status in recognition of our commitment to the 10 principles of the UNGC. Global Compact LEAD companies are identified annually for high levels of engagement as a participant of the UNGC.

Participation in the UNGC at the LEAD-eligible level provides a unique opportunity to be recognised for commitment, to lead to a new era of sustainability by bringing committed companies together with relevant experts and stakeholders in action platforms.

Our current strategy builds on our strong history of results and partnerships and aims to contribute towards the United Nations Sustainable Development Goals (UN SDGs), nine of which we have adopted to help guide our company into the next phase of its growth.

These SDGs are humanity's shared vision of the actions that we need to take to create growth for everyone to benefit, and thus form a social contract between the world's leaders and our people. Moreover, we were the first Kenyan company to integrate sustainability deep into the core of our every business decision. We use the SDGs to transform and boost the success of our business and enhance our Transforming Lives agenda. For more on our strategy, see page 40.

Our SDG purpose

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



Through M-PESA, we are able to help restore dignity to thousands of refugees. Through a partnership with the World Food Programme, we are leveraging M-PESA to help more refugees access food, through a product known as Chakula Chap Chap. M-PESA has enabled us to digitise food delivery for over 100,000 households. For more on M-PESA, see page 108.

Partnerships

Through our partnerships with various groups, we deliver more than just voice or data to communities across Kenya by leveraging our respective strengths to deliver healthcare solutions to over 100,000 Kenyans through 60 healthcare providers. We have also partnered with the government on numerous occasions to extend more services to citizens by digitising primary schools, connecting health centres, streamlining payments to farmers and much more. For more on our partnerships, see page 131.

Relevant solutions

Our goal is to continue to deliver a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges through being a digital-first and insights-led organisation. We provide a wide range of connectivity and financial services including voice, mobile data, devices, fixed services, IoT and M-PESA.

We became the first operator in the world to introduce real time refunds for call drops. Since the launch of the Safaricom Guarantee service in May 2016, we have an unprecedented view of our customers that helps us to ensure that our services remain relevant and optimised for this market.

During the year under review, we introduced a permanent data-pricing product through our "Nyoosha Shilingi" campaign which stretches the value of data purchased by up to 100% on select data bundles at the same price point. With the introduction of My Data Manager, to manage data consumption, customers are able to pay less for data, which allows every shilling to go further. See more on Mobile data on page 108.

In partnership with Gulf African Bank, we launched Halal Pesa, a Shari'ah-compliant mobile financing solution. Halal Pesa is the first Shari'ah-compliant mobile and digital financial solution in the country.

During the year, we launched the M-PESA Super App to enhance our customers' experience, providing them with a simple, fun, secure and convenient digital solution. A unique feature of the new M-PESA super app is the "offline mode" which allows customers to use the app and complete transactions even without data bundles or when offline. Mini-apps will enable customers and businesses to complete day-to-day occasional tasks within the M-PESA Super App and M-PESA for Business App including, among many more services,

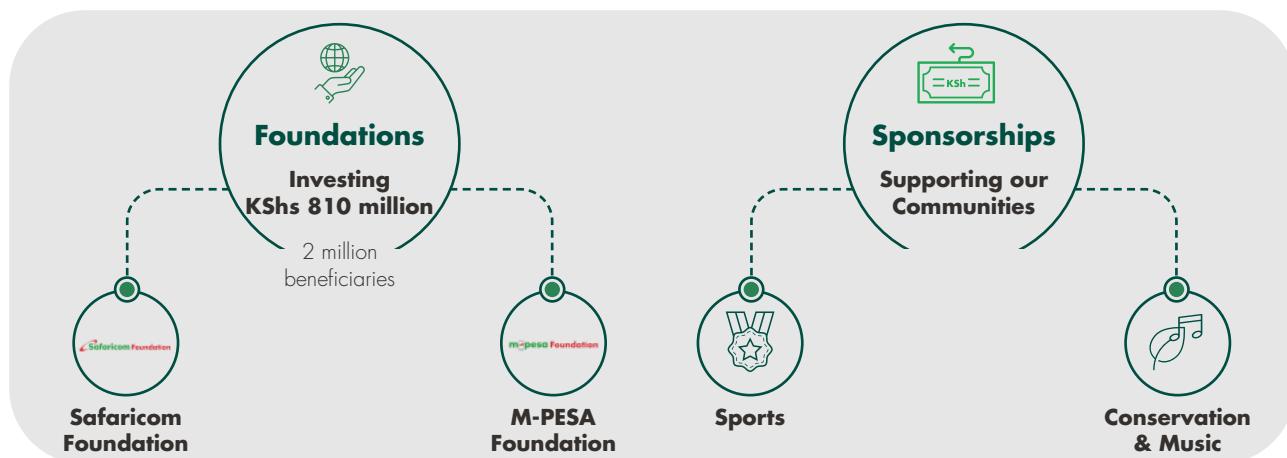
deliveries, ticket booking, shopping, licence applications and insurance, through hundreds of businesses, government agencies, utilities and various other firms.

A network for the future

In March 2021, we activated our 5G service and now have a total of 35 5G sites, which will be expanded to 200 sites in the next financial year. Our aim is to empower our customers with superfast internet at work, at home and on the move, supplementing our growing fibre network. Our 4G coverage now stands at 97% across Kenya, with almost 6,000 4G stations.

Our purpose – the reason we exist

To transform lives



For more on our societal investment, see page 126.

Our vision – where we see ourselves going

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

Our mission – what we aim to accomplish

To accelerate new growth areas delivering superior customer experience in order to be a purpose-led technology company by 2025

Our culture – how we do it

Purpose-driven, customer obsessed, innovative and collaborative

Our values – the principles by which we conduct ourselves

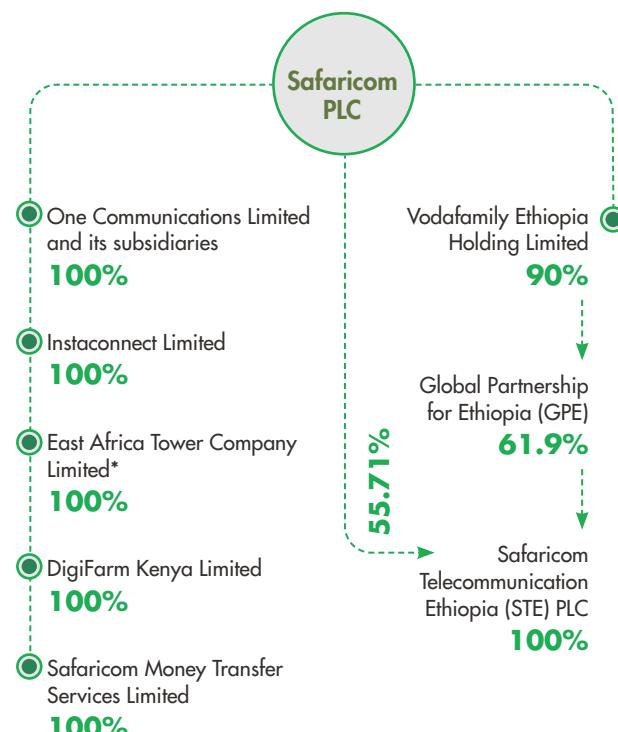
- Simple – in the way we reach out to you
- Transparent – in what we deliver to you
- Honest – in what we say to you

Our brand promise is founded on these values:

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

This promise expresses our commitment to inspire trust and belief in our customers. It is indicative of who we are, and what differentiates us from our competitors. It embodies what our customers can expect to experience when engaging with us, and it is built on authenticity across all facets of our brand.

Our Group structure



* Further details on the investment in subsidiaries refer to the financial statements (note 23)

Who we are continued

Our strategic focus and four strategic pillars

Our strategic focus for FY2022

To establish a customer obsessed, digital first organisation, delivering double digit growth by the end of the financial year, in order to be a purpose-led technology company by the end of 2025

Our strategic focus for FY2023

To accelerate new growth areas delivering superior customer experience in order to be a purpose-led Technology Company by the end of 2025

To this end, our strategy is founded on four strategic pillars.

For more on our strategy, see page 49.

Icon

 Strengthen the core

 To be a financial services provider

 Accelerate new growth areas

 Achieve cost leadership

Our services and solutions*



Partners

- Farmers
- Financial institutions
- Input providers
- Content providers
- Off-takers

What it 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, access to market, and customised information on farming best practice.

Sector Agriculture

* For more information on how to access this various services and solutions, please refer to www.safaricom.co.ke



Partners

- KCB Bank
- NCBA

What it is

An overdraft facility that enables customers to access an unsecured line of credit by overrawing on M-PESA to cover short-term cash flow shortfalls subject to applicable predetermined limits. Customers can also access Fuliza for airtime to complete airtime top-ups in case of shortfalls in their M-PESA wallet.

Sector Financial services



Partners

- Visa
- Credit and savings entities
- Global payment partners
- Ant Group

What it is

A mobile phone-based money transfer service, payments and a micro-financing service platform launched in 2007. M-PESA supports global payments through M-PESA Global and now in partnership with Visa for a Virtual Global online payments card. We also launched Halal Pesa, a Shari'ah-compliant credit product.

Sector Financial services



Partners

- KCB Bank (a tier 1 Kenyan bank)

What it is

KCB M-PESA is a savings and loan service that enables M-PESA customers to save as little as KShs 1, and access credit from KShs 1,000.

The KCB M-PESA loan account is a micro-credit product which gives customers access to loans for an emergency or to fund a project or an enterprise.

Sector Banking

LIPA NA m-pesa

What it is

Lipa na M-PESA (LNM) enables merchants to transact using a till number to collect payments from customers. It has two use-cases:

- Buy goods – mainly used for one-off payments to merchants, done “on the go”, mainly face-to-face, but also be done remote capability.
- Billers – C2B option, mostly executed remotely/online, and mainly used for repetitive transactions done on utility payments to government agencies, SACCOs, electricity and water providers, and hospitals.

Sector E-commerce

M-KESHO M-PESA EQUITY ACCOUNT

Partners

- Equity Bank

What it is

M-Kesho Bank Account was launched to enable Safaricom’s mobile money clients to access their Equity bank accounts directly. Registration is free and the account has no charges, ledger fees or minimum account balance requirement.

Sector Banking

UPGRADE YOUR LIFE SOLAR

What it is

M-KOPA provides solar home systems that innovatively integrate machine-to-machine (M2M) technology with a micro-payment solution. The system includes embedded GSM technology for monitoring and metering usage, while its pay-as-you-go service carries the advantage of no large initial cash outlay.

After an initial deposit, customers pay daily instalments via a mobile money service (M-PESA) until the balance is paid off. Once this repayment is complete, customers own the unit outright.

The solution is cheaper and healthier than the alternative of kerosene lamps for rural households with no electricity.

M-KOPA solar is currently available in 750 outlets nationwide in Kenya through the Safaricom distribution network.

Sector Health

M+Salama

Partners

- Kenya Red Cross Society

What it is

A USSD and SMS platform that sends early warning information.

Sector Charity

M-Shwari

Partners

- NCBA (a tier 1 Kenyan Bank)

What it is

M-Shwari is a micro-lending/savings product.

The M-Shwari Loan Account is a micro-credit product which allows customers to borrow money or to complement their savings towards an investment or enterprise.

The M-Shwari Deposit Account is a micro-savings product which allows customers to securely store their money for a specific purpose or for unexpected events.

Sector Banking

m-tiba

Partners

- Care Pay

What it is

A health payment application or “e-wallet” that enables low-income earners to save towards their healthcare expenses and helps donors to target funds accurately and confidently.

Sector Health

SOMA NA SHUPAVU 291

Partners

- Eneza Education

What it is

An SMS- and USSD-based education platform that enables students to study without an internet connection.

Sector Education

Who we are continued

Our capitals

Icon



Financial capital

The pool of funds and assets that we maintain



Human capital

Our employees and all the competencies, abilities, experience and expertise that they bring to the Group



Intellectual capital

The policies, procedures, intellectual property (IP), knowledge that exists and is cultivated in our organisation, including our vision, mission, purpose, reputation and the value of our brand



Social and relationship capital

The partnerships and relationships that we build and maintain with all our stakeholders, including our employees, providers and suppliers, and our communities



Manufactured capital

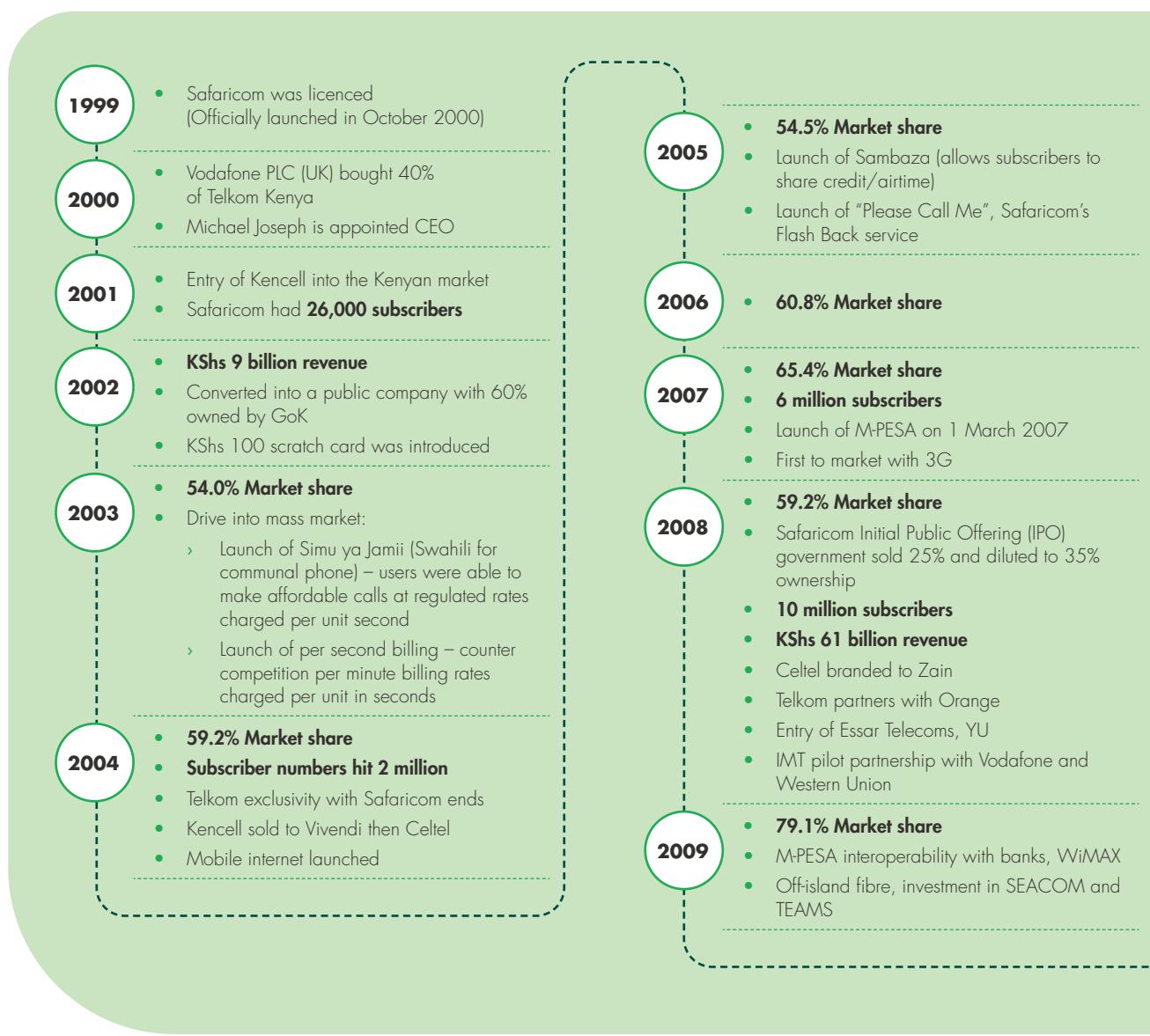
Our buildings, properties, fibre-optic and cable networks, towers and other infrastructure, and vehicles that support our operations



Natural capital

The beneficial projects that help to sustain the environment in which we operate

Our Safaricom journey



2010

- **78.3% Market share**
- Bob Collymore is appointed CEO
- Airtel buys Celtel branded as Zain
- The Communication Authority assigned additional frequency spectrum resources to Zain to enable it to offer 3G services
- Regulator implements MTR reduction to KShs 0.99 which sparks price war

2011

- **68.2% Market share**
- 17 million subscribers
- Mobile number portability
- Price war in the market

2012

- **65.3% Market share**
- Safaricom partners with NCBA Bank (Formerly CBA Bank before merger with NIC Bank in Sept 2019) to launch the savings and loan product called M-Shwari
- **KShs 107 billion revenue**

2013

- **65.1% Market share**
- Launch of Lipa na M-PESA
- Launched the first Sustainability Report in Kenya

2014

- **67.8% Market share**
- **21 million subscribers**
- Launch of 4G network
- Launch of National Security Surveillance
- Launch of Spark Venture Fund to help tech start-ups 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 Citizen (online payment for GoK)

2016

- **65.6% Market share**
- First company in Kenya to link its growth strategy to the 17 UN 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

- **64.2% Market share**
- **29 million subscribers**
- Launch of e-commerce – Masoko
- Launch of DigiFarm
- Launch of M-PESA Global

2019

- **62.4% Market share**
- **31.8 million subscribers**
- Launch of Nawe Kila Wakati (NWK) 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

2021

- **64.4% Market share**
- Peter Ndegwa takes over as CEO
- Michael Joseph appointed as the Chairman of the Board
- Launch of new strategy and agile organisation
- Launch of 5G trials
- Launch of device financing with Lipa Mdogo Mdogo

2022

- **65.3% Market share**
- M-PESA celebrates achieving 30 million monthly active customers
- M-PESA celebrates 15 years of Transforming Lives
- Launch of M-PESA Consumer Super App and Business App
- Awarded Telecommunications licence in Ethiopia
- Launch of Halal Pesa, the first Shari'ah-compliant digital financing product in partnership with Gulf Bank

Who we are continued

Our market share

The year under review saw our position as the leader in the mobile market in Kenya strengthen further.

Active mobile subscriptions per operator by contract type

Operator Name/Indicator	March 2022			December 2021			Quarterly Variation (%)
	Pre-paid	Postpaid	Total	Pre-paid	Postpaid	Total	
	63,669,387	1,291,644	64,961,031	63,756,368	1,329,352	65,085,720	(0.19%)
Safaricom PLC	41,280,616	1,159,762	42,440,378	41,679,898	1,199,277	42,879,175	(1.02%)
Airtel	16,641,322	87,275	16,728,597	16,339,931	85,468	16,425,399	1.85%
Telkom	4,099,086	44,607	4,143,693	4,099,086	44,607	4,143,693	0.00%
Finserve (Equitel)	1,394,049	—	1,394,049	1,401,121	—	1,401,121	(0.50%)
Jamii Telecommunications Limited	254,314	—	254,314	236,332	—	236,332	7.61%

Source: CA, Operators' Returns

During the third quarter of the FY2021/2022 (January-March 2022), we recorded the highest market share in domestic voice and SMS traffic at 67.8% and 89.5% respectively.

Market shares in domestic mobile voice and SMS



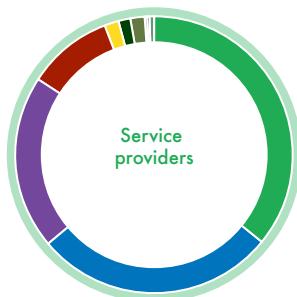
The same was true overall in assessing total values in both the mobile money transfer and fixed data subscription segments of our industry.

Mobile Money Brand/Indicator	M-PESA	Airtel Money	T-Kash*	Total
Agents	262,004	23,236	8,349	293,589
Value of C2B Transfers in KES	1,384,556,455,232	1,655,224,543	86,299,577	1,386,297,979,352
Value of B2C Transfers in KES	919,982,738,037	396,314,690	148,549,893	920,527,602,620
Value of B2B Transfers in KES	2,219,776,335,265	—	—	2,219,776,335,265
Value of G2C Transfers in KES	882,857,114	—	—	882,857,114
Value of C2B Transfers in KES	13,457,682,660	14,287,715	61,860	13,472,032,235
Volume of P2P Transfers	1,040,101,924	805,719	637,117	1,041,544,760
Value of P2P Transfers in KShs	1,109,557,282,367	513,089,592	169,237,668	1,110,239,609,627
Total value of Deposits in KShs	1,256,236,708,169	1,529,497,807	84,936,063	1,257,851,142,039

Source: CA, Operators' Returns

* Provisional Data

Fixed data subscriptions by operator



- Safaricom PLC **35.8%**
- Wananchi Group (Kenya) Ltd* **28.1%**
- Jamii Telecommunications Ltd **20.4%**
- Poa Internet Kenya Ltd **9.9%**
- Liquid Telecommunications Kenya Ltd **1.8%**
- Mawingu Networks Ltd **1.4%**
- Dimension Data Solutions East Africa Ltd **1.4%**
- Telkom Kenya Ltd **0.5%**
- Truth Wireless Ltd **0.1%**
- Other Fixed Service providers **0.5%**

For more on the environment in which we operate, see page 20.

Our stakeholders

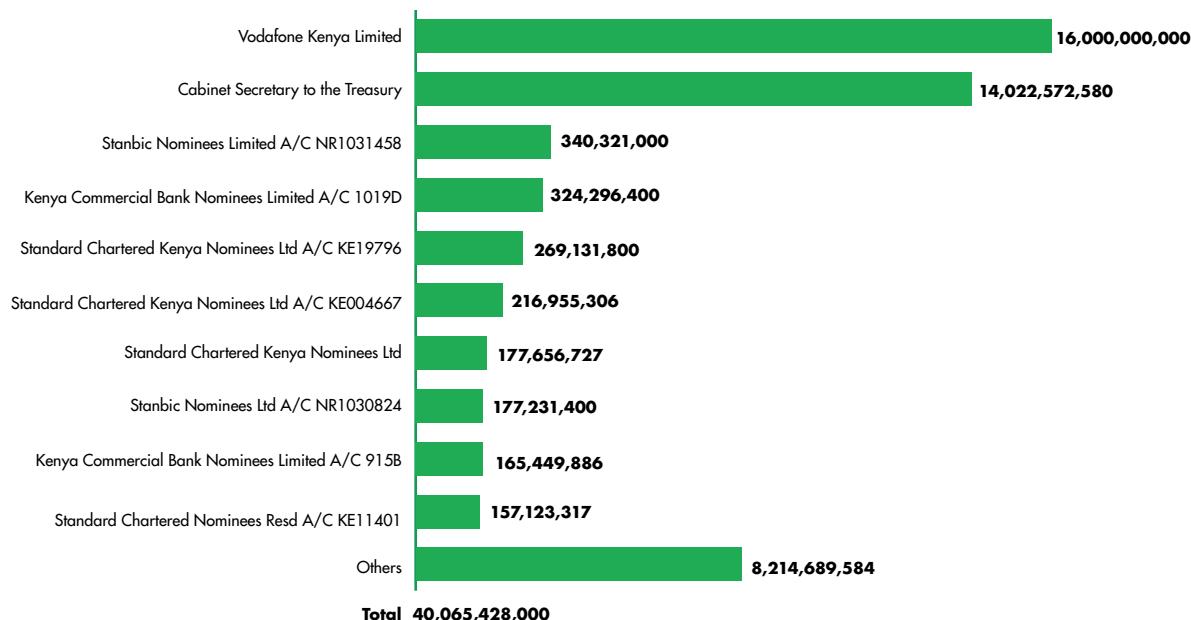
Icon

GR	Governments and regulators	S	Our suppliers
C	Our customers	SC	Society and communities
IS	Investors and shareholders	BP	Business partners
E	Our employees	M	Media

For more on stakeholder engagement, see page 56.

Our principal shareholders

The 10 largest shareholders in the Company (ordinary shares only) and the respective number of shares held as at 31 March 2022 were as follows:

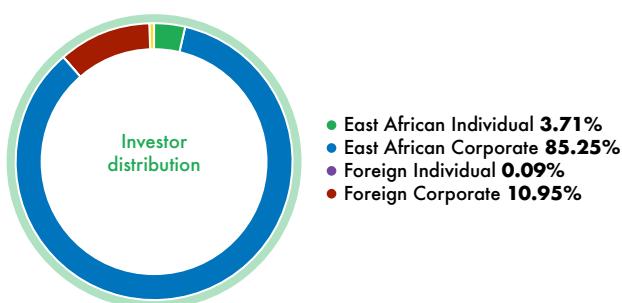


Who we are continued

Distribution of shareholders

Range (No of shares)	No of shareholders	No of shares	Shareholding
1 to 1,000	353,529	209,405,909	0.52%
1,001–10,000	161,642	458,472,440	1.14%
10,001–100,000	17,757	446,497,318	1.11%
100,001–1,000,000	1,597	427,275,695	1.07%
1,000,001–10,000,000	517	1,746,662,915	4.36%
10,000,001–100,000,000	185	4,379,282,975	10.93%
100,000,001–1,000,000,000	13	2,375,258,168	5.93%
1,000,000,001–100,000,000,000	2	30,022,572,580	74.93%
Total	535,242	40,065,428,000	100.00%

Split between foreign and East African shareholders



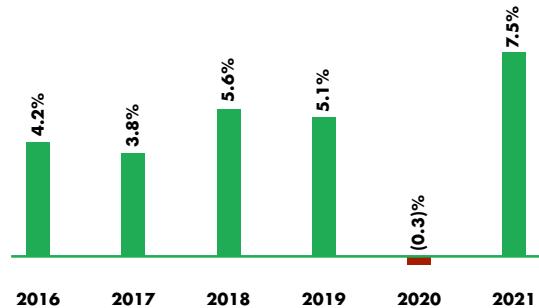
The domestic context

Global inflationary pressures, and the continuing pressure on key domestic industries such as tourism notwithstanding, as of end of 2021, Kenya's total output had recovered to above the pre-pandemic high point.

In Kenya, inflation remains elevated hitting a five year high of 7.9% in June 2022 while the currency continues to depreciate worsened by the high import bill and existing supply chain constraints. This has resulted in surging commodity and food prices thus exerting pressure on consumer wallet.

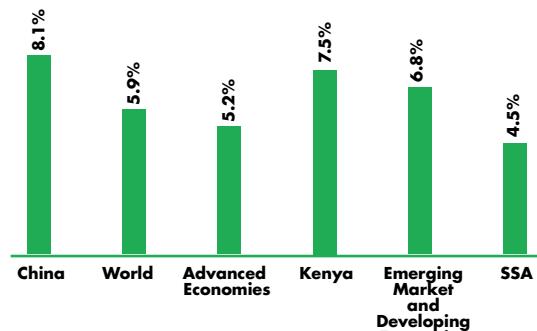
In 2021, Kenya recorded a 7.5% GDP growth supported by rebounds in most key sectors excluding Agriculture which contracted by 0.2% during the period.

GDP growth rate (%)



Source: Kenya National Bureau of Statistics

This recovery was noticeable against the general picture of a slower recovery in Sub-Saharan Africa due to debt burden, income inequality and lower vaccination rates.



Source: International Monetary Fund (World Economic Outlook) & KNBS

Our operating environment

The global background

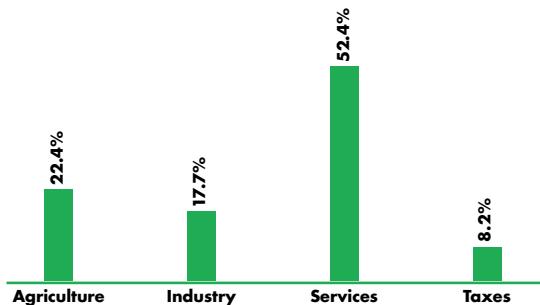
As most countries began to emerge – to different degrees and at varying stages – from the heavy economic pressures caused by two years of the COVID-19 pandemic, the year under review saw the start of a generalised recovery in global economic growth. World real GDP grew by 5.9% in 2021 compared to a contraction of 3.1% in 2020 supported by relaxation of Covid-related lockdowns in most of the countries.

While the global economy may have shown signs of emerging from the pandemic-induced recession, it was nevertheless burdened with higher public debt. This has necessitated the raising of interest rates by some central banks, with a resultant increase in the cost of servicing of sovereign debt. This remained a challenge during the year for emerging economies whose debt is denominated in an appreciating US Dollar.

The World Bank projects global growth to slow down to 2.9% in 2022 due to surging commodity prices and continued monetary policy tightening. The Russia/Ukraine war has significantly disrupted activities and trade leading to high inflation - above central bank targets in most countries, supply chain disruptions and tight labor markets.

Within this context, it has been the services sector that has led the recovery jointly accounting for 52.4% of the total economy in 2021 according to the KNBS. The agriculture sector remains the country's backbone contributing 22.4% to GDP. During the year, the telecommunications sector rose by 9.7% from 12.6% in 2020 while finance and insurance sector grew by 12.5% compared to 5.9% the prior year as per the 2022 economic survey report by KNBS.

Sectoral contribution to total GDP in 2021



Source: Kenya National Bureau of Statistics

Our industry environment

In general, the Kenyan ICT sector has experienced robust growth as a result of the pandemic having pushed consumers to adopt online ways of conducting business and mobile money payments. Other key drivers include increased demand for video calls, social networking, gaming and video on demand.

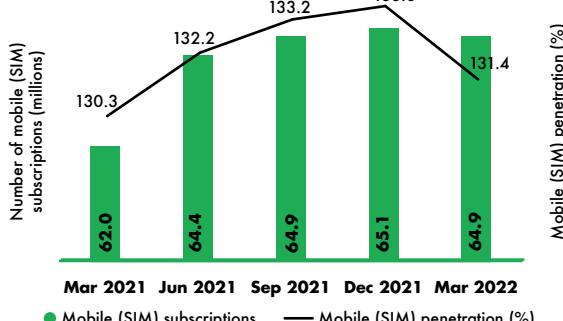
In line with this new adoption of digital platforms, fixed telephone subscriptions continued to dwindle, with the key attractions being the convenient range of services such as mobile data, mobile money, banking and content.

Fixed voice subscriptions

Subscriptions	March 2022	December 2021	Quarterly Variation (%)
Fixed Line	13,626	13,626	0.0
Fixed Wireless	1,226	1,174	4.4
Fixed VoIP	49,387	46,296	6.7

Source: CA, Operators' Returns

Mobile subscriptions and penetration



Source: Communications Authority of Kenya

As at 31 March 2022, the number of active mobile (SIM) subscriptions stood at 64.9 million from 65.1 million subscriptions recorded by the end of 31 December 2021, and representing a mobile (SIM) penetration rate of 131.4%. The decline in SIM subscriptions is partly attributed to the ongoing SIM registration exercise during which a number of SIM cards have been deactivated.

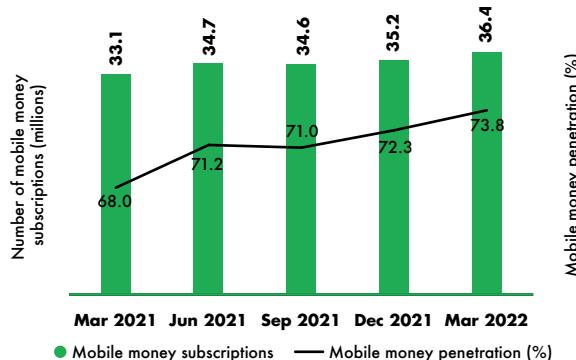
Mobile penetration dropped by 2.5 percentage points, and is attributed to the review of the country's population figures from 48.7 million to 49.4 million as per the Economic Survey 2022. (Source: CA Q3 Operators returns)

Mobile money services

Uptake of mobile money services continued to grow, as with its convenience and cashless nature it was perceived as helping curb the spread of COVID-19. With subscriptions growing to stand at 36.4 million, mobile money penetration increased from 72.3% to 73.8% during Q3 alone in FY2022.

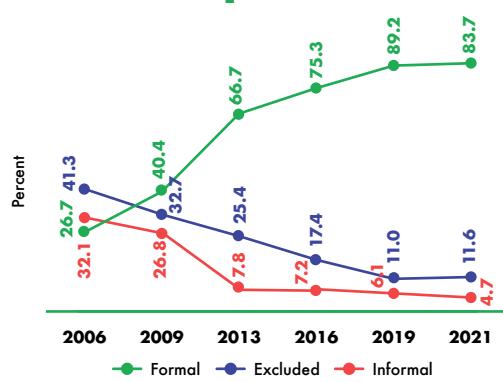
Before the introduction of M-PESA, Kenya's financial inclusion was as low as 27% in 2006 in formal financial services, with 32% access to informal financial services, including loans from informal money lenders. The proportion of Kenyans completely excluded from access to financial services stood at 41%.

M-PESA has since significantly expanded access to formal financial services. Kenya's formal financial inclusion grew threefold from below 30% to over 80% in 2021 and now ranks as the third highest in Africa. Due to its various innovations, M-PESA has substantially contributed to growth in formal financial inclusion across the countries in which we operate.



Source: CA Operators' Returns

Overall access to financial services and products



Source: FinAccess Household Survey 2021

Who we are continued

Mobile money transfer services - comparatives Q3 FY2022 (Jan - March 2022)

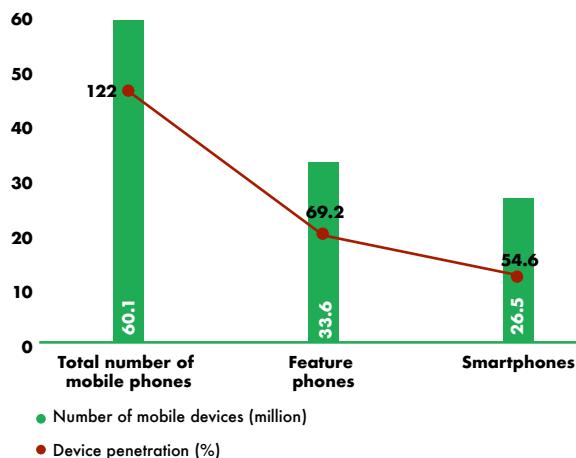
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Total value of Deposits in KShs	1,256,236,708,169	1,529,497,807	84,936,063	1,257,851,142,039

Source: CA, Operators' Returns.

* Provisional Data

Mobile phone devices

At 31 March 2022, there were 60.1 million mobile devices connected to networks, of which 33.6 million were feature phones and 26.5 million smartphones, with penetrations of 69.2% and 54.6% respectively. On our network, we had 18.44 million smartphones of which 10.95 million were 4G devices.



Source: CA Operators' Returns

International mobile traffic

In the period (January to March 2022) international incoming mobile voice traffic declined by 14.3% while international outgoing mobile voice traffic grew by 3.8%.

Indicator/Period	Region	January – March 2022	October – December 2021	Quarterly Variation (%)
International Incoming Mobile voice Minutes	EAC	67,393,245	72,847,409	(7.5)
	Other	38,754,731	51,025,353	(24.0)
	Total	106,147,976	123,872,762	(14.3)
International Outgoing Mobile voice Minutes	EAC	83,738,419	81,854,628	2.3
	Other	80,621,524	76,495,464	5.4
	Total	164,359,943	158,350,092	3.8
International Incoming Mobile SMS		7,694,724	8,450,242	(8.9)
International Outgoing Mobile SMS		4,950,835	5,126,004	(3.4)

Source: CA Operators' Returns

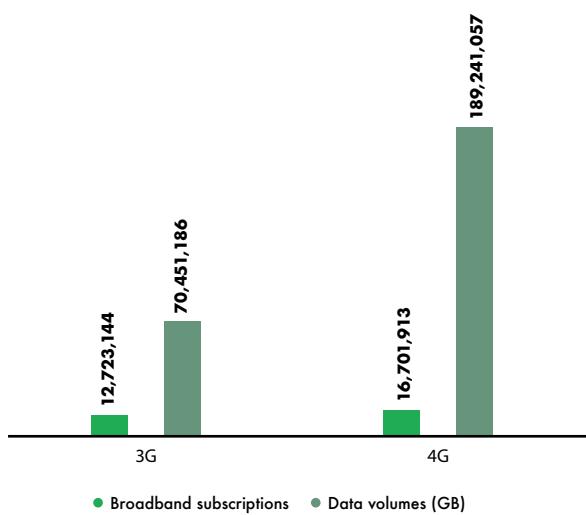
Who we are continued

Also during Q3 (Jan-March 2022), data/internet and broadband subscriptions stood at 46.5 million and 30.2 million respectively with a total of 29.4 million on mobile broadband subscriptions.

Data and broadband subscriptions

Indicator/Period	January – March 2022	October – December 2021	Quarterly Variation (%)
Total Data/internet subscriptions	46,590,085	46,355,022	0.5
Total Broadband subscriptions	30,251,455	29,149,638	3.8

Mobile broadband subscriptions (3G and 4G)



Source: CA Operations returns

Our business context

In our business environment, gradual recovery is underway, however, we are faced with the below headwinds:



Upcoming general elections political risk



Currency devaluation



Increasing regulatory scrutiny, taxation-adjusted excise duty on telco products

Sustained pressure on currency and consumer wallet with rising inflation

MESSAGE FROM THE CHAIRMAN





Message from the Chairman



Since our inception two decades ago, Safaricom has been successful due to our resolute commitment to leading with purpose. That purpose – Transforming Lives – has always informed our decision-making, enabling us to create an inclusive business with relevant products and services that benefit and help improve society.

● Michael Joseph, Chairman of the Board

Message from the Chairman

Overview

The Board is encouraged by the resilience that the business has shown during the year and the recovery trajectory in the economy marked by GDP growth surpassing pre-pandemic levels.

In an increasingly digital economy, we are committed to supporting the Government of Kenya and Kenyan citizens in navigating this recovery phase. To maintain resilience in our business, we must continue to innovate and speedily execute sustainable solutions to meet the digital needs of our customers.

With the Group two years into our five-year strategy guided by the purpose of transforming lives, the Board continues to support management in its business plans, recording strong achievements in this financial year. We are pleased with the exceptional performance of the business, which has seen strong revenue growth, consistent shareholder value and the support over one million jobs across the country. The outcome of this has been upliftment for communities, and, for us as an organisation, greater accountability to our shareholders, our investors and our society.

A strategy of upliftment

We are now two years into our new five-year strategy, and its success attests to our fundamental principle of placing our customers at the heart of everything we do. This principle is a key component of our determination, as evidenced by the activities of our two foundations, to continue making a meaningful contribution towards a sustainable planet and future.

We are proud that in pursuing this goal, the M-PESA Foundation, amongst its other initiatives, has, in partnership with Kwale County and the Kenya Red Cross, installed a solar-powered water pump at Nyalani Dam that will see over 22,000 county residents having access to clean, safe water for home consumption. Moreover, the pump will deliver irrigation to over 105 acres of county farmland, thereby directly boosting food production.

Similarly, as part of our continued commitment to creating shared value, the Foundation has partnered with Gertrude's Children's Hospital to launch Daktari Smart, a telemedicine programme that will link and provide specialised medical treatment to over 32,000 children in remote counties over three years.



In addition, we are now participating in the Pamoja Tuungane campaign, an initiative which, having begun in FY2023, rallies Kenyans to donate Bonga points or cash to support children and families affected by the prolonged drought. We have committed foodstuffs to the value of Kshs 100 million, to be distributed over 23 of the hardest-hit counties. For more on our foundations and their activities, see page 130.

Monitoring our operating environment

The year under review was one with far-reaching changes and extraordinary circumstances, even within the economic recovery that we have begun to see. The Board continued to actively assess business risks arising from geopolitics, macro-economic developments and industry concerns, as well as reputational risks.

We have seen, during the year, challenges represented by new directives by the regulators, revision of mobile termination rates (MTRs), as well as an increase in GSM excise duty, and implementation of changes in customer acquisition channels as well as subscriber registration. We continued to provide full support to management as it engaged with the regulators to ensure alignment with registration, taxation and legislation.

With campaigns for the August elections underway, we will be carefully monitoring the political risks with a potential to impact the business on both the operations and infrastructure fronts.

These headwinds notwithstanding, there has been discernible GDP growth of 7.5% in 2021 surpassing pre-COVID-19 levels. We see this as opportunity to be unlocked, particularly for MSMEs. For more on our operating environment, see page 20.

Board performance

It is gratifying to be able to note that the Board and its committees have performed outstandingly well, not only in fulfilling their duties, but in proactively supporting management, delegating with responsibility and transparency, and applying its collective mind and skills to meet the challenges, and maximise the opportunities that have made themselves apparent during the year.

In addition, during the year under review, we continued to work hard to understand the concerns of our stakeholders, to absorb them and apply them so that our strategy continually matches not only our vision, mission and purpose, but the needs and expectations of all those individuals and bodies that are impacted by what we do.

Acknowledgements

I would like to thank my colleagues on the Board for their diligence and commitment during the year, in providing effective assessments and guidance for management to act upon. Their skill, wisdom and experience have added a great deal of value to the Group and contributed in no small amount to its achievements in FY2022.

I am also extremely grateful to our CEO Peter Ndegwa and his management team for their outstanding leadership and capable steering of the business to deliver value through the sterling performance that we have recorded.

Finally, to all our stakeholders, and in particular government and regulatory bodies with whom we continuously consult, I would like to say that we greatly appreciate their support and willingness to engage with us as we move forward together to make the future an even better one for all.

Michael Joseph
Chairman

Ujumbe kutoka kwa Mwenyekiti



Tangu kuanzishwa miongo miwili iliyopita, Safaricom imefanikiwa kutokana na kujitolea kwetu kuongoza kwa lengo kuu. Lengo hilo – Kubadilisha Maisha – limekuwa daima likiongoza maamuzi yetu, na kutuwezesha kuunda biashara inayowashirikisha wote kupitia bidhaa na huduma zinazofaidi na kusaidia kuiboresha jamii.

● Michael Joseph, Mwenyekiti

Ujumbe kutoka kwa Mwenyekiti

Kwa ufupi

Bodi imefurahishwa na ukakamavu ambaeo biashara yetu imedhihirisha katika mwaka uliomalizika na mwelekeo wa kuimariika tena kwa uchumi ambapo kiwango cha ukuaji wa pato la taifa yaani GDP kimezidi kiwango cha kabla ya janga la corona.

Katika uchumi ambaeo unazidi kuwa wa kidijitali, tumejitolea kuisaidia Serikali ya Kenya na raia wa Kenya katika kupitia kipindi hiki cha kujikwamua. Ili kudumisha ukakamavu wa biashara yetu, ni lazima tuendelee kuvumbua na kutekeleza kwa kasi huduma endelevu za kukidhi mahitaji ya kidijitali ya wateja wetu.

Kundi letu sasa lipo katika mwaka wa pili wa utekelezaji wa mkakati wa miaka mitano unaoongozwa na lengo la kubadilisha Maisha. Bodi inaendelea kuunga mkono wasimamizi katika mipango yao ya biashara, ambapo kulipatikana mafanikio makubwa mwaka huu wa kifedha. Tumefurahishwa na matokeo mazuri ya kifedha ya biashara yetu, ambayo imeshuhudia ukuaji thabiti wa mapato, kuongezeka kwa thamani kwa wenyehiswa na tunaendeleza nafasi za kazi zaidi ya milioni moja kote nchini. Matokeo yake yamekuwa ni kuinuliwa kwa jamii, na, kwetu kama shirika, uwajibikaji zaidi kwa wenyehiswa wetu, wawekezaji wetu, na kwa jamii yetu.

Mkakati wa kuinuka

Tumemaliza miaka miwili sasa ya utekelezaji wa mkakati wetu wa miaka mitano, na mafanikio yake ni dhihirisho tosha ya azma yetu kuu ya kuwaweka wateja mbele katika jambo lolote tulitendalo. Msingi huu ni kiungo muhimu katika kujitolea kwetu, kama inavyodihirishwa na shughuli za Nyakfu zetu mbili, katika kuendelea kutoa mchango wa maana kuhakikisha ulimwengu endelevu na siku za usoni endelevu.

Tunajivunia kwamba katika kutimiza lengo hili, wakfu wa M-PESA Foundation, mionganini mwa miradi yake mingine, kwa ushirikiano na Kaunti ya Kwale na Shirika la Msalaba Mwekundu Kenya, wameweka pampu ya maji inayotumia kawi ya jua katika Bwawa la Nyalani. Mradi huu utawezesha zaidi ya wakazi 22,000 wa kaunti hiyo kupata maji safi kwa ajili ya matumizi yao ya nyumbani. Kadhalika, pampu hiyo itawezesha unyunyizaji maji katika ardhi ya ekari 105 katika kaunti hiyo, na hiyo kuimarishe uzalishaji wa chakula kwa njia ya moja kwa moja.

Vilevile, kama sehemu ya kujitolea kwetu kuunda thamani ya pamoja, Wakfu huo umeshirikiana na Hospitali ya Watoto ya Gertrude kuzindua Daktari Smart, ambayo ni huduma ya afya ya njia ya simu ambayo itatoa matibabu maalum kwa watoto zaidi ya 32,000 katika kaunti za mbali katika kipindi cha miaka mitatu.

Kadhalika, sasa tunashiriki katika kampani ya Pamoja Tuungane, mkakati ambaeo, baada ya kuanzishwa katika mwaka wa kifedha wa 2022, unawahamasisha Wakenya kutoa msaada wa alama zao za Bonga au pesa taslimu kusaidia watoto na familia zilizoathiriwa na ukame. Tumeahidi kutoa vyakula ya thamani ya Kshs100 milioni vitakavyosambazwa katika kaunti 23 zilizoathirika zaidi. Kwa maelezo zaidi kuhusu Nyakfu zetu na shughuli zake, tazama ukurasa 130.

Kufuatilia mazingira yetu ya uendeshaji shughuli

Mwaka tunaouangazia ulijaa mabadiliko makubwa na hali ya kipekee, hata ukizingatia kuimariika tena kwa uchumi ambako tumeanza kushuhudia. Bodi liliendelea kutathmini hatari za kibashara zilizotokana na siasa za kanda, matukio ya kiuchumi na wasiwasi kwenye sekta yenye, pamoja na hatari zilizoathiriwa sifa zetu kama kampuni.

Tumeshuhudia, katika mwaka huo, changamoto mpya zilizotokana na maagizo mapya ya mamlaka, kufanyiwa mabadiliko kwa ada za upigaji simu kwenye mitandao mingine (MTRs), pamoja na ongezeko katika kodi ya GSM. Pia, utekelezaji wa mabadiliko katika njia za kuwapata wateja ikiwi ni pamoja usajili wa wateja. Tuliendelea kuwaunga mkono wasimamizi walipoendelea kujadiliana na mamlaka kuhakikisha tunafuata mahitaji ya usajili, ushuru na sheria zilizopo.

Huku kampeni za uchaguzi mkuu wa Agosti zikiendelea, tutaendelea kufuatilia kwa karibu hatari za kisiasa zilizo na uwezo wa kuathiri biashara yetu katika upande wa shughuli zetu na pia miundo mbinu yetu.

Licha ya changamoto hizi, kumekuwepo na ukuaji mzuri wa GDP wa 7.5% katika mwaka 2021 kiwango ambacho kimezidi kiwango cha kabla ya COVID-19. Tunatazama hii kama fursa ambayo inaweza kutumiwa vyema, hasa na biashara ndogo na za wastani yaani MSMEs. Kwa maelezo zaidi kuhusu mazingira ya kibashara, tazama ukurasa 20.

Matokeo ya Bodi

Inafurahisha kuweza kueleza kuwa Bodi na kamati zake zote wamefanya vyema sana, sio tu katika kutekeleza majukumu yao, bali pia katika kuunga mkono na kusaidia wasimamizi, kupochezana majukumu kwa uwajibikaji na uwazi, na kwa kutumia ujuzi na utaalumu wao kwa pamoja kukabiliana na changamoto zilizokuwepo. Kadhalika, kutumia vyema fursa zilizojidhahirisha katika mwaka huo.

Pia, wakati wa mwaka huo tunaouangazia, tuliendelea kufanya kazi kwa bidii kuelewa vyema maswali na maoni yaliyotolewa na wadau wetu, na kuyapokea na kuyashughulikia ili kuhakikisha mkakati wetu sio tu kwamba unaendana na ruwaza, ndoto na lengo letu, lakini pia mahitaji ya watu binafsi na mashirika yote yanayoathiriwa na shughuli zetu.

Shukrani

Ningependa kuwashuruku wenzangu kwenye Bodi kwa jitihada zao na kujitolea kwao huo katika kutoa utathmini wa maana na ushauri muhimu wa kufuatwa na wasimamizi. Ujuzi wao, busara na uzoefu vimeongeza thamani sana kwenye Kundi na vilichangia si haba katika ufanizi wake FY2022.

Ninamshukuru sana pia Afisa Mkuu Mtendaji wetu Peter Ndegwa na kundi lake la wasimamizi kwa uongozi wao wa kipekee na kwa walivoyelekeza biashara yetu kuunda thamani kupitia matokeo mazuri na ya kuridhisha tuliyoyaandikisha.

Mwisho, kwa wadau wetu, na hasa serikali na mamlaka zinazosimamia sekta yetu ambazo huwa tunajadiliana na kushauriana mara kwa mara, tungependa kusema kuwa tunashukuru sana kwa usaidizi wao na kwa kujitolea kwao kushauriana nasi tunaposongwa mbele na kujenga siku za usoni bora hata zaidi kwetu sote.



Michael Joseph
Mwenyekiti

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER







Message from the Chief Executive Officer

In this financial year, we started to see a recovery from the exigencies of the COVID-19 pandemic and all the changes to our ways of working and ways of living that it has forced upon us. It is, therefore, doubly gratifying to be able to say that Safaricom has once again risen to the challenges that have remained and has delivered on the new growth areas that we strategically targeted. At the same time, we remained keenly focused on our purpose of Transforming Lives, providing not only some of the critical technological tools essential for society's rebound, but also ongoing and meaningful support for the communities which we serve.

 Peter Ndegwa, Chief Executive Officer

Message from the Chief Executive Officer

We are a sustainable and innovative organisation fully aligned with our purpose of Transforming Lives. This purpose, combined with our use of technology, enables us to develop the products that answer the needs of our customers and provide solutions to the challenges of society. Our adoption of the UN SDGs, nine of which we have integrated into our thinking and our actions, has helped us in making a meaningful impact on the communities that we serve.

We strive to ensure that no-one is left behind – whether it is by the creation of a forward-looking digital society, by providing device-financing platforms such as Lipa Mdogo Mdogo empowering customers to expand their reach and opportunities through the internet, or by working to conserve our natural resources through initiatives such as the planting of one million trees as part of our aim to be a net-zero carbon emitting company by 2050.

Indeed, we strengthen this kind of connection with our communities via the social investments we make through our two Foundations and the brand sponsorships we undertake. These efforts, and the effective operational implementation of our strategy, have enabled us to deliver the strong performance we have. For more on our social impact, see page 126.

The strengths of our strategy

The first year of our new strategy, approved by the Board in FY2020, has shown very pleasing results, with the delivery of a customer-obsessed digital organisation, and a solid base for a future-fit Group and significant progress in all business areas.

We have seen equally good growth in our customer KPIs, and a positive trajectory in those pertaining to our commercial activities. With a continued focus on our customers, our mission in the new financial year is to accelerate new growth areas, and to deliver a superior customer experience, in line with our strategic goal of being a purpose-led technology company by the end of 2025. For more on our strategy, see page 49.

In pursuing this strategy, we will continue to seek new partnerships as well as mergers and acquisitions (M&A), as we grow into areas with which we are not necessarily familiar – always, of course, in positive and valuable consultation with the regulators.

Managing risk

Our approach to managing risk is intimately tied to our strategy – particularly regulatory risk – as we grow our connectivity business, and execution risk as we expand into Ethiopia. Additionally, we have continued to carefully monitor a deteriorating macro-economic environment – the COVID-19 recovery notwithstanding – with 2022 being an election year in Kenya, and the outbreak of the Russia-Ukraine war. Data threats and cybersecurity are both areas of growing concern, and we remain committed to rigorous monitoring of these issues.

We remain confident in our risk management processes and understand the importance of driving business resilience from a risk-management perspective. For more on risk management, see page 46.

Realising our vision

During the year under review, we successfully transitioned to an agile way of working, centred around a technology-driven culture, with well-developed in-house technology expertise. The key milestones we have reached in this are automation and digitisation across the business, evolving M-PESA into a two-sided digital platform serving both businesses and consumers and investing in the use of big data and analytics to build more intuitive products.

M-PESA celebrated 15 years of ground-breaking service as a strong FinTech component of our business. In addition to successfully implementing its two Super Apps, M-PESA delivered a 63.4% increase in merchants during the year, bringing the number to just under 500,000. With over 150,000 businesses now having better visibility of their operations, and transacting directly from the business till, universal payment through merchant interoperability is now accessible across the country. For more on M-PESA, see page 83.

Other notable successes during the year, as we bridged the digital divide, include 567 new base stations for country-wide 4G service, 800km of fibre cable, and our push to make 4G devices affordable to as many people as possible.

In addition, we have helped customers increase data usage by over 275%, with average revenue per user (ARPU) growing by more than 175%, and with our Lipa Mdogo Mdogo service instrumental in this. Moreover, our Pochi la Bishara platform has grown our business network to the 3.2 million mark.

New products for new growth areas

The combination of strategy and customer obsession has enabled us to introduce intuitive and innovative products, such as Nyoosha Shillingi, a mobile price plan that gives more value to customers at no extra cost; and our Halal Pesa, launched in partnership with Gulf African Bank, which provides Shari'ah-compliant digital financing. In another innovative initiative, we have developed Visa virtual card by M-PESA GlobalPay, to support international online payments. In the pipeline, subject to regulatory approvals, is an M-PESA junior product to broaden financial inclusion to children with access to smartphones.

A performance to be proud of:

The results we have delivered in the year speak for themselves:

Excluding Ethiopia:

- Earnings Before Interest and Tax (EBIT), stands at KShs 114.3 billion, as against guidance of KShs 107 billion to 110 billion
- Capital Expenditure (Capex) reached KShs 39.3 billion as against guidance of KShs 40 billion to 43 billion

Including Ethiopia:

- EBIT stands at KShs 109.1 billion, as against guidance of KShs 97 billion to 100 billion
- Capex reached KShs 49.8 billion, as against guidance of KShs 70 to 73 billion

For more on finance and our performance against strategy, see pages 106 and 114 respectively.



Message from the Chief Executive Officer continued

Our stakeholders

We are very cognisant of the need to consider feedback from our stakeholders and to engage meaningfully with them. It is a vital component of our strategy development, as much as it is of our product and services offering. What our customers want, what our regulators require, and what our communities need, is always top-of-mind as we transform into a customer-obsessed, digital-first organisation. For more on stakeholder management, see page 56.



To this end we have done exhaustive research in the market, commissioning monthly net promoter scores (NPS) and maintaining regular and productive contact and consultation with regulators and partners to ensure compliance and responsiveness.

For our employees we undertook extensive surveys, particularly at the height of the pandemic. This was to ensure that they are enabled and empowered to deliver the level of service required, and work remotely, while taking into account their physical and mental well-being. We are also seeking partnerships to help develop technology talent as we transform into a digital-first organisation whose skill requirements are growing concomitantly.



Through our two Foundations we carefully consider our social investments, so that the needs of the community in which we operate are met. For more on our Foundations, see page 130.



Moreover, as the country's largest taxpayer, we are very aware of the interests and priorities of government. During the year under review, we maintained the strong and productive relationship we have with government as an important stakeholder. We remain committed to open, transparent and rigorous governance within the organisation, as well as diligent compliance with all legislation and regulation, with the good of the country uppermost in our mutual considerations and consultations. For more on our stakeholders, see page 56.



From the supplier perspective, we pursued shared value, with a commitment to drive diversity and inclusion for both local and foreign suppliers, to ensure that not only they, but the wider communities in which they operate, can benefit.



Our interactions with the Board and shareholders continue on a regular basis, with diligent reporting, and open and transparent communication. Our interactions with the Board and its committees, provides a rigorous framework that ensures the highest level not only of governance but guidance. For more on governance, see page 136.

Regional expansion

The award of the telecommunications licence in July 2021 for our operations in Ethiopia has opened up new vistas for us. With everything now ready for the launch in 2022, we have successfully negotiated the unforeseen and unprecedented circumstances that arose since the award of the licence. While high inflation and forex volatility still remain factors for us to carefully monitor and navigate, we have made excellent progress with support from both the Government of Ethiopia and the Ethiopian Communications Authority (ECA).

This support has enabled the incorporation of the company, securing of approvals for tower development, the building of two data centres, and the landmark making of our first test call, sending our first SMS, and completing our first data session.

With the recruitment of a strong team of over 300, of whom 55% comprises local talent, our goal is to expand to a staff complement of 1,000 in FY2023. We have onboarded 29 distributors, secured four retail locations, and set up our first outsourced call-centre in Addis Ababa.

We have made progress too with Ethiotel in establishing a mutually beneficial partnership for interconnection and transmission capacity, as well as tower and power sharing. In addition, we are in consultation with the Government of Ethiopia on the requirements needed to operationalise our mobile money business in that country. For more on our expansion in Ethiopia, see page 91.

Looking ahead

In the short term, our focus for FY2023 will be on proactively developing a scalable business in new growth areas in Kenya and beyond, with the strategic aim of combining the power of new technology and innovation to grow beyond our connectivity and payment business. To this end our aim is to:

- Leverage mergers and acquisitions (M&A), as well as licences and partnerships to unlock growth and shape our investment profile
- Scale both Fibre to the Home (FTTH) and Fibre to the Building (FTTB) service
- Leverage both fibre and 5G technology with fixed home wireless as our first major use case
- Expand our financial services offering, subject to the requisite partnerships and regulatory approvals, to cover verticals such as insurance, wealth and e-commerce for consumers and SMEs
- Scale selected digital platforms, particularly in AgriTech and Digital Health, as well as establish the right operating model and partnerships to scale Internet of Things (IoT) and Information and Communication Technology (ICT)
- Grow digital services such as content, education and advertising to drive data stickiness and utilisation



Acknowledgements

I would like first to thank our customers for their support and trust in our business. We commit to continue being obsessed with your needs and to facilitate your achieving your aspirations through our various products, services and solutions. I must of course thank the Board – their wise and diligent guidance, their support for our strategy, and their stewardship of the organisation, are invaluable and essential to our success.

My gratitude goes also to our 6,000-strong complement of employees, as well as all the partners, dealers, and agents with whom we work. The significant ecosystem that they comprise impacts over a million people directly and indirectly is key to the realisation of our strategic goals.

I would also like to thank both the Kenyan and Ethiopian Government for their support in ensuring that we are so well-placed to deliver the foundations for creating a digital business that empowers individuals, businesses and the respective countries in communications, mobile finance and much more besides.

We look forward to continuing to work with all these key people, bodies and institutions as we go forward together into the future.

Peter Ndegwa
Chief Executive Officer

A self-help group of 7 farmers in Ol Donyo Sabuk, Machakos, wanted to improve farming in their area. Their biggest challenge was a lack of resources, including rain water, to help grow crops in a semi-arid area. We partnered with these farmers by providing a water pump, pipes, seedlings and fertilizers. With these assets available, they can now work towards being more efficient farmers. Their future now looks bright, holding prospects for an abundance in harvests.



We opened a new and improved ICT enabled skills center at the Waithaka Vocational Training Centre in Nairobi. The launch of the refurbished institution is part of the foundation's Technical and Vocational Education and Training (TVET) programme focusing on Plumbing, Welding, Food and Beverage and Electrical Engineering. The other component of the programme includes providing scholarships to over 700 students across various TVET institutions in the country.



We officially opened the refurbished newborn and maternal high dependency units at Kenyatta National Hospital branch in Othaya which we renovated and equipped at a cost of KES 15 million. The renovated units have seen the capacity at the newborn unit increase from 10 to 20 infants and the introduction of a 4-bed maternal high dependency unit.



Ujumbe kutoka kwa Afisa Mkuu Mtendaji

Katika mwaka huu wa kifedha, tulianza kushuhudia kujikwamua kutoka kwa madhara ya janga la ugonjwa wa COVID-19 na mabadiliko yote yaliyokuwa yamelazimishwa kwetu na ugonjwa huo kwenye mtindo wetu wa kufanya kazi na kuishi. Kwa hivyo, ni furaha sana kwangu kuweza kusema kwamba kwa mara nyingine Safaricom imejizatiti na kukabili changamoto zilizosalia na kutoa matokeo ya kuridhisha katika maeneo mapya ya ukuaji tuliyokuwa tumeyalenga. Wakati huo huo, tumesalia kuangazia kwa makini lengo letu kuu la Kubadilisha Maisha. Tumetoa sio tu vitaa muhimu vya kiteknolojia vya kuisaidia jamii kujiiamarisha tena, bali pia tumetoa usaidizi wa maana na unaoendelea kwa jamii ambazo huwa tunahudumia.

● Peter Ndegwa, Afisa Mkuu Mtendaji



Ujumbe kutoka kwa Afisa Mkuu Mtendaji

Sisi ni shirika endelelu na la uvumbuzi lilitolainishwa na lengo letu kuu la Kubadilisha Maisha. Ni lengo hili, pamoja na matumizi yetu ya teknolojia, ambalo hutuwezesha kuunda bidhaa zinazojibu mahitaji ya wateja wetu na kutoa suluhisho kwa changamoto zinazokibili jamii. Hatua yetu ya kukumbatia Malengo ya Maendeleo Endelevu ya Umoja wa Mataifa, ambapo tumefungamanisha malengo tisa kwenye fikira na matendo yetu, imetusaidia kuwa wa manufaa kwa jamii tunazohudumia.

Huwa tunajizatiti kuhakikisha hakuna anayeachwa nyuma – iwe ni kupitia kuundwa kwa jamii ya dижitali iliyo na mtazamo wa kisasa, kwa kutoa majukwaa ya ufadhili wa ununuzi wa vifaa na mitambo kwa mfano Lipa Mdogo Mdogo. Huwa tunawawezesha wateja wetu kupanua wigo wao na fursa zao kupitia intaneti, au kwa kufanya kazi kuhifadhi maliasili kupitia mikakati kama vile upanzi wa miti milioni moja kama sehemu ya lengo letu la kuhakikisha tunakuwa kampuni isiyochangia ongezeko la gesi ya kaboni kwenye mazingira kufikia mwaka 2050.

Kwa kweli, tunaimarisha uhusiano huu na jamii zetu kupitia uwekezaji wa kijamii tunaoufanya kupitia Nyakfu zetu mbili na pia udhamini unaofanywa na nembo yetu. Juhudi hizi, pamoja na utekelezaji mwema wa mkakati wetu, vimetuwezesha kuandikisha matokeo mazuri ambayo tunayo sasa. Kwa maelezo zaidi kuhusu manufaa yetu kwa jamii, tazama ukurasa 126.



Nguvu za mkakati wetu

Mwaka wa kwanza wa mkakati wetu mpya, ulioidhinishwa na Bodi mwaka wa kifedha wa 2020, umeonesha matokeo ya kufurahisha, kwa kutuwezesha kuwa shirika la kidijitali linalowathamini wateja, na kutuvekeea msingi imara wa Kundi siku za usoni na pia tumepiga hatua kubwa katika kila vitengo vya biashara yetu.

Tumeshuhudia ukuaji sawa katika vipimo vyetu vya ufanisi katika utoaji huduma kwa wateja, na pia vipimo vinavyohusu shughuli zetu za kibashara. Kwa kuendelea kuwapa kipaumbele wateja, azma yetu katika mwaka huu mpya wa kifedha ni kuongeza kasi maeneo mapya ya ukuaji, na kutoa huduma ya hali ya juu kwa wateja, kwa kuendana na lengo letu la kuwa kampuni ya teknolojia inayongozwa na malengo kufikia mwisho wa mwaka 2025.



Kwa maelezo zaidi kuhusu mkakati wetu, tazama ukurasa 49.

Katika kuufuata mkakati huu, tutaendelea kutafuta washirika wapya pamoja na watu tundaowenza kushikiana, kuunganisha kampuni zao na zetu au kuzinunua (M&A), tunapopanua shughuli zetu na kuingia kwenye maeneo ambayo hatujayazoea sana – lakini kama kawaida, bila shaka, kupitia mashauriano mema na ya thamani na mamlaka.

Kudhibiti hatari

Mtazamo wetu katika kudhibiti hatari umefungamana na mkakati wetu – hasa hatari inayotokana na mamlaka na sheria tunapokuza biashara yetu ya mawasiliano, na pia hatari ya utekelezaji tunapopanua shughuli zetu hadi Ethiopia. Kadhalika, tumeendelea kufuatilia kwa makini mazingira mapana ya kiuchumi yanayodorora – licha ya kujikwamua kutoka kwa COVID-19 na huku 2022 ukiwa mwaka wa uchaguzi Kenya, pamoja na kuzuka kwa vita vya Ursi na Ukraine. Tishio la usalama wa data na usalama wa mtandaoni ni mambo mawili pia ambayo yanaendelea kuibua wasiwasi, na tumejitelea kuendelea kuyafuatilia kwa karibu.

Bado tuna imani katika mfumo wetu wa kusimamia hatari na tunaeleva umuhimu wa kuongoza ukakamavu wa kibashara kutoka kwa mtazamo wa usimamizi na udhibiti wa hatari. Kwa maelezo zaidi kuhusu usimamizi wa hatari, tazama ukurasa 46.



Kutimiza ruwaza yetu

Katika mwaka tunaouangazia, tulifanika kuhamia katika mfumo wa kufanya kazi kwa wepesi, wenyewe nguzo yake katika utamaduni unaongozwa na teknolojia ambapo tunasaidiwa na utaalumu wa teknolojia tuliuswishi. Hatua kubwa tulizopigia katika hili ni kutumiwa kwa mashine, mitambo na digitali katika maeneo mengi ya biashara yetu, kuiboresha M-PESA na kuifanya mfumo wa pande mbili wa kidijitali unaohudumia biashara na pia wateja wa kawaida. Tumewekeza pia katika data na utathmini wake ili kuunda bidhaa mwafaka zaidi.

M-PESA ilishereheke miaka 15 ya utoaji huduma ya kipekee kama kiungo imara cha huduma za kifedha na teknolojia katika biashara yetu. Pamoja na kutekeleza programu tumishi zake mbili kwa mafanikio, M-PESA iliandikisha ongezeko la 63.4% la wafanyakishara wanaoitumia katika mwaka huo, na kufikisha idadi ya jumla kuwa karibu 500,000. Biashara zaidi ya 150,000 sasa zinajivunia kuonekana zaidi kwa shughuli zake, na wanaendesha shughuli zao moja kwa moja kupitia huduma ya till, na huduma hii ya malipo inapatikana kote nchini. Kwa zaidi kuhusu M-PESA, tazama ukurasa 83.

Mafanikio mengine makuu mwaka huo, ambapo tulipunguza pengo la kidijitali mionganoni mwa wateja, ni pamoja na vituo 567 vipyta vya kusambaza mawimbi ya 4G kote nchini, 800 km za nyaya za faiba, na juhudi zetu za kufanya simu na vifaa vinavyotumia 4G kupatikana kwa bei nafuu kwa watu wengi zaidi iwezekanavyo.

Kadhalika, tumewasaidia wateja kuongeza matumizi yao ya data kwa zaidi ya 275%, ambapo kwa kadri mapato kutoka kwa kila mteja (ARPU) yameongezeka kwa zaidi ya 175%, na huduma yetu ya Lipa Mdogo Mdogo imesaidia sana katika hili. Aidha, huduma yetu ya Pochi la Biashara imeongeza mtandao wa biashara zinazotumia huduma zetu hadi 3.2 milioni.

Bidhaa mpya kwa maeneo mapya ya ukuaji

Kwa pamoja, mkakati wetu na kuweka mteja mbele katika kila jambo, vimetusaidia kuanzisha huduma na bidhaa bora zaidi, kwa mfano Nyoosha Shillingi, mpango wa malipo ya data unaotoa thamani zaidi kwa mteja kwa bei ile ile; na Halal Pesa, iliyozindiliwa kwa ushirikiano na benki ya Gulf African Bank, inayotoa huduma ya kifedha kidijitali ikifuata Sharia. Katika mkakati mwininge wa uvumbuzi, tumeanzisha kadi ya Visa ya mtandaoni ya M-PESA GlobalPay, ya kuwezesha malipo ya nje ya nchi kupitia mtandao. Tunapanga pia, iwapo tutapata idhini kutoka kwa mamlaka, kuzindua huduma ya M-PESA junior ili kupanua utoaji wa huduma za kifedha kwa Watoto walio na simu za kisasa.

Matokeo ya kujivunia:

Matokeo ambayo tumeandikisha mwaka huu yanajieleza yenye:

Bila kujumuisha Ethiopia:

- Mapato kabla ya Riba na Ushuru (EBIT), ni KShs 114.3 bilioni, ukilinganisha na makadirio ya KShs 107–110 bilioni
- Matumizi kwenye Mtaji (Capex) yalifikia KShs 39.3 bilioni dhidi ya makadirio ya KShs 40–43 bilioni

Ukijumuisha Ethiopia:

- EBIT ni KShs 109.1 bilioni, dhidi ya makadirio ya KShs 97–100 bilioni
- Capex yalifikia KShs 49.8 bilioni, dhidi ya makadirio ya KShs 70–73 bilioni

Kwa maelezo zaidi kuhusu fedha na matokeo yetu dhidi ya mkakati, tazama kurasa 106 na 114 mtawalia.

Ujumbe kutoka kwa Afisa Mkuu Mtendaji continued

Wadau wetu

Tunatambua umuhimu wa kutilia maanani maoni ya wadau wetu kuhusu huduma zetu na kushauriana nao kikamilifu. Ni kiungo muhimu katika ustawishaji wa mkakati wetu, kama ilivyo pia kwa bidhaa na huduma tunazotosa. Kile wateja wetu wanachohitaji, mahitaji ya mamlaka zinazosimamia seka yetu, na mahitaji ya jamii zetu, ni mambo ambayo huwa mbele akilini mwetu tunapobadilika na kuwa shirika linalothamini na kuangazia sana mteja, na linaloweza dijitali mbele. Kwa zaidi kuhusu uhusiano na wadau, tazama ukurasa 56.

Kuhusiana na hili, tumeefanya utafiti wa kina sokoni, kufanyisha utafiti wa kila mwezi wa vipimo vyta uwezekano wa wateja kutupendekeza kwa wengine (NPS) na kudumisha mawasiliano ya mara kwa mara na yenye tija pamoja na mashauriano na mamlaka na washirika kuhakikisha tunatimiza masharti yote ya kisheria na kujibu masuala yanayoibuka.

Kwa wafanyakazi wetu, tulifanya utafiti wa kina hasa wakati wa janga la corona. Hii ilikuwa kuhakikisha kwamba wanawezeshwa kutoa huduma ya ubora wa kiwango kinachohitajika, na kufanya kazi kutoka manyumbani mwao, tukizingatia pia afya yao ya kimwili na kiakili. Tunatafuta pia ushirikiano wa kukuza wataalamu wa kiteknolojia tunapobadilika na kuwa shirika la dijitali kwanza na ambalo mahitaji yake ya utaalamu na ujuzi yanaongezeka.

Kupitia Nyaku zetu mbili, huwa tunadadisi kwa makini uwekezaji wetu wa kijamii, ili kuhakikisha mahitaji na jamii katika maeneo tunayofanya kazi yanatimizwa. Kwa maelezo zaidi kuhusu Nyaku zetu, tazama ukurasa 130.

Kadhalika, kama mlipaji ushuru mkubwa zaidi nchini, tunafahamu vyema vipaumbele vyta serikali. Katika mwaka tunaouangazia, tulidumisha uhusiano mzuri na wa maana na serikali kama mdau muhimu. Tumejitolea kwa utawala wa uwazi na uwajibikaji ndani ya shirika letu, pamoja na kufuata kikamilifu kanuni na sheria zote, kwa maslahi mema ya taifa katika mazungumzo na mashauriano yetu. Kwa maelezo zaidi kuhusu wadau wetu, tazama ukurasa 56.

Kutoka kwa mtazamo wa utoaji wa bidhaa na huduma, tumezingatia thamani ya pamoja, tukiwa tumejitolea kuendeleza kukumbatiwa kwa watu wa asili mbalimbali na kujumuishwa kwa watoaji bidhaa na huduma za ndani na nje ya nchi kuhakikisha kwamba sio wao pekee, bali pia jamii pana maeneo wanayohudumu, zinafaidi.

Mawasiliano yetu na Bodi na wenyejhisa yameendelea kuwa ya mara kwa mara, ambapo ripoti zimetolewa kwa wakati, na mawasiliano yamekuwa ya uwazi na uwajibikaji pia. Mawasiliano na uhusiano wetu na Bodi na kamati zake, vimetoa mfumo mzuri unaohakikisha kiwango cha juu zaidi sio tu cha utawala bali pia ushauri. Kwa maelezo zaidi kuhusu utawala, tazama ukurasa 136.

Upanuzi kwenye kanda

Kukabidhiwa leseni ya mawasiliano Julai 2021 kuanza shughuli zetu Ethiopia kumetufungulia milango mipyta. Kila kitu kiko tayari kwa uzinduzi 2022. Tumeefanikiwa kufanya mashauriano na kujadili changamoto zisizotarajiwa zilizokuwa zimeibuka tangu kukabidhiwa leseni. Kiwango cha juu cha mfumko wa bei na kuyumba kwa ubadilishanaji wa fedha za kigeni bado vimesalia kuwa mambo tunayofutilia kwa karibu na kuyatafutia suluhu. Licha ya hayo, tumepeiga hatua kubwa kwa usaidizi kutoka kwa Serikali ya Ethiopia na Mamlaka ya Mawasiliano ya Ethiopia (ECA).

Usaidizi huu umewezesha kusajiliwa kwa kampuni, kupatikana kwa idhini ya kuweka minara ya kusambaza mawimbi ya simu, kujenga vituo viwili vyta data, na hatua ya kihistoria ya kupiga simu ya kwanza ya majaribio kuititia mtandao wetu, kutuma SMS yetu ya kwanza, na kutumia data pia mara ya kwanza.

Baada ya kuajiri kundi la wafanyakazi zaidi ya 300 wenye ujuzi, ambapo 55% ni wenyeji, lengo letu ni kuongeza wafanyakazi wetu huko hadi 1,000 katika mwaka wa kifedha wa 2023.

Tumewachukua wasambazaji 29, tukapatia maeneo manne ya kufungua maduka ya reja reja, na tumetoa zabuni kwa kituo kimoja cha mawasiliano na huduma kwa wateja jijini Addis Ababa.

Tumepeiga hatua pia na Ethiotel katika kujenga ushirikiano wa faida kwa pande zote mbili wa kuunganisha mawasiliano na pia uwezo wa kusambaza mawimbi ya mawasiliano, pamoja na kugawana minara ya mawasiliano na umeme. Kadhalika, tunaendelea kushauriana na Serikali ya Ethiopia kuhusu mambo yanayohitajika ili kutuwezesha kuanza biashara ya huduma ya kutuma na kupokea pesa kwa njia ya simu nchini humo. Soma zaidi kuhusu upanuzi wetu Ethiopia ukurasa wa 91.

Tukisonga mbele

Katika kipindi kifupi, kipaumbele chetu katika mwaka wa kifedha 2023 kitakuwa kuunda biashara thabiti katika maeneo mapya ya ukuaji Kenya na nje ya nchi, kwa lengo la kutumia kwa pamoja nguvu ya teknolojia mpya na uvumbuzi kukuza zaidi biashara yetu ya mawasiliano na malipo. Katika hili, lengo letu ni:

- Kuungana na kampuni nyingine na ununuzi wa kampuni nyngine (M&A), pamoja na leseni na ubia kuwezesha ukuaji na kuongoza uwekezaji wetu
- Kupanua huduma za mtandao wa nyaya manyumbani za Fibre to the Home (FTTH) na Fibre to the Building (FTTB)
- Kutumia vyema zaidi teknolojia ya faiba na 5G, mwanzo ikiwa mtandao usiotumia nyaya manyumbani
- Kupanua huduma zetu za kifedha, kwa kutegejima kukamilishwa kwa ushirikiano unoahitajika na idhini ya mamlaka, kuingia katika huduma kama vile bima, mali na biashara ya mtandaoni kwa wateja na SMEs
- Kupanua huduma kadha za dijitali, hasa AgriTech na Digital Health, pamoja na kuweka muundo bora zaidi wa kufanya kazi na ushirikiano ili kupanua teknolojia ya kutumia mtandao kuunganisha mitambo na vifaa yaani Internet of Things (IoT) na Teknolojia ya Habari na Mawasiliano (ICT)
- Kukuza huduma za kidijitali kama vile maudhui, elimu, na matangazo ili kuongeza utamaduni wa watu kutumia data zaidi



Shukrani

Ningependa kwanza kuwashukuru wateja wetu kwa kuuunguza mkono na imani yao katika biashara yetu. Tunaahidi kuendelea kuangazia zaidi mahitaji yenu na kuwawezesha kutimiza matamano na ndoto zenu kupitia bidhaa na huduma zetu. Ni lazima bila shaka niishukuru Bodi – ushauri wao wa busara na hekima, uungaji mkono wao wa mkakati wetu, na uongozi wao wa shirika, ni vya thamani kubwa, na kiungo muhimu kwa ufanisi wetu.

Shukrani zangu pia ni kwa wafanyakazi wetu wapatao 6,000, pamoja na washirika, wasambazaji wa bidhaa na huduma zetu, na mawakala tunaofanyakazi nao. Mfumoikolojia unaowajumuisha wao pia hufaidi watu zaidi ya milioni moja kwa njia moja ama nyingine na ni muhimu sana katika kutimizwa kwa malengo ya mkakati wetu.

Ningependa pia kuzishukuru Serikali za Kenya na Ethiopia kwa uungaji mkono wao katika kuhakikisha kwamba tupo katika nafasi nzuri ya kutoa msingi wa kuunda na kustawisha biashara ya kidijitali inayowawezesa watu binafsi, biashara na mataifa husika katika mawasiliano, fedha kwa njia ya simu na mengine mengi zaidi.

Tunasubiri kwa hamu kuendelea kufanya kazi na watu hawa wote muhimu, asasi na mashirika pia tunaposonga mbele kwa pamoja kwenye siku zilazo.

Peter Ndegwa
Afisa Mkuu Mtendaji

Wakulima 7 wanachama wa kikundi cha kujitegemea eneo la Ol Donyo Sabuk, Machakos, walitaka kuboresha ukulima katika eneo lao. Changamoto kubwa zaidi kwao ilikuwa ukosefu wa rasilimali, ikiwemo maji ya mvua, ya kuwezesha mimea yao kukua katika eneo kame. Sisi (Wakfu wa Safaricom) tulishirkiana na wakulima hawa kwa kuwapa pampu za maji, mabomba, mbegu na mbolea. Kwa rasilimali hizi, wanaweza sasa kupiga hatua na kuwa wakulima bora zaidi. Siku zao za usoni sasa zimejaa matumaini ya mavuno tele.



Tulifungua kituo kipywa na kilichoboreshwa cha mafunzo ya Teknolojia ya Habari na Mawasiliano katika Kituo cha Mafunzo ya Kazi mbalimbali cha Waitaha jijini Nairobi. Uzinduzi wa kituo hicho kilichofanyiwa ukarabati na kuboreshwa ni sehemu ya mpango wa wakfu huu wa Mafunzo na Elimu ya Kiufundi na Kazi mbalimbali (TVET) unoangazia ufundi wa mabomba, utiaji weko yaani uunganishaji vyuma, vyakula na vinywaji na uhandisi wa umeme. Kiungo kingine cha mpango huo ni Pamoja na kutoa ufadhilli wa masomo kwa zaidi ya wanafunzi 700 katika taasisi za TVET nchini.



Tulifungua rasi vitengo vya watoto wachanga na kina mama wanaojifungua wanaohitaji uangalizi maalum, vilivyoreshwa katika Hospitali ya Kitaifa ya Kenyatta tawi la Othaya ambavyo tulivikarabati na kuweka mitambo na mashine kwa gharama ya KShs 15 milioni. Kuboreshwa kwa vitengo hiyo kumeongeza uwezo wa kitengo cha watoto wachanga kuwashughulikia watoto 20 kutoka 10 sasa na pia kuanzishwa kwa kitengo cha kina mama wanaojifungua wanaohitaji uangalizi maalum ambacho kina vitanda vinne.

OUR STRATEGIC APPROACH

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Our material matters

We consider our material matters to be those economic, governance, social and environmental issues that have the potential to impact the long-term sustainability of our business, and that may underlie certain risks, challenges and opportunities that we face. As such, determining, identifying and assessing these material matters forms an important part of our intellectual capital, and has a bearing on both the framing and the implementation of our strategy, and our relationships with our stakeholders.

Material matter	Why it is important	Our response
01 Our platforms	<p>Our platforms – networks, stations and digital ecosystems – are the core foundation of our business, facilitating inclusive, sustainable economic development and innovation to transform lives.</p> <p>In keeping with our Customer Obsession focus, which means putting our customers first in everything we do, we monitor the critical components of our network – quality, availability and coverage – to ensure we give our customers the best overall experience.</p>	<p>Our platforms reflect the value provided to the customer as Safaricom is more than just a network. Our network enables our platforms such as M-PESA and DigiFarm which we are constantly refining and enhancing to add new functionalities and capabilities with the overall aim of transforming our customers' experience and adding economic value. We successfully rolled out the agile culture to ensure we incorporate the perspective of the customer in responding to their rapidly evolving need in line with our customer obsession approach as we transition from a telco to a technology company.</p>
02 Environmental stewardship	<p>The way in which we live and work in the environment underpins our strategic focus on customers, colleagues, community and company.</p> <p>As one of the major players in Kenya's economy, we have a particular responsibility not only to manage and minimise our impact on the environment, but to demonstrate best practice in the ways in which we achieve as well as in reporting our environmental performance openly and transparently.</p> <p>We are committed to becoming a net zero emitting company by 2050, managing our operations responsibly and working with our stakeholders to achieve the same.</p>	<p>We pay careful attention to energy usage, and the carbon footprint both of our Group and our wider industry. We also endeavour to provide solutions to help other sectors reduce their emissions through digitisation.</p> <p>We track greenhouse gas (GHG) emissions, energy efficiency, consumption and cost, waste and e-waste and emission reduction, constantly monitoring our progress.</p> <p>We also make use of environmental impact assessments and audits, together with international third-party standards such as ISO 14001 environmental and ISO 50001 energy management systems in order to establish both negative and positive impacts and implement mitigation measures where required.</p> <p>We collaborate with regulators to significantly increase access to information and communications technology (SDG9) while ensuring sustainable consumption and production patterns both within our own organisation and amongst our stakeholders (SDG12). By helping to build effective, accountable and inclusive institutions at all levels (SDG16), through partnerships within the wider business community (SDG17), we are enabling sustained, inclusive economic growth (SDG8). This, in turn, is driving progress, creating decent jobs for all and improving living standards.</p>

Our material matters continued

A range of internal and external factors inform and influence our ability to create and deliver value. To determine those influences that are materially significant to the Group, we follow a rigorous and ongoing assessment process, which includes consideration of the UN SDGs, as well as the concerns raised by our stakeholders.

For more on environmental material matters, see page 133.

Alignment with the SDGs



Future focus areas

	GOAL 3:	GOAL 4:	GOAL 8:	GOAL 9:	GOAL 10:	GOAL 7:	GOAL 12:	GOAL 17:	Future focus areas
3 GOOD HEALTH AND WELL-BEING	The future focus remains to leverage on mobile technologies to transform lives by improving access to quality and affordable healthcare services through products such as M-TIBA. The Safaricom Foundation & M-PESA Foundations will continue with programmes in maternal and child health.								<ul style="list-style-type: none"> Expand the number of 5G sites to more than 200 in FY2023 Over the medium- to long-term we aim to connect one million homes with FTTH Continue public Wi-Fi provision Drive financial health, complementing the financial inclusion milestones we have achieved so far Drive adoption of digital mobile financial solutions to consumers and merchants Further develop digitalisation of the transport sector through a cashless parking solution with contactless vehicle verification in the long-term
4 QUALITY EDUCATION									
8 Decent work and economic growth									
16 INCLUSIVE INSTITUTIONS									
17 PARTNERSHIPS FOR THE GOALS									
7 AFFORDABLE AND CLEAN ENERGY	GOAL 3: The future focus remains to leverage on mobile technologies to transform lives by improving access to quality and affordable healthcare services through products such as M-TIBA. The Safaricom Foundation & M-PESA Foundations will continue with programmes in maternal and child health.	GOAL 4: The future focus is continue expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations.	GOAL 8: Decent work and economic growth: The quality of the service we provide enables decent work and economic growth.	GOAL 9: Industry, innovation and infrastructure: Increased accessibility and data connectivity by making affordable smartphones available to everyone in the market.	GOAL 10: Reduced inequalities: We work to promote financial inclusion across all sectors and we promote digital inclusion and gender inclusion. The focus on Goal 10 is to reduce inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology.	GOAL 7: Affordable and clean energy; Our focus on Goal 7 is to transition to use of clean energy at our sites and leverage on technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions. Our commitment is to be a Net-Zero emitting company by 2050.	GOAL 12: Responsible consumption and production: We increased the number of our regional retail shops with segregated waste management bins from 7 to 18.	GOAL 17: Partnerships for the Goals: We partner with licensed mini-grid providers in remote regions or grid-power-deficient areas where we will be the anchor tenant.	

Our material matters continued

Material matter

Why it is important

Our response

03

Innovation and partnerships

As a purpose-led technology company, we consider innovation to be central to achieving our strategic objectives, retaining our competitive edge, and ensuring that we continue to grow.

For us, innovation is not just about product innovation, but extends also to innovation related to financing, partnerships and engagement – in other words, solutions throughout the value chain that transform lives in many different ways.

Constant innovation is an important aspect of ensuring our continued success and resilience.

Among other teams, our Business Development Division is responsible for innovation and partnerships. While each of these teams has specialised areas of expertise, they all share a common understanding of the fact that the digital economy will be built by people who are not just connecting individuals and businesses to technology, but to solutions, seen from the perspective of people living with a challenge.

The teams liaise closely with the Customer Obsession stream to achieve business insights into areas that matter most to customers and to guide the business in new areas of opportunity.

These insights, together with ongoing training, are complemented by predictive models to drive smarter business decisions and actions.

04

Governance, business ethics and risk

Good corporate governance practices are essential to the delivery of long-term, sustainable stakeholder and shareholder value. The ability to generate long-term value is based on good corporate governance which helps to regulate risk.

Implementing strong governance structures including a governance code, an ethical culture and a robust risk management framework are foremost in our minds as a responsible corporate citizen.

Our focused adherence to governance and ethics underpins our risk management framework.

We work beyond our own business to stand together with society and drive behavioural change through effective collective action initiatives.

We include our business partners in ethics training, and play an active role in collaborative advocacy action that promotes ethics and integrity through quarterly fraud forums for financial institutions. These forums were attended by 489 suppliers in FY2022.

Our priorities in terms of governance, business ethics and risk in the year were as follows:

- Further embedding a positive risk culture across our organisation
- Customer obsession
- Data privacy and protection
- Cyber security
- Managing risks and uncertainties facing the business

05

Regulatory environment

The Regulatory Environment plays a significant role in Safaricom's ability to operate effectively. It is in the nature of the regulatory environment that we reflect and respond to change in the socio-economic environment.

These two environments together in turn have the capacity to impact our strategy, its expression in our business model, and consequently our decision-making.

We continuously and regularly identify and assess changes and monitor expectations to ensure that our decision-making is compliant, responsible, transparent and value-creating.

We worked with the Communications Authority (CA) of Kenya who extended usage of COVID spectrum and secured 5G to us in order to reduce stress on the network caused by the spike in demand for data during the lockdown period.

This enabled us to continue serving our customers during a time when the country was transitioning to virtual services.

- We sustained focus on compliance and this translated to minimal non-conformance resulting in zero penalties or non-monetary sanctions.

Our material matters continued

Our alignment with the SDGs



GOAL 8: Decent work and economic growth: We unlock access to market for MSMEs.

GOAL 17: Partnerships for the goals: We were awarded part of the tender for the Universal Service Fund.

We are in a partnership in the licence which will assist in stimulating economic growth in Ethiopia.

GOAL 9: Industry, innovation and infrastructure: We promote increased accessibility and data connectivity by making affordable smartphones available to everyone in the market.

GOAL 12: Responsible consumption and production

GOAL 16: Peace, justice and strong institutions

GOAL 17: Partnerships for the goals:

We collaborate with regulators (SDG16 and SDG17) to significantly increase access to information and communications technology (SDG9) while ensuring sustainable consumption and production patterns both within our own organisation and amongst our stakeholders (SDG12).

Our future focus

- Launch commercial operations in Ethiopia within 2022
- Drive adoption of the M-PESA Super App for consumers and business apps launched in FY2022 as a marketplace to enhance the two-sided ecosystem
- Implementation of MSME marketplace
- Work to build a digital healthcare service for Kenya
- Develop capacity in user interface and experience

- Work at national level to mitigate the risks of cyber-attacks.
- Continue to put our customers first by prioritising fraud management and data privacy to ensure our customers are protected.

- Engagement with regulators on the numerous draft regulations, guidelines, and bills.
- 100% single use plastic free organization- the plan is to go green in all our retail shops by doing away with single use tumblers and introducing sustainable solutions such as paper cups
- 90% of solid waste recycled across all Safaricom facilities (offices, shops and data centres) this is line with the national Sustainable waste regulation 2021.
- 1 million trees to be grown in line with carbon offset program towards Net Zero by 2050.
- Acquire air quality licenses to operation generators in all our data centres and offices in order to comply with the Air Quality regulations 2014.
- Grow e-waste collection and recycling by 20%

Managing risk

The management of risk and uncertainty is a fundamental component of our intellectual capital, and it plays an integral part in our successfully delivering on our strategic objectives.

Managing uncertainty in our business

We have embedded a robust risk management framework and practice as central to good management. This is confirmed by our top-down approach, with the Board taking overall responsibility for managing risk. With ongoing appropriate support provided for risk management, we drive a positive risk culture across the organisation.

Our enterprise risk management framework (ERMF)

Our ERMF is aligned to the ISO 31000 Risk Management Standard. This allows us to identify, measure, manage and monitor strategic and operational risks across the business. The framework provides our management with a clear line of sight over risk, to enable informed decision-making. We continuously review our risk management framework to ensure that it continues to provide the foundation and organisational arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organisation.

Our approach

We believe that effective risk management begins with conversations relevant and appropriate for the facilitation of better business decisions. Our focus is to identify and embed mitigation actions for material risks that could impact our current or future performance, and/or our reputation.

We regularly review and refresh our principal risks, our risk appetite and our approach to risk management, which is holistic and integrated and brings together risk management, internal controls and business integrity to ensure that our activities in this area focus on the risks that could have the greatest impact. Moreover, our approach is structured to ensure that all reasonable steps are taken to mitigate, but not to eliminate, our principal risks in this context.

Our risk appetite statement

The Group faces a broad range of risks while carrying out its business operations. We recognise that the existence of risk is an inherent part of creating and preserving value, and we have therefore developed detailed processes to ensure all critical and major risks are proactively managed, and that our levels of tolerance are properly and diligently set.

Our risk management philosophy

We recognise that it is not possible to eliminate all the risks inherent in our operations and that acceptance of some risks is necessary if we are to foster innovation, develop a sustainable business, and maximise value for shareholders. Our risk philosophy is aligned to best risk management practice and is aimed at supporting the attainment of our purpose, vision and mission by effectively balancing risk and reward.

Our principal risks and what we are doing about them

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

We identify our key risks through our ERMF, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Group. 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.



Managing risk continued

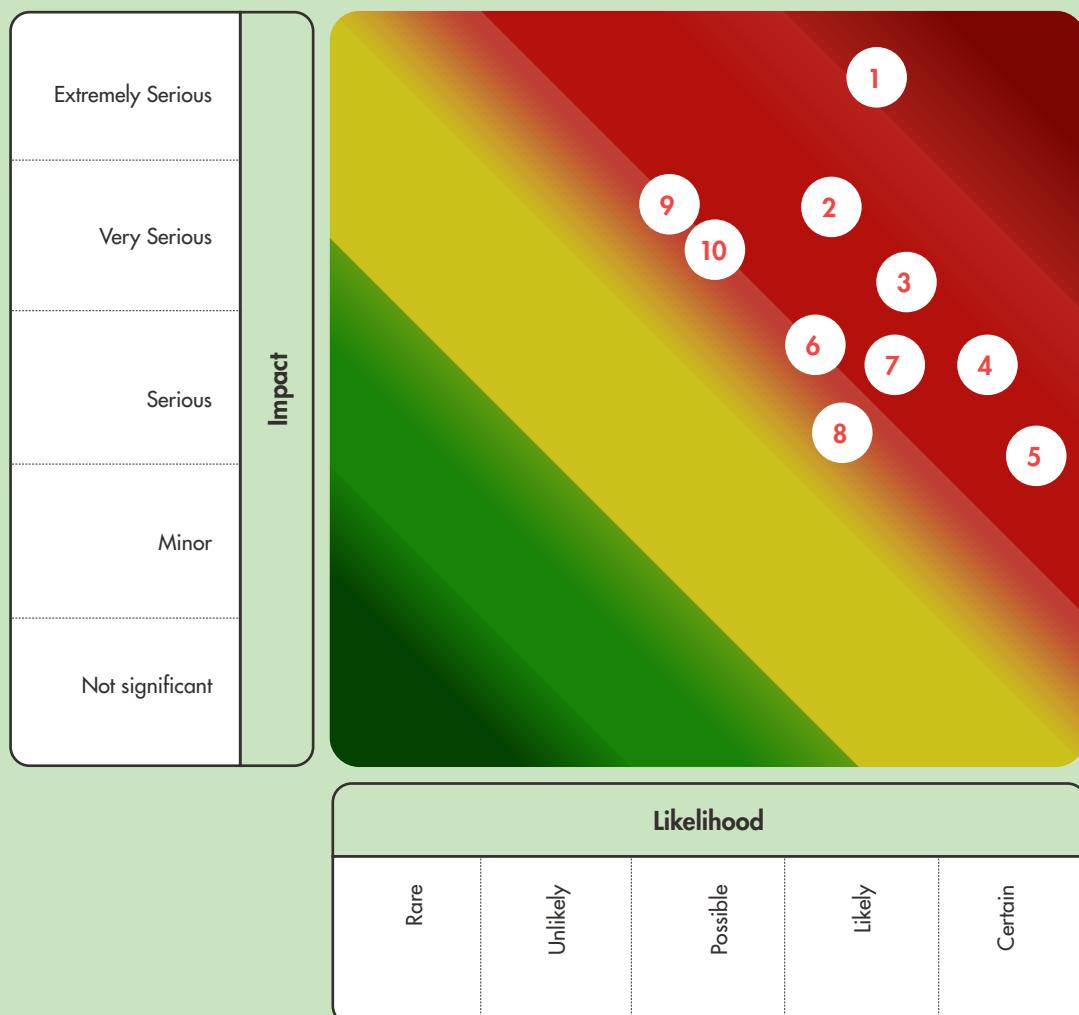


Further insight on our risk management framework can be found on the financial statements on pages 173 to 178.

Our risk heat map

Our risk heat map sets out the principal risks as identified through the risk management process that covers strategy and operations. It depicts the residual risk rating after mitigating controls have been implemented.

Residual risk – after mitigations



Ranking Risk

1	Regulatory and policy environment	
2	Cyber threats	
3	Data Privacy Risks	
4	Market disruption and an evolving competitive landscape	
5	Slowed Economic growth and challenging macroeconomic context	

Ranking Risk

6	Service disruption and operational resilience	
7	Political uncertainties	
8	Geo-political risk	
9	Health and Safety exposures	
10	Money laundering and terror financing	

Our strategic framework

Our strategy forms a fundamental part of our intellectual capital, and it emphasises our purpose of Transforming Lives. With feedback from our customers and our recognition of the centrality of our purpose as a socially responsible organisation, our strategy is designed to decisively support what our customers need to transform their lives through technology.

The overall strategic goal of our new five-year strategy, approved by the Board in FY2020, is for the Group to be a purpose-led technology company by the end of 2025.

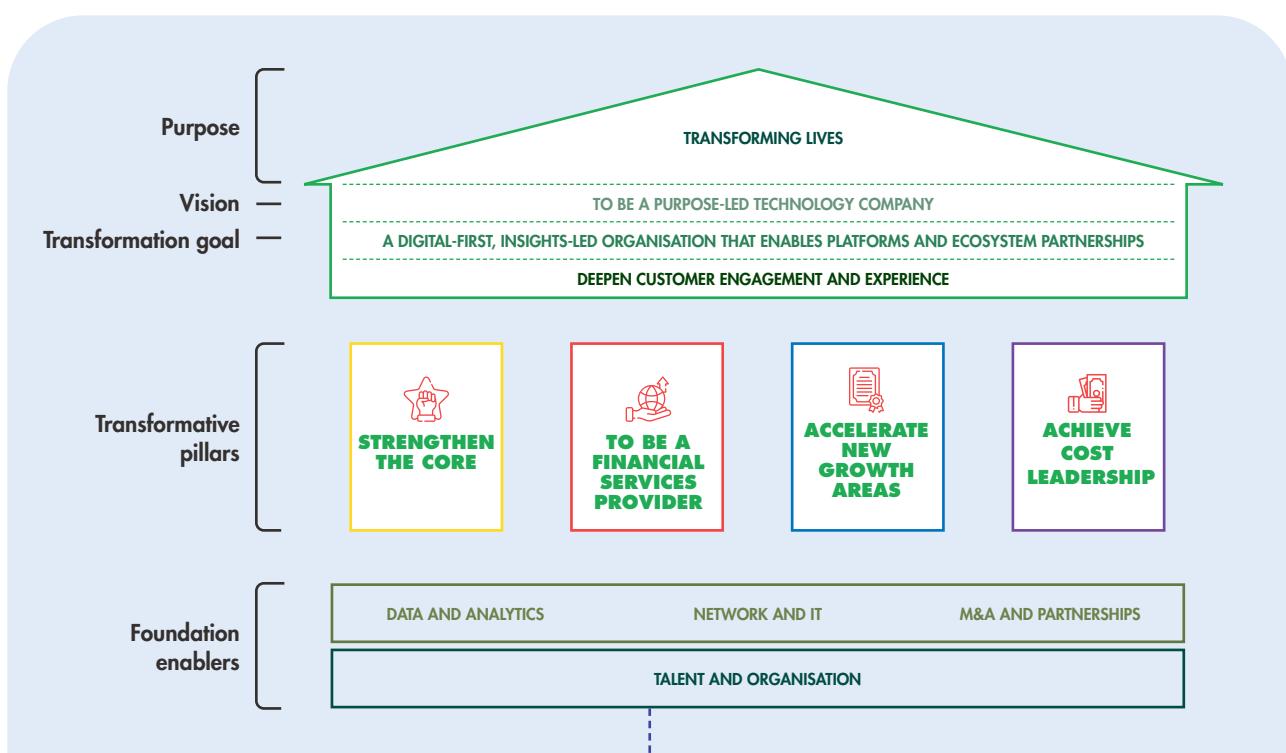
To this end, in the first year of its implementation, our strategic edifice was founded on four strategic pillars:

-  Strengthen the core
-  To be a financial services provider
-  Accelerate new growth areas
-  Achieve cost leadership

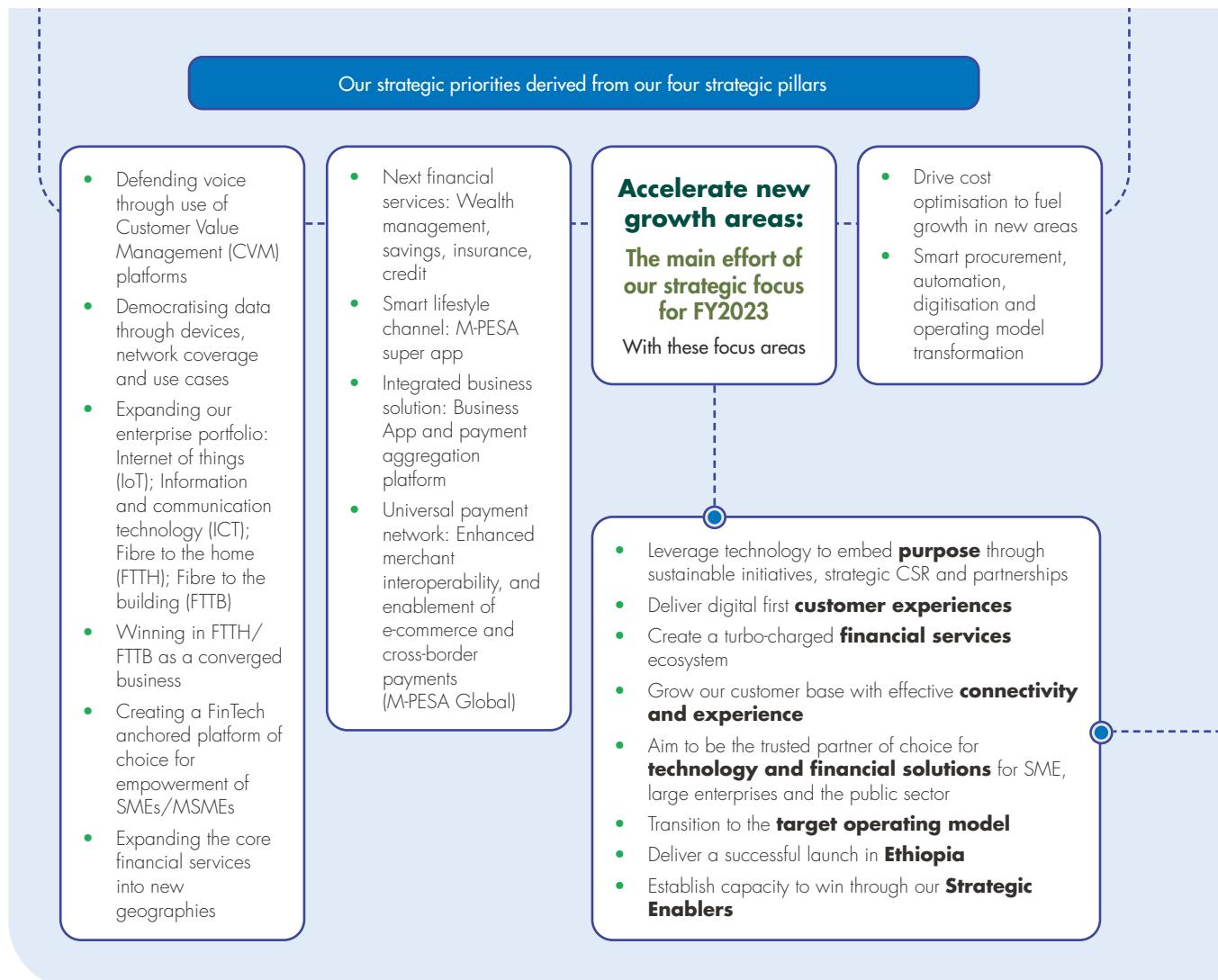
This framework has successfully delivered:

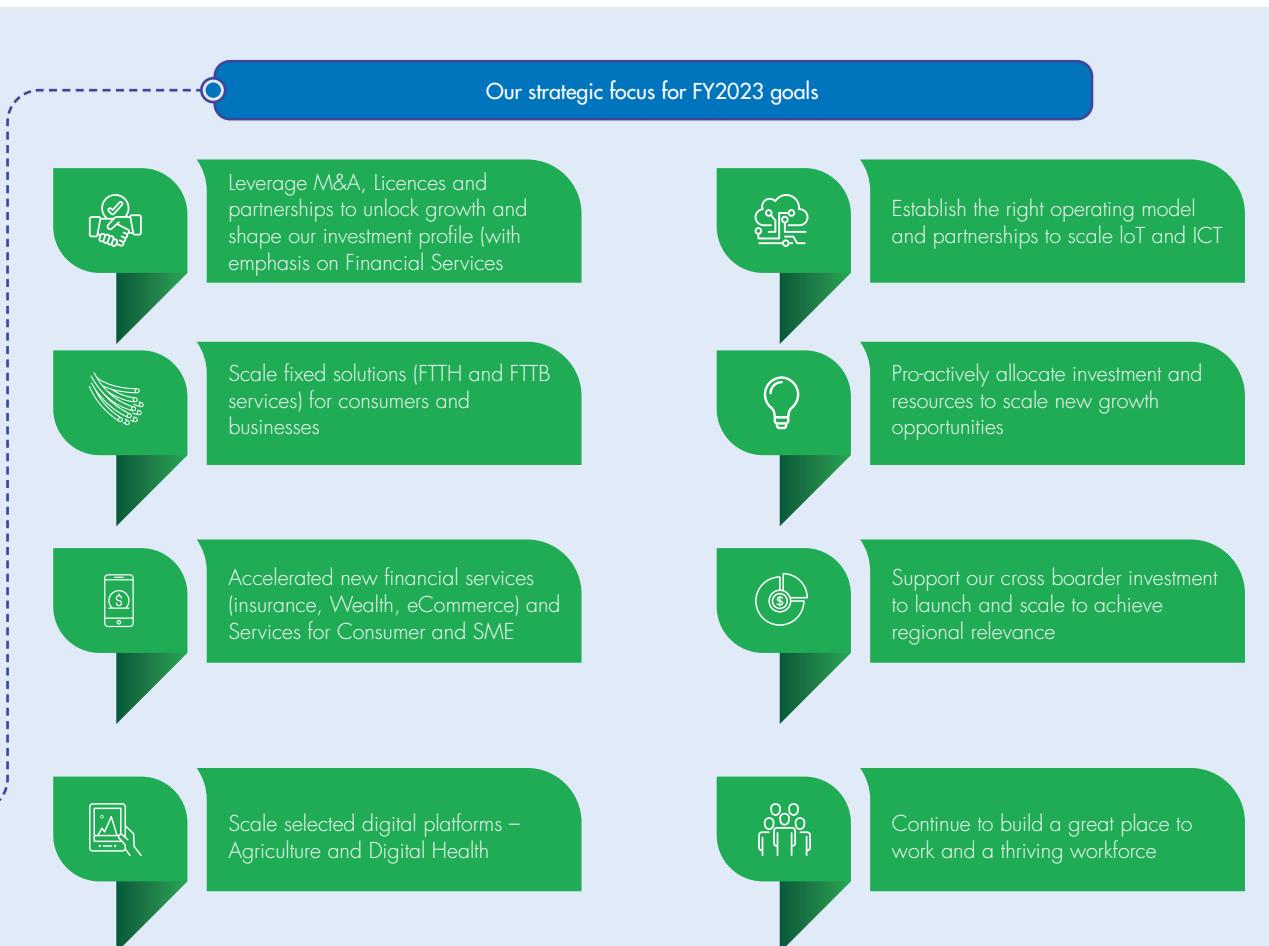
- A customer-obsessed digital organisation
- A solid basis for a future-fit Group
- Significant progress in all our business areas
- Growth in our customer KPIs
- A positive trajectory in commercial activity KPIs

Our **strategic focus for FY2023 deepens**, and focuses our main effort, on accelerating new growth areas



Our strategic framework continued



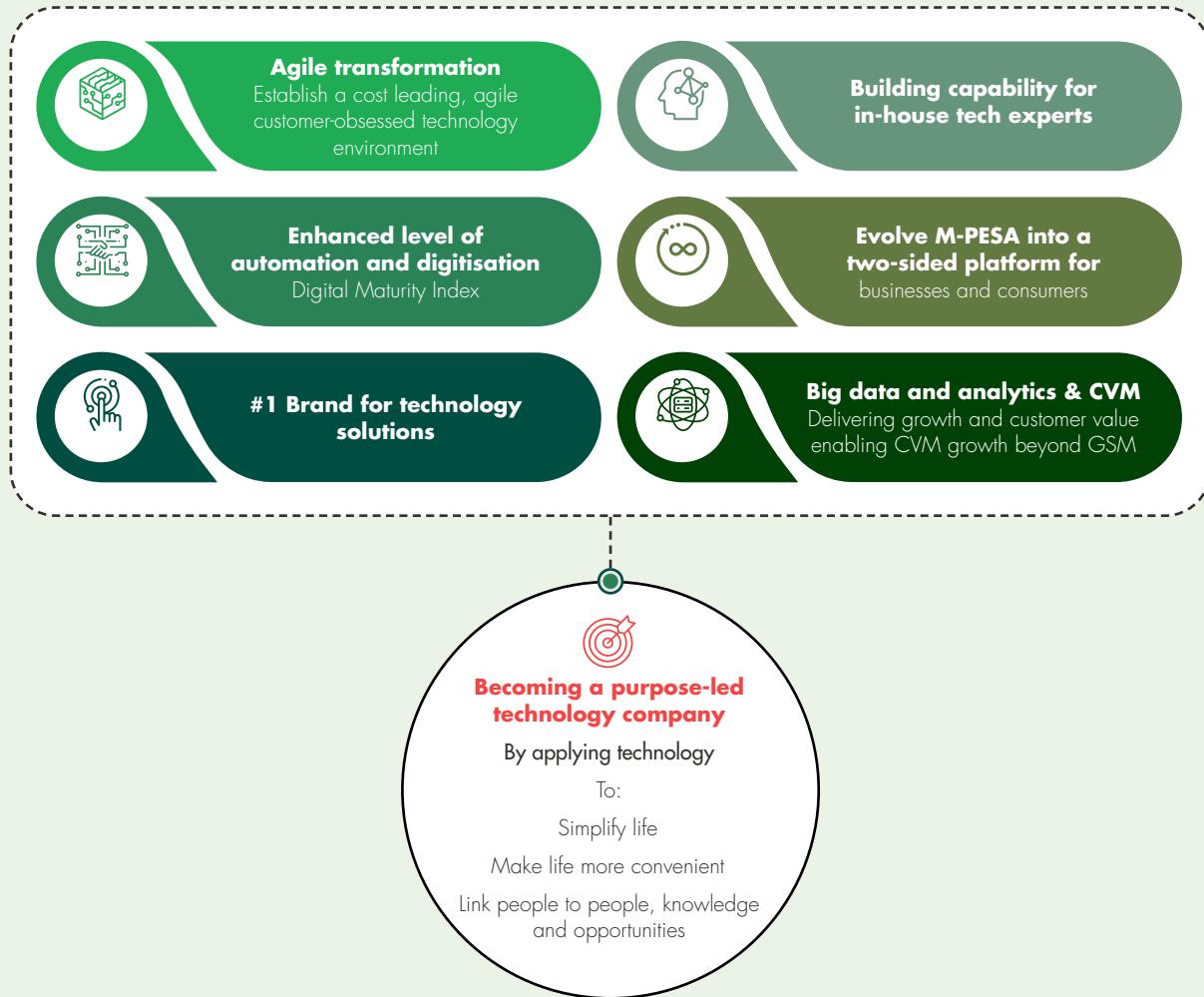


With these KPIs:

- Growth of new business areas:** Existing growth areas require investment and acceleration. They include *Digital Business, IoT, ICT, M-PESA and DigiFarm acceleration*
- Fixed ambition:** Scale fixed solutions for consumers and businesses
- Digital business:** Build and monetise a content platform that will aggregate content players, connect with customer and deliver seamless experience
- ICT:** Establish the requisite operating model and partnerships to scale ICT
- Internet of Things (IoT):** Establish the requisite solutions and partnerships to scale IoT – Our IoT solutions allow businesses to create a digital overview of their entire organisation, including both old and new technology, equipment and processes, and draw insight from the data their connected “things” generate. Solutions include:
 - Connected coolers:** Allowing visualisation of information relating to fridge performance and efficiency
 - Smart cater:** Simplifying water monitoring by retrofitting existing water meters for data extraction and applied analytics
 - Telematics:** Collecting vehicle information on several parameters accumulated and recorded at the end and start of trips
 - M-PESA:** Developing a model for e-commerce, and additional financing opportunities, with new products launched: M-PESA Global Pay Visa Virtual Card, M-PESA Junior Account for 10- to 18-year-olds enabling parental control, subject to regulatory approvals, insurance and wealth management; merchant credit, Fuliza airtime. Leverage M&A, licences and partnerships to unlock growth and shape our investment profile
- Scale selected digital platforms:
 - DigiFarm acceleration:** Deliver a scalable business model and revise our go-to-market approach
 - Digital Health:** Through M-TIBA
 - Deliver a successful launch in Ethiopia within 2022**

Our strategic framework continued

As we strategically pivot towards our vision of becoming a technology company



In implementing our strategy, we track these **key overall KPIs**:

Business category KPIs

New growth areas

- % Share of growth from new business areas
- Ethiopia – Successful launch

Customer

- NPS
- GSM market share

Purpose

- Kenyan lives impacted

Financials

- EBIT
- Total revenue
- Operating cash flow

Fit-for-Future organisation

- Diversity and Inclusion (D&I): Women in leadership roles
- 100% Agile organisation
- Best place to work in Kenya
- Digital maturity



Our value-creating business model

Our value-creating business model forms a fundamental part of our financial and intellectual capital. It frames the way we create value for all our stakeholders, and is the foundation of our growth through sustained investment centred on customer experience.



Financial capital

- **KShs 1.37 trillion** market capitalisation (FY2021: KShs 1.45 trillion)
- **KShs 63.67 billion** Free cash flow -1.3% YoY (FY2021: KShs 64.51 billion)



Intellectual capital

- A deliberately shaped *Agile* culture
- Marketing campaigns and initiatives
- IT systems and enterprise architecture
- Strong balance sheet, diversified portfolio
- Market and data analysis
- Investment in training and development
- Strong corporate governance



Human capital

- **5,941 full-time employees** and contractors – 4.6% YoY (FY2021: 6,230)
- An experienced and ethical leadership team
- Digital operating model and agile ways of working
- Strong EVP and unique reward propositions
- Commitment to equal opportunities, safety and well-being
- Digital leadership upskilling and reskilling



Social and relationship capital

- **42.44 million** customers +6.4% YoY (FY2021: 39.90 million)
- **30.53 million** +7.8% YoY one-month active M-PESA customers (FY2021: 28.31 million)
- **262,004 M-PESA agents**, +5.7% YoY (FY2021: 247k)
- Informed engagement with regulators
- Effective brand promise
- Investor confidence
- Long-standing supplier partnerships
- A trustworthy brand that resonates with consumers
- **3%** employees with disabilities
- **KShs 193 million** invested in employee training



Manufactured capital

- **10,880km fibre footprint** +7.9% YoY (FY2021: 10,080km)
- **KShs 49.78 billion in Capex** of which KShs 10.4 billion was Ethiopia spend, +42.4% YoY (FY2021: KShs 34.96 million)
- A total of **6,046 2G base stations**, of which 6,025 are 3G, and 5,920 4G
- **Optimised capital allocation** and diversification of revenue growth areas
- **Neon Ray 2** – Kenya's most affordable 4G smartphone at KShs 4,499



Natural capital

- **700, 800, 900, 1,800, 2,100 and 3,500MHz radio bands**
- **172,080,010 KWh electricity consumed** (FY2021: 171,1MWh)
- **58,294m³ water used** (FY2021: 57,103m³)
- **10,018,842 litres fuel used** (FY2021: 11.6 million litres)

Our value-creating business model continued

Supporting OUR VALUE-CREATION ACTIVITIES

Mediated through ...

Our vision

To be a purpose-led technology company

Our transformational goal

We are a customer-obsessed, digital-first, insights-led organisation that enables platforms and ecosystem partnerships

Our strategic enablers

- Data and analytics
- Network and IT
- M&A and partnerships
- People and organisation
- Customer obsession

Our services to customers

GSM:

- Voice, messaging, mobile data

Financial services:

- M-PESA, Insurance, wealth management, payments platforms

Fixed services:

- FTTH, FTTB

Digital platforms:

- Agriculture, Health, E-commerce and Digital content

Support functions:

- Commercial, Financial Services,
- Enterprise, Technology, Strategy, Finance

Delivering **OUTPUTS**



Financial capital

- Service revenue **KShs 281.11 billion: +12.3% YoY** (FY2021: KShs 250.35 billion)
- EBITDA growth was **KShs 149.06 billion +11.1% YoY** (FY2021: KShs 134.13 billion)
- Proposed dividend **KShs 55.69 billion, +1.5% YoY** (FY2021: 54.89 billion)
- **KShs 510 million** invested by Safaricom and M-PESA Foundations (FY2021: KShs 339 million)



Intellectual capital

- Better response to changing consumer needs
- Brand reinforcement and market communication
- Accelerated deployment of new technologies
- Agile project management
- Effective controls processes
- Improved business practices



Human capital

- Fair and transparent pay and benefits
- **50:50** male/female workforce ratio (FY2021: 50:50)
- **35%** women in senior leadership positions (FY2021: 33%)
- **21.8%** women in technology (FY2021: 24.2%)
- **3.0% employees with disabilities** (FY2021: 2.6%)
- **KShs 193 million** invested in employee training (FY2021: KShs 128 million)



Social and relationship capital

- **+6.4%** growth in customer base to 42.44 million (FY2021: 39.90 million)
- **30.53 million** one-month M-PESA customers: +7.8% YoY (FY2021: 28.31)
- **43.7%** of procurement spend with local suppliers
- **40 hours** of learning per employee (FY2021: 1.37)
- KShs 1.39 Dividend per share, +1.5% (FY2021: 1.37)



Manufactured capital

- Kenya's best 4G network covering **97%** of the population (FY2021: 94%)
- **193,059** homes connected to fibre-optic network, -5.5% YoY (FY2021: 204,200)
- **18,886** businesses connected to fibre-optic network: +22.9% YoY (FY2021: 15,300)
- **Smartphone penetration grew** 10.2% YoY to 18.5 million. FY2022: 56.2% (FY2021: 53.3%)



Natural capital

- **172,080,010 KWh** electricity consumed
- **58,294m³** water consumed
- **10,018,842 litres** fuel consumed



Creating
OUTCOMES

Stakeholders impacted		
  	  	   
 Financial capital	 Manufactured capital	 Social and relationship capital

We leverage financial capital to invest in our business and grow our competitive market position.

- Over 3 million businesses accepting payments via M-PESA
- Celebrated 15 years for M-PESA
- Crossed the 30 million customer mark
- 5.3 million Super App downloads, 1 million Active Consumers and 462 000 downloads on the businesses App
- 11 million Active Lipa na M-PESA active customers

- **193,059 FTTH** connections (FY2021: 204,200)
- **18,886 FTTB** connections (FY2021: 15,300)
- **2,000** Transactions per second on M-PESA
- **2.4 million** 4G devices added on our network
- **99.99%** systems availability and incidents reduction
- **95%** Service Quality assessment score by CA

- Network leadership maintained
- Social value through enhanced connectivity and services in inclusive finance, education and health
- Awarded Kenyan Top Taxpayer 14 years in a row by Kenya Revenue Authority
- Contribution to realising UN SDGs

With
TRADE-OFFS

- ① Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts both the human social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets.
- ② 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.
- ③ Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human and social and relationship capitals, but negatively impacting financial capital in the short term.
- ④ While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact the human, social and relationship and financial capitals.

Our approach to stakeholder management

Our engagement with, and management of, our stakeholders form a key part of our social and relationship capital. Our recognition of their concerns and the insights we derive from the feedback we receive from them regarding our activities, enable us to devise our strategy, shape our approach to sustainability, and ultimately to create and deliver value and achieve success.

During the year under review, we continued in our commitment to engage with all our stakeholders, to what material interests are involved, and to address mutual concerns through meaningful channels of engagement.

Stakeholder Group	Material relationship	Means of engagement
Government and regulators	<p>Provide access to spectrum and operating licences, the basis for creating value</p> <p>Impose regulatory measures with potential cost implications</p> <p>Maintain high levels of compliance to ensure smooth business operations thus safeguarding our reputation</p>	<ul style="list-style-type: none"> 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 Participation in regional and global events
Customers	<p>Focus on digital transformation and automation to enhance customer engagement and experience in the product and service offering</p>	<ul style="list-style-type: none"> Call centres, retail outlets and online My Safaricom App, M-PESA App, Zuri (ChatBot available on WhatsApp, Facebook Messenger, Telegram) Net Promoter Score (NPS) feedback; Facebook and Twitter platforms; Safaricom website Accelerate digital-first customer experience led by SME and FTTX Open days offering customers affordable deals on products Increase engagement and excitement in our culture transformation
Investors and shareholders	<p>Provide sustainable financial capital required to grow and feedback to inform our management and reporting practices</p>	<ul style="list-style-type: none"> Investor engagements that include roadshows, conferences and meetings Annual and interim results announcements Annual General Meetings (AGMs) with shareholders to update them on our business strategy Investor relations section on our main website

Material interests

Ensuring this wide spectrum of interests is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in under serviced and rural markets.

Others include:

- Promoting opportunities for job creation and socio-economic 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

- Better value offerings
- Customer-first approach
- 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 Jitambulise help to minimise fraud and theft
- Feedback on service-related issues via CARE

Sound investment to ensure sustainable growth and risk management and to ensure that we take advantage of opportunities that arise. Other undertakings include:

- Responsible allocation of capital and sustainable investment
- Sound corporate governance practices
- Transparent executive remuneration
- Stable dividend policy

How we engaged in FY2022

- Secured an extension of the emergency COVID-19 spectrum to support recovery
- Embarked on operational compliance readiness in line with the new Data Protection Regulations
- Successful completion of milestone 1 of the Universal Service Fund (USF) Phase II project to cover unserved and under-served areas
- Attainment of merchant interoperability within regulatory expectations

- Adopted the Agile way of working which fosters collaboration across the organisation, speeding up decision-making, enabling outcome-based delivery using customer-driven insights and bringing us closer to our customers
- Continued to maintain business operations at the highest level possible
- Encouraged customers to interact using digital channels, with a growth in self-service usage giving customers control
- Customer Obsession delivered through relevant products and services improving our customer lives
- Increase transparency in usage transactions especially in data usage and pricing, leading to greater trust and growth in overall value
- Mobile data offering "Nyoosha Shilingi" launched as a permanent offer, driving transparency in our pricing structures and affordability of our data bundles and services
- Continue to enhance through innovation, the digital lifestyle of our customers with the M-PESA Super App and MySafaricom App, powering consumer digital lifestyles
- M-PESA is now a universal payments network with interoperability "Till ni till", and Shari'ah-compliant mobile financial service launched, further driving financial inclusion

- Enhanced disclosures in our investor engagements, including the regional expansion into Ethiopia and financial services solutions
- Growing our investor portfolio through increased engagement with impact funds
- Award-winning Annual Report geared towards integrated reporting in 2021 and JSE awards
- Successfully paid an interim and final dividend payment to our shareholders in FY2022 as per the dividend policy

Our approach to stakeholder management continued

Stakeholder Group	Material relationship	Means of engagement
Employees	Our employees' engagement, determination and skills drive our ability to realise our purpose of "Transforming Lives"	<ul style="list-style-type: none"> Agile ways of working and Safaricom Digital academy Employee experience Purpose and Spirit of Safaricom Employee surveys and hotlines Leadership coaching and mentorship forums CEO mailbox Amazing line manager programme Service culture programme
Suppliers	Impact on our ability to offer quality and cost-effective products and services and to provide cutting-edge technology	<ul style="list-style-type: none"> Annual Supplier NPS to rate how our suppliers perceive and understand our processes and to receive feedback and address gaps
Communities	Transforming lives through sustainable development initiatives that strengthen the socio-economic context in which we operate	<ul style="list-style-type: none"> Safaricom Foundation partnering with communities MPESA Foundation investing in projects through corporate social investment (CSI) Public participation in projects and initiatives that give back to society such as the Safaricom Marathon, geared towards the Lewa Wildlife Conservancy
Business partners	<p>A key interface with our customers; partners are custodians of our brand and reputation and critical to ensuring our strategy of delivering the best customer experience through digital solutions</p> <p>Also includes financial services partnerships, such as Fuliza and content providers</p>	<ul style="list-style-type: none"> One-on-one and virtual business meetings Training sessions on new products and services Market visits to review customer experience
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	<ul style="list-style-type: none"> Media releases and product-related publicity Roundtables Product launches Face-to-face and telephonic engagements Interviews with the CEO and key executives



Material interests

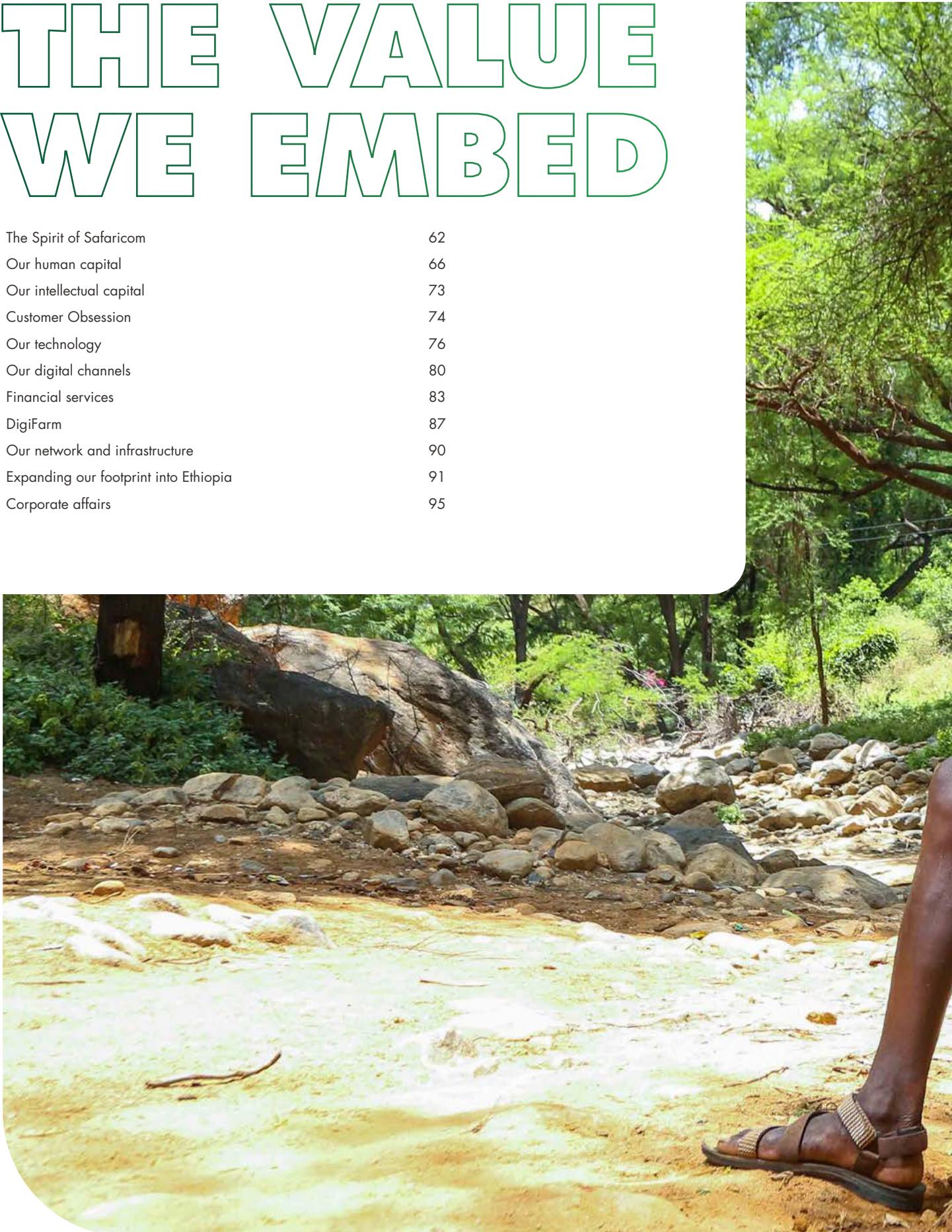
- Talent: #1MoreSkill initiative aimed to accelerate digital upskilling and reskilling across the business
 - HR digitisation
 - Improved knowledge sharing across the Company
 - Building the coaching and mentoring capability of leaders
 - Better understanding of reward structures
 - Competitive remuneration
 - Empowering our leaders to lead by mission and spirit
 - Empowering all our staff to deliver the customer obsession ambition
-
- Timely communication on outcomes on various activities including tender process
 - Increase in volume of business given
 - Improve knowledge sharing on understanding of Safaricom's card system and HSWV incidents and accidents
 - Remain accessible to partners for feedback
-
- Access to digital service platforms, mobile voice and data services
 - Access to basic services such as finance, health and education
 - Investment in infrastructure
 - Responsible expansion of infrastructure

How we engaged in FY2022

- Continuous communication, education in awareness of COVID-19 protocols, including access to vaccines and related health services necessitated by the pandemic
 - All staff who are able to work from home were equipped to do so
 - Continuous training and upskilling of all staff through Safaricom Business School (SBS) learning and the #1MoreSkill
 - Achieved 75% simplification, automation, and digitisation of core HR processes with a digital maturity index of 3.1
-
- With the number of COVID-19 cases declining and the economy generally opening up, continued business support is offered to suppliers
 - Engagement with suppliers remains mostly virtual with few cases of face-to-face interactions
-
- Spearheaded the Pamoja Tuungane campaign with key partners to provide foodstuffs to drought-stricken areas
 - Continued support of key projects, such as the Lewa marathon from virtual to physical event
 - Rolled out a national Safaricom Golf Tour with an aim to tap, nurture and grow talent among young golfers across the country
-
- Leverage on our digital platforms and solutions such as M-PESA Super App for end-to-end excellent customer experience
 - Partnerships
 - Involvement of top management
-
- Updated on key activities and offerings of the business
 - Transparency
 - Change communication and new products and services
-
- Successful launch of M-PESA Super App to provide customers with a range of products and services under one platform such as wealth management and insurance
 - Continue to leverage on partnerships to drive growth and service delivery to our customers
 - Market visits to various retail shops to better understand customer needs and pain points to enhance our customer engagement and experience
-
- Continue to build media engagements and partnerships including with regional journalists, to update them on our continuous COVID-19 support to our customers and the country
 - Provide visibility on Company performance by setting up sessions with the management team to provide insight on business strategy and performance

THE VALUE WE EMBED

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The Spirit of Safaricom



The Spirit of Safaricom forms an important part of our human, intellectual and social and relationship capitals and reflects our commitment to establishing the foundations that will enable us to become a truly customer-obsessed organisation. We see this as being key to realising our ambition to be a purpose-led technology company by 2025. In this endeavour, we are guided by the four Spirit of Safaricom elements of Customer Obsession, Purpose, Innovation and Collaboration. Our current efforts have been focused on ensuring that Customer Obsession is alive and anchored, and is effectively leveraging on our concept and practice of Agile ways of working.



Our Spirit of Safaricom journey

The inculcation of the Spirit of Safaricom is conceived in a phased approach;

- 01 Make it Clear
- 02 Make it Real
- 03 Make it Stick

Measuring our success

92%
Response rate

85%
Engagement

78%
Agility Index

82%
Digital Index

82%
Customer obsession

Strengths

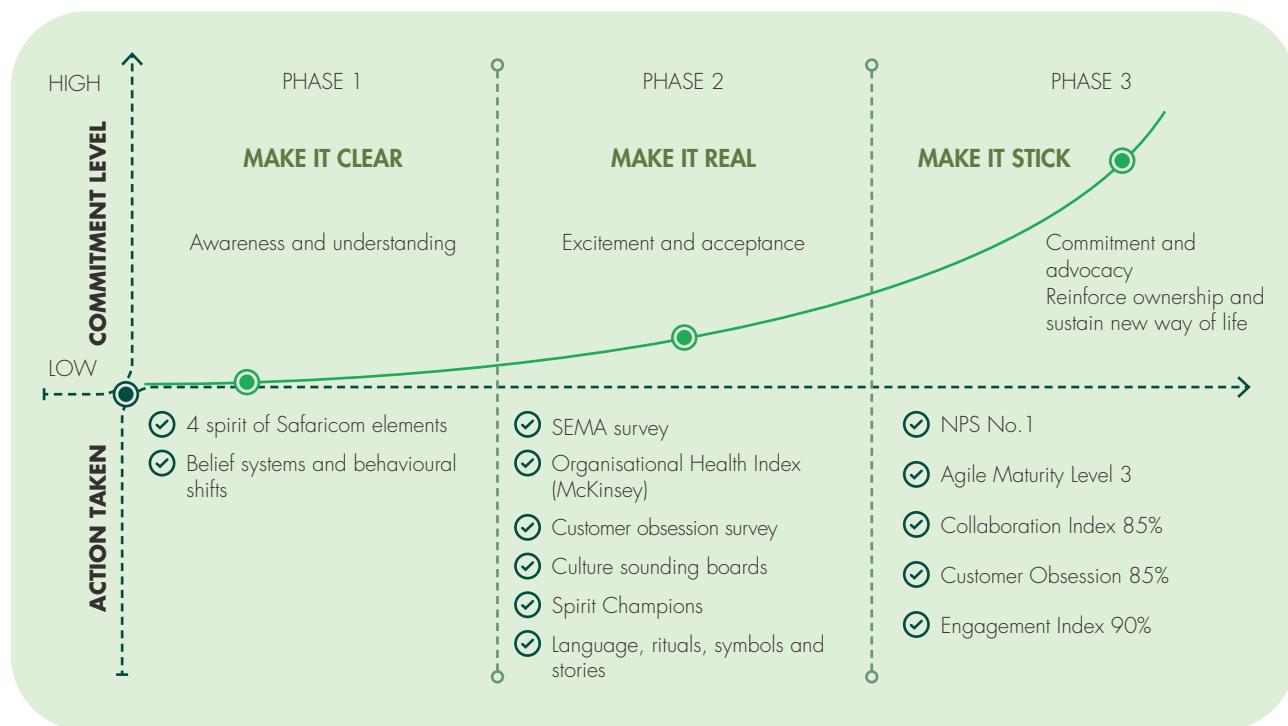
- **Social and environmental responsibility (94%)**. Extremely high belief that the Safaricom and MPESA Foundations are having positive impact. Results are also above Kenya National Norm (+3) and best-in-class companies.
- **Observing Absolute Rules for Health and Safety (95%)** is the biggest differentiator among industry peers (+16) and other high performing organizations (+6).
- Respondents feel **enabled at work**, confirming adequate **availability of resources (88%)** needed to perform their work. Scores outperform all external benchmarks (+7 vs Kenya National Norm, +11 vs High Technology and +5 vs High Performance Norm).
- **Diversity & inclusion (80%)** culture stronger than among national (+2) or industry peers (+9) and above high performance (+1). People also feel treated with **respect and dignity (89%)** – results above external benchmarks (+1 vs Kenya and Global High-Performance Norm, +8 vs High Technology Norm).
- Largest significant improvements are in **Customer Obsession** – people recognize change is needed (85%, +3 vs 2021), and trust that the leaders will effectively deal with any obstacles on the way to change (75%, +2 vs 2021). Focus to ensure however there is **willingness to change** (81%, -2 vs 2021).

Opportunities

- **Psychological safety to speak up (62%)**. Large negative gap to high performance (-15) and industry peers (-7) on Four out of ten respondents do not feel safe to voice their opinions and evidence that sense of hierarchy hinders ability to express views and debate.
- **Taking Action (65%)** – nearly two thirds do not believe in follow up actions. Results dropped significantly over the last year (-7) and there is a double-digit negative gap to all external norms (-10 vs Kenya and High Technology Norm, -17 vs Global High-Performance Norm). The impact of the Thrive initiative has declined.
- **Meeting career goals (74%)** sees the largest decline since 2020 (-8 vs 2021, -5 vs 2020); Also, opportunities to learn and growth fall behind the country (-2) and high performance (-2) benchmarks. 4 out of 10 don't feel there is equal opportunity to succeed at Safaricom and scores on reward though high have dropped.
- Significant drop in **Engagement Index** results. **Excitement about Safaricom's future (83%)** falls below Kenya National (-3) and High-Performance Norms (-4) and confidence in the Leadership (78%) team has dropped (-7).
- Significant improvement on **removing barriers 75%** (+3 vs 2021) to the way work is done, continue this momentum to reach benchmarks, driving greater **collaboration** and ensure people feel **supported** during times of change.

The Spirit of Safaricom continued

Driving the spirit of Safaricom journey



Making it happen

During the year under review, we entered the fourth of these phases, *Make it Happen*, in which we have been engaged in embedding the Spirit of Safaricom, ensuring that our language, rituals, symbols and stories come alive. Accordingly, and with the ever-growing participation of our staff, we have thus far consistently rolled out and quantified the following platforms:

- **Nine** CEO townhalls with an average participation of **1,232 people** and a total participation of **11,088**
- **A total of 33** weekly staff webinars with an average participation of **478 people** and a total participation of **15,774**
- **Four** Leadership Forums with an average participation of **272 people**
- **Five** Agile townhalls with **5,538 people**
- **Three** Spirit Days held
- Customer Obsession awareness events, including:
 - **Seven** monthly Customer Story Days
 - Virtual Customer Fridays involving **1,223 people**

The Spirit of Safaricom continued

Embedding the Spirit of Safaricom

During the year under review, as part of our journey of becoming a purpose-led technology company, we identified through our culture sounding boards and employee surveys, the changes in approach required to enable this in line with our culture, as expressed in the Spirit of Safaricom, and through Agile ways of working. Our aim is to bring to life the behavioural shifts outlined below:

Behaviour shifts to embed through the Spirit of Safaricom

	Disabling beliefs and behaviours	Enabling beliefs and behaviours
Purpose	<ul style="list-style-type: none"> • Top-down, not supportive leadership • Micromanaging others • Operating at cross purposes • Fear to speak up and challenge status quo 	<ul style="list-style-type: none"> • Empowering others with resources and autonomy to win • I emphasise efficiency, production and value • Provide clarity and consensus on purpose and mission • Remove impediments to achieving mission
Customer Obsession	<ul style="list-style-type: none"> • Prioritising leadership voices • Dwelling more on the challenges • Revenue before customers • Ticking boxes, getting things done the way I want 	<ul style="list-style-type: none"> • Putting the customer at the centre • Use insights in external environment to act on opportunities • Customer first, value will follow • Ownership, developing simple, clear customer centric solutions
Innovation	<ul style="list-style-type: none"> • Operate out of fear of failure • Acting within strict guidelines • Keeping great ideas to myself • Sticking to old tried and trusted ways 	<ul style="list-style-type: none"> • Experimenting and learning quickly • I play to win by doing what is right • Creating a safe space to speak up • Driving innovation and creativity
Collaboration	<ul style="list-style-type: none"> • Focus on individual success and reward • Being cautious of what I say and do • Playing the "blame game" • Working in silos 	<ul style="list-style-type: none"> • Recognising everyone's contribution • Empowered to be honest, transparent and candid • Blameless post-mortems for sharing learnings and information • Working together towards the same goal

Looking ahead

Our focus in the short-term is to:

- Implement the agreed Spirit action plans
- Continue to drive uptake and participation in our established rituals and storytelling
- Excite the organisation, deepen the understanding of our two major transformation initiatives, customer obsession and Agile
- Drive the desired culture at the functional level

We will continue to activate and enable staff in order to foster the change that is central in our focus on rolling out service culture training. We anticipate that this will empower and provide tools to support middle management, drive transformation at team level and facilitate Spirit conversations.

Our human capital



Our human capital is key to our business success, as well as to our ability to create value for the wider society and communities within which we operate. It is an essential component of our journey in realising our strategic aim of becoming a purpose-led technology company.

Human Resources (HR) overview

Our four HR strategic pillars

In FY2022, our activities were guided by four strategic pillars:

- Organisation:** Shaping an effective and efficient digital organisation that puts the customer first
- Talent:** Guaranteeing diverse talent and critical skills needed now and in future
- Purpose and Spirit:** Fostering Purpose and Spirit to deliver a fit-for-purpose agile organisation and to enable new growth
- Employee experience:** Delivering the “best place to be” that ensures personal growth and business performance

Performance

	Agile organisation		Talent		Purpose and Spirit		Employee experience	
	FY 2022 Target	FY 2022 Achievement	FY 2022 Target	FY 2022 Achievement	FY 2022 Target	FY 2022 Achievement	FY 2022 Target	FY 2022 Achievement
Agile organisation @33%	33%	11%	1 more skill training @70% for all teams by 22 March	70%	90%	99 shift in spirit of Safaricom (Collaboration)	85%	77%
Employment cost/service revenue @<7%	7%	7.4%	60% RN/1* succession cover for critical roles by 22 March	50%	RN: 38% R1:75%	6pt shift in Customer Obsession in our SEMA	85%	82%
Resourcing for key roles	100%					Spirit of Safaricom Heroes	100%	100%

* RN/1 - ready now or ready now in one year

Our human capital continued

HR - FY highlights FY2022

We have seen successes during the year under review, with the establishment of the 10 tribes and ongoing work to ensure that there is clear alignment between mission and tribe deliverables as we move the whole organisation towards becoming agile. Our successes included achievements in:

- **Agile organisation** – We launched the second wave of tribes with 29 squads and nine Exco-led workstreams including the Transformation Office, with the Agile studio operationalised.
- **Talent** – Our #1MoreSkill campaign, aimed at accelerating delivery of digital upskilling and reskilling across the business, saw 90% of employees completing at least one digital learning programme or course. Our Safaricom Digital Academy has reskilled more than 300 employees with a deployment to digital roles index of 95%. Our robust EVP has ensured that we attract and select the best talent in the market, and we not only develop and grow our talent based on their contribution and career interests, but work to retain our critical talent.
- **Purpose and Spirit** – We participated in the Vodafone Customer Experience Awards and represented in the Safaricom CEO's Mission Excellence Awards in April 2022.
- **Employee experience** – As Safaricom evolves into a technology company, HR Digitisation has become a critical focus area, in which we achieved 75% simplification, automation and digitisation of core HR processes with a digital maturity index of 3.1.

In addition, we created an agile and inclusive environment by optimising physical and virtual workspaces, ensuring the successful launch of hybrid ways of working while leveraging the adoption of digital tools.

- To drive staff engagement and enablement, we have held:
 - › 11 CEO townhalls
 - › 33 weekly staff webinars
 - › Four leadership forums
 - › Five Agile townhalls
 - › Safety culture and performance as well as COVID-19 and wellbeing sessions across the organisation and launched a national campaign on boda boda safety



Our human capital continued

Looking ahead: Strategic goals

The leap towards FY2025 is geared towards moving the whole organisation towards becoming agile, with a customer-obsession score of 85%), increasing our engagement score to 90%, and ensuring zero LTI. Our four strategic pillars remain as the key focus, and include:

- **Talent:**

- Conducting a skills audit, upskilling and reskilling
- A drive to develop our leaders and resourcing
- Strengthening succession cover for critical roles
- Diversity and inclusion for female, PWDs and youth

- **Organisation:**

- Building an Agile organisation through simplification, digitisation and automation and cost leadership

- **Purpose and Spirit:**

- Refresh and embed Spirit enabled by Language, Rituals, Symbols and Stories, with a focus on the rollout of an internal communications strategy to cascade Spirit to staff

- **Employee experience:**

- HR transformation to agile HR in order to support a mature remote working model and an agile organisation through facility upgrades
- Conducting a health, safety and wellness maturity assessment across tiers 1 and 2, with advanced ranking and leading

Strategic opportunities

We have identified the following opportunities arising from the implementation of our strategy:

- The scaling of agile organisation through simplification, digitisation and automation.
- Launching the Industry Digital Apprenticeship Programme aimed at developing digital skills in our industry, and reflecting a sustainable approach to creating a healthy digital talent pipeline. The programme will leverage over 10 partnerships with academia, tech hubs, government, training partners and industry, with a digital talent target of 1,000 as a resource for the industry.
- Scaling the #1MoreSkill initiative and early careers programmes to deliver the diverse talent and skills needed currently as well as in the future through our:
 - STEM internship
 - Discover Trainee Programme
 - Women in Technology Internships
 - Digital Academy
- Deploying a robust internal and external Employee Value Proposition (EVP) programme to attract and retain key, as well as female talent.
- Accomplishing HR transformation to Agile HR to support a mature remote working model and an agile organisation through facility upgrades.
- Health, safety and wellness maturity assessment across tiers 1 and 2, including advanced ranking and leading.
- Refreshing and embedding Spirit, enabled by the principles of Language, Rituals, Symbols and Stories, with a focus on rolling out an internal communications strategy to cascade Spirit to staff. For more on the Spirit of Safaricom, see page 62.

Strategic partnerships

We work with various partners to facilitate and promote awareness, and during the year under review we rallied various organisations to come together to discuss and share ideas on accelerating the disability agenda at the Global Disability Summit – Kenya Chapter.

In December 2021 Safaricom was elected as Chair of the Kenya Business Disability Network (KBDN) for two years. KBDN is supported by the International Labour Organisation (ILO) and its mandate is to bring employers together to promote the inclusion of people with disabilities in workplaces countrywide. KBDN's work demonstrates the clear business benefits of employing people with disabilities and highlights the valuable contributions they bring to the workplace. For more on our impact on society, see page 126.

Slight savers are partners who have been very instrumental in delivering value for Safaricom by driving different inclusive programs that enabled us achieve great success in the disability space. They mobilized a consortium of local and global partners to come up with the IT Bridge Academy, a PWD talent pipeline for Safaricom. This is in addition to various trainings as well as driving compliance through delivery of accessibility training and assessment of some of our facilities in line universal design standards.

Adapting to a digital operating model and agile ways of working

We recognise that the future will be digital, and that customers expect the level of responsiveness sparked by our being agile. Accordingly, as we move from being a telco to becoming a tech-co, our strategy clearly articulates our transformational goal of being a digital-first, insights-led organisation that enables platforms and ecosystem partnerships.

The adoption of Agile as a mode of working has meant less specialisation and more synergy across teams, and continues to enable us to deliver more to our stakeholders, fostering better insights and feedback on their needs and expectations. For more on Agile and our stakeholders, see pages 70 and 56 respectively.

It has also ensured that our people are better engaged and feel empowered in making a valuable impact in contributing to realising our mission and delivering on stakeholder needs.

In the adoption of digital platforms and agile ways of working, we have seen some notable outcomes and successes:

- In addition to our two Centres of Excellence – Brand Planning, and Research and Design – we have launched 11 tribes comprising 53 squads and 294 tech and 245 business resources:
 - Fixed Data
 - Payments
 - Mobile Data
 - Digital Channels
 - Digital Services
 - Base Growth
 - Segments
 - FinTech Integration
 - Next Financial Services
 - Enterprise Solutions
 - Digital Engineering

Our human capital continued

- The co-location of business and technology resources has connected the requisite people from different domains, enabling them to work together on tasks, boosting cross-team collaboration, pace of execution and productivity.
- Work has been broken into small, time-bound "sprints" designed to deliver an outcome. As a result of these quick sprints, time-to-value has been accelerated, with each sprint building value on the achievements of its predecessor. For more on Agile, see page 70.
- The first Quarterly Business Review (QBR) was held in August 2021 and has since been adopted as a critical planning process aligned to our mission. QBR sets the main organisation-wide priorities for the quarter, in order to achieve our mission, and facilitates any required resource re-allocation. It also extracts learnings from the previous quarter and defines the tribe/unit-level plans for next quarter, which cascades to squad and team backlogs.
- The people model has been refined to enable Agile ways of working, and we have designed a contribution model that defines the skill, knowledge, experience, behavioural and mind-set requirements, allowing us to evaluate the contribution levels of any individual. The reward and performance management models have been reviewed to ignite the desired Agile change.
- Learning agility has been improved with the #1MoreSkill initiative aimed at developing mission-critical competencies and enabling staff to learn, adapt, unlearn, and relearn to keep up with constantly changing conditions.

Gender equality and diversity

Gender equality and diversity remain a key talent focus area. During the year under review, we continued to maintain a gender-balanced workforce. We have adopted specific initiatives to address the gender diversity gap, including the strengthening of senior female talent to feed into senior level talent roles.

We experienced a 2% growth in senior women management numbers, which increased from 33% to 35%.

The percentage of staff with disabilities continued to grow, reaching 3% from the prior year's 2.6%. This increase was mostly attributed to the inaugural IT Bridge Academy internship programme where 33 interns were onboarded in February 2022, with 50% of the cohort female.

During the year we also recorded a number of diversity successes:

- We continued to holistically prepare women to take on higher responsibilities through various programmes such as the Senior Women in Leadership Programme (SWIL) programme in which 50 women graduated from the Strathmore Business School
- Staff were sensitised on matters of inclusion through our reinforcing of inclusion culture, with:
 - 355 new staff taken through Diversity and Inclusion (D&I) induction training, which embedded the essence of D&I. Other trainings included basic sign-language training for 405 people, Line Manager training for 450 people, and disability etiquette training for 300 of our shop staff
 - D&I initiatives undertaken to bring D&I to life, including the celebrating of D&I Global Days, the sponsorship of external D&I events, and gender-themed forums and webinars

Leadership

It is our belief that leaders create an environment where others thrive and feel that they belong. Our leadership standards framework clarifies the leading-with-mission and spirit behaviours required to deliver our mission.

The framework defines the expected behaviour for our leaders based on our four culture pillars. We use these set standards to inform how we source and select leaders, how we design and deliver our leadership development programmes and as the way in which we structure and deliver continuous feedback and development conversations in our performance management process.

Our ambition is to have two successors for senior leadership and critical roles across all functions. This will ensure that we are utilising 50% internal mobility of senior leadership from within the organisation.

Training

During the year under review, we undertook a Fit-for-Future skills audit of all the employees. The output of the survey informs the skillsets that each employee needs to build in order to be future-proof and to weather the talent risks posed by digital disruption.

Currently, employees are pursuing their #1MoreFutureSkill which has been established to enable them to upskill, reskill, cross-skill and multi-skill to ensure that they are future-ready.

The capability development interventions that the organisation is putting in place are based on each employee's Individual Development Plan (IDP), with a key focus on growing the craft/proficiency of employees.

The training we provided during the year under review fell broadly within five categories:

Leadership and management training

- Fifty Women in Leadership undertook and graduated from the SWIL (Safaricom Women in Leadership) Programme
- Fifty leaders undertook the Digital Transformation Micro-Masters Programme in collaboration with edX (training provider)
- Five leaders undertook the Vodafone Enterprise Leaders Programme
- Forty leaders commenced their Transformational Leadership learning journey
- Of our Line Managers, 85% have completed the Coaching for Performance training under the Amazing Line Manager Programme

Digital upskilling

- Around 133,000 digital skill courses were completed through Safaricom Business School (SBS), with 98% of employees having completed at least one digital course
- A total of 148 employees were enrolled into the Safaricom Digital Academy, pursuing digital courses in nine prioritised digital skills, including Big Data Analytics (Data Science and Data Engineering); Artificial Intelligence (AI) and Machine Learning; Cloud Computing, Internet of Things (IoT); Cyber Security; Network Technologies; 5G, DevOps and Site Reliability Engineering; Robotic Process Automation, and Mobile Applications and Web Development. For more on Digital Channels see page 80.



Our human capital continued

Agile

- A total of 4,407 employees, representing 79% of our staff complement, completed Agile 101 courses, with 247 employees certified in Agile-related courses. For more on Agile, see below.

Functional courses

- Around 23,000 functional courses were completed on Safaricom Business School (SBS) with 4,794 employees attending instructor-led training sessions

Compliance training

- 571 employees attended First Aiders training
- 89 employees were upskilled in the Work at Height/Tower Climbing training programme
- 197 employees attended Fire Marshals training
- 155 employees underwent Safety Committee training
- 675 employees attended Defensive Driving training in line with Safaricom's Health, Safety and Wellness agenda

We achieved a career development index of 76 in our FY2022 employee survey, which indicates that 76% of our staff believe their career goals can be met and achieved in Safaricom.

Our total investment in training for FY2022 was KShs 193 million (2021: KShs 128 million).

Our Agile people model

This model supports our new ways of working. Moreover, we have embraced agility through our contribution-based career model, performance-management model, employment contracts and remuneration and incentive model. These four elements are aimed at supporting collaboration, flexibility, growth and craftsmanship, as well as bias for doers.

Our Agile people model ensures that all job profiles are linked to specific business KPIs. We have rolled out a contribution model that provides opportunities for advancement on five levels of attainment based on an individual's skills, competencies and proficiency on three dimensions of craft, people & mindset and customer & business. These are documented and reviewed through:

- Regular weekly retrospect meetings
- Monthly check-ins
- Quarterly business reviews
- 360-review sessions
- Biannual and annual reviews

Best place to work

During the year, we benchmarked our remuneration against the market, to ensure competitive pay for skills as well as attractive benefits. We introduced Flexi-ben, which allows employees flexibility on benefits with partial or full airtime flexibility redirected to savings, donations, loan repayments.

Reviews and KPIs

One of our core guiding principles in our Performance Development Process is "We can all get better every day with regular and constructive feedback".

As we become an agile organisation, feedback loops help us regularly identify areas for improvement. We then turn these potential improvements into actionable work items, and are able to track and address the key challenges we face, related to our product and processes.

We have established performance and career development review rhythms for all employees across the business. Based on their performance and development outcomes, support is provided by the business to employees, to help them remain on track in delivering both the organisation's mission and their own personal growth.

Health and wellness

During the year under review, we embedded a zero-harm culture by eliminating or controlling risks associated with our operations and delivery of holistic total employee well-being. In addition, we developed a driver data analytics tool to monitor driver behaviour and proactively support drivers become safe on the road.

Challenges

HR faced a number of challenges during FY2022, with the principal areas of concern being:

- The retention of key talent due to the current business operating environment
- Finding people with the requisite skill-sets aligned with our business needs
- A related increased demand and low supply for digital and FinTech talent
- Employee engagement through optimising an agile and inclusive environment in both physical and virtual workspaces as we adopt hybrid ways of working
- Embracing and supporting the inevitable change as our world of work remains volatile, ambiguous, complex and uncertain
- The need to ensure our employees' safety and well-being during and after the pandemic

Grievance mechanisms

There is a grievance policy in place in terms of which staff can raise their concerns directly with their line managers, HRBP and Employee Relations. Complaints can also be raised directly with the CEO on Sema na Peter, or through the council representatives.

Awards

During the year under review, we were recognised with three awards:

- Zero Project award for Accessibility** – by ESSL Foundation, an Austrian foundation which seeks to implement the United Nations Convention on the Rights of Persons with Disabilities (CRPD). The ESSL Foundation supports social innovation, social entrepreneurship and persons with disabilities. This award recognises innovative practices and policies aimed at driving inclusion for people with disabilities.

Safaricom was recognised for its diversity and inclusion programmes including efforts to grow our percentage of employees with disabilities, creating accessible offices and retail outlets and providing accessible products and services.

Our human capital continued

- **i2i Project award** – Onboarding the largest number of PWD interns in the country. Innovation to Inclusion (i2i) is a three-year DFID-funded project whose main goal is to promote access to and opportunities for apprenticeship, internship and employment of persons with disabilities in Nairobi, Mombasa and Kisumu.

The award recognised Safaricom's recent move to offer internships to 33 people from the IT Bridge Academy, a programme run by the National Industrial Training Authority (NITA), Sightsavers and Cisco. The programme was designed to develop, test, validate and share learning from interventions that will directly improve access to waged employment in the private sector for women and men with disabilities.

- **DIAR Award by Daima Trust** for the Most Inclusive Listed Company in Kenya. Safaricom was feted for creating an inclusive environment in which employees are empowered to thrive, regardless of gender, disability, religion, race, age, thinking style, or any other quality.

The awards broadly seek to provide a platform for sustained conversations and knowledge-sharing on best practice in all matters equality, diversity, and inclusion, focusing on needs and opportunities within Africa, commitments to the SDGs, and global trends. These efforts resulted in our being awarded the Most Inclusive Listed Company in Kenya, at the Diversity and Inclusion Awards and Recognition (DIAR Awards).

Our FY2023 Strategic Focus

Strategic imperative: Deliver a fit-for-purpose agile organisation

Becoming an agile organisation

Key focus	Main effort
Talent	<p>Accelerate delivery of diverse talent and future-ready skills. Key measures include:</p> <ul style="list-style-type: none"> • 75% succession cover • 40% female • 3% PWD and 1,000 FinTech and Big Data talent upskilled • Leadership development • Talent retention • Upskilling/reskilling • Diversity and inclusion
Organisation	<p>Orchestrate an Agile and efficient operating model (including growth areas). Key measures include:</p> <ul style="list-style-type: none"> • Level 3 maturity index • Greater than 7.5% operational expenses
Purpose and Spirit	<p>Orchestrate an Agile and efficient operating model (including growth areas). Key measures include:</p> <ul style="list-style-type: none"> • 85% spirit index • 85% customer-obsession score • 90% engagement index • Ensure the requisite skill sets, mindsets, and toolsets for an Agile organisation • Embedding the Spirit and purpose to enable future growth
Employee experience	<p>Create a digital and personalised employee experience. Key measures include:</p> <ul style="list-style-type: none"> • #1 best place to work • <50% loss time incidences (LTI)



Our intellectual capital

As part of these capitals



Informed by these strategic pillars

- 01
- 02
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- 04

Impacting these stakeholder groups

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Our intellectual capital is evident throughout our organisation, from the strategy which guides our activities and the ways in which we measure ourselves against it, to the conceptualisation, development and implementation of the various cutting-edge technology platforms, processes and systems which set us apart in the marketplace.

Our intellectual capital is the foundation underlying our culture, and our belief in customer obsession. It underpins the ways in which we identify, monitor and mitigate the risks that we face, and of our conception and adoption of our Agile way of working, as well as the innovation that characterises our approach. In addition, it is a fundamental part of our commitment to, and establishment of, our foundations' social investment programmes that make such a difference to our communities, and help improve the lives of people. For more on our foundations and social and environmental impact, see page 126.





Customer Obsession

Our mission at Customer Obsession is to embed the concept and practice at the core of the Group's culture in order to accelerate new growth areas delivering superior customer experiences.

Our Customer Obsession strategy

With the aim of delivering superior customer experiences, our strategy, designed to guide us in the short- and medium-term through to 2025, is founded on six pillars:

Strategic pillar	Strategic outcome
Transparent and targeted offers	Creating transparent offerings, matching customer diversity to Safaricom's unmatched products and services
Intuitive and secure M-PESA journey	Allowing customers to use M-PESA services quickly and safely any time and anywhere
Seamless fibre installation and maintenance	Delivering, reliable, always-on and excellent service at key points of the FTTH and FTTB customer journey
Using driven network and systems superiority	Building network superiority focused around current and future customer behaviours
Omni-channel excellence	Delivering superior customer experiences across integrated customer channels
Customer Obsessed culture	Ensuring our Customer Obsessed culture is alive and anchored throughout the organisation

In order to measure our performance, we use:

- Input KPIs to understand what might be driving dips or improvements, the rate of customer fraud complaints, and inability to access services to inform our prioritising of issues
- Outcome KPIs – these reflect aspects such as brand-love scores and performance across the competitive landscape
- Output KPIs to ensure that we monitor key issues, such as the number of customers affected by outages, or levels of satisfaction with Fibre to the Home (FTTH)

During the year under review, we measured our success in realising our strategic goals using these objectives and metrics:

Communications support

An important component of what is done with regard to Customer Obsession is the communications support provided for new products. During the year under review, the Group's Corporate Communications function publicised:

- The rollout out of the national Safaricom Golf Tour whose aim is to tap, nurture and grow talent among young golfers across the country
- The Telematics solution for vehicle tracking
- The launch, through the partnership of Safaricom and Gulf African Bank, of Halal Pesa, a Shari'ah-compliant mobile financing solution
- The revamp of data plans through the Nyoosha Shilingi campaign that will see customers enjoy up to 100% more data at no extra cost
- The launch of BAZE, a mobile-first, video-on-demand service that offers a wide selection of local and regional short-form videos in comedy, drama, lifestyle, with added expansion that includes music streaming
- The partnership with AAR Insurance that rolled out new technology infrastructure based on the Amazon Web Services (AWS) as part of AAR's goal to be a fully digital insurance company
- The launch of the M-PESA Super App for customers and its M-PESA for Business App
- The launch of the NHIF mini-app within the M-PESA Super App
- The launch of the Mwelekeo Ni Internet campaign, which will see the service provider introduce new data offers, add more affordable 4G devices to the Lipa Mdogo Mdogo device financing plan, and showcase the transformative power of the internet
- The "Offline mode" that will enable customers to use the M-PESA Super App and complete transactions even without data bundles or when totally offline

For more on our services and solutions and Corporate Communications, see pages 14 and 95 respectively.

Customer Obsession continued

Looking ahead

In looking to the future, we have set various targets in the short term with respect to our strategy pillars, as follows:

Strategy pillar	Strategic focus
Transparent and targeted offers	<ul style="list-style-type: none"> The adoption of proactive, intuitive digital tools such as data manager and usage alerts, to drive higher transparency and customer empowerment Driving higher value for money perception through reviewing the construct and pricing of our data propositions, and leveraging customer value management (CVM) for churn management, with a target of 50% CVM penetration Simplification of customer journey, processes
Intuitive and secure M-PESA journey	<ul style="list-style-type: none"> Delivering a reliable, error-free and always-on digital financial services (FS) customer experience to match global best practice Detecting and preventing fraud via machine learning (ML), tighter process controls and customer awareness campaigns across the ecosystem of Safaricom, its partners and customers Reinforcing data governance to reduce data leakage internally and across the FS ecosystem
Seamless fibre installation and maintenance	<ul style="list-style-type: none"> Designing simple, always-on and automated installation and maintenance journeys for FTTH and Fibre to the Building (FTTB) customers Fully embed third parties in the Safaricom operational model and enable them to reach excellence Developing differentiated service options such as SME portal and IoT for corporates and SMEs to better match their expectations and business needs
Using driven network and systems superiority	<ul style="list-style-type: none"> Superior network quality through upgrades, indoor coverage upgrades, optimising the network, and a smart planning tool to aid in accurate traffic forecasting Always-on service availability through systems monitoring, capacity upgrades, redesigning M-PESA architecture, cloud migration and change-management governance Delivery on "Mind the Gap" initiatives
Omni-channel excellence	<ul style="list-style-type: none"> The eradication of customer pain-points through journey simplification, process automation, demand deflection to the App and Chatbot DIY digital channels, agent empowerment and the expansion of the customer touch-points of dealer and M-PESA agents, care desks and franchises Delivering a seamless, integrated and measured experience across all customer touch-points (TNPS)
Customer Obsessed culture	<ul style="list-style-type: none"> Build, develop and entrench our readiness, willingness and ability to foster a Notoriously Customer Obsessed Culture by ensuring that our people have the right skill-set, toolset and mindset to deliver on the mission

Our technology

As an integral part of our intellectual and manufactured capitals, technology and the way we leverage it are vital aspects of the Group's growth strategy.

As part of these capitals



Informed by these strategic pillars

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Impacting these stakeholder groups

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Overview

During the year under review, in addition to leveraging artificial intelligence (AI) and machine learning (ML), we enabled the bolstering of performance in the following areas:

Service	Outcome
Mobile voice, messaging and data	<ul style="list-style-type: none"> Optimal investment in 4G and 3G capacity upgrades improved user experience in both voice and data
Financial and converged services	<ul style="list-style-type: none"> An M-PESA refresh, increasing throughput capacity by 33% Enhanced robustness in the API gateway by 33%, allowing external developers to integrate to M-PESA
Digital services	<ul style="list-style-type: none"> Migration of applications to the cloud Improved monitoring by leveraging AI and ML The introduction and enhancement of digital channels such as M-PESA app and mini apps
Platforms and ecosystem partnerships	<ul style="list-style-type: none"> The standardising of APIs Alignment to global standards such as the TM Forum Improved monitoring by leveraging AI and ML Expansion of M-PESA capacity by 33% to facilitate the M-PESA app and mini apps The launch of the API gateway for partners to integrate to the M-PESA ecosystem

In addition, several of these performance-enhancing achievement were included in a number of important milestones in embedding the technology that will function as an enabler as we strategically transform into a technology company.

These milestones are all aligned with all four of the Group's strategic pillars, as well as with our Customer Obsession culture, as they provide not only the means for strengthening our core, delivering as a financial services provider, accelerating new growth areas and achieving cost leadership, while at the same time putting the customers' needs and concerns first. Among our important achievements in the domain of technology were:

- Attaining deepened customer engagement, powered by a new customer value management (CVM) tool
- The onboarding of a new anti-fraud management tool that is able to monitor performance, with robust capability for M-PESA and international money transfers that flags money laundering
- The launches of:
 - The Safaricom Baze Platform offering localised content by local providers
 - The M-PESA Consumer App
 - A platform for managing surveillance for SMEs
 - Halal PESA, the first mobile lending product for the benefit of the Muslim community
 - Fuliza airtime
 - Fixed wireless access on 5G
 - The API gateway for partners to integrate into M-PESA ecosystem

For more on our services and solutions, see page 14.



Our technology continued

As part of the effort underlying these achievements, a significant investment was made during the year in building 495 new sites and upgraded 1,100 4G and 1,000 3G sites, and other technology systems including:

- A capacity expansion of 96% for Fuliza Overdraft throughput
- An upgrade of the billing system, operating system, databases and versions
- An MPESA design refresh to enhance operational excellence and reduce planned downtime
- An IT infrastructure refresh to accommodate the growth in systems and applications
- Enhancing by 33%, the robustness of the API gateway for external developers to integrate with MPESA
- Integrating new spectrum in 1,800 4G sites
- Increasing core capacity to handle a 60% increase in mobile data volume
- Capacity enhancement by 80% for VoLTE to accommodate 5 million users
- The rolling out of more than 700kms of new fibre, thereby interconnecting sites and in turn, improving customer experience

We see this investment as a trade-off that fosters our Agile organisation, technology governance that ensures that all IT purchases are managed within IT itself, and that our systems and customer data are secure, in turn providing an enhanced network experience with a resulting improved Network NPS.

The risks we face

With the Group critically dependent on technology, there are a number of attendant risks, the top five of which are:

- The global shortage of chipsets
- Geopolitical issues affecting some key vendors
- Escalating operational expenditure to meet the corresponding growth of cloud computing, and the need to review financial accounting models to cater for this
- The fostering of skills to keep pace with digital transformation

Challenges

An important challenge faced during the year under review was the pause enforced on our migration to the cloud by the need to wait for regulatory clarifications on data privacy.

We are protecting customer privacy and data, and mitigating against cyber-attacks by anonymising customer data in order to protect it.

Reacting to demands and trends

We continued during FY2022, to respond to the consumer demands and trends we identified through:

- Flexible platforms with open API standards
- Adopting Agile methodologies
- Actively collecting customer feedback through Transactional NPS surveys (TNPS)
- Big data analytics to study customer behaviour and create appropriate and relevant products for them
- The adoption of smart planning to optimally indicate places where sites should be deployed

Technology as an enabler in society

During the year we continued to make significant progress in realising our commitment to improving lives and providing opportunity for individuals and communities by:

- **Investing in the network**, with fixed wireless access on 5G
- **Accelerating access** to 3G and 4G through 10MHz activation of L2100 on 4G
- **Cloud services** for enterprises, through AWS partnership for cloud hosting services, and enabling self-service for enterprise customers, thereby ensuring faster turn-around time and less demand

Women in Technology

Safaricom Women in Technology (WIT) is an initiative of passionate women who have established a technology incubator with the aim of strategically and consistently helping to nurture students and youth as future creators and innovators for next-generation employment and entrepreneurship.

WIT achieves this through six key programmes aimed at girl children at various stages of their education cycle by continuously providing support through coaching, mentorship, exposure to evolving technologies, technical platforms and networks.

The objective is to facilitate the increase, onboarding, and retention of the number of women within careers in science, technology, engineering and maths (STEM). During FY2022, the representation of women within our Technology Division stood at 21.8%, a decline of 9.9% YoY. For more on our impact on society, see page 126.

Digital Academy

During the year, Our Digital Academy embraced other areas of the business, although the Technology Division remained the largest contributor of candidates.

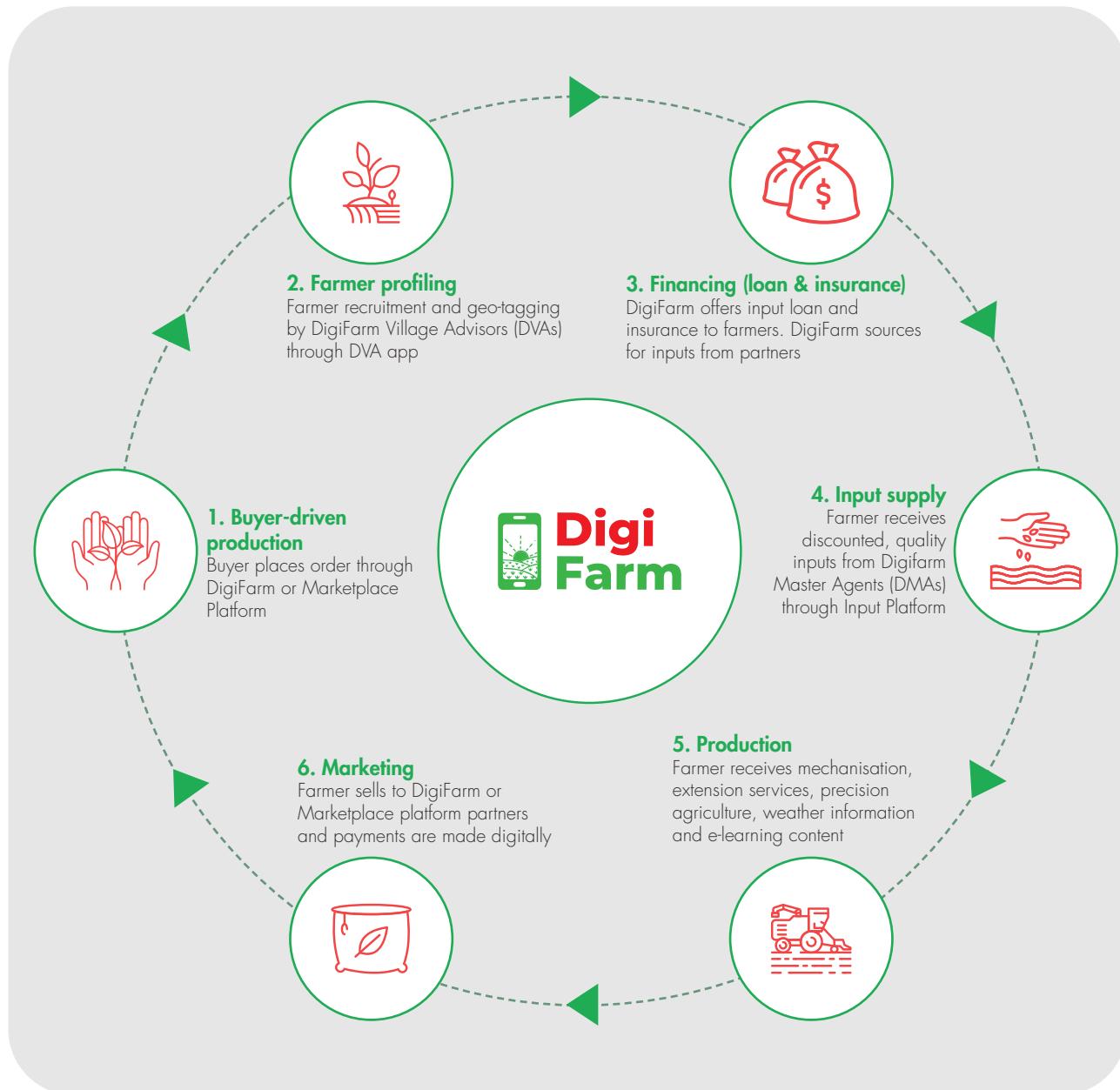
The role of our technology in agriculture

During the year, we continued to aid in scaling up agricultural capabilities of small holder farmers in Kenya with our ongoing provision of DigiFarm services.

DigiFarm is a mobile platform, which is also accessible on USSD, 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. Since its launch in 2017, DigiFarm, has registered over 1.4 million users with 160,000 of them active users.

Our technology continued

How we help small-scale farmers become more profitable



Our technology continued

Connectivity for all

We continue to work to provide and maximise connectivity for the benefit of all Kenya's people, and during the year under review, our efforts in this regard included:

- Close collaboration with the regulator to roll out 4G and 3G sites in remote areas under the Universal Service Fund (USF) initiative
- Improving state of security in access gap areas to minimise destruction of key network installations
- Increasing the availability of affordable 4G devices
- Facing the challenge of competing community priorities where communities prefer water, health centres and schools before the deployment of network installations

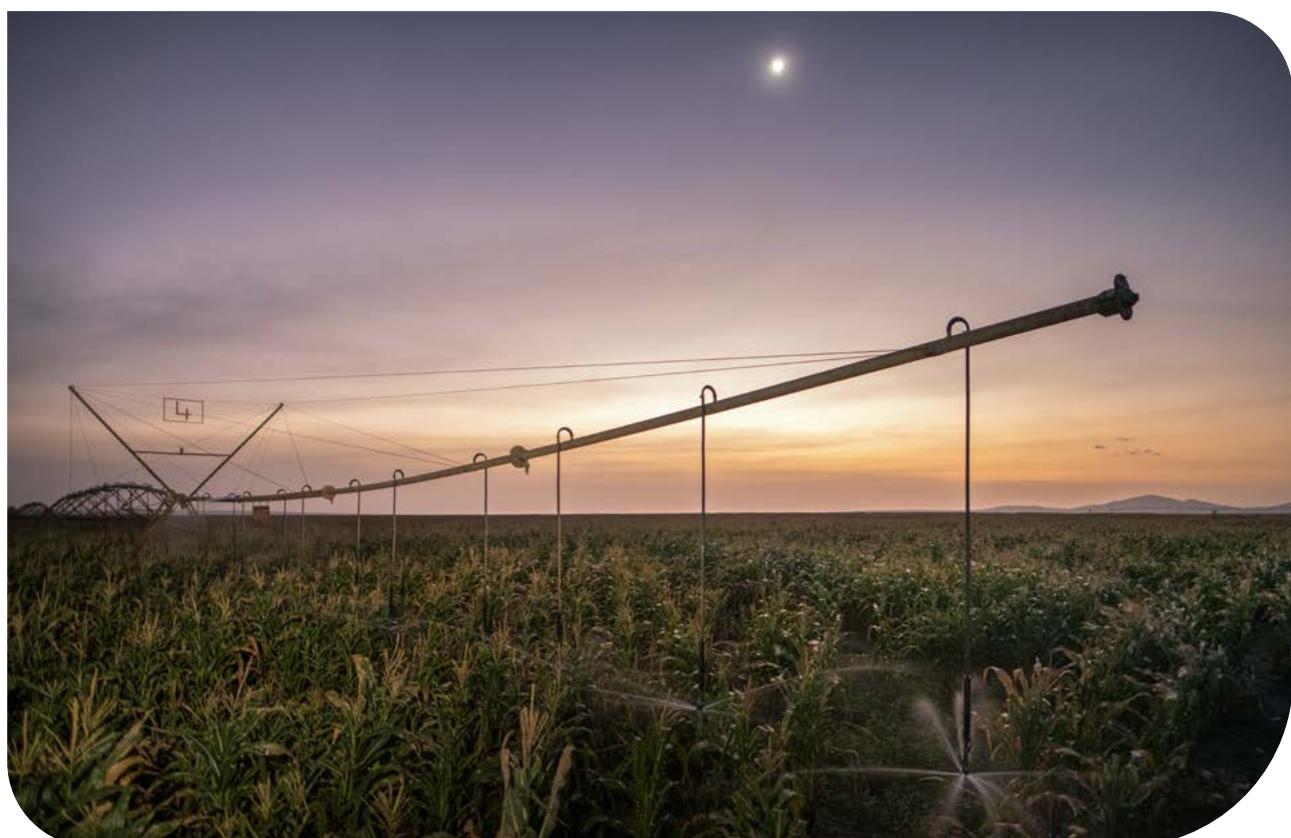
Looking ahead

We have outlined a number of goals for the short-term. These include:

- Maintaining our customer NPS #1
- Attaining high system-availability
- Ensuring a minimal error rate on all our platforms and services
- Attaining a Customer Obsession engagement score of higher than 85
- Establishing Safaricom as the "Best Place to Work" and thereby limiting the attrition of talent
- Facilitating the acquisition of digital skills by staff
- Deploying 100% of Digital Channels to the cloud
- Growing customer self-service usage on existing and new channels

In the medium- to long-term, we envisage:

- A high attrition rate of niche skills
- A global shortage of chipsets
- Geopolitical issues affecting certain key vendors
- The persistence of escalating operational expenditure with a corresponding growth of cloud computing, and the need to review financial accounting models in order to cater for this



Our digital channels

The mission of the Digital Channels tribe is to accelerate the growth of digital channels in order to drive an unmatched omni-channel experience by the end of FY2023.

The tribe is responsible for the digital assets constituting our digital channels of:

- My Safaricom App
- The web platform, part of the portfolio since the end of FY2021
- The Zuri bot platform
- Quasi digital channels, comprising:
 - > IVR platform
 - > USSD channel

In addition, the tribe works to facilitate digitisation both for contact centre and retail frontline teams, as well as digitisation in the outlets, which, as we progress through the financial year, will be extended into the distribution network.

In doing so, during the year under review, we have had to strike a balance between an aggressive drive towards the pure digital channels of app, web and Zuri bot, while at the same time maintaining ease of transition, by driving a high level of service on our quasi-digital channels of interactive voice response (IVR), self-service on IVR and USSD.

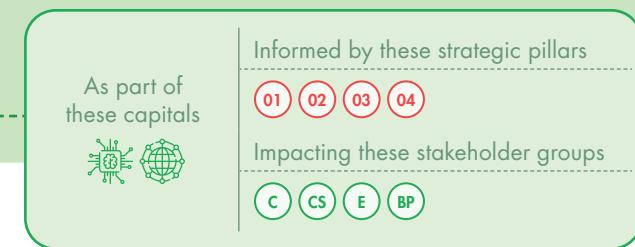
Strategic objectives

During the year under review our strategic objectives were centred on customer experience, journeys and migration to our digital channels. We thus focused on device acquisition through intensive below-the-line campaigns on digital platforms, social media such as Facebook, Twitter and Instagram, as well as on publicity in the trade, tagging customer value management (CVM) messaging with every transaction.

In doing so we have been prioritising customer concerns, gaining insights through feedback-identified trends, and learnings from the resolutions sought by customers.

This marked a change in emphasis during the year, resulting from our recognition that the imperative was to aggressively drive the digital transformation of our customers. Whereas previously journeys were not as intuitive as we have now made them, our new approach in FY2022 was founded on a shift in investment, particularly in customer education.

The aim was to simplify the desired journeys, and more directly target customers, even to the extent of creating intercepts to persuade them that their natural mode of utilising our services should be through our digital platforms.



To this end we engaged with partners, such as WhatsApp for our smartphone users, and integrated with the App, Web and Zuri bot channels for feature phone users, so that the digital journey can be experienced even in the context of SMS. The ultimate aim was a shift of mindset.

With a significant proportion of customers still utilising 2G, we have had to strike a balance between the aggressive drive to the pure digital channels of app, web and Zuri bot while also maintaining an ease of transition, and at the same time driving a high level of service on the quasi-digital channels of IVR, self-service on the IVR and USSD.

Our Agile operating model

Digital Channels has been among the first tribes within the Group to be working fully within the Agile working structure, with eight squads, set to grow to eight within the FY2023. Each squad is focused on specific areas relating to our mission – To accelerate the growth of digital channels digital channels in order to drive an unmatched omni-channel experience by the end of FY2023.

Our digital channels performance

We set a number of specified performance-related tasks, grouped within our defined focus areas to measure our performance during the year. These included metrics for:

- Accelerating the growth of digital touchpoints
Three of six targets exceeded
- Driving digital channels usage
Neither of the two targets attained
- Driving costefficiencies through digitisation
One of three targets attained



Our digital channels continued

Our stakeholder groups

Our customers constitute our most important stakeholder group. Insights into their requirements are critical if we are able to enable them to migrate to digital channels, and provide solutions to their concerns. To acquire these insights, we rely on research, and have developed an in-house tool to track their feedback. For more on stakeholders, see page 56.

Our human resources – talent – comprise another important stakeholder group, particularly in view of the fact that there is substantial competition for resources in the marketplace, and turnover is high. It is therefore necessary for us to partner with outside organisations to assure the requisite supply of appropriately skilled people. For more on HR, see page 66.

Within the business, the product development teams form an essential aspect of our ability to execute our mission. Collaboration with them is essential in order to provide customers with the devices that enable them to comfortably, affordably and easily migrate to our digital platforms and channels.

Partnering for digital education

In April 2022 we announced our partnership with Zeraki Learning to enable secondary school learners to access affordable education services from well-trained teachers and informative video lessons.

The platform provides topic-by-topic assessments and powerful metrics to help students diagnose their weaknesses and track their progress.

In addition, Zeraki analytics offers the latest system for compiling and analysing students' data by providing an interface for results analysis, marks entry, and bulk messaging to parents. For teachers, Zeraki analytics results provides a new and easy way to analyse and visualise exam results.

To facilitate all this, we added a touchpoint within the MySafaricom App, which will enable parents and guardians to subscribe to the service for as low as KShs 20 per day, deductible from customers' airtime/post-paid bill or via M-PESA.

In all our engagements with stakeholders, we are diligent in ensuring that we are continuously aligned to our mission, and that our interactions with them are within the scope of its execution.





Our digital channels continued

Risk

The risks we faced during the year under review are ranked in the following order:

Risk	Mitigation
Movement of talent	Deprioritising and reprioritising Utilising the flexibility of being able to collapse any given squad in order to enrich others
Legacy systems	Embracing the Digital Absolute rules that ensure digital journeys are incorporated from the design of the product as well as the backend services developed to support the digital journeys prior to launch
Mindset inflexibility	There is need to embrace the Digital First mindset



For more on risk, see page 46.

Looking ahead

In the short-term, our mission objectives for FY2023 have been defined as follows:

Top 5 specified tasks	Top 3 key activities per specified task
Growth of usage on digital channels	1. Grow daily active users on digital channels 2. Grow daily transactions on digital channels 3. Drive user engagement on Subscriber Registration App
Digitisation of new and existing journeys (fixing the basics)	1. Review existing USSD journeys and provide digital solutions on App, Web, Zuri and SubReg 2. Kick off the AI-driven Natural Language IVR Project and implement the 360° view of the customer on CRM as a basic foundation to the Single View of the Customer (SVC) 3. Digitise two care outlets processes
Communication and awareness on self-care	1. Have always-on digital campaigns for App, Web and Zuri 2. KYC awareness plan on compliance for subscriber registration 3. CVM campaigns on IVR and USSD to drive self-care usage
Digitisation of trade and retail	1. Discovery of EDMS APIs in preparation for integration with the digital channels (Zuri) 2. Simplification of Trade (Route To Customer) Processes (self-service via Zuri for trade escalations) 3. Digital merchandising and digital dashboard (roll out dashboards in nine shops and one franchise)
Cost saving contribution from Zuri, IVR, USSD, app and web interactions	1. Deployment of SIM Swap journey to SubReg App 2. Simplification and review of business rules on SIM Swap journeys on the App 3. Stakeholder engagements on plans to decommission SIM Swaps on *180#
Deflection of SIM Swap demand to digital apps	

In the medium- to long-term, our intention is to achieve a single view of the customer, so that irrespective of the channel, the expected interactions with staff and the amount of information remains the same.

With the knowledge that 60% to 70% of our customers are digital natives, we will continue to make our anchor the deliberate shift to digital-first, as we transform into a technology company, ML, AI, and the increasing centrality of data. An important aim is also to be able to sell platforms to other players in the digital space.

Financial services

Our financial services tribe forms an important part of our financial and intellectual capitals, and with its innovative products and services, has evolved to become far more than a provider of payments platforms. It is a fundamental component of our vision-aligned strategic transformation to becoming a purpose-led technology company, whose aim is to transform lives.

Founded on this strategic orientation, is our commitment to innovate on the basis of the insights we strive to gain about our customers, their needs and requirements, as well as the rapidly changing digital world, in which opportunities abound.

Our driving force during the year under review has been the ongoing strategic imperative to turbocharge a two-sided ecosystem that takes into account, on the one hand, the lifestyle preferences and needs of our consumers, and on the other, the requirements of our business customers as they seek more efficient, productive and simple financial platforms for growing their enterprises.

As part of these capitals



Informed by these strategic pillars

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Impacting these stakeholder groups

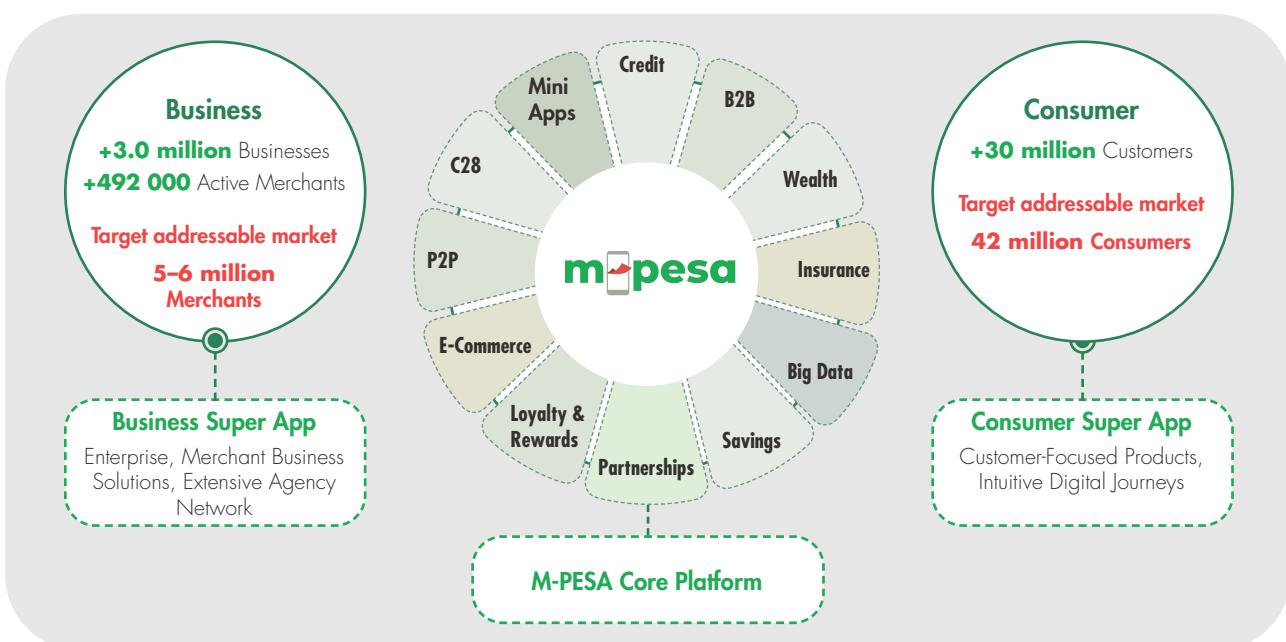
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In addition, we were the first department to fully adopt the Agile operating model, a bold step that will facilitate our role in the transformation of the Group into a technology company. For more on Agile, see page 70.

Moreover, there is no platform that more encapsulates this approach and strategic orientation, than M-PESA. Launched in 2007, it was the first mobile money transfer service in the world. To date, M-PESA has over 30.53 million active customers and over 262,000 active agents in Kenya.

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

This notwithstanding, M-PESA is not a product, as many people believe it to be, but rather a flagship brand that contains within it multiple digital possibilities through its Consumer and Business Super Apps. These, between them, reflect the nature and purpose of our two-sided ecosystem, and it was for their development and implementation that we received a prestigious Global Mobile Award (GLOMO) at the Mobile World Congress in Barcelona in March 2022. The Super App won in the category of "Best Mobile Innovation for Connected Living", edging out other nominations from across the globe.



M-PESA definitively captures our vision of becoming a purpose-led technology company that uses innovation to drive social and socio-economic empowerment in society.

The two-sided ecosystem supports our capacity to create, develop and implement solutions that empower our business customers, while at the same time powering consumer lifestyle and e-commerce.

M-PESA as a FinTech

This aspect of M-PESA is evident in the evolution of the platform since its inception 15 years ago.



Awards

Global Mobile Awards (GLOMO) powered by GSMA.

- The M-PESA Super App won under the category for "Best Mobile Innovation for Connected Living".

Safaricom awarded alongside Huawei and Close the Gap for the DigiTruck project under the "Outstanding Mobile Contribution to the UN SDGs" category



Financial services continued

During the year under review, we celebrated the 15th anniversary of the introduction of M-PESA with various awareness campaigns.

With its over 30 million monthly active customers, more than 3.2 million businesses, and over 42,000 developers engaged in ongoing development within the Super Apps, some 50 million transactions per day, and a velocity of funds exceeding KShs 2 trillion monthly, M-PESA truly constitutes a massive ecosystem whose potential is only just beginning to make itself felt.

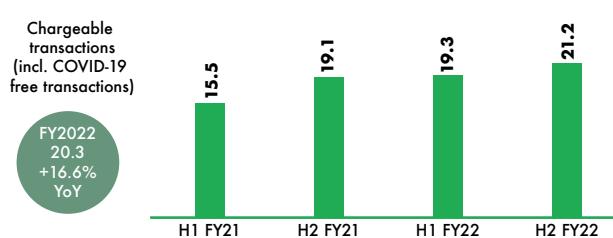
Turbocharging a powerful platform

Our strategy during the year under review has been to turbocharge M-PESA's already impressive achievements by focusing on new products and services that include savings, wealth management and insurance. There is even, on the one hand, a product for children that enables parental control for children aged between 10 and 18 years, and on the other, travel, entertainment and other lifestyle choices, all featured under the banner of financial health – a major step upward from simple financial inclusion.

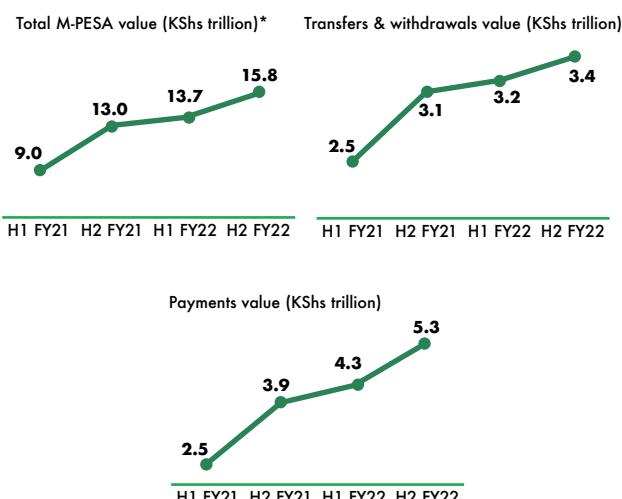
To this end we have been exploring new ways of providing these kinds of services, and examining the requisite partnerships while duly examining the regulatory and technical requirements that will enable the platform's growth into a true lifestyle and financial health tool.

Part of this is maximising both M-PESA's payments and credit facets, so that any desired product sold by Safaricom, once selected by customers, can be made available to them through the extension of credit and or insurance.

Opportunity to grow usage remains



Value of M-PESA transactions in FY2022
+34.0% YoY
KShs 29.5 trillion



* M-PESA Wallet-to-Bank and Bank-to-M-PESA wallet transactions remain free. These account for 18.9% of total M-PESA value and 3.2% of total M-PESA volume of transactions

Our mini app programmes

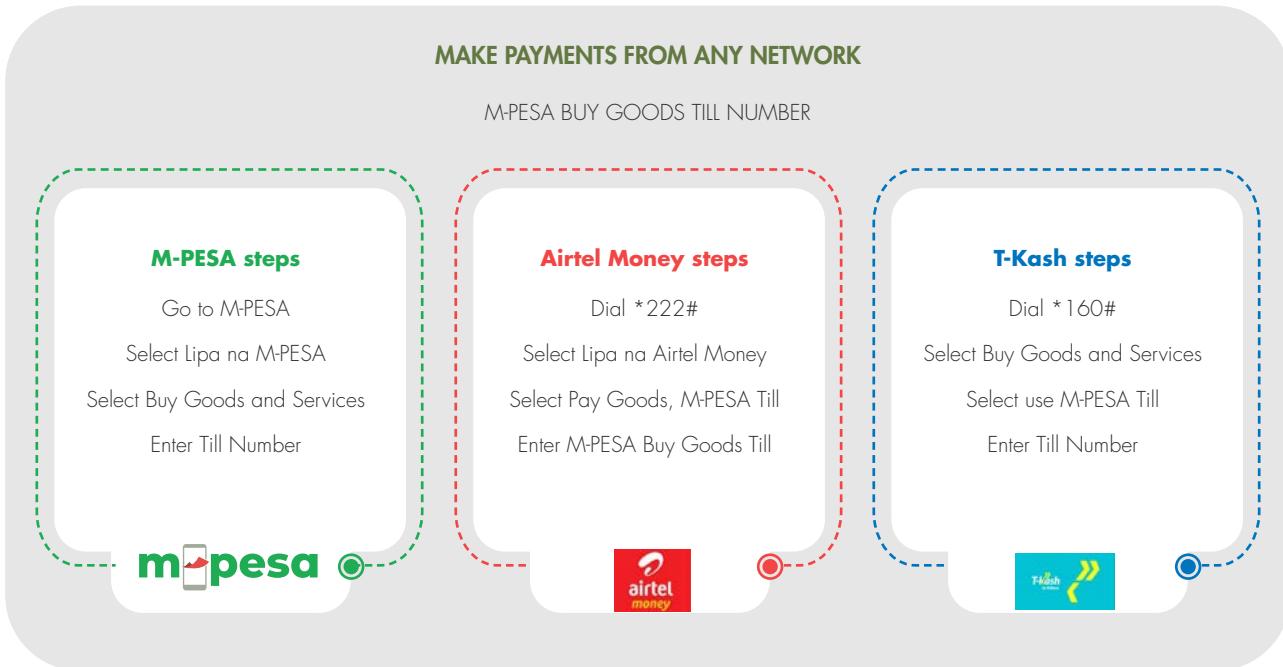
The mini app programme is a key component of our ecosystem, as it effectively enables us to function as a playstore. All major marketplace suppliers and producers have a presence on it, representing a diverse cross-section of every segment in the economy. We are then able to offer marketing of their output to our vast customer base, while relieving businesses of any concern about their own enterprise apps, which we can publish on ours – a mutually beneficial arrangement. We have 22 mini apps fully integrated on the M-PESA App and 87 under development. The mini apps available via the M-PESA App cover various services including insurance, wealth management and savings, entertainment, e-commerce, health, travel and ticketing services and gifting.

Moreover, we can extend the potential to include bespoke service solutions in both private and governmental sectors. This ability to move upstream with regard to businesses, while still offering the options of a payment channel, constitutes an inbuilt protection against competition.

In addition, we have opened up the area of interoperability, allowing Kenyans to make mobile money payments through Lipa na M-PESA to an M-PESA Buy Goods Till from any network. This proposition is in line with the principles of the National Payments Strategy, 2022–2025, launched by the CBK in February 2022, and which stipulate:

- Trust
- Security
- Usefulness
- Choice
- Innovation

The network-agnostic customer journey



Looking ahead

In the short- to medium-term, we will continue to improve our tech stack, accelerating our new growth areas underpinned by the concept of financial health. As part of this, we will be looking to expanding strategic partnerships, while at the same time ensuring that our Agile operating model is properly entrenched.

We anticipate that new modalities such as blockchain and software as a service (SaaS) will become more prevalent in our thinking and innovation, as we maximise our presence in Africa through the exploration of data and AI as enablers.



DigiFarm



DigiFarm is an integrated mobile platform that offers farmers convenient, one-stop access to a suite of information and financial services. Our purpose is to leverage technology and partnerships to resolve key challenges in order to make smallholder farmers wealthier in a commercially sustainable way.

Overview

Kenya's smallholder farmers need to operate in a business environment comprising three distinct areas in which they face key issues. Our goal is to enable them to maximise their potential.

Area	Issue faced	DigiFarm goal
Production	<ul style="list-style-type: none"> Production at 30% of potential 	Increase productivity
Post-harvest management	<ul style="list-style-type: none"> 30%-40% postharvest loss 	Reduce post-harvest loss
Access to market	<ul style="list-style-type: none"> Lack of markets Inability to obtain fair market price 	Guaranteed access to market and fair prices

Defining our mission

In defining our mission, we have tested various solutions and execution models to address the key challenges that farmers face. Significant impact has thus been created for engaged farmers.

Farmer reach	Impact created	Challenges
Engaged farmers 160,000 Largely attributed by access to quality input and access to market	Growth in farmer yield 15% Driven mainly by quality input and advisory services	Limited data to develop predictable credit score for farmers – Leading to high NPL
Access to credit and insurance 62,000 Ability buy input they could not afford before	Access to market 100% Driven by Contract Buyers in DigiFarm platform and spot payment	Infrastructure constraints – aggregation, quality management and logistics
Access to market 22,000 Value of transactions 410 million	Price value 10%-50% Driven by direct engagement with farmers and improved quality	End-to-end play at a go and high-touch farmer engagement model – Challenging to scale sustainability
Mechanisation services 400 Acceptability remains low due to land size, alternative options and costs	Reduction in cost production 6% Driven mainly by lower cost of input and mechanisation	Speed of execution and opportunity for more partnership
	Post-harvest losses 8% Driven mainly by ready market and improved quality	

Our operating model

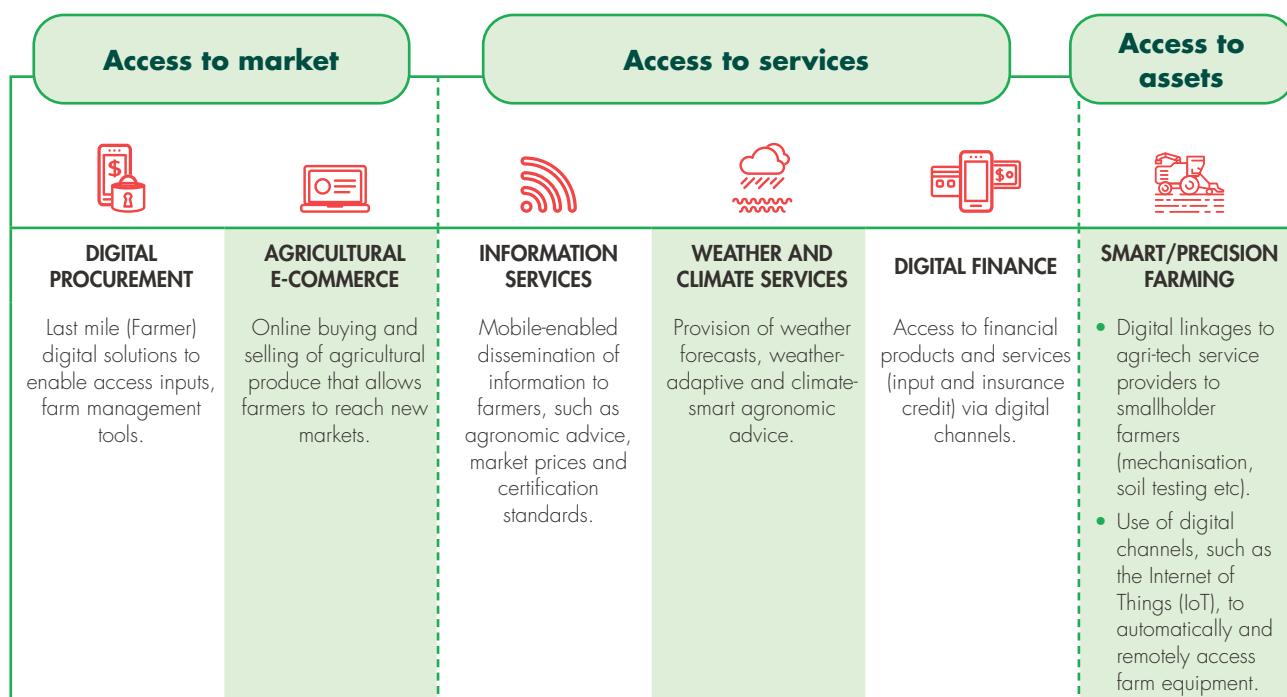
Since 2020, our model has evolved from an end-to-end credit model, to an input model with high investment on inputs and less offering on credit and post-harvest management.

 2 ZERO HUNGER	 3 GOOD HEALTH AND WELL-BEING	 1 NO POVERTY	 8 DECENT WORK AND ECONOMIC GROWTH	 10 REDUCED INEQUALITIES	 5 GENDER EQUALITY	 17 PARTNERSHIPS FOR THE GOALS
<p>An average 20% increase in yield in DigiFarm Value Chains</p> <p>"DigiFarm gets us fine quality, best seeds, and has helped me increase my yield"</p> <p>KILONZO FARMER 26 MAKUENI</p>	<p>An average 20% increase in farmgate prices.</p> <p>"It (DigiFarm) has helped since I have a market for my produce, I am assured of money for school fees."</p> <p>JOHN FARMER 42 MIGORI</p>	<p>An average 10% increase in credit offering uptake</p> <p>"I have used DigiFarm for 3 years, and they provide us with inputs on loan which eliminates the need for having money up front"</p> <p>BEATRICE FARMER 26 MAKUENI</p>	<p>36% female smallholder farmers registered on Digifarm</p> <p>"My husband is happy that there is additional income. I am now able to buy clothes and food, before, I had to ask my husband for money"</p> <p>JANET FARMER 40 BOMET</p>	<p>A trusted digital platform to deliver a sustainable AgriTech ecosystem by 2022</p> <p>"Having studied the area and DigiFarm operation, we see that you are the solution to the problems that these farmers face."</p> <p>JOHN GATHIKA UON Project</p>		

Our strategic focus

Our focus is now on acquiring farmers through our view of production as a service, while developing their capability for end-to-end post-harvest loss management and access to market.

Underlying this focus is our new mission – to accelerate active farmer acquisitions in order to scale new business opportunities. Our methodology is to empower and enable farmers to move from disadvantageous financial and operating conditions, to more flexible, relevant and means of making their businesses streamlined, productive and profitable.



DigiFarm continued

Our key market-model risks

Inherent in our market model are a number of risks which require diligent monitoring, and continual tracking. These include:

- Climate Change resilience – Developing and increasing access to technological and financial innovations to increase small holder farmer resilience to climate change and pandemics.
- Lack of smallholder farmer credit scoring mechanisms – Lack of farmer data to develop predictable agriculture score card leading to low penetration of credit.
- Poor infrastructure to support village-based farm produce aggregation and logistics to market – Support needed for post harvest management training and equipment. Heave capital outlay to develop aggregation and logistics mode.
- Low and improper consumption of input, lack of product-specific knowledge transfer from manufacturers to downstream farmers.

Looking ahead

Our objective in the short- to medium-term is to scale production and infrastructure development in order to offer end-to-end (E2E) farmer engagement. This will be expressed by our ability to deliver the E2E experience in all three stages of agricultural activity, from production, through post-harvest management, to access to market.

To this end we will scale production, advance partnerships and develop infrastructure. This will involve:

Scaling production

- Farmer acquisition and engagement to above 3.5 million in five years
- The commercialisation of remote private extension service providers to drive sustainability
- Precision agriculture capabilities with the leveraging of emerging technologies

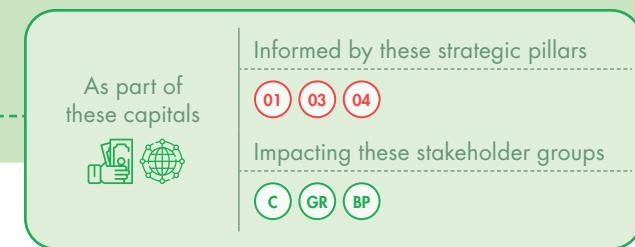
Developing partnerships

Platform play to orchestrate service provision by diverse multiple players, including:

- Financial institutions
- Development partners
- Post-harvest and aggregation service providers
- Localised logistics service providers



Our network and infrastructure



Our network infrastructure, data centres, distribution infrastructure and software applications are an important part of our financial, manufactured and intellectual capitals, and a source of competitive differentiation. Our investment in these aspects of our business is fully aligned with our purpose of transforming lives. It enables us to democratise data through devices, network coverage and use cases, making information freely available for anyone to use intelligently and responsibly.

Overview

Despite the high level of mobile telephone penetration in Kenya, a large section of the population, unable to afford 3G and 4G devices, still relies on 2G feature phones. Nevertheless, with our strategic drive to become a purpose-led technology company, and our commitment to digital transformation, we continue to progress our investment in infrastructure that ultimately will benefit and empower not only our customers, while at the same time delivering value for our shareholders.

Our 4G network covers 97% of the Kenyan population, while our 3G and the 2G network covers 98% and 98%, respectively. During the year under review, we continued to accelerate 4G coverage, upgrading 1,100 sites to 4G, increasing coverage to an additional 97% of the population.

In addition, as we drive digitisation for our customers, we have to date laid 10,880km of fibre and connected more than 193,059 homes and 18,886 enterprise customers.

Quantifying our investment

During the year, we continued to invest in our network and systems, with our capital additions for the year standing at KShs 49.78 billion. Enhancement of our network in support of traffic growth, coverage and experience, remains an important part of our purpose-led strategy, with investment in our capacity aimed at meeting the evolving needs of our digital consumers.

Looking ahead

It is anticipated that the majority of Kenya's mobile connections will be on 5G by 2029 and our network masts are prepared for this growth. In the short term, we plan to expand the number of 5G sites to more than 200 locations across nine towns over the next year.

Nevertheless, in the medium-term, we still recognise a significant opportunity to increase penetration of 4G devices before scaling to 5G rollout.



Expanding our footprint into Ethiopia



In 2021 the Global Partnership consortium for Ethiopia, led by Safaricom, was awarded a licence by Ethiopia's Ministry of Finance and the Ethiopian Communications Authority (ECA) to establish a new telecoms network and to operate in that country.

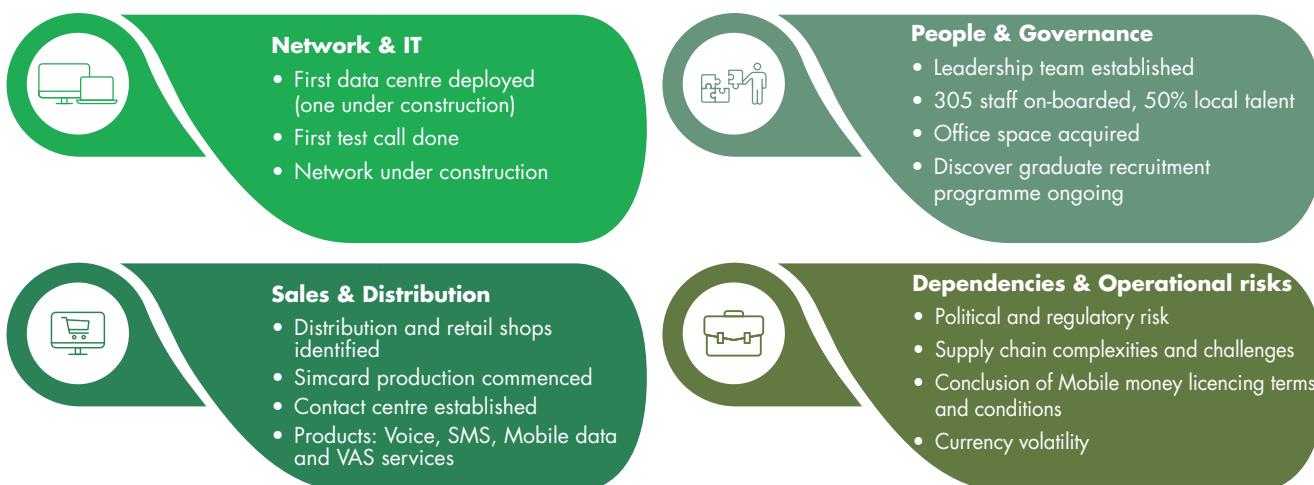
Ethiopia is Africa's oldest country, home to over 112 million people – a nation rich in history, and with an average 7% GDP growth over the last seven years. It has immense potential in telecommunications and mobile financial services.

This environment provides an exceptional opportunity for us to assist in its transformation journey, as we work to change the digital lives of our customers there. The economic and social impact which we will be helping to bring about through our high-quality network and mobile services through faster internet, high-speed fibre connectivity and game-changing mobile money services, will be driven by our purpose of transforming lives. Our goal is to provide Ethiopians with endless opportunities, as we bring our expertise, experience and technology to the country.

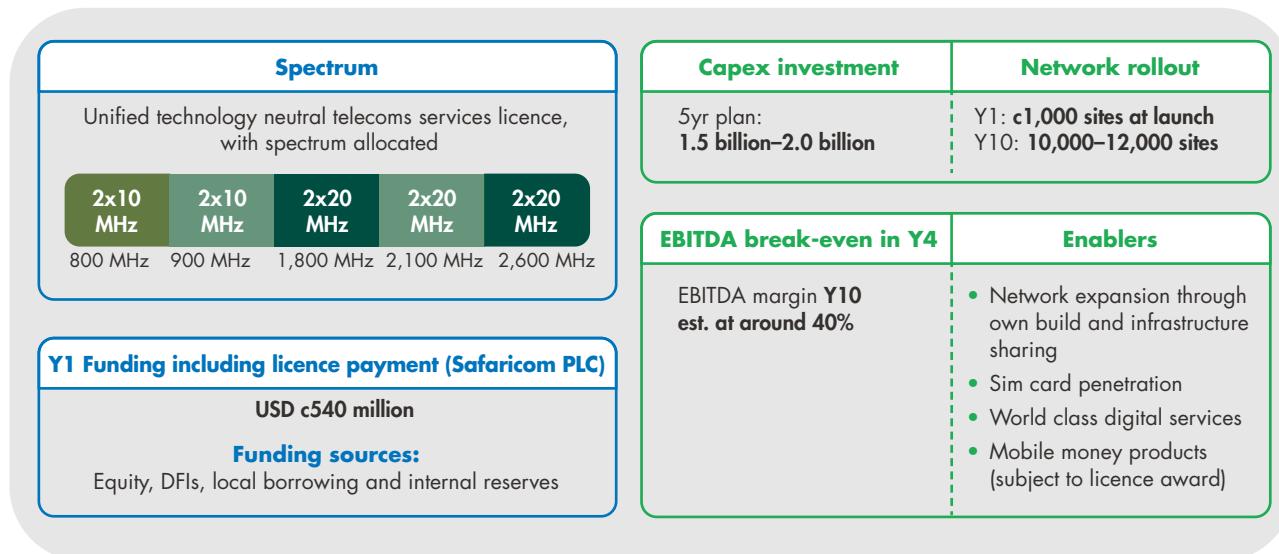
Since the award of the licence, we have been building a top-quality mobile network that will enable Ethiopians to access a world-class array of digital services. We are now ready to launch our network, underpinned by the same vision, mission and purpose of transforming lives as in Kenya.

Our Ethiopia investment remains a key focus area for the business. Cognisant of the size of the technological and financial investment required, we are committed to building a high-quality mobile network in Ethiopia and providing its citizens in their regions access to better connectivity.

A snapshot of our launch readiness



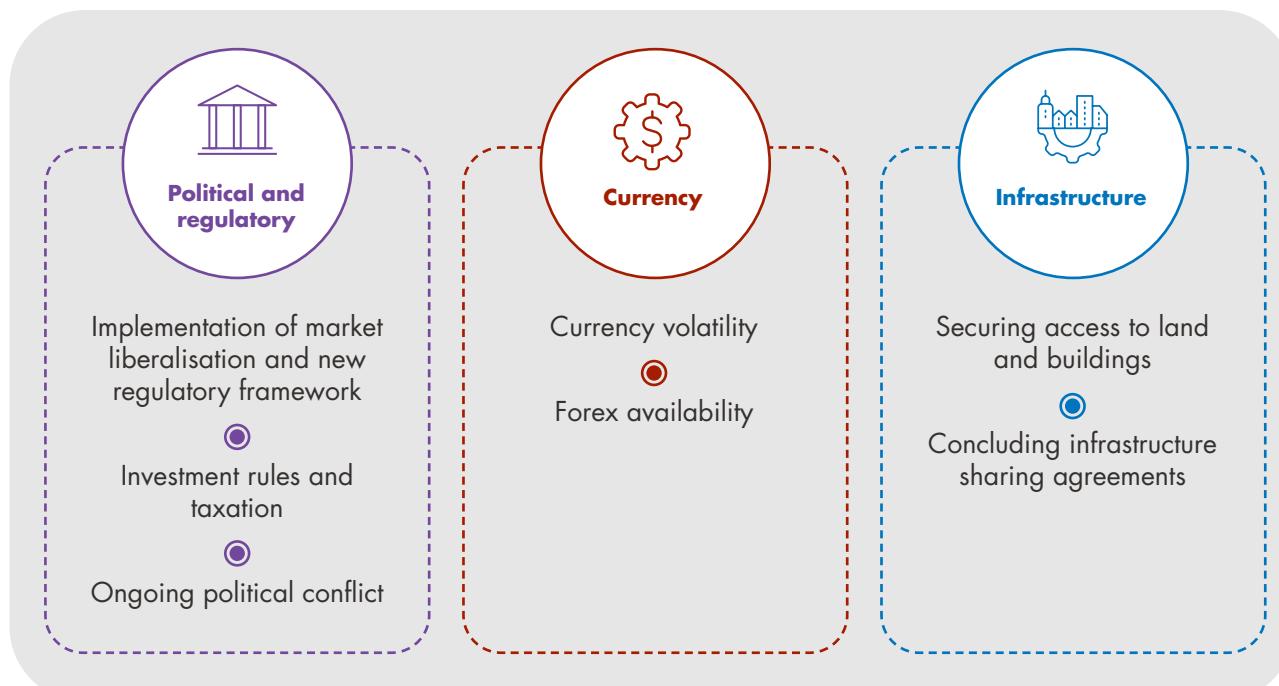
Our financial ambitions in Ethiopia



Investment risk

While the Ethiopian licence represents a significant opportunity for the Group to transcend national boundaries, we recognise that there are risks associated with our investment which require identification and mitigation. These risks fall in to three categories:

- Political and regulatory
- Currency
- Infrastructure





Expanding our footprint into Ethiopia continued

Our expectation, based on feedback from the Government of Ethiopia, and with our break-even target set at year 4, is that forex availability will have been resolved by then, long before we will need to repatriate any dividends from the business.

After diligent consideration, the consortium has determined that the identified risks are commensurate with the scale of the opportunity.

Our shareholding and company structure in Ethiopia

We have partnered with Vodacom Group, Sumitomo and CDC to invest in Ethiopia. Safaricom PLC and Vodacom Group, through the Vodafamily Ethiopia Holding Company Limited (a private limited company incorporated under the laws of England and Wales), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V., a private limited company incorporated in the Netherlands, as the Ethiopia investment vehicle.

With the USD 850 million licence fee having been paid to the Government of Ethiopia, the respective shareholding is as follows:

- Vodafamily Ethiopia Holding: 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%)
- Sumitomo Corporation 27.2%
- CDC Group PLC 10.9%

In addition, a transaction fee of USD 4 million was paid to the International Finance corporation (IFC). The total cost was distributed in a manner proportionate to each consortium partner's shareholding in GPE.

GPE thereafter incorporated a wholly-owned subsidiary in Ethiopia – Safaricom Telecommunication Ethiopia PLC (STE). The certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopian regulations.

The indirect shareholding of Safaricom PLC in STE is 55.71%. STE's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

Infrastructure in Ethiopia

After a period of negotiations and with support of ECA, we are making progress in terms of establishing a mutually beneficial partnership with Ethio Telecom on the key terms for interconnection, transmission capacity and tower sharing.

On 13 April 2022, at a meeting convened by the ECA, we reached agreement in principle with Ethio Telecom on the key terms. We are now working together with Ethio Telecom on the finalisation of these important agreements and the implementation required for our commercial launch.

As envisaged in the bid process, further negotiations are ongoing in order to conclude these agreements so as to allow us to launch a high-quality network that benefits Ethiopians.

Looking ahead

We are encouraged by the positive outlook to the security and political situation in Ethiopia with the international community hailing the government's efforts to foster peace. The security situation is gradually improving in Ethiopia and economic activities are back to normal in most states.

While the country has been subject to some unforeseen and unprecedented circumstances since the award of the licence to the Safaricom-led consortium, we are nonetheless working to fulfil our commitment to provide world-class services to Ethiopians in 2023 and to build the long-term foundations for our contribution to Ethiopia's digital transformation and inclusion objectives.

The launch of our network in Ethiopia represents an opportunity in which our geographical expansion will contribute meaningfully to our vision, mission and purpose, as well as our capacity for growth, and ability to continue creating and delivering value for all our stakeholders in the short-, medium- and long-term.

Expanding our footprint into Ethiopia continued

The opportunities represented by our launch in Ethiopia



Ethiopia is an attractive market

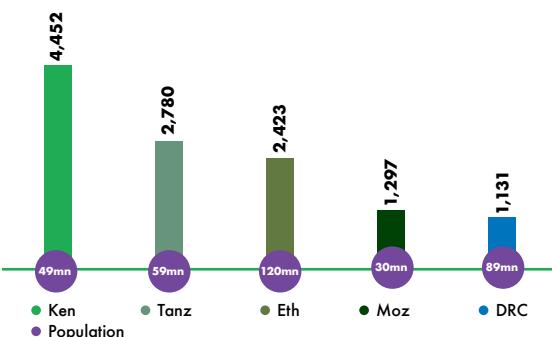
- Government's clear intention to open up the economy
- A huge population (median age of 17 years), growing GDP per capita (average at 7% over the last 7 years)
- Opportunity to drive digital transformation in Ethiopia
- A high growth opportunity, low penetration of services (telecoms at 43% and mobile financial services at <2%)



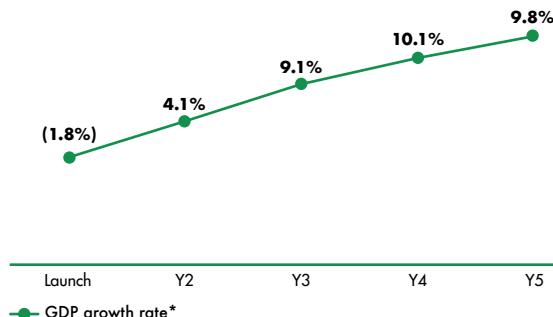
Opportunities for Safaricom

- Telecommunications Services
- Digital Services
- Mobile Financial Services (subject to licence award)

GDP per capita, PPP (USD)/population 2020*



GDP Growth rate projections (%)



* Source: World Bank. GDP per Capita, Purchasing Power Parity (PPP) is expressed in current international dollars



Corporate affairs



Corporate affairs forms an important part of our intellectual and social and relationship capitals. The function helps shape public opinion and policy, manage key stakeholders, counsel the business on law and compliance, and lead it in doing good in our communities, thereby growing and defending our reputation.

In fulfilling this role during the year under review, we proactively guided the Group's legal, regulatory, public policy and public relations agenda in order to strategically establish a customer-obsessed, digital-first organisation delivering double-digit growth.

What we did

During the year under review, we were engaged in promoting, elucidating and propagating the Group's activities and achievements in FY2022. These included our mission (see page 71), the Spirit of Safaricom (see page 62), DigiFarm (see page 87), education, wealth creation and health (see pages 131, 83 and 70), technology (see page 76), financial inclusion (see page 83), M-PESA's 15 years of achievements and milestones (see page 84), the Ethiopian launch (see page 91), and Safaricom's awards and accolades (see page 70).

Continued management of COVID-19 conditions

During the year under review, we continued to invest in various purpose-led products, services and initiatives to support Kenyans and our stakeholders as we recover from the impacts of the pandemic.

This investment includes our commitment to fast and reliable internet, doubling the 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. In addition, we increased the M-PESA wallet capacity to KShs 300,000 daily and a maximum of KShs 150,000 daily on the M-PESA transaction limit to support SMEs. For more on M-PESA, see page 83.

Corporate communications

Through change communications, storytelling and media, employer branding and internal communications, brand positioning, and reputation and crisis management, we have been able to grow and manage Safaricom's reputation. This contributed towards our aim of positively influencing the legal, regulatory and public policy agenda by the end of FY2022 as we pave the way to become a purpose-led Technology Company by 2025.

We provided support for the business as it made great strides in establishing a customer-obsessed, digital-first organisation delivering double-digit growth by the end of FY2022, as part of the Group's strategic focus for FY2023. We have now embarked on our strategic focus for FY2023, which is focused on accelerating new growth areas delivering superior customer experience in order to be a purpose-led technology company by 2025. For more on strategy, see page 49.

Feedback from stakeholders

Some of the key messages we heard from stakeholders during the year under review included queries concerning:

- Heightened regulatory scrutiny.
- More consumer awareness, with a broader focus on the consumer and deepening of consumer's awareness of their rights, with an emphasis on value for money.
- Broader focus on data governance, specifically on the implementation of the data protection and privacy framework, including the desire for more action from the newly appointed Data Commissioner who would like to see such initiatives as the launching of a portal initiating complaints. For more on stakeholders, see page 56.



Material areas of focus for investors

During the year investors voiced their interest in a number of aspects of the business.

Area of focus Our response

Strategy updates:

Initiatives are focused on:

Strengthening the core

- Defending Voice through CVM initiatives
- Democratising data through driving affordable 4G devices
- Expanding our enterprise portfolio focused on IoT solutions mainly through partnerships with industry leads
- Creating FinTech solutions to empower SMEs/MSMEs which account for 70% of businesses in Kenya
- Rolling out commercial operations in Ethiopia

For more on digital channels, infrastructure and Ethiopia, see pages 80, 90 and 91 respectively.

To be a financial services provider

Now pivoting from financial inclusion to financial health.

- M-PESA began as a product to create customer network stickiness moved to enhance financial inclusion, stands now at 85%, #3 in Africa. We continue to enhance financial inclusion as we explore the next phases of growth, with a focus on making M-PESA a lifestyle platform. To achieve this transformation, our aim is to roll out products that promote:
 - > A savings culture
 - > Provide working capital to consumers and businesses
 - > Increase access to insurance and wealth creation subject to regulatory approvals

For more on M-PESA, see page 83.

Accelerating new growth areas

This strategic pillar was renamed from “Win in Digital Ecosystems” to “Accelerate new growth areas” in FY2022 to expand the scope of the ecosystems and verticals on which we are focused to drive growth and to future-proof the business. It nonetheless remained an area of interest for stakeholders. Our aim in this regard was to:

- Drive growth and digitisation in the Agricultural, Health and Education sectors, through:
 - > *In Agriculture:* DigiFarm is a key platform making significant contribution to growing farmer’s wealth by offering smallholder farmers convenience, one-stop access to quality farm inputs at discounted prices, input loans, content on best farming practices as well as access to markets for their produce.
 - > *In Health:* We continue to explore partnerships to create shared value and drive access to quality healthcare and insurance which is underpenetrated with only around 3% of the population having access.
 - > *In Education:* In the wake of the pandemic, we are exploring initiatives to drive access to education content through online platforms. A key addition here is our Shupavu291 platform which is used by learners for content.

For more on DigiFarm and sustainability, see pages 87 and 126 respectively.

Achieve cost leadership

As we transform into a technology company, we are revisiting our processes and operating models through our Agile transformation by pursuing:

- Operational efficiencies and cost savings from smart procurement and cost optimisation
- These savings will fuel growth into new areas

For more on technology, see page 76.

Regional expansion

Ethiopia investment remains our key focus area, with the following elements outlined:

- We received the licence award on 24 May 2021 and the licence required launch of operations within nine months of the award date, with launch planned within 2022
- Significant investment will be required to deploy a world-class network
- Outstanding forex issues need to be resolved
- Detailed international shareholding details described
- Business case rigorously stress-tested
- A combination of own-built towers and active tower sharing with Ethiotel on their existing infrastructure is planned
- M-PESA to play a significant role in the acceleration of products and services rollout across our footprint

For more on Ethiopia, see page 91.

Corporate affairs continued

Area of focus Our response

Financial services – M-PESA Super App and M-PESA Business App

Since inception, the intent of M-PESA was to drive financial inclusion to a large unbanked population, with the following aspects, insights and actions:

- A continually evolving service that is a key contributor to enhancing universal payments platforms
- This informed our decision to form M-PESA Africa which consolidates our resources and roadmaps, so that all M-PESA markets will have access to a wide variety of products, a more digital platform, and the level of market support in Kenya closing the gap
- Cash remains central to payments in the region, hence the need to evolve the M-PESA business model to reduce over-reliance on P2P
- Consequent lowering of our P2P transaction charges by up to 45% for transactions up to KShs 7,500
- Recent launch of M-PESA Super App to enhance financial services products and offerings in credit, savings, wealth management and insurance sectors
- 5.34 million downloads to date, with:
 - > 1.0 million active customers on Super App
 - > 100,000 businesses active on the M-PESA for Business App
- Transition from USSD eased by enhancing customer experience and offering superior features
- 22 mini apps developed to ensure optimum experience for both customers and partners, with ongoing partner collaboration on 87 additional mini apps

For more on M-PESA, see page 83.

Regulatory risk

Mobile termination rates (MTRs) and fixed termination rates (FTRs), lowered by over 87% by the CA in 2021, with effective drop in price from KShs 0.99 to KShs 0.12, resulting in:

- New rates to take effect on 1 January 2022
- An official appeal by Safaricom launched at the Communications and Multimedia Appeals Tribunal, outlining concern over due process involving, among others:
 - > Network cost study
 - > Glide path – timeline for progressive reduction
 - > Lack of adequate public consultation, as required by the Constitution
 - > The injunction against implementation in place, with submissions made as we await determination/judgment.
- Subscriber registration unchanged since 2015, with CA undertaking a regulations review, with proposed:
 - > Biometric registration
 - > Accommodation of various documents not currently listed
- Central Bank of Kenya (CBK) National Payment Systems (NPS) Strategy 2022–2025, which:
 - > Builds on the foundation already in place
 - > Includes full-scale interoperability; fostering customer-centric innovation; and supporting the emergence of a 24-hour economy
 - > Emphasis on cashless transactions
 - > The strategic goal of lowering prices and tariffs of some payment services
 - > Ensures that digitalisation benefits translate to affordable, transparent, and customer-centric payment services
 - > Interventions seeking to bridge the gap to universal financial inclusion, with the current rate standing at 83%

For more on compliance and governance, see page 136.

Corporate affairs continued

Reciprocal intra-Group communication

The Group has the following channels in place to ensure that attitudes and views within the organisation are properly heard:

- A moment with Peter (CEO)
- SEMA survey
- Bonga na CEO
- Departmental/Divisional townhalls and check-ins

Conversely, we ensure that messages from management are fully understood by all staff through:

- Regular, clear and consistent communications to inform and provide regular updates
- Tools that support effective communications
- Shaping communications so that they are conversationally-driven
- Inspiring employees to become brand advocates
- Regular surveys from staff, ensuring that actions are taken and then communicated once closed
- Constant amplification and publicising of various initiatives, benefits and staff welfare

Looking ahead

In the short-term, we anticipate that the following factors will be of importance in influencing the Group's interests:

- Commercial launch in Ethiopia
- Merchant Interoperability discussions
- Organisationally embedding the Spirit of Safaricom and Agile
- A changing competitive environment
- Increased scrutiny by various regulators on Group activities
- The increasing desire among more people to see the Group doing good in the community, and being seen to do good through our products and services
- Consumers growing cynical about Group activities
- Future technologies, including IoT and blockchain technologies
- The impact of the upcoming General Elections, with polling scheduled for August 2022

In the medium-term, in order for change to be aligned with future growth we will need to:

- Transition successfully into Agile ways of working
- Focus on digital transformation and automation
- Roll out the next phase of our strategy





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THE COMMERCIAL VALUE WE DELIVER

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Our financial capital

Our financial capital includes shareholders' equity, debt and reinvested capital, is a critical input in executing business strategy, and the activities we engage in to generate, access and deploy other forms of capital.

During the year under review, our objectives in managing capital continued to be to safeguard our ability remain a going concern, in order to deliver value for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Our financial capital was enhanced as we delivered a solid financial performance, with service revenue (SR) increasing by 12.3%, supported by M-PESA (+30.3%), Mobile Data (+8.1%) and fixed data growth (+18.3%).

We celebrated 15 years of M-PESA services, crossing the 30 million active customer mark, and growing 7.8% YoY to 30.53 million. With M-PESA revenue growing 30.3% YoY to KShs 107.69 billion, it overtook voice to become the largest contributor of revenue, accounting for 38.3% of service revenue while voice contributed 29.6%. Another significant sign of M-PESA's progress was the 63.4% increase in Lipa na M-PESA merchants to reach just below 500,000.

Mobile data revenue recovered strongly in the second half of the year (H2), growing 10.0% YoY to 24.81 billion, having risen by 6.3% in H1 to KShs 23.63 billion, to deliver 8.1% YoY growth to KShs 48.44 billion. This was supported by our Customer Value Management (CVM) initiatives driving personalised offers to our customers.

Fixed revenue grew by 18.3% YoY, driven by increased activity in the penetration of FTTH and growth in enterprise fixed-data revenue. The growth was supported by a 16.9% increase in enterprise revenue to KShs 7.05 billion, as well as a 20.6% growth in consumer revenue to KShs 4.19 billion.



Having been granted the telecommunications licence by the ECA in July 2021, preparations are underway for the commercial launch of the network in 2022. The subsidiary was established within the current financial reporting period and has been fully consolidated in the Group's financial statements for the year ended 31 March 2022. As a result, it being the first year of establishing the Ethiopia Opco before the launch, Safaricom Ethiopia incurred operating costs of KShs 5.11 billion. These costs for the most part covered staff-related expenses, consultancy costs in establishing the operating company and publicity. At Group level, adjusting for minority interest, this resulted in a net loss after tax of KShs 2.71 billion for our Ethiopia operations attributed to Safaricom PLC, and a KShs 2.15 billion loss attributed to non-controlling interest.

In the year under review, we continued to require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes our financial and natural capitals, the impact of which is lowered through energy-efficiency initiatives and site sharing.

The evolution of our business model

As we continue with our journey to be a purpose-led technology company by 2025, we fully transitioned as an organisation to the Agile way of working in FY2022, firmly establishing a customer-obsessed, technology-driven culture.

Other key aspects of our inputs that changed during the year include evolving M-PESA into a two-sided digital platform serving both businesses and consumers and investing in the use of big data and analytics.

In building a tech organisation for the future, in our quest for the requisite talent, we onboarded 511 technology people, and launched Pochi la Biashara for MSMEs as well as the M-PESA Super Apps with Mini-App functionalities to power digital consumer lifestyles and empower businesses.

In delivering our strategy during the year, we focused on the four key pillars of our strategic focus for FY2022 to deepen customer engagement and experience:

- Strengthening the core
- To be a financial services provider
- Accelerate new growth areas
- Achieve cost leadership

In FY2023 we will focus on accelerating new growth areas.. To this end we will be exploring and maximising the potential of IoT, ICT, DigiFarm and M-PESA, with an emphasis in the latter on insurance and wealth management. For more on strategy and our business model, see page 49 and 53 respectively.



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Chief Finance Officer's review



We recorded strong performance in FY2022 with significant commercial momentum recovery despite the extraordinary circumstances occasioned by the COVID-19 pandemic. This delivery was supported by prudent financial management, strong strategy execution, recovery of business activity in the economy and placing our customers at the heart of our business priorities through our customer-obsession programme.

Dilip Pal, Chief Finance Officer



Chief Finance Officer's review

This is also the year in which we were awarded the telecommunications licence in Ethiopia and consolidated the subsidiary fully into the Group's performance in FY2022. While there were no revenues arising from Ethiopia in the year, we nevertheless spent KShs 10.4 billion in Capex and incurred KShs 5.1 billion in operating costs for the Ethiopian operating company.

Background

Inflationary pressures remained elevated at 7.9% as at June 2022, up from 7.1% in May 2022, heading above the CBK upper limit of 7.5%. Concerns about rising food and fuel prices remain high, as these commodities, major contributors to the inflation basket, are expected to put more pressure on the consumer wallet. Geopolitical conflict, especially with regard to the Russia-Ukraine war, has disrupted supply chains and capital flows, and has been driving up prices of commodities, constraining consumer spending/wallet and reducing purchasing power.

The Kenyan Shilling saw a depreciation trend during 2020 and 2021 and this continued into 2022, with the currency depreciating by 4.3% against the US Dollar as at 7 July 2022. The poor performance of the Shilling is mainly attributable to increased Dollar demand by energy and general importers, with Kenya largely being a net importer.

In addition, global oil prices rose during the year under review, attributable to persisting supply-chain constraints and following global geopolitical tensions. This, coupled with the opening of economies globally, resulting in demand outpacing fuel supply, further inflated the country's import bill and consequently weakened the Shilling. For more on our operating environment, see page 20.



Key highlights Strong Group performance in FY2022

Service revenue

Grew 12.3% YoY to KShs 281,107.3 million

Mobile data revenue

Grew 8.1% YoY to KShs 48,441.0 million

Fixed line and wholesale revenue

Grew 18.3% YoY to KShs 11,242.5 million

One-month active M-PESA customers

Increased 7.8% YoY to 30.53 million

Voice revenue

Grew 0.8% YoY to KShs 83,211.8 million

M-PESA revenue

Grew 30.3% YoY to KShs 107,691.8 million

Total customers

Grew 6.4% YoY to 42.44 million

Distinct bundle users

Grew 5.3% YoY to 17.60 million

Messaging revenue

Declined 20.0% YoY to KShs 10,876.7 million

Other mobile service revenue

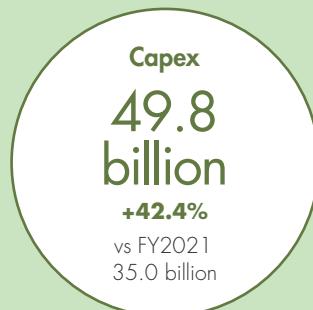
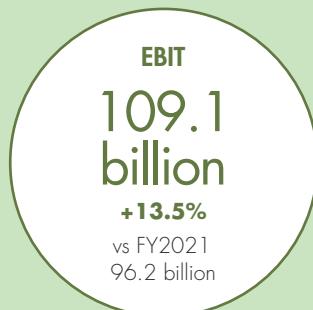
Grew 25.9% YoY to KShs 9,795.3 million

One-month active customers

Increased 4.3% YoY to 32.81 million

FTTH customers

Grew 20.8% to 166,000
Activity rate (Active Customers/Homes Connected) stood at 86.0%





Chief Finance Officer's review continued

Regulatory impact

There a number of regulatory changes that occurred during the year under review, impacting on our ability to deliver value. These changes included the following:

- New directives issued by the regulator in revising Mobile Termination Rates (MTR), presenting a challenge to our voice business in the future. If this review is implemented there would be both a direct and indirect impact on our revenues.

Safaricom therefore launched an official appeal at the Communications and Multimedia Appeals Tribunal due to concerns about the procedure undertaken by the regulator to adopt the new rates.

This matter is still with the tribunal as at the time of publishing this report.

- Excise duty adjustments on telco products and services, which resulted in increment from 15% to 20% from 1 July 2021, weighed down mobile data performance in H1 FY2022 with growth slowing down to 6.3% YoY but recovery was seen in the second half. These adjustments also slowed down industry momentum.
- Ongoing implementation of changes in the subscriber registration process caused customer growth to slow down.
- Reinstatement on corporate tax to 30%- In FY2020, the government lowered the tax rate to 25% to support businesses during a demanding period owing to the COVID-19 pandemic. However, this was revised back to 30% in 2021, with the effective tax rate in 2021 thus reverting to pre-Covid-19 levels. We saw the impact of this on our bottom line where our tax expense grew by 39.1% to KShs 34.7 billion.

Financial performance in year under review

We are pleased with the strong set of results delivered in the year attributed to strong execution of our five-year strategy despite the challenging operating environment, characterised by the global COVID-19 pandemic and heightened regulatory risk for our industry. Service revenue grew 12.3% YoY to KShs 281.1 billion in FY2022, supported by M-PESA, Mobile Data recovery and Fixed Data growth. Customer growth slowed down in the period due to the ongoing implementation of changes in subscriber registration acquisition channels in the year. Despite this, overall customers grew 6.4% YoY to 42.44 million while one-month active customers grew 4.3% YoY to 32.81 million.

We continue to leverage on our purpose-driven business model and products that combines the power of mobile technology and innovation, to Transform Lives. Thanks to our customer offerings, our mobile subscriptions stood at 42 million as at 31 March 2022 while our Voice traffic share stood at 67.8% as per the March 2022 Communications Authority Industry Statistics quarterly report.

Voice, messaging and mobile data

Voice revenue rose marginally by 0.8% YoY to KShs 83.21 billion attributed to increased Customer Value Management (CVM) initiatives enabling us to offer differentiated value propositions and personalised offers to our customers. Messaging revenue declined 20.0% to KShs 10.88 billion in the year in line with global industry trends as customers migrate to newer technologies. Voice and messaging revenue now account for 33.5% of Service Revenue.

Mobile data revenue recovered strongly in H2 FY2022 growing 10.0% YoY to 24.81 billion, 6.3% in H1 FY2022 to KShs 23.63 billion and 8.1% YoY in FY2022 to KShs 48.44 billion, supported by our CVM initiatives driving personalised offers to our customers. Data performance in H1 FY2022 was weighed down by absorbed excise duty adjustments from August 2021 which slowed down industry momentum and price rationalisation efforts.

Average rate per MB declined further by 31.2% YoY to KShs 8.88 cents while usage per chargeable data subscriber grew 60.5% YoY to 2.3GB. Mobile Data ARPU increased 10.4% to KShs 205.73. The launch of "Mwelekeo Ni Internet" campaign launched in November 2021 introduced affordable data offers and new use cases effectively driving affordability and usage.

Active 4G devices on our network rose 29.3% YoY to 10.95 million of which 51.3% are 4G handsets using more than 1GB. Data customers using more than 1GB in our network grew 26.5% YoY to 7.7 million. Mobile data now accounts for 17.2% of Service Revenue. 4G population coverage now stands at 97% and smartphones on our network grew 10.2% to 18.5 million.

We remain committed to investing in a superior network quality for our customers and deepening mobile internet penetration through enhancing network coverage, increasing 4G handset penetration and driving affordability of data. CVM initiatives have continued to unlock latent potential in usage and growth as well as drive smartphone penetration through our device financing programme.

M-PESA

M-PESA revenue rebounded strongly as we celebrated 15 years in the market, recording a 30.3% YoY growth to KShs 107.69 billion. This was supported by resumption to charging of previously zero-rated transactions beginning January 2021. Increased usage continues to fuel growth as one-month active M-PESA ARPU rose 18.9% YoY to KShs 305.37 while chargeable transactions per month per customer grew 16.6% YoY to 20.25 transactions.



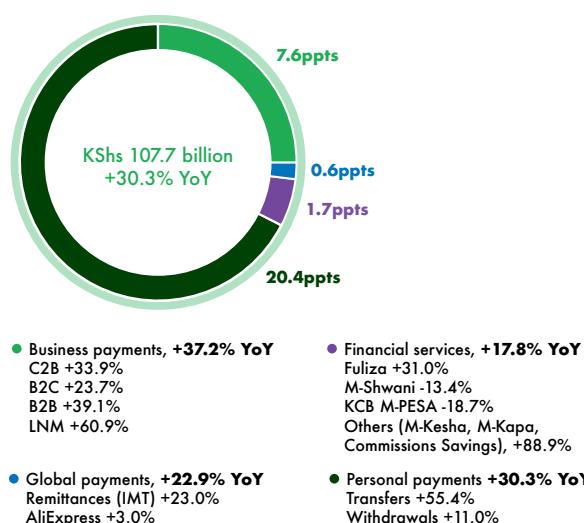
One-month active M-PESA customers crossed the 30 million mark in the year growing 7.8% YoY to 30.53 million. Velocity in the ecosystem continues to grow driven by our FinTech solutions including payments, lending and savings and international remittances.

Total value of M-PESA transactions grew 34.0% YoY to KShs 29.55 trillion while volume of transactions grew 34.9% YoY to 15.75 billion. M-PESA wallet-to-bank and bank-to-M-PESA wallet transactions continue to be free and these account for 18.9% of the total value of M-PESA transactions and 3.2% of total volumes.

M-PESA is now the biggest revenue contributor accounting for 38.3%

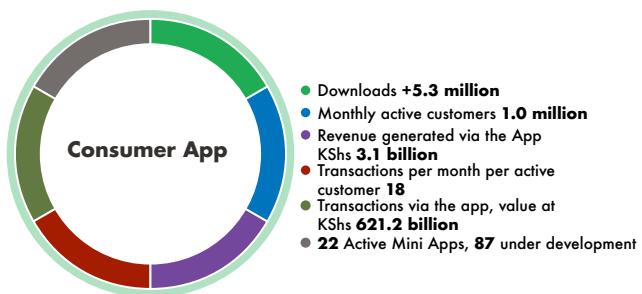
of service revenue while voice contributed 29.6%. During the year, we launched the M-PESA Super App for customers and M-PESA Business App with Mini-Apps functionalities to power digital consumer lifestyles and empower businesses. Downloads for the Super App stood at 5.3 million while Business App downloads were 462,000 as at year end.

Contribution to M-PESA growth



M-PESA revenue profile naming has changed to break down the various domains of our FinTech business. The changes in naming has no impact in the totals or subtotals presented or previously reported.

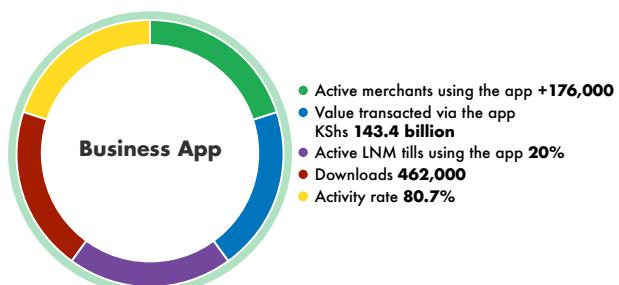
M-PESA Super App



Fixed line and wholesale transit

We recorded double-digit growth in fixed data driven by increased demand for home fibre due to work from home, a trend that has become normalised as companies adopt hybrid ways of working. Our fixed data market share stood at 35.8% as at March 2022 followed by Wananchi Group at 28.1% and Jamii Telecommunications at 20.4% as per the Q3 (January–March 2022) CA Quarterly Statistics report.

Fixed service and wholesale transit revenue grew 18.3% YoY to KShs 11.24 billion driven by increased activity and penetration of Fibre to the Home (FTTH) and growth in Enterprise fixed data revenue. The growth was supported by 16.9% increase in Enterprise revenue to KShs 7.05 billion as well as 20.6% growth in Consumer revenue to KShs 4.19 billion. FTTH customers grew 20.8% YoY to 165.98k. Fixed Enterprise customers grew 24.1% YoY to 48.31k, of which 58.9% account for LTE customers and grew 33.2% YoY to 28.47k. FTTH penetration now stands at 52.9%, homes connected stood at 193.1k while homes passed were 364.98k as at 31 March 2022.





Chief Finance Officer's review continued

Performance of new growth business segments

Our transformation into a technology company is well on track and our focus in FY2023 is to accelerate new growth areas to complement our organic growth strategy. On a small base, we are encouraged by the impressive growth recorded by these growth areas including IoT, ICT, Content aggregation and DigiFarm among others.

DigiFarm generated revenues of KShs 0.4 billion which more than doubled compared to prior year driven by increase in sales. Our IoT business which majorly serves the enterprise clients also grew their revenue by 64.5% driven by new connections which grew 67% to close at 1.2 million.

Content revenue on the other hand recorded KShs 0.5 billion in revenues from video streaming services after launch of the Baze platform, gaming subscriptions and educational content. Our ICT (cloud and hosting services) revenue stood at KShs 0.4 billion and continues to be an area of growth with great potential.

We are committed to delivering diversified and differentiated offerings to our customers so as to meet their constantly evolving digital needs and further strengthening and growing our relationships with them. The SME and MSME segments remain a key contributor to business activity and growth of our economy. We are enhancing our service offerings to these segments and will continue offering technology driven solutions to the markets we serve so as to become the number one provider of technology solutions in our markets.

Capital investments

We continued with sustained investment in our network and systems to support capacity upgrades and user experience. Our Group capital additions for the period increased by 42.4% to KShs 49.8 billion, with the Ethiopia operations portion being KShs 10.4 billion. The Ethiopia capex split included:

- KShs 8.3 billion for network
- KShs 0.9 billion for IT
- KShs 1.2 billion for other capital expenses

We revamped our approach in capital allocation in line with our strategic pillar of accelerating new growth areas. This will assist us in focusing on fuelling more innovations and solutions as we transform into a purpose-led technology company.

Consolidation of Safaricom Telecommunications Ethiopia (STE) into Group performance

FY2022 is the financial year we ventured into our first cross border investment – Ethiopia. Safaricom PLC in partnership with Vodacom Group, Sumitomo and CDC partnered to invest in Ethiopia. Safaricom PLC and Vodacom Group through the Vodafamily Ethiopia Holding Company Limited (a private limited company incorporated under the laws of England and Wales, United Kingdom), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V. (a private limited company incorporated in the Netherlands), as the investment vehicle to Ethiopia with the respective shareholding into the company being Vodafamily Ethiopia Holding 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and CDC Group PLC 10.9%. The intention was to bid for one of the telecommunications licences in Ethiopia. On 26 April 2021, the GPE submitted a response to the Request for Proposals (the "RFP") by the Government of Ethiopia (the "GoE") that was issued by the Ethiopian Communications Authority (the "ECA").

On 24 May 2021, the ECA formally notified the GPE of its decision to award it one of the two telecommunication licences that were available in the bid process. Licence fee paid was USD 850 million to Government of Ethiopia. In addition, a transaction fees of USD 4 million was paid to the International Finance corporation (IFC). The total cost was distributed proportionate to each consortium partner shareholding in GPE.

GPE thereafter incorporated a fully-owned subsidiary in Ethiopia – STE and the certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopian regulation. The indirect shareholding of Safaricom PLC in STE is 55.71%. STE's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia. The subsidiary was established within the current financial reporting period and has been consolidated in the Group's 31 March 2022 financial statements.

Below is the contribution for non-controlling interest (NCI) arising from their ownership in GPE and STE:

Name	Non-controlling percentage	Contribution by NCI shareholders	Translation reserve	Loss allocated to NCI	Totals Non-controlling
Vodacom Group Limited	6.19%	6,514.0	(590.3)	(300.8)	5,622.9
Sumitomo Corporation	27.2%	28,623.5	(2,593.8)	(1,321.6)	24,708.1
CDC Group PLC	10.9%	11,470.4	(1,039.5)	(529.6)	9,901.3
Total	44.29%	46,607.9	(4,233.6)	(2,152.0)	40,232.3

 See more on Safaricom Ethiopia on page 91.

Ethiopia performance

Being the first year after setting up operations in Ethiopia, we consolidated the entity 100% in our financial performance. While there was no revenue generated in year one, we invested capital in setting up operations in readiness for launch this year as well as incurred operating expenses and took up debt financing to fund these activities during the period.

The OpCo incurred KShs 5.11 billion in operating costs and there being no revenue, incurred a loss of KShs 4.86 billion. We also spent KShs 10.4 billion in Capex.

The summarised financial information of Vodafone Ethiopia Holding Limited Consolidated is provided on page 245 of the financial statements.

Impact of Ethiopia consolidation in year one on:

- Debt position and financing costs**

To support the payment of licence fees for the telecommunications license awarded to the Safaricom-led consortium by the Government of Ethiopia in 2021, we undertook a one-year bridge facility of USD 400 million to finance this venture. During the year, the bridge facility was converted into a five-year long term facility of USD 120 million and a KShs 31.1 billion (USD 280 million KShs equivalent) seven-year with two years moratorium on principal repayment. The new facility was done through a syndication process where both local and international and local banks participated in. Our net debt position therefore closed the year at KShs 34.53 billion. This therefore resulted in KShs 4.66 billion incremental financing costs for Safaricom Ethiopia and was fully consolidated in the books of Safaricom PLC Group.

- Net income**

Safaricom Kenya net income grew by 12.1% to KShs 77.01 billion, excluding financing costs related to Ethiopia, and supported by growth in EBIT. This was partly weighed down by higher taxes after the reversion of corporate tax rates to 30% from 25% in 2020.

On a consolidated basis including our Ethiopian operations, our net income (PAT) grew by 1.4% to KShs 69.65 billion, excluding Ethiopia loss attributable to minority interest.

Dividends and shareholder returns

During the year, an interim dividend of KShs 0.64 per Ordinary share amounting to KShs 25.64 billion (2021: KShs 18.03 billion) was declared. At the AGM to be held on 29 July 2022, a final dividend in respect of the year ended 31 March 2022 of KShs 0.75 per ordinary Share amounting to a total of KShs 30.04 billion is to be proposed for approval. This brings the total dividend for the year to KShs 55.69 billion (2021: KShs 54.89 billion) which represents KShs 1.39 per share in respect of the year ended 31 March 2022 (2021: KShs 1.37 per share).





Chief Finance Officer's review continued

Outlook and guidance for FY2023

We remain committed to delivering a consistent return to our investors. I believe we are well positioned to deliver on this promise as we pivot into the next phase of growth. We are pleased with the improving macro-economic environment and the economic tailwinds realised in the year supporting the market's recovery and consumer spend; however, we remain cautious of the increasing inflationary pressure seen after year end in the country.

Despite heightened regulatory risk in the year, we are hopeful that the regulatory environment will be predictable and will continue to encourage investment in a critical industry for the benefit of the country and Kenyans. We also remain mindful of the increasing geopolitical risks and the export-import supply chain disruption arising thereof, affecting global oil prices as well as the increasing political risks ahead of the August General Elections in Kenya.

In view of this, for FY2023 we expect:

- Group performance including Ethiopia
 - Group EBIT to be in the range of KShs 87 to 93 billion; and
 - Capex to be in the range of KShs 100 to 108 billion.
- For Safaricom Kenya excluding Ethiopia, we expect:
 - EBIT to be in the range of KShs 120 to 123 billion and;
 - Capex to fall within KShs 40 to 43 billion.

Guidance for Safaricom PLC Kenya (excluding Ethiopia) does not include any changes in the regulatory environment (MTR determination pending the ongoing appeal) and the unforeseen impact from the Russia-Ukraine conflict if it persists.

Looking ahead

In the short- to medium-term, we will be expanding our financial services offerings to cover wealth management, insurance and credit. We will also be seeking to redefine customer engagement with high quality, seamless and personalised experiences.

In addition, with the growth of global trade and international remittances we will focus on introducing innovative products to support global online payments and transfers. We will also be leveraging partnerships to grow mobile money channels and diversify their revenues – all through an increased range of FinTech innovations which will further enhance financial inclusion.

Acknowledgements

My appreciation goes to the Board of Directors for their great steer through out the year.

I would like to also thank my team for their exceptional input and commitment during the year, as well as all my colleagues across the Group whose hard work and unstinting support in executing our strategy, has helped deliver the excellent results that we have shown.

Our enduring industry leadership in coverage, capacity, and innovation, are the result of slightly over two decades of steadfast support from our customers, many of whom have been with us since day one. Thank you to all our customers.

I would also like to thank all our stakeholders, and in particular our shareholders and investors for the loyalty, trust and confidence they have shown in Safaricom, its strategy and operations. Their support continues to add great value to the Group.

Dilip Pal

Chief Finance Officer

Financial highlights

KShs'm	FY2022	FY2021	FY2020	FY2019	FY2018
Voice revenue*	83,211.8	82,552.0	86,529.9	87,683.7	88,639.0
Messaging revenue*	10,876.7	13,602.4	15,403.5	17,865.3	16,751.3
Mobile data revenue*	48,441.0	44,793.2	40,157.5	35,868.4	36,040.0
M-PESA revenue	107,691.8	82,647.4	84,438.0	74,989.8	62,907.1
Mobile incoming revenue*	9,848.2	9,470.4	8,481.8	8,525.3	7,063.4
Other mobile service revenue*	9,795.3	7,779.2	7,236.5	6,733.5	6,461.1
Mobile service revenue	269,864.8	240,844.6	242,247.2	231,666.0	217,861.9
Fixed line and wholesale transit revenue	11,242.5	9,507.2	8,966.9	8,101.0	6,673.4
Service revenue	281,107.3	250,351.8	251,214.1	239,767.0	224,535.3
Handset revenue and other revenue	16,527.3	12,316.5	10,487.8	9,448.0	8,980.4
Construction revenue	—	837.7	583.9	603.2	201.9
Other income	443.3	520.5	269.9	464.3	510.7
Total revenue	298,077.9	264,026.5	262,555.7	250,282.5	234,228.3
Direct costs	(91,467.8)	(80,015.1)	(74,701.0)	(71,795.6)	(69,489.5)
Provision for expected credit loss (ECL) on receivables	(2,361.2)	(3,009.7)	(1,669.6)	9.6	(1,041.1)
Construction costs	—	[837.7]	[583.9]	(603.2)	(201.9)
Contribution margin	204,248.9	180,164.0	185,601.2	177,893.3	163,495.8
Total operating costs	(55,187.0)	(46,034.8)	(47,559.6)	(53,590.4)	(50,660.8)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	149,061.9	134,129.2	138,041.6	124,302.9	112,835.0
Depreciation, impairment and amortisation	(39,933.3)	(37,964.3)	(36,547.7)	(35,332.0)	(33,568.1)
Earnings before interest and tax (EBIT)	109,128.6	96,164.9	101,493.8	88,970.9	79,266.9
Net finance income	(6,439.2)	(2,022.4)	922.2	2,240.20	633.4
Share of associate and joint venture profit/(loss)	(476.0)	[507.0]	3,357.0	5.5	10.2
Profit before income tax	102,213.4	93,635.5	105,773.0	91,216.6	79,910.5
Income tax expense	(34,717.3)	(24,959.3)	(32,115.1)	(28,727.3)	(24,620.0)
Profit after tax	67,496.1	68,676.2	73,657.9	62,489.3	55,290.5
Other comprehensive income	(9,536.3)	—	—	—	—
Profit and total comprehensive income for the year	57,959.8	68,676.2	73,657.9	62,489.3	55,290.5
Earnings per share (KShs)	1.74	1.71	1.84	1.56	1.38
Free cash flow	63,669.7	64,515.6	70,273.4	43,515.0	55,387.0
Ordinary dividend (paid/proposed) (KShs'm)	55,691.0	58,896.2	56,091.6	50,082.0	44,071.0
Ordinary dividend per share (KShs)	1.39	1.37	1.40	1.25	1.10
Special dividend (paid/proposed) (KShs'm)	—	—	—	24,841.0	—
Special dividend per share (KShs)	—	—	—	0.62	—

* Disclosures on service revenue streams (FY2019 and FY2018) have been reclassified to align to Group reporting needs



Strategic performance review

Assessing and monitoring our performance constitutes an important part of our strategy execution. During the year under review, we mapped our activities, innovations, products, services and initiatives against the strategic goals associated with the four pillars of our strategy.

STRATEGIC PRIORITY #1		DEMOCRATISE DATA BY REVAMPING PRODUCT PORTFOLIO AND GO-TO-MARKET (GTM) STRATEGY
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Business area	Our strategic focus for FY2022 goal	Operating/Strategic context
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Mobile data	Double >1GB data usage customer base in order to win in the new digital led services	<ul style="list-style-type: none"> Uncertain operating environment Increased regulatory scrutiny Adjusted telco products excise duty Sustained consumer wallet pressure with rising inflation Increasing need for cellphone usage
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STRATEGIC PRIORITY #2		MANAGE VOICE DECLINE THROUGH BUNDLE-BASED PRICING, FOCUSING ON CONTENT/SERVICES ENABLED BY CONNECTIVITY, AFFORDABILITY IN SENSITIVE SEGMENTS, A STRONG HOUSEHOLD OFFERING AND LOYALTY/ENGAGEMENT
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Business area	Our strategic focus for FY2022 goal	Operating/Strategic context
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Voice	Secure voice and messaging revenues	<ul style="list-style-type: none"> Unfavourable regulatory context Strict pricing for Safaricom Excise duty revisions in the year Mobile termination rate revision from KShs 0.99 to KShs 0.12 – appeal by Safaricom on this directive is currently in the Communications and Multimedia Appeals Tribunal
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What we did

- Launched Lipa Mdogo Mdogo (LMM-Device financing) to drive smartphone penetration
- Introduced Opera Okoa in partnership with Tenspot that enables customer to borrow data after exhausting their limits
- One bundle data sharing
- Introduced Facebook (FB) Mobile Centre enabling customers to purchase data bundles within the FB App.
- ClearSee usage statement tool enabling customers to customer to query their data usage per application and filter by date and bringing transparency on their usage
- DIY portal for bulk data purchase for enterprise customers

Performance as at 31 March 2022

- 25.22 million, +6.1% YoY one-month active data customers
- KShs 48.44 billion mobile data revenue, +8.1% YoY
- +10.0% YoY revenue growth in H2 FY2022, +6.3% in H1 FY2022
- 7.7m data customers using >1GB, +26.5% YoY growth
- 18.46m smartphones on the network, +10.2% YoY growth
- 10.95 million 4G devices, +29.3% YoY, 51.3% using >1GB
- 502,000 active LMM devices, +117.7% YoY
- 4G everywhere coverage at 97%

Our strategic focus for FY2023

- Accelerating mobile data growth to secure connectivity customer share
- Transforming the data experience, offering more value for money and growing data relevance in the lives of Kenyans
- Develop and execute robust mobile data CVM model, leveraging on:
 - Data
 - Machine learning
 - Propensity models
- Founded on five key areas of focus:
 - Best experience
 - Best value
 - Always-on communication
 - Right devices
 - Right use-cases

What we did

- Provided affordable value, airtime credit and loyalty to defend voice usage/minutes share
- Offered customers individualised tariff plans, offers and rewards
- Use of IBM and Recommender engines for real-time offers that:
 - Unlock value in GSM and M-PESA activities
 - Offer real-time dynamic pricing
- Segmenting customers by spend, preferences, location and age and advanced relevant offers that would unlock 3X value compared to open market pricing

Performance as at 31 March 2022

- 67.8% Voice traffic share as at March 2022
- 2.2% decline in Voice and Messaging revenue
- KShs 83.21 billion Voice revenue, +0.8% YoY
- KShs 10.88 billion Messaging revenue, -20.0% YoY
- 28.38 million one-month active customers, +3.1% YoY
- 22.27 million one-month active messaging customers, +2.2% YoY
- KShs 1.42 outgoing rate per minute, -11.5% YoY, KShs 1.28 incoming rate per minute, -5.0% YoY
- KShs 248.91 Voice ARPU, -3.4% YoY
- KShs 41.71 Messaging ARPU, -20.9% YoY

Our strategic focus for FY2023

- Growing voice personalisation by leveraging on artificial intelligence and digital platforms
- New voice innovation with new products
- Communication and regional execution to drive insights and deliver NPS No1

Strategic performance review continued

STRATEGIC PRIORITY #3 TRANSFORM ROUTE-TO-CUSTOMER (RTC) IN ORDER TO DRIVE UNMATCHED OMNI-CHANNEL EXPERIENCE

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Channels

Design and implement a comprehensive future-proof Route to Customer (RTC) strategy and operating model to accelerate growth and drive new revenue opportunities

Route to Customer strategy guided by five principles:

- Customer-centricity
- Optimising – matching channels and offerings to maximise revenue and customer-obsession
- Proactivity – identifying opportunities and pre-empting issues
- Omni-channel – cross-channel data flow and visibility
- Data-centricity – to facilitate decision-making

STRATEGIC PRIORITY #4 CREATE A FINTECH-ANCHORED ECOSYSTEM THAT IS THE "PLATFORM OF CHOICE" FOR SMEs

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Financial services

Transforming M-PESA to be the #1 provider in financial services as measured by NPS

- Become a fully-fledged financial services provider by leveraging on new technology to deliver great customer experience
- Provide sector-centric end-to-end business solutions across different sectors with focus on SMEs and Large Enterprises
 - M-Banking and SACCO platforms
 - Retail point of sale
 - E-Government
 - Bill manager
 - School fees and rent platform

Strategic performance review continued

What we did	Performance as at 31 March 2022	Our strategic focus for FY2023
<p>Addressed key issues:</p> <ul style="list-style-type: none"> • Channel complexity • Rich digital availability • Alignment with Customer Obsession 	<ul style="list-style-type: none"> • Successfully established Digital Channels Agile tribe • Maintained channels excellence • +6ppt Customer NPS improvement • IVR revamped to simplify journeys, made the menus leaner and provided an option for customers to speak to an agent • Automated monitoring of the SIM swap service to ensure system stability • Improved usage of our Digital channels: Zuri, IVR, USSD • ZURI integration with SMS100 doubled the daily average usage in the year 	<ul style="list-style-type: none"> • Evolve channel roles to better serve customers through alignment with customer needs, across: <ul style="list-style-type: none"> ➢ B2C – Dealers become SIM, fixed and device-centric, increased self-service via digital channels ➢ B2B – proactive tele-sales to guide new service uptake; Centres of Excellence to drive IoT/ICT sales • Enhanced control of channel and customer experience through: <ul style="list-style-type: none"> ➢ Data gathering ➢ Analysis and feedback automation ➢ Micro-market management ➢ Revised operating and incentive models

What we did	Performance as at 31 March 2022	Our strategic focus for FY2023
<ul style="list-style-type: none"> • Developed a digital platform that empowers businesses and customers to onboard to M-PESA payments • Merchants grew 63.4% YoY to 492,800 • Created a FinTech-anchored ecosystem as the platform of choice for SMEs, through: <ul style="list-style-type: none"> ➢ Enterprise payments – digital onboarding ➢ MSME payments – Business Till ➢ Biashara ni ipan a M-PESA promotional campaign ➢ MSME payments – Pochi la Biashara ➢ Simplified Customer Journey – ensuring opt-in process is easy 	<ul style="list-style-type: none"> • 30.53m one-month active M-PESA customers • KShs 107.69 billion M-PESA revenue, +30.3% YoY • KShs 29.55 trillion value of M-PESA transactions, +34.0% YoY • 15.75 billion volume of M-PESA transactions, +34.9% YoY • 20.3 chargeable transactions per customer, +16.6% YoY 	<ul style="list-style-type: none"> • Evolve M-PESA into an open innovation platform, enabling third-party integrations in order to deliver a turbocharged digital Financial Services ecosystem while empowering society. • Deliver and evolve a superior financial services technology platform. • Ensure robust, Secure and up to date M-PESA systems and Technology – M-PESA 2.0 + Core Technology. • Invert M-PESA to an open platform and support for 3rd party integration. • Implement integrated solutions for SME, Large Enterprise and public sector businesses. • Deliver and support end-to-end integration solutions for businesses.

Strategic performance review continued

STRATEGIC PRIORITY #5 EXPAND INTO NEXT FINANCIAL SERVICES – WEALTH MANAGEMENT, INSURANCE, INSTALMENT, CREDIT FOR MORE EXPENSIVE CATEGORIES

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Financial services	Deepen financial services to our customers and businesses by fostering a savings culture that is accessible, affordable and reliable <ul style="list-style-type: none"> • Credit and savings • Wealth management • Insurance 	<ul style="list-style-type: none"> • Develop truly mobile-centric solutions for wealth management and insurance • Shift financial services towards inclusive finance, helping customers manage liquidity, risk and investments while creating stronger focus on customer experience
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STRATEGIC PRIORITY #6 EVOLVE M-PESA INTO A BROADER PLATFORM – LIFESTYLE PLATFORM, UNIVERSAL PAYMENT NETWORK, INTEGRATED BUSINESS SOLUTIONS

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Financial services	Evolve M-PESA into a broader digital platform	Deliver the suite of M-PESA solutions to our consumers and businesses in a customer-centric approach – lifestyle payment App <ul style="list-style-type: none"> • Consumer App with chat • SME business App • Conversation platform M-PESA on USSD Enterprise portal • MiniApps for consumer lifestyle and business empowerment
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STRATEGIC PRIORITY #7 LAUNCH AND SCALE ACTIVE MOBILE CUSTOMERS IN ETHIOPIA

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Safaricom Telecommunications Ethiopia	Expand the core and financial services into new geographies by entering Ethiopia	<ul style="list-style-type: none"> • Lifted state of emergency, easing conflict • Partnership with Ethiotel. Signed as per April 2022 public announcement
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What we did

Credit portfolio:

- Partnered with EDOMx to leverage our scoring and lending platform to enable partners to offer a credit proposition
- Piloting of Faraja, a 0% interest rate free in-store credit product that allows customers to transact at our LNM merchants
- Partnered with Gulf African Bank and launched the first Shari'ah-compliant digital mobile financing; Halal Pesa with USSD and App access

Performance as at 31 March 2022

- Obtained approval for our wealth management product
- KShs 502.66 billion value of Fuliza disbursements, +43.1% YoY with 101.5% repayment versus disbursal rate
- KShs 5.94 Fuliza revenue, +31.0% YoY
- Launched Fuliza for Airtime
- Launched Halal Pesa

Our strategic focus for FY2023

- Accelerate next Financial Services growth areas in order to Turbocharge digital Financial Services ecosystem empowering society.
- Leverage M&A, Licenses and Partnerships to unlock growth and shape our investment profile in Financial Services.
- Accelerate new financial services (Insurance, Micro Wealth, e-commerce) and Services (for Consumer and SME).
- Roll out Pan African Global payments in partnership with MPESA Africa.
- Lead Financial Services Diversification in Credit, Insurance, Universal Payments and Global acceptances.
- Roll out relevant financial solutions for SME/Soho- starting with Merchant Credit including closed loop, insurance, investment, global commerce.

What we did

Digital lifestyle:

- Developed M-PESA Super App and integrated 22 Mini Apps

Financial inclusion:

- Developed M-PESA Junior Account, controlled by parents/guardians
- Developed M-PESA GlobalPay in partnership with Visa to enable global online payments

Performance as at 31 March 2022

- +5.3 million downloads on M-PESA Super App
- 22 active Mini apps, 87 under development
- 18 transactions done via the app per active customer
- KShs 3.1 billion revenue generated via the App
- Launched M-PESA Virtual Global pay card with Visa in June 2022

Our strategic focus for FY2023

- Deepen adoption of digital payments and platforms to power consumer lifestyle, and Empower businesses in order to Turbocharge digital Financial Services empowering society.
- Evolve M-PESA Consumer Super-App into the leading digital lifestyle and eCommerce platform.
- Define and roll out a refreshed two sided M-PESA brand architecture for consumers and businesses to unleash M-PESA.
- Make M-PESA the leading Business Empowerment enabler in integrated digital financial services.
- Grow number and variety of mini-apps available to consumers and implement a new commercial model to unlock e-commerce.

What we did

Network & IT:

- First data centre deployed (one under construction)
- First test call done (network under construction)

Sales & Distribution:

- Distributors and retail shops identified
- Simcard production commenced
- Contact centre established
- Products: Voice, SMS, mobile data and VAS services

Performance as at 31 March 2022

- Plans under way to launch operations within 2022
- Invested KShs 10.4 billion in capex
- KShs 5.1 billion operating costs incurred
- No revenue generated in the year
- Signed five-year lease infrastructure agreements with Ethiopian Electric Power (EEP) and Ethiopian Electric Utilities (EEU) for our transmission self-build
- 29 distributors, four retail shop locations set up
- 305 staff onboarded, 50% local talent with plans to onboard 1,000 in FY2023
- Graduate trainee recruitment process ongoing
- Board of Directors and Executive teams fully established

Our strategic focus for FY2023

- A successful commercial launch this year and deployment of fully-fledged telecommunications licence
- Secure mobile money licence

Strategic performance review continued

STRATEGIC PRIORITY #8 SCALE CONTENT AGGREGATION PLATFORM (MUSIC, CLOUD GAMING, VIDEO, EDUCATION) TO DRIVE USAGE AND STICKINESS

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Digital services and product (video, music, gaming)

Build a sustainable digital content service business, enabling Kenyans' offline habits and passions online. Develop new business through:

- Growing data usage
- Retention and stickiness
- Enabling monetisation within the local creative industry
- New revenue streams – subscription, transaction and advertising

Positioning as a super aggregator, providing platform, product proposition, customer management, distribution and marketing

- Evolving customer behaviour and dynamic business environment
- Promising OTT content opportunity
- Increasing data usage, smartphone penetration and high data costs

STRATEGIC PRIORITY #9

LEVERAGE IOT AND ICT TO EXPAND ENTERPRISE PORTFOLIO, BECOME A PARTNER FOR DIGITISING ECONOMY WITH NETWORK INFRASTRUCTURE AS A SERVICE

Business area

Our strategic focus for FY2022 goal

Operating/Strategic context

Enterprise

Establish an insights-led technology solutions organisation focused on our SME, Corporate and Government customers

- Become a Platform of Choice for SME customers delivering E2E digital solutions by FY2022
- Become the leading ICT solutions provider in Kenya with a focus on cloud, cyber security and professional services
- Accelerate IOT solutions penetration in the market through the creation of vertical led solutions for LE, Public and SMEs

**What we did****Performance as at 31 March 2022****Our strategic focus for FY2023**

Digital services portfolio:

- Introduced Baze music platform for local music, partnering with Digi Spice
- Partnered >40 merchants in Bonga Deals to provide discounts and points redemption at merchant locations

- KShs 0.5 million content revenue, +100% YoY
- 0.5 million education customers
- 0.7 million mobile gaming customers
- 45k one-month active Baze customers

Become an orchestrator in the market, through:

- Providing relevant content mix
- Strategic partnerships
- Scalable business models, both subscription-based and bundled
- Seamless customer experience for digital-first customer journeys for mobile and home users

What we did**Performance as at 31 March 2022****Our strategic focus for FY2023**

IoT – LPG Cylinder Tracking solution:

- Worked with our customers to build a solution to solve a tracking problem
- Partnered with a local device manufacturer to design and build a GPS LPG tracking device
- IOT.Next platform application build

ICT:

- On-boarded critical security partners i.e Palo alto, Sentigo, Kaspersky, Sophos to enable us sell their broad security products
- Onboarded 3 digital service providers; M-Tech, Roam-tech and Africa is talking to accelerate our ability to scale integrations with corporate eco-systems
- Accelerated Cloud & Productivity solutions sales leveraging existing partnerships with AWS, Google and Microsoft

- +18.3% YoY of which:
 - KShs 0.5 million IoT revenue, +64.5% YoY of which:
 - 1.21 million IoT customers, +66.6 YoY
 - KShs 11.24 billion Fixed line and Wholesale Transit revenue, +18.3% YoY

Delivering solutions to enable SMEs to have better digital engagement. The focus will be on providing:

- Establish the right operating model and partnerships to scale ICT
- Establish the right Solutions and Partnerships to scale IOT
- Become the one-stop shop for E2E services in Technology, Financial services and connectivity for SMEs
- Scale fixed solutions (FTTB/Fixed Wireless Access) for businesses
- Enhance focus on Public Sector in order to grow Revenue and Market share

Strategic performance review continued

STRATEGIC PRIORITY #9

LEVERAGE IOT AND ICT TO EXPAND ENTERPRISE PORTFOLIO, BECOME A PARTNER FOR DIGITISING ECONOMY WITH NETWORK INFRASTRUCTURE AS A SERVICE

Business area

Our strategic focus for FY2022 goal

Operating/Strategic context

STRATEGIC PRIORITY #10

WIN IN FTTX AS A CONVERGED BUSINESS 1 MILLION CONNECTIONS (HOMES AND BUSINESSES)

Business area

Our strategic focus for FY2022 goal

Operating/Strategic context

Fixed business – Home and Enterprise

Create a customer-centric always-on fixed business as the trusted partner of choice for connectivity, security and entertainment for homes and businesses

- For fixed-data connections, customer experience is primary to the product proposition and we therefore intend to transform our customer journeys to deliver excellent experience, cementing our customers' loyalty

What we did

Performance as at 31 March 2022

Our strategic focus for FY2023

SME:

- Completed phase 1 of the SME Digital Hub DIY customer discovery portal fully optimised for a mobile experience.
- The Digital Hub also allows for the on-boarding of Lipa Na M-PESA, Shiriki, and gives an in-life management tool for Fixed Data
- Rolled out business apps to enable a digital experience to our customers and these include NSSF, NHIF, SGR and Onfon media for bulk SMS

Cold chain solution:

- Partnered with Vodacom Innovus to offer an end-to-end cold chain solution

Telematics:

- Partnered with Whitelabel and digital telematics for an end-to-end telematics solution

Smart water:

- Partnered with Earthview Management Limited for an end-to-end smart water solution

What we did

Performance as at 31 March 2022

Our strategic focus for FY2023

Fixed business portfolio: Parental control

- Secure Net – ensures full control over Safaricom Home connection offering parental control, protection against security threats
- Converged offerings
- Home Plus enables shared connection for Home and Away from Home, integrating voice, mobile data and SMS bundles

- KShs 7.05 billion Fixed Enterprise and Wholesale revenue, +16.9% YoY
- KShs 4.19 billion Consumer revenue, +20.6% YoY
- 365,000 homes passed with 53% conversion rate and 86% activity rate
- 48,300 Fixed data customers, +24.1% YoY of which 18.8k are FTTB customers

- Scaling the Fixed Data business by transforming the fixed ecosystem, providing differentiated experience and expanding offering beyond connectivity
- Focus will shift to network growth and multi-product propositions in the coming year, guided by the four strategic pillars for Fixed Business
 - Unparalleled customer experience
 - Network growth and operational excellence
 - Multi-product and compelling propositions
 - Fit-for-scale organisation



Strategic performance review continued

STRATEGIC PRIORITY #11 SCALE SELECTED DIGITAL PLATFORMS IN AGRICULTURE, HEALTH AND EDUCATION

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

DigiFarm

Our purpose is to leverage technology and partnerships to resolve key challenges in order to make smallholder farmers wealthier in a commercially sustainable way

Overcoming issues and challenges including:

Issues

- Production at 30% of potential
- 30% to 40% post-harvest loss
- Lack of markets
- Not able to get fair market price

Key challenges

- Limited data to develop predictable credit score for farmers
- Infrastructure constraints – aggregation, quality management and logistics

STRATEGIC PRIORITY #12

STEP CHANGE PRODUCTIVITY ACROSS THE ORGANISATION THROUGH COST TRANSFORMATION, WORKING CAPITAL EFFICIENCY, AI-ENABLED NETWORK MAINTENANCE, SIMPLIFICATION AND NET REVENUE MANAGEMENT/COMMERCIAL EXCELLENCE

Business area **Our strategic focus for FY2022 goal** **Operating/Strategic context**

Cost leadership

Drive an optimal cost structure in the business

- Safaricom has been on a growth trajectory over the last 21 years, and as revenue growth slows, there is need to ensure an optimal cost structure
- With the market becoming more and more competitive it is necessary to continuously give value back to customers
- The COVID-19 pandemic in FY2021 and FY2022 has driven cost avoidance which has contributed to savings in the two years

What we did

Various solutions and execution models have been tested to address key farmer challenges with significant impact created for farmers engaged but commercial viability and scale is yet to be achieved:

- 15% growth in farmer yield – Driven mainly by quality input and advisory services
- 100% access to market – Driven by contract buyers in DigiFarm platform and spot payments
- 10% to 50% price value – Driven by direct engagement with farmers and improved quality
- 6% reduction in cost of production – Driven by lower cost of input and mechanisation
- 8% post-harvest losses – Driven mainly by ready market and improved quality

Performance as at 31 March 2022

- KShs 407.27 million DigiFarm revenues
- 1.4 million registered farmers, 160,000 actively engaged farmers
- KShs 919 million loans disbursed to farmers
- 760 Village DigiFarm Advisors

Our strategic focus for FY2023

To accelerate active farmer acquisitions in order to scale new business opportunities

Scale production

- Farmer acquisition and engagement
- Commercialisation of remote private extension service providers to drive sustainability
- Precision agriculture capabilities – Leverage emerging technologies

Develop partnerships

Platform play to orchestrate service provision by diverse multiple players

- Financial institutions
- Development partners
- Post-harvest and aggregation service providers
- Localised logistics service providers

Develop infrastructure

Accelerate development of village-based infrastructure

- Cold chain and dry warehouses
- Quality management-ready aggregation centres
- Quality management services
- Value-adding services

What we did

Our cost optimisation drive was achieved through these three pillars:

- Operating model transformation to drive operational structure changes
- Smart procurement
- Process simplification and digitisation

Performance as at 31 March 2022

Delivered a total KShs 11.3 billion; KShs 6.9 billion in FY2021 and KShs 4.4 billion in FY2022 since the roll out of cost leadership journey

Our strategic focus for FY2023

Our main effort in our strategic focus for FY2023 is to step change the capability and mindset towards smart investments in order to provide financial capacity for fueling growth. With productivity in mind it is necessary to increase and enhance productivity through:

- Funding new growth areas
- Delivering customer value
- Baseline costs and applying benchmarks across emerging market telcos
- Earmarking 60% of potential under technology, including re-design and re-architecture
- Turbo-charging the cost saving programme on five pillars:
 - Governance – leadership ownership targeting holistic value-creation
 - Approach – phased execution, prioritising quick wins
 - Levers – Combining expertise from different markets, earlier efforts and employee ideas, incentivised with a reward programme
 - Execution – rigorous monitoring, value measurement linked profit and loss (P&L)
 - Organisation and capability – focus on structural change management
- Collaboration, Agile ways of working, incentives
- Ideas funnel with gates to validate, plan, implement and track

THE SOCIAL VALUE WE CONTRIBUTE

Meeting our societal commitments

128

Meeting our environmental commitments

132





Message from
the CEO

Our strategic
approach

The value
we embed

The commercial
value we deliver

CFO's review

The social value
we contribute

How we
safeguard value

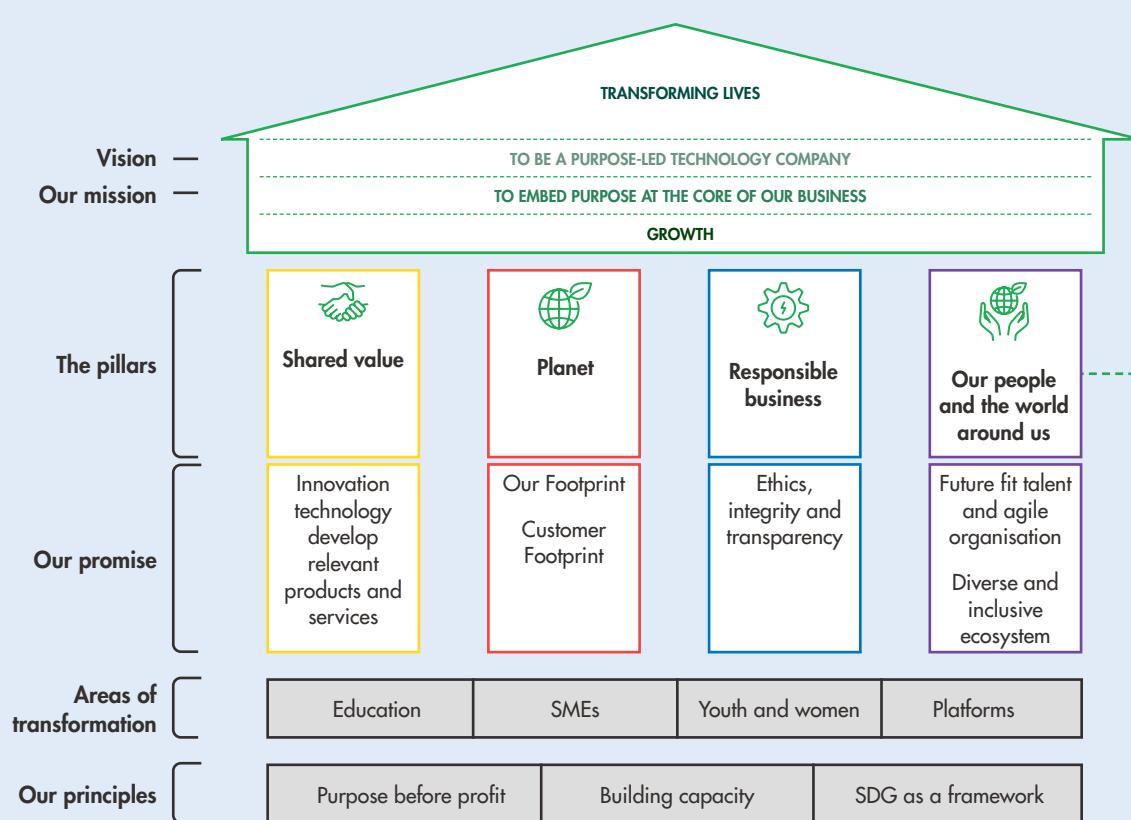
Financial
statements



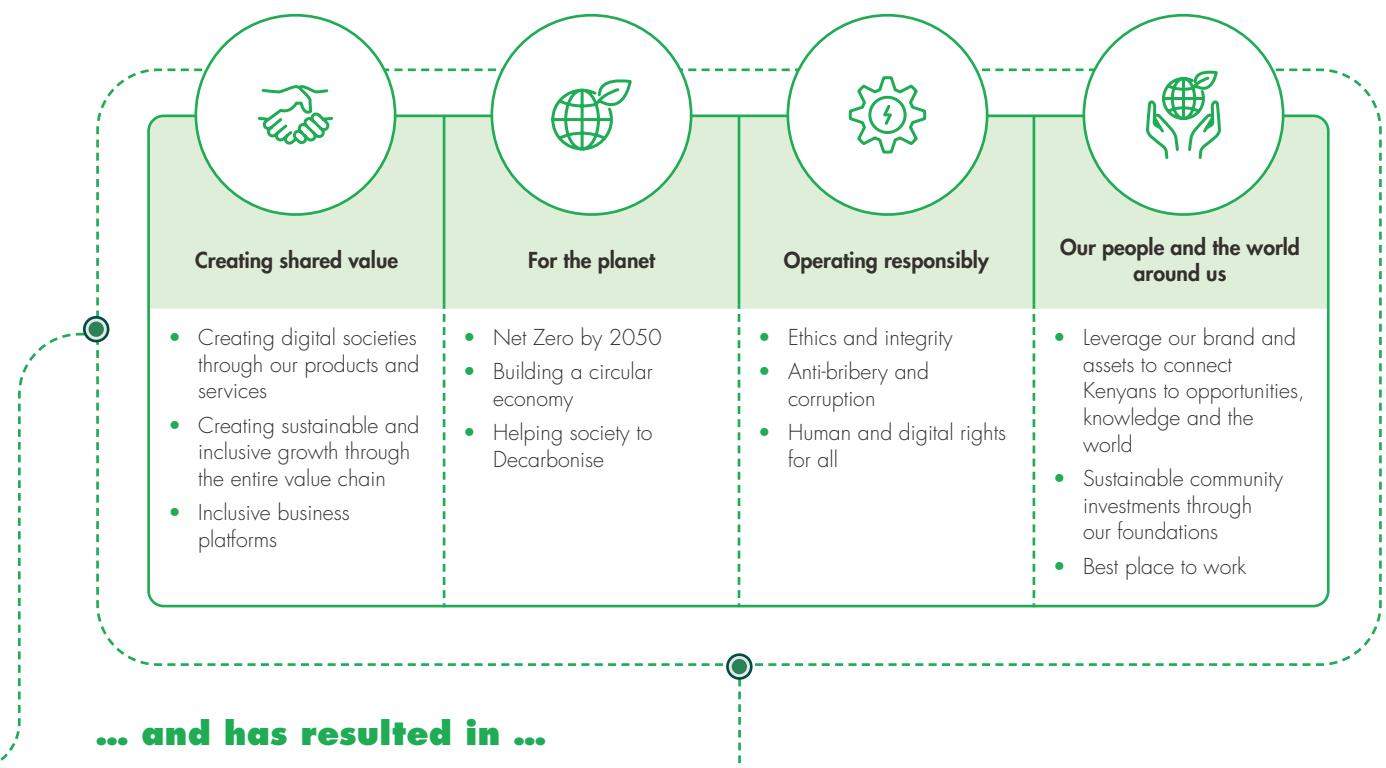
Meeting our societal commitments

At Safaricom, we pride ourselves on being a responsible corporate citizen. This is fully consonant with our purpose – to transform lives. We understand that much needs to be done to promote an inclusive society, in which all people have the opportunity to better their lives and fulfil their potential. We recognise too, that many require assistance in various ways, with education and health among two of the most important areas where meaningful projects and initiatives can make an enormous difference. And we do this in terms of our social and relationship and natural capitals.

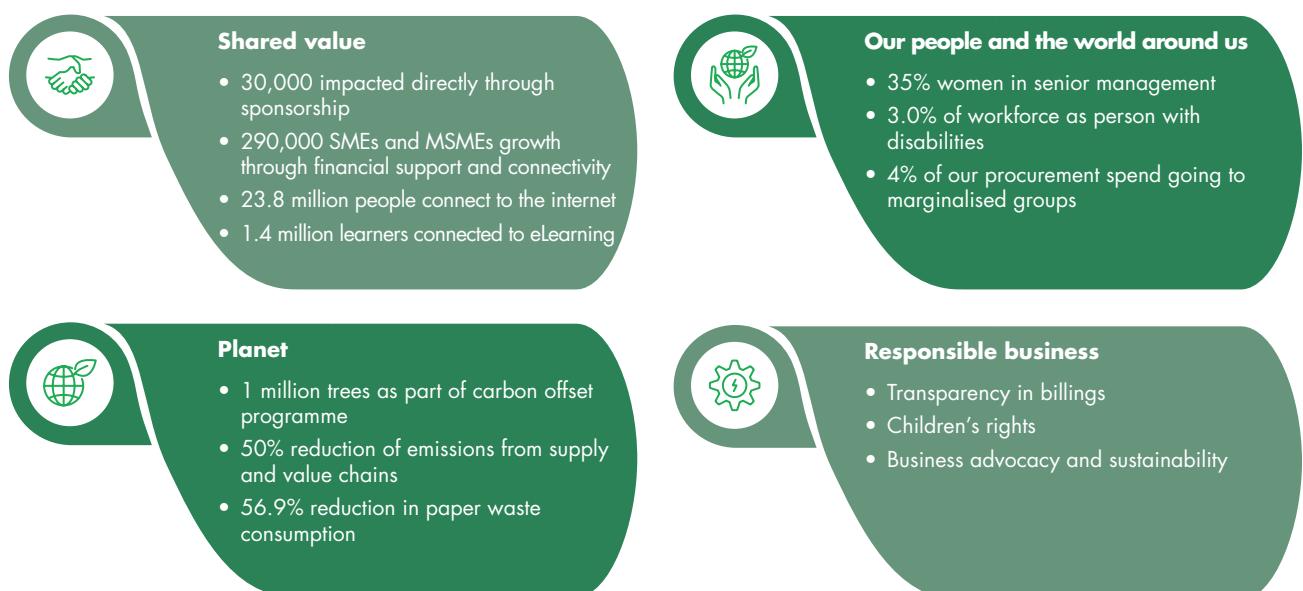
The strategic intent of our sustainability purpose and transforming lives ...



... translates into our purpose pillars ...



... and has resulted in ...





Meeting our societal commitments continued

Our two foundations

The Safaricom and M-PESA Foundations form a critical part of our social and relationship and natural capitals and play a key role as a conduit not only for our purpose, but as means of expressing and actualising our commitment to the UN SDGs.

Safaricom Foundation

- Established 2003, and registered as a trust, the Safaricom Foundation focuses on health, education and economic empowerment.
- Funded by Safaricom PLC at KShs 510 million per year, it has a presence in all 47 counties.

M-PESA Foundation

- Established 2010, and registered as a trust, the foundation focuses on large-scale, integrated programmes in health, education and economic empowerment.
- The foundation is funded through M-PESA deposits.

Both foundations are governed by a separate and Independent Board of Trustees and the same management team.

During the year under review, we continued to implement practical, relevant and effective community projects founded on four pillars:

- Education
- Health
- Environmental conservation
- Integrated livelihoods

What we do ...

Strategic objective	Large grants – Programmes	Philanthropy grants – Projects
Ensure healthy lives and promote well-being for Kenyans	<ul style="list-style-type: none"> Maternal, newborn and child health Non-communicable diseases – children with diabetes 	<ul style="list-style-type: none"> Infrastructure development Capacity building – training of health workers, teachers, people with disabilities
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for Kenyans	<ul style="list-style-type: none"> Literacy and numeracy M-PESA Foundation Academy Technical Vocational and Educational Training (TVET) 	<ul style="list-style-type: none"> Menstrual health hygiene Medical camps – fistula surgeries
Ensure full and productive employment and decent work for young Kenyans	<ul style="list-style-type: none"> Economic empowerment of young people Integrated conservation, livelihoods and water programmes 	<ul style="list-style-type: none"> Water sanitation and hygiene Technology – ICT in schools, health
Environmental protection, water and livelihoods	<ul style="list-style-type: none"> Protecting water towers Protecting endangered wildlife species Water, livelihoods and environment conservation 	<ul style="list-style-type: none"> Ndoto Zetu Initiative Scholarships (Secondary school) Micro loans and financial literacy Environmental conservation Emergency response – COVID-19 response, floods Employee engagement – Pamoja scheme, Usamaria, Regional teams' engagement

... is aligned with these UN SDGs



Ndoto Zetu – Transforming lives

Through our Ndoto Zetu initiative we also provide Kenyans with the opportunity to partner with the Safaricom Foundation by calling for proposals from ordinary citizens who desire to make an impact in their communities through social investment.

During the year under review, the foundation allocated KShs 100 million to Ndoto Zetu, which has made an extensive cumulative impact across our society, with over 2,000 partners and benefiting 7 million people in the areas of:

Education

- 1.8 million young people are learning with dignity in well-equipped classrooms, and accommodated in clean and comfortable dormitories
- 16,000 special needs learners are receiving appropriate education support
- M-PESA Foundation Academy is providing quality education to bright children from 47 counties
- 1.25 million girls have benefited from the "Keeping Girls in School" project

Economic empowerment

- 3,000 community health volunteers are building capacity through technology on the LEAP Platform, reaching 360,000 people

Environment

- 1.3 million trees have been planted to conserve the environment

Health

- 350,000 women have had safe childbirths
- 1.2 million people have received health services through medical camps

Water

- 700,000 Kenyans have access to clean and safe drinking water

Partnerships

Safaricom's partnerships focus on leveraging our mobile technologies to enhance our purpose to transform lives. Even as we co-create with partners to develop products and services that provide significant social benefits, we require shared-value partnerships to align with our goals and mission.

With our innovations having mainly focused on areas of agriculture, health and education, we continue to leverage on existing partnerships in those areas through products such as M-TIBA, DigiFarm and Shupavu 291 respectively. For more on our products and services, see page 14.



Among our new social innovation partnerships for the year under review, are:

- **Daktari Smart:** A programme developed in partnership between M-PESA Foundation and Gertrude's Hospital Foundation. Daktari Smart aims to use telemedicine technology to link and provide treatment to children in six hard-to-reach counties in Kenya.
- **Zeraki Learning:** This was undertaken in collaboration with Litemore, and facilitates remote-learning content with the comfort of mobile phone use to complement teacher input in remote and disadvantaged areas. The project has reached 30% of secondary schools with 100,000 actual downloads by individual learners.
- **Afya Moja:** In partnership with Nakuru County we launched Afya Moja – a medical records health portability platform which enables doctors to respond to patients' needs effectively. Our focus is on building the first phase of the Afya Moja post pilot, a health directory aimed at impacting 500,000 subscribers and 2,000 healthcare providers by the end of the FY2023.
- **Retention and loyalty programme:** Our Bonga points loyalty programme has evolved from being used to redeem devices, to charitable causes such as Bonga for Good, Pamoja Tuungane and Bonga for charity.

Business advocacy collaborations

During the year under review, we continued our business advocacy on sustainability through collaborations with partners including:

- **UNGC:** Safaricom is a LEAD company, and the UN Global Compact provides us with a collaborative space to generate and implement advanced corporate sustainability practices as well as positioning us to inspire widespread uptake of sustainability solutions among businesses around the world.
- **Acumen:** Partnership on the East Africa Fellows Programme, a leadership development programme geared towards the development of the next generation of social leaders.
- **Shared Value Africa Initiative (SVAI):** SVAI-CEO Connect on leadership discussion between peers, focusing on competitive collaboration in Africa and growing our economy.
- **UNICEF – Children's Rights:** We use our products and services to promote the rights of children and at the same time integrate child safeguards into our products, including last-mile connectivity, and education products like Shupavu, SecureNet, Baze, Instant School Networks Schools, Internet of Good Things, and the Internet Watch Foundation partnership for the online safety of children.



Meeting our societal commitments continued

How we measure what we do

KPIs	FY2019			FY2020		
	Total Spend (KShs)	% Spend	Lives	Total Spend (KShs)	% Spend	Lives
Health	251,771,040.36	12%	88,246	190,468,465.07	11%	250,000
Education	1,834,754,656.04	84%	51,413	1,423,027,690.21	85%	
Economic empowerment	28,759,348.00	1%	5,415	34,644,160.00	2%	67,916
Disaster response	7,500,000.00	0%	5,000	—	0%	57,128
Environment	59,098,586.75	3%	5,000	18,779,385.00	1%	—

KPIs	FY2021			FY2022		
	Total Spend (KShs)	% Spend	Lives	Total amount (KShs)	% Spend	Lives
Health	492,340,708.86	21%	602,0184	187,187,041.17	9%	1,163,281
Education	1,594,735,587.34	67%	166,905	1,761,301,019.57	85%	146,872
Economic empowerment	88,671,482.88	4%	109,000	114,361,861.74	6%	14,571
Disaster response	197,293,475.84	8%	199,353	—	0%	125,238
Environment	13,524,688.00	1%	—	10,841,412.00	1%	10,000

Looking ahead

In the short- to medium-term, we anticipate that we will increase our momentum with the intention of:

- Implementing the Foundations' strategic focus for FY2023, to reach two million Kenyans
- Being there for Kenyans when they need us, on the principle "When communities thrive, businesses thrive"
- Continuing proactive community engagement
- Leveraging technology for impact and scale
- Fostering employee engagement
- Mobilising resources to do more
- Employing advocacy to influence policy
- Convening partners as a thought leader

For more on our projects and initiatives benefiting society, see our Sustainable Business Report 2022 at <https://www.safaricom.co.ke/about/transforming-lives/sustainability/sustainability-reports>



Meeting our environmental commitments

Our ambition is to be a net-zero emitting company by 2050.

Overview

Safaricom relies on Kenya's green grid network which mainly relies on renewable sources such as hydropower. Our network uses a variety of energy sources including the national grid, diesel generators and renewable energy (solar) solutions, and we are committed to transitioning to renewable sources of powering our network as a strategy for achieving our net-zero aspiration.

Greening our operations

Our aim is to remove 74% of carbon emissions through renewable energy and energy efficiency, with the intention of shifting the primary source of energy for towers (BTS) from traditional grid power and diesel, to Solar PV. Our target is to transition about 90% of the sites within five years.

In our bid to green our base stations, we have so far:

- Installed 255 hybrid sites and 56 sites with solar, with approximately 800 sites to be connected with solar in FY2023.
- Planned to modernise our power systems and retire old, inefficient ones, comprising generators, rectifiers and battery storage.
- Embarked on automating energy data collection, processing and reporting, which will enable us to increase the accuracy of our energy reports, which include consumption and carbon emissions.
- Implemented the ISO 50001: 2018 Energy Management System standard.

The remaining 26 % of our carbon emissions will be offset through our reforestation programme. We have committed to grow five million trees in degraded public forests in five years and have to date planted over one million trees in Kieni forest, South Marmarnet, Nandi South, Kakamega and Port Reitz.

Fuel and water consumption

During the year under review, we recorded a slight increase of approximately 2%* in water consumption, with the inclusion of additional shops where consumption was not previously tracked. We will continue to track and monitor our water usage.

We saw an approximately 13%* drop in our fuel consumption. The decrease is attributable to automating our data collection for the technology dataset, which we obtain in an immediate and timely manner.

*Not assured

Waste management

Through our Integrated Waste Management programme, we remain committed to ensuring that waste generated from our operations is properly managed through reduction, recycling and repurposing wherever possible.

During the year under review, we collected a total of 81,642 kg of waste collected from our administrative buildings in Nairobi and our switches in Athi River, Thika and Nairobi. Of this we managed to recycle 71,749 kg (87.9%), with the remainder not recyclable because of its hazardous nature. With hand paper towels and masks categorised as infectious waste our recycling rate was reduced.

In FY2023 it is our intention to roll out the integrated waste management programme to an additional 61 shops, offices and data centres.

In addition, we have:

- Eliminated 98 % of single-use plastic use across the business
- Achieved a 56.9% reduction in paper consumption/waste, driven by our adoption of digital technology to review and sign off documents

Our e-waste programme

E-waste continues to be a growing regulatory concern. We face challenges especially in disposing of network infrastructure as it reaches end of life. Nevertheless, we expect that through regulation, the process will move from a linear model to a circular economy.

We will be able to harness the opportunities presented by a circular economy, through reuse, recycling, refurbishing and repair of network infrastructure. Among the anticipated benefits are savings on capex and reduced carbon emissions. Our strategy is to:

- Reduce e-waste generation
- Recycle where possible
- Re-use or redeploy decommissioned systems at other sites

In addition, we have established external partnerships to train the informal sector on repairing electronic waste and device take-back schemes. Informal sector waste collectors handle substantial amounts of e-waste in urban centres.

We have collected and recycled over 1,626 tonnes of e-waste since the inception of our e-waste programme.



Meeting our environmental commitments continued

Biodiversity

Safaricom made a commitment under the Business for Nature Action platform that calls upon businesses and governments to adopt policies that reverse nature loss, and we continuously strive to invest in conservation and ecological projects. We also work in partnership with the government and other stakeholders in biodiversity conservation. We are also engaging with other private sector on biodiversity conservation specifically on reforestation.

One of our current conservation projects through M-PESA Foundation in partnership with KWS, Northern Rangelands Trust and Back to Africa, is our support for Ruma National Park in its efforts to conserve the endangered roan antelope.

The M-PESA Foundation has previously also funded the fencing of the Mau Eburu Forest and Nairobi National Park as well as the construction of stables to secure orphaned elephants at the Reteti Sanctuary in Samburu.

Biodiversity impact

While we do not have any assets near threatened, vulnerable, endangered, and critically endangered species' habitats, in expanding our network infrastructure, we ensure that all network projects are subjected to the statutory Environmental Impact assessment to identify all associated impacts in order to develop alternatives that avoid or mitigate the impacts to our country's rich biodiversity.

We also conduct continuous monitoring and evaluation of implemented project impacts, through annual environmental audits. Similarly, at asset end-of-life, we endeavour to enhance or restore the environment to its natural state. In addition, we view positively participation in voluntary initiatives that support biodiversity protection in Kenya, such as safeguarding endangered species and poaching prevention.

International standards

In our commitment to sustainability, we recognise and adhere to globally accepted standards, and have accordingly:

- Developed a company-wide purpose strategy that includes our sustainability strategy. The strategy defines our "why" and outlines the resulting impact in the community in which we operate, through:
 - Innovative products and services
 - Our commitment to managing our environmental impact
 - Our commitment to our employees and stakeholders in our ecosystem and how we conduct business responsibly
- Continued to integrate UN SDGs into our business operations. We see the UN SDG framework as a business strategy to guide our innovations, products and services, and our business operations. The SDG Framework is also a business strategy for shared value opportunities.
- Received the recommendation for continued for ISO14001 Environmental Management Systems certification for our environmental management system.
- Continued to undertake statutory environmental occupational health, safety and fire risk audits for BTS sites, with our network projects subjected to the statutory Environmental Impact Assessment to identify all impacts associated with the project, in order to avoid or mitigate the impacts.



HOW WE SAFEGUARD VALUE

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Message from
the CEO

Our strategic
approach

The value
we embed

The commercial
value we deliver

CFO's review

The social value
we contribute

How we
safeguard value

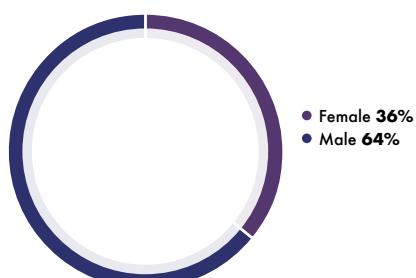
Financial
statements



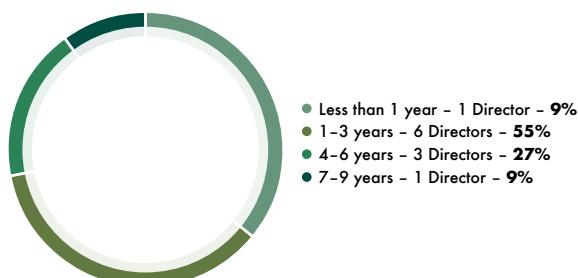
Who governs us

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

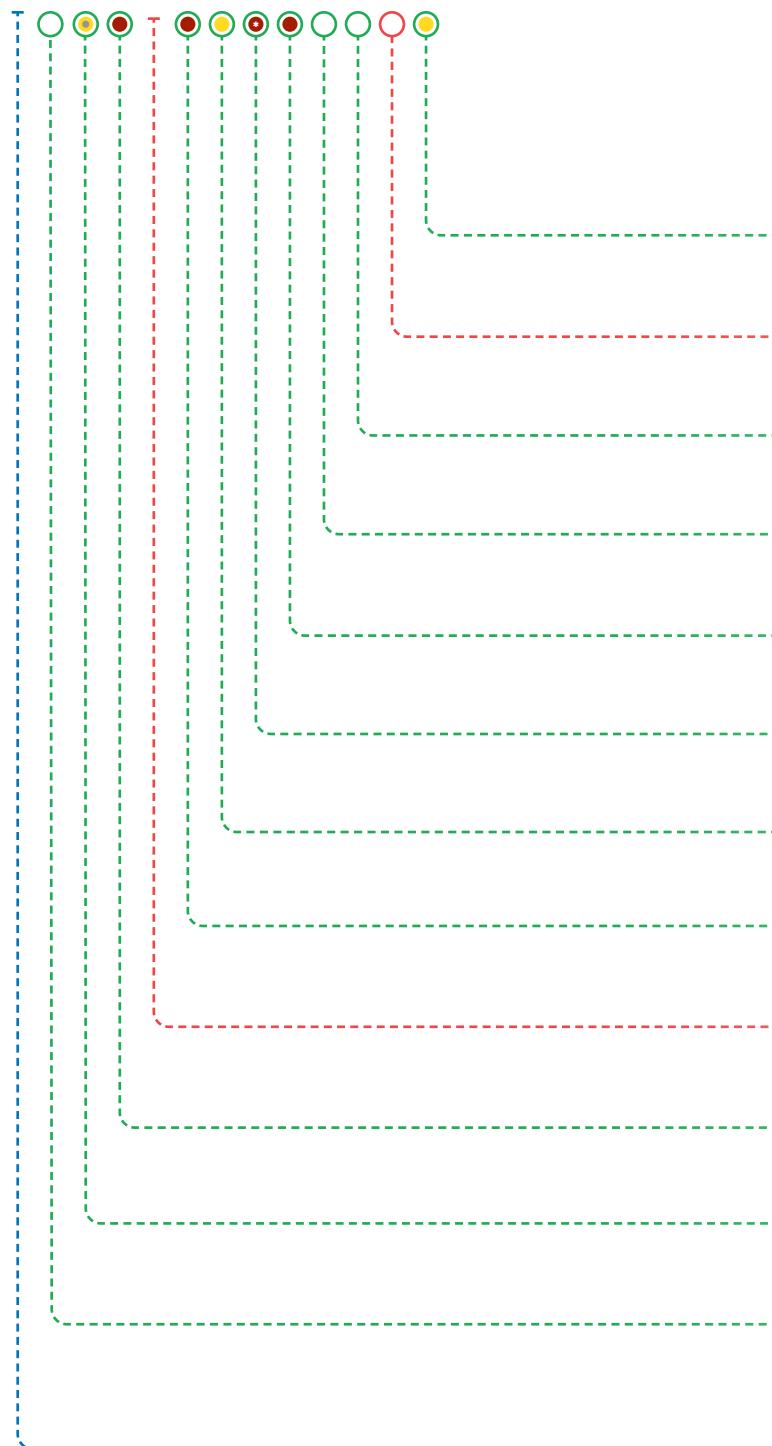
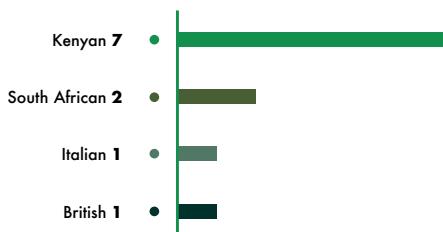
Gender diversity



Tenure



Nationality of Board members



Peter Ndegwa is a permanent invitee to the Board Audit, Risk and Compliance (BARC) and the Nominations, Remunerations and Governance committee.

Dilip Pal is a permanent invitee to the BARC.

Kathryne Maundu sits as the secretary in all Committees.

Legend

- Non-Executive Director
- Executive Director
- Company Secretary
- Board Audit, Risk and Compliance Committee
- Nominations, Remuneration and Governance Committee
- * Committee Chair

Michael Joseph
Chairman and Non-Executive Director

Peter Ndegwa
Executive Director and Chief Executive Officer

Mohamed Shameel Aziz Joosub
Non-Executive Director

Linda Watiri Muriuki
Non-Executive Director

Prof Bitange Ndumo
Independent Non-Executive Director

Rose Otega
Independent Non-Executive Director

Francesco Bianco
Non-Executive Director

Raisibe Kgomaraga Morathi
Non-Executive Director

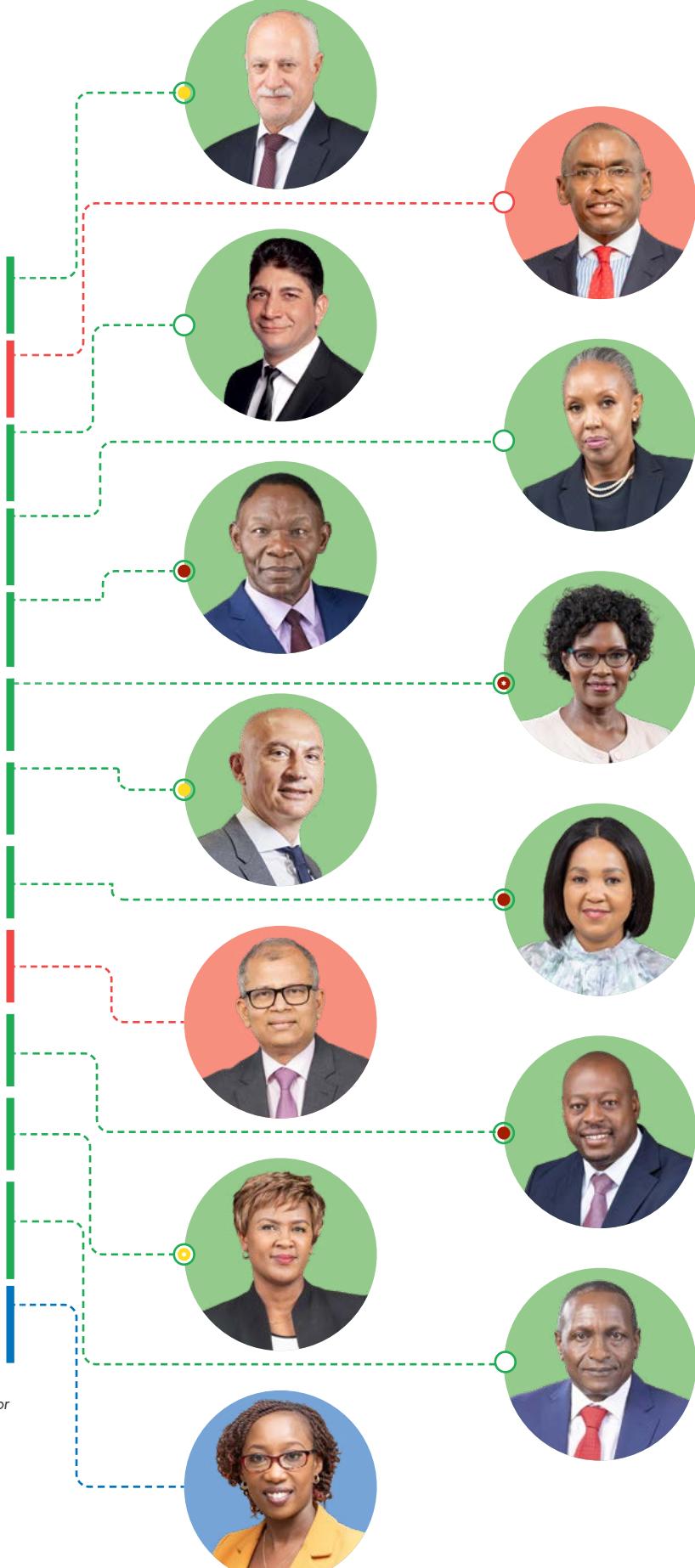
Dilip Pal
Chief Finance Officer and alternate to the CEO

Sitholizwe Mdalose
Non-Executive Director

Winnie Ouko
Independent Non-Executive Director

Eng. Stanley Kamau*
Alternate Director to the Cabinet Secretary,
National Treasury & Planning

Kathyne Maundu
Company Secretary



* Eng. Stanley Kamau was appointed as alternate Director to the Cabinet Secretary, National Treasury & Planning in place of Mr Christopher Kirigwa, OGW with effect from 28 June 2022. The appointment is subject to regulatory approval.

Who governs us continued



Michael Joseph (76)
Chairman and Non-Executive Director

Nationality:
Kenyan and American

Michael is the current Chairman of the Board of Safaricom PLC. He is the former interim 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. Previously, Michael was the Chief Executive Officer of Safaricom from July 2000 when the Company was relaunched 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.

Qualifications:

- BSc (*cum laude*) in Electrical Engineering from the University of Cape Town
- 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

Key appointments:

- Michael Joseph is currently the Chairman of Kenya Airways PLC; the M-PESA Foundation and the M-PESA Foundation Academy.
- He is also a keen conservationist and serves as Chairman of Lewa Wildlife Conservancy, a leading conservancy in Northern Kenya.
- Michael is a member of the IEEE and IEE (UK).
- He is also a Director in Global Partnership for Ethiopia (GPE).



Peter Ndegwa (53)
CEO and Executive Director

Nationality:
Kenyan

Peter is the CEO of Safaricom PLC, a leading communications company in Africa and pioneer of M-PESA, the world's most developed mobile payment system. Peter is the first Kenyan to serve as a CEO of Safaricom.

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.

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver 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 the ability to transform businesses and organisations to deliver superior results.

Peter served for eight years across a range of senior Executive Director roles at East Africa Breweries Limited (EABL) (a Diageo subsidiary) based in Nairobi. Serving as the Group 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 double 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 most successful innovations by Diageo.

He has a real passion for delivering value to customers (with his principle of customer first), investing in talent, and getting things done. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration 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 from his parents.

Qualifications:

- MBA from the London Business School, bachelor's degree in Economics from the University of Nairobi
- Certified Public Accountant – Member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Key appointments:

Peter holds other Directorships within the Safaricom Group which include:

- DigiFarm Kenya Limited
- Safaricom Money Transfer Services Limited
- M-PESA Africa Limited
- He is also a Director in Global Partnership for Ethiopia (GPE).



Rose Otega (62)
Independent Director

Nationality:
Kenyan

Rose has extensive experience spanning over 25 years in advising and managing both large, complex organisations and emerging start-up ventures. In recognition of her contribution to the economic development of the country, she was awarded the Moran of the Burning Spear in 2005.

Rose 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 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.

Qualifications:

- Bachelor of Commerce in Accounting and Finance, University of Nairobi
- Certified Public Accountant – Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK)

Key appointments:

As part of her board experience, Rose Otega has served as a member of the board at Barclays Bank of Kenya; UAP Old Mutual Holdings; as the chairperson of the advisory board of Women Enterprise Fund (WEF) and as the chairperson of the Institute of Certified Public Accountants of Kenya (ICPAK).



Bitange Ndumo (62)
Independent Director

Nationality:
Kenyan

Prof. Ndumo is a noted 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 was awarded the prestigious presidential Chief of the Burning Spear of Kenya (CBS) for his distinguished services in 2006.

Prof. Ndumo was previously a Permanent Secretary of Kenya's Ministry of Information and Communication where he was credited with facilitating many transformative ICT projects, a Senior advisor to UN's Global Pulse (Big Data initiatives) and the UNCDF's Better than Cash Alliance and UNICEF's Innovation Council.

He is an Open Data/Big Data evangelist and dedicated to simplification (visualisation) of data for ordinary citizens to consume. He writes two columns every week for the *Business Daily* and *Nation on-line*.

Qualifications:

- Prof. Ndumo holds a PhD in Industrial Economics from the University of Sheffield in the UK
- MBA from the University of St. Thomas (Minnesota) in the United States
- Bachelor of Science degree in Finance from the University of Minnesota

Key appointments:

As part of his board experience, Prof. Ndumo chaired the Kenya Distributed Ledgers and Artificial Intelligence Taskforce that developed the country's road map for digital transformation.

- He is a member of the OECD Expert Panel for Blockchain.
- World Economic Forum Global Blockchain Council (part of the World Economic Forum's Global Fourth Industrial Revolution Councils).

Who governs us continued



Mohamed Shameel Aziz Joosub (51)
Non-Executive Director

Nationality:
South African



Raisibe Morathi (53)
Non-Executive Director

Nationality:
South African

Shameel is the Chief Executive Officer of Vodacom Group Limited, a position he has held since 2012. He has extensive telco experience having operated at a senior level in various companies across the group for the last 22 years, including Managing Director at Vodacom South Africa and Chief Executive Officer at Vodafone Spain. Shameel holds board positions at Vodacom Group Limited, Safaricom Plc, and a number of subsidiary boards across the group. Shameel served on the Vodacom Group Board from 2000 until March 2011, when he was seconded to Spain. He was re-appointed to the Vodacom Group Board in September 2012 after his return from Spain. Shameel also sits on the board of Business Leadership South Africa. He was appointed to the Vodafone Group Exco in April 2020.

Qualifications:

- Master of Business Administration degree from the University of Southern Queensland
- Bachelor of Accounting Science (Honors)
- Associated General Accountant and Commercial and Financial Accountant (SA)
- Advanced Management Programme from Harvard University

Key appointments:

- Shameel Joosub is the CEO of Vodacom Group, South Africa.
- He is a Director in M-PESA Africa Limited.

Raisibe is the Chief Financial Officer of Vodacom Group, South Africa. She joined Vodacom from Nedbank Group Limited where she had been the Group Chief Financial Officer since September 2009.

Raisibe has spent over 26 years in the financial services industry in South Africa and has acquired experience in banking and insurance.

Raisibe has previously served as an Executive Director of Sanlam Limited and prior to that as an executive of the Industrial Development Corporation. Her experience spans Investment Banking, Private Equity, Corporate Lending and Insurance. In her career she also served in various boards of listed and non-listed companies in her executive capacity or a shareholder representative. She has extensive experience in audit committees where her experience includes serving as a member of the committee or chairperson.

Qualifications:

- Masters in Philosophy (GIBS)
- Chartered Accountant (SA)
- Advanced Management Programme (INSEAD) France
- Higher Diploma in Taxation from Wits University

Key appointments:

- Chief Financial Officer and Executive Director of Vodacom Group.
- She is a Director in M-PESA Africa Limited.



Dilip Pal (56)

Chief Finance Officer and alternate Director to Peter Ndegwa

Nationality:

Indian

Dilip, who joined Safaricom as the Chief Finance Officer in November 2020, has more than 31 years of experience in finance, spanning various industries including telecoms, financial services, fast-moving FMCG and Engineering in international and multi-cultural environments. Dilip has a proven track record of building competent teams, improving performance, business turnaround, simplification, and digitisation.

His division is responsible for the overall financial planning, management, and oversight of the organisation.

Previously, he was the CFO of DTAC Thailand, a part of the Telenor Group, since 2017. Prior to DTAC, he was the CFO of Grameenphone Bangladesh, a role that he held for three years. Before Grameenphone, Dilip held various finance roles in Vodafone India in Mumbai, rising to the role of EVP Finance. He has also held senior finance roles in other organisations, namely Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor), Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Limited (Vodafone India subsidiary).

Qualifications:

- Masters in Commerce from Calcutta University
- Bachelor of Commerce from Goenka College of Commerce
- Chartered Accountant from the Institute of Chartered Accountants of India
- Cost Accountant from the Institute of Cost and Works Accountants of India

Key appointments:

- In his capacity as the CFO, he is a director in the Safaricom subsidiaries including: Comtec Training and Management Services Limited; Comtec Integration Systems Limited; Flexible Bandwidth Services Limited; One Communications Limited; Instaconnect Limited; East Africa Tower Company Limited; DigiFarm Kenya Limited; Safaricom Money Transfer Services and M-PESA Africa Limited.
- He is also a Director in Global Partnership for Ethiopia (GPE).



Francesco Bianco (50)

Non-Executive Director

Nationality:

Italian

Francesco 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 human resource (HR), spanning over 15 years. He originally joined Vodafone Italy in 2000 and has extended his career portfolio internationally in other HR Director roles.

Qualifications:

- Bachelors' degree in Law – Padova University
- Business Strategy Executive Programme – Maastricht University

Key appointments:

- Alternate Director at Vodacom Group.

Who governs us continued

**Linda Watiri Muriuki (58)**

Non-Executive Director

Nationality:

Kenyan

**Sitholizwe Mdlalose (42)**

Non-Executive Director

Nationality:

British

Linda serves as the senior partner at IJA Associates. She is a practicing Advocate of the High Court of Kenya with over 27 years' experience ranked by Chambers and Partners in 2015 and 2016. Linda is a Commissioner of Oaths, Notary Public, Certified Public Secretary (Kenya), a member of the Institute of Directors (K) and The Law Society of Kenya, a Chevening Scholar and an Eisenhower Fellow of Kenya.

Qualifications:

- Advocate of the High Court
- Registered Certified Public Secretary with the Institute of Certified Secretaries – Kenya (ICS)
- BA Economics degree from York University, Canada
- IIB (Honours) from the University of Leeds, United Kingdom
- 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

Key appointments:

- Linda currently serves as a Non-Executive Director of East Africa Reinsurance Company Limited.
- She previously served as a Non-Executive Director of Old Mutual Life Assurance Company Limited from 2004 to 2010 and the Capital Markets Authority from 2015 to 2017.
- She is also a Director in Global Partnership for Ethiopia (GPE).

Sitho is currently the Managing Director of Vodacom Tanzania a position that he has held since August 2021. He transitioned to the role of Managing Director of Vodacom South Africa with effect from 1 July 2022.

He joined Vodafone Group in January 2007 and worked in various roles in the United Kingdom, including as Finance Manager, Head of Internal Audit Unit and as Senior Finance Manager: Africa, Middle East & Asia Pacific Regions, for over six years. He thereafter relocated to South Africa in August 2013 and joined Vodacom Group where he continued to hold various leadership roles including Chief Finance Officer for International Business. He was then Interim Group Chief Finance Officer and Finance Director for Vodacom South Africa, before being appointed to MD, Vodacom Tanzania in 2021.

Qualifications:

- Bachelor of Accountancy (B.Compt) degree, from the University of South Africa
- A qualified Chartered Accountant (ACCA), Institute of Chartered Accountants in England and Wales
- He has successfully undertaken the Senior Executive Programme at Harvard School of Business

Key appointments:

- As part of his board experience, Sitho has been a Director in M-PESA Africa Limited.

**Winnie Ouko (52)**

Independent Director

Nationality:

Kenyan

**Eng. Stanley Kamau (63)**

Alternate Director to the Cabinet Secretary, National Treasury & Planning

Nationality:

Kenyan

Winnie has over 25 years of professional finance, strategy and board-level experience, serving corporates and non-profits in Africa, Europe and the US. She is the founder and CEO of Lattice Consulting (member of Larive International, nll), a Kenya-based boutique advisory firm committed to propelling its clients to growth via strategy and finance advisory and corporate training.

Winnie's career includes a stint as an associate Director at Standard and Poor's in New York and PricewaterhouseCoopers in Nairobi. She is a fellow of the Aspen Global Leadership Network, and is a leadership adviser with Adaptive Change Advisors, (NY).

Qualifications:

- MBA from Cornell University (NY)
- Bachelor of Commerce from the University of Nairobi
- Certified Public Accountant (ICPAK)

Key appointments:

- Winnie sits on the board of the Kenya Pooled Water Fund.
- She has served on the board of Absa (Kenya), chairing the audit, risk and compliance committee.
- She has been a Trustee for the Worldwide Fund for Nature, Switzerland (which oversees 70+ programmes and country offices around the world), chairing the Audit and Risk Committee.

Eng. Kamau, is currently the Director General, Public Investments and Portfolio Management Directorate at the National Treasury that is responsible for coordinating, managing and providing leadership in government investments and public enterprises, assets and liabilities in Government, public investment management and government pensions. In his current role, he has led reforms that include the successful swap of Government shares in National Bank of Kenya to Kenya Commercial Bank, on-going restructuring of Kenya Airways, restructuring of balance sheets for several commercial state corporations, on-going government privatization programme and reforms in prudent financial management of state corporations.

Qualifications:

- Bachelor of Science Degree in Civil Engineering from the University of Nairobi
- A registered engineer with Engineers Registration Board of Kenya

Key appointments:

- Eng. Kamau has served and continues to serve as an Alternate Director/Board member in various state corporations.



Who governs us continued



Kathryne Maundu (43)

Company Secretary

Nationality:

Kenyan

Kathryne is a Partner at Stamford Corporate Services LLP. She is recognised as a leading expert in corporate governance matters having advised leading corporates in the public and private sectors for over 15 years. She is an Advocate of the High Court of Kenya; a member of the Law Society of Kenya; a registered practicing Certified Public Secretary; and an Accredited Governance Auditor with the Institute of Certified Secretaries – Kenya. She has been recognised as a leader in society and named as Top 40 under 40 Women in Kenya.

Qualifications:

- Certified Company Secretary with the Institute of Certified Secretaries – Kenya
- Accredited Governance Auditor with the Institute of Certified Secretaries – Kenya
- Advocate of the High Court

Key appointments:

- Kathryne is a Council member of the Institute of Certified Secretaries – Kenya (ICS); a member of the Women on Boards Network; a member of the Women Corporate Directors (Kenya Chapter) and a Director with the Anti-Doping Agency of Kenya.

Who leads us

Kenya Management Team



Peter Ndegwa
Chief Executive Officer

Nationality:

Kenyan

Key appointments:

Peter holds other Directorships within the Safaricom Group which includes:

- Digmat Kenya Limited
- Safaricom Money Transfer Limited
- M-PESA Africa Limited

Qualifications:

- MBA from the London Business School, Bachelor's degree in Economics from the University of Nairobi.
- Certified Public Accountant - Member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Peter is the CEO of Safaricom PLC, a leading communications company in Africa and pioneer of M-PESA, the world's most developed mobile payment system. Peter is the first Kenyan to serve as a CEO of Safaricom.

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.

In his most recent role, Peter was responsible for Diageo PLC operations in 50 countries in Western and Eastern Europe, Russia, the Middle East, and North Africa regions. Previously, he served as CEO in Guinness Nigeria PLC and Guinness Ghana Breweries PLC, transforming the two operations to deliver double-digit growth by investing in people, introducing new brands and reorganizing the businesses. As a chief executive in several markets within the Diageo group, Peter demonstrated the ability to transform businesses and organizations to deliver superior results.

Peter served for eight years across a range of senior Executive Director roles at East Africa Breweries Limited (EABL) (a Diageo subsidiary) based in Nairobi. Serving as the Group 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 double 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 most successful innovations by Diageo.

He has a real passion for delivering value to customers (with his principle of customer first), investing in talent, and getting things done. He started his career at PwC, the global consulting firm, where he worked for 11 years. Peter draws his inspiration 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 from his parents.



Dilip Pal
Chief Finance Officer

Nationality:

Indian

Qualifications:

- Masters in Commerce from Calcutta University
- Bachelor of Commerce from Goenka College of Commerce
- Chartered Accountant from the Institute of Chartered Accountants of India
- Cost Accountant from the Institute of Cost and Works Accountants of India

Dilip, who joined Safaricom as the Chief Finance Officer in November 2020, has more than 31 years of experience in finance, spanning various industries including telecoms, financial services, fast-moving FMCG and Engineering in international and multi-cultural environments. Dilip has a proven track record of building competent teams, improving performance, business turnaround, simplification, and digitisation.

His division is responsible for the overall financial planning, management, and oversight of the organisation.

Previously, he was the CFO of DTAC Thailand, a part of the Telenor Group, since 2017. Prior to DTAC, he was the CFO of Grameenphone Bangladesh, a role that he held for three years. Before Grameenphone, Dilip held various finance roles in Vodafone India in Mumbai, rising to the role of EVP Finance. He has also held senior finance roles in other organisations, namely Hutchinson Essar, Hindustan Coca Cola Beverages and Tata Tinplate.

Dilip has held board positions in various institutions including Carousell, Singapore (leading online classified company of South Asia), Tele Assets, Thailand (DTAC subsidiary), Accenture Bangladesh (joint venture of Accenture and Telenor), Indus Tower (JV with Bharti Airtel and Idea) and Vodafone Essar Spacetel Limited (Vodafone India subsidiary).

Dilip has a Master's in Commerce from Calcutta University and a Bachelor of Commerce from Goenka College of Commerce. He is a Chartered Accountant from the Institute of Chartered Accountants of India and a Cost Accountant from the Institute of Cost and Works Accountants of India.

Who leads us continued

Kenya Management Team continued



Sylvia Mulinge
Chief Consumer Business Officer

Nationality:
Kenyan

Qualifications:

- 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.

Sylvia is currently the Chief Consumer Business Officer responsible for Mobile Data, Mobile Voice, Fixed Data and Digital Services. She is also in charge of Consumer Value Management, Brand Marketing & Communications and Brand Experience.

Sylvia Mulinge was previously the Chief Customer Officer, responsible for leading Safaricom's obsession on Customer Experience as a key differentiator of its overall company strategy. She was in charge of Consumer Business, Brand Marketing, Brand Experience, Digital Transformation, Sales & Distribution, Operations and Commercial Planning & Pricing.

She joined Safaricom in February 2006 from Unilever and rose from the role of Prepay Product manager to Head of Retail, Director of Enterprise Business before transitioning to manage the Consumer Business as Director of Consumer Business, a role she held for 3 years before transitioning to her current role as Chief Customer Officer. She has held various leadership roles for the last 8 years.

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, being named 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.



Sitoyo Lopokoiyit
Managing Director, M-PESA Africa and Acting Chief Financial Services Officer

Nationality:
Kenyan

Qualifications:

- 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 UK.

Sitoyo Lopokoiyit is the Managing Director, M-PESA Africa and acting Chief Financial Services Officer at Safaricom.

He joined Safaricom PLC on 1st April 2018, having previously served as M-Commerce Director at Vodacom Tanzania PLC Ltd from October 2015. As the Chief Financial Services Officer, he is responsible for growing M-PESA to a fully-fledged financial platform. He is in charge of New Business Ventures, Product Management & Development for both Consumer and Enterprise.

During his time at Vodacom, he oversaw the delivery of several transformative products and services; led the turnaround strategy and execution for M-PESA which has resulted in an accelerated growth of M-PESA in Tanzania. Some of the initiatives he led include; delivery of 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.

Prior to joining Vodacom Tanzania PLC, he was the Head M-PESA Strategy and Business Development at Safaricom.

Sitoyo has over 10 years' senior managerial experience from different fields; oil & Gas (Chevron and Total Kenya Ltd) and in the Retail industry with Uchumi supermarkets in Kenya. He has worked extensively in the East Africa Region as well as in Mauritius and Reunion.



Paul Kasimu
Chief Human Resources Officer

Nationality:
Kenyan

Qualifications:

- He holds a first degree in Economics and Sociology (University of Nairobi) and a Master of Science in Management and Organizational Development (USIU-Africa). He is a past Chairman of the Institute of Human Resource Management, Kenya; Vice-Chair of Amref-Kenya Board; and member of the United States University – Africa (USIU-A) University Council.

Paul Kasimu, the Chief Human Resources Officer, is a passionate HR professional and an accredited Executive Coach. He has expertise in implementing HR Strategy, leadership and talent development, and employer branding. Paul has experience across Africa and the UK in the public sector, financial, airline, FMCG, and telecoms sectors.

He is responsible for talent and organizational effectiveness. Paul oversees 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 the East African Breweries where he was the Group HR Director, a role he held since May 2011. He held similar roles, for a combined 9 years, at Kenya Airways and Barclays Bank.

Paul was the Chairman of the Institute of Human Resource Management in Kenya for 7 years (2008 to 2015) and led in the enactment of the 2012 Human Resources Professionals Act. Some of his accolade includes being named the Manager of the Year at the Company of the Year Awards (COYA) in Kenya (2008).



Nicholas Mulila
Chief Corporate Security Officer

Nationality:
Kenyan

Qualifications:

- 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 Professional 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), member of the American Society for Industrial Security International (ASIS) and a member of the Institute of Directors (Kenya).

Nicholas Mulila is the Chief Corporate Security Officer at Safaricom PLC responsible for the Business Risk Management Strategy, Cyber Security Management, Revenue Assurance, AML/CTF Program, Insurance, Ethics & Compliance 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 Principal Business Planning & Forecasting Accountant, Head of Corporate Strategy, Head of Commercial Planning & Pricing, Executive Business Analyst, Director Risk Management and is currently Chief Corporate Security Officer.

Nicholas has 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.



Morten Bangsgaard
Chief Technology Information Officer

Nationality:
Danish

Qualifications:

- Morten is a Danish citizen and holds a Master's in Economics and Mathematics from Aarhus University, Denmark.

Morten, the Chief Technology Information Officer, has over 26 years of experience in various roles in the telecommunications industry. He will head the newly created Technology and Information organisation.

He joined Safaricom in January 2021 from Maxis, Malaysia—the country's largest mobile operator—where he worked for six years (2014-2020). At Maxis as the CTIO, Morten was responsible for the development and operations of the Maxis telecommunications and IT networks. He was instrumental in planning and leading large IT transformation projects, the building of enterprise fibre network, cybersecurity and cloud and network digitalisation.

Before Maxis, Morten was at TDC Denmark—a Danish telecommunications company—for a decade where he was responsible for planning, designing and building mobile, fixed and coax networks. He joined TDC in 2004 as a Strategy Consultant and Head of Market Support. While at TDC, Morten became the Vice President Head of Network Development and Strategy in 2007; he would later be appointed Executive VP and CIO in 2008, VP Technology & IT in 2013 and Senior VP Network Planning and Build, a role he held until he joined Maxis in 2014. Before working at TDC in 2004, Morten held several roles at Ericsson Denmark, Sweden and the UK for 10 years.



Nicholas Kamunyu
Chief Channels Officer

Nationality:
Kenyan

Qualifications:

- Nicholas has a Diploma in Business Management, A.C.C.A, and a Master of Business Administration from the United Kingdom. He also has an Executive Development Certification from Stellenbosch, South Africa.

Nicholas is the Chief Channels Officer, responsible for sales and distribution as well as all customer care and retail centres. He is also responsible for market development, regional sales and operations, terminals and the management of our dealers and agents.

Nicholas was previously the Franchise Director at Coca Cola, Nigeria.

He has over 23 years' experience in finance and commercial roles across various local and international corporations. His career began in the United Kingdom at Carluccio's, Searcy Tansley & Co. where he started in an accounting role before growing to the role of Financial Controller. He then transitioned to Medicsight Inc. where he held a similar role.

Nicholas then joined Coca Cola Beverages Africa (CCBA) where he was Finance Director in Uganda then Mozambique. In 2011, he was promoted to Sales and Marketing Director at CCBA Kenya, a role he held till May 2013. Upon leaving CCBA, he joined Carlsberg Kenya as the General Manager from 2013 to 2016, when he joined Sema Mobile. In 2018, he joined Coca Cola, Nigeria as Franchise Director.

Who leads us continued

Kenya Management Team continued



Stephen Kiptinness *
Chief Corporate Affairs Officer

Nationality:

Kenyan



Michael Mutiga **
Chief Business Development and Strategy Officer

Nationality:

Kenyan

Qualifications:

- Bachelor of Laws (LL. B Hons) from the ILS Law College, University of Pune, a Diploma in Computer Science, a Certificate in Human Resource Management, a Post graduate Diploma in Law and a Master of Laws (LL.M) in Information Technology & Telecommunications Law from the London School of Economics.

Stephen is responsible for Safaricom's reputation management, public policy, legal and regulatory affairs. He is in charge of steering the development and implementation of Safaricom's corporate investment strategy as well as overseeing internal and external communications. He also leads the development of a roadmap that will embed purpose in everything we do at Safaricom and among our stakeholders.

Stephen has more than 27 years of cumulative legal experience. He joined Safaricom from Kiptinness & Odhiambo Associates LLP where he was a Senior Partner heading the Technology and Intellectual Property practice for the last 10 years. Before starting his practice, Stephen worked at Telkom Kenya Orange, heading Regulatory Affairs for 3 years, from 2009 to 2012.

Prior to his role at Telkom Orange, he held various legal roles including Legal Officer and subsequently Senior Legal Officer at the Communications Authority of Kenya, and Legal Manager at the Commonwealth Telecommunications Organisation, having commenced his legal career as a Trainee Advocate at Oraro & Co. Advocates. Stephen also teaches at the University of Nairobi School of Law.

Stephen is an Advocate of the High Court of Kenya, a Member of the Law Society of Kenya and is a Certified Public Secretary with Institute of Certified Secretaries.

Qualifications:

- He holds a Bachelor of Law Degree from the University of Nairobi, and Master in Law degree from Temple University. He is an Advocate and a Certified Public Secretary and sits on the Board of Junior Achievement.

Michael leads Safaricom's business development and transformation agenda. He is responsible for Strategic Partnerships, Mergers and Acquisitions, Safaricom's funding strategy and asset optimization.

With over 20 years' experience in Corporate and Investment Banking, Michael joined Safaricom from Citibank where he was a Managing Director and Head of Corporate Finance for Sub-Saharan Africa from 2019. Prior to this role, he was head of Corporate and Investment Banking for Citibank Kenya and was appointed a Senior Credit Officer in 2018. Michael was with Citibank for 15 years and has held various senior local and regional leadership roles.

Prior to joining Citibank, Michael worked in Barclays/Absa Capital, where he grew from a Management Associate to the Regional Coverage Head – East Africa, Investment Banking Division Africa, a role he held until he joined Citibank in 2006.

Through his career, Michael has managed numerous significant transactions, earning him 'Corporate Banker of the Year' 5 separate times at the Annual Banking awards, as well as leading his team to winning 'Corporate Bank of the Year' in Kenya a similar number of times, amongst other industry recognitions. He was also listed for three years as a Top 40 under 40.



Joseph Wanjohi ***
Ag. Chief Enterprise Business Officer

Nationality:

Kenyan

Qualifications:

- Bachelor of Commerce Degree in Marketing.

Joseph joined Safaricom in 2003 as the Sector Manager for Manufacturing and Energy. Since then, he has held various roles as Senior Manager Multinationals, Corporate Sales, Energy, Media and ICT before being appointed to his current role of Head of Enterprise Sales in 2017.

* Stephen Kiptinness was appointed Chief Corporate Affairs Officer effective 1 May 2022 and replaced Stephen Chege who exited on 30 April 2022

** Michael Mutiga was appointed Chief Business Development & Strategy Officer effective 1 May 2022 and replaced Joe Ongut who exited on 30 April 2022

*** Joseph Wanjohi was appointed Ag. Chief Enterprise Business Officer effective 1 June 2022 and replaced Kris Senanu who exited on 31 May 2022



Ethiopia Management Team



Stephen Chege *
Chief Corporate Affairs Officer

Nationality:

Kenyan



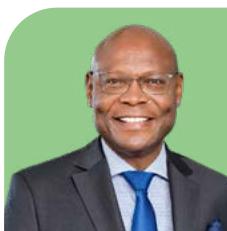
Anwar Soussa
Chief Executive Officer



Kris Senanu **
Chief Enterprise Business Officer

Nationality:

Ghanaian/Kenyan



Joseph Ogutu ***
Chief Special Projects Officer and
Ag. Chief Business Development &
Strategy Officer

Nationality:

Kenyan

Anwar comes with a wealth of international cross-functional experience in the telecommunications industry with a special focus on countries with an emerging telecoms sector.

He was appointed Chief Executive Officer of Safaricom Ethiopia in July 2021 reporting to the Board of Safaricom Telecommunication Ethiopia PLC. Anwar leads the executive leadership team with the goal of helping bring about transformational economic and social impact as well as positively affect the lives of over 112 million people with enhanced communication technologies and world class mobile financial services.

Before joining Safaricom Telecommunications Ethiopia PLC as the CEO, he managed Vodacom DRC and was the Chairperson of Vodacash (M-PESA) since 2017.

Anwar cemented Vodacom DRC as the largest Vodacom operation outside of South Africa by driving major strides in operational performance, crossing the \$500M USD in service revenue mark for the first time in 2020.

Prior to joining Vodacom DRC, Anwar served as the Chief Executive Officer of Airtel in Uganda and Chad. He has also worked in various senior leadership capacities at MTN and Digicel, as well as with other international telecom operators.

Anwar holds a Master's degree in Marketing from Concordia University in Montreal, Canada and a Bachelor's degree in Business Administration from the American College of Greece (Deree).

* Stephen Chege ceased to be Chief Corporate Affairs Officer effective 30 April 2022 and replaced by Stephen Kiptinness effective 1 May 2022

** Kris Senanu ceased to be Chief Enterprise Business Officer effective 31 May 2022 and replaced by Joseph Wanjohi who took up the role in an acting capacity

*** Joseph Ogutu ceased to be Ag. Chief Business Development & Strategy Officer effective 30 of April, having attained retirement age and was replaced by Michael Mutiga effective 1 May 2022

Who leads us continued

Ethiopia Management Team continued



Masahiro Miyashita
Chief Strategy Officer

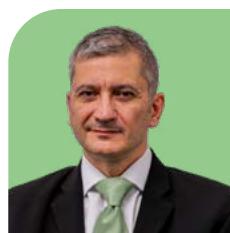


Stanley Njoroge
Chief Finance Officer

Miyashita, a Japanese national, has vast experience in telecommunication having worked for Sumitomo Corporation for over 30 years as the General Manager of the Smart Communication Platform Business Division. He also sits on the board of multiple telecom companies in various countries such as Myanmar, Guam (USA), Uzbekistan, Russia, China and Japan to supervise management and strategy.



Matthew Harrison-Harvey
Chief External Affairs and Regulatory Officer



Pedro Rabacal
Chief Technology Officer

Matthew has held several senior legal, regulatory, and external affairs roles within the Vodafone Group over the last 20 years. His has held roles as Legal, Regulatory, and External Affairs Director at Vodafone Qatar between 2008 and 2012, Managing Executive responsible for legal and regulatory affairs for Vodacom Group's international operations in Sub-Saharan Africa between 2013 and 2018, and Vodafone Group External Affairs Head of Africa Middle East and Asia Pacific Affairs and Relations between 2018 and June 2021, where he was instrumental in the development of Vodafone's Africa Digital Social Contract and the successful license bid in Ethiopia.

Pedro has been with Vodacom Group for 22 years, spending the last seven years before joining Safaricom Ethiopia, as the CTO for Vodacom Mozambique.

Prior to joining the Mozambique leadership team, Pedro led several key portfolios within Vodacom South Africa as well as Vodacom Group that pushed forward technology evolution from the early years of GPRS, on to 3G, 4G and recently the first deployment of 5G in Mozambique.

Before joining Vodacom, Pedro was the Regional CTO for the South African Telecommunications Regulator.



Paul Kavavu
Chief Financial Services Officer

Paul, prior to joining Safaricom Ethiopia, was the Head of M-PESA new Business Ventures at Safaricom PLC. He has 19 years of progressive experience in mobile money innovation, strategy formulation and execution, performance change management and negotiation across financial services, telecom, and banking industries.

He joined Safaricom in 2002 from Absa Bank, formerly Barclays Bank of Kenya. Paul holds a Bachelor of Commerce Degree from the University of Nairobi, is a Certified Public Accountant of Kenya, CPA (K) and Certified Oxford Fintech Program alumni.



Julie Arndt
Chief Legal and Risk Officer

She has over 20 years' experience in the telecommunications industry within senior leadership in the legal and compliance functions as well as in the Human Resources area. She has a particular interest in legal compliance, quality management, internal audit, money laundering and financial crime management. Julie joined Vodacom in 2006 and has held various roles across the organisation including in group compliance, legal and human resources.

She holds a BA and LLB degree from the University of KZN, an LLM degree from the University of South Africa and a Higher Diploma in Computer Auditing from the University of the Witwatersrand. Julie is also a Certified Quality Auditor with the American Society for Quality and a certified coach with the NeuroLeadership Institute.



Mokaya Mokaya
Chief Human Resource Officer

Mokaya has 17 years' experience in multiple HR core competency areas. These include Talent Management, Capability Development, Organizational Effectiveness, HR Business Partnership and Digital & Agile Change Management.

Mokaya joined Safaricom in 2007 in the HR function where he worked in various roles within the Capability Development & Recruitment function. In 2014, he took on a two-year assignment in Vodafone India as the Head of Organizational Effectiveness & Change Management. He later returned to Safaricom Limited PLC where he was the Head of Talent, Capability and Recruitment. In 2018, Mokaya moved to support the Commercial function as the Head HR Business Partner, a role he held until he was seconded to Safaricom Ethiopia as the Chief Human Resource Officer in 2021.

Mokaya holds a Bachelor of Arts Degree from the University of Nairobi. He is a member of the Institute of Human Resource Management and an International Coaching Federation (ICF) certified coach.



Chris Lazarus
Chief Enterprise Business Officer

Chris has been part of Vodacom South Africa since 2005 as the Managing Executive for KwaZulu Natal Region, where he held various roles within the Consumer and Enterprise Business Units.

He has over two decades of experience in the Information and Communications Technology and Financial Services sectors.

Chris has an MBA from Henley Business School (UK), Advanced Executive Programme with the University of South Africa and Telecoms Certification from the North-West University (South Africa).

Who leads us continued

Ethiopia Management Team continued



Koichi Kawase
Director, Project Management Office

Koichi has spent close to 30 years in Sumitomo Corporation taking on increasingly larger and varied management roles in the telecom companies in the emerging markets invested by Sumitomo Corporation.

He was appointed as Director of the Project Management Office of Safaricom Ethiopia in July 2021 and has been working together with other leadership toward the first critical milestone of the service launch, by supporting and monitoring the critical programs and projects across all the functions.

His experience in the emerging markets is represented by Chief Strategy Officer to Acting Chief Executive Officer in the largest telecommunication operator in Mongolia, called MobiCom Corporation, and Chief Commercial Officer in the largest telecommunication operator in Myanmar, called Myanmar Posts & Telecommunications, both affiliated companies of Sumitomo Corporation.

He has also led Digital and Fintech investment projects in Malaysia and Myanmar, and in his most recent assignment, was a Board member of the largest mobile distributor in Japan, and Executive Vice President and Board member of a device lifecycle management start-up company.

Koichi holds a bachelor's degree in economy from Aoyama Gakuin University in Japan.



Charles Wanjohi
Chief Consumer Business Officer

Charles has over 19 years of commercial experience gained working for Multinationals focused on Sub-Saharan Africa, he carries a broad international perspective having worked in Kenya, South Africa, Bahrain, and experience working with 17 geographies across Sub-Saharan Africa.

His telco career spans more than 15 years across Celtel Kenya, Zain Kenya, Zain Group, Airtel Africa, Airtel Kenya, and Safaricom PLC, where he was the Director of Consumer Business. He also has proven capabilities in Telco Commercial Strategy & planning, transforming organizations from Product focus to Consumer segments focus, Shaping, creating, and managing high-performing Agile commercial organizations, Accelerating Data and Digital transformation, Telco pricing & Analytics Strategy.

Charles has a bachelor's degree in Commerce, is a Certified Public Accountant, and is an alumnus of the Vodafone Inspire Leadership program.



Andarge Kabi timer
Chief Sales and Distribution Officer

Andarge has over 20 years' experience in various sectors in Ethiopia including FMCG, oil & gas, and financial institutions have worked with the Commercial Bank of Ethiopia, Shell, and Diageo in different senior roles.

He was the Commercial Operations and Sales Transformation Manager at Diageo – Meta Abo Brewery and a member of the Company's Leadership Team.

Andarge holds a Degree in Accounting from Addis Ababa University and a master's degree in Business Administration (MBA) from Indra Gandhi National Open University, India.

Our corporate governance statement

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

Overview

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 of 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 assess 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 Board is committed to ensuring that a strong governance framework operates throughout the Company, recognising that good corporate governance is a vital component to support management in their delivery of the Company's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The Board recognises that the process of identifying, developing and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business, the composition of the Board and developments in corporate governance.

The role of the Board

The Board is collectively accountable and responsible for the Company's vision, strategic direction, its values, and governance. The responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Chief Executive Officer (CEO) and his Senior Leadership Team.

The primary role of the Board remains the 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. The Board work plan for FY2022/2023 was approved by the Board at its meeting held on 28 October 2021.

Key responsibilities of the Board include:

- Provide effective leadership in collaboration with the Executive management team;
- Approve the Company's mission, vision, its business strategy, goals, risk policy plans and objectives;
- Approving the Company's business strategy and ensure the necessary financial and human resources are in place to meet agreed objectives;
- Approve the Company's budgets as proposed by the Executive management team;
- Establish and agree an appropriate governance framework;
- Review the sufficiency, effectiveness and integrity of the risk management and internal control systems;
- Approve the Company's performance objectives and monitoring their achievement;
- Review and agree Board succession plans and approve Non-Executive Director appointments;
- Review periodic financial and governance reports;
- Approve the Annual Report, Company results and public announcements;
- Declaring an interim/recommending a final dividend;
- Approving Company Policies and monitoring compliance with the Standards of Business Conduct; and
- Ensuring that the relevant audits, e.g. financial, governance or legal and compliance are conducted.

The Board has established two principal Board Committees, to which it has delegated certain responsibilities, namely: the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee. The roles, membership and activities of these Committees are described in more detail later in this Report. Each Committee has its own terms of reference which are reviewed periodically and updated as appropriate.



Our corporate governance statement continued

Board size, independence and appointments

The constitution of the Company's Board is stipulated by the Company's Articles of Association. It comprises of 11 Directors, 10 of whom are Non-Executive Directors and one is an Executive Director (the CEO). As at 11 May 2022 (being the date of approval of the Financial Statements for the year ended 31 March 2022), three of the Non-Executive Directors were Independent as defined in the Code.

In line with the Company's Articles of Association, and their current shareholding, 3 out of the 10 Non-Executive Directors are appointed by the Government of Kenya and 4 out of the 10 Non-Executive Directors, are appointed by Vodafone Kenya Limited. The Non-Executive Directors, other than those appointed by Government of Kenya and Vodafone Kenya Limited, are subject to retirement by rotation and seek re-election (if they choose to) by shareholders in accordance with the Articles of Association.

Proposed candidates for the role of Independent Director, undergo a formal screening process conducted by the Nominations, Remuneration and Governance Committee of the Board before they are formally appointed. In between AGMs, in the event of any vacancy, the Board may appoint Directors to serve until the next AGM. Any such appointment of Independent Directors is brought to the attention of the shareholders through the notice of the AGM, and the Director, if they opt to seek re-election, is subjected to an election process by the shareholders, at the next AGM following their appointment.

Separation of powers and duties of the Chairman and the Chief Executive Officer

The Chairperson and the Chief Executive Officer (CEO) have distinct and clearly defined duties and responsibilities. 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 Officer 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; and
- 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; and
- Ensures that there are effective processes for engaging with, communicating with, and listening to, employees and others working for the Company.

The role of the Non-Executive Directors

The Board had 10 Non-Executive Directors as at 31 March 2022 and as at the date of this Annual Report.

The Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business.

The Non-Executive Directors help develop strategy and are responsible for ensuring that the business strategies proposed are fully discussed and critically reviewed. This enables the Directors to promote the success of the Company 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, scrutinise performance of Management and the Company, bring an external perspective to the Board, monitor reporting of performance and should be available to meet with major stakeholders as appropriate. To perform these tasks, they have access to relevant information, with updates provided on regulatory and other matters affecting the Company.

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.

The 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;
- Coordinating the governance audit process;
- Assisting the Board with the evaluation exercise; and
- Keeping formal records of Board discussions and following up on the timely execution of agreed actions.

The composition of the Board

The Directors who served during the year to 31 March 2022 are set out below:

Name	Nationality	Date of appointment
Michael Joseph	Kenyan/American	8 September 2008
Peter Ndegwa	Kenyan	1 April 2020
Mohamed Shameel Joosub	South African	31 August 2017
Linda Watiri Muriuki	Kenyan	31 August 2017
Bitange Ndemo	Kenyan	2 March 2017
Rose Ogega	Kenyan	12 February 2019
Francesco Bianco	Italian	20 March 2020
Sitholizwe Mdlatole	British	29 July 2020
Raisibe Morathi	South African	1 November 2020
Winnie Ouko	Kenyan	10 February 2021
Christopher Kirigua (Alt. to CS National Treasury)	Kenyan	10 February 2021

* Christopher Kirigua ceased to be the Alternate Director to the Cabinet Secretary, National Treasury & Planning with effect from 28 June 2022.
Eng. Stanley Kamau was appointed in his stead.

Board operations

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.

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 members of the Senior Leadership Team may be invited to attend the Board and/or Committee meetings if deemed necessary and as appropriate, 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 corporate governance statement continued

A summary of Board meetings and attendance in the year under review is indicated below:

Board meetings and Annual General Meeting attendance from 1 April 2021 to 31 March 2022

	Michael Joseph	Peter Ndegwa	Shameel Joosub	Bitange Ndemo	Linda Muriuki	Rose Ogega	Francesco Bianco	Raisibe Morathi	Sitholizwe Mdalose	Winnie Ouko	Christopher Kirigua
14 April 2021 (Special)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6 May 2021	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
29 July 2021	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
30 July 2021 (AGM)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
28 October 2021	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
24 February 2022	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Board effectiveness

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

Board diversity

The Board recognises and embraces the benefits of diversity and views increasing diversity as an essential element in maintaining a competitive advantage. The Board also recognises the role of diversity 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 Non-Executive Directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The areas of expertise of the current Board of Directors include: business management, telecommunications, banking and finance, electrical engineering, IT, mobile money, corporate communications, economics, marketing, project management, risk management, human resources, legal and governance.

Balance of Non-Executive Directors and Executive Directors:

Non-Executive Directors comprise 91% Executive Directors comprise 9%.

Length of tenure:

Less than 1 year – 1; 1 to 3 years – 6 Directors;
4 to 6 years – 3 Directors; 7 to >9 years – 1 Director

Gender split of Directors:

Male 64%; Female 36%

Independence

As at the date of this Annual Report, three (3) of the Non-Executive Directors were Independent as defined by the Code; the Company has committed to commence the process of appointment of a fourth Independent Directors so that a third of the Board comprises of Independent Directors.

Management of conflicts 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 and Committee meeting. Directors who are conflicted, are excluded from the quorum and vote, in respect of any matters in which they have an interest. Conflicts on related party transactions were reported by Directors in the year under review.

Director induction

On joining the Board, all new Directors receive a detailed induction. This provides an overview of the Company, the Company's operating environment and new developments thereof, 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 induction process of a new Director is initiated by the Chairman of the Board and is progressed by the Chief Executive Officer, members of the Senior Leadership Team and the Company Secretary.

Training and development

Board members undergo regular training and education to enable them to fulfil their responsibilities. Directors receive functional presentations built into the annual Board Work Plan to gain a good sense of the Company's operations and central functions. The Board and its Committees receive briefings and participates in deep dive sessions on various matters such as risks and their mitigations, legal and regulatory developments that directly impact the operations of the Company.

During the financial year under review, the Directors engaged in facilitator-led training from credible sources on areas of Governance. Topics discussed included: Data Protection and Privacy matters and Cybersecurity and Anti-money laundering and Counter Finance Terrorism. To better understand the business, in the period under review, the Board also held deep dive sessions on Data Privacy, the Network and IT and on Mobile Termination Rates. The main Strategy session was held in April 2022.

Access to Independent Advice

The Board recognises that there may be occasions when one or more Directors consider it necessary to take Independent Advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter and the Terms of Reference of each Committee.

Governance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, the Board appointed Ms. Catherine Musakali of Dorion Associates LLP to conduct the Company's Governance Audit. The Governance Audit Report was adopted by the Board of Directors on 28 October 2021. In the opinion of the Governance Auditor, the Board has put in place a governance framework that is broadly in compliance with the legal and regulatory corporate governance requirements. The Company was issued with an unqualified opinion.

Legal and Compliance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, an internal Legal and Compliance Audit was carried out for the year ended 31 March 2022 with the objective of ascertaining the level of adherence to applicable laws, regulations and standards in order to deliver long-term value to stakeholders. The findings from the audit confirmed that the Company was generally in compliance with applicable laws and regulations. Implementation of the recommendations from the external Legal and Compliance Audit conducted in 2021 are ongoing.

Key deliberations by the Board

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

- Approved the strategy and reviewed its implementation on a quarterly basis including ensuring necessary financial and human resources are in place to meet agreed objectives.
- Managing the challenges presented by COVID-19 was a key focus area for the Board. Key for the Board was protecting its people and sustaining the business and having in place a safe return to work protocol for employees.
- Approved the set-up of the entity in Ethiopia and discussed amongst other matters the funding and launch of the business in the market; the political and security risk in Ethiopia and mitigations thereof.
- Approved the FY2021/2022 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 interim dividend for the year ended 31 March 2022 and made a recommendation to the shareholders on the approval of the final dividend.
- Approved the Audit fees for the external auditor.
- Approved the revised remuneration for the Non-Executive Directors.
- Monitored the political and regulatory trends and developments and their implications for the business.
- Discussed the role of the Company in the forthcoming General Elections and the Continuity and Resiliency Plan pre- and post- the General Elections.



Our Corporate Governance Statement continued

- Discussed and improved the Board's understanding of key risks facing the Company.
- Discussed the risks and mitigations thereof that the business was exposed to including cyber threats, changing regulations.
- Approved the employee compensation, bonus and share grants.
- Discussed the governance audit and implementation of the recommendations thereof.
- Reviewed and monitored the significant litigation cases and their liability.
- Received regular reports of the proceedings of the Audit, Risk and Compliance Committee, the Nominations, Remuneration and Governance Committee and the Investment Committee.

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 2022 is as follows:

Name of Director	2022	2021
Peter Ndegwa	895,500	895,500
Rose Otega	2,000	2,000

Board committees membership and meeting attendance

Board committees

The Board has two standing committees: an Audit, Risk and Compliance Committee and a Nominations, Remuneration and Governance 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, Risk and Compliance Committee

Membership

The Audit, Risk and Compliance Committee consists of six Non-Executive Directors and reports to the Board after every committee meeting. In line with the Code of Corporate Governance for Issuers of Securities to the Public 2015, the committee is comprised of at least three Independent and Non-Executive Directors. It is chaired by an Independent Non-Executive Director with at least one committee member holding a professional qualification in audit or accounting and in good standing with a relevant professional body.

Current members:

Rose Otega – Chairperson
Bitange Ndimo
Winnie Oko
Christopher Kirigua
Raisibe Morathi
Sitholizwe Mdlalose
Kathyne Maundu – Secretary of the Committee

Permanent invitees:

Peter Ndegwa – Chief Executive Officer
Dilip Pal – Chief Financial Officer
Nicholas Mulila – Chief Corporate Security Officer
Denish Osodo – Director, Internal Audit
Ernst & Young – External Auditor

Functions of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee meets at least four times a year to discuss audit matters and four times to discuss risk matters. To fulfill its oversight responsibility, the committee receives reports from Management, the internal auditor and external auditors, as appropriate.

The responsibilities and role of the Audit, Risk and Compliance 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 attendance at meetings of the members of the Audit, Risk and Compliance Committee is shown below:

The attendance of the Board Audit, Risk and Compliance Committee Meetings for 2021/2022

	Rose Otega	Winnie Ouko	Christopher Kirigua	Bitange Ndemo	Raisibe Morathi	Sitholizwe Mdlalose
29 April 2021 (Risk)	✓	By invitation	By invitation	✓	By invitation	✓
5 May 2021 (Audit)	✓	By invitation	By invitation	✓	By invitation	✓
14 July 2021 (Risk)	✓	✓	✓	✓	✓	✓
28 July 2021 (Audit)	✓	Apology	✓	✓	✓	✓
14 October 2021 (Risk)	✓	✓	✓	✓	✓	✓
21 October 2021 (Audit)	✓	✓	✓	✓	✓	✓
8 February 2022 (Risk)	✓	✓	✓	✓	Apology	Apology
15 February 2022 (Audit)	✓	✓	✓	✓	✓	✓

- * Winnie Ouko, Christopher Kirigua and Raisibe Morathi became members of the Committee with effect from 6 May 2021.
- * Christopher Kirigua ceased to be a member with effect from 28 June 2022.

Key Audit, Risk and Compliance Committee activities

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

- Reviewed the half year results and audited accounts and related reports
- Reviewed the interim and final dividend recommendations
- Reviewed the External Auditors' Management Letter
- Discussed the External Audit Service Plan for the year ending 31 March 2022
- Reviewed the Internal Audit plan for the year ending 31 March 2023
- Reviewed the Internal Audit Reports in every quarter
- Reviewed the provisions of the Internal Audit Charter
- Reviewed the Terms of Reference of the Committee
- Reviewed the Committee's work plan
- Reviewed the content of various policy documents
- Discussed in detail the Business Risk Updates including changes in the heat map; Cyber Security Management Updates, AML/CFT Program Updates and Business Ethics and Compliance Updates

- Discussed the risk status of Safaricom's subsidiaries
- Significant litigations cases and liability thereof
- Annual review of the external auditor's effectiveness and independence
- In camera sessions were held with the External and Internal Auditors

Financial and business reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position throughout the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

The committee is assigned to review financial, audit and internal control issues in supporting the Board of Directors which is responsible for the Financial Statements and all information in the Annual Report.

Risk management and internal control

The Board is responsible for maintaining sound risk management and internal control systems and determining the nature and extent of the risks that the Company is willing to take to achieve its strategic objectives. With the support of the Audit, Risk and Compliance Committee, the Board carries out a regular review of the effectiveness of its risk management framework and internal control systems, covering all material controls including financial, operational and compliance controls.

Risk registers, based on a standardised methodology, are used to identify, assess and monitor the key risks (both financial and non-financial) faced by the business. Information on prevailing trends, for example whether a risk is increasing or decreasing over time, is provided in relation to each risk and all identified risks are assessed at five levels (extremely serious/very serious/serious/minor/not significant) by reference to their impact and likelihood. Mitigation plans are put in place to manage the risks identified and the risk registers are reviewed on a regular basis.

The Board, with advice from its Audit, Risk and Compliance Committee, has completed its annual review of the effectiveness of the risk management framework and internal controls for the year under review. No significant failings or weaknesses were identified, and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

External Auditor

Messrs. Ernst & Young are the Company's external auditor. The Audit, Risk and Compliance Committee considers that its relationship with the auditor worked well during the period and was satisfied with their effectiveness. The external auditor is required to rotate the audit partner responsible for the Company's audit at least every five years. The current lead audit partner has been in position since 31 July 2020.

Our Corporate Governance Statement continued

Nominations, Remuneration and Governance Committee

Membership

The Nominations, Remuneration and Governance Committee consists of five Non-Executive Directors and reports to the Board after every committee meeting. The current Chairperson is an Independent Non-Executive Director.

Current members:

Winnie Ouko – Chairperson

Michael Joseph

Linda Muriuki

Francesco Bianco

Christopher Kirigua

Kathyne Maundu – Secretary of the Committee

Permanent invitees:

Peter Ndegwa – Chief Executive Officer

Paul Kasimu – Chief Human Resources Officer

Functions of the Nominations, Remuneration and Governance Committee

The Nominations, Remuneration and Governance Committee meets at least four times a year. The purpose of the committee is to assist the Board:

- 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;
- 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, Remuneration and Governance Committee meeting members attendance is shown below:

The attendance of the Nominations, Remuneration and Governance Committee meetings for 2021/2022

	Michael Joseph	Winnie Ouko	Linda Muriuki	Francesco Bianco	Christopher Kirigua
4 May 2021	✓	By invitation	✓	✓	By invitation
26 May 2021 (Special)	✓	✓	✓	✓	✓
28 July 2021	✓	✓	✓	✓	Apology
27 October 2021	✓	✓	✓	✓	✓
26 January 2022 (Special)	NA	✓	✓	✓	✓
23 February 2022	✓	✓	✓	✓	✓

* Winnie Ouko, Christopher Kirigua and Raisibe Morathi became members of the Committee with effect from 6 May 2021.

* Christopher Kirigua ceased to be a member with effect from 28 June 2022.

Key discussions by the Nominations, Remuneration and Governance Committee

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

- Discussed the review and implementation of the overall organisation structure
- Reviewed the results of the annual employee opinion survey
- Reviewed the Non-Executive Directors' Remuneration
- Reviewed the performance of the Chief Executive Officer
- Discussed the Performance Appraisal Framework for Senior Leadership Team
- Employee Compensation and Bonus Review for the year 2021/2022
- Discussed and approved the Share Grants Proposal for the year 2021/2022
- Reviewed the proposal on remuneration for Directors in the subsidiaries who are not employees of Safaricom PLC
- Reviewed the succession planning for the Senior Leadership Team
- Update on the status of implementation of the Board Evaluation Report
- Reviewed the Terms of Reference of the Committee
- Reviewed the Committee's work plan
- Undertook an evaluation of the independence of the Independent Directors
- Reviewed and made recommendation to the Board on the composition of the Board Committees
- 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.

A summary of the attendance at meetings of the members of the Board Investment Committee is shown below:

	Michael Joseph	Shameel Joosub	Christopher Kirigua	Linda Muriuki	Raisibe Morathi	Sitholizwe Mdlalose
5 May 2021	✓	✓	By invitation	✓	By invitation	Apology
28 July 2021	✓	✓	✓	✓	✓	✓
15 February 2022	✓	✓	✓	✓	✓	✓

- * Christopher Kirigua and Raisibe Morathi became members of the Committee with effect from 6 May 2021.
- * Sitho Mdlalose ceased to be a member with effect from 6 May 2021.
- * Christopher Kirigua ceased to be a member with effect from 28 June 2022

Governance policies

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 Safaricom'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.

The Board Charter is periodically reviewed to ensure that it remains current.

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.

Whistle blowing policy

We have a whistle blowing 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.

Whistle blowing 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 whistle blowing policy provides a platform for employees, suppliers, dealers and agents to raise concerns regarding any suspected wrongdoing, and the policy details how such concerns are addressed. The Board ensures that risks arising from any ethical issues are identified and managed in the risk management process.

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



Our Corporate Governance Statement continued

Conflict of interest policy

Directors are obligated to fully disclose to the Board any real or potential conflict of interest which come to their attention, whether direct or indirect. All business transactions with all parties, Directors or their related parties are carried out at arm's-length.

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 money 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

As a listed company, Safaricom is obliged under the Companies Act 2015 to require that the Directors and certain other employees with inside information do not abuse or place themselves under suspicion of abusing insider information that they may have or be thought to have.

This is especially so in periods leading up to an announcement of financial results. To this end, 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.

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.
- 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 web page 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.
- The Board of Directors encourages shareholder participation at the Company's annual shareholder meetings.



Message from
the CEO

Our strategic
approach

The value
we embed

The commercial
value we deliver

CFO's review

The social value
we contribute

How we
safeguard value

Financial
statements



The Company's AGM is an opportunity for shareholder engagement when the Chairman and the Chief Executive Officer explain the Company's full-year performance and receive questions from shareholders.

The Chairpersons of the Audit, Risk and Compliance Committee and Nominations, Remuneration and Governance Committees are normally available at the AGM to take any relevant questions. All other Directors also attend, unless illness or pressing commitments preclude them from doing so.

During the investor briefings that were held in the year under review, shareholders and stakeholders were keen to hear more on the Company's performance in light of COVID-19 pandemic, the Company's Strategy in light of the COVID-19 pandemic, M-PESA free fees, the Company's sustainability initiatives, capex guidance, regional expansion and the latest developments in industry regulation.



FOR THE YEAR ENDED 31 MARCH 2022

Directors' Remuneration Report

1.1 Introduction

The key objective of the Board Nominations, Remuneration and Governance Committee (BNRGC) 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 are indicated on pages 162. 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' Remuneration policy. Elements of the compensation schedule include the following:

- a) Annual retainer fee for the Chairman and other Non-Executive Directors, which is paid on a quarterly basis;
- b) Sitting allowances for Board and Board Committee meetings;
- 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, 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 Non-Executive Directors' remuneration was last reviewed in 2018 and had remained as is, leading to the pay being below the 75th percentile. Consequently, the current compensation structure was determined following a benchmarking exercise with comparable entities that was undertaken in 2021 by PricewaterhouseCoopers (PwC) and which was discussed substantively by the Nominations, Remuneration and Governance Committee in July 2021. The Board approved the revised compensation package for the Non-Executive Directors on 23 August 2021 and the revised pay took effect from 1 April 2021.

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.



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Directors

This Report of the Directors is submitted together with the audited financial statements for the year ended 31 March 2022 which disclose the state of affairs of Safaricom PLC (the "Company" or "Safaricom") and its subsidiaries (together, the "Group").

Business review

Safaricom's purpose is to Transform Lives, which continues to reaffirm our commitment to positively impact social, governance and environmental change, unlock our next growth phase, and support our transition from a telco to a purpose-led technology company. We remain committed to our sustainability agenda, covering key issues such as addressing our impact on the climate and building

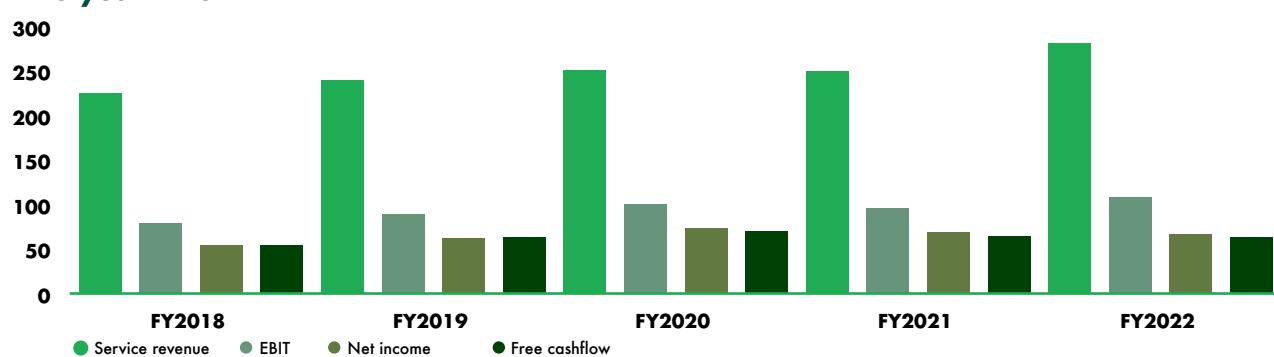
an inclusive business that meets the needs of our customers and protects the planet for the present and the future.

We achieve this purpose by placing the customer at the heart of our business priorities. Through innovation, we continue to enhance the digital lifestyle of our customers. Our various products and services, including voice, data, financial services and enterprise solutions serve to support the needs, aspirations and hopes of our customers. Our commitment and promise to our customers is to serve them in a Simple, Transparent and Honest manner.

Our corporate strategy is guided by four transformative pillars namely: Strengthening the Core; To be a financial services provider; Win in select digital ecosystems; and Achieve cost leadership..

Our business continues to record impressive growth over the years, as evidenced by the trend below on our five-year KPIs.

Five-year KPIs



	FY2018	FY2019	FY2020	FY2021	FY2022
Service revenue	225	240	251	250	281
EBIT	79	89	101	96	109
Net income	55	62	74	69	67
Free cash flow	55	63	70	65	64

Service revenue grew by 12.3% to KShs 281.1 billion driven predominantly by increased usage of non-voice services mainly M-PESA, fixed service and mobile data.

Overall M-PESA revenue now stands at 38.3% of service revenue. This is an increase from 33.0% reported in the same period last financial year. M-PESA revenue recorded a growth of 30.3% to KShs 107.7 billion driven by resumption of charges for person to Person (P2P) transfers which had been waived on the onset of COVID-19 pandemic. The growth in revenue is also supported by increase in one-month customers which grew by 7.8% YoY to 30.53 million.

Fixed service and wholesale transit revenue grew 18.3% YoY to KShs 11.24 billion driven by increased activity and penetration of Fibre to the Home (FTTH) and growth in Enterprise fixed data revenue. The growth was supported by 16.9% increase in Enterprise revenue to KShs 7.05 billion as well as 20.6% growth in Consumer revenue to KShs 4.19 billion. FTTH customers grew 20.8% YoY to 166.98k. Fixed Enterprise customers grew 24.1% YoY to 48.31k, of which 58.9% account for LTE customers and grew 33.2% YoY to 28.47k. FTTH penetration now stands at 52.9%, homes connected stood at 193.1k while homes passed were 364.98k as at 31 March 2022.

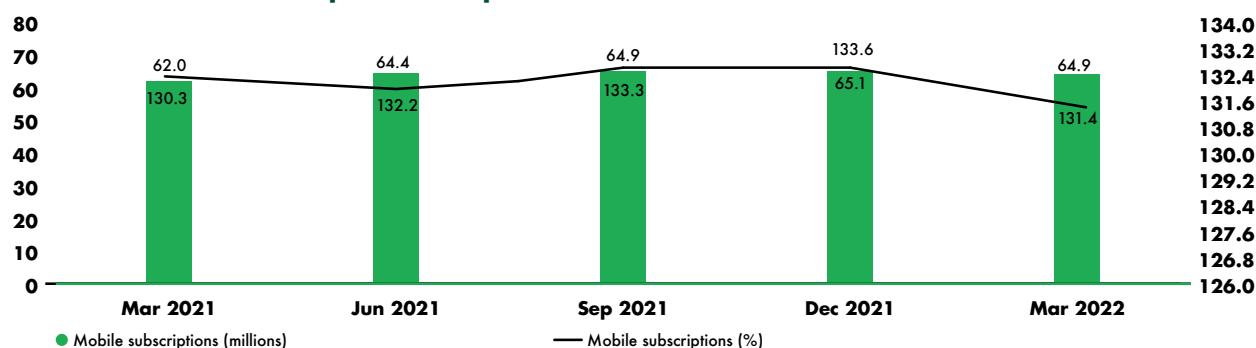
Business review continued

Mobile data revenue, which accounts for 17.2% of our service revenue, grew at 8.1% to KShs 48.4 billion.

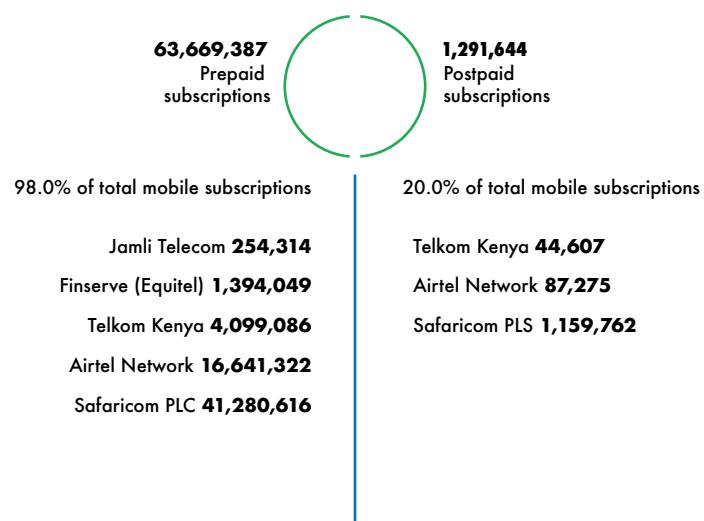
Distinct data bundle users grew 5.3% YoY to 17.60 million. Mobile Data ARPU increased by 10.4% to close at KShs 205.7. One-month active mobile data customers grew 6.1% YoY to close at 25.22 million.

Operating profit (EBIT) increased by 13.5% attributed to increase in service revenue as explained above as well as decline in impairment for financial assets which declined by 21.5% due to improved and prudent management of debt. Included in calculation of EBIT is KShs 5.1 billion relating to costs incurred by Safaricom Ethiopia Telecommunication, Global Partnership of Ethiopia and Vodafamily Ethiopia (Note 23).

Trends in mobile subscriptions and penetration



Safaricom PLC active mobile subscriptions declined by 1.02% as indicated the below table:



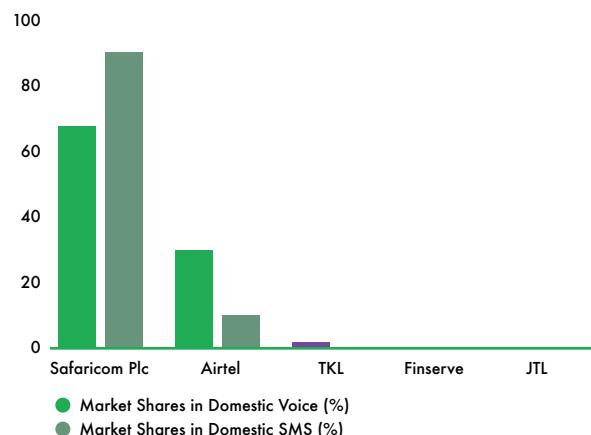
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Directors continued

Business review continued

Market shares in domestic mobile traffic

During the third quarter of the FY2021/2022 (January – March 2022), Safaricom PLC recorded the highest market share in domestic voice and SMS traffic at 67.8% and 89.5% respectively.



	Safaricom PLC	Airtel	TKL	Finserve	JTL
Voice	67.8	30.0	2.0	0.1	0
SMS	89.5	10.0	0.5	0.0	0

Safaricom continues to transition from a telecommunication service provider to a technology company in line with our vision to become a purpose-led technology company by 2025. We leverage on the power of mobile technology and innovation to transform lives by connecting Kenyans to opportunities, knowledge and the world. We recognise the power that technology has to support Kenya's economic growth as well as solve society's problems.

As we focus on the next phase of our journey, we remain committed to our purpose of transforming lives by accelerating new growth areas for our business to serve our customers need while delivering superior customer experience. We will continue to deliver a wide range of products and services designed to present sustainable solutions to some of society's most pressing challenges through being a digital-first and insights-led organisation. We will also continue to support the growth of SMEs and Micro-SMEs, which are the lifeblood of economic growth in our country, by offering enhanced financial services and connectivity solutions.

We remain committed to sustainable community investments through both our Foundations. We transform lives through investing in communities, leveraging on technology and strategic partnerships in areas of health, education and economic empowerment.

The period under review was still challenging as businesses and society pushed ahead on the recovery from the effects of COVID-19 crisis. Supporting our stakeholders build back better as we emerge from the economic crisis brought about by the pandemic remains one of our key priorities.

We remain focused on our sustainability agenda on key issues such as climate action and the impact our business has on the environment as well as social factors. We recognise that environmental and social

considerations are not separate from our core business but have an impact on our overall commercial sustainability and success.

As part of our commitment to the Sustainable Development Goals (SDGs) we are committed to maximising our positive impact while mitigating our negative ones. We aim to achieve this through the continued alignment of our strategy and operations with our nine SDGs by:

- i) Leveraging our mobile technologies to transform lives by improving access to quality and affordable health care services and by promoting well-being for all through product partnerships such as M-Tiba and through our corporate social investments under our Safaricom and M-PESA Foundations. (SDG 3)
- ii) Expanding access to education through innovative solutions, our network and through partnerships such as Shupavu 291, connectivity for schools and our various programmes under the Elimu pillar of our Safaricom and M-PESA Foundations. (SDG 4)
- iii) Transitioning to use of clean energy at our sites and leveraging technology to provide clean energy solutions, including payment solutions for local and renewable energy solutions. To this end, we have committed to be a Net-Zero emitting company by 2050. (SDG 7)
- iv) Providing decent work within Safaricom and its broader ecosystem, including enforcing effective health and safety practices both internally and by suppliers while at the same time contributing to the local and national economy through innovative solutions to increase employment and facilitate economic activity amongst suppliers and customers. (SDG 8)
- v) Delivering connectivity and innovative products and services, that will provide unmatched solutions to meet the needs of Kenyans. (SDG 9)
- vi) Reducing inequalities by enabling equal access to opportunities to everyone, especially to vulnerable groups, using Safaricom leadership, network, solutions and technology. (SDG 10)
- vii) Managing our operations responsibly, decreasing our environmental impact and promoting responsible behaviours among all our stakeholders. We have committed to eliminate single use plastics in our operations by 2025 and recycle/repurpose 100% of our waste. Further, we will embed circular economy principles in our purchases (product lifecycle and disposal) for all applicable contracts. (SDG 12)
- viii) Managing our operations responsibly and ethically and fighting corruption in all its forms. (SDG 16)

Business review continued

Market shares in domestic mobile traffic continued

- ix) Partnering and building collective capacity of people, organisations and nations to promote and advance the SDGs. (SDG 17)

The focus areas during the year included:

- Net zero commitment by 2050 – so far, we have planted over one million trees as part of our commitment to grow five million trees in five years. We also committed to transitioning to renewable sources of powering our network. Our target is to transition 90% of our sites to renewable energy in five years.
- Refreshed Social Contract to define Safaricom's purpose journey through the development of a companywide purpose strategy that defines our "why" and outlines the resulting impact in the community we operate in through innovative products and services; our commitment to manage our environmental impact; our commitment to our employees and stakeholders in our ecosystem and how we conduct business responsibly.
- Advocacy to influence policy and convening as a thought leader on emerging sustainability issues like climate action and implementation of the Sustainable Development Goals through regional and global partnerships with organisations such as United Nations Global Compact (UNGC), United Nations International Children's Emergency Fund (UNICEF), Shared Value Africa Initiative.
- ISO 14001:2015 by British Standards Institute which we use to measure our performance against the requirements of the Environment Management Standards.
- Compliance – ensuring compliance with the relevant environmental regulations in order to secure licence for 5G.

Our bold pledge has focused our thinking and efforts across the entire business, ranging from improving energy efficiencies and reducing the energy consumed across our network and facilities to deploying renewable energy solutions and exploring carbon offset projects within our establishments across the country.

Our risk management framework

Managing uncertainty in our business

Managing risks and uncertainty is an integral part of successfully delivering on our strategic objectives. We have embedded robust risk management framework and practices as an integral part of good management. This is demonstrated by the top-down approach with the Board taking overall responsibility of managing risk. Appropriate support towards risk management is given, driving a positive risk culture across the organisation.

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

Our approach

We believe that great risk management starts with the right conversations to drive better business decisions. Our focus is to identify and embed mitigation actions for material risks that could impact our current or future performance, and/or our reputation. Our approach is holistic and integrated, bringing together risk management, internal controls and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact. We regularly review and refresh our principal risks, our risk appetite and our approach to risk management. Our approach is also structured to ensure that all reasonable steps are taken to mitigate, but not to eliminate, our principal risks in this context.

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

Our Risk Appetite Statement

Safaricom faces a broad range of risks while carrying out its business operations. We recognise that risk is an integral part of creating and preserving value, as such we have developed detailed processes to ensure all critical and major risks are proactively managed.

We recognise that it is not possible to eliminate all the risks inherent in our operations and acceptance of some of the risks is necessary to foster innovation, development of a sustainable business and for maximising shareholders' value.

Our risk philosophy is aligned to best risk management practices and is aimed at supporting attainment of our purpose, vision and mission by effectively balancing risk and reward.

Our principal risks and what we are doing about them

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Directors continued

Business review continued

Our risk management framework continued

Our principal risks and what we are doing about them continued

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

1. REGULATORY AND POLICY ENVIRONMENT

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.

Context

We operate in a complex and heavily regulated environment and our business can be adversely affected by changes in laws or regulatory policies. 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 provided require compliance 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 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.

2. CYBER THREATS

Opportunity

Providing our customers with secure products and services, while creating digital trust as we remain a trusted provider to both consumer and enterprise customers.

Context

Cybersecurity incidents, and other tactics designed to gain access to and exploit sensitive information by breaching critical systems are evolving and have been increasing in both sophistication and occurrence in recent years.

Such cyber-attack, insider threat or supplier breach (malicious or accidental) could lead to theft, loss and misappropriation of critical assets and/or personal data and disruption to core business operations.

Mitigation

Cyber security remains one of our critical business considerations, and we ensure that information security remains an integral and critical business defence tool.

We conduct regular reviews of the most significant security risks affecting our business and develop strategies to detect, prevent and respond to them. Our cyber security approach focuses on minimising the risk of cyber incidents that affect our networks and services. As such we have implemented robust cyber security controls, next-generation security technologies complemented by our 24X7 Cyber Defense Center.

As a business, we have adopted a culture that prioritises customer privacy and security by raising employee awareness about security risks and our mitigation measures.

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

Business review continued

Our risk management framework continued

Our principal risks and what we are doing about them continued

3. DATA PRIVACY RISKS

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.

Context

We are subject to a wide variety of laws and regulations regarding protection of personal data and any failure or perceived failure by us may result in significant fines, which could have a material adverse effect on our business, operating results or reputation.

Implementation of the General Data Protection Regulations (GDPR) in 2018 as well as 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.

Mitigation

To provide the best customer experience, we are committed to creating products and services that do not compromise the privacy and security of our customers' personal information.

We clearly define how we secure and manage the creation, usage, storage and disposal of information that we manage. As a business, we have adopted a privacy and security by design culture that prioritises customer privacy and security by raising employee and partner awareness about security risks and our mitigation measures.

All our business operations that include processing of personal data must comply with our internal controls, codes of conduct, and data privacy policies.

4. MARKET DISRUPTION AND AN EVOLVING COMPETITIVE LANDSCAPE

Opportunities

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.

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 communication, which could potentially affect our customer relationships.

Mitigation

Our strategies to manage competition and the prevailing market disruptions focus on growing and retaining our customers by:

- Adoption of **Agile** operating model to enable faster route to market.
- Focus on **Customer Obsession** to provide our customers with world-class experience.
- Developing insights using big data 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.
- 4G acceleration to provide our customers with quality service.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Directors continued

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Our principal risks and what we are doing about them continued

5. SLOWED ECONOMIC GROWTH AND CHALLENGING MACROECONOMIC CONTEXT

Opportunity

The push for business reinvention to combat the challenging economic environment has resulted in positive innovations that not only cushion customers against the economic shocks but also creates products that meet their needs, enhanced service offering to our customers and new market ventures.

Context

The Kenyan economy has shown considerable resilience to the enormous shock of the pandemic. However, this has been accompanied with prolonged negative impact of COVID-19, inflationary pressures, high commodity prices, and the subdued agricultural production continue to characterise our economic environment.

There are still uncertainties regarding the extent to which business activities will return to the pre-pandemic levels.

Mitigation

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

Enhanced value propositions to cater for reduced purchasing power and providing the customer with ability to only spend what they have.

We 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.

6. SERVICE DISRUPTION AND OPERATIONAL RESILIENCE

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.

Context

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

We have an increasingly complex information/network technology infrastructure, which we constantly expand and upgrade to ensure the best customer experience and consolidate our technology leadership.

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.

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.

7. POLITICAL UNCERTAINTIES

Opportunity

Having a solid business strategy that is focused on customer propositions, value and is resilient to withstand political headwinds.

Context

The political environment in Kenya remain fluid with increased activities gearing towards 2022 general elections. This comes with increased tensions in the community as a result of shifting political alliances and divisions, exploitation of socio-economic grievances and prevalence of misinformation.

There is a risk exposure due to possible use of our services to share deepfakes, hate messages and spamming.

Mitigation

Proactive monitoring of the ongoing political activities and dynamics and advising the business accordingly.

Agile organisation with a solid strategic plan and guided by mission philosophy.

Ensuring service availability, engagements with stakeholders and reputation management.

Business review continued

Our risk management framework continued

Our principal risks and what we are doing about them continued

8. GEO-POLITICAL RISK

Opportunity

The Ethiopian market presents a great opportunity for us to offer differentiated products and services to a market that has for a long time operated under a closed market. Further, the support accorded by the Ethiopian Government creates an enabling business environment.

Context

Our expansion into Ethiopia following Government of Ethiopia's commitment to liberalise the telecommunications sector has opened new markets which bring on various risks such as: insecurity and possible conflict in the region.

Disruption to the supply chain due to geo-political exposures, conflicts, global supply chain challenges that could mean that we are unable to execute our strategic plans, resulting in increased cost of operations and delays in provision of services/products.

Mitigation

Robust business case for the investment in Ethiopia that is supported by the Ethiopia's Government commitment to liberalise the telecommunications sector via the award of the licence.

We are monitoring the global conflicts, trade sanctions and supply chain disruptions and revising our business continuity plans accordingly to minimise impact to our operations.

9. HEALTH AND SAFETY EXPOSURES

Opportunity

Keeping our people safe is one of the most important responsibilities we hold as an employer. Our ongoing focus is to create a safe working environment for everyone working for and on behalf of Safaricom and the communities in which we operate. We want everyone working with Safaricom to return home safely every day.

Context

The nature of our operations expose the business to health and safety risks through inherent exposure to our staff, contractors and other stakeholders.

We focus our initiatives on our top health and safety risks, which continue to account for the majority of reported incidents and remain a focus area globally: occupational road risk; falls from height; working with electricity; and fibre operations.

Mitigation

We have recently implemented a Safaricom Zero Harm Culture and mission strategy that is supported by "Safaricom Absolute Rules". These rules focus on risks that present the greatest potential for harm for anyone working for or on behalf of Safaricom.

The Absolute Rules are clear and underpinned by a Zero Harm culture and zero-tolerance approach to unsafe behaviours in our business operations. The Absolute Rules must be followed by all Safaricom employees and contractors, as well as our suppliers' employees and contractors.

We have instituted management commitment and stakeholder engagement, education and training, while implementing technical mitigations to eliminate the risk.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Directors continued

Business review continued

Our risk management framework continued

Our principal risks and what we are doing about them continued

10. MONEY LAUNDERING AND TERROR FINANCING

Opportunities

It is our social responsibility to ensure that the products and platforms we offer are not misused and involved in conducting illegal activities. We provide policies, procedures and tools that ensure screening of activities conducted on our platforms as a safety measure.

Context

We are exposed to money laundering and terror financing risks due to the use of our services such as M-PESA and International Money Transfer.

We work with partners (IMT partners, agents, dealers, merchants and pay bill partners) who must comply with Know your customer (KYC) regulations. A failure to comply with regulatory obligations could expose our M-PESA offering to Money laundering/Terror financing risks.

Mitigation

We have a robust AML/TF program that focuses on ensuring compliance to AML/TF regulatory obligations with key controls around:

- Continuous training, awareness and education.
- Know your customer (KYC) and Know your partner (KYP).
- Watchlist Screening & Transaction Monitoring Close collaboration with Financial Reporting Center (FRC).
- Regular risk assessments.

These controls are supported by a banking grade AML system and use of machine learning models to detect outlier behaviours which enables early detection and investigation of suspicious activities.

Results and dividend

The profit for the year is KShs 67,496 million (2021: KShs 68,676 million) and has been added to retained earnings.

During the year, an interim dividend of KShs 0.64 per ordinary share amounting to KShs 25.64 billion (2021: KShs 18.03 billion) was declared. At the Annual General Meeting (AGM) to be held on 29 July 2022, a final dividend in respect of the year ended 31 March 2022 of KShs 0.75 per ordinary share amounting to a total of KShs 30.04 billion is to be proposed for approval. This brings the total dividend for the year to KShs 55.69 billion (2021: KShs 54.89 billion) which represents KShs 1.39 per share in respect of the year ended 31 March 2022 (2021: KShs 1.37 per share).

Business review continued

Directors

The Directors who held office during the year and to the date of this report were:

Name	Position	Nationality	Date of Appointment
Michael Joseph	Chairman and Non-Executive Director	Kenyan and American	1 August 2020 (as Chairman)
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
Dilip Pal	Chief Financial Officer and alternate to the CEO	Indian	1 November 2020
Cabinet Secretary (CS), National Treasury and Planning	Non-Executive Director	Kenyan	10 February 2021
Christopher Kirigua	Alternate to CS, National Treasury and Planning	Kenyan	10 February 2021
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Linda Muriuki	Non-Executive Director	Kenyan	31 August 2017
Mohamed Shameel Joosub	Non-Executive Director	South African	31 August 2017
Sitholizwe Mdlalose	Non-Executive Director	British	29 July 2020
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
Bitange Ndumo	Independent Director	Kenyan	2 March 2017
Rose Otega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021

As part of the annual assessment of the Independent Directors as provided for in the Capital Markets Authority Code of Corporate Governance Practices for the Issuers of Securities to the Public 2015, we had regular consultations with the Authority and as at the date of approval of the financial statements, 11 May 2022, our Directors were assessed as independent.

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

During the AGM of the Company that was held on 30 July 2021, the shareholders resolved to re-appoint Messrs Ernst and Young LLP, as the Company's Auditors 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.

By order of the Board

Ms Kathryne Maundu
Company Secretary
11 May 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 Group and 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 Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these consolidated and Separate 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 11 May 2022 and signed on its behalf by:



Michael Joseph
Chairman



Peter Ndegwa
Chief Executive Officer

Directors' Remuneration Report

Information not subject to audit

The Company's Board composition as at 31 March 2022 is as below:

Name	Position	Nationality	Date of appointment
a) Seven Non-Executive Directors			
Michael Joseph (as Chairman)	Chairman and Non-Executive Director	Kenyan and American	1 August 2020
Cabinet Secretary (CS), National Treasury and Planning	Non-Executive Director	Kenyan	10 February 2021
Francesco Bianco	Non-Executive Director	Italian	20 March 2020
Linda Muriuki	Non-Executive Director	Kenyan	31 August 2017
Mohamed Shameel Joosub	Non-Executive Director	South African	31 August 2017
Sitholizwe Mdlalose	Non-Executive Director	British	29 July 2020
Raisibe Morathi	Non-Executive Director	South African	1 November 2020
b) Three independent Directors			
Bitange Ndemo	Independent Director	Kenyan	2 March 2017
Rose Ogega	Independent Director	Kenyan	12 February 2019
Winnie Ouko	Independent Director	Kenyan	10 February 2021
c) One Executive Director			
Peter Ndegwa	Chief Executive Officer (CEO) and Executive Director	Kenyan	1 April 2020
d) Two alternate Directors			
Christopher Kirigua	Alternate to CS, National Treasury and Planning	Kenyan	10 February 2021
Dilip Pal	Chief Finance Officer and alternate to the CEO	Indian	1 November 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.

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 current agreed fees and allowances structure is as follows:

- Annual Directors fees paid to the Chairman of the Safaricom PLC Board agreed KShs 14,350,000 (2021: KShs 5,700,000 per annum)
- Annual Directors fees paid to each Non-Executive Director agreed at KShs 3,000,000 per annum (2021: KShs 2,200,000)
- Sitting allowance payable to the Chairman of the Board agreed at KShs 230,000 per meeting (2021: KShs 85,000)
- Sitting allowance payable to the Chairperson of a Committee agreed at KShs 125,000 per meeting (2021: KShs 74,150)
- Sitting allowance payable to each Non-Executive Director agreed at KShs 110,000 per meeting (2021: KShs 60,000)
- Sitting allowance payable to the Chairman of the Boards of Vodafamily Ethiopia Holding Ltd (SPV) and Global Partnership of Ethiopia (GPE) agreed at KShs 172,500 per meeting (2021: KShs 0)
- Sitting allowance payable to each Non-Executive Director of Vodafamily Ethiopia Holding Ltd (SPV) and Global Partnership of Ethiopia agreed at KShs 93,750 per meeting (2021: KShs 0)

The annual retainer fee for the Director representing the National Treasury is paid directly to the National Treasury.

The annual Directors' fees for the Directors representing Vodafone Kenya Limited are paid directly to Vodafone/Vodacom Group.

The Board members are also entitled to telephone and internet usage allowance.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Directors' Remuneration Report continued

Information not subject to audit continued

Non-executive Directors' remuneration continued

Executive Director's remuneration

The Executive Director's remuneration is as per the negotiated employment contract and are employed on a fixed-term basis.

Besides the basic salary, the Executive Director is entitled to an annual performance-based bonus, EPSAP shares, residential accommodation, utility bills payment, children's school fees and club membership.

Changes to Directors' remuneration

During the year, there were changes in Non-Executive Directors remuneration fees and allowances as shown above.

Statement of voting on the Directors' Remuneration Report at the previous AGM

During the AGM held on 30 July 2021, voting was done by the ballot to approve the Directors' Remuneration Report.

The results of the vote were as below:

Agenda	Vote	Total votes	As a percentage of the total votes cast
Directors' Remuneration report	For	32,940,975,693	98.893%
	Against	4,303,138	0.013%
	Spoilt Votes	–	–
	Withheld	364,400,809	1.094%
Total		33,309,679,640	100%

At the AGM scheduled to be held on 29 July 2022, the Directors Remuneration Report for the year ended 31 March 2022 will be presented to the shareholders for approval.

Information subject to audit

The following table shows a single figure remuneration for the Executive and Non-Executive Directors in respect of qualifying services for the financial year ended 31 March 2022 and comparative figures for the year ended 31 March 2021. The aggregate Directors' emoluments are shown in note 31(iii).

Directors' remuneration for the year ended 31 March 2022

Executive Directors

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Total KShs'm
Peter Ndegwa	88.89	–	178.88	21.16	–	288.93
Dilip Pal	54.05	–	13.77	19.91	–	87.73
Total	142.94	–	192.65	41.07	–	376.66

Non-Executive Directors

Michael Joseph	–	24.93	–	0.27	–	25.20
Bitange Ndemo	–	7.42	–	0.01	–	7.43
Rose Ogega	–	10.76	–	0.22	–	10.98
Linda Muriuki	–	7.79	–	0.14	–	7.93
Mohamed Shameel Joosub	–	6.16	–	–	–	6.16
Francesco Bianco	–	5.50	–	–	–	5.50
Christopher Kirigua	–	5.85	–	1.65	–	7.50
National Treasury	–	2.80	–	–	–	2.80
Winnie Ouko	–	8.52	–	0.18	–	8.70
Sitholizwe Mdlalose	–	5.89	–	–	–	5.89
Raisibe Morathi	–	6.79	–	–	–	6.79
Total		92.41	–	2.47	–	94.88
Grand total	142.94	92.41	192.65	43.54	–	471.54

Information subject to audit continued

Directors' remuneration for the year ended 31 March 2021

Executive Directors

Name	Salary KShs'm	Directors' fees KShs'm	Bonus KShs'm	Non-cash benefits KShs'm	EPSAP* KShs'm	Total KShs'm
Peter Ndegwa	102.30	—	90.00	9.24	—	201.54
Sateesh Kamath	31.23	—	5.61	6.89	2.79	46.52
Michael Joseph	—	—	127.57	—	—	127.57
Dilip Pal	29.19	—	20.00	5.75	—	54.94
Total	162.72	—	243.18	21.88	2.79	430.57

Non-Executive Directors

Nicholas Nganga	—	5.20	—	0.05	—	5.25
Michael Joseph	—	6.17	—	0.13	—	6.30
Bitange Ndemo	—	4.06	—	0.01	—	4.07
Rose Ogega	—	5.64	—	0.15	—	5.79
Linda Muriuki	—	3.85	—	0.05	—	3.90
Mohamed Shameel Joosub	—	3.22	—	—	—	3.22
Esther Koimett	—	1.08	—	0.05	—	1.13
National Treasury	—	2.20	—	—	—	2.20
Till Streichert	—	1.28	—	—	—	1.28
Francesco Bianco	—	3.22	—	—	—	3.22
Dulacha Galgalo Barako	—	0.60	—	—	—	0.60
Christopher Kirigua	—	0.06	—	0.02	—	0.08
Winnie Ouko	—	—	—	—	—	—
Sitholizwe Mdllalose	—	1.70	—	—	—	1.70
Raisibe Morathi	—	0.43	—	—	—	0.43
Total	—	38.71	—	0.46	—	39.17
Grand total	162.72	38.71	243.18	22.34	2.79	469.74

* EPSAP – Employee Performance Share Award Plan.

On behalf of the Board

Ms. Winnie Ouko

Chairperson, Board Nominations and Remuneration Committee

11 May 2022



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the Independent Auditor

To the shareholders of Safaricom Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and Separate Financial Statements of Safaricom PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 188 to 266, which comprise the consolidated and separate statements of financial position as at 31 March 2022 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the consolidated and Separate Financial Statements present fairly, in all material respects, the consolidated and separate financial position of Safaricom PLC as at 31 March 2022, and its consolidated and separate financial performance and consolidated and separate 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 Consolidated and Separate Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and the Company and in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and the Company and in Kenya. 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 Consolidated and Separate Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated and Separate Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Consolidated and Separate Financial Statements.

The Key Audit Matters apply equally to the audit of the consolidated and Separate Financial Statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition – occurrence, completeness and measurement of recorded revenue given the complexity of products, systems and IFRS 15: Revenue from contracts with customers. <p>The occurrence and accuracy of amounts recorded as revenue is an inherent industry risk due to the complexity of the billing systems arising from changes in products and plans – including multiple element arrangements, the number of products sold and the tariff structure changes during the year.</p> <p>The application of the revenue recognition accounting standard IFRS 15: Revenue from contracts with customers, requires the use of complex rating, billing and accounting systems. The complexity is compounded by the significant number of revenue transactions that are accounted for on an annual basis.</p> <p>We therefore considered revenue recognition to be a matter of most significance to our current year audit.</p>	<ul style="list-style-type: none"> We understood and tested the design and operating effectiveness of management's controls over the transfer of revenue information between the multiple systems involved in recording revenue; We tested the controls in place over the authorisation of rate changes and a review of the new products recorded in the billing systems; We involved our internal IT audit specialists to test the IT general controls of the rating and billing environments, as well as assessed the completeness of the relevant revenue reports utilised for audit purposes; We tested the end-to-end reconciliation from rating and billing systems to the journals processed in the general ledger;

The Key Audit Matters apply equally to the audit of the consolidated and Separate Financial Statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>The significant accounting policies and detailed disclosures on revenue recognition are included in Note 2(e) – Revenue recognition, Note 5(a) – Revenue from contracts with customers and Note 29(b) – Contract liabilities disclosures.</p>	<ul style="list-style-type: none"> We performed analytical review procedures over significant revenue streams by identifying the drivers that resulted in changes YoY to establish detailed monthly and annual expectations. Where movement were outside our precision level set, we performed substantive audit procedures; We performed a three-way correlation between revenue, deferred revenue, trade receivables and cash; We reviewed the reconciliation of the aggregate of the prepaid and hybrid customers per the charging system to the deferred revenue balance; We selected and tested a sample of enterprise revenue contracts and assessed, in line with the requirements of IFRS 15: Revenue from contracts with customers, that contracts with customers were valid, that performance obligations were agreed by both parties and that revenue was appropriately recognised; We tested the stand-alone selling prices as input into the system and agreed the logic behind the stand-alone selling prices to the relevant IFRS 15: Revenue from contracts with customers requirements; We tested management reconciliations for interconnect/roaming revenue to third party confirmations; We tested a sample of journal entries, processed in relation to non-standard revenue including manual ERP journals by reviewing supporting documentation to ensure that the journals were supported by an underlying business rationale, were accounted for correctly, in the correct period and appropriately authorised; and We examined and assessed the accounting policies applied and disclosures in terms of the recognition of revenue for compliance with IFRS 15: Revenue from contracts with customers and industry guidance.
<p>Investment in subsidiary – Safaricom Telecommunications Ethiopia PLC</p> <p>Safaricom-led consortium was granted a nationwide full-service Unified Telecommunications Service Licence by the Ethiopian Communications Authority (ECA). The licence was effective from 9 July 2021, valid for a term of 15 years from the effective date, and renewable for additional terms of 15 years subject to fulfilment of all licence obligations.</p> <p>The operation of the licence will be carried through Safaricom Telecommunications Ethiopia PLC, a company incorporated and registered in Ethiopia.</p> <p>Safaricom PLC owns a majority stake in the consortium. Other partners in the consortium are Vodacom Group, British Development Finance Agency, CDC Group, and Japan's Sumitomo Corporation with the respective shareholding into the company being Vodafamily Ethiopia holding 61.9% (Safaricom PLC 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and CDC Group PLC 10.9%. The consortium won the licence with a bid of USD850 million.</p> <p>We have considered this as a Key Audit Matter due to the materiality of the transaction and the complexity of the shareholding structure.</p> <p>The significant accounting policies and detailed disclosures are included in Note 2(b) Consolidation – subsidiaries, Note 21 – Intangible assets – Network licences Note 23(a) – Investment in subsidiaries and Note 31- Related party transactions.</p>	<ul style="list-style-type: none"> We reviewed the Shareholders Agreement and assessed in line with IFRS10: Consolidated financial statements, that Safaricom has control over the subsidiary and meets the requirements for the preparation and presentation of Consolidated Financial Statements. We reviewed and tested a sample of the transactions accounted for under investment in subsidiary in the Separate Financial Statements for compliance with recognition criteria. We reviewed the Unified Telecommunications Service Licence issued by the Ethiopian Communications Authority (ECA) and assessed that the transaction meets the recognition criteria and is appropriately accounted for. We tested controls in place over transactions with related parties. We evaluated the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Report of the independent auditor continued

To the shareholders of Safaricom Plc continued

Other information

The Directors are responsible for the other information. The other information comprises Report of the Directors, Statement of Directors' Responsibilities, Directors' remuneration report and the appendices (Principal shareholders and Mobile money services performance) which we obtained prior to the date of this report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date. Other information does not include the consolidated or the Separate Financial Statements and our Auditor's Report thereon.

Our opinion on the consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and Separate 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 consolidated and Separate 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 obtained 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and Separate Financial Statements 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 consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and Separate Financial Statements, the Directors are responsible for assessing the Group and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and Separate 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 consolidated and Separate 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 consolidated and Separate 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 and Company'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 and Company'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 consolidated and Separate 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 and/or the Company to cease to continue as a going concern.



Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and Separate Financial Statements, including the disclosures, and whether the consolidated and Separate 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 consolidated and Separate 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, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and Separate 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

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i) in our opinion, the information given in the Report of the Directors on pages 170 to 179 is consistent with the consolidated and Separate Financial Statements.
- ii) in our opinion, the auditable part of Directors' Remuneration Report on page 181 to 183 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent Auditor's Report is CPA Allan Gichuhi practicing certificate number 1899.

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya
30 June 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Statements of Profit or Loss and other Comprehensive Income

	Notes	GROUP		COMPANY	
		2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Revenue from contracts with customers	5(a)	295,441.4	261,462.3	292,556.2	259,296.3
Revenue from other sources	5(b)	2,636.5	2,564.2	3,289.7	3,153.4
Total revenue		298,077.9	264,026.5	295,845.9	262,449.7
Direct costs	6(a)	(91,467.8)	(80,852.8)	(90,613.6)	(80,334.1)
Expected credit losses on financial assets	6(b)	(2,361.2)	(3,009.7)	(2,602.7)	(3,863.7)
Other expenses	7	(55,187.0)	(46,034.8)	(49,545.5)	(45,168.6)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		149,061.9	134,129.2	153,084.1	133,083.3
Depreciation of property and equipment	18	(34,145.2)	(32,624.5)	(33,922.2)	(32,570.4)
Amortisation – Indefeasible rights of use (IRUs)	19	(281.3)	(406.5)	(281.3)	(406.5)
Amortisation – Intangible assets	21	(1,850.0)	(1,628.5)	(1,850.0)	(1,628.1)
Amortisation – Right-of-use (RoU) assets	22(a)	(3,656.8)	(3,304.8)	(3,644.2)	(3,304.8)
Operating profit		109,128.6	96,164.9	113,386.4	95,173.5
Finance income	8	2,413.4	2,198.4	2,050.1	2,177.0
Finance costs	9	(8,852.6)	(4,220.8)	(8,895.2)	(4,405.5)
Share of loss of associates	23(b)	(279.8)	(192.9)	(279.8)	(192.9)
Share of loss of joint venture	23(b)	(196.2)	(314.1)	(196.2)	(314.1)
Profit before income tax		102,213.4	93,635.5	106,065.3	92,438.0
Income tax expense	12(a)	(34,717.3)	(24,959.3)	(34,276.0)	(24,481.4)
Profit for the year		67,496.1	68,676.2	71,789.3	67,956.6
Attributable to:					
Equity holders of the parent		69,648.1	68,676.2	71,789.3	67,956.6
Non-controlling interests		(2,152.0)	–	–	–
Other comprehensive loss:					
Items that will subsequently be reclassified to profit or loss					
Exchange differences on translation of foreign operations		(9,536.3)	–	–	–
Total comprehensive income for year		57,959.8	68,676.2	71,789.3	67,956.6
Attributable to:					
Equity holders of the parent		64,335.4	68,676.2	71,789.3	67,956.6
Non-controlling interests		(6,375.6)	–	–	–
Total comprehensive income for year		57,959.8	68,676.2	71,789.3	67,956.6
Basic earnings per share (KShs per share)	13	1.74	1.71	1.79	1.70
Diluted earnings per share (KShs per share)	13	1.74	1.71	1.79	1.70

Statements of Financial Position

as at 31 March 2022

Notes	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Non-current assets				
Deferred income tax	17	9,908.8	5,467.2	9,908.7
Property and equipment	18	148,993.0	133,833.7	138,502.6
Right-of-use assets	22(a)	18,301.7	14,762.8	17,177.4
Indefeasible rights of use	19	2,564.3	2,845.6	2,564.3
Investment property	20	845.0	845.0	845.0
Intangible assets	21	93,647.2	8,475.5	11,349.6
Investment in subsidiaries	23(a)	—	—	59,057.8
Investment in associate and joint venture	23(b)	3,982.1	4,458.2	3,982.1
Loan to subsidiaries	31(x)	—	—	666.1
Contract costs	29(a)	1,138.7	1,491.2	1,138.7
Restricted cash	26(b)	1,759.9	1,982.0	1,759.9
Deferred restricted cash asset	26(c)	407.9	558.7	407.9
		281,548.6	174,719.9	247,360.1
				175,067.6
Current assets				
Net cash and cash equivalents	26(a)	30,779.6	26,736.1	25,560.6
Receivables and prepayments	25	25,919.2	22,347.9	22,003.7
Inventories	24	4,306.8	2,487.0	4,147.4
Current income tax	12(b)	7.9	7.2	—
Loans receivable from related parties	31(x)	1,285.0	1,287.8	1,285.0
Contract costs	29(a)	2,951.5	3,043.4	2,951.5
		65,250.0	55,909.4	55,948.2
				53,033.8
Total assets		346,798.6	230,629.3	303,308.3
				228,101.4
Equity				
Share capital	14	2,003.3	2,003.3	2,003.3
Share premium	14	2,200.0	2,200.0	2,200.0
Retained earnings		110,528.9	96,571.8	110,204.0
Translation reserve		(5,312.7)	—	—
Proposed dividend	15	30,049.1	36,860.2	30,049.1
		139,468.6	137,635.3	144,456.4
Equity attributable to equity holders of the parent				135,169.1
Non-controlling interests	23(a)	40,232.3	—	—
Total equity		179,700.9	137,635.3	144,456.4
				135,169.1
Non-current liabilities				
Borrowings	16	44,910.8	—	44,910.8
Contract liabilities	29(b)	1,937.5	2,436.1	1,937.5
Provisions for liabilities	28(b)	3,183.3	3,151.4	3,183.3
Payables and accrued expenses	28(a)	4,330.6	—	—
Financial guarantees liability	31(xi)	—	—	120.9
Lease liability	22(b)	14,584.9	11,954.2	14,079.2
		68,947.1	17,541.7	64,231.7
				17,541.7

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Statements of Financial Position continued

	Notes	GROUP		COMPANY	
		2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Current liabilities					
Payables and accrued expenses	28(a)	41,312.6	34,021.4	38,058.2	34,068.4
Current income tax	12(b)	5,291.2	260.3	5,086.3	151.6
Borrowings	16	20,400.0	14,772.0	20,400.0	14,772.0
Dividend payable	15	12,053.9	8,684.1	12,053.9	8,684.1
Lease liability	22(b)	5,508.5	4,119.5	5,437.4	4,119.5
Provisions for liabilities	28(b)	3,373.8	2,561.5	3,373.8	2,561.5
Contract liabilities	29(b)	10,210.6	11,033.5	10,210.6	11,033.5
		98,150.6	75,452.3	94,620.2	75,390.6
Total liabilities		167,097.7	92,994.0	158,851.9	92,932.3
Total equity and liabilities		346,798.6	230,629.3	303,308.3	228,101.4

The presentation structure of the Group and Company statement of financial position has changed from prior year to align with the structure as set out in IAS 1: *Presentation of financial statements*, but the change in the structure had no impact on any reported totals or sub-totals presented on the statement of financial position nor any impact on the reported earnings.

The financial statements on pages 188 to 266 were approved for issue by the Board of Directors on 11 May 2022 and signed on its behalf by:



Michael Joseph
Chairman



Peter Ndegwa
Chief Executive Officer

Consolidated Statement of Changes in Equity

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT								
Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Translation reserve KShs'm	Proposed dividend KShs'm	Total KShs'm	Non-controlling interests KShs'm	Total equity KShs'm
Year ended 31 March 2021								
At start of year	2,003.3	2,200.0	82,785.2	–	56,091.6	143,080.1	–	143,080.1
Profit for the year	–	–	68,676.2	–	–	68,676.2	–	68,676.2
Transactions with owners:								
Dividend:								
– Declared final dividends for 2020	15	–	–	–	(56,091.6)	(56,091.6)	–	(56,091.6)
– Interim dividend	15	–	–	(18,029.4)	–	–	(18,029.4)	–
– Proposed final dividend for 2021	15	–	–	(36,860.2)	–	36,860.2	–	–
	–	–	(54,889.6)	–	(19,231.4)	(74,121.0)	–	(74,121.0)
At end of year	2,003.3	2,200.0	96,571.8	–	36,860.2	137,635.3	–	137,635.3
Year ended 31 March 2022								
At start of year	2,003.3	2,200.0	96,571.8	–	36,860.2	137,635.3	–	137,635.3
Profit for the year	–	–	69,648.1	–	–	69,648.1	(2,152.0)	67,496.1
Other comprehensive loss	–	–	–	(5,312.7)	–	(5,312.7)	(4,223.6)	(9,536.3)
Total comprehensive income/(loss) for the year	–	–	69,648.1	(5,312.7)	–	64,335.4	(6,375.6)	57,959.8
Transactions with owners:								
Dividend:								
– Declared final dividend for 2021	15	–	–	–	(36,860.2)	(36,860.2)	–	(36,860.2)
– Interim dividend	15	–	–	(25,641.9)	–	–	(25,641.9)	–
– Capital contribution from NCI shareholders*	–	–	–	–	–	–	–	46,607.9
– Proposed final dividend for 2022	–	–	(30,049.1)	–	30,049.1	–	–	–
	–	–	(55,691.0)	–	(6,811.1)	(62,502.1)	46,607.9	(15,894.2)
At end of year	2,003.3	2,200.0	110,528.9	(5,312.7)	30,049.1	139,468.6	40,232.3	179,700.9

* Capital contribution from NCI shareholders relates to the contribution of non-controlling shareholders towards investment in the equity of Safaricom Ethiopia PlC.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Company Statement of Changes in Equity

Notes	Share capital KShs'm	Share premium KShs'm	Retained earnings KShs'm	Proposed dividend KShs'm	Total equity KShs'm
Year ended 31 March 2021					
At start of year	2,003.3	2,200.0	81,038.6	56,091.6	141,333.5
Profit for the year	–	–	67,956.6	–	67,956.6
Transactions with owners:					
Dividend:					
– Declared final dividend for 2020	15	–	–	(56,091.6)	(56,091.6)
– Interim dividend	15	–	(18,029.4)		(18,029.4)
– Proposed final dividend for 2021		–	(36,860.2)	36,860.2	–
	–	–	(54,889.6)	(19,231.4)	(74,121.0)
At end of year	2,003.3	2,200.0	94,105.6	36,860.2	135,169.1
Year ended 31 March 2022					
At start of year	2,003.3	2,200.0	94,105.6	36,860.2	135,169.1
Profit for the year	–	–	71,789.4	–	71,789.4
Transactions with owners:					
Dividend:					
– Declared final dividend for 2021	15	–	–	(36,860.2)	(36,860.2)
– Interim dividend			(25,641.9)	–	(25,641.9)
– Proposed final dividend for 2022		–	(30,049.1)	30,049.1	–
	–	–	(55,691.0)	(6,811.1)	(62,502.1)
At end of year	2,003.3	2,200.0	110,204.0	30,049.1	144,456.4

Statement of Cash Flows

Notes	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Cash flows from operating activities				
Cash generated from operations	30(a)	143,574.7	132,551.8	145,801.0
Interest received		1,254.5	1,566.7	1,207.9
Income tax paid	12(b)	(34,128.7)	(28,921.2)	(33,784.2)
Net cash generated from operating activities ¹		110,700.5	105,197.3	113,224.7
Cash flows from investing activities				
Purchase of property and equipment		(41,058.0)	(35,568.4)	(34,667.6)
Proceeds from disposal of property and equipment		49.2	84.6	49.2
Acquisition of intangible assets	21	(96,288.3)	(4,077.8)	(4,728.1)
Proceeds from maturity of other financial assets	27	—	188.6	—
Movement in restricted cash ¹		352.3	180.1	352.3
Loans to M-PESA Africa (Joint venture)		—	(1,288.7)	—
Loans to subsidiaries ²		—	—	(500.0)
Investment in subsidiaries		—	—	(58,626.6)
Investment in associates and joint ventures		—	(0.1)	—
Net cash used in investing activities ^{1,2}		(136,944.8)	(40,481.7)	(98,120.8)
Cash flows from financing activities				
Dividend paid	15	(59,132.3)	(66,482.0)	(59,132.3)
Repayment of lease liabilities – principal	22(b)	(3,806.4)	(2,550.6)	(3,220.5)
Repayment of lease liabilities – interest	22(b)	(1,347.9)	(1,324.0)	(1,345.4)
Interest paid on borrowings		(2,477.9)	(1,154.6)	(2,419.8)
Proceeds from borrowings	16	120,564.8	44,970.0	120,564.8
Repayments of borrowings	16	(70,026.0)	(38,198.0)	(70,026.0)
Capital contribution from NCI shareholders		46,607.9	—	—
Net cash generated/(used in) financing activities ²		30,382.2	(64,739.2)	(15,579.2)
Increase/(decrease) in cash and cash equivalents		4,137.9	(23.6)	(475.3)
Movement in cash and cash equivalents				176.2
At start of year		26,736.1	26,759.7	26,035.9
Net foreign exchange difference		(94.4)	—	—
Increase/(decrease) in cash and cash equivalents		4,137.9	(23.6)	(475.3)
At end of year	26(a)	30,779.6	26,736.1	25,560.6
				26,035.9

¹ The movements in restricted cash has within the current year been reclassified from cash flows from operating activities to cash flows from investing activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position.

² The loans to subsidiaries has within the current year been reclassified from cash flows from financing activities to cash flows from investing activities. This reclassification had no impact on any reported earnings nor on any totals presented on the statement of financial position.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements

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
 PO 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 profit or loss and 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 of the Company, rounded to the nearest million (KShs'million), 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 for investment property that has been measured at fair value.

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.

New and amended standards

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
COVID-19-Related Rent Concessions – Amendments to IFRS 16	1 June 2020
COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021

These amendments apply for the first time in the period, but do not have significant impact on the financial statements of the Group and Company.

2 Summary of significant accounting policies continued

(a) Basis of preparation continued

New and amended standards continued

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Below are the new standards or amendments which affect the Group and Company:

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group and Company had USD denominated facilities priced at Libor. The carrying amount of the borrowing facility is USD 40 million priced at six-month USD libor. The facility will mature within 12 months from drawdown date. The amendments above had no significant impact on the annual financial statements of the Group and the Company for the period. There was no amendment to the original contracts terms specified at the initial recognition nor alteration of the method for calculating the interest rate benchmark nor existing fallback clauses in the existing contracts. The Group and Company are currently negotiating alternative benchmark rates with financial institutions and will be transitioning to new benchmark rates by December 2022.

COVID-19-Related Rent Concessions – Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16: *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-Related Rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-Related Rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to all lease payments originally due on or before 30 June 2021. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16: *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-Related Rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-Related Rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19-related pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group and Company has not received any COVID-19-Related Rent concessions. The Group and Company plans to apply the practical expedient if it becomes applicable within allowed period of application.

These amendments and interpretations apply for the first time in the period, but do not have an impact on the annual financial statements of the Group and Company. The Group and Company have not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 **Summary of significant accounting policies** continued

(a) Basis of preparation continued

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are listed below:

New standards or amendments	Effective for annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
AIP IFRS 1: <i>FirstTime Adoption of International Financial Reporting Standards</i> – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9: Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022
AIP IAS 41: <i>Agriculture</i> – Taxation in fair value measurements	1 January 2022
IFRS 17: <i>Insurance Contracts</i>	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined

Other than the impact assessments disclosed on specific standards and interpretations below, the impact for the adoption of the remaining standards and interpretations on Group and Company are still being assessed.

The following standards and interpretations are expected to affect the Group's and Company annual financial statements when they become effective.

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

2 Summary of significant accounting policies continued

(a) Basis of preparation continued

Standards issued but not yet effective continued

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group and Company as there was no items of property and equipment relevant as defined under the amendments, but management will continue to assess the potential impact of these amendments up to the point of initial application.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group and Company, but management will continue to assess the impact up to the point of initial application.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group and Company currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group and Company currently does not have any onerous contracts and is currently assessing the impact of these amendments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(a) Basis of preparation continued

Standards issued but not yet effective continued

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group and Company is currently assessing the impact of these amendment.

(b) Consolidation

(i) Subsidiaries

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it has power over the investee, 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 in which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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 statement of financial position respectively. When the proportion of the equity held by non-controlling interests' changes, the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

2 Summary of significant accounting policies continued

(b) Consolidation continued

(ii) Investment in associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. 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. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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. Dividend received or receivable from associates are recognised as a reduction in the carrying amount of the investment. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

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.

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 purchase – is recognised through statement of profit or loss and other comprehensive income.

(iii) Investment in joint ventures

The Group assesses its joint arrangements to determine whether they are joint ventures or joint operations. 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. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 purchase is recognised through statement of profit or loss and other comprehensive income.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(b) Consolidation continued

(iv) Separate financial statements

In the Separate Financial Statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates and joint venture are 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. Entity-wide segment information is the same as that presented in these financial statements. There are no revenues from transactions with a single external customer that amount to 10% or more of the Group's revenue.

(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 Consolidated Financial Statements are presented in Kenya Shillings (KShs), which is the Group's and Company's presentation currency. The company's functional currency is Kenya Shillings.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

These are recognised in other Comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates prevailing in the months of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2 Summary of significant accounting policies continued

(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:

- (i) There is evidence of an arrangement.
- (ii) The Group can identify each party's rights and obligations regarding the goods and services to be transferred.
- (iii) The contract has commercial substance and collectability is reasonably assured.

The transaction price is allocated between performance obligations based on relative stand-alone selling prices as determined at contract inception.

Since the timing and classification of revenue recognised for a contract will often be dependent on the stand-alone selling prices that are identified for each performance obligation, the determination of stand-alone selling prices is critical.

The stand-alone selling price of a performance obligation is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If a stand-alone selling price is not directly observable, then it is estimated. Estimations consider all relevant facts and circumstances and maximise the use of observable inputs.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either upfront at the time of sale or over the term of the related service agreement.

The Group's principal business has been the provision of telecommunication services. The Group is transforming itself to a technology company. 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

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, MPESA or borrowing credit through emergency top-up service (Okoja 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 4.87 per minute during the peak hours (08:00 to 22:00) and KShs 2.50 per minute during off-peak hours (22:00 to 08:00) applicable to both prepay and post pay 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 and honest, 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 only revenues recognised when the service is rendered as either voice or SMS.

The Group has in place the Stori Ibambe bonus scheme where the subscribers are required to attain a pre-determined 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, for which the revenue is recognised based on customers' usage or upon expiry.

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 Group's 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 vary 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 1.20 per SMS on both on-net and off-net. There are also attractive SMS bundles which offer an effective price per SMS lower than KShs 1.20. Revenue from SMS service is recognised on earlier of usage or expiry 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, Pay as you Go, 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 the earlier of usage or expiry.

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 voices 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, My Data Manager, a tool that gives subscribers power to control data bundle usage and allows them to restrict browsing out of bundle which enables them to take control of their browsing and internet usage.

The Group has rolled out 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.

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

Integrated bundles

An integrated bundle is a one-stop package that offers subscribers freedom to choose their preferred resources in the form of voice minutes, SMS bundles and mobile data bundles.

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.

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 several 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 dialing *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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

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 which is earned at point in time is 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 revenue.

In partnership with Kenya lenders, NCBA and KCB Bank, the Group operates Overdraft (OD) facility dubbed "Fuliza", a product that enables customers to access unsecured line of credit by overrawing 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 pre-determined matrix. Safaricom earns a proportion of the fee based on a pre-determined revenue share matrix. The revenue is recognised at point in time.

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 the 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 Group's robust 4G network, NB IoT provides a low-power, mobile connectivity to devices across the country. The revenues is calculated as a percentage of gross sales based on prior year audited financial statements and is recognised at a point in time.

Safaricom PLC through its fully owned subsidiary, Safaricom Money Transfer Services Limited (SMTSL), operates the remittance services that allows customers to send and receive money to a beneficiary through registered mobile phone numbers in partnership with third party International Money Remittance (IMT) Providers. Revenues is earned from transaction fees charged to customers for international money transfers (inbound and outbound). The revenue is recognised at a point in time.

The partnership is part of Safaricom's contribution to attainment of the Sustainable Development Goals, particularly goals 3 ,4, 7, 8, 9, 10, 12, 16 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. Revenue is recognised at a point in time when the transactions occur.

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. Revenue is recognised at a point in time when the transactions occur.

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 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 data over the contract period for PRSPs.

2 Summary of significant accounting policies continued

(e) Revenue recognition continued

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 message service (SMS), data and M-PESA services. These points can be redeemed for 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 can 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 either at point in time (for merchandise or Bonga everywhere) or overtime based on usage of acquired resources. Management also recognises revenue on the remaining loyalty points for churned SIM-cards at the point when the SIM-cards are churned.

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 pre-determined matrix and recognises the revenue earned upon redemption.

Contract-related costs

Connection commissions paid to dealers and SIM activation costs are recognised as costs to fulfill a contract in the statement of financial position when the related payment obligation is extinguished through payments.

Deferred SIM costs are incurred prior to connecting customers to the network and are recognised as costs to obtain a contract in the statement of financial position when the SIM card is sold to the dealer. Contract cost are then amortised over the customer life as determined by the Group.

Handsets and acquisitions revenue

These includes 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.

The Group is responsible for the overall development of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures and finishing work. In such contracts, the Group determined that the goods and services are not distinct and generally accounts for them as a single performance obligation. As per the terms of construction contract, the Group has determined that control is transferred over time. As such revenues from construction is recognised over time.

Construction costs incurred are accumulated under inventory work in progress until when they are billed.

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. Please refer to Accounting Policy 2(j) Accounting for leases, for the Group's lessor accounting policy in this regard.

Miscellaneous income

Miscellaneous income includes among others cash discounts received from vendors, donations from third parties utilised to fund Safaricom Foundation activities, and gains on disposal of property and equipment.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(f) Property and equipment

All categories of property and equipment are initially recorded at cost. Following initial recognition, property and equipment are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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 profit or loss 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 and equipment when they meet the definition of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation 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 of the newly acquired asset cannot be determined reliably, then the newly acquired asset is measured at the carrying amount of the asset given up.

The carrying amount of an item of property and equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss from the derecognition is calculated as the net disposal proceeds (usually income from sale of item) less the carrying amount of the item.

Asset retirement obligations

The Group accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site to its original condition upon termination of the network infrastructure site.

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 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.

2 Summary of significant accounting policies continued

(f) Property and equipment continued

Upon recognition of a provision, a corresponding amount is recognised as part of the cost of the asset 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 appropriate pre-tax discount rate. This discount should be unwound through the finance cost in the statement of profit or loss and other comprehensive income over the period to the lease termination date.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. The changes and adjustments to the provisions are made directly against the underlying asset to which the provision relates.

(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 de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss and other comprehensive income in the period in which the property is de-recognised.

(h) Intangible assets – Network licences

Separately acquired trademarks and licences are measured on initial recognition at cost. Following initial recognition, they are carried at cost, net of accumulated amortisation and accumulated impairment losses, if any. 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. Currently Safaricom PLC is licenced under the Unified Licence Framework which is technology and service neutral.

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.

Safaricom has the following licences:

- 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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

There are annual network licence fees associated with these licences which are expensed each year.

The following licences are also in place from subsidiaries:

- Subscription Broadcasting Licence issued by Communication Authority of Kenya on 16 July 2019 to Comtec Integration Systems Limited valid for 10 years.
- Unified Telecommunications Services Licence issued by Ethiopian Communications Authority(ECA) on 9 July 2021 to Safaricom Telecommunications Ethiopia PLC valid for 15 years.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill and intangible 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(ii) Accounting for leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and dismantling and restoration costs, less any lease incentives received less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over of the lease term.

The right-of-use assets are also subject to impairment. Refer to Note 2(i) and Note 22(a).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments included in the lease liability include fixed payments and in-substance fixed payments during the term of the lease less any lease incentives receivable, variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease and amounts expected to be payable by the lessee under residual value guarantees. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group's lease liabilities are shown in Note 22(b).

The Group is the lessor – Operating leases

An operating lease is a lease in which substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group recognises leased assets on the statement of financial position as right-of-use assets.

The Group acts as lessor of sites. These leases have an average life of between five and ten years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is KShs 2,193.3 million (2021: KShs 2,043.7 million), Company KShs 2,193.3 million (2021: KShs 2,069.2 million).

2 Summary of significant accounting policies continued

(j) Accounting for leases continued

The Group is the lessor – Operating leases continued

Future minimum undiscounted lease payments receivable under non-cancellable leases as at 31 March were as follows:

	GROUP AND COMPANY	
	2022 KShs'm	2021 KShs'm
Within one year	1,993.7	2,068.3
1 to 5 years	8,771.0	8,667.3
6 to 10 years	1,411.4	3,405.1

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of sites, shops, facilities and secondees/expatriates houses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of sites, shops, facilities and secondees/expatriates houses that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(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.

Initial measurement

On initial recognition:

- Trade receivables are measured at their transaction price.
- All other financial assets and financial liabilities are initially measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument, except for financial assets and financial liabilities measured at fair value for which the directly attributable transaction costs are expensed in profit or loss.

Classification

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 assets held during the year were classified as follows:

- Trade and other receivables, loan to subsidiary, loans and receivables due from related parties, cash and cash equivalents were classified as at amortised cost.
- Restricted cash was classified as at amortised cost.

Subsequent measurement

After initial recognition, financial assets are measured at amortised cost using the effective interest method.

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 assets 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(k) Financial assets continued

Impairment continued

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.

For receivables, due from related parties and bank balances, the Group and Company applies a simplified approach in calculating ECLs. Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, and assessed forward-looking factors specific to the debtors, banks and the economic environment.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default and credit impaired when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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 reporting date, those which management has the express intention of holding for less than 12 months from the reporting 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 the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset or when the Group has no reasonable expectations of recovering the asset.

Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Indefeasible rights of use

The Group enters into long-term fibre 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. The prepayment is amortised and recognised in the profit or loss on a straight-line basis over the life of the contract.

Provider	Inception	Contract period
TEAMS	1 May 2011	25 years
KPLC	1 Feb 2010	20 years
SEACOM	1 July 2008	20 years

(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 costs incurred in bringing each product to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions for saleable inventories are made based on aged listing for items older than 180 days, damaged and unusable stocks.

2 Summary of significant accounting policies continued

(n) Payable 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 and accrued expenses are recognised initially at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Payables and accrued expenses are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

(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 dividend, 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 and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group.

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, up to the point when the mortgage has been repaid.

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

2 Summary of significant accounting policies continued

(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 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 reporting 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 and Separate 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 reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



2 Summary of significant accounting policies continued

(u) Borrowings

Borrowings are recognised initially at fair value net of directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires or when an existing financial liability is replaced by another from the same lender on substantially different terms.

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 and accounted for as "finance cost within profit or loss". 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 and computer software development. The rate used to determine the amount of borrowing costs eligible for capitalisation is the EIR of the specific borrowing. There were no borrowing costs capitalised during the year.

(v) Dividend distribution

Dividend payable to the shareholders are recognised as a liability in the Group's financial statements in the period in which the dividend are approved by the Company's shareholders. Proposed dividend 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.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

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

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 (Note 12 and 17).

Property 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 and PPE Note 18.

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(j), note 22(a), and Note 22(b).

Valuation of Bonga points

The price attributed to the awarded Bonga points is determined by historical redemption information. The length of historical period used to determine the price is set by management and is based on previous redemptions rates on airtime, data, SMS or merchandise.

If the value per point was approximately 2% higher/lower, there would be a decrease/increase in profit before tax of KShs 74.8 million respectively (2021: KShs 77.8 million). These balances have been included under contract liabilities, Note 29(b).

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 – Note 28(b).

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 the COVID-19 pandemic in assessing the expected credit losses and this has been included in the financial statements Note 6(b).

3 Critical accounting estimates and judgements continued

(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 costs 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*
- 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.
- Changes in the economic environment – Management assessed the impact of the COVID-19 pandemic on the fair value of the Group's financial assets and financial liabilities including any possible impairment of assets. Based on the assessments, management is not aware of any material uncertainties related to these events or conditions that may affect the fair value Group's financial assets and financial liabilities. Refer to note 34 for further COVID-19 pandemic disclosures.
- Assessment of significant influence over an associate – The Group considers that it has significant influence over Circle Gas Limited though it owns less than 20% of the voting rights of the Company because of the following reasons:
 - i. The Group has one non-executive Directors' slot in Circle Gas board where Safaricom PLC has one reserved board seat so long as a Trademark Licence and Brand Management Co-operation Agreement made remains in force and Safaricom PLC remains a holder of ordinary shares.
 - ii. The associate uses Safaricom PLC's trademarks as per agreement in return for a royalty fee agreement and interchange of managerial personnel between the entities.
 - iii. The associate is riding on Safaricom's network to guarantee connectivity to its smart meters.

(iii) Critical judgement on going concern

The Group's current liabilities exceed its current assets by KShs 32.9 billion (2021 net current liabilities position: KShs 19.5 billion) at the statement of financial position. 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 on-going 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 2.3 billion (2021: 2.6 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 are 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 4.5 billion (2021: KShs 4.2 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 2.9 billion (2021: KShs 3.1 billion). The Group applies IFRS 15: *Revenue from Contracts with Customers* in accounting for bundled resources. The value of unutilised resources (customer balances) reported as subscriber liability until the customers use the resources. Based on its nature, there are no expected cash outflow since its reduction is based on usage rather than actual cash settlement.

These amounts are included under contract liabilities in the statement of financial position. Management has assessed each of the items above and does not anticipate any cash outflow.

Further, the Group finances its long-term projects with short-term debt and long-term debt. In the year ended 31 March 2022, the Group borrowed KShs 120.56 billion and repaid KShs 70.03 billion. Of the outstanding loan amount of KShs 65 billion, KShs 20 billion is short-term working capital loan, due for payment by August 2022.

Dividend payable of KShs 10.2 billion is due for payments in April 2022 while current tax liability of KShs 5.2 billion is payable in July 2022.

Management is confident that sufficient funds will be available and accessible to meet all obligations as they fall due.

Based on this, management has assessed that the Group and Company will continue as a going concern. Refer to Note 34 for further COVID-19 pandemic disclosures.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

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 Finance division under policies approved by the Board of Directors. The Treasury section identifies, evaluates and manages 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 and non-derivative financial instruments and investing excess liquidity.

Financial assets and financial liabilities have been carried at amortised cost.

Market risks

(i) Foreign exchange risk

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. 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 by holding adequate foreign currency reserves to meet future cash flow requirements.

The Group does not have any derivative instruments.

If there was a 10% change in the shilling against the US Dollar during the year, with all other variables held constant, the pre-and post-tax profit for the year would have been KShs 614.7 million and KShs 430.3 million respectively for company (2021: KShs 5.9 million and 4.9 million) lower/higher, and Shs 209.5 million and Shs 146.6 million for Group (2021: KShs 126 million and KShs 88 million) for mainly as a result of US Dollar-denominated cash and bank balances, borrowings, receivables and payables.

If there was a 10% change in the Shilling against the Euro during the year with all other variables held constant, consolidated pre- and post-tax profit for the year would have been KShs 211.9 million and KShs 148.4 million (2021: KShs 33 million and KShs 23.8 million, there is no significant difference between Group and Company Euro sensitivity) lower/higher, and KShs 454.1 million and KShs 317.9 million for Group and Company mainly as a result of increased Euro denominated creditors balances and bank balances.

The Group's exposure to foreign currency changes for all other currencies is not material.

(ii) 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 (2021: 100 basis points) would have resulted in a net decrease/increase in consolidated pre- and post-tax profit of KShs 175.2 million and KShs 122.3 million respectively (2021: KShs 153.2 million and KShs 107.3 million). This sensitivity is a fair and reasonable reflection of the Group and Company's pre- and post-tax.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, other financial instruments, loans receivable from related parties, trade receivables, construction contract receivables, related parties' receivables, loans to subsidiaries and other receivables. The Group has no significant concentrations of credit risk. The Group assesses the expected credit losses for all financial assets and all changes in loss allowance are recognised in profit or loss as impairment gains or losses.

4 Financial risk management continued

Credit risk continued

Cash at bank, government securities and deposits with financial institutions

For banks and financial institutions, only reputable well-established investment grade financial institutions are used, which are considered to have a low credit risk. 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. These categories are reflective of the credit risks rating of the financial institutions.

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Category 1	12,618.4	15,864.7	12,618.4	15,864.7
Category 2	9,891.1	9,043.7	6,923.9	8,852.9
Category 3	8,284.7	1,832.4	6,029.4	1,321.5
	30,794.2	26,740.8	25,571.7	26,039.1

The Group has used the general approach for measuring the loss allowance for cash at bank, government securities and deposits with financial institutions. No collateral is held on any of the cash at bank, government securities and deposits with financial institutions.

Management has assessed the expected credit losses on cash at bank, government securities and deposits with financial institutions. The loss allowance as at 31 March 2022 are shown in Note 26(a). The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL). There has been no significant increase in credit risk within these financial assets.

Other receivables

Management has assessed the expected credit losses on the other receivables. The loss allowance as at 31 March 2022 are shown in Note 25.

The Group has used the simplified approach where applicable for measuring the loss allowance for other receivables. The Group has established a provision matrix that is based on its historical credit loss experience. No collateral is held on any of the other receivables. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

Due from related parties

The Group has used the simplified approach where applicable for measuring the loss allowance for due from related parties. In the simplified approach, the Group has established a provision matrix that is based on its historical credit loss experience. The ECL allowance calculated reflects the lifetime losses associated with events of default that are expected to occur over the life of these receivables from the reporting date.

No collateral is held on any of the receivables from related parties. The loss allowance as at 31 March 2022 are 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 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

4. Financial risk management continued**Credit risk** continued**Trade receivables** continued

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 neighboring 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 aging system for monitoring its receivables. Dealers' transactions and credit positions are closely monitored.

Collateral is held for bulk of the trade receivables in the form of bank guarantees and deposits.

The Group applies the simplified approach to determine the expected credit losses (ECLs) for trade receivables. This results in calculating lifetime ECL for these trade receivables. ECL for trade receivables is calculated using a provision matrix.

The Group segregates the trade receivables based on the aging 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 the COVID-19 pandemic, around the customer and level of effort utilised to collect the debt.

The loss allowance as at year end was determined as shown below for trade receivables:

	GROUP			
	0-30 days KShs'm	31-90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2022				
Trade receivables	10,551.2	2,126.0	5,696.7	18,373.9
Expected credit loss rate	7.0505%	32.3075%	96.3029%	–
Loss allowance	743.9	686.9	5,486.1	6,916.9
	0-30 days KShs'm	31-90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2021				
Trade receivables	10,596.2	1,086.3	4,822.3	16,504.8
Expected credit loss rate	3.571%	54.304%	90.152%	–
Loss allowance	378.4	589.9	4,347.4	5,315.7

	COMPANY			
	0-30 days KShs'm	31-90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2022				
Trade receivables	10,517.3	2,143.5	5,516.5	18,177.3
Expected credit loss rate	7.073%	32.044%	96.059%	–
Loss allowance	743.9	686.9	5,299.1	6,729.9

4. Financial risk management continued

Credit risk continued

Trade receivables continued

	0–30 days KShs'm	31–90 days KShs'm	Over 91 days KShs'm	Total KShs'm
At 31 March 2021				
Trade receivables	9,043.0	1,077.6	4,706.0	14,826.6
Expected credit loss rate	3.888%	54.139%	89.779%	—
Loss allowance	351.6	583.4	4,225.0	5,160.0

A detailed assessment of the trade receivables as shown below:

Group	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2022			
Dealers	165.0	(25.3)	139.7
Postpay	3,333.1	(1,128.9)	2,204.2
Roaming and interconnect	3,838.6	(1,344.5)	2,494.1
Other trade receivables	11,037.2	(4,418.2)	6,619.0
Total trade receivables	18,373.9	(6,916.9)	11,457.0

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2021			
Dealers	179.7	(5.7)	174.0
Postpay	3,144.8	(1,078.6)	2,066.2
Roaming and interconnect	2,954.7	(1,312.0)	1,642.7
Other trade receivables	10,225.6	(2,919.4)	7,306.2
Total trade receivables	16,504.8	(5,315.7)	11,189.1

Company	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2022			
Dealers	165.0	(25.3)	139.7
Postpay	3,333.1	(1,128.9)	2,204.2
Roaming and interconnect	3,845.0	(1,344.5)	2,500.5
Other trade receivables	10,834.2	(4,231.2)	6,603.0
Total trade receivables	18,177.3	(6,729.9)	11,447.4
At 31 March 2021			
Dealers	179.7	(5.7)	174.0
Postpay	3,144.8	(1,078.6)	2,066.2
Roaming and interconnect	2,954.7	(1,312.0)	1,642.7
Other trade receivables	8,547.4	(2,763.7)	5,783.7
Total trade receivables	14,826.6	(5,160.0)	9,666.6

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

4 Financial risk management continued

Credit risk continued

Collateral held on the trade receivables as at 31 March 2022 is KShs 195.4 million (2021: KShs 219.2 million). The collaterals relate to bank guarantees issued by dealers on dealer receivables. There is no concentration risk on trade receivables or revenue.

Maximum credit exposure

The amounts on the statement of financial position represent the maximum credit exposure for financial assets not subject to credit risk and financial assets that are subject to credit risk. Below is a summary of the maximum credit exposure:

	GROUP		
	Gross carrying amount KShs'm	Expected credit loss	Net carrying amount KShs'm
At 31 March 2022			
Cash at bank, government securities and deposits with financial institutions	30,794.2	(14.6)	30,779.6
Trade receivables	18,373.9	(6,916.9)	11,457.0
Due from related parties	1,801.2	(6.7)	1,794.5
Other receivables	6,059.0	(81.1)	5,977.9
Total	57,028.3	(7,019.3)	50,009.0

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2021			
Cash at bank, government securities and deposits with financial institutions	26,740.8	(4.7)	26,736.1
Trade receivables	16,504.8	(5,315.7)	11,189.1
Due from related parties	2,475.4	(17.4)	2,458.0
Other receivables	4,087.5	(30.4)	4,057.1
Total	49,808.5	(5,368.2)	44,440.3

	COMPANY		
	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2022			
Cash at bank, government securities and deposits with financial institutions	25,571.7	(11.1)	25,560.6
Trade receivables	18,177.3	(6,729.9)	11,447.4
Due from related parties	3,834.7	(1,096.3)	2,738.4
Other receivables	4,420.7	(81.1)	4,339.6
Total	52,004.4	(7,918.4)	44,086.0

	Gross carrying amount KShs'm	Expected credit loss KShs'm	Net carrying amount KShs'm
At 31 March 2021			
Cash at bank, government securities and deposits with financial institutions	26,039.1	(3.2)	26,035.9
Trade receivables	14,826.6	(5,160.0)	9,666.6
Due from related parties	2,874.3	(911.7)	1,962.6
Other receivables	3,973.8	(21.1)	3,952.7
Total	47,713.8	(6,096.0)	41,617.8

4 Financial risk management continued

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.

Such forecasting takes into consideration the entity's debt financing plans (See Note 16 for undrawn bank facilities), covenant compliance, 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, Treasury section maintains flexibility in funding by maintaining availability under committed credit lines. Liquidity position is monitored through daily cash position as well as monthly cash forecast that monitors debt structure and expected cash position.

The table below analyses the Group's and the Company's financial liabilities 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.

	GROUP		
	Less than 1 year KShs'm	Over 1 year KShs'm	Total KShs'm
At 31 March 2022			
– payables and accrued expenses	36,981.9	4,330.6	41,312.5
– lease liabilities Note 22(c)	5,641.9	21,495.6	27,137.5
– borrowings	20,400.0	44,910.8	65,310.8
Total financial liabilities	63,023.8	70,737.0	133,760.8
At 31 March 2021			
– payables and accrued expenses	27,981.8	–	27,981.8
– lease liabilities Note 22(c)	4,252.0	14,661.1	18,913.1
– borrowings	14,772.0	–	14,772.0
Total financial liabilities	47,005.8	14,661.1	61,666.9

	COMPANY		
	Less than 1 year KShs'm	Over 1 year KShs'm	Total KShs'm
At 31 March 2022			
– payables and accrued expenses	33,736.3	–	33,736.3
– lease liabilities Note 22(c)	5,570.6	20,602.7	26,173.3
– borrowings	20,400.0	44,910.8	65,310.8
– Financial guarantee liabilities	–	139.4	139.4
Total financial liabilities	59,706.9	65,652.9	125,359.8
At 31 March 2021			
– payables and accrued expenses	27,991.0	–	27,991.0
– lease liabilities note 22(c)	4,252.0	14,661.1	18,913.1
– borrowings	14,772.0	–	14,772.0
Total financial liabilities	47,015.0	14,661.1	61,676.1

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

4 Financial risk management continued

Liquidity risk continued

Guarantees amounting to KShs 258.9 million (2021: KShs 398.8 million) have been issued by the banks to various suppliers for services provided to the Group (Note 32).

As at 31 March 2022, the Company had issued parental corporate guarantees to suppliers of KShs 2.3 billion note 31 (xi).

There are also undrawn bank facilities amounting to KShs 21.925 billion (2021: KShs 27.01 billion) 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 dividend paid to shareholders.

The Company has a dividend policy that permits dividend 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:

Gearing ratio

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Net debt – Note 30(b)	(54,624.6)	(4,109.6)	(59,266.8)	(4,809.8)
Total equity	179,700.9	137,635.3	144,456.4	135,169.1
Total capital	234,325.5	141,744.9	203,723.2	139,978.9
Gearing ratio	23.3%	2.9%	29.1%	3.4%

4 Financial risk management continued

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.

The carrying amounts of borrowings, loans to subsidiaries, cash and cash equivalents, trade and other receivables, loans receivable from related parties, restricted and deferred restricted cash asset, Construction contract receivable, payables and accrued expenses approximate their fair values due to the nature of these instruments.

5 Revenue

(a) Revenue from contracts with customers

The Group has one reportable operating segment whose revenue is presented below:

Group	31 MARCH 2022			31 MARCH 2021		
	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	83,211.8	83,211.8	–	82,552.0	82,552.0
Interconnect revenue from local partners	–	6,840.6	6,840.6	–	6,175.2	6,175.2
Messaging revenue	–	10,876.7	10,876.7	–	13,602.4	13,602.4
Mobile data revenue	–	48,441.0	48,441.0	–	44,793.2	44,793.2
Fixed data revenue	–	11,242.5	11,242.5	–	9,507.2	9,507.2
M-PESA revenue	107,691.8	–	107,691.8	82,647.4	–	82,647.4
Other services revenues*	–	9,795.3	9,795.3	–	7,779.2	7,779.2
Mobile incoming	–	3,007.6	3,007.6	–	3,295.2	3,295.2
Service revenue	107,691.8	173,415.5	281,107.3	82,647.4	167,704.4	250,351.8
Handset revenue	12,334.7	–	12,334.7	8,511.7	–	8,511.7
Connection revenue	–	1,999.4	1,999.4	–	1,761.1	1,761.1
Construction revenue	–	–	–	–	837.7	837.7
Total revenue	120,026.5	175,414.9	295,441.4	91,159.1	170,303.2	261,462.3

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

5 Revenue continued

(a) Revenue from contracts with customers continued

The Group has one reportable operating segment whose revenue is presented below:

Company	31 MARCH 2022			31 MARCH 2021		
	KShs'm At a point in time	KShs'm Over time	KShs'm Total	KShs'm At a point in time	KShs'm Over time	KShs'm Total
Voice revenue	–	83,211.8	83,211.8	–	82,552.0	82,552.0
Interconnect revenue from local partners	–	6,840.6	6,840.6	–	6,175.2	6,175.2
Messaging revenue	–	10,876.7	10,876.7	–	13,602.4	13,602.4
Mobile data revenue	–	48,441.0	48,441.0	–	44,793.2	44,793.2
Fixed data revenue	–	11,242.5	11,242.5	–	9,507.2	9,507.2
M-PESA revenue	105,218.1	–	105,218.1	80,635.8	–	80,635.8
Other services revenues*	–	9,383.8	9,383.8	–	7,624.8	7,624.8
Mobile incoming	–	3,007.6	3,007.6	–	3,295.2	3,295.2
Service revenue	105,218.1	173,004.0	278,222.1	80,635.8	167,550.0	248,185.8
Handset revenue	12,334.7	–	12,334.7	8,511.7	–	8,511.7
Connection revenue	–	1,999.4	1,999.4	–	1,761.1	1,761.1
Construction revenue	–	–	–	–	837.7	837.7
Total revenue	117,552.8	175,003.4	292,556.2	89,147.5	170,148.8	259,296.3

* Other services revenues include Okoa Jahazi fees, roaming revenues, bulk SMS, and digital agriculture revenues.

(b) Revenue from other sources

	GROUP		COMPANY	
	2022 KShs'm	2021 Shs'm	2022 KShs'm	2021 Shs'm
Site rental revenue	2,193.3	2,043.7	2,193.3	2,069.2
Other income				
– Gain on disposal of property and equipment	47.1	38.0	47.1	38.0
– Miscellaneous income*	396.1	482.5	1,049.3	1,046.2
	2,636.5	2,564.2	3,289.7	3,153.4

* Miscellaneous income includes cash discounts received from vendors and donations received from third parties for Safaricom Foundation activities.

6 (a) Direct costs

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
M-PESA commissions	(32,546.8)	(28,205.6)	(32,302.5)	(28,001.5)
Airtime commissions	(9,420.7)	(9,674.7)	(9,420.7)	(9,674.7)
Licence fees	(10,463.5)	(9,609.2)	(10,363.3)	(9,538.5)
Interconnect and roaming costs	(8,681.3)	(7,681.7)	(8,681.3)	(7,862.7)
Handset costs	(12,392.5)	(8,624.2)	(12,392.5)	(8,624.2)
Customer acquisition and retention	(10,590.2)	(10,057.2)	(10,590.2)	(10,057.2)
Promotions and value-added services costs (Voice and SMS)	(5,210.0)	(4,879.4)	(5,210.0)	(4,879.4)
Other direct costs	(2,162.8)	(1,283.1)	(1,653.1)	(858.2)
Construction costs	—	(837.7)	—	(837.7)
	(91,467.8)	(80,852.8)	(90,613.6)	(80,334.1)

6 (b) Expected credit losses on financial assets

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Trade and other receivables	(2,348.5)	(3,004.1)	(2,521.8)	(3,855.8)
Loan receivables	(2.8)	(0.9)	(73.0)	(4.7)
Cash and cash equivalents	(9.9)	(4.7)	(7.9)	(3.2)
	(2,361.2)	(3,009.7)	(2,602.7)	(3,863.7)

7 Other expenses

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Repairs and maintenance expenditure on property and equipment	(272.3)	(323.2)	(258.8)	(321.9)
Non-lease operating costs – buildings**	(107.4)	(32.7)	(64.6)	(32.7)
Non-lease operating costs – sites*	(760.1)	(604.4)	(752.0)	(604.4)
Inventory storage costs	(325.7)	(362.1)	(321.6)	(362.1)
Employee benefits expense (Note 10)	(22,554.1)	(18,188.1)	(20,118.2)	(17,957.9)
Auditor's remuneration	(62.2)	(55.4)	(51.2)	(49.8)
Sales and advertising	(4,380.5)	(4,083.3)	(4,469.5)	(4,569.9)
Consultancy including legal fees	(3,036.9)	(1,197.9)	(1,678.9)	(1,184.2)
Network operating costs	(14,087.7)	(13,163.4)	(14,050.7)	(13,072.4)
Travel and accommodation	(803.5)	(457.6)	(457.6)	(432.0)
Computer maintenance	(2,670.6)	(2,572.4)	(2,443.0)	(2,546.2)
Office administration	(482.0)	(481.7)	(440.2)	(472.3)
Net foreign exchange losses, other than on borrowings and cash and cash equivalents	(434.4)	(610.7)	(392.3)	(648.9)
Other operating expenses*	(5,209.6)	(3,901.9)	(4,046.9)	(2,913.9)
	(55,187.0)	(46,034.8)	(49,545.5)	(45,168.6)

* Other operating expenses includes Vodafone procurement fees (Note 31(c)), fleet management costs, general staff expenses including training and welfare costs and innovation costs.

** Relates to non-lease components of the lease, e.g. services charges and VAT disallowed on payments of leases. The cost is excluded from the measurements of the lease liability as provided for in IFRS 16.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

8 Finance income

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Interest income*	1,227.6	1,523.6	1,206.0	1,502.7
Foreign exchange gain on cash and borrowings	1,206.4	701.8	864.7	701.3
Amortisation of deferred restricted cash asset	(20.6)	(27.0)	(20.6)	(27.0)
	2,413.4	2,198.4	2,050.1	2,177.0

* The interest income included within finance income is calculated at effective interest rates.

9 Finance costs

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Interest expense	(3,165.4)	(1,686.5)	(2,986.4)	(1,667.8)
Foreign exchange losses on cash and borrowings	(2,816.6)	(533.2)	(2,961.4)	(736.6)
Interest on asset retirement obligation (ARO) liability	(379.4)	(223.2)	(379.4)	(223.2)
Interest on lease liability	(1,802.9)	(1,717.9)	(1,772.4)	(1,717.9)
Financial guarantee	—	—	(120.9)	—
Origination fee on credit facilities	(724.4)	—	(710.8)	—
Discounting adjustment on construction contract receivables*	36.1	(60.0)	36.1	(60.0)
	(8,852.6)	(4,220.8)	(8,895.2)	(4,405.5)

* This adjustment is in relation to discounting of construction contract receivable [due from national government]. The interest expense included within finance costs is calculated at effective interest rates.

10 Employee benefits expense

The following items are included within employee benefits expense:

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Club membership	(35.6)	(37.1)	(34.6)	(36.8)
Employee other administrative costs	(64.6)	(290.5)	(64.6)	(290.5)
Secondees other administrative costs	(803.0)	(90.8)	(140.3)	(90.4)
Employee Performance Share Award Plan	(663.4)	(713.1)	(661.4)	(707.5)
Leave provision	(77.1)	95.9	(57.5)	101.2
NSSF	(12.9)	(12.4)	(12.6)	(12.4)
Pension	(743.3)	(725.6)	(737.7)	(718.1)
Salaries	(17,110.5)	(15,024.2)	(16,719.0)	(14,813.1)
Secondee salaries	(1,237.6)	(40.1)	81.5	(40.1)
Staff medical and life insurance	(1,806.1)	(1,350.2)	(1,772.0)	(1,350.2)
	(22,554.1)	(18,188.1)	(20,118.2)	(17,957.9)

	GROUP AND COMPANY	
	2022	2021
Number of employees		
Permanent employees	4,631	4,457
Fixed-term contract employees	1,221	1,192
	5,852	5,649

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 years' 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, 12.4 million shares were bought by the Trust, at a cost of KShs 489.4 million. Additionally, 15.28 million shares historically valued at KShs 519.4 million (2021: 16.42 million shares valued at KShs 480.7 million) vested and were exercised by eligible staff.

The Trust currently holds 11.50 million shares at a total cost of KShs 416.2 million (2021: 15.43 million shares at a cost of KShs 446.2 million).

The Trust is an "Equity-settled share-based Payment 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 in these financial statements.

12 (a) Income tax expense

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Current income tax	(39,146.8)	(29,153.7)	(38,706.8)	(29,009.8)
Under provision of current income tax in prior years	(12.1)	(168.1)	(12.1)	–
Deferred income tax (Note 17)	4,472.0	4,388.2	4,473.4	4,554.1
Under provision of deferred tax in prior years	(30.4)	(25.7)	(30.5)	(25.7)
Income tax expense	(34,717.3)	(24,959.3)	(34,276.0)	(24,481.4)
Profit before income tax	102,213.4	93,635.5	106,065.3	92,438.0
Tax calculated at the applicable income tax rate of 30% (2021: 9 months – 25%, 3 months – 30%)	(30,664.0)	(24,579.3)	(31,819.6)	(24,265.0)
Tax effect of:				
Income not subject to tax	283.2	1,455.1	1,635	1,300.9
Expenses not deductible for tax purposes	(4,112.6)	(2,098.6)	(4,048.8)	(2,060.9)
Under provision of deferred tax in prior years	(30.4)	(25.7)	(30.5)	(25.7)
Effect of change in tax rate on deferred tax	–	585.2	–	569.3
Under provision of current income tax in prior years	(181.4)	(127.6)	–	–
Derecognition of prior year deferred tax	–	(168.1)	–	–
Under provision of deferred tax in prior years	(12.1)	–	(12.1)	–
Minimum tax paid as final tax	–	(0.3)	–	–
Income tax expense	(34,717.3)	(24,959.3)	(34,276.0)	(24,481.4)



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

12 (b) Current income tax payable

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
At 1 April	(253.1)	147.5	(151.6)	251.8
Current income tax	(39,146.8)	(29,153.7)	(38,706.8)	(29,009.8)
Under provision of current income tax in prior years	(12.1)	(168.1)	(12.1)	–
Tax paid during the year	34,128.7	28,921.2	33,784.2	28,606.4
At 31 March	(5,283.3)	(253.1)	(5,086.3)	(151.6)
Current asset	7.9	7.2	–	–
Current liabilities	(5,291.2)	(260.3)	(5,086.3)	(151.6)
	(5,283.3)	(253.1)	(5,086.3)	(151.6)

13 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	GROUP		COMPANY	
	2022	2021	2022	2021
Profit attributable to equity holders of the Group (KShs million)	69,648.1	68,676.2	71,789.3	67,956.6
Weighted average number of ordinary shares in issue (million)	40,065	40,065	40,065	40,065
Basic earnings per share (KShs)	1.74	1.71	1.79	1.70
Diluted earnings per share (KShs)	1.74	1.71	1.79	1.70

There were no potentially dilutive shares outstanding as at 31 March 2021 and 31 March 2022. Diluted earnings per share are therefore the same as basic earnings per share.

14 Share capital and share premium

	Number of shares (million)	Ordinary shares KShs'm	Share premium KShs'm	Total KShs'm
As at 31 March 2021 and 31 March 2022	40,065	2,003.3	2,200	4,203.3

The authorised share capital of the Company is KShs 6,000,000,000 divided into 119,999,999,600 ordinary shares of KShs 0.05 each and five non-redeemable preference shares of KShs 4 each.

The issued share capital comprises 40,065,428,000 (2021: 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 dividend as declared from time to time and are entitled to one vote per share at the general meetings of the Company.

15 Dividend

Proposed dividend 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 dividend payable account once approved by shareholders in a general meeting.

During the year, an interim dividend of KShs 0.64 per ordinary share amounting to KShs 25.64 billion (2021: KShs 18.03 billion) was declared. At the AGM to be held on 29 July 2022, a final dividend in respect of the year ended 31 March 2022 of KShs 0.75 per ordinary share amounting to a total of KShs 30.05 billion is to be proposed for approval. This brings the total dividend for the year to KShs 55.69 billion (2021: KShs 54.89 billion) which represents KShs 1.39 per share in respect of the year ended 31 March 2022 (2021: KShs 1.37 per share).

The Company continues to pay out dividend in line with its policy to pay out 80% of net income.

The payment of dividend is subject to withholding tax at the rate of 10% for all non-residents, 5% for Kenyan residents and 0% for resident Kenyan companies with a shareholding of 12.5% or more in the Company. Total dividend payouts in the year were as follows:

Movement in the year

	2022 KShs'm	2021 KShs'm
Opening balance – 1 April	8,684.1	1,045.1
Declared during the year	36,860.2	56,091.6
Interim dividend declared	25,641.9	18,029.4
Paid during the period	(59,132.3)	(66,482.0)
Closing balance – 31 March	12,053.9	8,684.1

16 Borrowings

The Group has a short-term and Long term revolving facility with various financial institutions.

As at 31 March 2022, the Group had undrawn credit facilities with various banks equivalent of KShs 21.925 billion (2021: KShs 27.01 billion). The borrowings are from different financial institutions with varying interest rates.

The movement in borrowings is as below:

	GROUP AND COMPANY	
	2022 KShs'm	2021 KShs'm
Opening balance – 1 April	14,772.0	8,000.0
Additions	120,564.8	44,970.0
Repayments	(70,026.0)	(38,198.0)
Closing balance – 31 March	65,310.8	14,772.0

Split

	2022 KShs'm	2021 KShs'm
Short-term loan	20,400.0	14,772.0
Long-term loan	44,910.8	–
At 31 March	65,310.8	14,772.0

Under the terms of the loan facilities, the Group is required to comply with certain covenants. The Group had complied with all the covenants.

The long-term facility repayment period is seven years for the Kenyan Shilling-denominated loan and five years for Dollar-denominated loan.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

17 Deferred income tax

(a) Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 KShs'm	2021 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	1,160.5	4,834.6
– Deferred tax assets to be recovered within 12 months	14,447.3	5,367.8
– Deferred tax asset not recognised	(454.9)	(295.7)
	15,152.9	9,906.7
Deferred tax liabilities:		
– Deferred tax liability to be realised after 12 months	(5,153.3)	(4,428.9)
– Deferred tax liability to be realised within 12 months	(90.8)	(10.6)
	(5,244.1)	(4,439.5)
Net deferred income tax asset	9,908.8	5,467.2

No provision has been made for deferred tax asset which includes an asset arising from tax losses of subsidiaries amounting to KShs 454.9 million (2021: KShs 295.7) because it is not expected that the subsidiaries will have taxable profits in the foreseeable future against which the temporary differences and tax losses can be utilised. There is no expiry date to this unrecognised asset.

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%).

	2022 KShs'm	2021 KShs'm
At start of year	5,467.2	1,104.7
Credit to statement of profit or loss and other comprehensive income (Note 12)	4,472.0	4,388.2
Under provision of deferred tax in prior years (Note 12)	(30.4)	(25.7)
At end of year	9,908.8	5,467.2

Consolidated deferred income tax assets and liabilities and deferred income tax credit/(charge) in the statement of profit or loss and other comprehensive income (SOCl) are attributable to the following items:

Year ended 31 March 2022	1 April 2021 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2022 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(10.6)	(80.2)	(90.8)
Right-of-use	(4,428.9)	(724.4)	(5,153.3)
	(4,439.5)	(804.6)	(5,244.1)
Deferred income tax assets			
Unrealised foreign exchange losses	30.1	89.4	119.5
Tax losses	242.8	148.7	391.5
Property and equipment	1,350.8	3,388.0	4,738.8
Lease liability	4,822.1	1,032.9	5,855.0
Other temporary differences*	3,756.6	768.6	4,525.2
	10,202.4	5,427.6	15,630.0
Deferred tax asset not recognised	(295.7)	(181.4)	(477.1)
Net deferred income tax asset	5,467.2	4,441.6	9,908.8

17 Deferred income tax continued

(a) Group continued

Year ended 31 March 2021	1 April 2020 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2021 KShs'm
Deferred income tax liabilities			
Property and equipment	(2,219.8)	2,219.8	–
Unrealised foreign exchange gains	–	(10.6)	(10.6)
Right-of-use	(4,572.9)	144.0	(4,428.9)
	(6,792.7)	2,353.2	(4,439.5)
Deferred income tax assets			
Unrealised foreign exchange losses	38.6	(8.5)	30.1
Tax losses	130.2	112.6	242.8
Property and equipment	–	1,350.8	1,350.8
Unrealised foreign exchange gains	12.1	(12.1)	–
Lease liability	4,567.4	254.7	4,822.1
Other temporary differences*	3,149.1	607.5	3,756.6
	7,897.4	2,305.0	10,202.4
Deferred tax asset not recognised	–	(295.7)	(295.7)
Net deferred income tax asset	1,104.7	4,362.5	5,467.2

* Other temporary differences mainly relate to deferred tax of expected credit losses on financial assets and provisions.

(b) Company

	2022 KShs'm	2021 KShs'm
Deferred tax assets:		
– Deferred tax assets to be recovered after 12 months	1,160.5	1,743.8
– Deferred tax assets to be recovered within 12 months	13,992.4	8,163.0
	15,152.9	9,906.8
Deferred tax liabilities:		
– Deferred tax liability to be realised after 12 months	(5,244.2)	(4,428.9)
– Deferred tax liability to be realised within 12 months	–	(12.1)
	(5,244.2)	(4,441.0)
Net deferred income tax asset	9,908.7	5,465.8

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%).

	2022 KShs'm	2021 KShs'm
At start of year	5,465.8	937.4
Credit to statement of profit or loss and other comprehensive income (Note 12)	4,473.4	4,554.1
Under provision of deferred tax in prior years (Note 12)	(30.5)	(25.7)
At end of year	9,908.7	5,465.8

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

17 Deferred income tax continued

(b) Company continued

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 2022	1 April 2021 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2022 KShs'm
Deferred income tax liabilities			
Unrealised foreign exchange gains	(12.1)	(78.8)	(90.9)
Right-of-use	(4,428.9)	(724.4)	(5,153.3)
	(4,441.0)	(803.2)	(5,244.2)
Deferred income tax assets			
Unrealised foreign exchange losses	30.1	89.2	119.3
Property and equipment	1,350.4	3,391.2	4,741.6
Lease liability	4,822.1	1,032.9	5,855.0
Other temporary differences*	3,704.2	732.8	4,437.0
	9,906.8	5,246.1	15,152.9
Net deferred income tax asset	5,465.8	4,442.9	9,908.7

Year ended 31 March 2021	1 April 2020 KShs'm	Credit/ (charged) to SOCI KShs'm	31 March 2021 KShs'm
Deferred income tax liabilities			
Property and equipment	(2,218.4)	2,218.4	–
Unrealised foreign exchange gains	–	(12.1)	(12.1)
Right-of-use	(4,572.9)	144.0	(4,428.9)
	(6,791.3)	2,350.3	(4,441.0)
Deferred income tax assets			
Unrealised foreign exchange losses	38.6	(8.5)	30.1
Property and equipment	–	1,350.4	1,350.4
Unrealised foreign exchange gains	12.8	(12.8)	–
Lease liability	4,567.4	254.7	4,822.1
Other temporary differences*	3,109.9	594.3	3,704.2
	7,728.7	2,178.1	9,906.8
Net deferred income tax asset	937.4	4,528.4	5,465.8

* Other temporary differences mainly to deferred tax of expected credit losses on financial assets and provisions.

In the opinion of the Directors, the deferred income tax balances are expected to be recoverable against future profits.

18 Property and equipment

	GROUP							
	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Fibre KShs'm	Total KShs'm	
At 1 April 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	
Year ended 31 March 2021								
Opening net book amount	61,999.5	10,327.1	463.4	1,413.4	29,199.7	25,934.1	129,337.2	
Additions	–	34,935.8	15.8	–	8.6	–	34,960.2	
Transfers from CWIP	13,402.7	(36,706.2)	–	497.5	19,897.4	2,908.6	–	
Disposal – cost	(134.3)	–	–	–	(43.4)	–	(177.7)	
Asset retirement – cost**	–	–	–	–	(4,243.3)	–	(4,243.3)	
Asset retirement obligation (ARO) non-cash adjustments	2,207.4	–	–	–	–	–	2,207.4	
Depreciation charge	(15,649.5)	–	(141.0)	(577.3)	(14,946.5)	(1,310.2)	(32,624.5)	
Depreciation reclassification	(3.0)	–	(0.5)	2.0	1.3	0.2	–	
Depreciation on disposals	92.2	–	–	–	38.9	–	131.1	
Depreciation on retired assets**	–	–	–	–	4,243.3	–	4,243.3	
Closing net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7	133,833.7	
At 31 March 2021								
Cost	243,602.0	8,556.7	1,580.3	7,940.7	119,724.0	33,196.5	414,600.2	
Accumulated depreciation	(181,687.0)	–	(1,242.6)	(6,605.1)	(85,568.0)	(5,663.8)	(280,766.5)	
Net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7	133,833.7	

* CWIP 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 2021, the Company carried out an assessment of the fixed asset register (FAR). From this assessment, assets worth Shs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

18 Property and equipment continued

	GROUP								Total KShs'm
	Network infrastruc- ture KShs'm	Capital work in progress (CWIP)* KShs'm	Network main- tenance spares KShs'm	Lease- hold improve- ments KShs'm	Vehicles and equi- ment KShs'm	Fibre KShs'm			
Year ended 31 March 2022									
Opening net book amount	61,915.0	8,556.7	337.7	1,335.6	34,156.0	27,532.7			133,833.7
Additions	–	49,168.0	–	–	406.3	–	204.3		49,778.6
Transfers from CWIP*	10,428.8	(32,241.7)	150.1	6.5	19,348.7	2,307.6	–		–
Disposal – cost	(299.5)	–	–	(12.8)	(1,104.7)	–	–		(1,417.0)
Asset retirement obligation (ARO) non-cash adjustments	(286.5)	–	–	–	–	–	–		(286.5)
Depreciation charge	(15,042.8)	(144.0)	(127.6)	(453.0)	(16,976.1)	(1,401.7)	–		(34,145.2)
Depreciation on disposals	301.4	–	–	12.8	1,100.7	–	–		1,414.9
Translation reserves – cost	–	(157.6)	–	–	(27.9)	–	–		(185.5)
Closing net book amount	57,016.4	25,181.4	360.2	889.1	36,903.0	28,438.6	204.3	148,993.0	
At 31 March 2022									
Cost	253,444.8	25,181.4	1,730.4	7,934.4	138,346.4	35,504.1	204.3		462,345.8
Accumulated depreciation and impairment	(196,428.4)	–	(1,370.2)	(7,045.3)	(101,443.4)	(7,065.5)	–		(313,352.8)
Net book amount	57,016.4	25,181.4	360.2	889.1	36,903.0	28,438.6	204.3	148,993.0	

* 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.

18 Property and equipment continued

COMPANY

	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Fibre KShs'm	Total KShs'm
At 1 April 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
Year ended 31 March 2020							
Opening net book amount	61,999.4	10,184.2	464.0	1,411.3	28,975.6	25,934.2	128,968.7
Additions	–	34,935.8	15.8	–	8.6	–	34,960.2
Transfer from CWIP	13,402.7	(36,706.2)	–	497.5	19,897.4	2,908.6	–
Disposal – cost	(134.3)	–	–	–	(43.4)	–	(177.7)
Asset retirement – cost**	–	–	–	–	(4,243.3)	–	(4,243.3)
Asset retirement obligation (ARO) non-cash adjustments	2,207.4	–	–	–	–	–	2,207.4
Depreciation charge	(15,649.5)	–	(141.0)	(577.3)	(14,892.4)	(1,310.2)	(32,570.4)
Depreciation reclassification	(3.0)	–	(0.5)	2.0	1.3	0.2	–
Depreciation on disposals	92.2	–	–	–	38.9	–	131.1
Depreciation on retired assets**	–	–	–	–	4,243.3	–	4,243.3
Closing net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	133,519.3
At 31 March 2021							
Cost	243,465.4	8,413.8	1,580.3	7,940.7	119,357.1	33,190.4	413,947.7
Accumulated depreciation	(181,550.5)	–	(1,242.0)	(6,607.2)	(85,371.1)	(5,657.6)	(280,428.4)
Net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	133,519.3

* CWIP 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 2021, the Company carried out an assessment of the fixed asset register (FAR). From this assessment, assets worth KShs 4.2 billion were identified to be fully depreciated and not in use. The assets were mainly equipment. The assets have been written off.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

18 Property and equipment continued

COMPANY

	Network infrastructure KShs'm	Capital work in progress (CWIP)* KShs'm	Network maintenance spares KShs'm	Leasehold improvements KShs'm	Vehicles and equipment KShs'm	Freehold Fibre KShs'm	Property KShs'm	Total KShs'm
Year ended 31 March 2022								
Opening net book amount	61,914.9	8,413.8	338.3	1,333.5	33,986.0	27,532.8	–	133,519.3
Additions	–	38,583.5	–	–	406.3	–	204.3	39,194.1
Transfer from CWIP	10,428.8	(32,078.7)	150.1	6.5	19,185.7	2,307.6	–	–
Disposal – cost	(299.5)	–	–	(12.8)	(1,104.7)	–	–	(1,417.0)
Asset retirement obligation (ARO) non-cash adjustments	(286.5)	–	–	–	–	–	–	(286.5)
Depreciation charge	(15,042.8)	–	(127.6)	(453.0)	(16,897.1)	(1,401.7)	–	(33,922.2)
Depreciation on disposals	301.4	–	–	12.8	1,100.7	–	–	1,414.9
Closing net book amount	57,016.3	14,918.6	360.8	887.0	36,676.9	28,438.7	204.3	138,502.6
At 31 March 2022								
Cost	253,308.2	14,918.6	1,730.4	7,934.4	137,844.4	35,498.0	204.3	451,438.3
Accumulated depreciation	(196,291.9)	–	(1,369.6)	(7,047.4)	(101,167.5)	(7,059.3)	–	(312,935.7)
Net book amount	57,016.3	14,918.6	360.8	887.0	36,676.9	28,438.7	204.3	138,502.6

* 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.

19 Indefeasible rights of use (IRUs)

	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 2021							
Opening net book amount	1,947.9	766.6	412.4	47.1	78.1	-	3,252.1
Amortisation charge	(162.7)	(76.7)	(41.9)	(47.1)	(78.1)	-	(406.5)
Closing net book amount	1,785.2	689.9	370.5	-	-	-	2,845.6
At 31 March 2021							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortisation	(1,467.8)	(845.0)	(467.8)	(111.3)	(183.9)	(91.5)	(3,167.3)
	1,785.2	689.9	370.5	-	-	-	2,845.6
Year ended 31 March 2022							
Opening net book amount	1,785.2	689.9	370.5	-	-	-	2,845.6
Amortisation charge	(162.7)	(76.7)	(41.9)	-	-	-	(281.3)
Closing net book amount	1,622.5	613.2	328.6	-	-	-	2,564.3
At 31 March 2022							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	91.5	6,012.9
Accumulated amortisation	(1,630.5)	(921.7)	(509.7)	(111.3)	(183.9)	(91.5)	(3,448.6)
Net book amount	1,622.5	613.2	328.6	-	-	-	2,564.3
	COMPANY						
	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 2021							
Opening net book amount	1,947.9	766.6	412.4	47.1	78.1	3,252.1	
Amortisation charge	(162.7)	(76.7)	(41.9)	(47.1)	(78.1)	-	(406.5)
Closing net book amount	1,785.2	689.9	370.5	-	-	-	2,845.6
At 31 March 2021							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4	
Accumulated amortisation	(1,467.8)	(845.0)	(467.8)	(111.3)	(183.9)	(3,075.8)	
Net book amount	1,785.2	689.9	370.5	-	-	-	2,845.6
Year ended 31 March 2022							
Opening net book amount	1,785.2	689.9	370.5	-	-	-	2,845.6
Amortisation charge	(162.7)	(76.7)	(41.9)	-	-	-	(281.3)
Closing net book amount	1,622.5	613.2	328.6	-	-	-	2,564.3
At 31 March 2022							
Cost	3,253.0	1,534.9	838.3	111.3	183.9	5,921.4	
Accumulated amortisation	(1,630.5)	(921.7)	(509.7)	(111.3)	(183.9)	(3,357.1)	
Net book amount	1,622.5	613.2	328.6	-	-	-	2,564.3

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

20 Investment property

The investment property relates to a vacant open land title No. 164259 and 164260 located in the 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	
	2022 KShs'm	2021 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 2022 was performed by registered and independent valuers who have valuation experience for similar properties in Kenya. They are members of the Institute of Surveyors of 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 and company's investment property and information about fair value hierarchy as at 31 March 2022 and 31 March 2021 is as follows:

Non-financial asset	Fair value as at 31 March 2022 and 31 March 2021 KShs'm	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Investment property	845.0	Level III	Open market value basis – highest and best use model	Recent sale transactions for similar properties

Sensitivity analysis

If there was a 10% change in the selling prices of similar properties, with all other variables held constant, the fair value of the investment property would have been KShs 84.5 million lower/higher.

21 Intangible assets – Network Licences

	GROUP	
	2022 KShs'm	2021 KShs'm
Opening net book amount	8,475.5	6,026.2
Additions	96,288.3	4,077.8
Translation reserves	(9,266.6)	–
Disposals – cost	(5,077.6)	–
Disposals – amortisation	5,077.6	–
Amortisation charge	(1,850.0)	(1,628.5)
Closing net book amount	93,647.2	8,475.5
Cost	105,004.5	23,060.4
Accumulated amortisation	(11,357.3)	(14,584.9)
Net book amount	93,647.2	8,475.5

	COMPANY	
	2022 KShs'm	2021 KShs'm
Opening net book amount	8,471.5	6,021.8
Additions- cost	4,728.1	4,077.8
Disposals – cost	(5,077.6)	–
Disposals – amortisation	5,077.6	–
Amortisation charge	(1,850.0)	(1,628.1)
Closing net book amount	11,349.6	8,471.5
Cost	22,688.6	23,038.1
Accumulated amortisation	(11,339.0)	(14,566.6)
Net book amount	11,349.6	8,471.5

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

22 Leases

(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	Equipment KShs'm	Total KShs'm
Year ended 31 March 2020							
Cost	8,672.7	5,281.2	1,286.6	2,882.8	42.4	–	18,165.7
Accumulated amortisation	(1,089.9)	(910.2)	(252.5)	(647.8)	(22.4)	–	(2,922.8)
Closing book cost	7,582.8	4,371.0	1,034.1	2,235.0	20.0	–	15,242.9
Year ended 31 March 2021							
Opening cost	7,582.8	4,371.0	1,034.1	2,235.0	20.0	–	15,242.9
Additions	560.8	1,160.3	152.2	1,075.5	28.9	18.2	2,995.9
Reclassification – cost	(168.5)	51.5	(37.0)	42.0	7.1	–	(104.9)
Termination and revision – cost	(144.6)	186.2	12.1	(357.4)	–	(0.3)	(304.0)
Amortisation charge	(1,063.0)	(1,051.9)	(297.0)	(866.5)	(24.7)	(1.7)	(3,304.8)
Reclassification – amortisation	94.8	2.8	39.8	(4.6)	(27.9)	–	104.9
Termination and revision – amortisation	37.6	(1.1)	11.7	84.6	–	–	132.8
Closing net book amount	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
At 31 March 2021							
Cost	8,920.4	6,679.2	1,413.9	3,642.9	78.4	17.9	20,752.7
Accumulated amortisation	(2,020.5)	(1,960.4)	(498.0)	(1,434.3)	(75.0)	(1.7)	(5,989.9)
Closing net book amount	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
Year ended 31 March 2022							
Opening cost	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
Additions	1,136.2	4,058.9	170.9	549.5	65.6	(1.6)	5,979.5
Termination and revision – cost	19.8	811.2	(20.7)	237.2	–	(0.5)	1,047.0
Amortisation charge	(1,041.4)	(1,318.4)	(259.7)	(1,014.4)	(16.3)	(6.6)	(3,656.8)
Translation reserve	1.6	–	0.1	1.8	0.1	–	3.6
Termination – amortisation and revision	66.5	–	0.2	98.9	–	–	165.6
Closing net book amount	7,082.6	8,270.5	806.7	2,081.6	52.8	7.5	18,301.7
At 31 March 2022							
Cost	10,078.0	11,549.3	1,564.2	4,431.4	144.1	15.8	27,782.8
Accumulated amortisation	(2,995.4)	(3,278.8)	(757.5)	(2,349.8)	(91.3)	(8.3)	(9,481.1)
Closing net book amount	7,082.6	8,270.5	806.7	2,081.6	52.8	7.5	18,301.7

22 Leases continued

(a) Right-of-use (ROU) asset movement schedule continued

	COMPANY						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2022							
Opening cost	6,899.9	4,718.8	915.9	2,208.6	3.4	16.2	14,762.8
Additions	685.3	4,058.9	135.6	279.7	27.5	(1.6)	5,185.4
Termination and revision – cost	16.8	811.2	(20.7)	(98.8)	–	(0.5)	708.0
Amortisation charge	(1,037.8)	(1,318.4)	(259.3)	(1,008.9)	(13.2)	(6.6)	(3,644.2)
Termination and revision – amortisation	66.5	–	0.1	98.8	–	–	165.4
Closing net book amount	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4
At 31 March 2022							
Cost	9,622.5	11,549.3	1,528.8	3,823.8	105.9	15.8	26,646.1
Accumulated amortisation	(2,991.8)	(3,278.8)	(757.2)	(2,344.4)	(88.2)	(8.3)	(9,468.7)
Closing net book amount	6,630.7	8,270.5	771.6	1,479.4	17.7	7.5	17,177.4

(b) Lease liability movement schedule

The lease liability balance at the end of the period was as follows:

	GROUP AND COMPANY						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2021							
Opening balance	(7,330.2)	(4,524.1)	(971.4)	(2,378.3)	(20.7)	–	(15,224.7)
Additions	(560.8)	(1,160.3)	(152.2)	(1,075.5)	(28.9)	(18.2)	(2,995.9)
Interest charge	(916.6)	(382.5)	(123.5)	(292.8)	(2.0)	(0.5)	(1,717.9)
Payments	1,381.7	1,352.1	337.4	781.7	17.5	4.2	3,874.6
Termination and revisions	137.2	(178.9)	(22.6)	272.9	–	–	208.6
Forex revaluation	(0.7)	(214.7)	(2.7)	–	(0.3)	–	(218.4)
Closing balance	(7,289.4)	(5,108.4)	(935.0)	(2,692.0)	(34.4)	(14.5)	(16,073.7)
Year ended 31 March 2021							
Current	(1,384.0)	(1,476.3)	(270.6)	(968.0)	(13.8)	(6.8)	(4,119.5)
Non-current	(5,905.4)	(3,632.1)	(664.4)	(1,724.0)	(20.6)	(7.7)	(11,954.2)
	(7,289.4)	(5,108.4)	(935.0)	(2,692.0)	(34.4)	(14.5)	(16,073.7)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

22 Leases continued

(b) Lease liability movement schedule continued

	GROUP						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2022							
Opening balance	(7,289.4)	(5,108.4)	(935.0)	(2,692.0)	(34.4)	(14.5)	(16,073.7)
Additions	(944.3)	(4,294.3)	(160.9)	(549.6)	(32.0)	1.6	(5,979.5)
Interest charge	(922.1)	(518.9)	(100.9)	(255.6)	(3.7)	(1.7)	(1,802.9)
Payments	1,773.1	1,719.3	316.8	1,281.9	52.6	10.6	5,154.3
Termination and revisions	(51.0)	(811.3)	20.4	(335.7)	(27.5)	0.3	(1,204.8)
Forex revaluation	(0.4)	(182.1)	(1.8)	–	(0.4)	–	(184.7)
Translation reserves	(1.1)	–	–	(1.0)	–	–	(2.1)
Closing balance	(7,435.2)	(9,195.7)	(861.4)	(2,552.0)	(45.4)	(3.7)	(20,093.4)
Year ended 31 March 2022							
Current	(1,527.5)	(2,316.3)	(270.4)	(1,349.8)	(40.8)	(3.7)	(5,508.5)
Non-current	(5,907.7)	(6,879.4)	(591.0)	(1,202.2)	(4.6)	–	(14,584.9)
	(7,435.2)	(9,195.7)	(861.4)	(2,552.0)	(45.4)	(3.7)	(20,093.4)

	COMPANY						
	Site KShs'm	Collocation KShs'm	Shops KShs'm	Facilities KShs'm	Secondees houses KShs'm	Equipment KShs'm	Total KShs'm
Year ended 31 March 2022							
Opening balance	(7,289.4)	(5,108.4)	(935.0)	(2,692.0)	(34.4)	(14.5)	(16,073.7)
Additions	(477.5)	(4,294.3)	(135.5)	(279.7)	–	1.6	(5,185.4)
Interest charge	(904.3)	(518.9)	(99.8)	(245.3)	(2.4)	(1.7)	(1,772.4)
Payments	1,573.3	1,719.3	296.6	946.2	19.9	10.6	4,565.9
Termination and revisions	(48.0)	(811.3)	20.2	–	(27.5)	0.3	(866.3)
Forex revaluation	(0.4)	(182.1)	(1.8)	–	(0.4)	–	(184.7)
Closing balance	(7,146.3)	(9,195.7)	(855.3)	(2,270.8)	(44.8)	(3.7)	(19,516.6)
Year ended 31 March 2022							
Current	(1,489.7)	(2,316.3)	(270.4)	(1,349.8)	(7.5)	(3.7)	(5,437.4)
Non-current	(5,656.6)	(6,879.4)	(584.9)	(921.0)	(37.3)	–	(14,079.2)
	(7,146.3)	(9,195.7)	(855.3)	(2,270.8)	(44.8)	(3.7)	(19,516.6)

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 1,828.7 million and KShs 1,725.5 million for Group and Company respectively (2021: KShs 1,726.6 million) relating to short-term leases of less than one year which were not accounted for under IFRS 16 in the lease liabilities above as one of the expedients adopted by the Group and Company as provided by IFRS 16.

There were no leases not commenced to which the Group had committed.

22 Leases continued

(b) Lease liability movement schedule continued

Payments split

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Repayment of lease liabilities – Principal	(3,806.4)	(2,550.6)	(3,220.5)	(2,550.6)
Repayment of lease liabilities – Interest	(1,347.9)	(1,324.0)	(1,345.4)	(1,324.0)
Total payments	(5,154.3)	(3,874.6)	(4,565.9)	(3,874.6)

(c) Maturity analysis of undiscounted lease liabilities

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Less than 1 year	5,641.9	4,252.0	5,570.6	4,252.0
Greater than 1 year	21,495.6	14,661.1	20,602.7	14,661.1
Total	27,137.5	18,913.1	26,173.3	18,913.1

23 Investments

From time to time the Group invests in various entities in the form of subsidiaries, associates and joint arrangements for strategic reasons 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 because of Central Bank of Kenya's reporting guidelines. The investments relate to cost of shares held in the subsidiaries.

	COMPANY	
	2022 KShs'm	2021 KShs'm
At start of year	431.3	431.3
Initial investment (Vodafamily)	58,626.5	–
At end of year	59,057.8	431.3

During the period, Safaricom PLC in partnership with Vodacom Group, Sumitomo and CDC partnered to invest in Ethiopia. Safaricom PLC and Vodacom Group through the Vodafamily Ethiopia Holding Company Limited (a private limited company incorporated under the laws of England and Wales, United Kingdom), Sumitomo and CDC incorporated the Global Partnership for Ethiopia (GPE) B.V. (a private limited company incorporated in the Netherlands), as the investment vehicle to Ethiopia with the respective shareholding into the Company being Vodafamily Ethiopia Holding 61.9% (Safaricom Plc 55.71%, Vodacom Group 6.19%), Sumitomo Corporation 27.2% and CDC Group Plc 10.9%. The intention was to bid for one of the telecommunications licences in Ethiopia.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

23 Investments continued

(a) Investment in subsidiaries continued

On 26 April 2021, the Global Partnership for Ethiopia (the "GPE") submitted a response to the Request for Proposals (the "RFP") by the Government of Ethiopia (the "GoE") that was issued by the Ethiopian Communications Authority (the "ECA"). On 24 May 2021, the ECA formally notified the GPE of its decision to award it one of the two telecommunication licences that were available in the bid process. Licence fee paid was USD 850 million to the GoE. In addition, a transaction fees of USD 4 million was paid to the International Finance corporation (IFC). The total cost was distributed proportionate to each consortium partner shareholding in GPE.

GPE thereafter incorporated a fully-owned subsidiary in Ethiopia – Safaricom Telecommunication Ethiopia Plc (STE) and the certificate of operation was issued on 6 July 2021 as per the requirements of Ethiopia regulation. The indirect shareholding of Safaricom Plc in STE is 55.71%. STE's primary purpose is to hold and operate a full-service telecommunications licence granted to GPE by the Federal Republic of Ethiopia.

The subsidiary was established within the current financial reporting period and has been consolidated in the Group's 31 March 2022 financial statements.

Below is the contribution for non-controlling interest arising from their ownership in GPE and STE:

Name	Non-controlling percentage	Contribution by NCI shareholders KShs'm	Translation reverse KShs'm	Loss allocated to NCI KShs'm	Totals non-controlling KShs'm
Vodacom Group Limited	6.19%	6,514.0	(590.3)	(300.8)	5,622.9
Sumitomo Corporation	27.2%	28,623.5	(2,593.8)	(1,321.6)	24,708.1
CDC Group PLC	10.9%	11,470.4	(1,039.5)	(529.6)	9,901.3
Total	44.29%	46,607.9	(4,223.6)	(2,152.0)	40,232.3

The summarised financial information of Vodafamily Ethiopia Holding Limited consolidated is provided below. The subsidiary is incorporated in the Netherlands and the principal place of business is London, United Kingdom. This information is based on amounts before inter-company eliminations.

As at 31 March 2022, the Company's interest in its subsidiaries was as follows:

	Year end	% interest held	2022 KShs'm	2021 KShs'm
One Communications Limited and its subsidiaries ¹	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	0.1
Safaricom Money Transfer Services Limited	31 December	100	20.0	20.0
Vodafamily Ethiopia Holding Limited	31 March	90	58,626.5	–
			59,057.8	431.3

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 KShs 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 additions to the DigiFarm model will be filling the gaps below:

- Access to financial services – credit and insurance
- Access to quality inputs
- Knowledge on best farming practices through extension services
- Access to market and post-harvest loss management.

* The investment in One Communications Limited and its subsidiaries and East Africa Tower Company Limited were written off in the year ended 31 March 2017.

23 Investments continued

(a) Investment in subsidiaries continued

Vodafamily Ethiopia Holding Limited Consolidated Summarised Statement of Profit or Loss And Other Comprehensive Income for period ended 31 March

	2022 KShs'm
Total expenses	(5,109.2)
Loss before interest, tax, depreciation and amortisation	(5,109.2)
Depreciation and amortisation	(14.3)
Financing costs	(75.9)
Finance income	340.6
Income tax expense	—
Loss after tax	(4,858.8)
Other comprehensive loss	
Exchange differences on translation of foreign operations	(9,536.3)
Total comprehensive loss	(14,395.1)
Attributable to non-controlling interests	(5,484.5)

Vodafamily Ethiopia Holding Limited Consolidated Summarised Statement of Financial Position as at 31 March

	2022 KShs'm
Equity attributable to:	
Equity holders of parent	56,229.6
Non-controlling interest	34,609.8
Non-current liabilities	4,715.3
Total equity and non-current liabilities	95,554.7
Non-current assets	93,672.9
Current assets	
Cash and cash equivalents	2,687.6
Other current assets	3,255.9
Total current assets	5,943.5
Current liabilities	(4,061.7)
	95,554.7

Vodafamily Ethiopia Holding Limited consolidated summarised cashflow information for period ended 31 March

	2022 KShs'm
Cash flows from operating activities	148.4
Cash flows from investing activities	(102,002.5)
Cash flows from financing activities	104,636.1
Net increase in cash and cash equivalents	2,782.0
Movement in cash and cash equivalents	
At start of period	—
Net foreign exchange difference	(94.4)
Increase	2,782.0
Closing cash and cash equivalents	2,687.6

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

23 Investments

(b) Investment in associates and joint ventures – Group and Company

	2022 KShs'm	2021 KShs'm
Investment in associates		
Circles Gas	–	284.8
TEAMS	123.1	118.1
Total investment in associates	123.1	402.9
Investment in joint ventures		
M-PESA Africa Limited	3,859.0	4,055.3
Total investment in joint ventures	3,859.0	4,055.3
Total investment in associates and joint ventures	3,982.1	4,458.2
The movement in investment in associates and joint ventures is as follows:		
At start of year TEAMS	118.1	211.2
Share of profit/(loss) from TEAMS	5.0	(93.1)
At start of year Circle Gas	284.8	384.6
Share of loss from Circle Gas	(284.8)	(99.8)
At start of year – M-PESA Africa Limited	4,055.2	4,369.3
Acquisitions – M-PESA Africa Limited	–	0.1
Share of (loss)/profit from M-PESA Africa Limited	(196.2)	(314.1)
At end of year	3,982.1	4,458.2

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. Principal place of business for Circle Gas is London, United Kingdom. Strategically, the investment in Circle Gas solution is a digital service offering leveraging Internet of Things (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.

Circle Gas has subsequently issued ordinary shares which were used in settlement of debt. This led to a dilution of the Safaricom's shareholding to 14.648% (2021:18.39%).

The investments in Circle Gas has been treated as an investment in associate as per IAS 28.7.

Circle Gas has a 31 December year end and derives its revenues from the provision of affordable, clean energy source for cooking. Changes in the risk and fluctuation of the results of the associate is not expected to have a significant impact on the results of the Group. As such, the unaudited 12-months results for the associate have been incorporated in the Group's financial statements.

23 Investments continued

(b) Investment in associates and joint ventures – Group and Company

Circle Gas Summarised Statement of Profit or Loss and other Comprehensive Income for the 12 months ended 31 December

	2021 KShs'm	2020 KShs'm
Revenue	406.0	30.7
Other income	12.9	29.3
Cost of sales	(206.6)	(14.2)
Administrative expenses	(2,301.6)	(588.6)
Total expenses	(2,508.2)	(602.8)
Loss before tax	(2,089.3)	(542.8)
Income tax expense	–	–
Loss after tax	(2,089.3)	(542.8)
Share of loss before tax	(306.0)	(99.8)
Share of loss of associate – Reported	(284.8)	(99.8)
Share of loss of associate – Unrecognised	(21.2)	–

Circle Gas summarised Statement of Financial Position as at 31 December

	2021 KShs'm	2020 KShs'm
Total equity	(514.1)	898.1
Non-current liabilities	7,435.9	1,506.1
Total equity and non-current liabilities	6,921.8	2,404.2
Non-current assets	4,333.90	1,783.4
Current assets		
Cash and cash equivalents	700.2	360.0
Other current assets	1,991.6	353.1
Total current assets	2,691.8	713.1
Current liabilities	(103.9)	(92.3)
	6,921.8	2,404.2

Included in the investment in associate is the investment of 32.5% (2021: 32.5%) of the ordinary shares of The East African Marine Systems Limited (TEAMS). TEAMS is a private company and there is no quoted market price available for its shares. TEAMS' 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 of 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 2022 and 31 March 2021, which is accounted for using the equity method.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

23 Investments continued

(b) Investment in associates and joint ventures continued

TEAMS summarised Statement of Financial Position as at 31 March

	2022 KShs'm	2021 KShs'm
Total equity	462.2	425.4
Non-current assets	4.3	6.0
Current assets	647.8	530.0
Total current assets	647.8	530.0
Current liabilities	(189.9)	(110.6)
	462.2	425.4

TEAMS summarised Statement of Profit or Loss and other Comprehensive Income for the nine months period ended 31 March

	2022 KShs'm	2021 KShs'm
Revenue	218.7	210.5
Other income	12.6	13.8
Operating expenses	(175.5)	(157.0)
Administrative expenses	(27.5)	(84.8)
Total expenses	(203.0)	(241.8)
Profit/(loss) before tax	28.3	(17.5)
Income tax expense	(8.1)	(9.3)
Profit/(loss) after tax	20.2	(26.8)
Share of profit before tax (32.5%)	6.6	(8.7)
Loss after tax for the 3 months ended 30 June (2021 and 2020 respectively)	(1.6)	84.4
Share of profit/(loss) of associate	5.0	(93.1)

The information above reflects the amounts presented in the management accounts of the associate and not Safaricom PLC's 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 the Joint Venture (JV), M-PESA Africa Limited. The new JV will strategically help accelerate M-PESA growth in Africa by giving both Safaricom PLC and Vodacom Group Limited full control of the M-PESA brand in Africa. Safaricom PLC owns 50% of the issued share capital of the JV with Vodacom Group Limited owning the remaining 50%.

The JV is registered in Kenya and has a 100%-owned subsidiary, K2019102008 (South Africa) (Proprietary) Limited registered in South Africa.

23 Investments continued

(b) Investment in associates and joint ventures continued

The joint venture is accounted for using equity method in these consolidated and Separate Financial Statements. Summarised financial information in respect of Safaricom PLC investment in joint venture as at year end is set out below:

There are no significant restrictions on the ability of the JV to transfer funds to Safaricom PLC in the form of a cash dividend or repayment of loans. Decisions by the JV to declare and/or pay any dividend or make any capital distribution to shareholders must have prior written consent of the existing shareholders.

M-PESA Africa Limited Summarised Statement of Financial Position as at 31 March

	2022 KShs'm	2021 KShs'm
Total equity	8,756.8	8,937.4
Non-current liabilities		
Deferred income tax	2,909.9	2,870.7
Other non-current financial liabilities	3,922.2	–
Total non-current liabilities	6,832.1	2,870.7
Total equity and non-current liabilities	15,588.9	11,808.1
Non-current assets	18,623.5	14,803.1
Current assets		
Cash and cash equivalents	2,431.3	883.0
Other current assets	1,015.2	884.5
Total current assets	3,446.5	1,767.5
Current liabilities		
Payables and accrued expenses	3,314.3	1,841.0
Other current financial liabilities	3,166.8	2,921.5
Total current liabilities	6,481.1	4,762.5
Net current assets	(3,034.6)	(2,995.0)
	15,588.9	11,808.1

M- PESA Africa Limited Summarised Statement of Profit or Loss and other Comprehensive Income for year ended 31 March

	2022 KShs'm	2021 KShs'm
Revenue	4,269.8	3,180.7
Total expenses	(2,918.2)	(2,585.5)
Profit before interest, tax, depreciation and amortisation	1,351.6	595.2
Depreciation and amortisation	(1,477.4)	(1,115.7)
Financing costs	(125.1)	(55.6)
Income tax expense	(141.6)	(92.0)
Loss after tax	(392.5)	(668.1)
Share of profit/(loss) before tax (50%)	(196.2)	(334.1)
Under reported profit from prior year	–	20.0
Share of profit/(loss) from joint venture	(196.2)	(314.1)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

24 Inventories

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Handsets and accessories	3,402.3	2,135.5	3,402.3	2,135.5
Scratch cards	32.6	43.7	32.6	43.7
Starter packs	733.1	457.2	733.1	457.2
Stationery and other stocks	10.3	6.6	10.3	6.6
Set top boxes	2.0	0.7	2.0	0.7
Less: provision for obsolescence	(32.9)	(202.5)	(32.9)	(202.5)
	4,147.4	2,441.2	4,147.4	2,441.2
Inventory work-in-progress	—	—	—	—
Farm stocks	159.4	45.8	—	—
	4,306.8	2,487.0	4,147.4	2,441.2

Note: The cost of inventories recognised as an expense during the period was KShs 14,551.5 million (2021: KShs 10,315.9 million reported under direct costs (Note. 6)

25 Trade and other receivables

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Current:				
Trade receivables	18,373.9	16,504.8	18,177.3	14,826.6
Less: Allowance for expected credit losses	(6,916.9)	(5,315.7)	(6,729.9)	(5,160.0)
	11,457.0	11,189.1	11,447.4	9,666.6
Receivable from related parties (Note 31(viii))	1,801.2	2,475.4	3,834.7	2,874.3
Less: Allowance for expected credit losses	(6.7)	(17.4)	(1,096.3)	(911.7)
	1,794.5	2,458.0	2,738.4	1,962.6
Other receivables*	6,059.0	4,087.5	4,420.7	3,973.8
Less: Allowance for expected credit losses	(81.1)	(30.4)	(81.1)	(21.1)
	5,977.9	4,057.1	4,339.6	3,952.7
Prepayments	6,157.2	3,147.3	2,945.7	3,147.2
Construction and maintenance contract receivable	569.0	1,568.9	569.0	1,568.9
Less: Discounting adjustment on construction contract receivables	(36.4)	(72.5)	(36.4)	(72.5)
Net construction and maintenance contract receivable	532.6	1,496.4	532.6	1,496.4
	25,919.2	22,347.9	22,003.7	20,225.5

25 Trade and other receivables continued

Movements on the allowance for expected credit losses on trade receivables, other receivables and related parties' receivables are as follows:

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
At start of year	5,363.5	2,840.4	6,092.8	2,718.0
Provision for expected credit losses for the year				
– trade and other receivables	2,822.0	3,547.9	2,717.3	3,505.3
– related parties	9.3	5.7	275.2	900.0
Release of prior year provisions	(482.8)	(549.5)	(470.7)	(549.5)
Provision for expected credit losses	2,348.5	3,004.1	2,521.8	3,855.8
Receivables written off during the year as uncollectible	(906.6)	(481.0)	(906.6)	(481.0)
Recoveries from third parties	199.3		199.3	
Closing allowance for expected credit losses at year end	7,004.7	5,363.5	7,907.3	6,092.8
Provision for trade receivables	6,916.9	5,315.7	6,729.9	5,160.0
Provision for related parties	6.7	17.4	1,096.3	911.7
Provision for other receivables	81.1	30.4	81.1	21.1
Closing allowance for expected credit losses as at year end	7,004.7	5,363.5	7,907.3	6,092.8

* Other receivables include deposit, interest receivable and EPSAP share receivable.

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. Total of KShs 1.0 billion were received during the year (2021: KShs Nil) and the outstanding balance at year end was KShs 569 million. Fair value adjustment of KShs 36.4 million (2021: KShs 72.5 million) has been made in arriving at the outstanding receivable.

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
At start of year	72.5	12.5	72.5	12.5
Discounting adjustments made in the year for construction and maintenance contract receivable	52.7	60.0	52.7	60.0
Release of prior year provisions	(88.8)	–	(88.8)	–
Net impact of discount adjustment on construction and maintenance contract receivable	(36.1)	60.0	(36.1)	60.0
	36.4	72.5	36.4	72.5

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

26 Cash and cash equivalents and restricted cash

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
a) Cash and cash equivalents				
Cash at bank	30,794.2	26,740.8	25,571.7	26,039.1
Allowance for expected credit losses	(14.6)	(4.7)	(11.1)	(3.2)
	30,779.6	26,736.1	25,560.6	26,035.9
b) Restricted cash				
Restricted cash	2,430.8	2,783.1	2,430.8	2,783.1
Discounting adjustment at inception	(670.9)	(801.1)	(670.9)	(801.1)
	1,759.9	1,982.0	1,759.9	1,982.0
c) Deferred restricted cash asset				
Discounting adjustment at inception (Note 26(b))	670.9	801.1	670.9	801.1
Accumulated amortisation	(263.0)	(242.4)	(263.0)	(242.4)
Net deferred restricted cash asset	407.9	558.7	407.9	558.7
d) Restricted cash asset movement				
Opening balance	2,540.7	2,747.8	2,540.7	2,747.8
Staff mortgage issued	50.0	197.9	50.0	197.9
Repayments	(402.3)	(378.0)	(402.3)	(378.0)
Amortisation of deferred restricted cash asset	(20.6)	(27.0)	(20.6)	(27.0)
Net deferred restricted cash asset	2,167.8	2,540.7	2,167.8	2,540.7

Restricted cash relates to deposits held with Housing Finance Group Limited, NCBA Bank and KCB Bank. The cash is used as a backup to the staff mortgage loans and its withdrawal is restricted.

The restricted cash has a significant timing difference due to the contractual period of the mortgage loans, therefore the fair value of the restricted cash upon initial recognition includes the effect of discounting taking the impact of time value of money into consideration. 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.

27 Other financial assets

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
At 1 April	—	188.6	—	—
Less: Proceeds from maturity	—	(188.6)	—	—
At 31 March	—	—	—	—

28 (a) Payables and accrued expenses

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Current				
Trade payables	6,636.6	5,636.0	7,264.8	5,627.8
Due to related companies (Note 31(ix))	1,678.5	884.2	630.9	1,179.4
Accrued liabilities				
– Network infrastructure	11,312.5	3,678.0	6,711.4	3,656.1
– Inventory	1,892.7	1,197.9	1,817.7	1,197.9
– Other expenses	13,356.4	10,545.8	10,923.1	10,389.3
Other payables				
– Indirect and other taxes payable	4,330.7	6,039.5	4,321.9	6,077.5
– M-PESA agent accrual	3,107.1	2,803.4	3,107.1	2,803.4
– Other accrued payables	3,328.7	3,236.6	3,281.3	3,137.0
	45,643.2	34,021.4	38,058.2	34,068.4

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Split				
Current	41,312.6	34,021.4	38,058.2	34,068.4
Non-current	4,330.6	–	–	–
At 31 March	45,643.2	34,021.4	38,058.2	34,068.4

28 (b) Provisions for liabilities

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
At 1 April	5,712.9	4,462.3	5,712.9	4,462.3
Charge for the year	1,377.4	363.4	1,377.4	363.4
Addition ARO provision	(286.5)	2,207.4	(286.5)	2,207.4
Payments and release for the year	(246.7)	(1,320.2)	(246.7)	(1,320.2)
At 31 March	6,557.1	5,712.9	6,557.1	5,712.9
Current portion	3,373.8	2,561.5	3,373.8	2,561.5
Non-current portion	3,183.3	3,151.4	3,183.3	3,151.4
	6,557.1	5,712.9	6,557.1	5,712.9

Legal contingencies

The Group is currently involved in various legal disputes and has, in consultation with its legal advisors, assessed the possible outcomes in these cases and has determined that adequate provision has been made in respect of all these cases as at 31 March 2022.

Due to the nature and uncertainty of the outcomes of the various litigation cases, management exercises judgement to determine the quantum and adequacy of the provision carried. Settlement only happens when a case is closed either through court rulings or out of court between parties involved. The impact of discounting on the provision is not considered to be material.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

28 (b) Provisions for liabilities continued

Tax matters

The Group is subjected to regular compliance audits by Kenya Revenue Authority (KRA) mainly around direct and indirect tax, capital allowances, withholding taxes and transfer pricing. Disputes may arise with tax authorities over the interpretation or application of certain tax rules to the Group's business. To address and manage this tax environment uncertainty, good governance is fundamental to the Group's business sustainability. The Group employs multiple approaches in tax self-assessment in order to arrive at the final Group's tax position. This includes internal reviews and periodic consulting with external tax experts in addition to periodic reviews by our external auditors. Tax decisions are always subject to review by management and are periodically reported to the Board. The Group has considered all tax matters, including ongoing tax audits by KRA with the knowledge of management and has accounted for them appropriately.

Asset restoration provision

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. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets.

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 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 using a pre-tax discount rate.

29 (a) Contract costs

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Costs to fulfil a contract:				
Dealer connection commissions	2,541.6	2,258.5	2,541.6	2,258.5
SIM activation cost	548.5	766.9	548.5	766.9
	3,090.1	3,025.4	3,090.1	3,025.4
Costs to obtain a contract:				
Deferred SIM cost	1,000.1	1,509.2	1,000.1	1,509.2
Total contract cost	4,090.2	4,534.6	4,090.2	4,534.6
The movement of the contract costs is as below:				
Opening balance – 1 April	4,534.6	3,445.5	4,534.6	3,445.5
Additions in the year	6,066.1	6,320.5	6,066.1	6,320.5
Amortised as costs in the year	(6,510.5)	(5,231.4)	(6,510.5)	(5,231.4)
Closing balance – 31 March	4,090.2	4,534.6	4,090.2	4,534.6
Current portion	2,951.5	3,043.4	2,951.5	3,043.4
Non-current portion	1,138.7	1,491.2	1,138.7	1,491.2
	4,090.2	4,534.6	4,090.2	4,534.6

29 (b) Contract liabilities

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Customer loyalty programmes	4,509.1	4,217.0	4,509.1	4,217.0
Deferred airtime revenue	2,335.1	2,601.0	2,335.1	2,601.0
Deferred connection revenue	1,243.3	1,843.8	1,243.3	1,843.8
Deferred integrated products	1,683.3	1,640.1	1,683.3	1,640.1
Deferred fixed data	637.5	605.5	637.5	605.5
Deferred fibre and site rental revenue	274.7	830.8	274.7	830.8
Deferred bulk SMS	128.7	135.4	128.7	135.4
Deferred bundled handset resources	0.4	16.8	0.4	16.8
Deferred ETU access fee	4.4	2.9	4.4	2.9
Deferred PRSP initial set-up fee	2.8	3.1	2.8	3.1
Deferred Neo voice and data	1,138.3	1,202.6	1,138.3	1,202.6
Deferred Visa revenues	189.8	360.7	189.8	360.7
Deferred interest on device financing	0.7	9.9	0.7	9.9
Total contract liabilities	12,148.1	13,469.6	12,148.1	13,469.6
The movement of the contract liabilities is as below:				
Opening balance – 1 April	13,469.6	10,394.3	13,469.6	10,359.3
Additions in the year	189,898.3	233,369.2	189,898.3	233,239.6
Recognised as revenue in the year	(191,219.8)	(230,293.9)	(191,219.8)	(230,129.3)
Closing balance – 31 March	12,148.1	13,469.6	12,148.1	13,469.6
Current portion	10,210.6	11,033.5	10,210.6	11,033.5
Non-current portion	1,937.5	2,436.1	1,937.5	2,436.1
	12,148.1	13,469.6	12,148.1	13,469.6

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

30 (a) Cash generated from operations

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Profit before income tax	102,213.4	93,635.5	106,065.3	92,438.0
Adjustments for:				
Interest income (Note 8)	(1,227.6)	(1,523.6)	(1,206.0)	(1,502.7)
Interest expense (Note 9)	3,165.4	1,686.5	2,986.4	1,667.8
Depreciation on property and equipment (Note 18)	34,145.2	32,624.5	33,922.2	32,570.4
Amortisation of right-of-use (ROU) asset	3,656.8	3,304.8	3,644.2	3,304.8
Amortisation of intangible assets (Note 21)	1,850.0	1,628.5	1,850.0	1,628.1
Share of loss from associate (Note 23(b))	279.8	192.9	279.8	192.9
Amortisation of IRUs (Note 19)	281.3	406.5	281.3	406.5
Share of loss of joint venture (M-PESA Africa Limited) (Note 23(b))	196.2	314.1	196.2	314.1
Gain on disposal of property and equipment (Note 5 (b))	(47.1)	(38.0)	(47.1)	(38.0)
Amortisation of deferred restricted cash asset (Note 8)	20.6	27.0	20.6	27.0
Expense upon the initial recognition of financial guarantee	–	–	120.9	–
Discounting adjustment on construction contract receivable	(36.1)	60.0	(36.1)	60.0
Interest on ARO liability	379.4	223.2	379.4	223.2
Gain/loss on Lease termination	(8.9)	(37.4)	(7.1)	(37.4)
Revaluation of lease liability	184.7	218.4	184.7	218.4
Interest on lease liability	1,802.9	1,717.9	1,772.4	1,717.9
Expected credit loss of receivables	2,351.3	3,005.0	2,594.8	3,860.5
Change in operating assets and liabilities:				
– Movement in accrual for other liabilities (Note 28(b))	751.3	(1,180.0)	751.3	(1,180.0)
– Movement in contract liabilities	(1,321.5)	3,075.3	(1,321.5)	3,110.3
– Movement in contract costs	444.4	(1,089.0)	444.4	(1,089.0)
– Movement in receivables and prepayments	(5,945.3)	(8,264.8)	(4,265.5)	(7,383.7)
– Movement in inventories	(1,819.8)	(627.6)	(1,706.2)	(648.1)
– Movement in payables and accrued expenses	2,258.3	3,192.1	(1,103.4)	3,005.4
Cash generated from operations	143,574.7	132,551.8	145,801.0	132,866.4

30 (b) Net cash/(debt) reconciliation

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Net cash and cash equivalents (Note 26a)	30,779.6	26,736.1	25,560.6	26,035.9
Borrowings (note 16)	(65,310.8)	(14,772.0)	(65,310.8)	(14,772.0)
Lease liabilities (Note 22)	(20,093.4)	(16,073.7)	(19,516.6)	(16,073.7)
Net debt	(54,624.6)	(4,109.6)	(59,266.8)	(4,809.8)
Net cash and cash equivalents (Note 26a)	30,779.6	26,736.1	25,560.6	26,035.9
Gross debt	(85,404.2)	(30,845.7)	(84,827.4)	(30,845.7)
Net debt	(54,624.6)	(4,109.6)	(59,266.8)	(4,809.8)

30 (c) Liabilities from financing activities and net debt

	GROUP				
	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
Net debt as at					
1 April 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,736.1	(4,109.6)
Receipts	(120,564.8)	–	(120,564.8)	4,137.9	(116,426.9)
Payments	70,026.0	5,154.3	75,180.3	–	75,180.3
Acquisitions and revision	–	7,183.2	(7,183.2)	–	(7,183.2)
Interest charged	–	(1,802.9)	(1,802.9)	–	(1,802.9)
Forex revaluation	–	(184.7)	(184.7)	–	(184.7)
Translation reserves	–	(3.2)	(3.2)	(94.4)	(97.6)
31 March 2022	(65,310.8)	(20,093.4)	(85,404.2)	30,779.6	(54,624.6)
	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
Net debt as at					
1 April 2020	(8,000.0)	(15,224.7)	(23,224.7)	26,759.7	3,535.0
Receipts	(44,970.0)	–	(44,970)	(23.6)	(44,993.6)
Payments	38,198.0	3,874.6	42,072.6	–	42,072.6
Acquisitions and revision	–	(2,787.3)	(2,787.3)	–	(2,787.3)
Interest charged	–	(1,717.9)	(1,717.9)	–	(1,717.9)
Forex revaluation	–	(218.4)	(218.4)	–	(218.4)
31 March 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,736.1	(4,109.6)
	COMPANY				
	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
Net debt as at					
1 April 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,035.9	(4,809.8)
Receipts	(120,564.8)	–	(120,564.8)	(475.3)	(121,040.1)
Payments	70,026.0	4,565.9	74,591.9	–	74,591.9
Acquisitions and revision	–	(6,051.7)	(6,051.7)	–	(6,051.7)
Interest charged	–	(1,772.4)	(1,772.4)	–	(1,772.4)
Forex revaluation	–	(184.7)	(184.7)	–	(184.7)
31 March 2022	(65,310.8)	(19,516.6)	(84,827.4)	25,560.6	(59,266.8)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

30 (c) Liabilities from financing activities and net debt

	COMPANY				
	Borrowings KShs'm	Lease liabilities KShs'm	Sub total KShs'm	Cash and cash equivalents KShs'm	Net debt KShs'm
1 April 2020	(8,000.0)	(15,224.7)	(23,224.7)	25,859.7	2,635.0
Receipts	(44,970.0)	–	(44,970)	176.2	(44,793.8)
Payments	38,198.0	3,874.6	42,072.6	–	42,072.6
Acquisitions and revision	–	(2,787.3)	(2,787.3)	–	(2,787.3)
Interest charged	–	(1,717.9)	(1,717.9)	–	(1,717.9)
Forex revaluation	–	(218.4)	(218.4)	–	(218.4)
31 March 2021	(14,772.0)	(16,073.7)	(30,845.7)	26,035.9	(4,809.8)

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 interconnection and roaming agreements with Vodafone affiliated companies in many countries around the world, including the UK.
- (b) The Company operates the M-PESA business which offers integrated financial services. 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(e).

M-PESA Africa Limited is a joint venture between Safaricom PLC and Vodacom Group (SA). The Company has entered into a managed services agreement with the Safaricom PLC to provide technical and product-based M-PESA solutions against which a fee is charged monthly. The fee is based on 2% of the M-PESA transaction revenue effective 1 April 2020.

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 for participation in the Vodafone procurement company services and other commercial services support. The agreement is effective from April 2020 to March 2023. Under the agreement, Safaricom PLC will have access to Vodafone's support 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 business and consumer products and marketing support.

The contract provides for a fixed participation fee of EUR 6,747,143 payable in two equal installments (six months) in advance and a variable procurement fee at 6.3% calculated as a percentage of the actual purchase order value.

- (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.

31 Related party transactions continued

The following relationships exist within Safaricom PLC:

		Percentage of interest held as at	
		March 2022	March 2021
Subsidiaries	Held by		
One Communications Limited	Safaricom PLC	100%	100%
Instaconnect Limited	Safaricom PLC	100%	100%
Safaricom Money Transfer Services Limited	Safaricom PLC	100%	100%
East Africa Tower Company 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%	100%
Vodafamily Ethiopia Holding Company Limited	Safaricom PLC	90%-1share 61.9% (Safaricom indirectly owns 55.71%)	
Global Partnership for Ethiopia B.V	Vodafamily Ethiopia Holding Company Limited	100 % (Safaricom indirectly owns 55.71%)	
Safaricom Telecommunications Ethiopia (STE)	Global Partnership for Ethiopia B.V (GPE)		
Associates			
The East African Marines Systems Limited (TEAMS)	Safaricom PLC	32.5%	32.5%
Circle Gas Limited	Safaricom PLC	14.648%	18.39%
Joint venture			
M-PESA Africa Limited	Safaricom PLC	50%	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 2022

Notes to the financial statements continued

31 Related party transactions continued

The following transactions were carried out with related parties:

(i) Sale of goods and services

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l.	69.5	87.2	69.5	87.2
Vodacom Tanzania Public Limited Company	49.6	46.3	49.6	46.3
M-PESA Holding Co. Limited	96,826.8	73,389.0	96,826.8	73,389.0
Vodacom South Africa Limited	508.7	735.7	508.7	735.7
Vodafone UK	292.9	316.9	292.9	316.9
Vodafone Group Enterprises	95.7	—	95.7	—
Vodacom Business (Kenya) Limited	13.5	6.9	13.5	6.9
Vodafone Egypt Telecom. S.A.E.	10.3	2.9	10.3	2.9
Vodafone Network PTY Limited	0.6	0.3	0.6	0.3
Vodafone Sverige AB	0.4	—	0.4	—
Vodafone Qatar Q.S.C.	0.7	—	0.7	—
Vodafone Group Services Limited	—	114.3	—	114.3
Vodafone Ghana	9.2	18.2	9.2	18.2
Vodafone Services LLC Oman	—	12.0	—	12.0
Vodafone DRC Congo	0.3	4.6	0.3	4.6
Vodafone Us Inc.	9.2	9.9	9.2	9.9
Vodacom Group Limited	35.7	4.4	35.7	4.4
Joint venture				
M-PESA Africa limited	628.0	172.2	628.0	172.2
Subsidiaries				
Safaricom Money Transfer Services Limited	—	—	810.8	786.2
DigiFarm Kenya	—	—	251.4	113.0
Global Partnership For Ethiopia B.V	—	—	124.6	—
Safaricom Telecommunication Ethiopia	—	—	725.7	—
One Communications Limited	—	—	—	119.8
	98,551.1	74,920.8	100,463.6	75,939.8

31 Related party transactions continued

(ii) Purchase of goods and services

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Other related parties				
Vodafone Sales and Services Limited	2,416.9	2,105.9	2,416.9	2,105.9
Vodafone Group Services Limited	—	98.3	—	98.3
Vodafone Roaming Services S.à r.l	151.5	85.4	151.5	85.4
Vodafone UK	642.3	34.7	148.1	34.7
Vodacom South Africa Limited	57.1	78.5	57.1	78.5
Vodacom Tanzania Public Limited Company	217.8	220.0	217.8	220.0
Vodafone Sverige AB	—	0.2	—	0.2
Vodafone Egypt Telecom. S.A.E.	2.8	3.9	2.8	3.9
Vodafone Network PTY Limited	1.6	2.1	1.6	2.1
Vodafone Qatar Q.S.C.	86.8	65.5	86.8	65.5
Vodacom Group Ltd	552.6	117.6	250.7	117.6
Vodacom International	—	64.9	—	64.9
Vodafone IDEA Limited	—	6.1	—	6.1
Vodafone Innovus S.A.	23.4	19.8	23.4	19.8
Vodacom Business (Kenya) Limited	28.5	58.9	—	3.2
Telecel Vodafone S.A.	1.6	—	1.6	—
Vodafone Hungary Ltd	1.3	—	1.3	—
Vodafone Telekomunikasyon A.S	1.4	—	1.4	—
Vodafone-Panafon Hellenic Tel.Co	3.1	—	3.1	—
Vodafone Dağıtım	2.3	—	2.3	—
lot Nxt (Pty) Limited	418.3	—	418.3	—
Sendy Office	15.3	—	15.3	—
Eneza Education Ltd	67.3	—	67.3	—
Vodafone Procurement Company	1,152.6	—	—	—
The East African Marine System Limited	103.2	—	103.2	—
Sumitomo Corporation Group	179.0	—	—	—
Joint venture				
M-PESA Africa limited	1,956.4	1,466.5	1,956.4	1,466.5
Subsidiary				
One Communications Limited	—	—	—	180.9
Safaricom Money Transfer Services Limited	—	—	459.6	391.1
DigiFarm Kenya Limited	—	—	4.3	17.3
Comtec Integrated Services Limited	—	—	4.3	—
	8,083.1	4,428.3	6,395.1	4,961.9



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

31 Related party transactions continued

(iii) Directors' remuneration

	GROUP AND COMPANY	
	2022 KShs'm	2021 KShs'm
Fees for services as Director	92.4	38.7
Salaries	142.9	162.7
Bonuses	192.7	243.2
Value for non-cash benefits	43.5	22.3
Employee Performance Share Award Plan	—	2.8
	471.5	469.7

iv) Key management compensation

	GROUP AND COMPANY	
	2022 KShs'm	2021 KShs'm
Salaries and other short-term employment benefits		
Employee Performance Share Award Plan	109.8	83.9
Pension contribution	27.0	18.8
Termination benefits	87.0	33.6
	223.8	136.3

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 are no loans from shareholders outstanding as at 31 March 2022 (2021: Nil).

vi) Loans to Directors of the Company

There are no loans to Directors of the Company as at 31 March 2022 (2021: Nil).

31 Related party transactions continued

vii) Donations to Safaricom Foundation

Donations made during the year amounted to KShs 510 million (2021: KShs 510 million).

viii) Outstanding receivable balances arising from sale of goods/services

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Other related parties				
Vodafone Roaming Services S.à r.l	—	10.4	—	10.4
Vodafone Group Enterprises	45.2	22.7	44.2	22.7
M-PESA Holding Co. Limited	1,160.9	2,292.5	990.4	1,622.3
Vodacom Tanzania Public Limited Company	3.1	10.2	3.1	10.2
Vodacom South Africa Limited	85.7	69.7	85.7	69.7
Vodafone UK	25.7	—	25.7	—
Vodacom Business (Kenya) Limited	8.3	3.5	8.3	3.5
Vodafone Egypt Telecom. S.A.E.	8.6	4.6	8.6	4.6
Vodafone Group Services Limited	1.2	1.2	1.2	1.2
Vodafone Ghana	0.4	28.9	0.4	28.9
Vodafone US Inc.	1.6	2.3	1.6	2.3
Vodafone Sverige Ab	0.1	0.1	0.1	0.1
Vodacom Group Limited	37.0	—	37.0	—
Vodafone DRC Congo	0.3	—	0.3	—
Telecel Vodafone S.A.	1.5	—	1.5	—
Joint venture				
M-PESA Africa Limited	421.6	29.3	421.6	29.3
Subsidiaries				
East African Towers Company Limited	—	—	16.0	16.0
Instaconnect Limited	—	—	90.1	88.4
Safaricom Money Transfer Services Limited	—	—	93.4	116
Safaricom Telecommunication Ethiopia	—	—	725.7	—
Global Partnership for Ethiopia B.V	—	—	124.6	—
DigiFarm Kenya Limited	—	—	1,153	848.7
Safaricom Foundation	—	—	0.9	—
Vodafamily Ethiopia Holding Company Limited	—	—	1.3	—
	1,801.2	2,475.4	3,834.7	2,874.3

The receivables arise mainly from trading, are unsecured and bear no interest. A provision of KShs 6.7 million and KShs 1,096.3 million for the Group and Company respectively (2021: KShs 17.4 million and KShs 911.7 million for the Group and Company respectively) is held against receivables from related parties as indicated in Note 25.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

31 Related party transactions continued

ix) Outstanding payable balances arising from purchases of goods/services

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Other related parties				
Vodafone Sales and Services Limited	151.6	661.4	151.6	661.4
Vodafone Roaming Services S.à r.l	28.5	2.0	28.5	2.0
Vodacom Tanzania Public Limited Company	29.8	14.7	29.8	14.7
Vodacom South Africa Limited	3.1	2.3	3.1	2.3
Vodafone UK	535.2	—	40.9	—
Vodafone Sverige AB	0.3	0.3	0.3	0.3
Vodafone Qatar Q.S.C.	7.9	5.4	7.9	5.4
Vodafone Egypt Telecom. S.A.E.	0.3	0.2	0.3	0.2
Vodacom Business (Kenya) Limited	18.8	10.4	—	—
MTC Vodafone Bahrain	—	0.9	—	0.9
Vodafone India Limited	—	0.8	—	0.8
Vodacom Mozambique	0.1	0.1	0.1	0.1
Vodafone Network PTY Ltd	1.1	0.2	1.1	0.2
Vodafone Malta	0.2	—	0.2	—
Vodafone Mobile Services Limited	0.1	—	0.1	—
Vodafone Services LLC Oman	0.2	—	0.2	—
Vodafone Hungary Ltd	1.2	—	1.2	—
Vodafone Telekomunikasyon A.S	1.3	—	1.3	—
Vodafone-Panafon Hellenic Tel.Co	3.0	—	3.0	—
Vodafone Innovus S.A.	17.7	—	17.7	—
Vodacom Group Ltd	652.9	—	—	—
Sumitomo Corporation Group	179.0	—	—	—
CDC Group	7.8	—	—	—
Joint ventures				
M-PESA Africa Limited	38.4	185.5	38.4	185.5
Subsidiaries				
One Communications Limited	—	—	299.0	304.3
Safaricom Money Transfer Services Limited	—	—	1.9	0.7
DigiFarm Kenya Limited	—	—	—	0.6
Comtec Integrated Services Limited	—	—	4.3	—
	1,678.5	884.2	630.9	1,179.4

31 Related party transactions continued

x) Loan to related parties

The Group has a 50% shareholding in M-PESA Africa and owns 100% of DigiFarm Kenya Limited. During the period under review, the Group issued intragroup loans to the two entities to support their operations as per shareholders agreement and Board approvals.

The DigiFarm Kenya Limited loan will be channelled towards financing both operating and capex activities. The facility has a principal and interest repayment grace period until the business moves to positive returns and a maximum tenure of five years.

The M-PESA Africa Limited loan facility is used to support the Company's working capital requirements. The loan is repayable with interest at the 91 days treasury bill plus a margin of 1.75%.

x(a) Loans receivable from M-PESA Africa Limited

	GROUP		COMPANY	
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
M-PESA African Limited	1,287.8	1,288.7	1,287.8	1,288.7
Less: Allowance for expected credit losses	(2.8)	(0.9)	(2.8)	(0.9)
	1,285.0	1,287.8	1,285.0	1,287.8

x(b) Loan to subsidiaries

	COMPANY	
	2022 KShs'm	2021 KShs'm
Opening balance	236.2	–
Additions in the year	500.0	240.0
Less: Allowance for expected credit losses	(70.1)	(3.8)
	666.1	236.2

xi) Financial guarantees

The Company has issued parental guarantees to Safaricom Telecommunication Ethiopia Suppliers (Huawei and Nokia) for the supply of network rollout equipment in Ethiopia on credit terms of up to 24 months from the date of equipment receipt. This enables the parent to spread the funding requirement to the subsidiary over a longer period of time. The fair value of a financial guarantees contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guaranteee. The present value is calculated using a risk-free rate calculated from the average of the last three two-year Kenyan treasury bonds yield. As at 31 March 2022, the Company had recognised KShs 120.9 million in relation to parental guarantee (2021: Nil). The undiscounted financial guarantee amount is KShs 139.4 million.

32 Contingent liabilities

The Group has contingent liabilities arising from normal course of business. This includes outstanding matters with Kenya Revenue Authority and various ongoing legal cases from trade and contractual disputes. As at 31 March 2022, a guarantee of KShs 25 million (2021: KShs 25 million) had been given to Citibank NA against credit cards for use by senior staff during travel and other ordinary business function. The Company has also issued a guarantee of KShs 258.9 million (2021: KShs 398.8 million) to various suppliers of goods and services regularly provided by the Company.

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.



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notes to the financial statements continued

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	COMPANY		
	2022 KShs'm	2021 KShs'm	2022 KShs'm	2021 KShs'm
Property and equipment	36,420.4	10,795.7	9,310.9	10,795.7

34 COVID-19 pandemic

The Group is domiciled in Kenya and is in the business of offering a variety of telecommunication enabled solutions to customers. Since the outbreak of the COVID-19 pandemic in March 2020, the Group has been continuously tracking the developing issues around COVID-19 including various measures taken by various government to control the spread and impact of the pandemic and has put in place measures to mitigate the impact of the outbreak to customers, employees, sales force and other stakeholders.

Management and Directors have considered the impact of COVID-19 and evaluated their effects across various lines of business and is of the opinion they do not create a material uncertainty around continuity of its operations.

Governments continues to encourage and support the vaccination of all citizens with an aim to achieve herd immunity.

The Group expects that customers disposable income (individuals and corporates) will continue the consistent recovery as the economy recovers from the impact of COVID-19. This has been demonstrated in our financial performance as reported in FY2022 against period previous year with service revenue growing 12.3% and M-PESA growing 30.3%.

35 Events after the reporting period

The Directors are not aware of any other events (as defined by IAS 10: Events after the Reporting Period) after the reporting date of 31 March 2022 and the date of authorisation of these consolidated and separate annual financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022 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	STANBIC NOMINEES LIMITED A/C NR1031458	340,321,000
4	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1019D	324,296,400
5	STANDARD CHARTERED KENYA NOMINEES LIMITED A/C KE19796	269,131,800
6	STANDARD CHARTERED KENYA NOMINEES LIMITED A/C KE004667	216,955,306
7	STANDARD CHARTERED KENYA NOMINEES LIMITED	177,656,727
8	STANBIC NOMINEES LIMITED A/C NR1030824	177,231,400
9	KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 915B KENYA	165,449,886
10	STANDARD CHARTERED NOMINEES RESD A/C KE11401	157,123,317
11	OTHERS	8,214,689,584
Total		40,065,428,000

Distribution of shareholders

Range (number of shares)	Number of shareholders	Number of shares	%
1–1,000	353,529	209,405,909	0.52%
1,001–10,000	161,642	458,472,440	1.14%
10,001–100,000	17,757	446,497,318	1.11%
100,001–1,000,000	1,597	427,275,695	1.07%
1,000,001–10,000,000	517	1,746,662,915	4.36%
10,000,001–100,000,000	185	4,379,282,975	10.93%
100,000,001–1,000,000,000	13	2,375,258,168	5.93%
1,000,000,001–100,000,000,000	2	30,022,572,580	74.94%
Total	535,242	40,065,428,000	100.00%



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Appendix 2 – mobile money services performance

	GROUP	
	2022 Kshs'm	2021 Kshs'm
Revenue	107,691.3	82,647.4
Cost of sales	(52,313.7)	(42,639.3)
Gross profit	55,377.6	40,008.1
Other income	7,689.7	7,160.8
Net operating income	63,067.3	47,168.9
Operating expenses		
Administration costs	(9,609.2)	(5,782.1)
Staff costs	(3,442.7)	(2,312.4)
Total operating expenses	(13,051.9)	(8,094.5)
Profit before tax	50,015.4	39,074.4



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notice and agenda

TO ALL SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of Safaricom PLC for the year 2022 will be held via electronic communication on Friday, 29th July 2022 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 31st March 2022 together with the Chairman's, Directors' and Auditor's reports thereon.
2. Dividend
 - a) To note the payment of an interim dividend of KShs 0.64 per share (Total: KShs 25.64 billion) which was paid to shareholders on or about 31st March 2022.
 - b) To approve a final dividend of KShs 0.75 per share (Total: KShs 30.04 billion) for the financial year ended 31st March 2022 as recommended by the Directors. The dividend will be payable on or before 31st August 2022 to the Shareholders on the Register of Members as at the close of business on 29th July 2022.
3. Directors
 - a) To re-appoint Ms. Rose Otega 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, Risk and Compliance Committee be elected to continue to serve as members of the said Committee:
 - Ms. Rose Otega
 - Prof. Bitange Ndumo
 - Ms. Winnie Ouko
 - Ms. Raisibe Morathi
 - Mr. Sitholizwe Mdlalose
5. To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31st March 2022.
6. To re-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 authorize 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.

By order of the board

Kathryne Maundu (Ms)

Company Secretary

Date: 6th July 2022

NOTES ON THE ANNUAL GENERAL MEETING (AGM)

- 1) Safaricom PLC has convened and is conducting this virtual annual general meeting in line with the provisions of the Company's Articles of Association.
- 2) Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
 - a) Dialing *717# for Safaricom telephone networks and *483*901# for all Kenyan telephone networks, *284*34# for Ugandan telephone networks, or *149*46*19# for Tanzania networks, *801*40# for Rwanda networks, *120*6210*10# for South Africa networks and *384*6# for Zambia networks and following the various registration prompts; or
 - b) Send an email request to be registered to safaricomshares@image.co.ke
 - c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

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) 709 170 041 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

- 3) Registration for the AGM opens on Thursday, 7th July, 2022 at 9:00 am and will close on Wednesday, 27th July, 2022 at 11:00 am.

In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.safaricom.co.ke

(i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 31st March 2022.

An abridged version of the Financial Statements for the year ended 31st March 2022 has been published with this Notice.

The reports may also be accessed upon request by dialing the USSD codes in 2(a) above and selecting the Reports option. The reports and agenda can also be accessed on the live-stream link.

- 4) 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.

Shareholders must provide their full details (full names, ID/Passport Number/ CDSC Account Number) when submitting their questions and clarifications.

Questions and clarification must reach the Company on or before Tuesday, 26th July 2022 at 11:00 am. Shareholders will also be given an opportunity to ask questions at the Annual General Meeting.

Following receipt of the questions and clarifications, 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 questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the Annual General Meeting. Questions will also be responded to at the Annual General Meeting.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Notice and agenda continued

NOTES ON THE ANNUAL GENERAL MEETING (AGM) continued

- 5) 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: www.safaricom.co.ke. 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 appointer or his attorney duly authorized 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 authorized 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 27th July, 2022 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 27th July, 2022 at 11:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Thursday 28th July, 2022 to allow time to address any issues.

- 6) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the 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.
- 7) 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.
- 8) A poll shall be conducted for all the resolutions put forward in the notice.
- 9) 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.
- 10) The preferred method of paying dividends which are below KShs 150,000/- 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: +254 709 170000 / +254 709 170041, Email: safaricomshares@image.co.ke or Safaricom PLC's Investor Relations Email: investorrelations@safaricom.co.ke.
- 11) Shareholders are encouraged to continuously monitor the Company's website www.safaricom.co.ke for updates relating to the AGM.

Proxy

I/WE _____

Share A/c No _____

Of (Address) _____

Being a member(s) of Safaricom PLC, hereby appoint: _____ of mobile no./email _____

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, 29 July 2022 and at any adjournment thereof.

As witness I/We lay my/our hand(s) this _____ day of _____ 2022

Signature _____

Signature _____

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 2022 together with the Chairman's, Directors' and Auditors' reports thereon.			
2) To note the payment of an interim dividend of KShs 0.64 per share which was paid to shareholders on or about 31 March 2022 and to approve a final dividend of KShs 0.75 per share for the Financial Year ended 31 March 2022 as recommended by the Directors. The dividend will be payable on or before 31 August 2022 to the Shareholders on the Register of Members as at the close of business on 29 July 2022.			
3) To re-appoint 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, Risk and Compliance Committee to continue to serve as members of the said Committee: Ms. Rose Ogega; Prof. Bitange Ndumo; Ms. Winnie Ouko; Ms. Raisibe Morathi and Mr. Sitholizwe Mdalose.			
5) To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31 March 2022.			
6) To re-appoint Messrs. Ernst & Young as Auditors of the Company in accordance with the provisions of member(s) of the Companies Act, 2015 and to authorize 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.			

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

PROXY 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 PO Box 9287- 00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi:

Approval of registration

I/WE approve to register to participate in the virtual Annual General Meeting to be held on Friday 29 July 2022.

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.

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi; PO Box 9287, GPO 00100, Nairobi, or via email to safaricomshares@image.co.ke to arrive not later than 11:00 a.m. on Wednesday, 27 July, 2022 i.e. 48 hours before the meeting or any adjournment thereof 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.
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 authorized attorney of such body corporate.
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. 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 authorized attorney for that company.
6. 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.

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, Absa Towers, 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: +254 709 170 041/00
Email: safaricomshares@image.co.ke

Investor Relations

Safaricom House, Waiyaki Way, Westlands P.O. Box 66827-00800, Nairobi
Telephone: +254 722 00 6218/4233
Email: investorrelations@safaricom.co.ke
Website: www.safaricom.co.ke/investorrelations

Auditors

Ernst & Young
Kenya Re Towers, Off Ragati Road
P.O. Box 44286-00100, Nairobi
Telephone: +254 20 2886000



Who we are

Safaricom PLC is a leading Kenyan communications company and a digital innovator providing a wide range of communication services, including mobile voice, messaging, data, financial and converged services with a purpose to Transforming Lives.

Our purpose

Transforming Lives.

Our vision

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

Our brand promise

Simple. Transparent. Honest. FOR YOU

Our culture

Purpose

When we focus on our purpose, profits will come naturally.

Humanness

We all matter; our diversity is our strength.

Growth

We are enterprising, innovative and take risks to grow – for self and business.

Trust

Our customers, partners and colleagues trust us. We are accountable, vulnerable and authentic.