

Integrated report

for the year ended 31 March 2021



Further together



Contents

| | |
|--|------------|
| About this report | 02 |
| Determining our material matters | 03 |
| Responding to COVID-19 | 04 |
| Our value creation in practice | 06 |
| | |
| Our business | 08 |
| Chairman's statement | 10 |
| CEO's statement | 14 |
| Who we are | 16 |
| Where we operate | 17 |
| What we offer | 18 |
| Our profit formula | 19 |
| Our investment case | 20 |
| Our business model | 24 |
| Our external environment | 28 |
| Responding to stakeholder "hot topics" | 32 |
| Our key relationships | 36 |
| Our principal risks and associated opportunities | 36 |
| | |
| Our strategy | 42 |
| Our strategy for value creation | 44 |
| Segmented proposition | 48 |
| Financial services | 54 |
| Digital services | 57 |
| Enterprise digitalisation | 60 |
| Best customer experience | 65 |
| Best technology | 70 |
| Digital organisation and culture | 74 |
| Our brand and reputation | 74 |
| | |
| Our performance | 80 |
| CFO's statement | 80 |
| Condensed consolidated financial statements | 83 |
| Segment performance | 88 |
| Five-year historic review | 90 |
| Five-year historic review per segment | 91 |
| | |
| Our governance | 92 |
| Who governs us | 92 |
| Who leads us | 93 |
| Board governance at a glance | 94 |
| Share information | 100 |
| Remuneration report 2021 | 102 |
| | |
| Administration | 119 |
| Disclaimer | 120 |
| Glossary | IBC |
| Corporate information | IBC |



Connect with us

We value and welcome feedback on our integrated report. Scan the QR code for quick and easy feedback on your smartphone.

Navigating our integrated report



Vodacom's 2021 integrated reporting suite

Our integrated reporting suite is available in PDF format online:



Delivering societal value through our core purpose

Our core purpose of connecting for a better future aligns with the United Nations (UN) Sustainable Development Goals (SDGs). These SDGs articulate what a better future means and help us set a clear long-term plan to end poverty, protect the planet and ensure prosperity for everyone by 2030. We contribute to SDGs that we signed up for to uplift societies in conjunction with governments. We aim to sustainably create value through our core business of increasing access to reliable and accessible data and voice services, and we continue leveraging our mobile network services to help us achieve the goals envisaged by the UN. This also enables us to meet national and global developmental objectives, such as rebuilding economies severely affected by COVID-19, while simultaneously promoting inclusive and sustainable action as we start to recover from the effects of the pandemic. Refer to <https://sdgs.un.org/goals> for more information on the UN SDGs.



We identified and prioritised eight SDGs that are most aligned with our core business – those we believe we can contribute to the most. Details about our approach to delivering on these SDGs can be found throughout our integrated reporting suite, specifically our sustainability report.



The Board's support of value creation

To our investors, shareholders and other interested stakeholders

We are pleased to present our 2021 integrated report – our primary communication to our stakeholders. In this report, we provide context on why we believe the Vodacom Group (hereafter referred to as the Group or Vodacom) is a good long-term investment. We also reflect on the past year's performance and take a look at our vision for the future.

Our integrated report tells the story of how we create long-term value, our approach to achieving strong financial growth and how we deliver on our core purpose – **to connect for a better future**. It also provides qualitative and quantitative information about how we positioned Vodacom for success across all our markets in a rapidly changing world.

We recognise that our ability to deliver value ultimately depends on maintaining the quality of our relationships with our key stakeholders, as well as the health of the societies and economies where we operate. It is equally important to understand how we

manage these relationships, and what we do to deliver societal value. To this end, we unpack our system of advantage to explain how we create meaningful and tangible value in pursuit of our purpose.

As the Board, we acknowledge our responsibility to ensure the integrity of this integrated report. We collectively prepared and interrogated the content included in this report and ensured that it materially complies with the International Integrated Reporting Council's (IIRC's) International <IR> Framework. We believe this report addresses all material matters and presents a balanced and fair account of the Group's performance for the financial year ended 31 March 2021. It is an accurate reflection of our strategic commitments for the short (less than 12 months), medium (one to three years) and long term (beyond three years). We applied our judgement regarding the disclosure of the Group's strategic plans and ensured these disclosures do not place Vodacom at a competitive disadvantage.

Guided by the Audit, Risk and Compliance Committee, the Board approved the integrated report and the consolidated AFS on 04 June 2021.

| | | | | | |
|------------------|----------------|-----------------|---------------------------|---------------|--------------|
| Saki | Shameel | Raisibe | Phuthi | David | Sunil |
| Sakumzi Macozoma | Shameel Joosub | Raisibe Morathi | Phuthi Mahanyele-Dabengwa | David Brown | Sunil Sood |
| John | Leanne | Khumo | Pierre | Clive | Anne |
| John Otty | Leanne Wood | Khumo Shuenyane | Pierre Klotz | Clive Thomson | Anne O'Leary |

 For more detail on our Board, refer to page 96.

We are accountable for our actions, and by holding us to this, we can continue creating value for the next 25 years. We encourage our stakeholders to share their views on this report, our performance and our strategic roadmap for delivering sustainable value. Kindly send your feedback to vodacomir@vodacom.co.za.



About this report

Reporting boundary and scope

This report provides a holistic yet succinct overview of Vodacom's strategy (page 42) and business model (page 20), principal risks and associated opportunities (page 36), operational performance (page 88) and governance practices (page 94) for the financial year ended 31 March 2021. The information included in this report relates to our activities at Group level, and those of our operating subsidiaries. Both financial and non-financial data from subsidiaries are fully consolidated.

We assessed issues significantly impacting value creation and examined areas beyond financial reporting. This is to identify and address all risks and opportunities to our business, and the effects of our activities. In making these assessments, we must consider short, medium and long-term implications.

Reporting frameworks

Our reporting process was guided by the principles and requirements in the International Financial Reporting Standards (IFRS); the International <IR> Framework, the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹; the JSE Limited Listings Requirements (JSE Listings Requirements); the Companies Act, 2008, as amended (Companies Act); and the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards. We also provided extracts from the consolidated AFS in this report.

 The full set of consolidated AFS and a suite of additional reports are available online or can be requested from our Company Secretary.

Vodacom's Social and Ethics Committee fulfilled its mandate as prescribed by the regulations to the Companies Act, and there are no instances of material non-compliance to disclose.

Materiality

This report provides information on all matters we believe could substantively affect our value creation in a structured narrative. Our materiality determination process helps

identify and prioritise the material matters to be included in this report. The process undertaken to identify the material matters is outlined on page 3.

We also review who we are and how we create value (page 14), identify matters that significantly impact on value (pages 6 and 7) and outline our strategy, performance and governance practices in ensuring long-term value creation (pages 42 to 79).

Integrated thinking

Integrated thinking is a fundamental part of managing our business, developing our internal strategy, and reporting on our activities. We developed our system of advantage to ensure we effectively manage the resources and relationships needed to create sustainable value. A considered assessment of the six capitals (as referred to in the International <IR> Framework) informed both our strategy and the materiality determination process used to compile this report's content and structure.

Combined assurance

We use a combined assurance model for assurance from management and internal and external providers. Ernst & Young Inc. audited our consolidated 2021 AFS and subsequently gave an unmodified opinion thereon. While sections of our consolidated AFS included in this report were extracted from audited information, such sections are not audited herein.

PricewaterhouseCoopers Inc. undertook a limited assurance engagement on selected elements of our Scope 1 and 2 greenhouse gas (GHG) emissions in South Africa. This is detailed in our 2021 sustainability report. The symbol ^ indicates external assurance.

Our Audit, Risk and Compliance Committee provides assurance to the Board annually, in line with the combined assurance plan. The Group's internal audit function assesses financial, operating, compliance and risk management controls. The Audit, Risk and Compliance Committee oversees the assessment.

Our reporting boundaries

Where only data for Vodacom South Africa is available – which represents 72.7% of service revenue and 78.2% of earnings before interest, tax, depreciation and amortisation (EBITDA) – we indicate this with #. We use * to indicate normalised growth. Normalised growth presents performance on a comparable basis. This adjusts for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results.

All growth rates quoted are year-on-year and refer to the year ended 31 March 2021 compared with the year ended 31 March 2020, unless stated otherwise.



1. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Determining our material matters



Vodacom conducts an annual review of the material matters that could impact the value we create over time, as well as our ability to deliver on our core purpose to connect for a better future. Below, we set out the process we followed to identify our 2021 material matters.

Our materiality determination process

Assessing trends impacting our external environment

Interviewing our senior leadership team, including our Chairman and Chief Executive Officer (CEO)

Analysing stakeholder engagement reports



Business partners/
Franchisees



Communities



Customers



Employees



Investors and
shareholders



Government and
regulators



Media



Suppliers



Evaluating the key results of economic impact and reputation surveys

Affordability
of products
and services

Governance and ethics,
including trust and transparency
related to data consumption

Open communication,
particularly in relation
to data protection

Receiving feedback
from analysts and investors

Analysing strategic
risks and associated
opportunities

Page 36

Reviewing key Board deliberations

Cost of data and
advanced 4G handsets

Digital
inclusion

Regulatory
challenges

Economic climate and
competitive landscape

Cyber security

Access to spectrum

Security of energy supply

Based on this process, we identified several potential material matters that could impact our ability to create sustainable value for our stakeholders. We grouped these matters into broader themes and conducted an online survey to evaluate the importance of each matter identified. We then ranked them in order of priority.

We identified the following material matters:

- 1 Customer experience
- 2 Regulatory and compliance matters across all markets, including cyber security and customer privacy
- 3 Strategy execution
- 4 Scalable platform to support our strategic plans
- 5 Inclusion for all
- 6 Governance and ethics
- 7 Evolving competitive landscape
- 8 COVID-19 and its impact on the economy
- 9 Planet: responsible stewardship
- 10 Changing political landscape



Refer to page 24 for more information on our material matters.



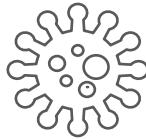
External environment

| | |
|--|---------|
| The COVID-19 pandemic | Page 24 |
| Profoundly challenging macroeconomic context | Page 25 |
| An evolving competitive landscape | Page 26 |
| Tough regulatory and policy environment | Page 27 |

Stakeholder "hot topics"

| | |
|--|---------|
| Consumer privacy and data security | Page 28 |
| The affordability of our products and services | Page 29 |
| Network quality and coverage | Page 29 |
| Trust and transparency around data consumption | Page 30 |
| Vendor risk and related sanctions | Page 30 |
| The safety of 5G technology | Page 30 |
| Transformation in South Africa and localisation in the African continent | Page 31 |

Responding to COVID-19



The value of our Social Contract

The world faced an unprecedented challenge during the year, which exacerbated existing societal challenges and ultimately increased inequalities and mobility constraints. Our commitment to our purpose and our Social Contract – guided by three core principles – trust, fairness and leadership – helped us to strategically and systematically mitigate the impact of COVID-19 on our stakeholders.

Our overarching objectives were the following:

Connected our **governments and societies** by maintaining our network resilience and quality during increased network traffic during the COVID-19 lockdown.

We pursue digital inclusion through our price transformation strategy by reducing the cost of data and providing access to affordable products and services. On 1 April 2020, we introduced price cuts on data bundles in South Africa which provided a R3 billion benefit to consumers. We also provided affordable data prices to the 2 000 poorest towns in South Africa.

We provided free peer-to-peer (P2P) M-Pesa transactions to customers in our international markets which is a benefit of R2 billion to customers. This intervention supported accelerated customer adoption and platform growth. In the fourth quarter, the value of M-Pesa monthly transactions increased 64.5%.

We have partnered with AUDA-NEPAD to build digital infrastructure to manage the distribution of COVID-19 vaccinations in up to 55 countries, following successful deployments in South Africa, leveraging our mVacciNation platform.

Connected **healthcare providers** to ensure they are digitally equipped to support COVID-19 virtual consultations, data collection and testing.

Alongside the Vodafone Foundation, we recently announced an R87 million financial pledge to support the roll-out of cold-chain technology, and provide logistics support to ensure the safe delivery of COVID-19 vaccines through our mVaccine platform.

Through the ConnectU platform, we zero-rated access to social media, education, government and employment platforms.

We donated 20 000 smart phones, 100 terabytes of data and 10 million voice call minutes to the South African Department of Health to collect and transmit data for resource planning purposes.

Connected **businesses, particularly small and medium enterprises (SMEs)**, through remote working solutions, advice and best practice information. We aim to ensure SMEs survive the economic impacts of COVID-19 by facilitating the adoption of safe and secure digital solutions utilising advances in the Internet of Things (IoT), artificial intelligence (AI), Big Data analytics and financial services platforms.

Connected **governments and societies** through Big Data capabilities.

Connected **host country governments** to disseminate critical COVID-19-related information to the public.

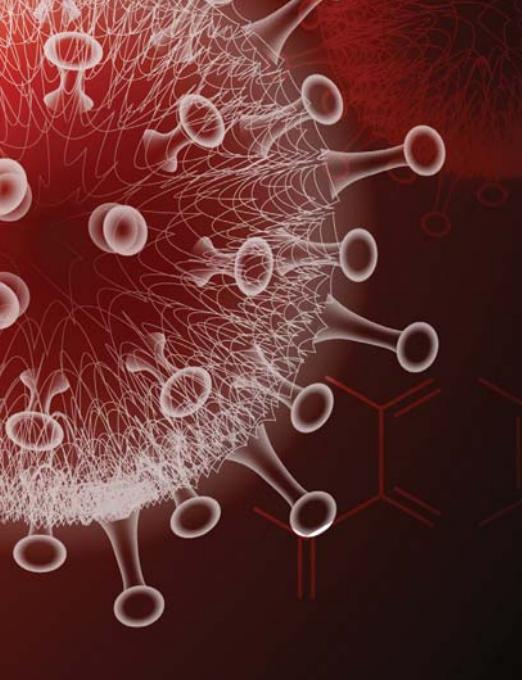
We implemented our response strategy in two phases, focusing on the most vulnerable and disadvantaged people in our society. Each phase of our response strategy followed a detailed six-point plan to provide rapid, comprehensive and coordinated support to society through strategic partnerships that enabled sustained connectivity.

Our six-point COVID-19 plan in two phases

Phase 1 of our response focused on the immediate health crisis brought on by the pandemic and details our swift response and the interventions we implemented to save lives and provide societal support during the year. During phase 2, we built on the successes of phase 1 to help restart the economy and stimulate employment.



For detailed information about our Social Contract and two-phased six-point plan, refer to our sustainability report.



- Phase 1**
- 1 Maintaining quality of service and adding capacity to our networks.
 - 2 Providing support to governments, such as free phones and personal protective equipment.
 - 3 Improving dissemination of information to the public.
 - 4 Facilitating working from home and supporting SMEs.
 - 5 Facilitating e-learning.
 - 6 Improving government's insights into people's movements in affected areas.
- Phase 2**
- 1 Expanding and future-proofing the network infrastructure.
 - 2 Accelerating support to government e-Health and e-Education.
 - 3 Enhancing digital accessibility and literacy for the most vulnerable.
 - 4 Promoting widespread digital adoption for businesses, particularly SMEs.
 - 5 Supporting exit strategies through targeted digital adoption.
 - 6 Enabling cashless payments and financial inclusion.

Group COVID-19 statistics

Like the rest of the world, Vodacom has also been deeply affected by the pandemic.

Vodacom's COVID-19 statistics as at
31 March 2021



| | Confirmed cases | Active cases | Recoveries | Lives lost |
|--------------|-----------------|--------------|------------|------------|
| South Africa | 514 | 0 | 504 | 10 |
| Tanzania | 12 | 0 | 12 | 0 |
| DRC | 71 | 0 | 71 | 0 |
| Mozambique | 165 | 0 | 165 | 0 |
| Lesotho | 19 | 0 | 19 | 0 |

Our value creation in practice

Financial performance



Revenue

R98.3 billion

Up 8.3%

(2020: +4.8% to R90.7 billion)

Headline earnings per share

980 cps

Up 3.7%

(2020: +8.9% to 945cps)

Ordinary dividend per share

825 cps

Up 5.1%

(2020: ordinary dividend per share of 785cps, total including dividend was 845cps)

Capital expenditure

R13.3 billion

Up 0.7%

(2020: +2.0% to R13.2 billion)

For our customers



Extended our network population coverage

South Africa:

99.9%
3G

(2020: 99.7%)

97.3%
4G

(2020: 95.4%)

Vodacom Group sites added:

5G sites: **190** in South Africa

4G sites: **1 883** (2020: 2 307)

3G sites: **885** (2020: 845)

2G sites: **787** (2020: 790)

Number of rural network sites in South Africa

2 784

(2020: 2 592)

Vodacom Fibre penetration reached more than

146 401

homes and businesses in South Africa

(2020: 109 536)

R12 billion

airtime advanced to customers in South Africa

(2020: R9.9 billion)

US\$24.5 billion

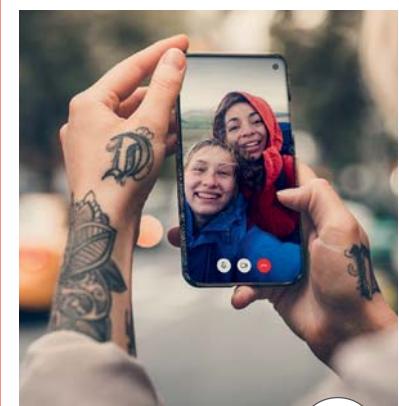
in M-Pesa transactions

processed monthly in the fourth quarter, including Safaricom

(monthly equivalent in 4Q20: US\$15.0 billion, and for 2020: US\$14.7 billion)



- Network promoter score (NPS) declined in South Africa.
- Free person-to-person transfers impacted revenue growth in our International Business.
- Network disruptions in South Africa as a result of load shedding and added network demand.



In our societies



Enhanced public finances

R21.6 billion

tax and our total economic contribution to public finance
(2020: R20.4 billion)

Enabled financial inclusion

57.7 million

financial services customers, including Safaricom
(2020: 53.2 million)

Promoted digital inclusion

15.5 million

people accessed the ConnectU platform
(2020: 8.5 million)

Contributed to transformation in South Africa

Level 1

broad-based black economic empowerment (BBBEE) contributor status
(2020: Level 1)

R38.0 billion

weighted spend on BBBEE-status suppliers
(2020: R35.9 billion)

For our employees



Paid

R7.0 billion

(2020: R6.4 billion) to 7 875 employees
(2020: 7 641)

Invested

R472 million

in employee skills development across all our markets
(2020: R430.3 million)

One work-related fatality (caused by a contractor in Mozambique)

Encouraging diversity in South Africa

77.0%

of our employees are black
(2020: 76.5%)

43.6%

of our employees are women
(2020: 43.5%)

66.7%

of our Executive Committee (Exco) members are black
(2020: 67.0%)

62.0%

of our senior managers are black
(2020: 60.3%)



For the planet



3%

reduction in total greenhouse gas (GHG) emissions
(2020: 697 000 mtCO₂e)

573 tonnes

of e-waste recycled
(2020: 977 tonnes)

Over 1 066 tonnes of batteries rejuvenated and re-introduced across our markets
(2020: 901 tonnes)

43%

reduction in water consumption across the Group



For providers of financial capital

✓

Distributed

R15.1 billion

in dividends to equity shareholders
(2020: R15.4 billion, including a special dividend of R1.1 billion)

✓

Debt service

R4.2 billion

paid in interest to debt funders
(2020: R4.7 billion)

✓

Total shareholder return

15.2%

(2020: 9.5%)

Chairman's statement

A purpose-driven response to COVID-19

While I have been part of the Vodacom Board since 2017, this has been a unique year to assume the role of Chairman. Having taken the helm from my esteemed predecessor, Jabu Moleketi, in July 2020, we faced unprecedented disruption as a business.

COVID-19 compounded the severe economic challenges already underway in many of our markets, resulting in depressed economic growth, growing fiscal deficits and overwhelming social vulnerabilities.



I frequently reflect on how COVID-19 has forever distorted our concept of "normal" and caused devastating turmoil for communities, lives and livelihoods. Despite these challenges, people have remained resilient and moved outside of their comfort zones. I view resilience as a positive outcome of this pandemic and beam with pride when I think about the dedication shown by our Vodacom family this past year.

The pandemic has compelled us to be mindful of the interconnectivity of people because every citizen has been impacted in some way. It has reinforced the idea of an undivided humanity, which requires equitable access to opportunities. As we enter our second year of navigating this pandemic, our purpose offers insight into how we can promote socio-economic recovery and help curb the spread of COVID-19 through the power of technology and connectivity.

By leveraging the power of voice and data connectivity, and financial services and digital platforms, we can enhance financial inclusion and promote equal digital access. This purpose has helped Vodacom navigate the complexities of the past year, guiding our strategy and directing our responses.

COVID-19 has exacerbated already existing societal challenges, thus increasing inequalities and mobility constraints. It has required us all to look beyond ourselves to see how we can serve others because not only are we interconnected, but our future depends on what we do today. We need to enhance our positive behaviours and embed consciousness about the finite world, because its sustainability of the world is currently under threat by the way we all live, consume, organise political policies and operate our businesses in general.

As a business and a leadership team, Vodacom is committed to supporting our stakeholders and to address the challenges presented by COVID-19. We remain committed to operating responsibly by preserving our natural resource base and using technology to enable more sustainable business practices. We understand that the legacy we leave for future generations is determined by how we operate today.

Delivering on our Social Contract

We are firmly committed to delivering on our Social Contract, which is aimed at enabling the delivery of broad societal value through enhanced customer trust, improved service offerings, and increased collaborations with government, regulators and other stakeholders.

The Social Contract, and our commitment to being a purpose-led organisation, are informed by three guiding principles: to build trust with our customers, ensure fairness through digital inclusion, and maintain a reputation for responsible leadership in driving transformation to a digital society.

Vodacom has a 27-year track record of innovation and commitment to delivering societal value – our technology and communications services enable businesses and connect people in ways that have never been more important. As social distancing remains part of life to halt the spread of COVID-19, enhanced connections can provide a better future by improving the overall quality of life of our customers, promoting efficiency and facilitating greater social inclusion.

Saki Macozoma



We have chosen to take a strategic and systematic approach aligned to our purpose of connecting society for a better future through the three purpose pillars, namely digital society, inclusion for all and the planet. Our response to the pandemic was implemented in two phases, with phase 1 of the six-point plan focused on the health crisis, while phase 2 of the plan addressed economic recovery. In addition to our COVID-19 response plan, various initiatives were introduced throughout the year as part of our commitment to delivering on our Social Contract. I believe these commitments will go a long way in assisting customers in these tough economic times and driving digital inclusion for all.

Our response to COVID-19

Alongside the Vodafone Foundation, we recently announced a R87 million financial pledge to support the roll-out of cold-chain technology and provide logistics support to ensure the safe delivery of COVID-19 vaccines to vulnerable and hard-to-reach communities in South Africa, the DRC, Mozambique, Ghana and Tanzania. We also made a R13 million donation to Lesotho to assist with securing vaccines for the Basotho people. We partnered with AUDA-NEPAD to build digital infrastructure to manage the distribution of COVID-19 vaccinations across up to 55 countries, following successful deployments in South Africa, leveraging our mVacciNation platform.

Governance that supports value creation and preservation

The need for inclusive and ethical leadership has never been stronger. As a Board, we understand that our role extends beyond oversight. Vodacom is an important corporate citizen in the markets where we operate. It is critical that we ensure a strong culture of ethics and that good governance is embedded across the organisation.

Vodacom conducted a Board evaluation in FY20. Good progress was made with the actions arising from this evaluation. Our next Board evaluation is scheduled for the fourth quarter of FY22.

This year, to support our strategic ambitions to be a leading technology company, we simplified our governance framework to allow the necessary management oversight. As a business, we embed all regulatory compliance into our corporate culture, planning, decision-making and activities.

Following the recent expansion of our oversight responsibilities in Africa, and our accelerated growth ambitions on the continent, including financial and digital services, we have elected to split the South African and African operations. The Vodacom South Africa operating company remains a structure with its own board, and is led by Balesh Sharma as Managing Director. Shameel Joosub will operate as Group CEO, with Balesh reporting directly to him. We believe this will enable Shameel to focus on the broadened scope of South Africa, International Business and Safaricom, with the added responsibility of managing Vodafone Ghana and accelerating the growth of our financial and digital services offerings on the continent. Balesh will focus on the execution of our strategy and capturing the numerous opportunities that exist from both our traditional telco and our technology-focused company (techco) growth acceleration units.

Changes to our directorate

I was fortunate this year to work alongside my Board colleagues as we focused on delivering against our mandate and ensuring we protect and preserve value for our stakeholders. Following my appointment, David Brown was appointed as lead independent non-executive director (NED).

Vodacom has a self-imposed 10-year tenure for a director, and after 11 years of dedicated service, Jabu stepped down. On behalf of the Board, I extend our appreciation to Jabu Moleketi for his leadership, insight and commitment to both the Board and Vodacom, and wish him well on his future endeavours. Other changes to the Board included Vivek Badrinath, who resigned during the year. We thank Vivek for his valuable contribution.

During the year, Pierre Klotz, Clive Thomson, Khumo Shuenyane, Raisibe Morathi and Anne O'Leary joined the Board, adding immense value and insights.

The Board comprises a carefully selected team that offers the necessary diversity of skills, experience and outlook to ensure accountability and drive strategic thinking. We were well supported in our oversight function by the boards in our international markets and subsidiaries, which bring further depth and diversity in ensuring good governance and oversight of the Group's performance and strategic direction.

Outlook

It is an extremely exciting time for Vodacom as we accelerate our transition from a traditional telco to a digital techco. We remain committed to building a resilient business that promotes digitalisation, innovation, connectivity, transformation, inclusivity, equality and sustainability – all of which help us strengthen our system of advantage.

We covered a lot of distance in our digital transformation journey this past year, buoyed by exciting new partnerships formed, which assisted us in developing new innovative products and services to meet our specific customer needs and demands. Due to this progress, I believe we are well positioned to continue delivering value and supporting our stakeholders.

Appreciation

My sincere gratitude goes to my colleagues on the Board for their wisdom and counsel. I would like to thank the Vodacom executive team and our employees for their resilience in a trying year. To all our stakeholders – thank you for your unwavering support.

Saki

Saki Macozoma

Chairman

04 June 2021

CEO's statement

Guided by our purpose-led approach

As we reflect back on the 2021 financial year – almost 18 months since the term COVID-19 became a part of our lexicon – the world has changed in innumerable ways. Against this backdrop and a still uncertain outlook, our purpose-led approach guided our response as a company and provides us with clear direction. We connect people for a better future and, as envisioned in our Social Contract, we sought innovative ways to support our stakeholders throughout the pandemic. Importantly, we believe that our purpose is aligned with the new normal, with connectivity and financial services acting as enablers of inclusion and economic growth.

Now is a time for unity and an opportunity for governments, businesses and society to collaborate to halt the spread of the virus and vaccinate our people. We have partnered with AUDA-NEPAD to build digital infrastructure to manage the distribution of COVID-19 vaccines across 55 countries, leveraging our mVacciNation platform. More broadly, the power of a company lies in what can be done collectively, and I believe that the decisions made during this time will likely shape Vodacom's legacy and the lives of our stakeholders.

Responding to the COVID-19 pandemic

Our purpose and commitment to our Social Contract directed our response to the profound socio-economic challenges brought about by COVID-19. Vodacom was at the forefront of helping the governments in the countries where we operate to curb the spread of COVID-19, having swiftly responded through strategic partnerships with the likes of Discovery Health and Microsoft. We simultaneously provided support to societies and governments in the markets where we operate in order to help them cope with the pandemic and to promote their economic recovery.



R77.6 billion

Group service revenue
up 5.8%

R98.3 billion

Group revenue
up 8.3%

Shameel Aziz Joosub

As we entered the fiscal year, it was imperative that we responded to COVID-19 by living our purpose and supporting governments in the countries where we operate, as well as our communities, and then ensuring we created an enabling environment for people to work, educate and entertain from home. We focused on expanding our network coverage to improve resilience, accelerate support to governments, enhance digital accessibility and digital adoption, support the strategies of our customers as they adapt to the new normal, and promote financial inclusion. Our initiatives included free devices and airtime for healthcare workers; accelerating support to governments via donations of handsets, connectivity and medical equipment; making contactless payments more accessible through zero-rated services and expanding the M-Pesa ecosystem to address social distancing challenges.

We assisted governments in implementing effective response measures by enhancing their capacity to deliver critical services and ensuring that accurate information was shared timely. We zero-rated over one thousand key government and other essential websites across our markets, thereby providing free access to ambulance services, home affairs, education and health sites and government communication services throughout the pandemic. In South Africa, the mVacciNation solution helped the National Department of Health administer vaccinations.

Alongside the Vodafone Foundation, we announced a R87 million financial pledge to support the roll-out of cold-chain technology and provide logistics support to ensure the safe delivery of COVID-19 vaccines to vulnerable and hard to reach communities in South Africa, Tanzania, the DRC, Mozambique and Ghana. We also made a R13 million donation to Lesotho to assist with securing vaccines for the Basotho people.

We are proud to be standing shoulder to shoulder with the African Union and national governments to provide practical support for what is an enormous logistical challenge for resource-limited African countries with significant rural populations.

These latest initiatives are over and above the R2 billion service revenue impact of zero-rating P2P M-Pesa payments in our International markets, the R3 billion service revenue impact of lowering data pricing in South Africa, and the R176 million cash and in-kind donations made by the Vodacom and Vodafone Group Foundations in response to the pandemic. We believe these interventions were the right thing to do for our customers.

As schools closed and more people worked from home, the demand on network capacity and data services increased substantially. To address this, Vodacom invested R13.3 billion in network infrastructure – including R10.1 billion in South Africa – to expand our capacity and increase our resilience during the year. We continuously monitored the increased demand and managed congestion as traffic increased. The additional high-demand spectrum temporarily assigned by governments to ensure ongoing customer availability was effectively implemented. In South Africa, this additional spectrum also enabled us to launch 5G base stations across the country.

In responding to the crisis, we sought innovative solutions that leveraged our strategic partnerships and core competencies. Vodacom South Africa donated R10 million towards our

partnership with Discovery to provide citizens with access to an online COVID-19 healthcare platform.

Through our ConnectU platform, we provided Vodacom customers with free access to various online resources, including job portals, and educational and health content. The platform saw 15.5 million unique users visits during the year, with over 20 million sessions initiated in a month – a testament to the success of the platform.

We aimed to ensure SMEs – the backbone of our economy – survived the economic fallout of the pandemic by extending payment terms. In a world that required businesses to work from home, we stepped up to provide customised and affordable data packages to our SME customers. Through our VodaLend platform, we extended credit to more than 330 SMEs across all platforms, thereby supporting them in maintaining a reasonable level of financial viability. Furthermore, we continued to provide SMMEs support through our merchant lending solutions on M-Pesa.

Implementing our strategy through our system of advantage

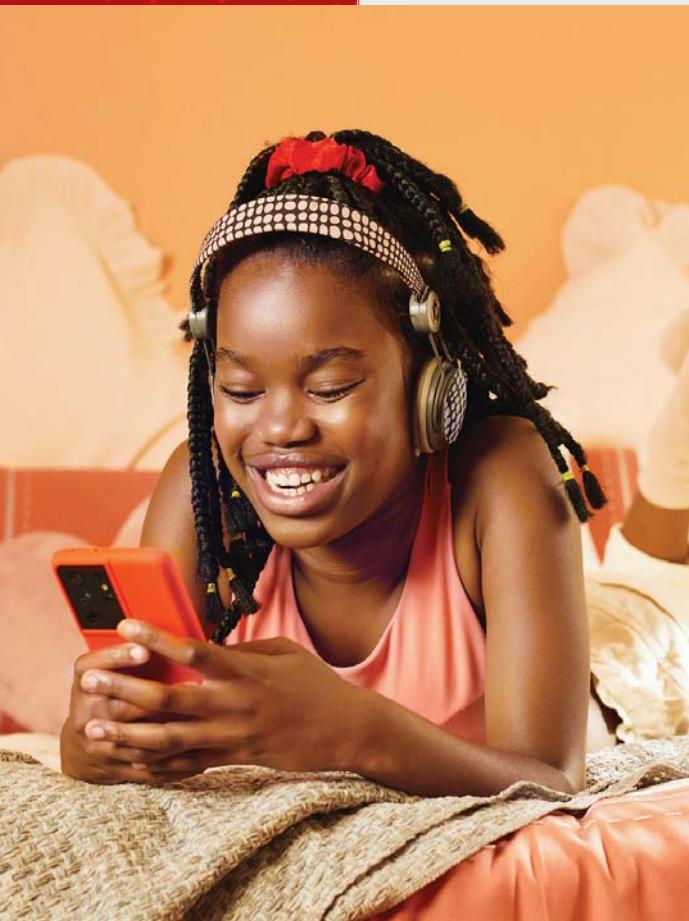
We are transforming Vodacom from a traditional telecommunications company (telco) to a fully fledged digital technology communications company (techco). This transformation forms the foundation of our strategic outlook, Vision 2025. Our Vision 2025 strategy is guided by eight connected pillars that operate together and are designed to deliver exceptional value to our customers. We implement these pillars and our strategy through our system of advantage, which is designed to meet our customers where they are today and grow with them as we strive to be a strategic partner of choice and an integral part of their lives, homes and offices.

As we implement our system of advantage, we will leverage our scale, connectivity and innovative partnerships to create more value for our customers and society at large. This scale is built on a foundation of trust with our customers, and having been in the business of connectivity for almost three decades now, we continue to strive to be a trusted brand and partner in the markets in which we operate.

Our strategic journey, Vision 2025, recognises that the world continues to change and evolve at a blistering pace. To empower our customers, we must look beyond our roots as a telco and increasingly harness the power of technology. We believe that, by creating an ecosystem that better serves our customers, we can create a unique competitive advantage.

We continually seek to create opportunities in new growth vectors, such as fibre, IoT and financial and digital services. Through our innovative digital offerings, unique behavioural insights and Big Data, as well as exciting new partnerships, we are able to develop innovative products and services that meet the specific needs and demands of our customers. As we grow with our customers, and adopt a lifestyle approach to our product development, we believe that we will connect them for a better future.

 For more information on how we performed against our strategy, refer to our strategic dashboard on page 42 as well as our strategy sections, starting on page 44.



Resilient performance in a challenging context

Considering the magnitude of challenges arising from the pandemic, along with the price cuts we effected in South Africa and the zero-rating of P2P M-Pesa transfers across most of our international markets, the Group delivered a strong financial performance. Group revenue increased by 8.3% to R98.3 billion, with service revenue up 5.8% to R77.6 billion. These results were supported by the recovery in our International portfolio in the second half of FY21 and strong growth from our prepaid and Vodacom Business segments, financial services and other new services in South Africa. Group EBITDA increased by 4.5% to R39.3 billion, and headline earnings per share was up 3.7% to 980 cents per share (cps). As a result, our final dividend per share was 825cps.

Our International portfolio reported muted service revenue growth of 1.6%, with a stronger second half offsetting the significant impacts of COVID-19 earlier in the year. This performance was characterised by currency volatility, increased pressure on consumer spend, free P2P M-Pesa transactions and the impact of service barring in Tanzania due to biometric registration compliance. Through M-Pesa, we process US\$24.5 billion (R366.4 billion) a month in the fourth quarter, up 63.5% in transactions across our international markets, including Safaricom. We serve 57.7 million financial services customers, including Safaricom, which generated revenue of R19.3 billion in FY21. Our strategic investment in Safaricom accounted for close to 13% of our operating profit in FY21. Safaricom's local currency results reflected the impact of depressed economic activity and free P2P M-Pesa transfers due to COVID-19. Safaricom's commitment to its strategic goals supported strong platform growth for M-Pesa and higher connectivity usage. This supported a notable recovery in service revenue growth with fourth-quarter growth at 6.4%.

In South Africa, despite economic disruption and the substantial data price cuts in April 2020, we reported strong revenue growth of 10.3% to R76.7 billion, with service revenue growth of 7.0% to R56.4 billion. This is on the back of increased data usage, the highly successful Shake-Up Summer campaign and demand for financial services. Combined, these helped offset several initiatives aimed at delivering greater value to our customers. Some of these initiatives include reducing data tariffs by up to 40%, and launching VodaBucks, our behavioural loyalty programme in April 2020.

 For more information on our segment performance refer to page 88.

In addition to our ongoing COVID-19 response efforts and our investment into our network to accommodate rapid shifts in customer behaviour, we support the swift proceeding of the Independent Communications Authority of South Africa's (ICASA) high-demand spectrum (HDS) auction. We believe that awarding high-demand spectrum is critical to reducing input costs and, by extension, the cost of data. Assigning additional spectrum is crucial to expanding broadband services and promoting digital inclusion in South Africa. As such, further delays to the auction process could negatively impact South African consumers.

We remain focused on entrenching Vodacom as a leading pan-African technology company through our investments into fibre, IoT and financial, digital and lifestyle services, as these increasingly provide opportunities to enhance our relationships with the 123.7 million customers we serve across our footprint. In particular, we are excited about the growth of financial services in South Africa, as well as our partnership with Alipay and the imminent launch of our single lifestyle app, VodaPay, in South Africa. Our super-app will offer services ranging from loans and savings, seamless QR and person-to-person payments, to entertainment and personalised shopping experiences, promoting greater financial inclusion. We see this super-app as a precursor to

M-Pesa's evolution, supporting accelerated growth across our financial services' businesses and assisting us in connecting the next 100 million African customers so that no one is left behind. We are equally excited by the opportunity presented by processing merchants payments through our platform payment gateways, point of sale (POS) and the merchant lending and trading platforms.

Creating a better future for all

I believe we have an important role to play in creating and enabling a better digital future for all. Vodacom strongly believes that improved connectivity is a powerful tool for achieving socio-economic development and promoting sustainable growth. Through the Vodacom Foundation, we continue to leverage our technology solutions to address societal challenges. This year, we invested R157 million in enhancing access to education and supporting the fight against gender-based violence (GBV).

As part of our focus on preventing GBV, the Vodacom Foundation launched the zero-rated Bright Sky education and resource mobile app that provides support and information for anyone who may be in an abusive relationship or those concerned about someone they know. We also invested R4.5 million in digital skills training for GBV survivors in South Africa.

We continue to leverage our technology to help bridge the digital divide and promote education to prepare the next generation for a digital society. The Vodacom e-School platform proved to be an invaluable resource for learners studying at home during COVID-19. User registrations increased tenfold, with over 1.25 million registered users on the platform.

Our commitment to building an inclusive society is embodied in our transformation performance in South Africa. This year, we retained our Level 1 score in terms of BBBEE, the highest score available, and also a testament to our investment in enterprise development, preferential procurement, skills development and employee diversity.

We take great pride in being recognised by Sustainalytics for our efforts to drive digital and financial inclusion while reducing our carbon footprint. In September 2020, the agency ranked Vodacom second out of almost 200 companies in its Telecommunications Service industry grouping and in the top 5% of its Global Universe of 13 000 companies. We also maintained our AAA rating from MSCI. As a further commitment to our purpose and integrating environmental, social and governance (ESG) considerations across our business, we started integrating ESG measures into our long-term incentives from June 2020.

On 26 April 2021, Vodacom participated as a minority investor in a consortium, controlled by Safaricom, bidding for a mobile telecommunication licence in the Federal Democratic Republic of Ethiopia. In May, the Government of the Federal Democratic Republic of Ethiopia, through the Ethiopian Communications Authority (ECA) confirmed that our consortium's bid was successful. We were delighted with this outcome, and are focused on building a world-class network in Ethiopia to support the country's digital transformation and positively enhance the lives of its citizens.

Our employees – the Spirit of Vodacom

Our employees are the driving force of our strategic objectives, and maintaining a safe working environment is one of Vodacom's fundamental responsibilities. Sadly, I have to report one fatality during the year, when a cyclist tragically lost his life in Mozambique when a Vodacom contractor collided with him. The incident was

investigated and, to mitigate against any future occurrence, we will align and enhance driver behaviour monitoring systems through various interventions. Safaricom will also draft a zero-harm plan to drive a safety culture throughout their business.

Through our Spirit of Vodacom initiatives, we continue to instil the culture needed to realise our business strategy, create a better future for customers, encourage collaboration, and enable innovation to help us fulfil our Social Contract. To truly infuse our Spirit across the Group, we created Big Conversation moments where all employees could learn, discuss and connect to bring life to our purpose and strategy. A total of 4 000 employees participated in Big Conversation initiatives across our markets.

Vodacom supports employee training and development and encourages employees to acquire the capabilities, commitment and enthusiasm to achieve business goals. Vodacom South Africa invested R472 million in continuous skills development – this included R317 million invested in black employees, of which R141 million was invested in black women. As part of our vision of transitioning from a traditional telco to a techco, we understand the importance of reskilling and repurposing our current employees. We therefore, launched the #1MoreSkill strategy to drive reskilling and upskilling across the organisation to give every employee the opportunity to grow into new targeted roles that support our strategic direction.

My appreciation and closing

We are positive that we can combat the many unforeseen impacts of COVID-19. As we await the roll-out of the vaccine campaign, we will continue positioning the business to weather the anticipated headwinds. We know that our role as a company is critical to supporting a more resilient and inclusive future. Our immediate priorities remain to protect the well-being of our employees and contractors and ensuring the resilience of our services, which are critical in enabling individuals, communities, businesses and governments to operate, and to provide support to governments to assist with vaccine roll-out and economic recovery.

We have revised the Group Executive Committee to provide a functional Group structure that will enable us to accelerate our growth ambitions of being a leading techco in Africa. I welcome the following colleagues to the Group executive team:

- **Raisibe Morathi:** Group Chief Financial Officer (CFO);
- **Peter Ndegwa:** CEO of Safaricom;
- **Balesh Sharma:** Managing Director: Vodacom South Africa;
- **Dejan Kastelic:** Chief Technology Officer; and
- **Puso Manthata:** Chief Officer Strategy and New Business Development.

My sincere thanks go out to our employees worldwide, the executive team and the Board for their collective contribution. To our business partners, shareholders and other stakeholders – thank you for your ongoing support.

For almost three decades, our products and services have helped to positively transform the lives of millions of people. In this time of uncertainty, delivering on our purpose has never been more critical. Looking ahead, we will continue to provide affordable internet access for the next 100 million people in our markets as we connect for a better future.

Shameel

Shameel Aziz Joosub

Chief Executive Officer

04 June 2021

Who we are

Vodacom is a leading African connectivity and financial services company strongly underpinned by purpose and spirit. The Group, including Safaricom, serves 123.7 million customers across consumer and enterprise segments. We offer a wide range of services, including telecommunication, information technology (IT), digital, IoT and financial services.

Since 1994, we have expanded our mobile network footprint from our roots in South Africa to Tanzania, the Democratic Republic of the Congo (DRC), Mozambique, Lesotho and Kenya. Vodafone Group Plc (Vodafone) – one of the world's largest communications companies in terms of revenue – has a 60.5% shareholding in Vodacom.



Our mobile networks cover **296 million** people (including Safaricom at 100%).



We offer business-managed services to enterprises in **48 countries** through Vodacom Business Africa (VBA).



We have **123.7 million** customers across Africa (including Safaricom).

What differentiates us

What we do today affects the future of our people and our planet. Our Social Contract informs all our interactions with customers and society, ensuring that our business centres around what we can do now to achieve our purpose.

Our business thrives because of our clear purpose, vision, operating model and strategy.

Our purpose

Why we exist

To provide affordable access to the internet for the next 100 million people in our markets, and to continue to foster deeper engagements to meet the needs of our existing customers

We connect for a better future



Digital society

Connecting people and things to the internet



Inclusion for all

A digital future that is accessible to all



Planet

Reducing our environmental impact



Our sustainability report includes more information on why we exist.

Where and who we want to be

To be the leading technology communications company in Africa

Connecting for a better future

One of the world's greatest places to work

Our vision



Refer to Vision 2025 for detailed information about where and who we want to be.



The Spirit of Vodacom

How we operate

- 1** Earn customer loyalty
- 2** Create the future
- 3** Experiment, learn fast
- 4** Get it done together

What we need to do

Segmented propositions

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

Financial services

We scale our financial services offerings to empower the lives of our customers through financial inclusion.

Digital content platforms

We grow into new verticals of digital services to better serve our customers and create value.

Enterprise digitalisation

We partner with enterprises to accelerate their growth and transform their businesses through digital technology and IoT.

Best customer experience

We provide a seamless, frictionless, personalised digital experience for our customers.

Best technology

We aim to be the leading telecommunication company (telco) in all markets through the best network and IT excellence, with digital at the core.

Digital organisation and culture

We build an organisation of the future where digital is first for all employees, underpinned by innovation, agility and new skills.

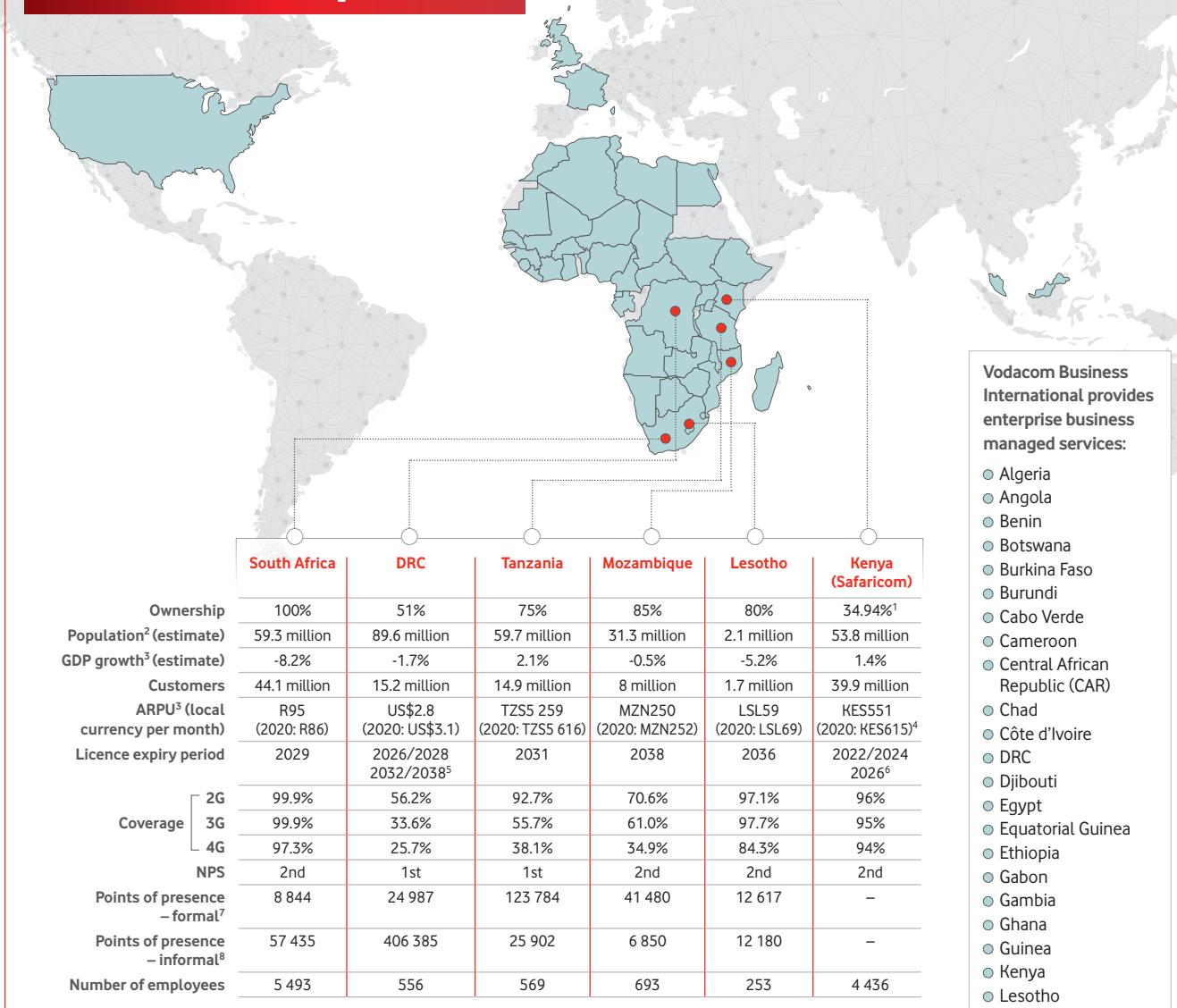
Our brand and reputation

We aspire to be a purpose-led organisation, connecting for a better future, by enabling a digital society, inclusive for all, with the least environmental impact.

For more detail on our strategic pillars, refer to pages 44 to 79.

Our system of advantage

Where we operate



| Customers (million) | | |
|------------------------|------|------|
| | 2021 | 2020 |
| South Africa | 44.1 | 41.3 |
| DRC | 15.2 | 13.8 |
| Tanzania | 14.9 | 15.5 |
| Mozambique | 8.0 | 7.7 |
| Lesotho | 1.7 | 1.7 |
| Safaricom ⁸ | 39.9 | 35.6 |

| Revenue (million) | | |
|------------------------------|---------|-----------|
| | 2021 | 2020 |
| South Africa (R) | 76 737 | 69 593 |
| DRC (US\$) | 509 | 513 |
| Tanzania (TZS) | 974 391 | 1 032 667 |
| Mozambique (MZN) | 25 462 | 24 601 |
| Lesotho (LSL) | 1 209 | 1 377 |
| Safaricom (KES) ⁸ | 264 027 | 262 558 |

Notes:

1. Vodacom owns 87.5% of Vodafone Kenya Limited, which holds 39.93% of Safaricom Plc, giving Vodacom an effective holding of 34.94% in Safaricom.
2. The Bureau for Economic Research for SA and Fitch Solutions for all other countries (extraction date: 30 April 2021).
3. Total average revenue per user (ARPU) is calculated by dividing the average monthly service revenue by the average monthly customers during the period.
4. Total ARPU is calculated by dividing the average total service revenue by the average monthly customers during the period.
5. 2026 (Wimax licence), 2028 (2G licence), 2032 (3G licence), 2038 (4G licence).
6. 2022 (3G licence), 2024 (2G licence) and 2026 (4G licence).
7. Formal points of presence include Vodacom-owned and franchised shops, service providers and private outlets, retailers who purchase directly from Vodacom, M-Pesa agents and ATMs. Informal points of presence include super dealers, territory and data dealers, street vendors/freelancers, informal resellers and virtual top-ups.
8. The Group's effective interest of 34.94% in Safaricom Plc is accounted for as an investment in associate. Results represent 100% of Safaricom and are for illustrative purposes only.

Vodacom Business International provides enterprise business managed services:

- Algeria
- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cabo Verde
- Cameroon
- Central African Republic (CAR)
- Chad
- Côte d'Ivoire
- DRC
- Djibouti
- Egypt
- Equatorial Guinea
- Ethiopia
- Gabon
- Gambia
- Ghana
- Guinea
- Kenya
- Lesotho
- Liberia
- Libya
- Madagascar
- Malawi
- Mali
- Mauritania
- Mauritius
- Morocco
- Mozambique
- Namibia
- Niger
- Nigeria
- Republic of Congo
- Rwanda
- Senegal
- Sierra Leone
- Seychelles
- South Africa
- South Sudan
- eSwatini
- Tanzania
- Togo
- Tunisia
- Uganda
- Zambia
- Zimbabwe

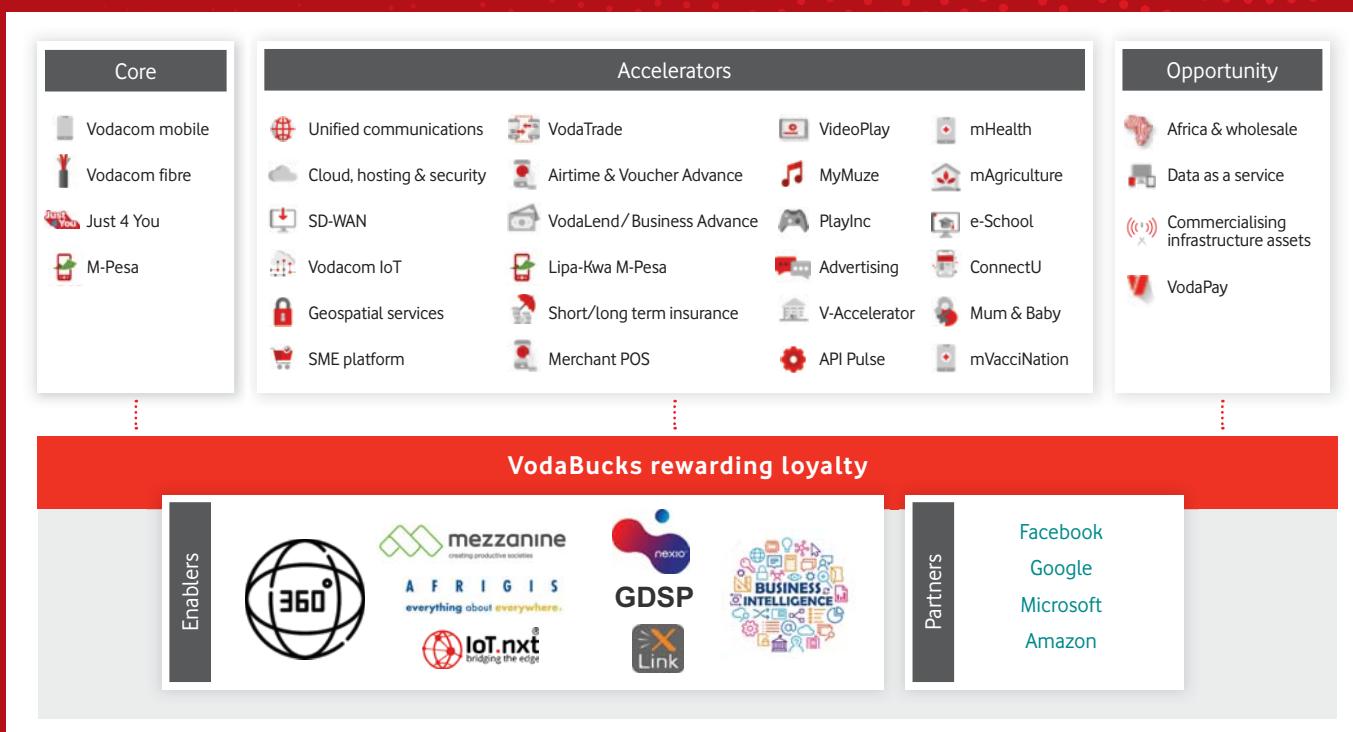
What we offer

We provide a rich ecosystem of products and services to our 123.7 million active individual customers (including Safaricom), ranging from voice, data and messaging to fixed, Information Technology (IT), Internet of Things (IoT), digital and financial services.

Our system of advantage delivers diversified, differentiated offerings to our customers, thereby further strengthening and growing our relationships with them. In the connectivity space, our dedicated consumer and enterprise segments focus on delivering great value and exceptional experiences to our customers. Our system of advantage extends our personalised mobile and fixed connectivity, cloud and hosting, data security and IoT offerings into digital and financial services to deliver a 360-degree customer experience. We already provide financial services to 57.7 million customers, including Safaricom, with our nano-payments, lending and savings solutions further support financial inclusion.

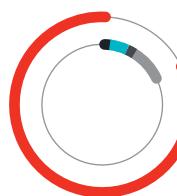
Our products and services

Capturing more opportunities across our system of advantage



Contribution to Group service revenue per P&L

| | 2021 | 2020 |
|-------------------------|-------|-------|
| Mobile contract revenue | 28.7% | 28.9% |
| Mobile prepaid revenue | 55.9% | 55.5% |
| Mobile interconnect | 3.3% | 3.5% |
| Fixed service revenue | 5.7% | 6.0% |
| Other service revenue | 6.4% | 6.1% |



Contribution to Group service revenue by product

| | 2021 | 2020 |
|----------------------------|-------|-------|
| Core mobile | 82.8% | 83.4% |
| IoT | 1.4% | 1.1% |
| Fixed | 4.7% | 5.5% |
| Digital Lifestyle Services | 2.2% | 2.2% |
| Financial services | 8.9% | 8.2% |

Our profit formula

We generate financial profit by investing in our fixed and mobile networks to retain and attract consumer and business customers with compelling voice, data, messaging, financial and digital products and related services.

Our competitive differentiation lies in the quality of our network and infrastructure, the nature and extent of our product and service offerings, our strong distribution channels in each market, our regional footprint, our proven ability to manage our cost base, and the strength of the relationships we have with key stakeholders, enhanced by a globally recognised brand.

Our revenue

Most of our revenue is generated from selling mobile services such as data, messaging and voice. This is further supported by increased uptake of smart devices, improved network coverage and more affordable data bundles. We are actively diversifying our revenue to include new services such as fixed, IoT, IT, digital and financial services. These services provide new growth vectors and access to attractive markets. While our revenue mix is largely consumer driven, strong growth within Vodacom Business increased its contribution to 23.2% of Group service revenue. Our Vision 2025 strategy aims to meaningfully scale the contribution of new revenue streams while continuing to increase the penetration of our core connectivity solutions.

Key revenue differentiators

- Consistent investment in infrastructure, resulting in being rated first or second in network quality in the countries where we operate.
- Industry-leading customer value management systems, people and processes.
- A widespread distribution network and investment into digital channels.
- Effective use of Big Data to ensure personalised offers for our customers to better suit their needs and behaviours.
- Rewarding and incentivising customers through our behavioural loyalty programme, which offers competitive and compelling products targeted by segment.
- Ability to offer vertically integrated solutions in both the consumer and business segments.
- M-Pesa, Africa's largest mobile payment platform which incorporates services such as person-to-person payments, lending, bill and bulk payments, savings, e-commerce and merchant payments.
- Financial service growth in South Africa, as we scale our existing Airtime Advance and insurance business into a fully fledged fintech offering for merchants and consumers with our Alipay powered super-app, VodaPay.
- Leveraging our global enterprise relationships for pan-African service delivery.
- Best-in-class customer service support systems.
- Ability to leverage our relationship with Vodafone, driving global best practice in performance.
- Harnessing our Big Data platform and insights, powered by AI and machine learning, to deliver nano and large bundle offers to the segment of one through our Just4U platform.
- Behavioural loyalty to incentivise and reward customer engagement and reward customer engagement, across our products.

Our costs

We have a strong track record of optimising expenses and converting revenue into cash flow. We have achieved significant results in limiting cost growth through our fit-for-growth programme, driving efficiencies in staff expenses, publicity spend and other operating expenses through an influential culture of cost containment across the business. This focus enables us to invest in new growth areas ahead of commercialisation, such as 5G. Furthermore, we are embracing new technologies and, in many ways, pioneering the use of robotic process automation (RPA), Big Data and AI to optimise costs. As a result, our steady cash flow enables us to maintain a high level of capital reinvestment to protect our leading position in network coverage, call quality and data speed in our markets. In addition to investing in the future of the business, cash generated from our activities allows us to maintain our shareholder returns, with our dividend policy of at least 90% of pre-Safaricom headline earnings plus flow-through of Safaricom cash dividend (net of withholding tax).

Key cost differentiators

- Leveraging global best practice on cost optimisation, benefiting from and sharing best practice with Vodafone.
- Ability to optimise costs through our leading use of RPA, Big Data and AI.
- Benefiting from the global purchasing power of Vodafone Procurement Company.
- Consistent investment in our network, delivering continuous improvement in operating costs through more efficient technologies and network innovation.
- Robust governance processes in place to approve investments and review product, cost and investment decisions.
- Shared services and initiatives with Vodafone and across our own African footprint to optimise back-end costs.
- Optimal network deployment using AI.
- Optimising power utilisation across our building and sites using the IoT.nxt platform.

Our investment case



For more information, please visit
<https://www.vodacom.com/investor-relations.php>

Supported by our system of advantage



We are a market leader across our footprint, with an attractive return on capital employed (ROCE)

- Access to 123.7 million customers.
- ROCE of 22.0%, well above weighted average cost of capital.
- Strategic mindset to enhance value creation and leverage scale.



Meaningful growth opportunities across connectivity, digital and financial services

- Data and smartphone penetration upside.
- Expanding addressable market in fintech.
- Targeting mid-to-high single digit operating profit growth over the next three years.



We have a trusted management team

- Incentivised to create value and deliver on key ESG variables.
- Strong execution track record.



We are a responsible corporate

- Purpose-led model.
- Recognised as an ESG leader.

Our business model

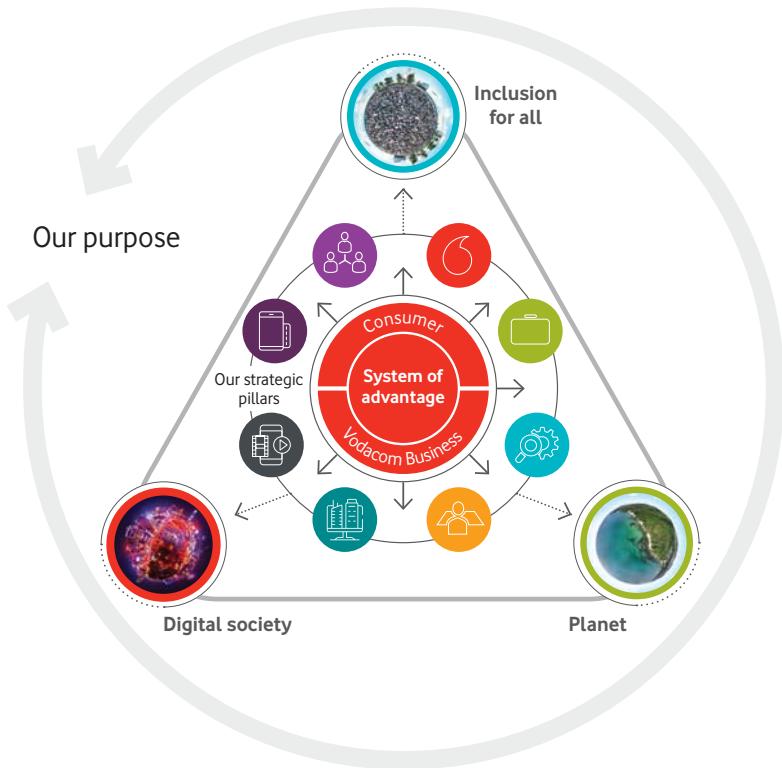
At its heart, our business model is designed to deliver exceptional value to our customers – today and into the future.

Key inputs (2021)

| | | |
|---|---|--|
|  | People, culture and governance (human and intellectual capital) | <p>7 875 employees (2020: 7 641)</p> <p>A purpose-led company culture, the Spirit of Vodacom, that supports performance</p> <p>Experienced and diverse executive team and strong Board</p> <p>Robust, transparent governance systems</p> <p>Clear procurement processes that support service</p> |
|  | Quality relationships with key stakeholders (social and relationship capital) | <p>123.7 million customers (2020: 115.5 million)</p> <p>Enhanced communication with communities</p> <p>Constructive engagement with regulators</p> <p>Improved investor confidence</p> <p>Positive supplier relationships</p> <p>Trusted brand and reputation</p> |
|  | Network and IT infrastructure (manufactured capital) | <p>22 930 base stations (2020: 22 183)</p> <p>Self-provided fibre and microwave connections:</p> <ul style="list-style-type: none"> 97.5% South Africa (2020: 96.1%) 92% International (2020: 92%) <p>R13.3 billion invested in network (2020: R13.2 billion)</p> |
|  | Financial capital | <p>R231 billion market capitalisation (2020: R215 billion)</p> <p>Flexible balance sheet with net debt to EBITDA at 0.9x (2020: 0.9x) and excluding leases at 0.6x (2020: 0.7x)</p> |
|  | Natural resources (natural capital) | <p>Radio spectrum (700, 800, 900, 1 800, 2 100, 3 500MHz bands)</p> <p>Consumed 634.0GWh electricity (2020: 607.7GWh)</p> <p>Used 147 megalitres of water (2020: 256 megalitres)</p> <p>Used 20 million litres of fuel (2020: 19 million litres)</p> |

Our business activities: system of advantage

Our business activities are designed to deliver on our core purpose – to **connect for a better future**. Our competitive differentiation lies in the quality of our network and infrastructure, the nature and extent of our product and service offerings, our strong distribution channels in each market, our proven ability to manage our cost base, and the strength of the relationships we have with key stakeholders, enhanced by a globally recognised brand.



We generate financial profit by investing in our fixed and mobile networks to attract consumer and enterprise customers with compelling voice, data, messaging, IoT and IT services, and digital products, and related services. Our **system of advantage** geared towards meeting our customers' needs and driving our purpose of connecting for a better future.



For more information on our outputs, these being our products and services, refer to page 17.

Our strategic pillars

- Value created
- Value eroded
- Value sustained



** Outcomes of our activities (2021)

- R7.0 billion paid in wages and benefits (2020: R6.4 billion).
- 62.0% black and 34.3% female representation in senior management in South Africa (2020: 76.5% black and 34.4% female).
- 35% female representation at senior management in Vodacom Group.
- Named Africa's top employer, and top employers were certified in the DRC, Lesotho, Mozambique, Tanzania and South Africa.
- 3.9% voluntary staff turnover (2020: 7%).
- One work-related fatality (2020: two).
- 0.00 lost-time injury frequency rate (2020: 0.07).
- Strategic and systematic COVID-19 response.
- Strong progress on staff well-being.



- Leader in customer NPS in three of our five markets, with improvements targeted across all markets.
- Increase in customers across markets, reaching 57.7 million mobile money and financial services customers.
- >1.25 million e-School users in South Africa, with 150 000 users of Instant School in Tanzania and 113 840 in the DRC.
- R21.6 billion total tax contribution to public finances (2020: R20.4 billion).
- Enabled financial inclusion through our innovative products and services, including 44.5 million M-Pesa customers (2020: 39.6 million).
- Named South Africa's strongest brand by Brand Finance.



- 787 new 2G sites (2020: 790).
- 885 new 3G sites (2020: 845).
- 1 883 new 4G sites (2020: 2 307).
- 190 new 5G sites launched in South Africa.
- 146 401 fibre end points passed (2020: 109 536).
- Smarter deployment through use of Big Data analytics.
- First for network quality in two of five markets in network NPS.



- Revenue up 8.3% to 98.3 billion (2020: R90.7 billion).
- EBITDA up 4.5% to R39.3 billion (2020: R37.6 billion).
- Cash generated from operations: R40.8 billion (2020: R39.3 billion).
- R4.2 billion paid to debt funders in interest (2020: R4.7 billion).
- Dividend per share declared: 825 cents (2020: 845 cents).
- Headline earnings per share: 980 cents (2020: 945 cents).
- On capital employed: 22.0% (2020: 22.7%).



- 187 200GJ energy saved at our buildings in South Africa (2020: 19 260GJ).
- 573 tonnes of e-waste recycled by the Group (2020: 977 tonnes).
- 1 088 solar-operated sites (2020: 950 sites).
- 609 739 tonnes of CO₂ emissions (Scope 1, 2) (2020: 610 914 tonnes of CO₂).
- 200 000 (400kg) customer devices refurbished and recycled (75% of network waste).
- Ranked second in Sustainalytics' Telecommunications Service industry grouping, and the top 5% of its Global Universe of 13 000 companies.
- Water consumption reduced by 43%.

Activities to preserve and sustain value

- Invested R472 million in employee training and leadership development (2020: R430.3 million).
- Created Big Conversation moments where employees could learn, discuss and connect to bring life to our purpose and strategy.
- Enhanced our talent strategy and roadmap.
- Sustained focus on diversity and inclusion.
- Implemented agile business processes across business units.
- Continued commitment to building our reputation as a quality employer.
- Followed competitive and transparent remuneration practices.
- Launched a new parental leave policy for employees regardless of gender or sexual orientation.
- Introduced the COVID-19 leave for employees.

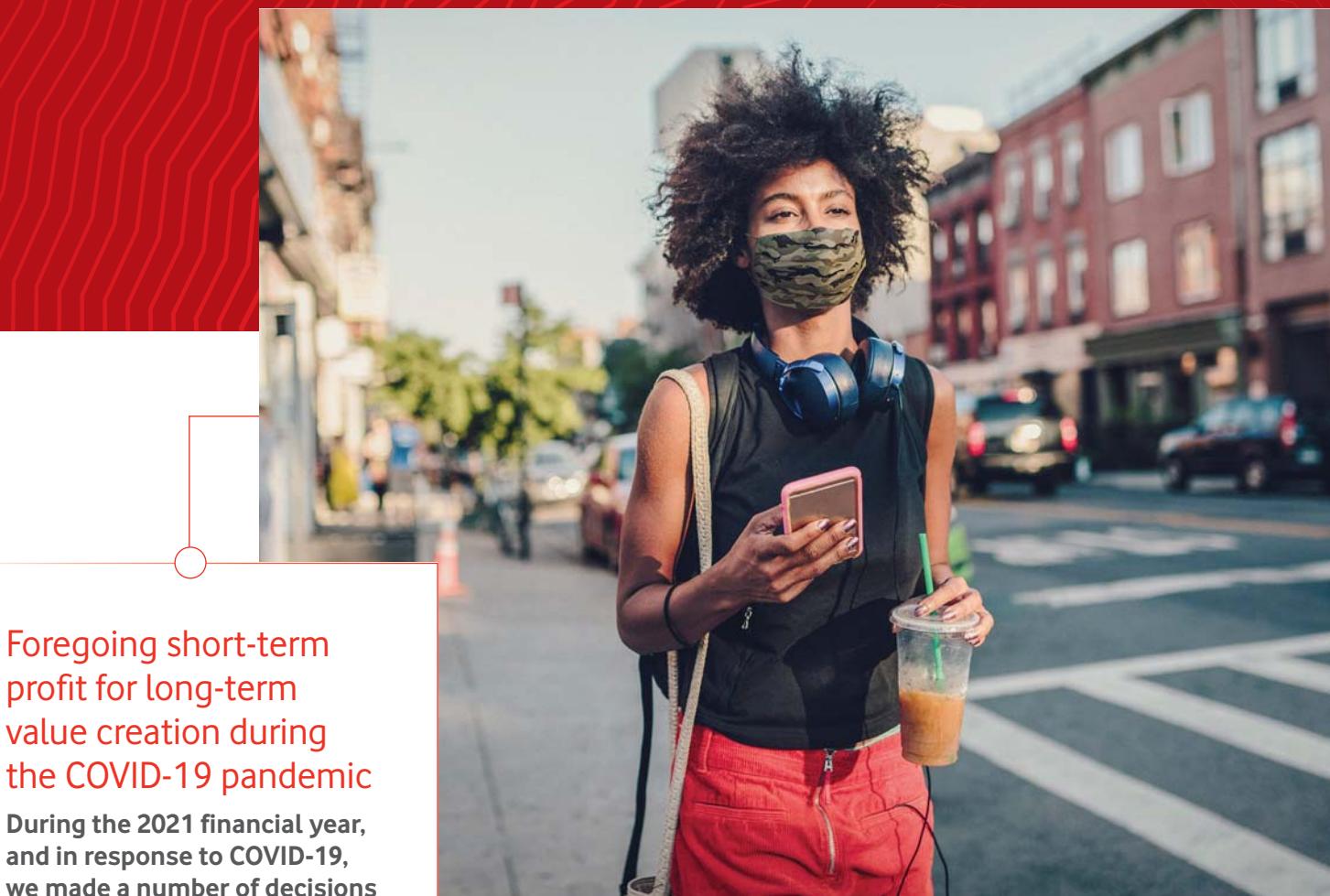
- Continued investment in ensuring network and information technology quality, strong positive customer experience, and segmented products and services.
- Engaged actively with regulators, pursuing full compliance and driving a societal contribution.
- Regular investor communication and investor targeting.
- Delivering societal value through connectivity and digital services in areas such as inclusive finance, education, health and agriculture.
- Launched virtual volunteering programme.
- Strong governance processes.

- Maintained our network and IT leadership through targeted capital investment.
- Monitored network capacity and managed congestion as traffic increased.
- Maintained network availability of >95%.
- Effectively implemented spectrum to ensure ongoing customer availability.
- Enabled 2G, 3G and 4G on the same network equipment through radio access network modernisation programmes.
- Further developed systems and processes to enable Big Data analytics.
- Invested in digital and financial services platforms to accelerate growth.

- Diversified revenue growth areas.
- Utilised smart capital expenditure deployments.
- Maintained strong corporate governance structures and finance teams.
- Realised benefits of purchasing power on network equipment, devices and operational expenditure through Vodafone Procurement Company.
- Developed leading applications of Big Data and AI to deliver customer value, increase revenue and optimise costs.

- Deployed intelligent controls to base stations to decrease energy consumption.
- Invested in energy efficiency and renewable energy projects to reduce operating costs.
- Focused on digital solutions to monitor water and energy consumption.
- Invested in smart IoT capabilities.

Unpacking the trade-offs we faced this year



Foregoing short-term profit for long-term value creation during the COVID-19 pandemic

During the 2021 financial year, and in response to COVID-19, we made a number of decisions that had adverse short-term impacts on our financial capital, but ultimately supported our purpose and created long-term value for the Group and our stakeholders.

For example, within its various markets, M-Pesa customers' P2P transfers were zero-rated to reduce the exchange of cash – considered a conduit for the virus. While this decision had a R2 billion impact on service revenue for the year, it increased the number of customers using the platform.

Capital impacted



- Quality relationships with key stakeholders (social and relationship capital).
- Financial capital.



For more information on our response to COVID-19, see page 4 and our sustainability report.

Balancing short-term returns with long-term strategic investment

There is an important trade-off between short-term returns, which our shareholders expect, and the necessary long-term investment required to deliver against our strategic objectives.

Investing in building and maintaining our infrastructure requires significant financial capital and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. An extensive network is a key basis for bridging the digital divide and sharing the substantial social benefits of digital connectivity. Conversely, investments in our infrastructure can impact our ability to pay dividends in the short term.

To manage this trade-off, we strive to engage our stakeholders proactively and clearly communicate our plans to ensure alignment and agreement between all parties. We have a clear dividend policy to return at least 90% of pre-Safaricom headline earnings plus flow-through of Safaricom cash dividend (net of withholding tax) to our shareholders, while continuing to invest in our strategy.

Capital impacted

- Quality relationships with key stakeholders (social and relationship capital).
- Network and IT infrastructure (manufactured capital).
- Financial capital.



For more information on our strategy, as well as our financial performance and dividends declared, see pages 6, 7 and 42.

Managing the impact of our transition from telco to techco on our people

Attracting, retaining and developing the best talent is one of the most significant costs to our business, and impacts short-term financial capital. However, this investment is critical to our transition from a telco to a techco and generates exponential longer-term returns in all capital stocks if executed well.

Our commitment to driving a digital company and effectively harnessing the role of AI and Big Data may result in pressure on some existing traditional job functions, but raise opportunities in new roles. Balancing efficiency gains (improved financial capital) against the human and social costs of job cuts is a persistent potential trade-off. Reskilling and redeployment is part of our consideration as we drive efficiencies in certain processes.

Capital impacted



- People, culture and governance (human and intellectual capital).
- Quality relationships with key stakeholders (social and relationship capital).
- Financial capital.



For more information on how we are managing our human capital, see page 71 and our sustainability report.

Our external environment



Material trends impacting value

Buoyed by our system of advantage, we continue to harness the opportunities presented by external factors that could materially impact our business model. With our purpose in mind, we mitigated the risks associated with each of the four trends outlined below in order to create value for our stakeholders.

The COVID-19 pandemic

- Global leaders, including the UN, are calling for an integrated recovery as we rebuild economies affected by COVID-19 while keeping sight of mechanisms that will promote inclusive and sustainable measures.
- The pandemic exacerbated existing societal challenges, increasing inequalities and mobility constraints. It also placed renewed emphasis on access to network services and, as a result, customer-oriented products and services, as well as easy-to-understand communication.
- COVID-19 accelerated the combination of digital and physical experience, where technology and traditional capabilities blend seamlessly to create new and better ways of accomplishing everyday tasks.
- Lockdown accelerated digitisation and related advances in AI.
- The cancellation of events in traditional, in-person forums required an accelerated adoption of virtual or online platforms. With a low barrier to entry, this digital "gold rush" forced companies to break boundaries and provide more intimate access for spectators, unconstrained by geography.

Material risks¹:



See page 36.

- 1 Cyber threats.
- 2 Unstable economic and market conditions (all markets).
- 3 Vendor strategy.
- 4 Market disruption.
- 5 Increase taxation, social and political pressure.
- 6 Technology failures.
- 7 Resilience of our mobile money platform.
- 8 Adverse regulatory and compliance pressures.
- 9 Spectrum.
- 10 Execution of strategic projects for future growth.

1. The numbering of the material risks is according to the risk matrix shown in the principal risk section on pages 36 to 41.

Our response

- We implemented a strategic and systematic strategy in response to the pandemic, guided by our purpose and Social Contract. We specifically focused on the most affected areas of society, and implemented our response as a two-phased plan. Phase 1 focused on the immediate healthcare crisis, while phase 2 was aimed at economic recovery.
- Together with the Vodafone Foundation, we pledged R87 million to support the roll-out of cold-chain technology and provide logistics support to ensure the safe delivery of COVID-19 vaccines to vulnerable and rural communities in the DRC, Mozambique and Tanzania, and donated R13 million to Lesotho to assist with securing vaccines.
- Following successful deployments in South Africa, we partnered with AUDA-NEPAD to build digital infrastructure to manage vaccinations across up to 55 countries through our mVacciNation platform.
- We closely monitored network capacity and managed congestion as traffic increased during the year. We also effectively implemented the spectrum provided by governments to ensure ongoing customer availability. We secured temporary spectrum in South Africa, the DRC and Mozambique to support the demand for telecommunication services.
- The Vodacom Group CEO donated 33% of his salary to the Solidarity Fund in South Africa for a period of three months. Furthermore, Vodacom employees personally contributed the amount of R680 000 to the Solidarity Fund. Vodacom matched the amount, thus bringing the overall contribution to >R847 000.
- We allocated over R2 million from our Disaster Fund to set up an assistance programme for permanent employees in South Africa who faced financial pressure due to reduced household income and loss of loved ones. We also introduced a COVID-19 special leave policy.
- Vodacom zero-rated over 1 000 government websites.
- Vodacom South Africa pledged R10 million towards the Discovery partnership, providing free online doctor consultations.

Strategic objectives:



Refer to page 4 or our sustainability report for more information.



Our strategic pillars



Profoundly challenging macroeconomic context

- The outbreak of the COVID-19 pandemic contributed to the already severe economic challenges experienced across our markets, with depressed growth, large fiscal deficits, increasing debt and high-social vulnerabilities. Our consumers were under substantial financial pressure and sought every opportunity to manage or reduce their costs.
- In South Africa, lockdown regulations significantly impacted employment levels. Furthermore, our macroeconomic environment was further impacted by the Competition Commission data market services enquiry.
- In Mozambique, the pandemic contributed to the country's first economic contraction in over two decades. In Tanzania, it is expected that an additional 500 000 people will fall below the poverty line, with urban informal workers particularly at risk. Furthermore, the tourism industry – a significant driver of growth for Tanzania – was severely affected by international travel bans.
- In the DRC, the country felt the impact of the pandemic on its already weak economy and health sector. As one of the poorest countries in the world, the pandemic triggered an economic recession stemming from weaker exports caused by the global economic downturn.
- Tensions between the USA and China relating to trade, technology and supply chains exposed shortcomings in the delivery of digital and other essential products to Africa.

Material risks¹:



See page 36.

- 2 Unstable economic and market conditions (all markets).
- 5 Taxation uncertainty, social and political pressure.
- 7 Resilience of our mobile money platform.

Further details are provided in our regulatory report at www.vodacom.com.

Strategic objectives:



- The numbering of the material risks is according to the risk matrix shown in the principal risk section on pages 36 to 41.

Our response

We introduced several innovative solutions, including COVID-19 relief plans and special payment holidays, and increased rigour in and focus on our retentions department to reduce line churn and revenue outflow.

We accelerated our pricing transformation strategy, reducing the prices of our 30-day data portfolio by up to 40% over the past year with an additional 14% cut → planned for 1 April 2021. We also launched our ConnectU platform, giving free access to lifestyle websites as well as massively reduced data offerings to more than 2 000 low-income suburbs across South Africa.

→ We offered smartphone deals for under R120 per month.

Vodacom Financial Services launched VodaTrade, a digital supplier trading portal that supports SMEs by connecting them to new business prospects.

M-Pesa expanded to 44.5 million customers across our markets, making it the continent's biggest payments platform. Across our international markets, including Safaricom, we processed US\$24.5 billion a month in transactions value, up 63.5%.

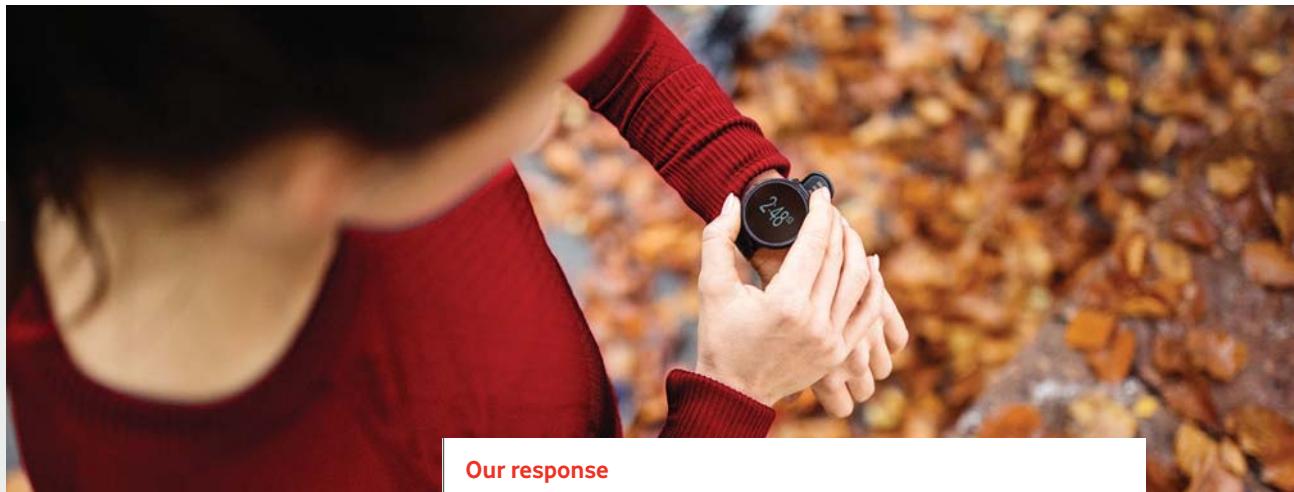
Through technological innovation, such as 5G expansion, and leveraging existing network infrastructure reach – including fibre, microwave, LTE and SD-WAN – Vodacom is → delivering more connectivity to more users, especially in rural areas. Increasing digital access opens opportunities for employment, innovation and inclusion, bridging the digital divide and changing lives for the better.

More positively, global research providers, including the → African Development Bank, expect a meaningful economic recovery in calendar year 2021.

Real GDP growth (percent)

| Calendar year | 2020 | 2021 | 2022 |
|---------------|-------|------|------|
| DRC | (1.7) | 3.3 | 4.5 |
| Kenya | 1.4 | 5.0 | 5.9 |
| Lesotho | (5.2) | 4.1 | 4.4 |
| Mozambique | (0.5) | 2.3 | 4.5 |
| South Africa | (8.2) | 3.0 | 1.6 |
| Tanzania | 2.1 | 4.1 | 5.8 |

Source: African Development Bank



An evolving competitive landscape

- It has become increasingly important to protect the Vodacom base to ensure consumers remain active in the network and to drive down multi-simming.
- Changes within the mobile connectivity space have shifted rapidly over the past five years, driven mainly by entrants in the fixed connectivity space (fibre and fixed wireless access, among others) and rapid price reduction in mobile broadband products.
- The risk that telco services will be disintermediated by over-the-top (OTT) applications from Big Tech and other players continue to impact revenue streams like voice and SMS. Most prominently, SMS revenues had been affected by OTT messaging services, such as WhatsApp. We largely eliminated the short-term risk to our revenue from these substitute services by moving to integrated voice/SMS/data bundles. However, in the medium to long term, the growing popularity of OTT technology platforms means that voice pricing needs to be competitive against voice being carried over a data network.
- Banks are competing with Financial services and M-Pesa.

Our response

- In this hyper-competitive market, we manage and increase active days on the Vodacom network through a focused management framework, which incorporates tools like extensive personalisation engines, the new Vodacom loyalty programme and targeted segmented campaigns.
- We increased emphasis on consumer retention and base management, and focus on deepening our customer relationship by driving the adoption of converged fixed-mobile offers and multi-line bundles.
- Vodacom South Africa is deploying 5G mobile broadband and fixed wireless access services.
- We focus on providing the best connectivity for businesses through mobile and fixed-line services, positioning this as a cloud connectivity service. We continue to strengthen relationships with business customers by building communities and offering advisory services.
- We focus on becoming the SME information and communication technology (ICT) provider of choice by establishing a platform ecosystem, further supporting our transition from a telco to a techco.
- Vodacom, in partnership with IoT.nxt, offers a number of digital solutions to sectors such as mining, fast-moving consumer goods, logistics, health, e-learning and agriculture.
- Acceleration of digitisation, largely driven by advances in AI, together with emerging new technologies – including Big Data and robotic process automation (RPA) – are compelling opportunities to transform Vodacom's operating model and fundamentally reshape our cost base while improving our customers' overall experience.
- We partnered with Alipay to develop a super-app for South African citizens. We see this as an excellent opportunity to reinvent the mobile fintech ecosystem for consumers and merchants.

Material risks¹:  See page 36.

- 4 Market disruption.
- 9 Spectrum.
- 10 Execution of strategic projects for future growth.

Strategic objectives:



1. The numbering of the material risks is according to the risk matrix shown in the principal risk section on pages 36 to 41.

Our strategic pillars



Tough regulatory and policy environment

- **South Africa:** The COVID-19 lockdown reduced employment and household income. People who could work and study from home became heavily dependent on telcos. These changes weighed heavily on mental and physical health. Vodacom focused on improving telecommunications products and services for the general public.
- **Tanzania:** The regulatory environment improved considerably in the latter part of the year. We are encouraged by early signs of industry reform, which could bring back growth to the industry and accelerate investment.
- **Lesotho:** The political and regulatory environment remains volatile, although stability is being restored with the new coalition government formed in May 2020. Vodacom Lesotho with support from Vodacom Group has pledged US\$1 million to the government to support vaccination procurement. The COVID-19 pandemic has further depressed employment and household incomes.
- **DRC:** COVID-19 and political paralysis have hampered the economic agenda, but a new parliamentary majority could significantly aid progress after a cabinet was appointed on 12 April 2021. Attacks committed by armed militias in the far eastern provinces and Katanga remain a concern.
- **Mozambique:** While the political and regulatory environment remains stable, the US\$20 billion gas development project has come under threat due to insurgencies in the north, which remains an area of concern.

Our response

- We implemented a governance framework that provides for prudent management and oversight of Vodacom, which also adequately protects the interests of all relevant stakeholders.
- We embed regulatory compliance in business culture, planning and decision-making framework.
- We maintain open and proactive engagement with various regulators and authorities as part of our stakeholder engagement plan.
- Our risk management framework enables a coordinated approach to ensure management, internal assurance functions and external assurance providers address material risks and implement suitable mitigation measures.
- The scope of our monitoring plan evolves as more products are launched.

Material risks¹:



See page 36.

- 5 Taxation uncertainty, social and political pressure.
- 7 Resilience of our mobile money platform.
- 8 Adverse regulatory and compliance pressures.
- 9 Spectrum.

Further details are provided in our regulatory report at www.vodacom.com.

Strategic objectives:



1. The numbering of the material risks is according to the risk matrix shown in the principal risk section on pages 36 to 41.



Responding to stakeholder “hot topics”

Preserving and enhancing stakeholder trust is a critical component of the value creation process and requires transparency and responsive stakeholder engagement. We have prioritised seven “hot topics” that had a material influence on our ability to create value in 2021.

Consumer privacy and data security

The issue

To provide the best customer experience, we are committed to creating products and services that do not compromise the privacy and security of our customers' personal information. Accordingly, cyber security remains one of our critical business considerations, and we ensure that information security remains an integral and critical business defence tool.

We clearly define how we secure and manage the creation, usage, storage and disposal of information that we manage. We store multiple pieces of information, including customer and employee names, contact information and banking details with information about data usage and transactions collected through apps, engagements and loyalty programmes. We know that we can only ensure our customers' privacy by securing this information. We do everything in our power to prevent the information from being misused by third parties for fraud, phishing scams or identity theft.

As a business, we have adopted a culture that prioritises customer privacy and security by raising employee awareness about security risks and our mitigation measures.

- Stakeholders**
- Customers
- Government
- Regulators
- Employees



Our response

We adopt a risk-based approach to privacy and have a dedicated privacy and security team that offers advice, support and cyber security solutions. We also seek innovative ways to further digitise our privacy and security operations. Our Group privacy framework clearly defines internal accountability, roles and responsibilities, as well as our risk management processes, privacy requirements, privacy mitigation and assurance methodology. To ensure we protect the personal information we have access to, we implement appropriate controls to respect the fundamental rights and freedoms of our customers. Among others, we implemented the following measures:

- Use OneTrust to assess security and privacy by design, provide assurance and assess the impact on privacy.
- Implement a data loss prevention tool to track the location and monitor the use of personal information to prevent unauthorised use and access.
- Use Riskconnect to record, manage and report privacy risks.
- Deploy a vendor risk management tool during supplier reviews to ensure that suppliers meet our privacy and security policy requirements.
- Ensure that data is only shared when absolutely necessary. We also review data-sharing initiatives and stop sharing information when it is no longer necessary.
- Use online channels to increase transparency.
- Do not share personal data unless required by law.
- Implement appropriate security measures that control the access of employees who can view data sets.
- Employ suitably qualified people to enforce cyber resilience and ensure our networks remain secure.

The affordability of our products and services

The issue

Stakeholders are concerned about the cost of ICT services and the affordability and accessibility of data. This has led to regulatory intervention in South Africa increasing markedly over the past few years. Following an agreement with the Competition Commission, we committed to a range of initiatives to further reduce our data prices and increase access to free data services – resulting in R3 billion benefit for customers during the financial year.



Our response

Technology and connectivity have the potential to create a more equitable and inclusive society, with internet access being a powerful enabler for economic participation and financial inclusion. Accordingly, we recognise the need to decrease our data prices without compromising the quality of our network infrastructure or the services we provide. Despite delays in HDS access in South Africa, we introduced several initiatives to strengthen our Social Contract with our stakeholders to ensure we address societal challenges across all our markets. We pursued digital inclusion through our price transformation strategy by reducing the cost of data and providing access to affordable products and services. As part of this, we implemented the following measures:

- Whilst our effective rates are comparative by international standards, our monthly data bundle pricing was reduced to deal with pricing perceptions. Our monthly data bundle volumes account for around one quarter of our total data bundle volumes. We reduced the price of our 1GB data bundle from R149 to R99 and, on 1 April 2021, by a further 14% to R85.
- We supported social inclusion through ConnectU, by providing free access to job portals, educational content and health and wellness information, zero-rated access to more than 1 000 government sites, expanding our zero-rated offering to educational institutions across South Africa, provided a comprehensive zero-rated internet search function, and offered free access to other essential information such as local and international headlines, trends and weather updates.
- We also provided employees with additional data bundles to make working from home easier. For our SME customers, we provided data and voice minutes at a reduced rate and, for a limited time, also offered them unlimited data bundles, among other special offers.
- We identified 2 000 of South Africa's most vulnerable towns, suburbs and villages, where customers will enjoy further discounted bundle offers. Our rural coverage acceleration programme prioritises the expansion of network coverage to rural communities. We introduced 192 new network sites in rural communities across South Africa, with 97.3% of the population covered by our 4G network. We recognise the important part we can play to create possibilities that will ensure that a better digital future is accessible to everyone, and believe that encouraging financial inclusion is especially critical in these challenging times.
- We have launched a 4G-enabled low-cost smart device priced at R299 to provide access to all our customers and to ensure that no one is left behind.
- We gave massive discounts on data bundles for students in co-operation with the Department of Education and the universities, to enable education from home during the COVID-19 pandemic.

Network quality and coverage

The issue

To differentiate ourselves, remain competitive and ensure positive consumer sentiment, it is critical that we maintain and improve the quality of our extensive network. We are also legislated to ensure that the quality of our service is in line with government regulations. Negative consumer sentiment occurs when we experience unplanned disruptions in network performance and poor quality network coverage. Consumers sharing their dissatisfaction via their social media pages further compounds negative sentiment.

The business felt the pressure of the increased demand for digital products during COVID-19. In South Africa, this was further exacerbated by load shedding, which adversely affects our electricity supply and thereby increased our dependency on backup diesel generators and batteries. Sporadic vandalism and battery theft at network sites also impede business continuity, network quality and overall customer experience.

Our response

- We invested R1 billion in lithium-ion batteries, which have a longer useful life than lead-acid batteries, and are less harmful to the environment.
- Vodacom invested R13.3 billion to maintain and increase network resilience and expand network capacity during the year.
- We are exploring new ways to build more resilient and sustainable networks with the help of our suppliers, business partners and energy experts.
- Our rural coverage sites technology, supplies solar power and network coverage to millions of people in previously unconnected rural parts in the DRC, achieving a 12% penetration to date.
- We actively engage with regulatory authorities regarding access to spectrum – a key component in our ability to provide quality network coverage and to reduce data costs. By using the temporary spectrum assigned to us during the COVID-19 crisis, we launched 190 5G sites in South Africa.
- Across our Vodacom International markets, we have 8 294 2G sites, 6 497 3G sites, 3 744 4G sites and two 5G sites, with high-speed transmission extended to 91.5% of sites.

Responding to stakeholder “hot topics” continued

Trust and transparency around data consumption

The issue

One of our customers’ main pain-points is around data usage and the lack of transparency around data consumption. The increased speed of our network, increased usage of social media, updated on apps and the downloading high definition videos, lead to higher mobile data usage and has resulted in a perception that data is disappearing.

Our response

We want to be a trusted partner to connect for a better future. We commit to operating honestly and with integrity and maintaining robust ethics. We aspire to be a brand our customers love by earning their trust and providing brilliant experiences. Our reputation and brand value are intertwined with our commitment to being a responsible, transparent and ethical business that builds and maintains trust with our diverse stakeholders. Our brand value ensures that our customers receive the best experience that is convenient and hassle-free.

We understand that our success starts and ends with our customers, and we protect their trust through transparent pricing and personalised solutions. We work hard to simplify things for our customers and deliver what they want and need every day. Our Detailed Data Usage solution was designed to provide customers with a comprehensive breakdown of their data usage. This helps customers understand their consumption habits and transparently discloses pricing information. About 7.1 million customers are provisioned to use this service.

In Mozambique, we introduced a speed choice service where customers have the power to control the speed of their data consumption-based on their desired usage on various applications such as social media platforms and videos.

Customers are also able to manage their mobile data spend through the MyVodacom app, proven to be a valuable customer resource during lockdown as people stay at home and use digital platforms for essential services.

Stakeholders

- Customers
- Government
- Employees
- Media

Vendor risk and related sanctions

The issue

Our network and systems depend on a wide range of international suppliers. Geopolitical influences could potentially impact our IT and technology vendor strategy – which was further affected by COVID-19 – and placed our operational costs under pressure during the year. Trade tensions between the USA and China, and sanctions against Huawei’s 5G network equipment in the USA and UK, highlight specific vendor risk, which could disrupt the pace and cost of 5G roll-out over the medium term. Furthermore, if key suppliers experience a lack of supply, it could negatively impact our operational activities and our ability to deliver quality service to our customers. Implementing our multi-vendor strategy is crucial to sustain our operations.

Our response

- Vodacom monitors the geopolitical status of our suppliers and engages with governments, experts and suppliers so that we are adequately informed to respond accordingly and comply with the latest regulations, economic sanctions and trade rulings.
- We deployed a vendor risk management tool during supplier reviews to ensure suppliers meet our privacy and security policy requirements.
- Vodacom reduces dependency on single suppliers by risk profiling.
- We implemented our multi-vendor strategy in critical categories.

The safety of 5G technology

The issue

Mobile phones transform people’s lives and improve communication worldwide by creating access to digital services and enabling economic development. Vodacom has been developing and improving mobile technology for over 25 years. Protecting the health and safety of our customers and the general public has always been a priority. While scientific research over several decades eased public concern about the safety of mobile devices and masts, the onset of the pandemic brought with it concerns suggesting a connection between COVID-19 and 5G technology. There is no scientific evidence that exposure to the 5G network can cause COVID-19, as supported by many health and telecommunication authorities such as ICASA, the International Telecommunication Union and the World Health Organization (WHO).

Our response

- Our mobile devices and masts operate within guideline safety limits and, according to the WHO, there is no evidence to suggest that our masts pose any risk to human health.
- We continue to monitor, support and publish links to the latest scientific research.
- Vodacom supported the government’s efforts in preventing the spread of fake news around 5G technology. We engage with regulators, communities and other stakeholders about mobile phones, the environment and health, to address concerns.
- Our employees and contractors undergo annual compliance training and certification as a precautionary measure.

Stakeholders

- Customers
- Government
- Regulators
- Employees

Transformation in South Africa and localisation in the African continent

The issue

South Africa has some of the highest levels of inequality in the world, resulting in skewed income distribution and unequal access to opportunities. We are committed to promoting our transformational role within South Africa, as demonstrated by our commitment to the fundamental principles of BBBEE, our leadership diversity and our level 1 BBBEE contributor score. BBBEE ideals also form an integral part of our employee recruitment and supplier selection processes. We also strive to create an inclusive and diverse employee culture that celebrates our unique differences and achieves gender balance, supported by our zero-tolerance approach to bias, harassment, discrimination and abuse.

To promote gender equality in the workplace, we prioritise equal pay, support work-life balance, enable access for women to managerial positions and strive for gender balance across all levels and areas of the business – particularly technical roles. However, female representation remains a challenge for our business and the broader telecoms sector.

Stakeholders

- Employees
- Government
- Regulators
- Business partners
- Suppliers
- YeboYethu Shareholders

Our response

- We recognise that we have strong local roots in South Africa and resolve to help the government achieve meaningful change in the racial composition of ownership and management structures. We remain focused on skills development and helping the country achieve its transformation agenda. Here are some of the steps we took to attain these goals:
 - We achieved the highest BBBEE contributor score of level 1 in 2021.
 - We invested R10.1 billion (2020: R9.9 billion) towards deploying 4G, 5G and fibre technologies in South Africa to enhance economic opportunities associated with digital inclusion.
 - We invested R405 million in enterprise development and preferential procurement.
 - Vodacom runs the Innovator Trust's supplier development programme. We completed 872 health and safety training hours for 63 SMEs during the year.
 - We implemented our retail transformation strategy to encourage black ownership in our franchise channel.
 - We achieved black representation of 77.1% of our workforce, with 62.0% in senior management level and 66.7% at Exco level.
 - We developed the skills of historically disadvantaged people, investing R324 million in black employees – R141 million in black women – across our South African workforce.
 - Through the Female Leadership programme, a strategic future talent pipeline programme, 25 Black women outside of Vodacom have been placed in various roles.
 - Vodacom's youth development volunteer programme gives graduates from the Vodacom Youth Academy programme an opportunity to practise their new skills and gain valuable work experience.
 - We invested R14 million in the development of black youth with disabilities – of the 69 graduates selected, 45% were female.
 - We trained 1 672 Code Like a Girl graduates.
 - Our workforce comprises 43.6% women. Female representation at senior management level is 34.9% against our 36% target.
 - We review our internal pay ranges annually across the organisation, including fair-pay analysis. We are committed to fair pay and responsible remuneration across all employee levels and all our markets.
 - We have built an inclusive culture that celebrates our differences by institutionalising our LGBTQ+ support, creating an accessible workplace for employees with disabilities and creating an ethnically diverse company.
 - In Tanzania and Lesotho, Vodacom localised several senior executive roles.

Our key relationships

Our ability to deliver value depends on the quality of our stakeholder engagements and relationships.

In the tables below, we discuss our engagement with those stakeholders who have a substantive impact on our ability to create value. We also share our internal assessment of the quality of our current approach to engaging with the different stakeholder groups.

Our self-assessment of the current quality of our relationship



Non-existent relationship, or fractured relationship that requires significant effort to overcome challenges.



An established relationship that requires further work to improve its quality.



Good-quality relationship, with room for further improvement.



Very strong relationship, based on mutual trust and shared benefit.

Government and regulators



Allocate spectrum and operating licences, impose regulatory measures with cost implications

How we engage

- Personal engagements;
- Public forum participation;
- Participation and consultation in the drafting process of new regulations and bills;
- Discussion with industry consultative bodies;
- Partnering to implement social programmes;
- Engagement with international bodies to foster cooperation;
- Hosting workshops to enhance understanding of the industry; and
- Our Social Contract.

Our response



Our brand reputation page 74.
Our sustainability report (responsible business practices and disclosures).

Material stakeholder interests

Vodacom:

- Ensured the supply of spectrum is managed adequately to satisfy increased demand during COVID-19 lockdowns;
- Used emergency spectrum allocated during COVID-19 to cope with increased traffic across our markets and to launch the 5G network in South Africa;
- Supported efforts to administer COVID-19 vaccines, including:
 - Using Big Data analytics to help track and trace the spread of COVID-19;
 - Zero-rating government, education and NPO websites; and
 - Donating smartphones and data to healthcare professionals.
- Managed consumer expectations about pricing and service quality;
- Protected personal information and customer data;
- Maintained and enhancing our licence to operate;
- Created employment opportunities and socioeconomic development;
- Complied with regulatory requirements, including those related to mobile termination rates, pricing, security, safety, health and environmental performance; and
- Contributed to the tax base and other revenue streams, such as the new tax on devices in the DRC.

Customers



Purchase our products and services, participate on our platforms and provide the primary source of our revenue generation

How we engage

- At our retail stores and service centres;
- Through our Vodacom website, call centres, MyVodacom app and USSD channels;
- TOBi, our AI driven digital customer assistance.
- Net promoter score (NPS) feedback via interviews and focus groups;
- Interaction on social media;
- Targeted marketing messaging;
- Exco visits to stores;
- Complaints management system; and
- VodaBucks.

Material stakeholder interests

- Availability and speed of the network, especially during COVID-19 lockdown;
- Availability of connectivity, coverage and data;
- Providing affordable and quality products and services;
- Securing data and protecting personal information;
- Offering converged solutions for enterprises;
- Transparency around data usage;
- Providing quality and swift customer service; and
- Resolving service-related issues promptly.

Our response

To improve our relationship with our customers we have implemented the following key initiatives, whereby we:

- Introduced data price cuts in South Africa;
- Introduced our rewards programme VodaBucks;
- Gave access to 15.5 million customers in South Africa through our ConnectU platform, to zero-rated government websites and job portals, with discounted offers also providing to 2 000 low-income towns;
- Zero-rated M-Pesa transaction across our international footprint to the value of R2 billion;
- Invested R13.3 billion toward network infrastructure to improve coverage and quality network;
- Provided to customers who need to lend airtime; and
- Introduced TOBi, our chatbot, to reduce call volumes and improve service.



Best customer experience page 60.
Segmented propositions page 44.
Financial services page 48.
Digital services page 54.

Employees



Drive strategy with their ideas, skills, experience, and productivity

How we engage

- Internal communication campaigns;
- Big Conversation moments and fireside chats with our CEO;
- Financial support to staff experiencing financial challenges to the impact of COVID-19;
- Internal website and Vodacom Engage app;
- Training and development programmes;
- Employee Consultative Council and Vodacom Youth Council;
- Employee hotline;
- Leadership roadshows;
- Employees Networks Forums, such as the Womens Network Forum and the LGBTGI Forum etc.;
- Pulse surveys; and
- We Connect session with Vodafone Group markets.

Material stakeholder interests

- ESG-related matters, including incorporating ESG-related targets in long-term incentive plans (LTIP);
- Providing a safe and healthy working environment;
- Accelerating digital skills development to promote agility;
- Creating opportunities for personal and career development;
- Facilitating communication and knowledge sharing across the Group;
- Enhancing coaching capacity of Vodacom leaders;
- Providing competitive remuneration and equal pay; and
- Driving transformation and localisation.

Our response

Digital organisation and culture page 70, sustainability report (a technology player).

Our key relationships continued

Investors and shareholders



Provide the financial capital needed for long-term growth

How we engage

- Virtual meetings, webcasts, personal meetings, roadshows and conferences;
- ESG panel discussions;
- Interim and annual results announcements;
- Quarterly trading updates;
- Annual and interim reports;
- SENS announcements;
- Monthly and quarterly reviews with Vodafone; and
- Investor relations page on our website.

Our response



Share information page 100, consolidated annual financial statements, sustainability report.

Material stakeholder interests

- Clarifying strategy execution to ensure sustained financial growth;
- Allocating financial capital responsibly;
- Embedding good corporate governance practices and corporate citizenship;
- Disclosing executive remuneration transparently;
- Implementing a dividend policy that supports shareholder returns; and
- Special dividend.

Communities



Support the socio-economic environment in which we operate and impact our brand and reputation

How we engage

- Vodacom Foundation and community partnerships;
- Community crisis support, e.g Cape Town fires;
- Community participation on new base stations;
- Online GBV prevention tools and platforms;
- Virtual career expos; and
- Our Social Contract.

Suppliers



Provide cost-effective, quality products and services to support our value proposition to customers, employees and other stakeholders

How we engage

- Supplier forums;
- Supplier portal;
- Development programmes;
- Ongoing site visits;
- Tenders and requests for audits; and
- Supplier audits and assessments.

Our response



Our brand and reputation page 74, sustainability report (responsible business practices and disclosures).

Material stakeholder interests

- Providing growth opportunities and access to funding for SMEs;
- Ensuring timely payments of accounts to enhance supplier cash flow and liquidity;
- Addressing COVID-19 health and safety concerns;
- Promoting environmental solutions;
- Driving supplier and product innovation;
- Complying with BBBEE requirements, including preferential payment terms for BBBEE suppliers; and
- Promoting black female-owned suppliers.

Material stakeholder interests

- Addressing the profound socio-economic impact of COVID-19;
- Providing free access to basic internet, as well as discounted data services for students;
- Zero-rating access to social media, education, government and employment platforms through the ConnectU platform;
- Providing affordable data price to the 2 000 poorest towns in South Africa;
- Partnering with Discovery Health to connect the public with doctors through virtual consultation;
- Investing in infrastructure responsibly; and
- Managing and reducing our environmental footprint by:
 - Providing timely and accurate information on COVID-19; and
 - Building the mVacciNation platform to manage the distribution of COVID-19 vaccines.

Our response



Our brand and reputation page 74, sustainability report (digital society and inclusion for all).

Media



Impact brand and reputation while increasing customer product and service awareness

How we engage

- Face-to-face, virtually and through telephonic engagements;
- CEO and key executive interviews and engagement;
- Interim and annual results announcements;
- Media press releases;
- Service and product-related marketing publicity;
- Speaking engagements;
- Roundtable discussions; and
- Product and service launches.

Material stakeholder interests

- Engaging with brand ambassadors;
- Providing timely and transparent access to key information, activities and offerings; and
- Ensuring transparency around company performance.

Our response



Integrated report, consolidated AFS, sustainability report.

Business partners/ Franchisees



Custodians of our reputation and a critical extension of our brand

How we engage¹

- Annual business partner conference;
- Regular collaboration sessions with key trade partners;
- Quarterly Franchisee Council Committee sessions;
- One-on-one business sessions;
- Training sessions on products and services;
- Store support during COVID-19; and
- Store, franchise and retail visits.

Our response



Best customer experience page 60.

¹ All meetings were held virtually due to COVID-19.

Material stakeholder interests

- Ensuring fair treatment;
- Driving involvement between top management and customers;
- Making it quicker and easier to deal with us;
- Providing developmental loans for new black franchisees; and
- Channelling transformation to create more black-owned franchises.

Our principal risks and associated opportunities

Our Principal Risks Framework is aligned with the ISO 31000 International Risk Management Standards and King IV. This framework guides our risk identification process and provides Vodacom's Board and the Exco with a detailed assessment of all principal risks to our business.

Our embedded enterprise risk management process further enhances the rigour of this progress. Our Board reviews and approves the risk appetite for each principal risk identified, ensuring informed and risk-based decision-making.

Vodacom's principal risks heatmap (included as Figure 1 below) depicts our top 10 risks as identified through our risk management processes. The heatmap shows residual risk after taking into account mitigating actions. We also disclose our risk speed of impact report (included as Figure 2), reflecting the rate at which the Group would experience adverse impacts if the risk materialised. This enables the Group to develop effective risk mitigation plans, including how to optimally allocate resources to those risks that require immediate action.

Figure 1:

Vodacom Group top risk rating (impact vs likelihood)

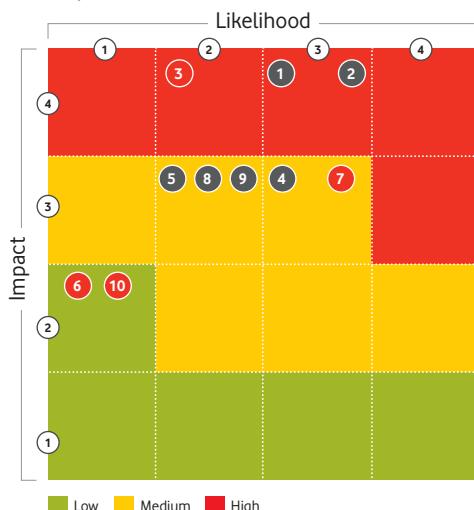
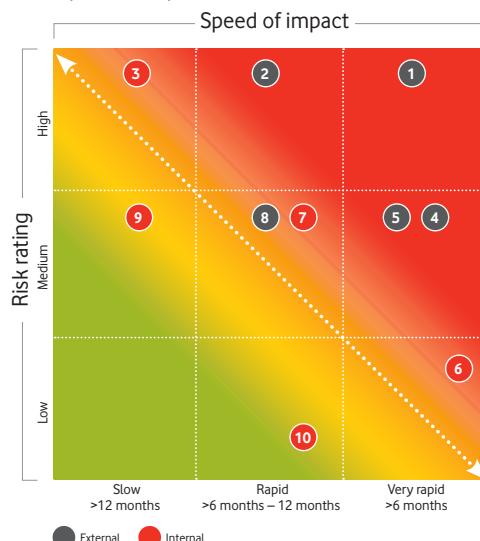


Figure 2:

Vodacom Group Top 10 rating (speed of impact)



Risk

- ① Cyber threat
- ② Unstable economic and market conditions (all markets)
- ③ Vendor strategy
- ④ Market disruptions
- ⑤ Taxation uncertainty, social and political pressure
- ⑥ Technology failures
- ⑦ Resilience of our mobile money platform
- ⑧ Adverse regulatory and compliance pressures
- ⑨ Spectrum
- ⑩ Execution of strategic projects for future growth

1 Cyber threat (2020: 2)

Opportunity

Providing world-class data security is one of our growing product offerings in the Enterprise (B2B) segment.

Strategy



Speed of impact

Very rapid

Six capitals



Context

A malicious or accidental cyber attack from outside our organisation, as well as insider threats or supplier breaches, could result in service interruptions and/or the infringement of personal and confidential data. This could significantly impact our customers, revenue and reputation, and lead to costs associated with fraud and/or extortion.

COVID-19 exposure

The outbreak of the COVID-19 pandemic led to a significant increase in cyber threats targeting our customers through phishing, social engineering and malicious or insecure apps and services. This is further exacerbated by the increased number of people working from home and who use different technological tools to stay connected. Pressure on internal security network resources has intensified.



Mitigating actions

- Commission world-class security vendors to enhance sophisticated attacker detection.
- Conduct proactive assessments of the security measures in place on our projects.
- Monitor the Group's cyber incident response and containment.
- Manage security risks by implementing continuous security improvement programmes.
- Develop assurance programmes that incorporate internal and external reviews of our data storage practices.
- Increase security controls to protect our infrastructure while storing and transmitting confidential information.
- Embed the Vodafone Security Risk, Control and Assurance Framework across our business.
- Ensure people with relevant skills are appointed to manage our IT security.
- Drive dynamic framework of minimum controls on cyber per market, a clear roadmap to track achievements and stretch targets.



Our business

2 Unstable economic and market conditions (2020: 1)

Opportunity

We are capturing opportunities for innovation by addressing the macroeconomic challenges facing our customers. This includes our segmented propositions and digital offerings relating to education, health, agriculture and inclusive finance.

Strategy



Speed of impact

Rapid

Six capitals



Context

Volatile macroeconomic conditions – such as fluctuating foreign exchange and inflation rates – may weaken consumer and enterprise spend and, consequently, reduce our revenue and negatively impact operating costs and capital expenditure, which could impact our profitability.

COVID-19 exposure

South Africa's financial downgrade has decreased consumer and enterprise spending, negatively affecting demand. It also increased operational costs and the capital expenditure needed to implement measures to limit the spread of COVID-19.



Mitigating actions

- Continuously evaluate products and services to enhance our customer value proposition.
- Create and implement a comprehensive stakeholder relations strategy.
- Apply Group treasury policies in our markets.
- Include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth and changes in interest, inflation and exchange rates.
- Implement a global cost-savings programme to combat the effects of inflationary pressure on costs.
- Use foreign exchange instruments to mitigate currency fluctuations.
- Ensure the best rates, including a balance between fixed and variable rates, by carefully managing loans.
- Adjust budgets by considering best and worst-case scenarios relating to the pandemic.

3 Vendor strategy (2020: 4)

Opportunity

Vodafone Procurement Company provides us with opportunities to leverage the capabilities of original equipment manufacturers (OEMs).

Strategy



Speed of impact

Slow

Six capitals



Context

Geopolitical influences could potentially impact our IT and technology vendor strategy. Furthermore, the lack of supply by key suppliers may negatively impact operational activities and our ability to deliver quality service to our customers. Where applicable, the implementation of a multi-vendor strategy is crucial for the sustainability of our operations.

COVID-19 exposure

The outbreak of COVID-19 impacted the supply chain efficiencies, which could affect our ability to source the critical equipment, skills and resources needed to operate our business. The pandemic also increased our IT and technology vendor strategies and has subsequently placed our operational costs under pressure.



Mitigating actions

- Reduce dependency on single suppliers through risk profiling.
- Implement our multi-vendor strategy in critical categories.
- Engage with governments, experts and suppliers.
- Engage with governments to manage potential supplier restrictions.

Our principal risks and associated opportunities continued

Six capitals



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

4 Market disruption (2020: 7)

Opportunity

Proving our agility by driving innovation in our products, services, partnerships and business model.

Strategy



Speed of impact

Very rapid

Six capitals



Context

Mobile network operators continue to compete for market share amid reductions in disposable income, new entrants to the market and growth of OTT players. This could decrease Vodacom's market share, with price wars between competitors potentially reducing our revenue.

COVID-19 exposure

The effects of COVID-19 placed immense pressure on consumers' disposable income which, in turn, could impact volumes and pricing across the industry. The pandemic also increased demand for OTT players' platforms as we embrace new ways of working, which could place Vodacom's existing portfolio under pressure.



Mitigating actions

- Execute strategies to scale accelerator businesses, including Fixed, IoT, IT, digital lifestyle and financial services, IoT and cloud.
- Develop technology skills and capabilities to compete with disruptive market players.
- Utilise network and personal data assets by leveraging Big Data and real-time analytics to personalise customer services and offers.
- Adopt pricing strategies to counter declining traditional voice revenue and migrate voice to data.
- Align and position segmented customer offerings with an understanding of customer behaviour and expectations.
- Integrate a superior customer service strategy across the business.
- Partner with OTTs and global technology firms for mutual benefit.
- Offer integrated voice, SMS and data offerings personalised to customers.
- Manage the number of active days of a customers on the network to ensure personalised compelling offers to keep the customers on the network.

5 Taxation uncertainty, social and political pressure (2020: 5 and 6)

Opportunity

We contribute significantly to the income tax of governments in the countries where we operate. Our compliance responsibility enable governments to deliver their developmental agendas.

Strategy



Speed of impact

Very rapid

Six capitals



Context

The mobile communications industry is often subject to unpredictable taxes (both direct and indirect). This, combined with pressure to reduce prices from consumers, creates a challenging operating environment. External factors, such as activism from civil society, could also directly influence our operations. If we do not act decisively or respond appropriately to important issues, we run the risk of harming our reputation or damaging our brand.

COVID-19 exposure

Consumers have felt the added economic pressure from COVID-19, which has evoked a demand for reduced prices even as the need for connectivity increases. The prevalence of fake news surrounding 5G could also result in an upsurge of social pressure against the roll-out of this technology. Furthermore, governments' responses to COVID-19 could lead to more stringent regulatory or legislative requirements, affecting our ability to service our customers effectively. These changes could potentially require updates to our pricing, fees, bundle validity and limits.



Mitigating actions

- Improve our stakeholder engagement programme.
- Monitor changes to our political environments, including instances of social activism.
- Consult regularly with tax advisers to understand the impact of our current operating environment.
- Regularly communicate Vodacom's purpose through media statements and campaigns.
- Release media statements and participate in awareness campaigns to educate Vodacom's customers.
- Proactively understand tax pressures in all jurisdictions and engaging with governments to minimise impacts on digital penetration, for example excessive smartphone duties.

Our strategic pillars

**6 Technology failures**

(2020: 10)

Opportunity

Our customer value proposition has been built on our leadership position in the industry in which we operate. This demonstrated leadership is an important driver of the Group's future growth.

Strategy**Speed of impact****Very rapid****Six capitals****Context**

Our customer value proposition is based on the reliability and availability of a high-quality network. A major failure affecting our network or IT assets and systems – brought on by, for example, natural disasters, failure to maintain infrastructure or cyber attacks – could profoundly impact our customers, revenue and reputation. While we rely on third parties and suppliers' systems in our markets, we should maintain the reliability and redundancy expected from our Group.

COVID-19 exposure

COVID-19 caused significant and excessive strain on our network resources, increasing the risk of network failure. This could further be exacerbated by the inability to source critical equipment, skills or resources needed to maintain services.

**Mitigating actions**

- Maintain and upgrade our systems continuously.
- Develop and implement comprehensive business continuity and disaster recovery plans as needed.
- Invest in adequate and feasible redundancy capabilities.
- Ensure comprehensive insurance policies are in place.
- Reduce reliance on external parties through self-provided transmission links on critical routes in our network.
- Try to eliminate single points of failure through failover, backups, transmission redundancies and power redundancies.

7 Resilience of our mobile money platform

(2020: not ranked)

Opportunity

The continued reliability and resilience of our platform drive economic activity, support small businesses' growth and enhance financial inclusion for all citizens.

Strategy**Speed of impact****Rapid****Six capitals****Context**

M-Pesa, our mobile money platform, is a crucial tool for socioeconomic growth and is a gateway to the digital economy. We have to ensure we offer reliable and dependable service to our mobile money customers, as any disruption to the platform could negatively affect our customers, revenue and reputation. A reliable platform will also ensure that we meet all regulatory requirements.

COVID-19 exposure

While the take-up of M-Pesa increased during COVID-19, it did place excessive strain on the mobile money platform, increasing the risk of platform failure and downtime.

**Mitigating actions**

- Invest in ongoing maintenance and upgrades to our systems.
- Focus on comprehensive business continuity and disaster recovery plans.
- Ensure adequate and feasible redundancy capabilities.
- Eradicate any single point of failure.
- Drive consistent policy and system implementation through the M-Pesa Africa joint venture.

Our principal risks and associated opportunities continued

Six capitals



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

8 Adverse regulatory and compliance pressures (2020: 5)

Opportunity

Being proactive in responding to the changing regulatory environment can provide first-mover advantage.

Strategy



Speed of impact

Rapid

Six capitals



Context

The introduction of stringent regulatory and compliance requirements will impact profitability, growth and delivery of services. This exposes us to significant financial and reputational damage.

COVID-19 exposure

Governments' responses to COVID-19 could lead to more stringent regulatory or legislative requirements, affecting our ability to service our customers effectively. These changes could potentially require updates to our pricing, fees, bundle validity and limits.



Mitigating actions

- Engage with governments, regulatory and public bodies.
- Convene specialist legal, regulatory and government relations teams at Group and operational levels, with external advisers and legal counsel as needed.
- Engage stakeholders and use targeted intelligence reports to understand material legislative changes.
- Engage in broader government objectives and public interest through national industry associations, the Global System for Mobile Communications Association (GSMA) and other influential organisations.
- Ensure that a regulatory compliance policy and a combined assurance programme are in place and all risks are documented.

9 Spectrum (2020: 8)

Opportunity

Realising alternative opportunities for accessing spectrum, such as through partnerships, and extending activities in fixed and fibre, will differentiate our business in the market.

Strategy



Speed of impact

Slow

Six capitals



Context

Failure to secure additional spectrum due to policy changes relating to the issuing of spectrum licences, non-renewal of existing licences, or increased competition for access to spectrum would significantly impact our ability to increase capacity and deliver future network capabilities.

COVID-19 exposure

The upsurge in people working from home has intensified the need for additional spectrum and increased pressure on current network resources.



Mitigating actions

- Engage government and regulatory bodies, highlighting efficient allocation and the societal benefits of spectrum.
- Actively participate in licence renewal and spectrum allocation processes.
- Continue to evaluate and implement re-farming and optimisation strategies.
- Embrace a proactive spectrum strategy, including potential acquisitions and strategic partnerships under applicable regulation.

Our strategic pillars



10 Execution of strategic projects for future growth (2020: 9)

Opportunity

Strengthening our position as a market leader by further developing our intellectual capital and execution ability.

Strategy



Speed of impact

Rapid

Six capitals



Context

Our multi-product strategy, called the system of advantage, will deliver diversified, differentiated offerings to our customers, further strengthening our relationships with customers.

Successful execution of our strategic projects is key to capturing growth opportunities. To remain competitive in an ever-changing market, projects relating to the roll-out of fibre, IoT, IT services, digital and financial services, as well as converged products, must be completed successfully and timely.

Regional start-ups and smaller fixed internet services providers (ISPs) that offer easy access to the internet continue to pose a risk.

COVID-19 exposure

Human resource constraints due to illness and limited travel limits our ability to execute key strategic projects. The increased pressure on our network and constraints relating to supplier disruptions may lead to our network resources being repurposed, thereby further delaying the roll-out of key projects.



Mitigating actions

- Develop a robust programme to monitor the strategic execution of our projects, proactively identify risks and mitigating actions, and capture new opportunities.
- Establish strategic partnerships to enhance the value proposition and execution success of all key programmes within the system of advantage while retaining customer relationships and data.
- Explore opportunities to improve commercial agreements with partners and associates.
- Optimise costs and drive synergies to enhance our capabilities and services.
- Leverage Big Data and analytics to build a data driven techco organisation.
- Increase innovation and spend on research and development.
- Accelerate the build and acquisition of technology and digital skills.
- Continue building fibre to the home infrastructure.
- Accelerate mergers and acquisitions (M&A) and partnership opportunities.
- Review alternative options to grow our fibre offerings and digital services through build, buy or partnering.
- Ensure that the Board monitors that the correct steps and actions are taken.

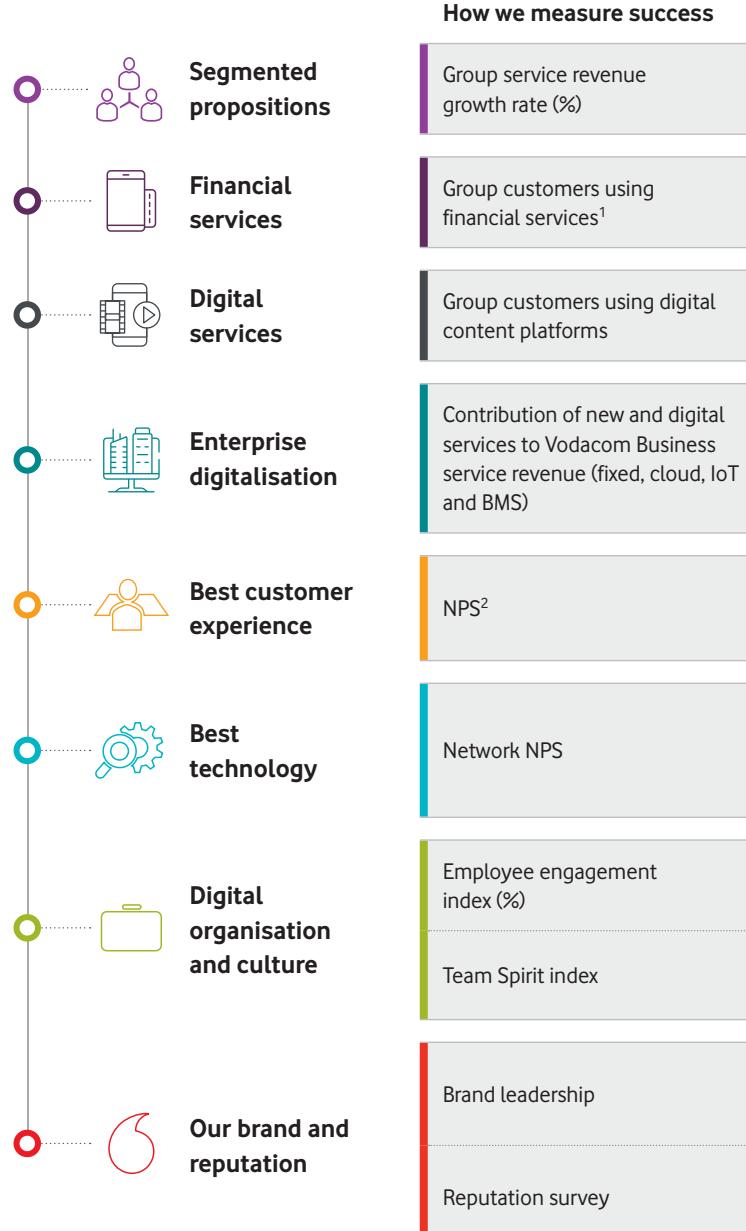
Our strategy for value creation

Our 2021 strategy assessment and 2025 goals

Reviewing our progress in delivering on Vision 2025 strategy

We are committed to supporting and empowering our customers as they connect for a better future. A significant part of how we do this is through our strategy, which comprises eight integrated pillars that operate together to create a system of advantage.

This system of advantage is geared around meeting our customers in their journey and growing along with them. A critical part of this strategic journey is our transition from a telco to a techco. We want to be an integral part of our customers' lives, homes and offices – a strategic partner that helps them achieve their goals through the power of connectivity.





For a more detailed description of how our eight strategic pillars feed into the system of advantage, refer to pages 42 to 79.

- Target achieved
- Target not achieved
- On track to achieve

Capitals impacted:



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

Goal to 31 March 2025

Performance as at 31 March 2021

Baseline performance as at 31 March 2020

For more information

| | | | | |
|-----------------------|-------------------------------|----------------------------|-----------------------------------|--|
| Mid-single digit | 5.8% | (✓) | 5.0% | See page 44 |
| >70 million customers | 57.7 million | (=) | 53 million customers | See page 48 |
| >20 million customers | 8.3 million | (=) | 3.4% | See page 54 |
| >35% | 28% | (=) | Not measured in 2020 ³ | See page 57 |
| #1 in all markets | #1 in the DRC and Tanzania | #2 in all other markets | (✗) | #1 in all markets, except Mozambique (#3) and Lesotho (#2) |
| #1 in all markets | #1 in the DRC and Tanzania | #2 in all other markets | (✗) | #1 in the DRC #2 in all other markets |
| 82% | 77% | (=) | 78% | See page 70 |
| 75% | 75% | (✓) | Not measured in 2020 | See page 70 |
| #1 in all markets | #1 in South Africa | (✓) | #1 in South Africa | See page 74 |
| #1 in all markets | #1 in all markets | (✓) | #1 in all markets | See page 74 |

1. Including Safaricom.

2. Digital NPS has been included in the NPS performance indicator.

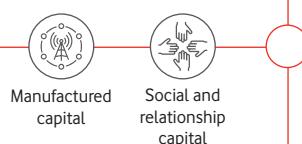
3. Strategic pillar introduced in FY21.

01 Segmented propositions



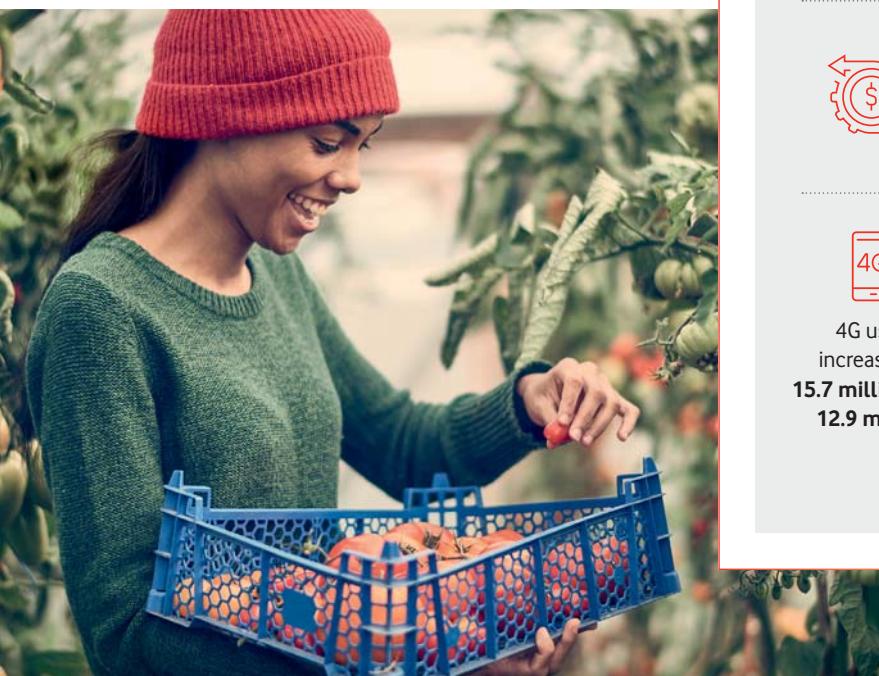
We develop a deep insight into our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.

Capitals impacted:



How segmented propositions support our purpose

As a customer-centric and purpose-led business, we strive to design propositions for our customer segments based on their unique needs. Our goal is to enhance our current segmentation models with enriched psychographic data to create relevant, personalised and contextual value to specific customer segments, including persons with disabilities. Furthermore, our commitment to providing easy access to a range of nano-lending platforms also supports accessibility, affordability and inclusion. By meeting specific customer needs, we are able to support our purpose and ensure our customers remain connected by adopting digital channels.



FY21 at a glance for South Africa

The outbreak of the COVID-19 pandemic placed financial pressure on many consumers, who sought ways to reduce their costs while also increasing demand for access to affordable data that would enable them to work and study from home.



Vodacom's NXT LVL platform has almost **four million** active customers



Data usage increased by **56%**



Smartphone penetration improved by **8%**



ConnectU platform has **15.5 million** unique users



10.8 million customers use our Airtime Advance product



Launched the new **VodaBucks** loyalty programme



Data bundle sales from personalisation platforms grew **38.1%**



Through our price transformation strategy, we returned **R3 billion** in price cuts to the market from 1 April 2020, further supporting the affordability of data



4G users increased to **15.7 million** from **12.9 million**



Voice bundle sales increased **4.4%** and data bundle sales by **15.8%**



Vodacom Fibre has the third-largest connected customer base in South Africa, with 146 601 fibre points passed

Lead in targeted, segmented markets

Segmented propositions exist across all of our markets. Below are just a few examples from our markets.

Youth segment (South Africa)

Our youth proposition, called Vodacom NXT LVL, targets consumers under the age of 25 and focuses on giving them access to affordable connectivity, skills to enable their future careers, and tools and technologies for a better future – thereby enabling their economic inclusion. We aim to provide our youth segment with affordable devices and preferential rates on value bundles by offering the best value rates to popular uniform resource locator service bundles for WhatsApp and social tickets. We also offer zero-rated platforms to help enable the youth to gain access to opportunities via the internet. These platforms include, among others, the Vodacom e-School and the Future Jobs Finder, a career guidance and training content portal. We offer reduced subscriptions to music and gaming services to attract the youth and keep them engaged, among other lifestyle benefits. We provided significant discounts to our Big Data offerings for universities and schools, so that lessons could continue online.



We focus on removing barriers for job applicants, especially considering the high youth unemployment rate in South Africa. By providing access to Future Jobs Finder and the ConnectU platforms, we facilitate creating a digital resume and direct applicants to job opportunities based on their unique personalities. These portals also offer access to world-class online learning without incurring additional data costs.



During the year, we reduced data prices through our company-wide price transformation strategy. We also continued to offer our device subsidies, resulting in an 56% increase in data usage and an 8% improvement in smartphone penetration. We saw a 6.7% year-on-year increase in our customer base, with data ARPU up by 29%.

Mass segment

This year, we have continued with our strategy to democratise data by designing compelling customer propositions. Through this platform, acting as a storefront we can offer customers cheaper access to voice, data, digital lifestyle and financial services, i.e. Airtime Advance. Our smart targeting capabilities allow us to build innate journeys to enable us reach our customers via multiple platforms. This year, 15.5 million unique users per month interacted with our free-to-access ConnectU platform.



We further create value by leveraging our digital propositions driven by deep customer intelligence. Our nano-lending and microloans platforms continue to drive growth in our international markets, giving 15 million first-time borrowers access to basic needs, including food and electricity. Songesha, our overdraft facility in Tanzania, offers not only customers, but its agents the overdraft facility as well, ensuring that our agents are liquid at all times, and able to serve our customers timely. In Kenya, 1.4 million customers use our overdraft facility, called Fuliza. Through M-Pesa, our nano-loans of up to US\$10 continue to be popular among our customers.



In the DRC, Vodacom introduced a savings and loans solution in partnership with microfinance FINCA Bank, enabling M-Pesa customers to save and access microloans. By introducing this solution, called Vodacash, people living in remote areas of the country can now access payment, loans and savings on their mobile devices. Vodacom Tanzania partnered with TPB Bank to introduce M-Koba, a group savings solution that enables community members – particularly women – to mobilise savings, investments and microloans.

High-value segment (South Africa)

We differentiate ourselves through our value proposition and best-in-service RED VIP plans. We designed each VIP plan with customer usage preferences in mind, including premium rewards and benefits. Our RED VIP 10GB, 25GB and 100GB come standard with unlimited minutes and SMSes, as well as access to our 24/7 concierge-type service called Platinum Resolution Centre.



The Platinum Resolution Centre ensures that our customers receive first-in-line priority service through an exclusive service help desk, where calls are attended to immediately. Customers on these packages receive high allocations of voice and data and have access to the RED VIP Club. These plans are available as 24-month or 36-month contracts.



During the year, our RED customers' data usage increased by 7%, the number of 4G users is at an average of 94%, and smartphone penetration amounted to 99%.



Segmented propositions continued

Family segment

We designed our family segment proposition around customer insights and expectations. With the onset of the COVID-19 pandemic, we launched the home internet broadband proposition (@home) based on the LTE and 5G access technologies together with the Vodacom Fibre offering. This created a singular proposition that addressed customer value expectations around pricing, network excellence and experience.

The outbreak of COVID-19 significantly increased the demand for broadband @home. As a result of our @home strategy, Vodacom Fibre had the third-largest connected customer base among fibre internet service providers in South Africa. Our connectivity enabled customers to work and study from home.

Special needs segment

We remain committed to providing easy access to a range of offers and services suitable for persons living with disabilities to ensure all customers can stay connected. Our product development team collaborate with organisations for persons living with disabilities to ensure our offerings meet their needs. These solutions have considered the needs of senior citizens, persons with visual impairments and persons who experience communication barriers such as being deaf, hard of hearing, hearing impaired, blind or having a speech impairment.

Special needs South Africa

CASE
STUDY

Vodacom continues to drive digital inclusion through our specific needs office. The office team is led by people with disabilities who design and drive our digital inclusion strategy for consumers with disabilities. Vodacom South Africa has provided accessible products and services for people with disabilities since 2004, when we launched the first accessibility initiative. Along with a dedicated call centre for people with disabilities, our products and services include, among others, special monthly discounted contract deals exclusive for people with disabilities, text-based emergency services and special voicemail option for deaf customers, and an easy-to-use phone for elderly people.

On 3 December 2020, Vodacom became one of the first signatories to the GSMA principles for driving digital inclusion of persons with disabilities. The principles will play an important role in ensuring that mobile operators implement accessibility strategies that promote digital inclusion of consumers with disabilities. We are committed to developing more relevant products and services for our customers with disabilities in 2022. Vodacom is currently the only South African operator with personalised offers for the special needs segment.

We also intensified our focus on creating converged customers who use mobile and fixed-line services, thereby increasing the average revenue per account. We aim to continue driving convergence with improved value propositions, along with targeted value-added services.

We combine Big Data insights with a detailed analysis of the family segment and associated sub-segments to understand our customers' needs and expectations better. This analysis enables us to improve efficiencies and provide customers with practical value and excellent customer journeys.

Democratising internet access

Rural roll-out and device penetration

Vodacom's rural coverage acceleration programme focused on expanding coverage to rural communities that have never been connected to the network. We introduced new network sites in rural communities across South Africa, and 82.9% of the rural population is covered by the 4G network in the country.

Vodacom South Africa has 23.2 million smart devices on our network, a 9.5% increase from 2020. The number of 4G devices increased by 22.0% to 15.7 million in South Africa. Sales of South Africa's most affordable 4G smart feature phones, the "Vibe" and Nokia 215, which retail at R299, continues to grow – 133 200 devices were sold in 2021.

We improved our customer proposition by offering customers both 3G and 4G devices, selling over 3.5 million of these devices in South Africa. We trialled our prepaid device financing solution with customers without credit facilities, who were able to pay for 4G devices in instalments. We believe this will reduce barriers to entry and ensure that all South Africans have access to a high-quality network.

To further subsidise device prices and migrate our customers from 2G to our 4G network, we offered network-locked devices. We sold over 3.7 million units since April 2019 – primarily to our mass emerging customer segment. By increasing our customers' accessibility to 4G devices, we can expand digital inclusivity for our customers through plans ranging from zero-interest 12-month contracts to 36 months, as well as offer contracts to ease the burden of monthly payments. Our 36-month contract option is popular with customers, contributing 23% of all contract gross add acquisition this financial year.



To remove any barriers to 4G adoption, we partnered with Google on the Android Go operating system to offer customers a simple and seamless user experience. By implementing a comprehensive marketing plan in partnership with Google, we sold over 1.7 million Android Go 4G devices.

After launching the Samsung eSIM capable watches and the One Number service in March 2019, we extended the same capability to Apple devices during the year to further reinforce our leadership position. We sold more than 5 000 watches per month and have successfully entrenched Vodacom as one of the largest tablet distributors in South Africa – sales increased by 76% during the year. Our customers can now buy and pay for accessories in instalments linked to their postpaid plans. This proposition offers customers an easy, flexible and affordable way to enhance their lifestyle experiences. This led to a 226% increase in wearable sales volume. Furthermore, sales revenue from accessories increased by 106% year-on-year.

In our international markets, smartphone users increased by 8.0% to 11.0 million, representing 32% of our customer base. In Tanzania, over 500 000 low-cost smart-feature devices were sold since the introduction of the smart Kitochi at the cost of US\$25 in 2019, leading to a 14.6% increase in 4G mobile data traffic. In Mozambique, 750 000 low-cost devices, priced at R299, were sold. Vodacom Lesotho registered a 38% growth in 4G devices year-on-year.

Safaricom launched innovative device funding in the year, supporting an acceleration in smartphone sales. Active 4G devices grew 39.8% to 8.5 million while 4G network coverage reached 94% of the population.

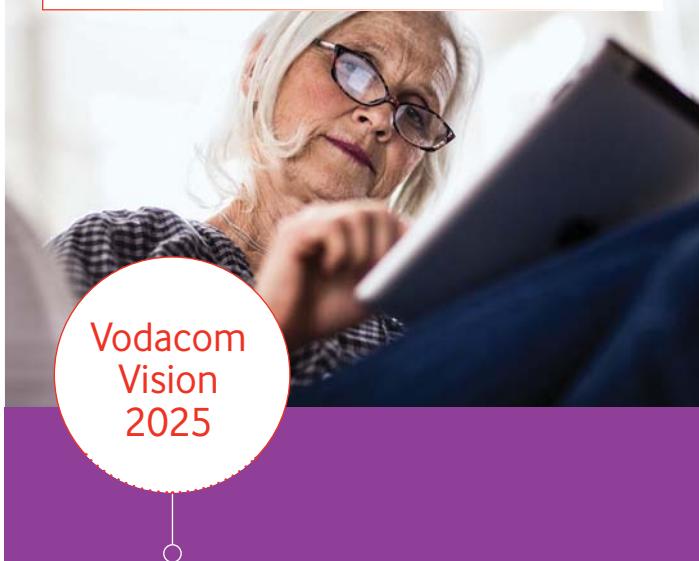
Bundle engagement: South Africa

Data revenue-generating customers as a percentage of total revenue-generating customer increased from 66% to 69% since the start of the COVID-19 lockdown, resulting from 890 million bundle sales over the same period. This was further accelerated by our pricing transformation strategy, which delivered R3 billion in value primarily driven by the price reduction of our monthly data portfolio.

Voice bundle sales increased 4.4% and data bundle sales increased 15.8% due to commercial initiatives that leveraged our personalisation engines and data portfolio set to the market. Data bundle sales from our Just for You personalisation platform grew by 38.1% as customers were drawn to the value propositions in these bundles.

How our segmented propositions support the system of advantage

We aim to embed ourselves in the lives of our customers and continue to expand our ecosystem of products to address their needs. With the combination of our segmented customer approach and our pricing transformation journey, we successfully reduced pricing between 34% and 40% year-on-year, returning R3 billion in price cuts to South African consumers. Looking ahead, our ambition is to grow with our customers across our markets and further reduce the digital divide. We will do this by leveraging behavioural insights to develop personalised segmented propositions, as well as attractive loyalty rewards through VodaBucks.



By remaining customer-centric, we can:

- Focus on our pricing transformation journey to reduce the digital divide and enable access for more South Africans. Our goal is to ensure everyone can connect affordably;
- Enable a seamless system for customers to use their mobile phones to connect, access entertainment, pay bills, invest, lend and insure;
- Humanise technology, simplify and transform the customer experience to achieve true convergence of our multi-product offerings;
- Democratise data and design compelling customer propositions, embed our loyalty programme and enhance regional execution; and
- Deliver a multi-product omni channel digital experience.

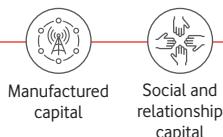
02 Financial services

(including Safaricom)



We scale our financial services offerings to empower the lives of our customers through financial inclusion.

Capitals impacted:



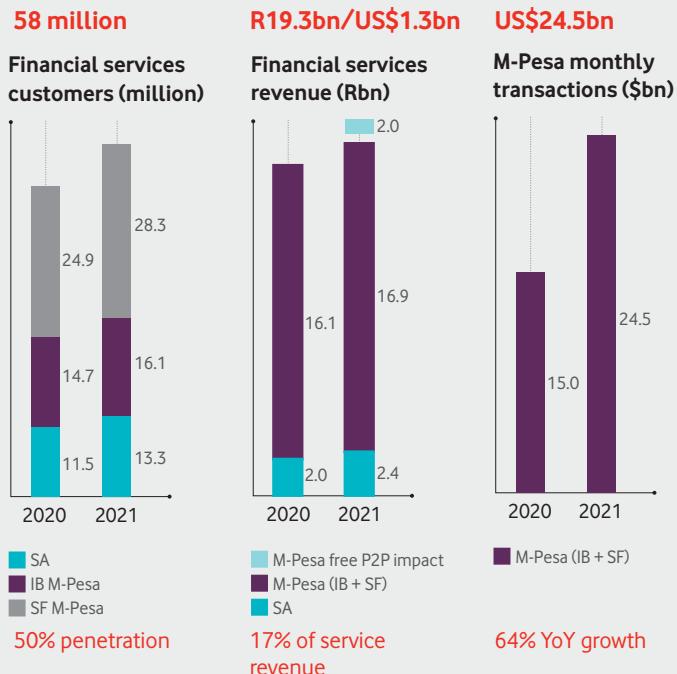
How financial services support our purpose

We create and scale cost-effective and accessible digital financial solutions to promote inclusion, and provide platforms for consumers and merchants to grow. Our M-Pesa platform was instrumental in facilitating economic activity during COVID-19 lockdowns when we zero-rated P2P M-Pesa transactions. While this intervention negatively impacted our financial results, it was the right thing to do for our customers and it supported accelerated platform adoption. Looking ahead, we are particularly excited about our partnership with Alipay and the imminent launch of our single lifestyle app for customers and merchants in South Africa. We see this super-app as a precursor to M-Pesa's evolution, supporting us in connecting the next 100 million African customers so that no one is left behind.

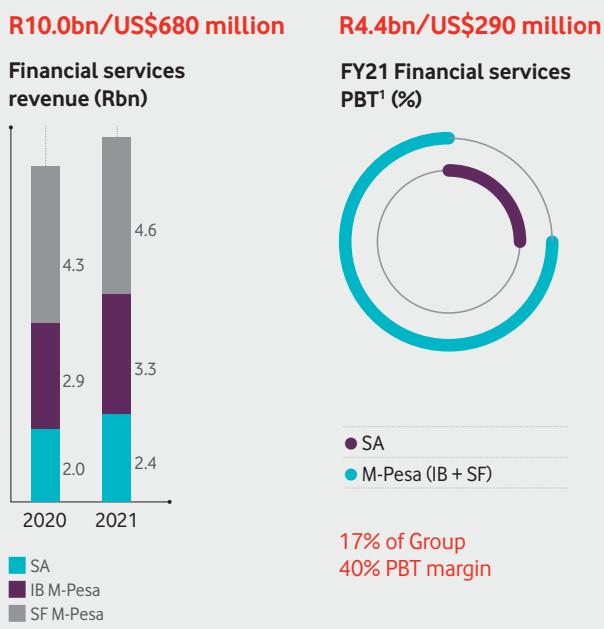


FY21 at a glance

100% basis (including Safaricom)



Proportionate basis (excl minorities, incl associates)¹



1. M-Pesa Safaricom not reported. PBT margin based on International. Actual results may differ from this illustration. SA = South Africa; IB = International; SF = Safaricom Service revenue and PBT are based on the closing exchange rate of R14.77 to the US dollar.

South Africa

In South Africa, we operate Vodacom Financial Services, a wholly owned and independently managed subsidiary of Vodacom South Africa. It has its own board, management team and budget. This independence is important for a high-growth company and it supports our agile culture.

We are particularly excited about the upcoming launch of our lifestyle super-app, VodaPay.

VodaPay will be supported by the world-class technology of Alipay, and zero-rated for consumers. Our super-app will offer services ranging from loans and savings, seamless QR and person-to-person payments, to entertainment and personalised shopping experiences. The shopping platform will be supported by South Africa's leading retail brands across all key verticals.

We are also building out the merchant side of the platform with our own point-of-sale devices and FMCG trading platform, called VodaTrade. This platform already processes R200 billion of transactions in South Africa, and will facilitate products like invoice financing. In addition we will provide merchant lending via our VodaLend product, where SMEs can borrow up to R1.5 million, supporting financial inclusion.



Lifestyle super-app, a first in Africa





Insurance

VodaSure offers life, funeral and various other short-term insurance products. The business reported pleasing results: revenue was up 14.2% to R927 million year-on-year, profit increased by 9.7% to R255 million and the EBITDA margin was 24.2%.

The company's steady growth during the year is attributable to:

- ✓ Increasing uptake of device insurance and contract cover, which increased to 2.1 million active policies;
- ✓ Launching a new funeral insurance product, achieving sales of 5 000 per month;
- ✓ Developing a variable pricing model to adjust pricing according to a customer's risk profile, which resulted in accumulated revenue of R30 million and contributed to affordable insurance product offerings for VodaSure customers; and
- ✓ Delivering a healthcare platform providing online doctor consultations and education on COVID-19, supporting the fight against COVID-19 while avoiding overcrowding South Africa's healthcare facilities.

Trading Bridge

Our Trading Bridge portfolio services a large base of enterprise and SMEs, enabling annual trade of R200 billion. During this past year, Trading Bridge achieved 7% year-on-year revenue growth despite difficult trading conditions due to restrictions and lockdowns.

To ensure SMEs are not left behind in their digital journey, Trading Bridge launched VodaTrade, which enables small suppliers to seamlessly transact with large organisations using more complex systems. This creates a one-stop interface for businesses to integrate their trading operations and expand their partner networks. Key features include receiving orders, managing catalogues, confirming or rejecting fulfilment and sending invoices.

Payments

Top-ups of airtime and data through Vodacom digital payment channels grew 25% year-on-year. In total we processed just over R1 billion in sales through these channels. Results are attributable to promotional deals that provided customers with additional value when purchasing through the digital channels. To further leverage the increased use of digital payment solutions, Vodacom Financial Services launched several value-added services through the MyVodacom app and Vodacom Express Recharge. These include prepaid utilities and bill payments.

✓ Vodacom launched its very first POS device. The "Max" Android POS device enables merchants to process debit and credit card payments while also offering them the ability to vend a range of value-added services to their consumers. To date, Vodacom processes in excess of R92 million per month in payments through the devices and has over 1 700 actively trading merchants.

This growth was achieved through helping customers when they needed it most in hard lockdown, by providing innovative payment solutions and propositions that provided greater value through direct engagement through our digital channels.

Lending

Airtime Advance continues to provide airtime without immediate payment, improving accessibility of connectivity. This year, we advanced R12 billion in airtime – an increase of 21.1% – growing our customer base to 10.8 million customers – an increase of 17.3% – as we helped South Africans who were impacted by COVID-19 during the months of hard lockdown. Airtime Advance has been expanded to be accessible to customers across all of Vodacom's channels, such as ConnectU, VodaBucks and Just4You, and continues to provide convenience to our customers. Vodacom launched Voucher Advance to supplement the Airtime Advance offerings, affording qualifying customers the opportunity to have a third-party restaurant or store voucher advanced to them seamlessly through the MyVodacom app.

✓ Vodacom's small, medium and micro enterprises (SMMEs) focused lending solution (Vodalend Business Term Advance) continued to grow after its recent launch, advancing over R74 million in funding to 330 small businesses during a period in which COVID-19 had impacted so many small businesses across South Africa. In addition to growing this product, the Business Cash Advance product was launched, allowing seamless advances to POS customers with a few clicks, and daily repayment through POS transactions.

M-Pesa

In March 2020, Vodacom and Safaricom acquired the M-Pesa brand, product development and support services from Vodafone Group through a newly created joint venture, M-Pesa Africa.

M-Pesa Africa coordinates and implements our M-Pesa strategy, driving product expansion and leveraging best practice across the portfolio. It is a significant milestone for Vodacom as it will accelerate our financial services aspirations in Africa. The joint venture will allow Vodacom and Safaricom to drive the next generation of the M-Pesa platform – an intelligent, cloud-based platform for the fourth industrial revolution. It will also enable us to promote greater financial inclusion and help bridge the digital divide in the communities where we operate.

M-Pesa Vision 2025

Accelerating and scaling Africa's largest fintech platform via M-Pesa Africa

AMBITION

Build the largest fintech platform in Africa



The preferred payment platform for **Consumers** offering services to enable a digital lifestyle

A true business partner to create a seamless end-to-end experience to accelerate digital transformation

Powered by state-of-the-art, common technical platforms



Next Generation Tech



AI, Big Data and AML



Open API



Single Point of Integration



Cloud enabled

FINTECH PLATFORM

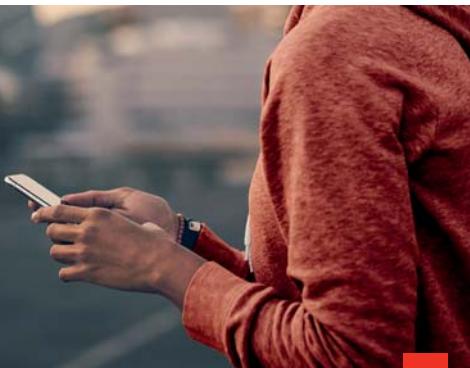
We are building a fully fledged lifestyle super-app with mini app capabilities, exposing the best merchants' and partners' offers to the broadest customer base.





Platform growth

Since launching in 2007, M-Pesa has grown to service more than 44.5 million customers (including Safaricom), a 12.1% year-on-year increase. The platform processed more than US\$24.5 billion in transactions a month in the last quarter, making it the biggest financial services provider in Africa. It has evolved into a broader payments platform that offers access to life-enhancing personal services such as healthcare, education, employment, transportation and social protection – including enterprises, financial services and mobile commerce.



M-Pesa empowers women

CASE STUDY

M-Pesa empowers women in Mozambique through access to approximately 13 000 banks.

Maria Carla Chico, one of our agents in Mozambique, lost her livelihood after her grocery store was destroyed by fire. M-Pesa came to the rescue when she became an agent, which helped her build a thriving business again and continue to support her family with instant cash transfers to a remote part of the country.

Another agent, Jennifer Fernandes Lyimo, who runs her own dry-cleaning business, had to close her office and wait in queues at the bank whenever her husband sent money from the UK. M-Pesa made life easier for her and her customers.

Product growth

Revenue from M-Pesa increased 4.5% to R16.9 billion, including Safaricom. Our International markets contributed R4.5 billion of this revenue. The platform's financial services offering is considered a key driver of socioeconomic growth and is becoming a gateway to the digital economy. M-Pesa (including Safaricom) is used by more than 900 enterprises to collect and disburse payments, and over 170 000 retail and online merchants accept M-Pesa.

Below are examples of ongoing product expansion which is accelerated and directed by our strategic hub, M-Pesa Africa.

Nano-lending platforms

Our nano-lending platforms continue driving growth in our International markets, providing easy, secure and almost instant access to cash. Songsisha, our overdraft facility in Tanzania, in partnership with Tanzania Postal Bank, provides cash for our agents to ensure their liquidity and availability to our customers. In Kenya, 1.4 million customers use our Fuliza overdraft facility.

Savings and loans

In the DRC, Vodacom introduced a savings and loans solution in partnership with microfinance FINCA Bank that enables M-Pesa customers to save and access microloans through Vodacash. People in remote areas can access payment, loans and savings on their mobile devices without having to travel to access traditional banking services. Over 4.3 million customers have used Vodacash since its launch.

We launched our savings offering, Mokhatlo, enabling M-Pesa customers to save for a common goal. It gives a group of M-Pesa registered customers controlled access to a shared account that pays for goods and services. In Mozambique, over 70 000 community members save money through the virtual Xitiqe wallet. Vodacom Tanzania partnered with Tanzania Postal Bank to create M-Koba, a group savings solution that enables community members, particularly women, to mobilise savings, investments and microloans. More than 20 000 groups have activated M-Koba since its inception. In 2021, Vodacom Tanzania made the product interoperable so that subscribers from other mobile network operators can save through M-Koba.

In Lesotho, Vodacom launched Vodasurance free funeral cover for customers who reach a monthly spend threshold. The customers receive covers ranging from M1 000 to M4 000.

In Mozambique, M-Pesa has extended beyond basic financial transactions in its portfolio and now offers a savings product, bank interoperability functionality that further promotes inclusion as the banked can transfer funds to M-Pesa wallets, and functionality that allows M-Pesa payments onto approximately 13 000 bank POS terminals countrywide. M-Pesa has more than 4.9 million customers in Mozambique with a bank interoperability of approximately 13 000 banks.

Merchant capabilities

As part of our Vision 2025 strategy we are actively building out our capabilities across the value chain, including in the merchant space. In Kenya we already have more than 300 000 active merchants.

Product growth

Foreign exchange and remittances

In Tanzania, individual M-Pesa customers can process local and international remittances and make payments to registered merchants across the country. In the DRC, Vodacom partnered with Equity Bank to introduce a foreign exchange product for customers, enabling them to seamlessly convert between the Congolese franc and the US dollar – the country's dual currencies – through M-Pesa. In Lesotho, our partnership with Hello Paisa enables migrant workers to send money home to their families, which was particularly important during COVID-19-related travel restrictions and lockdowns.

Improving financial inclusion

In Lesotho, M-Pesa is used to drive socioeconomic projects, such as the school feeding and COVID-19 relief project partnership between M-Pesa and the World Food Programme (WFP). M-Pesa is used to disburse funds to the WFP's 9 800 beneficiaries in different districts of the country. In the DRC, we partnered with the WFP to bring assistance, via M-Pesa, to 23 000 vulnerable members of society to alleviate the impact of COVID-19 over a period of nine months. At the height of the pandemic, Vodacom Lesotho zero-rated P2P and merchant fees on M-Pesa to ease the burden of transacting.

Also in Lesotho, and through our International Finance Corporation team, we engaged with and registered 9 664 customers of whom 55% were women. This is a great step in improving women's financial inclusion. Since the inception of this phase of the programme we have registered over 83 000 customers, of whom 51.7% are female. Over the course of 2020, we registered 955 new merchants and over 1 000 M-Pesa agents, creating jobs across the M-Pesa ecosystem and providing financial independence for the Basotho citizens.

Vodacom Mozambique launched its M-Pesa Women's Forum, with events in two cities providing financial management information as well as HIV testing and counselling, child immunisation and the issuing of national identities in partnership with the government.

Across our markets we are working to ensure that all markets are at the same level of product offering and payments and lending ecosystem.

| | Kenya | Tanzania | DRC | Mozambique | Ghana | Lesotho |
|--|--|----------|-----|------------|-------|---------|
| Money transfer and basic services | Cash in/cash out (including ATM) | ● | ● | ● | ● | ● |
| | P2P transfer | ● | ● | ● | ● | ● |
| | GSM service top-up | ● | ● | ● | ● | ● |
| | Bank transfers/digital top-up | ● | ● | ● | ● | ● |
| Consumer payments and enterprise services | International money transfer | ● | ● | ● | ● | ● |
| | Consumer to business, e.g. bill payments | ● | ● | ● | ● | ● |
| | Business to consumer, e.g. salary disbursements | ● | ● | ● | ● | ● |
| Financial services | Business to business, e.g. cashless distribution | ● | ● | ● | ● | ● |
| | Microloans | ● | ● | ● | ● | ● |
| | Overdraft | ● | ● | ● | ● | ● |
| | Insurance | ● | ● | ● | ● | ● |
| Merchant payments | Investments and savings | ● | ● | ● | ● | ● |
| | In-store merchant payments | ● | ● | ● | ● | ● |
| | E-commerce/online payments | ● | ● | ● | ● | ● |

How financial services support the system of advantage

Through our financial services, we aim to accelerate platform and product expansion across the Group. To this end, we intend to monetise investments, partnerships, platforms and new capabilities to generate growth. Once launched, our super-app will create a single platform for customers to access a marketplace, save and invest, complete payments and apply for finance. Furthermore, we will focus on digitalising M-Pesa and scaling our financial and digital services to expand the Vodacom ecosystem and capture more opportunities across this system of advantage.

Vodacom Vision 2025

We will continue to invest in digital innovation to enable growth by specifically:

- Leveraging opportunities in the consumer and enterprise segments;
- Enhancing our existing AI capabilities and real-time management information systems with our landmark Alipay;
- Using VodaTrade as the foundation for additional SME-focused services, including supply chain, finance and insurance;
- Implementing compliance and risk mitigation to ensure distribution models are compliant and sustainable; and
- Relaunching Vodacom Life with "treating customers fairly" principles.

03 Digital services



We grow into new verticals of digital services to better serve our customers and create value.



How our digital services support our purpose

We leverage our technology capabilities, including new connectivity solutions such as fibre and IoT, to enable a customer-centric and digitally connected world. We monetise data in both the consumer and enterprise markets by growing our digital music, video and gaming services platforms and driving our fibre strategy. Furthermore, we forge partnerships with local and global service developers and brands to deliver a compelling ecosystem of third-party propositions.



2021 at a glance for South Africa

From the onset of the pandemic, screen time increased significantly. We noted a corresponding increase in media consumption – news, television (TV), digital, social media and gaming in particular – as people remained homebound during national lockdowns. Our role is to ensure that our customers have access to effective and affordable digital content as we also invest in new connectivity solutions.



Our own built fibre reached more than **146 401** homes and businesses



>1.9 million registered users on Mum & Baby



1.25 million learners on e-School



15.5 million unique users visited ConnectU
(2021: 20 million sessions a month)



mVacciNation helped the National Department of Health administer COVID-19 vaccinations



5.6 million IoT customers, up **6.4%**



Distributed **20 000** smartphones in rural areas and to government healthcare workers

Consumer digital content

- We adopt a platform approach to digital content, and enhance our customer propositions through strategic partnerships across our markets. Our content offerings span key verticals, and we provide some examples below.
- Our mobile gaming platform, PlayInc, continues to grow steadily. The service features one of the largest mobile game subscription-based libraries in South Africa, with several titles licensed by some of the world's largest mobile publishers. These include recognisable brands such as Jetpack Joyride, Lara Croft: Relic Run, Subway Surfers and Disney's Frozen Free Fall: Icy Shot.
- Despite the pandemic affecting live football, once the season resumed, Premier Soccer League fans were again able to enjoy checking scores and news for free on Vodacom Soccer's USSD portal.
- Due to the impact of COVID-19 on marketing spend across industry verticals, Vodacom Advertising focused on managing costs and realigning the product roadmap. Developing a competitive product set to drive considerable return on investment in client marketing spend is central to our new strategy. Core capabilities remain focused on enabling data and technology platforms.
- Our ecosystem business continued to strengthen our partner framework and enhanced billing and security of our direct carrier billing payment platform.
- We continued to provide access to consumer digital services across our markets through various digital solutions. In Tanzania, we offer VLive and Video Play. In Mozambique, consumer digital services such as video (Vuclip), local music (Mozik) and sports (VLive Sports) continue to grow and keep our customers entertained. In the DRC, we launched several digital platforms, including video (VuClip and VodacomTV), music (MUSKA) and gaming (Gameloft). These solutions offer subscription packages to customers for entertainment, helping to relieve stress during the pandemic. We will also launch our VLive services portfolio in the future. In Lesotho, Video Play offers subscription video and TV, including locally developed content on demand.
- We introduced our Mum & Baby platform in 2017. It is a zero-rated service providing 1.9 million registered South African subscribers with information on maternal and child health and well-being. In 2021, the DRC introduced Mum & Baby to 3 300 registered users with a view to reaching 200 000 by 2025. We partnered with local retailers to reward customers with coupons for relevant lifestyle products, including nappies and baby food. In Tanzania, the Healthy Pregnancy Healthy Baby platform is locally known as Wazazi Nipendeni and provides maternal health information to 1.3 million registered users. The platform also provides COVID-19 assessments.
- Vodacom's e-School has 1.25 million registered learners with access to digital education content. When learners were at home during lockdown, user registrations increased fourfold from an average of 37 500 to a peak of nearly 150 000 student events every day. Content use increased substantially with mathematics, natural sciences and accounting the most popular subjects.
- To date, 15.5 million unique users have visited the ConnectU platform and 20 million sessions were initiated per month. ConnectU's job portal enabled 3.1 million people to access seven job search websites for free (over a third of the users were in the low-income group). During lockdown, we expanded our platform to enable customers to purchase electricity and water.
- Vodacom and Mezzanine's electronic health record solution, mVacciNation, supported South Africa's Department of Health in administering COVID-19 vaccines. Alongside the Vodafone foundation, we recently announced a pledge of R87 million to support the roll-out of cold-chain technology, and support the delivery of COVID-19 vaccines to vulnerable and hard-to-reach communities. We donated R13 million to Lesotho to secure vaccines and partnered with AUDANEPAD to build digital infrastructure to manage vaccinations across 55 countries. We were able to do this due to the platform's success in South Africa.

Fibre in South Africa

- The past financial year has been characterised as challenging due to high levels of change and uncertainty. In a very price-competitive and saturated market, our fibre to the home and business (FTTx) footprint continued to expand, positioning Vodacom Fibre for success in a dynamic market. The number of homes connected to Vodacom Fibre increased by 103%, with the number of connected businesses increasing 48% year-on-year.
- We constantly review our strategy to ensure it remains relevant in our rapidly changing operating environment, which is increasingly complex and challenging, and we have implemented several efficiency measures to improve the customer experience. These measures included improving our time to connect, targeting our sales focus and addressing customer connectivity needs through multiple bitstream providers. By doing this we continued to strengthen the quality of our customer engagements.



Partnerships

In line with our Vision 2025 to scale digital and financial services and deliver long-term value, Vodacom continued to unlock strategic opportunities with key partners such as Netflix, Amazon Prime, Visa, Facebook, Google and Microsoft. We identified and executed multiple engagements that reduced costs, drove revenue and created significant market differentiation that ultimately benefited our customers.

Weblinks on Facebook directed customers to various Vodacom channels, such as the MyVodacom app or VodaBucks. This led to an increase in unique customers.



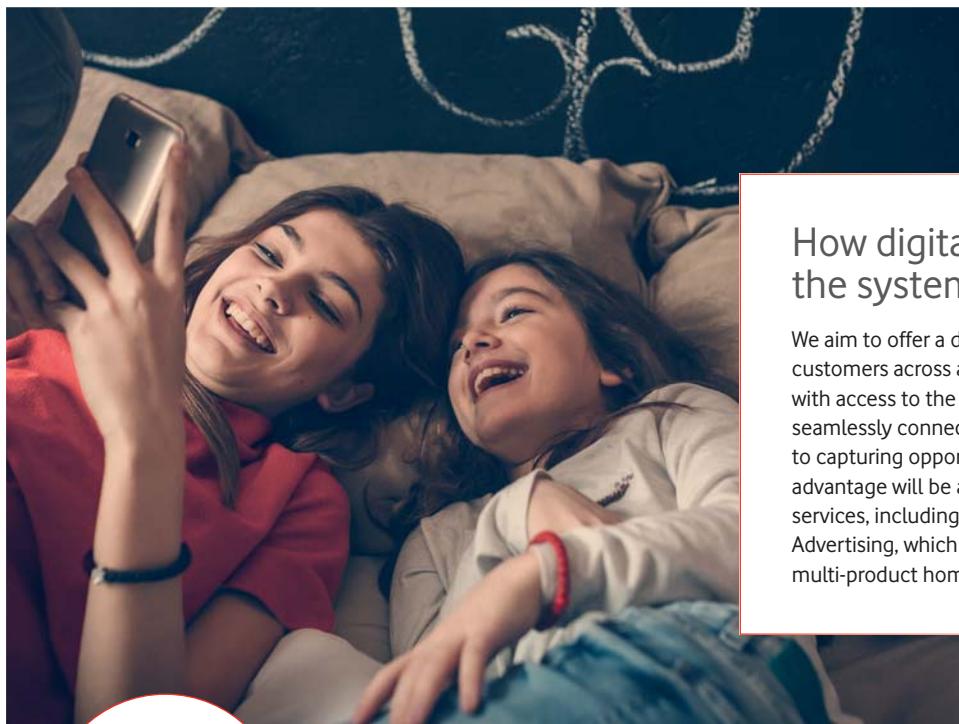
We onboarded and partnered with Google for our Smart Phone Town device plan. The second phase of this pilot project enabled the initial distribution of smartphones and data access for 2G users in rural areas to connect, learn new skills and find jobs.



We are Microsoft's first telco partner and one of two distribution partners to offer the Surface range of modern devices in South Africa.



IoT connections increased by 6.4% to 5.6 million, with underlying revenue growth of 32.8% (please refer to our enterprise digitalisation pillar on page 57).



How digital services support the system of advantage

We aim to offer a differentiated experience for our customers across all channels and provide them with access to the broadest ecosystem of seamlessly connected partners. Our commitment to capturing opportunities across the system of advantage will be accelerated by our digital services, including, MyMuze, PlayInc and Vodacom Advertising, which will form part of convergent multi-product home solutions.

Vodacom Vision 2025

We are committed to driving growth in digital services by:

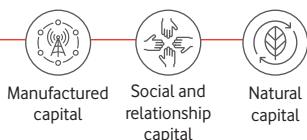
- Expanding our digital service platforms to every market to develop an early mover footprint;
- Expanding our e-commerce capabilities so as to leverage the growing trend of online shopping and payments, to better serve our customers through digital channels and create value; and
- Forging partnerships with local and global service developers and brands to deliver a compelling ecosystem of third-party propositions.

04 Enterprise digitalisation



We partner with enterprises to accelerate their growth and transform their businesses through digital technology.

Capitals impacted:



How enterprise digitalisation supports our purpose

Multiple industries' sustainability depended on how they adopted digital transformation. During the year we collaborated with governments, universities and businesses to connect and work from home cost-effectively, and also assisted the wider industry to enable service continuity. We increased connectivity, thereby ensuring the sustainability of our society and protecting the livelihoods of people during a particularly disruptive time.

2021 at a glance

While the outbreak of COVID-19 significantly changed the socioeconomic landscape in 2020, we continued to ensure our customers were able to operate remotely during the various stages of lockdown in our markets. We believe that the new ways of working adopted over the past year will further accelerate digital transformation. We have adjusted our strategy accordingly to ensure we capture opportunities to grow our business further while supporting our customers.



23.2% contribution to Group Service revenue from enterprise



South Africa Vodacom Business service revenue up **11.3%**



South Africa Vodacom Business IoT underlying revenue increased **32.8%**

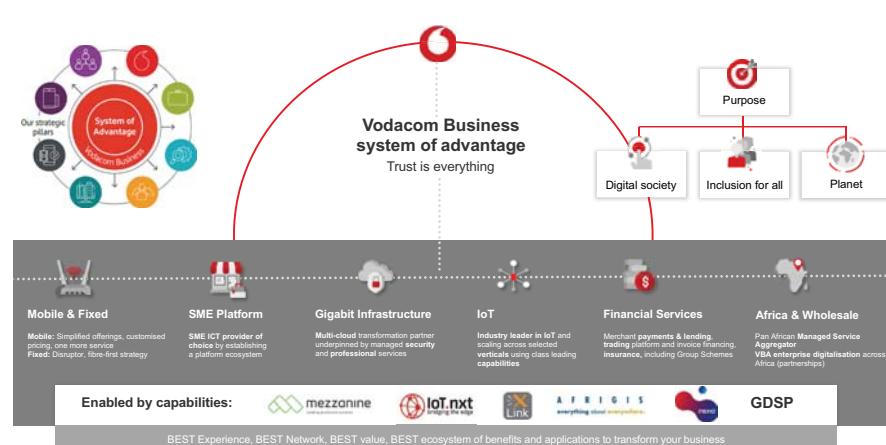


Vodacom Business customers in South Africa were up **11.0%**



South Africa Vodacom Business fixed revenue, excl transit, was up **6.5%**

Vodacom Business system of advantage



In addition to connectivity, our tailored service offerings are class leading, and play in high-growth areas like cloud, hosting, managed security, managed services and IoT. These solutions are enabled and enhanced by our subsidiaries Nexio, XLink, Mezzanine, AfriGIS and IoT.nxt.

The SME segment requires a dedicated and purpose-led approach. SME is a very big market opportunity for us, with over two million SMEs in South Africa alone. Most of these SMEs operate in the informal sector, which is key to our economic growth outlook.

In the financial services space where we compete across the value chain, we believe that merchant capabilities are core to a fintech business model, and as such, are embedded in our VodaPay and M-Pesa journeys.

In the current year, we introduced a dedicated strategic pillar for this segment. This recognises the contribution and growth potential of Vodacom Business. Our strategic goal is to partner with businesses and accelerate their growth, transforming their operations through digital technology. We implement this strategy through our system of advantage.



Examples of enabling South African enterprise growth

We focused on enabling our customers to work from home by extending our mobile broadband and business sustainability solutions, such as access point name (APN), thereby offering enterprise clients a sustainable solution to keep their workforce connected. We also developed solutions to support the rebuilding of customer businesses and implement return-to-workplace solutions that leveraged our IoT capabilities, such as vital signs, thermal screening, social distancing, personal protective equipment monitoring, and employee track and trace.

Our Vodacom Business (VB) team supported the South African government in a number of projects to enable the day-to-day management of COVID-19 challenges. We offered and collaborated on solutions that enhanced sustainability and promoted continuity to protect livelihoods and promote education.

Through a transversal contract (RT15), we could digitise various government-related services. Our collaboration with municipalities centred on internet, APN, security and asset management services, as well as smart metering services.

We collaborated with the South African departments of education and health in their response to the pandemic. We launched an online education platform in partnership with Microsoft to support remote learning at both higher and basic education levels. Looking ahead, we will continue to develop connected education solutions in collaboration with the government. For the next financial year, Vodacom Business will focus on connectivity for users, content accessibility, device availability and funding solutions. These digital solutions support education and ensure inclusion for students who would otherwise have been excluded. In addition to the platform we provided highly discounted offers to universities to enable educate from home options.

Vodacom IoT assisted the South African government by developing the Mpilo app. This patient engagement platform eases communication between patients, doctors and the Department of Health and improves service delivery at provincial health facilities. The mobile app's latest features aim to help healthcare workers trace people who have tested positive for COVID-19. The app has 61 467 active users.

We deployed our pre-existing health app solutions to support the government's fight against COVID-19. Through mVacciNation, more than 95 000 patient records have been created and more than 315 000 immunisations administered, while over 140 000 COVID-19 tests were processed through eLABS in South Africa, Zambia and Nigeria. Through the Stock Visibility Solution (SVS), more than 41 million reports were submitted in South Africa. The AitaHealth platform, which supports government to quantitatively understand the state of healthcare in communities, has registered and screened more than 571 000 households and 1.6 million individuals since its launch in 2014. We also donated data lines and 20 000 devices to community health workers.

For more information, refer to our 2021 sustainability report.

National Treasury awarded Vodacom Business a five-year transversal contract (RT46) to provide fleet management services relating to drivers, vehicle bookings and traffic fines.

We diversified our client mix by focusing on additional enterprise sectors – including the mining, manufacturing, retail and services industries. To achieve this, we leveraged our IoT.nxt solutions and expanded our geographic reach through Vodafone, rest of Africa and USA markets.

The acquisition of IoT.nxt yielded positive results for our IoT business. MachNation – a leading independent benchmarking firm – recognised IoT.nxt as best-in-class among its peers. IoT.nxt also benefited from revenues earned in the USA and other Vodafone markets, thereby increasing our IoT revenue. We are encouraged by Vodafone's adoption of IoT.nxt as a centre of competence for key IoT end-to-end solutions like smart base stations, smart buildings and energy management. Our COVID-19 solutions were driven through IoT.nxt and Nexio, with health solutions driven through Mezzanine.

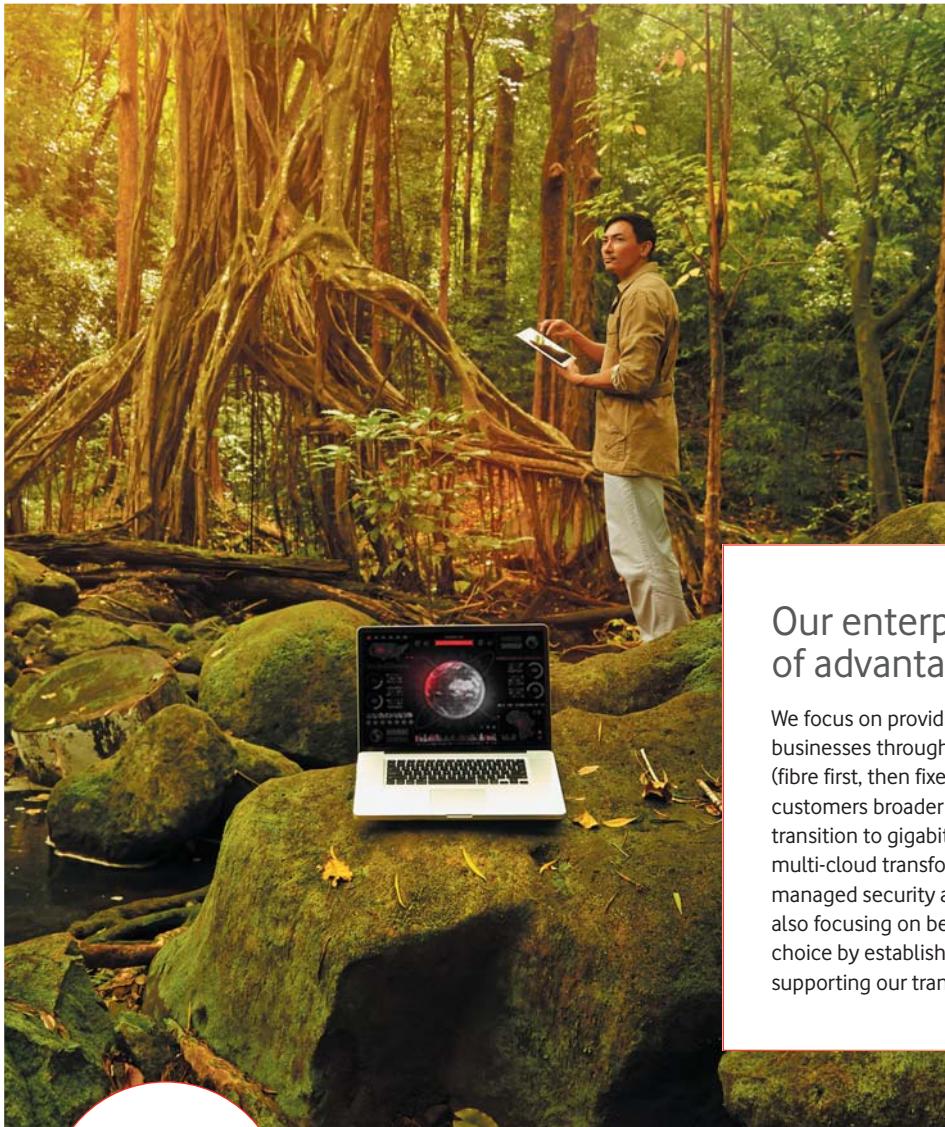
Our partnership with Amazon Web Services (AWS) continues to position VB as a digital transformation partner of choice. It enables us to leverage machine learning (ML), Big Data and AI to provide Fourth Industrial Revolution, digital and data-driven insights to our enterprise and SME customers.

Our managed security services division continues to grow, with our Nexio-led Microsoft business expanding our service offering. During the COVID-19 lockdown, we launched Microsoft Teams and VoIP, which became a key value driver for our Microsoft Virtual Classroom Education offering and work-from-home cloud bundles.

Our Digital Smart Service offering partnerships, launched in collaboration with Accenture, Deloitte, Letsema and Urbian, positions VB as a competent digital transformation partner in the market.

We revised our SME segment strategy to enable us to service this market better and unlock further value.

The changing trend to work from home placed additional demand on our network. This challenge has been exacerbated by Eskom's load shedding, and sporadic battery theft and vandalism at our network sites. We are driving investment to mitigate this risk to ensure connectivity for our corporate clients. For example, we spent R1 billion on lithium-ion batteries, which have a longer useful life than lead-acid batteries and are less harmful to the environment.



Our enterprise system of advantage

We focus on providing the best connectivity for businesses through mobile and fixed-line services (fibre first, then fixed wireless). We aim to give our customers broader connectivity capabilities as we transition to gigabit infrastructure, where we are a multi-cloud transformation partner underpinned by managed security and professional services. We are also focusing on becoming the SME ICT provider of choice by establishing a platform ecosystem, further supporting our transition from a telco to a techco.

Vodacom Vision 2025

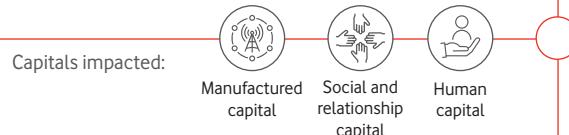
We will continue to expand our digital enterprise propositions, leveraging our connect, communicate, collaborate and cloud solutions. We will:

- Extend our SME proposition by delivering an online experience through our VodaPay platform;
- Develop customer-centric propositions by leveraging Big Data insights;
- Continue to drive digital transformation to deliver a superior customer experience;
- Scale our fixed network, particularly SD-WAN, to expand our footprint;
- Further build our end-to-end IoT solutions;
- Build our intelligent business and digital transformation capability to unlock cloud and hosting services;
- Extend our mobile virtual network operator offering and roaming facility; and
- Grow our managed services and partnerships to sell with, and sell through, to assist corporates with their digitisation.

05 Best customer experience



We provide a seamless, frictionless and personalised digital experience for our customers.



How ensuring the best customer experience supports our purpose

Vodacom is a customer-centric business. We understand that market differentiation and business sustainability depend on maintaining and growing our existing customer base through positive experiences. Our core purpose of **connecting for a better future** is intrinsically linked to ensuring that each customer has the best possible experience when engaging with our products and services.

We enhance customer experience and service quality by offering a personalised omni-channel digital experience, which is driven by the increased digitisation of customer engagement channels across all our markets. To differentiate ourselves, we develop customised products and service propositions based on the varying needs of our customer segments.



2021 at a glance for South Africa

Our macroeconomic environment was largely influenced by the economic challenge of COVID-19 and the associated acceleration of our Social Contract, including the sharp price reductions in our 30-day data portfolio. Our performance was also impacted by launching ConnectU, a platform to provide free access to basic internet and essential services, and significantly reducing data packages for more than 2 000 low-income suburbs across South Africa. To date, 15.5 million unique users have visited the ConnectU platform, with 20 million sessions per month.

Due to the constrained operating environment, it became critical that we adopt an agile approach to safeguarding our customers. South Africa's lockdowns and Eskom's power challenges required a rapid response for our agent network and customer-facing employees. Our prior investment in digital channels and further investment in our social media command centre provided additional resilience. While our customer propositions, network resilience and behavioural loyalty programme reinforced our ability to create value for our customers through our innovative products and services, this became critical with the dramatic shift in demand due to the new trends of work, entertainment and education from home.



Call volumes reduced by **21%**.



Cost savings amounted to **R65.8 million**, driven by digitalisation.



Launched TOBi Voice in January 2021, the first voice chatbot in South Africa.



TOBi, our chatbot, conducted **6.1 million** chat sessions with an average containment rate of **74%** and generated revenue of **R5.5 million**.



Predictive analytics generated a total financial impact of **R25.3 million**.



Launched an ultra-high value call centre, offering a private banker-like experience to our high-value customers.



Introduced project Inikezo, a specialised training programme for agents from rural locations.



Vodacom partnered with Discovery to provide COVID-19 screening information to more than **20 million** customers via our digital channels.



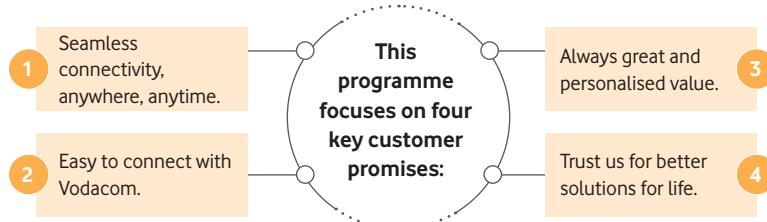
International mobile equipment identifiers blacklisted **increased by 7%**, leading to a 50% decrease in fraud-related enquiries to our customer services department.



Vodacom is the **market leader** in NPS in the **DRC and Tanzania**. In South Africa, Lesotho and Mozambique we are second among our peers.

Our #MomentsThatMatter programme

Our #MomentsThatMatter programme is designed to optimise the customer experience through our end-to-end business improvement model.



1 Seamless connectivity, anywhere, anytime with our best-in-class digital experience

✓ Our digital shopfronts – our website, the MyVodacom app, USSD strings and our retail app – enabled us to provide essential services to our customers throughout the year. Our digital functionality continued to deliver a world-class digital experience through both our online and offline channels. Gartner's IT for Customers yearly report ranked us as the leader in digital channels in South Africa.

✓ Active customers on the MyVodacom app grew by 70% year-on-year to 3.6 million unique users. Revenue generated by the app increased by 70%. Customer frequency also increased to 13 times per customer per month (from seven times per customer in 2020). These improvements are a direct result of the app enhancements we made during the year, including simplifying the customer navigation journey, introducing easy-to-use self-service features and launching our VodaBucks loyalty programme – a digital first. Prepaid customers who use the MyVodacom app increased by 141%, while the number of contract and hybrid customers increased by 16% and 48%, respectively.

Measuring customer experience and delivering leadership on our NPS

We use the NPS to quantify the quality of each customer's experience with our brand compared to competitors. The NPS is based on one question: "Would you recommend Vodacom to a friend, family member or colleague?".

In South Africa, Vodacom's NPS ranked second place in 2021, while we led the market scores in 2020.

Our NPS performance rating

| Country | 2021 | 2020 | 2019 | 2018 |
|--------------|------------|------|------|------|
| South Africa | 2nd | 1st | 1st | 1st |
| Tanzania | 1st | 1st | 1st | 1st |
| DRC | 1st | 1st | 1st | 1st |
| Mozambique | 2nd | 3rd | 2nd | 1st |
| Lesotho | 2nd | 2nd | 1st | 1st |

✓ Our touchpoint (tNPS) reached customer satisfaction highs of 56ppts, and our Android store ratings were a strong 4.4 stars. Our Digital ID and single sign-on functionality enabled customers to register a unified profile across our app and website. The introduction of this functionality also streamlines our fibre customers' experience by enabling them to easily manage their accounts and remain updated on relevant information about new offers and features.



2 Easy to connect with Vodacom

During the year our digital platforms enabled customers to safely access our products and services, despite our retail outlets being closed during the hard lockdown. Mobile digital sales contributions increased by 46% on volume, while revenue contributions increased by 67% year-on-year. Unassisted sales remained a key focus area to ensure customers experience seamless and intuitive journeys 24/7. Key fixed sales and service capabilities were delivered via the MyVodacom app and our online platform to ensure the accessibility of our fibre offering. As a result, our online sales contributed 17% of total fibre sales, with further potential growth. Following this resilient performance from our digital channels throughout the various COVID-19 lockdown levels, we intend to continue accelerating our digital sales and capabilities.

We successfully completed the first phase of our e-commerce platform, enabling customers to purchase a range of consumer electronic products with their credit cards. Guest checkout journeys are also available for non-Vodacom customers who choose to access our technology products and services at competitive prices.

Across our international markets, we continued driving customer engagement through the "lite" version of the MyVodacom app by focusing on improving customer experience, despite device compatibility challenges with lower-end devices in some markets.

RPA was launched in our international markets to enhance back-office automation. This ensured we could handle customer queries more efficiently, and ultimately improve our customer experience. We have rolled-out our RPA use cases in our COPS (finance and tech) departments.

We believe the launch of TOBi Voice, our digital chatbot concierge service, will be a gamechanger for the market and industry because of its ability to handle 6.1 million customer engagements. Chatbots provide customers with instant services available 24/7 and offer them the option to talk to a live agent through smart routing, which uses AI and ML to route a query to the best agent. Chatbots were launched via the MyVodacom app, website and social media platforms in Tanzania, and via social media platforms in Lesotho.

3 Always great and personalised value with our tailored platforms and pricing transformation (South Africa)

We continued to accelerate personalisation and contextual marketing engines to mitigate the impact of our macroeconomic environment. By driving hyper-personalisation, we create value for our consumer and solidify Vodacom as the brand of choice for all consumers and all consumer segments. We achieve this by leveraging our Big Data platform, which generates appealing customer offerings relevant to a specific consumer profile and their geographic area. In doing this, revenue from steered sales increased to 32% of total prepaid revenue, contributing to the 8.5% prepaid growth in the year. Through geographic targeted offers and campaigns, sales revenue from our Just4U Town platform increased by 19% year-on-year, yielding a 6% increase in market share within low-share regions.

Creating great and personalised value with our active days management (South Africa)

To safeguard our existing consumer base in this hyper-competitive market, we continued to ensure our consumers remained active on our network. We used a focused management framework that incorporates extensive personalisation engines, our loyalty programme and targeted segmented campaigns to increase active days. This approach led to a 5.5% increase year-on-year in active days per consumer.

Sustaining great and personalised value with our postpaid base management and churn

New entrants in the fixed connectivity space such as fibre, along with the rapid price reduction in mobile broadband products, drove several changes within the mobile connectivity market. Because of this, as well as increased competitive pressures, we aimed to solidify postpaid consumer retention and base management. Specifically, we focused on favourable proactive upgrades. CVM-steered upgrade volumes increased by over 100% compared with the prior financial year, with an incremental subscription uplift of more than 12% per upgrade. Additional sales also saw a 25% increase in bolt-on bundles and 14% additional lines through the transition from line-based base management to account-based base management.

Several innovative solutions, including COVID-19-related relief plans and special payment holidays, as well as the increased focus from our retentions department, saw a 19% decrease in the number of lines churned year-on-year, with an additional 35% reduction in outflow revenue. The movement to account-based base management has laid the foundation for future convergence and multi-product penetration, which will remain a key focus area for 2022.

4 Trust us for better solutions for life by using our rewards and loyalty programmes

- Our new VodaBucks loyalty programme centres on inclusivity. Since launching in September 2020, the programme has attracted 23.5 million unique customers who earn, bank and spend their VodaBucks via our MyVodacom app. We have given away a retail value of over R6.5 billion in lifestyle rewards to all South Africans platform customers. In addition, one billion VodaBucks was redeemed and 38.3 million personalised goals were completed by our customers since the launch.
- The VodaBucks loyalty platform has over 500 partner networks, enabling us to reward customers with tangible rewards through our loyalty e-commerce store. The ShakeOff2020 summer campaign further increased engagement on the MyVodacom app, with over 50 million daily shakes.
- Our fraud prevention initiatives performed well during the year because we used innovative methods to identify fraud patterns, locate syndicates geographically and successfully block more than 5 400 devices and 110 000 SIM cards.
- The perceived disappearance of data is a significant challenge for Vodacom and one we actively try to address through education and our #Datawyze campaign. We continue to emphasise, educate and empower customers to understand their data settings and usage. While this trend is decreasing, it remains a challenge and continues to be a negative perception driver for customers.
-

Our new VodaBucks loyalty programme is aimed at all South African consumers across the socioeconomic spectrum. In this way, we build customer loyalty by ensuring each consumer has the best possible experience when engaging with our brand.

In the past, we offered consumers a range of loyalty programmes, including our Talking Points and My Contract Rewards. However, it is increasingly important that we drive innovation to differentiate ourselves from our competitors. Our research shows that our competitor loyalty platforms scale successfully; however, they are primarily targeted at higher-income consumers and do not cater to or give value to the mass consumer segment of South Africa. Through VodaBucks, we intend to give tangible value to every South African customer within the entire socioeconomic landscape – regardless of their income status.

CASE STUDY





How customer experience supports the system of advantage

Our system of advantage is underpinned by unparalleled customer experience. We remain focused on delivering engaging customer experiences by accelerating digitalisation and increasing the adoption of our digital channels. By doing this, we simplify and optimise the customer journey, improve our own economies of scale and unify the customer servicing system while ensuring personalisation and differentiation.

Vodacom Vision 2025

We will continue to expand our best customer experience agenda by:

- Using rewards and loyalty as a strategic pillar;
- Steering customers to use digital channels
- through the use of our Big Data and predictive analytics;
- Digitising, optimising and automating the end-to-end customer experience journey using RPA technology; and
- Ensuring that every customer experience is unique and value-adding by deploying RPA and smart-routing technologies in our call centres.

06 Best technology



We aim to be the leading telco in all markets through the best network and IT excellence, with digital at the core.

Capitals impacted:



How the best technology supports our purpose

We invest in the latest technologies and modern digital systems to connect our customers for a better future. Looking beyond pure connectivity, we leverage scaled platforms to drive accessibility and inclusive growth, while our Big Data capabilities help drive intelligent decision-making, solutions and operations. Our IoT technology has contributed to meaningful power consumption savings across our network and will be scaled globally to support energy efficiency.



2021 at a glance

We invested R13.3 billion in infrastructure across the Group, re-investing more than 13.5% of revenue into our network and IT systems to deliver the best experience to our customers. Major network investment programmes included expanding our 4G coverage and increasing network capacity across all our markets. We continued to adopt the latest digital technologies – including AI and IoT – to help reduce costs and increase productivity through smart network planning, deployment and operations. In addition, we continued to increase investment in IT, focusing on enabling faster time to market for our products and services, ensuring availability of our IT systems and improving our digital channels and capabilities. Vodacom has also taken a strategic decision to aggressively pursue network infrastructure sharing across our South African and international markets to ensure effective capital expenditure and avoid duplication of sites, wherever possible.



Established a new sub-Saharan Africa Group technology function.



Our SD-WAN customer base **increased by over 125%**.



Launched South Africa's first mobile 5G network, with 190 sites across the country, as well as our fixed 5G commercial service.



2G coverage remains steady at **99.9%**, with 3G coverage increased to **99.9%** and 4G to **more than 97.3%** of South Africa's population.



Added 192 deep rural network sites, connecting 156 communities previously without any coverage.



In terms of network NPS, Vodacom is the **market leader in the DRC and Tanzania**. We are **second in South Africa, Lesotho and Mozambique**.



3.0% reduction in total GHG emissions.



573 tonnes e-waste recycled.



Over **1 066** tonnes of batteries rejuvenated and re-introduced across our markets.



75% reduction in network waste.



South Africa

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

The allocation of temporary spectrum supported network capacity during the year, while also highlighting the urgent need for allocation of high-demand spectrum (HDS) through the ICASA invitation to apply process. We remain supportive of the HDS auction proceeding as soon as possible. We believe that the allocation of HDS is critical to reducing input costs and, by extension, the cost of data. The assignment of additional spectrum is also vital to expanding broadband services and promoting digital inclusion in South Africa.

We concluded an agreement with Cell C to provide 2G, 3G and 4G roaming services to Cell C's postpaid subscriber base. The subscriber migration process is still ongoing.

Our overall mobile network performance improved through our ongoing efforts to modernise our network to support the latest features and capabilities. This was further driven by expanding our 4G+ footprint, where possible, and our investment in our new 5G network.

We increased the percentage of base stations with self-provided transmission to 97.51%. A total of 48.6% of sites have fibre and 48.9% have self-provided high-capacity microwave transmission.

We accelerated our fibre footprint during the year – expanding to 146 401 homes and businesses – with new capabilities built into our digital channels to place an order, schedule installations and manage services.

We mitigated some of the negative impact on our consumer and enterprise customers by accelerating the installation of new backup batteries and standby power solutions, and implementing high-security shelters to reduce battery theft and damage. The network availability improvement plan accelerated battery deployment to our base stations and we reached 10 025 sites, as well as 818 first-priority enterprise business unit sites. We installed over 38 000 new lithium-ion batteries and improved security measures at more than 10 025 sites in the network. More broadly, Vodacom has a comprehensive technology resilience programme in place to ensure that critical infrastructure and services are resilient through design.

R10.1 billion capital investment in network infrastructure



55.6% traffic growth in the year

Reducing our environmental impact and delivering technology efficiencies

We saved close to R700 million in operational expenditure through our technology efficiency programme, which focuses on reducing energy consumption, sourcing alternative renewable energy solutions, optimising site lease and rental renegotiations, increasing network infrastructure sharing and implementing competitive procurement practices.

By building our extensive transmission network building and operating costs are reduced through co-build and swap agreements with third parties, reusing equipment swapped out during upgrades and negotiating more favourable equipment, maintenance and lease pricing.

Through Vodacom's Raptor project, we leverage IoT technology to remotely monitor and manage energy consumption and other parameters. This contributed to between 10% and 20% run-time reduction in air-conditioning in our base station containers. We rolled out this technology to more than half of our South African base stations and will continue with the project during 2021. We are also extending the project to our international markets, starting with Vodacom Mozambique.

Addressing cyber threats to maintain customer security and privacy

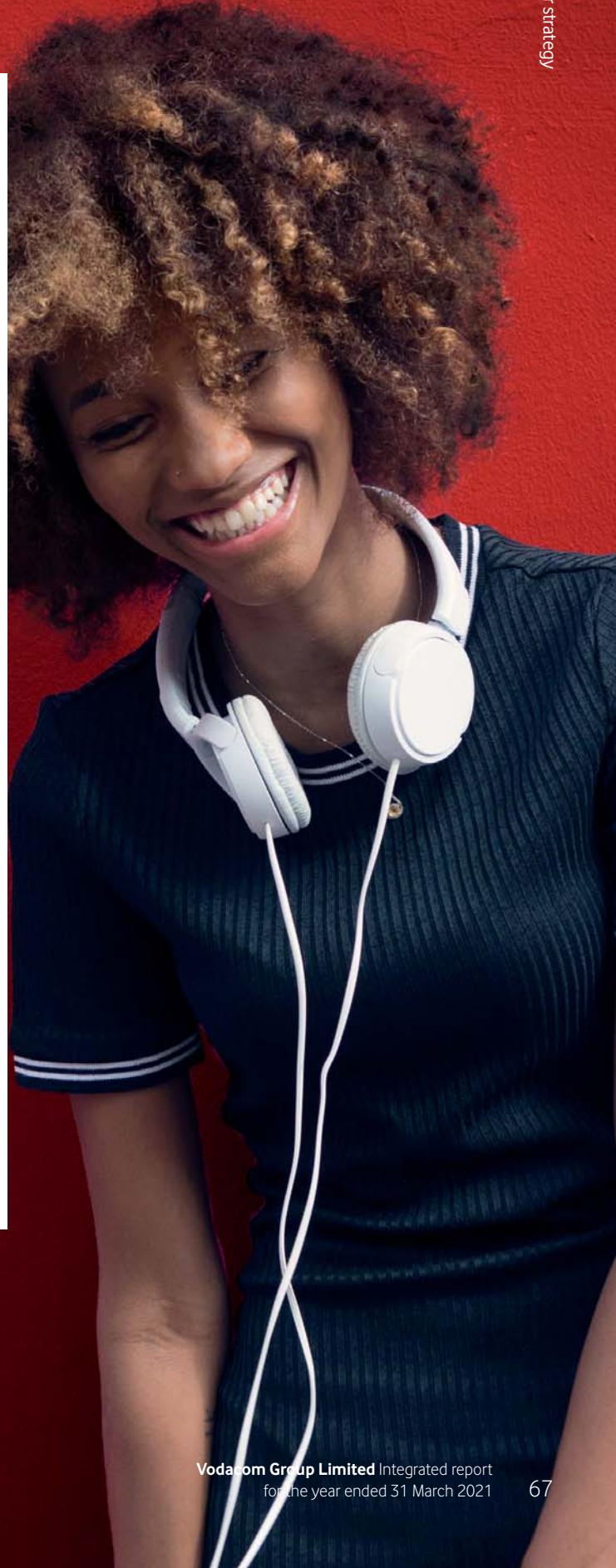
Vodacom continues to mature our extensive set of cyber security controls and mechanisms across our markets, with continuous status reviews regarding the adequacy and coverage. Close collaboration between our markets in Africa and Vodafone ensure alignment. These baseline controls ensure that our cyber security posture is enhanced and retained.

To secure our customers' personal information, as well as Vodacom proprietary data, we have several security measures in place, including data loss or leak prevention, data obfuscation and enhanced data encryption. We adhere to local and global protection of personal privacy legislation and have multiple security operation centres and a cyber intelligence centre that monitor potential security breaches 24/7. Vodacom has multiple machine learning solutions across our technology endpoints, which continuously monitor threats and anomalies and automate incident response activities.

We regularly evaluate our third-party supplier and vendor security to ensure their security measures align with Vodacom's and Vodafone's established standards.

Extending our capabilities in modern digital IT

-  We entrenched Agile and DevOps practices into our way of working, focusing on faster time to market, improved customer experience and greater stability.
-  Our cloud journey remains key to our strategy, delivering cost savings and increased efficiencies. We moved selected analytical workloads into the public cloud, enabling delivery of analytics at scale to steer investments into beneficial channels, price plans and devices. At the end of the first year of our AWS cloud programme we created more than 180 AWS workloads, of which over half were cloud-native workloads.
-  By using Big Data and ML in our operational areas, we improved our investments, especially in identifying new network sites and offering ongoing targeted campaigns to meet our customers' needs.
-  Based on the principle "build once and reuse many times", we deployed an analytical engine that only required configuration for our Shake-Up Summer or ShakeOff2020 Summer campaign. The same capability will be deployed in our African markets to accelerate analytics.
-  TOBi, our chatbot, uses the latest AI technology to provide customers with a conversational experience that can solve queries without human interaction via SMS, WhatsApp, the Vodacom website and the MyVodacom app. TOBi handled up to 20 000 chats per day and over six million interactions during the year, in total. We were one of the first markets in the Vodafone Group to launch a chatbot via interactive voice response, called TOBi Voice, offering assistance to prepaid customers.
-  Vodacom maintained its lead in the IT for Customers independent benchmark exercise conducted by Gartner, which compares IT capabilities across large mobile operators in South Africa. Vodacom increased its lead by more than 100 points and showed significant improvement in the retail channel.
-  To ensure we have the right digital skills, we employed and insourced software engineers while also increasing our focus on training and certifying our technology employees. We insourced an additional 60 software engineers, including 19 candidates from our graduate programme, in the year.





06 Best technology continued

Growing our enterprise technology capabilities and services

Vodacom Business has become an AWS Outpost, a fully managed service that extends AWS infrastructure, services, application programming interfaces (APIs) and tools to virtually any data centre or co-location space. More than 80% of our enterprise customers choose a hybrid cloud technology strategy using multi-cloud deployment models for scalability and flexibility in their workloads. Our small and large business clients benefit from a legacy in providing data centre-managed services by Vodacom and AWS.

We use Big Data analytics to evaluate all new opportunities in the roll-out of FTTx to ensure high uptake and return on investment.

Our partnership with Microsoft and the Department of Education enabled remote learning through our range of connected education solutions and affordable subsidised data.

We remained focused on IoT solutions, including smart water meters for municipalities, smart asset management, enterprise applications (such as queue management and learner admissions systems), fleet management, access control and mission-critical communications.

We launched a mobile private network proof of value (PoV) with a client in the mining sector. We are also running a PoV for our connected worker solution with our subsidiary IoT.nxt for a client in the chemical and energy sectors.

Vodacom is the first telco in Africa to attain MEF 3.0 SD-WAN certification. This enables service and technology providers to validate that their SD-WAN services and products conform to the recently published SD-WAN service attributes and services (MEF 70) standard. This is a valuable reference for our customers in a fast-growing market, with SD-WAN offered by many providers. Only eight companies in the world have been certified.

International

Expanded our best gigabit networks

We expanded our network coverage in our international markets. We now have 8 294 2G sites, 6 497 3G sites and 3 744 4G sites across Tanzania, Mozambique, the DRC and Lesotho. We accelerated 4G roll-out by approximately 40%.

We are engaging with the regulators in Mozambique, Tanzania and the DRC regarding 5G spectrum. Meanwhile, the international markets are proactively implementing their 5G readiness plans.

In the DRC and Lesotho, power failures impacted Vodacom's network availability.

In Mozambique, two consecutive cyclones severely impacted network availability. Furthermore, ongoing political instability in the country's Cabo Delgado province impacted planned network maintenance, with security concerns restricting access to infrastructure.

We continued to expand our FTTx footprint across our international markets through partnerships. In Kinshasa and other major towns in the DRC, the FTTx cobuild wholesale capacity with Liquid.

Vodacom DRC concluded a roaming agreement with Orange.

In the DRC and Mozambique, we are trialling alternative network technologies such as the open radio access network to define and build 2G, 3G, 4G and 5G solutions based on general-purpose, vendor-neutral hardware and software-defined technology.

We onboarded Lesotho and Mozambique onto the Africa Network Operations Centre shared service, consolidating network operations within the Group across Africa to gain shared services benefits. It focuses on customer-centricity and efficiency in our operations, as well as better network and service quality. We will onboard additional markets during the new financial year.

We continued to activate additional submarine cable capacity to meet the increased demand for data and internet across our markets. We also improved network resilience by improving connectivity to data centres and points of presence. We partnered with several global players as part of the 2Africa project – one of the world's largest subsea cable projects that will connect Europe and the Middle East with 21 landings in 16 countries across Africa. The project will go live in 2023/2024.

Strengthening our digital IT capabilities

We implemented agile and scaled agile framework (SAFe) practices across our markets to ensure customer-focused delivery. SAFe is the world's leading framework for scaling agile across the enterprise and is designed to help businesses continuously deliver value.

Our international markets embarked on a cloud transformation journey in line with Vodafone's strategy. We focused on building foundational capabilities and skills during the year, with Vodacom South Africa providing guidance.

Across the markets, over 60 processes were automated in the past year, saving over 50 000 person-hours.



Shared capabilities and platforms

We are rolling out IT shared services across our markets to optimise cost, operational efficiency and speed to market, and increase revenue. We are currently standardising on shared platforms, infrastructure and processes.

We launched a new programme, called Ubuntu, as a platform-driven approach based on a common digital experience layer that will manage the user experience across channels, devices and touch points throughout the customer journey and across markets. The first project is to roll out the MyVodacom app across markets with pre-identified standardised customer journeys.

Leveraging off the existing lifestyle platforms we offer in South Africa, we launched our digital services offering, comprising video, gaming and music. We plan to include lifestyle platforms across our markets in future, leveraging centralised skills and standardised platforms.

Unfortunately, during the year, our Project Loon collaboration with Alphabet, the parent company of Google, was discontinued. This project comprised a fleet of balloons to provide internet services to remote regions in East Africa, and we piloted this service in Mozambique. We remain committed to the acceleration of rural coverage, and continue to explore alternate options.

Financial platforms updated (M-Pesa and Alipay)

Leveraging our landmark agreement with Alipay, we intend to launch our lifestyle super-app VodaPay in the coming financial year. Also, we invested into our M-Pesa platform, where through our strategic M-Pesa Africa hub we are scaling our consumer and merchant solutions. As we enrich our skill set to drive our techco strategic journey, we accelerated the hiring of 60 software engineers in the year.

The launch of the credit management system in Mozambique and Tanzania enabled multiple financial service providers to launch credit products for our consumer and merchant base. The first banks are live in beta in both markets.

The development and integration of the open API platform in Ghana and Tanzania enabled domestic and international merchants to integrate and accept payments with little support. Features include collections, reversals, foreign settlement, hosted checkout and Azure ML log files.

The consumer smartphone app was rolled out in Tanzania and Mozambique and launched in beta in the DRC, adding a new user experience, size and start-up optimisation. The new user interface UX and service builder allows markets to develop apps for local partners. It has reduced app start-up time to three seconds, improved app ratings by 4.2 and attracted almost 40 000 additional customers in one month. We added three new mini app services.

Our anti-money laundering programme is live in all markets.

How the best technology supports the system of advantage

Our ultimate ambition is to connect our customers for a better future. We invest significantly in the latest gigabit network technology and digital IT systems, while also expanding our network coverage across our markets and driving our rural coverage acceleration programme to promote digital inclusion in communities. We aim to build an open ecosystem to ensure we create a futureproof, flexible modern digital IT architecture for a superior customer experience, enabling exponential growth through scalable platform ecosystems. Vodacom is proud to be pioneering low-cost network technology on the continent through various partnerships – such as AST SpaceMobile and 2Africa – to connect more people in an increasingly digital world.



Vodacom
Vision
2025

Vodacom's new technology 2025 strategy looks beyond pure connectivity by leveraging scaled platforms to drive revenue growth. To deliver on this ambition, we are:

- Building new capabilities and developing new skills through insourcing and reskilling;
- Enabling 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 AI;
- Developing new capabilities across our network and IT platforms, including increased accessibility to Big Data and ML capabilities;
- Embedding security and privacy in our projects, products and services throughout their life cycle;
- Increasing the speed of delivery and leveraging economies of scale to reduce our cost of delivery; and
- Evolving our financial services platforms through the introduction of the Alipay platform into South Africa and the evolution of the M-Pesa platform to M-Pesa 2.0 targeted at both consumers and merchants.

07 Digital organisation and culture



We build an organisation of the future, where digital is first and underpinned by innovation, agility and new skills.

Capitals impacted:

- Human capital
- Social and relationship capital
- Intellectual capital

How a digital organisation and culture support our purpose

To enable a digitally connected society, we rely on our skilled and capable employees who embrace our corporate culture, adopt our values and enable us to live our purpose daily. We foster a digitally agile, inclusive and mindful organisational culture – the Spirit of Vodacom – which we reinforce through employee engagements and by embracing inclusivity in our workplace and community.

Employee Spirit Beat surveys

CASE STUDY

As a key performance measure of our digital organisation and culture strategic pillar, we launched the Team Spirit Beat Survey in May 2020 to ensure that our employees are heard and that we take appropriate action to make the improvements they need. Overall sentiment about life during the COVID-19 pandemic was:

- Remote working remains a positive theme, with many people saying that they are trying to maintain a positive work-life balance, feeling grateful that they do not need to commute, and that they have more time to manage caring responsibilities and spending time with loved ones.
- Alongside the benefits of remote working, a strong theme that emerged from the results was the need to manage meetings, workload

and working hours. Support is needed to find balance and maintain good physical and mental well-being – this includes the right equipment such as chairs, data, uninterrupted power supply, laptops and other tools.

There is general excitement about the future while teams improve communication and build trust among members.

Employee engagement

May 2020:
79%

January 2021:
77%

Top three positive themes that emerged

- Pride in working for Vodacom.
- Appreciative of action taken by leadership.
- Satisfaction of working from home and staying safe.

Top three areas that required improvement:

- Meetings and work prioritisation.
- Tools – better connectivity.
- Stress and burn-out.

2021 at a glance

COVID-19 expedited digital transformation due to our business continuity and sustainability needs during lockdown. Through our digital engagement platform, we were able to ensure employee productivity, increase employee collaboration and enhance employee wellness.



In South Africa, we invested **R324 million** in skills development for black employees, with **R141 million invested** in black female employees and **R18 million invested** in black youth with disabilities.



In South Africa, Black employee representation comprises **77.1%** of our workforce, with **62% at senior management level** and **66.7% at executive committee level**.



#1MoreSkill programme launched across all our markets in Africa, to support employee skills development and upskill employees across the business.



5 000 employees participated in the **agile programme** – resulting in **64 535 online courses completed** via Vodafone University.



A Team Spirit index score of **75%** was achieved.



An employee engagement index of **77%** was achieved.

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

 We launched our **#1MoreSkill** programme in September 2020 to support skills development and upskill employees across the business. By encouraging employee skills development, we can encourage employees to seize opportunities to transition into new targeted roles, thereby ensuring that Vodacom's employees have the requisite skills in an ever-changing world.

 More than 5 000 employees participated in **agile programmes**, which equip them with working techniques via an instructor-led classroom/virtual classroom. To date, 476 employees have completed one or more of the following programmes: agile fundamentals, agile bootcamp, product owner, release train engineer and scrum master. This equates to a total of 5 944 hours of formal training.

 **Vodafone University** offers our permanent employees access to online learning opportunities across multiple training platforms such as LinkedIn Learning, O'Reilly, Udemy, Coursera and UiPath. During the financial year, 64 535 online courses were completed – with each employee completing at least one course at a reach of 96%. Employees completed 28 600 online training programmes this year, equal to 114 431 hours.

 In 2020, we launched **Project Renaissance** to drive a targeted transformational focus through a dedicated Group structure. This enabled the introduction of new leadership capabilities for Vodacom South Africa and the Group. We aim to be a strong pan-African player by introducing a central Group function that enables sharing opportunities, thereby embedding a growth and innovation framework that has the potential to create new revenue streams and offer other benefits for the business. Our Group CEO drives this opportunity and has end-to-end responsibility for the African continent.

Fostering workplace inclusivity and diversity

 Driving an **inclusive employee culture**, which fosters tolerance and embraces diversity, is a key component of our human capital strategy. We ensure that different viewpoints, backgrounds, ethnicity, ages and genders are respected and included. Vodacom has instituted multiple diversity and inclusion initiatives and forums, such as the Disability Forum, LGBTQ+ Network, National Consultative Committee, the Women's Network Forum and the Youth Exco, among others.

 Our **new parental leave policy** positions us as a top employer, which underlines our commitment to diversity and gender equality. This policy ensures that all employees – from partners giving birth, adopting a child or becoming a parent through surrogacy – can enjoy four months of paid parental leave. This gives employees more time with their families when welcoming new children and shows how our **inclusion for all** philosophy comes to life. The policy was launched on 1 September 2020 in all markets we operate in, and, since then, 72 employees have enjoyed this benefit across our footprint.

 We review our internal pay ranges annually and consistently apply them throughout the organisation. All operating companies in Vodacom are required to conduct an annual fair-pay analysis to ensure they are committed to fair pay and responsible remuneration across all employee levels.

 Offering **training to develop ICT skills among unemployed youth in South Africa** is a key opportunity for Vodacom to give back to our communities. We invested R30 million in training 117 Vodacom interns and 81 learners, of which 71 are youth with disabilities. These young people receive ICT-related training courses, and selected learners were transitioned into an entrepreneurship programme while others were offered permanent positions, both within Vodacom and outside the organisation.

 We continued our **job shadow programme** to support high school pupils' science, technology, economics and maths programmes. Our job shadow programme is incorporated as part of their Life Orientation curriculum. Due to COVID-19, pupils connected with and shadowed their identified mentors virtually. Each identified mentor is a graduate alumnus involved in different Vodacom business units. Altogether 15 job shadow roles were available this financial year, increasing from seven in the previous financial year.

 The **WeThinkCode programme** trains Africa's top tech talent and drives the digitisation of African businesses. Talented youth are recruited and moulded into exceptional software engineers. Vodacom is proud of its collaboration with the WeThinkCode programme and has invested R2 million to sponsor 20 students to complete their NQF 5 programme.

 To promote diversity and inclusion, we create forums that consider various employee views, ideas and perspectives to help inform our decision-making process. **Our youth council (Youth Exco) forum** was created to assist the business to evolve and understand the digital needs of an increasingly younger target market. Millennials approach the technology industry unconventionally, and we view their unconventional approach as a business opportunity.

 Our flagship **female leadership programme in South Africa** seeks out high-potential black females with deep commercial, technological and digital experience for strategic roles in our future talent pipeline. The programme seeks out internal opportunities to advance black women into leadership roles within the business. Achieving our goal tackles the national skills development and the emancipation of black women in the technology industry.

Providing a differentiated employee experience

We prioritised employee wellness throughout the COVID-19 pandemic by intensifying employee support and engagement activities. We hosted 30 virtual fireside chats with our Group CEO and Exco, which were designed to keep staff updated on COVID-19 developments and critical business announcements, as well as question and answer sessions with business leaders. On average, 3 000 employees attended each of these sessions.

Employee Douw Briel was hospitalised, and placed in a medically induced coma after testing positive for COVID-19 in January 2021. The Vodacom health and well-being team, managed by Gerda Holmes, offered care and assistance to Douw's wife and family while he was hospitalised and recovering.

Douw said, "I was overwhelmed by the support, care, love and attention my family received from the Vodacom wellness team while I was in hospital. Gerda went out of her way to ensure that my family received support from the Vodacom Employee Assistance Programme. During this time, Gerda personally contacted my wife for regular check-ins to offer support and advice. I am extremely grateful and proud to be associated with an employer who goes the extra mile for its employees."

CASE STUDY

We set aside over R2 million from our Disaster Fund to assist more than 170 permanent South African employees financially impacted by COVID-19. Eligible employees may have experienced a loss or reduced household income resulting in their inability to meet their financial obligations, COVID-19 related medical expenses not covered by their medical aid, or the tragic death of a family member.

We offered employees the opportunity to contribute to the Solidarity Fund and other charities and non-profit organisations (NPOs) via our payroll platform. Money was donated from their monthly salaries to various causes. Vodacom matched all donations by 50%, thereby making it easier for our business and employees to give back together. This is an excellent example of how Vodacom demonstrated our Spirit pillar, "getting it done, together".

During 2021, Vodacom was recognised as a Top Employer in all our operating markets. Vodafone was similarly recognised in Egypt and Ghana. In addition, the Vodacom Group earned third place in the Top Employer Africa category. This certification recognises our efforts to create a nurturing environment where employees can thrive, and enables us to reflect on our progress to become an employer of choice. It is also a reflection of our continued commitment to improving people efficiencies and driving employee experience excellence.

To embed the Spirit of Vodacom across the business, we aligned our rewards programme, **Vodacom Star Awards**, with our strategic culture pillars. During the financial year, over 1 500 employees received a Star Cash Award, with more than 3 200 employees nominated for a thank-you award. We use our rewards programme and organisational culture to encourage employees to demonstrate our **Spirit behaviours** in their daily work activities – thereby ensuring that employees deliver the desired results for our business.

As we navigate the pandemic, we hope to keep employees engaged and boost staff morale by creating a fun organisational culture. We launched **our SPIRIT of FUN campaign**, which included virtual activities such as a comedy show, a virtual employee party and a virtual pop quiz.

During the year, we accelerated our digital transformation journey and unlocked new opportunities. Our **Vodacom Engage app** is a mobile employee engagement platform we used extensively throughout the pandemic. Ultimately, it has evolved into the primary communication gateway for the business, offering users a seamless and connected experience. We used the Engage app's self-assessment functionality to aid the issuance of movement permits to critical employees during the hard lockdown, as well as to offer employees working from home a 24/7 well-being support tool.



Our safety and wellness performance



Tragically, Vodacom reported one fatality in Mozambique during the year, when a cyclist passed away in hospital after colliding with a Vodacom contractor on his way to conduct maintenance in the northern region of the country. Vodacom has investigated all incidents and, to mitigate against any future occurrence, will align and enhance driver behaviour monitoring systems with various interventions. Road risks remain our principal risk – especially for contractors, who accounted for 72% of the road incidents reported during the year, up from 62% in 2020. Furthermore, we noted that contractors account for 75% of all reported incidents. During the year, vehicle incidents represented 54% of all safety incidents (2020: 46%), followed by electrical fires (9%) and criminal activity (5%). These incidents are known as high-potential incidents and comprise 82% of our total incidents. South Africa is accountable for 88% of all safety incidents (2020: 76%).



We remain committed to providing a healthy work environment. We achieve this by implementing initiatives that promote both physical and mental health, as well as employee well-being. The ICAS well-being programme was integrated into our business in January 2018. Since its integration, 110 well-being ambassadors have been trained and serve as well-being ambassadors.



We introduced a COVID-19 special leave policy for South African employees on 1 February 2021. The goal of this policy is to support employees impacted by the virus through two types of leave – special illness leave that enables employees who have been booked off or hospitalised to take the necessary time to recover without depleting their standard sick leave benefit, as well as special family responsibility leave that enables employees to take additional time off to attend funerals or care for immediate and extended family members who are ill as a result of COVID-19. This leave supplements the standard family responsibility leave already allocated to employees, and may only be utilised once the standard family responsibility leave has been depleted.

How a digital organisation and culture supports the system of advantage

We are a purpose-led business that fosters an innovative and agile employee culture, which we call the Spirit of Vodacom. By embedding this culture throughout the business, we prioritise high-performance, customer-focused and respectful behaviours from our employees. We also value inclusivity, diversity and employee engagement, because engaged staff feel understood, heard and appreciated. This, in turn, is reflected in their behaviours and enables employees to succeed and thrive – thereby creating value for our stakeholders and ensuring our sustainability.



Vodacom
Vision
2025

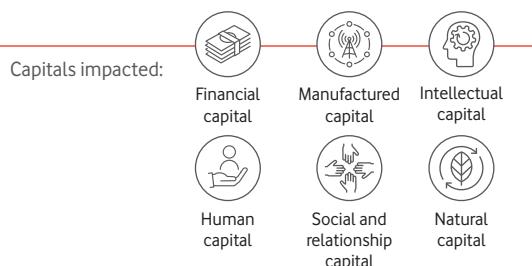
We continue to expand our digital organisation and culture agenda by:

- Embedding a culture of inclusivity by promoting our commitment to workforce diversity and localisation;
- Promoting skills development and youth empowerment;
- Building the coaching capabilities of our leaders;
- Driving the digital transformation agenda by embedding agile structures and RPA;
- Differentiating the work environment through positive employee engagement;
- Ensuring the physical and mental well-being of our employees;
- Identifying requisite future skills and aligning our graduate and bursary programme to attract these skills; and
- Having a female empowerment programme, where we identify high performing black females in the market to develop future skills and leadership in these candidates through a training programme, from which we then recruit.

08 Our brand and reputation



We aspire to be a purpose-led organisation, connecting for a better future by enabling a digital society, inclusive for all, with the least environmental impact.



How segmented propositions support our purpose

We aspire to be a brand that our customers love by earning their trust and providing positive experiences. Our brand value and reputation are embedded in everything we do to ensure our customers identify with our strategy and purpose.

As a sector and as a company we recognise that we cannot always meet the expectations of our customers, regulators and the general public. We are aware that we need to continuously earn the trust of customers and stakeholders.

Furthermore, guided by our Social Contract, we support our customers and operate an ethical business that maintains trust with our diverse stakeholders.



2021 at a glance

During the year, Vodacom was rated South Africa's strongest brand by Brand Finance, a global brand valuation consultancy. This accolade is even more significant in a year when the role of our company as a connectivity enabler of socially distanced families, learners, communities and businesses became paramount during the COVID-19 pandemic.

The year's anchor purpose campaign, Everyone.Connected, was a rallying call for Vodacom employees and partners. It was also our commitment to South Africa that Vodacom would stop at nothing until everyone was connected to the abundant potential of a digital society. We thrive on ensuring access to all critical services from education to health, the fight against GBV, empowerment of small businesses, financial inclusion and more. The campaign invited South Africans to explore the many ways Vodacom is working towards connecting this digital society.



Brand leadership position –
1st in South Africa.



Reputation survey –
1st in all markets.



In ESG, Sustainalytics ranked Vodacom second out of almost 200 companies in its Telecommunications Service industry grouping and the top 5% of its Global Universe of 13 000 companies.



We maintained our **AAA-rating** from MSCI, which is the highest ESG rating.



We established an ESG steering committee consisting of key executives to drive our sustainability strategy across our markets.

Maintaining a strong reputation

We track Vodacom's brand awareness and reputation, as well as the levels of trust from our stakeholders, through various methods. We measure the quality of our customers' experiences through the tNPS. We also commission an independent research company to conduct an annual reputation survey across our markets to measure how stakeholders perceive our performance against our competitors and non-telcos. The reputation index is measured against five metrics, which provide deeper insights into our reputation performance: overall impression, overall trust, favourability, quality of products and services, and economic or financial success.

The most recent survey conducted found that Vodacom continues to be a reputational leader in the telco sector, with stakeholders rating us higher than our competitors – which is comparable with non-telco benchmark brands. According to the survey, three of our five markets perform above the global telecommunications index average of 69, and we are in the top 33 percentile of mobile services globally.

| Our reputation index performance in 2021 ¹ | Relative to competitors |
|---|-------------------------|
| South Africa | 87.5 |
| Tanzania | 92.7 |
| DRC | 85.6 |
| Mozambique | 62.4 |
| Lesotho | 65.1 |

1. Index score is based on a scale of -50 to 150.

The survey and regular engagements provide deeper insights into the hot topics our stakeholders are concerned about. We regularly engage with stakeholders to ascertain their interests and implement various initiatives aimed at building mutual trust.

We are also proud that Vodacom was ranked first by companies and NPOs for having the most significant developmental impact within South Africa, according to Trialogue's corporate development impact 2020 rating. It was the fourth consecutive year that Vodacom was ranked first by companies and the first time we received this ranking from NPOs, which ranked us third in the past three years. This further signals the brand's commitment to its Social Contract to create a more inclusive digital society.

Our NPS performance rating

| Country | 2021 | 2020 | 2019 | 2018 |
|--------------|------|------|------|------|
| South Africa | 2nd | 1st | 1st | 1st |
| Tanzania | 1st | 1st | 1st | 1st |
| DRC | 1st | 1st | 1st | 1st |
| Mozambique | 2nd | 3rd | 2nd | 1st |
| Lesotho | 2nd | 2nd | 1st | 1st |

In South Africa, our touchpoint NPS reached customer satisfaction highs of 56ppts, and our Android store ratings were a strong 4.4 stars. Our Digital ID and single sign-on functionality enabled customers to register a unified profile across our app and website. The introduction of this functionality also streamlines our fibre customers' experience by enabling them to easily manage their accounts and remain updated on relevant information about new offers and features.

Nevertheless, the ultimate measure of customer satisfaction in our retail environment, the NPS, improved through incremental meaningful changes within our stores. Our detractor and first-time fix (FTF) scores also improved.

 tNPS improved by 56ppts

to **68.2ppts**

 Detractor score improved by 2ppts

to **10.7 ppts**

 FTF improved by 2ppts

to **86.4ppts**

Delivering on our purpose and Social Contract

Vodacom fundamentally believes that technology can improve lives. This positioning empowers us to realise our purpose to connect for a better future and enable an inclusive and sustainable digital society. Our brand position is inspired by insights that reveal the role of technology in profoundly transforming people's lives. Research findings have identified how technology has evolved from something that simply excites people on a personal level into a tool that can be used to play a more meaningful part in the world at large. Technology is particularly able to make a difference in education, gender empowerment and sustainability.

At the centre of our strategy is Vodacom's Social Contract, which emphasises partnerships and good relationships with our stakeholders – based on trust, fairness and leadership. Our Social Contract also served as the foundation of our COVID-19 response strategy, helping us build our reputation and deliver our promises to our stakeholders. Our COVID-19 interventions delivered significant levels of success with respect to our reputation, which strengthened our resolve to deliver on our Social Contract in the middle of the crisis. An independent study rated Vodacom among the top 10 South African brands consumers perceived as leading the field in protecting them and making a positive impact during the COVID-19 lockdown. We continue to strengthen our reputation by securing the trust of our stakeholders and ensuring that our ongoing COVID-19 efforts leverage our network, digital platforms and data analytics capabilities to deliver economic value for society, government and business.

 For more information on our Social Contract, refer to our 2021 LC sustainability report.



Our sustainability business strategy, spearheaded by our Environmental, Social and Governance Committee, helps us to deliver on our ambition to provide affordable access to the internet for the next 100 million lives in our market and halve our environmental impact by 2025 across three pillars:



To this end, Vodacom continues to support the UN SDGs, focusing on goals that are most aligned to our core business.

Digital society

Our approach to closing the digital divide is categorised into three focus areas: providing mobile and fixed services that are affordable and accessible to everyone, providing inclusive coverage, and enhancing the digital knowledge and readiness of those currently not using mobile internet.



Internet for all

- Vodacom has 2 788 (2020: 2 592) rural network sites in South Africa.
- Across our Vodacom international markets, we deployed 262 2G sites, 322 3G sites and over 1 072 4G sites in the current year. We accelerated 4G roll-out by approximatively 40%.
- In South Africa 99.9% of the population is covered by the 3G network.
- About 15.5 million people accessed the ConnectU platform in South Africa, which included free access to Facebook Flex.



Digital platforms transforming lives

- There are 5 935 SVS service points.
- The mVacciNation solution supported the administration of vaccinations in South Africa.
- More than 90 600 farmers (76% female) use Connected Farmer in the DRC.
- There are 87 677 active users of citizen engagement platforms.
- More than 5.6 million IoT connections have been made.

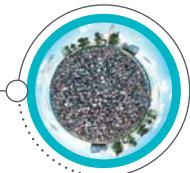


Financial inclusion

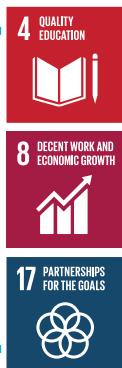
- We have 57.7 million financial services customers, of whom 44.5 million are M-Pesa customers and 13.2 million are financial services customers in South Africa.
- Across our M-Pesa platform we processed more than US\$24.5 billion in transactions a month in the last quarter of the financial year.
- More than 10.8 million customers use Airtime Advance to the value of R12 billion in South Africa.
- VodaLend granted funding of R74 million to more than 330 individual SMEs.
- VodaPay POS devices have processed R92 million in transactional value on a monthly basis, and 5 000 merchants have already applied.
- Our nano-lending solutions Fuliza and Songesha granted US\$3.3 billion of loans in the year. Credit risk on these products is carried by partner banks.



Inclusion for all



Vodacom believes that opportunities and the promise of a better digital future should be accessible to all. Through our technology, we will help bridge the digital divides that exist in our societies. Our digital inclusion approach provides solutions that connect women and youth, and promotes education, health and wellness while preparing the next generation for a digital society. These solutions are supported by the Vodacom Foundation with an investment of R173 million in corporate social investment projects across our markets.



Poverty alleviation through education

- There are 1.25 million registered Vodacom e-School users in South Africa.
- There are 150 000 and 113 840 registered Instant School users in Tanzania and the DRC, respectively.
- About 305 700 teachers trained in 92 teacher centres.

Gender empowerment

- Code like a Girl trained 1 672 young girls across the Group.
- Healthy Pregnancy Healthy Baby has 1.3 million users, while M-Mama Emergency Transportation assisted 11 330 women in Tanzania.
- There are 1.9 million Mum & Baby users.
- As part of our focus on preventing Gender Based Violence (GBV), the Vodacom Foundation launched the zero-rated Bright Sky SA, an education and resource mobile app. This launch formed part of our core capability of using technology to respond to societal challenges. We also invested R4.5 million in digital skills training for GBV survivors in South Africa.

Planet



Vodacom believes that opportunities and the promise of a better digital future should be accessible to all. Through our technology, we will help bridge the digital divides that exist in our societies. Our digital inclusion approach provides solutions that connect women and youth, and promotes education, health and wellness while preparing the next generation for a digital society. These solutions are supported by the Vodacom Foundation with an investment of R173 million in CSI projects across our markets.



Energy and climate change

- Total energy costs saved the sum of R16 million.
- GHG emission reductions came to 12 272 metric tonnes of carbon dioxide equivalent (mtCO₂) (additional GHG emissions were avoided with energy efficiency investments).
- Total electricity saved was 11 971 megawatt hours (MWh).
- Over 1 088 solar-powered sites exist across our markets.
- Renewable energy, procured through renewable independent power producers (IPP) covers 36 base station sites in South Africa.
- Electricity amounting to 52 035 megawatt hours (MWh) was saved.
- Fuel consumption (petrol and diesel) is 20 million litres.

Waste reduction and the circular economy

- A whopping 1 066 tonnes of e-waste were recycled, and over 1 066 tonnes of batteries rejuvenated and re-introduced across our markets.
- More than 6 500 phones were identified for responsible recycling in South Africa.
- Network waste was reduced by 75%.
- Food waste weighing 104 997kg was diverted from landfill by composting, a 20% reduction in the year.
- 5 316kg of plastic recycled, 23 179kg of general office waste (cardboard and paper) recycled, 161kg of food packaging recycled and 407kg of polyconibre cups recycled.
- More than 430kg of fluorescents were diverted from landfills.

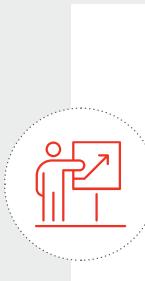
Water-wise products and practices



- Total water consumption has decreased by 43%, largely due to low occupancy in office buildings.

B-BBEE results for Vodacom Group

In a move that positively deepens Vodacom's transformational role in South Africa and demonstrates our commitment to the ideals of B-BBEE, Vodacom Group Limited (including all South African subsidiaries) achieved the highest B-BBEE contributor status of Level 1 for the second consecutive year. Vodacom's Level 1 B-BBEE status is a clear demonstration of our unwavering commitment, especially related to the rebuilding of our economy post-COVID-19. In addition to retaining our Level 1 status, the Group also saw an impressive increase in total points to 123.40 (2020: 120.84 points).

|  | Level 1 | Level 1 | Level 2 | Level 3 |
|---|---|--|---|---|
| Nexio (Pty) Limited retained level 1 status for 4 years. |  | Vodacom South Africa (including Financial services subsidiaries and Mezzanine Ware (RF) retained level 1 status for 3 years. |  | X-Link (Pty) Limited dropped from level 1 status. |
| | | |  | IoT.nxt (Pty) Limited, up from level 4 status in the previous year. |
| | | | | |

In addition, VBA and its subsidiary, GS Telecoms (Pty) Limited were consolidated under Vodacom Group.

Given the challenges of COVID-19 during the past financial year, the Group improved significantly across all elements except for a slight drop in points for enterprise and supplier development. This drop was as a result of Vodacom South Africa exceeding its projected net profit after tax (NPAT) for the year.

| Scoring element | Target points | Achieved points 2021 | Achieved points 2020 | Achieved points 2019 |
|-------------------------------------|---------------|----------------------|----------------------|----------------------|
| Ownership | 25 | 23.23 | 22.75 | 21.33 |
| Management control | 23 | 18.23 | 15.90 | 17.39 |
| Board representation | 8 | 6.83 | 4.67 | 5.83 |
| Top management representation | 5 | 4.90 | 4.82 | 5.00 |
| Employment equity | 10 | 6.50 | 6.41 | 6.56 |
| Skills development | 20 | 21.97 | 20.90 | 23.32 |
| Enterprise and supplier development | 50 | 47.98 | 49.29 | 43.65 |
| Procurement | 25 | 22.05 | 21.29 | 19.54 |
| Supplier development | 10 | 8.93 | 11.00 | 7.11 |
| Enterprise development | 15 | 17.00 | 17.00 | 17.00 |
| Socioeconomic development | 12 | 12.00 | 12.00 | 12.00 |
| Total | 130 | 123.41 | 120.84 | 117.69 |

Ownership

Vodacom's increased in ownership percentage, calculated using the normal flow-through principle, increased from 30.71% to 32.35%. This resulted in an increase of 0.84 points from 22.75 to 23.23 points. Net asset value points also increased from 5.75 to 6.23 out of eight points.

Management control

This element achieved an increase of 2.33 points from 15.9 points to 18.23 points, resulting from increased black female representation on the Board, improvement in black representation on Exco and an increase in black female representation against all occupational levels. Vodacom South Africa demonstrated the biggest improvement, while Nexio (Pty) Limited and IoT.NxT (Pty) Limited declined.

Skills development

The Group's combined spend for skills development increased by R48.9 million from the previous year – an increase that resulted in R324 million spend on training of black employees and black people, of which over R18 million was spent on training for persons living with disabilities. In addition, the Group retained 45 learners more than the previous year, ensuring that 89 unemployed persons on learnerships obtained full-time employment. This element saw a 1.07 point increase from 20.90 to 21.91 points.

Procurement

The Group increased its spend by R5 billion in FY2021 to R43 billion, up from R38 billion the previous year. Of this, R38 billion was spent on suppliers of Level 4 or higher, R6.4 billion on greater than exempted micro enterprises/ qualifying small enterprise suppliers, R14.9 billion on greater than 51% black-owned suppliers and R18 billion on suppliers with greater than 30% black female ownership. Over R1.2 billion spend went to black designated suppliers. Points increased from 21.29 to 22.05.

Supplier development

This element incorporates various transformation initiatives, from retail transformation and deep rural tower transformation to equipment support through grants and more importantly, especially given the onslaught of COVID-19 on SMME businesses, our SMME early payment terms. Notwithstanding the fact that the company invested over R200 million in the various initiatives, we paid over R1.1 billion to SMME suppliers within three days from invoice. We experienced a 2.07 point drop (8.93 points down from 11 points) in overall score as a result of exceeding net profit after tax projections for the year.

Enterprise development

An investment of over R405 million went towards the development and support of close on to 200 black-owned SMME and youth entrepreneurs operating in the broader ICT sector. The full points plus bonus was once again attained.

Socioeconomic development

Our investment of R278 million was focused on development programmes for women, youth, people living with disabilities, healthcare and education programmes excluding the COVID-19 obligations. Full points were attained against this element.

How our brand and reputation support the system of advantage

Vodacom is determined to be a leading digital company that empowers a connected society and grows with our customers, based on the belief that "trust is everything". We develop innovative and smart technologies to reduce poverty and provide access to essential services such as healthcare, financial inclusion and education while making the lives of our customers easier, healthier and smarter. Through our brand strategy, we effectively represent our new-age technology communication company as a purpose-led organisation, and build one of Africa's most trusted, innovative and loved brands.



Vodacom's 2021 sustainability report explains how we are accelerating socio-economic transformation in the markets where we operate. We detail the progress we made to empower a connected society during the year and reflect on how we implemented eight of the UN SDGs, as well as how we strive to be a leading digital company by ensuring our operations are responsible, ethical and accountable. The sustainability report is available on our website.

Vodacom Vision 2025

This is an exciting juncture in the brand's story as we launch a refreshed global strategy that, at its heart, is about combining Vodacom's technology with the infinite potential of the human spirit. We can think of no better time to work with society and bring to life a digital society that can go a long way in democratising a more hopeful and prosperous future.

CFO's statement

Expansion of new services and investment in growth support pleasing results

Having joined the Vodacom team in November 2020, I have been inspired by the commitment and dedication of my colleagues to not only meet the challenges of the pandemic head on, but to also ensure we made meaningful contributions to economic recovery in the markets where we operate.

In a year unavoidably shaped by the devastating impacts of a global health crisis, the Group accelerated the delivery of our Social Contract and purpose. This, along with the recovery of our International portfolio during the second half of the year – as well as strong growth in our prepaid and enterprise segments, financial services and other new services in South Africa – positioned Vodacom to again report particularly pleasing results despite a difficult trading environment.

We believe our performance is testament to how the company and its employees swiftly adapted and responded to COVID-19.



Raisibe Morathi



Group revenue up by 8.3% to **R98.3 billion** supported by service revenue growth of 5.8%



Total financial services customers, including Safaricom, up by 12.9% to **57.7 million**



Vodacom South Africa's service revenue increased by **7.0%**



Earnings per share (EPS) increased by **4.2%** and headline EPS (HEPS) by **3.7%**

We added

8.2 million

customers to serve 123.7 million customers, including Safaricom

Vodacom declared a dividend of **825 cents** per share (cps)



Financial capital

We contributed more than

R21.6 billion
(2020: R20.4 billion)

total tax to governments across our markets.



For more information about our tax contribution, refer to our Tax Transparency report on www.vodacom.com

Group income statement: strong execution, resilient results

| Rm | 2021 | 2020 | Reported % change | Normalised* % change |
|----------------------------------|---------------|--------|-------------------|----------------------|
| Revenue | 98 302 | 90 746 | 8.3 | 7.4 |
| Service revenue | 77 574 | 73 354 | 5.8 | 4.7 |
| EBITDA | 39 299 | 37 610 | 4.5 | 3.6 |
| Operating profit | 27 652 | 27 711 | (0.2) | 2.2 |
| Operating profit – South Africa | 20 515 | 19 684 | 4.2 | 4.1 |
| Operating profit – International | 3 833 | 4 582 | (16.3) | (5.0) |
| Operating profit – Safaricom | 3 542 | 3 617 | (2.1) | 2.5 |
| HEPS (cents) | 980 | 945 | 3.7 | |

Pleasingly, Group revenue increased by 8.3% to R98.3 billion and service revenue grew by 5.8% to R77.6 billion. The Group's performance was underpinned by South Africa, which captured increased demand for connectivity, particularly in prepaid and VB, and new growth streams such as IoT and financial services. Also, in line with our expectations, our International portfolio recovered in the second half of the year.

New growth streams include fixed, IoT, digital and financial services. Vodacom's Financial Services business and M-Pesa delivered service revenue of R6.9 billion, up 15.0%, and contributed 8.9% of consolidated service revenue. Our digital, fixed and IoT businesses delivered service revenue of R1.7 billion, R3.7 billion and R1.1 billion respectively. In aggregate, these new services amounted to R13.4 billion and contributed 17.2% of Group service revenue.

EBITDA grew by 4.5% to R39.3 billion in a year that tested the resilience of our business model and rewarded consistent execution. Group operating profit decreased by 0.2% to R27.7 billion, impacted by a R745 million prior year one-off gain related to the M-Pesa Africa joint venture acquisition.

South Africa's contribution to operating profit increased to 74%, with the Group delivering normalised growth of 2.2% year-on-year. The growth in South Africa was diluted by our International portfolio and Safaricom, which were materially disrupted by COVID-19 and free P2P M-Pesa transactions. We are, however, optimistic about the growth prospects of International and Safaricom, and from 1 January 2021, resumed P2P charging across all markets on a significantly bigger M-Pesa base.

HEPS was up 3.7%, subdued by the performance of our International operations and the impact of free P2P M-Pesa transactions on Safaricom results. Vodacom's 2021 tax expense of R6.7 billion was 4.6% higher than the prior year (FY20: R6.4 billion) due to increased profit before tax for the Group and its subsidiaries. The effective tax rate remained broadly stable at 28.2%.

* We used (*) to indicate normalised growth, which presents performance on a comparable basis.

Free cash flow: supporting a comfortable leverage position

| Rm | 2021 | 2020 | Reported % change |
|----------------------------|---------------|--------|-------------------|
| Operating free cash flow | 22 030 | 21 782 | 1.1 |
| Capital expenditure | 13 307 | 13 218 | 0.7 |
| Free cash flow | 14 974 | 16 284 | (8.0) |
| Net debt | 34 249 | 35 180 | (2.6) |
| Net debt to EBITDA (times) | 0.9 | 0.9 | — |

We generated operating free cash flow of R22.0 billion in the year, with R13.3 billion invested into capital expenditure and a further R4.3 billion applied to lease payments. From operating free cash flow, we paid cash taxes and finance costs, but were a net receiver of dividends. On this basis, we generated free cash flow of R15.0 billion, down 8.0%. The growth rate of free cash flow was negatively impacted by a R1.1 billion special dividend received during the year from our associate investment in Safaricom. The R1.1 billion special dividend boosted the prior year free cash flow of R16.3 billion. Excluding the impact of the special dividend from Safaricom, free cash flow declined by 1.2%.

Net debt decreased by R0.9 billion to R34.2 billion from March 2020. The year-on-year movement was supported by free cash flow exceeding cash dividend payments in the year. We ended the year with a comfortable net debt to EBITDA ratio of 0.9 times. Our low gearing, relative to telecommunication peers, positions us to manage the risk of a still uncertain economic outlook, while also supporting investment in our system of advantage.

Shareholder returns: dividend growth reflects EBITDA growth

We declared a final dividend of 410 per share (cps). Our total dividend for the year was 825cps, supporting a dividend yield of 6.5% in a period where most corporates have postponed dividends. Dividends are payable on 28 June 2021 to shareholders recorded in the register at the close of business on 25 June 2021. The number of ordinary shares in issue at the date of this declaration was 1 835 864 961. The dividend is subject to a local dividend withholding tax rate of 20%, which will result in a net final dividend to shareholders, not exempt from paying dividend withholding tax of 328 cents per ordinary share.

The Board maintained a dividend policy of paying at least 90% of adjusted headline earnings, which excludes the contribution of the attributable net profit or loss from Safaricom and any associated intangible amortisation. In addition, the Group intends to distribute any dividend it receives from Safaricom, net of withholding tax.

Outlook: anticipated economic improvement

As the effects of the COVID-19 pandemic persist, the economic outlook for our markets remains uncertain. We do, however, expect GDP growth to improve over the forthcoming financial year. This assumption of economic improvement, combined with the growth potential from implementing our system of advantage, supports our mid-single-digit medium-term growth target for service revenue.

For operating profit growth, which includes the profit contribution from our associates, we upgraded our medium-term target growth from mid-single-digit to mid-to-high single digit. The upgrade reflects operational leverage and improved prospects for our international markets and Safaricom, in particular. Our Group capital intensity ratio remains in a range of 13% to 14.5% of revenue.

These targets apply on average, over the next three years, and on a normalised basis in constant currency, excluding spectrum purchases, exceptional items and any merger and acquisition activity.

Appreciation

On a personal note, when I took over as CFO, I looked forward to joining Vodacom at a time when it had simplified its structure to increase focus across its International markets. I am excited to lead a high-performing finance team, driving the function's strategic digital transformation and contributing to the future success of the Group.

I am grateful for the strength and capacity of the finance teams across our seven markets (including Safaricom), who have ably supported the Group through the difficult COVID-19 environment of remote working and changing business risks. The regular rolling forecasts intense and increased reporting to keep internal and external stakeholders informed, managing operating costs, capital and liquidity management, as well as the expertise in Big Data, AI and data analytics – which continue to inform some of the strategic decisions in the business – are all testament to the quality of our skills base. We are cognisant of the increasing demand on our role of business partnering to protect value, improve controls and lead an efficient and effective finance role in future.

Finally, I want to extend my heartfelt thanks to my colleagues for their support over the past few months. They set and maintained high standards of financial management. As we look ahead, we remain steadfast in serving our stakeholders and delivering on our purpose.

Raisibe Morathi
CFO

4 June 2021

Condensed consolidated income statement

for the year ended 31 March

| Rm | 2021 | 2020 |
|---|---------------|---------------|
| Revenue | 98 302 | 90 746 |
| Direct expenses ¹ | (36 269) | (32 075) |
| Staff expenses | (6 990) | (6 421) |
| Publicity expenses | (1 718) | (1 907) |
| Net credit losses on financial assets ¹ | (1 078) | (802) |
| Other operating expenses | (12 973) | (12 024) |
| Depreciation and amortisation | (15 117) | (13 955) |
| Impairment losses | (6) | — |
| Net profit from associate and joint ventures | 3 501 | 4 149 |
| Operating profit | 27 652 | 27 711 |
| Net loss on disposal of subsidiaries | (70) | (819) |
| Finance income | 767 | 884 |
| Finance costs | (4 190) | (4 702) |
| Net loss on remeasurement and disposal of financial instruments | (378) | (16) |
| Profit before tax | 23 781 | 23 058 |
| Taxation | (6 710) | (6 414) |
| Net profit | 17 071 | 16 644 |
| Attributable to: | | |
| Equity shareholders | 16 581 | 15 944 |
| Non-controlling interests | 490 | 700 |
| | 17 071 | 16 644 |

Note:

1. Net credit losses on financial assets were included in direct expenditure in prior periods. The reclassification had no impact on any reported totals, HEPS or on any amounts presented in the statement of financial position.

| Cents | 2021 | 2020 |
|----------------------------|------|------|
| Basic earnings per share | 978 | 939 |
| Diluted earnings per share | 956 | 923 |

- Group revenue increased 8.3% (7.4%) to R98.3 billion, supported by South Africa, which captured increased demand for connectivity, particularly in prepaid and VB and new growth streams such as IoT and financial services.
- Group total expenses increased 10.9% (9.9%) to R59.0 billion. The increase was driven by South Africa, where expenses increased 13.2% (13.3%) to R46.0 billion as a result of higher costs related to our roaming agreements, and higher COVID-19-related bad debt provisions. International expenses increased 1.5% (-2.3%) to R14.0 billion, reflecting disciplined cost containment, despite inflationary cost pressures.
- Depreciation and amortisation increased 8.3%, as a result of capital expenditure phasing and a change in asset mix in South Africa.
- The prior year net profit from associate and joint ventures included a gain of R745 million in relation to M-Pesa Africa Limited, our M-Pesa joint venture with Safaricom.
- Finance costs decreased as the average cost of debt (including leases) fell from 8.9% in the prior year to 7.8% in the current year. The increase in the net loss on remeasurement and disposal of financial instruments largely related to conversion of net debt balances to functional currencies.
- The tax expense of R6.7 billion was 4.6% higher than the prior year due to the increased profit before tax of the Group and its subsidiaries. The effective tax rate remained broadly stable at 28.2% (FY20: 27.8%).

Condensed consolidated statement of other comprehensive income

for the year ended 31 March

| Rm | 2021 | 2020 |
|---|---------------|--------|
| Net profit | 17 071 | 16 644 |
| Other comprehensive income | | |
| Foreign currency translation differences, net of tax ¹ | (16 361) | 13 770 |
| Foreign currency translation differences recognised through profit or loss on disposal of foreign operations ¹ | 15 | 327 |
| Mark-to-market of financial assets held at fair value through other comprehensive income, net of tax ¹ | 52 | 13 |
| Total comprehensive income | 777 | 30 754 |
| Attributable to: | | |
| Equity shareholders | 1 642 | 28 953 |
| Non-controlling interests | (865) | 1 801 |
| | 777 | 30 754 |

Note:

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations or financial assets held at fair value through other comprehensive income. During the year, a net amount of R15 million (31 March 2020: R327 million) of previously recorded foreign currency translation differences were recognised in profit or loss on the sale of certain subsidiaries within the Vodacom Business Africa group.

Condensed consolidated statement of financial position

as at 31 March

| Rm | 2021 | 2020 | |
|---|-----------------|----------|---|
| Assets | | | |
| Non-current assets | 125 670 | 142 395 | Property, plant and equipment decreased 4.7% to R56.5 billion and intangible assets decreased 1.3% to R13.2 billion when compared to 31 March 2020. The combined decrease is as a result of net additions of R16.3 billion, offset by net foreign currency translation movements of R4.1 billion, and depreciation and amortisation of R15.1 billion. |
| Property, plant and equipment | 56 480 | 59 277 | |
| Intangible assets | 13 186 | 13 363 | |
| Financial assets | 605 | 741 | |
| Investment in associate and joint ventures | 50 173 | 64 429 | |
| Trade and other receivables | 2 536 | 2 447 | |
| Finance receivables | 2 275 | 1 867 | |
| Tax receivable | 356 | 260 | |
| Deferred tax | 59 | 11 | |
| Current assets | 46 309 | 47 828 | Investment in associate and joint ventures represent our effective 34.94% interest in Safaricom and a 50% stake in M-Pesa Africa Limited, our M-Pesa joint venture with Safaricom. The year-on-year reduction reflects the impact of a weaker period-end Kenyan shilling rate, which resulted in lower translated rand value for these investments. |
| Financial assets | 6 449 | 7 763 | |
| Inventory | 1 198 | 1 382 | |
| Trade and other receivables | 20 129 | 19 197 | |
| Non-current assets held for sale | — | 86 | |
| Finance receivables | 2 431 | 2 288 | |
| Tax receivable | 351 | 55 | |
| Bank and cash balances | 15 751 | 17 057 | |
| Total assets | 171 979 | 190 223 | |
| Equity and liabilities | | | The decrease in total equity related to a reduction in foreign currency translation reserves. The move in this reserve captures the year-on-year change in period-end exchange rates to which the Group is exposed. Notably, the period-end Kenyan shilling rate weakened materially from the prior year closing rate. |
| Fully paid share capital | 57 073 | 57 073 | |
| Treasury shares | (16 861) | (16 620) | |
| Retained earnings | 36 884 | 34 294 | |
| Other reserves | 2 274 | 16 909 | |
| Equity attributable to owners of the parent | 79 370 | 91 656 | |
| Non-controlling interests | 6 320 | 8 414 | |
| Total equity | 85 690 | 100 070 | Borrowings, including non-current and current, decreased by R2.3 billion to R49.4 billion. Net debt decreased by R0.9 billion to R34.2 billion from March 2020. The year-on-year movement was supported by free cash flow exceeding cash dividend payments in the year. |
| Non-current liabilities | 44 219 | 53 403 | |
| Borrowings | 39 741 | 47 988 | |
| Trade and other payables | 210 | 359 | |
| Provisions | 833 | 1 055 | |
| Deferred tax | 3 435 | 4 001 | |
| Current liabilities | 42 070 | 36 750 | |
| Borrowings | 9 634 | 3 707 | |
| Trade and other payables | 31 132 | 31 437 | |
| Liabilities directly associated with non-current assets held for sale | — | 30 | |
| Provisions | 390 | 228 | |
| Tax payable | 355 | 468 | |
| Dividends payable | 17 | 14 | |
| Bank overdrafts | 542 | 866 | |
| Total equity and liabilities | 171 979 | 190 223 | |

Condensed consolidated statement of changes in equity

as at 31 March

| Rm | Equity attributable to the owners of the parent | Non- controlling interests | Total equity |
|--------------------------------|--|----------------------------------|-----------------|
| 31 March 2020 | | | |
| Total comprehensive income | 91 656 | 8 414 | 100 070 |
| Dividends | 1 642 | (865) | 777 |
| Repurchase and sale of shares | (13 991) | (1 318) | (15 309) |
| Share-based payments | (485) | – | (485) |
| Changes in subsidiary holdings | 557 | – | 557 |
| | (9) | 89 | 80 |
| 31 March 2021 | 79 370 | 6 320 | 85 690 |
| 31 March 2019 | 77 992 | 8 396 | 86 388 |
| Adoption of IFRS 16 | 23 | 1 | 24 |
| 1 April 2019 | 78 015 | 8 397 | 86 412 |
| Total comprehensive income | 28 953 | 1 801 | 30 754 |
| Dividends | (14 348) | (732) | (15 080) |
| Repurchase and sale of shares | (443) | – | (443) |
| Share-based payments | 571 | – | 571 |
| Business combinations | – | 46 | 46 |
| Changes in subsidiary holdings | (1 092) | (1 098) | (2 190) |
| 31 March 2020 | 91 656 | 8 414 | 100 070 |

Condensed consolidated statement of cash flows

for the year ended 31 March

| Rm | 2021 | 2020 | |
|---|-----------------|-----------------|--|
| Cash flows from operating activities | | | |
| Cash generated from operations | 40 789 | 39 251 | |
| Tax paid | (7 428) | (6 417) | |
| Net cash flows from operating activities | 33 361 | 32 834 | |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment and intangible assets | (13 443) | (13 890) | |
| Proceeds from disposal of property, plant and equipment and intangible assets | 69 | 68 | |
| Acquisition of subsidiary (net of cash and cash equivalents acquired) | — | (266) | |
| Acquisition of joint venture | — | (180) | |
| Disposal of subsidiaries (net of cash and cash equivalents disposed) | 15 | 89 | |
| Dividends received from associate | 3 576 | 4 394 | |
| Finance income received | 723 | 763 | |
| Other investing activities ¹ | 63 | (142) | |
| Net cash flows utilised in investing activities | (8 997) | (9 164) | |
| Cash flows from financing activities | | | |
| Borrowings incurred | 180 | 9 630 | |
| Borrowings repaid | (4 052) | (7 086) | |
| Finance costs paid | (3 945) | (4 810) | |
| Dividends paid – equity shareholders | (13 944) | (14 358) | |
| Dividends paid – non-controlling interests | (1 318) | (732) | |
| Repurchase of shares ² | (563) | (502) | |
| Proceeds on sale of shares ² | 78 | 59 | |
| Changes in subsidiary holdings | (24) | (2 048) | |
| Net cash flows utilised in financing activities | (23 588) | (19 847) | |
| Net increase in cash and cash equivalents | 776 | 3 823 | |
| Cash and cash equivalents at the beginning of the period | 16 191 | 11 066 | |
| Effect of foreign exchange rate changes | (1 758) | 1 302 | |
| Cash and cash equivalents at the end of the period | 15 209 | 16 191 | |

Notes:

1. Consist mainly of an increase in restricted cash deposits of R1 201 million (FY20: R445 million increase) from M-Pesa-related activities, and decreased investment in treasury bills in Tanzania of R1 262 million (FY20: R352 million decrease).
2. During the current year, cash flows relating to the repurchase and sale of shares that have previously been reported on a net basis have been disclosed on a gross basis. The reclassification had no impact on any reported totals, headline earnings per share or on any amounts presented in the statement of financial position.

Segment performance



South Africa

| Summary financial information | Year ended 31 March | | % change | |
|-------------------------------|---------------------|--------|------------|----------|
| | Rm | 2021 | 2020 | Reported |
| Service revenue | 56 405 | 52 712 | 7.0 | |
| EBITDA | 30 745 | 29 094 | 5.7 | |
| Operating profit | 20 515 | 19 684 | 4.2 | |
| Capital expenditure | 10 076 | 9 860 | 2.2 | |

We prioritised investing in network infrastructure, providing free devices and airtime to healthcare workers, implementing track-and-trace technology, accelerating support to the government and driving digital and financial inclusion to help South Africa navigate the COVID-19 pandemic.

Our R10.1 billion capital investment facilitated network capacity and resilience to accommodate the increased data volumes stimulated by our 1 April 2020 data price cuts and changes in customer usage patterns, as work, entertainment and education shifted to the home. During the year, 15.5 million unique users visited our zero-rated ConnectU platform to access a wide range of websites – including job and e-learning portals and discounted offers for vulnerable communities. Looking ahead, our Mezzanine platform will provide critical support for the roll-out of COVID-19 vaccines.

From a financial perspective, South Africa reported strong service revenue growth of 7.0% to R56.4 billion. The growth was fuelled by increased demand for connectivity, particularly in prepaid, Vodacom Business and new services such as IoT and financial services. Furthermore, the performance was enabled by our industry leading investment into new services, networks and digital IT capabilities such as business and AI. Revenue increased by 10.3%, underpinned by service revenue growth, a recovery in equipment sales and growth in tower sharing revenue.

Mobile contract customer revenue increased by 5.0% to R20.8 billion, a resilient performance given the economic backdrop. Within the mobile contract segment, VB continued to deliver growth in the fourth quarter while consumer contract revenue remained broadly unchanged year-on-year. We recorded positive contract customer net additions of 133 000 in the year while ARPU increased by 2.1% (adjusted growth 1.4%¹) and 7.0% (adjusted growth 3.1%¹) in the year and the fourth quarter, respectively.

In the prepaid segment, mobile customer revenue increased by 8.5%. Prepaid net additions for the year were a substantial 2.6 million, reflecting our summer campaign's success and a new behavioural loyalty programme – which provided more reasons to consume and facilitate our active days management initiative. ARPU increased 13.0% to R61 supported by increased usage of

our connectivity and digital services, as well as the accessibility of airtime via our Airtime Advance product. In the fourth quarter, Airtime Advanced amounted to 43.0% of total prepaid recharges in the quarter (4Q20: 35.9%).

Data traffic increased by 55.6%, as the growth trend normalised in the last two quarters of the financial year with the easing of lockdown restrictions. Data customer net losses were 0.2 million in the year, ending on 21.7 million customers, as we focused on optimising gross additions. Smart devices on our network were up by 9.5% to 23.2 million, while 4G devices on our network increased by 22.0% to 15.7 million. The average usage per smart device increased by 38.9% to 2.1GB per month. We accelerated our fibre roll-out during the year, more than doubling the total number of homes and businesses connected² to 126 765. Our own fibre passed 146 401 homes and businesses as at 31 March 2021.

Service revenue generated from Vodacom Financial Services was up by 18.9% to R2.4 billion, while customers increased by 15.4% to 13.3 million. Vodacom Financial Services' result reflects our execution capability in this space. Revenue growth was underpinned by our Airtime Advance product, where we advanced R12.0 billion in airtime during the year, an increase of 21.1%. The number of Airtime Advance customers increased 17.3% to 10.8 million. Insurance policies increased by 8.3% to 2.1 million.

Vodacom Business service revenue increased by 11.3% to R15.9 billion, supported by our innovative work-from-home solutions. Our VB fixed service revenue grew by 6.5%, excluding wholesale transit, supported by strong growth in cloud as well as hosting and connectivity revenue. IoT connections increased by 6.4% to 5.6 million with revenue growth of 32.8% to R1.1 billion¹.

EBITDA grew 5.7%, while margins contracted 1.7pppts in the year. The EBITDA performance was supported by strong service revenue growth but was moderated by COVID-19-related bad debt provisions and investment in future growth areas, such as a 5G roaming deal with Liquid Intelligent Technologies (Liquid). Excluding the impact of our roaming deals with Rain and Liquid, the EBITDA margin was broadly flat year-on-year. Operating profit growth at 4.2% was driven by EBITDA growth, although partially offset by higher depreciation. Depreciation and amortisation increased 10.2% as a result of capital expenditure phasing and asset mix.

In the forthcoming financial year, we expect South Africa to deliver service revenue growth in line with our medium-term Group target. We are particularly excited about the launch of our lifestyle companion app, VodaPay. We expect that the app and the ongoing expansion of our financial service offerings will promote digital and financial inclusion and provide a growth platform for consumers and merchants in South Africa.

Notes:

1. Adjusted for a reclassification of IoT revenue from other service revenue to customer revenue. There was no impact on overall service revenue as a result of this reclassification.
2. Including Bitstream, which refers to instances where we act as an internet service provider to fibre wholesalers.



International

Summary financial information

| | Year ended 31 March | | % change | |
|---------------------|---------------------|--------|----------|-------------|
| Rm | 2021 | 2020 | Reported | Normalised* |
| Service revenue | 22 146 | 21 799 | 1.6 | (1.9) |
| EBITDA | 8 784 | 8 679 | 1.2 | (2.2) |
| Operating profit | 3 833 | 4 582 | (16.3) | (5.0) |
| Capital expenditure | 3 226 | 3 358 | (3.9) | |

Our International Business, like that of South Africa, delivered on our purpose and Social Contract to support the markets in which we operate and to help us navigate the pandemic.

Our interventions included free internet services to governments and healthcare workers, the dissemination of critical information on COVID-19, the provision of personal protective equipment for agents and zero-rating services that would support inclusion, such as P2P M-Pesa payments and online education and government sites. The impact of zero-rating P2P payments for our International markets, including Safaricom, was equivalent to R2.0 billion of service revenue. We also deployed R3.2 billion in capital investment to expand our 4G network, enhance our IT infrastructure and maintain data availability at a time when many customers worked from home. Leveraging the Mezzanine platform helped to deploy COVID-19 vaccines and work with governments to support a resilient and just recovery for our markets.

Our International operations reported muted service revenue growth of 1.6% in the year. This performance reflects disruption to our commercial activities due to the informal structure of the economies in which we operate, increased pressure on consumer spend, free P2P M-Pesa transactions and the impact of service barring in Tanzania due to biometric registration compliance. On a normalised basis, service revenue declined by 1.9% during the year. Positively, normalised service revenue improved in the second half of the year, and we delivered normalised service revenue growth of 4.3% in the fourth quarter. The growth inflection in the quarter was supported by double digit M-Pesa and data revenue growth.

Our customer base increased by 3.0% to 39.8 million, with net additions of 1.2 million in the year. In addition to subdued commercial activities resulting from COVID-19, the customer base growth rate was negatively impacted by the barring of service to 2.9 million SIM cards in Tanzania in the previous financial year. The latter impact, relating to the barring of service, was largely reflected in our first quarter customer base, in line with our 90-day churn policy. Customer growth across our International operations is critical for us to achieve our 2025 ambition of improving the lives of the next 100 million customers.

Data services remain a key lever of growth and central to our commitment to connecting for a better future. We added 661 000 new customers during the year to end the period at 20.6 million data customers. Of these customers, only 11 million were on smartphones – highlighting the potential for further smartphone penetration. We continue to drive the adoption of affordable smartphone devices, and support digital inclusion, by leveraging partnerships with global technology firms and innovative financing options. Data revenue grew 6.5% in constant currency during the year, with data revenue growth in constant currency improving to 11.0% in the fourth quarter. Overall data traffic growth for the year was buoyant at 51.6%, due to network investments and affordable commercial propositions.

M-Pesa revenue was up 13.0% (5.8%) to R4.5 billion in the year, contributing 20.4% of International service revenue. Pleasingly, platform growth and the reintroduction of P2P charging across all our markets from 1 January 2021 supported a meaningful acceleration of normalised M-Pesa revenue growth to 21.0%, in the fourth quarter. Accelerating platform adoption measured by customer and transaction growth, and product expansion, provide a robust growth outlook for M-Pesa. International M-Pesa customers were up 9.6% to 16.1 million, representing 47.4% of our total International customer base. The M-Pesa ecosystem in all our International markets, including Safaricom, processed US\$24.5 billion a month in transactions in the fourth quarter, up 63.5%.

International EBITDA was up 1.2%, in line with revenue growth of 1.1%. Consistent with the service revenue and revenue profile, EBITDA margins recovered during the second half and offset the margin decline of 2.7ppts reported in the first half. The full year margin performance reflected disciplined cost containment, despite inflationary cost pressures.

Operating profit declined 16.3%, with the prior year period boosted by a purchase gain of R532 million. This gain was a result of the acquisition of the M-Pesa brand, product development and support services from Vodafone through a newly-created joint venture, M-Pesa Africa. M-Pesa Africa coordinates and implements our M-Pesa strategy, driving product expansion and leveraging best practices across the portfolio. On a normalised basis, operating profit declined 5.0%. This reflects the pressure on normalised EBITDA, which declined 2.2%.

Our capital investment of R3.2 billion was focused mainly on expanding our 4G network. Our network reach improved by 322 3G and 1 072 4G base stations, and we continued to invest in our transmission networks to enhance our network leadership in all our markets.

Looking ahead, we are optimistic about improved growth prospects for our International operations. We expect operating profit growth in the forthcoming financial year to track ahead of the medium-term Group target.

Five-year historic review

| | 2021 | 2020 | 2019 | 2018 | 2017 | Compound growth % |
|--|----------|--------------------|----------|----------|----------|-------------------|
| Summarised income statement (Rm) | | | | | | |
| Service revenue | 77 574 | 73 354 | 69 867 | 70 632 | 68 286 | 3.2 |
| Revenue | 98 302 | 90 746 | 86 627 | 86 370 | 81 278 | 4.9 |
| Operating profit | 27 652 | 27 711 | 24 490 | 24 252 | 21 750 | 6.2 |
| Net finance charges | (3 801) | (3 834) | (2 401) | (2 893) | (2 522) | 10.9 |
| Profit before tax | 23 781 | 23 058 | 22 089 | 22 093 | 19 228 | 5.5 |
| Taxation | (6 710) | (6 414) | (6 557) | (6 531) | (6 102) | 2.4 |
| Net profit | 17 071 | 16 644 | 15 532 | 15 562 | 13 126 | 6.8 |
| Non-controlling interest | (490) | (700) | (710) | (218) | 292 | n/a |
| EBITDA | 39 299 | 37 610 | 33 714 | 32 898 | 31 238 | 5.9 |
| Summarised statement of financial position (Rm) | | | | | | |
| Non-current assets | 125 670 | 142 395 | 113 897 | 96 543 | 52 127 | 24.6 |
| Current assets | 46 309 | 47 828 | 39 746 | 34 822 | 29 011 | 12.4 |
| Equity and reserves | 85 690 | 100 070 | 86 388 | 70 652 | 22 996 | 38.9 |
| Non-current liabilities | 44 219 | 53 403 | 29 084 | 28 130 | 31 423 | 8.9 |
| Current liabilities | 42 070 | 36 750 | 38 171 | 32 583 | 26 719 | 12.0 |
| Net debt | 34 249 | 35 180 | 23 354 | 19 892 | 22 484 | 11.1 |
| Capital expenditure | 13 307 | 13 218 | 12 957 | 11 594 | 11 292 | 4.2 |
| Summarised statement of cash flows (Rm) | | | | | | |
| Operating free cash flow | 22 030 | 21 782 | 21 643 | 21 117 | 19 555 | 3.0 |
| Free cash flow | 14 974 | 16 284 | 14 865 | 14 195 | 11 404 | 7.0 |
| Cash generated from operations | 40 789 | 39 251 | 34 575 | 32 299 | 31 791 | 6.4 |
| Tax paid | (7 428) | (6 417) | (6 535) | (6 194) | (6 051) | 5.3 |
| Net cash flows from operating activities | 33 361 | 32 834 | 28 040 | 26 105 | 25 740 | 6.7 |
| Net cash flows utilised in investing activities | (8 997) | (9 164) | (11 188) | (8 526) | (12 195) | (7.3) |
| Net cash flows utilised in financing activities | (23 588) | (19 847) | (19 377) | (13 067) | (11 909) | 18.6 |
| Net increase/(decrease) in cash and cash equivalents | 776 | 3 823 | (2 525) | 4 512 | 1 636 | (17.0) |
| Cash and cash equivalents at the end of the year | 15 209 | 16 191 | 11 066 | 12 538 | 8 873 | 14.4 |
| Performance per ordinary share (cents) | | | | | | |
| Basic earnings per share | 978 | 939 | 872 | 947 | 915 | 1.7 |
| Headline earnings per share | 980 | 945 | 868 | 923 | 923 | 1.5 |
| Diluted headline earnings per share | 957 | 928 | 852 | 895 | 894 | 1.7 |
| Net asset value per share | 4 667 | 5 450 | 4 704 | 4 104 | 1 545 | 31.8 |
| Dividends per share ¹ | 820 | 845 | 795 | 815 | 830 | (0.3) |
| Profitability and returns (%) | | | | | | |
| EBITDA margin | 40.0% | 41.4% | 38.9% | 38.1% | 38.4% | |
| Operating profit margin | 28.1% | 30.5% | 28.3% | 28.1% | 26.8% | |
| Effective tax rate | 28.2% | 27.8% | 29.7% | 29.6% | 31.7% | |
| Net profit margin | 17.4% | 18.3% | 17.9% | 18.0% | 16.1% | |
| Return on equity ² | 19.4% | 18.8% | 20.3% | 34.7% | 55.7% | |
| Return on capital employed ³ | 22.0% | 22.7% ⁴ | 24.6% | 30.5% | 45.4% | |
| Liquidity and debt leverage (times) | | | | | | |
| Interest cover ⁵ | 6.6 | 5.9 | 8.1 | 8.6 | 7.7 | |
| Net debt to EBITDA | 0.9 | 0.9 | 0.7 | 0.6 | 0.7 | |
| Current ratio ⁶ | 1.1 | 1.3 | 1.0 | 1.1 | 1.1 | |
| Quick ratio ⁷ | 1.1 | 1.3 | 1.0 | 1.0 | 1.0 | |

Notes:

1. Total dividend declared for the financial year.
2. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
3. Return on capital employed (before tax) is calculated by dividing adjusted statutory operating profit by the average of total assets less current liabilities.
4. Restated from 23.2% to 22.7% to align with Vodafone policy.
5. The interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year.
6. The current ratio is calculated by dividing current assets by current liabilities.
7. The quick ratio is calculated by dividing current assets, excluding inventory, by current liabilities.

Five-year historic review

per segment

| | 2021 | 2020 | 2019 | 2018 | 2017 | Compound growth % |
|--|---------------|--------|--------|--------|--------|-------------------|
| South Africa | | | | | | |
| Revenue (Rm) | 76 737 | 69 593 | 67 887 | 69 967 | 64 729 | 4.3 |
| EBITDA (Rm) | 30 745 | 29 094 | 27 741 | 28 088 | 26 815 | 3.5 |
| Capital expenditure (Rm) | 10 076 | 9 860 | 9 577 | 8 884 | 8 471 | 4.4 |
| EBITDA margin (%) | 40.1% | 41.8% | 40.9% | 40.1% | 41.4% | |
| Capex intensity (%) | 13.1% | 14.2% | 14.1% | 12.7% | 13.1% | |
| Customers (000) ¹ | 44 061 | 41 312 | 43 166 | 41 635 | 37 131 | 4.4 |
| Number of employees | 5 493 | 5 403 | 5 197 | 5 007 | 5 038 | 2.2 |
| Total ARPU (rand per month) ² | 95 | 86 | 87 | 101 | 111 | (3.8) |
| International | | | | | | |
| Revenue (Rm) | 22 746 | 22 492 | 19 981 | 17 460 | 17 350 | 7.0 |
| EBITDA (Rm) | 8 784 | 8 679 | 6 252 | 4 930 | 4 545 | 17.9 |
| Capital expenditure (Rm) | 3 226 | 3 358 | 3 376 | 2 707 | 2 833 | 3.3 |
| EBITDA margin (%) | 38.6% | 38.6% | 31.3% | 28.2% | 26.2% | |
| Capex intensity (%) | 14.2% | 14.9% | 16.9% | 15.5% | 16.3% | |
| Customers (000) ¹ | 39 751 | 38 595 | 34 620 | 32 194 | 29 655 | 7.6 |
| Number of employees | 2 149 | 2 054 | 2 357 | 2 360 | 2 351 | (2.2) |
| Total ARPU (rand per month)² | | | | | | |
| Tanzania | 37 | 36 | 36 | 35 | 38 | (0.7) |
| DRC | 45 | 46 | 41 | 38 | 49 | (2.1) |
| Mozambique | 57 | 59 | 55 | 51 | 45 | 6.1 |
| Lesotho | 59 | 69 | 66 | 65 | 61 | (0.8) |
| Total ARPU (local currency per month)² | | | | | | |
| Tanzania (TZS) | 5 259 | 5 616 | 6 010 | 6 086 | 6 003 | (3.3) |
| DRC (US\$) | 2.8 | 3.1 | 3.0 | 2.9 | 3.5 | (5.4) |
| Mozambique (MZN) | 250 | 252 | 244 | 241 | 216 | 3.7 |

Notes:

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service, as well as those customers who are active while roaming.
2. Total ARPU is calculated by dividing the sum of the customer and incoming revenue for the period by the average monthly active customers during the period.



Safaricom

Safaricom's results reflect a challenging year and were impacted by depressed economic activity and free P2P M-Pesa related to the COVID-19 pandemic. Service revenue and EBITDA declined 0.3% and 2.8% respectively in the financial year. Despite growth pressures, Safaricom ensured that its network, operations and maintenance and financial services were prioritised to limit disruptions. Capital expenditure was KShs35.0 billion (R5.2 billion) for the year, representing an intensity ratio of 13.2%, supporting its digital technology journey and the evolving consumption patterns of its customer base.

Safaricom's commitment to its strategic goals supported platform growth for M-Pesa and higher connectivity usage. Safaricom added 3.4 million M-Pesa customers and 4.3 million total customers for the year ended 31 March 2021. Mobile data grew 11.5%, sustaining the recovery from the prior year, with 4G devices using more than 1GB per month up to 4.7 million. Fibre-to-the-home customers grew 31.5% as Safaricom supported work and learn-from-home with higher bandwidth.

M-Pesa revenues declined 2.1% in the year, impacted by free fees for P2P transaction values of less than KShs1 000 until 31 December 2020. M-Pesa service revenue growth recovered to 21.2% in the fourth quarter, supported by platform growth, product adoption and updated P2P pricing from 1 January 2021. M-Pesa customers grew 13.6% and the total annual value of M-Pesa transactions were up 58.2% to KShs22.0 trillion (R3.3 trillion). Safaricom's updated P2P pricing promoted affordability, with low-value transaction charges reduced by up to 45.0% from pre-COVID-19 levels. Safaricom's overall service revenue profile improved through the year, and was up 6.4% in the fourth quarter.

On a rand reported basis, Safaricom contributed R3.5 billion to the Group's operating profit, declined 2.1% year-on-year, but increased 2.5% on a normalised basis. Safaricom accounted for 12.8% of the Group's operating profit in the year.

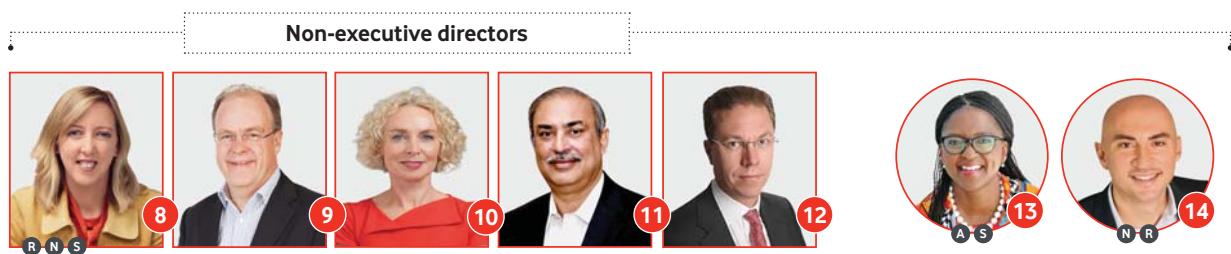
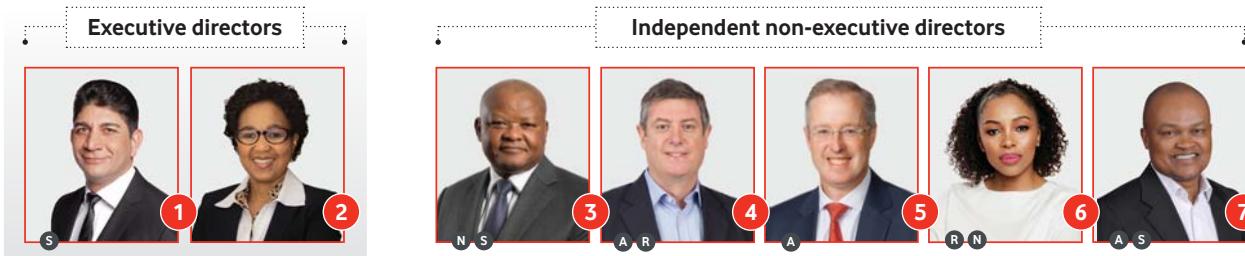
Growth rates are in local currency and year-on-year, unless otherwise stated. Safaricom results announcements are available here:

 <https://www.safaricom.co.ke/investor-relation/financials/reports/financial-results>

Who governs us

Vodacom has a unitary Board of 12 directors, five of whom (including the Chairman) are independent non-executive directors. Five are non-executive directors (but not independent as they represent Vodafone) and two are executive directors.

Board structure



1 Mohamed Shameel Aziz Joosub (50)

Appointed as CEO in September 2012.

- Commercial strategist.
- Strategy business leadership.
- Strong ICT experience.
- International operational experience.
- Financial expertise.

2 Raisibe Morathi (51)

Appointed as CFO in November 2020.

- Extensive financial, banking and insurance experience.
- M&A and corporate finance expertise.
- Executive leadership background.
- Financial expertise.

3 Sakumzi Justice Macozoma (64)

Appointed to the Board in July 2017 and as Chairman in July 2020.

- Business leadership experience.
- Corporate leadership experience.
- Broad stakeholder expertise.

4 David Hugh Brown (58)

Appointed in January 2012.

- Corporate leadership experience.
- Financial expertise.
- Corporate governance expertise.

5 Clive Bradney Thomson (54)

Appointed in April 2020.

- Business leadership experience.
- Financial expertise.
- Corporate leadership experience.

6 Phuthi Mahanyele-Dabengwa (50)

Appointed in January 2019.

- Business leadership experience.
- Corporate leadership experience.
- M&A and corporate finance experience.

7 Khumo Lesego Shuhenyane (50)

Appointed in July 2020.

- M&A and corporate finance.
- Business leadership experience.
- Financial sector experience.

8 Leanne Susan Wood (48)

Appointed in July 2019.

- Business leadership experience.
- Corporate leadership experience.
- Strategic leadership experience.

9 John William Lorimer Otty (57)

Appointed in September 2012.

- Sound financial governance background.
- Extensive telecommunications sector knowledge.
- Emerging market insight.

10 Anne O'Leary (54)

Appointed in January 2021.

- Telecommunications and technology knowledge.
- Expertise in digital transformation, customer service.
- Marketing, commercial, consumer and B2B experience.

11 Sunil Sood (60)

Appointed in July 2018.

- Extensive telecommunications sector knowledge.
- Executive leadership background.
- Strategic leadership experience.

12 Pierre Klotz (45)

Appointed in April 2020.

- Business leadership experience.
- M&A and corporate finance expertise.
- Corporate leadership experience.

13 Nomkhita Cylda Nqweni (46)

Alternate NED (to Phuthi Mahanyele-Dabengwa)

Appointed in April 2020.

- Business leadership.
- Multisectoral financial services experience.
- Corporate leadership experience.
- Strategic leadership expertise.

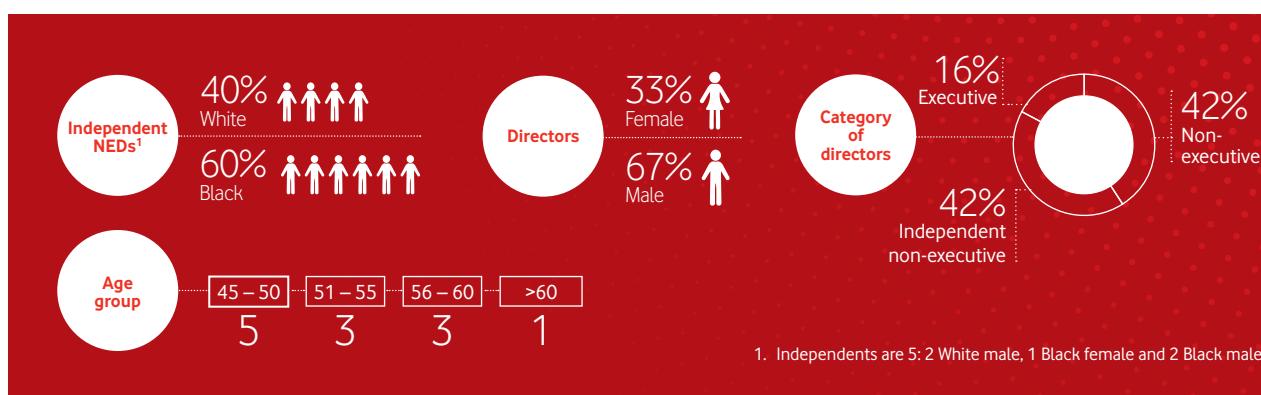
14 Francesco Bianco (49)

Alternate NED (to Leanne Wood).

Appointed in January 2019.

- Business leadership experience.
- Corporate leadership expertise.

(A) Audit, Risk and Compliance Committee (ARCC) (R) Remuneration Committee (N) Nomination Committee (S) Social and Ethics Committee



- Sakumzi Justice Macozoma was appointed as Chairman of the Vodacom Group Board in July 2020.
- Raisibe Morathi was appointed as CFO and member of the Vodacom Group Board in November 2020.
- Khumo Lesego Shuhenyane was appointed to the Vodacom Group Board in July 2020.
- Anne O'Leary was appointed to the Vodacom Group Board in January 2021.

Who leads us

Capitals impacted:



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

Executive management



1 Mohamed Shameel Aziz Joosub (50)

CEO

Joined Vodacom in March 1994.

2 Raisibe Morathi (51)

CFO

Joined Vodacom in November 2020.

3 Balesh Chandra Sharma (56)

Managing Director: Vodacom South Africa

Joined Vodacom in September 2020.

4 Mariam Cassim (39)

Chief Officer: Vodacom Financial and Digital Services

Joined Vodacom in November 2016.

5 Diego Gutierrez (45)

Chief Operating Officer: International Business

Joined Vodacom in August 2017.

6 Matimba Mbungela (49)

Chief Human Resources Officer

Joined Vodacom in January 2003.

7 Nkateko Nyoka (58)

Chief Officer: Legal and Compliance

Joined Vodacom in October 2007.

8 Puso Manthata (42)

Chief Officer: Strategy and New Business Development

Joined Vodacom in June 2020.

9 Peter Ndegwa (52)

CEO of Safaricom

Joined Safaricom in April 2020 and the Vodacom Group Exco in August 2020.

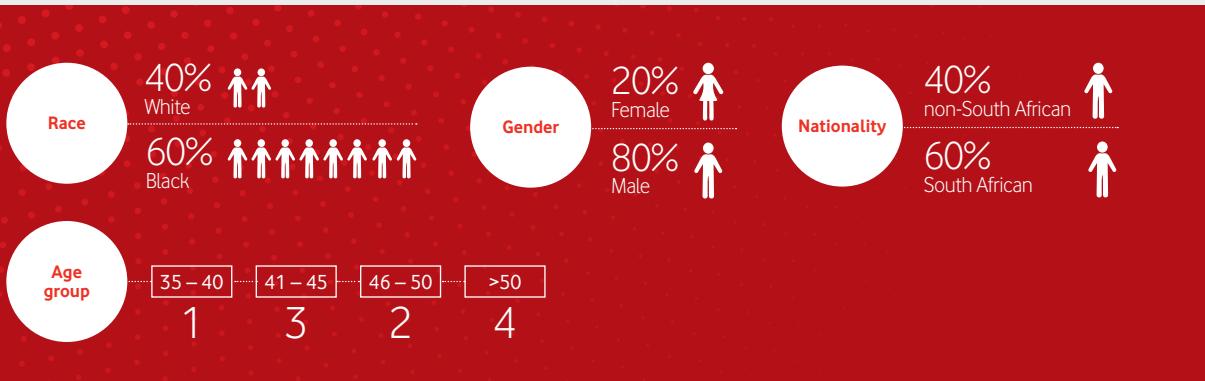
10 Dejan Kastelic (44)

Chief Technology Officer

Joined Vodacom in May 2020.



Further detailed biographies of the Board and the Exco are available at www.vodacom.com.



- Balesh Chandra Sharma was appointed as Managing Director: Vodacom South Africa effective 1 September 2020.
- Peter Ndegwa joined the Vodacom Group Exco effective 1 August 2020.

Board governance at a glance

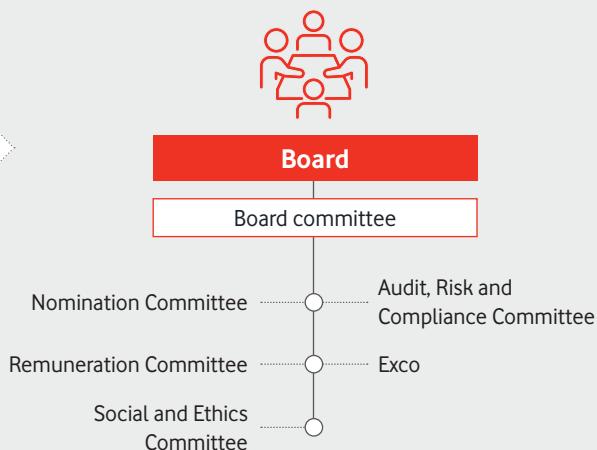
How good corporate governance supports the delivery of our purpose

Vodacom's purpose is to connect for a better future. Group strategy and sound corporate governance practices support the delivery of our purpose by ensuring all business functions are executed ethically, with integrity and professionalism.

As a business, we strive to be a trusted brand and partner in the markets where we operate. We entrench good corporate governance principles and ethics into our corporate culture, the Spirit of Vodacom, enabling our employees to execute our strategy ethically, responsibly, fairly and professionally.

How corporate governance supports the system of advantage

Our system of advantage is geared around meeting our customers on their journey and growing along with them. To achieve this, the Board leads the business ethically, transparently and with integrity. To create and sustain value for our stakeholders, we commit ourselves to good corporate governance, employ suitably qualified and diversified leadership, manage the business ethically and transparently, and strive to maintain our reputation as a responsible corporate citizen.



Vodacom is committed to the highest standards of business integrity, ethics and professionalism. King IV advocates an outcomes-based approach, and defines corporate governance as the exercise of ethical and effective leadership. The Board believes that sustainable value creation, with a solid appreciation for Vodacom's role as a corporate citizen, can only be achieved through ethical decision-making and behaviour.

This summarised governance report focuses on areas that impact value creation, and briefly outlines our strategic response.



More detailed information on our governance policies and activities can be found in the following reports, all available online at www.vodacom.com:

- Full corporate governance report;
- King IV code;
- ARCC report in the consolidated annual financial statements;
- Remuneration report; and
- Sustainability report.

Board and committee attendance

| Name of director | Board | NomCo | RemCo | ARCC | SEC |
|-----------------------------------|-------|-------|-------|------|-------------------|
| PJ Moleketi ¹ | 3/3 | 1/1 | | | 1/1 |
| SJ Macozoma ² | 8/9 | 4/4 | | 2/2 | 4/4 |
| MS Aziz Joosub | 9/9 | | | | 4/4 |
| V Badrinath ³ | 7/7 | 3/3 | 3/3 | | 3/3 |
| F Bianco ⁴ | 6/9 | 1/1 | 1/1 | | |
| DH Brown | 9/9 | | 4/4 | 6/6 | |
| P Klotz ⁵ | 9/9 | | | | |
| S Mdlalose ⁶ | 3/3 | | | | |
| P Mahanyele-Dabengwa ⁷ | 9/9 | 3/3 | 4/4 | | |
| NC Nqweni ⁸ | 8/9 | | | 4/4 | 3/3 |
| A O'Leary ⁹ | 2/2 | | | | |
| JWL Otty | 9/9 | | | | |
| KL Shuhenyane ¹⁰ | 6/6 | | | 3/3 | 3/3 |
| S Sood | 9/9 | | | | |
| T Streichert ¹¹ | 2/2 | | | | |
| CB Thomson ¹² | 9/9 | | | 5/6 | |
| LS Wood ¹³ | 7/9 | 4/4 | 4/4 | | |
| RK Morathi ¹⁴ | 4/4 | | | | 0/1 ¹⁵ |

RemCo Remuneration Committee

NomCo Nomination Committee

SEC Social and Ethics Committee

ARCC Audit, Risk and Compliance Committee

1. Jabu Moleketi resigned as a Board director, Board Chairman, and NomCo and SEC member on 21 July 2020.
2. Saki Macozoma was appointed as Board and NomCo Chairman on 22 July 2020.
3. Vivek Badrinath resigned as a Board director and stepped down as a RemCo, NomCo and SEC member on 31 December 2020.
4. Francesco Bianco was appointed as a RemCo and NomCo member on 1 January 2021.
5. Pierre Klotz was appointed to the Board on 1 April 2020.
6. Sitho Mdlalose was appointed as interim Group CFO on 1 July 2020 and resigned on 31 October 2020.
7. Phuthi Mahanyele-Dabengwa was appointed as a NomCo member on 22 July 2020.
8. Nomkhita Nqweni was appointed to the Board on 1 April 2020 and as an ARCC and SEC member on 22 July 2020.
9. Anne O'Leary was appointed to the Board on 1 January 2021.
10. Khumo Shuhenyane was appointed to the Board on 21 July 2020, as an ARCC and SEC member on 22 July 2020 and as SEC Chairman on 4 November 2020.
11. Till Streichert resigned on 30 June 2020.
12. Clive Thomson was appointed to the Board on 1 April 2020.
13. Leanne Wood was appointed as an SEC member on 1 January 2021.
14. Raisibe Morathi was appointed to the Board on 1 November 2020.
15. Leanne Wood's alternate, Francesco Bianco, attended one meeting on her behalf.

Strategic objectives and focus areas

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in stakeholders' best interests.

Strategic objectives



The Board's key focus areas during the year included:

Focus area: Cyber threats

Our key decisions

- Commissioned world-class security vendors to enhance sophisticated attacker detection.
- Proactively assessed security undertaken on all projects.
- Implemented cyber incident response, containment and focus monitoring for the Vodacom Group of companies.
- Undertook continuous security improvement programmes to manage security risk.
- Created assurance programmes that incorporate internal and external reviews of where and how our data is stored.
- Applied layers of security controls to protect our infrastructure storing and transmitting of confidential information.
- Applied Vodafone Security Risk, Control and Assurance Framework.
- Introduced relevant skills to manage our IT security.
- Created awareness and provided training on cyber security.

Risk (see page 36)

Cyber threat (all markets).

Strategy



Focus area: Unstable economic and market conditions

- South Africa's financial downgrade and load shedding.
- Weak economies in all markets resulting from the impact of the COVID-19 pandemic on livelihoods and our revenue.

Our key decisions

- We delivered on our Social Contract with stakeholders to ensure we made meaningful contributions to the economic recovery in markets where we operate across Africa by providing zero-rating P2P payments for our International markets. In South Africa, we invested in network infrastructure, provided free devices and airtime to healthcare workers, implemented track-and-trace technology and accelerated government support.
- We noted potential risks to cash flows and dividend policy, which were mitigated by renegotiating better pricing, securing forward exchange contracts and managed debt through a 43:57 fixed to floating interest rate.
- We promoted digital and financial inclusion by developing various products and services to help SMMEs and corporates sustain business activities.
- We provided products (bundles) that were more relevant to consumers under pressure due to lockdown restrictions, low economic activity and weak economies. In South Africa, we introduced vouchers to reward customers.
- Due to ongoing roll-out blackouts in South Africa, we invested in energy security at base stations by providing additional batteries and improved security to reduce theft to ensure network availability.

Risk (see page 37)

Unstable economic and market conditions.

Strategy



Focus area: Appointment of new Board members

Our key decisions Appointed:

- Saki Macozoma as Board Chairman in July 2020;
- Raisibe Morathi as CFO;
- Clive Thomson as Audit, Risk and Compliance Committee member;
- Khumo Shuhenyane as Social and Ethics Committee Chairman and Audit, Risk and Compliance Committee member;
- Pierre Klotz;
- Anne O'Leary; and
- Two alternate directors who play a role in the Board's committees.

Risk
 (see page 41) Execution of strategic projects for future growth.
 Corporate governance statement.

Strategy 
Focus area: Introduction and implementation of a new management structure to enable the Group CEO to focus on entrenching Vodacom as a leading pan-African technology company

Our key decisions

- Revised Group Exco to support simplified Group structure.
- Introduced a Managing Director at Vodacom South Africa to support focused operations.

Risk
 (see page 41) Execution of strategic projects for future growth.

Strategy 
Focus area: Merger and acquisition activity and new business

Our key decisions

- Acquired M-Pesa business from Vodafone.
- Set up M-Pesa Africa joint venture with Safaricom.
- Entered into a new roaming and service agreement with Cell C.

Risk
 (see page 41) Execution of strategic projects for future growth.

Strategy 

Strategic objectives and focus areas continued

Strategic objectives

-  Segmented propositions
-  Financial services
-  Digital content platforms
-  Enterprise digitalisation
-  Best customer experience
-  Best technology
-  Digital organisation and culture
-  Our brand and reputation

| Focus area: Impact of COVID-19 pandemic | |
|---|---|
| Our key decisions | <ul style="list-style-type: none"> ● We delivered on our Social Contract with stakeholders to ensure we made meaningful contributions to the economic recovery in markets where we operate across Africa. ● We provided free P2P M-Pesa payments, free access to government websites, distributed communication about COVID-19, provided sanitisers and protective gear, and provided free data and airtime to health workers for our international markets. ● We invested in network infrastructure in South Africa, provided free devices and airtime to healthcare workers, and implemented track-and-trace technology to accelerate government support. ● We provided continuous information to investors that as, an essential service, it was business as usual. ● We paused on medium-term targets, while reviewing the impact of the pandemic on Vodacom's operations. ● We provided additional investment to improve network coverage and capacity. ● We adopted a COVID-19 budget. |
| Employee initiatives: | <ul style="list-style-type: none"> ● We prioritised employee welfare, health and safety. ● We launched the COVID-19 pulse survey to understand employees' needs. ● We introduced new ways of working to ensure business continuity. ● We provided employee grants to those in need. ● We introduced a COVID-19 leave policy. |
| Risk (see page 41) | All risks were impacted by COVID-19. |
| Strategy |  |
| Focus area: Impact of Huawei concerns and China/USA trade relations | |
| Our key decisions | <ul style="list-style-type: none"> ● We reduced dependency on single suppliers through enhanced vendor strategy, in a phased approach. ● We initiated a multi-vendor strategy in critical categories which is in the process of being implemented. ● We engaged with governments, experts and suppliers. |
| Risk (see page 37) | Original equipment manufacturer (OEM) sovereign risk (vendor strategy). |
| Strategy |  |
| Focus area: Our approach to ESG/sustainability issues | |
| Our key decisions | <ul style="list-style-type: none"> ● We received the maximum interest rate discount for the R2 billion sustainability loan linked to ESG indicators for improving the ESG programme and disclosures. ● We established Vodacom's ESG steering committee. ● We conducted a gap analysis on ESG matters to create a benchmark and engage with stakeholders to address shortcomings. |
| Risk (see page 41) | Execution of strategic projects for future growth. |
| Strategy |  |

| Focus area: | Regulatory matters |
|------------------------------|--|
| South Africa: | <ul style="list-style-type: none"> ICASA gave notice of its intention to conduct an inquiry into mobile broadband services to assess the state of competition, and to determine whether there are markets or market segments in the mobile broadband services value chain that may require regulatory intervention in terms of Chapter 10 of the Electronic Communications Act, 2005. ICASA issued two separate invitations to apply regarding the assignment of high-demand spectrum in South Africa. After the invitations, ICASA received a court application in December 2020, filed by Telkom, which resulted in delays in the auction. The Competition Commission report on data pricing and the impact of revenue dilution. |
| Lesotho: | <p>The LCA issued a notice of enforcement proceedings against Vodacom Lesotho and to revoke its licence based on its opinion of non-independence of the company's previous external auditors. The matter was heard in the High Court in December 2020 and judgment is pending.</p> |
| Tanzania: | <p>Impact of loss of customers resulting from the biometric identification regulations.</p> |
| Our key decisions | <ul style="list-style-type: none"> We engaged with governments, regulatory and public bodies. We convened specialist legal, regulatory and government relations teams at Group and operational levels, with external advisers and legal counsel, as required. We engaged stakeholders and used targeted intelligence reports to understand material legislative changes. We engaged in broader government objectives and public interest through national industry associations, the Global System for Mobile Communications Association (GSMA) and other influential organisations. We implemented a specific regulatory compliance policy and a combined assurance programme for COVID-19 and ensured all risks were documented. We implemented Social Contract and data price transformation. |
| Risk (see page 40) | Adverse regulatory and compliance pressures. |
| Strategy |  |

| Focus area: | Taxation matters |
|------------------------------|---|
| | Faced pressure and demands around taxation in the Democratic Republic of the Congo (DRC) and Tanzania. |
| Our key decisions | <ul style="list-style-type: none"> We improved stakeholder engagement with tax authorities. We improved our stakeholder engagement programme. We monitored changes to our political environments, including social activism. We regularly consulted with tax advisers to understand the impact of our current operating environment. We regularly communicated Vodacom's purpose through media statements and campaigns. We released media statements and participated in awareness campaigns to educate Vodacom's customers. |
| Risk (see page 38) | Increased taxation, social and political pressure. |
| Strategy |  |

Share information

Group institutional shareholders

As at 31 March 2021

| | # of shares | % holding |
|--|----------------------|---------------|
| Vodafone Group PLC ¹ | 1 110 629 881 | 60.50% |
| Government Employees Pension Fund (GEPF) | 248 583 223 | 13.54% |
| YeboYethu Investment Company (Pty) Limited | 114 451 180 | 6.23% |
| Wheatfield Investments 276 (Pty) Limited | 15 421 231 | 0.84% |
| Institutional investors | 289 308 445 | 15.76% |
| Retail positions | 54 361 501 | 2.96% |
| Other ² | 3 109 500 | 0.17% |
| | 1 835 864 961 | 100.0% |

Notes:

1. Directly held by Vodafone Investments SA (Pty) Limited and Vodafone International Holdings B.V.

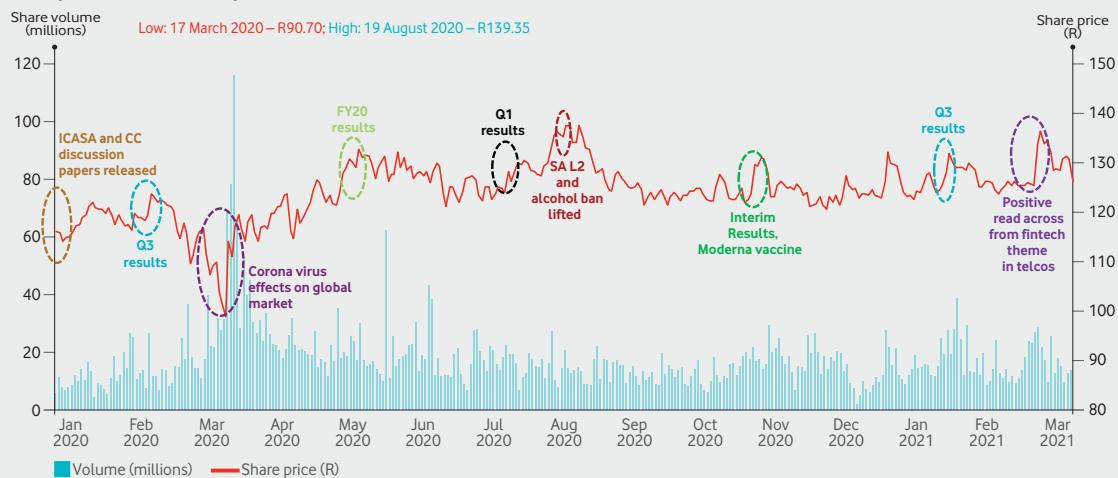
2. Other refers to the balance of remaining holdings, including shares below the analysis threshold which may include additional institutional/retail shareholdings.

Share price rebased to 100



Source: FactSet; Date range 2 January 2020 to 31 March 2021.

Share price and volume performance



Source: FactSet; Date range 1 January 2020 to 31 March 2021.

Capitals impacted:

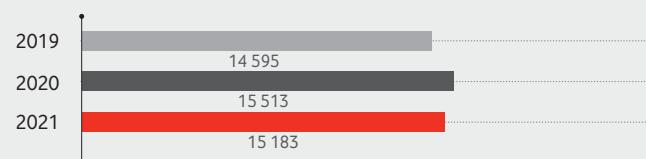


Financial capital

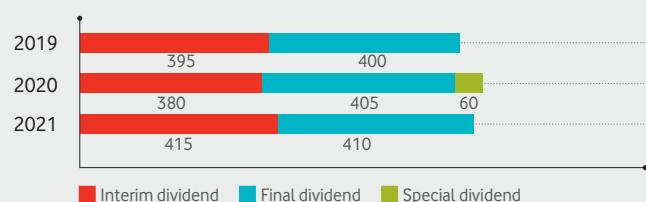
Institutional shareholding by geography as at 31 March 2021

| | 2021 | 2020 |
|--------------------------|--------------|-------|
| United States of America | 40.7% | 41.9% |
| South Africa | 27.0% | 29.2% |
| United Kingdom | 14.4% | 14.5% |
| Europe | 9.3% | 3.7% |
| Asia-Pacific | 8.6% | 10.7% |

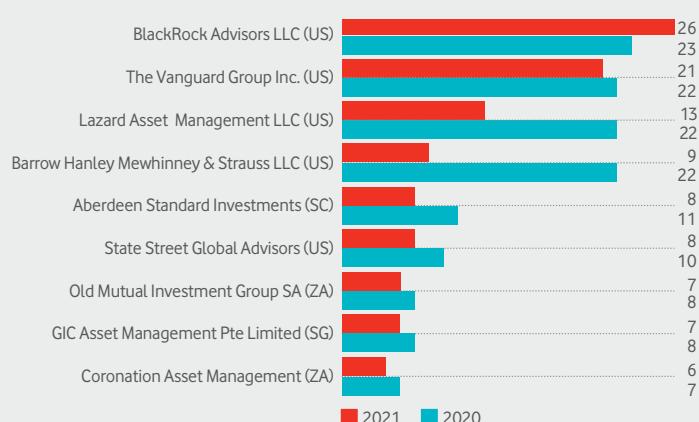
Total dividend declared as at 31 March (Rm)



Dividend per share (cents per share)



Top ten institutional investors, excluding GEPF, as at 31 March 2021 (millions of shares)



Indices we are part of



Vodacom share price closed at

R126.26

on 31 March 2021 with a 52-week high of R139.35 and a 52-week low of R112.01.

Total shareholder returns for the year ended 31 March 2021

15.2%

(2020: 9.5%)

Source: FactSet 31 March 2021.

| Our listed companies | Market cap (Rbn) |
|--------------------------|------------------|
| Vodacom Group Limited | 231.8 |
| Vodacom Tanzania Limited | 11.0 |
| Safaricom PLC | 196.1 |

Price earnings (PE) analysis

Times

| | |
|-----------------------------------|------|
| Vodacom Group | 12.3 |
| Vodacom Group excluding Safaricom | 10.4 |

 Source:
 Bloomberg and Vodacom estimates at 31 March 2021.

| | |
|-----------------|---------------|
| Ticker symbol | VOD |
| ADR code | VDMCY |
| Stock exchange | JSE Limited |
| Shares in issue | 1 835 864 961 |
| Free float | 26.0% |
| Transfer agent | Computershare |

2021 investor relations calendar

Monday 19 July 2021
Vodacom Group annual general meeting (AGM)
Tuesday 29 July 2021
Q1 results
Monday 15 November 2021
Interim results

Remuneration report

2021

Capitals impacted:



Intellectual
capital



Human
capital

Letter from the Remuneration Committee Chairman

Dear shareholders

On behalf of the Board, I am pleased to present the 2021 remuneration report for Vodacom Group. This report includes our remuneration philosophy and policy for executive and non-executive directors (NEDs), and describes how the policy was implemented. It also discloses payments made to NEDs and executive directors during the year.

Although we had to adapt to the operational challenges presented by the COVID-19 pandemic, the nature of our business – which thrives on connectivity and keeping the world communicating and working despite severe curtailment of movement and freedom – meant that we did not need to change our reward framework dramatically. We were therefore able to reward and sustain our people throughout this challenging period. The only significant change we implemented this year was to remove the service revenue condition used in our short-term incentive (STI), and re-weight the earnings before interest, tax (EBIT), cash flow and customer appreciation measures to cover the overall performance measurement for the year. We were still able to provide competitive salary increases, STI awards and provide for the vesting of long-term incentive (LTI) awards with no other changes to our normal remuneration framework.

In line with our commitment to fair and responsible remuneration, we continuously review our remuneration policies and practices to ensure they remain fit for purpose and align with Vodacom's strategic objectives. As noted in the key focus areas identified in my letter last year, we:

- Redesigned our recognition programme, using the global Vodafone Stars programme to provide "in the moment" recognition for Spirit of Vodacom behaviours;
- Implemented a new benchmarking framework for the senior leadership team (SLT), where we target the 75th percentile of comparator information. This is necessary for us to attract and retain skills in the core and new areas of our business in a particularly competitive market;
- Enhanced our ability to recruit and retain new skills, using this improved market positioning – as well as our employee value proposition, which we continuously enhance – to ensure that Vodacom is a great place to work; and
- Embedded the Spirit of Vodacom in our reward framework by reflecting customer satisfaction, thereby creating an environment to encourage experimentation, increasing our focus on collective rewards and reinforcing all the behaviours using our recognition programme.

Although we received tremendous support from shareholders in terms of the high-voting percentages on our remuneration policy and implementation report, we have not rested on our laurels. We implemented a malus and clawback policy and introduced an environmental, social and governance (ESG) vesting condition to govern 10% of our 2020 LTI awards. With these enhancements, and to keep pace with best practice, the committee is satisfied that our current remuneration policy remains relevant and fit for purpose. We are committed to maintaining a strong relationship with our shareholders, built on trust and a clear understanding of our remuneration policy and the practices that were implemented.

Phuthi Mahanyele-Dabengwa
Remuneration Committee (RemCo) Chairman

Section 1

Background statement regarding committee considerations and decisions

This section deals with Vodacom's Group remuneration philosophy, policy and the framework governing executive directors' and NEDs' pay as set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV™)¹. These principles exemplify fair, responsible and transparent remuneration policy practices and disclosure in terms of the Companies Act, 2008, as amended (Companies Act) and the JSE Listings Requirements as prescribed by King IV principle 14. In addition, we discuss the remuneration principles applicable across all employee groups.

Vodacom launched the Spirit of Vodacom in January 2020, a culture shift necessitated by our Vision 2025 strategy of transitioning from a traditional telco to a techco. We reviewed our reward arrangements guided by supporting business strategy, purpose and Spirit. We are a performance company and have to ensure our reward structures recognise, support and reward teams and individuals, and differentiate top performers and top talent.

Alignment of reward changes to Spirit behaviours

We developed the new reward framework to support our Spirit behaviours, comprising four pillars:

- **Earn customer loyalty:** Retaining the customer satisfaction metric in the global short-term incentive plan (GSTIP);
- **Experiment, learn fast:** Creating an environment to encourage experimenting;
- **Get it done, together:** Increasing our focus on collective reward; and
- **Reinforcing all the behaviours:** Using Vodafone Stars (our global recognition programme) for "in the moment" recognition.

Key enhancements to our remuneration policy

The **Spirit of Vodacom** defines the beliefs and behaviours we believe we need to successfully transform into a techco and deliver on our strategy and purpose.

We restructured our reward structures and processes to **encourage and reward** behaviours that support our Spirit. These structures and processes ensure we consistently and appropriately recognise outstanding performers and talent, driving greater **engagement** and a culture of **innovation**.

We are a **performance-driven organisation**, and the different components of our reward structures recognise, support and reward collective and individual performance.

How leading remuneration and reward practices support the delivery of our purpose

Vodacom's core purpose is to connect for a better future and create a better future for all. Our purpose is brought to life by our strategy, which is then rolled out throughout the business to ensure all our efforts as a team are directed at delivering this strategy and ultimately our purpose. Guided by the Spirit of Vodacom, our employees are the custodians of our purpose and strategy, which is enabled through our people's commitment, efforts and dedication.

With a focus on aligning organisational and employee goals, our remuneration and reward practices are designed to ensure we:

- Attract high-calibre talent in the market;
- Reward employees for living the Spirit of Vodacom; and
- Motivate our people to achieve our strategy and live our purpose.

As an ethical employer, we ensure our remuneration and rewards policy is discrimination-free, fair and market-related to reflect employee skill levels, functions and roles.

1. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Role of the RemCo

Our Board is responsible for the Group's remuneration policy, assisted by RemCo. The Group CEO, Group Chief Human Resources (HR) Officer and any other executives invited for specific discussions attend meetings by invitation, but recuse themselves before any decisions are made that relate to them. RemCo operates according to a charter approved by the Board. This charter is regularly reviewed. RemCo ensures the Group's remuneration is fair and responsible.

RemCo's role and responsibilities include, but are not limited to:

- Determining and agreeing the remuneration and overall compensation package for the Vodacom Group CEO, CFO and any other executive director appointed to the Vodacom Group Board and the members of the Vodacom senior leadership team (SLT);
- Determining, agreeing and developing the company's overall policy on remuneration;
- Ensuring fair competitive reward strategies and programmes are in place to facilitate recruiting, motivating and retaining high-performance employees at all levels to support realising corporate objectives and to safeguard stakeholder interest;
- Reviewing and recommending to the Board the relevant criteria necessary to measure the executive management's performance in discharging its functions and responsibilities;
- Reviewing the fairness of executive remuneration in the context of overall employee remuneration and recommending how this should be addressed and disclosed in the annual remuneration report;
- Developing and implementing a policy of remuneration philosophy for disclosure to enable a reasonable assessment of reward practices and governance processes to be followed by stakeholders;
- Considering other special benefits or arrangements of a substantive financial nature;
- Reviewing the promotions, transfers and termination policies for the Group;
- Ensuring compliance with applicable laws and codes;
- Appointing external remuneration consultants from time to time;
- Ensuring the remuneration policy and implementation report are put to a non-binding vote at the annual general meeting (AGM);
- Reviewing the engagement of investors in the event Vodacom does not achieve the required number of votes for either of the remuneration policy or implementation report or both; and
- Determining and recommending the level of NEDs' fees to shareholders for approval.

The RemCo Chairman provides feedback to the Board after each RemCo meeting, including key decisions and relevant discussions, and attends the AGM to address shareholders' questions on RemCo's responsibilities.

Remuneration governance

Regulatory context

When RemCo considers the remuneration policy, it ensures the policy supports the company's purpose and strategy of Vision 2025. Further, RemCo ensures our remuneration principles and guidelines align with the Companies Act, King IV principles and recommended practices, and the JSE Listings Requirements.

RemCo considers regulatory and corporate governance requirements as set out in Vodacom's operating markets and incorporates these into our remuneration governance. Each operating market Board, with input from the country Managing Director and its local RemCo, makes final decisions regarding remuneration, merit increases, annual bonus allocations and LTI awards.

Achievement of policy objectives

Our new reward structure implemented supports our Spirit behaviours.

With the Spirit reward changes, a key element of change is that the individual multiplier for STI and LTI has been removed. Despite this change, our performance development process remains robust with objectives set, performances reviewed, and performance and talent ratings allocated. These changes were effective from **1 April 2020** for the 2021 financial year GSTIP cycle (i.e. for bonuses paid in June 2021) and the June 2021 share awards (forfeitable share plan (FSP)).

Business performance and the impact on our STIs and LTIs

With the outbreak of COVID-19, management reviewed the measures and targets for STI and LTI objectives.

The Group faced certain challenges in achieving our targets. These include COVID-19 – particularly in our International Business – and load shedding in South Africa. Due to the national lockdown in South Africa, emergency spectrum was issued in April 2020, which has since been extended to the end of March 2022, when the spectrum auction process is expected to take place. More details on the actual achievement are provided elsewhere in this report. The targets and their achievement directly impact the STIs and LTIs payable to executives.

RemCo's key decisions during 2021

- Approved increases and adjustments for executives, senior management and employees;
- Reviewed the metrics of the variable short-term incentive plan (STIP) and the variable long-term incentive plan (LTIP), and made changes where appropriate;
- Approved STIs for executives, senior management and employees;
- Evaluated the LTIP vesting conditions for the 2017 scheme and approved final vesting ratios;
- Set performance conditions for STIs and LTIs by including an ESG measure for LTIs;
- Implemented a malus and clawback policy for executives and key senior management; and
- Recommended the NED fee increases to the Board.

RemCo meeting dates and key discussion topics

6 May 2020

- Remuneration adjustment for the CEO;
- Executive directors and SLT benchmarking;
- Approve increases and adjustments for executives, senior management and employees;
- Approve STI payments for executives, senior management and employees;
- Approve LTI awards for executives and senior management;
- Approve LTI performance achievement;
- Malus and clawback policy reviewed, with subsequent electronic approval;
- Approval of remuneration for new senior management appointments for Vodacom South Africa; and
- Review the draft remuneration report.

1 September 2020

- Ratification of electronic approval for:
 - Malus and clawback policy;
 - Measures and weightings for the 2021 financial year (GSTIP); and
 - Measures for the 2020 FSP allocation (LTIP).
- Update on key remuneration matters, i.e. STIP and LTIP achievement to date; and
- Feedback on the July 2020 annual increase process for all operating companies in the Vodacom Group.

19 November 2020

- Approval of ESG targets for LTIs;
- Update on key remuneration matters, i.e. STIP and LTIP achievement to date; and
- Inflight awards – market overview and market executive remuneration trends.

25 March 2021

- Review of trends with Inflight programmes;
- Review of the LTI measures – total shareholder return (TSR) weighting;
- Approved the parameters for the 2021 annual remuneration review process;
- Review executive remuneration schedules;
- Update on key remuneration matters, i.e. STIP and LTIP achievement to date;
- Recommend NEDs' fees to the Board; and
- Update the RemCo's charter and work plan.

Shareholder voting

As required by King IV and the JSE Listings Requirements, Vodacom will put a dual advisory vote to shareholders regarding the approval of the remuneration policy and the implementation thereof. Should either vote receive 25% or more votes against it, Vodacom will take the following steps:

- Issue a Stock Exchange News Service (SENS) announcement regarding the voting results;
- Invite shareholders to engage with Vodacom regarding their dissatisfaction with either vote;
- Schedule collective and/or individual engagements with relevant shareholders to record their concerns and objections;
- Assimilate all responses and schedule a RemCo session to analyse concerns and issues raised to formulate changes to policy and implementation where required; and
- Develop a formal response to shareholders who articulates concerns raised and changes to be made to address them, and detail responses to concerns where Vodacom, despite shareholder feedback, believes its current policy and/or implementation is adequate.

Voting at the AGM in July 2021

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM in July 2021:

- Binding vote on NEDs' fees;
- Advisory vote on the remuneration policy; and
- Advisory vote on the implementation report



Details can be found in the AGM notice, available online at www.vodacom.com.

Results of shareholder voting at the most recent AGMs are indicated below.

| | 2020 | 2019 | 2018 |
|---|---------------|--------|--------|
| Approval of the remuneration policy | 98.89% | 98.91% | 98.83% |
| Implementation of the remuneration policy | 98.86% | 98.91% | 98.93% |
| NEDs' fees | 99.96% | 99.76% | 99.58% |

Areas of focus for the next year

To keep abreast of executive remuneration trends, RemCo continuously assesses the executive remuneration market and governance frameworks. RemCo anticipates the following key focus areas for the next year:

- Consider performance conditions for LTIP;
- Monitor changes in executive remuneration, especially those of our direct competitors, including responses to the COVID-19 pandemic;
- Review the peer group applicable to the LTIP and NEDs' fees; and
- Focus on fair and responsible pay.

Independent external advisers

The Group RemCo contracted Bowmans for independent external advice and is satisfied with its independence and objectivity.

Section 2

Our remuneration philosophy, policy and framework

The principles that govern our remuneration policy are as follows:

Employer of choice

Our objective is to be an employer of choice in the countries where we operate. Our reward programmes should be designed to assist us in achieving this.

Competitive pay levels

We are committed to remuneration packages that are competitive relative to the target market as defined in each country. To deliver effective reward management across all Vodacom markets, we need to undertake localised benchmarking of guaranteed pay and target total cash (TTC) at least every other year.

Pay for performance

We structure remuneration around pay aligned with performance. This allows us to reward strong corporate and individual performance. We apply malus and clawback provisions to variable pay awards for senior management.

Internal equity

As far as possible, remuneration differentiation between employees is based on fair and objective criteria.

Sustainable

We manage the total cost of employment for all employees and ensure the benefits provided are affordable, sustainable and aligned with shareholder expectations.

Benefits

Where possible, we offer benefits that align with local market trends.

Holistic approach

Vodacom adopts a holistic approach to reward, which incorporates guaranteed pay, variable pay, recognition and employee development.

Relevance

We recognise that the reward philosophy and each component of the reward policy are dynamic and should be reviewed regularly to ensure we keep abreast of Vodacom's objectives and market trends. We also need to ensure our practices comply with legislative and regulatory requirements in the markets where we operate.

Communication

We are committed to providing transparent and understandable information about our reward programmes, policies and processes to employees. All our markets must provide clear and effective communication of the total reward package offered. This ensures employees understand what they receive, why and when they receive it, and how their performance can influence the value of what they receive.

How remuneration and rewards support the system of advantage

Our system of advantage is designed to deliver exponential value to our stakeholders through an ecosystem that better serves our customers and differentiates our offerings. This differentiation helps us retain customers, grow our market share and create value for stakeholders.

Our remuneration and reward policies and practices are designed to support these goals by promoting appropriate employee behaviours that drive innovation, optimise the customer journey, create economies of scale, increase our market share and ensure superior investor returns.

Our remuneration philosophy

Vodacom adheres to a total cost to company philosophy, which we refer to as a guaranteed package (GP). All employees in South Africa, including executive directors, receive a GP based on their roles. The GP includes contributions to medical aid, retirement funding and insured benefits.

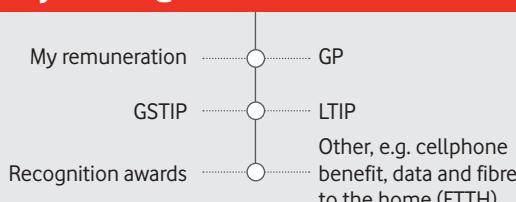
Our STI is an annual cash bonus linked to achieving financial, strategic and operational objectives. The Group's financial performance, measured against previously set and agreed targets, determines the cash pool available for STIs.

Our LTI is an annual share allocation that encourages ownership and loyalty, and supports our objective to retain valued employees. It is designed to align executives' performance to shareholders' interests, as a portion of the award for Senior Leadership Team is subject to Group performance conditions. The scheme is a full ownership scheme and, as a result, participants receive dividends from the award date. However, the value of the shares can only be realised after a three-year vesting period, to the extent that the vesting conditions were met.

Vodacom's reward framework

Vodacom's reward framework comprises financial and non-financial elements, and applies to all employees, including executive directors. The Vodacom reward framework is explained in the picture below.

My Reward @Vodacom (financial reward)



My non-financial reward





Pay mix

RemCo annually reviews the total pay mix of executive directors and decides on the proportion of total remuneration paid as part of GP, or as an STI or LTI. Each element is linked to creating shareholder value and the strategic progress made in the year.

The ratio of guaranteed versus variable pay differs for each level in the organisation, with the weighting on variable performance-based pay higher at executive and senior levels compared with lower-level employees, in line with our remuneration principle of paying for performance and encouraging and rewarding behaviours that support our Spirit.

RemCo reviews targets and the on-target values for each element to ensure they remain relevant and competitive, drive the right behaviours and enhance overall shareholder value.

Benchmarking

To ensure we apply the right pay mix and competitively remunerate our executives, we use industry and country-specific benchmarks. Fair and competitive rewards are vital to being an employer of choice. RemCo sets the remuneration and GPs of executives by looking at peer group data from the JSE telecommunications sector and other listed companies of similar market capitalisation and revenue.

In addition, Vodacom subscribes to remuneration surveys (Remchannel and the Mercer top executive survey). We consolidate the remuneration information to ensure we have a comprehensive view of remuneration across different industries and an understanding of how to appropriately and competitively reward our executives.

Benchmarking for executive directors in Vodacom is done for all elements of targeted remuneration, namely GP, target STI and target LTI. For executive directors, Vodacom targets the 75th percentile of the market for GP and 75th percentile of the market for GP plus STI.

Vodacom benchmarks the Group CEO and CFO against industry-specific comparators, information from peer group disclosure and Mercer's executive remuneration survey. We benchmark the remaining Vodacom SLT members against Mercer's annual executive survey and industry-specific comparators where available.

Accurate benchmarking further reinforces our remuneration principles to attract, retain and motivate executives of the highest calibre which, in turn:

- Aligns their remuneration with shareholder interests;
- Creates sustainability; and
- Follows best practice in a holistic approach to deliver fair and responsible remuneration.

When determining the salary for an executive, we consider:

- Job grade: Vodacom uses the Willis Towers Watson Job Evaluation system, a global job evaluation system that correlates with all the major job evaluation systems;
- Job-specific competence and skills and the marketability and scarcity of the skills;
- Industry knowledge and experience; and
- Their contribution to achieving the business's strategy.

LTIP TSR peer group

Vodacom utilises the Indi25 index as the most representative list of companies from the perspective of industry competitors, labour market and company size.

NEDs' remuneration

Vodacom annually benchmarks NEDs' remuneration against fees published by a peer group of companies in their most recent AGM notices. The peer group of companies for NED benchmarking is different from the TSR peer group, since the skills required of NEDs come from a pool of more appropriately sized companies, including financial services companies. We excluded banks from the pool since their NEDs' fees are noticeably higher than other industries.

Pay in a wider context – elements of the remuneration framework

GP

Our people's pay reflects their skills, role and function. Vodacom offers benefits that are best practice and comply with legislation. In terms of our total cost to company philosophy, any change in the price of a benefit or contribution level will not have a cost impact on the employer but will affect the employee's net remuneration. As a standard, we offer the benefits detailed below to all our South African employees, including our executive directors.

— Retirement funding

The Vodacom Group Pension Fund, a defined contribution pension scheme, is compulsory for all permanent employees. Executives are also required to participate in the Vodacom Group Provident Fund, which is also a defined contribution scheme. Other employees can choose to join the Vodacom Group Provident Fund. Employees have the option to choose their level of contribution to the pension and provident funds. Contributions to the pension fund are based on pensionable salary and employees can select their pensionable salary at either 70% or 85% of GP. They can also choose where they would like their money to be invested based on their individual risk profile. The normal retirement age is 60 for executive directors and other executives, and 65 for all other employees.

— Insured benefits

We offer a tailored and segmented risk benefit programme to move away from a one-size-fits-all package. This enables our employees to select benefits that suit their circumstances. The options allow employees more flexibility in selecting benefits. The insured benefits include group life assurance, an education benefit, spouse's death benefit, critical illness benefit and disability benefit. These contributions are calculated as a percentage of pensionable salary and funded from the GP.

— Disability

If an employee cannot perform their duties because of disability, they will receive a monthly income of 75% of their monthly pensionable salary. The disability premiums are also funded from the GP. This benefit is payable until the employee recovers sufficiently to return to work, or if not, up to normal retirement age, whereafter the employee will retire. During the period of disability, payment to the retirement fund and Group life insurance continues.

— Medical aid

Employees can choose to participate in any nominated medical aid scheme. The schemes available at Vodacom were selected to address the needs of the diverse Vodacom workforce. We annually review the medical aid schemes to assess their appropriateness for our employees. As part of the medical aid benefit offering, we have a full-time Alexander Forbes consultant on site to assist with any medical aid-related queries. We do not offer post-retirement medical benefits, and we have no such liabilities.

STI

All employees, including executive directors, but excluding employees on commission, or quarterly or bonus structures, participate in the annual STIP. STI payments are discretionary and are based on the achievement of financial and strategic measures. Payments are made in cash in June each year.

Where annual targets are achieved in full, 100% of the on-target STI will be paid. Where target goals are exceeded, the STI is capped at a percentage of GP. Where the STI targets are not achieved in full, a reduced STI is paid. Where performance is below threshold, no STI is payable. In addition, executives assessed as top performers as part of the performance dialogue process will receive an award of shares in November equivalent to 25% of their target share percentage with 24 months' vesting.

As indicated previously, the individual multiplier for FY2021 was removed in the calculation of the STI and this change is aligned to our Spirit behaviours.

The on-target and maximum STI percentages are set out below:

| Role | On-target % of GP FY2021 | Maximum % of GP FY 2021 |
|--------------------|--------------------------------|-------------------------------|
| Group CEO | 100% | 200% |
| Previous Group CFO | 60% | 120% |
| New Group CFO* | 75% | 150% |

* Following a review of the market benchmarks, it was agreed to increase the on-target STI for the new CFO.

For FY2021, the STI will be based on business performance only and is capped at 200% of target, which is the maximum business multiplier with no personal performance multiplier.

Business performance multiplier

The business performance multiplier ranges from 0% to 200%. The uncertainty caused by COVID-19 made it difficult for the company to set an appropriate or reliable target for service revenue. As a result, Vodacom decided to remove it as a measure for the STI for FY2021 only and continued using the remaining three measures of earnings before interest and taxation (EBIT), operating free cash flow (OFCF) and customer appreciation, with these measures being equally weighted. These measures are more directly under our control and we can influence them as the external market evolves.

Service revenue remains a critically important metric for the company, and we will continue measuring and reporting on it.

| Metric | 2021 weighting | 2020 weighting | 2019 weighting |
|-----------------------|----------------|----------------|----------------|
| Service revenue | — | 25% | 25% |
| EBIT | 33.33% | 25% | 25% |
| OFCF | 33.33% | 25% | 25% |
| Customer appreciation | 33.33% | 25% | 25% |

| Description of metrics → and range | EBIT | OFCF | Customer appreciation |
|--|--|--|---|
| Earnings before interest and taxation, impairment losses, profit/loss on disposal of investment, property, plant and equipment (PPE), and intangible assets, profit/loss from associate and joint venture, restructuring cost and black economic empowerment (BEE) income/change. | Cash generated from operations less additions to PPE, intangible assets and proceeds on disposal of PPE and intangible assets. | Customer appreciation is based on assessment of the following metrics: | <ul style="list-style-type: none"> • Net promoter score (NPS); • Brand consideration; • Churn; and • Revenue market share; |
| Threshold → | -2.5% of service revenue target | -2.5% of service revenue target | We use an NPS to measure the extent to which our customers would recommend us, and brand consideration acts as a measure of the percentage of people who would consider a certain brand as their telecommunications provider. Churn is calculated by dividing the annualised number of disconnections by the average monthly customers during the period. |
| Target → | 100% | 100% | |
| Above target → | +2.5% of service revenue target | +2.5% of service revenue target | |
| For executives, Vodacom splits business performance between the relevant operating company (70%) and the Group (30%). The Group business multiplier is used for the Group CEO, Group CFO and other SLT members of the Group Exco. For other SLT members, the business multiplier is based on a weighted average of the multipliers for the relevant operating company and the Group. | | | |

Personal multiplier

Vodacom removed the personal multiplier for all employees for FY2021. However, we will continue assessing individual performance based on the achievement of their objectives.

As in the past, the Group CEO did not have a personal performance multiplier. His STI is based on business performance only. We assess his performance against specific individual goals linked to Vodacom's overall strategic objectives.

The formula for determining the Group CEO's cash bonus is:

$$\text{GP} \times \frac{\text{Target incentive}}{100\%} \times \frac{\text{Business performance}}{0\% \text{ to } 200\%}$$

The formula for determining the Group CFO's cash bonus is:

$$\text{GP} \times \frac{\text{Target incentive}}{75\%} \times \frac{\text{Business performance}}{0\% \text{ to } 150\%}$$

Remuneration report 2021 continued

LTI

Select employees, including all executives, are invited to participate in our LTIPs. These incentive plans aim to retain key skills and motivate executives over the long-term, which is essential for sustainable performance. The awards are made using a combination of Vodacom and Vodafone awards. Only certain executives receive Vodafone awards. These awards may be made in retention shares (only time-based vesting), performance shares (performance vesting conditions in addition to time-based vesting) or a combination of these award types.

The Vodacom awards are FSP where the maximum number of shares are granted at the time of award. Dividends are received on the maximum potential unvested shares from the time of award. Vesting conditions will determine how many of the original awards are forfeited on final vesting. The Vodafone awards are conditional shares, where shares are settled at the time of vesting and dividends only accrue from that point onwards.

Vodacom performance FSP shares

The Vodacom performance FSP shares vest in a range of 0% to 100% of the number of shares awarded, being the maximum that can be achieved in the case of stretch performance, where 50% is the target vesting level.

Vodacom retention FSP shares

Vodacom operates in highly competitive markets, where competitors are local and international and span industries beyond telecommunications. An element of the LTIP award for employees, other than the Group CEO is retention awards. Therefore, they only have time-based performance vesting conditions.

Vodafone retention and performance conditional share plan (CSP) awards

 Details regarding performance conditions and vesting periods for the Vodafone awards can be found in the Vodafone annual report 2021 on <https://investors.vodafone.com/reports-information/results-reports-presentations>

On-target and maximum LTIP FY2021

The on-target and maximum LTIP percentages are set out below. The CEO's on-target LTI was increased from 190% to 225% with effect from the LTI award in June 2020:

| Role | On-target % of GP | Maximum % of GP |
|----------------|-------------------|-----------------|
| Group CEO | 225% | 400% |
| New Group CFO* | 100% | 150% |

* Following a review of the market benchmarks, it was agreed to increase the on-target LTI for the new CFO.

Vodacom removed the individual multiplier for the allocation of LTIP awards and will allocate the on-target percentage to all employees eligible to participate, based on their band.

Split of awards

On-target awards are split between Vodacom FSP and Vodafone CSP awards, as well as between retention and performance awards.

| Scheme | Group CEO | Group CFO |
|--------------------------|-----------|-----------|
| Vodacom FSP retention | – | 50% |
| Vodacom FSP performance | 77.79% | 25% |
| Vodafone CSP retention | – | – |
| Vodafone CSP performance | 22.21% | 25% |

The Group CEO does not receive Vodacom FSP retention awards or Vodafone CSP retention awards.

Performance conditions for LTIP

| Metric | Weighting award 2020 Vesting 2023 | Weighting award 2019 Vesting 2022 | Weighting award 2018 Vesting 2021 |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| OFCF | 60% | 70% | 70% |
| TSR relative to a peer group | 30% | 30% | 30% |
| ESG target | 10% | | |

Vodacom determines the targets for OFCF according to the achievement of the three-year budget plan. TSR achievement is calculated based on the position in the selected TSR peer group.

The vesting of Vodacom performance FSP shares is based on the following scale:

| Scheme | OFCF | TSR relative to peer group |
|---------------|----------------------|--|
| Min 0% | <15% of OFCF | Below 50th percentile of the index |
| Threshold 20% | Three-year plan -15% | At 50th percentile of the index |
| Target 50% | Three-year plan | Average of the 50th and 75th percentile of the index |
| Maximum 100% | Three-year plan +15% | 75th percentile of the index |

ESG measure

From June 2020, the LTI allocation has included an additional measure relating to ESG, which had a weighting of 10% and is split as follows:



Malus and clawback provisions

Vodacom implemented a malus and clawback policy in 2020, with the aim of implementing a provision allowing for Vodacom, through its Board, to reduce or clawback certain elements of an Executive employee's remuneration in circumstances where a trigger event has occurred.

Clawback means the recoupment, during the clawback period, of all or a portion of the clawback amount from an executive after vesting or payment. **Malus** refers to the reduction of unvested or unpaid awards before the end of the vesting period (LTI) or prior to payment (STI).

The Board adopted this policy to further align the interests of our executives and senior management with the long-term interests of the Group. Furthermore, this policy ensures that excessive or inappropriate risk-taking is not rewarded, stipulates that any errors can be corrected, and ensures a fair outcome when variable remuneration is awarded.

The policy sets out the circumstances where the Board, following the advice of RemCo, may apply its discretion to reduce or clawback incentive awards (in whole or in part) in line with the policy. Currently, Vodacom's executive directors and SLT will be subject to the provisions of this policy. This limited scope of application will be reviewed from time to time to ensure that it is appropriate and in line with market practice for South African-listed companies. This policy is applicable to variable remuneration – STIs and LTIs.

Vodacom Siyanda Employee Trust

We established the Vodacom Siyanda Employee Trust to benefit eligible employees. The trust holds its equity investment in Vodacom Group through its interest in YeboYethu (RF) Limited (YeboYethu).

Employees participated in the transaction by being allocated units in the trust based on a varying percentage of GP, considering their employment level, race and gender. We created one unit for each share that the trust holds. The units representing vested rights to the underlying YeboYethu ordinary shares will have a service condition that will lift in three equal tranches at the end of years three, four and five, but will only become fully tradeable in the BEE segment of the JSE in three equal tranches over three years starting from the end of the fifth year of the scheme (i.e. years six, seven and eight).

When the units are converted to shares in YeboYethu, Vodacom will be required to deduct employee tax on the full value of units as at that date and pay it over to the South African Revenue Service.

Fair and responsible remuneration

King IV recommends that companies should ensure all employees are fairly, responsibly and transparently remunerated. Vodacom applies the principle of fair pay based on the value of the job relative to other jobs of similar value (internal equity). Our remuneration policy follows the same fundamental principles across all levels of the Group's employees.

Vodacom supports eliminating discrimination regarding remuneration by applying the principle of equal remuneration for work of equal value. Any difference in remuneration will be discrimination only if the differences are directly or indirectly based on race, sex, gender, disability or any other arbitrary ground established in terms of section 11 of the Employment Equity Act, 1998 (EE Act).

We base our reward decisions on merit and we do not discriminate based on gender, race, religion or belief, disability, age, sexual orientation, or gender identity and expression.

Regulation 7 of the EE Act lists several grounds that are commonly considered in determining remuneration. It is not considered discrimination if the difference is fair, rational and based on any one or a combination of the following:

- The employee's seniority or tenure;
- The employee's qualifications, ability, competence or potential above the minimum acceptable level required for the role;
- The employee's performance, quantity or quality of work, provided that the performance management system is consistently applied;
- Where an employee is demoted for any legitimate reason, without a reduction in remuneration;
- Where an individual is temporarily employed in a position to gain experience or training and, as a result, receives different remuneration or benefits from different terms and conditions of employment;
- A shortage of relevant skills in a particular job classification; and
- Any other relevant non-discriminatory factor.

We review our internal pay ranges annually and consistently apply them throughout the organisation. All operating companies in Vodacom are required to conduct an annual fair-pay analysis to ensure they are committed to fair pay and responsible remuneration across all employee levels. We adopted this approach across our businesses.

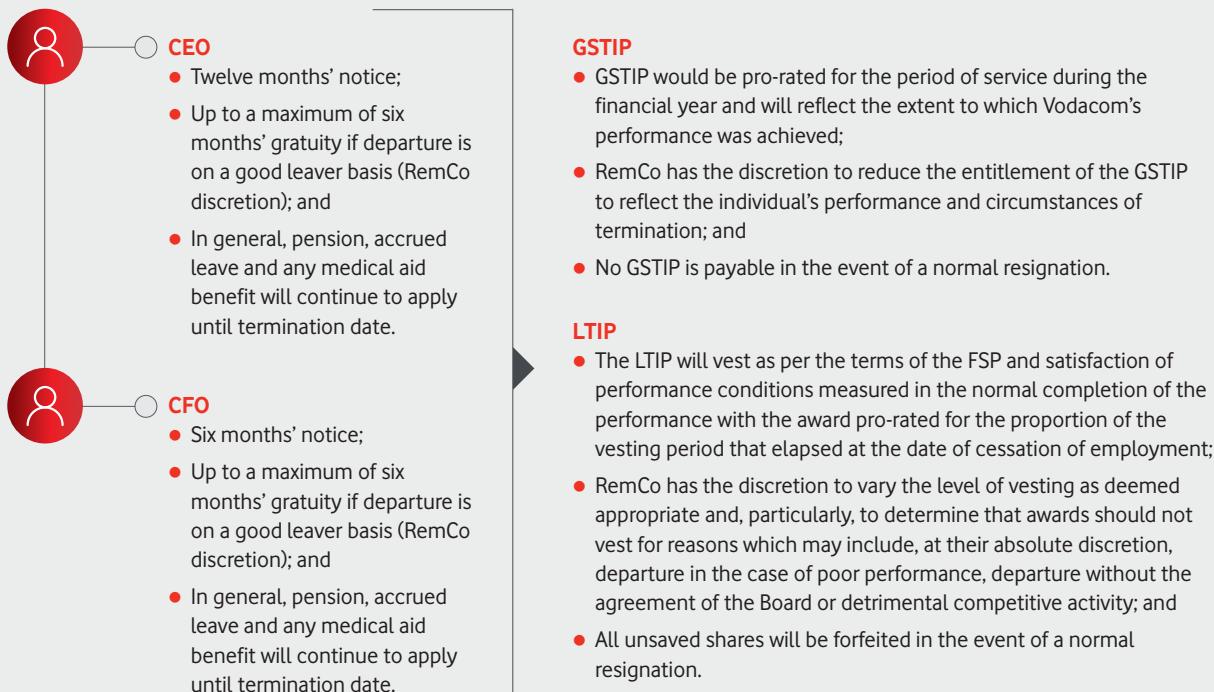
Executive contracts and policies

Executives have permanent contracts of employment. The notice period applicable to members of executive management is 12 months for the CEO, and six months for the CFO.

Payments for termination of office

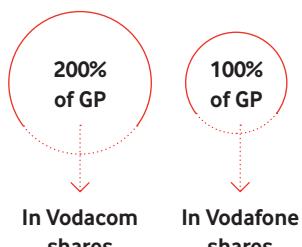
RemCo has the discretion to approve termination benefits to executive directors when required. The maximum termination benefit potentially payable will be limited to six months. These benefits will not apply to a normal voluntary resignation or retirement.

In terms of the current Vodacom policy, the CEO and CFO would be entitled to the following on termination of office on a good leaver basis:



CEO minimum shareholding requirement

To ensure the Vodacom Group CEO maintains a high level of shareholder alignment, we introduced the following minimum shareholding requirement:



Therefore, the total share ownership guideline for the Vodacom CEO is 300% of GP. Should the Vodacom CEO not meet the minimum shareholding requirements at the time of the LTIP awards, the levels of the Vodacom and Vodafone awards will be reduced below the target award levels indicated.

Other executives' minimum shareholding requirement

The Board wishes to encourage individual shareholding in Vodacom by executives as a tangible demonstration of their commitment to the Group and to align with shareholders' interests. As a result, we implemented a shareholding guideline policy for our executives. Executives are required to build up minimum levels of personal shareholding in the Group. Additionally, executives, excluding the CEO, are required to hold 1.0 times GP as a minimum individual shareholding.

As an incentive, Vodacom will award additional FSP performance shares to executives who exceed the minimum requirements over a three-year vesting cycle (six years). The participants will be granted a performance share for every three additional shares held. This award will be capped so that holdings of no more than double the minimum requirements will be recognised. The period over which the executives are permitted to build up this shareholding is based on the vesting of three cycles of the annual awards under the FSP.

Section 3

Implementation and remuneration disclosure of the Group CEO, Group CFO and NEDs

Implementation report

The implementation report details the outcomes of implementing the approved remuneration policy in the current financial year as detailed in section 2.

Following Till Streichert's resignation as Group CFO on 30 June 2020, Vodacom appointed an acting Group CFO from 1 July 2020 to 31 October 2020. The new Group CFO, Raisibe Morathi, commenced employment on 1 November 2020.

2021 GP

RemCo undertakes an annual salary review process that analyses market benchmarking and risks associated with retaining key management personnel. Based on this year's analysis, RemCo approved the following increase for the Group CEO. The Group CFO resigned subsequently and as a result was not eligible for an increase.

| Executive director | 2021 ZAR | 2020 ZAR | % increase |
|--------------------|------------|------------|------------|
| MS Aziz Joosub | 12 676 500 | 12 247 500 | 3.5% |

The GP figures above include retirement fund contributions, medical aid and a company car.

Vodacom benchmarks its Group CEO remuneration through comparisons using:

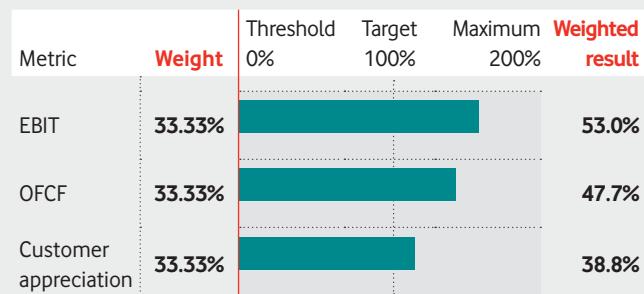
- An appropriate premium and/or discount to the individual incumbents of direct competitors;
- A portfolio of similarly sized companies, where sizing is based on a combination of market cap, number of employees, total assets and turnover; and
- A grade-based approach to a local executive remuneration survey.

Given the analysis of all three of these benchmarking approaches, and in analysing both guaranteed and total remuneration (total including STIP and LTIP), RemCo approved 3.5% increase for Shameel Joosub as being appropriate for GP, and increased his share allocation from total remuneration.

All employees received a GP increase of 5% on average in South Africa and market-related increases were given in our international operations.

2021 GSTIP performance

The graphic below shows the extent the Group's targets were met for the year ended 31 March 2021.



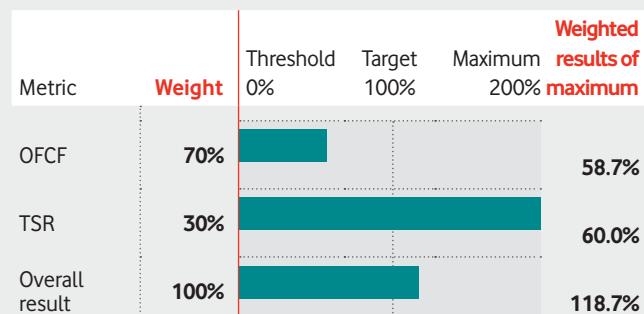
The overall achievement of target is 139.5%. The comparable Group STI achievement for 2020 was 95.4%.

Based on a combination of Group and individual performance (as detailed in the remuneration policy), the resultant STIP awards for the Group CEO and Group CFO were:

| Executive directors | 2021 ZAR | 2020 ZAR | % increase |
|---------------------|------------|------------|------------|
| MS Aziz Joosub | 17 683 718 | 11 658 115 | 51.7% |
| Raisibe Morathi | 3 895 490 | n/a | — |

2021 LTIP performance

Achievement of the 2021 LTIP represents the final vesting percentage for awards made in June 2018, where the three-year performance period concluded on 31 March 2021. These shares will vest in June 2021 and will be disclosed in the table of single total figure of remuneration at the year-end share price of R126.26 for Vodacom shares.



The overall achievement was 59.35% of the vesting range. The comparable Group LTIP achievement for 2020 was 50.8%.

Shameel Joosub
(Group CEO)



- The maximum STI for Shameel is 2.0 times the target. This is the maximum business performance multiplier as no personal multiplier is applicable.
- Similarly to the STI, Shameel does not have an individual performance multiplier on LTI. Therefore, the maximum represents the potential maximum of shares that could vest, whereas on-target represents the number of shares that are anticipated to vest.
- Dividends are received in cash on all outstanding unvested FSP awards at each dividend declaration date. Since the dividend varies from period to period, it has not been included in the pay mix depiction indicated above.

Tables of single total figure of remuneration

The following tables were prepared per the provisions of King IV and practice notes, and include an LTIP amount. The LTIP is valued at the year-end share price of R126.26 for Vodacom shares and GBP1.32 for Vodafone shares.

| S Joosub | 2021 | 2020 | % increase | Currency |
|-------------------------------------|-------------------|------------|------------|----------|
| GP | 12 569 250 | 12 060 625 | 4.2 | ZAR |
| Other ¹ | 4 800 | 4 800 | 0.0 | ZAR |
| STI ² | 17 683 718 | 11 684 115 | 51.3 | ZAR |
| LTI ³ | 16 987 905 | 14 322 825 | 18.6 | ZAR |
| FSP | 14 593 052 | 6 454 766 | 126.1 | ZAR |
| FSP match | — | 4 482 452 | (100.0) | ZAR |
| Vodafone shares | 2 394 853 | 3 385 607 | (29.3) | ZAR |
| Dividends ⁴ | 7 762 669 | 5 374 033 | 44.4 | ZAR |
| Total (pre-tax) | 55 008 342 | 43 446 398 | 26.6 | ZAR |
| Total (post-tax)⁵ | 30 254 588 | 23 895 519 | 26.6 | ZAR |

1. This includes the Vodacom cellphone benefit.

2. These amounts relate to the bonus payable in June 2021, which is derived from performance for the year ended 31 March 2021.

3. LTIP awards made in June 2018 will vest in June 2021 based on unvested FSP awards and cash-settled in lieu of dividends on Vodafone matching shares, as well as dividends received on Siyanda units. This does not include applied dividends received on awards where the performance measurement period has been concluded using the closing share price on 31 March 2021 for both Vodacom (R126.26) and Vodafone shares (GBP1.32).

4. Dividends are the total of cash receipts during the financial year.

5. Post-tax values are indicative using a 45% rate of taxation being applied to the gross amount.

Outstanding share awards (value of shares)

In the tables below, the value at award represents the face value of shares at the time of award. The value at year end, after adjusting for share price movements and the targeted vesting level, thus represents the current estimate of value likely to accrue to participants.

The column indicated by "settled in the year" represents the cash value of all awards that were settled per King IV's disclosure requirements. Similarly, the column indicated by "forfeited in the year" represents the cash value forfeited by participants in the year.

| Financial year awarded | Date awarded | Value at award date | Estimated effect of share price ¹ | Estimated effect of performance targets ² | Forfeited in the year ³ | Settled in the year ³ | Value at year end ⁴ | Currency |
|--|--------------|---------------------|--|--|------------------------------------|----------------------------------|--------------------------------|----------|
| Conditional benefit – restricted shares | | | | | | | | |
| 2014 | May 2013 | 23 669 391 | 2 669 707 | – | – | – | 26 333 909 | ZAR |
| Vodacom FSP – with company performance vesting conditions | | | | | | | | |
| 2018 | Jun 2017 | 18 000 294 | (4 090 873) | – | 6 843 464 | (7 065 957) | – | ZAR |
| 2019 | Jun 2018 | 29 680 063 | (5 091 939) | (12 294 062) | – | – | 12 294 062 | ZAR |
| 2020 | Jun 2019 | 32 200 093 | 2 451 964 | (17 326 029) | – | – | 17 326 028 | ZAR |
| 2021 | Jun 2020 | 42 866 299 | (1 150 248) | (20 858 026) | – | – | 20 858 025 | ZAR |
| Vodacom matching award | | | | | | | | |
| 2018 | Jun 2017 | 12 500 135 | (2 840 868) | – | (4 752 395) | (4 906 872) | – | ZAR |
| Vodafone matching award | | | | | | | | |
| Vodafone made a matching award of performance shares to the equivalent value. The Vodafone matching award will vest based on actual targets achieved. The target range is 0% – 250%. | | | | | | | | |
| 2018 | Aug 2017 | 283 622 | (134 192) | – | (73 519) | (75 911) | – | GBP |
| Vodafone CSP | | | | | | | | |
| 2019 | Jun 2018 | 293 288 | (83 283) | – | – | – | 210 005 | GBP |
| 2020 | Jun 2019 | 316 240 | 19 447 | – | – | – | 335 687 | GBP |
| 2021 | Nov 2020 | 305 591 | 11 742 | – | – | – | 317 333 | GBP |
| Siyanda units | | | | | | | | |
| 2019 | Mar 2019 | 700 690 | 639 850 | – | – | – | 1 340 540 | ZAR |
| 2020 | Jun 2019 | 22 481 | 19 406 | – | – | – | 41 887 | ZAR |
| 2020 | Nov 2019 | 7 120 | 6 842 | – | – | – | 13 962 | ZAR |

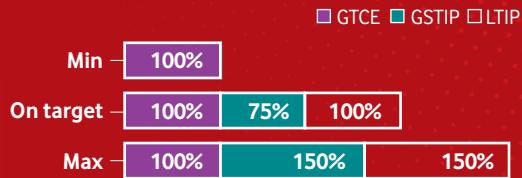
1. The estimated effect of share price is based on the share price movement between the date of award and the closing price on 31 March 2021.

2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.

3. Shares settled and forfeited in the year at a share price of R128.09 for both FSP and matching awards.

4. Value at year end is based on the closing share price on 31 March 2021 of R126.26 for Vodacom shares and GBP1.32 for Vodafone shares and R39.22 for Siyanda units.

Pay mix for
Raisibe Morathi
(Group CFO)
Commenced
employment
1 November 2020



- The maximum STI for Raisibe is 2.0 times the target. This is the maximum business performance multiplier as no personal multiplier is applicable.
- Similar to the STI, Raisibe does not have an individual performance multiplier on LTI. Therefore, the maximum represents the potential maximum of shares that could vest, whereas on-target represents the number of shares that are anticipated to vest.
- Dividends are received in cash on all outstanding unvested FSP awards at each dividend declaration date. Since the dividend varies from period to period, it was not included in the pay mix depiction above.

Single total figure of remuneration

The following tables have been prepared in accordance with the provisions of King IV and practice notes and thus include an LTIP amount. The estimated effect of share price is based on the share price movement between the date of award and the closing price of R126.26 on 31 March 2021.

| R Morathi | 2021 | Currency |
|-------------------------------------|-------------------|----------|
| GP | 3 750 000 | ZAR |
| Other ¹ | 6 001 600 | ZAR |
| STI ² | 3 895 490 | ZAR |
| LTI ³ | — | |
| FSP | — | |
| Vodafone shares | — | |
| Dividends ⁴ | 360 022 | ZAR |
| Total (pre-tax) | 14 007 112 | ZAR |
| Total (post-tax)⁵ | 7 703 912 | ZAR |

1. This includes the Vodacom cellphone benefit and a cash sign-on payment.

2. These amounts relate to the bonus payable in June 2021, which is derived from performance for the year ended 31 March 2021.

3. Sign-on share awards – two-year and three-year vesting. Due to date of appointment, no LTIP expected to vest in June 2021.

4. Dividends are the total of cash receipts during the financial year based on unvested FSP awards as well as dividends received on Siyanda units.

5. Post-tax values are indicative using a 45% rate of taxation being applied to the gross amount.

Outstanding share awards (value of shares)

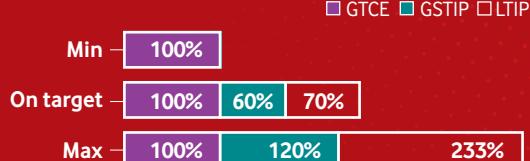
| Financial year awarded | Date awarded | Date vesting | Value at award date | Estimated effect of share price ¹ | Estimated effect of performance targets | Forfeited in the year | Settled in the year | Value at year end ² | Currency |
|--|--------------|--------------|---------------------|--|---|-----------------------|---------------------|--------------------------------|----------|
| Vodacom FSP awards with no performance conditions | | | | | | | | | |
| 2021 | Nov 2020 | Nov 2022 | 5 999 960 | 38 803 | — | — | — | 6 038 763 | ZAR |
| 2021 | Nov 2020 | Nov 2023 | 5 999 960 | 38 803 | — | — | — | 6 038 763 | ZAR |

1. The estimated effect of share price is based on the share price movement between the date of award and the closing price on 31 March 2021.

2. Value at year end is based on the closing share price on 31 March 2021 of R126.26 for Vodacom shares.

 Funding of share plans and dilution details of the shares used for the FSP are set out in the consolidated annual financial statements and the directors' report, which is available on www.vodacom.com.

**Pay Mix for
Till Streichert
(Group CFO)**
Resigned effective
30 June 2020



Till's maximum STIP was 2.0 times, which is the maximum business performance multiplier of 2.0 times. Till participates in the Vodafone share scheme and qualifies for dividend equivalent shares at the end of the vesting period, and only on the portion of the shares that vested (performance and retention).

Single total figure of remuneration

The following tables were prepared in accordance with the provisions of King IV and practice notes, and thus include an LTIP amount. In the current year, no LTIP was awarded.

| T Streichert | 2021 | 2020 | % increase | Currency |
|------------------------------------|----------------|-----------|------------|----------|
| GP | 113 068 | 452 799 | (75.0) | GBP |
| Other ¹ | 66 907 | 254 794 | (73.7) | GBP |
| STI ² | – | 210 357 | (100.0) | GBP |
| LTI ³ | – | 149 985 | (100.0) | GBP |
| Vodafone shares | – | 149 985 | (100.0) | GBP |
| Dividends equivalent shares | – | 19 011 | (100.0) | GBP |
| Total (pre-tax) | 179 975 | 1 086 946 | (83.4) | GBP |
| Total (pre-tax)⁴ | | | | |

1. This includes the Vodacom cellphone benefit. For assignees, this amount includes the gross value of assignment allowances, home flights, accommodation and educational benefits for children paid.

2. These amounts relate to the bonus payable in June 2020, which is derived from performance for the year ended 31 March 2020. No STI payment in June 2021 due to resignation.

3. LTI awards made in June 2017 vested in June 2020. No LTIP vesting in June 2021 due to resignation.

4. The CFO is taxed under a different regime, hence no post-tax value is indicated for him.

Outstanding share awards (value of shares)

As Till resigned effective 30 June 2020, all unvested shares were forfeited.

S Mdlalose was appointed as acting chief financial officer of Vodacom Group Limited for a period of four months from 1 July 2020 until 31 October 2020. During this period he did not receive any additional benefit for his role as acting chief financial officer and also continued in office as the finance director of Vodacom (Pty) Limited, a position which he continues to hold.

Termination of office payments

King IV recommends that the implementation report should contain details of payments made due to any termination of employment for executive management. For 2021, there were no such payments made.

Shareholding

 Details of the beneficial interests of directors in Vodacom's ordinary shares (excluding interests in the LTIP) are set out in the directors' report in the consolidated annual financial statements available online on www.vodacom.com.

All awards granted under the FSP are settled through the shares purchased in the market and not by newly issued shares.

Policy compliance

The disclosure presented in this report is based on awards to qualifying employees where all remuneration decisions were made in total compliance with the remuneration policy as approved previously by shareholders. There were no known deviations from the policy in 2021.

Remuneration report 2021 continued

NED payments

Under our memorandum of incorporation, shareholders must approve these fees at the AGM. The current fee level was approved on 21 July 2020 at the AGM and was implemented on 1 August 2020.

2021 fees

| Name | Director fee R | ARCC Chairman R | ARCC member R | RemCo Chairman R | RemCo member R | Nomination Committee member R | Social and Ethics Committee Chairman R | Social and Ethics Committee member R | Other committees R | Total R |
|---------------------------------------|----------------------|-----------------------|---------------------|------------------------|----------------------|--|--|--|--------------------------|------------|
| SJ Macozoma ^{1,4} | 2 433 612 | – | 62 440 | – | – | 38 797 | 112 622 | – | – | 2 647 471 |
| PJ Moleketi ^{1,5} | 906 582 | – | – | – | – | – | – | – | – | 906 582 |
| DH Brown ¹ | 635 710 | 380 533 | – | – | 152 623 | – | – | – | 284 324 | 1 453 190 |
| V Badrinath ^{2,3,6} | 381 000 | – | – | – | 113 852 | 94 950 | – | 98 116 | 96 005 | 783 923 |
| F Bianco ³ | 508 000 | – | – | – | – | – | – | – | – | 508 000 |
| P Klotz ^{2,7} | 508 000 | – | – | – | – | – | – | – | 99 171 | 607 171 |
| P Mahanyele- Dabengwa ¹ | 508 000 | – | – | 267 092 | – | 87 803 | – | – | – | 862 895 |
| NC Nqweni ⁸ | 508 000 | – | 148 103 | – | – | – | – | 92 024 | – | 748 127 |
| A O'Leary ^{2,3,9} | 127 000 | – | – | – | – | – | – | – | – | 127 000 |
| JWL Otty ³ | 508 000 | – | – | – | – | – | – | – | 162 471 | 670 471 |
| KL Shuenyane ^{1,2,10} | 351 133 | – | 148 103 | – | – | – | 116 314 | 25 558 | 99 171 | 740 279 |
| S Sood ³ | 508 000 | – | – | – | – | – | – | – | – | 508 000 |
| CB Thomson ^{1,11} | 508 000 | – | 210 544 | – | – | – | – | – | – | 718 544 |
| LS Wood ³ | 508 000 | – | – | – | 152 623 | 126 600 | – | – | – | 787 223 |
| 8 899 037 | 380 533 | 569 190 | 267 092 | 419 098 | 348 150 | 228 936 | 215 698 | 741 142 | 12 068 876 | |

1. Fees excluding VAT paid.

2. Fees for a portion of the year.

3. Fees paid to Vodafone and not the individual director.

4. Saki Macozoma was appointed as Board Chairman on 22 July 2020.

5. Jabu Moleketi resigned as director and Board Chairman on 21 July 2020.

6. Vivek Badrinath resigned on 31 December 2020.

7. Pierre Klotz was appointed on 1 April 2020.

8. Nomkhita Nqweni was appointed as an alternate director to Phuthi Mahanyele-Dabengwa on 1 April 2020.

9. Anne O'Leary was appointed on 1 January 2021.

10. Khumo Shuenyane was appointed on 21 July 2020.

11. Clive Thomson was appointed on 1 April 2020.

Based on Board and committee membership during the year, the following payments were made to NEDs for the financial year ended 31 March 2020:

2020 fees

| Name | Director fee R | ARCC Chairman R | ARCC member R | RemCo Chairman R | RemCo member R | Nomination Committee member R | Social and Ethics Committee Chairman R | Social and Ethics Committee member R | Other committees R | Total R |
|---------------------------------------|----------------------|-----------------------|---------------------|------------------------|----------------------|--|--|--|--------------------------|------------|
| PJ Moleketi ^{1,2} | 2 871 000 | – | – | – | – | – | – | – | – | 2 871 000 |
| DH Brown ^{1,2} | 496 917 | 351 142 | – | – | 147 700 | – | – | – | 55 388 | 1 051 147 |
| V Badrinath ³ | 496 917 | – | – | – | 147 700 | 126 600 | – | 126 600 | 36 150 | 933 967 |
| F Bianco ^{1,4,5} | 338 667 | – | – | – | 46 454 | 39 818 | – | – | – | 424 939 |
| M Joseph ^{1,4,6} | 149 317 | – | – | – | – | – | – | – | – | 149 317 |
| BP Mabelane ^{4,7} | 369 917 | – | 149 603 | – | – | – | – | – | – | 519 520 |
| SJ Macozoma ^{1,2} | 645 994 | – | 200 541 | – | – | 126 600 | 221 552 | – | – | 1 194 687 |
| P Mahanyele- Dabengwa ¹ | 496 917 | – | – | 258 476 | – | – | – | – | – | 755 393 |
| JWL Otty ³ | 496 917 | – | – | – | – | – | – | – | 72 300 | 569 217 |
| T Reisten ^{3,8} | 496 917 | – | – | – | – | – | – | – | 36 150 | 533 067 |
| S Sood ³ | 496 917 | – | – | – | – | – | – | – | – | 496 917 |
| LS Wood ^{3,4,9} | 347 600 | – | – | – | 101 246 | 86 782 | – | – | – | 535 628 |
| 7 703 997 | 351 142 | 350 144 | 258 476 | 443 100 | 379 800 | 221 552 | 126 600 | 199 988 | 10 034 799 | |

1. Fees excluding VAT paid.

2. Independent NEDs received an amount of R2 000 in January 2020 for incidental expenses while travelling to Board meetings held in London.

3. Fees paid to Vodafone and not the individual director.

4. Fees for a portion of the year.

5. Francesco Bianco was appointed as an alternate director to LS Wood on 24 July 2019.

6. Michael Joseph resigned on 24 July 2019.

7. Priscillah Mabelane resigned on 31 December 2019.

8. Thomas Reisten resigned on 31 March 2020.

9. Leanne Wood was appointed on 24 July 2019.

NEDs

 NED fees are benchmarked against a peer group of similar-sized companies as detailed in the full remuneration report available on www.vodacom.com. Vodacom believes that NEDs' duties and fiduciary responsibilities extend well beyond simple attendance at meetings. For this reason, fees are set as single retainer amounts irrespective of meeting attendance. NEDs neither receive any short-term cash awards nor do they receive any long-term share awards.

Disclaimer

Non-IFRS information

This report contains certain non-IFRS financial measures which have not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to the comparable IFRS measures.

Normalised growth

All amounts in this Integrated report marked with a * represent normalised growth, which presents performance on a comparable basis. This adjusts for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results. We believe that normalised growth, which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- It provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- It is used for internal performance analysis; and
- It facilitates comparability of underlying growth with other companies, although the term normalised is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Connected Farmer, Vodafone Supernet, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product and company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This integrated report, which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2021, contains 'forward-looking statements' which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding

the Group's financial condition or results of operations, including the confirmation of the Group's targets and expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'will', 'anticipates', 'aims', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans' or 'targets' (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues; and changes resulting directly or indirectly from the COVID-19 pandemic.

All subsequent written or oral forward-looking statements attributable to Vodacom, to any member of the Group or to any persons acting on their behalf, are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable laws and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Glossary

| | |
|-----------|---|
| * | All amounts in this Integrated report marked with a * represent normalised growth which presents performance on a comparable basis. This adjusts for trading foreign exchange, foreign currency fluctuation on a constant currency basis (using the current year as base) and excludes the impact of merger, acquisition and disposal activities, at a constant currency basis where applicable, to show a like-for-like comparison of results. |
| # | Information pertaining to South Africa only. |
| 2G | 2G networks are operated using global system for mobile (GSM) technology which offer services such as voice, text messaging and basic data. In addition, the entire Group's controlled networks support general packet radio services (GPRS), often referred to as 2.5G. GPRS allows mobile devices to access internet protocol (IP) based data services such as the internet and email. |
| 3G | A cellular technology based on wideband code division multiple access (CDMA) delivering voice and data services. |
| 4G | 4G technology offers even faster data transfer speeds than 3G/HSPA. |
| 5G | Fifth-generation wireless is the latest iteration of cellular technology, engineered to greatly increase the speed and responsiveness of wireless networks. |

BEE

Black economic empowerment is a programme launched by the South African government to redress inequalities by giving previously disadvantaged groups opportunities previously not available to them. It includes measures such as employment equity, skills development, ownership, management, socioeconomic development and preferential procurement.

Churn

Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.

Consumer

A customer in their individual capacity accessing mobile and/or fixed products and services.

EBITDA

Earnings before interest, taxation, depreciation and amortisation, impairment losses, profit/loss on disposal of investments, property, plant and equipment and intangible assets, profit/loss from associate and joint venture, restructuring costs and BEE income/charge.

Enterprise

A customer that is a business or company accessing mobile and/or fixed products and services.

FTTx

The number of fixed-line connections in South Africa, which includes fibre to the home (FTTh) and fibre to the business (FTTb).

International

International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho, as well as the operations of Vodacom International Limited and Vodacom Business Africa.

n/a

Not applicable.

n/m

Not measured.

Smart devices

Smart devices include smartphones, tablets and modems.

South Africa

Vodacom South Africa is commonly referred to as South Africa in the Integrated report. It relates to Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPVs.

TSR

Total shareholder returns consist of the aggregate share price appreciation and dividend yield.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: US92858D2009 ADR code: VDMCY)
(Vodacom)

Secretary and registered office of Vodacom Group Limited

Sandi Linford
Vodacom Corporate Park
082 Vodacom Boulevard
Midrand 1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Email: companysecretary@vodafone.co.za

Sponsor

UBS South Africa (Pty) Limited
(Registration number 1995/011140/07)
144 Oxford Road
8th Floor South Wing
Melrose, Johannesburg 2196, South Africa
(PO Box 522194, Saxonwold
Rosebank 2196, South Africa)

Auditors

Ernst & Young Inc.
102 Rivonia Road
Sandton
South Africa
(Private Bag X14, Sandton 2146, South Africa)

ADR depository bank

Deutsche Bank Trust Company Americas
c/o Ast and Trust Co
Peck Slip Station
(PO Box 2050, New York NY, 10272 – 2050)

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
(Private Bag X9000, Saxonwold, 2132)

Group investor relations

Telephone: +27 11 653 5000
Email: vodacomIR@vodafone.co.za
Website: www.vodafone.com

Group media relations

Telephone: +27 11 653 5000
Email: mediarelations@vodafone.co.za
Website: www.vodafone.com

