

# 01

## Segmented propositions

We are using digital tools to deepen our understanding of customers' needs and behaviours, and to develop personalised propositions across consumer segments.

- ✓ Achieved
- ✗ Not achieved
- ↔ Unchanged



### Developing segmented propositions using Big Data analytics

Over the past three years, we have deepened our understanding of our customers' needs and behaviours to develop personalised propositions for the following four segments:

- ✓ **Youth:** Our Vodacom NXT LVL platform focuses on supporting and empowering South Africans under the age of 25 through affordable devices and preferential rates on value bundles. It also gives access to e-School (a zero-rated learning platform), Future Jobs Finder (a zero-rated career guidance and training content portal), reduced subscriptions on music and gaming services, and other lifestyle benefits. Since its inception in 2015, the proposition has delivered notable results, with over 3.8 million active customers on the platform. This year we saw an 8% year-on-year increase in our customer base, with data ARPU up by 100% and smartphone penetration growing at 11%. By leveraging our multiple-vendor strategy and substantial subsidy, we have driven down the prices of entry-level 4G devices to ensure our Youth customers enjoy access to our 4G network.
- ✓ **Mass segment:** With low-income customers in the emerging prepaid segment in mind, we developed our Siyakha platform which facilitates digital inclusion through affordable price packages, entry-level smartphones, and targeted offers and content. Since its launch in 2017, free access to the Vodacom Mum & Baby portal has impacted the lives of 1.8 million parents and guardians across South Africa by democratising access to healthcare, providing pregnant women and new parents with health information by

registered medical professionals on health issues relating to pregnancy and young children up to the age of five. The platform continues to have a strong uptake and drive commercial benefits, with engaged customers having a 16% higher ARPU. This year we launched ConnectU, aggregating our free resources and most beneficial services under one umbrella, providing free access to internet essentials categorised as six key pillars: education, jobs, health and wellness, safety and security, social, government services and essential internet services.

- ✓ **High value:** Our Vodacom RED proposition provides high-value customers with a seamless worry-free connection that includes increased data and unlimited voice allocation plans, priority 24/7 service, data-sharing services, international roaming propositions and various exclusive rewards. This year we launched a contract rewards platform offering discounts on travel, and we rewarded our loyal RED customers with various exclusive experiences, including a Ferrari track day; access to the Vodacom Super Rugby Finals Tour in New Zealand, hosted by former Springbok Bryan Habana; a Blue Train experience to the Vodacom Durban July; personalised events with the Kaizer Chiefs, and VIP access to the annual SA Fashion Week. In the year, RED customers' data usage per user grew 37%, the number of 4G users reached 97%, and smartphone penetration was 99%. With RED, our customers can always expect more, and this past year was no different.
- ✓ **Home:** We aim to provide South African families and households with solutions that will enable them to seamlessly connect through all available technologies. Our ambition is to connect 40% of South African households by 2023.

## Monetising mobile data

We have continued to deliver a pleasing performance in each of the four focus areas of our accelerated data growth strategy.

### Commercial network rollout

✔ We have continued to invest in infrastructure improvements to expand our network, adding 137 new rural sites in South Africa this year. Our investment of R28.2 billion over the last three years has focused on promoting digital inclusion by increasing rural coverage. Our network now extends to over 99.5% of South Africa for 3G users, approximately 99% for urban coverage of 4G users, and 82.9% for rural coverage of 4G users.

↔ Unfortunately, the further expansion of our 4G+ footprint has been limited by spectrum constraints. We remain optimistic that the regulator will soon make high demand spectrum available. In the interim, customers will benefit from our revised roaming deal with Rain that will further expand our 4G capacity.

✔ After being the first network to launch 5G commercially in Africa through Vodacom Lesotho, we launched 5G services in South Africa on 5 May 2020, making use of the temporary spectrum assigned to us during the COVID-19 crisis. We have however secured spectrum for 5G through our agreement with Liquid Telecom.

### Device penetration

✔ This year in South Africa, there were 20.1 million smart devices on our network, up 3.9%, while the number of 4G devices increased by 34.5% to 12.9 million. In our International markets, smartphone users increased by 4.2% to 10.2 million, representing only 26% of our customer base, highlighting continuing growth opportunity.

✔ In the 2019 financial year, we were the first mobile network operator (MNO) in Africa to launch its own smart feature phones and in the 2020 financial year we improved the proposition and products, now offering the Vodacom Vibe 3G and 4G devices. Over 100 000 of these devices have been sold in South Africa over our summer promotion period.

✔ To further reduce the barrier to entry to 4G devices and services, this year we trialled prepaid device financing, enabling customers with no credit facilities to pay for 4G devices by instalments. We also began to offer network-locked devices from April 2019 with higher subsidies to drive affordability, and have since sold more than one million of these, primarily to our mass customer segment.

✔ We launched Samsung eSIM capable watches and a One Number service this year, with the same capability on Apple devices expected soon. We sell more than 2 300 watches per month and have also entrenched ourselves as one of the largest laptop distributors in South Africa. With our favourable connectivity propositions and payment terms, we have grown device sales turnover by +1.7% year-on-year, and boosted store accessory sales by 19% year-on-year in volume and 39% in revenue.

### Bundle engagement

✔ Our use of Big Data analytics to deliver personalised bundle offers based on customer behaviour continues to differentiate us from our competitors, with our Just 4 You platform accelerating the uptake of bundle offers across most of our markets.

✔ In South Africa, we reduced pricing on certain 30-day bundles. On 1 April, we accelerated this pricing transformation with discounts on all 30-day bundles of up to 40%. We sold 996 million data bundles this year, up 15%.

✔ In South Africa, the average monthly data used by customers on smart devices increased 56% to 1.5GB, boosted by customer migration to 3G and 4G devices, and our targeted data offerings.

### Upselling digital services to existing users

✔ This year, the contribution of digital services revenue to service revenue is up 3.4% compared to 3.0% in the previous year, a 0.4ppts increase, reflecting our progress in increasing the availability and appeal of our digital products and services.

## Driving enterprise growth in South Africa

In the context of a challenging market environment, with aggressive competitor pricing in both fixed and mobile, Vodacom Business delivered another solid performance. While legacy voice and data products decreased in ARPU, we achieved robust growth in our fixed, IoT, cloud, hosting and security offerings.

✔ Total service revenue grew 6.7% year-on-year, driven by strong performance in roaming revenues (up 75.3%), and growth in IoT (up 38.5%) and fixed-line revenue (up 8.5%).

✘ This growth was partially offset by a 7.5% decline in mobile customer revenue. The effects of ICASA's End-User Subscriber Services Charter regulations continue to be felt. This has been compounded by very aggressive pricing from competitors, and a subdued macroeconomic environment, particularly in the last quarter.

✔ Fixed-line revenue growth was driven by our growing internet protocol virtual private network (IPVPN) portfolio and SD-WAN client acquisitions, supported by our rich offerings in cloud, hosting and security (28.6% growth) and connectivity revenue (11.4% growth). Revenue growth in cloud, hosting and security were underpinned by growth in infrastructure-as-a-service (IaaS), software-as-a-service (SaaS) and our security offerings.

✔ Following the streamlining of our services and a focus on targeted acceleration opportunities, we secured several landmark deals with blue-chip clients. Our Toyota Internet-in-the-Car wins delivered a market first, with mobile wireless networks enabling rich content and lifestyle management options, extending into fleet management.

✔ IoT performed exceptionally well, underpinned by growth in solutions offerings and machine-to-machine and GDSP connections. The successful integration of the IoT.nxt acquisition, and a consolidated IoT landscape, extended our industry-specific use-case capability, with specific sector prowess emerging in the mining, FMCG, logistics, health, e-learning and agriculture domains. This was further boosted by our exported IoT solutions to Europe and the USA, with further opportunities explored in Singapore, China and Africa.

✔ Our IoT.nxt acquisition was successfully integrated within our IoT business by mid-year, achieving global and Vodafone-wide recognition for our leading industry-specific solutions, such as IoT for the mining industry or smart buildings. IoT.nxt also provided smart edge computing solutions to optimise base station energy management and reduce battery loss for Vodacom and Vodafone, with keen interest coming from markets such as the UK, New Zealand and the US.

## Segmented propositions

continued



✔ Savings achieved under the National Treasury agreement in South Africa continued to outperform the original contract stipulations, with significant value added to the government in the provision of enterprise mobility solutions across the time and attendance, fleet management and asset management domains.

✔ We deepened our engagement with government in other areas, working closely in developing responses to COVID-19, furthering our e-learning platforms across countries, and extending the reach of policing into the community domains through our mySAPS application.

✘ Regrettably, despite substantial investments made to minimise client impacts, our connectivity offerings and services were impacted by extended load-shedding and base station vandalism in South Africa.

Our various partnerships have continued to deliver positive results.

✔ We strengthened our partnership with Amazon Web Services, deepening our expertise and capabilities with more than 600 Vodacom employees receiving AWS training, Vodacom has successfully established its AWS Cloud Centre of Excellence. Following the launch of Africa regional cloud by AWS in Cape Town, we are now perfectly poised to offer services to our Enterprise customers.

✔ Mezzanine, our digital healthcare and agriculture specialist subsidiary, has seen growth across its core product offering, including winning a significant e-learning deal in Ghana this year. When the COVID-19 crisis hit South Africa, Mezzanine was well positioned to respond rapidly and provide impact solutions. Mezzanine's Stock Visibility Solution is used to monitor personal protective equipment (PPE) stock levels across the country. Add to this the monitoring and visibility it already provides the Department of Health for essential medicine stock levels in primary healthcare facilities across the country. The business offers exciting growth potential across Africa in agriculture and healthcare solutions.

✔ XLink, the retail and financial services payments entity, extended its remit from providing connectivity to point-of-sale (POS) devices to delivering its digital services. It has partnered successfully with Vodacom Financial Services to provide new industry solutions to offer new innovative payment solutions for the retail industry.

✔ Through Nexio (Stortech) we maintained our strong commitment with Microsoft. Nexio has focused on further enhancing its already excellent cybersecurity and cloud capabilities.



## Vodacom Vision 2025

**We will accelerate customer revenue growth and disrupt the market by remaining customer-centric at our core, delivering on the following four strategic focus areas:**

- Keeping the cellphone at the centre of people's lives so that our customers can be entertained, pay bills, invest, lend and insure;
- Deepening our customer engagement by driving data democratisation through competitive customer propositions, embedding our loyalty programme and enhancing regional execution;
- Driving radical simplification to transform the customer experience, ensuring end-to-end journey simplification and optimisation, and true convergence of our multi-product offerings;
- Ensuring a digital-first offering, transforming distribution to deliver a multi-product omni-channel digital experience; and
- Repositioning the Vodacom brand from a 'telco' to a 'techco', strongly underpinned by purpose and spirit.

**We will grow our digital enterprise propositions, leveraging our connect, communicate, collaborate and cloud solutions. In meeting our growth ambitions, we will:**

- Use AI and Big Data analytics to deepen understanding of our clients in the industry and market context, and co-create solutions by building on all Vodacom Group offerings and solutions;
- Extend our market reach through traditional and next-generation partnerships that leverage unique market propositions, leading and building volume from our Connect and Communicate offerings;
- Increase market traction through dynamic product configurations and pricing;
- Drive the development of rich SME offerings across all Vodacom Group value propositions;
- Extend the reach of our current IoT use-cases geographically and develop new solutions collaboratively by working with targeted customer segments; and
- Leverage and extend our current professional and managed service offerings through deep partnerships and extended capabilities, while building depth in AI and augmented reality.

# 02

## Best customer experience

In line with our vision of becoming a leading digital company, we are digitising the customer experience to substantially enhance the quality of service we provide, aiming to lead the net promoter score in each of our markets.

- ✓ Achieved
- ✗ Not achieved
- ↕ Unchanged



### Optimising the customer experience

Our approach to optimising the customer experience is guided by our digi-CARE initiative, an ambitious programme across the Vodafone group that focuses on four key areas:

#### 1 Connectivity that is smart and secure

- ✓ In our quest to become the best network, we have expanded our 4G network across all of our markets. All markets are now live with 4G coverage. We introduced 5G in Lesotho in financial year 2019 and in South Africa on 5 May 2020.
- ✓ We renegotiated and extended our roaming agreement with Rain, which expands the number of sites for roaming and improves the cost of our capacity taken up from Rain.
- ✓ We launched 5G services in South Africa on 5 May 2020, making use of the temporary spectrum assigned to us during the COVID-19 crisis. We have however secured spectrum for 5G through our agreement with Liquid Telecom.
- ✓ We invested R13.2 billion in infrastructure this year, improving the overall customer experience across our markets with network modernisation and capacity upgrade initiatives.

#### 2 Always in control

- ✓ South Africa's customer service chat-bot TOBi has deployed into the SMS, web, app and WhatsApp channels. Our vision with TOBi is to provide customers with an instant, ever-present and personalised service at their fingertips. We are making excellent

progress on that vision. Customers can access numerous services on TOBi, such as airtime transfer, bundle purchases, payments through the payment gateway, and prepaid SIM swaps.

- ✓ We have launched Detailed Data Usage, a first for telcos in South Africa, to address one of the most significant customer pain points on data usage. The solution provides customers with a detailed breakdown of their data usage. This service is used by 6.2 million customers.
- ✓ We have invested in enhancing our IT platform architecture and Big Data capabilities to improve our customer service offerings and deliver the best digital experience. Over the last two years, these capabilities have assisted in reducing customer call volumes 38% in South Africa, reducing operational expenditure by R191 million, and growing voice biometric registrations by 300%.

#### 3 Real-time relevant rewards

- ✓ We have run various promotions and campaigns across our markets to reward long-time loyal customers, invite new customers, and encourage the uptake of the MyVodacom App.
- ✓ Our Shake-Up Summer campaign in South Africa, launched in October 2019, has been particularly successful, delivering results significantly ahead of targets. We simultaneously launched our ambitious Vodabucks rewards programme, which rewards customer loyalty and digital engagement via the app.
- ✓ In all our markets, we have seen significant uptake of our Just 4 You offering, with machine learning informing highly personalised offers based on customers' behaviour.

## Best customer experience

continued



### 4 Easy, personal and instant access

- ✓ Our digital-first, omni-channel approach has resulted in the online sales of new mobile lines in South Africa growing by 51% in contribution year-on-year to 7.5% of online sales through improved customer journeys, promotional bundle propositions and improvements in fulfilment and logistics processes.
- ✓ Our focus is to drive an integrated app strategy, with a single digital identity and gateway, ensuring customers have a best-in-class central point of engagement. This strategy will enable access to our various products and services, including fibre, consumer IoT, and a hyper-personalised upgrades journey, with a simplified payment experience.
- ✓ In South Africa, we have invested in enhancing our IT platform architecture and Big Data capabilities to improve our customer service offerings and deliver the best digital experience. These capabilities have assisted in reducing customer call volumes in South Africa by 20%, ahead of our 15% target.
- ✓ Through a continued drive of digital-first propositions, and improvements to our online web and MyVodacom App platforms, the number of active monthly users on the MyVodacom App increased by 46%, with a 102% increase in data bundle purchases. Using a localised approach in design, we have optimised our in-app customer experience, resulting in an increase in our app retail touchpoint NPS (tNPS) to 48ppts and a Google Play store rating of 4.1 stars.  
Source: App component of Digital tNPS (from our Heartbeat scoring)
- ✓ In South Africa, in September 2019, we launched the Vodacom 112 Emergency Service App, enabling people with communication barriers to contact emergency services when in need of emergency help.

### Driving a positive customer experience in our retail operations

#### South Africa

In the context of a rapidly growing shift to digitisation, redesigning the physical store to enhance the retail experience is critical to the future of retail.

- ✓ One year since its relaunch, Vodacom World continues to deliver on its strategic objective to be at the forefront of digital innovation in retail, and an active testbed to trial new initiatives and experiences.
- ✓ We have introduced the first phase of our Click-and-Collect offering, providing customers with the choice when purchasing online to have their items delivered or to collect in-store. This offers greater convenience for customers, new channels of opportunities for stores, and a more efficient paperless, seamless digital experience.
- ✓ We also launched Appointment Booking, providing customers with the option to confirm an appointment with any participating Vodacom Shop and Vodacom 4U store across South Africa. We are currently trialling our Self-Checkout Express Kiosk as a proof of concept.
- ✓ In 2018, we launched a three-year transformation project for our Vodacom 4U branded stores, equipping them with best practice enablement and experience journeys. Over 72% of stores were completed with the balance planned for 2021.

- ✓ We have introduced a hardware and technology refresh strategy across our branded stores, enabling us to regularly update key elements of our IT assets and infrastructure to maximise system performance and service delivery.
- ✓ As a result of the changes brought about within our stores, we have seen an improvement on key customer indicators: our tNPS improved year-on-year by 3ppts to 64ppts, and our First Time Fix sits at 85ppts.

Source: App component of Digital tNPS (from our Heartbeat scoring); Source: Qlik App.

#### International

- ➡ We have been driving uptake of a 'lite' version of the MyVodacom App across our International markets with challenges in some markets in ensuring effective compatibility with lower-end devices, and in ensuring better penetration.
- ✓ As part of our goal of deepening the use of digital to enhance the customer experience, we have been expanding the reach of our Just 4 You offering, launching this on the MyVodacom App in Tanzania and the DRC.
- ✓ We continued the rollout of new store formats across our markets, as well as further investing our customer call centres.
- ✓ Robotic Process Automation (RPA) activities and chatbots were launched in Tanzania, enabling us to increase efficiency in customer handling and improve customer experience.
- ✓ In Mozambique, we ran a Testathon for the MyVodacom App to address locally experienced challenges, and added a unique feature on the app that offers real-time assistance and ticket management by chat.
- ✓ In the DRC, we developed an in-house live app integrating all customers' and agents' feedbacks through the Kobo Collect Platform, which helps to locate each customer who complains about network quality and coverage, enabling us to target improvement areas.

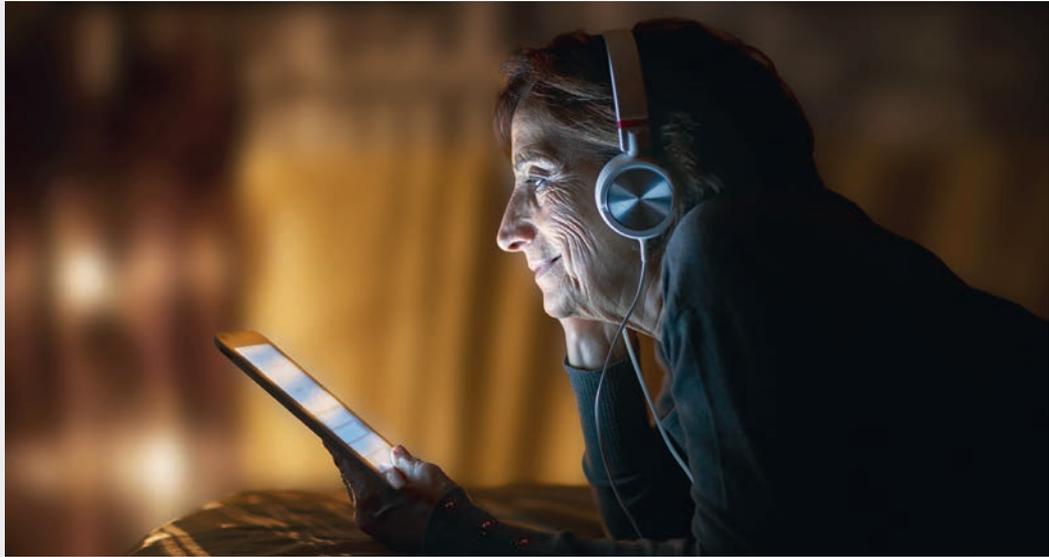
### Delivering leadership on net promoter score

To measure the quality of the customer experience, we use the net promoter score based on one question: "How likely would you be to recommend Vodacom to a friend, family member, or colleague" Vodacom ended the year leading in the NPS in three of our markets, a significant achievement.

- ✓ We are market leaders in South Africa, Tanzania and the DRC.
- ✗ In Mozambique, we trail our closest competitor Movitel by 14pts, mainly because of network inconsistencies, cost of services and pricing pressures. We do however maintain the lead on brand perception, mobile money, problem solving, and providing information.
- ✗ In Lesotho, we are 19pts behind our closest competitor, although we lead in the high-value segment.

#### Our NPS performance rating

Country	2020	2019	2018
South Africa	1st	1st	1st
Tanzania	1st	1st	1st
DRC	1st	1st	1st
Mozambique	3rd	2nd	1st
Lesotho	2nd	1st	1st



## Vodacom Vision 2025

### Digitising and optimising the customer experience

Our ambition is to deliver the most engaging customer experience, reduce demand and increase digital adoption through the following strategic priorities:

- **Eradicate:** We are removing unnecessary contact incidences, and looking to significantly reduce call volumes by employing a rigorous continuous improvement and process simplification programme with customer journey optimisation in mind.
- **Steer:** Once we have eradicated unnecessary and linear customer pain points, our plan is to use our Big Data and predictive analytics platform to steer customers to digital channels such as TOBi or the MyVodacom App. For customers who still choose to call us, we will use smart routing technology to steer them to the best agents for their query.
- **Digitise and automate:** To deliver an excellent customer experience we will digitise as much of the customer life cycle as possible, through end-to-end digitisation customer journeys. Our digitisation efforts are underpinned by aggressive automation of manual processes, using RPA technology.
- **Expert assisted care:** Our aim is to ensure an amazing experience for the customers who do end up calling us. We will do this by transforming the service design of our call centres by deploying RPA and smart routing technologies to those areas. One of our key objectives for the upcoming year is to establish an ultra high-value call centre, which offers a private banker-like experience to our high-value customers.

**We are prioritising our human experts to deliver a great digital-first customer experience built on three pillars.**

**Activate** our experts to proactively drive digital customer adoption powered as far as possible by MyVodacom App.

**Empower** our experts with the tools, skills and capabilities to deliver a great digital-first experience.

**Transform** our frontline to be the experts of tomorrow.

## Financial services

Promoting financial inclusion and empowering the lives of our customers through innovative financial services offerings.

- ✓ Achieved
- ✗ Not achieved
- ↔ Unchanged



We believe that there are significant growth opportunities in digital financial services, leveraging off our existing strong customer relationships, our digital propositions driven by deep customer intelligence, and our proven leadership with M-Pesa. We now deliver financial services to 53.2 million customers, generating R18 billion in services. In South Africa, we are driving growth in our financial service offerings in three main areas: short- and long-term insurance, payments, and lending. In our International markets, we will be building on our strong success with M-Pesa by expanding into new financial services opportunities.

### Growing financial services across our footprint

Vodacom Financial Services made significant progress this year in delivering on our Vision 2020 strategy: we successfully grew and digitised our current insurance offerings, introducing innovative new services; we disrupted the payments sector by providing convenient and diverse digital payment options for our customers; and in our lending business, we developed digital lending alternatives that complement our core business.

#### Insurance

- ✓ Our segmented insurance portfolio – covering life, funeral and various short-term insurance offerings – has grown steadily over the year, with revenue up 16.1% to R812 million, and profit up 23.5% to R263 million, off the back of this year's launches of the Vodacom Group Scheme and Legal Cover. At year end we had 1.9 million active policies.
- ✓ We also improved the device insurance claims ratio, saving R5 million a year. Our new automated claims process, launched this year, has reduced the process from five days to approximately five minutes, delivering significant efficiencies and an improved customer experience.
- ✓ Vodacom Insurance is now a significant player in the sector, with an EBITDA margin of 25.2%, up from 24.3% in 2019.

#### Payments

- ✓ The Online Payment Gateway processed R785 million in both Vodacom Express Recharges (VER) and VodaPay application transactions during the year.
- ✓ In November 2019 we launched our own point-of-sale devices. At year end, 290 POS devices were processing R10 million a month for 107 merchants. Vodacom Payment Services' QR code functionality is currently in its piloting phase.

- ✓ Our VodaPay App has had 102 000 unique downloads. We also launched prepaid electricity on the app and intend to expand services throughout the year.

#### Lending

- ✓ Since 2017, our Airtime Advance offering has achieved a compound annual growth rate of 79%, with the number of users increasing from 4.1 million to 9.9 million in three years, generating an annual revenue of R1.1 billion by 2020.
- ✓ The total value of airtime and data advanced through Airtime Advance increased 22.3% year-on-year to R9.9 billion, with our 9.9 million unique active customers taking an average of 3.6 million advances per day.
- ✓ We expanded the Airtime Advance project to include channels such as tailored bundles through Just 4 You, Facebook upsell and real-time notifications when the customer has a low airtime balance.

#### M-Pesa

- ✓ This year, we successfully concluded incorporation of our M-Pesa joint venture with Safaricom, giving us the rights to use and on-sell the M-Pesa brand and platform assets across Africa. This positions us to accelerate investment in M-Pesa, enabling a range of mobile financial services and payments use-cases for consumers, agents and merchants. This will include the rollout of our nano-lending platform, which is already being used by more than 17 million customers in Kenya and Tanzania and has processed more than US\$2.5 billion in loans.
- ✓ Since launching in 2007, M-Pesa has grown to have the largest reach of any financial services provider in Africa, with 39.6 million active customers, including Safaricom, up 9.7% year-on-year. Customers in our International markets, including Safaricom, now process more than US\$14.7 billion a month in transactions through the platform, making it Africa's biggest payment platform.

✔ M-Pesa revenue from Vodacom International markets grew 29.8% to R4.0 billion, representing 18.3% of total service revenue. This performance was underpinned by robust revenue growth in Mozambique (59.4%), strong growth in the DRC (48.3%) and Lesotho (27.0%), and a solid performance in Tanzania (7.4%), despite intensifying competitive pressure and a more challenging regulatory environment. In Safaricom, M-Pesa revenue was up 12.6% to R12.2 billion, representing 33.6% of service revenue.

✔ In Vodacom International markets, this growth is increasingly driven by extending M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. Currently, more than 900 enterprise organisations use M-Pesa to collect and disburse payments, over 20 million customers use M-Pesa to access formal saving and loan products with partner banks and more than 20 000 retail and online merchants now accept M-Pesa.

✔ A significant achievement this year was the launch of Group Savings across three markets, allowing customers to create saving groups to save their money collectively on M-Pesa, further improving financial inclusion and access to finance across our markets. The service allows members visibility in the group fund, and to contribute and withdraw money across the M-Pesa agent network. Consumers can select signatories, request and pay loans, contribute to the group, view the balance of group members and check the group balance, allowing for easier and more transparent access.

✔ We have also partnered with multiple service providers for our international money transfer service, further increasing the services available to customers across the four countries.

✔ In Tanzania, we launched the Songesha overdraft facility, in partnership with the Tanzania Postal Bank, allowing consumers to complete transactions when they have insufficient balances. The new Halal Pesa service, launched in partnership with Amana Bank, allows customers to deposit savings and contribute to religious and social activities, while earning Halal benefits within Sharia. We also launched M-Koba (group savings) in partnership with the Tanzania Postal Bank, and a new international money transfer (IMT) partnership with TerraPay and World Remit, contributing to a further growth of 200% in incoming IMT year-on-year.

✔ In Mozambique, we launched the M-Pesa Xitique, a standalone pseudo group savings product to meet a market need for a mobile savings product. We also launched an IMT service in partnership with Mama Money, delivering excellent growth since launch, sending and receiving US\$3.4 million in the year.

✔ In the DRC we launched Lona o defat, a micro-loan and savings product developed in partnership with FINCA, a micro-credit organisation. The service offers its customers the opportunity to save and earn interest via M-Pesa and to get micro credit repayable weekly or monthly, based on a credit score using customers' mobile money and GSM transactions.

✔ In Lesotho we also launched a savings group initiative, Mokhatlo.

## Vodacom Vision 2025

### Scaling financial services to deliver long-term value

#### South Africa

In South Africa our financial services strategy has the following focus areas:

- **Insurance:** With the local insurance market significantly underpenetrated, we believe that there remains substantial further upside in growing and digitising our insurance offerings. We have established and will grow our existing insurance customer base by expanding our suite of offerings, making them increasingly more accessible and personalised, thereby driving financial inclusion. Our telco assets continue to drive differentiation in the market by building on our strong relationships with customers and the digital propositions informed by deep customer intelligence and available on numerous channels. These assets will allow us to create a seamless and engaging interaction for our customers, changing the way insurance products are consumed.
- **Payments:** Building on our existing payment propositions for consumers and enterprises, we see extensive opportunities to extend our reach in digital payments. While the opportunities include expanding our existing propositions within our focus segments, we believe there are exciting new opportunities to extend our services deeper into the payments value chain. We will be making an extensive investment to establish a world-class ecosystem upon which additional propositions and services can be offered.
- **Lending:** Creating alternative access to credit to address the needs of many South African consumers and small businesses will remain a high priority for us. Our digital lending offerings will continue to focus on addressing the challenges related to accessing credit, going beyond the propositions that are complementary to our core businesses. Our data assets and digital platforms put us in a unique position to offer compelling and contextualised lending solutions to our customers.
- **Investments:** We believe there are meaningful opportunities to expand into the savings and investments market where many of the existing propositions remain inaccessible to a significant proportion of the population. We will focus on enhancing inclusion within the financial services market.
- **Trading services:** Building on the business services of Vodacom Business targeted at SMEs and enterprises, we will be adding B2B trading services. We will leverage our digital and financial services capabilities and offerings as we strengthen digital transformation across retail and fast-moving consumer goods (FMCG) supply chains, with a strong focus on driving enhanced inclusion for SMEs.

#### International markets

We see substantial opportunities for M-Pesa revenue growth in our International markets, with significant room for expansion of our savings and investment programme, our micro-lending and micro-insurance platforms, and the development of open platforms. These opportunities will be accelerated by the rapid increase of smartphone penetration in our markets, which will allow us to significantly change the way our subscribers access digital financial services. Our first step in achieving this leadership is through the Vodacom and Safaricom joint venture acquisition of the M-Pesa brand, product development and support services from Vodafone. This acquisition will allow us to accelerate our financial services aspirations in our existing markets, and to expand M-Pesa into new African markets. The joint venture will further strengthen our activities in bridging the digital and financial divide in the communities in which we operate, through the consolidated development of the next generation M-Pesa platform – a single, fully converged cloud-based platform for the smartphone age.

# 04

## Digital content platforms

We are monetising data in both the Consumer and Enterprise markets by growing our digital music, video and gaming services platforms, developing innovative new opportunities in IoT, strengthening our cloud and security services, and driving our fibre strategy.

- ✔ Achieved
- ✘ Not achieved
- ↔ Unchanged



### Consumer digital content

✔ We delivered a 9.4% growth this year in content-related revenue across the Group. We continued to see solid growth this year in most of our chosen verticals in consumer digital services – video (Video Play), music (MyMuze), gaming (PlayInc) and sports – supported by strong partnerships with global and local digital content providers.

In South Africa, Video Play once again performed particularly well, with 3.5 million Video Play purchases, while our MyMuze music service, which provides streaming and download access to more than 30 million songs, achieved 1.9 million app downloads. Our new mobile gaming platform, PlayInc, which now has 883 000 subscribers, offering unrestricted access to a wealth of mobile games, has exciting growth potential off the back of some significant global partnerships. Our consolidated multimedia advertising platform enables customers to advertise directly across web and mobile, with more than two billion impressions per month.

✔ We placed a strong emphasis this year on growing our customer base for consumer digital services in our International markets with various digital offerings. In Tanzania we drove digital penetration and revenue through Vlive and Video Play, and in Mozambique, we made good progress in launching consumer digital services in video (VuClip), local music (Mozik) and sports (VLiveSports), all of which saw solid growth. In the DRC, the Vodacom Ligue1 App and social media platform enables fans to enjoy an uninterrupted football experience, in or out of the stadium. We have been promoting the emergence

of the country's young music talent through the Vodacom Best of the Best brand activation programme. In Lesotho, Video Play offers subscription video (SV) and television (TV) on demand, which includes locally developed content.

↔ Our performance this year shows that we have a very strong base to grow from. While we anticipate increased competition in our markets from some of the large global content providers, we believe we have a strong differentiated proposition. Uncertainty in the year ahead will be caused by the impact of COVID-19 on discretionary spend on digital content.

### Consumer and Enterprise IoT

✔ Our acquisition of IoT.nxt has provided us with world-class capabilities to expand both our consumer and enterprise IoT offerings. In consumer IoT, we have continued to develop and market product and service offerings in the automotive, home automation and security, personal accessories and wearables, and pet tracker. IoT connections increased 17.4% to 5.5 million.

✔ Enterprise IoT performed particularly well, delivering annual growth of 38.5%. This was driven by growth in our solutions offerings, machine-to-machine, and GDSP connections boosted by our extended industry-specific use-case capability, and innovative IoT solutions in education, healthcare and smallholding agriculture in partnership with Mezzanine.

# Vodacom Vision 2025

Driving growth in digital services

✔ The Gartner and Microsoft accolades awarded to our IoT business and IoT.nxt subsidiary have strengthened our market-leading positioning. Other recent awards include the Gartner IoT Connectivity Platform award, the Gartner Emerging Industrial IoT Platform award and recognition as a Microsoft independent service provider.

## Fibre in South Africa

✔ In a very price-competitive and over-traded market, we secured strong growth in our fibre-to-the home and business (FTTx) footprint. We have connected more than double the number of homes and businesses we connected last year, with our own built fibre passing 109 536 homes and businesses.

✔ We have implemented various measures to improve the customer experience and deliver fibre services more efficiently, targeting our sales focus, partnering with additional bitstream providers to increase the market opportunity, reducing the time to connect, and generally strengthening the quality of our customer engagements.

### Consumer digital content

- Our digital ambition is to become a leading go-to brand for all things entertainment in video (Video Play), music (MyMuze), gaming (PlayInc and related gaming products), lifestyle (Vlive) and various sports offerings.
- Our strategy is focused on expanding our established platforms into new territories within Africa to develop an early mover footprint.
- We are forging partnerships with local and global service developers and brands to deliver a compelling ecosystem of third-party propositions.
- We are expanding our e-commerce capabilities so as to leverage the growing trend of online shopping and payments, to better serve our customers through digital channels and create value.

### Scaling our IoT business

- We will be extending our IoT connectivity leadership in all vertical markets, providing end-to-end services across the full IoT value chain through partnerships and our own capability build.
- In addition to providing hardware (such as IoT sensors and gateways) and connectivity management, we will deepen our service offering in areas such as Big Data analytics, application enablement, enterprise mobility and cloud and hosting.
- We will continue to help drive adoption of technology in government, creating tangible social benefits.

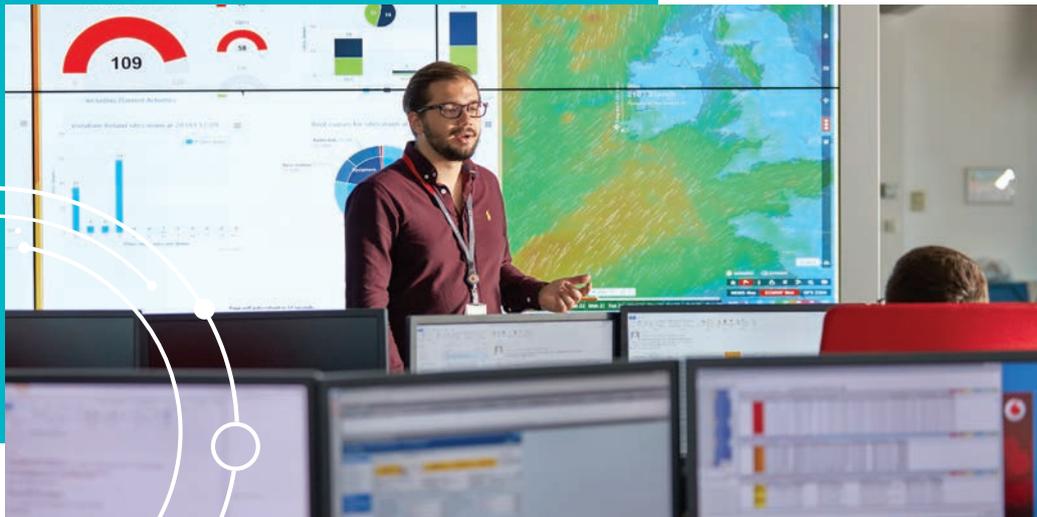


# 05

## Best technology

We have embarked on a transformational journey from a traditional telco to a technology communications company. We are investing in the latest gigabit network technologies and modern digital IT systems as we connect our customers for a better future.

- ✓ Achieved
- ✗ Not achieved
- ⇌ Unchanged



This year, we have invested R13.2 billion in infrastructure across the Group, reinvesting more than 14.6% of revenue back into our network and IT systems. Major network investment programmes include expanding our coverage and increasing network capacity across all our markets, as well as continuing to modernise our networks to prepare for the launch of 5G. We have also adopted the latest digital technologies to help reduce costs and increase productivity through smart network planning, deployment and operations. We have continued to increase investment in IT, focusing on enabling faster time to market our products and services, ensuring the availability of our IT systems and improving our digital channels and capabilities.

### South Africa

#### Further extending our best gigabit network with voice and high-speed data coverage

- ✓ While 2G coverage remains at 99.9% of the population, 3G was extended to 99.7% of the population, and 4G to more than 95%. We have made significant progress in increasing 4G outdoor coverage, despite still not having access to dedicated sub 1GHz 4G spectrum (700/800 MHz).
- ✓ We added 137 new deep rural network sites, connecting rural communities that were previously without any coverage at all.
- ⇌ We remain optimistic that the regulator will soon announce the auction of additional 4G and 5G spectrum during this year, however in the interim we are using innovative software features supported where our radio network has already been modernised, such as dynamic spectrum sharing. This has enabled us to better manage the sharing of our limited spectrum resources across 2G, 3G and 4G on a

dynamic basis, without having to use traditional 'hard' re-farming where spectrum was dedicated to a particular technology.

- ✓ We renegotiated our existing 4G national roaming and facilities agreements with Rain. This allows for rollout across the entire Vodacom network where required. Traffic offloaded to the Rain network has significantly improved the data experience for our 4G customers.
- ✓ We have invested in ensuring that our mobile core network is now 5G ready and we are continuing the ongoing modernisation of our radio and transport networks to also support 5G. Following the allocation of temporary spectrum during the COVID-19 crisis, we selectively launched mobile and fixed 5G services. We have however secured spectrum for 5G through our agreement with Liquid Telecom.
- ✓ We have seen growth in our VoLTE (Voice over LTE) service, which now carries over 2.5 million voice calls during peak traffic periods daily and uses spectrum more efficiently than 2G and 3G technology to increase capacity for the limited spectrum being used. We enabled enhanced voice services (EVS) on our network to improve voice quality for our customers.
- ✓ To cater for the growth in data traffic, we increased the percentage of base stations with self-provided transmission to 96% of all base stations, while 47% of sites have self-provided fibre and 49% have self-provided high-capacity microwave transmission.
- ✓ Mobile network performance improved overall, considering the results of our internal network drive test benchmarking. This has been achieved by continuing the investment in modernising our network to support the latest features and capabilities and expanding our 4G+ footprint where possible.

✔ We significantly grew our fibre to the home and business footprint with 109 536 endpoints passed, and have built new capabilities into our digital channels to place an order, schedule installations and manage services.

✔ National load-shedding, instability of the power grid, increased vandalism and theft at cell towers all negatively impacted network availability, unfortunately affecting both consumer and enterprise customers. We mitigated some of the impact by investing in new back-up batteries and standby power solutions, including deploying 'intelligent lithium-ion batteries' with an integrated battery management system (BMS) as alternate back-up power, and implementing high-security shelters to reduce battery theft and damage. During extended stages of load-shedding, batteries do not have sufficient time to recharge and this remains an operational concern during extended stages of load-shedding.

## Reducing our environmental impact and delivering technology efficiencies

✔ Over the past five years we have realised more than R6 billion in operational expenditure savings through our technology efficiency programme, which focuses on reducing energy consumption, sourcing alternative renewable energy solutions, optimising site lease/rental renegotiations, increasing network infrastructure sharing and ensuring competitive procurement.

✔ Further capital expenditure savings were also achieved by increased network infrastructure sharing and the standardisation of equipment specifications, and reuse of equipment after refurbishing.

✔ We have built an in-house smart capital expenditure tool, using technologies such as Big Data and AI to automate complex network planning tasks. This ensures that all metrics ranging from the best customer experience to ensuring an optimal return on investment are considered and optimised for capital allocation.

✔ We are also using smart IoT technology to remotely monitor and automatically manage energy consumption across our network, contributing to a 25% runtime reduction in air-conditioning in our base station containers.

## Extending our capabilities in modern digital IT

✔ We have adopted and scaled Agile and DevOps delivery practices to ensure tighter collaboration across the business which has resulted in faster time to market for our products and services.

✔ Over the past three years we have employed 200 employees in South Africa with valuable digital skills, including cloud, software engineering and data analytics skills.

✔ We have accelerated cloud adoption and begun moving workloads to the public cloud as part of a wider three-year migration plan in partnership with both AWS and Microsoft Azure. Cloud migration will result in cost savings going forward and provides greater flexibility in delivering new capabilities even faster.

✔ Our existing Big Data capabilities have been enhanced to detect fraudulent activities, increase the resolution of first-time support calls and decrease the average time to handle a call in our contact centre.

✔ TOBi, a leading AI chatbot providing customers with a conversational experience that can solve queries without human interaction, handled over 5.8 million chats during the year and is being expanded to channels that include SMS, WhatsApp and MyVodacom App.

✔ We have used RPA to automate over 140 business processes, resulting in radical simplification of the way we work.

✔ For the second year in a row, Vodacom ranked first in the independent IT for customers (IT4C) benchmark conducted by Gartner, with major improvements in the performance of the MyVodacom self-service app versus competitors.

## Addressing cyber threats to maintain customer security and privacy

➡ Globally and locally we have observed an increase in cyber attacks and data breaches, with evidence of more sophisticated attacks emanating from state-funded hackers significantly raising the risk and potential impact. In response to this challenge, we have established a group-wide cybersecurity and privacy programme and prioritised effective execution of our comprehensive cybersecurity strategy.

✔ We have implemented data leak prevention and detection mechanisms, as well as a dedicated privacy office, to address the persistent threat of data breaches and exposure of our customer and employees' personal information. These activities are constantly monitored in our 24/7 Cyber Intelligence Centre and cybersecurity operations centres.

✔ We have implemented stringent cybersecurity baseline controls which are used to secure and harden our environment against internal and external cyber threats. Vodacom Tanzania has achieved the highest compliance level across the Vodafone Group for the mandated cybersecurity controls.

## Growing our Enterprise technology and services

✔ We have increased our network reach, with more Enterprise customers securely connected through both fixed and mobile technologies such as fibre (broadband connect fibre), microwave (broadband connect wireless premium) and mobile 3G/4G (broadband connect wireless lite).

✔ Our SME business internet portfolio comprising internet connectivity, voice, email, data and productivity software grew 78% year-on-year. To better support our SME partners and customers, we successfully introduced self-service web and mobile applications, and implemented a digital tool which uses geographic information to help customers better understand Vodacom's network coverage and technology footprint, i.e. fibre, 3G and 4G, with improved accuracy and efficiency.

## Best technology continued



- ✓ We further improved access delivery timelines and services for business customers.
- ✓ We have expanded our connectivity product portfolio with software defined wide area network (SD-WAN) technology. SD-WAN enables Vodacom to leverage multiple connectivity technologies at the same time, such as MPLS, fixed line internet and 4G/LTE, to offer technology agnostic wide area network (WAN) solutions to our Enterprise customers. As a cloud based solution, SD-WAN augments Enterprise customers' cloud strategies by ensuring seamless integration into cloud provider services.
- ✓ The number of customers making use of cloud infrastructure and hosting services, for example Office 365, domain services and managed software services on Vodacom's Enterprise Cloud grew by 17%.

### Maintaining technology resilience

- ✓ We successfully completed a focused operational resilience programme across all local markets, the scope of which includes the resilience of critical IT, video and M-Pesa services and recovery plans in the event of failure. There are also improved resiliency measures in place to safeguard our networks against interruptions caused by natural disasters, technology failures or human error.
- ✓ We routinely undertake independent audits to assess our network resilience, reviewing the operational readiness and status of fire detection and prevention systems, evaluating the standards of power installations and auditing building management systems across our facilities.
- ✓ In the event of a disaster at a regional mobile network exchange facility, we have recovery solutions in place. These solutions are regularly tested, to ensure we meet our internal resilience policy targets.
- ✓ The Vodacom core network is fully geo-resilient and in an event of a major incident we would be able to switch over to another core network in a different geographical area.

### International

### Expanded our best gigabit networks

- ✓ We have expanded network coverage across our international operations. We now have a total of 8 032 2G sites, 6 175 3G sites and over 2 672 4G sites across all our International markets, and accelerated 4G rollout by 67.7% alone.
- ✓ We have also optimised our investment through infrastructure sharing and co-builds. We completed the first fibre co-build with Facebook and Airtel from Moanda to Inga in the DRC.
- ✓ We continue with network virtualisation of our core networks to increase capacity and to improve availability, and now have a virtualised voice core network in Lesotho, Mozambique and Tanzania.

- ✓ We have activated significant additional submarine cable capacity with diverse geographical routes to meet growing demand for data and internet across all of our markets. We have partnered with various other global players in the 2Africa project, one of the world's largest subsea cable projects that will interconnect Europe, the Middle East and 21 landing points in 16 countries across Africa, going live in 2023/24.
- ✗ We experienced particular challenges in Mozambique due to two consecutive cyclones that damaged major roads and infrastructure. We also experienced theft and vandalism to our fibre infrastructure, which was resolved by installing high-speed microwave transmission links as back-up routes to the fibre network.
- ✗ The DRC experienced service availability challenges through a leased fibre route from a third party. To mitigate the issue an additional redundant route using a fibre co-build initiative with Facebook and Airtel was implemented for additional stability and capacity.

### Strengthening our digital IT capabilities

- ✓ Our International markets have also embraced the adoption of Agile delivery methodologies, with new ways of working launched in Lesotho, Mozambique and Tanzania yielding faster time to market and improved productivity.
- ✓ We have introduced a shared services model across our markets to provide efficiencies and benefit from economies of scale. This has enabled us to accelerate the rollout of new technologies such as Big Data, Robotic Process Automation and chatbots, and also launch new services such as Video Play.
- ✓ Lesotho and Tanzania successfully upgraded their M-Pesa platforms to the latest release, which provided an improvement in performance and included new capabilities such as group savings, debit orders and real-time third-party notifications.
- ✓ We have introduced M-Pesa Group Savings in Lesotho, designed to make group savings reliable and improve financial inclusion in Lesotho.
- ✓ We have introduced new anti-money-laundering capabilities on the central M-Pesa platform. The M-Pesa platform hub enables the detection and screening of payments in real time that are deemed fraudulent. The M-Pesa platform hub also permits faster time to market of new products, eases integration and reduces costs.
- ✓ Lesotho successfully migrated to the converged charging system (single system for both postpay and prepaid billing), hosted in South Africa as a shared service.

## OUR RESPONSE TO THE COVID-19 SITUATION



Our priority during the pandemic is to protect the health and safety of our employees, customers and the general public, while continuing to deliver services to our customers. During the pandemic, connectivity and communication services have been more important than ever. In South Africa, we took various measures during this period.

- We deployed more than 4 100 essential field technical resources to maintain the network, providing 200 000 medical masks, 15 000 litres of hand sanitiser and 440 000 latex gloves.
- We ensured effective network access for the 7 500 Vodacom staff and contractors working from home, via VPN with access to tools, video and audio conferencing and emails. Vodacom staff participated in over 4 370 video conferences a day with more than 20 000 participants in total.
- We monitored changing traffic patterns to bring forward important network capacity upgrades to both our mobile and fixed networks: an increase of up to 46% was seen in data traffic across our mobile networks, with fixed network traffic up 250%.
- We undertook advance ordering of spare parts for maintenance and accelerated installation of back-up batteries and smart IoT energy management solutions to help keep base stations running.

## Network NPS across our markets

We have seen an increase in mobile network competitiveness from our competitors in South Africa and Lesotho impacting our network NPS leadership in these markets. We are continuously investing in our networks by expanding 3G and 4G coverage and ensuring improved performance, quality and capacity through our modernisation programmes to ensure we improve the overall network customer experience. We are executing plans to regain our co-best network leadership in these markets.

Vodacom has however retained the South African Customer Satisfaction Index (SA-csi) leader position in overall customer satisfaction with a 76.1 index score for cellular network. The SA-csi is an independent national benchmark of overall customer satisfaction of the quality of products and services available to consumers in South Africa.

### Overall network NPS

Country	2020	2019
South Africa	#2	#1
Tanzania	#2	#2
DRC	#1	#1
Mozambique	#2	#2
Lesotho	#2	#1



## Vision 2025

### Technology strategy

We have successfully delivered on and concluded the execution of the Technology 2020 strategy, which was originally developed in 2015. Execution of the Technology 2020 strategy has resulted in modernised network infrastructure and digital IT systems across the Group.

Vodacom has been very successful as a traditional telco company providing network connectivity, and has now started a transformational journey from being a traditional telco to becoming a technology communications company. Vodacom's new Technology 2025 strategy is focused on looking beyond pure connectivity by also leveraging scaled platforms to drive new revenue growth. In order to deliver on this ambition, new capabilities are being built and new skills developed.

### The Technology 2025 strategy will drive:

- The evolution of mobile and fixed network access, transport network simplification and telco cloud, with a specific focus on making the network 'smarter' through automation and artificial intelligence.
- A future-proof, flexible modern digital IT architecture for a superior customer experience, enabling exponential growth through scalable platform ecosystems.
- New capabilities across our network and IT platforms for internal and external use, through open interfaces, with the aim of reducing the time to create new products, and reducing the cost of integration.
- Access to Big Data to drive intelligent data-driven decision-making, solutions and operations, enabled via a scalable and secure data platform.
- Security and privacy embedded by design in all our projects, products and services throughout their life cycle.
- The way we think, behave and operate by growing and developing the right skills, core values and behaviours of a technology communications company.

# 06

## Digital organisation and culture

Fulfilling our purpose of connecting society today for a better tomorrow requires having a capable and engaged workforce that behaves in a manner that is consistent with Vodacom's values and code of conduct.

- ✓ Achieved
- ✗ Not achieved
- ↔ Unchanged



Becoming a leading digital company requires digital transformation within our own organisation, built on a culture that fosters organisational agility, innovation and collaborative working, that attracts and develops the rights skills, talent and diversity, and that acknowledges the role of continuous learning and innovation.

### Creating an agile, future-focused organisation, and accelerating digital skills

- ✓ In January 2020 we launched a new culture programme, the Spirit of Vodacom, aimed at embedding a customer-centric, purpose-led culture that drives innovation and partnership. The programme is anchored on four pillars: earn customer loyalty; create the future; experiment, learn fast; and get it done, together.
- ✓ We maintained our focus this year on embedding Agile structures, principles and tools across our South African operation, with 462 employees in six 'tribes' and 48 squads engaged in various collaborative cross-functional 'digital accelerator' teams scaled across the organisation. These teams have helped to improve the quality of engagement across business units, increased the level of Executive Committee inputs, and encouraged greater alignment and accountability on mutually agreed outcomes and performance indicators.
- ✓ We commenced the Agile journey in our international businesses, introducing the online Agile courses on Vodafone University to all our markets, with 1 875 delegates participating.
- ✓ To build a healthy 'homegrown' talent pool, we invested R430.3 million in employee training and development across all our markets. This included a strong focus on empowering employees with digital skills, with various training courses offered to all employees through our global online e-learning portal, including data science, cloud services, IoT and our converged network strategy programme.
- ✓ In our drive to access the best talent, this year we recruited 46 graduates in South Africa and 25 across our international operations. We also recruited 35 new software engineers, with specific experience in areas such as Big Data and AI. We continue to engage with leading universities, contributing to the development of ICT and digital-related course content, and working actively to identify emerging young talent.

- ✓ We invested R31.3 million this year in various leadership development courses for middle-management and senior executives, delivered in partnership with leading universities such as INSEAD, Harvard and the Gordon Institute of Business Science.

### Encouraging workforce diversity

- We strive to create an inclusive culture that embraces all diversities, including race, gender, age, sexual orientation and disability.
- ✓ In our South African operation, black representation in the workforce is 77%, with 60% at senior management level and 67% at Executive Committee level.
  - ✓ In South Africa, we invested R412 million in skills development for our employees, of which R331 million was invested in black employees. A total of R149 million was invested in black female employees, and more than R14 million in the development of black youth living with disabilities.
  - ↔ The representation of women remains a challenge for our business and the broader telecoms sector. In South Africa, women account for 44% of our workforce, with 34.4% at senior management level against our target of 36%.
  - ↔ We maintained our emphasis on gender equality in the selection of graduates from universities in South Africa who are placed in permanent roles. This year, of the 71 high-calibre and diverse graduates selected, 45% were female compared with 48% in 2019. Our Code like a Girl digital skills training programme aims to develop coding skills and valuable life skills for girls aged between 14 and 18, and encourages them to consider the uptake of ICT and STEM (science, technology, engineering and mathematics) subjects. In 2020, 1 498 girls were trained through this initiative: 507 in South Africa, 100 in Mozambique, 383 in Tanzania, 106 in the DRC and 402 in Lesotho.

✘ We are striving to set a leading example in the industry by implementing equal remuneration practices for men and women at senior levels. This year the ratio of average basic salary of men to women is 1.3 to 1.

✔ In line with an increasingly younger digitally connected market, we are developing leadership among our younger employees. This year we established the Vodacom Youth Council, which consists of 12 youth leaders each allocated to a senior leadership team member whom they shadow for a year.

✔ In 2019, Vodacom's LGBT+ drive was recognised among the best at the inaugural South African Workplace Equality Index (SAWEI), where Vodacom received a silver rating, recognising our commitment and efforts to be inclusive towards the LGBT+ community.

### Engaging with employees

✔ As part of our commitment to creating a culture of continuous listening, in 2019 we ceased our traditional annual People Survey, and introduced more frequent 'pulse surveys' aimed at connecting employee feedback to core strategic and business objectives. In line with our purpose, we have focused on engaging our employees in inspiring a purpose-led way of working. This year we accelerated various initiatives that foster innovation, inclusivity and advocacy, including our hackathons, Exponential organisation (EXO) Sprints, Code like a Girl training, and conversations on gender-based violence.

✔ It is pleasing to report that in all our operating markets, Vodacom was recognised as a top employer: the Vodacom Group was certified as a continental employer earning us the Top Employer Africa accolade. This year's certification saw us improve our ranking to number 2, up from number 6, as well as maintaining our position as an industry leader in the ICT/telecoms sector. For the first time, we were rated first in Mozambique.

✔ This year, we introduced ground-breaking policies on domestic violence and abuse, and started considering options for parental leave for non-birthing parents.

### Our safety and wellness performance

✘ Regrettably, there were two work-related fatalities this year, in two separate motor vehicle incidents, one involving a member of the public in the DRC, and the other a contractor in Lesotho. Both incidents were fully investigated, and we have been reviewing our risk assessments and safety procedures for third-party transporters.

✘ Our lost time injury frequency rate was 0.07, which has remained the same as the previous year (0.07 in 2019). It was 0.03 in 2018.

⇌ Vehicle incidents accounted for 47% of all safety incidents this year (2019: 46%), followed by electrical fires (12%) and criminal activity (12%). South Africa accounted for 76% of all safety incidents (2019: 84%). Contractors account for at least 68% of all reported incidents.

✔ We maintain a strong focus on employee well-being. We have launched and promoted a mental health policy. We have appointed and trained over 82 well-being ambassadors across our markets, and rolled out our wellness programme. We have also competed in Vodafone's annual global well-being challenge aimed at encouraging a fitness culture among our employees.

Further details on our culture and skills development initiatives, employee engagement and diversity, and safety and health performance, are provided in our Sustainability report 2020.

Our workforce: performance indicators	2020	2019
Number of full-time permanent employees	7 641	7 746
Engagement index – People Survey (%) <sup>1</sup>	–	78
Employee turnover <sup>2</sup>	7%	8%
Women representation in senior management <sup>2</sup> (%)	32%	32%
Black representation in senior management* (%)	60%	59%
Ratio of average basic salary of men to women* <sup>#</sup>	1.3:1	1.3:1
<b>Total training spend (Rm)</b>	<b>430.3</b>	<b>544</b>

1. Annual People Survey not administered in the 2020 financial year.
  2. Vodacom Group (South Africa, Tanzania, the DRC, Mozambique and Lesotho).
- # South Africa only.

### RESPONDING TO COVID-19

In conjunction with enforcing company-wide travel restrictions, we implemented various health and safety protocols to reduce the spread of the coronavirus. Before the announcement in March of the lockdown in South Africa we introduced the following measures:

- Established a medical advisory panel headed by dedicated clinical doctors;
- Set up a medical advisory facility, with a 24-hour toll-free line, dedicated WhatsApp number and email for employees to raise specific virus-related questions and concerns;
- Validated a database of appropriate medical quarantine facilities;
- Increased staff education initiatives; and
- Introduced temperature screening for staff and visitors at all our buildings nationally.

## Vodacom Vision 2025

### Driving a digital culture

Our Vision 2025 is to be a leading digital telco. That is why we are digitising the organisation, driving the adoption of Agile methods, and seeking to attract and retain the best digital talent, using the latest in technological developments and fostering a culture of innovation and high performance to deliver excellent customer service with simplicity and speed.

#### Key strategic commitments include:

- Embedding our new culture programme, the Spirit of Vodacom, aimed at delivering on our objective of being a purpose-led organisation;
- Building the coaching capabilities of our leaders;
- Driving our digital skills transformation activities, embedding Agile structures and robotic process automation; and
- Maintaining our commitment to promoting workforce diversity and localisation.

## Our brand and reputation

We are a purpose-led company, guided by an explicit Social Contract: to promote a duty of care to our customers, ensure fairness and inclusivity, and maintain a reputation for responsible leadership and innovation.

- ✔ Achieved
- ✘ Not achieved
- ↔ Unchanged



Our purpose is to 'connect for a better future', improving the lives of the next 100 million customers by 2025, by connecting people and things to the internet, driving inclusion for all, and reducing our environmental impact.

### Maintaining a strong reputation

In delivering on our Social Contract and purpose, we aim to strengthen our reputation by securing the trust of our stakeholders and ensuring that digital connectivity delivers on its full potential for responsible leadership and innovation. We recognise, as a sector and as a company, that we could not always meet the expectations of our customers, our regulators, and the general public. We are aware that this has fuelled a lack of trust that needs to be restored.

We track Vodacom's brand awareness and reputation, as well as levels of stakeholder trust, through various means. We measure the quality of our customers' experience with the net promoter score (see page 29).

We commission an independent research company to conduct an annual reputation survey across all our markets every year, to measure how stakeholders perceive our performance against our competitors and peer companies. Previously, we measured the Reputation Index using two metrics: Overall Impression and Overall Trust. In 2020, in an effort to draw deeper insights on our reputation performance, we updated the approach to include three additional metrics: Favourability; Quality of products and Services; and Economic/financial success achieved.

The latest survey found that Vodacom continues to be a reputational leader in the telecoms industry with stakeholders rating us higher than our competitors, and is comparable with non-industry benchmark brands.

- **South Africa** – In the reputation index we lead the telecoms sector ahead of our competitors, and are on par with the non-industry benchmark brand.
- **Tanzania** – We perform well in Tanzania, leading the market and scoring above the non-industry benchmark brand.
- **DRC** – We lead with the highest reputation index score and outperform local competitors and the non-industry benchmark brand.

- **Mozambique** – Due to challenges linked to the COVID-19 pandemic, we could not collect sufficient data to generate an reputation index score for 2020.
- **Lesotho** – We lead across industry and non-industry brands.

### Our reputation index performance

Reputation index performance	2020*	2019
South Africa	<b>7.49</b>	7.8
Tanzania	<b>8.03</b>	8.4
DRC	<b>7.57</b>	7.8
Mozambique	<b>N/A+</b>	7.5
Lesotho	<b>7.13</b>	7.7

\* Index score is based on two metrics: Overall Impression and Overall Trust for year on year comparability purposes.

+ Insufficient data to generate index score.

Notwithstanding this existing reputational strength, we have had to address several 'hot issues' relating to our activities on which our various stakeholders have some strong opinions. As reviewed earlier (pages 20 – 21), we regularly engage with stakeholders to ascertain their interests and are implementing various initiatives aimed at building trust with our stakeholders.

### Delivering on our purpose and Social Contract

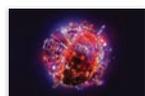
To build and retain the trust of our stakeholders, and to ensure that digital connectivity delivers on its full potential, we have committed to being a purpose-led organisation, guided by a clear Social Contract – to promote a duty of care to our customers, ensure fairness and inclusivity, and maintain a reputation for responsible leadership and innovation.

Vodacom's purpose is to connect for a better future. It is our ambition to improve the lives of the next 100 million customers by 2025, by delivering on three broad focus areas: co-creating a digital society, driving inclusion for all, and protecting our planet by halving our

environmental impact. We believe strongly that improved voice and data connectivity is a powerful tool for accelerating socioeconomic transformation and contributing meaningfully towards achieving national and global development objectives. In alignment with our strategy and business objectives, Vodacom has identified and prioritised the following eight United Nations Sustainable Development Goals where we believe we can make the most significant impact:



For more information about the UN SDGs click on this link: <https://sustainabledevelopment.un.org/sdgs>



## Digital society

We are bridging the digital divide through our investment in extending networks to rural areas, facilitating access to affordable smartphones, and providing low-cost price packages and digital solutions.

### Connectivity for all

✓ In enhancing our network, South Africa has 377 (2019: 240) network sites in rural areas introducing internet connectivity to communities that previously were not connected. We have expanded the 4G network across all our markets and invested R13.2 billion in infrastructure this year, modernising our network and performing capacity upgrades.

✓ This year, we sold 4.2 million affordable smartphone devices in South Africa, and introduced one of the most affordable 4G feature phones, costing as little as R299. In April 2020, we launched various initiatives to cut data prices further and increase access to free data, cumulatively delivering R2.7 billion in savings for customers, with an emphasis on benefiting low-spend prepaid customers.

### Digital platforms

✓ In promoting financial inclusion, M-Pesa has grown to provide the broadest reach of any financial services provider on the African continent, with 39.6 million active customers, including Safaricom, up 9.7% year-on-year – many of them women in remote rural areas – and processing more than US\$14.7 billion a month in transaction value.

✓ In South Africa, we continue to expand our suite of financial services, which includes providing diverse digital payments, lending, insurance, and investment options, specifically for small and medium-sized enterprises, which are at the heart of providing economic opportunities.

✓ Vodacom has consolidated all its existing zero-rated data services with new essential services aimed at social upliftment into a single platform, ConnectU. The platform gives Vodacom subscribers free access to six key categories of connecting people to purpose: education, health, jobs and wellness, safety and security, social and government services, and essential internet services.

✓ Vodacom's Stock Visibility Solution (SVS) helps health facilities to monitor stock availability of medications. As of 2020, over

27 million stock level reports were submitted through SVS, with more than 4 000 clinics in our markets using the solution.

✓ Our Connected Farmer platform links thousands of smallholder farmers to the agriculture value chain, enabling access to information, services and markets. This year we introduced MyFarmWeb, an information platform for precision-based farming.

✓ Our citizen engagement platform, Theta Nathi ('talk to us'), which facilitates conversations between citizens and municipalities, now has more than 25 169 active users in South Africa. This year, we introduced the Mpilo platform for communication between patients, doctors, and the Department of Health, which now has more than 33 578 active users.

✓ Our Smart Utilities Management Service has installed over 54 900 electricity and water smart meters in municipalities in five provinces, enhancing revenue collection and improving energy and water usage.



## Inclusion for all

We are developing and rolling out initiatives to alleviate poverty and inequality by democratising education, providing digital products and services that empower women and the youth, and promoting diversity and transformation across our workplace and supply chain.

### Democratising education

✓ Vodacom e-School provides quality digital education by zero-rating digital content to learners, reaching over 989 594 learners. Through the Vodacom Instant School, Vodacom Tanzania provides access to digital learning materials for 66 300 learners and teachers collectively.

✓ We have introduced Vodacom's Virtual Classroom in 300 schools across two provinces in South Africa.

✓ The Vodacom Foundation spent more than R8.6 million on providing free connectivity to 92 teacher centres in South Africa.

### Empowering youth

✓ Since 2014, more than 1 333 unemployed young people have been trained in ICT skills through the Vodacom Youth Academy.

✓ Our one-week Code like a Girl programme provided coding and life skills training to 1 498 teenage girls from impoverished communities across our markets this year.

✓ Our NXT LVL platform, aimed at empowering youth under 25 by giving them access to affordable connectivity, skills and lifestyle benefits, has over 3.4 million users.

✓ We invested R23 million this year in ICT skills training for 308 young people employed by Vodacom as interns and learners, which include 71 disabled youths.

### Gender empowerment and diversity

✓ Vodacom's Mum & Baby platform has about 1.8 million registered users across South Africa, accessing vital maternal healthcare information.

✓ We have partnered in providing more than 1 000 small-scale female farmers with ICT skills training over the last two years.

✓ In South Africa, Vodacom's skills development expenditure on black employees totalled R332 million, of which R149 million was spent on black females. Of the 71 graduates placed in permanent positions, 45% were female.

## Our brand and reputation continued



### Planet

We aim to halve our environmental impact by 2025, by investing in climate-smart, energy-efficient networks and solutions, developing water-wise practices, and minimising waste, notably e-waste, across our value chain.

#### Climate and energy

✔ We are implementing an energy management strategy aimed at reducing our energy usage and carbon emissions by progressively decarbonising our energy mix. Energy efficiency and renewable energy initiatives implemented in 2020 enabled 17 607 Mt CO<sub>2</sub>e in avoided GHG. Energy cost savings from free cooling and energy optimisation technologies totalled R24.8 million.

#### Water stewardship

✔ Through our water conservation efforts, we have steadily decreased our total water consumption since 2015, to 161 975 kilolitres in South Africa in 2020.

✔ The Vodacom Foundation spent close to R7 million this year on drilling boreholes and installing and refilling water tanks with drinkable water at 85 schools in five provinces in South Africa.

#### Reducing waste

✔ We extended the useful life of 308 tons of redundant network equipment for reuse within our network, rejuvenated 368 tons of batteries and responsibly destroyed 1 189 tons of e-waste. We no longer use plastic bags in our stores or single-use plastic at our offices.

✔ We have put in place a process to collect and refurbish used phones/smartphones, and then sell these with the 'good as new' proposition. In South Africa, Vodacom sold more than 5 000 refurbished phones during the year.

✔ We no longer include the terms and conditions pages in the SIM card package we distribute across all the channels in South Africa, thereby avoiding the use of around 240 million paper pages each year.

#### Environmental, social and governance commitments

✔ Demonstrating our commitment to environmental, social and governance (ESG) issues as part of our purpose-led journey, this year Vodacom secured a sustainability loan from Standard Bank South Africa, the first of its kind in South Africa. The loan motivates Vodacom to strengthen its management of ESG issues by determining the level of interest rate according to a management score based on seven ESG focus areas.



# Vodacom Group – enabling positive social outcomes through economic transformation

As a purpose-led organisation with a recently agreed Social Contract, Vodacom has committed to work to create better, more equal societies by delivering on its purpose, to “Connect for a better future”. Enabling positive social outcomes is integral to what we do; our approach to sustainable business ensures that we align our business goals with the delivery of societal benefits.

Our commitment to delivering on our purpose saw Vodacom Group Limited achieve the highest BBBEE recognition of Level 1, with a total score of 120.84 points, up from Level 2 in the prior year. The achievement was made possible by Vodacom South Africa (which includes Vodacom (Pty) Limited, all financial services companies, and Mezzanine Ware (RF) (Pty) Limited successfully retaining their Level 1 BBBEE status, with an increase of 4.64 points on their overall score from 120.04 to 124.60 points out of a total of 130 points.

The Level 1 achievement came at a direct cost of R1.3 billion to the company. Our success was matched by subsidiaries Stortech (Pty) Limited (trading as Nexio) retaining its Level 1 status for a third straight year to the company, and XLink (Pty) Limited, which improved to Level 1 from Level 2. IoT.nxt (Pty) Limited, acquired by Vodacom SA in late 2019, landed a Level 4 BBBEE status.

## BBBEE results for Vodacom Group

We achieved significant improvement this year in scores across all the elements except for management control and skills development, resulting in an overall increase in score of 3.15 points.

Scoring element	Target points	Achieved points 2020	Achieved points 2019	Achieved points 2018
Ownership	25	22.75	21.33	16.20
Management control	23	15.90	17.39	15.72
Board representation	8	4.67	5.83	5.83
Top management representation	5	4.82	5.00	4.33
Employment equity	10	6.41	6.56	5.56
Skills development	20	20.90	23.32	19.55
Enterprise and supplier development	50	49.29	43.65	44.79
Procurement	25	21.29	19.54	20.55
Supplier development	10	11.00	7.11	6.54
Enterprise development	15	17.00	17.00	15.70
Socioeconomic development	12	12.00	12.00	11.70
<b>Total</b>	<b>130</b>	<b>120.84</b>	<b>117.69</b>	<b>108.03</b>
<b>BBBEE Level</b>		<b>1</b>	<b>2</b>	<b>4</b>

**Ownership:** Following the successful implementation of the R16.4 billion BBBEE deal in September 2018, Vodacom Group has a total black shareholding of 31.53%, up from 29.60%.

**Management control:** The Group attained a score of 15.90 points (a 1.49 point drop from our previous score of 17.39). This was the result of the loss of key women in our top management positions. The Group remains committed to driving gender diversity and achieving its transformational goals across all of its occupational levels.

**Skills development:** Our consolidated training spend saw a slight decrease, from R283.4 million to R275 million; we invested R15.2 million (up from R12.7 million in the prior year) in the development of black youth living with disabilities. This is reflected in our total score of 20.90 out of 20 points, a decrease of 2.42 points.

**Enterprise and supplier development:** This element has three sub-sets: procurement, supplier development (2% net profit after tax (NPAT) spend target), and enterprise development (3% NPAT spend target). Under procurement, Vodacom's commitment is demonstrated in the shift of spend to BBBEE-status suppliers and to more than (51%) black-owned and more than (30%) black-women-owned suppliers.

### Procurement spend criteria:

(Rbn)	2018	2019	2020
BBBEE spend – all empowering suppliers	31.0	34.4	35.9
BBBEE spend – qualifying small enterprise (QSE)	2.8	3.2	3.2
BBBEE spend – exempted micro-enterprise (EME)	1.7	1.3	1.35
BBBEE spend – >51% black-owned suppliers	9.8	9.8	13.2
BBBEE spend – >30% black-women-owned suppliers	8.2	9.4	15.1
Bonus point: BBBEE procurement spend from designated group suppliers that are at least 51% black-owned	1.6	2.2	2.2

**Supplier development** realised R243 million spend, targeted at developing SMMEs within Vodacom's supplier base; the spend represents a significant increase, (up from R164.2 million) in the prior year. Our continued support towards the transformation of our retail franchisee base, and our investment of R14.6 million in deep rural tower build, contributed favourably to this score. Vodacom's commitment to the sustainability of our black-owned SMME suppliers is further evident in the R981 million paid on invoices in less than three days. Under enterprise development, our investment in the development and support of black-owned ICT SMMEs outside of Vodacom's business, increased from R351.4 million to R407.2 million. The collective score for this element was 49.29 out of 50. Vodacom awarded 1 bonus point for supplier development.

**Socioeconomic development:** The Group obtained full points with an investment of R207.3 million, up from R184.4 million.

## Our Sustainability report 2020

Vodacom's separate Sustainability report 2020 provides a more detailed review of the steps that we are taking to accelerate socioeconomic transformation in the markets in which we operate. We review the progress we have made in empowering a connected society, reflecting on our performance in implementing eight of the UN Sustainable Development Goals. It assesses our activities in striving to be a leading digital company by ensuring our operations are responsible, ethical and accountable.

The Sustainability report is available on our website: [www.vodacom.com](http://www.vodacom.com).