ABOUT SAFARICOM

Safaricom Limited is the largest mobile operator in the Kenyan market. It serves over 23 million customers: more than two thirds of the Kenyan market. Safaricom’s services include mobile and fixed voice, SMS, data, internet and M-PESA, a mobile phone-based money transfer service. The vast majority of Safaricom’s services (97 percent) are prepaid by the customer.

Safaricom’s goal is to transform lives through providing unmatched products and services that meet the needs of Kenyans.

Safaricom aspires to use its mobile telecommunications products and services to improve the quality of life and contribute to sustainable livelihoods for people throughout Kenya.

The company wanted to understand how successful it has been in achieving this goal and how it can increase the value it creates for society in Kenya still further.

In order to do so, the company chose to partner with finance and sustainability professionals from KPMG in South Africa and Kenya to apply KPMG’s True Value methodology.

The methodology “monetizes” the socio-economic and environmental impacts of an organization and its products and services, i.e. it quantifies them in financial terms.

Monetization is gaining momentum as an approach that helps companies to understand and increase the value they create for society.

Safaricom is the first major company in Africa to monetize and publicly communicate the value it creates for society in this way.

"This True Value Report expands the way in which we assess and communicate our “Transforming Lives” mission. It is important for us to understand how our business operations, our environmental footprint and our social investments impact our ecosystem and the Kenyan economy as a whole"

Bob Collymore, CEO, Safaricom
The approach

Quantifying the value Safaricom creates for society

Safaricom used KPMG’s True Value methodology to identify the company’s most material socioeconomic and environmental impacts and to quantify them in financial terms. The net of the monetized positive and negative impacts gives an indication of the total value that the company created, and reduced, for Kenyan people in the year ending 31 March 2015.

In conjunction with the Safaricom team, professionals from KPMG in South Africa and Kenya identified material impacts for inclusion in the analysis. The selection was based on a review of sustainability trends in the telecommunications sector, Safaricom’s annual report and sustainability report, and input and validation from key internal stakeholders.

The team then applied a practicality lens to ensure it was possible to monetize the selected impacts using Safaricom data and available proxies.

Where existing data was not available for material impacts, the team conducted primary research:

1. Safaricom’s economic value added:
   - An Economic Impact Assessment Methodology was used to measure the economic activity resulting from Safaricom’s footprint in Kenya over FY15.
   - Social value of M-PESA: Social Return on Investment (SROI) principles1 were used to quantify the social value created for stakeholders through using Safaricom’s M-PESA’s product offering. Market research professionals from TNS RS carried out an extensive data-gathering exercise to validate the extent to which impacts were experienced by stakeholders.2

The value bridge above shows that the total value Safaricom created for Kenyan society in FY15 was estimated at around 10 times greater than the actual financial profit the company made in the same period. The company creates the greatest value for society through the added economic value it generates from its operations and capital expenditure and through the positive impacts of its M-PESA mobile money transfer service.

This value is eroded by corruption in the Kenyan economy. This is not directly related to Safaricom’s operations, but the assessment should acknowledge that corruption is likely to prevent some of the economic value Safaricom creates from reaching the people.

Health and safety incidents and carbon emissions from fuel and electricity consumption further reduce the value created.

Examples of monetization data used in the analysis

<table>
<thead>
<tr>
<th>IMPACT</th>
<th>COST</th>
<th>NOTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>9.5% of economic value added</td>
<td>Value was derived from Transparency International’s 2014 Corruption Perceptions Index for Kenya combined with OECD and the Asian Development bank research on GDP loss due to corruption 3</td>
</tr>
<tr>
<td>Strategic social investments</td>
<td>Multiplying range from 1 to 3.85 of spend, depending on theme</td>
<td>Original KPMG research on similar themed projects</td>
</tr>
<tr>
<td>Carbon emissions</td>
<td>29 USD per tonne CO2-e</td>
<td>Social cost of carbon of USD 25 with a baseline year of 2002, 2013 Environmental Protection Agency report 4</td>
</tr>
<tr>
<td>Water consumption</td>
<td>5.4 USD per m³</td>
<td>Water externality price is based upon scarcity level. The scarcity price is derived from a 2013 Trucost study on behalf of the TEEB Business Coalition 5</td>
</tr>
</tbody>
</table>

1. The SROI principles and full SROI methodology can be accessed at [http://socialvalueuk.org/what-is-sroi](http://socialvalueuk.org/what-is-sroi)
2. Focus group discussions were held with representatives of each stakeholder group. Telephone interviews were carried out with 1707 customers, 112 merchants and 201 agents. Detailed one-on-one discussions were held with representatives of 10 partner organizations.

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Safaricom’s economic footprint in Kenya

Impact of Safaricom’s operations on the Kenyan economy

Safaricom’s increasing presence in the Kenyan market has supported economic development by helping to grow the mobile industry, increasing Kenya’s Gross Domestic Product (GDP) and creating jobs.

- Safaricom’s operations generated KES 144 billion in additional direct and indirect economic activity in Kenya in FY15. If the wider effects on the economy are included this number increases to KES 315 billion, 6 percent of Kenya’s GDP.
- Safaricom sustained over 112,000 direct and indirect jobs. If the wider effects on the economy are included this number increases to over 682,000 jobs over FY15.
- Safaricom directly contributed KES 54.8 billion to Kenya’s government revenue in FY15. If the wider effects on the economy are included this number increases to KES 127 billion.

Safaricom helps to alleviate poverty in Kenya: 5% of additional household income it generates flows to low income households.

Impact of Safaricom’s capital expenditure on the Kenyan economy

Safaricom’s investment in mobile networks has improved the quality of service and reduced costs for a large portion of the Kenyan population.

- Safaricom’s capital expenditure in FY15 generated KES 13 billion in additional direct and indirect economic activity in Kenya. If the wider effects on the economy are included this number increases to KES 22 billion.
- Safaricom’s capital expenditure sustained on average 27,000 direct and indirect jobs over FY15. If the wider effects on the economy are included this number increases to 57,000 jobs.
- The company’s capital expenditure increased government revenue by KES 5.7 billion over the year, through both the collection of direct and indirect tax revenue by Safaricom, as well as the broader fiscal impacts generated by the infrastructure investment in other economic sectors.

Safaricom’s capital expenditure has a poverty alleviation impact for the Kenyan economy, in that 6 percent of the additional household income generated flows to low income households.

Measuring the Social Value of M-PESA

The KPMG True Value analysis estimates that M-PESA created total societal value of KES 133.8 billion during FY15. This is 4 times the M-PESA transaction fees earned by Safaricom in the same period, and means that M-PESA creates KES 79 of value for Kenyan society with every transaction. Most (86 percent) of the positive social impact created by M-PESA was in the form of increased personal savings for customers.

Breakdown of M-PESA Social Value By Beneficiary

- Customers
- Agents
- Other

Customers benefited mostly due to increased personal savings, lower transaction costs and less theft.

- Increase in personal savings due to less money being lost to theft
- Increase in personal savings due to convenience and reduced transaction costs when sending money
- Increase in personal savings due to increased receipt of money and its control as well as financial resilience
- Increase in personal savings due to reduced travel costs when receiving money through M-PESA
- Other Impacts

While customers benefit most from the value M-PESA creates for society, M-PESA agents and merchants also benefit from:

- Increased sales
- Reduced operational costs because they no longer need to carry cash
- Less theft and fraud
- Improved ability to track money

Source: KPMG 2015, KPMG True Value Case Study - Safaricom Ltd
What next?

KPMG True Value as a strategic planning tool

Safaricom aims to transform the lives of Kenyans, to support sustainability and to create shared value for both shareholders and society. The KPMG True Value assessment will help Safaricom to achieve these goals by providing a basis for the company to further increase the value it creates for society and to continue to reduce its negative impacts.

The analysis shows that the greatest potential for Safaricom to drive positive economic and social change in Kenya lies in the continued innovation of services that help people to improve their financial and personal wellbeing.

It also highlights how corruption could erode the socio-economic value that Safaricom creates in Kenya. This finding emphasizes the importance of Safaricom’s initiatives to uphold ethical standards, monitor behaviour and implement effective anti-corruption measures.

Safaricom will also use KPMG True Value as a tool to measure its contributions to achieving the UN’s Global Goals for Sustainable Development, launched in September 2015, with a focus on the following goals:

Goal 1: End poverty in all its forms everywhere

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation

Goal 12: Ensure sustainable consumption and production patterns

Goal 16: Promote just, peaceful and inclusive societies

Next steps

Safaricom will use the KPMG True Value assessment as a platform to develop further initiatives to create shared value in Kenya. The company may deepen the analysis in future years to cover additional positive and negative impacts in order better inform decision-making and to promote stakeholder dialogue.

Where has KPMG True Value been applied?

Cement: Ambuja Cement (India)

Holcim subsidiary Ambuja Cement used KPMG’s True Value methodology to quantify risks to its future profitability. As a result, Ambuja has identified projects that will benefit society and boost future profitability. Holcim has also applied the KPMG True Value methodology at other subsidiaries and at corporate level.

Retail: Kingfisher (Europe and Asia)

Kingfisher is a leading home improvement retailer with 1176 stores in 11 countries. KPMG member firms have provided assurance on Kingfisher’s reporting of its Net Positive initiative which aims to make a positive contribution to people and the environment, while growing a stronger, more profitable business.

Finance: private equity (Europe)

KPMG True Value has been used at the private equity arm of a global financial institution to quantify social and environmental risks and opportunities at a number of portfolio companies. The analysis has helped the firm identify strategies to reduce risk and build long-term value within its portfolio.

Food production and retailing: major food retailer

KPMG member firms worked with an international food retailer to quantify the societal value the company creates and reduces through its food products. This analysis has helped the company to develop its corporate responsibility strategy.
To find out more about how KPMG True Value can help your organization, contact your local KPMG member firm professional:

Argentina  
Martin Mendivelzua  
mmendivelzua@kpmg.com.ar

Australia  
Adrian V. King  
Global Head, KPMG Sustainability Services  
avking@kpmg.com.au

Austria  
Peter Erl  
portlet@kpmg.at

Azerbaijan  
Vugar Aliyev  
valiyev@kpmg.az

Baltics  
Marko Siller  
msiller@kpmg.com

Belgium  
Mike Boonen  
mboonen@kpmg.com

Brazil  
Ricardo Zibas  
rzibas@kpmg.com.br

Canada  
Bill J. Murphy  
billmurphy@kpmg.ca

Chile  
Luis Felipe Encina  
lencina@kpmg.com

China  
Maria Cheng  
cheng.maria@kpmg.com

Colombia  
Maria T. Agudelo  
magudelo@kpmg.com

Cyprus  
Iacovos Ghalanos  
iacovos.ghalanos@kpmg.com.cy

Czech Republic  
Milan Flosman  
mflosman@kpmg.cz

Denmark  
Tina Obel Lope  
tobellope@kpmg.com

Finland  
Tomas Otterström  
tomas.otterstrom@kpmg.fi

France  
Philippe Arnaud  
parnaud@kpmg.fr

Germany  
Simone Fischer  
simonefischer@kpmg.com

Greece  
George Raounas  
graounas@kpmg.gr

Hungary  
István Szabó  
istvan.szabo@kpmg.hu

India  
Santhosh Jayaram  
santhoshj@kpmg.com

Indonesia  
Iwan Atmawidjaja  
iwan.atmawidjaja@kpmg.co.id

Ireland  
Eoin O’Lideadha  
eoin.olideadha@kpmg.ie

Israel  
Oren Grupi  
grupi@kpmg.com

Italy  
Piermaria Barzaghi  
pbazarghi@kpmg.it

Japan  
Kazuhiko Saito  
kazuhiko.saito@j.p.kpmg.com

Yoshitake Funakoshi  
yoshitake.funakoshi@j.p.kpmg.com

Kazakhstan  
Gregor Mowat  
gmowat@kpmg.ru

Luxembourg  
Jane Wilkinson  
jane.wilkinson@kpmg.lu

Malaysia  
Kasturi Paramanathan  
paramanathan@kpmg.com.my

Mexico  
Jesus Gonzalez  
jesusgonzalez@kpmg.com.mx

Netherlands  
Bernd Hendriksen  
hendriksen.bernd@kpmg.nl

New Zealand  
Gabrielle Wyborn  
gwvborn@kpmg.co.nz

Nigeria  
Tomi Adepoju  
t.adepoju@kpmg.com

Norway  
Anette Ronnov  
ronnov.anette@kpmg.no

Peru  
Rosario Calderon  
rccalderon@kpmg.com

Philippines  
Henry D. Antonio  
ahantonio@kpmg.com

Poland  
Krzysztof Radziwon  
kradziwon@kpmg.com

Portugal  
Filipa Rodrigues  
filiparodrigues@kpmg.com

Romania  
Gheorghita Diaconu  
gdiaconu@kpmg.com

Russia, Ukraine, Georgia & Armenia  
Igor Korotetskiy  
Ikorotetskiy@kpmg.ru

Singapore  
Sharad Somani  
sharadsomani@kpmg.com.sg

Slovakia  
Quentin Crossley  
qcrossley@kpmg.sk

South Africa  
Shireen Naidoo  
shireen.naidoo@kpmg.co.za

South Korea  
Sungwoo Kim  
sungwookim@kr.kpmg.com

Spain  
Jose Luis Blasco Vazquez  
jblasco@kpmg.es

Sweden  
Daniel Dellham  
daniel.dellham@kpmg.se

Jenny Fransson  
jenny.fransson@kpmg.se

Switzerland  
Arjan De Draaijer  
arjandedraaijer@kpmg.com

Taiwan  
Charles Chen  
charleschen@kpmg.com.tw

Niven Huang  
nivenhuang@kpmg.com.tw

Thailand  
Paul Pflipse  
pplipses.1@kpmg.co.th

U.A.E.  
Sudhir Arvind  
sarvind@kpmg.com

U.A.E. and Oman (Lower Gulf)  
Paul Callaghan  
pcallaghan@kpmg.com

UK  
Vincent Neate  
vincent.neate@kpmg.co.uk

US  
Katherine Blue  
kkblue@kpmg.com

Uruguay  
Martin Clerino  
martinclerino@kpmg.com

Venezuela  
Jose O. Rodrigues  
jrodrigues@kpmg.com

Vietnam & Cambodia  
Anh Xuan Trang Nguyen  
tnguyen45@kpmg.com

KPMG’s Global Center of Excellence for Climate Change and Sustainability  
sustainabilityservices@kpmg.com  
kpmg.com/sustainability